Beef and dairy quotas stall Canada-EU trade deal

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OTTAWA — Beef and dairy access remain the major sticking points in a Canada-EU free-trade deal that could be completed before summer, says the European Union ambassador to Canada, while noting the Conservative government's threats of a trade war over EU treatment of oilsands crude are "premature."

European Union Ambassador Matthias Brinkmann said Thursday he doubts the battle over the EU's attempts to label the oilsands a dirtier form of crude oil will derail free-trade talks for a Canada-EU Comprehensive Economic and Trade Agreement (CETA).

The free-trade negotiations are down to basically setting quotas for how much beef access Canada should get in Europe, he said, and the level of EU access into Canada's supply managed dairy sector, especially for cheese.

"It hinges now on agriculture," Brinkmann told reporters Thursday in Ottawa.

He served notice Europe has set a threshold on how much Canadian beef it will accept, but it may not be enough for some provinces like Alberta.

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.

"We are ready to deliver that, even go beyond that. But as I said, there is a certain limit which we cannot go above," Brinkmann said.

In return, the EU believes it's long overdue that Canada opens its supply managed dairy sector — which features tariffs between 200-

300 per cent on imports — and allow more European cheese, yogurt and other products into Canada.

“There has to be a certain give and take,” he added. “It’s about time we get better access.”

Brinkmann believes negotiations can be completed before the summer, meaning Prime Minister Stephen Harper could sign an agreement by the G8 summit in June in Northern Ireland.

“We are quite satisfied with the progress of this negotiations and we are hopeful we can conclude that in the short term, hopefully before the summer,” he said.

International Trade Minister Ed Fast said Thursday negotiators made gains this week during a round of talks in Brussels, but he wouldn’t discuss any of the major items left on the table.

“We’re making good progress, trying to bridge the remaining gaps that have to be overcome, and there’s a high level of goodwill on both sides to complete these negotiations in the short term,” Fast told reporters.

Alberta Intergovernmental Relations Minister Cal Dallas said 40,000 tonnes of Canadian beef into Europe would be a significant amount, although producers and the Alberta government would like more.

“The numbers that we would hope to achieve would be north of that (40,000 tonnes),” Dallas said.

“I don’t believe they’ve arrived at a number that has satisfied Minister Fast’s team, so I’m not going to suggest that’s the appropriate number.”

Ron Bonnett, president of the Canadian Federation of Agriculture, said producers are looking for “as much access as we can possibly get.”

“What this does is put a number on the table for discussion,” he said.

The EU won’t allow growth promoters used by many Canadian producers, who will have to adapt their operations to meet the European requirements — likely adding 20 per cent to production costs and further driving the need for greater access into Europe.

Brinkmann also delivered a mild scolding to Natural Resources Minister Joe Oliver for musing this week that Canada, as a last resort, may launch a complaint with the World Trade Organization if the European Union adopts a fuel quality directive that singles out oilsands-derived crude for having a higher carbon content.

The EU fuel directive would reduce emissions from transportation fuels by six per cent by 2020, essentially slapping a tax on oilsands crude because importers would face higher carbon fees to process Canadian oil.

“It won’t upset the trade talks for the simple reason that this fuel quality directive implementation rules don’t exist yet. So Mr. Oliver, he threatens us to appeal in WTO against something which doesn’t exist yet,” Brinkmann said.

Even discussing a potential trade war at this point is “premature” because FQD discussions continue, he added, noting Europe is “confident” the fuel directive is non-discriminatory, science-based and would withstand any WTO challenge.

The Conservative government and petroleum sector worry the policy would set a dangerous dirty oil precedent, severely damage the oilsands sector’s global reputation and potentially close future energy export markets.

Oliver says Canada certainly won’t launch any actions at the WTO before any final decision is made on the fuel directive. The WTO is a last resort, he said this week.

“The fuel quality directive is in our opinion fundamentally flawed and it must be fixed or replaced,” Oliver said in Brussels following a meeting with European Commissioner for Energy Guenther Oettinger.

On CETA, 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 — which would give Canadian companies preferential access to an EU market of 500 million consumers in 27 member states — is viewed by observers as the most important free-trade agreement for Canada in a generation.

Harper initially pledged to complete negotiations by the end of 2012, so an agreement is already overdue.

Lawrence Herman, an international trade lawyer with Cassels Brock & Blackwell LLP, believes the federal government needs to close the deal soon before the EU launches into free-trade negotiations with the United States.

“I think they’re getting close. It would be unfortunate if the thing dragged on beyond a few weeks because then the Europeans will start focusing on their negotiations with the Americans, which is a much bigger catch for them than Canada,” Herman said.

Indeed, the EU ambassador said “it won’t be any easier” for Canada and the EU to complete negotiations once Europe begins talks with the U.S., most likely this summer.

Europe, as part of CETA negotiations, has also been demanding stronger intellectual property (IP) protection, including a form of patent-term extensions of a few years on brand-name drugs in Canada, which would likely increase the cost of some pharmaceuticals for the provinces and consumers.

The EU also wants greater access to some areas of provincial and municipal jurisdiction, such as government procurement and the natural resources sectors, but a number of cities and provinces have been resisting the move.

The Conservative government has been fighting for greater access into Europe for Canada’s automobile and parts manufacturers, among a handful of other key issues.

It’s expected CETA will immediately eliminate tariffs on approximately 98 per cent of European goods in Canada, with some trade observers believing the deal could lead to a three- to five-per-cent drop in the price of consumer goods, ranging from European automobiles to clothing to housewares.

Once negotiations are completed, both sides would conduct a legal review of the text and ratify the accord in their respective jurisdictions, a process that could take up to two years in Europe.

In Canada, the Tory government would introduce legislation on a finalized trade accord that would need to be debated and passed in the Conservative-controlled House of Commons and Senate.