

Canadian Embassy and Canada Spain Chamber of Commerce Encounter

Economic Agreement between the EU and Canada

11 March 2009

INTRODUCTION

- **I should like to thank** the Chamber of Commerce and the Embassy for the invitation to take part in this breakfast on the occasion of the visit by Mr. Roy MacLaren, a great initiative in support of the role that a closer economic and trading relationship can play in the economic recovery.
- Because **international trade** can and should play a major role as the **engine of growth and development** throughout the world, so trade policy, by opening markets, should form an important part of our response.
- For **Spain**, prosperity has been linked to an **economic policy inspired by opening up** trade and investment relations. Now it is more important than ever to keep our markets open and work so others can do so too. We think this provides an important stimulus to compete, innovate and grow.
- For this reason **we support the initiation of negotiations for an ambitious agreement between the EU and Canada**. Because the two parties believe that while multilateral trade rules should govern international trade, we can but also go further through more ambitious bilateral agreements.
- The **support of the private sector** for these initiatives is **fundamental**, and I am well aware of the interest shown by the business sectors of both parties, represented by the *Canada Europe Roundtable for Business*, in having an ambitious economic and trade agreement. This event is one more example of that commitment.

PRESENT EU-CANADA RELATIONS

- The **EU** is Canada's **2nd most important trading partner** after the US, while **Canada is the EU's 11th trading partner**. Investment relations are even more intense, since the **EU is the second most important investor in Canada** and **Canada is the EU's fourth** most important investment partner:
- The present relationship is based on **three agreements**: the Framework Agreement for Commercial and Economic Cooperation of 1976, the Transatlantic Declaration of 1990 and the Canada-EU Joint Political Declaration and Action Plan of 1996.
- Questions of trade are discussed at **annual Summits**, in the Joint Cooperation Committee, which meets twice a year, assisted by a Subcommittee on Trade and Investment. It is supplemented by other High level dialogues and Committees: Joint Committee on Wines, Regulatory Cooperation, Mutual Recognition, Agriculture, etc and other bilateral agreements, such as the Agreement on wines or that on the Registration of passenger details.

NEED FOR A NEW AGREEMENT

- However, we do not have a comprehensive and ambitious Agreement for our economic relations. Some attempts at achieving closer relations between us have encountered **difficulties** in specific areas of interest for our European and Spanish companies, precisely **because we do not have that agreement**, such as access to Canadian public procurement, protection of EU geographical indicators in Canada, or reciprocal recognition of professional qualifications.
- A reflection of these difficulties is the outcome of the negotiations on the ambitious Trade and Investment Enhancement Agreement (TIEA), that started in 2004 and ran aground some years later.
- **Canada** once again demonstrated its commitment to making headway, and this led, in 2007, to the proposal to negotiate a **more ambitious free trade agreement**, and we agreed to carry out a **joint study** to identify the areas in which it would have greatest impact. The study showed that the **greatest potential for improving trade** lay in reducing tariff and non-tariff barriers **and** the liberalisation of the trade **in services**, and quantified it.¹
- In addition, it demonstrated the existence of significant potential for encouraging economic relations in **other areas**, from labour mobility, the environment and regulatory cooperation to science and technology.

TOWARDS A NEW AGREEMENT

- At the **EU-Canada Summit** which was held in **Quebec in October 2008** both parties agreed to work together to **define the scope and depth of a new Stronger Economic Partnership Agreement**.
- The **EU** expressed its desire for an **ambitious and comprehensive agreement**, without a priori limitations with regard to the economic sectors that would be included, and incorporating all the chapters of the most ambitious bilateral economic agreements, with regulation of public procurement, geographical indicators and non-tariff barriers, and working towards a binding commitment to incorporate the Canadian provinces.
- It was decided to carry out a **joint scoping exercise**, which has produced a report taking into account the objectives of achieving a deepened and ambitious agreement and the conclusions of the study referred to.

¹ The elimination of barriers would produce revenues of 11,600 million euros for the EU and 8,200 million euros for Canada, leading to increases in the GNP of +0.08% for the EU and +0.77% for Canada.

- Total exports from the EU to Canada could increase by 24.3% while Canadian exports would increase by 20.6%.
- Liberalisation of trade in services would contribute to a substantial part of the gains (50% of the total for the EU; 45.5% for Canada).

- Thus the **Group** has indicated that **we should include a large number of areas**, since the greatest benefit for both parties will come from a high level of liberalisation and the inclusion in the agreement of other areas of mutual interest, as well as those strictly relating to tariffs. I would mention **certain areas**:
 - In **goods**, although the general tariff level is low, we will both benefit from the elimination of tariffs.
 - The agreement should also include clear provisions on **rules of origin**.
 - It will include **subsidies for the export** of agricultural produce and **State-owned commercial enterprises** and consider possible distortion of competition.
 - It will be necessary to substantially reduce **non-tariff barriers** to trade, with regulations on this matter.
 - It will be necessary to strengthen the WTO provisions on **Sanitary and phytosanitary measures** by establishing a specific mechanism.
 - We shall also have strengthened regulations on **technical barriers to trade** in the areas of transparency, international standards, technical regulation and certification, also using a specific mechanism.
 - We also need to advance in **facilitating trade**, including goals of efficiency, transparency, cooperation and consultation.
 - The liberalisation of the **trade in services** should form an important part of any agreement, with extensive cover in terms of number of sectors, volume of trade and forms of supply. The provisions should apply to measures pertaining to all levels of government and non-governmental organisations. It will also include ways to facilitate reciprocal recognition of professional qualifications.
 - In the field of **investment** there are also obvious opportunities for improvement. The negotiations will embrace the fields of pre- and post-establishment in all sectors, increasing transparency and ensuring non-discriminatory treatment of investors and investments. The obligations that are agreed should be binding on both central and sub-central levels of government.
 - The agreement will have to improve access to **public procurement** markets in order to completely cover all sectors, both at a central and sub-central level, ensuring the other party's suppliers a no less favourable treatment than that given to local suppliers. Transparency, regulation, procedures and practices must be improved.
 - We must also negotiate regulations in **intellectual property**, including geographical indicators, going beyond multilateral rules in all categories of intellectual property rights to improve their protection and application.

- We shall also be able to include issues concerning **sustainable development**, with provisions on the environment and labour rights, to ensure that they cannot be used as measures to distort trade or investment. Liberalisation of environmental goods and services could be part of the commitments on market access.
- This long list of issues will give you an **idea of how ambitious this exercise is**, of the **major impact** we can expect from it coming into effect, but at the same time **the difficulty it also involves**.
- One of **the critical points** that concerns the European side is the **commitment of the governments of the Canadian Provinces** to apply the agreements in the areas in which they have broad jurisdiction, given the Canadian institutional structure. Thus a few weeks ago the **Council of the Federation** issued a **Declaration** supporting the negotiations of this new and comprehensive Economic Agreement with the EU, in which 12 of the 13 provinces and territories confirm their commitment to **participating** constructively in the negotiations and **applying the results** of the agreement within their areas of jurisdiction.
- Hence it is the Canadian **federal government** that has the **competency and responsibility for pursuing the negotiations** and incorporating the result in international treaties, while the **provinces and territories are responsible for their application within their area of jurisdiction**, and drawing up the legislation necessary to do so. The **EU has confidence in the Provinces' commitment** to implementing the results, since if they failed to do so **the scope and value of the agreement would be very limited**.

BILATERAL IMPLICATIONS

- An EU–Canada Agreement will have a **favourable impact** on strengthening economic relations between **Spain and Canada**, which have been intensifying in recent years not only in terms of exports, but also in more complex operations in the services sector and setting up enterprises.
- The agreement will be a stimulus for **increasing our bilateral economic and trade flows**, which are still **modest** if we consider that our exports to Canada represent some 850 million euros per annum and our imports 1,400 million euros.
- Our **investment stock** in Canada in 2006 was 503.8 million euros, and increasing, while the Canadian investment stock in Spain that year was 7 time greater, at 3,614 million euros.

CONCLUSION

- To conclude, I should like to emphasise that the **economic policy** that is leading to **recovery** should include **opening up markets in order to increase trade and investment, the creation of new business opportunities** for companies on both sides, and an **ambitions economic partnership agreement between the EU and Canada fits perfectly into this strategy**.

- We hope and trust, then, that it will be possible to **formally launch the negotiations** at the **forthcoming EU-Canada Summit** in May.
- **Thank you once again** for the invitation.