

# EU trade talks stuck on butter

Negotiators to hold the first of five planned rounds of intensive talks to negotiate major transatlantic treaty between Canada and the 27-nation bloc

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As 200 officials from Europe and Canada gather in an Ottawa meeting room Monday to begin the most comprehensive trade talks in Canadian history, there is great fear on both sides that the whole thing could become bogged down over the price of butter.

Negotiators will hold the first of five planned rounds of intensive talks this week to negotiate the Comprehensive Economic and Trade Agreement, a major transatlantic treaty between Canada and the 27-nation bloc that would extend far beyond free trade and investment into the integration of manufacturing standards, government contracting, food standards and possibly labour mobility.

Officials hope to have all bargaining positions on the table by the end of this year and the CETA deal fully negotiated within two years, with a major push at next year's G8 summit in Huntsville, Ontario.

European officials said in briefings that even with a successfully negotiated deal, CETA could take years longer to get ratified, because of objections by EU member countries to Canada's climate-change policies, seal-hunting practices and visa restrictions.

The toughest sticking-point in negotiations this week, both sides say, will likely be the dairy farmers of central Canada, who are threatening

to derail the entire deal over the relatively small matter of agricultural subsidies and the sale of butter and cheese across the Atlantic.

Europe insists that its dairy industries have full access to Canadian markets without any unfair competition from within Canada. Danish, Irish and French butter can be bought in supermarkets all over Europe, and officials see no reason why that can't be the case in Canada, too.

And for the most part, Canada's farmers share that desire: There are beef shortages in European markets, for example, and the beef-cattle industry is lobbying for more open access, along with most other farm sectors, which see Europe's 500 million people as a highly desirable market for farm products.

But dairy farmers in central Canada, who represent a small share of agriculture, are pushing hard for protection of the government-subsidy program known as supply management. European farmers generally not receive subsidies for the production of food, and provincial supply-management programs, which mainly apply only to dairy, would be seen as an unfair competitive advantage.

"The dairy farmers of Ontario and Quebec are by far our biggest obstacle and source of frustration, I don't mind saying that," said Jason Langrish, the executive director of the Canada-Europe Roundtable for Business and an advisor to the Canadian side.

While officials in Canada's Conservative government have stressed that they are "keeping supply management off the table" and protecting it from trade, European officials say that this position could prove to be a deal-breaker.

Officials from both the EU's Trade Commission and the Canadian government have been startled by the extent to which Canada position

is that of a nation of farmers, as the talks between the major economies have become almost exclusively focused on tiny fields of agriculture and food production.

It is an especially frustrating matter for the Canadian negotiators, who have worked hard clear away the obstacle that has blocked all previous free-trade efforts with Europe: The authority held by Canada's provinces over many trade-relevant matters.

In 2005, talks aimed at a more limited deal broke down over provinces refusing to open up their municipal and provincial government procurement contracts (for garbage collection or data processing, for example) to equal bidding from any European companies that provide those services.

This time around, after Quebec Premier Jean Charest pushed hard to get the French government to put a deal on the table and rallied his fellow premiers around the talks, the provinces claim to be united around the deal and appear to support open-access procurement contracts unanimously.

This has made it even more frustrating that food issues have overwhelmed the old concerns about government contracting and automobile imports.

Europeans are insistent that Canadian agricultural exports meet its standards for hygiene and purity (they currently fall short), and that Canada agree to abandon the use of European-region "geographical indicator" trademark names such as Parma ham and Feta cheese, limiting their usage to products from their European regions of origin.

Producers from England's Cheddar district are lobbying to have the name limited to English exports – - possibly creating a situation where

a Canadian cheese maker selling Cheddar from supply-managed milk could face a double-whammy competitive hit.

"It's frustrating," said one Canadian official closely involved in the talks, "that we are getting ready to gain hundreds of billions in business and we're being held hostage by an industry that represents a tiny fraction of that."