

Europe, Canada and the Comprehensive Economic and Trade Agreement

Edited by
Kurt Hübner



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Europe, Canada and the Comprehensive Economic and Trade Agreement

The Great Recession and the turn towards all forms of protectionism stress the relevance of international trade policy. With the global economy undergoing deep structural changes, the negotiations between Canada and the EU on a Comprehensive Economic and Trade Agreement (CETA) present a real-time experiment that sheds light on the direction that the relationships between two economic units of the G8 will take. For Canada, an agreement with the EU would end its current dependency on the US; for the EU, an agreement with Canada would be a first with a G8-economy and would indicate how its new trade strategy 'Global Europe' will look.

This book is the first to simultaneously analyze the undercurrents of this project and introduce the main topics at hand. CETA is much more than a simple free trade agreement – its breadth covers regulatory aspects in goods, services, and finance; the opening of public procurement markets; attitudes and policies of Canadian provinces towards liberalization; climate policies and international leadership claims of the EU in comparison to Canadian policy attempts; the challenges of the euro project and the reform efforts; and the challenges of the euro as a international reserve currency.

CETA is a challenging project that will kick-start enormous changes in trade policy-making as well as in market openness in Canada. It will mark the EU's efforts to re-make the Atlantic economy. This book provides deep insights into the ambiguity of the project and addresses the implications of a rapidly changing global economy for trade policy. Offering analysis of the financial industry, banking, trade policy, climate change strategy, and the euro exchange rate, this book should be of interest to students and policy-makers alike.

Kurt Hübner is the Chair for German and European Studies and Director of the Institute for European Studies at The University of British Columbia, Canada, as well as Jean Monnet Chair for European Integration and Global Political Economy.

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Preface

The examination of a Comprehensive Economic Trade Agreement needs a thorough analytical approach. The concepts in this book reflect this necessity and thus provide chapters that give an in-depth analysis of the various economic and political layers that constitute the political–economic relationship between Canada and the EU. At the time of writing, the negotiations are still ongoing. Despite the overall optimistic tone of both sides of the negotiation table, it is still open whether this political initiative will come to fruition. As a matter of fact, the intrinsic problems of such a far-reaching agreement and the rapidly changing undercurrent of the global economy challenge the overall enterprise in fundamental ways. Rather than postulating a smooth journey towards a new groundbreaking agreement, the various chapters of this book suggest a sometimes wild but nevertheless exciting ride. The financial and economic crisis that started in 2008 and the erosion of the most ambitious project of European integration – the common currency area – are two of the most prominent changes that occurred during the negotiation period. This book is the first that relates those fundamental changes to the project of a Comprehensive Economic Trade Agreement between the European Union and Canada. Should you, dear reader, find the need to have exact anticipatory knowledge on the outcome of the negotiations, you may leave this book on the shelves. However, if you need solid information and cutting-edge insights on an ambitious project like CETA and its challenges you should consider ordering it for your colleagues.

The chapters of the book are modified versions of presentations given at international conferences organized by the Institute for European Studies at the University of British Columbia. Those conferences were made possible due to the generous financial support of the Transatlantic Program of the Federal Republic of Germany, funded by the European Recovery Program (ERP) of the Federal Ministry of Economics and Technology (BMWi). This is in addition to funding from the SSHRC-funded Strategic Knowledge Cluster Canada–Europe Transatlantic Dialogue: Seeking transnational solutions to twenty-first century. Particularly in times of fiscal constraints and ebbing financial resources, this support helped to eventually organize the stimulating and creative meetings and sessions. It should be mentioned that the geographical and political location of Vancouver – far away from Europe and more famous for its political and cultural affiliation

to Asia than to Europe – helped to create an open-minded intellectual atmosphere that we tried to replicate in the book.

Conferences as well as books are products of collective efforts. I would like to thank the terrific staff of the Institute for European Studies (Kerstin Lüttich and Roxana del Rio) as well as our engaged students for their input and time to make all this happen. Special thanks goes to J. Robertson McIlwain who acted as the web and computer wizard, and to Julian Campisi, another wonderful graduate student at the Institute for European Studies, who copy-edited the manuscripts in a masterful manner. Francisco Beltran and Andrew Gertge provided help exactly when needed. Daniel Drache took the time during his stay in India to read the whole manuscript and to provide helpful comments. My apologies for having missed some of the hints. Any mistakes are mine.

Kurt Hübner, Vancouver, August 2010

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1 Canada and the EU

Shaping transatlantic relations in the twenty-first century

Kurt Hübner

Introduction

When Canadian Prime Minister Stephen Harper undertook his first official visit to Europe in June 2007, the global economy was supposedly in good shape. The fiasco of the *New Economy* had passed, and economic growth had returned to almost all corners of the world. The initial climb of the euro exchange rate vis-à-vis the US dollar was widely seen as a sign of international investors' trust in the common currency, and in the promised widening and deepening of European integration in general. Given the stalemate of the Doha round on global trade negotiations, politicians in Canada and Europe saw the opportunity to politically lock-in the promising developments by 'fast-tracking' negotiations on a far-reaching economic agreement. Already in late 2006, the German government, which would hold the rotating presidency of the EU starting in 2007, signaled that it would be interested in supporting efforts for closer economic cooperation with its North American partners. Ironically, at this point in time the positive response did not come from the federal government in Ottawa but from Quebec Premier Jean Charest, who established himself as the strongest proponent for closer economic and political ties with Europe. The project of the Comprehensive Economic and Trade Agreement (CETA) was born. After four years, many draft versions, and four rounds of intense negotiations, both sides are still signaling their willingness to reach a positive conclusion. Such an agreement between two G8 economies would be a first, thus indicating the direction that global political-economic relationships may move in the next couple of years.

The various chapters of this book provide a comprehensive analysis of the endeavor of this planned second-generation agreement. The book argues that the relevance of CETA goes far beyond the agreement itself. A comprehensive economic partnership between the EU and Canada could act as template for further agreements, including an agreement between the US and the EU, and thus move global trade negotiations out of its current standstill. Even though the elimination of tariffs plays a key role in ongoing negotiations, CETA derives its importance from its truly comprehensive agenda that focuses on non-tariff barriers in trade with goods and services, market access and mutual recognition of regulations and standards, the radical opening of public procurement markets, issues of