New trade deals undermine local power

Canadians want their communities governed in the public interest. Municipal action supporting local jobs and community businesses is crucial, especially in tough economic times.

Yet Canadian municipalities are rapidly losing their ability to build local economies. The federal government is pursuing international and interprovincial trade deals that target municipal powers and services, without meaningfully consulting local governments.

Municipal powers being eroded include the ability to promote community economic development by purchasing local goods and services and hiring local workers; policies promoting social objectives such as ethical procurement; and the ability to ensure services like wastewater treatment are provided locally.

EU targets public purchasing

Canada and the European Union (EU) are close to concluding a sweeping new pact that goes beyond the *North American Free Trade Agreement* (NAFTA). The Canada-EU *Comprehensive Economic and Trade Agreement* (CETA) has major implications for Canadian municipalities.

The EU is demanding full access to sub-national purchasing and contracting in Canada, including municipalities. The goal is to prohibit government policies and actions that favour local businesses or promote social objectives. Over $100 billion in annual public purchasing is on the table. Powerful European corporations, particularly the French water multinationals, are pressing for the deal.

In December 2009, the Europeans presented their opening demands. A leaked copy of the document reveals European negotiators want access to "all entities" in the MASH sector: "municipalities, municipal organizations, school boards and publicly-funded academic, health and social service entities."

European negotiators specifically name 41 communities, such as Trois-Rivières, Abbotsford, Kingston, Edmonton and Halifax – but all municipalities are covered.

The Europeans target:

- "all entities" providing municipal drinking water, listing Toronto and Edmonton water and wastewater operations, among others;
- purchasing done by 17 government transportation bodies (such as TransLink in Metro Vancouver and OC Transpo in Ottawa), 26 airport authorities (including those in Charlottetown and Saskatoon) and 19 port authorities (including the Nanaimo and Saguenay authorities);
- municipal and provincial power utilities (like Hydro-Québec and Manitoba Hydro); and
- all provincial government departments.

The Canadian government has asked the Europeans to include investor-rights rules like those in NAFTA's Chapter 11. Chapter 11 gives private corporations the power to sue governments for their policies and decisions.

If signed, the Canada-EU deal's damaging effects will quickly spread. NAFTA's "most favoured nation" clause requires Canada to extend CETA's provisions to U.S. and Mexican corporations.

More CETA information, including a copy of the EU demands, is available at www.tradejustice.ca

"Buy American" deal sells Canada short

The temporary Canada/U.S. Procurement Agreement (CUPA) is Canada's response to "Buy American" provisions in the U.S. Recovery Act. The CUPA was unveiled on Feb. 5, 2010, and covered contracts for just seven federally-funded U.S. stimulus programs.

Because the deal was so late and so limited in scope, Canadian suppliers had just 12 days to compete for less than two per cent of the approximately US$275 billion in procurement funding.

In exchange, the Canadian government made significant concessions. Canada has guaranteed U.S. suppliers access to most provincial and municipal infrastructure projects until September 2011. More fundamentally, Canada has given in to longstanding U.S. pressure by permanently binding provincial and municipal purchasing under the World Trade Organization's *Agreement on Government Procurement*. This is the first time Canadian sub-national procurement has been covered under an international trade deal.

The new deal will prevent provincial and municipal governments from favouring local goods or suppliers and using government purchasing as a policy tool.

Meanwhile, dozens of local governments and states in the U.S. continue their longstanding practice of favouring local suppliers and workers. "Buy American" policies are almost fully intact.

The CUPA is remarkably lopsided. It will hamstring Canadian municipalities that want to use purchasing to support community economic development and job creation.

Internal deal tightens enforcement

The interprovincial *Agreement on Internal Trade* (AIT) has recently become even more restrictive. The federal and provincial governments have agreed to new financial penalties and a binding mechanism to settle disputes between provinces. The new rules open provincial governments to fines of up to $5 million for perceived violations of the agreement. As municipalities are creations of the provinces, municipal local economic development policies can be attacked under the AIT, and provinces can be fined for them.

Protect local democracy

These new trade deals will significantly restrict the economic and social policies of democratically-elected municipal governments. Despite the direct impact of these deals on cities and towns, the federal government is not consulting meaningfully with local governments. It's time to slow these agreements down and bring municipalities to the table, to protect local democracy and public services.

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