5 reasons why a Canada/EU free trade agreement must be ratified

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VANCOUVER, BC, Apr. 24, 2013/ Troy Media/ – As forecasters continue to downgrade their near-term projections for the global economy, many countries are stepping up efforts to conclude new trade agreements with key commercial partners.

In just the past four months, the United States has announced that it wants to reach a free trade accord with the European Union, Japan has joined the discussions taking place under the rubric of the Trans-Pacific Partnership (TPP), and work on trade liberalization has accelerated among the members of the Association of Southeast East Asian Nations.

The backdrop for these regional negotiations is both a soft world economy and an ever diminishing prospect of finalizing a major new global trade deal through the long-stalled World Trade Organization (WTO) talks – the so-called “Doha Round.” The WTO process has essentially broken down, overwhelmed by the complexity of the contemporary multilateral trade agenda and by the inherent difficulty of achieving consensus among the 150 plus countries that comprise the WTO’s increasingly fractious membership.

Where does Canada fit within this evolving global commercial policy landscape? Canada is part of the ongoing the TPP process. In addition, Ottawa has inked a draft free trade agreement with South Korea, although it has yet to give a clear signal that it is committed to ratifying or implementing it. We are also participating in preliminary talks with India and Japan aimed at fashioning bilateral trade agreements with these important nations. But the most significant trade negotiation in which Canada is currently engaged is that with the European Union (EU) to establish a new Comprehensive Economic and Trade Agreement (CETA).

At a time when parts of Europe are mired in recessionary gloom, one might ask whether developing an agreement with the EU ought to be a priority for Canada. Yet there are several reasons why CETA is a worthwhile goal for Ottawa to pursue.

First, notwithstanding the old continent's economic and demographic challenges, the 27-member EU still ranks as the world's biggest regional market, with a combined gross domestic product (GDP) exceeding $17 trillion (compared to $15 trillion for the United States). It's also a notably affluent place, being home to quite a few of the world's richest economies. CETA would give Canadian businesses improved access to a market of more than 500 million people.

Second, because most EU member states are both prosperous and highly developed, the region as a whole is characterized by well-established labour and environmental standards. This should ameliorate any concerns that entering into a trade agreement with the EU would exert downward pressure on regulatory standards here in Canada.

Third, it's well understood that Canada needs to diversify our trade and investment relationships and reduce over-reliance on the United States (still the destination of three-quarters of Canada's exports). Expanding trade and investment with the EU is an obvious way to broaden Canada's commercial linkages.

Fourth, as noted above the United States has started working toward its own bilateral trade agreement with the EU. Canada has spent more than four years in deliberations with the Europeans, and recent reports suggest the two sides are close to the finish line. It's crucial that Canada is able to get a deal done with the EU before we are displaced and potentially bypassed by the U.S.

Finally, CETA is expected to deliver a boost to our economy by reducing EU barriers to Canadian exports, fostering more two-way investment, and leading to more competitive markets. Some studies estimate that an ambitious trade agreement with the EU would lead to a $12 billion increase in Canada's GDP, equivalent to $1,000 per Canadian family.

True, there are a number of politically sensitive issues in the Canada-EU talks. They include market access for certain agricultural products, the extent to which government procurement will be opened up to suppliers based in the other party, the rules governing foreign investment, and harmonization of intellectual property standards.

But while these may be tough nuts to crack, none should be deal-killers. After all, in a strategic sense Canada has more to gain than lose from achieving better access to a market that is approximately 11 times bigger than our own economy.

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