

A Canada-Europe trade deal presents a great opportunity. Can we seize it?

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Barack Obama's declaration Tuesday that the United States is launching trade talks with Europe represents both a challenge and an opportunity for Canada.

The challenge is to finish off the current negotiations on a Canada-European Union trade deal, known as CETA, before the Americans push us aside.

The opportunity is to craft a bold, ambitious deal that will serve as a template for the American-EU talks, creating a true North American-European Union open market.

The simple question for Prime Minister Stephen Harper is: How much political risk is he willing to take?

The Obama administration is aggressive on trade. It hopes to conclude the Trans Pacific Partnership with 10 other nations, including Canada, by October (a deadline that may be overly ambitious).

Now the Americans also want a free trade agreement with Europe. Canada is already ahead of them. An agreement on CETA was due in December. The new deadline is March or April.

With the United States about to take centre stage, Canada risks being pushed off the stage entirely, unless it can wrap up the talks by April at the very latest.

"We'd better get our act together and conclude these negotiations quickly," said Colin Robertson, the former diplomat who now writes and advises on trade issues, "because all of the oomph and energy on the part of the Europeans is going to immediately shift to what they see as the bigger game: the US-EU negotiations."

As Mr. Robertson pointed out, in the last decade Canadian dithering froze this country out of a free-trade agreement with South Korea, once the Americans stepped in to do their own deal.

The reason for the delay on the Canada-European agreement is that CETA would be a very 21st-century deal. Rather than simply lowering tariffs on manufactured goods, it aims to open up government procurement to foreign bidders, to lower agricultural tariffs and to enhance patent protection, especially in pharmaceuticals.

Those are tough issues. Agricultural subsidies are sacred cows – literally, in Canada’s case, thanks to supply management protections for the dairy industry. Many municipalities fear having Germans come in to bid on sewer contracts. Provinces worry about increased drug costs. The Europeans, in turn, are reluctant to let in cars that were, in part, manufactured in the United States. (The North American auto industry is, of course, heavily integrated.)

There will be a deal, without question. The question is whether that deal will show courage on both sides – with substantial mutual concessions for the sake of a truly open market – or whether both sides will retreat, with numerous “carve-outs” for protected sectors.

The benefits of a Big Deal would be tremendous. It could serve as a template for the European-American talks. If those talks succeed, it could create a North American-European Union free trading zone, putting Canada at the very heart of the world’s largest open market, representing about half of the world’s GDP.

Beyond that, Canada and the United States could become the lynchpin in a trilateral trading bloc with Europe to the East and the Trans Pacific Partnership to the west.

“It puts the North Americans in a very strong competitive position,” American Ambassador David Jacobson told the Globe’s Campbell Clark in an interview Wednesday. Canada and the U.S., he believes, could become “the bridge between the two other great trading blocs in the world...and I think that’s a very good place to be.

“Now, there’s a lot of water that’s going to go under the bridge between here and the time that all happens,” he cautioned. “But I

think the President's announcement last night is an important first step."

But there is little time left for Canada to lay the foundations of that bridge. Prime Minister Stephen Harper and International Trade Minister Ed Fast need to make the phone calls and the decisions that will secure this deal.

CETA must become the new NAFTA, not another South Korean failure.