

# Canada-EU trade deal a hopeful sign

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***Canada will regain its lost trade status***

**By Jason Langrish**

**N**egotiations on the wide-ranging free-trade agreement between Canada and the 27-member European Union are expected to conclude in the next few months. This is positive news, since Canada's trade policy agenda has effectively been stalled for a generation.

Ongoing efforts to reduce red tape at the U.S. border have made little progress, even if there are now signs of movement. Despite billions of dollars having been poured into the Pacific gateway, efforts to move the trading agenda forward with Asia have been incremental at best. The once-hyped Free Trade Area of the Americas fell apart as quickly as it emerged. Talks at the World Trade Organization have drifted into irrelevance.

Even efforts to remove costly and outdated barriers to trade between provinces have languished. A seemingly straightforward adjustment to allow Canadian wine to flow freely between provinces has taken years.

With the negotiation of the Comprehensive Economic and Trade Agreement (CETA) between Canada and the EU, a single market of some 500 million wealthy consumers, Canada will regain its lost status as a true free-trading nation. Credit our governments, at both the federal and provincial levels, for showing the foresight to make this become a reality.

Their collaboration has occurred in part because Canadian's views on free trade have changed since the last big agreements with the U.S. in 1988 and then NAFTA, which included Mexico, in 1994. Citizens realize that these agreements have been positive for Canada, increasing national wealth and lowering unemployment.

If Canada were producing only for itself, it would be forced to shut its factories around June of each year. In order to keep them open, we need to ship our goods, and services, abroad. Canada accounts for about 0.5% of the global population and approximately 3% of global trade. The difference between these two figures is our high standard of living.

While it is important that we enhance our relations with the U.S. and the rapidly growing countries of Asia, we need to be realistic about what is achievable in these markets.

The U.S. has become all politics all the time, making movement on even the most basic of issues a herculean task. Asia is a centre of growth, but restrictions in several countries on foreign ownership, the looming risk of expropriation and the pilfering of intellectual property have created commercial environments that are often less rewarding than first assumed.

The EU has serious internal issues to resolve and will experience modest growth for the foreseeable future. Yet the CETA will drive commerce with all EU members states, notably, the healthy economies of Germany, The Netherlands, Sweden, Denmark, Finland and Poland to name a few — a group that alone accounts for more than 150 million people.

Bilateral trade is in excess of \$100-billion and investment close to \$400-billion. However, these numbers may greatly under-represent the scale of the relationship. Using an integrative approach to trade that more accurately reflects the level of value-added exchange, notably, for services, the Conference Board of Canada estimates Canada-EU trade to be closer to \$400-billion.

These levels of commerce require a modern structure to govern the relationship, much as was required a generation ago with the United States. The CETA will go even further, addressing regulatory barriers that are often in areas of sub-federal jurisdiction, directly involving provinces in the negotiations.

As a result, the CETA will deliver the added benefit of reducing inter-provincial barriers that put our own domestic firms at a disadvantage — unbelievably, to each other!

The elimination of tariffs will make it easier for companies to establish supply chains between Canada and the EU. Companies orientate their investments to free-trade areas for precisely this reason, as a majority of global trade is intra-company.

Small and medium businesses will have the opportunity to subcontract to larger Canadian and European firms that operate globally, generating business opportunities both at home and abroad. In the current background of economic uncertainty, the CETA presents welcome good news.

— *Jason Langrish is the executive director of the Canada Europe Roundtable for Business.*