

John Ivison: Duffy scandal has weakened Canada's negotiating position for EU trade deal

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Stephen Harper is in desperate need of some good news.

The Prime Minister was roasted like a rotisserie chicken over the Senate scandal during Question Period Tuesday.

Thomas Mulcair did a good job of looking exasperated at Mr. Harper's vague responses: "We are asking very simple, straightforward questions and the Prime Minister is not answering them. That is the problem. Canadians want answers."

But the leader of the Opposition doesn't really want answers — he wants to turn the spit slowly until the Prime Minister's reputation is well and truly cooked.

As Mr. Mulcair and Liberal leader Justin Trudeau peppered him with questions it is fair to say that Mr. Harper could not have been mistaken for a cloudless day.

No wonder he is intent on shifting the public's attention back to his stewardship of the economy.

Jim Flaherty is feeling better and wants to stay as finance minister until the deficit is eliminated, according to his director of communications, Dan Miles.

Stephen Harper is widely expected to shuffle his Cabinet this summer, in part to put a fresh face on the government before the next election in the wake of the Senate scandal.

There has been speculation that Mr. Flaherty may decide to step down because of a rare skin ailment that requires treatment with powerful steroids.

The Conservative leader's great hope is the signing of a free trade deal with the European Union before the G8 summit in Northern Ireland on June 17-18.

This would be a legacy item with long-term implications for the Canadian economy — the largest trade deal struck since Brian Mulroney signed the NAFTA in December 1992.

The Canadian negotiating team is in Brussels and has been told not to come home until a deal is done.

Diplomats on the European side say their negotiators are aware of Mr. Harper's domestic travails and his need to strike a deal — any deal — in short order.

The Duffy affair has weakened Canada's negotiating position just as the most thorny chapters of the agreement remain unresolved.

Canada wants duty-free access for more than 40,000 tonnes of non-hormone treated beef every year. The EU, led by France and Ireland, has fought a rearguard action against the Canadian request so, if the intent is an early deal, it's likely beef farmers will have to accept less access.

Sources suggest there are agreements in principle on geographic indicators, which could bar Canadian producers from using such labels as Parma ham and feta, and intellectual property rights on pharmaceuticals, including provisions that are likely to extend the time that brand name pharma companies have exclusivity before generic producers can start manufacturing.

But Canadian negotiators still have no agreement in the areas of public procurement (Quebec wants a carve-out to protect jobs at a Bombardier plant in La Pocatiere); and investment protection, including when investors can sue governments directly, particularly when it comes to financial services.

The saving grace for Mr. Harper is that the Europeans need a deal too. President Barack Obama called for a U.S.–EU trade agreement in his State of the Union address in February, but the Americans are said to be skeptical about the virtues of a comprehensive economic and trade deal. If Canada and the EU can reach an agreement, it would be proof positive for the Obama administration that such deals can be done.

As one trade source put it, the deal with Canada will help stop the European drift into global irrelevance. “If getting a deal with the U.S. is important, they need to show enough leg.”

The big question is whether any concessions made to strike an early deal will make the agreement harder for the Tories to defend. A poll last year by the Asia-Pacific Foundation suggested more than two-third of Canadians are in favour of a free trade deal with the EU — presumably based on the publicly available estimate that it will boost the \$92-billion bilateral trade relationship by 20%.

Free trade critics will be quick to leap on any suggestion the government has given away the farm to strike a politically expedient deal.

Potential pitfalls abound — from higher drug prices if Europe gets what it wants on pharma, to compensation to U.S. producers of products affected by new geographic indicator provisions (for example, feta cheese suppliers).

But from Mr. Harper's standpoint, being forced to defend a flawed free trade agreement would be infinitely preferable to another day in the Commons having to admit that he gets the news about what's happening in his office from the same source as everyone else — CTV's Bob Fife.