

Federal election will impact Canada-EU trade talks

Upcoming provincial elections could cause even further delays.

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The federal election may not have stopped Canadian and European negotiators from meeting for another round of trade talks this week—but it did postpone a landmark moment for the negotiations: the presentation of formal offers.

At the same time, wary glances are being cast at elections set to take place in several Canadian provinces over the next two years, which experts say could result in even more delays—and even trouble—for the comprehensive trade agreement.

Negotiators were planning to present their parties' formal offers during this week's seventh round of free trade talks, which is taking place in Ottawa between April 11 and 15. Although a spokesperson at the Department of Foreign Affairs and International Trade confirmed offers will not be exchanged during this round, she also said officials "do not expect significant delays in the negotiations to be caused by the election."

Quebec chief trade negotiator Pierre Marc Johnson said the absence of formal offers is normal in such a situatio

"During elections there will be no major policy decision that will be taken, and I would say that includes not making the offers during the elections," Mr. Johnson, also a former Quebec

premier, told *Embassy* during an interview on April 4.

However, this is the second time negotiators are delaying this crucial moment of the trade talks. The two parties already had to postpone the exchange of formal offers during the sixth round of talks at the end of January, because, at the time, Canadians and Europeans could not agree on the best mechanism to use for liberalizing services.

Fortunately, while it remains unclear when negotiators will table their offers, Mr. Johnson said it does not necessarily have to happen during a formal round of talks.

Nevertheless, while Minister Van Loan had repeatedly said negotiations were on track and a deal would be finalized by the end of 2011, Prime Minister Stephen Harper said on March 31 his government would now aim to conclude a deal with the EU by 2012.

Meanwhile, provincial elections across the country this year might also slow things down, especially since sensitive topics like government procurement have not been very popular among civil society groups and labour unions, experts say.

Ontario, Saskatchewan, Manitoba, Prince Edward Island and Newfoundland all have fixed election dates this year. Quebec does not have a fix date, but an election is set for 2012 and Premier Jean Charest, a champion of the Canada-EU negotiations, looks increasingly embattled.

Jean-Michel Laurin, vice president of global business policy at Canadian Manufacturers and Exporters, said the trade agreement with Europe will not win provinces many political points close to election time.

Canadian provinces and territories have been crucial players during these trade talks, sitting for the first time with the federal government at the negotiating table. Having provinces on board has been one of the EU's key demands, with the aim of opening up sub-federal procurement to European companies.

But this has been the topic of strong debate, especially at the municipal level and within some provinces, where there are fears a completed deal would put local jobs at risk—a politically sensitive issue at any time, but especially during a campaign.

"This is not necessarily an issue they want to deal with," Mr. Laurin said of provincial governments. "They are probably going to be very careful before making major commitments before an election."

Political consensus?

Besides any delays, the other question provincial elections raise is how a potential change in leadership might impact the overall future of the deal—questions that are most heavily pointed towards Ontario and Quebec, the two provinces from which the Europeans can draw the largest gains by opening up of procurement.

Trade talks with Europe have not sparked any controversy at the political level in Ontario, Sandra Pupatello, Ontario's minister of economic development and trade, told *Embassy* in an interview on April 1.

"This is a modern economy and there is no level of fear around it, like there might be with other regions around the world," she said.

However, Ms. Pupatello did say the topic of opening up public procurement is not worry-free.

"For sure we always worry," she said. "Obviously our first position is that we don't want to give up anything that [the Europeans] are not giving up either. So we are going to be very careful to see that this is going to be a fair play on procurement."

But she also pointed out Ontario has already opened up its procurement doors to the other Canadian provinces, as well as 37 American states through the Buy American provisions.

"If people remain very locally-minded, it really doesn't matter if that loss is to a company in Toronto or the Yukon or Illinois," Ms. Pupatello said. "The reality is that we are pretty open now," adding that, nevertheless, about 80 per cent of provincial government's procurement needs are locally supplied.

She also said Ontario stands to gain especially in the services sector, like financial services, from the EU deal.

Peter Shurman, trade critic for the Progressive Conservative Party, the official opposition in Ontario, was not available to comment on his party's position towards the Canada-EU trade deal.

But Patrick Leblond, professor at the University of Ottawa's Graduate School of Public and International Affairs, said it is hard to believe the Progressive Conservatives would be against free trade, since they are ideologically in favour of more competition and less regulation.

The situation might look differently in Quebec, however, Mr. Leblond said, if the major opposition party there, the Parti Québécois, wins the next elections.

The current Liberal government of Jean Charest has been a major driver for kick-starting the talks with the Europeans, but the premier's popularity is suffering as a result of several scandals.

Although the opposition's stand towards the CETA would depend on what the final deal contains, Mr. Leblond said the Parti Québécois could choose to campaign on a more protectionist platform to appeal to certain groups that are worried about the trade deal's potential impacts.

"Although traditionally the Parti Québécois is not anti-free trade, to win an election they could become more populist," he said. "They could scuttle the deal."

No one from the Parti Quebecois returned *Embassy's* calls before

deadline.

Mr. Johnson, Quebec's chief negotiator, said the Parti Québécois has not come out with an official position towards the CETA, other than to raise some concerns towards issues related to culture and water. However, there were no clear objections to the deal.

"Up to now, their interventions in the House and in committees...were of a position of being inquisitive," Mr. Johnson said.

Historically, he added, Quebecers have been free traders, standing behind deals ranging from NAFTA to the more recent talks with India.

At the federal level, the Liberals are also supporting the free trade talks with Europe, Liberal Trade critic Martha Hall Findlay said, although issues such as the Europeans' push to reform Canada's intellectual property laws and provincial public procurement might pose some concerns that need to be further debated, she added.