

‘A rather serious setback for Canadian trade’: Harper ends EU trip unable to clinch deal

Andrew Mayeda and Theophilos Argitis, Bloomberg News | 13/06/18

Prime Minister Stephen Harper concludes his eight-day European trip unable to complete a trade agreement with the European Union, just as the opening of EU-U.S. talks raises the risk that Canada will be left out.

Canada not concerned for own deal as EU, U.S. trade talks take centre stage

Harper, who met German Chancellor Angela Merkel and Italian Prime Minister Enrico Letta on the sidelines of the Group of Eight leaders’ summit in Northern Ireland, couldn’t persuade his European peers to drop their remaining objections in the talks. One of the biggest sticking points for Canada is access for the country’s beef and pork producers, a concession that faces resistance from France and Ireland, two of Europe’s biggest meat suppliers.

Failure to ultimately reach an accord would undermine Harper’s efforts to diversify Canada’s trade away from the U.S., its largest trading partner. While Harper has made free trade a key plank of his economic agenda, completing six accords since 2006, none have been with major economies.

“The longer the matter is not brought to a conclusion, the more likely it becomes that the European Union will turn its attention to the U.S.,” said Lawrence Herman, a lawyer at Cassels Brock & Blackwell LLP in Toronto who specializes in trade issues, by telephone June 7. If a pact isn’t reached in the next few weeks, it would represent “a rather serious setback for Canadian trade policy, given all the efforts of the Harper administration,” he said.

Biggest Deal

Harper returns to Ottawa Tuesday night after the summit’s conclusion, a day after Merkel joined U.S. President Barack Obama, U.K. Prime Minister David Cameron and European Commission President Jose Barroso in announcing that talks will begin next month on what Cameron called “the biggest bilateral trade deal in history.” Harper has no announcements scheduled Tuesday.

Cameron, speaking to reporters following the summit, said Canada and the EU made a lot of progress this week and are very close to a pact.

“One more go and it will be there,” Cameron said. “The pressure of this G8 I think really got through a lot of the final issues and it’s now down to the last few yards and I’m sure it will be done.”

The risk is that the U.S. will leapfrog Canada in talks with Europe, as it did in finishing a trade pact with South Korea last year. Negotiations between Canada and the Asian nation reached an impasse in 2008 after 13 rounds of discussions.

Progress Continues

Harper’s chief spokesman Andrew MacDougall said this month he didn’t expect the prime minister to sign a pact with

the EU on the week-long trip, where he met Cameron, French President Francois Hollande and Irish Prime Minister Enda Kenny.

“We’re not quite there, but we continue to make progress and we continue to be committed to progress,” Harper told reporters Tuesday. While the start of U.S.-EU talks may give some “disadvantages” for the negotiations with Canada, Harper said it doesn’t change his view that “we should stay at the table until we get a deal that’s in the best interests of Canadians.”

Former Bank of Canada Governor Mark Carney has said the nation’s poor export performance since 2000, the second worst in the Group of 20 after the U.K, is due to the country’s reliance on the U.S. economy.

Canadian companies such as Toronto-based insurer Manulife Financial Corp. and Montreal’s commercial-jet maker Bombardier Inc. have backed an agreement, while European companies including engineering conglomerate Siemens AG of Munich and London-based miner Rio Tinto Plc are supportive.

Strategic Step

“A Canada-EU agreement can serve as a strategic and important step towards the eventual creation of a comprehensive transatlantic trade and investment area,” senior executives of more than 100 European and Canadian companies said in a joint declaration supporting a deal.

“We are very close to an agreement,” said John Clancy, EU trade spokesman, in an e-mailed statement Tuesday. “The EU has shown pragmatism and flexibility and is ready to take the last steps to achieve a political breakthrough in the negotiations. We have been awaiting a similar message from

Canada since the Trade and Agriculture Ministers met in Ottawa in early February.”

Canada has relatively more to gain from a deal, according to a joint study released in 2008 by the Canadian government and the European Commission. An agreement would increase annual Canadian gross domestic product by 8.2-billion euros (US\$10.9-billion), equivalent at the time to about 0.77% of the country's output, the study found. The EU economy would increase its annual output by 11.6-billion euros, or 0.08%.

Export Shares

While the EU bought 8.9% of Canadian exports in 2012, Canada represented 1.9% of total EU exports, according to Statistics Canada and Eurostat data. The U.S. received almost three-quarters of Canada's exports in April.

The EU is seeking more access to Canada's protected dairy market, while Canada wants its beef producers to be allowed to export more than 40,000 metric tons to Europe, according to Matthias Brinkmann, the European Union's ambassador to Canada.

Brinkmann said May 9 in Ottawa that while the EU is willing to meet and potentially exceed the 40,000 metric ton figure, the two sides remain apart. “There's a certain limit that we cannot go above, because then our own producers in some countries depend very much on that, like Ireland and France,” he said.

Canada is seeking more benefits for its cattle farmers at a time when live cattle prices have dropped 8.9% this year.

Politically Sensitive

The beef impasse is politically sensitive for Harper's Conservative Party because Alberta, Canada's largest cattle-producing province, has Conservatives holding 26 of its 28 districts in the federal legislature, including Harper's.

Securing more access for beef and pork is "extremely important" to Canada, Canadian Agriculture Minister Gerry Ritz told reporters on a conference call June 7.

The country's biggest federal opposition party is worried the government may compromise Canadian interests in pushing for a deal. "Desperation is a singularly bad adviser," Tom Mulcair, leader of the New Democratic Party, told reporters at a news conference in Ottawa on June 7.

The agreement may increase the cost of prescription drugs by expanding patent protection for European pharmaceutical companies, harm Canadian dairy farmers and take away power from cities and provinces to choose suppliers for procurement projects, according to the NDP.

For its part, the EU wants to use a Canadian free trade agreement as a template for other talks. "It will help us in the negotiations with the U.S. and other developed countries if we can show we managed this and we can do such a comprehensive agreement," Brinkmann said.