



Canada Europe Round Table for Business

“Leadership for dialogue, ideas and action”

December 2000

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Memorandum on Multilateral and Bilateral Trade Liberalization

1. Context:

This memorandum expresses a number of standing views of the Canada Europe Round Table for Business (CERT) on Canada and the European Union's shared commitment to furthered multilateral trade liberalization at the World Trade Organization (WTO). While not introducing any major new elements at the time of writing, it nevertheless meets the wish of CERT to record and illustrate certain position points and concerns in this matter.

CERT would wish to use the occasion of the next EU-Canada Summit to submit a substantive memorandum on bilateral and multilateral trade and investment.

CERT is a high-level and networked forum of business leaders through which Canadian and European businesses regularly engage in dialogue with the Canadian government and the European Union on bilateral and multilateral trade and investment issues. Such dialogue is indispensable for the formulation of policies that are designed to facilitate EU-Canada trade and investment relations and to create effective conditions for business to operate smoothly. Initiated in 1999, no other policy-centered group is so devoted to the optimization of the bilateral business-to-government dialogue and to the further development of the bilateral and bilateral for global trade and investment relationship.

CERT believes that it can make a valuable contribution towards the solution of bilateral and multilateral trade problems affecting the two regions. The 1976 EU-Canada Framework Agreement and the aims of the 1996 Joint Canada-EU Action set the rationale that makes CERT the natural partner of the EU authorities and the Canadian government to hold and feed a regular dialogue. More than ever, government negotiators rely on the technical expertise of business to help set priorities. Business views are critical to developing negotiation positions bilaterally and in the context of the WTO. Specifically, these views can give renewed impetus to the EU-Canada Trade Initiative (ECTI).

To that end, CERT respectfully requests the opportunity for an exchange of view at political level on the occasion of the regular EU-Canada summits, preceded by working level discussions with the responsible services of the Commission and the departments of DFAIT.

2. Points of Substance:

Increased bilateral and multilateral trade liberalization is of the utmost importance to both Canada and Europe. Last year the total trading relationship between Canada and the EU amounted to approximately 40 billion Euro / 65 billion Canadian dollars. Although trade between the two regions is strong, few question its potential for improvement.

CERT will continue to demonstrate a commitment to increasing trade flows and investments between Canada and Europe by pushing forward trade liberalization bilaterally and within the WTO.

While the EU is Canada's second largest destination for exports, Canada is one of the few countries in the world still subject to the EU's full common customs tariff. Canada and the EU must continue to work towards bilateral free trade which includes a comprehensive and effective set of rules to simplify and modernize both bilateral and multilateral trade procedures, with particular regards to customs and other technical trade barriers.

Over the past year, bilateral efforts to launch comprehensive multilateral trade negotiations at the WTO have continued and both Canada and the European Union have shown a broad commitment to a rules-based trade liberalization system. CERT is grateful for this sustained joint effort. However, CERT strongly believes that both Canada and the EU must continue to press towards securing greater liberalization of trade in goods, services, and investments on the world stage by increasing market access for Canadian and European companies in global markets. To the extent that a new and broad-based WTO round of negotiations can facilitate this process, it is undoubtedly a key priority for the business communities of both Canada and the EU.

Certain events over the past year have unfortunately slowed the progress that had steadily been made at WTO since the Uruguay Round. Combined with the need to address an enlarged WTO membership, all countries should be actively working towards launching a new and comprehensive round of multilateral trade negotiations to the overall benefit of both their respective economies and individual citizens.

CERT believes that it is of the utmost importance to continue to design a fair, efficient and effective rules-based global trading system in which countries live up to the expectations of existing agreements and help to strengthen the credibility of the multilateral trading system itself. Indeed, all countries gain where there are clear rules governing international trade and effective means of applying those rules at the international level. Conversely, Canadians and Europeans lose where there is a retreat to protectionism and a lack of respect for international law.

Much progress has been made in the negotiations at the WTO on trade in agriculture and services. While Canada and the EU differ on some aspects of these negotiations, both have supported the reduction of agricultural export subsidies and increased

commitments on market access and national treatment under the General Agreement on Trade in Services (GATS).

However, new negotiations at the WTO must not focus solely on these two issue areas. Given the range of interests at stake for both Canadian and European businesses, it is essential that negotiations be extended to encompass other issues, including telecommunications and financial services, industrial tariffs, competition policy, technical standards-related barriers to trade, electronic commerce, international investment, transparency and dispute resolution.

CERT recognizes that the dispute settlement system has been one of the major gains within the WTO process. Compared to the former GATT system, trade disputes are now settled much more rapidly and effectively, on the basis of legal precepts and in a well defined time frame for decision-making and implementation.

Yet, Canada and the European Union should make a concerted effort to ensure that Dispute Settlement Understanding (DSU) reform results in a more expeditious and transparent dispute resolution process and that the implementation of the rules remains fairly and consistently monitored. Moreover, while the WTO rules and decisions must be ardently adhered to, they should also be flexible enough to keep pace with and take into account changes in trade, technology and overall business activity.

Canadian and European companies frequently use the WTO-based trade remedy system to deal with trade problems. Various businesses in both geographic regions have gained by effective domestic trade remedy systems and by the assurance that other trading partners will “play by the rules”. To make sure that this approach continues, both Canada and the EU must continue to work towards preventing the unwarranted use of national trade remedies such as anti-dumping and countervailing duties.

Both Canadian and European businesses are concerned over the proliferation of these types of distorted trade remedy systems, as well as over the increasingly frequent invocation of domestic laws to counter legitimate foreign competition. This issue should be given priority attention in upcoming WTO negotiations.

There is no doubt that the WTO must continue to be the central pillar of both Canadian and European international commercial policy. The economic prosperity that Canada and the EU enjoy, as well as the future of global security and cooperation, are largely dependent upon a comprehensive and well-functioning multilateral commercial framework.

CERT believes that both governments would be wise in seeking and taking into full account of the expertise and advice of Canadian and European business in deciding on negotiating priorities at the WTO. More than ever, government negotiators rely on the technical expertise of business. As Canadian and European businesses identify market access opportunities, so too do they recognize barriers to the free flow of goods and services across borders. Our business communities are the vital generators for both the Canadian and European economies as creators of wealth, knowledge and jobs. It is important to remember that it is business that must operate under the legal and regulatory frameworks resulting from trade and investment agreements. As such, their views should be included in the official positions raised at bilateral and multilateral negotiating sessions.

The WTO is at a critical juncture. Expanding the framework of rules and rights under an ever-increasingly complex and competitive global economy is of paramount importance. As national economies become increasingly linked through the process of globalization, the need to address trade issues across national boundaries becomes critical. Increased trends toward globalization are inevitable and irrevocable, and the multilateral system for global commercial governance must develop in accordance.

We appreciate your attention and consideration of these important issues.

CERT Member Policy Issues

The following are a selection of outstanding member issues and concerns that CERT wishes to bring to the attention of the governments of Canada and the European Union and its member states.

1. Alcan - 6% Tariff on Aluminium

BACKGROUND

Free trade has been central to the development of the aluminium industry. The process of tariff reductions which has been spread over eight rounds of GATT negotiations has reduced the domestic price of the aluminium ingot and generated the same effects as those expected from the proposed elimination of the European Union 6 % tariff on aluminium ingot imports.

- ⇒ Alcan supports the abolition of this trade tax because of its positive impacts on the European and international aluminium industry. Alcan has been very active in mobilising the industry and governments to the impacts the 6% duty have on costs, consumers, and competitive materials.
- ⇒ Since most industrialized countries are now considering what new and revised trade measures are needed to maintain and improve trade and investment rules, Alcan has convinced Canadian officials that tariff elimination on primary aluminium and other non-ferrous metals remains a priority for Ottawa and is on the Canadian agenda for the next multilateral trade negotiation. The Conference Board of Canada and the Canadian Manufacturers and Exporters are also very supportive of these views.
- ⇒ The US Aluminium Association is supporting the elimination of tariff and non-tariff barriers to aluminium trade and recommended to the U.S. Trade officials that these barriers are phased out by a negotiated date certain.
- ⇒ The European Commission has accepted that market access and industrial tariffs would also be on the agenda and there are no indications that aluminium and other non-ferrous metal will be taken off the list as it was in the Uruguay Round. On the contrary, our reports tell us that the Commission is very well aware of the impact the tariff has on the industry and favoured the position taken by the Federation of Aluminium Consumers in Europe (FACE) to further liberalise aluminium markets in the EU and internationally to level the playing field, thereby reducing the cost of aluminium products while preserving margins across the industry.

A WORKING PROGRAMME

- The real effect of the duty increases the price of input paid by the ingot customers and increases the price of aluminium products paid by the EU consumers. On the other hand, the EU market is subsidising competitive

aluminium producers. Lifting the duty would lead to a lower cost of supply, a major stimulus for European semi-fabricators. Since semi-fabricating accounts for 90% of the employment in the EU aluminium industry (190,000), the prospect for overall jobs growth is stronger than by maintaining the tariff.

- Additionally, an elimination of the 6% accompanied by the equivalent reduction of the tariff on semis could have some effects on several rolling mills. The prospect for a global reduction of tariffs on semi-fab products would oblige the industry to adjust for global competition and look at world markets.
- Several local considerations and the impact of the elimination of the tariff must be carefully analysed. A phase-out period would be required. Given the prospect of having to close smelters or reducing operations, a longer transition period to adjust to a free trade environment for aluminium is necessary.

Given the substantial support for the tariff elimination and various domestic and economic sensitivities, a reasonable scenario is a phase-out reduction at a pace of one per cent per year.

2. Canadian Pulp & Paper Association

The Uruguay Round of multilateral trade negotiations which resulted in a zero-for-zero agreement on pulp and paper products, was a major achievement but the implementation period is too long and Canadian exporters still face tariff barriers to trade in the EU. We therefore request that the EU Commission accelerate the implementation of the current agreement (which includes Canada, USA, Japan, New Zealand, Korea, Hong Kong and the European Union.) Furthermore we urge the European Commission to support expanding the participation of the agreement to other key trade partners. (e.g. China, India as well as several Latin American countries) through the Advanced Tariff Liberalization process.

3. Novartis

With the growing significance of the knowledge-based elements of the global economy, an efficient protection of intellectual property rights in general and in particular of their trade related aspects is critical.

Protected intellectual property rights are a conditional driving force of investments in R&D, innovation and economic progress.

The inclusion of TRIPs in the WTO agreement was an important milestone and has to be seen in the same context as the trade related investment measures. It is therefore in the interest of both Canada and the EU that the existing TRIP's agreements resulting from the Uruguay Round are implemented effectively and within the given time frame. It is further indispensable that the obligations of the built-in agenda are fully respected.

We also view the efforts to restrict the protection of bio/gene-technology inventions as well as the demands for an international exhaustion of patents, mainly for pharmaceuticals, as counterproductive. This would certainly harm the development of a key technology of the new century and the worldwide supply with innovative medicine.

We also urge Canada and the EU to support the process for a new WTO-Round, - which has to be carefully prepared -, since the formation of bilateral and regional trade blocks is undermining the multilateral rules and forms a serious obstacle for the further growth of world trade.

4. Nova Chemicals

General Comments

World Chemical Industry production exceeds U.S. \$1.6 trillion annually and about 30% of this production is traded internationally.

The International Council of Chemical Associations (ICCA) is an organization of leading trade associations representing chemical manufacturers worldwide. CEFIC based in Brussels and CCPA based in Ottawa are two of these associations. NOVA Chemicals is engaged with both of these organizations.

The ICCA Trade Policy Group, which Nova Chemicals chairs, is in favor of a new round of multilateral trade negotiations that:

- Is broad based, thus offering possibilities for balanced concessions between sectors, and mutual advantage and increased benefits for all WTO members;
- Builds on sectoral and regional enhancements undertaken since the conclusion of the Uruguay Round; and
- Requires final results of all negotiations to be adopted in their entirety by each WTO member.

The TPG has also prepared a number of position papers on our priority topics. These are:

1. WTO membership
2. Market Access and chemical tariffs
3. Trade Facilitation
4. Trade Instruments
5. Intellectual Property
6. New Trade Issues - Trade and Environment
- Trade and Investment

The European and Canadian Industry have endorsed all of the above.

It is also worth noting there was a joint framework agreement for chemical tariff harmonization in the Uruguay Round. This called for all countries to reduce tariffs to 5.5-6.5 percent within a specified timeframe. This proposal came from our ICCA Trade Group.

Specific European/Canadian Concerns

1. Canada's two main chemical markets are the U.S. and Europe. Our chemicals enter the U.S. duty free as a result of the NAFTA but they remain at 5.5-6.5 percent or above with Europe. Removal or accelerated reduction of chemical tariffs between Europe and Canada would be beneficial.
2. Mutual recognition of chemical tests and regulations between Europe and Canada would reduce costs to producers and remove a potential non-tariff trade barrier.
3. The European Commission is currently working on a policy paper that ultimately will lead to proposals for revision of the European Chemicals legislation. It is my understanding that this new strategy document is to be based on the "precautionary principle" which could be used to restrict trade.

The chemical industry in Canada and Europe wants to ensure that the basic principle of chemicals risk management is properly reflected in the revised legislation and doesn't lead to market restrictions.