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Breathe deep. EU trade is oxygen

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Canada has now been in the free trade business for more than a quarter century. Trade is the oxygen of the Canadian economy. More than ever, Canada needs to ensure no stone is left unturned in its pursuit of new markets for the sale of goods and services and investment that create quality jobs here, especially for young people starting out. The compelling logic is almost jarringly simple – if the country wants to gain access to foreign markets, that access is easier if tariff and other protectionist barriers are removed.

That is why we are so buoyed by the prospects for the Comprehensive Economic and Trade Agreement (CETA) between Canada and the European Union. We know it is not easy to close the final negotiations. It never is. And ratification in the domestic political contexts of two complex jurisdictions will take time. The idea is ambitious, but exactly what the times demand. We are confident there will be a good and balanced agreement.

The reality is that the economic world around both Europe and Canada is changing and shifting, and the status quo is no longer sufficient. Business requires growth. But where to find it?

Government trade experts estimate that CETA will ultimately allow the existing roughly $126-billion in two-way trade in goods and services between Canada and the EU in 2012-13 to grow by almost 23 per cent, a tangible, much-needed growth opportunity for Canada and the 28 EU member states. Estimates also call for an increase of at least 20 per cent in Canadian trade with Europe by the time the agreement is fully implemented. This kind of increase, averaging approximately $1.7-billion a year, would mean the equivalent of $4.7-million of additional new value for Canadian business each and every day over seven years. This is, of course, provided that Canadian and European companies prepare themselves to take full advantage of the opening.

European investors have already been active in Canada, holding approximately $384-billion in investment in the Canadian economy in 2011. And that is with a rock-bottom level of knowledge in Europe about the Canadian opportunity – knowledge sure to improve markedly with CETA. European investment is a generally safe and secure source of new capital to help fuel Canadian companies' growth.

But there is a corollary to the search for growth. It is becoming much more elusive in the usual places: The increase in Canadian exports to foreign markets between 2000 and 2012 has been less than half of the global increase in exports. Of those exports, almost 76 per cent went to the United States last year.

The historic access to the U.S. opportunity afforded by the North American free-trade agreement has been instrumental to the economic well-being of Canada. But a by-product has been that many export-ready, mid-cap Canadian companies have become expert in only that market. They have not felt a need to strategically diversify. Such psychological reliance on a market where the growth potential is neither fully elastic, nor guaranteed in perpetuity, is a risk in itself.

Bank of Canada researchers tell us that Canada's market share of non-energy imports into the United States has actually shrunk in aggregate by roughly one-third since 2000, 30 per cent of that decline since 2008. The election-season love affair – both in Congress and the Obama administration – with various "Buy American" programs, including the new Grow America Act currently in the U.S. Senate, will only make the situation more challenging for Canadian business.

Farther afield, the pursuit of growth is no easier.

While still expanding at over 7 per cent a year, and impressive in scale, the Chinese economy has slowed in the past 18 months and looks like it will end out 2014 with its worst performance in 24 years. The Chinese leadership has confirmed in public that it is prepared to absorb slower growth and warned its population to expect the consequences. So the potential for growth based on access to China is less a panacea than it might have appeared in the past.

The bloom is off the rose of various emerging markets – India, Brazil, Russia, Indonesia and so on – that had been the darlings of the past decade. Economic performance has faltered, political risk considerations about stability have increased. Not markets for the faint of heart, they are more challenging as a strategy for growth for most Canadian companies.

Enter Europe. Despite the ongoing complexities and tensions of the relationship between the EU ideal and the national politics in member states, Europe can provide a relatively secure and stable space for growth that is increasingly difficult to find elsewhere, and a hedge against an array of risks. As can Canada for Europeans, including, for example, as a stable, reliable source of energy – a question that is top of mind for European policy-makers, given the ongoing tensions with Russia over the Ukraine crisis.

It is time to put the historic trans-Atlantic relationship to work for both Canada and Europe.

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