

# EU trade deal a no-brainer

**Jason Langrish, Special to Financial Post** | 10/10/13 7:30 PM

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## ***Canada stands to gain preferential access to a single market of 500 million***

Canada is at a crossroads. In the midst of a tepid global economy recovery and a slowdown in emerging markets, our country looks increasingly to our traditional partners, the U.S. and Europe, for trade and investment opportunities.

The United States will remain Canada's principal market for the foreseeable future, but our attention is today also focused on free trade and investment negotiations with the European Union.

The EU is a product of unprecedented political and economic cooperation between nations, structured to facilitate consensus through a system and rules that have been evolved since the end of the Second World War.

Despite recent challenges, the EU is becoming deeply integrated, most notably with regards to the economy and foreign trade. This is no minor achievement. It allows the nations of Europe to step forward with a single market of more than 500 million people, forming the world's largest economy.

Canada will gain unique preferential access to this huge market through its negotiations with the EU of a Comprehensive Economic and Trade Agreement (CETA). Yet after four years of cooperation, the two sides have yet to clinch the deal.

Great progress has been made, narrowing the outstanding questions to a handful of relatively small but politically sensitive issues. Principal among these are demands for access for a selection of agricultural products both into Canada and the EU.

A valuable sector of our economy, agriculture will be one of the prime beneficiaries of the CETA, with farm exports alone expected to increase by \$1-billion per year. The remaining agricultural issues represent a fraction of the overall value that will be derived from the agreement.

Our governments, including the provinces and territories that are also at the negotiating table, must stay focused on the bigger picture – what Canada will gain with a successful conclusion to the CETA negotiations. Some 98% of tariffs will be eliminated, saving our exporters to Europe more than \$300-million annually.

Canadian companies will be treated the same as local companies throughout the 28 member European Union. This includes full protection for investments, full participation in the service economy which now represents almost 75% of our total national economic activity, full access to government procurement contracts valued at more than \$1-trillion annually.

Our companies will have the ability to freely move their skilled employees between Canada and the EU, deepening our relationship and cooperation both between ourselves, and together in the wider global economy.

The CETA will generate additional investment in Canada by European firms, creating jobs and transferring cutting edge technologies that can be deployed in addressing some of Canada's most fundamental issues, including infrastructure, energy and climate change.

Overall, the CETA is expected to generate an additional \$12-billion a year in economic activity in Canada, equivalent of a one percentage point jump in GDP. This translates into 80,000 net new jobs.

In addition to opening markets and increasing inward investment, free trade with the European Union will stimulate competition and lead to gains in productivity, a pressing issue for Canada.

Forced to innovate to compete, Canadian standards will elevate and business sophistication, of which a recent World Economic Forum study ranked Canada 25th in the world, will improve.

Now that the EU and United States have entered into their own comprehensive free trade and investment negotiations, concluding the CETA takes on added importance.

The EU-U.S. talks are front of mind in Brussels. Should the U.S. strike a deal with the EU before Canada does, the country risks losing preferential access and earlier mover advantage into the EU market to powerful American competitors. Additionally, the EU may secure better terms in the U.S. market than Canada currently enjoys under NAFTA, placing its companies at a disadvantage.

For the Europeans, the CETA is of vital strategic importance both in the benefits it will deliver directly to Europeans traders and investors, but also for the template it establishes for their negotiations with the U.S., including in difficult areas such as government procurement and regulatory cooperation.

A failure to conclude CETA could create a chill for the other negotiations, notably with Asian countries, that both Canada and the EU are currently pursuing. These countries may take

the view that, on the threshold of securing what is the most comprehensive bilateral agreement in history, the two sides are either unwilling or unable to take the commitments necessary to finalize CETA.

Now is the time for both sides to show resolve and conclude what is a balanced and lucrative deal that is underpinned with geopolitical significance.

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