

Shaking ground in global trade by reaching across Pacific Ocean

Trans-Pacific Partnership will link nearly 800 million people

JEFF BUCKSTEIN

The recently signed Trans-Pacific Partnership agreement has sparked fierce debate and divergent opinions among business and political leaders, but one point unites almost everyone—the TPP is a significant, ground-changing trade deal with enormous implications for the world economy.

The full text of the agreement had not yet been released at press time, and experts cautioned that the old cliché about 'the devil is in the details' applies with the TPP, as with any trade agreement. But participating governments have released a broad outline to media and to business, and much is already known.

The TPP links nearly 800 million people in a dozen countries, including Canada, which produce a combined annual gross domestic product of close to \$30 trillion. All three participants in the North American Free Trade Agreement (NAFTA)—Canada, the United States, and Mexico—are signatories to the deal, which expands their geographic reach considerably. Chile, Peru, Australia, New Zealand, Japan,



Jennifer Souch assembles an engine at the GM factory in Oshawa, Ont. in June 2011. Jerry Dias, national president of Unifor, which represents 40,000 auto workers, worries that Canada has been outmanoeuvred by Japan in the recent Trans-Pacific Partnership trade deal, putting his union's jobs at risk. FRANK GUNN / THE CANADIAN PRESS

Malaysia, Singapore, Vietnam and Brunei have joined them in a much broader area of freer trade.

The federal government says this will provide Canada with preferential access to several

important, growing Asia-Pacific markets.

"Tariffs and other barriers faced by a wide range of Canadian products from various sectors will be cut; these sectors include

agriculture and agri-food, fish and seafood, forestry and value-added wood products, metals and mining, and manufactured industrial goods," the Department of Industry says. **Page 23**

Mr. Big stings taking another hit in Quebec

LUIS MILLAN

The Quebec Court of Appeal has freed a man convicted of the first degree murder of his pregnant wife after it found police obtained his confession under duress via a "Mr. Big" sting operation, the second time this year that the province's appeal court has taken a dim view of the elaborate police strategy.

"Thousands and thousands of dollars are invested by the state in these Mr. Big operations to try to elicit a confession," said Montreal criminal lawyer Jean-Philippe Marcoux. "And after all that, for it to reach the court who ordered a stay of proceedings, it is a dismal failure."

In a case that applied the framework established last year by the Supreme Court of Canada over the admissibility of confessions elicited during Mr. Big operations, the appeal court held that the confession could not be accepted because the sting operation featured threats and staged violence, and amounted to coercion. The appeal court held that since the police operation was found to be an abuse of process, it ordered a stay of proceedings.

"The undercover operation was proving to be effective but the police chose to simulate quite a bit of violence." **Page 11**

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News

Dias: Union head worries Canada lost in deal

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ment of Foreign Affairs. Trade and Development Canada said in a press release announcing the signing. "The agreement will also provide improved access in areas such as financial, professional, architectural and engineering, research and development, environmental, construction and transportation services."

Cyndee Todgham Cherniak, founder of LexSage Professional Corporation, an international trade law and sales tax firm in Toronto, called the TPP "a great deal," adding that "this is the biggest one that we've entered into in terms of the number of countries."

Among the opposition to Canada's participation in the TPP, the leader of Canada's largest private-sector union predicts the country's auto industry will lose 20,000 jobs, predominantly in its auto parts sector.

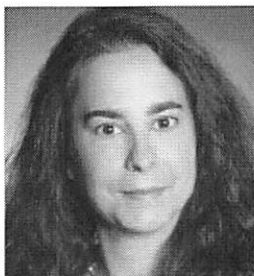
"The government sacrificed the auto industry in the TPP talks," said Jerry Dias, national president of Unifor, which represents more than 300,000 members, including 40,000 auto-sector workers. "Japan clearly outmanoeuvred Canada. They worked to protect their industry. They worked to enhance their industry, while Canada did everything to make sure that our industry is now going to be in a more difficult predicament than it already was."

Under the TPP, at least 45 per cent of imported vehicle and core parts, and 40 per cent of other auto parts, must originate from one of the agreement's 12 participating countries. The figures are a decline from the related 62.5 per cent requirement for the value of cars, and 60 per cent requirement for auto parts, that Canada, the U.S. and Mexico operate with under NAFTA.

Todgham Cherniak said it is too early to determine whether Canadian auto sector jobs are going to be lost, or conversely, whether jobs might possibly increase if the TPP provides an incentive for companies to bring employment home rather than shift production overseas.

Milos Barutcski, Toronto-based leader of Bennett Jones' international trade and investment practice, also said it is too early to determine the impact of the TPP on the auto sector, including potential job losses.

Many large Canadian parts manufacturers are global companies, and their ability to provide very close, tight supply chains provides a significant advantage. For example, a plant in southwestern Ontario that in turn supplies U.S. assembly plants can access much of that country within a one-day truck



“This is the biggest one that we've entered into in terms of the number of countries.”

Cyndee Todgham Cherniak
LexSage Professional Corporation

ride, and it can reach much of the northeast within hours, Barutcski noted.

"These kinds of parts are heavy, they're bulky, and they generally go by sea. So if you send something by sea from Asia you know how long that takes. Whereas here, you're talking about getting your order in, and punching the parts out, getting them supplied within a day, let alone hours," he said.

One day after the TPP deal was announced, the government pledged to provide \$1 billion to the auto industry over a 10-year period beginning in fiscal 2017-18



to assist with any repercussions arising from the agreement.

"We interpret this announcement as an acknowledgment by the Harper Conservatives that the TPP poses a significant threat

to Canada's auto industry," said Dias in a press release.

"Today's program won't start until 2017-18. Canada's auto industry and the communities who rely on it can't wait that long. For example, the fate of GM's assembly plant in Oshawa will be determined before this new announcement spends a single dollar."

Another controversial element of the TPP deal insofar as Canada is concerned involves dairy farming, and whether the country's protective supply-management system will be maintained more or its market opens to foreign access, in return for an expanded reach for exports.

The TPP deal ultimately will open up an additional 3.25 per cent of Canada's dairy sector market to foreign competition, after speculation that some of the parties at the TPP negotiating table wanted Canada to open up as much as 10 per cent.

"I think our negotiators have done an absolutely incredible job limiting it to 3.25 per cent. I think that the dairy farmers have done really well," said Todgham Cherniak.

"It's difficult to say that you're ever pleased with something when you're giving something up. Nobody wants to lose market access," said Graham Lloyd, general counsel and director of communications for the Dairy Farmers of Ontario.

"We certainly understand that this government was intent upon getting the Trans-Pacific Partnership deal done. That was a top priority to them. And in the context of that, and in the context of the demands that we understand were placed on them, we're grateful that they did not give up more access."

Todgham Cherniak noted that Canada's three pillars of supply management—domestic controls over volume; import controls, or quotas, with accompanying tar-

“The time will come sooner rather than later where the [supply-management] system will collapse.”

Milos Barutcski
Bennett Jones

iffs; and a pricing mechanism tied to a production floor to ensure dairy farmers get paid—remain standing despite some pre-TPP predictions they might disappear as a price for joining,



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Barutcski doesn't believe a 3.25 per cent increase in market access will make much difference to Canadian producers, or have a material impact on consumers in terms of pricing. But while supply management remains intact, he questioned how long that will be the case. As the TPP establishes more trade and commercial relationships, more dairy products from countries like New Zealand and the U.S. will be coming into Canada, putting pressure on the supply-management system.

"The time will come sooner rather than later where the system

cent reduction in supply-management protection will mean some dairy farmers will just become cash-poor.

"The 3.25 per cent may seem immaterial to the dairy industry as a whole but it is, in most cases, higher than the producers' return on investment," said Hemeryck, who has a large client base in the farming sector. "The dairy industry will survive, I'm sure, as farmers are eternal optimists and have developed acute business acumen over the past number of years, but the industry will not at all look like what it does today. Dairy producers will form part of the same ranks as other marginal farmers in this country, where off-farm income is becoming the norm."

The federal government is preparing a compensation package of \$4.3 billion to cover supply-managed producers and processors in dairy farming and other related industries over a 15-year period.

"The immediate one that stood out was the \$450 million for investment into further processing. We think that's necessary and will be of added value to the processing side of the industry," said Lloyd.

However, his Dairy Farmers of Ontario organization is reserving judgment on the effectiveness of the rest of the government's compensation package. It's not possible to look at that now and assess its value without undertaking an economic analysis of factors such as income loss and products most affected, said Lloyd.

Participating countries must still ratify the TPP deal, a process that could take months or years. And while some legislators in the U.S. Congress have indicated their opposition, Barutcski predicted the TPP will ultimately pass.

"At the end of the day, you have a Democratic president who relies on the Republican majority vote to give him trade authority...and the administration has been very closely co-ordinating with the Republican leadership to make sure this agreement gets through," he said.

At press time, the federal election in Canada was still ongoing, too, which raised the spectre of what might happen in the event of a possible change of government. Liberal Leader Justin Trudeau said his party is generally pro free-trade, but wanted to examine details of the agreement. NDP leader Thomas Mulcair expressed strong disagreement with the TPP and indicated he wouldn't be bound by it.

will collapse," Barutcski predicted. Larry Hemeryck, a chartered professional accountant in Simcoe, Ont., said farmers are typically asset-rich and cash-poor, but the TPP deal and its 3.25 per