

Harper, Sarkozy to talk EU trade deal

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OTTAWA - Europe's financial meltdown is casting an ominous shadow over Friday's anticipated launch of negotiations of a sweeping new trade agreement between Canada and the European Union.

Canada's richest business leaders are anxiously hoping that when Prime Minister Stephen Harper meets French President Nicolas Sarkozy in Quebec City they will throw their enthusiastic support behind the announcement of negotiations toward a deal, which would deepen economic integration between Canada and the 27-country EU, the rotating presidency of which France currently holds.

Business leaders were hoping that a new deal - one that could be more comprehensive than a free-trade agreement - would harmonize regulations, lead to an open skies accord and allow the free flow of Canadian and European workers across the Atlantic Ocean.

But Sarkozy's arrival in Canada - he is to spend a scant six hours on Canadian soil - comes as the French president has already shepherded the EU's own \$3.5-trillion banking bailout for the 15 countries whose common currency is the euro.

Meanwhile, the highly anticipated joint EU-Canada study into the benefits of an economic partnership released Thursday said that both economies would gain almost \$32 billion, or 19.8 billion euros, per year through deeper ties.

The EU would benefit by almost \$19 billion while Canada would gain \$13 billion. But in terms of per cent of gross domestic product, Canada at 0.77 per cent would easily gain more than the EU at 0.08 per cent. But Thursday's \$32-billion figure, released with almost no public fanfare, is lower than the \$37 billion that was leaked to Canadian journalists this summer in Europe where government officials and the EU's trade commissioner Peter Mandelson were meeting in preparation for the summit.

The lower figure that was released Thursday appeared to be a result of the decline of the Canadian dollar in recent months.

The current economic uncertainty should not dissuade efforts to bring the two economies closer, said Thomas d'Aquino, president of the Canadian Council of Chief Executives.

"What drove the world into the Great Depression was when we had financial meltdowns followed by highly punitive protectionist legislation commencing in the United States that effectively closed down trade markets," d'Aquino told the Canwest News Service Thursday. "At a time when there is great financial difficulty and uncertainty, that is the time when not only must we not forget about trade but see trade as another lever to mitigate the negative effects on the global economy."

D'Aquino was in Chicago Thursday where he was to address business leaders on the benefits of transatlantic trade.

"This is going to promote investment. It's going to promote employment, and therefore let's concentrate our minds and do it."

But any new trade deal would likely take 18 months to finalize and therefore would not have any direct effect on the current world financial crisis, said Yves Poisson, vice president of the Public

Policy Forum think-tank, which hosted Canada and EU officials at a major conference this spring in Ottawa.

"I don't think it will make a big splash, but it will be important," Poisson said.

"We have to build for the future and expand the number of partners Canada already trades with."

And that means expanding opportunities with the EU, Canada's second most important trade partner after the United States, said Poisson.

"Canada needs more access to the European Union market than vice versa."

Quebec Premier Jean Charest has pushed hard for a deal with the EU, saying it would ease Canada's dependency on the sagging U.S. economy. So far, the prospect of a closer economic union between Canada and Europe has generated little excitement.

Harper said Wednesday he was looking forward to discussing the global economic crisis with Sarkozy and European Union President Jose Manuel Barroso.

"We will also explore the economic partnership between us and the EU," the prime minister said, the day after winning a second minority government and outlining a six-point plan to help Canada deal with the global crisis.