

From the editors: A European deal that *will* matter

By [James Cowan](#) | November 02, 2011
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It was an announcement so incremental, its press release read like a satire of a process-obsessed bureaucracy. “Canada and the European Union wrap up ninth round of historic free trade negotiations,” proclaimed the headline. The masochistic few who read further learned that “significant progress has been made across the board” and that the federal government would continue to “vigorously defend Canadian interests.” An anxious nation responded with...some polite excuses about really needing to get the laundry done.

If there was ever any drama in the Canada-EU trade agreement negotiations, it has certainly leached away since the talks began in 2009. The list of unresolved issues (Canada’s protectionist agricultural policies, for one) has not changed over the past two years, making promises of a deal by early 2012 seem optimistic. But if the agenda remains the same, the context has changed drastically. Two years ago, increased trade with Europe seemed a smart way for Canada to mitigate the potential damage caused by our close ties to the struggling United States. In the past 24 months, the EU’s image has shifted from affluent market to debt-riddled, politically impotent, riot-prone region on the verge of implosion.

As Matthew McClearn [explains](#), the latest deal between European leaders is itself incremental and does little to resolve the underlying issues threatening the region. Unresolved, these problems will have clear implications for the Canadian economy, a fact Prime Minister Stephen Harper acknowledged when he described the European

debt crisis as “the most immediate and imminent threat to the global recovery.” Pursuing free trade under these circumstances seems like giving a bear hug to a drowning man.

But by no means should Canada lose enthusiasm for the EU trade talks. Government estimates suggest a deal could increase bilateral trade by 20%, resulting in a \$12-billion boost to the Canadian economy—the largest single boon to Canadian trade since NAFTA. But the European crisis once again emphasizes the importance of diversifying Canada’s trading partners. In the past five years, the federal government has signed smaller deals with countries like Colombia and Liechtenstein. It is time to get more ambitious.

While lucrative, the EU deal was always treated as a sort of stopgap measure, something to bolster Canada while it worked through the political, cultural and bureaucratic nightmare involved in expanding our trade with the world’s new economic superpowers, China and India. (Indeed, it gives you some sense of how tough that will be when you consider that nine rounds of talk over two years was considered the quicker option.)

But Canada must now embrace this goal with new-found urgency. Asia will soon be home to half of the world’s middle-class customers. As John Manley, the president and CEO of the Canadian Council of Chief Executives recently told our magazine’s annual Leadership Forum, “The world’s economic centre of gravity is shifting to Asia.” A comprehensive deal with China might be decades away, but as Manley noted, agreements focused on targeted sectors are achievable. We need to make a deal with Europe—but its crisis must also push us to look for the next opportunity.

James Cowan is interim editor of Canadian Business magazine.