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EU-Canada stalemate cautionary tale for transatlantic trade deal

By Joshua Chaffin in Brussels
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Today marks the formal launch of negotiations for a [transatlantic trade deal](#) that has been touted as the most ambitious joint EU-US initiative in a generation. But for all the hype, the potential pact could be more accurately described as the “other” transatlantic trade agreement.

Four years ago, the EU and Canada embarked on their own initiative to seal a deal to lower tariffs and liberalise trade and investment, an exercise they have yet to complete.

The lengthy delay has sparked frustrated comments from Brussels and Ottawa in recent months. It has also served as a reminder of the perils of trade negotiations which, like marathons and Dostoyevsky novels, are far easier to start than they are to finish.

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“It’s a cautionary tale of how difficult these agreements are,” said Stuart Eizenstat, the former US ambassador to the EU, a vocal advocate for an EU-US agreement who has warned that a failure to secure it would be “catastrophic” for both parties. The stalled EU-Canada talks have featured some of the same struggles over [government procurement](#) and [agriculture](#) that are expected to loom large in the EU-US discussions.

Arguably, the task should have been less daunting than the one confronting the EU-US negotiators. The proposed EU-Canada agreement is less ambitious in size and scale.

The parties also dodged one issue that has complicated the EU-US talks before they have even formally begun: France's insistence on shielding its audio-visual sector from Hollywood competition. In a happy coincidence, the French-speaking Québécois are also ardent defenders of the so-called *exception culturelle* that allows governments to subsidise film industries and protect them with quotas. Before committing itself to open negotiations, some in [Washington fretted](#) about the danger of launching a potentially gruelling negotiation with the Europeans that might never come to fruition. Their doubts were eased after Brussels made some confidence-building gestures in recent months by resolving longstanding trade irritations.

The two sides also agreed – in the vernacular of [Mike Froman](#), the US trade representative – to finish the negotiation “on one tank of gas”. They have set a tight timetable to try to wrap up talks within 18 months – coinciding with US Congressional elections and the end of the current European Commission.

While the global trade spotlight today will be focused on Washington, where EU and US negotiators will hold their first bargaining session, EU and Canadian diplomats are also set to meet in Ottawa this week to try to find a breakthrough. Earlier this year, it seemed the two sides were nearing the finish line. But, as is typical with trade talks, it is the few outstanding issues that always prove the most difficult and have the ability to sink the entire negotiation.

In this case, that would be a stand-off over Canadian beef

and EU dairy products, with each side seeking greater access to the other's market.

“They're dickering over a few thousand tonnes of beef and dairy and cheese on either side,” said a person familiar with the discussions. “The EU figures they have a huge amount of leverage because the Canadians really want this. But they're a little bit flummoxed that the Canadians aren't caving.” A spokesman for Ed Fast, Canada's international trade minister, said he remained hopeful “that we will soon achieve an agreement with the EU”. But he also added:

“Canada has made robust offers in good faith that address the EU's key interests. Canadians expect to be provided the same by the EU. We continue to make this clear to our EU counterparts.”

In trade circles, many suspect the EU-US talks have complicated the EU-Canada version. With a showdown against the Americans looming, Europeans are determined not to give ground too easily to Ottawa.

An alternate version of this theory is that Washington has been encouraging the Canadians to dig in their heels, knowing that any concessions they win will be a starting point for US negotiators.

The dynamics should be different when the EU and US sit down because they are more evenly matched, whereas the EU economy is almost 10 times larger than that of Canada. Marietje Schaake, a Dutch member of the European parliament, who serves on the trade committee, was not concerned. “Every trade agreement takes longer than people anticipate,” Ms Schaake said. “It is good to start with ambition, but nobody should be surprised if it takes more

time.”