

John Ivison: Conservative trade record long on promises but short on results

John Ivison | 13/04/09
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The idea of branding “trade as the new stimulus” must have sounded inspired at the time. But Stephen Harper may be wishing he hadn’t staked his government’s reputation for sound fiscal stewardship on opening new markets to boost exports.

The Conservative trade record to date has been long on promises and short on results. Now, the comprehensive deal with the European Union that was meant to be a game-changer has missed another self-imposed deadline.

That the economy needs a kickstart is not in doubt — Jim Flaherty has promised to bring the budget back into balance by 2015, yet the Bank of Canada’s business outlook is bleak, while the economy shed 55,000 jobs in March.

Exports, which account for one third of GDP, were meant to pick up the slack from the tapped-out consumer, yet they remain below pre-recession levels and the balance of trade figures make for grim reading. We still have a trade surplus with the U.S., but that is more than wiped out by our trade deficit with other countries. These include the new target markets for Canada in Asia — as the Conservatives never tire of reminding us, they are “like Wayne Gretzky, going where the puck is going to be.”

But as Don Davies, the NDP’s trade critic, pointed out,

Canada is at the bottom of a table of 18 countries when it comes to deteriorating trade conditions — the current account deficit was \$67-billion last year, down from an \$18-billion surplus when the Conservatives came to power in 2006.

“Canada’s poor trade performance is not simply the result of global economic woes,” he said, pointing out that comparable economies are not seeing their trade imbalances growing.

A comprehensive trade deal with the European Union would not provide immediate relief, but it would be a huge psychological boost for the government and offer a template for future agreements with Japan and the Trans-Pacific Partnership countries.

But that deal was meant to be done last year. Then by Easter. Now, trade sources suggest new obstacles have cast into doubt its signing before the summer.

While not considered insurmountable, there are growing concerns about EU demands on sub-federal procurement, particularly in relation to public transit, where German and French companies want access to a market dominated in Canada by Bombardier.

These are not esoteric issues — trade deals produce winners and losers, and the latter in this case could be some of the 700 Bombardier employees who make transit cars in Thunder Bay, Ont.

Government sources admit the “end game” issues have proven to be more difficult to resolve than had been anticipated. “The calendar has been put in the shredder and we are now focused on concluding a deal that is good for Canada,” said one official.

No one is yet suggesting the deal between the negotiators is in jeopardy, but delays may make its ratification more problematic.

On the Canadian side, all provinces have a veto. Ottawa's intention was to present British Columbia's NDP leader, Adrian Dix, with a *fait accompli* when, as seems likely, he wins the provincial election. Mr. Dix has been vocal in opposition to the intellectual property law changes in the trade deal, which he says would increase patent protection for European drug companies and increase the price of prescriptions. It looks very unlikely that Mr. Dix will inherit a finished deal, if and when he becomes premier next month. He could yet emerge as the standard-bearer of an anti-free trade alliance of provinces and municipalities.

The other missed deadline is on the European side. There will be EU elections next year that will delay ratification of the deal by months – and could derail it completely if the European Parliament shifts leftward politically.

In large measure, it looks like the government's rhetoric has outpaced its willingness to make the tough choices necessary to push through a deal.

The Harper government may yet be saved at the bell by a resurgent U.S. economy. Most forecasts see exports picking up next year, as American demand for Canadian autos, lumber and machinery gathers pace. More by luck than judgment, Mr. Flaherty would then be able to hit his budget target in early 2015.

Grumbling from the opposition parties that this had precisely nothing to do with the Conservative government's much vaunted trade diversification strategy will be drowned by the sound of popping Champagne corks.