Harper to meet with Newfoundland Premier to talk Canada-EU trade deal

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Ottawa — The Globe and Mail
Published Thursday, Dec. 11 2014, 3:20 PM EST

Stephen Harper is meeting Friday with Newfoundland Premier Paul Davis, who’s threatened to withdraw support for the Canada-European Union trade agreement if Ottawa doesn’t meet his terms for a compensation fund related to the deal.

Mr. Davis, however, is facing pressure from business interests in Newfoundland and Labrador who are now voicing concern over the prospect of the province refusing to comply with the deal.

The Association of Seafood Producers, which represents processors in Canada’s easternmost province, has released a statement saying it backs the Comprehensive Economic Trade Agreement (CETA) and does not want to see Newfoundland pull support for the deal.

“As an industry, we were and are supportive of CETA. It is a great opportunity for the industry,” said Derek Butler, Executive Director of the Association of Seafood Producers.

“We have long faced punitive tariffs in the EU market, and the chance now to have them removed represents an historical opportunity. That is the win in CETA,” Mr. Butler said.

The Newfoundland and Labrador Employers’ Council, which represents provincial businesses, says it is worried that Ottawa and St. John’s could be at an impasse.

“From our discussions with both levels of government on this issue, it is clear that there is an honest disagreement surrounding the $400-million fund related to CETA. What is concerning is that the positions seem to be hardening,” said Richard Alexander, executive director of the council. “It is deeply concerning to businesses that our province would indicate they are considering withdrawing support for CETA, and we really hope that politics will not get in the way of good policy.”

Newfoundland can't outright block the Canada-European Union trade deal but it can create havoc for Mr. Harper.

Mr. Davis, who warned earlier this week that his support for CETA is "on the line," is accusing Ottawa of reneging on the terms of a separate deal that secured his province's support for the accord.

For Canada to meet the terms of the recently signed trade pact with the 28-country European Union, Newfoundland must jettison what are called minimum processing requirements (MPRs), aimed at protecting local fish plant jobs. The regulations in question stipulate how much of the fish brought ashore in the province must be processed there.

Ottawa promised funds to help the province adjust to the deal.

This compensatory arrangement, as former premier Kathy Dunderdale described it last year, was for Ottawa to pour $280-million into a $400-million fund that would be available for the Newfoundland fishery.

But Mr. Davis said Monday that Ottawa has introduced a new condition and will only pay up if it can be proven that Newfoundland processing jobs are affected.

Letters that Newfoundland wrote to Ottawa previously contradict Mr. Davis and warn there would be job losses from the changes to the processing rules.

"As you can see, any diminution of the MPRs could impact the majority of the workforce and the communities in which they work," says a May 29, 2013 letter to International Trade Minister Ed Fast from the Newfoundland government.

The Harper government says this is untrue and that Ottawa never agreed to give Newfoundland carte blanche to spend the compensation as it sees fit.

Rob Moore, the Conservative minister responsible for Newfoundland and Labrador, who has been involved in negotiating this matter with St. John's, said this week the fund was always intended to compensate specific fishery processing job losses.

“The MPR fund was created to compensate for anticipated losses from the removal of minimum processing requirements. The fund was never intended as a blank cheque that would give the industry in Newfoundland and Labrador an unfair advantage over other Atlantic provinces,” Mr. Moore said in a statement.

“We have been clear from the start that the MPR fund was to compensate for demonstrable losses.”

But Mr. Davis says Newfoundland never believed relinquishing the processing requirement would cost jobs and instead always considered the $280-million compensation for the province forgoing a long-standing policy.

St. John’s wants to use the money to build “a fishery for the future” and spend it on things such as research and development, marketing and infrastructure.

He said Newfoundland will not scrap the processing requirements if Ottawa doesn’t remedy this impasse.

“We’ll keep our MPRs in place if we don’t reach an agreement,” Mr. Davis said.

European Union companies would be able to sue Canada under the terms of the trade deal if Newfoundland keeps in place regulations that prevent European companies from removing raw seafood.

This could frustrate compliance with the deal and force Ottawa to pay out compensation to EU companies under the worst-case scenario.