

CHECK AGAINST DELIVERY

**Speech on the proposed 'Super Canada' Option and UK-EU
Strategic Partnership Agreement (SPA)**

at DCB Conference: 'Deal or No Deal: What are the options?'

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1. Introduction

Mr Chairman (Tim), Distinguished guests, Excellencies, Ladies and Gentlemen,

Thank you firstly for coming to my ECR-sponsored Conference today, which is an illustration of how our work in the European Parliament and that of our individual nations intertwines.

As a pro-Brexit MEP who campaigned vigorously for my own redundancy (!), I see it as my role in life now to try and facilitate the best deal we can for both the UK and the EU in the time we have left.

We need to assist the process of changing our relationship from membership of the EU to one of very close partners cooperating daily on trade, economics, foreign affairs, politics, counter terrorism and security.

We too want what Monsieur Barnier called yesterday a 'most ambitious trade deal' with the UK.

This Conference was timed to fall just before the vital December EU Council summit of Leaders, and its key briefing papers, which will decide on whether 'sufficient progress' has been made on money, EU citizens and the Northern Ireland border to start negotiating a trade deal.

It aims to look at the trade models available once – and if – we get to negotiating a trade relationship between the UK and the EU – from the

'Deal' side as well as the 'no Deal' side. By the end of this year I think we'll know whether Britain will be heading for Deal or No Deal.

But of course we mean No TRADE deal, not no deals at all. In reality, as with Canada, there are a number of deals to be struck such as on aviation, data perhaps, investment, customs and immigration.

Remember that if there is no trade deal, we can still negotiate to conclude these kind of non trade deals.

But we must all think carefully if we want 30-40% tariffs on French or British cheeses, or 45% tariffs on meat, 10% tariffs on nearly 900,000 German cars, or 12% tariffs on wine from France, Italy, or Spain. Civitas estimate if tariffs return, the UK will be paying £5 billion in tariff compensation, but the EU will be paying £13 billion – and that money goes to London not Brussels.

Having spent nearly 10 years on the Trade Committee of the European Parliament, working on deals such as the Canada, the Indian free trade agreement, the forthcoming New Zealand Free Trade Agreement – indeed, I have just returned from meeting trade bodies in New Zealand, one of the world's greatest exporters – and on Colombia/Peru, South Korea and Japan, I have some knowledge and insight into the kind of trade deals the EU does, and how it does them.

As a keen Brexiteer I always knew Brexit would boil down to trade and the nature of a trade deal, which is why I have sought to learn as much as possible about them.

Now the brief from the British Government is for a new 'deep and special partnership' and a comprehensive trade deal.

I have to say in apology that trade deals can be very complex, very technical, detailed - and dull!

They are often a whole legal list of chapters, protocols and annexes, linked to a whole series of other legalese in other agreements. This is a lawyers' paradise !

But bear with me because cracking this lies at the very heart of the Brexit talks and our future relationship with the EU. It is why we are in full negotiation on the cash needed to meet our obligations.

We seek to conclude a trade deal with the EU as once again a free, sovereign and independent nation – rather like Canada and its new relationship with the EU, and New Zealand and Australia, where negotiations are about to start: all 3 are English-speaking, Queen admiring, English law abiding, free trading, and cricket playing countries. All are self-governing, but want to have friendly trade and political cooperation with the EU. But all roads lead back to trade.

Our Prime Minister rightly said in Florence that she does not want to see, quote, "a stark and unimaginative choice between two models: either something based on European Economic Area membership; or a traditional Free Trade Agreement, such as that the EU has recently negotiated with Canada." She recognises the Canada deal as "the most advanced free trade agreement the EU has yet concluded and a breakthrough in trade between Canada and the EU."

But she caveats it rightly by saying “compared with what exists between Britain and the EU today, it would nevertheless represent such a restriction on our mutual market access that it would benefit neither of our economies. Not only that, it would start from the false premise that there is no pre-existing regulatory relationship between us.”

She called too for Renaissance-style creativity. This gives us the parameters.

So in this section I want to present to you a proposed model of association I call 'SuperCanada', which may not sound like Florentine David, but is indeed based on that recently agreed Canadian CETA deal – called the 'Comprehensive Economic & Trade Agreement' – but which is wider, deeper and better – importantly including far more on services than for Canada, and particularly on financial services.

By the way, please don't buy the propaganda that CETA took 7 years. Negotiations were actually only 3 years, the other 4 were wasted by EU rows over human rights and investor protection.

Canada had 16,500 goods tariffs alone to negotiate away, though many were zero rated. But Britain starts from a very different place. We have no tariffs to negotiate away, no quotas to end, or laws to converge. The Repeal Bill will actually make all EU laws UK laws.

But before discussing trade, I also want to point you to the companion to the trade deal, which rather like Jupiter following the Moon, is the non

trade political agreement that goes hand in hand with the CETA trade deal: this is called the 'Strategic Partnership Agreement' or SPA.

The Strategic Partnership Agreement covers cooperation on aspects such as justice, security, defence, counter-terrorism, foreign affairs, common democratic values, cooperation in multilateral organisations like the UN, and sustainable development.

I call these 'MAPs' – that is 'Motherhood and Apple Pie' deals - because they are pretty much non-controversial.

This kind of agreement is mirrored in the EU-Australian Framework Agreement signed in August this year, and the new EU-New Zealand PARC agreement (The Partnership Agreement on Relations & Cooperation) which the European Parliament voted through last week. In my view all these can be used as useful templates for an EU-UK political agreement – for our own UK-EU 'Strategic Partnership Agreement.'

These have, for example, an institutional framework of close international cooperation including technical committees for regulatory cooperation and Joint Committees or Joint Ministerial Committees where experts, Ministers or Prime Ministers can continue to meet.

So SPA is a good template for a non-trade deal.

CETA and SuperCanada

Now turning to trade, let me just explain a few key facts on trade deals to set this in context:

1. Firstly, the EU does trade deals but it works within a much larger global rules-based system established by the World Trade Organisation (the WTO) in Geneva amongst its 164 members and observers. Britain is a member of the WTO in its own right, and will regain its place on its powerful technical committees after Brexit, The EU is a separate member to its own member states too.

The WTO describes itself as ‘a forum for governments to negotiate trade agreements.’ In short, The WTO is the spring that feeds into the rivers of trade deals worldwide, including all EU trade deals.

2. The agreements made by the WTO are incorporated into EU trade agreements: you will find, say, the WTO’s General Agreement on Trade in Services (GATS) popping up in Chapter 9 of CETA under ‘Cross-border trade in services’; and you will find the WTO’s Agreement on Government Procurement (GPA) appears under Chapter 19 on Public Procurement under CETA. It’s the WTO not the EU which sets what it calls ‘the simple, fundamental principles... (that are) the foundation of the multilateral trading system.’

3. The EU and UK as WTO members must follow its rules, guidance and agreements in whatever trade deal the EU and UK agree, or else either party can end up in the WTO's own 'court' or appellate body - as with the non-ending Airbus and Boeing subsidy disputes.
4. Any free trade agreement between the EU and UK will have to have WTO approval. A free trade agreement is a licensed form of discrimination – it gives better terms than allowed under the standard WTO 'Most Favoured Nation' (MFN) terms, as they state no WTO member can give more favourable terms to another member unless through an FTA – and those FTAs must ensure at least 90% of tariffs are removed.

Coming to the EU: the EU has 4 broad types of trade deals:

Firstly, the 'old' basic 'first generation' agreements

Second, Deep and Comprehensive Free Trade Areas (DCFTAs) like Ukraine

Third, Economic Partnership Agreements (EPAs), which give access to the EU Single Market to developing nations such as Africa.

Fourthly, and most relevantly, what is called 'new generation' or 'modern' deals, which cover Colombia/Peru, Singapore, South Korea and Canada.

The reality on trade deals is that you don't have unlimited choices. Whilst the UK wants a bespoke deal the main templates to draw from are limited, as we'll see at this conference.

There is:

- the EEA option - used by Norway, Iceland and Lichtenstein -,
- the Swiss option,
- the Turkish limited goods customs union option,
- the Ukraine option, but which sadly contributed to starting a war with Russia in having military and defence components,
- and there is the no deal that actually is a deal: WTO Rules is a deal – an arrangement – but not a free trade agreement.

The EU is asking – perhaps reasonably – which one of these we actually want from them. Which brings me to Canada.

Now Canada's CETA is a great deal, and I helped get it through the European Parliament - meeting President Justin Trudeau after its signing.

The Canadian Government describes CETA as “a progressive free trade agreement which covers virtually all sectors and aspects of Canada-EU trade in order to eliminate or reduce barriers. Prior to CETA's entry into force, only 25 percent of EU tariff lines on Canadian goods were duty-free. Upon CETA's entry into force, the EU will remove tariffs on 98 percent of its tariff lines. Once CETA is fully implemented, the EU will have eliminated tariffs on 99 percent of its tariff lines.”

Bear in mind Canada is the EU's 12th largest single trading partner – the UK in contrast is the rest of the EU's – the 'EU-27's' - largest single trading partner.

[A report entitled 'Is the EU trade deal with Canada new or recycled?' by Allee, Elsig & Lugg, concluded that CETA is very distinct from other trade deals saying: "This lack of imitation suggests that CETA may serve an important role as a template in future trade negotiations."]

So let's start with what the European Union regards as so good about CETA in its own publicity:

@ It sees CETA as modern, comprehensive and a 'gold standard' deal. It is the largest free trade deal the EU has ever done, and with the largest economy, so far.

@ The CETA elimination or cutting of customs duties are some of the most far reaching achieved by the EU in a trade agreement: €470 million a year on EU industrial goods and €42 million a year for EU agricultural goods went immediately it was enacted this year. The EU sees this as 'levelling the playing field on the Canadian market for EU companies'.

@ CETA actually eliminates tariffs on all industrial products, over two-thirds of tariffs on fishing, and over 90% of tariffs on agricultural goods.

@ CETA does NOT require Canada to make a financial contribution to the EU budget.

@ There is no freedom of movement in CETA either, but it does allow easier transfers of company staff and other professionals on a temporary basis such as in legal, accounting, architectural or similar services'. This section relates to Mode 4 of the WTO's service agreement GATS. 16

@ On standards, the EU claims: 'CETA will not change EU standards. Standards and regulations related to food safety, product safety, consumer protection, health, environment, social or labour standards etc. will remain untouched.'

The agreement avoids what it terms 'double testing': the EU and Canada accept each others' conformity assessment certificates in areas such as electrical goods, electronic and radio equipment, toys, machinery or measuring equipment.

@ In relation to services, CETA is (quote) 'the most far reaching agreement ever concluded by the EU in the area of services and investment. The agreement requires both the EU and Canada to list discriminatory measures and quantitative restrictions across all sectors. It includes provisions to grant the EU greater access to Canada's postal, telecommunications and maritime transport services markets. It has also given the EU greater access to Canada's public procurement market.' This is not just at federal level but also to Canadian provinces.

@ In relation to Intellectual Property, CETA strengthens copyright protection and enforcement, provides more patent protection for pharmaceuticals. The EU also has agreement to protect 145 Geographical Indicators (GIs) for high quality products such as Roquefort cheese, Parma ham, or balsamic vinegar.

@ And it has Mutual Recognition of Professionals – for architects, accountants, engineers, nurses etc – a list of professional qualifications equivalences is provided - which recognises that standards between the EU and Canada in these fields may not be exactly the same but are of equivalently high standard.

3. What does SuperCanada mean – what is the Super part on top of CETA?

So the EU likes CETA as a trade model.

It is using CETA as the basis for deals with both New Zealand and Australia. Indeed I have been told that the New Zealand deal would take on board 80% of CETA without much issue, with just 20% then being negotiable. Australia too is using the CETA template, and the EU encourages this.

I know lawyers are uncomfortable at the notion of ‘templates’, as they may distract from large fees (!), but the reality is that trade deals around the world have a great element of templates being used, because the ingredients are much the same: those WTO agreements being turned into ‘chapters’ in deals. That is also relevant to turning existing EU trade deals like South Korea into bilateral UK deals post Brexit.

Dare I say it: there is a large element of ‘Cut and Paste’ to all this?!

What is the Super – or pluses – in SuperCanada?

So what I call 'SuperCanada' could be termed 'CETA+', or to be pedantic 'CETA++' or 'CETA+++', taking our bespoke deal closer to the EEA. It might be in the realm of 'EEA---' too but the point is there is a continuum...

between CETA on the one hand –
and EEA on the other –

i.e. it goes much further, deeper and wider than Canada.

SuperCanada paper on my website

Now I am going to put a paper up on my website – that is:

www.dcbmep.org – today which compares CETA with my SuperCanada proposal, so much more detailed comparison is there. This is for illustration and debate only, not a formal legal text.

[SHORT SUMMARY VERSION]

Without going into all that detail, the main points on this analysis are:

1. That there are 12 of 30 chapters are near directly transferable, and many based on WTO agreements in any case.
2. That of the other 18, most require fairly minor change or updating, whilst only 7 need substantial rewriting – these are in the chapters on Electronic Communications and Data Protection as we are so integrated at present (if we dont go for a separate Data deal), where SuperCanada would go a lot further than CETA.

On Government Procurement (19), there may be additional measures to protect politically sensitive areas such as the NHS or via a Protocol. Under Intellectual Property, the EU's desire for Geographical Indications (GIs) on produce such as Parma Ham or Guda cheese should be acknowledged.

Then measures under Regulatory Cooperation to manage future regulatory divergence, depending on how 'access to the Single Market' is defined, if the UK were to seek a more deregulated approach - even if stopping well short of the Singapore 'light touch' regime which Barnier made a point of raising yesterday.

This also opposes the concept of sanctions being levied under the Trade & Sustainable Development Chapter if in the EU's opinion we do not meet their environmental standards, which is Trojan Horse for British sovereignty.

Finally, the Chapter on Bilateral Cooperation and Dialogues is a good basis for a UK deal but it needs to list which EU programmes – I recommend Horizon 2020 research and Erasmus for students - and which EU agencies - such as the European Space Agency - the UK wishes to continue to participate in, and for which it pays fees or contributions.

3. As regarding speed of the agreement, after the recent European Court of Justice decision on the EU-Singapore deal, if investment and investor protection are not included in new free trade agreements, then only EU institutions – the Commission, Council and Parliament - actually have to agree the final deal, and it does not need ratification

by national parliaments - including Wallonia that voted down the Canada deal originally. This is what is proposed for New Zealand, and this addresses Forward MFNs too.

4. Finally I have added in what I call a 'bolt on' of financial services, which is a substantial addition. This is drawn from the expertise and 3 excellent reports by former City Minister Mark Hogan, the City of London, City Corporation and Hogan Lovells through the International Regulatory Strategy Group or IRSG, and presents a workable new system of cooperation in financial services including for example a Forum for Regulatory Convergence, to manage issues of divergence.

So there, Ladies and Gentlemen, is a quick run through of how the existing Canadian CETA deal can serve as a template for the wider, bigger and better 'SuperCanada' deal I propose, and including services.

I do believe SuperCanada is attractive, deliverable and positive for all, and I recommend it to you. Thank you.

ENDS