

Never mind the pessimists — we need a trade deal with the EU

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Canada and the European Union are in the final push to complete a Comprehensive Economic and Trade Agreement (“CETA”) by the end of this year. Negotiators on both sides may already have pulled together the outline of a possible “final package” for review and discussion by Trade Minister Ed Fast and EU Trade Commissioner Karel De Gucht.

Fast and De Gucht are believed to be meeting this week in Brussels, no doubt either to confirm a final deal or to identify the issues remaining. Clearly, sensitive agricultural market access hurdles on beef, pork, and dairy products will be part of the remaining negotiations. No news there.

While negotiating agricultural market access will be difficult, we have no reason to believe that the Harper government and the European Commission will come to anything but a mutually-acceptable solution that is in their respective interests.

Other sensitive issues include EU demands for better market access to provincial-level government procurement, shared ambitions on market access for services and investment and on investor-state arbitration, and harmonization of intellectual property (“IP”) standards for pharmaceuticals.

Each of these non-agricultural issues is a ‘21st Century’ trade issue that speaks to our knowledge-based economy and to value-for-money government spending. Ambitious outcomes in all of these areas will position our respective economies to better compete far into this new century, particularly given the emerging power of low-cost manufacturers such as Brazil, India and China.

Harmonization of IP standards for pharmaceuticals, in particular, is

shaping up to be the litmus test of CETA negotiations. The EU is by far the most significant exporter of pharmaceutical products to Canada, and IP protections are directly linked to merchandise trade here. The EU also is an enormous investor in the Canadian life sciences sector across the country, and these investments also link directly to IP protections.

On the Canadian side of the issue, everything is in place to foster increased R&D investment and growth in high-value, knowledge-based jobs, including top research talent, world-class universities, and cutting-edge teaching hospitals. One glaring exception is Canadian IP standards, which lag behind those of all of our major trading partners. The recipe for a “win-win” outcome in CETA should be readily apparent.

Opponents of CETA and pharmaceutical IP improvements continue to argue that possible health care cost increases are reason enough to keep Canada from taking international trade, innovation and prosperity to a higher level. Some have even suggested that the EU itself may not fully understand why it is in its interest to seek harmonization of pharmaceutical IP.

Accepting that Canadian provinces are incapable of managing health spending and negotiated drug pricing is both defeatist and uninspiring. And clearly the EU understands fully what it wants on IP and expects better from Canada. In its 2010 trade strategy, **Trade, Growth and World Affairs**, the European Commission states that trade negotiations should “as far as possible” achieve IP protection that is “identical ... to that existing in the EU,” taking into account “the level of development of the countries concerned.” Canada is not India, of course.

As we approach the end of CETA negotiations, it may help to look back to the beginning. In their 2009 Joint Report on the Scoping Exercise, both sides agreed that a concluded agreement should “substantially improve on all categories of IP rights” and “maintain very high standards of protection.”

Canadians need to decide whether to embrace the opportunities presented by CETA and a pro-trade agenda — or fall victim to protectionist stagnation.