# Free-trade deal with EU could cost thousands of Canadian factory jobs

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A free-trade agreement between Canada and the European Union would deal another blow to Canada's already battered manufacturing sector, wiping out thousands of jobs in food processing, apparel making and the auto industry, according to an analysis of a potential agreement that will be released Wednesday.

Canada, which has run an annual trade deficit of $19-billion with the EU, on average, for the past 10 years, would lose 28,000 jobs – most of them in manufacturing – if tariffs were eliminated, says a study done by Canadian Auto Workers economist Jim Stanford for the Canadian Centre for Policy Alternatives (CCPA).

Instead of increasing imports of European goods and services, Canada should look to that continent to provide examples of "what is really required to build successful, innovative export industries, instead of continuing to naively hope that more free-trade agreements will solve all that ails our trade performance," Mr. Stanford said.

While the federal government negotiates the terms of an agreement with the EU, Canada's manufacturing sector is still dealing with the lingering effects of the Great Recession, the slow recovery in the U.S. economy from that downturn and the renewed strength in the value of the Canadian dollar.

A combined Canada-EU study says the boost to the Canadian economy would be worth $12-billion, although Mr. Stanford noted that even that study says Canadian imports from the EU will increase by twice as much as Canadian exports to the EU.

After the five previous free-trade agreements Canada signed with the

United States, Mexico, Israel, Chile and Costa Rica, exports grew by an average of 4.77 per cent annually, while imports rose by 8.67 per cent, his analysis for the CCPA shows. The centre is a left-leaning think tank.

The loss of 28,000 jobs is the best-case scenario in Mr. Stanford's study. The worst-case scenario is the elimination of tariffs, plus the Canadian dollar maintaining the 18-per-cent appreciation in value against the euro it has averaged this year compared with where the currencies were trading when negotiations on a deal were announced in March, 2009.

Under those assumptions, a Canada-EU free trade agreement vaporizes more than 152,000 jobs.

Processed food makers, apparel manufacturers, the auto industry, chemical rubber and plastics producers and beverage and tobacco manufacturers are the five industries that would lose the most jobs if all tariffs were eliminated–the best-case scenario.

Most of the benefit will be felt in the agriculture and fishing sectors.

In the auto sector, eliminating the 6.1-per-cent tariff European auto makers now pay on vehicles they import into Canada and the 3.2-per-cent duty on parts imports would wipe out about 3,400 jobs. The EU places 10-per-cent duties on autos and auto parts.

Eliminating the 6.1-per-cent duty on Volkswagen Golf models imported from Europe would give the Germany-based auto maker a boost in the hotly contested compact segment of the auto market against Canadian-made Honda Civic and Toyota Corolla models.

Similarly, BMW AG and the Mercedes-Benz unit of Daimler AG, which already lead the luxury segments in Canada, would receive an instant 6.1-per-cent advantage.

“Enhancing Canadian exports and diversifying exports away from the U.S. are important economic policy goals for Canada,” Mr. Stanford acknowledged. “It is clear, however, that merely signing another free-trade agreement – even with a partner as important as the EU – holds no prospect of achieving either goal.”

Negotiators from Canada and the EU met two weeks ago in Ottawa in hopes of wrapping up a deal by the end of next year.

International Trade Minister Peter Van Loan said most of the easy issues have been settled.