Europe Now: Huge benefits to EU trade deal

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Comprehensive trade and investment negotiations between Canada and Europe are in their final stages, with Trade Minister Ed Fast and his European counterpart Karel De Gucht having met in Ottawa this past week to discuss the remaining issues.

The beneficiaries of a Comprehensive Economic Partnership Agreement (CETA) will include agriculture, notably, beef, pork and grains, fish and seafood, processed foods, auto parts, manufacturing, medical equipment, and professional service providers, infrastructure, engineering and construction firms — especially those who bid on public contracts, life science companies who wish to conduct more research and development in Canada, firms who seek stronger protections against counterfeiting and industries who require external capital to fully realize their investments, including in the energy and resource sectors.

Shipping and transport, rail and trucking, will see substantial gains. More than 47% of the total number of containers handled at the port of Montreal are coming from or going to Northern European ports located within the European Union and 18.6% from or to Mediterranean ports also within the European bloc. This means that 65.8% of their container traffic could benefit to some degree from a free trade agreement between the EU and Canada. For the port of Halifax, the figure is 38%.

Canadians will further benefit from reduced tariffs on European consumer goods, investment and technology transfer from the EU, as well as providing small- and medium-sized Canadian companies with opportunities to subcontract to larger Canadian and European firms that are operating transatlantically, and globally.

This is why every major business group in Canada is on record in support of CETA. The Canada Europe Roundtable for Business has the support of more than 100 chief executives of large Canadian and European firms posted on the home page of its website. CETA has not generated the same buzz of Canada's last negotiation of comparable size with the U.S. and then NAFTA. The concern over national sovereignty is not present in this debate, and Canada is today a less insular country. Polls show upward of 80% of Canadians support CETA. Even the NDP is considering supporting the deal!

And yes, tariffs still matter. There are tariffs and peaks in areas such as agriculture, textiles and manufactured goods that can run well over 200%. Companies aren't particularly fond of establishing their supply chains in areas where tariff persist, even if they are low. In the world of intra-company trade, which accounts for well over 30% of total global trade flows, tariffs act as implicit taxes on their activities. Tariffs in the context of advanced economies reduce competitiveness and innovation. The relatively low tariffs that were not dealt with in NAFTA have been cited as a principal reason why

Canadians pay more for consumer goods than Americans. This issue will be addressed in CETA.

In any event, it was clear from the outset that behind the border issues would be a principal concern of negotiators. The nature of global commerce has changed, and sales from Canadian affiliates within the EU are now more than twice the value of Canadian exports to the EU. This necessitates updates to the rules that govern commercial activities, including for labour mobility, access to procurement opportunities, investor assurances and a binding process for adjudicating on disputes related to technical barriers to trade.

To provide some context at how rapid the growth in the Canada-EU relationship has been, in 1996 Canadian investment in the EU was $36-billion. Today it is over $170-billion, an increase of almost five times. Investment figures from Europe into Canada are almost identical, indicating a very balanced relationship and unique in the fact that the EU has 10 times the population of Canada. Europe is Canada’s second-largest trading partner and accounts for nearly 30% of the country’s bilateral investment. Like all large and growing partnerships, Canada and the EU require an updated architecture to manage an increasingly complex commercial relationship and the CETA will provide this.

Canada is also negotiating with Asia, including an FTA with India, participation in the Trans Pacific Partnership and launching negotiations with Japan. Yet negotiations with these partners are not going to resolve the interprovincial disputes that are preventing the country from achieving its energy and resource export potential. Asian countries will buy Canadian commodities, with or without new trade agreements in place. However, there is the risk that hard-sought free trade deals will go unfulfilled due to a lack of export infrastructure.

The provinces and territories are at the negotiating table in CETA as Canada has had to change the way in which it participates in a new generation of trade and investment deals that place at their centre issues of sub-federal concern such as public procurement, labour mobility and investment. The federal government should be given credit for pursuing a partnership with the provinces on the EU trade file that by all accounts has worked very well. They should also ensure that a mechanism exists in CETA that allows them to recoup any compensation that they are forced to pay as a result of a failure to abide by the terms in the agreement at the sub-federal level.

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