

Pressure is on Europe-bound Stephen Harper as Canada-EU trade deal remains elusive

BY JASON FEKETE, POSTMEDIA NEWS JUNE 7, 2013

OTTAWA — A long-awaited Canada-[European Union](#) free-trade deal remains elusive for [Prime Minister Stephen Harper](#), with federal officials saying they don't believe negotiations will be completed in time to sign an agreement during his trip next week to Europe.

Harper departs Tuesday for an eight-day European mission that will take him to London for a speech to the British Parliament, as well as stops in Paris and Dublin for bilateral meetings, before wrapping up in Lough Erne, Northern Ireland for the G8 summit on June 17-18.

Looming over the trip, however, are the prolonged negotiations for a Canada-EU [Comprehensive Economic and Trade Agreement](#) (CETA), but the federal government says it's unlikely any deal will be signed during the European trip.

"I don't expect that we'll be in a position to sign a deal next week," Andrew MacDougall, Harper's director of communications, told reporters Friday.

"It's not like we're looking to swap sixth-round draft picks here," he added.

"We're actually trying to sign the most comprehensive trade agreement that Canada has ever signed that involves multiple levels of government, and we're not there yet. We're down to a few outstanding issues."

Pressure is mounting on the Harper government to close the deal soon before the EU launches into free-trade negotiations with the [United States](#), expected this summer.

The agreement would bulldoze trade barriers, liberalize investment and be Canada's most important trade deal since the [North American](#)

[Free Trade Agreement](#) was signed more than 20 years ago.

Harper had promised to complete negotiations by the end of 2012, so an agreement is already overdue on what would be an economic legacy piece for the prime minister.

But a deal remains elusive, with both sides digging in their heels on a handful of issues — including beef access, financial services and government procurement — meaning it could be a tall order for the prime minister to sign a deal before he leaves Europe.

“On the Canadian side, this is down to the prime minister and his inner cabinet to resolve. The ball is in their court,” said Jason Langrish, executive director of the Canada Europe Roundtable for Business.

“The remaining issues are generally political.”

Canadian negotiators have been in Brussels for weeks and have effectively been told to remain there until an agreement is reached.

Sources say there have recently been discussions on Harper potentially stopping in Brussels during his European trip to sign a Canada-EU free-trade deal if negotiations could be completed, or possibly announce “an agreement in principle” if the two sides are close but not completely finished.

Trade experts believe the deal could still be completed over the next few weeks if the political will is there.

“Given how long they have been negotiating, I think the issue on both sides must be about taking decisions, not working out the modalities for a deal,” said John Weekes, Canada’s chief negotiator on NAFTA who’s now with [Bennett Jones LLP](#).

“I would think agreement is possible before or in conjunction with (Harper’s) visit to Europe provided the will is there on both sides,” added Weekes, noting he’s not close to the negotiations.

Harper’s stops in France and Ireland take him right to the heart of the gridlock on the trade deal.

The two countries are major beef producers and have been fiercely fighting Canada's efforts to get as much Canadian beef as possible into European markets, worried it could cripple their own EU producers.

"There hasn't been a lot of movement on the beef issue but I think it can be overcome," said John Masswohl, director of government and international relations for [the Canadian Cattlemen's Association](#).

"I still am optimistic that there's a good deal to be had for Canadian beef producers, beef exporters, but that deal hasn't been reached yet."

NDP Leader [Tom Mulcair](#) said his party supports, in principle, a free-trade deal with the European Union, believing it can produce enormous economic benefits for Canadians if it's reciprocal and keeps both sides on an even playing field.

However, he's concerned Harper is looking to change the channel on the Senate expenses scandal and will sacrifice Canadian interests in order to quickly secure a deal.

"This is an extraordinarily important trade deal," Mulcair said. "We're quite concerned that in the current context, the desperation of the prime minister leads him to sign a bad deal."

The remaining issues that still must be resolved, according to multiple sources, include:

- The amount of duty-free beef and pork access Canadian producers will get in Europe. Canada wants more than 40,000 tonnes of non-hormone treated Canadian beef going to Europe each year, although the French and Irish have been leading the fight against Canada's beef demands;
- Financial services and investment protection, including when investors can sue governments. The federal government is looking for what's called a "prudential carve-out" that would allow Canada to impose rules on European banks operating in Canada to ensure the integrity and stability of the Canadian financial system; and

- Public sector procurement on infrastructure, especially transportation projects in Canada. Quebec is looking for a carve-out to protect jobs at Bombardier plants, while municipalities are worried about losing autonomy and ability to give preferences to local companies on infrastructure projects.

In May, Matthias Brinkmann, the European Union ambassador to Canada, said the negotiations were down to basically setting quotas for how much beef access Canada should get in Europe, and the level of EU access into Canada's supply managed dairy sector, especially for cheese.

Europe is willing to meet and exceed some beef producers' demands for a minimum 40,000 tonnes of Canadian product going annually to the EU, but may not go much higher for fear of hurting European producers in Ireland, France and other countries, he said at the time.

Masswohl wouldn't identify what number Canadian beef producers are looking for, but said it's a "drop in the bucket of the EU beef market."

The Harper government says a Canada-EU free-trade deal would boost the [Canadian economy](#) by \$12 billion annually, create thousands of new jobs by expanding export markets, and increase two-way trade by 20 per cent, or \$38 billion a year.

The trade pact would give [Canadian companies](#) preferential access to an EU market of 500 million consumers in 27 member states.