

A Canada-EU Free Trade Agreement: Public Good or Private Interest?

Conference on October 28th, 2010, Ottawa, Carleton University

Event Report by Igga Kurzydlo and Sergio Rojas

Carleton University's Canada-Europe Transatlantic Dialogue, the Friedrich Ebert Foundation and the Canadian Centre for Policy Alternatives facilitated a lively discussion in Ottawa on October 28: The all-day conference provided an opportunity for informed public debate on the pros and cons of the comprehensive trade agreement currently being negotiated between Canada and the EU (CETA).

Four panels addressed the issues of: CETA as a public good or private interest; public sector issues; private sector concerns; and considerations pertaining to social, labour, and environmental spheres. In attendance were policymakers, members of the business community and NGOs, as well as academics. A number of key points emerged from the discussion:

- Participants agreed that there is a need for more public debate. Participants argued that up until this point the CETA talks have slipped under the radar because of a lack of public interest coupled with a limited space for discussion.
- People who are keeping track, though, do have strong opinions. The CETA polarizes. There are those in favour (governments, business world) and those opposed (NGOs, trade unions) and not much in between. There clearly is a need for sober, academic analysis – which is difficult if the content of the ongoing negotiations is widely unknown to the public.
- CETA talks have taken place behind closed doors. This may have led to much of the opposition to the proposed deal being based upon a leaked document from the early stages of negotiation coupled with a wider opposition based upon the experiences of earlier trade negotiations.

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- Trade figures do not take into account the many countries implicated in the production and delivery of a single good or service, and instead rely on the traditional counting of exports and imports of finished products. Critical approaches should be employed.
 - A number of speakers argued for the need to assess whether free trade was in fact fair trade and urged negotiators to address the social and environmental impact of a trade deal.
 - Speakers were divided over whether the opening up of procurement would lead to greater competition and better services for Canadians or if this policy would simply remove the ability of governments to use procurement as a policy tool.
 - Most speakers agreed that whether the overall impact of the CETA is positive or negative will depend upon the institutional design adopted.

Panel I: CETA- Public Good or Private Interest

The first panel addressed the issue of whether the CETA represents a public good or private interest. Panellists expressed diverse opinions. Some highlighted the potential benefits of the agreement while others argued that trade agreements are inherently dysfunctional.

Hon. Peter Julian, Member of Parliament, and NDP Critic for International Trade, argued that the national media has failed to adequately cover the trade negotiations as well as the agreement itself. The relevant debates are left to take place behind closed doors. He argued that this is problematic given the impact of trade policy on the daily lives of Canadians. In his view, there are three areas where the rhetoric diverges from the reality among trade proponents. First, he said that, contrary to popular opinion, free trade agreements (FTAs) do not in themselves increase Canadian exports, citing FTAs with Costa Rica, Chile and Israel as examples. Secondly, he asserted that Canadian FTAs have not resulted in an improved quality of life for Canadians. The final claim that Julian disagreed with is that FTAs are neutral (i.e., neither left nor right, politically). He believes they are clearly created to further right-wing

political aims. He predicted that we will see an increased reaction from the labour movement and civil society, as well as rising opposition if the discussion is not moved from free trade to fair trade.

The second panellist, **Kurt Huebner**, Director of the Institute for European Studies at the University of British Columbia and, Canada-Europe Transatlantic Dialogue lead researcher, argued that the failure of the WTO's multilateral approach triggered a proliferation of bilateral trade agreements. He also said that the CETA discussions developed in an increasingly protectionist environment which was a response to the 2008 financial crisis. The CETA would be the first such agreement between two OECD parties. Huebner stressed the fact that the CETA is not simply an FTA, but a comprehensive economic and trade agreement, containing chapters which address several additional policy areas. Essentially though, it represents a liberalization project, which happens to fit nicely with the minority government's economic blueprint. He cited the joint study on "Assessing the Costs and Benefits of a Closer EU-Canada Economic Partnership" released in 2008, which claims that a CETA would create a win-win situation for both sides, with greater gains expected for the EU. Huebner predicted that the agreement would facilitate a higher level of EU FDI in Canada. He argued that because EU multinational companies are very efficient and innovative, one can expect Canadian firms to become more productive. The increased competition is also likely to result in lower prices for consumers.

Scott Sinclair, Senior Trade Policy Analyst for the Canadian Centre for Policy Alternatives, noted that trade between Canada and the EU is already relatively open, although Canada has a consistent trade deficit with the EU and exports mostly unprocessed products while importing mainly higher value-added products. He highlighted how the CETA is aimed at restricting government policies that are only peripherally related to trade. Sinclair expressed concern that Canada, as the smaller and politically needier party, is in a weak negotiating position and suggested that the EU negotiating goals are aggressive and unreasonable. Unconditional access to government procurement would, for example, eliminate the flexibility for governments to use their purchasing power to enhance local benefits and threaten progressive purchasing policies such as Ontario's Green Energy Act. He noted that EU demands for stronger intellectual property protection would increase Canadian drug costs by reducing the availability of cheaper generic drugs. Sinclair said the EU is targeting Canada's orderly marketing arrangements in agriculture, while keeping its own agricultural export subsidies as well as GMO restrictions in place. Finally, he noted the CETA is likely to expand on the controversial NAFTA chapter 11 investment rules

which have been used by investors to challenge a broad range of public interest regulations. Overall, the EU is not exporting its progressive social model, he argued, but pursuing the interests of its largest firms.

The final panellist was **Fred Kingston**, Senior Advisor Economic and Commercial Affairs from the Delegation of the European Union to Canada. Kingston drew attention to the demographic asymmetry between the two parties as well as highlighting areas of convergence. These include similar socio-economic structures, historical ties, as well as common boundaries. Kingston also discussed the findings of the much-cited joint study. It predicts increases in GDP for both partners, through the liberalization of bilateral trade in goods and services and of investment. Moreover, because of the conservative assumptions of the study, these may likely be higher than predicted. He said he believes that the negotiations are moving along smoothly and that the CETA will be successful if it continues its comprehensive scope. To achieve this, the provinces and territories must remain active players. Finally, Kingston discussed civil society outreach in the EU. As a component of the European Transparency Initiative, the EU Commission (the EU Directorate-General for Trade or DG TRADE) holds regular meetings with civil society actors. Furthermore, DG TRADE has held a web-based consultation on the CETA and has contracted an independent consultant to do a sustainability impact assessment, not only for the EU but also for Canada. This is supplemented by the presence of the European Economic and Social Committee, an advisory group bringing together employers, employees and civil society groups.

Although the question period was short, some key issues emerged. Peter Julian responded to a question about the focus of fair trade (i.e., fair trade for whom?). He brought forward the growing wealth inequality and blamed free trade agreements, and the accompanying economic policies, for the creation of more “losers” than “winners” in Canada. Scott Sinclair was cautioned about the dangers of taking a leaked text, from six months ago, at face value. He responded by pointing out that the provisions he referred to including intellectual property rights are still on the table, and expressed his concern that the current government will make significant concessions during the “crunch” of CETA negotiations because of its unfaltering commitment to the agreement. Kurt Huebner expanded on his assertion that civil society has been passively ignorant on the subject of free trade. He highlighted the failure of the media to provide a forum for discussion, the low level of knowledge among Canadians on this issue, and the need to look inwardly at our institutions and domestic policy before blaming free trade agreements for inequality in our society.

Panel 2: Public Sector Issues – Public Services and Procurement

In the second session, the discussion covered the topic of public services and public procurement. The panellists addressed the impact of free trade on the public sector, and asked what are the real benefits and costs of a CETA for Canadians.

Larry Brown, President of CCPA and Secretary Treasurer of the National Union of Public and General Employees challenged the much publicized statistic that a CETA will increase trade by 12 billion dollars. He said part of his scepticism is derived from Canada's experience under NAFTA. He said free trade with the US and Mexico increased unemployment in the manufacturing sector, and prompted a 'race to the bottom' in terms of the standards for the provision of services. He said NAFTA also demonstrated that these types of trade agreements make it very difficult and costly for governments to expand public services. Brown argued that past experience shows us that every single trade deal until now has been a direct threat to Canada's ability to govern by limiting the Federal and provincial governments' capacities to act. Like Scott Sinclair, he referred to NAFTA's Chapter 11, where foreign companies are able to directly challenge the Canadian Government (investor protection clauses). Brown said Canada's ability to govern would be challenged again under CETA since the procurement of public goods and services would be open to foreign competitors. This would restrict the scope for municipal and federal governments to utilise procurement for policy ends.

David Long, Professor at the Norman Paterson School of International Affairs at Carleton University, with expertise in European Affairs, and Canada-Europe Transatlantic Dialogue scholar, found the rhetoric coming from the opponents of a CETA disappointing. He noted that the CETA has moved forward because the Doha WTO round has stalled. At the same time, despite progress, its multilevel character leaves it open itself to being derailed, for example, by foot-dragging by one or more Canadian provinces. Long focused on changing the way people are looking at the CETA, namely driving the point that the private and public spheres are not necessarily mutually exclusive. He stressed that many public services and all public procurement already involve some private element. Long expressed his belief that certain publicly funded and publicly provided goods/services may benefit from a move to the publicly funded, privately provided sphere; or the privately funded, publicly provided sphere; or even the privately provided and privately funded sphere. For example, a tendering process for cleaning services in a hospital

would likely be viewed differently from a proposal to allow tendering for doctors and teachers. He said movement within these four spheres should be assessed on a case by case basis, looking at how a CETA would affect transparency, efficiency, service quality, service accessibility, and related considerations. In his view, in the current economic environment with high levels of public debt, CETA's advantages in opening public procurement are undeniable. Long said if Canada were to miss out on signing the CETA, it would not be able to implement the necessary regulatory measures and rules that would benefit a broad range of actors in Canadian society.

Panel 3: Private Sector Issues – Trade, Investment and Intellectual Property

The panellists addressed private sector issues including trade, investment and intellectual property.

Louis Thériault, Director of the International Trade and Investment Centre at the Conference Board of Canada, welcomed the opportunity to participate in the event, which he said enriches the public discourse on the CETA, especially now when the negotiations are progressing so rapidly.

Thériault stipulated that trade is more complex than the official export and import numbers would suggest. In today's world, most manufactured products are globally integrated. The goods belong to a global supply chain and their constituents may come from many regions/countries. Using traditional measures, trade goods are counted as exports in their final form and in the place where they are consumed. This method of measurement contrasts with 'integrative trade', which takes into account the value added at each stage of the product's manufacturing process. The 'integrative trade' approach reveals that Canada relies as much on exports as it does on imports. In terms of Canada's relationship with the EU, 'integrative trade' shows a much broader picture than the classical numbers would lead us to believe. First, Canada has an under-developed services sector. Second, supply chains in Canada are not as integrated as they are in Europe; however, since the trade relationship between Canada and the US has reached a plateau, and there is a high 'integrative trade' potential with the EU, a CETA would be of significant benefit to Canada. Finally, in terms of trade mobility the CETA would be quite important if Canada were to re-direct the focus of its trade policy onto services, and capitalize upon the benefits of standards harmonization.

Jim Stanford, Economist for the Canadian Auto Workers, was also very pleased to participate in this public debate; he said so far there has been little public dialogue in Canada about the CETA and its effects. In his view, a CETA will be detrimental to Canada's economy. He stipulated that Canada's trade relationship with the European Union is very unbalanced, with imports exceeding exports by a ratio of two to one; Canada imports higher value added goods and exports low value added resource-based materials and products. Stanford said that Canadian tariffs are significantly higher than European barriers, hence the bilateral removal of barriers on both sides will provide a greater proportional benefit to European producers. This, combined with the unbalanced starting point, will result in a substantial widening of the bilateral trade deficit after a CETA. Stanford said that there are significant flaws in the predictions provided by the current economic models (i.e., the CGE model used in the joint study done in 2008). He said that such models use invalid assumptions (i.e., full employment, no international capital mobility, equal distribution of wealth) that predetermine the model's favourable predictions, which are numerical simulations, not empirical research. He also suggested that because these studies and models were developed by Europeans they may not be impartial. Stanford said that there are signs that Canada is failing at globalization, which he said explains its apparent trade performance failure. In his view, a CETA would not be a solution.

The Canadian Centre for Policy Alternatives produced a report entitled "Out of Equilibrium" authored by Jim Stanford. This looks at the impacts of Canada-EU free trade using three scenarios. Stanford said that in each case the CETA would lead to a widening of the existing bilateral imbalance in Europe's favour, tens of thousands of job losses in Canada, and a negative impact on GDP growth.

Panel 4: Social, Labour, and Environmental

The final panel of the day discussed social, labour, and environmental considerations. The importance, as well as frequent omission, of these concerns was conveyed by the two panellists. Although there was more agreement than opposition between them, the robust response from the audience indicated the necessity to continue to focus on these issues.

Teresa Healy, from the Canadian Labour Congress, was the first presenter. Healy's main point was that we face a new moment in international trade and investment relations – one in which trade in services is becoming much more important, sub-national governments are involved and areas of domestic policy making are increasingly affected. Healy argued that the boundary between domestic and foreign policy has become more porous and that the liberal model has failed to establish a “national interest” in international economic and political relations. Healy said that the government is seeking, in part through the CETA, to impose neo-liberal solutions to the very problems neo-liberalism has created, namely the recent economic crisis. She considered the consequence of this liberal agenda to be a redistribution of wealth away from workers, a deep restructuring of state-society relations, as well as privatization, and strengthened rights for corporations. She disagreed with the assumption that the status quo with respect to public procurement represents protectionism and recommended that academics and critical civil society groups learn from each other's area of expertise and contribute to a more democratic debate over a CETA.

The second and final panellist, **Janet Eaton**, from the Sierra Club and the Canadian Trade Justice Network, drew attention to the environmental crisis, which she argued has been exacerbated by free trade agreements which encourage export led economic growth. She advocated that the urgency of this issue should be of primary concern in trade negotiations as our eco-systems and planetary cycles have been severely disrupted, some being on the verge of collapse, according to reputable studies. Eaton pointed to the failure of previous free trade agreements to adequately incorporate environmental concerns into their frameworks. Furthermore, she opposed the thought of neo-liberalism and free trade as being an inevitable political choice, pointing to alternative economic and fairer trade models that are under discussion at this time worldwide. Eaton reviewed six environmental concerns inherent in the present CETA negotiations and offered a number of reasons why she felt it was unlikely that this trade deal would result in an upward harmonization of standards.

Much of the discussion following the presentations focused on whether the EU's relatively high environmental standards could positively impact Canadian regulations. Time constraints demonstrated a need to continue the debate.