

Canada won't bend on supply management in EU trade talks: Stockwell Day

BY ANDREW MAYEDA, CANWEST NEWS SERVICE OCTOBER 19, 2009

OTTAWA — Talks kicked off Monday on a Canada-EU trade deal, but Trade Minister Stockwell Day said one of the key sticking points — Canada's support for dairy, poultry and egg farmers — is "not up for negotiation."

Canadian officials met in Ottawa with their counterparts from the European Union to discuss a comprehensive trade deal along the lines of the North American Free Trade Agreement. It is the first of several rounds of negotiations that insiders say could take at least a couple of years to consummate.

A European source confirmed Monday that one of the major obstacles is Canada's system of "supply management" for the dairy, poultry and egg sectors. Under the system, provincial marketing boards strictly regulate production "quotas," keeping prices high for Canadian farmers.

Dairy-producing countries such as France are lobbying Canadian negotiators to relax or to drop the system, which European officials see as a subsidy.

But Day said Monday that the Harper government is not willing to consider such a concession.

"We continue to have a very clear position that dairy- and supply-managed areas are not up for negotiation. And that's our position all the way along," the minister told reporters on a conference call after meeting with his U.S. and Mexican counterparts in Dallas.

Last year, Canada exported \$40 billion in goods to the European Union, making it Canada's biggest export destination, next to the United States. Canada imported \$47 billion in goods from Europe, according to figures provided by Statistics Canada.

In a joint study released last fall, the two sides estimated that a free-trade deal would yield annual income gains of 8.2 billion euros for Canada within seven years, and 11.6 billion euros for the EU and its 27 member states.

In addition to trade in goods and services, negotiators hope to hammer out agreements on issues such as customs procedures, migration, intellectual property and foreign investment.

This summer, both sides released an outline stating that the agreement "should address the issues of agriculture export subsidies and state trading enterprises and assess any possible distortion of competition and barriers to trade and investment these issues could create."

But Michael Hart, a trade expert at Carleton University, said none of the political parties in Canada is likely to yield on supply management, which affects farmers in the all-important political battlegrounds of Quebec and Ontario.

"I've been of the view for years that this is a silly exercise," said Hart,

a former trade specialist at International Trade. "The rewards are not big enough to overcome the political obstacles."

He said most of the trade barriers being discussed are minor enough that the benefits of a trade deal would amount to just a fraction of the economic output of both sides.