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Canada-Europe Free Trade:
The economic sovereignty of Quebec (and other provinces) is not threatened!

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A study (http://www.irec.net/upload/File/aecg.pdf) authored by Alexandre Maltais on behalf of the Institut de recherche économique contemporaine (IREC) (the contemporary economic research institute) on the consequences for Quebec of a Comprehensive Economic and Trade Agreement (CETA) between Canada and the European Union concludes in a rather pessimistic, if not alarmist manner, that such an agreement would cause Quebec to lose significant economic sovereignty.

The study argues that this type of agreement would mean that the Quebec government, home to provincially owned companies such as Hydro-Quebec and the Société des alcools du Québec (Québec's liquor board) along with the municipalities could no longer define the conditions of tender for public procurement contracts. Consequently, according to the study, the agreement "would harm the economic development of Quebec" and "would also constitute a serious threat to environmental protection policies."

The CETA aims to open up Canadian public procurement contracts to European Union (EU) companies. That is to say the provinces and municipalities would no longer be able to discriminate against European companies when it came to awarding public contracts. Currently, World Trade Organization (WTO) rules only oblige the federal government to consider European companies as well as Canadian companies when inviting tenders for public contracts -- this is because the provinces (and thus the municipalities) refused to sign the multilateral WTO agreement on government contracts.

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Reading the IREC study leaves the impression that Canada is engaging in a free trade exercise with a developing country rather than with one of the economically richest areas on the planet. How can Maltais conclude that the EU is a place where "the laws are more permissive on the environmental level" and "the wages are low and the rate of unionisation is weak?"

Indeed, EU regulations regarding environmental protection are definitely higher than those in Quebec and Canada. Moreover, the cost of energy is much higher in Europe than in Quebec, where Hydro-Quebec continues to subsidize the price of electricity. For example, according to the Quebec Ministry of Natural Resources and Wildlife, in 2008, the price of residential electricity in Quebec was 7.1 cents per kilowatt-hour (kWh) whereas it was 24.2 cents in Italy, 23.5 cents in the United Kingdom, 20.6 cents in the Netherlands and 13.6 cents in France. As for the industrial sector, the price of electricity in Quebec was two to three times less expensive than in France and the United Kingdom.

With regard to the rate of unionisation, the European average is a little above 20% whereas the level in Quebec is 40%. However, Scandinavian countries have rates of unionisation of 80% and above. As for Italy, Germany and the United Kingdom, their rates of unionisation are around 30%. In Europe, it is in fact Spain and France at around 10% which have the lowest levels of unionisation. It is difficult to argue that these countries represent "a risk of a race to the bottom in terms of social standards."

The above facts do not lead to a clear conclusion that Québécois companies would be handicapped vis-à-vis European competition when it comes to obtaining Québécois public contracts if the Canada-EU CETA were to be ratified.

Moreover, it needs to be made clear that the WTO and EU rules regarding government contracts do not prevent governments and public agencies from including conditions such as requirements for environmental protection and the promotion of sustainable development in the invitations to tender. The rules also allow for contracts with a value lower than a certain threshold to be exempt from the rules preventing discrimination towards "foreign" companies.

By asserting that CETA "would limit the economic sovereignty of the government of Quebec", Maltais is mistaken. Nobody can force Quebec (or any other province) to accept this agreement.

If the government of Quebec believes that the CETA would harm the wellbeing of the province's economy, it retains the right to refuse to apply the clauses which cover its fields of competence. If the government of Quebec agrees however to support the agreement, it would be because it sees it as adding value for Quebec. Of course, an agreement of this kind necessitates certain compromises. Sometimes in order to receive, it is necessary to give. This is the nature of any economic or political collaboration, whether regional, national or international. However, it is about making a choice while in possession of all the facts.

Finally, as regards government contracts, Quebec already allows US companies to offer their goods and services in response to invitations to tender from provincial or municipal public agencies (Hydro-Quebec is the main exception). This has been permitted since the February 2010 signature of an agreement with the United States relating to infrastructural public procurement contracts. Companies from the other Canadian provinces also maintain this right to tender for such contracts. Given this, how can we argue that CETA would be a threat to the economic sovereignty of Quebec if all it does is offer European companies the same rights that Canadian and US companies have already?