

IN NEW PUSH FOR TRADE DEAL WITH EU

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Trade Minister Sergio Marchi wants the European Union to enter into bilateral free trade talks with Canada, since Canada's traditional request for an EU-NAFTA trade bloc seems far off. "The EU-Canada can be a step towards a NAFTA-EU," Mr. Marchi said in an interview yesterday after delivering an aggressive speech to a business audience in Brussels.

The federal government has consistently urged Europe to negotiate with Canada, the United States and Mexico as a single trade bloc united under the North American free-trade agreement. But instead, the EU has entered into bilateral talks with Mexico and the United States. Europe is also engaged in negotiations with Mercosur, the powerful customs union uniting Brazil, Argentina, Paraguay, Uruguay and Chile.

Canada, meanwhile, has been left out. Protests from Ottawa in the past have led to a Canada-EU action plan, but little else. "Do we keep on the same track of 'action plans' or do we pursue a direct Canada-EU free trade agreement that would greatly facilitate and increase our trade and investment traffic?" Mr. Marchi asked in his speech yesterday. "There is a clear need to change the script and extend the limits of the current frontiers." Canada has been calling for an EU-NAFTA deal since 1995, when former trade minister Roy MacLaren first proposed it.

In a speech in Dublin on Tuesday, Prime Minister Jean Chretien endorsed the idea, as he has several times in the past. The European view is that rather than have the world's two leading trade blocs negotiate their own exclusive arrangement, it is better to resort to a Millennium Trade Round in which all 130 members of the World Trade Organization participate. The stage is set to launch such a round following a WTO meeting in Seattle in November. Mr. Marchi said yesterday that, if the launch of a Millennium Round was not standing in the way of the EU dealing with Mexico or Mercosur, then it should not be an obstacle to a NAFTA negotiation. "We know that regionalism works, and [doing a deal with] NAFTA is closer than the WTO is," he said, referring to the eight years it took to complete the last international trade negotiations, known as the Uruguay Round.

Agriculture has always been a huge stumbling block for any trade rapprochement between Canada and the European Union, but Mr. Marchi feels the time has come for the two economies to confront the issue. With the expansion of the European Union to countries such as Poland, the EU will not be able to sustain its high subsidy levels for long, he said.

The EU is Canada's second largest destination for exports, but Canada is one of the few countries in the world still subject to the EU's full common customs tariff, Mr. Marchi said. Prime Minister Chretien is expected to raise the issue today during the Canada-EU summit in Germany.

Yesterday, Mr. Marchi met with European Union Trade Commissioner Sir Leon Brittan and helped launch a **Canada Europe Round Table**, comprising leading firms involved in the \$45-billion worth of annual trade, and \$80-billion worth of two-way investment, that passes between Canada and the 15-nation EU. Part of the task of the new Canada-EU business group is to identify problem areas and try to head off trade conflicts before they develop.

The group is headed by Belgian businessman, Baron Paul de Keersmaecker, who is chairman

of Interbrew/Labatt, and includes representatives from Alcan, Siemens, Corel, Nortel Networks, Ericsson, DaimlerChrysler, Novartis, Bombardier, Nova, Seagram and others. Currently, both trade and investment heavily favour Europe. Canadian investment in Europe, at \$41-billion, has moved ahead of the value of investment by all 15 EU countries in Canada, at \$37-billion - an indication that Canadian companies feel they must invest in Europe to get access to its markets. On trade, where the EU is Canada's second largest market after the United States, exports in 1997 were \$17-billion, compared with imports from Europe of \$28-billion.