

Free trade with Europe sweet dream for Canada

By: **Martin Cash**
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THE same day the Canadian finance minister warned Canadian municipalities about the dangers of protectionism, a workshop on a Canada/European Union free trade agreement was being held in Winnipeg.

The fact that a significant new free trade agreement is being contemplated at the same time that a resurgence of protectionism is taking place in North America and beyond is probably a symptom of the uncertainties roiling global economies.

On the one hand, free trade advocates say the more accessible international markets are, the better it is for all domestic economies.

On the other hand, with unemployment rising to 25-year highs, it is not surprising that regional interests who fear marginalization might resort to protectionist measures.

Jim Flaherty told Canadian municipalities Monday they shouldn't adopt protectionist measures in retaliation for a Buy American policy that favours U.S. companies and he said Canada has been vocal in keeping freer trade policies on the global agenda.

The Economist magazine recently referred to the prospects of free trade with Europe as a 60-year-old dream for Canada. When NATO was formed in 1949, Canada wanted it to become a trans-Atlantic economic partnership as well as a military one.

Last month in Prague, Prime Minister Stephen Harper said Canada would embark on negotiations for a free trade agreement with the EU. Officials have put an ambitious two-year time frame on getting the deal done.

For some time now, Canadian exporters have been lulled into a false sense of security by a cheap Canadian dollar and seemingly unquenchable U.S. demand right next door. But now that trade with the United States has fallen from more than 80 per cent to around 75 per cent of total exports, there is increasing realization of the importance of broadening Canada's trade patterns.

At Monday's workshop at Red River College, Diane Gray, Manitoba's

deputy minister in charge of federal-provincial and intergovernmental relations and trade, said Manitoba supports negotiations of a free trade agreement with the EU.

"Manitoba's business community has shown it can compete with a level playing field," she said.

Fred Kingston, an Ottawa-based adviser to the delegation of the European Commission, said estimates are that two-way trade between Canada and the EU could increase by more than 20 per cent by 2014 in a free trade environment. But that won't happen automatically. Anna Maria Magnifico, a former trade representative for Manitoba in Europe, said Canadian businesses need to be more proactive when pursuing trade opportunities in Europe.

Besides aerospace products, the list of goods exported from Canada to the EU is exclusively natural resources products and EU imports to Canada are finished goods. Clearly Canadian enterprise will be better rewarded exporting value-added products.

Ron Koslowsky heads the Manitoba chapter of the Canadian Manufacturers and Exporters. He can't speak for the rest of the country, but one of the initiatives underway includes encouraging his members to expand their export markets.

"Everyone benefits from increased trade and decreasing regulatory complexity," he said.

\$404 million -- Total exports from Manitoba to the EU (2007)

\$754 million -- Total imports from the EU to Manitoba

\$115 billion -- Two-way trade between Canada and the EU

\$700 billion -- Two-way trade between the U.S. and the EU

\$144 billion -- Two-way trade between the EU and South Korea

11th -- Canada's ranking in terms of the EU's most important trading partners

4th -- Canada's ranking in importance of foreign direct investment in the EU

2nd -- The EU's ranking in importance of foreign direct investment in Canada