

# EU eyes Canada's lucrative public works contracts

Meetings on Canada-Europe free-trade deal included talks on access to about \$100-billion a year in federal contracts

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Access to Canada's lucrative public works market is propelling the European Union towards a free trade pact with Ottawa despite fears a deal could swamp Europe with cheap goods or erode environmental rules in Canada.

Meetings in Brussels between the EU and Canada this month ran longer than expected as negotiators considered allowing European bids for public works contracts in Canada worth an estimated \$100-billion a year.

Both sides say a deal is possible by the end of next year. Negotiators are due to meet for their next round of negotiations in Canada in October.

"The stakes here are very high and very significant," said International Trade Minister Peter Van Loan, who toured eastern European states this month to promote trade talks.

"Even a small gain in trade will be big for Canadians," Mr. Van Loan said.

At first glance, a Comprehensive and Economic Trade Agreement between Europe and Canada seems small compared to Europe's trade negotiations with India, or its trade relations with [the United States](#).

and Mexico.

But the two sides estimate that a deal would within seven years generate additional annual income of about €11-billion (\$14.7-billion) for the EU and €8-billion for Canada.

European industry wants access to Canada's regional and local public works contracts, from provincial energy infrastructure to municipal water works and hospital equipment.

To Canada, it represents an opportunity to reduce its dependence on shrinking demand in the United States and capture sales – from auto parts and insurance and beef, grain and pork – now dominated by the likes of the United States and [Asia](#).

Canada also stands to clinch pan-European guarantees for its foreign investment – a significant part of which pours into mining operations in eastern Europe.

Clouding formal talks among Europeans are fears that a free-trade area with Canada, a member of the North American free-trade agreement with the United States and Mexico, will create a corridor for cheap non-Canadian foods and goods to flood into Europe and put local producers out of business.

To guard against this, European negotiators are demanding Canadian exporters respect European rather than Canadian rules that determine whether an export qualifies for tax-free status.

Beef exporters, for instance, would have to prove their cattle was born, raised and sourced in Canada.

Auto makers such as Ford Motor and Ontario-based Magna International Inc., whose products cross the Canada-U.S. border several times, would have to show Canadian labour added a certain percentage of value to the final product.

A final agreement is likely to result in hundreds of individual rules for export products, a prospect Canadian negotiators say is worthwhile given the prospects for exports.

"We hope this will create an opportunity to win some of the U.S. and other countries' market share in Europe," said Maurice Bitran, lead negotiator for Ontario, which is home to large parts of Canada's car industry.

"If we get something in the order of one to three per cent of EU consumption, that's certainly something that's value enough for our industry," said Daryl Hanak, chief negotiator for Alberta.

Opposition is mounting among Canadian activists travelling to Brussels to garner support from European lawmakers who have the power to block a deal.

The activists say opening up public procurement contracts such as for municipal water works to private providers, or extending EU drug patents, would erode key social services.

They say environmental protection could be at risk if Canada signs new guarantees for European investment in exploiting the Alberta oil sands.

"Members of the European Parliament typically think this is an uncontentious issue," said Larry Brown, national secretary for Canada's National Union of Public and General Employees. "The more

we go into detail, the more worried they become.”

The European Commission, which negotiates trade accords on behalf of European member states, has dismissed such concerns as premature. But European businesses have urged its trade commissioner to secure guarantees for Europe’s energy and pharmaceuticals sectors.

An EU-Canada accord “should facilitate opportunities for co-operation in the energy sector by removing any restrictions to EU company participation in energy and related projects,” BusinessEurope, which represents 20 million EU firms, told EU trade chief Karel De Gucht in a letter this month.

Beyond international ambitions, a deal could advance long-standing federal Canadian aims of breaking the hold of Canada’s powerful provinces over local contracts and trade, according to Canadian observers.

“It’s an important agreement for European and Canadian business, and one hopes it will break down some of our inter-provincial trade barriers,” said Jason Langrish, director of the Canada Europe Round Table for Business.

“Sometimes it’s easier for Canadian politicians to say: ‘Brussels made me do it’.”