

# Toward Canada-Europe trade. Incoming flack.

By [Paul Wells](#)

Thursday, December 15, 2011 2:22pm

Macleans

Breakfast at an Ottawa hotel this morning with an official from a European Union member country, who summoned the scribes to explain his country's view on the euro crisis. We listened politely and then Simpson asked about Canada-Europe trade talks. This European fellow was surprisingly chipper. (If you're coming late to the Canada-EU trade talks, [start here](#) for a stroll through my blog and column archives on the topic.)

Here's what our breakfast host said:

Talks have progressed since 2009, and are in the home stretch, with hope for a signed agreement in 2012 (Stephen Harper promised such a deal for 2012 during a Halifax campaign stop during the 2011 campaign). All the hard decisions have been put off to now, and now all the hard decisions are being made. A few will probably go to direct political negotiation between Harper and whoever will be in charge of Europe when the file gets kicked up to their level. But for now, it's still officials in negotiating teams from both sides of the Atlantic, and here are the (entirely predictable) sticking points:

- Rules of origin. A rule saying products made in Canada will get the same treatment as products made in the European Union won't help, say, Canadian carmakers at all, because auto production in North America is continentalized. Europe wants to keep Mexican and American products out, but a Canadian-made car is substantially a Mexican and American-made car. The solution? A derogation from rules of origin for specific sectors, or a quota to allow X amount of imports in spite of rules of origin.

- Pharmaceuticals. [This story](#) will bring you up to speed on the IP gap between Canada and the EU on pharmaceuticals. It's not obvious what the outcome would be, although one strongly suspects Canada would extend patent protection for big pharma, something generic drug manufacturers wouldn't like.
- Geographical indicators. The EU doesn't want any Canadian trying to sell something called "Parma ham." They may not even like a little Italian flag on a jar of sauce. More [here](#).
- Government procurement. This is a *huge* area of dispute because the potential gains for European manufacturers are substantial, and the potential pressure they could put on Canadian providers is equally large. This is the notion that each side should be able to bid for government contracts at every level in the other market — and be treated as a local. So Alstom could bid for Toronto subway contracts, and Wernham Hogg could bid for Edmonton stationery contracts.

Here, surprising language. On the Canadian negotiating team's procurement offer, "Europe recognizes that this is the boldest and most far-reaching proposal that Canada has ever produced," our source said. I say, good: the competitive pressure that would drive Canadian productivity gains would come from forcing domestic suppliers to compete openly with European suppliers. You won't be surprised to learn that a lot of people really don't like that idea. See below.

Those are the four outstanding points. Hey, what's not on that list? You're right: agriculture subsidies. Probably supply management and the forest of EU farm subsidy programs would stay in place, but each side would offer a quota for imports from the other in defiance of local subsidy regimes. So Canada would allow X amount of French

cheese in, duty-free, and Europe would take Y amount of Alberta beef.

Two years ago, lead EU negotiator Mauro Petriccione, [told a Canadian audience](#) that Europe could not sign a merely symbolic trade agreement. They'd rather walk away than set a low bar for future negotiations with frankly larger and more lucrative markets than Canada, he said. Is there any chance there won't be a deal now, I asked? The official said he's increasingly sure there will be agreement on a "substantial" deal between the two sides.

And yet. There sure is a steady drumbeat of Canadian opposition to the so-called CETA deal between Canada and Europe. The Council of Canadians has got [dozens of municipal councils](#) across Canada to pass resolutions asking to be excluded from the terms of CETA. [Here's](#) a story about one such effort in Moose Jaw.

The NDP is [pushing hard](#) on the generic-pharma message. [Letter-writing campaigns](#) are brandishing all sorts of scary notions.

Meanwhile, the only sustained pro-CETA campaign comes from the Canadian Council of Chief Executives and a bunch of pharma organizations. I find their effort too clever by half: under the rubric "[Protect Health Care](#)," it attempts to turn the trade dispute into a fight over the quality of Canadian health care.

As CETA gets closer and closer to reality, will all those town councils be able to push back? It's hard to believe they could, but so far CETA's opponents seem more organized and vocal than its supporters.