No to the IMF bailout but yes to free trade

Posted on Fri, Jun 22, 2012, 5:02 am by Jason Langrish
iPolitics

The Canadian government recently declined a request from European leaders to make a contribution to an IMF bailout fund for the most vulnerable countries in the Euro zone. The Conservatives argue that Europe is a wealthy continent capable of resolving its problems with strong political leadership.

If the Euro zone is to emerge from its current predicament structural reforms will be required, in addition to further funds for at risk financial institutions and government treasuries.

There is another, more hopeful reason why Canada is right to abstain from contributing to the IMF initiative – the Comprehensive Economic and Trade Agreement (CETA) that is currently being negotiated between Canada and the EU, this country's largest trade initiative since NAFTA.

The CETA, when completed, will deliver annual economic gains of more than $18 billion to Europe, an amount far greater than Canada could contribute to a Euro zone fund.

This increase in national incomes will not come for free. In exchange for this bump in bilateral commercial relations (the Canadian economy is projected to increase by more than $12 billion a year upon implementation of the agreement), Canada will be required to make some tough decisions.

In particular, the Europeans are demanding that Canada upgrade its intellectual property protections, ensure that procurement markets are open at all levels of government and allow competition in some of the more restrictive Canadian industries, including for dairy products.

These changes will take political will to implement and will deliver enormous benefits to Canada.

Under CETA, Canadian exporters will gain full access to 500 million consumers with a collective GDP of $17 trillion, the world's largest single market. Even with Europe's current challenges, the EU is a market that is so large, influential and innovative that it remains well worth tapping into.

Upon ratification of the CETA, Canada will be the only nation in the world with preferential access to both the U.S. and EU markets, the world's two largest. This heralds the arrival of a new dawn in Canadian trade and sets the stage for further trade initiatives with the fast growing economies of the Asia Pacific region.

The CETA is expected to create 80,000 jobs across Canada. It is groundbreaking in that for the first time the provinces and territories have sat at the negotiating table for an agreement of this scope and scale. It is also the first time that the EU has negotiated with an advanced economy.

Europe is also doing its share of heavy lifting by having agreed to a comprehensive negotiating mandate for services, which comprise over 70% of their economic activity.

They have also agreed to negotiate a single, comprehensive investment agreement that will bind all 27 members of the EU, providing legal certainty for Canadian investors.

Money will be required to help resolve the Euro zone crisis. But cash alone will simply push the problems down the road. Structural changes are required and tough political decisions must be made.

With CETA, the EU and Canada will increase flexibility in their labour markets, provide protections that will spur investment and innovation and remove barriers that restrict the free exchange of goods and services between the two territories.

Throughout the global credit crisis, Canada and the EU have been resolute in their efforts to keep markets open and protectionism at bay. It is important that people appreciate the depth of commitment that Canada and the EU have made to each other in negotiating CETA, irrespective of what is sometimes reported in the media.

Negotiations are expected to conclude this year, to be followed by a ratification period in which public scrutiny of the CETA is certain to increase.

It is essential that government officials are resolute in ensuring the passage of this agreement, as it is precisely the type of initiative that is required to help us move on from these turbulent economic times.