



**Presentation to Hamilton City Council, General Issues Committee
Re: Canada-European Union Comprehensive Economic and Trade Agreement**

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Thank you Chair and councillors. I appreciate this opportunity to talk to you about the Canada-European Union trade negotiations and what the deal would mean for municipalities. It's an important time in the negotiations – with a ninth and possibly final full round of talks happening in Ottawa next week. The federal government would like to sign a deal by early in the new year.

I am here representing the Council of Canadians but also as a Hamilton resident concerned about how CETA – the proposed Comprehensive Economic and Trade Agreement with the EU – would limit future economic and social policy options for the City and for the province. I share these concerns with a growing number of cities and towns across the country, many of which are asking their provincial governments to exclude municipalities from the scope of the agreement. I hope to convince you this morning to take the same position.

The Council of Canadians is one of the world's largest citizens' advocacy organizations with tens of thousands of members across the country. We receive no government or corporate money but are completely member-funded. Most of our advocacy, whether on trade, or environmental or health issues is carried out by volunteer chapters with strong roots in their communities.

I've been a researcher and campaigner with the Council for over five years specializing in trade agreements. CETA is unique among Canada's recent series of

agreements with developing countries in that it will have the greatest impact on governance here at home. Tariffs are on average very low on both sides of the Atlantic so CETA is about “behind the border” policies that one side or the other would like to see changed. The Canada-Europe Roundtable for Business goes further by claiming CETA is not about the EU market at all but about internal economic reforms in Canada.ⁱ

One of the EU’s major demands is that provincial governments, their agencies and municipalities should be bound by procurement rules which limit how these public entities spend public money. The objective for the EU and European firms is to pick up more government contracts in Canada for big ticket items – for example, transit and energy projects, major construction and other infrastructure projects and, if they are lucky, the provision of drinking water or sanitation services.

I believe a backgrounder on CETA’s procurement chapter from the Columbia Institute has been circulated to you so I won’t go into all the details.ⁱⁱ I’ll just try to describe what’s at stake for Hamilton.

CETA would forbid the City of Hamilton from applying offsets, or conditions designed to extract local development benefits, on tenders for goods, services and construction over certain thresholds. CETA would flat out ban “Buy Canadian” policies, which will deprive cities of a seldom used but effective job-creating tool. The City of Toronto buys subway cars from a plant in Sudbury because it creates enormous spinoff economic activity and jobs across the GTA.

The City of Hamilton may one day like to make a similar policy for its light rail vehicles. It wouldn’t be able to if the city were bound by CETA. The EU deal would also outlaw requirements for firms to source a portion of their inputs locally, or hire local workers.

The thresholds that Canada and the EU have tentatively agreed on are \$300,000 for goods and services, and \$8 million for construction. The Harper government, and now the Association of Municipalities of Ontario, stress that the bulk of municipal tenders fall below those values. But according to officials at the Ontario

Ministry of Economic Development, 80 per cent of the value of provincial procurement will be covered by the restrictions proposed by the EU.

The potential to maximize the social value of spending public money by using procurement for other social goals – namely employment or training goals, but also potentially sustainable or green development strategies, buy local food programs, etc – these would vanish as options on exactly those projects where they would count the most.

The justification for giving up these spending prerogatives is that it will make public spending by all levels of government more transparent and fair.

Proponents of CETA claim the benefit to cities like Hamilton will be greater choice of contractors at a lower price. These are worthy goals but the problem is exaggerated. Already European firms bid on and win Canadian contracts and vice versa. What the EU is seeking in CETA is a legal guarantee that if one of its firms puts in the lowest bid that firm will win the contract. Municipal decisions to the contrary could be challenged before trade tribunals with the authority to halt projects, hand out fines and potentially overturn contracts.

Hamilton's procurement practices are already fair and transparent. And there are more ways to measure taxpayer value than by the bottom line cost. In the United States, for example, many states and municipalities go with an in-state option on contracts even if it costs 10 per cent more than the lowest bidder, as long as the local company meets all the other technical requirements. It's not difficult to imagine a situation in Hamilton where the city might want all the steel in a local construction project be sourced from Ontario mills.

I am not advocating this way of spending public money all the time. I just offer it as an example of how procurement policy could apply local employment and manufacturing preferences in a completely transparent, up front way. If this made sense in Hamilton only occasionally, you would like to know you had the option to pursue it. CETA takes away that option.

Based on the perceived urgency of including municipalities in Canada's CETA commitments, you would think we must be a global outcast on procurement. In

fact, procurement commitments under the federal level are rare internationally, and many countries shirk them altogether at the WTO or in bilateral trade deals.

US cities, for example, are not part of the US government's commitments at the plurilateral WTO Agreement on Government Procurement. That deal has only 40 signatory countries, including Canada, but most of the others are in Europe.

Canada had until recently avoided including provincial agencies in its WTO commitments. It still does not include municipal governments.ⁱⁱⁱ Other countries currently pursuing free trade deals with the EU are fighting off procurement and services demands from the EU because they simply can't see the benefits.

Nor can a growing number of Canadian municipalities which have asked their provincial governments to exclude municipalities (including the MUSH sector – hospitals, school boards and universities) from procurement commitments in the CETA agreement.

I am aware of the position of the Federation of Canadian Municipalities and the AMO, which is that CETA could be acceptable to municipalities as long as seven conditions are met, which are outlined in a recent AMO policy update. These include things like reasonable procurement thresholds, progressive enforcement, some recognition of the role of municipalise in dispute settlement, and consultation with municipalities. I have commented on the seven recommendations on the Council of Canadians website.^{iv}

The Council of Canadians and many other organizations questioning the CETA negotiations feel this position concedes too much to the federal government. Having spoken to representatives from the European Union in Ottawa, I know that the negotiations will not collapse should the provinces decide not to include municipal procurement commitments.

For the federal government, municipalities are really just a pawn to extract limited market access gains into the EU where tariffs may be higher than average, for example on pork products or potatoes. The federal government continues to claim that CETA will add \$12 billion, or 0.77 per cent of GDP to the Canadian economy, phased in over time, based on numbers crunched by European economists prior to the financial meltdown.

Already that is small potatoes. But since those numbers came out in 2008, an official sustainability impact assessment of CETA done for the European Commission by a private firm and released this August, has predicted gains to Canada of between $\frac{1}{4}$ and $\frac{1}{2}$ of that value. That drops the value of CETA to Canada to between \$3 and \$6 billion – not much at all and possibly still too high according to an independent assessment by CAW economist Jim Stanford, who predicts net job losses from CETA.^v It is part of the reason North American auto firms are sceptical of the deal.

The same impact assessment for the EU Commission predicts one-sided gains for European construction and service firms from opening Canada's procurement market.

In other words, Hamilton loses a lot of policy flexibility on spending public money – flexibility it could use within reason to support local employment and sustainable development. In return, Canada gets to ship a few billion more in pork, potatoes, fish and other raw resources into Europe. That hardly seems worth the effort.

There are other issues for local decision makers to consider in the CETA negotiations. For example drug reforms demanded by the EU in the intellectual property chapter would increase the cost of public employee drug plans paid for by cities. Services commitments in areas such as transit, energy and drinking water will exert pressure on municipalities to treat private bidders for essential services the same as the public sector.

Hamilton has had first hand experience with private drinking water and I imagine it doesn't want to go back. Had CETA been in place at the time, it would have been difficult or else exceedingly expensive to bring water back in house because of the investment guarantees private firms are given in trade deals.

And for Ontario in particular, losing the right to support local industry or research and development, whether through subsidies, investment rules or creative procurement, would more than likely lead to job losses, putting more pressure on municipalities.

The AMO and FCM are doing their best to serve the interests of cities like Hamilton in these rapidly advancing trade talks. But municipalities would be best served by being totally excluded from the deal. The economic benefits of CETA's procurement chapter are outweighed by the social and economic policy losses. The CETA package itself is not sweet enough to make that sacrifice worthwhile. And the provinces could, I believe, safely avoid municipal commitments without the negotiations falling apart.

In conclusion, I strongly encourage you to join with municipalities across Canada, including nearby Brantford, by requesting that the provincial government exclude municipalities from its procurement commitments to the EU – and to seek a full briefing from the provincial government on the status of the CETA negotiations, and what the province hopes to achieve through them.

Thank you very much.

ⁱ CERT presentation to a University of Ottawa conference on CETA, April 2011

<http://www.sciencesociales.uottawa.ca/cepi-cips/eng/ceta.asp>

ⁱⁱ Municipal Procurement Implications of the Proposed Comprehensive Economic and Trade Agreement (CETA) between Canada and the European Union, a legal opinion by Steven Shrybman for the Columbia Institute

http://www.civicgovernance.ca/files/uploads/FINAL-Shrybman_CETA_report.pdf

ⁱⁱⁱ Canada made municipal construction commitments to the United States in its 2010 bilateral procurement agreement, which is filed at the WTO. These commitments, for projects over \$8 million, are expected to expire later this month.

^{iv} Ontario municipalities ill-served by cautious approach to CETA, Stuart Trew, October 6, 2011

<http://canadians.org/blog/?p=10967>

^v Out of Equilibrium: The Impact of EU-Canada Free Trade on the Real Economy, by Jim Stanford for the Canadian Centre for Policy Alternatives, October 2010 <http://www.policyalternatives.ca/publications/reports/out-equilibrium>