

Canada's vital interest in free trade

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Negotiations on the free-trade agreement between Canada and the European Union – the largest market in the world – are expected to conclude this year. This is vital, as Canada's trade policy agenda has largely been stalled for a generation.

We need a bold trade agenda. Of all the sources of improvements in our economy, one of the most important has been the rising value of our exports. Yet, we have become uncompetitive in several areas and effectively shut out of some markets where we have a competitive advantage. Agricultural exports, for example, have lost global market share in every area except for pulses. Imagine – for a country as qualified as Canada to be an agricultural powerhouse.

Productivity growth should be another major contributor to our prosperity, but we haven't tapped into productivity-enhancing innovations because we throw obstacles into the path of Canadians trying to do business in their own country, fragmenting our domestic market, undermining economies of scale and limiting export opportunities.

This is exacerbated by domestic markets that are effectively closed to real competition, preventing innovations from abroad from entering our market. Telecommunications is an obvious example. According to the OECD, Canada has one of the slowest Internet services and most expensive cellphone bills in the industrialized world. And while South Korea and Japan are moving to fifth-generation mobile and Internet technology, Canada remains 3G.

In the face of changing demographics, a global trade strategy becomes all the more important. An aging population, and the pension and health costs they present, means fewer workers will need to produce more. This can only be accomplished if Canadian producers have access to global markets.

By the same token, trade, in effect, allows Canadian firms to use other countries' workers when they can't find the ones they need at home.

And tearing down barriers to investment in foreign markets and increased protection for investors improves the opportunities for better returns.

The Canada-EU trade agreement would allow progress on all these fronts. And it wouldn't merely improve access for Canadian exporters to a market of 500 million. It would require Canada, for example, to upgrade its intellectual property provisions to a standard consistent with other advanced economies, including in key areas such as pharmaceuticals, where such improvements would likely result in increased investment.

The agreement would ensure that procurement is open, fair and reciprocal, meaning that not only will Canadian governments (and taxpayers) have access to better quality goods and services at more competitive prices, but Canadian suppliers will be able to freely bid on government contracts in the EU – a market worth \$2.4-trillion. The deal would also make it easier to bring in skilled European workers, a key benefit as aging causes our own pool of workers to stop growing.

These advances are essential if Canada is to negotiate access to Asia's markets and strengthen its influence with Washington. And because the U.S. has not yet negotiated free trade with Europe, an early deal will confer first-mover advantage on Canadian companies, which will enjoy privileged access to both the U.S. *and* Europe.

Protectionism's day is over. Around the world, the value of trade rises faster than national economies grow, meaning that trade openness is an indispensable tool. We have a lot of what the world wants, but we also have a lot to learn from others. Trade deals are a matter of vital national interest.

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