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Is North American-EU trade deal next step?

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MONTREAL – Canadian and U.S. efforts to strike free trade deals with Europe must eventually be harmonized into a North American agreement involving Mexico, a former Mexican diplomat said Wednesday.

“I know this creates a lot of heartburn in...Washington, but eventually that has to be the step forward,” Arturo Sarukhan told an economic conference in Montreal.

The former ambassador to the United States said that a continental trade deal is needed to synchronize rules between the European Union and the NAFTA countries — Canada, United States and Mexico.

Failing to bind together three parallel trade processes will cause disruptions to North American supply chains and trade with Europe, he said.

That could hurt the automotive and aerospace industries, for example, because European and North American companies operate on both continents.

“Just imagine what will happen about access to market, exports, rules of origin if you’ve got three separate parallel treaties (with Europe) instead of one that encompasses the three partners,” Sarukhan said in an interview.

“It doesn’t make sense.”

Sarukhan acknowledged that moving to this next step won’t happen

quickly because of U.S. concerns that it would slow down its own impending negotiations. But he sees no philosophical opposition from Canada or the United States.

“I think it’s more an issue of process and timing than substance,” he added.

Mexico has already concluded a free trade agreement with Europe.

Canada has been negotiating an agreement with the European Union for several years while the United States is set to launch its effort this summer, putting pressure on the Canadian government to get a deal with the EU done soon.

A U.S. deal with Europe could have implications for global trade since together they account for nearly half the world economy and 30 per cent of global trade.

Canadian and U.S. officials said those deals remain the top priority.

“I think it’s a little bit putting the cart before the horse,” said David Cary Jacobson, the U.S. ambassador to Canada.

“Canada is in the final stages of negotiating its agreement, we haven’t even begun to negotiate ours and I think we’re just going to have to wait to see how this thing plays out,” Jacobson said.

Jacobson acknowledged, however, that overlapping supply chains does present issues that will eventually have to be resolved.

Maxime Bernier, Canada’s minister for small business, said extending a European trade agreement to include Mexico would follow the history of how NAFTA flowed from a deal between Canada and the United States.

He said it’s always advantageous for a country to foster freedom of trade to build prosperity and jobs.

“So let’s do the first step and try to have this (EU) agreement settled as

soon as possible and after that we'll see," he said after speaking to the Conference of Montreal.

Bernier said he's optimistic that Canada will soon conclude a trade deal with the EU but wouldn't speculate when that will be achieved.

Canadian and EU officials say a free trade agreement will completely eliminate all industrial tariffs within seven years, a measure that will save Canadian exporters \$213 million annually _ and European exporters \$635 million _ at current exchange rates.

The two sides have closed the gap on several key issues but remain apart on a few others.

A major sticking point is Europe's unwillingness to open up its market to beef imports, particularly problematic because Canadians would need a big enough entry — believed to be 40,000 tonnes annually at a minimum — to justify converting production to hormone and antibiotic free beef as required by EU restrictions.

Meanwhile, France and Ireland are resisting any significant quota assuming that whatever Canada gets, the U.S. is likely to demand an equal or greater amount.

France also said it won't back any deal with the U.S. that threatens the country's prestigious film, radio or TV industries.