

TRADE

Canada rebuffs EU request for exemption on takeover reviews

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The European Union has been trying to persuade Canada to grant EU companies exemptions from foreign takeover reviews during late-stage talks between Ottawa and Brussels on a free-trade deal.

The effort, which Ottawa has flatly rejected, shows just how high the stakes have grown in negotiations for a Comprehensive Economic and Trade Agreement with the 27-country union.

Foreign takeovers are not a debate the Harper government wants to reopen after spending the latter half of 2012 rethinking its rules for screening such bids and then unveiling an updated policy in December. There's no appetite for considering new exemptions, one Canadian official said.

The EU wanted to bargain for special treatment during last week's talks between Trade Minister Ed Fast and EU Trade Commissioner Karel De Gucht in Ottawa, The Globe and Mail has learned.

The discussion, according to one person with knowledge of the talks, included "what role The Investment Canada Act would play in future takeovers by EU firms." This law spells out how and when Canada screens acquisitions of Canadian companies by foreigners.

Last week's meetings were the first that included political-level leadership – Mr. Fast and his European counterpart – since November. This exemption proposal generated more "heat than light," according to people familiar with the talks.

Canada's Trade Minister and Mr. De Gucht are expected to have more face-to-face meetings in a matter of weeks, officials said, as efforts to reach a deal intensify.

The announcement that the EU will also commence free-trade talks

with the United States – highlighted in President Barack Obama’s State of the Union address this week – would appear to ratchet up the pressure on Canada to conclude its own transatlantic deal in the next couple of months.

After more than three years and nine months of negotiations, Canada and the European Union are close to reaching a final agreement. But a handful of politically tricky issues remain unresolved, including access for Canadian beef and cars in Europe, how much duty-free European cheese gets into Canada, plus pharmaceutical patents and bidding on government supply contracts.

Both sides have good reasons to want a deal soon. Europe would like to lay the groundwork for negotiations with the United States, expected to start in June. Europe is also poised to open trade talks with Japan in April.

“It puts the squeeze on us to get going and finish our deal with the EU,” agreed John Weekes, a former top Canadian trade negotiator and now an adviser with law firm Bennett Jones in Ottawa.

The Canadian Trade Minister’s office said this country’s talks with the EU remain on track despite the new negotiations between Brussels and the much larger U.S. market.

“Our timelines are guided by the desire to get the right agreement for Canadians, not by a calendar,” said Adam Taylor, director of communications for International Trade Minister Ed Fast.

“Canada remains committed to negotiating a broad and ambitious deal that is in the best interests of Canadians, and we will only accept an agreement that meets this goal,” he added. “Further important work remains to be done, and the process of negotiations is continuing.”

Mr. Obama said in his State of the Union address on Tuesday that talks are being launched on what would be the most comprehensive free-trade deal ever, accounting for half the world’s economic output and one-third of global trade movements.

The risk for Canada is that the Europeans will turn their attention to markets that offer much richer potential gains, said trade lawyer

Lawrence Herman of Cassels Brock in Toronto. After Canada-South Korea free-trade talks stalled in 2008, both the United States and Europe quickly did deals there, giving their exports a competitive edge.

"We don't want to be lost in the dust as the Europeans forge ahead with the U.S. talks," Mr. Herman said.

Canada must also worry about the United States getting "a better deal" with the Europeans, Mr. Weekes said.

"We are going to be looking at some point at, 'How do we catch up?' This is competitive trade liberalization at work," Mr. Weekes said.

The EU's Mr. De Gucht told a news conference in Brussels on Wednesday he's confident a deal with Canada can be reached "in the coming weeks," but that several issues remain unresolved. "Quality goes before speed," he added.

A report this week from a high-level U.S.-EU working group suggests talks between Brussels and Washington would leave virtually nothing off the table, including sensitive areas such as agriculture and government regulations. Perhaps more importantly, the two sides see their proposed free-trade agreement as a model for a new rules-based trading system for the developed world, providing a counterweight to the protectionist trade practices of China, India and other emerging export powers.

"They are looking at ... an overarching bilateral co-operation agreement with a view to shaping the architecture of the world," Mr. Weekes said.

But experts cautioned a U.S.-EU deal is a long way off. Mr. Obama must secure trade negotiating authority from Congress, and the politics of free trade is controversial in Europe.

The head of the European Commission said a free-trade deal between the EU and the United States is a logical step in the context of other bilateral agreements being discussed.

"We [the EU and the U.S.] both need growth," and other deals being negotiated – such as one with Canada – are leading the way, European Commission president Jose Manuel Barroso said at a news conference in Brussels Wednesday. The Canada-EU talks are an example of positive momentum, adding that the two parties are "close to concluding" a pact.