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# Ontario foot-dragging imperils Canada-EU trade pact, officials say

By Doug Saunders

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*Province's reluctance to open up its government procurement procedures to European bidding has become a sticking point*

As a proposed large-scale free-trade and economic-integration pact between Canada and the 27 European Union countries enters a crucial stage of negotiations, Canadian and European officials say the deal's biggest obstacle is the province of Ontario.

After officials from the EU Trade Commission flew to Ottawa last week to meet with their Canadian counterparts in advance of an important round of negotiations starting on April 19, officials close to the talks said in briefings that Ontario's reluctance to open up its government procurement procedures to European bidding has become a sticking point.

"The biggest challenge right now is Ontario," said a Canadian connected with the talks. "They are slow in terms of getting it together, and they haven't come to the table with an offer on procurement yet. They're not at the level that the other provinces are at. We're concerned about them."

Officials from Premier Dalton McGuinty's government say their work is taking longer than other provinces because of the complexity of Ontario's government programs, but that they remain committed to a deal in principle. Nevertheless, Canadian negotiators fear a repeat of a 2005 attempt at a Canada-EU pact, when the lack of a unified position among 11 Canadian governments led to the Europeans walking away.

The proposed Canada-EU Comprehensive Economic and Trade Agreement (CETA) would be a free-trade pact with a much wider scope than existing deals like NAFTA. It would allow more open labour mobility between Canada and Europe - a key goal of the Canadian negotiators - and open up government contracts with the

private sector to bidding from European companies.

Access to government procurement, according to EU officials taking part in the talks, is Europe's most important goal. Opening the negotiations, the European Trade Commission demanded that all federal, provincial, municipal, regional and local governments, as well as Crown corporations and utilities, allow foreign companies to bid on contracts for goods and services in the same way that EU countries are required to do.

Ottawa promised last year that it could deliver unanimous agreement from the provincial governments to liberalize procurement, but those involved with the talks say Ontario has proven unresponsive.

Europeans say that a particularly contentious point is Ontario's new Green Energy Act. This energy-efficiency bill is also a job-creation program that specifies projects that hire Ontario residents and use Ontario companies, offering subsidies to local suppliers of energy-efficient products and services.

The EU negotiators said in a position paper they tabled in the negotiations this year that the Ontario legislation is a perfect example of the sort of protectionist legislation that would prevent European access to markets and make CETA unworkable. They have also expressed concern about provincial liquor-sales monopolies in Ontario and Quebec.

"When we entered into the CETA negotiations, we made a strong case for our side that a first priority should be given to areas under provincial jurisdiction, since these cover so much ground in Canada - so it will be crucial to see how the Canadian provinces intend to bring this to the table," said a member of the European Commission team.

This places Premier McGuinty's government in a paradoxical position: A year after he played a key role in the Canadian fight against the U.S. Buy American program, which limited procurement by state governments to local suppliers and barred Canadian providers, Mr. McGuinty now finds himself accused of holding a similar position.

His staff say that this accusation is unfair and that the complexity of Ontario's economy is preventing the province from meeting

deadlines. They acknowledge, however, that the province was less engaged than other governments in the early months of the talks, which began in October.

"We did start off a little slow, but only because we have so much work to do, because we have such a big economy and so many sectors to consider," said a Queen's Park official. "B.C. is concerned about wood, Newfoundland is concerned about seals, but we've got a lot of work to do. ... We want a deal, and we want to do what it takes to get a deal."

While European negotiators say the talks are advancing surprisingly well given the unprecedented scope of the deal, those on the Canadian side worry that provincial issues could lead to a repeat of the earlier failed deal.

"As you know, there's a lot of people in the European Commission in particular who were hesitant to enter a deal because they didn't know if the federal government could deliver the provinces, and this seems to confirm their worst fears," a Canadian close to the talks said.

European governments have begun to lobby provinces directly in favour of the deal.

On Monday, German Foreign Minister Guido Westerwelle used a visit to Toronto for a G8 ministerial conference to press Mr. McGuinty on the subject. "Canada is not only a major economic power but also and most importantly a country with which we share fundamental values," Mr. Westerwelle said in a speech at the University of Toronto after meeting with the Premier.