

# CANADA EUROPE ROUND TABLE FOR BUSINESS



## *CREATING OPPORTUNITIES:*

A roadmap for action in Canada and the EU

*19 December, 2002*

*Drafted in cooperation with*



*CERT Founding Member*

# TABLE OF CONTENTS

<b>Introduction</b>	<b>2</b>
<b>Areas of Focus</b>	<b>3</b>
Regulatory Co-operation	3
Mutual Recognition	3
Doha Development Agenda (DDA)	4
Government Procurement	5
Research and Development	5
Labour Mobility	6
Outcomes	6
Next Steps	6
<b>Working Structure</b>	<b>6</b>
<b>Action Plan</b>	<b>7</b>

# **CREATING OPPORTUNITIES:**

## **A roadmap for action in Canada and the EU**

### **Introduction**

Canada and the European Union have accomplished a great deal in recent years, notably through the Europe-Canada Trade Initiative (ECTI) and other bilateral activities, by breaking down systemic obstructions to transatlantic trade and investment activity between them. The Canada-Europe Round Table for Business (CERT) recognises and applauds this progress.

As the principal organisation dedicated exclusively to addressing business concerns in the Canada-EU relationship, CERT believes that a free trade agreement (FTA) between Canada and the EU would allow the transatlantic business community to realise the full potential their economic relationship. However, we also realise that, despite considerable support from the business community, and at least some political interest, realizing such an objective will be a longer term goal. In addition, both governments currently have as their priority the successful conclusion of the Doha Round of WTO negotiations, which will address many outstanding market access issues in the bilateral relationship.

Even short of a full FTA, there are opportunities to reinforce Canada-EU trade and investment relations via other means. CERT views a trade enhancement agreement as an opportunity to address rules and non-tariff barriers, including such areas as regulatory cooperation and mutual recognition, rather than strictly market access issues (much of which will be addressed through the Doha round). These areas are highlighted in greater detail in this Action Programme.

Since these barriers still exist, and create obstacles to the smooth flow of business, labour and information, CERT urges both the EU and the Government of Canada to help resolve these issues. Both economies will realise economic growth through closer cooperation and streamlined processes.

CERT is pleased to note that surveys of the business communities of both Canada and the EU have been completed. Our members look forward to participating in discussions on the basis of the ECTI framework, and to moving Canada-EU talks towards a more business-focused objective. ECTI provides an excellent framework through which to take a fresh look at issues affecting the business relationship between Canada and the EU. CERT will assist governments of both sides to add new impetus to this process. We are optimistic that the ongoing work of both governments will ultimately result in an agreement to reduce barriers to trade and investment between Canada and the EU.

This roadmap outlined in this document is intended to complement the work of Canada and the EU in ongoing discussions to enhance trade. CERT will continue to act as a business-based sounding board, a source of information and a partner to drive change. We will step up our efforts to communicate the sentiments of the Canada-EU business community on trade issues, highlighting areas where change is most needed, and celebrating successes. CERT is in a unique position to become an active partner in developing solutions to some of the key challenges faced by negotiators, by contributing practical ongoing input and guidance based on our members' experience as Canadian and European business leaders, and by supporting and publicising victories within the transatlantic business community.

To this end, CERT encourages officials from both Canada and the EU to look both at new ways to make business easier, and at ways to modernise existing agreements and practices to reflect the emergence of new technology and better meet the current needs of the transatlantic business community. CERT commits to assisting both governments in this process, and to celebrating any successes that emerge from our work together.

## **Areas of Focus**

CERT can assist the EU and Canada in reducing obstructions to business flow and enhancing trade – both in terms of trade and tariff issues, and through the lessening of non-tariff barriers. Our members have identified the following six areas as principally important.

### ***Regulatory Cooperation***

There are considerable gains to be made from Europe and Canada working more closely on the development and alignment of their regulatory structures. Much can be done on this front, from sharing information and data to speeding up the policy formulation process, to co-operating on the formulation of best practices and the promotion of new regulations. The Smart Regulation initiative launched by the Canadian government, which aims to create less red tape and greater regulatory coherence, as well as the European Commission's report on EU governance, are welcome developments, and CERT is hopeful that they will result in real progress toward a trade enhancement agreement.

The ECTI Progress Report adopted at the May Summit in Toledo, Spain, makes particular reference to "Exploring the possibility of a wider regulatory cooperation exercise." *CERT looks forward to direct involvement in this and other agreements that could lead to greater cooperation and enhanced trade, and our membership can play a valuable role in feeding back to officials the opinions of transatlantic business operators on the practical barriers that can be addressed through the creation of such agreement. Chemicals policy and agriculture and food policy are two areas of particular interest to CERT's members in this regard.*

From a trade enhancement point of view, there are gains to be made by aligning Canadian and EU standards pertaining to certain products or industries. This will reduce the need of manufacturers, for instance, to produce different versions of the same product to satisfy local requirements. *The guidelines on regulatory cooperation recently agreed by the European Commission and the US Government could serve as a starting point for discussions between the EU and Canada, although CERT would encourage an agreement that goes much further.*

*One key area of concern to our members is the removal of regulatory barriers that are based neither on good science nor good risk assessments – such agreements abound in the agriculture sector, for instance, and for this sector effectively prevent transatlantic trade on a large number of commodities and products. In 2003, our membership will recommend initiatives that should be undertaken in this area.*

CERT will contribute on behalf of Canadian and European business to the ongoing trilateral and multilateral processes of harmonisation and convergence of practices, where relevant.

*Early in 2003, the membership of CERT will identify priority areas of activity for consideration by officials, to increase opportunities for an 'early harvest' in this area and add political momentum to ongoing discussions.*

### ***Mutual Recognition***

The business community experiences major impediments to transatlantic trade and business growth in the area of mutual recognition of professional qualifications. The ability of people with a given professional designation to work in markets on both sides of the Atlantic is of significant value to business, and to the professionals operating in them – especially in specialised areas such as genetic research or software engineering, where there are skills shortages in one or both markets. Such labour-sharing agreements would also facilitate a stronger knowledge base on both continents, which would ultimately benefit productivity and increase the retention of highly skilled workers in both trading entities. However, we recognise that in some cases the professional associations themselves represent our first hurdle in achieving progress – the

protectionist nature of such organisations makes it much harder for negotiations to move forward. This, however, does not in our opinion represent a reason for such discussions to stop – if anything, it adds to the value of an organisation such as CERT, which can introduce arguments for enhanced cooperation in this area from an economic development and trade enhancement point of view.

CERT is aware that there have been discussions between the respective professional associations in the architectural and engineering sector on mutual recognition initiatives for professional qualifications. *We look forward to working with both government officials and professional organisations to add new impetus to these discussions and to add the voice of the business community to the discussion of where priorities should lie for future talks.*

No less important to the trade enhancement process are the standards governing highly regulated industries, such as health sciences, airlines, defence and agriculture. Depending on the industry, these may be product standards (in which case they would also benefit from enhanced regulatory cooperation) or service standards. In many of these cases, neither the standards nor the overall effect of the standards regimes is substantially different, yet because no recognition agreements have been negotiated, or existing agreements have not been implemented, business is required to comply with two sets of standards – at a substantial cost to these organisations.

This situation can and must be rectified to improve the international competitiveness of business operating in both markets. *CERT members stand ready to play a role, both in identifying new areas for discussion, such as agriculture and food processing, and in contributing to the implementation of existing initiatives (e.g. the Medical Devices Annex of the EU-Canada MRA and discussions on aviation standards recognition).*

#### ***Doha Development Agenda (DDA)***

CERT strongly believes in the need for tariff reduction or elimination, and we endorse any efforts towards this goal by Canada, the European Union or through the WTO. In light of ongoing negotiations of the Doha Round of multilateral negotiations, the majority of bilateral trade and tariff issues will be dealt with from a multilateral perspective, at least until the conclusion of the DDA negotiations.

CERT fully supports objectives of the Doha Round – in fact, our members believe that substantial progress must be made in order to protect the integrity of the WTO system. To support this view, CERT has a role to play in bringing issues of concern to our members to the attention of both governments, for inclusion either in bilateral or in multilateral agreements, as a means to achieving greater progress towards tariff elimination. We will furthermore assist both governments in understanding the practical implications of their choices to the international business community. Finally, CERT commits to supporting negotiating positions or outcomes that remove barriers to doing business across borders.

*To this end, CERT will provide input to Canada and the EU on specific areas for consideration in terms of trade enhancement, market access priorities, the elimination of nuisance tariffs, and business input to ongoing negotiations in the area of services.*

In the area of competition, Canada and the EU are well ahead of the multilateral effort in terms of convergence and recognition of each other's competition processes. However, we believe that the EU and Canada can work together at the WTO level to show leadership in this area. *CERT can provide to both partners the business perspective on competition policy issues currently being studied by the WTO working group on the interaction between trade and competition policy. While a multilateral agreement at WTO level on this issue may include only minimal provisions, CERT would like to see enhanced consultation with business people by governments participating in the international convergence discussion to allow them to understand the true*

*commercial costs of incoherent or inconsistent rules in this area. We would also encourage a meeting between the members of the CERT Competition Working Group and European and Canadian officials, in advance of the WTO Working Group meeting in Cancun to discuss how best to encourage developing countries to participate and develop their own competition regimes.*

### **Government Procurement**

Government procurement rules and processes form a barrier to competitiveness for international businesses trying to compete for government contracts – a disadvantage to both business, which is denied the opportunity to compete in a fair competition, and to government, which loses the price and selection advantages that a robust and open procurement system would offer. *CERT would like to see these restrictive rules and methods addressed so as to allow broader multinational competition for government contracts in Canada and the EU.*

Despite the Canada-EU commitment, reflected both in the 1996 Joint Action Plan and ECTI, to expand market access in government procurement, no progress has been realised so far. More can be done in this area, both at the Canadian federal and EU level, and especially with regard to procurement in the EU Member States and the provinces of Canada. *To that end, CERT will bring specific requests formatted by the business communities of Canada and the EU to the attention of policy-makers.*

### **Research and Development**

The promotion of research and development cooperation is a major issue for the Canada-Europe business community. Despite the existence of an agreement for cooperation in science and technology since 1995 allowing mutual access to research programmes for both trading entities (at least at the EU or Canadian federal level), the Canadian or European business communities have not widely embraced this opportunity in practice.

Currently, Canadian businesses have the opportunity to participate as research partners to European companies under the 5<sup>th</sup> and 6<sup>th</sup> Framework Programmes for Research – in fact under FP5, statistics show that Canadian partnership actually increased the chances of a consortium accessing funds. A recent change in Canadian policy to make significant amounts of funding available for R&D, presents business with opportunities in Canada that are similar to those offered through the EU's Framework Programmes.

However, there is considerable confusion in the business community as to how best to engage in this work. There is also a case to be made to harmonise the objectives of these research programmes – the reality is that if partners on both sides of the Atlantic cannot be funded at the same time, on the same project, and with minimal red tape around the application, participation will be low. This in turn will see both Canada and the EU suffer technological loss at the hands of US interests, who at any rate enjoy better funding levels than any other jurisdiction in the world. Unless this situation is addressed, Canadian and European interests will only participate in each others' programmes when there are relatively quick or obvious commercial payoffs.

*CERT members would like to see agreements in place that allow for simpler and more uniform application rules, streamlined processes and harmonised time frames for programmes. Sharing of research funds, especially in highly specialised areas where one or other of the trading partners lacks the facilities or expertise to conduct the research on domestic soil, would also stimulate interest and investment in this area. We will continue to actively outline the needs of business in this area, with the goal of promoting a higher rate of transatlantic participation in R&D initiatives, and as a result, enhanced trade in both products and ideas, over the long term.*

*It is also clear to CERT that enhanced awareness by our respective business communities of recent changes in, and new opportunities presented by, both the EU and Canada is important to*

*the overall success of future S&T cooperation. While we recognise that some efforts have already gone into this on both sides of the Atlantic, continued efforts are clearly needed. Through cooperation with the CERT Working Group on R&D, governments will gain another effective medium for direct education and information dissemination to the business community.*

### ***Labour Mobility***

The mobility of labour between continents is of fundamental importance to business. It allows them to put the right person in the right place at the right time. However, CERT recognizes the difficulty of this issue, not least because it falls largely outside EU Commission mandate and is subject to federal-provincial requirements in Canada. One possibility to explore is arrangements such as the liaison office set up by the region of Bruxelles Capitale, which helps newly-arrived expatriates to sort their way through the structure and systems of the Belgian government and settle in as quickly as possible.

CERT anticipates that this will be an area of focus over the longer term; we expect few 'quick wins'. However, because it is so important to Canada-EU trade facilitation, we look forward to discussing in more detail how we can help bring progress in this area.

### ***Outcomes***

In cooperation with its membership and officials from both Canada and Europe, CERT will advance a range of issues to be addressed during discussions on the basis of ECTI.

Ultimately, CERT would welcome an agreement between Canada and the EU to enhance trade and investment between the two sides. Through the CERT process, officials will have direct access to members of the Canada-EU transatlantic business community, which will provide high-level input into the specific areas that are of greatest interest and benefit to business and should be included in any such agreement.

### ***Next Steps***

CERT is eager to meet with officials from both sides to discuss specific areas where it can assist and co-operate in the minimisation of trade barriers and impediments to progress. We would recommend a working meeting in January 2003 to set the agenda for the first six months of the year.

### **Working Structure**

CERT is organised in member-driven working groups, each of which is dedicated to addressing a specific area of interest to our members. We would propose to align our working groups along the major themes of this document and the ongoing assessment process, to act as permanent sources of reference and business input for governments.

Accordingly, CERT is keen to strengthen the working relationship with ECTI through regular meetings with policy-makers on both sides. Through its regular series of events on the margins of the Canada-EU Summit, CERT will highlight the progress of the ECTI process against our joint objectives.

The annual CERT CEO Roundtable, which normally takes place in late October/early November, focuses on the priority themes as decided by our membership. Special consideration will be taken of ongoing bilateral trade and investment priorities when deciding on the theme of the annual event.

## **Action Plan**

CERT envisions, subject to negotiation schedules, the following plan (to be augmented following consultation with DFAIT and DG Trade):

19 December 2002	Senior CERT delegation to present the CERT programme to Commissioner Lamy and Minister Pettigrew.
January 2003	CERT team meets with DG Trade, DFAIT to provide input based on member recommendations on ECTI and general trade and investment considerations.
February 2003	CERT working groups organised to provide input under the priority areas of the programme.
February 2003 to September 2003	CERT working groups to provide input to EU and Canadian officials within the ECTI process.
Spring 2003	CERT meeting in the margins of the EU-Canada Summit to review the progress of the ECTI negotiations against our joint objectives
October 2003	CERT CEO Round Table organised to assess progress and to define ongoing working agenda.
December 2003	CERT meeting in the margins of the Canada-EU Summit to review progress on issue work and CEO Roundtable outcomes.