Trading places: Quebec leads charge for Canada-EU free trade agreement

By Ottawa Business Journal Staff
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With a slim victory in the recent provincial election under his belt, Quebec Premier Jean Charest hopes to herd the feds and other provinces towards a free-trade agreement (FTA) with the 27-member European Union.

While his proposal for a Canada-EU FTA hardly emerged as a burning election issue, Mr. Charest's pre-election manoeuvring abroad in January clearly conveyed his belief that a deal would be good for the Quebec economy.

Mr. Charest's international policy advisor Mario Lavoie confirmed last week the premier still plans to get the proposal in front of key European leaders during the Canada-EU summit on June 4 in Heiligendamm, Germany—immediately preceding the G8 Summit on June 6.

"It is our intention to aim for that date," Lavoie told the *OBJ*. "The premier will talk to the prime minister about it," adding that the summit "is where the idea should be launched."

In January, Mr. Charest met with Germany's minister of the economy, Michael Glos, and to the European commissioner for trade, Peter Mandelson, at the World Economic Forum in Davos, Switzerland to pitch his plan. Charest also told reporters that Prime Minister Stephen Harper was "very enthusiastic" about a Canada-EU trade deal, and predicted Canada would see $2.4 billion in benefits once it was in place.

If Mr. Charest is successful—and EU heavy hitters like Germany and France appear to be seriously interested—professional and manufacturing firms could start to see a jump in their bottom lines.

Accompanying Mr. Charest was Quebec's minister of economic affairs, Raymond Bachand, who handles the FTA file. He said reaction to the FTA proposal was positive, not only from politicians but from the more than 20 CEOs he met with individually behind the scenes.

Mr. Bachand said this "21st-century" FTA proposal—which encompasses many non-trade issues such as the mobility of workers, the recognition of their professional qualifications and an increase in scientific and technical cooperation—would trigger an influx of investment and expertise to Canada. This would give Canada a stronger voice in trade negotiations with China, India and other Asian markets, he said, and solve Canada's problems with an ageing population and shrinking workforce.

Mr. Bachand said Quebec is leading the effort because of its strong ties to Europe and because "many of the sectors we are speaking about are within provincial jurisdiction, but of course at the end of the day it will be a Canadian initiative."

A key supporter of a Canada-EU FTA is the Canada Europe Roundtable for Business (CERT), an association of Canadian and European companies founded in 1999 who work to strengthen bilateral commercial ties and enhance cooperation between the business communities and the governments of Canada and the EU. Alcan, Bombardier, Forest

Products Association of Canada, European Aeronautic Defence & Space Co. are among its founding members.

According to figures CERT released in November, a Canada-EU FTA is the next logical economic step for the trading partners. Since 1995, inward Foreign Direct Investment (FDI) from the EU to Canada tripled to over $105 billion, and Canadian FDI in the EU grew even faster, from $34 billion in 1995 to $110 billion last year.

According to a statement by CERT Chairman and former Canadian trade minister Roy MacLaren, "economic relations with Europe have not been recognized as a priority."

"Clearly, the trade and investment numbers indicate that the EU should be recognized as a priority economic partner for Canada and that a greater effort must be made by both governments to maximize the potential gains in the relationship," Mr. MacLaren said.

CERT Executive Director Jason Langrish even suggests that a Canada-EU deal would "give (Canada) leverage in dealing with the U.S. because they know we are so reliant on them."

David Long, professor of international affairs at the Norman Paterson School of International Affairs and an associate of the Centre for European Studies at Carleton University, is cautiously optimistic about profitability and prospect of a deal. He says Canada has historically been keen on an FTA, but the EU has been leery. "It has not been a serious priority for the Europeans, who have wanted to see the business case to justify what would inevitably be long, drawn out and controversial negotiations," Mr. Long says.

"The stalling--some say collapse--of the Doha Round World Trade Organization negotiations has changed the context somewhat and now for the time being the Europeans seem interested," he says, warning, however, that time is of the essence. "This window of opportunity may not last long."

Frederic Merand, assistant professor of political science at the Universite de Montreal, says Quebec's leadership in the efforts to establish a Canada-EU FTA is not surprising. "Quebec has always been one of the strongest proponents of free trade in Canada," he said. The Canada-EU FTA was "put on the ice" a few years ago for fear it would undermine the WTO Doha Round.

But not everybody thinks a Canada-EU FTA is a good idea. Indeed, Michael Hart, professor and Simon Reisman chair in trade policy at the Norman Paterson School of International Affairs, has called the prospect of a deal "an awful idea." In a 2002 paper co-authored by Mr. Hart, he said Canada would have to modify its "commercial law and practices whenever they conflicted with European custom." Mr. Hart says he has "seen nothing (since 2002) to change (his) mind," and still believes Canada should focus on its trade relations with the U.S., which accounts for 85 percent of our trade.

Prime Minister Harper may have seemed enthusiastic on Mr. Charest's FTA proposal, but the Department of Foreign Affairs and International Trade sounds cautious. Spokesperson Anne-Marie Parent said, "Should WTO talks not bear fruit, we would want to revisit with the EU how to achieve our trade interests."

By Jeff Esau

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