

Canada-EU trade talks

A 60-year-old dream

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Trade talks between Canada and the EU send a worrying signal about Doha

WHEN NATO was under negotiation in 1949 Canada wanted to create not just a military alliance, but a transatlantic economic and political union too. The heft of the larger European countries, it reasoned, would restrain the growing clout of the United States. Rebuffed, Canada was drawn firmly into America's orbit. Sixty years on it has come back with a scaled-down plan, starting talks on May 6th with the EU aimed at a bilateral trade agreement.

You can see why Canada would want to lessen its dependence on America, which bought 75.5% of its exported goods last year and provided 63.4% of its imported ones. Yanked into recession by America, Canada worries that trade will suffer from protectionism (in the form of new Buy American provisions and country-of-origin labelling requirements on farm products) and Washington's moves to toughen up border security.

It is less clear what motivates the EU, which traded a mere €70 billion (\$103 billion) with Canada last year. The EU did more than five times as much trade with China in 2007 and more than ten times as much with America. The estimated increase in bilateral trade of €25 billion annually once the deal has been in place seven years appears modest.

According to Catherine Ashton, the EU trade commissioner, by talking about trade liberalisation amid rising global protectionism, the two parties are sending a "powerful signal". Yet they are also sending a worrying message about confidence in the Doha round of global trade talks. In 2006 Canada and the EU had put talks on a trade and investment treaty on hold pending the outcome of Doha.

Starting talks is easier than finishing them. Most Canada-EU goods trade is already tariff-free, which means the barriers left standing, such as those on farm products, are the hardest to knock down. And there is always the danger that small trade spats, such as the one touched off on May 5th when the European Parliament voted to ban the import of seal products, could fester and infect the broader talks.

Still, the prospect of a successful outcome caught the attention of American business. The National Association of Manufacturers called on the Obama administration to negotiate a United States-EU agreement or risk being the only partner in the North American Free-Trade Agreement left out (Mexico signed one in 2000). That 60-year-old Canadian dream of stronger transatlantic economic ties may yet come true.