

Ontario's showing its hypocrisy, this time on free trade

By Jeffrey Simpson
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The Buy Ontario policy is being introduced just as Ontario and other provinces are pushing the U.S. to make Canada an exception to Buy America

Ontario Premier Dalton McGuinty calls it an "exception."

As euphemisms go, "exception" isn't a bad word, except that, like all euphemisms, the word sugarcoats the truth, which is that Ontario is acting hypocritically, and not for the first time.

With much fanfare lately, the McGuinty government has been painting itself green, praising its new renewable-energy policies, while adopting a Buy Ontario policy.

At least 25 per cent of wind projects and 50 per cent of large solar projects must contain Ontario goods and labour, according to the new policies. These shares will increase for solar on Jan. 1, 2011, and for wind on Jan. 1, 2012. A 25-per-cent-content rule already applies for public-transit vehicles.

The policies, part of a series of "bold measures to attract new investment in renewable-energy projects and build a green economy," are designed to stimulate the manufacture of renewable-energy products in Ontario, because the renewables market is now dominated by European firms (notably Danish, Spanish and German) in countries that took climate change seriously long before Canada (and Ontario), and whose renewable-energy industries therefore flourished.

This Buy Ontario policy is being introduced at the very moment when Ontario and other provinces are badgering the United States to make Canada an exception to Buy America policies. Asked about this obvious contradiction, Mr. McGuinty calls Buy Ontario an "exception,"

which is what political protectionists, including the U.S. proponents of Buy America, always say.

Buy Ontario also lands just before 35 negotiators from the European Union begin talks on Oct. 19 in Ottawa toward a comprehensive EU-Canada economic and trade agreement. Provinces, including Ontario, signed off on the launch of these negotiations, promising in particular that they would end preferential provincial purchasing policies - one of the EU's major objectives in the talks. But already Buy Ontario underscores an old Ontario pattern: Talk free trade out of one side of the mouth, protect local producers out of the other. The Europeans have seen this act before, and they agreed to start these negotiations only after being assured by provinces that they would not scuttle a Canada-EU deal.

They remember what Ontario used to do under premier William Davis: let Ottawa negotiate international trade agreements and then refuse to enforce them in order to protect the Ontario wine industry.

In theory, both the EU and Canada insist that "everything" is on the table in these ambitious negotiations; in practice, Canadian ministers (backed by protectionists in Ontario and Quebec) have already made it clear that no deal will touch supply-managed agricultural products, such as eggs, dairy and poultry, that put Canada in league with the world's biggest agricultural protectionists: South Korea, Japan and France.

Here was a real chance to put a dent in supply management in Canada and the Common Agricultural Policy in Europe, but that chance has already died. Sorry, Canadian cattle producers, no increased access to the European market for you.

Once again, therefore, Canada will miss out on potential trade action because of one sector of the economy that has a noose around every political neck in Ontario and Quebec.

Buy Ontario could be justified on the grounds of an "industrial policy" that would drive up project costs, of course, but create some jobs in the province.

It's the same approach British Columbia could use, whereby instead

of exporting some raw logs, B.C. insisted that all of this natural resource be developed in the province. Or Alberta, the laissez-faire capital of North America, which lets raw bitumen from the oil sands be sent without processing to the United States. In both instances, Canadians act as quick-buck makers, as hewers of wood and drawers of water, so to speak. We send the resources away; somebody else gets the jobs.

If Ontario, having already bailed out the auto sector with billions of dollars, really wants to expand its "industrial policy" by using Buy Ontario, the province should at least have the courtesy to withdraw from federal-provincial demands for an end to Buy America and tell the Europeans to return home, because previously given commitments on which the negotiations began are no longer valid.

However, such intellectual honesty will be overwhelmed by the easy politics of protectionism from which local groups benefit, and the apparently irresistible temptation to speak from both sides of the mouth.