

# It's far too modest to call this a free trade deal



**PAUL WELLS**

On May 6 at the Liechtenstein Palace in Prague, Stephen Harper and Mirek Topolánek, the Czech prime minister, will formally launch negotiations toward free trade between Canada and the European Union.

It's all a bit misleading. First, preliminary negotiations have already been under way for more than two years. Most of the work involved getting the Europeans' attention and persuading them that Canada was serious about a deal.

Second, the negotiations involve way more than simply lowering customs tariffs, which is why the Europeans are exasperated that Canadians keep calling this a "free trade" deal. "This is so much more than free trade," Anya Oram, the European Commission's head of economic and commercial affairs in Ottawa, told me. But in Canada ever since the 1988 election, "free trade" has been a handy synonym for "big deal," and this is certainly that. These negotiations will touch on trade in services, investment, government procurement rules, mutual recognition of professional credentials and more.

The Council of Canadians is already ringing alarm bells, calling the deal "NAFTA-plus with Europe." The council's Stewart Trew says the Canada-EU negotiations "could fundamentally change the way the Canadian economy works and our local communities govern themselves, more than any previous trade agreement, including NAFTA." He's not wrong. The only question is whether it's a bad thing.

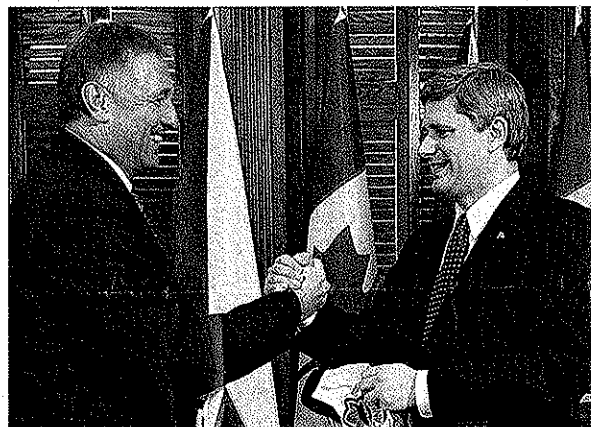
Jean Charest thinks it's an excellent thing. When Harper and Topolánek meet in Prague, you'd do well to remember that their announcement marks the culmination of an effort that was launched by the Quebec premier, at first with very little help from Ottawa.

"There's no one who gets up in the morning and says, 'We need to make a deal with

Canada,'" Charest told me in a phone interview. "Nobody in the world. That's not a knock on Canada, it's a wonderful place, but we're 33 million people. You need to get up early and knock on doors."

Charest started knocking in 2006. The Europeans were skeptical. No, actually that overstates their enthusiasm. The Doha round of global trade talks was in full swing and Peter Mandelson, then EU trade commissioner, wanted no part of a bilateral process that might distract from global efforts. Besides, Canada is a federation. It has provinces that squabble and dissent. Why bother?

Then things started to change. The Doha round stalled, so the only way to move forward on trade liberalization was to strike bilateral deals. Within the Council of the Federation—another good idea from Quebec—several premiers, including B.C.'s Gordon Campbell, Manitoba's Gary Doer and



**'We want to start with everything on the table,' says Charest. And critics are lining up.**

Saskatchewan's Brad Wall, made strong commitments to freer trade, both outside Canada and within its borders. So Canada started looking more like a serious partner, just as Europe started looking for one. These processes converged while France held the rotating six-month presidency of the EU last year. Whatever else he is, Sarkozy is a friend of Quebec federalists and an admirer of Canada. With Germany's Angela Merkel he pushed Canada onto the European agenda.

From there events have moved quickly. Last October Canadian and European leaders assigned negotiators to "define the scope of a deepened economic agreement"—the subjects that would be on the negotiating table. Five months later, in March, the Joint Scoping Group came back with their answer: just about everything.

Tariffs are already low between Canada and Europe but the talks that are about to begin will consider eliminating all that remain. They'll also look at trade in services, invest-

ment, procurement and regulatory co-operation. "We want to start with everything on the table," Charest said, "and bring as much momentum into this as we can."

That's why it's unduly modest to call this a free trade deal. "If we're going to have a competitive society, the foundation of that will be labour mobility," Charest said. So one goal will be a situation where Canadian professionals can work unimpeded in Europe, and vice versa.

You don't have to think about this for long to realize that the hard work lies ahead and the likelihood of the talks breaking down is high. Since barriers to trade are already low in a lot of ways, "what's left is the most sensitive," Oram said. Topics like supply management and the Canadian Wheat Board, the baroque mechanisms by which Canada protects domestic agricultural production and prices. Municipal procurement, which would

allow German and French manufacturers to bid on subway contracts in Toronto and Vancouver on the same basis as local manufacturers. Securities regulations.

Already Charest's enthusiasm dims when I read this list to him. "There's nobody in Canada or the EU who expects us to be able to crack that nut," he said of farm subsidies on both sides. "We will still defend supply management." What about a

national securities regulator? "We have a disagreement with the federal government on that."

And then there are all the charming peculiarities of European trade policy. Every restaurant in Paris has a line on the menu proclaiming that it serves only beef from the EU. Would they really let Alberta beef in?

So it could all fall apart. But if it doesn't... Before long the only way Canadians will be able to let Europeans into our markets will be to let one another in as well. Trade liberalization with Europe will be a powerful force for removing the barriers between provinces, which in many cases are higher. "That's one of the advantages of these initiatives," Charest says. "It sheds a different light on our own relationships as Canadians." No wonder the fans and foes of liberalized trade are lining up. This is big. ■

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