EU deal too important not to conclude

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Will help eliminate interprovincial barriers

Canada and the European Union are on the cusp of concluding the most comprehensive free trade and investment agreement that either side has ever negotiated.

The Canada EU Trade Agreement (CETA) will modernize the architecture that governs commerce between the two territories, which has grown at unprecedented rates over the past decade, notably with regard to investment.

For example, Canadian firms invested in the EU have sales equivalent to more than four times the volume of trade. Supply chains are deepening between the two territories, necessitating changes in rules and regulations that accommodate this shift.

The protection of intellectual property, access to public procurement markets, market access for goods and services, rules that protect investors and provisions to facilitate the movement of skilled workers will all be in the Canada-EU deal.

These provisions are collectively expected to increase bilateral trade by $12-billion annually and create 80,000 new jobs in Canada alone. More than 98% of goods will receive duty-free status on day one of the agreement, reducing the prices on consumer goods and making inputs into the corporate production process more affordable. By contrast, the 1988 Canada-U.S. Free Trade Agreement was only 26% duty free on day one.

The CETA will also deliver valuable reforms in Canada and the EU. For Canada, the CETA heralds a new era of federal-provincial co-operation in the area of international trade and investment. For the first time ever in an international negotiation of this character and scale, the sub-federal levels of the Canadian federation are at the negotiating table, discussing the areas that fall under their jurisdiction, such as public procurement.

The CETA will help eliminate lingering interprovincial trade barriers by forcing the Canadian provinces and territories to table harmonized offers that will in essence present companies with a single national market. This will not only increase prospects for European trade and investment in Canada, but will also modernize the Canadian economy by eliminating redundant rules and regulations and stimulating increased competition and predictability.

For the EU, the CETA represents a migration of responsibility from the member states to the European Commission, notably, with regard to the negotiation of investment rules. The EU has also agreed for the first time to negotiate negative list coverage for services, meaning all services will be covered unless otherwise specified, as opposed to the traditional positive list approach that specifies which services are to be covered. The difference is significant, as the approach being used in CETA is more ambitious and will ensure that services that have not yet been invented will be covered under the CETA in the future, ensuring that the agreement maintains its relevance well after it is implemented.

The geopolitical significance of the Canada-EU deal to the longer-term prosperity of each territory is often overlooked.

For the European Union, the deal represents a template for an eventual U.S.-EU negotiation, which will in practice mark the formation of a transatlantic economic union. It will likely take several years for the U.S. to generate the political will to conclude an ambitious negotiation with the EU. Given the rise of China, coupled with the failure of the World Trade Organization process, both sides will eventually have to come together in efforts to define the global terms of trade.

Canada will be well positioned when this happens. The CETA means that the country will not be sidelined during the eventual EU-U.S. talks and then be forced to unilaterally sign on to what is negotiated. It also confers a valuable early-mover advantage for Canadian businesses in the 500-million-person European market.

The criticisms of the CETA have been mainly predictable anti-trade rhetoric. Those opposed are either focused on their specific concerns or grievances, ignoring the broader benefit that the agreement will deliver, or are more concerned about achieving what they regard as a "win" in killing the deal than in engaging in thoughtful discussion on the implications of the CETA.

Political support for the deal in both Canada and Europe remains strong and, according to recent polls by Nanos and Ipsos Reid, eight in 10 Canadians support the negotiations.

Canada and the EU will conclude the CETA in 2013 — there is too much at stake not to.

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