

Potash decision unlikely to hurt Canada-EU trade talks

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PARIS —The Canadian government's rejection of the Potash Corp. of Saskatchewan Inc. takeover is raising European eyebrows but isn't expected to dampen the prospects of a Canada-European Union free trade deal, say observers.

Canadian and EU negotiations wrapped up their fifth round of formal talks in Ottawa last month, with Europe still waiting for provincial governments to come up with substantial offers on the EU's top demand — access to lucrative government procurement contracts.

The European business community has expressed concern about recent protectionist measures in Canada. They include Ontario's 2009 Green Energy Act, which favours local companies, and the Quebec government's recent decision to award a \$1.3-billion Montreal metro car contract to Bombardier and the French firm Alstom rather than open it to other foreign bidders.

"The decision shows how one-sided and short-sighted policy-makers have become about the benefits of trade in the time of crisis," said Brussels-based trade analyst Hosuk Lee-Makiyama.

He said the EU won't likely view it as a major problem, but he said Canada is sending signals that neither Ottawa nor the provinces are ready to take the tough actions necessary to enter a free trade deal with Europe.

Toronto trade lawyer Milos Barutciski said the Potash Corp. rejection won't, on its own, cause a foreign investment chill given that the overwhelming majority of foreign takeovers in Canada breeze through with no resistance.

"These decisions tend to be one-offs and Canada can point to that track record," he told Postmedia News on Thursday.

He warned, however, that Europe could view the decision more negatively if it's followed by a weak offer from Canada at the next round of negotiations in January.

"If it is stingy, the EU will question Canada's commitment to real market liberalization. If it is ambitious, the Potash decision won't be an issue."

Adrian Van Den Hoven, spokesman for the Business Europe lobby group, and Jason Langrish, of the Canada Europe Roundtable for Business, agreed the Harper government's decision won't have a negative impact on talks.

Langrish said that it was not surprising that the government would block the acquisition, given the growing global demand for potash and the sheer quantity of the resource in Saskatchewan.

"Potash Corp. is an anomaly given its market share and importance to the Saskatchewan economy," he said in an email.

"If this was an iron ore company, this likely would not have become the story it has become."

Canada and EU negotiators are attempting to strike a comprehensive

deal by next year covering areas such as procurement, tariffs, investment, services and intellectual property rights.

But negotiators on both sides are wrestling with rising protectionist sentiment around the world as a result of the global economic crisis.

Some critics have argued that the Ontario and Quebec governments in particular have been reluctant to open up procurement, while the Canadian Federation of Municipalities has expressed concern about potential problems for cities.

The Council of Canadians, meanwhile, has regularly denounced the deal as bad news for Canadian workers and the environment.

Business Europe's Van Den Hoven said there were "tough exchanges" in Ottawa last month.

"Nothing concrete came out on procurement, our No. 1 issue, but the provinces are talking positively about it."

Van Den Hoven said the EU also took a tough stand on intellectual property issues, accusing Canada of having insufficient copyright protection for pharmaceutical drugs and for products that have "geographic indicator" names, like Parma ham, named after the city in northern Italy.

Langrish said he's learned that Canada is preparing a "substantial" offer on procurement.