

# Debt crisis casts shadow over Canada-EU talks

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The closing of a free trade agreement between Canada and the European Union could help boost the eurozone's image in the face of crumbling European unity, observers are saying.

Canada and the European Union completed the ninth round of negotiations on Oct. 21 in Ottawa, moving towards a Comprehensive Economic and Trade Agreement that is said to be larger in scope than NAFTA and is expected to increase Canada's annual GDP by \$12 billion.

While the EU's effort to tackle its debt crisis was already on the global radar, attention to the region's troubles increased one week after the ninth round of negotiations when the Europeans came out with a rescue package that would increase a bailout fund to \$1.4 trillion.

But a few days later, Greek Prime Minister George Papandreou shocked leaders and the markets by announcing that he wanted to hold a referendum on the package. He later won a confidence vote, but stepped down from his position, giving way to a coalition government. Italian Prime Minister Silvio Berlusconi also confirmed on Nov. 8 that he would resign after a budget law is passed in parliament in Italy.

While there is some debate about whether the economic situation in Europe could change the dynamic within the

Canada-EU trade negotiations, many observers have stated that such a deal would be beneficial to the 27-nation group.

Kurt Huebner, professor of European studies and the Jean Monnet Chair at the Institute for European Studies at the University of British Columbia, said that while both Canada and the EU stand to benefit from the agreement, the EU might need a successful end of the negotiations in order to showcase that it is still a powerful, active player on the global scene.

"This agreement may not save the world, but it would showcase that the EU, despite all its problems...can negotiate successfully an agreement that at the end of the day will bring a lot of benefit for Europe," Mr. Huebner said.

Amy Verdun, professor and chair of political science at the University of Victoria, shares this view. She told *Embassy* the EU is currently experiencing a major blow to its public relations front and its ability to get its act together.

"The way [US President Barack Obama] was speaking in the G20 to the Europeans, it doesn't give it a very positive image in terms of the business and financial world. I think the Europeans really need to work on their image and being able to close this deal would be a positive thing for the European Union," Ms. Verdun said.

Initiating discussions with the EU towards a free trade agreement was a strategic move on Canada's part, she said, to move Canada away from its dependence on the United States. Europe, at the time, represented a new world of trade.

"On the European side, it simply wasn't the most salient thing to do. But I think at this point, now that they are in this, I think it would be very much in the interest of the Europeans to close this," she said.

Jason Langrish, executive director of the Canada-Europe Roundtable for Business, said the crisis illustrates that the vehicle the EU has used for growth—the expansion of the single market—is finished.

European policy makers have recognized that they need to find growth elsewhere, he argued, and that the most obvious way to do that is to negotiate free trade agreements with other countries.

"I think if anything, it actually pushes them to more aggressively pursue free trade with Canada," he said.

Phil Rourke, the executive director of the Centre for Trade Policy and Law at Carleton University and the University of Ottawa, said that up until now the EU has been pushing aggressively within the negotiations and that the economic situation in Europe could have some impact on the position of the EU at the table.

"I think this would change the dynamic a bit. At some point Europe is going to want to tell the world that they are open for business," said Mr. Rourke.

"When it comes to reaching the final deal with Canada and how aggressive they want to pursue it, I think it would be very

difficult to resist a deal with Canada when they're showing that they are opening themselves up and trying to get out of the crisis."

He noted that the US Congress, which has also battled an economic slowdown, sought to show people that the country was open for business by finally passing into law long-neglected trade deals with Colombia, Panama and South Korea.

"When you want to show the world you're open for business, one of the ways to do that is to not only launch, but complete negotiations—negotiations are an end to a beginning. You then have to implement them."

He said the EU trying to boost its image might play to Canada's advantage and even out what he says has been an imbalance in the relationship. The talks are also reaching that stage where everybody starts to focus on just getting a deal, he said.

### **The other view**

However, Vital Moreira, chairman of the European Parliament's trade committee, said during a visit to Ottawa last week that he does not think the dynamic within the negotiations will change as a result of the crisis.

"[The negotiations] have their own dynamic, [and] we are negotiating other trade agreements with other trading partners. I don't see any reason why we should slow or change the dynamics of the trade negotiations," he said during a meeting with reporters.

He later wrote in an email to *Embassy* that the EU has no reason to rush the negotiations.

"In this negotiation Canada is the *demandeur*, and the one to have a larger harvest from any trade agreement with the EU. Besides that, the EU is not suffering an economic crisis or trade crisis, rather from a debt crisis in a few member states, for which CETA could bring no meaningful relief."

Stuart Trew, a trade campaigner with the Council of Canadians, said that there are some in Europe who would like to put the trade deal with Canada on the backburner.

"This Canadian deal, I don't think it is as high on the list," said Mr. Trew, adding that in terms of the dynamic within the negotiations, he has a pessimistic view of Canada's leverage at any table.

"They are a hard bunch of negotiators in the EU. Canada is clearly doing a poor job in the negotiations with the US on the perimeter [deal] ... it did a did a bad job with the Buy American procurement deal," he said.

## **WHERE THE CANADA-EU TALKS STAND**

The ninth round of talks ended with both sides exchanging offers on services and investments.

"As we enter the next phase of negotiations, we will move from formal rounds to a set of intensified and focused discussions on the key issues that remain outstanding," said Trade Minister Ed

Fast on Oct. 20.

Those close to the talks have said that the negotiations seem to be progressing in a timely manner.

Last month, Steve Verheul, Canada's chief negotiator on the deal, said the aim was to reach agreement on most of the major issues by early 2012.

Meanwhile, Vital Moreira, chairman of the European Parliament's trade committee, said last week that there is no real timeline for the negotiations.

"Trade negotiations don't have a real deadline; trade agreements are done when both parties are satisfied by both sides," he said.

"I would be very surprised if they weren't able to put together some sort of package by mid-2012," said Jason Langrish, executive director of the Canada-Europe Roundtable for Business.

The negotiators would then hand off the package to the politicians on both sides, recognizing that there are some issues that will require a political resolution, such as the area on intellectual property rights, said Mr. Langrish.

The IP rights issues relate to possible changes in various areas including Canada's copyright laws, trademark regulations based on geographic indicators and regulations on pharmaceutical companies. Mr. Moreira said another outstanding issue is the rules of origin provisions that would be included in the deal,

since goods would be traded differently according to where they come from.

"It's important to know which is a Canadian good and which is a European good," he said.