

Canada's Harper Said to Step Up Involvement in EU Talks

By Theophilos Argitis & Andrew Mayeda - Sep 20, 2013 12:56 PM ET

- ← Canadian Prime Minister [Stephen Harper](#) is seeking to break deadlock in trade talks with the European Union by stepping up his involvement in negotiations, people familiar with the strategy said.

Harper's office is moving beyond the formal negotiating process in order to resolve disputes in the toughest areas such as beef and dairy, two people familiar with the matter told [Bloomberg News](#) on condition they not be identified because the discussions are private. Harper's advisers are now dealing with European Commission President [Jose Barroso](#)'s office, escalating talks that had been led by Canadian Trade Minister Ed Fast and his EU counterpart Karel De Gucht.

With negotiations dragging into a fifth year, Canadian executives are warning Harper may be running out of time to complete his signature [trade](#) agreement amid concern that talks with the U.S. will leapfrog [Canada](#) as a priority for [Europe](#).

"To resolve difficult outstanding issues in any trade negotiation, ultimately it requires negotiations at the most senior level," said Lawrence Herman, a former senior Canadian trade official who now works at law firm Cassels Brock & Blackwell LLP in Toronto. Given the size of the pact, "it is critical for the prime minister to become directly involved."

Herman said it was a tactic former Prime Minister Brian Mulroney was forced to use with President [Ronald Reagan](#) in the 1980s when reached a deadlock during negotiations for the Canada-U.S. free trade agreement.

‘Significant’ Differences

Canada-U.S. “negotiators were unable to resolve a number of key issues and the only way those issues could be unblocked and move to resolution was for Brian Mulroney to engage directly with the president on this matter,” Herman said.

Carl Vallee, a spokesman for Harper, declined to comment on the prime minister’s involvement.

“Our government will only sign an agreement that is in the best interest of Canada,” Vallee said today by e-mail.

The push by Harper comes after he met Barroso on the sidelines of the Group of 20 leaders summit in [St. Petersburg, Russia](#). Harper told reporters following the Sept. 6 meeting that “significant” differences remain in the negotiations.

“Discussions continue -- at all the necessary levels -- as both sides work to conclude these important negotiations as soon as possible,” [John Clancy](#), the commission’s trade spokesman, said in an e-mail from Brussels today.

Beef, Pork

One of the biggest sticking points for Canada is access for the country’s beef and pork producers, a concession that faces resistance from France and Ireland, two of Europe’s biggest meat suppliers. The Europeans are seeking more access to Canada’s protected dairy market.

Canadian companies such as Toronto-based insurer [Manulife Financial Corp. \(MFC\)](#) and [Montreal’s](#) commercial-jet maker Bombardier Inc. have backed an agreement, while European companies including engineering conglomerate Siemens AG of Munich and London-based miner Rio Tinto Plc are supportive.

The Canadian Council of Chief Executives said in a Sept. 16 [letter](#) to Harper that the two sides are in a “make-or-break” point in negotiations.

“Unless both sides move quickly to make the necessary concessions, we fear that the Comprehensive Economic and Trade Agreement may slip out of reach and, with it, Canada’s opportunity to secure preferential access to one of the world’s largest markets,” [John Manley](#), chief executive of the Canadian Council of Chief Executives, said in the letter.

Dairy Market

Canada has relatively more to gain from a deal, according to a joint [study](#) released in 2008 by the Canada and the European Commission. An agreement would increase annual Canadian gross domestic product by 8.2 billion euros (\$10.9 billion), equivalent at the time to about 0.77 percent of the country’s output, the study found. The EU economy would increase its annual output by 11.6 billion euro, or 0.08 percent.

While the EU bought 8.9 percent of Canadian exports in 2012, Canada represented 1.9 percent of total EU exports, according to [Statistics Canada](#) and Eurostat data. The U.S. received three-quarters of Canada’s exports in July.

Canada wants its beef producers to be allowed to export more than 40,000 metric tons to Europe, according to Matthias Brinkmann, the European Union’s ambassador to Canada. Greater concessions on beef will help Harper sell an agreement to Canadians that may increase the cost of [prescription drugs](#) by expanding patent protection for European pharmaceutical companies, harm Canadian dairy farmers and take away power from cities and provinces to choose suppliers for procurement projects.

For its part, the EU wants to use a Canadian free trade agreement as a template for its trade talks with the U.S.