

# Canada-EU deal could boost two-way trade by 20%

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PARIS — Canadian and European Union negotiators open a new round of talks in Brussels on Monday on an ambitious and unique free-trade agreement amid uncertainty about whether both sides — and in particular the Ontario and Quebec governments — are prepared to make politically sensitive concessions.

Negotiators say they're encouraged by the first three rounds of talks that began last autumn, though all acknowledge that only the "easy" issues have been settled prior to next week's session in Brussels and the fifth and final scheduled gathering in October in Ottawa.

"We're very optimistic (and) we are confident" the target deadline of a comprehensive deal by end of 2011 will be met, Canadian Trade Minister Peter Van Loan told Canwest News Service.

But negotiators haven't tackled some of the more politically delicate issue such as Canada's supply management system in the agriculture sector, copyright law, and especially government procurement.

"The stickier issues are, as they always are in these negotiations, left to the end."

Van Loan dismissed speculation that there is now resistance coming from Quebec Premier Jean Charest's government, which has long been the champion of a Canada-Europe accord.

"The Quebec government has an enormous stake in this from a financial interest perspective, from a political ownership perspective, and I think from a general strategic orientation perspective," he said.

"We're optimistic that Quebec . . . will work constructively to make sure it's a success."

The Comprehensive Economic and Trade Agreement is projected to boost two-way trade and investment between Canada and the EU, Canada's second-largest trading partner, by up to 20 per cent, adding \$12 billion a year to Canada's wealth by 2014.

The proposed deal, which would be the first ever between developed countries that is to involve major investment and regulatory components as well as tariffs, is being billed by proponents as a mechanism to improve competitiveness and help governments save tax dollars on major infrastructure and transportation projects.

And some observers predict modest concessions in Canada's supply management sector to open up Canada to luxury food items such as French cheeses and Italian hams.

But Canadian nationalist and labour organizations warn that an agreement could strip governments at all levels of the ability to use tax dollars to build local industries and create jobs.

Negotiators have already agreed in the first three rounds of talks to eliminate all tariffs immediately on 90 per cent of goods still subjected to import charges.

But concerns remain that the European Parliament — the same body that banned seal product imports over Canada's objections that the politicians were misinformed — might scuttle the deal.

The parliament has veto powers in the new Lisbon Treaty, and some members have questioned why Europe would cut a deal with a country with a poor climate change record.

"Any minor issue could hijack the agenda," said Brussels-based trade analyst Hosuk Lee-Makiyama.

There are also warnings that Canada has excessive expectations in return for its agreement to let European firms bid on major government projects.

There has been speculation that Canada expects improved access for Canadian pork, beef and grains, an exemption for Canada's controversial supply management system that protects poultry and dairy farmers, and equal access to European procurement markets.

"It is not evident that the EU will be willing to 'pay' three times for access to provincial and municipal procurement," wrote trade lawyers Milos Barutciski and Darrel Pearson in a recent analysis.

Still, government procurement remains by far the touchiest issue and the top priority for Europe, which believes it is a global leader in transportation, utilities and public works.

It was only when provincial governments agreed to put procurement on the table that the EU, for years dismissive of Canadian appeals for a trade deal, took Canada seriously.

"That was the whole departure point," a senior EU official told Canwest News Service.

The Ontario government was under fire earlier this year over its lack of preparedness, and Europe remains deeply annoyed by Ontario's 2009 Green Energy Act.

Europe wants the law amended because it considers the domestic requirement contents for renewable energy projects to be blatantly protectionist.

While officials say Premier Dalton McGuinty's cabinet has in recent months stepped up efforts to put serious offers on procurement on the table, there are new concerns that elements of the Quebec government are getting skittish about the EU's procurement demands.

"Quebec is quite a problem area, to be honest, because it's a province with a lot of funny rules that favour local producers," said Adrian Van Den Hoven of the lobby group BusinessEurope.

Jason Langrish, executive director of the Canadian lobby group called the Canada Europe Round Table, said Quebec needs to show "more ambition" in order to get a significant deal.

"The Crown corporations are not wanting to open it up as much as they should."

But Charest expressed no misgivings while discussing the issue in Paris recently, and two senior Quebec officials told Canwest that the province remains prepared to open up procurement as long as Europe is willing to make concessions.

Ontario, meanwhile, seeks broad access to a market of a half-billion people through the elimination of tariff and especially non-tariff barriers for both goods and services such as banking, insurance, engineering, and information technology.

Quebec is pushing hard for improved transatlantic labour mobility as well as the removal of tariffs on products like aluminum and forest products.

B.C. wants specific commitments on forestry and food products, Alberta is pushing hard for the cattle industry, and the Atlantic provinces want to sell more fish products in Europe.

But Europe's wish-list is also significant, and include demands for far stronger copyright laws and better patent protection for pharmaceutical manufacturers.

Despite the various challenges Van Loan said Canadians have been educated about the issue since the emotional battle over Canada-U.S. free trade and will support politicians who back the deal.

"Canadians have long ago turned the corner from the great debates of 1988, they've embraced free trade as a concept," he said.

"And my challenge, actually, is that there not enough controversy around this agreement."