

Europe and Canada

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Amidst dark mutterings about the rise of protectionism in global trade the good news is that the European Union and Canada are today launching “comprehensive trade and investment negotiations,” leading to a free-trade agreement.

This is exactly the signal that the major trading countries should be sending in recognition that barriers to trade are part of the world’s current economic problem, not part of the solution. As G-20 leaders have repeatedly declared, open trade remains central to global recovery.

Unfortunately, prior to the current economic malaise, leading trading countries, both developed and developing, have failed to come together on new multilateral initiatives in the now long-running Doha Development Round of the World Trade Organization. Against that background of stalled multilateral talks, a number of countries have moved forward on a regional or bilateral basis, concluding free trade agreements that are typically narrow in scope and unambitious.

The European Union and Canada, however, are on the move. Following last year’s joint study of the substantial trade and investment benefits of further liberalization and harmonization between them, they proceeded to “scope” the proposed negotiation of an ambitious trans-Atlantic agreement that would go beyond the terms of more conventional free trade agreements (such as the E.U. already has with Canada’s Nafta partner

Mexico).

In addition to the removal of all tariffs, the new agreement will take in a wide diversity of influences on trade. These will include the free movement of skilled workers, the opening up of government procurement, and the elimination or harmonization of a range of regulations that are otherwise a particularly noxious form of protectionism.

How long the E.U.-Canada negotiation will take remains to be seen, but the fact that it was carefully “scoped” over the past months leads to the reasonable expectation that the talks will go forward promptly, outstanding issues having been identified if not settled in advance. One such question, now resolved, was Europe’s need for assurance that, in the Canadian federation, all levels of government would implement the agreement. The conclusion of that question had meaning beyond the bounds of the E.U.-Canada agreement. It will arise again when Europe embarks upon negotiations with the federations of Australia and the United States.

The European Commission expects Canada to provide a model for subsequent negotiations with other developed countries of the O.E.C.D. For hitherto the E.U. has limited its bilateral or regional trade liberalization initiatives to developing countries and has not attempted any with developed countries.

That negotiations with developed countries will now go forward is implied in the growing recognition in the United States that, in the words of the U.S. National Manufacturers Association, the

combination of an existing E.U.-Mexico agreement and the prospect of a E.U.-Canada agreement “leaves us out,” putting the United States “at a significant disadvantage.” Despite incipient protectionism in the U.S. Congress, improved market access, to which the G-20, including the United States, has pledged itself, is increasingly recognized as the best route forward.

But it is not only the U.S. that is taking notice of the E.U.-Canada answer to protectionism. Asian countries will not fail to recognize that with trans-Atlantic liberalization afoot, it is time that they negotiated seriously with the West for fear of losing competitive access to a potentially yet more massive trans-Atlantic economy.

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