

## Harper's Promise of Trade Deal with EU Faces Many Challenges

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*Process 'complicated' with provinces at table, expert says*

Stephen Harper is vowing to clinch free-trade deals with the European Union and India. But there are a number of factors that could trip up the talks, including the willingness of the provinces to play ball. Harper said Thursday the Conservatives will aim to complete bilateral trade agreements with the European Union by 2012 and with India by 2013.

Harper touted his party's free-trade credentials, noting that the Conservatives have inked eight bilateral deals since taking office, and are negotiating 50 more.

He said the trade negotiations would turn into a "gong show" if the Liberals form a coalition with the NDP and Bloc Quebecois. But while in government, the Liberals were hardly antitrade. Some experts would argue the EU talks have already turned into a gong show, now that the provinces and territories have been given a seat at the negotiating table.

Inking a deal with the European Union – the world's biggest trading bloc – has been Trade Minister Peter Van Loan's second biggest priority, next to managing relations with the United States. The Canadian government estimates a deal would increase Canada's GDP by \$12 billion, or 0.77%, by 2014. The EU talks launched in 2009. Van Loan has said the government hopes to complete the negotiations by Jan. 1, 2012. A Conservative official confirmed Thursday the party is sticking to that goal.

A European diplomat based in Ottawa said the Europeans still believe a deal can be reached by the end of 2011. The two sides have exchanged drafts, but neither side has submitted formal offers that would lay out where they are willing to compromise.

The seventh round of talks will be held in Ottawa on April 11. It's still not certain a formal offer will be on the table for the next round, said Maurizio Cellini, head of the economic unit at the EU delegation to Canada in Ottawa.

The EU talks are unique, in that the 13 provinces and territories actually have a seat at the negotiating table for the first time. Their input will be key on the issue of procurement, the closest thing to a deal-breaker for the Europeans.

European firms want access to the lucrative contracts the provinces award for big infrastructure projects.

European officials were miffed when Quebec Premier Jean Charest, who has been a big booster of an EU deal, awarded an untendered contract to Bombardier to supply subway cars to the city of Montreal.

The provinces and municipalities opened many of those contracts to the United States in exchange for an exemption from the "Buy American" provisions in the U.S. economic stimulus program. It's believed the Europeans now want similar treatment.

One trade expert said the Tory timetable is still realistic. The challenge will be to get the provinces on board, said Lawrence Herman, a trade lawyer at Cassels, Brock & Blackwell. "We've made it far too complicated as a process by having the provinces actually in the room, negotiating," he said. "Why we do this to ourselves is sometimes a puzzlement."

Agriculture is another sensitive topic. Canada is loath to give ground on supply management in the dairy, poultry and egg sectors, which are protected from foreign competition by a system of production quotas. The agriculture sector in many European countries is also highly protected, which reduces the EU's leverage in this area. But European negotiators are hoping for at least some concessions by Canada on supply management.

It's a topic no federal politician will touch with a 10-foot pole on the campaign trail. "Nothing is going to be said, clearly, during the election," said Herman.

The talks with India are at a much earlier stage. Canada and India launched negotiations last November.