

EU trade deal versus outdated thinking

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Protectionism is a fool's game

By Jason Langrish

Some groups have been questioning the need for the current free trade negotiations between Canada and the European Union. Their commentary ranges from cautious to paranoid, including assertions that are patently false, such as the claim that foreign investment causes job losses.

They typically claim to represent “civil society” and are often backed by economic and labour interests that have more to lose than gain from liberalized trade and investment due to their entrenched position in the economy.

These groups sometimes refer to supporters of the Canada-EU deal, or supporters of any free trade negotiation for that matter, as free-market ideologues. They portray themselves as selfless defenders of the interests of average Canadians against the ravages of capitalism.

Their thinking is often dated and has at its core an unflinching belief in government intervention in the economy, including protectionism, subsidies and bailouts. Yet they generally refuse to contemplate economic policies that would make Canada a more open, innovative and competitive country.

The economic openness and competition that free trade generates is a necessary condition for improving Canada's woeful record on productivity, even if many pundits fail to make this linkage.

These groups now want us to turn our back on the economic diversification that a deal with the European Union, the world's largest single market, will provide. Yet when these opposition groups claim that the deal is not “fair,” whom are they really arguing on behalf of?

All of the major business associations in Canada support the Canada-EU negotiations toward a Canada-European Union Comprehensive Economic and Trade Agreement (CETA). Independent business owners, chambers of commerce, manufacturers and exporters, energy producers and exporters, the forest products industry, fishermen and the non-supply-managed agricultural groups (i.e. those producers whose costs aren't directly subsidized by the consumer) that account for more than 80% of Canada's

farm production support the CETA.

There is broad support for these negotiations. For the first time in history, Canadian provinces and territories are sitting at the negotiating table with their federal counterparts.

The vast majority of Canadian employers and workers understand that in a globalized economy, diversification, not protectionism, is the key to prosperity. This is why every major newspaper in Canada has written an editorial supporting free trade with Europe.

The idea that we can separate ourselves from the wider world and expect to experience increased prosperity is nonsense, yet it continues to be the subtext for their arguments. Erecting barriers and relying on a relatively small and fragmented domestic market will not generate the types of products that Canada requires to solve the pressing problems of our times. Yesterday's thinking will produce results that do not recognize the needs of the present.

Reducing greenhouse gas emissions, improving infrastructure and public transit, hospitals and research and innovation in health care for an aging population — these challenges require us to work with our international partners to trade the skills and technological innovations that will deliver solutions.

It's all fine and well to call for an open debate on the merits of free trade. But in so doing, one has to at minimum participate constructively and not spread misinformation in an effort to generate attention for their cause.

To equate open procurement with privatization, stronger intellectual property rights with consumer abuse and trade in agricultural products with Frankenstein foods is not only incorrect, but also manipulative.

The Freedom to Trade Coalition, comprising some 76 civil society organizations from 48 countries, launched an open letter in August 2009 calling on all governments to eliminate trade barriers. More than 3,000 people have so far signed the letter, including more than 1,000 academics. In their warning of the dangers of resurgent protectionism, the letter observes:

“Protectionism creates poverty, not prosperity. Protectionism doesn't even 'protect' domestic jobs or industries; it destroys them, by harming export industries and industries that rely on imports to make their goods. Raising local prices of inputs by 'protecting' local companies just raises the cost of producing the goods and services made with these inputs. Protectionism is a fool's game.”

Jason Langrish is the executive director of the Canada Europe Roundtable for Business.