

Chance Canada-EU talks could trickle into 2013: Analysts

'We are now down to focused sessions on the remaining issues,' says government.

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Canadian and European negotiators meet in Ottawa this week as they continue to sift through outstanding issues in the Canada-European Union trade talks. Observers say the two sides still have difficult issues to pick through, such as intellectual property rights, government procurement, and agriculture—some of which they say would require some political decisions at the end of the talks.

The two sides are set to have face-to-face meetings this week and then again from Oct. 15-26 in Brussels, the government confirmed.

"To date, significant progress has been achieved across the board, including in the core market access areas of goods, services, investment, and government procurement," wrote Adam Taylor, director of communications for Trade Minister Ed Fast, in an email to *Embassy*.

"We are now down to focused sessions on the remaining issues, solutions to the remaining issues are being actively explored."

Mr. Taylor added that no other negotiating sessions have been planned, but that Canadian and EU officials are engaging regularly through various means. The aim is still to conclude negotiations this year.

Yet some analysts say they think there is a chance the talks could trickle into 2013.

Canada and the EU started negotiating a Comprehensive

Economic and Trade Agreement in 2009. The two sides finished the ninth round of talks in October 2011, after which Mr. Fast said they would "move from formal rounds to a set of intensified and focused discussions on the key issues that remain outstanding."

Mixed thoughts on timeline

Crina Viju, an assistant professor at Carleton University's Institute of European, Russian, and Eurasian Studies, said technically Canada and the EU could wrap up the deal at any time, but if they want to keep certain issues on the table, it might take longer than the remaining few months this year to sort them out.

Kurt Huebner, the Jean Monnet Chair for European Integration and Global Political Economy at the University of British Columbia, said the appearance of more and longer meetings via telephone or videoconference calls between negotiators signals that the two sides are at the last stretch.

He said he thinks the deal would be moved out of the hands of the technical and administrative negotiators on both sides and would "enter in a very important way the political level" at the end of the year.

"You take the low hanging fruits first and then you move to the more difficult politically sensitive issues towards the end and that's where the final compromises are made," said Patrick Leblond, an associate professor with the University of Ottawa's Graduate School of Public and International Affairs.

Jason Langrish, executive director of the Canada Europe Roundtable for Business, said at this stage the chief negotiator is responsible for pulling everything together into a final package that can be presented to the political leaders.

"So this is where he or she has to really step up and conclude," he

said.

Mr. Langrish said while there could be a little bit of delay into 2013, it would be important to finish the deal before the spring election in British Columbia.

He noted a deal would need to be legally scrubbed and translated, and would also need to pass through the EU Parliament. Elections for the EU Parliament are also scheduled for 2014.

"If these negotiations drag too long into 2013, they're never going to get the deal on the docket for this sitting European parliament," he said.

"That would be bad because a lot of work's been done to talk to this parliament about what this deal's about, why it's good."

Meanwhile, Stuart Trew, trade campaigner with the Council of Canadians, said there is a lot of pressure on the Harper government to conclude the talks quickly.

He said he would rather see issues not get settled this year than have the government settle them in the interests of the EU position—a move he said would undermine Canadian drug policies and municipalities.

Mr. Huebner noted that there remain some unknowns including whether all the provinces would be on board with the deal. They have a seat at the negotiating table, but the federal government has the final jurisdiction over signing the deal.

Mr. Leblond said one question that remains is what happens after a deal is signed in terms of implementation amongst provinces.

Issues at the table

Mr. Langrish said difficult issues fall into two categories—those

that require a political decision and those that need a lot of technical work.

At the end, a final package would likely be presented to the Cabinet, which would note different options or potential give-and-takes for certain issues.

The ones that would likely require political decisions are intellectual property issues, public procurement, coverage for services in the deal, and agriculture, he said.

Ms. Viju said one intellectual property issue is so-called geographical indicators, where certain products are recognized as coming from a specific region.

Yves Leduc, director of international trade for the Dairy Farmers of Canada, told *Embassy* in April that if the Europeans get their way, this could have an impact on Canadian cheese producers' ability to continue to produce and market certain cheeses such as Parmesan and Feta.

The EU has been pressing Canada to strengthen its intellectual property regime, particularly on drugs.

The generic and brand name pharmaceutical industries are at odds on the EU proposals.

Jim Keon, president of the Canadian Generic Pharmaceutical Association, said the EU is looking for an extension of patents and data protection, along with the right for research-based pharmaceutical companies to appeal decisions when patent challenges appear before the court.

Citing a 2011 study, Mr. Keon said all of these taken together have the impact of delaying the entry of new generic products by about three-and-a-half years and could increase drug costs by \$2.8 billion per year.

But Declan Hamill, chief of staff and vice-president of legal affairs of Rx&D, an association representing research-based pharmaceutical companies, said the study used "faulty assumptions" and that it would be difficult to assess this. He said strengthened IP protection would result in more innovation and better healthcare outcomes.

On the right of appeal, Mr. Hamill said the industry sees it as a fairness issue.

"[We] think it's somewhat scandalous that this issue is outstanding given that most Canadians believe appeals are a reasonable part of any judicial or regulatory process."

Mr. Keon said he doesn't expect negotiators to tackle intellectual property issues related to pharmaceuticals in any detail at the September or October meetings.

"We've had indications that it could be one of the handful of issues in the negotiations that requires political direction later based on domestic considerations, and that would probably be given at the final stages of the negotiations."

Meanwhile, the EU is asking for more access to the Canadian dairy market, and the Canadian beef industry is looking to boost its access to European markets.

Mr. Langrish said the investment component would likely be one that could be negotiated, rather than left to political decisions.

Then on the technical side is recognition of qualifications, the dispute-resolution mechanism, and rules of origin.

Rules of origin, he said, is a big one since it determines which products qualify for duty free status.

Some products, like cars, textiles, and processed foods, often travel back and forth across the border with the United States several times, making it difficult to determine what percentage of

the final content is Canadian.

He noted that the general rule of thumb in international trade is that to qualify for duty free status, 60 per cent of the final value of an exported product should be created in a particular country.

"A lot of the work of the negotiators is going product by product, and putting on the table proposals for rules of origin, and it just takes time—every time you put a proposal, it has to be taken on by the Europeans, and then they have to review it."

Mr. Langrish said this is one area where "the final work is really being done right now by the negotiators—they're putting a lot of effort into those areas."