

European Union lacks enthusiasm for a free-trade deal with Canada

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Published: Tuesday, February 05, 2008

BRUSSELS - The European Union, being pressured to support the launch of free trade negotiations at the next Canada-EU annual summit in Montreal this fall, is showing only lukewarm enthusiasm for the idea.

"Europe's priorities do not appear to be with Canada," said Chris Napoli of the Centre for European Policy Studies, noting that Canada represents just two per cent of Europe's trade.

But both Napoli and Jason Langrish, a spokesman for a Canada-Europe group of chief executives backing expanded trade, say the leaders of the world's largest trading bloc could be convinced

French President Nicolas Sarkozy, who will hold the six-month rotating EU presidency at the time of the Montreal summit on Oct. 17, has been pushed by the governments of Prime Minister Stephen Harper and Premier Jean Charest to launch trade negotiations.

The EU, under the presidency of German Chancellor Angela Merkel last year, agreed to launch a study on the possible benefits. The report is expected to be made public in late spring.

"Our sense is that Europe is turning towards the logic of a deal," said Langrish, executive director of the Canada Europe Roundtable for Business, a Toronto-based lobby group that is backed by more than 60 top Canadian and European corporate executives pushing for a trade deal.

"We expect that French President Sarkozy will want to make a significant announcement at the Canada-EU Summit in Montreal."

Some Europeans say the likely payoff isn't worth the effort, and suggest that Harper and Charest are looking for a political trophy.

The ever-enlarging EU now includes 27 countries with 500 million people on a land-mass 2 1/2 times smaller than Canada's.

It is currently Canada's second-largest trading partner, with the value of total exports and imports more than double the combined rate of Japan's and China's.

The EU's official position is that it won't even discuss the matter while it is focused on getting agreement on the Doha round of talks to strike a new World Trade Organization agreement.

If Doha collapses, as many expect it will over agricultural subsidy disputes, the EU has said it is more interested in negotiating with larger targets with greater trade barriers, in particular India.

The EU, vulnerable to terrorism and mass migration threats, has also made clear it wants to improve its trade and political relationship with countries on its eastern border, in the Middle East, and northern Africa.

"One of Canada's problems is that it is a very open country, and so it does not have much left to give in an FTA," Napoli said.

The challenge for Canada will be to get Europe's attention. While Sarkozy and Merkel have voiced support, British Prime Minister Gordon Brown appears consumed with domestic politics, according to Langrish, the trade lobbyist.

"Could the EU be made to care?" Napoli asked rhetorically. "It all depends on how serious the French are about Canada-EU relations."

Germany has expressed some interest in a deal and, if the United Kingdom goes along, due to its historic links as one of Canada's mother countries, "the rest would likely follow," he said.

Former Canadian trade negotiator Michael Hart has argued that a Canada-EU deal is "silly," noting that potential trade gains are marginal.

He also warned that Canada, by adhering to more stringent EU regulations on matters like product safety, could run afoul of the United States, by far its largest trade partner.

But Napoli said a trade deal is viable because it could improve regulatory co-operation, establish consistent accounting standards, and help avoid some of the current trade tussles involving Canadian sardines, iron ore and genetically modified canola oil and seeds.

A trade deal could also eliminate tariffs on Canadian aluminum, and tariffs and quotas on forest products, automobiles and car parts going both ways.

While agricultural trade is touchy and political, Napoli said Canada could provide greater access to EU products like liquor and tobacco in return for more openness for Canadian beef, seafood and grains.

Europe's main objective, say analysts and diplomatic sources, would be to open up provincial government procurement programs, always a tough political challenge.