Canada’s closing in on trade deal with Europe

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Canada and the European Union recently completed their sixth round of negotiations on a Comprehensive Economic and Trade Agreement (CETA). While there have been some delays, both sides expect a deal can be finalized in 2011.

The CETA is the most comprehensive trade agreement Canada has ever negotiated. So why is this the deal most of us have never heard of?

For those opposed to Canada’s last big negotiation, the free trade agreement with the U.S., and the subsequent North American Free Trade Agreement (NAFTA), the core concern was the belief that the country’s sovereignty would be eroded as a result of the agreement. Since signing the free trade agreement, bilateral trade between Canada and the U.S. has quadrupled and Canada appears no closer to becoming the 51st state than it did in 1988.

The same concerns do not exist with the European Union, a collection of 27 countries that serves primarily as an economic block. Discussions have centered on the detailed policies being promoted in the context of this trade agreement —not exactly front-page copy for newspapers. It is not a secret negotiation, just a complex one.

It is complex due to the changing nature of trade and investment, which increasingly occurs behind borders, generally in areas of sub-federal jurisdiction. As a result, the provinces and territories are participating in the negotiations for the first time. They collectively outnumber their federal counterparts at the negotiating rounds, where they directly represent their regional interests; not exactly a democratic deficit.

The EU agreement will provide enhanced market access for Canadian companies to a European market of 500 million wealthy consumers. For Ontario, it will provide export opportunities for the resource-based communities, for manufacturers and service providers and will increase capital flows and investment into the province, creating jobs and a more competitive, innovative and productive economy.

For example, a joint Canada-EU economic study estimates that Canadian processed food exports to the EU could increase by 141 per cent or $2 billion, while exports of primary agricultural products could increase by 41.8 per cent or $1 billion. This could double Ontario's current exports to the EU and make the EU the provinces' second largest agri-food trading partner.

In Ontario alone this amounts to an increase of over 8,000 farm operators, plus a net gain of 7,000 jobs in the processed food industry, the province's second largest manufacturing sector.

A misplaced criticism of the this European trade deal is that cities and towns would no longer be able to restrict tendering to local companies, or stipulate that foreign companies bidding on public contracts give preference to local goods, services or workers.

Under CETA, municipalities will still be able to set terms for contracts that facilitate local social or environmental objectives so long as they are not discriminatory, automatically excluding specific suppliers. What they won't be able to do is pick winners, as they will be compelled to choose based on a competitive tendering process for contracts above a certain threshold, or dollar value, providing better value for and a wider choice of goods, services and technologies from which to choose.

The thresholds for contracts are generally half a million dollars or more, ensuring that municipalities can continue to source the majority of their goods and services locally if they wish. The EU trade deal is targeting open bidding for larger municipal contracts that are delivered by Canadian and European companies that operate globally.

The U.S. shut out Canadian goods with its Buy America provisions, which were overturned only once Canadian provinces signed a general procurement agreement. Canada can’t have it both ways – if it closes its markets to trading partners, they will reciprocate. An export driven economy with a small internal market like Canada is greatly affected when protectionism occurs.

One of the more interesting aspects of the current economic crisis is the absence of any dramatic increase in protectionism. The principal reason why this has not happened – and why trade liberalization continues – is the recognition by countries that shutting out trading partners can mean shutting down a country’s main industries.

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