

March 11, 2009, Madrid, Spain

Speech by the Hon. Roy MacLaren, Chairman, Canada Europe Roundtable for Business

Business Breakfast – Speech – Networking Session hosted by the Canada – Spain Chamber of Commerce

Mr. Alfredo Bonet, Spanish Secretary General for International Trade, will open the session. **Ambassador James Fox** will attend the breakfast

The arguments in favour of a free trade agreement between Canada and the European Union are long-standing, but they have become ever more compelling in the past few years. They are now finally in the way of realization.

For Canada, support for a transatlantic accord began to accumulate as early as 1949 with the drafting of the North Atlantic Treaty. Canada pressed for NATO to be more than a military alliance, convinced that the addition of an economic dimension would consolidate the North Atlantic community as nothing else would. The Canadian proposal was, however, rejected by those who believed that the negotiation of comprehensive economic ties would deter the early realization of NATO's immediate military role.

During the sixty years since, transatlantic economic harmonization has made but little progress beyond the GATT. From the days of the Treaty of Rome, Europe has been understandably preoccupied with the broadening and deepening of its economic and political union. The United States, for its part, has been preoccupied by its various global involvements which have left little room for regional cooperation. During past decades, Europe and the United States continued to relegate their trade relations largely to the GATT and eventually to the World Trade Organization.

I say “largely” because in time Europe, the United States, and Canada engaged additionally in a number of bilateral and regional trade agreement, which somewhat diluted their oft-stated commitment to multilateral, rules-based trade and investment liberalization. To be sure, most of the new bilateral and regional agreements were intentionally with developing countries and all were duly endorsed by the GATT, but the European Union did conclude agreements with the developed countries of Switzerland and Norway and the United States and Canada with each other.

In 1994, the then Canadian Prime Minister, in speaking to the French Senate, urged that a NAFTA-EU agreement be negotiated, but neither Washington nor Brussels displayed interest. Brussels did, however, subsequently conclude a transatlantic agreement with our NAFTA partner, Mexico, thanks in good measure to the support of Spain. Canada, in its continuing search for trade and investment diversification, did eventually negotiate a transatlantic free trade agreement with Norway and Switzerland.

The major transatlantic prize of NAFTA-EU, however, remained elusive. Canada has, over several decades, attempted without success to interest Brussels in closer economic ties. Several minor agreements were reached, but they soon proved to be of little substance. Washington, for its own domestic reasons, declined to confront what were for it the near intractable issues involved in transatlantic free trade. Instead, like Europe, it proclaimed its overwhelming allegiance to the ill-begotten Doha Development Round of the World Trade Organization.

Nevertheless, when I was Minister of Trade for Canada in the late 1990s, I continued to press the case in Brussels for a comprehensive transatlantic agreement that would be, as it were, WTO plus, taking the transatlantic countries beyond even the substantial achievements of the Uruguay Round. In doing so, I continued to be courteously rebuffed by a succession of EU Commissioners for Trade. Gradually, however, the private sector on both sides of the Atlantic made clear its commitment. For example, through the Canada-Europe Roundtable for Business of which I have the honour to be chairman, more than one hundred chief executives of large corporations, including several major Spanish corporations, proclaimed their strong support.

In 2007 something of a breakthrough occurred when the Canadian Prime Minister and German Chancellor, then the EU President, agreed upon a joint study to identify the benefits of a comprehensive trade and investment agreement between Canada and Europe, the United States unfortunately still demonstrating little to no interest in a NAFTA-EU agreement.

That the Canadian Prime Minister and the German Chancellor were able to agree on the important first step of a joint Canada-EU study was in part a reflection that the Doha Development Round was showing little signs of progress.

Since then, the joint study has concluded that a bilateral agreement would increase trade and investment by at least \$40 billion within seven years of being negotiated. The major increase will occur in trade in services. Bilateral investment will also continue its dramatic increase, which has risen over that past ten years from \$100 billion to more than \$260 billion. The result of all this investment activity is that sales in each other's market by wholly-owned affiliates are four times the value of exports.

These numbers are themselves highly persuasive, but added to them are two important factors: one, with the Doha Development Round going nowhere, trade liberalization must seek new routes, and second, protectionism has recently raised its ugly head. Brussels has concluded that in these circumstances the time has come to test the possibility of concluding an agreement with Canada, not only for its intrinsic merits, but as a model for later agreements with what it has called "OECD countries": Australia, New Zealand, Japan and eventually the United States. The challenge confronting the second factor, protectionism, has more recently underpinned the decision to "scope" a Canada-EU agreement. What better way than a transatlantic agreement to send a signal that Canada and the twenty-seven members of the European Union remain open for business?

Last week, the European Commission and the Government of Canada successfully completed the ‘scoping’ of the Canada-EU negotiations. Now the way is open for the Canadian Prime Minister and the Czech President, this semester’s President of the EU, to announce in Prague on 6 May the beginning of formal negotiations. Having progressed this far, it is difficult to believe that the negotiations will not be successful.

To be sure, trade obstacles have in recent years moved chiefly from tariffs at the border to internal regulations, obstacles that are much more challenging to reduce or eliminate. A range of new trade issues, some at the sub-national level, will need to be tackled: intellectual property; mobility of workers; government procurement; investment and taxation; and trade in services to cite but a few examples. Here, the prospects for a successful negotiation have recently improved with a statement by the Canadian provinces that they fully support negotiations and will implement its decisions within their areas of jurisdiction.

Although the prospects are now most promising for a Canada-EU agreement – which, among other things will open the door to more Canada-Spain trade and investment – much of course remains to be done. But having achieved the agreement to proceed against the suspension, if not demise, of the Doha Development Round, and in the face of renewed protectionism spawned by the global financial crisis, the commitment of Canada and Europe to liberalized trade and investment will be there for all to see.

Perhaps I can best conclude with the words of a leading Canadian businessman speaking in Toledo six years ago. He said then, and it remains no less true today, that Canada and the European Union have the resources to pursue a two-pronged strategy of a bilateral free trade agreement and of a continuing commitment to a multilateral, rules-based agreement. “The objectives and the benefits accruing from a Canada-EU free trade agreement are well within our reach. Moreover, it is squarely in-line with the growing recognition that deeper transatlantic co-operation is a precondition – not an alternative – to broader global cooperation.”