

# Europe calling

Canada is already more economically engaged with the European Union than is generally supposed, according to a Conference Board of Canada report published on Monday, but that is all the more reason to deepen the relationship in the trade negotiations between Canada and the EU.

The essential message of Danielle Goldfarb and Louis Thériault, the authors of *Canada's 'Missing' Trade with the European Union*, is that policy-makers should no longer be as concerned as in the past with trade surpluses and trade deficits, especially as calculated according to the quantities of finished goods that cross borders. Extremely complicated supply chains, or "value chains" (as in "value added"), mean that imports of goods or services are no less desirable than exports, because they are virtually inseparable. They cite a speech in April by Pascal Lamy, the Director-General of the World Trade Organization, in which he said, "What counts is not the imbalances as measured by gross values of exports and imports, but how much value added is embedded in these flows."

All this is by no means simply a matter of goods, but also of services. Moreover, foreign direct investment means that transfers of goods and services within multina-

tional firms amount to international trade, though it may not be recognized as such.

Ms. Goldfarb and Mr. Thériault argue that Canadian businesses are taking far less advantage of Canada-EU relationships than Europeans are. Even so, they say that Canadian raw materials often add high value – something of a vindication for the proverbial hewers of wood.

In the negotiations with the EU, the federal government has wisely included the provincial governments at the table. In previous free-trade negotiations, the provinces have been kept abreast of events, and consulted, but direct participation will prevent future difficulties, if agreement is reached; the provinces will be bound.

This is especially relevant to trade in services. Much as with immigration issues, mutual recognition of professional qualifications is vital, and is mostly a matter of provincial jurisdiction. Indeed, European businesses have complaints about obstacles to interprovincial labour mobility in Canada, as well as international freedom of movement.

Canada's aim in its negotiations with the EU should not be to outdo the other side, but to join in the opening up of a zone of larger and freer trade – trade in a wide sense.

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