

Opportunity abounds for B.C. in Europe

Pending free trade agreement between Canada and EU will open up 'trade in tasks' arrangements that are seen as future of commerce

BY DON CAYO, VANCOUVER SUN AUGUST 24, 2013

It has been a slow, unsteady negotiating process, but a comprehensive trade agreement between Canada and the European Union is said to be close at hand, and it is likely to be about as big a deal as we're ever likely to see.

But you would never know it from the scant attention being paid here in Canada and, especially, in B.C. to either the impediments that are slowing its conclusion or the potential when it is finally signed, sealed and delivered.

As things stand, countries in the EU constitute a small, though still significant, trading partner for British Columbia companies. Last year, our exports to this bloc totalled about \$1.8 billion - a little less than six per cent of everything we sold to foreigners.

This is down from almost seven per cent a decade ago.

And certainly B.C. is not as well located to ship traditional export products to Europe as we are to our usual markets in the U.S. or, increasingly, the Pacific Rim.

But trade agreements, especially those of this size and scope, aren't about business we already do with partners. They are about the things we could be doing, but aren't.

This is a lot. The population of the EU may be small compared to Asia in general and China in particular, but it still has 500 million citizens, most of them as rich as we Canadians. Their collective buying power is the largest of any political jurisdiction on earth.

And, as Daniel Schwanen, C.D. Howe Institute's vice-president of research, points out in a recent analysis, the best opportunities to be unlocked by a Canada-EU deal are not in the traditional commodities where ports and proximity are all-important. Rather, the future is in "trade in tasks" - complex international production networks of sophisticated players who all contribute the bits they're best at.

"Trade in tasks relies on the crossborder exchange of services such as product assembly or design, software development, managerial, logistics, engineering, technical, financial, and cultural services," he writes.

So, although the proposed deal would enhance access to EU markets for traditional products from our farms, forests or mines, the biggest opportunities involve things that

will never see the inside of a shipping container. The future is in investment and foreign affiliate sales, intellectual property, skilled personnel working with consumers or partners in multiple countries, and the international transfer of information.

About 375,000 Canadian jobs now rely on this kind of trade with the EU, he reckons, and the potential is there for many, many more. The new agreement will facilitate this through things like public procurement policies, and common regulatory standards or rules of origins that can, if not addressed, get seriously in the way of commerce.

Of course there are naysayers, although their protestations seem pretty tepid to those of us who remember the froth generated by the Canada-U.S. FTA and NAFTA. But Schwanen says their fears of potential negative effects from the deal are exaggerated, and are greatly outweighed by the combined benefits of increased employment and lower prices for some goods or services.

B.C.'s export businesses have been, very sensibly, weaning themselves off their massive dependence on U.S. markets over the past decade or so - although some of the impetus for this has been the American economic woes that caused our sales there to drop sharply. But on the positive side, the percentage of our exports going to non-traditional Pacific Rim markets - that is, everywhere but Japan

- has tripled from about 10 per cent to around 30 per cent.

The danger now, as I see it, is a temptation to substitute over-reliance on one market, the U.S., with too great a fixation on another - Asia or, most often, just China.

China and its neighbours are important, especially for our old commodity-driven economy, as Chinese firms alone now buy 18-plus per cent of our exports, up from just 3.3 per cent in 2003.

But Europe still holds more promise for the new economy, and B.C. can't afford to be left out.