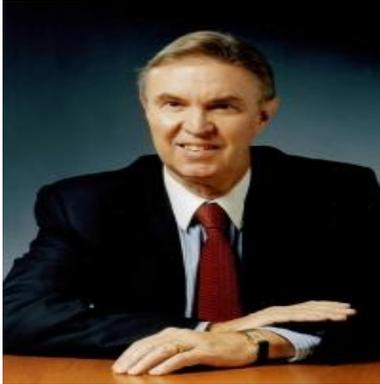




## Canada/European Union Free Trade Negotiations



March 3, 2011

Canada and the European Union (EU) are engaged in free trade negotiations aimed at producing a Comprehensive Economic and Trade Agreement (CETA). The target date is late 2011. This agreement is meant to be ambitious. It will cover not just trade, but services, investment, standards, government procurement and labour mobility. The CETA may have a direct impact on the business interests of some Dale & Lessmann clients.

The two sides have already completed six rounds of negotiations, with a seventh scheduled for the week of April 11. So far, Canada and the EU have been clearing away the relatively easy issues, for example, regulatory cooperation, standards and trade in goods that are not politically sensitive.

The hard part remains, with Canada seeking ambitious targets in investment, the services sector and the mobility of Canadian professionals in Europe. The EU is hoping to gain better access to government procurement, especially with the Government of Ontario. Sensitive trade issues include agriculture, fisheries and automobiles, all highly political.

The two sides will be exchanging "offers" in the coming weeks. The offers will have to be sufficiently generous to ensure that each side remains seriously engaged. Both Canada and the EU will gain from an agreement, but they will have to pay by opening up their own markets.

The negotiating process is complicated. Canada has to consult constantly with the provinces as many of the most contentious issues are within provincial jurisdiction. The provinces are "in the room" for the negotiations and Canadian delegations to the talks tend to be enormous. The Europeans, similarly, have to consult member states, whose interests and priorities diverge widely.

From the perspective of a European-based company already established in Canada, the CETA could have an impact on the competitive environment in which the company operates. The conditions for bidding on federal, provincial and municipal government contracts may be affected. The rules regarding labour mobility are also on the table.

While the negotiations have the full support of governments on both sides of the Atlantic, thus far the proposed CETA has not attracted a great deal of public attention. That will have to change if the deal is to be comprehensive and significant. Sensitive political issues will raise the public profile of the talks. The lobbying on February 18 of federal Industry Minister Tony Clement by the Canadian Automotive Partnership Council to protect Canadian manufacturing is a case in point.

Improved access for Canadian companies in European markets will require tough decisions by the federal and provincial governments to eliminate barriers that protect the status quo in sensitive sectors in Ontario and the rest of Canada. The process will be complicated by scheduled elections in several provinces, including Ontario, and the possibility of a federal election.