

Canada pushes for lower EU subsidies at trade talks

By Terry Pedwell (CP) 26 October 2009

OTTAWA — Canada is pushing European Union countries to drop subsidies for agricultural products at talks aimed at reaching a bilateral free-trade agreement.

At the same time, European countries want Canada to get rid of its supply management systems for dairy, poultry and egg products, something Trade Minister Stockwell Day insists is not on the table.

"Our supply side sectors are not things that we negotiate," Day said in an interview with The Canadian Press.

"We have established many bilateral and multilateral agreements with that understanding, and that's how we're proceeding on this one."

Some experts, however, say that kind of intransigence will make reaching a new trade deal with the Europeans virtually impossible.

Michael Hart, a research fellow at Carleton University's Centre for Trade Policy and Law, goes so far as to say the talks are nothing more than a political exercise and a waste of time and money.

"What's negotiable is not worthwhile, what's worthwhile is not negotiable," said Hart.

"Canada is not going to give up supply management in a bilateral negotiation with the EU," he said.

"Canada is not going to give up ownership restrictions on the cultural industries.

"And the EU is not going to unzip the common (EU) agricultural policy or adapt any of its regulations to accommodate Canada."

Canadian and EU officials completed their first week of formal trade talks last week, discussions which Day describes as tough but productive. Canada is hoping a deal can be reached within two years.

Hart's colleague at Carleton's Sprott School of Business, Ian Lee, agrees that the economic benefits of reaching a trade deal with the Europeans might be seen as trivial.

The trading relationship between Canada and the EU is currently worth about \$40 billion. A new free-trade agreement could expand that amount, conservatively, by another \$15 billion.

But such a deal could lay the political footings for trade talks with other countries - particularly in Latin America and Asia - and could even mark the underpinnings of a new North American trade agreement, should the United States choose to reopen NAFTA, says Lee.

"We should be trying because it sets a precedent," said Lee.

"Whatever we negotiate then could become the foundation for subsequent negotiations with other countries."

It's that sort of talk that scares the Council of Canadians, who are concerned that the Canada-EU talks could open the door to privatization of Canada's public infrastructure, including municipal water and sewage treatment plants.

Placing public utilities in the hands of the private sector could undermine water safety and cost cities and towns even more in the long run than they currently spend on running those services, says the council's Stuart Trew who wants Ottawa to abandon the talks.

"Really what the (Europeans) want to see are the removal of whatever protections exist at the municipal level on keeping water services public," says Trew.

"Creating an agreement would actually encourage the privatization of water delivery and water treatment at the municipal level."

And once you open the door to Europe, the United States wouldn't be far behind arguing for equal treatment under the North American Free Trade Agreement that could extend to medicare and other publicly funded services, Trew argues.

Either way, Day strongly disputes that the talks are a waste of time, arguing that much is at stake that could result in more employment and increased economic activity for Canada.

"There's a high ambition level on both sides (of the talks)," he said. "Studies have already been done showing that, on both sides, there would be increased number of jobs and economic opportunity if there was a free trade agreement in place right now."

One of the biggest hurdles in the way of an agreement is the EU's subsidies to its agricultural sector - a highly charge issue that Day says distorts international trade.

As recently as last week, European farmer held massive protests denouncing EU plans to limit agricultural subsidies over the next few years. European political leaders have said they, too, want to scrap the subsidies altogether.