

Canada closing in on European Union free-trade pact

BY JASON FEKETE, POSTMEDIA NEWS

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OTTAWA — The federal government appears only weeks away from completing negotiations on a Canada-European Union free-trade agreement that would be the country's largest and most important international trade pact in a generation.

The deal is expected to immediately eliminate tariffs on approximately 98 per cent of European goods in Canada and lead to what some observers believe could be a three- to five-per-cent drop in the price of consumer goods ranging from European automobiles to clothing to coffee makers.

There remain concerns, however, among some provinces and major cities that the deal will drive up the costs of pharmaceutical drugs in the health-care system and erode the autonomy of municipalities when awarding contracts for projects and services.

The trade agreement is already overdue, to some extent, after Prime Minister Stephen Harper initially pledged to complete negotiations on the Canada-EU Comprehensive Economic and Trade Agreement by the end of 2012.

“What we see at present early in 2013 is, of course, the readiness on both sides, the Canadian government side and the European Union side, to really finish the negotiations on (CETA),” Werner Wnendt, German ambassador to Canada, said in an interview with Postmedia News.

“It is, and should be possible, to do it as soon as possible — and as soon as possible could be next month.”

Wnendt said there are still some key issues that need to be discussed at the expert level before going to ministers for approval, which he believes could happen at a meeting in early February.

Once negotiations are completed, both sides would conduct a legal review of the text and hold ratification votes — including in the House of Commons and Senate in Canada — a process that would likely take at least a few months.

Indeed, representatives from a Canada-EU economic roundtable and trade lawyers following the talks also believe the negotiations will be completed within weeks, likely by February, but possibly even this month.

“We’re very close — maybe a matter of weeks. And it better be done in a matter of weeks because don’t forget the government had gone out on a limb saying it will be done by the end of (2012),” said Lawrence Herman, an international trade lawyer with Cassels Brock and former trade representative for the federal government.

“There’s a bit of concern that the more time slippage goes on, the more things can unravel.”

The agreement would give Canadian companies preferential access to an EU market of 500 million consumers in 27 member states.

The federal government is still fighting for greater market access into Europe for beef, pork and other agricultural producers, as well as for Canadian automobile manufacturers.

Canadian beef producers want a reduction in “prohibitively high” EU tariffs as well as larger quotas into Europe, said John Masswohl, director of government and international relations with the Canadian Cattlemen’s Association.

There also remain a number of technical issues that must be resolved if Canadian beef is to be allowed into Europe, including how carcasses are washed.

Furthermore, the EU won’t allow growth promoters used by many Canadian producers, who will have to adapt their operations to meet the European requirements — likely adding 20 per cent to production costs, he said.

“We have a good sense as to where we want to get to, and we ain’t

there yet,” Masswohl said about the negotiations.

In return, trade specialists believe the federal government will agree to stronger intellectual property protection — which would likely drive up the costs on such things as pharmaceutical drugs due to longer patent protection — and partially open up Canada’s supply managed dairy sector, which features tariffs between 200-300 per cent on imports.

Some observers believe many of the tariffs in the supply managed dairy sector will remain in place, but that quotas could be increased on European dairy products such as cheese.

Europe is also demanding greater ability to bid on government construction projects and service contracts within Canada — a key concern to major cities such as Toronto, Mississauga, Ont., and Hamilton, Ont., which have asked for exemptions from the deal.

Also, rules of origin — which establish the minimum amount of production that must occur in Canada or the EU for an exported product to receive preferential tariffs — continue to be a thorny issue, especially with Canada having a deeply integrated economy with the United States.

Federal officials say CETA will either immediately eliminate nearly all trade tariffs or phase them out over time, ultimately lowering the prices of goods and services for consumers, while also creating new jobs for Canadians.

“It has been suggested to me that it should be all over but the shouting by the end of January,” said Peter Clark, a former Canadian trade negotiator who’s now president of an Ottawa-based trade consultancy.

“We’ll see, but there seems to be a determination to try to narrow the differences to the point where it will basically be finished then.”

Indeed, Jason Langrish, executive director of the Canada Europe Roundtable for Business, believes the agreement will likely be completed before the end of February.

He figures the government must complete the negotiations by March at the very latest to ensure the agreement can get on the docket for the Council of the EU and the European Parliament to ratify the agreement sometime this year, before EU elections in spring 2014.

In Canada, the provincial NDP in British Columbia is widely expected to take power in that province's May election, and could be less receptive to certain components of the trade deal, he said.

"There's a sense of urgency," Langrish said. "If they don't get this deal done by March, it's going to be tough."

Moreover, there's mounting pressure on Harper to complete negotiations on a meaningful trade deal, he said.

The Conservative government has concluded a handful of free-trade agreements over the past seven years, but mostly with smaller countries — including Colombia, Honduras, Jordan, Panama and Peru — while launching negotiations with larger economic powers like Japan, India and the broader Trans-Pacific Partnership trade bloc of 11 Pacific Rim nations.

"He (Harper) has launched a hell of a lot of trade deals but he hasn't closed many," Langrish added.

The federal government maintains a Canada-EU agreement would boost the Canadian economy by \$12 billion annually, create tens of thousands of new jobs by growing export markets, and increase two-way trade by 20 per cent, or \$38 billion a year.

For consumers, Langrish says eliminating tariffs on 98 per cent of goods should be welcome news for consumers, and could lower the cost of imported European consumer goods anywhere from three to five per cent, on average, if not more.

"There's no way to ensure that prices will go down because the retailers could say 'I'm going to pocket the difference,'" he said. "But they should go down."

Along the way, there's also likely to be some job losses in Canada in certain sectors and employment gains in others, as companies and

the Canadian economy restructure to a changing trade landscape, he said.

Yves Leduc, director of international trade for the Dairy Farmers of Canada, which represents nearly 13,000 dairy farms, said his organization is confident the federal government will heed its requests for the supply-managed dairy system to remain largely untouched.

Dairy farmers won't accept Ottawa granting any additional market access into Canada for European producers who are heavily subsidized, he said, nor any reduction in the over-quota tariffs that are close to 250 per cent.

"The European Union continues to press the Canadian government for some access for some dairy products — we've heard cheese," Leduc said.

"It's a negotiation. There's always a risk, however, so far we're pleased with the way the Canadian government has defended the interests of supply management."