'Sensitive' round of Canada-EU trade talks kick off

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Canada and European Union trade officials met in Ottawa Monday to kick off the fifth and perhaps toughest round of negotiations to date on a free trade accord that could give a $12 billion annual boost to the economy.

Since the Comprehensive Economic and Trade Agreement (CETA) was first outlined in May 2009, progress has been relatively easy and has included some of the more obvious concessions such as reduced duties between Canada and the EU.

“As this round begins, we’re coming face to face with some of the tougher questions,” International Trade Minister Peter Van Loan said.

“I thought that as we entered this crucial phase, it was important to be here personally, to underscore Canada’s commitment to these negotiations.”

The Conference Board of Canada says the fifth round of CETA talks presents some potential “deal-breakers” as officials tackle “sensitive areas,” including tearing down long-standing trade barriers.

Canada’s 200% to 300% tariffs on imported dairy is just one of this country’s more touchy issues, the think tank said. Other sensitive areas include restrictions on government procurement opportunities and Ontario’s requirement to buy local green energy.

“The danger is that failing to make progress on these issues could kill the whole deal,” the Conference Board’s Danielle Goldfarb said.

“And if that happens, it could cost Canadians better access to a wider range of opportunities than we might think.”

The Canadian Labour Congress however is more wary of CETA. The CLC says the deal will have an adverse impact on important public services such as drinking water, waste management and public transit if foreign ownership controls are slackened. It would also prohibit governments from obliging foreign investors to purchase locally, reduce transfer technology and limit training of local workers, it said.

Van Loan said further co-operation is needed in order to finalize Canada’s most ambitious trade pact to date.

“Canadians can count on our government to oppose protectionism and promote free trade on the world stage — essential drivers of jobs and growth,” Van Loan said.

A joint Canada-EU economic study projected a deal would result in a 20% increase in two-way trade and a $12-billion annual boost to the Canadian economy.

“Our businesses and investors have long called for closer ties to Europe — and this agreement would deliver them,” Van Loan said.

Canada is the EU's 11th most important trading partner, accounting for 1.8% of the region’s total external trade in 2009. The EU is Canada's second most biggest trading partner with a 10.5% share of its total external trade.

The Conference Board of Canada said trade between the two partners is grossly underestimated because sales by foreign affiliates represent the primary mode of Canada-EU trade, not cross-border exports. Sales of Research in Motion’s BlackBerry by foreign telecom carriers is one example of sales by foreign affiliates not captured in traditional trade data.

Canada needs to eliminate barriers to service trade, people movements, digital trade, trade in technologies and investments, the Conference Board argues.

Ignoring the value-added supply chain could leave Canada in a defensive position, essentially closing the door to substantial trade growth, it said.

Van Loan told Reuters Monday CETA talks are running ahead of schedule and a free trade pact could be ready in 2011.