

Canada-EU trade deal nears; agriculture is final sticking point

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The European Union's ambassador to Canada said special access for agriculture goods is the last holdout to a trade deal between Brussels and Ottawa and drew a line in the sand over how much market access the EU could offer Canadian beef producers.

Ambassador Matthias Brinkmann engaged in a bit of public negotiating Thursday in comments to reporters in Ottawa, saying the European Union could admit a bit more than 40,000 tonnes of Canadian beef per year but couldn't go much further without upsetting EU farmers.

"We are ready to deliver that – even go beyond that – but as I said there's a certain limit which we can't go above," he said.

"Because then our own producers – and some countries – depend very much on that [beef] like Ireland or France," Mr. Brinkmann said.

"So there's a limit as to where we can go," he said, noting that EU will have to admit more U.S. beef should Brussels and Washington sign a separate free trade deal.

"We are not only negotiating with Canada, but you know we are looking at the United States. They will also want to export beef."

A spokesman for the Canadian government refused to comment on Mr. Brinkmann's 40,000 tonnes offer, saying they would not bargain through the press. "The process of negotiations continues to unfold, and negotiators are meeting frequently to explore solutions to the remaining issues," Rudy Husny, press secretary to International Trade Minister Ed Fast said.

The Harper government is pushing hard to secure a trade deal with the European Union before the Commons adjourns in June, an achievement the Conservatives sorely need to demonstrate they can ink ambitious accords that reduce Canada's reliance on the United

States.

Mr. Brinkmann said he hopes a deal can be reached by the summer. "Without an agreement, there will be no more beef [shipments] at all," he noted.

The deal is long overdue. The Conservatives promised in the last election campaign to sign one by 2012.

Ottawa is in a race against the clock now that the European Union is turning its attention to a separate accord with the United States – a development that threatens to overshadow EU negotiations with Canada.

Mr. Brinkmann acknowledged getting a deal with Canada "won't be any easier" once Brussels starts negotiating with Washington "because of resource problems."

But he said the EU remains fully committed to a deal.

This long-delayed deal, which was supposed to be completed by 2012, would be Canada's biggest since the 1993 North American Free Trade Agreement.

It would make it easier for Canadian companies to sell goods and services to the 27-member EU with its 500 million consumers.

In discussing the state of play of talks, Ottawa officials have said they are now on a "very aggressive track to close these negotiations out" as both sides haggle over how much Canadian beef will be allowed into the EU, how much Canadian content needs to be in Europe-bound automobiles and to what extent Canada might open up its cheese market and government procurement or lengthen patent protection for brand-name drugs.

Canadians have refused to sign an accord until they get sufficient access to EU markets for beef. Officials say the amount allowed would need to significantly exceed 40,000 tons a year. Ireland, a major beef producer, is balking at big concessions for Canada. One possible solution, sources say, would see both sides agree to a phased-in quota for Canada that would enable shipments to grow over time.

Canada's heavily sheltered dairy farmers have resisted lowering Canada's high-tariff walls to allow more European Union cheese into this country as part of a deal. But federal officials say they believe that rising Canadian demand for cheese will give them the leeway they need to offer extra access to the EU without disrupting domestic producers.

The EU and Canada are also grappling with Ottawa's stubborn insistence to protect its right to intervene in the Canadian financial system when it feels business activity might endanger the sector. One example, a Canadian official said, would be Ottawa's 2008 move to shorten the maximum amortization period for mortgages to 35 years from 40.

But time could be working against Canada. Ottawa's long-delayed trade deal with South Korea stands as a reminder of what can go wrong when Canada fails to beat the United States to the punch.

The Tories are under pressure to deliver. Almost since taking office, they have talked of signing major trade agreements that diversify commerce away from the slow-growing United States but have so far failed to land one significant accord that would underpin what has become a major pillar of the Harper economic strategy. Negotiations with India and other big economies have also made little progress.

Stuart Trew with the Council of Canadians said the media focus on the agricultural horse-trading in the EU-Canada deal – including admitting more European cheese – obscures far bigger changes afoot in negotiations.

"The beef-cheese trade off is the least important part of this deal for the growing number of groups who are opposing it," Mr. Trew said.

He said Canadians should be far more concerned with the potential for longer drug patents that could drive up medicine bills as well as new restrictions on municipalities to prefer local contractors over foreign ones.

"We're worried about the impact on drug costs, the reduced ability of cities to use 'buy local' policies, and the ability of European companies to challenge environmental policies they don't like. Canadians need a

chance to see and make changes to this deal before it is finalized by both sides."