

# Canada should court EU deal



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Trade Minister David Emerson sounded distinctly dissatisfied. Yes, Canada's natural resource economy was on a roll. But natural resource booms end in natural resource busts and we haven't used the good years to prepare for the bad. "We've been coasting," he told *The Globe and Mail's* Steven Chase. "We need to get back into the game."

He defined the game as the pursuit of preferential and assured access to markets around the world. In the past five years, he observed, Canada had signed only one free-trade agreement. With Costa Rica (population: 4.3 million; GDP: \$20-billion U.S.). In the same period, the U.S. negotiated 10 free-trade agreements with 15 countries — with Jordan, Singapore, Chile, Australia, Morocco, Bahrain, Oman, Peru, Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua — and, most poignantly, Vietnam. (Combined populations: 228.4 million; combined GDP: \$2.2-trillion.)

In the final agreement, the parties agreed to slash tariffs on 94 per cent of the manufactured goods traded between them and on 75 per cent of the agricultural products. For its part, Vietnam agreed to open its market to foreign competition — from all countries. Mr. Emerson is in Geneva this week for another meeting of trade ministers from the member countries of the World Trade Organization. This multilateral game is essentially the same as the bilateral game, except that 149 teams play at the same



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**International Trade Minister David Emerson has warned that Canada has fallen way behind other WTO members in pursuing bilateral deals.**

time. As usual, the U.S. will press aggressively for lower tariffs on agricultural imports. As usual, the European Union and Japan will aggressively resist. As usual, Mr. Emerson's assertive comments aside, Canada will watch from the sidelines, mentally torn, wanting low tariffs for moral and economic reasons, needing high tariffs for political reasons.

This ambivalence will get us through the week — but not much beyond. Canada does not have a credible long-term trade strategy. What do we do when the WTO negotiations collapse? We've counted on the WTO for cover for years. We

hoped that the WTO would haul us, kicking and screaming, into lower tariffs and into the elimination of import quotas. In this case, we could have blamed *them*. We played for time, and got it. Now the game's almost finished and Prime Minister Stephen Harper confronts probably the single most difficult issue between himself and a majority government — which Quebec dairy farmers, all by themselves, could well find themselves in a position either to grant or to withhold.

Before leaving for Geneva, Mr. Emerson said he had instructed his staff to identify the countries that

would be Canada's best-bet candidates for bilateral trade agreements. It's safe to assume that the list will be obsessively Asian.

South Korea (with whom we are already in negotiations). Japan. Singapore. India. China. Our best-bet opportunity right now, however, isn't necessarily Asia. It could be Europe.

The European Union has a combined population of 450 million people and a combined GDP of almost \$12-trillion. Indeed, with 31.4 per cent of global GDP, it is now the world's largest single marketplace. We already have assured access to the U.S. market (28.6 per cent of global GDP), the Mexican market (2.5 per cent) and our own market (2.5 per cent). With Canadian membership of some kind in the EU, we would have preferential access to 65 per cent of the global economy. As a single entity, the 24 euro zone countries already rank as Canada's No. 2 trade partner, with trade exceeding \$70-billion (Canadian) a year. And (whether it would be a good thing or not) the Europeans wouldn't mess with our tariff-protected dairy farms.

Further, we have already done much work on developing special Canadian status in the EU. Canada signed an initial trade agreement with the European Economic Community in 1976 — the first non-European country to do so. For a number of years, Canada and the EU worked on a common trade protocol, though this work was suspended when we decided to bet all our chips on the WTO.

As U.S. trade strategy has proven, our policy needn't be either/or. We can support the WTO and seek bilateral deals at the same time. Ideally, we will now pursue associate membership in the European Union, through NAFTA — turning North America and Europe into a single free-trade zone and making up for much lost time.

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