

Access to Canadian contracts at centre of

Canada-EU free-trade talks

Peter O'Neil, Europe Correspondent, Postmedia News

Thursday, October 7, 2010

PARIS — Canada is facing mounting pressure from two opposing forces as it prepares for the next round of negotiations later this month on a comprehensive Canada-European Union free-trade agreement.

Business interests on both sides of the Atlantic are pushing the federal and provincial governments to come up with a serious offer in response to Europe's top demand — access to the lucrative business of federal, provincial and municipal government procurement of goods and services.

But Canadian municipalities are among the groups voicing concerns about the implications of opening up bidding on major government or Crown corporation contracts in areas such as power generation, city transportation, hospital equipment and water-treatment plants.

"It is fairly urgent that they come up with their offers" on procurement, said Jason Langrish, executive director of the Canadian pro-trade lobby group called the Canada Europe Roundtable.

A major offer on procurement — Europe's No. 1 demand — is needed to trigger the kind of serious horse-trading necessary to strike an "ambitious" deal by the target date of late 2011, he said.

A completed deal would, according to government estimates, boost two-way trade by 20 per cent and give the economy a \$12-billion annual boost.

But Canadian mayors have begun pressuring Ottawa to either fully or partly shield the municipal sector, estimated to be worth just less than \$100 billion a year.

The Federation of Canadian Municipalities, in a letter to International Trade Minister Peter Van Loan last month, urged the federal government to find ways to at least partly shield cities from rules that would deny them the ability to favour local companies.

"A trade deal must recognize strategic and public interest considerations before barring preferential treatment based on country of origin," wrote federation president Hans Cunningham, who wasn't available for an interview Thursday.

"Within a specific region, industries of strategic significance may exist: transit, or projects where considerations of quality, public benefit, environmental protection or business ethics require local government to implement minimum Canadian-content levels."

The Union of B.C. Municipalities went even further at its convention last month, passing a resolution asking that municipalities receive a "clear, permanent exemption" from the deal.

Van Loan, who has in the past complained about the lack of media controversy about the negotiations, declined requests for an interview this week.

But he issued a statement to Postmedia News Thursday saying the federal government is "pleased with the level of ambition" shown by provincial governments.

"We encourage them to continue working with this ambition, including in areas of provincial, territorial and municipal government procurement."

Adrian Van Den Hoven, spokesman for the Brussels-based lobby group Business Europe, said he was told by the EU that it expects an imminent Canadian offer on procurement.

But a Canadian negotiator said it's not yet clear if one will be tabled when talks take place during the week of October 18-22. But he said a formal proposal will go to the Europeans "certainly" by December, a month before the next round of talks.

If Prime Minister Stephen Harper and provincial premiers cave in to municipal demands "that's not going to go down well (in Brussels), I'm afraid," said Brussels-based policy analyst Hosuk Lee-Makiyama

"Public procurement is one of the areas where the EU is relatively liberated, and where the EU would like to see its model exported abroad."

The Canadian government is seeking a wide range of concessions from Europe to create greater access to a market of a half-billion people. The 27 member-country EU already represents Canada's second-largest trade partner.

Canada wants to remove non-tariff (that is, red tape) barriers on goods and services as well as remove existing tariffs on goods such as aluminum and forest products. Canada also wants greater access for beef, pork and various agricultural products.

The EU, which reluctantly agreed in 2008 to open negotiations despite past Canada-EU trade failures, seeks greater patent protection for pharmaceutical products and for products with so-called geographic indicators, such as Parma ham and feta cheese.

EU officials said it would be difficult to imagine a deal without a significant agreement on procurement, while Langrish said the municipalities are on shaky political ground if they're seeking to protect local jobs.

"Why should the taxpayer be asked to subsidize these jobs?" Langrish asked. "Shouldn't the taxpayers get the most competition, which produces the best option at lower prices?"