

***It's the U.S., Stupid—Forget WTO, and
Build Bilateral Agreements***

**BDO Dunwoody CEO/Business Leader Poll
by COMPAS in the Financial Post
for publication July 31, 2006**



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1.0 Introduction

On few issues has the COMPAS CEO panel reversed its position so thoroughly and quickly as on trade strategy. Three years ago, the panel favoured prioritizing the WTO over bilateral agreements by almost 2:1. Today, CEOs and business leaders on the panel want the federal government to prioritize bilateral agreements by more than 3:1, particularly but not exclusively our southern neighbour. To borrow from Bill Clinton, "It's the U.S., stupid."

Panelists want Canada to invest effort into both developing new bilateral relationships and improving Canada-U.S. trade relations. They have lost confidence in the WTO's ability to make progress, attributing WTO weakness to European and U.S. commitment to agricultural subsidies and other factors.

These are the key findings from the current web-survey of the COMPAS panel of CEOs and business leaders undertaken for the *Financial Post* under sponsorship of BDO Dunwoody LLP.

2.0 WTO Collapses as a Priority for Canada

Panelists want Canada to focus on bilateral relations with trade partners like the U.S. and no longer on the WTO, as shown in table 2A. On the specific issue of whether our focus should be the United States or other potential partners, the panel is essentially split, as shown in table 2B. Confidence in the World Trade Organization has fallen over the three year period, as shown in table 2C.

One business leader summed up others' opinions on the primacy of the U.S.: "Face facts, the U.S. remains overwhelmingly our largest trading partner - that's where our bread is buttered - so that's where our priority should rest."

Mindful of the importance of the U.S., some panelists nonetheless want effort to create bilateral agreements elsewhere. As one CEO put it, "In the wake of the Doha disagreement, we should be focusing our attention on negotiating other trade agreements. In particular, we should approach Australia and the



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E.U.” “We should accept the fact that WTO is no longer exists practically,” offered another CEO. “It’s about time for Canadian authorities to negotiate bilateral treaties [with various other countries].”

*Table 2A: Q1: “In your opinion, the Canadian government can best protect Canadian trading interests by focusing on...”
[ROTATE]*

	Aug. 2006	Aug. 2003
Negotiating one-on-one with other trade partners like the United States, which consumes the vast majority of Canadian exports	71	35
Working with the WTO, given their major role in designing world trade laws in the past	21	57
Don’t know or no opinion	8	8

Table 2B: Q5: “As a result of the WTO stall, should the Canadian government focus on...” RANDOMIZE

	%
Signing bilateral deals with other individual countries	45
Re-igniting the WTO talks	10
Improving trade relations with the U.S.	41
Don’t know or no opinion	4



Table 2C: Q2: "Using a 100-point, school-type report card, please score your confidence in the WTO's ability to handle and resolve trade disputes."

	Mean	DNK
Aug. 2006	44	1
Aug. 2003	51	NA ¹

3.0. Agricultural Protectionism a Major Impediment to WTO Progress

Several factors are at work impeding WTO program, say members of the panel. European and American commitments to agricultural subsidies top the list, as shown in table 3A.

Some panelists volunteered that agricultural protectionism was a problem for Canada and not just for Europe and the U.S. One CEO put it this way:

Consumers are screwed by the various provincial marketing boards! Free markets will provide low cost produces and economy of scale. When the U.S. spends billions [on] farmers not to grow crops, any other commercial enterprise would be subjected to the Department of Justice and antitrust laws. The sooner the Canadian government puts the farm lobby aside, and begins to adapt the models of Australia and New Zealand, the sooner consumers will realize free-market prices, and basic commodities will reflect their true value. Until then should we expect that in the future, eggs will be \$5 a dozen, butter \$20/kg, and \$30 chickens. Let's face it, Canadian lack the balls and political will to fix a busted system. It's all about the farm vote. The WTO is spinning its

¹ There was no DNK option in Aug. 2003.



wheels, and third world emerging economies continue to get screwed over. Where's the aid?

Table 3A: Q3: "On a 7 point scale where 7 signifies a major barrier to further multilateral trade progress and 1, the opposite, how would you rate each of the following as reasons for WTO talks stalling in recent days?" RANDOMIZE

	Mean	7	6	5	4	3	2	1	DNK
European commitment to agricultural subsidies	5.9	31	31	17	7	3	0	0	10
U.S. commitment to agricultural subsidies	5.8	28	33	20	7	3	2	0	7
The inherent complexity of trade talks among more than a hundred countries	5.4	25	28	24	7	7	4	2	3
The growing possibility of bilateral and regional trade agreements	5.0	11	26	21	23	7	3	2	9
The war-like atmosphere in the world today	4.3	16	14	16	13	14	12	10	6

4.0. Impact on World and Canadian Economies of WTO Stall—Neutral to Fractionally Negative

As shown in table 4, panelists expect the WTO stall to have no important impact on the economy. If there is an impact, it may impact more on the world economy, particularly third world countries, more than on Canada because of our access to the U.S.



Table 4: Q4: "On a 7 point scale where 7 means helps the economy and 1, harms the economy, what impact will the stalled WTO talks have on..."

	Mean	7	6	5	4	3	2	1	DNK
Canada's economy	3.8	2	5	11	43	23	8	3	5
The world economy	3.6	2	4	13	36	21	13	7	4

5.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted July 26-28. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.

Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of 122 are deemed accurate to within approximately 8.9 percentage points 19 times out of 20. The principal and co-investigator on this study are Conrad Winn, Ph.D and Tamara Gottlieb.

