

\$40B Canada-EU trade deal in making

Business leaders say the stars are aligned for Canada and the European Union to begin talks on an "ambitious" trade liberalization deal that could see both economies reap combined benefits of nearly \$40 billion a year.

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OTTAWA - Business leaders say the stars are aligned for Canada and the European Union to begin talks on an "ambitious" trade liberalization deal that could see both economies reap combined benefits of nearly \$40 billion a year.

The \$40-billion figure will emerge from a joint Canada-EU study to be released Friday, when Prime Minister Stephen Harper meets with French President Nicolas Sarkozy and Jose Manuel Barroso, the European Commission president, in Quebec City. At present, two-way trade between Canada and EU countries stands at \$100 billion.

The study, say people familiar with its contents, will suggest a wide-ranging trade liberalization deal would boost Canada's annual real income, up until 2014, by \$16 billion. That translates into 0.8 per cent of Canada's GDP. The EU would realize a gain of \$22.5 billion a year, or 0.1 per cent of its GDP.

It is expected Harper and his European counterparts, after their meeting, will announce a formal kickoff of trade talks between the two economies. The Canadian and European leaders are also set to discuss co-ordinated efforts to tackle the tumultuous credit markets.

Critics say Canada has been complacent in terms of its trade strategy, putting too many of its eggs in the U.S. basket and failing to

pursue individual trade liberalization deals with economies in Southeast Asia and the EU.

Quebec Premier Jean Charest has been aggressive in pushing for a Canada-Europe deal, which he has likened to the North American Free Trade Agreement. Closer Canada-EU economic ties could also lessen Canada's dependency on the troubled U.S. economy, Charest has said.

Until now, Harper has provided mostly low-profile support for the initiative even though he agreed with German Chancellor Angela Merkel at the Canada-EU summit last year to launch the highly secretive study process. But Wednesday, Harper cited "strengthening" the Canada-EU partnership as one of six immediate steps the re-elected Conservative government would undertake to protect the country's position in the face of the current credit crisis.

Thomas D'Aquino, president of the Canadian Council of Chief Executives, said the deal being envisaged would highlight closer integration between the two economies and look, for the most part, to eliminate non-tariff barriers, such as regulatory differences.

"There is an argument that this could be as ambitious as the Canada-U.S. free trade deal," he said. "In my view, the two economies have a convergence of interests."

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