

# Canada-EU Trade Agreement: Inching towards Implementation

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# CETA as a “next generation” FTA

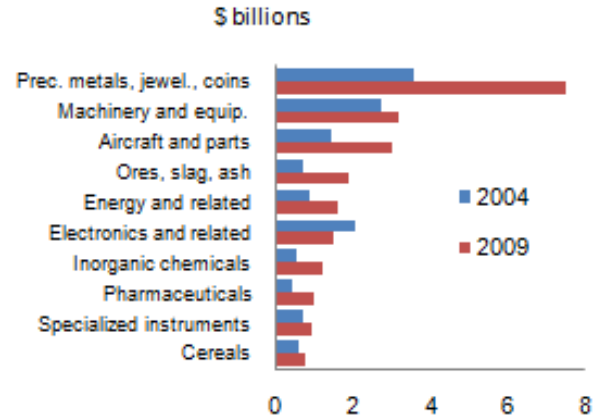
- “enhanced economic partnership agreement”
- EU’s interest in an FTA with the US? CETA could set precedent
- new issues to catch up with changes and challenges of global economy; complex supply chains, IP, virtual goods.
- trade in services and intellectual property protection
- “beyond the border” 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

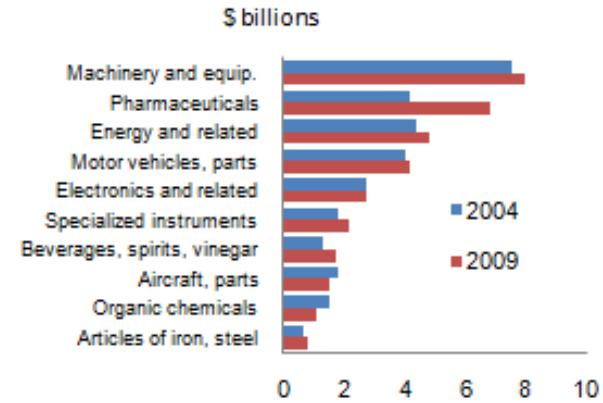
- Eliminating duties – rapidly removing 98% of tariffs (though many are already low)
- Elimination of technical barriers to trade
- Industrial tariffs – lower costs to buyers
- Agricultural tariffs – gradual removal on 92%- 94% of products
- No end to EU agricultural subsidies, even in some affected 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

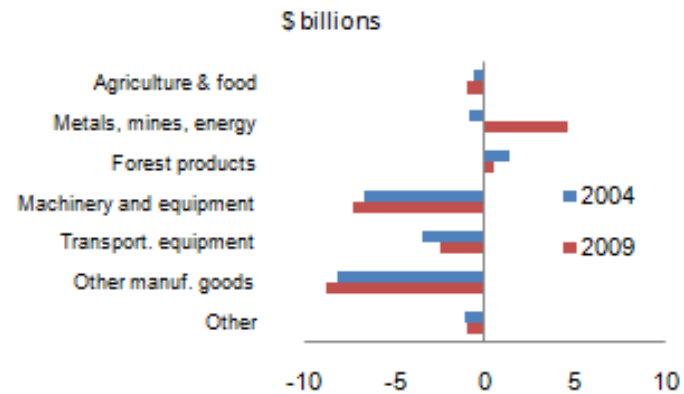
## Major Export Products



## Major Import Products



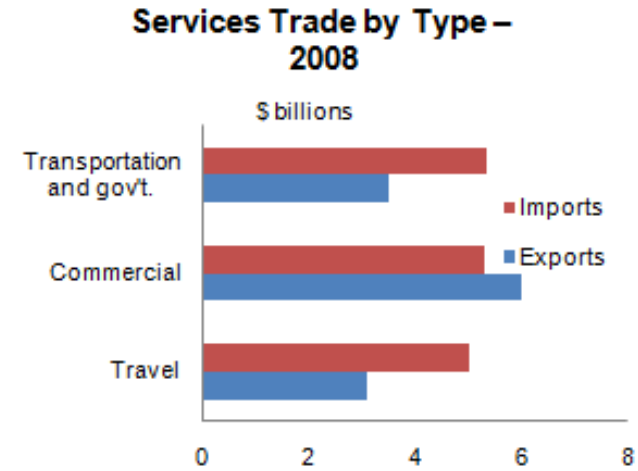
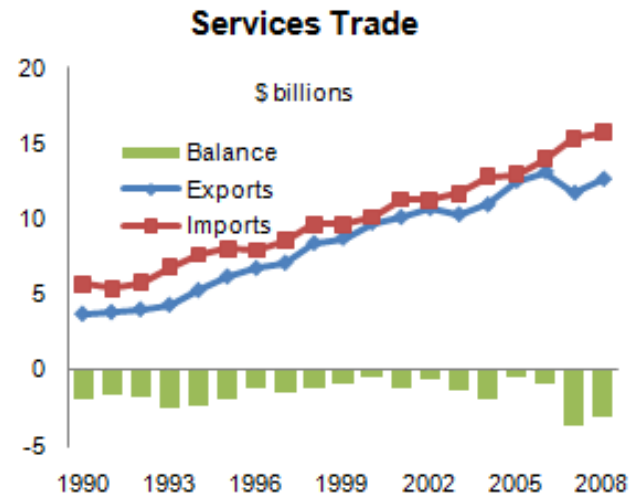
## Balance by Category



# 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



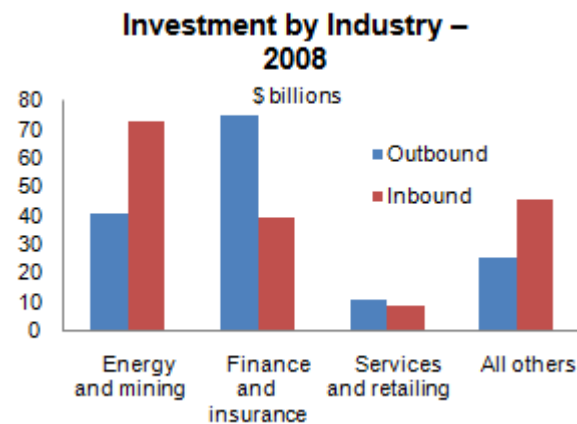
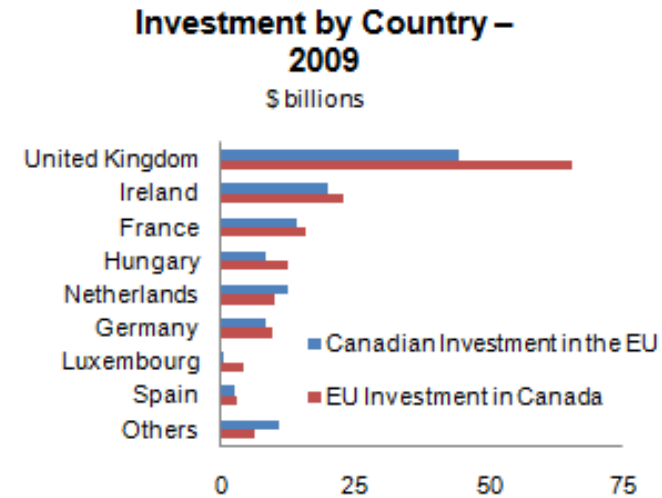
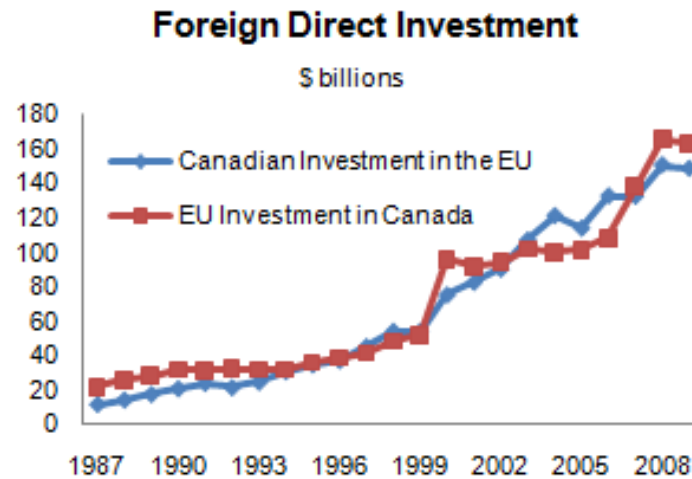
# Intellectual property

- 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

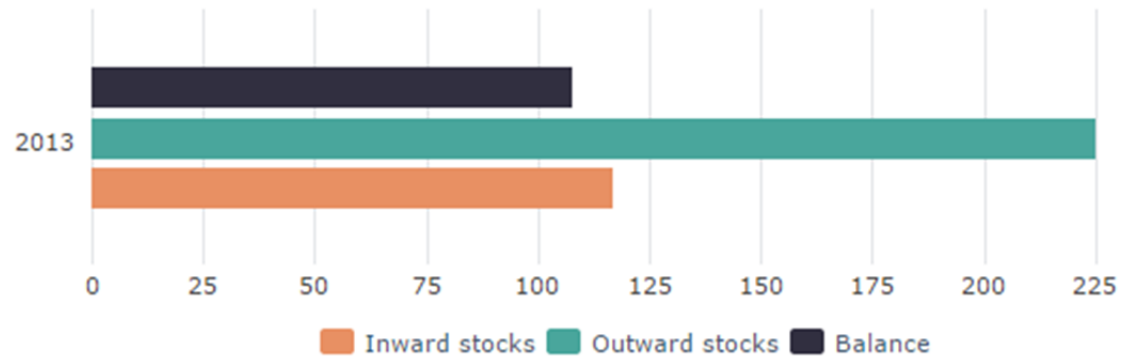
# How will Canada fare?

- 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?

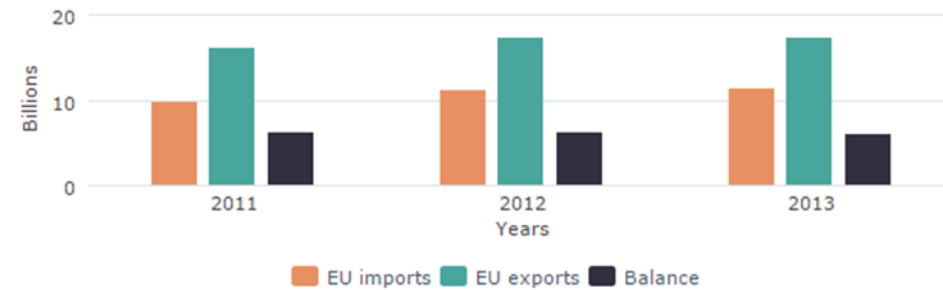
## Foreign direct investment



## EU-Canada "trade in goods" statistics



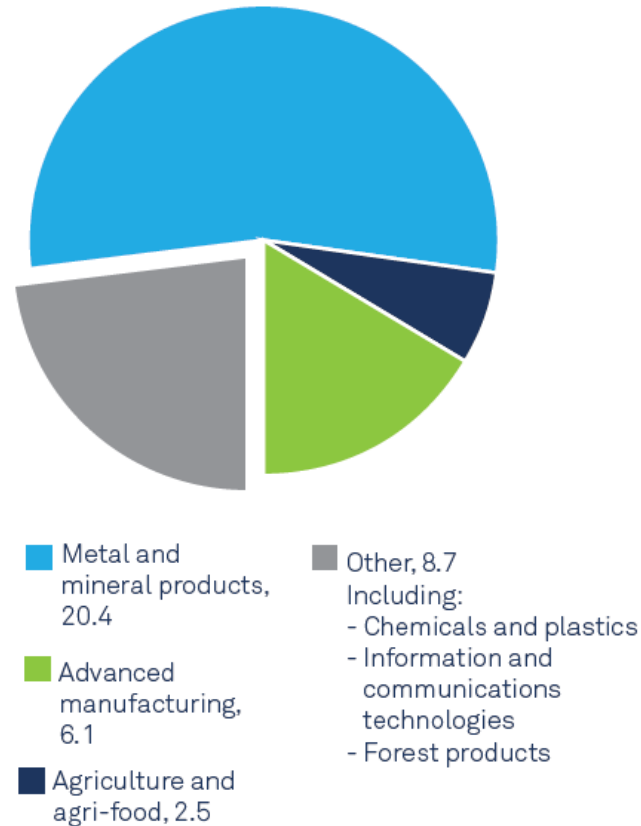
## EU-Canada "trade in services" statistics



<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)

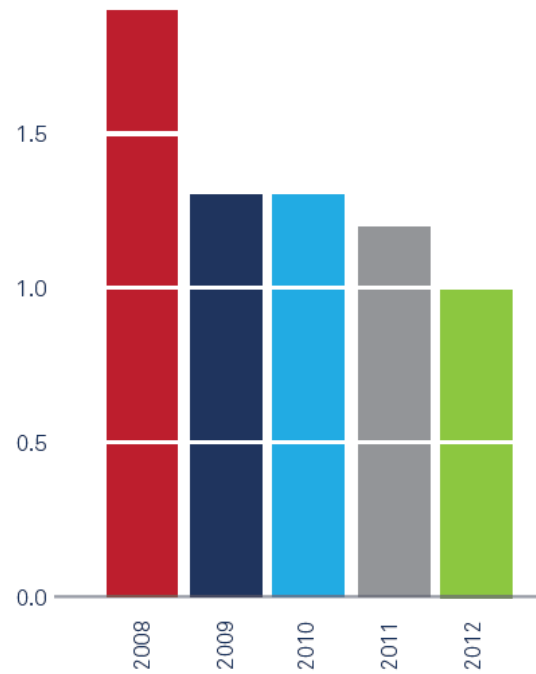


# CETA complications

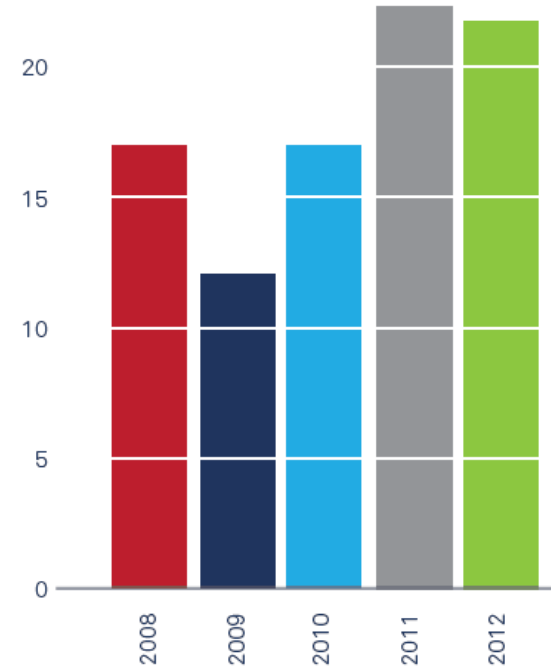
- Crisis undermines projected benefits?
- Brexit reduces Canada's stake in CETA?
- Traditional Canadian ally leaving; will require a new Canada-UK based on CETA? Will EU accept this parallel arrangement?
- "TTIP is dead" Merkel to Obama
- TPP abandoned: Canada will pursue new far east deals?
- Canada 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
<b>United Kingdom</b>	<b>\$12.5 billion</b>	<b>42.4% of total Canada-EU exports</b>
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

