

BILATERAL BONDING

# Merkel supports PM on trade talks, praises economy

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Stephen Harper has won the strong support of Europe's most influential political leader for his drive to conclude the biggest Canadian trade deal since NAFTA.

After a long evening of conversation over dinner on Wednesday at the Prime Minister's summer residence and a morning meeting on Parliament Hill, German Chancellor Angela Merkel said everything Canadian officials wanted to hear.

The influential German leader promised to personally ensure that long-running talks toward an ambitious Canada-European Union trade deal are completed quickly.

"Once I go back to Germany I will see to it that these negotiations come to a speedy conclusion," she said at a news conference after the meeting.

As for the ongoing financial crisis in the euro zone, Ms. Merkel pledged that Germany will do "everything we can" to maintain the common currency.

The Chancellor faces growing pressure within Germany to take a harder line on members of the euro zone – particularly Greece – that are seen as not living up to the promises of austerity that were made in exchange for bailouts from Europe's main creditor nations.

Rather than using the euro crisis as an excuse for delaying trade talks with Canada, the Chancellor said that a wide-ranging agreement is just what's needed to provide an economic boost.

Some with insight into the trade discussions – including former Canadian trade negotiator Peter Clark, and Jason Langrish, executive director of the Canada Europe Roundtable for Business – say Ms.

Merkel is definitely in a position to press reluctant EU states to get on board.

"She has levers," Mr. Langrish said. "A lot of the member states of Europe are asking a lot of Germany right now and if she needs to call in favours, it's completely within her ability to do so."

While Ms. Merkel's backing is an important victory for Canada, details have yet to be worked out on some key issues, including European demands that Canada extend patent rights for brand-name pharmaceuticals and specific import quota changes for meat and dairy products.

Mr. Clark, who heads an international trade consulting firm, predicted that even with Ms. Merkel's support, a final deal may not be reached until early 2013.

"At the 11th hour, that's when everybody digs in and tries to get as much as they can. It tends to slow down, not speed up," he said.

As she prepares to meet with French President François Hollande and Greek Prime Minister Antonis Samaras, the Chancellor's approach to the crisis drew praise from her Canadian host.

"Obviously, there are pressures to find solutions and I appreciate the fact that Chancellor Merkel is seeking not just any solution, but good solutions," he said. "It can be all too easy under pressure to apply bad solutions, just to say that one has done something."

Although she visited Canada in 2010 for the G8 and G20 summits, this was Ms. Merkel's first bilateral visit. Mr. Harper has previously met with the Chancellor in Berlin.

Ms. Merkel had extensive praise for Canada's economic track record, both domestically and as the host of the G20 two years ago when Mr. Harper secured pledges to reduce government deficits and debt.

"I think the decisions taken during G8 and G20, which went a long way toward promoting fiscal consolidation under the Canadian presidency, go a long way towards giving a boost to the global economy," she said. "I think Canada is an example for how one can actually emerge

from a crisis in a robust way.”

Specifically, Ms. Merkel praised Canada’s policies on free trade, banking rules and budgeting, describing them as “tested and proven.”

The good news for Mr. Harper’s government didn’t stop there. While the two leaders were having lunch, Moody’s Investors Service released a glowing annual report on government finances in Canada, maintaining its AAA stable ranking.

“Moody’s ranks the economic strength of Canada as very high, based on the country’s large, diversified economy and very high per capita income,” the report states.

Both Mr. Harper and Ms. Merkel said that Canada’s decision not to make new pledges to the International Monetary Fund that could be used to shore up failing European states will not have any detrimental impact on the trade talks.