EU trade deal vital for Canada: C.D. Howe

BY KIM COVERT, FINANCIAL POST
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OTTAWA — A strong, meaningful trade agreement with the European Union is vital if Canada wants to remain relevant on the global trading front as anything but a rich source of natural resources, according to a study released Thursday by the C.D. Howe Institute.

Canada's $104-billion annual trade with the EU is already more heavily weighted to the services sector than its trade with other countries, including the United States, says author Daniel Schwanen, associate vice-president of trade and international policy for the think-tank.

"The size and sophistication of the market represented by the EU — whose GDP exceeds that of the United States — and the importance of services and investments in the Canada-EU relationship suggest that a comprehensive agreement would open new doors for Canada beyond its traditional resource and manufacturing base," writes Schwanen in the paper, titled Go Big or Go Home:Priorities for the Canada-EU Economic And Trade Agreement.

Failing to reach a comprehensive agreement with the EU, or reaching an agreement that only makes "shallow" progress in the issues it addresses "would end up reducing Canada's influence and attractiveness in global trade outside the resource sector," Schwanen writes.

Canada and the EU launched negotiations for a comprehensive economic and trade agreement (CETA) in 2009, and have a target date of early 2012 for completing them.

The services sector accounts for a growing share of world trade and encompasses commercial services such as R&D, financial, computer, management or engineering services — areas with “high value added jobs within global value chains,” he says.

Because of the type of work done in the sector, an agreement deepening the trade relationship between Canada and the EU has to be about more than relaxing or removing trade barriers, Schwanen says —it requires personal contacts and “keen understanding of standards” —often leading to a corporate presence on the ground and thus jobs in both the home and the host country. It must also address issues such as property rights, movement of people and professional qualifications across borders, and the foreign firm’s ability to participate in public procurement contracts on similar terms to domestic agencies.

Issues that will need to be addressed include removing barriers to trade in goods — including agricultural products, and eliminating tariffs on non-agricultural goods. Finding a non-discriminatory dispute resolution mechanism that “treats government-imposed trade restrictions as a last resort” is important, says Schwanen, as is keeping any agreements “coherent” with pacts the partners already have with other third-party countries, especially the United States.

Patents are another area that will require special attention —

Schwanen notes that many EU firms, including pharmaceutical giants, want Canada to extend its patent protection period to match that in effect in the EU.

Opening up public-sector procurement to EU companies is also important — as is reciprocal access for Canadian companies, Schwanen says.

“The likelihood is that the thrust of an agreement will be that if the Canadian private sector is allowed to bid on contracts over a certain amount tendered by the public sector, government agencies, or government-owned corporations, European entities should be allowed to bid on equal terms, and that Canadians will be offered equivalent opportunities to bid on European contracts. Both the added competition to provide services and the new opportunities in the immense European market will benefit Canadians.”