

Canada, EU won't finalize trade deal at talks this week: source

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By David Ljunggren

OTTAWA (Reuters) - Canada and the European Union will not be able to conclude a long-delayed free-trade deal at ministerial talks set for Ottawa this week, a source close to the negotiations told Reuters on Monday.

Talks on an agreement started in 2009 and were supposed to have wrapped up by the end of 2011, a date that was later pushed back to the end of 2012. Industry sources say the two sides still have differences over areas such as agricultural exports, intellectual property and public procurement.

For Canada, the pact would be the biggest since it signed the landmark North American Free Trade Agreement with the United States and Mexico in 1994.

Canadian Trade Minister Ed Fast and EU Trade Commissioner Karel De Gucht will meet in Ottawa this Wednesday and Thursday.

"I don't want you to think that on Thursday we're going to announce an agreement - that's clearly not going to happen," said the source, who requested anonymity because of the sensitivity of the talks.

"We're still working on narrowing the gaps and that's what we doing and that's what this meeting is for," the source said, adding that no timeline for finalizing the deal has been set.

Canada, which says free trade with the EU would boost two-way trade by 20 percent, is keen to diversify its trade away from the United States, which takes 75 percent of all Canadian exports.

The EU takes just more than 10 percent.

For the European Union, the deal would act as a template for a possible agreement with the United States, which has an economy 10 times the size of Canada's.

Asked about the delay, Fast's office cited a statement the minister issued last week saying talks were continuing.

Jason Langrish, executive director of the Canada Europe Roundtable for Business trade lobby group, told Reuters he was "pretty sure" the two sides would reach a deal.

But he added: "This trade agreement needs to be concluded fairly soon ... the longer it goes on the more potential problems could arise politically."

Langrish said a deal would have to be voted on by the European Parliament, which will end work next year so elections can be held. If legislators do not deal with the treaty in time it would be handled by the next Parliament, meaning ratification could be delayed by 18 months.

Canadian meat producers are particularly keen to see the end of high EU import tariffs and other restrictions that they say have effectively shut Canada out of a European market that consumes 8 million tonnes of beef products a year.

"This will be a huge game changer for the Canadian industry, particularly if this is an agreement that Canada has and the United States doesn't have," said John Masswohl of the Canadian Cattlemen's Association.

"If Canada has the first chance, it is going to drive investment decisions as to where investments in cattle feeding and harvesting are made," he told Reuters.

Canadian critics of the deal say they fear it will increase costs for pharmaceuticals and push up procurement costs.