

FULL COMMENT

John Ivison: Canada-EU free trade negotiations down to the political nitty gritty as framework deal sits on Harper's desk

John Ivison | Feb 4, 2013
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The official word on the progress of free trade negotiations between Canada and the European Union is that “no deal is imminent.” Unofficially, trade sources suggest a framework deal is sitting on the Prime Minister’s desk, waiting for him to decide whether the terms are likely to cause him unacceptable political headaches.

We know the deal that would remove 98% of the tariffs that Canadian exporters pay in Europe is close.

Ed Fast, the International Trade minister, previously said he didn’t want to meet with EU Trade Commissioner Karel De Gucht until progress had been made at a political level. Now, his office says the two men will meet later this week.

Mr. De Gucht forced the issue by announcing he was coming to Ottawa this Wednesday, on his way home from Washington, where he is trying to craft the opening of similar talks with the Americans.

For their own selfish reasons, both sides need a deal: Canada, in order to diversify trade away from the United States, with an economic bloc that has similar labour and

environmental regulations; Europe, in order to prove to the Americans that a deal this ambitious can be done. The Obama administration is said to have doubts about whether the EU will give the U.S. sufficient agricultural market access and is watching carefully Canada's experience with beef and pork.

People close to the talks suggest that after the De Gucht-Fast meeting this week, the two sides will announce a summit between Mr. Harper and José Manuel Barrosa, the EU president, to close the deal.

For Canada, the remaining issues are increased access for beef, pork and automobiles (since most cars only have 25-30% Canadian content, the Europeans want to ensure they don't open their doors to a flood of American cars).

The EU wants more access for its dairy products, greater patent protection for brand-name drugs by extending the period pharmaceutical companies have exclusive rights on newly patented drugs by two years, and the ability to bid on government procurement projects.

No one I spoke to believes that these hurdles are insurmountable. The likelihood is that both sides will split the difference to ensure a deal is done. For example, around 5% of imported cheese enters Canada free of the 200% tariff, two-thirds of which comes from Europe. Canada is likely to suggest that percentage is increased, without altering the structure of the supply management system that shields chicken and dairy products from foreign competition. The quid pro quo will be access for Canadian beef and pork.

On pharma, while the Europeans want two years extra protection, Canadian negotiators talk about a "balanced outcome" between encouraging innovation and affordable drugs, which suggests the brand-name drug industry may get

a one year extension. Canada's generic drug companies have said that giving the Europeans what they want on patent protection would cost provincial treasuries up to \$2-billion a year in extra drug costs.

That may raise ire in the provinces, even though the cost increases wouldn't kick in for nine years or so (it will take a year or more to implement the agreement and the current eight year protection would mean no intellectual property changes until well into the 2020s).

In response, the Prime Minister may sugar the pill by promising to compensate the provinces to keep them onside.

Mr. Harper is said to have been so involved that negotiators have received hand-written calculations suggesting the cost of patent-term restoration. He must now placate, if not please, the various constituencies that may be adversely affected by a deal that will be the largest since the NAFTA.

But if he is too successful he may find he wins the support from an unwanted quarter — the NDP. It is not necessarily a good thing to get the backing of a party you want to portray as wild-eyed “free trade deniers.”

NDP leader Tom Mulcair told my colleague Peter O'Neil last week that he's “very open” to a deal with the EU, as long as it doesn't drive down wages or worsen working conditions.

If history is any guide, Mr. Harper will contrive a deal with provisions sufficiently unpalatable to organized labour, the environmental movement and left-wing nationalists to make it hard for Mr. Mulcair to swallow.

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