

JEAN CHAREST

CETA: Canada should seize the historic trade opportunity with the EU

May 30, 2016

Jean Charest is a Partner at McCarthy Tetrault LLP and a former Premier of Quebec

The art of politics is about anticipating and the ability to seize the moment. On trade policy, Canada has a unique opportunity at hand with the Comprehensive Economic and Trade Agreement (CETA) between Canada and the European Union.

Only a short while ago, no one would have predicted a U.S. presidential campaign as negative and as regressive on trade issues as the one we are now witnessing. This time, however, all this rhetoric about trade is more than just the usual noise made by candidates before the election who, after the campaign, move to the centre and end up supporting trade agreements.

In truth, Americans are feeling disillusioned and frustrated with their political and business leadership. Two concurrent and related issues explain why. First, in the last 20 years, and especially since the financial and economic crisis of 2008, the American middle class has been losing ground.

Second, increased trade and supporting trade agreements, notably the North American free-trade agreement, have had a positive effect on the U.S. economy. The overall impact on the U.S. job market has been positive but a closer look at the numbers shows a reduction in manufacturing jobs in certain sectors of the economy and notably in specific urban areas and regions of the United States. Even if many other factors have contributed to this decline, trade agreements are singled out as the main culprit. All this debate has produced a deep wave of discontent that the presidential contenders of both parties have been seeking to capture and exploit for electoral purposes.

The consequences for Canada can be very damaging. Even if we are not the direct target of this negativity, we incur, more often than not, the collateral damage of U.S. protectionism.

Canada's overdependence on the U.S. market and American protectionism were among the reasons that led Canada to negotiate CETA with the European Union, after the failure of the Doha Round. It took us seven years to negotiate this agreement after it was proposed to the European side at Davos in 2007.

CETA is correctly described as the most advanced trade deal in the world. It is difficult to understate the opportunity for Canada. We are part of NAFTA, a market of 450 million consumers, and once concluded, CETA will give us a privileged access to a market of more than 500 million people.

It puts Canada right in the middle of two of the richest markets in the world and, again, timing is of the essence. We are in the last stages of approvals and ratifications and as we get closer, the European political agenda keeps getting more and more complicated.

The uncertain outcome of the Brexit vote will consume a lot of our European counterparts' energy and time. To add to the excitement, for the first time, because of the Treaty of Lisbon, the European Parliament must approve CETA. This will be the first time that these new powers will be exercised for the ratification of an international agreement.

In the backdrop of CETA, negotiations between the United States and Europe, known by the acronym TTIP (Transatlantic Trade and Investment Partnership), have become widely unpopular in Europe and don't have much support in the United States. Opponents of the EU/U.S. negotiations are now taking the position that the best way to kill TTIP is to derail the CETA deal.

Add to all of this coming national elections in France and Germany, preceded by the Brexit vote and the U.S. campaign, and what we have is a very uncertain political landscape.

Canada can become the access point to the NAFTA market for Europeans and an access route to Europe, in particular for U.S. companies. Canada as a trade and investment hub between Europe and North America is exactly where we want to be. The immediate challenge for Canada is to get this deal done. At this point, we should enlist all the available resources we have to make our case, starting with our diplomats in the 28 European countries, in Brussels, and in every available forum.

Every provincial premier, ministers and business leaders under the leadership of the Canada Europe Roundtable should be mobilized to get the agreement approved and ratified as rapidly as possible.

In the short term, this should be Canada's foreign policy priority.