Canada-EU trade proposal rivals scope of NAFTA

Plan to lift barriers for goods and labour to be discussed at summit after election

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LONDON — Canadian and European officials say they plan to begin negotiating a massive agreement to integrate Canada's economy with the 27 nations of the European Union, with preliminary talks to be launched at an Oct. 17 summit in Montreal three days after the federal election.

Trade Minister Michael Fortier and his staff have been engaged for the past two months with EU Trade Commissioner Peter Mandelson and the representatives of European governments in an effort to begin what a senior EU official involved in the talks described in an interview yesterday as "deep economic integration negotiations."

If successful, Canada would be the first developed nation to have open trade relations with the EU, which has completely open borders between its members but imposes steep trade and investment barriers on outsiders.

The proposed pact would far exceed the scope of older agreements such as NAFTA by encompassing not only unrestricted trade in goods, services and investment and the removal of tariffs, but also the free movement of skilled people and an open market in government services and procurement – which would require that Canadian governments allow European companies to bid as equals on government contracts for both goods and services and end the favouring of local or national providers of public-sector services.

Previous efforts to reach a trade pact with Europe have failed, most recently in 2005 with the collapse of the proposed Trade and Investment Enhancement Agreement.

But with the breakdown of World Trade Organization talks in July, European officials have become much more interested in opening a bilateral trade and economic integration deal with North America.

A pact with the United States would be politically impossible in Europe, senior European Commission officials said.

A newly completed study of the proposed deal, which European officials said Prime Minister Stephen Harper decided not to release until after the election, concludes that the pact would increase bilateral trade and investment by at least $40-billion a year, mainly in trade in services.

Ottawa officials say they have overcome what they see as their biggest hurdle: the resistance of provincial governments to an agreement that would force them to allow European corporations to provide their government services, if their bids are the lowest.

Although Ottawa's current list of foreign-policy priorities does not include European issues, European and Canadian officials say Mr. Harper has been heavily engaged with the proposed trade pact.

The two governments have completed a detailed study of the proposed agreement that will be unveiled shortly after the election, should the Conservatives win.

Both Ottawa and Brussels have had staff work on a draft text for a deal they had hoped would be introduced at a Canada-EU summit, to be attended by French President Nicolas Sarkozy, European Commission President Jose Manuel Barroso and Mr. Harper in Montreal on Oct. 17. France currently holds the rotating presidency of the EU, and Mr. Sarkozy has said that he hopes to make economic integration with Canada one of his accomplishments.

Last Wednesday, a top Ottawa trade official wrote to Mr. Mandelson to propose “the launch of comprehensive negotiations toward a closer economic partnership at the Canada-EU Leaders Summit, to be held on October 17,” and stressed that all 13 provincial and territorial governments had agreed to the proposed pact at a July 18 meeting in Quebec City.

Because of the election, Mr. Harper appears to have decided not to unveil a full text of the proposed agreement, but instead to use the summit to inaugurate the trade talks with the launch of a “scoping exercise” that will quickly set the goals of the pact and lead to formal “comprehensive trade and investment negotiations” to begin in “early 2009,” according to communications between senior Canadian and European officials examined by The Globe and Mail.

Proponents, including all of Canada's major business-lobby organizations, are in favour of the deal because it would open Canadian exporters to a market of 500 million people and allow the world's largest pool of investment capital into Canadian companies without restrictions.

Because Canada's fractious provinces have killed attempts at a trade pact in the past, Europe is demanding that Canada accept a more far-reaching agreement than Canada and Europe had attempted before, in an effort to win a stronger commitment, EU officials said.

Major “deal-breaker” conditions, officials said, include full agreement by all 10 provinces, especially on the issue of European companies providing government services, and what are known as “geographic indicators,” which forbid products such as champagne and feta cheese to be produced under those names outside their nations of origin. Controversially for Canada, this may soon be extended so only English producers can use the name cheddar on their cheese.

However, both sides agree that there is far more political will to negotiate a major deal, on both sides than there ever has been.

“I am far more optimistic this time than I've ever been in the past. … I feel very confident that we will be able to launch something on Oct. 17 that will give us a better chance than we've ever had before to get a full deal in place,” said Roy MacLaren, head of the Canada-Europe Round Table, a pro-trade business organization that has been heavily involved in the negotiations.

As a trade minister in the Jean Chrétien government and later as a diplomat, Mr. MacLaren was involved in several previous attempts at a Canada-EU pact.