

Harper's Canada-EU trade deal could cost Canada more now that U.S. is in mix

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For Canada, the most important element of Barack Obama's Tuesday night State of the Union address was buried deep inside the U.S. president's hour-long speech.

It was just one line and few in the audience paid it much heed. But Obama's announcement that Washington is starting free trade talks with the European Union has put new pressure on Prime Minister Stephen Harper.

Harper, it will be remembered, has been negotiating with the Europeans since 2009 for a Canada-EU free trade pact.

The prime minister is an ardent free-trader and the EU deal was supposed to be the crowning jewel in an array of trade treaties with countries ranging from Japan to Vietnam to Colombia.

But negotiations with the EU have gone on long past the original 2011 deadline. Press leaks from the secret talks indicate that the two sides are hung up on agriculture in particular.

Ottawa wants full access to the 27-member EU for Canadian agricultural products like pork.

The EU, in return, wants Canada to eliminate or weaken its supply management system, which protects domestic milk, cheese and chicken farmers.

Some provinces are also alarmed at the prospect of Canada signing on to European drug patent rules that would discriminate against cheaper generic pharmaceuticals. A leaked federal report estimates the deal would cost Canadians — and particularly provincial drug plans — up to \$2 billion a year more.

As well, according to the Council of Canadians, 46 municipalities (including Toronto) have come out against a [proposed element of the deal that would prevent them from favouring local suppliers](#).

The negotiations have been tricky. A two-day session between Trade

Minister Ed Fast and his European counterpart last week in Ottawa failed to resolve the issues.

Now that the Americans are in the game, things promise to get even trickier.

The reason? Europe doesn't care much about Canada. This country's market is puny compared to that of the U.S.

Indeed, Europe's real interest in negotiating a trade deal with Ottawa was to demonstrate to the Americans that a trans-Atlantic free trade pact was possible.

Now that the EU has successfully wooed Obama, Canada is of less interest.

In addition, EU negotiators will be even more reluctant to make concessions to Canada for fear of weakening their bargaining hand with the Americans.

As for Canada, Harper's aggressive trade strategy has been aimed at getting into foreign markets before the U.S. so as to give Canadian exporters an edge. With Obama's announcement Tuesday, that window has begun to close.

In short, Canada is under more pressure to make a deal while Europe is under less — which, for this country, is not a good position to be in. Ignored in all this talk of strategy is the question of whether a Canada-EU deal is a good idea. Many say it is not, [arguing that Ontario would lose manufacturing jobs](#), that drug costs would rise and that the promised benefits from any deal are highly exaggerated. Still, this is a deal that — in some form — seems bound to go through. Harper's Conservatives want it and they control the government.

New Democratic Party Leader [Tom Mulcair has given his support to the idea](#), telling a Montreal audience last week that “a trade pact with Europe is exactly what we want.”

While the cagey opposition leader has left himself room to denounce any specific deal, the fact that he has embraced Canada-EU free trade in principle effectively puts the NDP onside.

And the Liberals? They've been in favour of free trade since 1993.

A Canada-EU deal seems inevitable. But now, with America in the mix, the terms for Canada may be even less favorable than expected.