

# Europeans opposed to Canada's 'negative-list' approach to trade

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PARIS — The Canada-European Union free trade talks have hit another snag due to the continued reluctance of some EU member states to negotiate a wide-ranging agreement to liberalize trade in services.

The delay is raising questions about whether the tabling of formal offers, which was supposed to take place last week in Brussels but was then rescheduled for the next round of negotiations in Ottawa in April, could be hit with further complications.

Trade Minister Peter Van Loan, who has vowed that a trade deal will be completed by the end of 2011, states regularly that the deal will boost Canada's economy by \$12 billion annually and boost two-way trade by 20 per cent.

The joint 2008 Canada-EU study Van Loan relies on for those figures projected that close to half of those gains for Canada would result from a liberalization of trade in services, in areas such as law, engineering, the financial industry, and the energy sector.

Canada is pushing for a "negative" list, which means that all services will be liberalized except those specifically identified. Canada has historically included water services, public education, and health and social services as exempt sectors in past trade agreements.

Europe has always used a "positive" list in which all sectors and sub-sectors being liberalized are spelled out in the agreement.

Canadian and European industry groups advocate a negative list, since it deals with unforeseen services that will emerge in the future. It is also believed that a negative list approach will lead to a broader and more "ambitious" agreement.

"It is disappointing that a negative list approach to services, a key Canadian ask and, if agreed, a first for the EU in a bilateral trade negotiation, has not yet been approved," said Jason Langrish, executive director of the Canada Europe Roundtable for Business lobby group.

While he voiced optimism that the delay won't translate into a "no," Langrish said he fears Europe's hesitation will give more time for Canadian provincial governments to "reconsider their offers in other areas, which we understand they are in a position to table."

European Commission spokesman John Clancy said the concerns of "a number" of EU states about the negative list shouldn't affect the negotiations timetable.

A European Council official told Postmedia News that the EC's trade policy committee agreed in October to support a negative list for "Mode 3" services, in which a service sector company like a bank establishes a foreign presence with a subsidiary.

At the same meeting the committee members decided to oppose "Mode 4" services, which involves individual businesspeople from one country travelling to another to provide services.

Canadian trade lawyer Milos Barutciski said the Mode 4 services area is politically sensitive because of current concerns in Europe over immigration.

But some EU member countries decided last week they need more time to consider the implications of accepting Mode 1, which involves cross-border services offered by Internet, fax or email, and Mode 2, which involves people travelling to another country to receive a service like medical treatment or education.

Pascal Kerneis, of the European Services Forum in Brussels, said some member states have a fear of the unknown regarding a loose regime for Internet/email services.

Part of the concern is that legitimate online services might emerge that pose serious threats to the viability of domestic sectors, he said. But there are also jitters that dubious online services, particularly in the financial sector, would be harder to regulate or prohibit under such a negative list regime.

But Kerneis said a negative list is still the best route to take because it lessens uncertainty for corporations and eliminates the need to re-negotiate the trade agreement to deal with future developments.

"More than 50 per cent of services that we and our children are going to consume in 50 years have not yet been invented," he said.

A spokesman for the Council of Canadians, a lobby group critical of Canada's free trade agenda, said European's position could ultimately be good for Canadian interests.

Stuart Trew said the negative list approach is intended to put pressure on Canadian provincial governments to open up sensitive areas, like water services, to European competition.