

Canada-EU trade deal would be feather in caps of Charest, Harper

It's a big-vision idea, and the premier deserves credit for pushing forward

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If there's one thing Stephen Harper and Jean Charest can agree on, it's the launch of free-trade talks between Canada and the European Union, a file on which Charest has taken an aggressive lead, with Harper's blessing.

International trade is an exclusive federal jurisdiction, but merchandise trade often covers provincial procurement, and trade in services includes recognition of professions, which is within provincial constitutional competence.

Charest has taken the lead on both files, with France on recognizing professional credentials, and on the larger Canada-EU file with French President Nicolas Sarkozy during his six-month turn as chair of the EU in the second half of last year.

The bilateral Quebec-France agreement on professional credentials would probably be the template for a chapter on services in any Canada-EU trade deal. For Charest, it's important to leverage the growth, for example, of doctors and nurses in the Quebec health-care system, which is facing a severe shortage of service providers at a time when the baby-boom cohort is about to make increased demands.

For Harper it's important to keep political promises he has made to

multicultural communities as a way of broadening the Conservative base. Doctors and engineers from Europe and Asia are always asking why they end up driving cabs in Toronto.

On the larger question of a free-trade agreement with Europe, it's a natural for both Canada and Quebec, as a way of diversifying our trade portfolio beyond the United States, by far our largest trading partner, which even in bad year accounts for 75 per cent of our exports. The quest for a regional balancing act goes back to Pierre Trudeau, who called a Canada-Europe pact "the third option," which became derisively known in trade circles as "the missing link."

For the Europeans, the benefits of a small-market trade deal with Canada are obvious in that it could go through the back door of the NAFTA to a large-market deal with the United States.

As Charest put it in an interview last summer: "This is a unique opportunity for them to set foot in North America, and set foot in the richest market in the world, so the two richest markets in the world would have an opportunity."

Why not? It's a big idea, a vision thing, and it looks good on both Harper and Charest as a bold statement of forward-looking public policy. And the only way to engage the Americans is with big ideas.

Already, the EU is Canada's second-largest trading partner, with \$90 billion of two-way merchandise trade, with \$36 billion in Canadian exports and \$54 billion in imports. While we could do without a 50-per-cent trade deficit, it would be up to Canada to grow its market share through enhanced access. A joint Canada-EU impact study estimates an FTA would increase bilateral trade by more than 20 per

cent, or about \$12 billion in terms of Canadian output, in a few years. Every billion dollars of trade creates at least 10,000 new jobs. You can take it to the bank. Trade is good. Trade works. And as a trading nation Canada is the proof of it.

There's a small catch to these talks, which should be launched in May at the annual Canada-EU summit in Prague. The Europeans want all the Canadian provinces to sign on, and that's not a given. It's generally forgotten today that Ontario and two other provinces opposed the Canada-U.S. FTA, the biggest and most beneficial bilateral trade agreement in history, under which exports to the U.S. as a share of Ontario's output exploded from 20 per cent to 50 per cent.

One province isn't on board at this point: Newfoundland and Labrador. And for once Danny Williams isn't shouting at the rain. Well, he is, but he has reason to do so, since the Euros are on the verge of imposing a regional ban on seal products, including oil and pelts. And March is, of course, the month of the sea hunt, when European celebrities and activists turn up on ice floes to have their pictures taken with cuddly baby seals. This will be a deal-breaker for Newfoundland, and if the Europeans don't relent on their seal restrictions, they might have to move off their demand for unanimity, on the very logical grounds that how we settle our internal affairs in our economic union is our own sovereign business.

Although Harper and Charest have been feuding over political turf issues for the last year and a half, this is one policy file on which they have gone out of their way to get along. Harper has generously allowed Charest to take the lead in an area of federal jurisdiction, and

Charest has readily acknowledged as much.

The payoff for both, in terms of politics as well as policy, could be significant.

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