

Many potential ‘concessions’ at EU trade talks simply common sense

BY ANDREW COYNE, POSTMEDIA NEWS NOVEMBER 29, 2012

The latest leak from the Canada-European Union free trade talks — for what would a closed-door, confidential negotiation be without biweekly leaks — has caused more than the usual consternation among the Usually Consternated.

According to the documents, prepared for the EU Trade Commission and leaked to La Presse, the EU is pushing for access to government procurement, in areas where its firms are now excluded from bidding, such as energy and public transit.

The Canadian Press reports the Europeans are also demanding that investors whose assets are expropriated should be compensated, even where the expropriation is for health or environmental purposes. They want our transportation and telecommunications industry opened further to foreign competition, and a relaxation of the “net benefit” test on foreign takeovers as it applies to its investors. And — my God, my God — they also want us to liberalize our supply management policies.

An alarmed Michael Geist, professor of law at the University of Ottawa, concludes the agreement is “unbalanced” in Europe’s favour, since it would require Canada to make “dramatic changes” to its economy in return for only “limited gains.” The Coalition Avenir Québec — that’s the “conservative” party, remember, in the province that boasts it invented this whole Canada-EU free trade idea — doesn’t like where any of this is going. “We are in favour of free trade, of course,” says its MNA Stéphane Le Bouyonnec, but there are too many things that have not yet been excluded.”

Sigh.

This is what comes of sending protectionists to negotiate free trade agreements. The whole premise of such talks is that each country

should “give up” as little as possible, in exchange for as many “concessions” as it can fast-talk the other side into making. After all, that’s how most negotiations work, right?

Except in trade talks, almost always, the concessions aren’t concessions at all. Allowing foreign firms to bid on government procurement is something we ought to be doing anyway, if we want to get the best value for taxpayers. Opening the domestic transportation and telecoms industries to competition is similarly in our own interest, as much as anyone’s: that’s if we think the purpose of these industries is to serve consumers, rather than themselves.

The “net benefit” test is discredited enough that we should not need the Europeans to tell us to get rid of it. As for supply management, is it really necessary to rehearse why it’s bad policy to charge Canadian families two and three times the market price for basic dietary staples? Concessions? Those are the *gains*.

But the logic of trade negotiations turns all of these on their head. Failed policies become sacred, to be defended to the last. Obviously beneficial reforms become unthinkable — or not until the other side does likewise. The whole situation is an absurdity. It’s like a hostage negotiation in which both sides have guns to their own heads.

Very likely if you asked officials on either side privately, they would say: “Yes, yes, of course. *I* understand that free trade does not need to be reciprocal to be advantageous; that the harm that barriers to trade and investment do is mostly to the country that imposes them. But the broader public doesn’t see it that way.

“*They* think it’s about reciprocity. They only hear from the domestic industries affected; they never hear about the broader consumer interest. So if we make it about exports rather than imports, if we exploit protectionist myth to free trade, where’s the harm? And, you have to admit, if we can get both sides to liberalize at the same time, so much the better.”

Yes, that’s true. If it provides politicians with the alibi they need to face down domestic interests — the foreigners made us do it — there’s a certain *realpolitik* case for going the negotiated route. It wasn’t our own leaders who knocked down provincial beer

restrictions, for instance: it was the GATT. But the process can just as easily lead to impasse, sometimes for decades. Witness the stalled Doha round of world trade negotiations. Or for that matter, the Harper government's vaunted multi-pronged trade agenda: it isn't only the Canada-EU talks that are in trouble.

No doubt these involve what in the language of trade talks are referred to as "sensitive" sectors. But how exactly did they get to be so sensitive? Could it be that it is *because* they are treated as "concessions," to be bargained away, if at all, only in closed-door, last-minute negotiations? Would it really be that much harder simply to argue for these reforms, openly, on their merits? If you can't convince the public to vote for cheaper food, you're probably in the wrong line of work.

I said earlier the concessions we are asked to make at the negotiating table are "almost always" not concessions at all. But there is one actual concession that comes to mind: Europe's demand that Canada accept longer patent protection for the pharmaceutical sector. That would make drugs more expensive in this country, at much cost to provincial drug plans. So it might be worth standing firm on this one, or at least using it to extract concessions from the Europeans.

So it's *fascinating* to learn the government's actual strategy. "The leaked EU memo says Ottawa preparing to at least partially concede on drug patents," CP reports, "in order to protect supply management."

Sigh.