

Today's speech deliberately set in context of transatlantic relationships. Formalised in NATO but expressed in myriad of ways, some of which the Minister's speech will explore. But that relationship has brought the security, stability, and consistent prosperity which has proven a beacon for so many others, whatever to evaluate, to join- or just to emigrate to. On, now, with the Minister's speech, which looks at our particular partnership of value. I have taken a couple of minor editorial liberties, which I think will be clear to you.

IAN PEARSON SPEECH

Our countries - Canada and Britain - are bound historically, economically and politically. We share people, cultures and traditions. We're partners in the UN, Commonwealth, G8 and NATO and natural allies.

That's why every year, three quarters of a million Canadians visit Britain, and a million people from Britain visit Canada. 3,500 Canadians are studying in British universities.

Our troops are serving together in the Balkans, Afghanistan and in Africa. And, every year, over 10,000 British servicemen and women train in Alberta and Labrador.

Almost 40% of all Canadian investment to Europe comes to Britain. In 2005 Canada was the second largest investor in Britain by project after the U.S. Britain is Canada's third largest export market. More than a third of Canada's exports to the EU are sold in the UK.

We want to strengthen these transatlantic links.

We already have a huge number of partnerships, joint ventures and collaborations across a range of sectors (aerospace, biotech, energy).

We want more. That's why UK Trade and Investment (the trade and investment arm of the British Government) has increased its presence in Canada - here in Ontario, the West Coast and last year in Quebec.

We do believe that BRITAIN IS THE BEST PLACE TO DO BUSINESS IN THE WORLD

And more and more Canadian businesses are choosing to invest in Britain. About 700 to date.

Over the last 3 years alone over 200 Canadian companies either set up or expanded their operations in the UK. The UK Trade and Investment team in Canada helped with almost one third of these.

The team is currently working with almost 100 Canadian companies who have Europe in their sites. In a range of sectors but predominantly in ICT, Life Sciences, Financial Services, Aerospace and Energy.

We offer common culture, systems and language. But also, we're the fifth largest economy in the world. With low inflation, low interest rates, record employment.

Ernst & Young's European Investment Monitor shows that Britain remains the top investment location in Europe. We remain the number 1 destination for foreign direct investment into Europe – attracting one in five new projects. According to the OECD, we have the lightest regulated labour market in the EU.

In 2005 the UK topped the international league table of recipients of FDI after an exceptional year in which it benefited from nearly a quarter of all cross-border business (so said the United Nations). Some US\$ 219billion. This, the

highest figure ever recorded by a European country and twice the US\$ 106 billion invested in the U.S.A. China was third with US\$ 60 billion.

It's a two way street. Two way trade with Canada in 2005 was almost C\$ 16 billion. In important sectors like power generation, telecommunication, medicinal and pharmaceuticals and automotive and aerospace. British companies are active in the oil and gas sector in Canada and are following developments on the Alberta oil sands with interest. We welcome Canadian companies like Nexen, Talisman and Oilexco to the UK. Such companies have been very active in the recent North Sea oil licensing round.

The UK is now the second largest foreign direct investor in Canada with 8% or almost C\$ 30 billion, replacing France. Over 500 British companies have invested in Canada.

Through Britain, business has access to one of the largest and richest markets in the world: Europe.

Europe accounts for around 25% of global GDP and 25% of world trade.

Businesses competing in Europe have easy access to a customer base of 500 million.

Companies world-wide will be flocking to include the likes of China, Brazil, Russia and India in their business plans. But Europe still offers huge business opportunities and the UK is the best gateway to Europe. A warm welcome and a business friendly, transparent market awaits.

Similarly with the Canadian High Commission in London, we are encouraging companies to see Canada as a natural - even the natural - link into the NAFTA markets.

A couple of CASE STUDIES

Graham Walter, UK managing Director of Cognos (the leading privately owned software development company in Canada) recently stated

"The UK is a strategically important market for Cognos because it has a very high proportion of knowledge-based industries that require our solutions. It is a perfect location to invest in, to build a successful company and then expand into Europe."

Finning International, one of Canada's biggest companies and one of Britain's biggest investors. Doug Whitehead, the CEO, says he invests in Britain because of its "vibrant market, commitment to technology and skilled labour force".

But we all have to face the CHALLENGES OF THE MODERN ECONOMY

The world is going through the most profound economic transformation. China is in the WTO. Four times as many Chinese students are going through university as a decade ago, many able to speak English.

India is producing 225,000 science and IT graduates a year. India's growth rate is second only to China. 30 million Indians are fluent in English: probably more than in Canada - or the UK.

Last year ten new countries joined the EU. Many with wages a tenth of ours.

And technology is changing rapidly. Product lifecycles, once five years, are now just one year from design to decline in some sectors.

And cheaper transport and communication costs mean that consumers learn about new fashions, ideas and products faster than ever before. The cost of

sea freight has fallen by two thirds since 1920, air transport by five sixths since 1930 and transatlantic phone calls are now almost free on the internet.

New markets, new opportunities; new competition, new challenges.

This new open-ness and the new world economy mean firms can now locate all or part of the production process or service wherever the economic advantage is greatest

The key to business success will be companies ability to

- create effective partnerships across the world identifying and bringing together the skills, ideas, facilities, investment and strategies they need
- and continuously innovate - using faster, cleaner processes to offer high value products and services that the world wants to buy.

The key to national a success will be country's ability to

- Forge partnerships and collaborations abroad
- attract and retain talent and investment
- incentives innovation
- commercialise that innovation
- promote enterprise and
- develop skills.

We can't hold back changes in technology or the growth of developing countries and we shouldn't want to. We can't compete on the basis of low cost low wage jobs and we shouldn't want to.

There is a temptation for politicians to retreat to protectionism – pandering to populist concerns. To pull up the drawbridge – and protect what is 'ours'.

Our response must be to embrace external change and to respond with internal change – developing a high value, high wage, high skill economy.

Innovation will be vital to tackling climate change – one of the biggest issues facing the planet, and one with an important transatlantic dimension.

The scientific evidence is clear. CO2 levels are rising faster than ever before. Close to home - the Thames Barrier was used only once every two years in the 1980s. Now it is needed half a dozen times a year.

The effect of climate change could be devastating – in Britain (flood/storms) and in the developing world (disease, hunger, flooding).

We're taking a lead in Britain. We're already on track to meet our Kyoto target of a 12.5% reduction in greenhouse gas emissions from 1990 levels.

And we've gone further, putting Britain on a path towards a reduction in CO2 emissions of 60% by about 2050, with real progress by 2020. And we have included this target as one of the overriding goals of our energy policy: Donna Cansfield to UK later this month.

Tackling climate change is a key G8 priority. We look to Canada as an ally.

Margaret Beckett, then our Cabinet Minister responsible for the Environment, was delighted to attend the successful Climate Change event hosted in Montreal late last year. Her successor, David Miliband, was in Toronto only last month talking to Ontario Ministers and the Mayor - so we have a British Cabinet Minister with recent experience of Canada's urban environment.

Britain is a proud island-trading nation

400 years ago, Britain traded silks and spices from the East, coffee and tobacco from across the Atlantic.

Diarist Samuel Pepys wrote about Chinese tea, African gold mines and Indian silk.

So globalisation is not new. And now increased trade is more important than ever. We can't have global security until there is global prosperity. Trade and peace go hand in hand. Increased trade and economic ties have brought peace and prosperity to Europe for fifty years, after centuries of war.

Britain has been at the forefront of the Doha Round. We must create trade systems that are free and fair.

Work is ongoing on the EU Canada Trade and investment enhancement agreement - the TIEA.

This is very welcome. It could give the Doha Round added dynamic – helping us identify priority areas for progress: a “next generation” approach to opening markets.

We have extremely good bilateral relations. Any perceived barriers to trade tend to be in relation to provincial regulations. We need deeper rules on procurement, services and IP rights covered in the framework for the negotiations.

Globalisation has never been popular. In 1824, the great British historian, Lord Macauley wrote

“Free trade, one of the greatest blessings which a government can confer on a people, is in almost every country unpopular.”

We can't preach liberalisation abroad and practice protectionism at home. A globalisation that serves the few and not the many will fail, and deserves to fail. We must get the Doha Round back on track. The job of Minister for Trade and Investment is to ensure success for the many. It is your job too.

Thank you for listening I will happily take some questions.

