

EU trade deal troubles brewing as negotiators set to land in Ottawa

Supply management, provincial commitments still matters for concern.

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In less than two weeks, negotiators from Canada and the European Union will sit down for the first time to begin negotiating the most comprehensive trade agreement in history. Everything from the small print on the back of a box of cereal to where producers can sell yogurt to crossing the Atlantic to work will be up for discussion.

Both sides are coming to the table with enthusiasm. But as with any negotiation, there will be contentious issues. And even before the first position is laid out, potential disagreements and disputes are bubbling.

Embassy spoke to a number of officials over the past week to identify areas like supply management, product labelling and even provincial waffling that continue to be areas of concern.

Big team coming

The countries pushing for the negotiations are calling it a comprehensive economic and trade agreement (CETA), encompassing investment and other parts of the economic relationship not previously covered by any free trade deal.

In fact, there has never before been an agreement like the one Canada and the EU are contemplating right now, say experts.

John Curtis, a former director of trade and economic analysis at the Department of Foreign Affairs and International Trade, says the agreement is almost like a mini World Trade Organization negotiation.

"It's the economy as it might be in the future, or as it will be," he said. "It covers sectors and issues that are either not yet in the global trade regime, or that might be, or that should be."

The EU is sending 35 negotiators, who will spend the week in Ottawa hammering out the first details for a possible agreement. Both sides have agreed to meet for five rounds of talks in the first 12 months.

EU chief negotiator Alan Seatter has indicated he'll know after six months whether the talks will be successful, said one Western European diplomat. It will take that long to find out which issues the other side holds "close to its heart," he said, speaking on condition of anonymity.

"There are many, many areas playing into this and the size of delegation reflects on the wide variety of areas that have to be covered," the diplomat said.

Supply management issues

In an interview on Monday, new European Union Ambassador Matthias Brinkmann says the EU expects open markets under the agreement, and even the most sensitive are on the table.

"We work under the assumption that our European dairy producers have the same market access as any Canadian does have," he said.

However, dairy products are supply managed in Canada and carry political implications in Quebec. International Trade Minister Stockwell Day, through an email from his spokeswoman Mélisa Leclerc, said while negotiators want an

agreement that covers all goods, including agriculture, supply management isn't on the table.

"Our government has made it very clear that it strongly supports supply management, and that it will continue to strongly defend interests which are important to these industries in all international trade negotiations. That includes these negotiations with the EU," wrote Ms. Leclerc.

Mr. Curtis said the issue may be put aside to be dealt with under a separate agreement.

"The Europeans continue to reform their domestic agricultural system. We are very stubborn on our supply management systems so I think we'll probably agree to let that one sit aside and let it be solved ultimately in the World Trade Organization context. Because US agriculture subsidies are so important to both of us, without the US at the table, we can't do it together," he said.

Jason Langrish, executive director of the Canada Europe Roundtable for Business, said the two sides are moving the negotiations along quickly by focusing on the less difficult issues first.

"The intention is that by the end of the year, all the offers will have to be in, which means both sides would have to table what they're willing to give away in return," he said.

"I think there's a recognition that there will be difficulties as we go through this process, and the more of a package you have when the difficulties start to present themselves, the more sort of hands you have as a negotiator of the government to go back and say, 'I know this is a difficult issue, I know this is a controversial

issue, but look at what we have. Look at what we've negotiated. Look at the benefit this would bring to Canada and the European Union."

Buy Canadian

The Europeans are also concerned about sub-federal procurement—access to provincial and municipal contracting. This is one of the areas that requires full agreement from the provinces and territories.

While the Council of the Federation pledged earlier this year its full support for the negotiations, they refused to sign onto such provisions in previous agreements, such as NAFTA. This issue has come to a head in the fight over Buy American legislation in the US.

Mr. Brinkmann says the EU wants the agreement to look very much like what EU members have within Europe.

"We must create a level playing field," he said. "Every mayor or every municipality, they know when they have [a contract] above a certain threshold, they must advertise it and open it to competition from other EU countries, but also to Switzerland, a non-member country with whom we have an agreement on public procurement, and it will be the same for Canada."

One thing that isn't clear is the extent of the negotiating mandate the provinces have given the federal government. While European negotiators are empowered to represent the entire 27-member bloc, the provinces are notoriously fickle.

Labour mobility

Spearheaded by Quebec—which along with France and Germany pushed for Canada-EU talks—the agreement could one day allow professionals and workers to move freely between countries.

In a background briefing on Monday, one Western European ambassador said the EU preference would be for full labour mobility rights without exclusions. While he did not know the Canadian position, he recognized this was highly unlikely.

Former Canadian ambassador to the EU Jeremy Kinsman believed a solution will be in mutual recognition of each other's certifications, rather than bringing them all in line.

"It's not trying to do identical laws," Mr. Kinsman said. "Our laws are going to read differently. It is to deal with outcomes. In the end, is a Polish engineer as able to fix something as a Canadian engineer? And the answer to that is, irrespective of the kind of training that happened, the product is the same. Yes, they are competent. Yes, we will recognize them, mutually."

However, Canada is still working on lowering barriers between its provinces, which makes this area immediately suspect.

Champagne and sparkling wine

One of the most important points for the EU delegation will be geographical indications and trademark. European governments and producers are concerned about companies that use terms that indicate an origin country or region on a label when the product doesn't originate from there, like Bordeaux wines that aren't from that specific region in France. They're equally concerned about labels that use specific terms to describe products that aren't authentic, like Roquefort cheese, which is supposed to be made from milk from a certain breed of sheep and with fungus local to the Aveyron region of France.

Mr. Brinkmann says the EU member states are adamant that these terms must be phased out under a trade agreement. He says it could be one of the most contentious issues.

"Here, you have many things which use European geographical indications, and I don't know if people are aware of that. Member states will not tolerate any loopholes in that," said Mr. Brinkmann.

He pointed to the example of a Swiss village named Champagne that had been producing white wine for centuries. The EU and Switzerland were negotiating a bilateral trade agreement. But with France—a major producer of the sparkling wine named Champagne—in the EU, producers in Champagne, Switzerland had to stop putting the village's name on the bottles.

Squabbles that didn't make the list

Two issues that will get surprisingly little consideration are the visas imposed on Czech visitors to Canada and the EU ban on seal products.

In fact, some of the European governments resent feeling like they have to take the side of the Czech Republic, said the Western European diplomat who asked not to be named.

"Many countries resent being taken hostage by the Czech problem," the diplomat said. "Yes, there is such a thing as European solidarity, but there is also a necessity to sort things out in a diplomatic and benevolent way."

Mr. Brinkmann says the seal ban has been dealt with.

"The seal issue is one of the things that happen. That's the European Parliament, as you know, who decided like that. There's lobbying and pressure groups behind that. What can you do? The European Commission had made a proposal that was

much more open."