

# 'This Would Be Bigger Than NAFTA'

Quebec is easing commerce and labor barriers with France, which may lead to a broader Canada-EU deal

By Pete Engardio



MONTREAL

It's easy to see how the penthouse offices of Eraser Milner Casgrain, one of Montreal's top law firms, can inspire envy. The view is superb: Blazing red foliage is starting to cover Mont-Royal, and the St. Lawrence River snakes through the city for miles into the distance. Inside, modern art lines rosewood-paneled walls.

Yet to Michel A. Brunei, the firm's CEO, his posh offices at times feel like a gilded cage. "I live in a world of restricted mobility," Brunei sighs. Quebec is the only Canadian province with a legal system based on old French civil codes. That means Brunei may not practice elsewhere in Canada, which like the U.S. uses a common-law system. And Quebec's onerous work rules mean even French corporate lawyers recruited by Brunei's firm have to go back to school before taking the Quebec bar exam. This can take five years.

On Oct. 17, French President Nicolas Sarkozy and Quebec Premier Jean Charest are set to sign an accord that could liberate Brunei as well as workers in hundreds of other professions who are hindered by the need for special credentials. The deal will allow for free labor mobility between Quebec and France for engineers, plumbers, pharmacists, nurses, and other professionals. Once they get visas, such workers from France will be quickly certified to work in Quebec, and vice versa.

What could be even more important, Canadian and European officials will begin preliminary talks in Montreal on a potentially much broader trade



Union boss Vaudreuil says Quebec's labor market must open up

alliance between Canada and the EU. Besides freer labor movement, such an agreement could lower remaining barriers on trade in goods and include common health and safety standards. "This would be bigger than NAFTA," says Charest, referring to the North American Free Trade Agreement among Canada, the U.S., and Mexico.

The trade push is part of Charest's drive to make Quebec, long one of Canada's most closed labor markets, a magnet for global talent. He already has

signed a similar labor agreement with neighboring Ontario and other provinces. A broader Canadian-EU pact could also speed a movement to simplify commerce in Canada's balkanized provinces, which have clashing rules on everything from margarine coloring (white in Quebec, yellow elsewhere) to the size of truck tires.

## WORKERSHORTAGE

Why is free-trade sentiment gaining ground in Canada when it has become politically toxic in the U.S.? For one, Canadians crave new markets. Some

85% of exports go to the U.S., and a 40% leap in the value of the Canadian dollar against the greenback over five years has eroded competitiveness.

But the biggest driver behind a possible Canada-EU pact is the fear of labor shortages. Canada's labor pool is growing by just 123,000 a year, half the rate of 25 years ago. That number could drop to 42,000 by 2010, says business professor Linda Duxbury of Ottawa's Carleton University. Plunging birthrates have hit especially hard in Quebec, where aircraft maker Bombardier says it will need 3,500 more skilled workers by 2017.

Quebec's construction industry is also feeling the pinch. Masons, roofers, and carpenters are all in short supply. Until

recently, Quebec's construction union, Centrale des Syndicats Democratiques, kept tight control of jobs. And workers from most other provinces still must go back to school and pass a written exam, in French, if they want to work beyond six months. Now, with shortages intensifying, the union endorses freer labor mobility. "Twenty years ago, I don't think this would have been possible," says union president Francois Vaudreuil. "Now we have to open ourselves to the rest of the world." **BW**