East Coast ports see big dividends from planned Canada-EU free trade pact

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OTTAWA, Ont. -- Protracted negotiations between Canada and the European Union for a historic free trade agreement failed to overcome certain contentious issues in recent weeks and have spilled over into 2013. But both sides are expected to pull out all the stops in the first quarter of this year to hammer out an accord that has major implications for Canadian shippers and ports on the East Coast.

EU trade commissioner Karel de Gucht met with Prime Minister Stephen Harper this week as the EU steps up its focus on the negotiations, which started back in 2009.

The EU has just four free trade deals with leading world economies (Photo: Jacob Earl)

De Gucht is expected to sign off on the EU/Canada deal within a few weeks provided some thorny issues can be put to rest.

Among the issues remaining to be resolved, the EU is seeking concessions to extend the patent on pharmaceuticals, greater access to municipal and provincial government contracts and the relaxation of supply management rules on milk, poultry and egg products. In the other direction, Ottawa s negotiators are reportedly frustrated that Europe is not going far enough to eliminate barriers against Canadian exports of beef and pork.

Traditionally strong North Atlantic, general cargo trading partners like Montreal and Halifax are well positioned, but so could other ports on the Great Lakes/St. Lawrence maritime corridor benefit from increased shipments across the Atlantic. Falling under the latter category would be such mainstream commodity ports as Quebec, Sept Iles, Port Cartier, and Hamilton.

Observers see Canada s North Atlantic maritime trade remaining dominant in the years ahead, but by a lesser extent than in the past due to the ongoing expansion of trade with China-led Asia.

The free-trade strategy of the federal government is taking place in the context of greater diversification to lessen reliance on the United States. Though the United States will remain Canada s largest trading partner, the percentage of Canadian trade with the U.S. has dropped to 74% from nearly 90% in the past decade and is expected to decline another 10% by the end of this decade.

What has been qualified as a Comprehensive Economic and Trade Agreement (CETA) would notably give Canadian exporters privileged access to a market of more than 500 million people.

According to a federal report, CETA could boost the Canadian economy by at least C$12 billion annually and increase Canada s trade with Europe by 20% a year. The EU is Canada s second-biggest trading partner, with goods and services exports totaling C$40 billion and imports totaling C$52 billion in 2011.

Tony Boemi, vice-president, growth and development, of the Montreal Port Authority, points out that more than 47% of the total number of containers handled at the Port of Montreal are coming from or going to Northern European ports located within the European Union and 18.6% from or to Mediterranean ports also within the European bloc.

This means that 65.8% of our container traffic could benefit to some degree from a free trade agreement between the EU and Canada, he said. In total, Montreal handled 1.35 million 20-ft containers in 2011.

The Port of Montreal, Boemi added, will not be the sole beneficiary. The expected benefits will translate into job creation, economic growth and long-term prosperity for Montreal, Quebec and Canada.

In the first 10 months of 2012, the five leading European ports in the two-way box trade with Montreal were Antwerp (23.3%), Valencia (11.8%), Hamburg (10.7%), Bremerhaven (9%) and Liverpool (6.5%).

At the Port of Halifax, George Malec, vice-president, business development and operations, says he has been following the CETA negotiations very closely.

Europe has long been an important region for trade with Halifax, and in 2011 represented 38% of the Port of Halifax business. Total container throughput at Halifax amounted to 410,650 TEUs in 2011.

Malec stressed that CETA would especially benefit local exporters in the seafood industry.

The removal of double-digit tariffs on seafood and better market access has the potential to increase the export of seafood to Europe, Malec said before underlining the Port of Halifax s stature as one of the leading ports in North America with multiple cold storage facilities and 1,000 reefer plugs. The combination of infrastructure and our natural geographic location of being the closest port on the East Coast of North America to Europe will certainly help us to take full advantage of this potential agreement.

Bob Armstrong, president of the Chartered Institute of Logistics & Transport North America and of ATLAS Trade & Logistics Advisory Services Inc states there is no doubt in his mind that imports and exports between Canada and the EU will grow, as has been experienced under the North American Free Trade Agreement (Nafta) for more than two decades.

The marine industry, he says, should be excited about the growth prospects of two-way trade as tariffs are reduced to zero and other barriers to trade are eliminated in the final drafting of this free trade agreement. Commodities from Canada such as iron ore and coal will have new markets in the EU and be a boon to marine operators.

Armstrong agrees with Malec that CETA will offer an opportunity to increase Canadian exports of fish and seafood products via the marine mode. And likewise, certain imports of agrifood products from the EU should increase as tariffs are reduced to zero.

Other sectors identified by Armstrong for increased business with Canada (and through Canada to the US) is production machinery, advanced equipment, project cargoes, and the like - especially from Germany.

Armstrong also asserts: The EU will see Canada as a key stepping stone to the US and Mexico markets to complement our own market   thereby boosting cargo movements on the St. Lawrence-Great Lakes waterway.

For his part, Bruce Hodgson, director of market development of the St. Lawrence Seaway Management Corporation, states: Given the marine mode s strong competitive advantage in breakbulk and project cargo, we are optimistic that a free trade agreement with Europe would translate into increased utilization of the Seaway.