



An Open Trading System: A Common Responsibility

Brussels, 20 September 2019

EU Trade Commissioner Cecilia Malmström

Ladies and gentlemen,

Thank you for having me here.

Every year, the Killam Prize recognises Canadian scholars and scientists – in the natural sciences, humanities, engineering and more.

It is an interesting list. It helps you see what is going on at the edges of human knowledge.

This year was no exception: Lynne Viola won a prize for her work on Stalin-era archival documents – no easy thing in a time when truths were buried and facts were obscured.

Yoshua Bengio won another. He is one of the world's foremost experts in artificial intelligence – truly at the cutting edge.

But it is the work of Dr Keith Hipel that jumped out at me. Dr Hipel is an engineer, renowned for his unique interdisciplinary approach to research.

He applies System Engineering to a range of areas – from sustainable development and environmental issues, to decision-making and conflict resolution.

His approach is based on the recognition that everything is connected. He looks at the world in terms of systems – he sees the connections between things.

This kind of approach is the one we want to take with trade – an approach that recognises nothing exists in a vacuum.

Trade is a good tool for creating an impact. While it cannot fix everything, when done right it can contribute to a better world. Our aim is that trade creates benefits for as many as possible: for business, for society, and for the world at large.

In many ways, CETA is the epitome of this approach to trade. CETA is now up and running. 2018 was the first full year of provisional application. Tomorrow we celebrate its second birthday.

We have made important progress in setting up the institutional structure of the agreement – and to do so in a transparent and inclusive way.

Once fully implemented, the benefits stand to be massive.

OPPORTUNITIES FOR BUSINESS

It is still very early to assess the impact of CETA – however, the first signs are promising. For example, trade in goods has increased by 10.5%.

On the EU side, the agriculture sector has seen a 7% increase alone. Machinery and mechanical appliances has risen 16%. And an 11% rise in vehicles and parts is already having an impact in the sector.

Our bilateral trade in services has increased by over 16%.

Canadian businesses are benefiting too – EU imports of Canadian minerals are up 5%. Pharmaceuticals are up a massive 33%. And fish and crustaceans are up 23%.

It is important to remember that this is not just for the big guys either. CETA has a special focus on helping smaller businesses access trade – it is a key concern shared by both Canada and the EU.

From slashing red tape to providing more information online, CETA makes life easier for smaller business – companies like Spotzi.

Spotzi is a state of the art company that uses big data and artificial intelligence tools. They map everything from demographics to shopping patterns.

They have 12 employees and have recently set up operations in Canada.

There, they will benefit from local talent and knowledge in big data.

CETA makes it easier for firms like Spotzi to:

- send staff back and forth across the Atlantic
- apply for government tenders
- avoid red tape and crack new markets

And we are not finished yet. As we implement the agreement, we will expand these efforts.

The first CETA Joint Committee made three recommendations to set the stage for further work. The first specifically addressed smaller companies – it recommended using contact points and dedicated information to encourage more to get involved in EU-Canadian trade.

In many ways, the negotiation of our agreement was only the first step. Now we need to implement it properly. This will be a major focus of the EU in the coming years.

Besides CETA, we have negotiated trade agreements around the world: with Japan and Mercosur, Mexico and Singapore – and many more.

We need to make sure that businesses can take advantage of them. Negotiating trade agreements without proper implementation is like building roads but teaching no one to drive.

We also need to make sure to implement social and environmental provisions too – making sure that CETA fulfils its potential on all fronts.

BENEFITS FOR SOCIETY

Indeed, the second and third recommendations of the first CETA Joint Committee were on these issues. They recommended that the EU and Canada work together:

- on climate action measures and the implementation of the Paris Agreement, and;
- on gender equality in trade.

When it comes to these provisions, we need to make sure they are more than just words.

In January, we brought together a range of stakeholders with this in mind. We had representatives from civil society, NGOs, business and policy makers. The question was how to best use CETA's framework to implement the Paris Agreement.

Conversations like this are vital. Not least because Canada and the EU have created a new kind of agreement between them. An agreement that respects:

- environmental standards;
- human rights, and;
- labour rights.

Discussions and contributions from society will help us turn words into action – and I believe we have the political momentum to do so. This is because Canada and the EU have a shared vision – we have shared values.

We believe in open trade – it is a fundamental economic freedom. It has lifted millions out of poverty, and brought opportunities to millions more. But we do not believe in open trade at all costs. We realise that if trade is going to work, it needs to work for everyone:

- for business;
- for society, and;
- for the world at large.

Before I mentioned some ways that CETA benefits business. And now I have highlighted how it can contribute to society. Next, I would like to explain the role that it has in the world – in particular, its role in global governance and as a beacon for open global trade.

CHANGING GLOBAL ENVIRONMENT

It has not been an easy time for trade. People have been questioning it like never before – often because of pressure from the challenges we face. Globalisation, while broadly positive, has led to unexpected economic transformations.

Disruptive technologies opened up both opportunities and vulnerabilities. Connectivity brought both benefits and challenges. Meanwhile, a painful economic crash disproportionately affected Europe, the US and Canada. While Canada has managed to return to levels from before the recession, the world remains deeply changed.

So now we find ourselves in a new environment. One where we remain deeply interconnected, but there are new contenders on the rise – many of whom are in Asia.

We have to face the realities of the global power structure, while at the same time figuring out our place in it. Countries are reacting to this new reality in different ways.

It is unfortunate that the US – once the great global architect of influence through alliances – is reacting by stepping back from the world stage.

In the face of relative gains from China, America now sees they see economics, and trade in particular, as a zero-sum game. They see growth in terms of rivalry and connectivity in terms of vulnerability.

This is a mistake.

It would be naïve not to consider some of China's behaviour problematic – but by confusing trade and security, we all become poorer and frailer.

We should not blur that line.

The EU's response to this is not to try to punish China. It is to rejuvenate and reform global rules and work with China.

We believe this is the only way to secure the benefits of global trade in a sustainable and fair way – to anchor change in a rules-based global system.

We consider CETA, like many of the other agreements we have negotiated, a part of that effort. It is a beacon for global trade, supporting more than 865,000 jobs in the EU.

It shows the value of rules and order – especially through new models, like our Investment Court System. It also shows that in the face of pressure, the EU and Canada are prepared to stand up for open global trade – between us, but also in the work we are doing jointly to reform the World Trade Organisation.

MULTILATERALISM

At the moment, the EU has one objective above all others – our priority number one: saving the World Trade Organisation. It is the heart of the rules-based international trading system – and it is in crisis.

The situation remains very tense:

- blockage of Appellate Body;
- threat of countries operating outside the system, unilaterally, and;
- challenge of unfair trading practices not covered by existing disciplines.

The system is critical to the functioning of trade, but it is in need of reform.

The EU has proposed a comprehensive reform – and now we are trying to push forward those ideas.

We rely on our partners in Canada, who are leading the Ottawa Group, to support us in saving the WTO. We have all benefited from its existence – we need to secure those benefits for another generation.

We need to fight for the WTO with everything we have. CETA is an example of how our bilateral agenda can feed into this objective. Through strengthening relationships with likeminded countries, and proving the benefits of trade to those who doubt it.

CONCLUSION

Like Dr Hipel, we must recognise that everything is connected. When we make a decision in one area, it has impacts elsewhere – and the way that we trade affects the world we live in.

I am confident that CETA has, and will continue to have, a positive effect on both of our countries – and on the world.

By coming together to...

- set global standards;
- promote joint values through trade;
- demonstrate the benefits of open global trade, and;
- stand up for multilateralism and the WTO

...the EU and Canada are taking steps to secure the benefits of open global trade for another generation.

Thank you.