

EU-Canada trade deal delayed by agriculture dispute

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By Ethan Bilby

BRUSSELS (Reuters) - A dispute over how far to open agricultural markets to imports is holding up a free trade agreement between Canada and the European Union, officials familiar with the negotiations said on Tuesday.

The row could delay a deal for several weeks, the officials said, threatening European efforts to launch separate trade negotiations with the United States, which is waiting to see how far the EU will open up its markets.

"They still have a way to go. Agriculture is the big sticking point," an industry source told Reuters.

Talks on a Canadian-EU trade deal began in 2009, and an agreement would be the EU's first with a country from the G7 club of major economies and could be worth roughly \$28 billion from extra economic activity.

The EU remains opposed to increasing quotas of imported beef and pork from Canada, while Ottawa does not want to allow increased imports of EU dairy products, eggs and poultry.

"Europeans can't possibly give the amount of beef the Canadians are asking for. The Canadians are much more ambitious on the beef ask," the same industry source said.

The two had hoped to conclude a deal during talks between the Canadian and EU trade ministers this week in Canada, covering issues from pharmaceutical patents to energy, but sources say that is not now possible.

While Canada is smaller than the United States, the issues under debate are similar, such as opening the EU beef market, and a Canadian deal would be a blueprint for negotiations with the

Washington.

The European Union removed some barriers to selling U.S. beef in Europe this week, in an effort to encourage the start of negotiations with Washington.

"What we have in Canada is more or less reflected in U.S. trade negotiations later. The only difference is the scale," said Pekka Pesonen, head of European farming industry group COPA-COGECA.

Increasing access to the Canadian dairy market was particularly important for the EU side, which expects prices to fall and European producers to become more competitive after the phase-out of a milk quota system in 2015.

The EU is the largest producer of milk in the world.

Canada and the EU have also been involved in a separate debate over how to classify oil produced from tar sands under the EU's Fuel Quality Directive, which Canada says are unfairly labeled as more polluting.