

## The Canada Europe Roundtable for Business



- Launched in 1999 in response to a need for a formal Canada-EU business dialogue
- Supported by more than 100 chief executives
- Principal advocate for the Comprehensive Economic and Trade Agreement between Canada and the EU

## History of the Canada-EU relationship



- 1949 Article 2 of the North Atlantic Treaty obliged members to promote greater economic collaboration – the 'Canada Clause'
- Canada opened first foreign mission in Brussels in 1959
- 1972 Third option of Pierre Trudeau led to:
- 1976 Framework Agreement for Commercial and Economic Cooperation
- 1990 Transatlantic Declaration normalized Summits
- 2002 Trade and Investment Enhancement Agreement
- 2009 Comprehensive Economic and Trade Agreement

## Political landscape



- 2006 Global Europe strategy led to launch of FTAs with Asia. In 2008 Europe agreed to pursue FTAs with advanced economies, Canada being the first
- Lisbon Treaty moved investment competency to Brussels; greater role for the European Parliament
- Final decision is made in the European Council
- Canada agreed to involve provinces in negotiations
- Federal government has kept negotiations low key
- Some agitation from interest groups

## The champions



- Roy MacLaren
- CERT
- Jean Charest
- Nicholas Sarkozy
- Stephen Harper
- Marie Lucie Morin
- Business Europe
- Peter Mandelson

## The economic rational



- Canada generates 2/3rds of its wealth through trade
- Investment has soared
- Significant M&A activity in the last decade – Alcan, Bombardier, Labatt, MDS, Centrica, Statoil, Total
- Border is thickening with the US
- Since recession, trade with Europe has increased markedly
- EU purchasing power and vulnerabilities
- Desire for internal reforms in Canada and the EU

## The numbers



- Bilateral stock of investment more than \$350 billion
- 25% of investment abroad is in Europe, 25% of investment in Canada is from Europe
- Bilateral trade in goods and services more than \$100 billion per year
- Sales of foreign affiliates more than 4 times this amount
- 2009 Joint study conservatively projected gains in goods and services trade will be more than \$30 billion

## Are the stats wrong?



- *“What counts is not the imbalances as measured by gross values of exports and imports, but how much value added is embedded in these flows” - Pascal Lamy, Director General of the WTO*
- Conference Board concept of Integrative trade says stats under-report activity. For example, they project that trade in services grew over 14% per year from 2000-2008.
- Total integrative goods and services trade estimated at \$400 billion from the EU and \$150 billion into the EU. Versus conventional measure of \$110 billion.
- Businesses are establishing foreign affiliates, developing supply chains that utilize comparative advantages and push innovation and productivity – EU more than Canada

## Key issues



- Canada
  - market access
  - labour mobility
  - non-tariff barriers
  - services and investment (negative list)
- Europe
  - procurement
  - inter-provincial trade barriers
  - intellectual property & geographic indicators
  - Raw materials

## Difficult areas



- Mechanism for dealing with technical barriers
- Agriculture
- Ambition on services and investment
- Ambition of provinces, notably on procurement
- IPR & Geographic Indicators
- Buy Ontario?
- Seals and the Oil Sands?
- Euro troubles?

## What comes next?



- Fifth round of negotiations the week of October 18th in Ottawa
- Have already agreed to go duty free on 90% of goods. Remaining 10% tied to other offers mainly on procurement and services
- Stock taking following the fifth round
- EU requires an updated mandate for negative lists for services and investment
- Prime Minister wants to conclude negotiations by May 2011

## Why does the CETA matter?



- Diversification
- Access to massive market with wealthy consumers
- Competitive pressure; innovation
- European technical expertise in addressing resource use, climate change
- Access to European capital and investment
- Framework to govern increasingly large and complex economic relationship
- Reforms can help Canada with other agreements / WTO

## NAFTA-EU FTA?



- Would encompass 1 billion people and have a GDP of \$35 trillion
- Relationship already highly integrated; similar institutions and policies
- Would place pressure on China and India to negotiate seriously at the WTO
- By moving with the EU, Canada will ensure that it plays a central role in a NAFTA-EU negotiation