

National Post Editorial Board: Free trade with Europe is worth some concessions
Posted: September 19, 2008, 9:30 AM by Kelly McParland

Yesterday's revelation that Canada and the European Union will shortly begin negotiations on a plan for "deep economic integration" was buried under news of two election campaigns and a financial meltdown. But it deserves attention.

For decades now, the idea of a Canada-Europe free trade agreement has been knocking around our halls of power. But until now, the first and in some ways most formidable barrier to progress has been getting the EU interested. If this week's reports are to be believed, that problem now appears to be solved.

There are obvious geographical limits to EU-Canada trade, even under the most liberal trade regime imaginable. For many years, moreover, we proved hard to take seriously as a partner because our own interprovincial trade barriers have remained high (a situation recently remedied). Nor has it helped impress anyone with our commitment to globalization that a huge chunk of our economy has remained subject to old-fashioned nationalist limits on foreign direct investment.

But with the collapse this summer of the Doha Round of World Trade Organization negotiations, Canada has suddenly been thrust into the EU spotlight. EU trade experts, led by new Trade Commissioner Peter Mandelson, are coming to grips with the notion that the continued expansion of free trade will have to be carried out in painful bilateral steps, rather than in one orgasmic, globe-girdling moment of concord.

As a bonus, much of the underlying econometric study has already commenced as part of the carefully circumscribed, Doha-friendly talks toward a Canada-EU Trade and Investment Enhancement Agreement, which began in 2004. All 10 premiers are said to be on board, provisionally, with getting a deal done.

Former French prime minister Edouard Balladur, an old political mentor to current President Nicolas Sarkozy, has been a major voice promoting Canada as a good place to construct an initial model for bilateral progress. Indeed, he has spoken of a Canada-EU agreement as a potential foundation for the eventual rebuilding of the now-fractured U.S.-EU relationship. Direct free-trade negotiations between America and Europe are currently impossible to contemplate, given the mood of the European public, but the idea is that Canada could serve as a sort of rope line around which a bridge can later be built.

Probably no one in Canada needs to be talked into seeing the advantages of a solid labour-mobility deal with the Continent. With the U.S. dollar and the Euro now established as the world's two overwhelmingly significant stores of value, increasing the share of our international trade destined for Europe, which has dwindled in the NAFTA era, would provide a useful hedge against relative fluctuations in the two currencies.

And symbolically, it already seems some Canadian nationalists like the idea of having a heavier counterbalance against the perennial threat of U.S. encroachment on Canadian sovereignty. The concept is especially popular in Quebec, where Premier Jean Charest has been pounding the pulpit for it.

Once the full details are known, the price of EU integration is likely to prove higher than the Canadian left, and indeed some on the right, would like.

Effectively joining the EU as a satellite participant would probably mean heavy concessions in such areas as labour standards and product labelling. But becoming the world's main conduit between its two largest free trade areas is worth a few sacrifices -- especially since the protectionist policies to be sacrificed do us no good anyway, but are in fact sentimental vestiges of a Trudeauvian era of command-and-control. And those who suffer continual nightmares about the increasing competitiveness of China and India should not be afraid of taking bold steps to keep pace with the Asian giants.

Free trade has lifted the fortunes of nations around the world -- including Canada, which has benefitted greatly under NAFTA and the Canada-U.S. Free Trade Agreement before it. There is no reason that a free trade agreement with Europe would not also be beneficial. We urge our government to do everything in its power to make it reality.