

Web-exclusive comment

Trading places: Canada should look to the EU for a bilateral deal

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The recent disappointing ministerial failure in Geneva has put into question when — or even if — the Doha Round of the World Trade Organization can be concluded. The multitude of obstacles that stand in the way of moving forward means that, for now, the more than \$130-billion per year in global tariff savings that could result from a successful round will have to wait.

Pending an eventual resumption of these WTO negotiations, member nations will turn increasingly to bilateral and regional free trade agreements as an early means of realizing the manifold benefits of liberalized trade and investment.

For Canada, this would ideally mean the conclusion of a North Atlantic agreement. Unfortunately, in the past, Brussels and Washington have been unwilling to consider seriously a regional North Atlantic free trade agreement, contending that the WTO offered progress while, at the same time, pursuing regional and bilateral agreements around the world. Since there is no reason to expect a change in the European or U.S. positions, Canada and Europe's pre-eminent opportunity is clearly a Canada-EU agreement. (Ottawa having already successfully completed a free trade agreement with the remaining members of the European Free Trade area.) It is important to move quickly while the Doha Round pretext can no longer be put forward by Brussels, and while both parties are looking to demonstrate their ability to negotiate successfully good deals.

The failure in Geneva demonstrates important power shifts in the global economy. The developed world is losing its economic dominance over Asian rivals — notably India and China — and the major players have been unable to negotiate an acceptable outcome of the Doha Round. There has also been a singular failure to find common cause with Asia. Worse, the West now risks being left outside the grand free trade arrangements that are being designed among themselves by China, India and other Asian and African countries.

A Canada-EU agreement could provide the template for a full transatlantic agreement that would be impossible to ignore — fundamentally transforming the international economic dynamic. Such an agreement would place, perhaps for the last time, ineluctable pressure on China, India and others to negotiate seriously with a transatlantic bloc for fear of losing their competitive access to a newly integrated — and massive — North Atlantic economy. It might also just be the wakeup call that is needed to save the world trading system from drifting to the periphery for the next several years.

That alone is reason for Brussels to welcome the prospect of an EU-Canada agreement. American companies would be prompt in recognizing the fact that their

Canadian competitors had gained preferential access to the world's largest market, with all the trade and investment advantages that go with it. The U.S. government would face pressure from its business community to strike a similar transatlantic agreement, as it did in response to the Canada-Chile free trade agreement a decade ago.

The economic arguments for transatlantic liberalization of trade and investment should now be self-evident to both Canada and Europe, which are already major trading and investment partners. All studies indicate that removing obstacles, including regulatory barriers, would spur trade between Canada and Europe in goods, services, and investment.

A recent meeting in Brussels of Canadian and European business leaders with Peter Mandelson, the European Trade Commissioner, gives good reason to be hopeful that the visit to Canada in October of French President Nicolas Sarkozy (also President of the European Union), will see the launch of serious negotiations of a Canada-EU agreement that will be as welcome to the provinces as to Ottawa itself.

For Europe, some of the benefits, in addition to the undeniable increased trade and investment, have already been noted above. For Canada, there are yet more reasons. Canada must transform itself into the most competitive economic space in North America. This is critical if we are to attract additional investment, technology, leading-edge production and skilled workers. A bilateral deal with Europe would put Canadian companies on a more level playing field with rivals in the burgeoning European market. It would also encourage the U.S. to strengthen its bilateral relationship with Canada, as American companies would want to preserve their preferential access, especially if a Canada-EU agreement went deeper than the WTO in areas such as trade facilitation, services, investment, competition policy, intellectual property, removal of non-tariff barriers and the movement of people, and were, potentially, accessible to other countries outside the region that could meet its disciplines.

A Canada-EU agreement meets three basic tests: it is in Canada's interests; it is in Europe's interests; and ultimately it would benefit the world trading system upon which Canada and the European Union depend.

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