



## Is the time ripe to negotiate an Atlantic Free Trade Agreement (AFTA)?

Armand de Mestral, McGill University

### Summary

- \* *Efforts to negotiate an EU–US free trade agreement (FTA) have been unsuccessful, but many other agreements exist between various states of Europe and North America. These should be generalized into a single Atlantic Free Trade Agreement (AFTA). An AFTA would facilitate trade between North Atlantic countries and help address new technological and geopolitical challenges that jurisdictions on both sides of the Atlantic face.*

### Background/Challenge

- Many trade agreements exist in the North Atlantic area. These include the agreement between Canada and the European Free Trade Area (EFTA), concluded in 2009; the Comprehensive Economic and Trade Agreement (CETA) between Canada and the European Union (EU), concluded in 2016; and the Canada-US-Mexico Agreement (CUSMA), concluded in 2019. The most far-reaching negotiations, those between the EU and the US for a Transatlantic Trade and Investment Partnership (TTIP), were unsuccessful and abandoned by the two parties in 2015.
- There is no comprehensive economic agreement linking all states of Europe and North America. Most relationships are partial or ad hoc and do not go beyond those under the World Trade Organization (WTO) Agreement, which is limited in scope. Issues such as trade and environment and labour standards, implementation of climate change policies, the regulation of new issues of intellectual property (IP) or artificial intelligence (AI), or the taxation of internet transactions are not comprehensively regulated.
- The economies of North America and Europe are by far the closest among trading nations today. Removal of trade barriers that subsist, the resolution of long-standing disputes and the provision of a forward-looking legal and institutional framework would work to the advantage of all states concerned.

### KEY FINDINGS

- ◇ Many reasons suggest that the time is right for the states of North America and Europe to further align their trade policies by negotiating an AFTA. These reasons are founded on their commercial interests, but also reflect long-term strategic and security considerations, including the need to continue to control the setting of international trade standards, the need to defend universal human rights, and the need to respond to increased pressures from China.
- ◇ The fundamental objectives of an AFTA are positive in nature and not negative or defensive. In the current global context, western democracies should stand together, both to achieve the inherent advantages of economic unity and security, but also to assert their common commitment to democracy and human rights. There are thus both profound moral as well as economic and political objectives that would be served by an AFTA.
- ◇ An AFTA should comprise the EU and EFTA member states, the United Kingdom (UK) and the three CUSMA countries. Ideally, the Balkan states wishing to join the EU should also be invited and, at a later stage, Turkey and the Ukraine might be considered. The AFTA should take the form of a free trade agreement, involving close ties between its members; it would not be a customs union and would not involve the grant of independent regulatory authority.
- ◇ The AFTA should become the primary forum for its members to deal with new issues of common interest. It should have a solid institutional structure to carry ongoing negotiations as well as a dispute settlement system, preferably obligatory and binding.



## KEY FINDINGS (continued)

- ◇ To be effective, an AFTA should cover a broad range of issues both traditional and contemporary. It should cover as many goods and services as possible. It should be aimed at the problems of the future, such as: the full range of IP issues, since IP has become the principal source of wealth today; the regulation of the internet; the regulation of AI; setting common standards of market access; environmental controls, including border adjustments; labour standards and, ideally, common approaches to taxation of internet services.
- ◇ An AFTA would strengthen its members in the face of competition with China, particularly with respect to the setting of market access standards for goods and services. By creating a much larger market involving a middle class equal to that of China, an AFTA would enable the launching of the most sophisticated new products and services in its boundaries. Common product and service standards in an AFTA would assist its members to continue to set international market access standards at the WTO and in other international organizations for decades to come.
- ◇ An AFTA would also assist its members in defending universal human rights and related values in the face of increasingly totalitarian Chinese policies. An AFTA would therefore constitute an assertion of political and moral values of western democracy in the face of many contemporary challenges.
- ◇ AFTA members could more easily adopt common positions vis-à-vis third parties. They would also be in a better position to reassert multilateral trade rules and render the WTO more effective.
- ◇ One should not underestimate the difficulty of negotiating an AFTA. It would be one of the most complex FTA negotiations in history. But much of the groundwork has been laid. All countries involved have an extensive negotiating history. The challenge is essentially political, and once the economic and political advantages are understood, the negotiations can succeed.

## Policy Implications

- ◇ For many potential members, a comprehensive AFTA would be the only means of achieving access to the economies of all North Atlantic states. Canada would be able to obtain a uniform standard of access to all AFTA Members. The EU would be able to obtain broad-based access to the US market, and vice versa. Both the EU and the US would have a common forum to set standards and resolve disputes.
- ◇ Negotiation of an AFTA should be viewed favourably by its potential members. The European Council President Charles Michel and Commission President Ursula von der Leyen have indicated willingness to negotiate a trade agreement with the US. The Biden Administration is seeking to improve relations with Europe and should welcome support for its values-driven approach to trade relations with China. The UK badly needs access to all AFTA members, as do a number of other non-EU states.
- ◇ The Biden Administration will not be able to negotiate trade agreements before the 2022 Congressional elections, but it should be open to doing so after that date. In the interim, Canada and the EU should use the time to lay the groundwork for a successful negotiation as soon as the US is able to join.

### Further Reading

de Mestral, Armand (2020), Plea for an Atlantic Free Trade Agreement, Centre for International Governance Innovation, <https://www.cigionline.org/articles/plea-atlantic-free-trade-agreement>.



### Author Information

- ◆ Dr. Armand de Mestral is Emeritus professor of Law at McGill University, Montreal, Canada.
- ◆ Email: [armand.de.mestral@mcgill.ca](mailto:armand.de.mestral@mcgill.ca)



### Contact

- ◆ **Email:** [ces@carleton.ca](mailto:ces@carleton.ca)
- ◆ **Phone:** (613) 520-2600, Ext. 1087
- ◆ **Website:** [www.carleton.ca/ces](http://www.carleton.ca/ces)



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