

Canada-EU Trade Agreement: Inching towards Implementation

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CETA as a “next generation” FTA

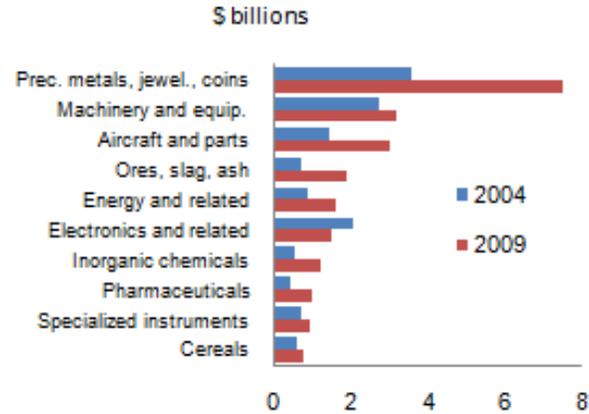
- “enhanced economic partnership agreement”
- EU’s interest in an FTA with the US? CETA could set precedent
- new issues to catch up with changes and challenges of global economy; complex supply chains, IP, virtual goods.
- trade in services and intellectual property protection
- “beyond the border” issues involve domestic or sub-national issues in a federation like Canada.
- Conflicting assessments of economic benefits – did Canada gain as much as the EU?

Liberalization of Goods Trade

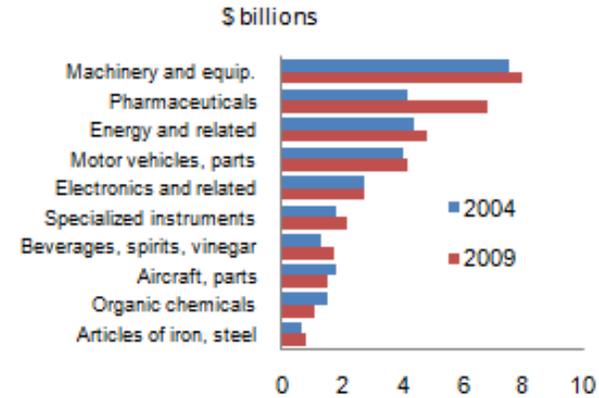
- Eliminating duties – rapidly removing 98% of tariffs (though many are already low)
- Elimination of technical barriers to trade
- Industrial tariffs – lower costs to buyers
- Agricultural tariffs – gradual removal on 92%- 94% of products
- No end to EU agricultural subsidies, even in some affected areas like cheese production
- Fish (raw and processed) to be opened up
- Quotas remain in dairy, meats but access increased
- Potential gains in advanced goods exports? aerospace and auto-parts centres in Ontario and Quebec, agricultural machinery and equipment in Saskatchewan, to extractive machinery in NL

Merchandise Trade

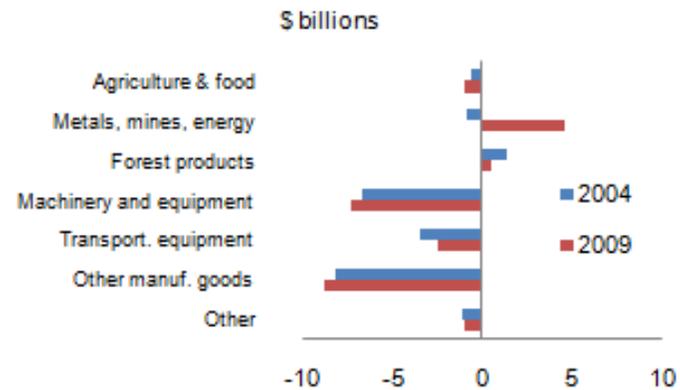
Major Export Products



Major Import Products



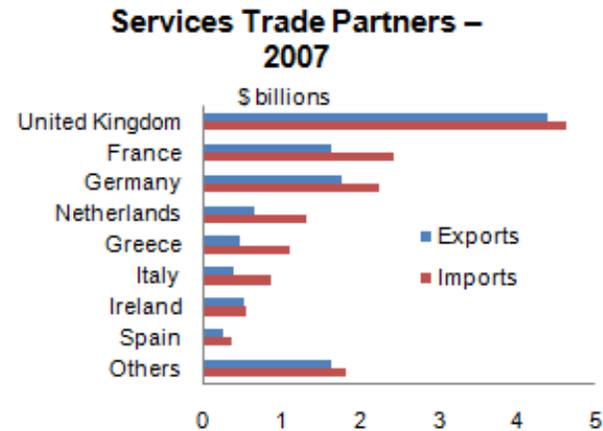
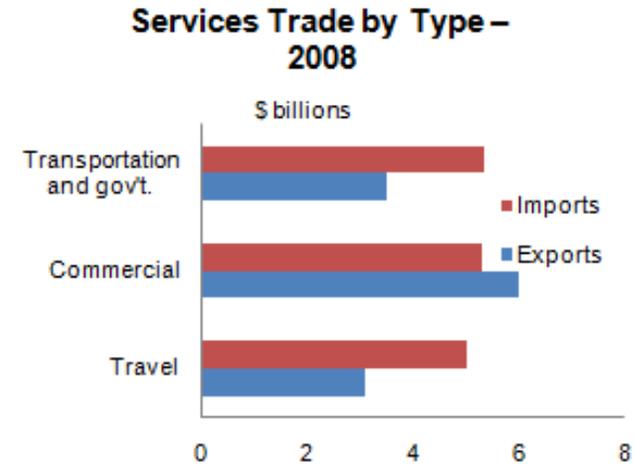
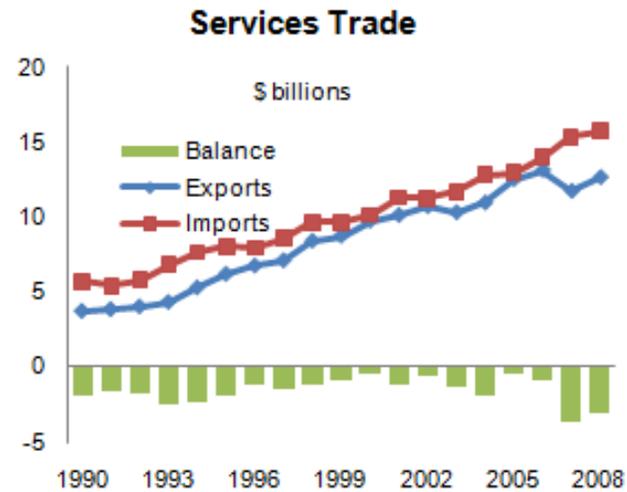
Balance by Category



Liberalization of services

- negative list" approach:
- services in all sectors are granted access and non-discriminatory treatment except for specific exceptions listed in the CETA
- Covered areas include:
 - Financial services
 - telecommunications,
 - energy
 - maritime transport
 - Concerns to protect health care, education

Services Exchanged



Professional Mobility

- Mutual recognition of qualifications – gradual coordination of licensing for professions such as architects, engineers, and accountants
- Creates a framework agreement: Will require agreements across professional associations in member states and province over time
- Temporary Movement – rights for firms to move employees to facilitate trade in services and investment as well as maintenance and monitoring for exported equipment

Public procurement

- Access for both parties at all levels of government and all agencies, departments
- Limited declared exceptions
- Transparency in tenders via new electronic systems for bidders
- Thresholds for local preferences raised
- \$315,538 for goods and services
- \$631,077 for procurement by utilities
- \$7.8 million for construction services
- important sectors, such as education and health services may be excluded

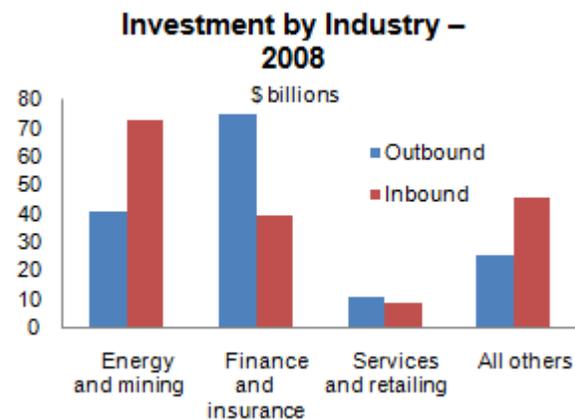
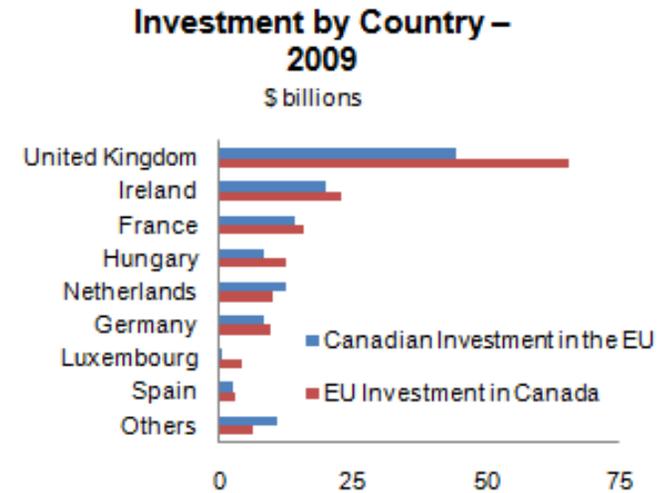
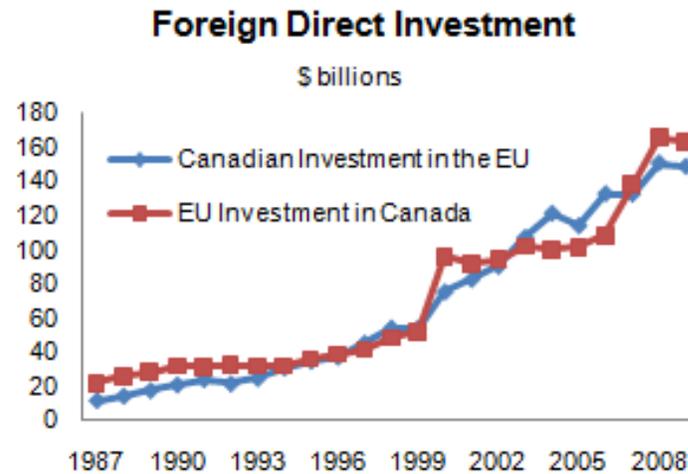
Intellectual property

- Canada moving closer to EU, WTO standards
- Covers IP, trademarks, designs and copyrights
- Important in pharmaceuticals where at least 2 years patent protection extension
- Concerns re price increases from patent extension
- Geographic indicators – respect for trademarks on local and speciality products
- Concerns over costs of medicine, penalties for piracy or downloads of music, videos

Investment provisions

- Elimination of barriers and clarification of legal requirements
- Raising threshold for review of takeovers
- Disputes resolution based on private arbitration system
- non-discrimination,
- fair and equitable treatment
- appropriate compensation
- Modern disputes settlement procedures based on mediation
- Financial or trade penalties as a last resort

Investment Relationship



Asymmetry undermined EU resolve

- Little public opposition to CETA before TTIP talks
- EU was forced to adjustment to regional asymmetry as the weaker partner in TTIP vs stronger partner in CETA
- Emergence of concerns respecting investor-state disputes settlement (ISDS) measures in economic agreements and proposed revisions via CETA
- Post Lisbon complexities in negotiations on investment provisions between member states, EU Council, EU Parliament and EU commission
- multi-level governance complexities of imposition of agreements negotiated by the Commission, with consultative role for member states
- Paved way for delays on ISDS and evolving EU position in CETA, TTIP

Table 1: Variation in Investment Flows, EU-North America

	US (TTIP)	Canada (CETA)
EU Investment Exports	2,182 € bn (32% of EU FDI exports)	340 € bn (5% of EU FDI Exports)
EU Investment Imports	2,062 € bn (39% of EU FDI Imports)	188€ bn (4% of EU FDI Imports)

Adapted from Poulsen, Bonnitca and Yackee (2015).

EU's Investment Court Proposal

a **public Investment Court System** composed of a first instance Tribunal and an Appeal Tribunal

judgements would be made by **publicly appointed judges with high qualifications**, comparable to those required for the members of permanent international courts such as the International Court of Justice and the WTO Appellate Body;

the new Appeal Tribunal would be operating on **similar principles to the WTO Appellate Body**;

the ability of investors to take a case before the Tribunal would be **precisely defined and limited** to cases such as targeted discrimination on the base of gender, race or religion, or nationality, expropriation without compensation, or denial of justice;

governments' **right to regulate** would be enshrined and guaranteed in the provisions of the trade and investment agreements.

(European Commission, 2015c)

EU's complicated CETA politics

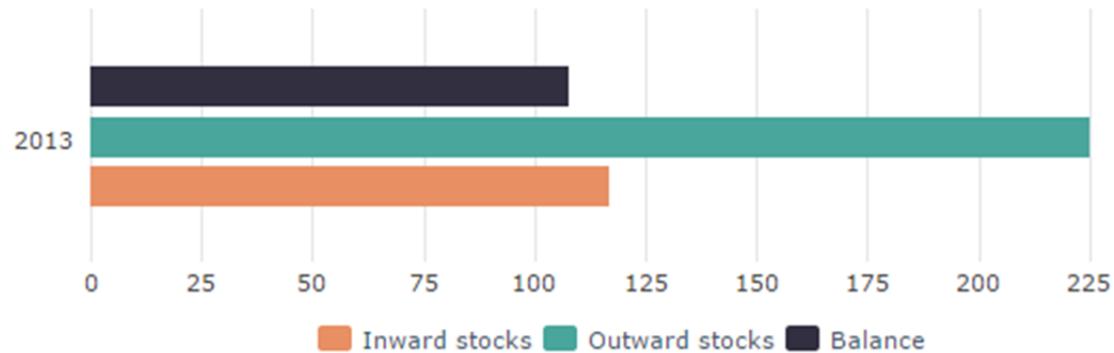
- Despite change in government, Canada stayed on course; implementation bill is now before parliament
- EU concerns elevated by TTIP persist
- Mixed agreement required national ratification
- Canada had to resolve vis tensions with Romania. Bulgaria etc.
- German SPD resistance on ISDS
- Wallonia refused to sign on
- Deal allowed EU courts to decide on legality of investment court provision.
- EU parliament committee recommended against ratification
- Ratification vote scheduled for early winter

How will Canada fare?

- Government cites the access gained to the world's largest economy
- 28 member states, 500 million people and annual economic activity of \$17 trillion
- Existing trade deficit with EU expected to slightly increase
- Imbalance of trade: Canada exports more primary goods , imports more advanced goods
- Are less visible flows (investment, services, intellectual property, virtual goods) more favourable to Canada?
- Most vocal supporters: forest products, barley growers, beef and pork producers, fisheries sector
- How does the EU economic crisis affect the potential gains for Canadian exporters?

Is EU the main winner?

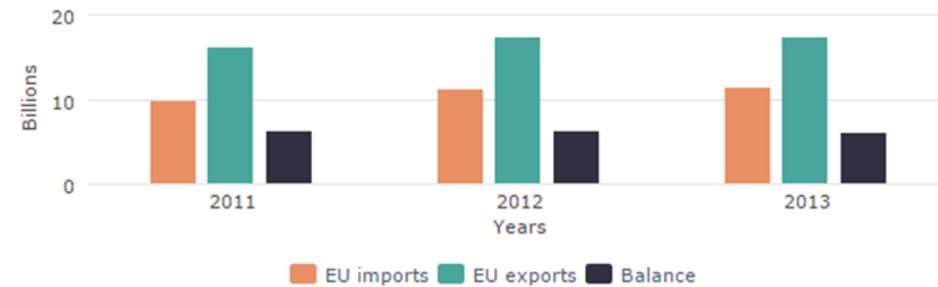
Foreign direct investment



EU-Canada "trade in goods" statistics



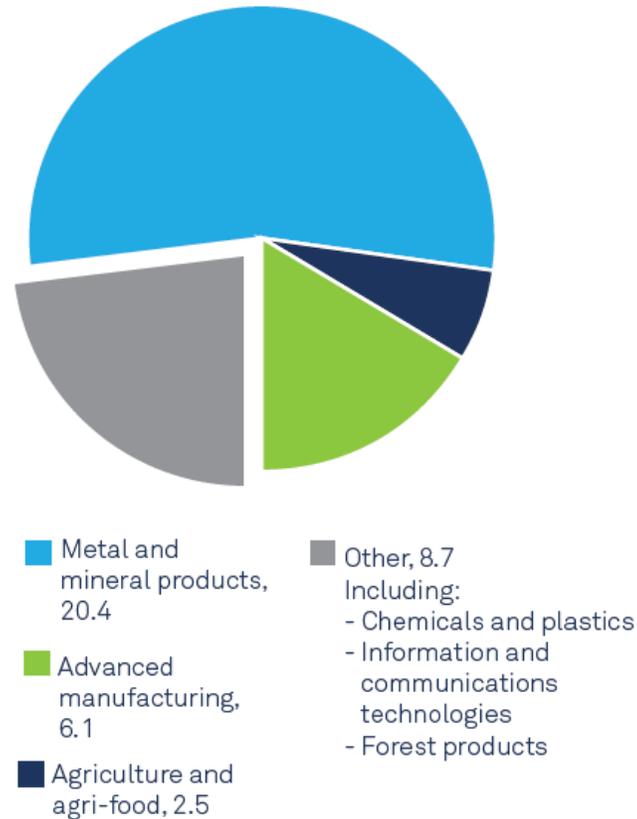
EU-Canada "trade in services" statistics



<http://ec.europa.eu/trade/policy/countries-and-regions/countries/canada/>

Canada's resource dependence in trade

Principal Canadian merchandise exports to the EU, by sector
(annual average, 2010-2012)
(value in billions of Canadian dollars)

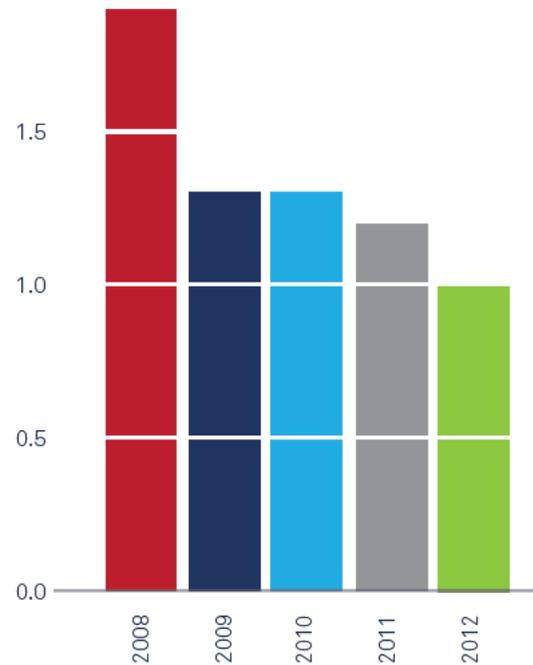


CETA complications

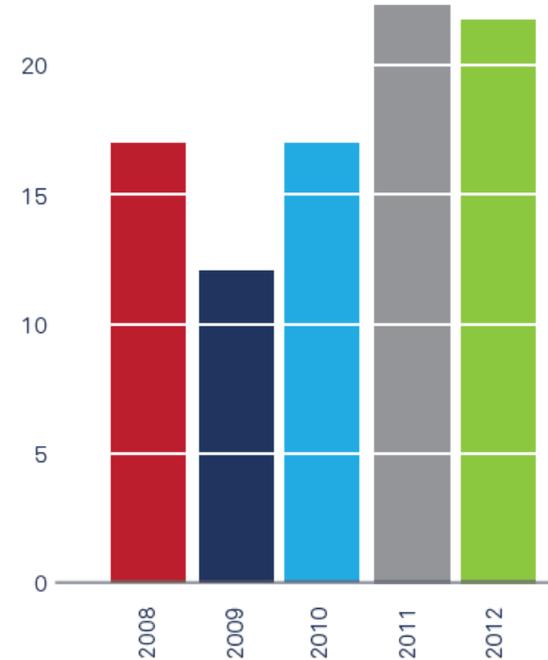
- Crisis undermines projected benefits?
- Brexit reduces Canada's stake in CETA?
- Traditional Canadian ally leaving; will require a new Canada-UK based on CETA? Will EU accept this parallel arrangement?
- "TTIP is dead" Merkel to Obama
- TPP abandoned: Canada will pursue new far east deals?
- Canada playing defense on NAFTA – will CETA constrain how Canada can adjust to this?
- Have the mega deals been over-reach? Trump, Brexit and the reaction against globalization

Impact of Economic Crisis?

Canadian merchandise exports to the EU (2008-2012)
Forest products
(value in billions of Canadian dollars)



Canadian merchandise exports to the EU (2008-2012)
Metal and mineral products
(value in billions of Canadian dollars)



Canada's top EU trade partners : Brexit Woes?

Member State	Exports US \$ Value	Exports % of total to EU States
United Kingdom	\$12.5 billion	42.4% of total Canada-EU exports
Netherlands	\$2.8 billion	9.5%
Germany	\$2.7 billion	9.2%
France	\$2.5 billion	8.3%
Belgium	\$2.4 billion	8.3%
Italy	\$1.8 billion	6.1%
Spain	\$884.9 million	3%
Malta	\$742.8 million	2.5%
Finland	\$501.1 million	1.7%
Ireland	\$470.7 million	1.6%
Sweden	\$376.4 million	1.3%
Poland	\$348.4 million	1.2%

<http://www.worldstopexports.com/canadas-trade-report-card-eu-countries/>

Questions and comments

