CANADA – EUROPE COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT (CETA)

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Bob Rae's Foreign Affairs Newsletter, February 2011

This Comprehensive Economic and Trade Agreement (CETA) between Canada and the European Union will, if signed, be Canada's most comprehensive trade agreement ever—more comprehensive even than NAFTA. Studies forecast that Canada could realize gains of $13.1 billion in GDP annually; up to $18.6 billion each year for the EU. (Relative to population, the benefits are far greater for Canada.) The value of trade could increase by over $40 billion between 2007 and 2014, an increase of about 23%. That's a big increase in economic activity, and a lot of jobs for Canadians.

Negotiations cover not just trade in goods, but other aspects of engagement between the two jurisdictions such as services, investment, non-tariff technical and regulatory barriers, government procurement, intellectual property and labour mobility.

Comprising 27 member states, with a total population of nearly 500 million, the EU is the world's largest single market, foreign investor and trader. As an integrated block, the EU represents Canada's second largest trading partner in goods and services. Key growth sectors of interest to Canadian enterprises in the EU include information and communications technologies, aerospace and defence, life sciences, agriculture and agri-food, and environmental products, services and technologies.

Negotiations were launched in 2009, and as of January 2011, there have been six 'rounds', alternating between Brussels and Ottawa. All parties have said that the negotiations have gone very well—indeed, more quickly than anticipated, and all hope to have a deal sometime in 2011.

Canada is a nation founded on trade, starting with fur, wood and minerals—and we've only moved forward. Trade accounts for a significantly greater portion of our overall economic activity than many other nations. Indeed, 80% of our economy and millions of Canadian jobs depend on trade, and our ability to access foreign markets. Indeed, our preference would be the completion of the larger multilateral trade negotiations through the WTO. We encourage all efforts to promote the multilateral approach, although we recognize the current challenges with the Doha round of negotiations. Absent progress on the multilateral level, Canada should work at the bilateral level to enhance our trade with other countries.

There will always be debate about protectionism, and what steps are best to foster and promote Canadian business success, and therefore jobs. But increasingly, the idea of protectionism does not recognize global realities. "Trade" is now so much more than just the exchange of goods. The Conference Board of Canada refers to this as "integrative trade"—the combination of services trade; global and regional value chains; investment and sales by foreign affiliates; flows of people, knowledge, and technologies; electronic trade in goods and services; and the linkages between goods and services. Value can be added at each stage of the value chain; services are integral to the effective functioning of the entire value chain; and people, their movement, knowledge and ideas, are integral to the whole. Canadian businesses are more than capable of being strong, innovative and competitive when not hiding behind protectionist walls.

This is the foundation of the Liberal Party's emphasis on "Global Networks". We should increase exchange and cooperation in areas such as financial services; transportation and logistics; higher education, research and development;

energy, natural resources and sustainability; health care and health promotion innovations and best practices; food safety and security; culture, entertainment and tourism; immigration; and labour mobility—the exchange of people, knowledge and ideas. The future of Canada in this competitive world must embrace the new global realities:

There will, however, be challenges, and we must be vigilant to ensure that Canada's best interests are met. Although we have not yet formally "exchanged offers", a number of concerns have already been raised.

One of the 'asks' from the EU is that we open up public procurement, not just at the federal level, but at the sub-national level--provinces, territories and municipalities. (NAFTA only covers the federal level, although a recent agreement between Canada and 37 of the United States was concluded as a reaction to 'Buy American' legislation, which opens up some sub-national procurement.) Of note is that this is the first major trade negotiation where the provinces and territories are at the table (at the EU's request). Areas of particular interest will be power generation, city transportation, waste management and water-treatment plants. This issue will go both ways, with Canadian firms like SNC Lavalin, Bombardier and many small and medium enterprises poised to take advantage of greater access to government procurement projects in Europe. Municipalities certainly wish to retain the flexibility to make their own strategic decisions about what is best for them in their own circumstances—quality of infrastructure and products, standards, local jobs, environment, cost, taxpayer value and the like.

Most Canadian agriculture and agri-food enterprises, farmers and processors, fish and shellfish suppliers are supportive, as they stand to gain a great deal from increased access to such a large market. There is, however, significant concern in Europe about genetically modified organisms (GMOs). Although Canada is quick to stress that many of these concerns are not based in science, Canada needs to work at providing better information on this issue. On the other hand, we must also recognize legitimate concerns. Stronger and more comprehensive labeling requirements could help so that consumers can make informed choices. On our side, Canada is concerned about current European non-tariff barriers in the guise of regulatory standards, such as sanitary and phyto-sanitary regulations.

Many in our arts and cultural communities see real advantages to opening up markets to Canadian video, film, music, and literary creators and distributors. On the other hand, there are corresponding concerns about protection Canadian culture. Addressing the conflict between protection versus expansion may prove challenging.

There are real concerns about intellectual property. Canada is widely criticized internationally for being weak in these areas. We are moving toward significant improvements to our Copyright Act, which we hope will bring us in line with international standards. However patents, particularly for pharmaceuticals, will be more problematic. Our patent protection regime is criticized for not protecting brand-name drugs enough; on the other hand, the much lower cost of generic drugs is important for our overall health care costs. Canada is in an interesting position—we have both a thriving brand-name pharma industry and a thriving generic pharma industry. Those two are already at odds in terms of patent protection in Canada alone—these talks with the EU have stepped up the volume. We will be watching this aspect of the negotiations very closely.

Labour mobility could also be interesting. There is real enthusiasm for mutual recognition of qualifications, and the negotiators are working on building on the existing agreement between Quebec and France (which covers about 80 professions). The fact that we are still a long way from full labour mobility between our own provinces is somewhat problematic.

This is a very brief summary of a very complex negotiation. In short, we support the pursuit of this CETA with the EU. The opportunities for both Canada and Europe are extraordinary—but proportionately more so for Canada. We must, however, be vigilant in ensuring that Canada's interests in certain key areas are looked after.