

**NOTES FOR AN ADDRESS BY**  
**THE HONOURABLE SERGIO MARCHI**  
**MINISTER FOR INTERNATIONAL TRADE**  
**TO THE CANADA-BELGIUM-LUXEMBOURG**  
**CHAMBER OF COMMERCE**  
**AND THE**  
**FEDERATION OF BELGIAN COMPANIES**

**BRUSSELS, Belgium**

**June 16, 1999**

*(8:30 a.m. EDT)*

I am delighted to be in Brussels -- a city built by trade, fashioned by artisans and steeped in history: a city that for hundreds of years has been one of the great commercial centres of Europe.

As you know, one of the reasons I have come to Europe is to meet with the Vice- President of the European Commission, Sir Leon Brittan, to discuss Canada's economic relationship with the European Union (EU).

One of the great strengths in Canada's approach to the EU is that we put as much stock in our relationships with individual countries as we do with the EU as a whole.

And that is certainly true of our relationship with Belgium and Luxembourg. Those of you in this room know that better than most. You are doing outstanding work to promote greater trade and investment between Canada and Belgium and Luxembourg, and I want you to know that your efforts are appreciated.

Two-way trade between Canada and Belgium is a strong \$2.5 billion per year. Trade with Luxembourg stands at \$209 million -- quadrupling in just the past three years.

Like you, we are great believers that investment benefits both sides. When Canadian companies such as GEAC Computers and Bombardier invest in Belgium and Luxembourg, they create jobs and opportunities on both sides of the Atlantic.

Likewise, when your companies such as Tractebel or On-line come to Canada, they contribute to the Canadian economy while generating growth here at home.

And so we are very excited about the prospects for increased trade and investment with both Belgium and Luxembourg.

When Canadians look to Belgium, Luxembourg and the other nations of the EU, we see many familiar reflections. Our roots are buried deep in European soil and we have always valued that great heritage.

And I can say without hesitation that Canada considers the EU not just as a destination for our exports or a source of investment, but as a partner in the cause of freer trade.

There are few nations that have the capacity to provide leadership to address the challenges of trade liberalization. Canada and the members of the EU are among those that do.

Working separately, we can both make important contributions to the next round of multilateral trade negotiations. But working together, in partnership, we can make a greater impact -- putting forward the creative ideas needed to strengthen WTO rules, further reduce duties on goods, expand the coverage of services and incorporate the views of civil society.

In those efforts, one of our most important tasks is to encourage other nations to stay the course of freer trade -- especially when, in times of economic turmoil, they might be tempted to retrench behind protectionist walls.

Canada and the EU need to demonstrate -- not only through words, but by actions -- our commitment to trade liberalization as the best means of fostering growth and creating jobs.

So far, we have both done this well in our relations with others. Canada, for example: through our free trade agreements with the United States, Mexico, Chile and Israel and through our pursuit of a Free Trade Area of the Americas; through our negotiation of a free trade agreement with the EFTA [European Free Trade Association] countries, and through our accelerated tariff liberalization within APEC [Asia-Pacific Economic Cooperation forum].

The EU, too, has worked hard to advance trade liberalization, through its expansion into central and eastern Europe, its customs union with Turkey, its free trade agreement with Israel and its preferential trade regime with African, Caribbean and Pacific countries.

But frankly, we have not done as good a job in our relations with one another. And while it is true that we have signed a number of important agreements -- covering everything from science and technology to nuclear research and customs enforcement -- the fact is that we have done little to improve the conditions of market access for one another.

Indeed, Canada is one of the few countries still subject to the EU's full common customs tariff.

So while the EU is Canada's second-largest trade and investment partner, with two-way trade at an impressive \$44 billion annually, there is still much, much more we can and must do together.

Canada stands ready to enlarge and enrich that relationship. Indeed, as the EU explores new transatlantic links with the United States, Mexico and Mercosur, we want you to know that there is another country on the other side of the Atlantic whose doors are open and whose advantages are many.

Just as Belgium offers a gateway to the European Union, Canada stands as a strategic gateway to the vast North American market. Through our membership in the NAFTA [North American Free Trade Agreement], companies settling in Canada have preferred access to the richest trade market in the world -- over US\$500 billion per year.

And with one coast touching the Pacific, Canada is also a natural doorway to Asia. And we are intimately involved in Latin America, both bilaterally and through our role as chair of the negotiations for the Free Trade Area of the Americas -- which eventually will be the largest

free trade zone in the world, with a market of 800 million people and a combined GDP of \$9 trillion.

And our international reach is matched by a strong and competitive economy at home.

Consider the facts:

A new study by the international consulting firm KPMG shows that Canada has the lowest business costs of any G-7 nation.

Canada is also *the* location for low-cost research and development, with the best R&D tax credit regime in the G-7.

And contrary to the myth that Canada is a high-tax environment, the KPMG study found that our corporate tax rates are actually the second lowest in the G-7.

Of course, overall economic considerations are as important as low business costs, and here, too, Canada offers an attractive environment. Our economy is growing, producing jobs at the highest rate of all G-7 nations, with low interest rates and inflation that is virtually non-existent.

We have put our fiscal house in order, reducing our federal deficit from more than \$40 billion to zero in just six years, prompting *Newsweek* to write about the "Maple Leaf Miracle" and *The Economist* to call us a "Fiscal Virtuoso."

One of the reasons that many Europeans may overlook opportunities in Canada could be because of an outdated image of the Canadian economy. Many still think of Canada as a land of lakes and trees -- a resource-based economy ruled by Mounties and populated by hockey players. Well, that's a nice image, but it's also a little dated.

The reality is that Canada is a high-tech, knowledge-based economy, well positioned to compete in the emerging opportunities of the information age.

Indeed, the percentage of Canadian exports attributable to commodities has fallen from about 60 percent in 1980 to just 35 percent in 1997. This amounts to only 12 percent of our GDP! Eighty-eight percent of everything we produce is focussed on the new, knowledge-based economy.

So don't let perceptions formed in the past prevent you from participating in the opportunities of the future. When you think of participating in the vast North American market, a large red maple leaf should come to your mind.

We want to make these advantages known to our European friends and partners because Canada is committed to liberalizing transatlantic trade.

Indeed, as I mentioned earlier, we are currently negotiating a free trade agreement with the four nations of EFTA, which we hope to complete later this fall.

At the last Canada-EU summit, in December, we agreed to a number of initiatives to enhance trade and economic co-operation. Already we are seeing the first fruits of that initiative.

Tomorrow we will sign an agreement on competition policy, and this evening I will join Sir Leon Brittan at the first meeting of the Canada-EU Roundtable, which will provide a forum

for European business leaders to offer their input on facilitating trade and investment between us.

The bottom line is that the EU matters to Canada. But I also want to ensure that Canada matters to the EU. We simply cannot afford to remain in the EU's peripheral vision.

Quite frankly, this is often a challenge. Indeed, in recent years, the EU is importing a smaller percentage of Canadian goods and we are receiving a smaller percentage of your direct investment abroad.

And whether it is EU action on regulating genetically modified organisms, or the administration of its wine industry, or the common agricultural policy it has adopted, Canadian exporters have often been the ones to pay the price.

Of course, trade -- including its irritants -- is a two-way street and there are concerns on your side as well. We understand that some European exporters have occasional frustrations with Canadian policies, and we stand ready to discuss these -- we hope in the context of an effort to improve market access for both sides.

But when you consider the significant and growing trade surplus that the EU consistently runs with Canada, the numbers tell the story.

There is a clear need to change the script and extend the limits of the current frontiers.

Indeed, I believe the time has come for a new vision for Canada-EU relations, based on clear-eyed assessments of the opportunities before us.

We need, for example, to consider how we can animate and deepen our economic partnership. 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?

Or, better still, as our Prime Minister has long advocated, and as he reiterated yesterday in Dublin, why can't we aspire to a NAFTA-EU trade relationship where Europe can deal with one large and integrated market rather than negotiating separately with the individual countries of North America?

I believe the time has come for a new relationship between Europe and North America. And the timing couldn't be better. Economically, North America and Europe are leading the world as we head into the new millennium.

Moreover, the EU has just chosen a new president and elected a new parliament. Let us embrace this time of renewal to reinvigorate our relationship.

And let us ensure that when people refer to Canada-EU, it is not only as a recollection of past glories, but as a recognition of future possibilities.

Indeed, let us inspire a new generation that believes that our relationship will become all that it might and will achieve all that it should.

Thank you.

