

Our petty provincialism threatens free trade ambitions

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The Germans seemed genuinely baffled when they found themselves confronted with the looming spectre known as the Canadian province. Yet there it was, in all its petty majesty, blocking out the sun.

“It is hard to believe, after all these years, that the obstacle between us comes down to the minor concerns of one or two provincial governments in Canada, and yet nothing can seem to be resolved because of this,” said a prominent member of Chancellor Angela Merkel’s government this week, speaking confidentially.

Here in Germany, officials had expected this season to be a moment to celebrate the signing of a massive Comprehensive Economic and Trade Agreement between the 500 million people of the 27-member European Union and the 35 million people of Canada. The deal has been in negotiations for four years; it was expected to be signed in December, when Canada’s trade minister came to Europe; or in February, when the EU’s trade minister came to Canada.

Much hinges on it: As the Germans point out, the far larger trade deal between the EU and the United States, endorsed by Barack Obama, will go ahead only if the Canadian deal is signed as a precedent and model – if it fails, the U.S. deal almost certainly will, too.

Yet the deal is not close to being signed. It could be weeks away, as the Canadians insist, or a year away, as the Europeans fear. Or it might never happen. And what stands in the way, what has blocked so many other ambitions and may stymie so many more of our future relations with the world, is the very structure of Canadian federalism – and Prime Minister Stephen Harper’s inability to rise above it.

According to Canadians and Europeans involved with the negotiations, it has been held up all year by three seemingly irreconcilable issues. One is Alberta’s beef industry, which is seeking quotas and restrictions. A second is Quebec’s municipal contracting system –

specifically, some say, a desire to keep the building of Montreal Metro trains a local monopoly, effectively dominated by Bombardier. The third issue is Germany's desire to have full access to Canada's financial-services markets.

Whatever your feelings about this trade agreement (and it is a mix of significant benefits alongside some hazards), it surely should not be narrow provincial self-interest that scuppers it, that blocks Canada's interests and ambitions in the world. Yet this is exactly how the last attempt at a Canada-EU agreement died, almost a decade ago. After winning broad approval from both sides, that deal ran aground on Ontario's desire to monopolize municipal contracting and Quebec's dairy supply-management system. The Europeans walked away, bewildered.

The Germans in particular ought to recognize this problem. Germany, another federal nation, is divided into 16 *Länder* (states), whose local politics and perpetually looming elections have repeatedly sidelined, delayed or vanquished Chancellor Merkel's ability to deal with the euro zone's currency and banking crisis. Many feel the crisis could have been resolved years earlier if not for German domestic politics.

Yet what astonishes Europeans is that our provinces have a power to overrule and undermine Canada's national and international ambitions that seem to go far beyond those of the 27 EU member countries.

Yes, EU states raised objections to the trade deal: Ireland had agricultural quibbles and France had pharmaceutical ones. But these were cases of sovereign national governments struggling to come to agreement, not local subadministrations tripping up an entire country. A larger political will seemed to exist within federal Europe.

It's worth remembering that Germany's federal structure and the EU's semi-federal institutions were both created out of necessity, to avoid repeating the horrors of the 20th century. Canada's is a sad and vestigial deformity of its awkward creation.

In many ways, Canadian provinces are more powerful than nations are within the EU. There remain more trade and labour mobility barriers among the 10 provinces than exist among the 27 EU countries. Welfare and health-care policies are harmonized among the EU states, but remain largely chaotic and disorganized among the provinces.

The provinces will always be with us. But when Canada has accomplished things in the world, it has been because national leaders have been able to rise above the provincial morass, strike deals, make compromises, buy off grievances and deal with the world as a unified country.

As the Europeans have been amazed and horrified to discover, that kind of leadership does not exist at the moment.