

Wanted: EU trading partners. It's perilous for Canada to put all its eggs in one U.S. basket, says former trade minister. We must court the European Union more aggressively

Hon. ROY MacLAREN

08/16/2002

The Globe and Mail

Metro, A13 "All material Copyright (c) Bell Globemedia Publishing Inc. and its licensors. All rights reserved."

Canada must diversify its trade and investment. With 85 per cent or more of our merchandise exports going to the United States, we have become increasingly vulnerable to economic and political pressures. Commercially, the benefits are at least narrowly evident, but the price is proving to be more broadly significant in terms of our ability to pursue and develop our distinctive traditions and practices.

Our current infatuation with a single and --for the foreseeable future --affluent market carries an additional implication: Is it wise to neglect the European Union, a market of more consumers than the United States, with a gross domestic product that now rivals that of the United States?

Over the years, Canada has concluded a series of secondary agreements with the European Union, but they have done little to strengthen transatlantic ties. Something more is needed, something possessing --to put it inelegantly --"the vision thing." Cultural, academic and military co-operation are all very well but even together will not do the trick. The principal vehicle must be economic: in short, free trade.

Trade and investment diversification is good for a variety of reasons, but in Canada's case the most pressing reason is political. Current negotiations with the remnants of the once proud European Free Trade Association (Switzerland and Norway), Central America, and Singapore are laudable initiatives, all capable of contributing, as the agreement with Chile has already done, to diversity in our international relations. But the real prize remains the European Union, that fount of Canada's political and cultural institutions and values.

Prime Minister Jean Chrétien, recognizing the need to secure free access to the burgeoning European Union and to reinforce transatlantic relations in the wake of the Cold War, called for free trade between NAFTA members and the EU when he addressed the French Senate in 1994. Three years later in London, he added the prospect of Canada-EU free trade if, as seemed likely, the United States for domestic reasons could not join in the negotiation of a NAFTA-EU accord (as it had been unable to do in the case of Chile).

More recently still, the House of Commons endorsed the idea of Canada-EU free trade.

But it was Mexico, our partner in the North American free-trade agreement, that acted. Within one year, it had concluded its own free-trade agreement with the EU, materially assisted in Brussels by Spain and Portugal. But Canada's call has gone unheeded.

It's difficult to say why the European Commission remains indifferent. A variety of negative responses have been trotted out in Brussels: unilateral negotiations in the World Trade Organization must take priority; we are too busy with the broadening and deepening of the Union; trade in agricultural products could be an insurmountable problem, given our continuing inability to reform our Common Agriculture Policy; developing countries might not like it, and so on.

Yet the EU has always found the time and resources to negotiate free trade with many countries, including Mexico. Is Canada to believe that the EU is suddenly so strapped that it cannot field the same resources to negotiate with a second NAFTA partner?

The WTO cannot be the only instrument for transatlantic relations. A strong North Atlantic architecture is central to our ability to advance a larger global agenda. Bulk agricultural products no longer form a significant part of Canada-EU trade and, additionally, processed foods should not be a problem. Developing countries cannot seriously object to the conclusion of another EU free-trade agreement, particularly since Canada is one of only eight WTO members not to have a free-trade agreement of one sort or another with the EU.

One is reduced to mere speculation about the real reasons for the enthusiastic response in Brussels to Mexico's query and the dead silence to Canada's. Has the European Commission lost its self-confidence in negotiating with a developed country and is now limiting itself to developing countries (if Mexico can be so categorized)? Or is that Canada today, unlike Mexico, is perceived in Brussels as a small and dependent appendage of the

United States, no longer capable of pursuing its own distinctive (and more liberal) trade policies? Why negotiate with Ottawa when the real string-pullers are in Washington? Who knows?

Speculation about the reasons for Brussels's froideur toward the Prime Minister's proposal may be mildly diverting, but it does not address the fundamental question of what to do now. We could, of course, accept U.S. hegemony, intentional or otherwise, as the implicit price of access to the U.S. market, while nevertheless pursuing domestically our distinctive social policies. These policies have contributed to the fact that in Canada rates of infant mortality, child poverty and homicide are lower, while life expectancy and health-care coverage are higher.

But let us not fool ourselves: The prospect of pursuing successful policies distinctive in terms of our history, traditions and values, let alone a degree of independence in monetary and fiscal policy, is dim if we do not diversify the sources of our affluence.

Calling for Canada-EU free trade, Pierre Lortie of Bombardier said recently: "Speaking as a business person...we cannot afford to take our trade relationship for granted. Our governments must provide leadership in transforming a Canada-EU free trade area to a reality."

Ottawa should ignore the bureaucracy of Brussels (as do several major EU member states themselves) and take a well-prepared case to the capitals of the 15 member states.

The response, I imagine, will be varied. But Canada has surely not so lost the friendship and even esteem of its NATO and other European friends that we need anticipate in national capitals a repetition of the sterile response of Commission bureaucrats in Brussels.

The northern tier, Stockholm, Berlin, The Hague, London, Copenhagen (dare one include Paris?) should be especially receptive, given their free-trade traditions. There is already evidence of a willingness among them to be our advocates at the court of Brussels, our champions who would advance the case from within, who would at the end of the day inform the Commission bureaucrats of what the policy toward Canada is to be.

Some in Canada will say that it's not worth the effort, that we have seen the negative response of Brussels and that it will stand. But if that pusillanimous attitude had prevailed when the Canadian government embarked on its bold venture of seeing free trade with the United States, that deal, too, would never have happened. Indifference prevailed in many Washington corridors; success was the result of a determined joint effort on the part of the Canadian private and public sectors to ensure that our case was heard and eventually accepted. A fraction of that effort in Europe's capitals would pay dividends not only in economic terms but also in cultural and political reinforcement.

In 1948, Mackenzie King rejected free trade with the United States if it were not, at the same time, concluded with Britain and the Commonwealth. His misgivings then about the influence that can emerge from overdependence on a single market are no less valid today. Roy **Maclaren** is a former federal minister of international trade.