

It's crunch time, and Harper needs an EU trade deal

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Crunch time is fast approaching for the proposed free trade and investment deal between Canada and the European Union. Both sides want a deal, but success means more to the Harper government than to the EU.

Negotiations have been going on for a long time. Conservative government ministers will be visiting Brussels shortly to try to settle the remaining contentious issues.

Negotiations are always like this: The most difficult issues are negotiated at the end. Ultimately, Prime Minister Stephen Harper will decide, as he does with just about everything inside his government. If all goes well, the deal would be announced and then crowned at a Canada-EU summit. If not, well, the consequences for Mr. Harper's trade agenda would be severe.

Recently, the Prime Minister privately exhorted a group of business leaders to get behind the EU deal. Critics have been picking apart possible items in the agreement, without much of a coherent reply either from the government or third-party groups. It's always easier for critics at this stage because they can conjure and invent, whereas defenders have to wait until a final draft is ready.

Mr. Harper needs this deal for a variety of reasons. If Canada doesn't secure a deal, it is likely that the United States and Europe will start talking, leaving Canada out of the picture. Similarly, if Canada cannot finalize a deal with Europe, with which it has long-standing cultural, historical, political and economic ties, Asian countries will wonder whether Canada can only do deals with countries that have much smaller economies, such as Honduras, Chile, Panama and Colombia.

The collapse of the European negotiations would send the wrong signal to China, Japan, South Korea, India and other Asian countries with which the Harper government has been angling for trade deals.

Securing something in Asia is the overarching objective of the government's trade diversification strategy.

Europe wants a deal, too, in part to show that it can negotiate with a mature industrial country. For Europe, a Canadian deal may eventually form part of a template for a larger deal with the United States. But since the European market is so much larger than Canada's, the Europeans have a bargaining advantage. No politician in Europe would be embarrassed if the talks fell apart, but Mr. Harper would.

Some of the crunch issues, predictably, are tough. Europeans dislike genetically modified food, and that may obstruct access for some Canadian food products. The EU has its Common Agricultural Policy, the bane of free-traders everywhere, and Canada has its supply-managed sectors that, as usual, want to operate behind import restrictions and stratospheric tariffs. The Europeans want higher quotas; the supply-management lobby wants them maintained.

Similarly, the Europeans worry about labelling, as in domestic producers here using a general name – Parma ham or names of cheeses – that Europeans want clearly identified as coming from their producers.

The brand-name pharmaceutical companies in Canada, some of them European multinationals, want two more years of data protection after the expiration of patents. This would kick in for some, but not all, drugs in about a decade. Provinces with drug plans don't like what the Europeans want. In support of their ambitions, the brand-name industry has launched an extensive media relations campaign.

Open bidding for public contracts is a key European demand. Naturally, this makes some Canadian provincial and municipal governments nervous, because they sometimes favour local suppliers. Ontario's local preference for the renewable energy industry was predictably ruled illegal by a World Trade Organization panel. Ontario, just as predictably, is appealing.

That Bombardier should win a contract to supply cars to the Paris subway is considered terrific in Canada; that some European company should win a contract for subway cars in Canada raises protectionist hackles.

Assuming a deal is reached, it would have to be ratified by all 27 countries in the EU. Mr. Harper has a majority in Parliament, but what opposition might the provinces create? And, of special interest, what position will the NDP adopt?

The NDP is trying to modernize itself as the Official Opposition. The party instinctively dislikes free-trade deals and habitually votes against them. The deals, however, are the way of the globalized world. Will the NDP come to terms with free trade or remain protectionist at the core?