

Towards a Closer Economic Partnership?
Submission by the Canadian Labour Congress
to the Minister of International Trade on the
proposed negotiations between
Canada and the European Union

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Canadian Labour Congress

Congrès du travail du Canada

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Introduction

On behalf of the 3.2 million members of the Canadian Labour Congress (CLC), we want to thank you for affording us the opportunity to present our views. The CLC brings together Canada's national and international unions along with the provincial and territorial federations of labour and 137 district labour councils whose members work in virtually all sectors of the Canadian economy, in all occupations, in all parts of Canada.

Negotiations between Canada and the European Union

The governments of the European Union (EU) and Canada have announced preliminary talks to scope out the parameters for a closer economic partnership. It is expected that negotiations towards a Canada-EU trade and investment agreement will be launched in the spring of 2009 at the next Canada-EU summit to be held in Prague. The Department of Foreign Affairs and International Trade (DFAIT) has announced it is receiving submissions on the matter and the CLC has prepared the following preliminary review of the issues arising.

As indicated in our letter of December 9, 2008, we feel it is imperative that the CLC and its affiliates be involved in ongoing study and decision-making about any agreement with the EU. In

our letter we argued that the social and employment impacts, as well as the distributive effects of such a deal must be assessed. We further requested that the CLC as well as the European Trade Union Confederation (ETUC) be invited to participate in the process.

The 2008 Joint Study conducted by the European Commission and the Government of Canada indicates that the key interests were framed by a “domestic steering committee ...which included high level representatives from the major private sector organizations across Canada”.ⁱ They suggest that Canada should move quickly to gain access to a market of 500 million and the world’s largest pool of capital. Our submission suggests quite the opposite, Canada should move away from the failed neo-liberal model of global economic relations that was articulated in the Joint Study. Rather, we should embrace the kinds of economic partnerships that have at their core, a commitment to social inclusion, public reinvestments and economic renewal that is both sustainable, equitable and democratic.

Trade in Goods and Services

In 2007, Canada registered a goods trade deficit of €9 billion with the EU, as well as a trade deficit of €2 billion in services.ⁱⁱ The largest goods exports from the EU are in machinery and equipment, as well as chemicals. Motor vehicles and transportation equipment are also heavily traded.ⁱⁱⁱ Our concern is that unless properly managed within the context of an industrial policy,

Canada's aerospace, automobile, pharmaceutical, machinery and equipment sectors will be adversely affected by increasing liberalization of trade with the EU.

Canada cannot afford to take a laissez-faire approach to its vulnerable manufacturing industries in this moment of economic crisis. For the same reason, and given the roots of the current crisis, neither should Canada liberalize its financial services and insurance sectors, areas where the EU has indicated particular interest. Indeed, restrictions on foreign investment in the financial sector have helped Canada weather the storm of the current financial crisis. By contrast, major European banks have incurred huge losses.

Government Procurement and Public Services

Canadian provinces and municipalities are not prevented under current international trade rules, from requiring that public funds are used to ensure a certain level of Canadian content in goods and services they purchase. Even the Canadian government is permitted to support "Buy Canadian" policies in certain areas, including in urban rail transportation and equipment.^{iv} The federal government, furthermore, may extend Canadian-content conditional grants to provinces and municipalities without contravening the procurement policies of NAFTA.^v

As described in the EU-Canada Joint Study, the Canadian private sector notes that the purchasing power of government amounts to

as much as 20% of GDP in the world's largest economies. This would provide a significant market for the private sector if it were opened up. As a result, the Canadian private sector is opposed to procurement rules and procedures governing "infrastructure, civil works, transportation, energy, electricity generation, distribution and transmission and water". Further, Canadian respondents called on the EU and the Government of Canada to act decisively in favour of opening of public procurement markets in all Canadian and EU jurisdictions, both at federal and sub-federal levels. The opening of procurement markets should be set as a key issue in future EU-Canada discussions.^{vi}

Canada's large international investors have stated their willingness for the Canadian government to give this up for preferential access to the EU market. Similarly, European private sector interests dispute Canada's efforts to protect urban transport, shipbuilding, water, electricity, and similar activities. In other words, transnational corporations in both Canada and the EU want the right to deliver public services.

The Canadian Labour Congress has two main issues with these proposals. We reject any international agreement preventing municipal, provincial, territorial or federal governments from investing public resources in job creation, community economic development and economic renewal through its purchasing policies. In a period of severe economic downturn and job losses, Canada's interests would not be served by trading away the power of governments to support economic renewal and job creation.

Our second objection concerns the threat of privatization which is raised by these private sector proposals. The Joint Study states that EU private sector interests wish to define “public procurement” broadly enough to include public services. As the joint study reports:

... enhanced procurement market access should reflect a broad definition of procurement and include procurement in areas of public services such as health and education.^{vii}

They would have us go far beyond NAFTA commitments by allowing a private presence in activities that are meant to serve social goals. The EU private sector would like the right to bid on all government contracts for the private delivery of services. This would remove the restrictions currently governing areas of public provision in Canada’s international commitments, such as in health care. No longer would Canada protect public services from privatization because they are “maintained for a public purpose” under NAFTA exceptions.

For the labour movement, it is unacceptable to allow market-forces and private investment (whether domestic or foreign) to take control of public services. Neither should foreign investors be permitted to control other services of national importance, such as cultural industries, telecommunications or the banking sector.

Investor-state vs Regulation in the Public Interest

We will not be able to support an international agreement that would extend NAFTA investor-state disciplines beyond North

America and in doing so allow investors to sue governments for lost profits far into the future because they have acted in the public interest to protect jobs and maintain high standards, protect the environment, or protect the health of their populations.

The Canadian government will not be acting on our behalf if it contributes to the weakening of standards and regulations in the area of health and safety or environmental protection. Nor should Canada advocate against European “requirements for production plant standards and meat hygiene standards”.^{viii} Where the Canadian Council of Chief Executives prefers NAFTA’s lower standards on chemicals regulation than the new EU REACH program, we would not. Neither would our European counterparts want to see their stronger climate change requirements undermined by NAFTA-like regulatory cooperation, or mutual recognition meant to prevent future regulatory divergence.

In the area of labour mobility and concerning the recognition of skills and educational qualifications, the CLC and its affiliated labour bodies expect to be consulted. If any discussion of labour and employment law is to be undertaken, the labour movement expects to be at the table. Where there is any discussion of health care, social security and pensions, we expect to be consulted and fully informed of the government’s intentions.

Social Investment in the Embedded Economy

What we would advocate as an alternative trade and investment model would be quite compatible with Europe’s social democratic

traditions. Together with trade unions from across the Americas, we have elaborated in *Labour's Platform for the Americas* the elements of what such an arrangement would look like.^{ix} We would like to see this approach in a Canada-EU model agreement.

While employers would wish to entrench “mutual recognition” rather than upward harmonization of regulations and standards in a deal with Europe, we would take a different view. Indeed, it would be beneficial for Canada to reduce its dependence on the U.S. economy and seek new managed trade and economic relationships with an activist EU that is also facing recession. Canada could benefit from a non-NAFTA trade and investment agreement that would broaden the social safety net, link foreign investment to job creation, strengthen the precautionary principle, restrict trade in genetically modified (GM) products, set ambitious standards in greenhouse gas emissions, strengthen core labour rights and increase labour standards, and widen the definition of citizenship, especially as regards immigrant and migrant labour.

The high level of labour rights and standards in the EU is due, in part, to EU wide directives which are often superior to Canadian rights and standards. This is the case, for example, for part-time and contract workers. We do not believe the rights of workers in the European Union should be undercut by weak Canadian standards, so it would be essential to set a floor at prevailing EU levels, at least. We intend to develop this point in discussions with the ETUC.

As the Canadian government has already sought the views of business leaders in framing this negotiation, we request that the government provide us with resources and the opportunity to study the impact of the issues under consideration. We request a process through which the interests of all Canadians and not only those with conservative and neo-liberal points of view will be considered. We request you identify the members of the steering committee chaired by the Deputy Minister of International Trade.

We will follow these negotiations closely and will be making our views known more fully over time. To present the government with a wide range of views, it is incumbent upon our public servants in the Department of Foreign Affairs and International Trade to conduct further research beginning with the concerns raised here. We ask you to solicit a wider range of views on energy, intellectual property rights, telecommunications, transportation, taxation, border security, information sharing and other key issues covered in the EU-Canada Joint Study.

We will be seeking further information from the government as this discussion proceeds. We would like to be kept fully informed of what you intend to signal and what commitments you are prepared to make. Given the seriousness of these negotiations, we are seeking full transparency. Further, we request that the International Trade Committee hold hearings on the proposed negotiations as soon as possible.

This document is respectfully submitted on behalf of the Canadian
Labour Congress:

A handwritten signature in black ink, appearing to read 'K. Georgetti', is written over a horizontal line.

Kenneth V. Georgetti,
President.

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- i European Commission and the Government of Canada, (October 2008) "Assessing the Costs and Benefits of a Closer EU-Canada Economic Partnership" <http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/can-eu-ue-study-etude.aspx> (retrieved January 17, 2009), p.152
- ii European Commission – Canada, "Assessing the Costs and Benefits", p.22
- iii European Commission – Canada, "Assessing the Costs and Benefits", p.19
- iv Sack, Goldblatt Mitchell, Letter to Mr. Ken Lewenza, CAW, October 22, 2008 www.caw.ca (retrieved January 17, 2009)
- v Sack, Goldblatt Mitchell, "Legal Opinion concerning the Privatization of Insured Health Services and NAFTA", February 29, 2000 <http://cupe.ca/HealthCareTrade/BE4582> (retrieved February 2, 2009).
- vi European Commission – Canada, "Assessing the Costs and Benefits", p.155
- vii European Commission – Canada, "Assessing the Costs and Benefits", p.155
- viii European Commission – Canada, "Assessing the Costs and Benefits", p.158
- ix http://canadianlabour.ca/en/Labours_Platform_for