

## **Canada says EU trade deal won't come next week, issues remain**

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Reuters

OTTAWA (Reuters) - Canada and the European Union are still deadlocked over a long-delayed free trade agreement, officials said on Friday, casting more doubt on the pact as the EU shifts focus to a bigger deal with the United States.

The deal was initially supposed to have been finished by the end of 2011, but there is no end in sight, largely because the EU is resisting Canadian demands for much greater beef access.

Canadian Prime Minister Stephen Harper is going to Ireland, France and Britain next week and will then a G8 summit in Northern Ireland on June 17-18, an event that EU diplomats in April tipped as the ideal occasion to sign the trade deal.

"We're not there yet. We're down to the last few issues ... and I don't expect that we'll be a position to sign a deal next week," said Harper's chief spokesman Andrew MacDougall.

Ottawa and Brussels started talks on opening up access to each other's economies in 2009 and say a deal could generate around \$28 billion in trade and new business a year.

The deal is politically important for Canada's ruling Conservatives, who portray themselves as the only party

capable of protecting and growing the economy.

Sources close to the talks said farmers in the west of Canada, the heartland of the Conservative Party, initially sought the right to export between 80,000 and 100,000 tonnes of beef a year to the EU.

This alarmed the cattle industry in Ireland and France and EU officials said they can offer a little more than 40,000 tonnes a year. Canada has moderated its initial demand, but the two sides are still apart.

The challenge for Ottawa is that the European Union has agreed to start talks on a free trade deal with the United States, which has an economy 10 times the size of Canada's.

EU-based officials say that unless a Canadian deal is settled soon, the 27-nation bloc will switch resources to the U.S. talks and the Canada agreement could be frozen.

"We are aware obviously of EU plans to negotiate with the U.S. but it's also equally in the other side's interest, you could argue, to conclude an agreement to show what kind of agreement is possible," said MacDougall.

A source close to the talks told Reuters that Canada suspected the European Union was using Harper's trip to Europe to try to force an end to the talks and "get the Canadians to compromise on issues they won't compromise on."

One problem for Harper is that if he signs an agreement that western cattle farmers dislike, he could anger party members who are already upset about a government expenses scandal.

"We're quite concerned that in the current context, the desperation of the Prime Minister (will) lead him to sign a bad deal," said Thomas Mulcair, leader of the official opposition New Democrats.