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Strengthening the EU-Canada ties

Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

Chamber of Commerce Canada-Belgium-Luxembourg

Brussels, 9 December 2010

Good afternoon ladies and gentlemen,

I was happy, some months ago, to receive this invitation to exchange views on one of Europe's most stable and successful trade partnerships. As it happens, I am off to Canada next week to take stock of the trade negotiations which are entering into their final, crucial stages. So our meeting today could hardly be more timely.

The economic ties between Canada and the countries of the European Union are old and substantial. Where once, our mutual trade was about furs and fisheries, we now trade BlackBerrys and Airbus and Bombardier jets as well.

What has *not* changed over the years, is the fact that trade relations are often a more complex series of economic interactions than we sometimes think, and that both sides benefit from strengthening these networks.

Take the timber trade, by far the most important commodity in the nineteenth century. In one summer, 1200 ships were loaded with timber at Quebec City alone. But timber is a very bulky shipment. There was no cargo travelling in the other direction that could take up as much room on the return voyage. A few boats were filled with salt, some with manufactured goods and others with worthless ballast.

Then some timber ships turned to carrying immigrants to fill the empty space. There was a large demand for cheap passage coming from the refugees out of the Napoleonic wars. These ships were amongst the oldest in the British merchant fleet, so it can't have been a pleasant passenger experience. But it did create an unprecedented flux of new inhabitants. Some of whom moved to the US but some of whom stayed in Canada to work on the timber trade.

So trade, raw materials, investment and labour mobility has clearly gone together for a long time. Then, as now, one thing often leads to another.

This is, in fact, increasingly the case in our modern economy. Global businesses today rely on global supply chains. Those supply chains are not just made up of components but often of knowledge and investment as well.

It is well known that the Canadian company *Research in Motion* uses technology and components from around the world to produce its BlackBerrys: customers don't just buy the physical product but related services contracts. Europeans can use the services of a London-based branch of a Canadian bank. Germany's Siemens has offices across Canada to sell its products. Other financial services companies have set up back office processing in Nova Scotia.

I was struck recently by a report from the *Conference Board of Canada*¹. They not only believe that interconnected trade matters – but that measuring trade in these broad terms matters, because it captures the true nature of collaboration between economies.

It captures Canadian companies doing business in the EU - like you - and European companies doing business in Canada. According to these measurements, real trade volumes are even larger than the conventional cross-border statistics would lead us to believe. They argue that trade related policies that rely strictly on conventional trade measures may be out of synch with current global business realities.

Beyond statistics, this research goes to show the weight of services trade; the role of investment and sales by foreign affiliates; the flows of people, knowledge and technologies; and the linkages between goods and services.

This is why we are negotiating a *comprehensive* economic and trade agreement between the EU and Canada. Tackling only one small part of our trading

¹ www.e-libary.ca

relationship would not do justice to the depth and complexity of the links between us.

We are not only discussing the traditional goods sector but also the fast growing services sectors, regulatory barriers, intellectual property rights, and procurement. We have to be ambitious in our reach to match the realities of the modern business world.

I am especially pleased that we also aim to cover comprehensive investment provisions in these negotiations. This will reflect the new possibilities the Lisbon agreement has granted the Commission as a negotiator in this area.

Moreover, to further improve the environment for investors, we are also discussing ways to facilitate the movement of key personnel between headquarters and their affiliates across the Atlantic.

There is no doubt that both parties stand to gain significantly from the CETA. Such an agreement could provide up to twenty billion Euros per year in additional benefits to the two economies, mostly by the liberalisation of trade in services, but also by the removal of tariffs and non-tariff barriers.

Let me sketch out some of the benefits this CETA should generate:

- The reciprocal elimination of substantially all import tariffs would make it cheaper for business to trade, for manufacturing to import component parts and for consumers to purchase. We have 90% on the table already and are working to find a deal on the more difficult remaining 10%.
- Improved market access for services and investors will allow businesses to better sell their services abroad and consumers to have cheaper access to high quality services. At the same time increased flows of FDI would stimulate productivity gains and act as catalyst to promoting businesses and creating jobs.
- The CETA will also tackle regulatory barriers such as sanitary and phytosanitary measures, customs procedures, competition rules, the protection of intellectual property and non-tariff barriers to trade which – if not addressed effectively - could hamper our trade with unnecessarily restrictive measures.
- Reciprocal access to both sides' procurement markets would not only mean savings for public budgets, but also provide huge business opportunities and economic growth with a potentially significant impact on transport and infrastructure networks.

All in all, we expect to significantly improve the overall climate of doing business by facilitating mutual market access.

So where are we in the negotiations?

Since October 2009, the negotiations have progressed well and fast. The first rounds concentrated on clearing the field of the issues where both sides could easily agree. Since the last two rounds, negotiators have progressively been focussing on the issues where there are key differences of position. This phase of negotiations needs its time because both sides need to analyse more in depth their respective text proposals and rules, check the underlying key sensitivities, consult internally and find common ground.

But progress is being made and we are looking constructively at avenues for possible solutions. We need both a balanced deal and one that reflects the high ambition with which we both entered this negotiation.

I am happy with the progress so far and believe that we should be able to conclude the negotiations in the course of 2011. I will meet with my Canadian counterpart, Trade Minister Peter Van Loan, next week in Ottawa. It will be an opportunity for us

to take stock of the negotiations so far and prepare the ground for some serious work ahead. Our negotiators will then meet again in January for the next round.

Ladies and Gentlemen,

In concluding, let me highlight two features of these negotiations that I find particularly significant.

It is the first free trade negotiation that the EU has engaged in with a fully developed industrialised country and also the most ambitious so far. EU and Canada have a similar level of development and are both open economies. Since we are on the whole like-minded on international trade questions, the expectations of what we can achieve together are higher. The CETA will serve as a benchmark and blueprint for what we can do in the future with countries of a similar level of development.

Secondly, this is the very first time that areas under provincial jurisdiction would be included in the negotiation of a Canadian FTA.

It was essential for the EU that areas falling under their jurisdiction of the Canadian Provinces and Territories could be put on the negotiating table and that the results would be later implemented by the provinces – because this is where a lot of the real potential for a deepened economic relationship lies.

This aimed in particular at sub-federal government procurement, but also at certain services sectors - like financial services - where the EU has major interests. The joint declaration of the Provincial Premiers meets this objective – which I believe is a *first* for Canada. It was certainly not the case with the NAFTA negotiations. We are very satisfied with the way the Provinces have stood by their commitment and are engaged in the process. Of course, delivery and implementation on the ground will be the key.

Ladies and Gentlemen,

From the outset of these negotiations the EU-Canada business community has been very supportive of the CETA negotiations. I am grateful for this support and I hope that we can benefit from your continued backing.

This agreement is important for the EU, its Member States and for Canada and its Provinces.

When we conclude,

- we will show the world that some of the richest and most developed economies in the world are willing to commit to freer and more open trade.
- we will demonstrate our understanding that trade, raw materials, investment, knowledge and technology are all interlinked.
- we will find a state-of-the-art trade policy framework to match the ambitions and needs of our economies.

Thank you for your attention.