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Chamber of Commerce Speech

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**Toward a New Canada-European Union Economic Area,  
For Broadened Market Perspectives: Québec's Position**

The pronounced version is valid

Ladies en gentlemen,

It is a great pleasure for me to speak to you today and I would like to thank Mr. Van de Vyver for allowing me to inform you about the project for a closer economic partnership between Canada and the European Union as well as Québec's position on this subject.

Seen from Québec, the construction of Europe is one of the greatest accomplishments of the 20th century. For those interested in the evolution of the relationships between nations, the European Union is an indispensable point of reference. And Québec is indeed interested.

In the 50 years that followed the Treaty of Rome, which launched the European Union, the world changed a great deal. We really do live in a global village where everything is interconnected. These contemporary realities render this project all the more relevant. Europe is needed in the world of today. And, if the world has a need for this peaceful, stable Europe, in the context of a world that is becoming increasingly

globalized and in which interdependencies are becoming more pronounced, we feel that the world also needs a strong transatlantic relationship and that that relationship must include Canada.

Québec is well positioned to initiate a Canada-European Union rapprochement. The strong network of Québec representation in Europe, the maturity and magnitude of the relationships that the Government of Québec already has with a number of governments and regions with legislative power in Europe, our history, values and traditions, our position in Canada, make Québec the natural interface between all of Canada and the European Union.

## **Longstanding Trade Relations**

The economic relationship between the EU and Canada has a long history. It dates back to 1959 when Canada accredited its first Ambassador to the European Union. In 1976, the European Union signed an Economic Cooperation and Trade Agreement with Canada. It was, moreover, the first industrialized country with which the EU signed a Cooperation Agreement.

The economic cooperation between these two partners was slowly strengthened over the years by way of different joint declarations aimed at stimulating trade and investment. Canada and the European Union also embarked on discussions, in 2004, for a Trade and Investment Enhancement Agreement (TIEA), but the negotiations were interrupted in anticipation of the conclusions of the Doha Round.

Currently, agreements containing voluntary cooperation measures only exist between Canada and the EU.

As I mentioned earlier, we feel that the world also needs a strong transatlantic relationship and that that relationship must include Canada.

I say that the relationship must include Canada, because we cannot but notice that in Europe, when we speak of a transatlantic relationship, we think especially of the relationship with the United States. Canada is easily forgotten or taken for granted in reference to America. Indeed, the challenge for Canada is to secure its place in this transatlantic relationship.

Close to eighteen months ago now, the government of Québec made a proposal to the Canadian government: act now to ensure an economic rapprochement with the European Union, by negotiating a "new generation" free trade agreement.

The Canada-European Union Summit, held last June, made it evident that both partners have a will to make progress with their economic integration. Canada and the European Union agreed to carry out a joint study, for the purpose of assessing the costs and advantages of a more engaging economic partnership, with a view to facilitating trade and investment flow. This partnership would allow us to strengthen our bilateral cooperation in the fields of science, technology, energy and the environment.

In other words, we would like to see the emergence of an economic area that is integrated, to the highest degree possible, with the EU.

I used the term "new generation", because traditionally free trade agreements dealt with tariffs and goods. While the presence of tariffs is important in international trade, it is no longer the chief obstacle to economic relations between two partners who are as open as are Canada and the European Union. It is time to come to an agreement on a set of joint regulations that will improve the competitiveness of our businesses, in terms of participating in the chain of global production.

Of course, if the question of tariffs is not settled through the negotiations underway in the Doha Round, they must be included in the negotiations for a bilateral Canada-European Union agreement, but that is not the essential point.

We wish to see an avant-garde agreement that would strengthen economic integration and that would include, among other things:

- The elimination of tariff barriers and especially non-tariff barriers.
- Government procurements.
- The elimination of obstacles to trade in services, including financial services.

- Mutual recognition of professional qualifications and work force mobility.
- Regulatory cooperation.
- Investment policies.
- Cooperation and coordination with regard to competition policies.
- Intellectual property rights.
- Geographical indications.

Thus, this agreement would make it possible to:

- provide free access to each other's markets.
- strengthen the flow of European and Canadian investments.
- remove the remaining obstacles to cooperation in science and technology.
- cooperate in the fields of the environment and energy.
- improve the competitiveness of our businesses in third party markets.

(to name but a few factors).

Since the Premier of Québec, Jean Charest, launched the idea of an economic rapprochement with the European Union, the Government of Québec has championed that proposal in

Canada as well as in Europe. The federal government and the European Commission have been made aware of the project as have the other provinces. The business communities in Québec, Canada and Europe have been contacted and are involved.

Moreover, the Canada Europe Roundtable for Business issued a declaration in support of the project that, to date, has been signed by 85 chief executives of large Canadian and European businesses. BusinessEurope and the Canadian Council of Chief Executives also sent a joint letter of support to the two leaders, Mrs. Merkel and Mr. Harper, prior to the most recent Canada-EU Summit.

We have carried out missions in some EU member countries. The ties that we have developed with our partners in European regions with legislative power have allowed us to make them aware of the project as well. It was in this way that the Lombardy region in Italy came to support the project for an economic partnership between Canada and the European Union. In addition, the Lombardy region offered to promote the project at the next meeting of the European network of regions "Four Motors for Europe", over which it presides in 2008.

For his part, the Minister-President of Bavaria, Mr. Günther Beckstein, has stated that better cooperation between the European Union and Canada would be beneficial for exports from Bavaria and Québec. He has joined forces with Québec in order to insist on this point.

**You are, no doubt, asking yourselves why Québec is becoming involved in the project for an Agreement between Canada and the European Union.**

There are two main reasons:

1/ First, Québec is an export economy. Québec firmly believes in free trade and our past experience with NAFTA has shown us that this belief is justified. Indeed, it was the will of Québec that made the North American Free Trade Agreement a reality. Today, we wish to play the same role with regard to a free trade project with the EU.

Clearly, a market of 500 million consumers is of interest to us. We are also aware that we have, in an international context, an interest in diversifying our markets.

The value of goods traded between Canada and the European Union of 27 amounts to €58 million annually, one third of which constitutes trade with Québec.

Canadian businesses are also selling goods, in quantities that far exceed their exports, through their subsidiaries in Europe. Indeed, Foreign Direct Investment (FDI) forms the framework of the transatlantic relationship. The investment flow with Europe has more than doubled in five years. Canada is now the 4<sup>th</sup> source of FDI in the EU. As for the EU, it is the 2<sup>nd</sup> source of FDI in Canada.

In addition, 25% of foreign companies in Canada are of European origin. In Québec, the proportion is 41%.

While this relationship is a rich one, it has not however, been developed to its full potential. The European Union is already our second most significant partner; the potential of this market must now be maximized.

2/ The second reason for our involvement in this project is that the European Union's areas of interest, in negotiations with Canada, fall under provincial jurisdiction. Whether it be the opening up of government contracts, indications of origin, work force mobility or even recognition of qualifications, the provinces are responsible in these areas.

Furthermore, our friends at the European Commission often remind us that in addition to the Doha Round, the other reason for the suspension of the TIEA discussions, launched in 2004,

was due to Canada's difficulties with regard to commitments from the provinces concerning their areas of jurisdiction.

The Canada-European Union relationship will therefore be unable to achieve its full potential unless the provinces become stakeholders in the relationship.

Today, I am able to tell you that such is the case. In addition to Québec, the other provinces also support the project.

In January 2008, the Premiers of the different Canadian provinces met during the Council of the Federation and agreed on the benefit of forming a new economic partnership with the European Union.

Last week, at an historic meeting between their two Cabinets, Québec and Ontario issued a joint declaration requesting the commencement of negotiations for a new generation economic partnership between Canada and the European Union. Let me point out that these two provinces account for 60% of the Canadian economy, which is far from negligible!

We therefore hope that the process for launching the negotiations will be announced at the upcoming Canada-

European Union Summit to be held in Montréal on October 17, 2008. Canada is ready.

For the European Union there are, as we understand, two major considerations:

- First, negotiations with Canada would be the first bilateral negotiations with a G8 country since the outset of the multilateral process. Therefore, this represents a decision that would clearly modify the actual position of the EU, for whom multilateral negotiations are the only favoured channel for the liberalization of trade with OECD developed countries. Recently, however, an exception has already been made by negotiating with South Korea, a country whose economy is similar to that of Canada. In the past, agreements were signed with Mexico and Switzerland among others.

- The second consideration is the assessment that the EU will make of the commitment from the Canadian provinces. This concern was perhaps justified 18 months ago; however, today it is no longer the case.

## **How would the European Union benefit from such an Agreement?**

For those who welcome the notion of a transatlantic rapprochement, Canada represents the best point of departure:

- Firstly, Canada is not simply a market of 33 million citizens. It is, taking NAFTA in account, the doorway to a market of 440 million people. Canada is ready for this rapprochement. The context in the United States does not favour it for the moment.

- Secondly, an agreement with Canada will not call into question the entire current multilateral system. Canada and the European Union have common interests in the Doha Round of negotiations. We fervently hope that they are a success. That which we are proposing goes beyond these negotiations and regardless of their outcome, an economic agreement with Canada would only supplement a multilateral agreement. In addition, given the size of the Canadian market, this agreement would be entirely reconcilable with international economic alliances.

- Thirdly, a new generation agreement would serve as a model for future negotiations with other partners who share, as does

Canada, the same values and are situated at a comparable level of social and economic development.

- Fourthly, Canada is one of the global leaders in science and technology, particularly, in telecommunications, aerospace, life sciences, environmental technology and IT. Business collaborations in cutting edge fields may increase even more between European and Canadian research groups.

- Fifthly, given its stability, Canada is a reliable source of abundant and diversified natural and energy resources.

- And lastly, according to CEPS (Center for European Policy Study), the most beneficial free-trade agreements for the European Union have been those that were signed with countries whose tariffs were already low, as is the case with Canada. These countries are generally more open to free-trade and are therefore more inclined to discuss regulatory cooperation and non tariff barriers. For this reason, it is possible for the EU to achieve a free-trade agreement that is broader than those with other countries.

## **What are the major steps prior to the Montréal Summit?**

The drafting of the joint study will be finished in just a few weeks from now. It should define the areas in which it is advantageous to open up each other's markets. It is highly probable that this will pave the way to negotiations. But will the parties commit to it?

The next activity of importance for this agreement will take place here in Brussels, in July. On the initiative from the Canada-Europe Roundtable for Business, the parties with the highest level of involvement will have their voices heard by authorities from the European Commission at a meeting that will bring together European and Canadian businesses and their business associations from both sides of the Atlantic. They will clearly indicate to the European Commission their interest in the conclusion of a free-trade agreement.

Québec will continue with its efforts in Europe in consultation with the Mission of Canada to the European Union in Brussels and with Canadian Embassies in European countries. In Brussels, we will continue to meet with different stakeholders in the political and business communities in order to persuade them to promote the project with the EU member states and the European Commission.

Several representatives of important European regions are with us here today. I would like to thank them for being present and invite them to speak favourably of this free-trade agreement.

Moreover, the network of Québec representations in Europe, which includes eight delegations and offices, will continue to promote the project in their respective territories.

France, Germany, Italy, the Netherlands, Portugal, the Czech Republic and the United Kingdom, to name but a few, are already showing an interest in the project. The Prime Minister of Luxembourg, Jean-Claude Juncker, received the project favourably, as did Kris Peeters, the Minister-President of Flanders whom Jean Charest, the Premier of Québec, met last January at the World Economic Forum in Davos.

As you know, the idea of a rapprochement with Canada, which is considered to be a "Europhile" country, is generally well received in Europe.

Currently, three networks of innovative European regions are circulating a draft statement of support in favour of a CA-EU free-trade agreement. Those networks are: Four Motors for Europe, Flanders DC (Districts of creativity) and the European

Regional Economic Forum. Several of these regions are also represented here today. I would like to thank you for joining us today and I invite you to promote this project and make it known to your national authorities.

We hope and believe that the European Union member countries will give their approval for the negotiation of an economic agreement with Canada. We hope that the announcement will be made at the next Canada-European Union Summit in Montréal in October 2008. We are confident that the Summit will lead to the establishment of new trade relations that will favour the prosperity of both partners and contribute to the longevity of the ties between them.

Thank you for your attention.