THE VIEW FROM THE WEST

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EU trade pact positive move

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Canada is negotiating the Comprehensive Economic and Trade Agreement with the European Union. The recent stirrings of public debate over what the CETA might mean for municipal public procurement in Canada, or drug prices, brings back memories of the Canada-U.S. Free Trade Agreement of the 1980s.

The Canada-U.S. FTA was negotiated under the Conservative majority government of Brian Mulroney and took effect in 1989 after the acrimonious debate of the 1988 election. During that election, the Liberals under John Turner, along with the NDP under Ed Broadbent, opposed the FTA.

Opponents of the FTA argued that under its provisions, the agreement with the United States would erode Canadian culture and sovereignty, cost us medicare and existing social programs and perhaps even lead to large-scale exports of our water.

Despite a debate that often seemed to stir apocalyptic economic visions, nearly a quarter-century later it would appear that the sun still rises. The FTA and its successor, the North American Free Trade Agreement, do not appear to have destroyed medicare or Canadian social programs in general. Canadian culture seems to still be in place. And while the large-scale export of our water to the United States may still be a possibility, it has yet to happen.

Has there been a major restructuring of Canada's economy? The answer is yes, particularly in the manufacturing sector of Central Canada, but the current effects of high electricity prices and a high Canadian dollar cannot be ascribed to the FTA.

Some sectors were hit quite hard. For example, there was a reduction in the number of Canadian furniture and clothing manufacturing plants. Nevertheless, overall employment in Canada has grown in the years since the FTA came into effect.

In economic terms, the impact of the Canada-U.S. FTA cannot be seen but as positive. While its onset coincided with a high dollar, cross-border shopping, the 1991 recession and the GST, leading to a period of slow growth, eventually there came the economic boom of the late 1990s.

Within a few years, the share of GDP from exports rose from under 25 per cent in 1988 to reach 40 per cent by 2000. Between 1988 and 2010, the total value of our exports to the United States grew 180 per cent. The U.S. share of our exports grew from 73 per cent in 1988, peaked at 84 per cent in 2002 and has since declined. Per-capita GDP in Canada between 1988 and the present has grown by almost one-third.

Today, we have another Conservative majority government, this time under Stephen Harper, which, as part of a trade diversification strategy, is negotiating a new free-trade agreement with the European Union.

Compared to the FTA, the process has been decidedly low-key, with little in the way of concerns expressed until recently.

In many respects, Europe does not loom large on the Canadian public's radar. Whereas in 1988, the United States already accounted for more than two-thirds of Canadian exports, the U.K. and Europe currently only account for about 10 per cent of our exports.

That share, however, has been growing quite rapidly. Between 2006 and 2011, the total value of Canadian exports to the United States actually declined. Meanwhile, those to the U.K. are up 72 per cent and those to the rest of the EU are up 10 per cent.

Despite its current economic woes, the European Union represents significant long-term potential for the growth of Canadian exports and an important counterweight to our dependency on the American market. The recent concerns that the CETA may increase drug prices and health-care costs, as well as prevent Canada's municipal governments from sourcing foods and services locally, are not reasons for us to retreat from this deal. Drug prices in Canada are now regulated by the quasi-judicial patented medicines prices review board, which is supposed to protect the interests of Canadian consumers by ensuring prices of patented medicines sold in Canada are not excessive. This is not expected to change with the CETA.

As for municipal governments being prevented from sourcing goods and services locally, there is already substantial competition from non-local companies within Canada for such contracts, and even when non-local companies win the bids, they often use local labour and suppliers.

Will the CETA have an impact on Canada's economy? The answer is yes, but the effects should be largely positive. One can expect that, like the FTA, there will be economic adjustment that generates winners and losers, but that over the long term, there will be economic growth and employment generated from diversifying our trade. Moreover, reducing our dependence on the U.S. market will actually create greater economic stability for our economy.

In this respect, the CETA echoes back to the Third Option strategy of the 1970s articulated by federal Liberal minister Mitchell Sharp, which sought to strengthen Canada's economy through trade diversification. While the FTA forged closer links with the United States, counter to the intent of the trade diversification and industrial strategy advanced by the Third Option, the CETA marks a return to a broader trade policy.

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