Canada would be hurt without EU trade deal

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CETA represents an unprecedented opportunity for Canada to regain a structural trade and investment advantage

As Canada continues its efforts to secure a comprehensive trade and investment pact with the EU, a chorus of voices has emerged arguing that Canada should suspend negotiations. The premise being that it is better to walk away than to accept a bad deal.

This raises a principal question – how do these commentators know if it's a bad deal? Of those who make this argument, most are on record as criticizing Canadian governments, federal and provincial, for not sharing with the public the key components of the deal that is being negotiated. Yet they now seem increasingly certain that the deal is not a good one because its conclusion remains elusive. Not exactly a rigorous conclusion.

Some go even further and argue that Canada should suspend its negotiations with the EU and focus on other 'pending' deals, such as with Korea, that has been languishing for years and for which the EU and U.S. have already concluded negotiations, or Japan, which is potentially interesting, but also is a country that is protectionist and facing fiscal and demographic challenges.

Were Canada to postpone negotiations on CETA, a deal in which the country could secure an early-mover advantage, to focus on Korea and Japan, establishing a competitive advantage in either market is improbable. Canada's seriousness of purpose would also be questioned, were it to jump from agreement to agreement when challenges arise.

The Europeans have recently achieved one of their principal goals – launching negotiations with the Americans in efforts to establish a transatlantic marketplace. The stated timeline of two years to complete a deal is unrealistic but Canada should not bet that Europe, once it starts to encounter difficulties with the U.S., would come back to the CETA negotiating table. For example, the quotas that have been agreed for Canada in CETA, including for agriculture and autos, could come in handy for the EU in its negotiations with the U.S.

If the U.S. secures a deal with the EU first, Canada will lose twice. Firstly, early-mover advantage into the EU market will be secured by a powerful competitor. Secondly, Canada's participation in the U.S. market will be compromised given the market access and investment provisions that would be in place for European exporters, investors and service providers.

The Canada-EU relationship has changed dramatically to one that is much more focused on investment than trade. Yet the obsession over the trade in goods component of the relationship continues, often to the detriment of the more lucrative investment and services pieces.

In addition to the elimination of 98% of tariffs on goods in CETA, Canada has managed to secure a comprehensive negative (everything is included unless otherwise specified) list on services, which represents more than 70% of the country's economic activity, as well as a pan-European investment agreement with provisions for investor state dispute settlement – an essential commitment for a country of Canada's population and resources.

According to numerous reports, negotiations are being held up by market access requests for Canadian beef and EU dairy products (mainly cheese), by a Canadian request to exclude investor state provisions for its banking sector and by a longstanding European demand for reciprocal access to government contracts at the sub federal level. Far from being one-sided, there is a balance in the negotiations and the parties are narrowing the gaps, albeit slowly.

The CETA represents an unprecedented opportunity for Canada to regain a structural trade and investment advantage. The federal government and private sector supporters of CETA should be more forthcoming on the merits of the deal, as well as what is at stake if the negotiations do not conclude. At present, a vacuum is being filled mainly with inaccurate claims by those opposed to CETA. It's far easier to try to tear something down than build something up.

To a vocal minority, any change will be controversial. But most are simply looking to gain a better understanding of what the CETA will mean in practical terms. Several polls have shown that a healthy majority of Canadians are supportive of free trade.

The EU-U.S. negotiations will take longer than projected, but will eventually get done. In agreeing to launch talks the parties have effectively admitted that the WTO will no longer be the venue for setting best-in-class standards for trade and investment.

A successful EU-U.S. deal will also counter the rise of China, in particular, by determining the terms of trade and investment for more than 60% of the world's economy. If the TTIP, as it is known, fails, nations that take a more individualist attitude to international norms and standards will be the principal beneficiaries. The EU and U.S. are acutely aware of this.

Canada's time has arrived. Secure CETA or risk being relegated to the sidelines for years to come.

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