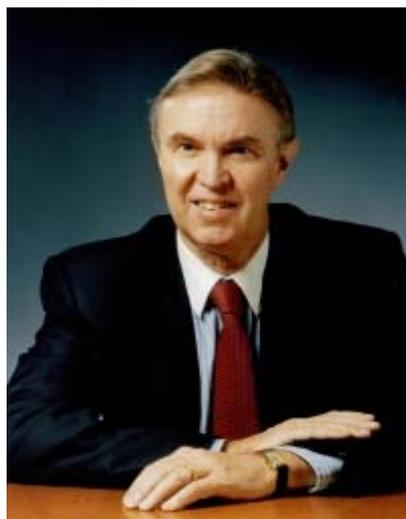




Canada/European Union Trade Negotiations: The End Game?

November 23, 2012



Negotiations between Canada and the European Union for a Comprehensive Economic and Trade Agreement (CETA) appear to be in their final stages. While negotiators are not speaking publicly about specifics, both sides have indicated that they hope to sign a deal by the end of this year. They are working hard to meet this target.

Prime Minister Harper has made clear that this agreement is a top priority for his government, an accomplishment he sees as an important part of his legacy. He has been stressing the need for Canada to diversify its trade relations to reduce its dependence on the US market. The Keystone pipeline issue is a visible reminder of this dependence. While the EU economy is not as dynamic as the emerging markets of Asia, it is rich, huge and stable. The financial crisis within the Euro-zone is by no means over, but it is being managed. A deal with Europe would bring significant economic benefit to Canada and would result in some eventual diversification of its economic relations.

For the Europeans, the CETA with Canada is not a high profile project. It gets little press coverage in Europe. However, the Canadian market does represent a much needed growth opportunity for European investors. CETA is strongly supported at the political level, notably by German Chancellor Angela Merkel and British Prime Minister David Cameron. In geopolitical terms, European leaders support this project because it may well open the door to an eventual deal between Europe and the United States. This big potential prize is helping to drive the EU to an agreement with Canada now.

Much of the work has been completed, although in negotiations such as these, "nothing is agreed until everything is agreed". Market access in both directions will be enhanced with tariffs being eliminated on the vast majority of goods traded. The handling of European investment in Canada and Canadian investment in Europe will be a key part of CETA. Observers point to Chapter 11 of NAFTA as a model for the kind of treatment investment will receive under CETA. Labour mobility, including an easing of temporary entry for business executives in both Canada and the EU is also expected.

Some sensitive issues remain, notably intellectual property, where Europe is demanding strong patent protection in pharmaceuticals and Canada is trying to ensure that health costs do not go up. Rules of origin, determining which goods qualify for improved and preferred access, are complex, especially in the Canadian auto sector where Canada and the US are so integrated. Inevitably, the food and agriculture sector is also difficult for both sides.



Government procurement, especially by provinces and municipalities, is on the table and will be a key part of the final package. This has been a top European priority. The provinces have been a part of the Canadian negotiating team and are supportive of the process.

CETA, once signed and made public, is likely to have widespread consequences for Europeans doing business in Canada and for Canadians in Europe. We will continue to monitor developments as negotiations reach their conclusion.

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