

Canada stalls as ink dries on global trade deals

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For the government of Stephen Harper, turning its ambitious trade negotiations into practical results is central to its jobs and growth strategy. It trumpets the fact that Canada has signed free-trade agreements with eight countries since 2006, and is negotiating deals that cover another 50.

What the government doesn't say is that it has not yet successfully completed the negotiation of a single comprehensive agreement with a major trading partner. It has just months to show that this agenda is credible.

During the first six months of 2012, talks with the European Union are expected to enter their final and decisive phase. Clinching a deal with the EU is a critical test for the government: If this big prize is not clinched after getting so close to the finish line, none of our other trade partners will believe that Canada can make the tough political decisions necessary to complete a major deal. With talk south of the border of a possible U.S.-EU trade deal, the negative consequences of failure cannot be understated.

If past performance is a guide, completing the EU deal will be a challenge. Let's examine the currently stalled trade talks with South Korea, Canada's sixth largest trading partner. These negotiations were launched in July, 2005, and were making excellent progress until the

13th round of negotiations in March, 2008. Both sides were down to just a few outstanding issues, but two of them posed political problems for the Harper government. First, Canadian automobile producers in politically sensitive ridings were concerned that the deal would undermine their position in the domestic market without offering any tangible new benefits in the South Korean market. Second, South Korea was maintaining an embargo on imports of Canadian beef as a result of concerns resulting from the appearance of a limited number of cases of BSE in the Canadian beef herd. Beef producers asked the government to ensure normal trade resumed before negotiations with South Korea were completed. South Korea will probably lift that embargo in the near future following a vigorous challenge by the Canadian government including through a dispute settlement case at the World Trade Organization.

In recent months there have been two important developments regarding South Korea: A free-trade agreement between the EU and South Korea came into force in July, and the United States ratified its FTA with South Korea in October (it is expected to come into force in the spring). These two deals will make it virtually impossible for a range of Canadian producers to maintain their share of the South Korean market -- let alone think about improving their position. This is particularly true for pork and beef producers, who face 40 per cent tariffs while their American and European counterparts will see the duties they pay drop to zero. Of course, it will be important for Canadian negotiators to insist that Canadian suppliers get as good a deal as their competitors in the South Korean market.

In a recent [press release](#) these producers urged the government to resume FTA talks with South Korea. They noted "that further delay in concluding Canadian FTA talks with South Korea will seriously undermine the competitiveness of the pork and beef sectors, lead to the loss of jobs, and a contraction in the production and processing sector in Canada".

Surely this is the time for Canada's negotiators to sit down with industry to identify creative solutions that could lead to a breakthrough in those areas where the talks broke down. It may turn out that it will not be possible to reach a politically satisfactory deal with South Korea -- but to conclude that before making a final honest effort to find a solution would leave many Canadian producers out in the cold.