



The EU-Canada trade and cooperation agreement

Guiding the implementation of the Pilot Project on transatlantic cooperation

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Background

In a context where the EU was Canada's third largest trading partner after the United States and China, accounting for 8,2 % of its trade in goods with the world in 2022; and whereas Canada ranked 14th among the EU's international trading partners for the same year, the EU and Canada signed on February 2017, a Comprehensive Economic and Trade Agreement (CETA).

This free-trade agreement eliminates duties on 98% of all tariff lines except for a few sensitive agricultural products and tackles significant non-tariff barriers to trade. It also defends the EU's Geographical Indications and improves and secures EU companies' access to the Canadian services market. Its different chapters cover issues such as the access to market for goods, trade remedies, technical barriers to trade, sanitary and phytosanitary measures, customs and trade facilitation, subsidies, investment, cross-border trade in services, temporary entry and stay of natural persons for business purposes, mutual recognition of professional qualifications, domestic regulation, financial services, international maritime transport services, telecommunications, electronic commerce, competition policy, state enterprises and monopolies, government procurement, intellectual property, regulatory cooperation, trade and sustainable development, trade and labour, trade and environment, bilateral dialogue and cooperation, and dispute settlements.

The CETA entered into force provisionally in 2017, meaning that not all national (and in some cases regional) parliaments in EU countries approved CETA.

This paper aims at giving a summary of the CETA provisions and explore how this framework of cooperation may impact and nurture the activities planned under the pilot project "***Transatlantic cooperation scheme delivering the Green Deal locally***".



1. The CETA: main provisions and governance settings

1.1 The CETA: what are the main provisions?

The CETA aims at deepening economic ties between Canada and the EU. It includes a series of common rules to provide businesses and consumers with increased opportunities and benefits from trade and investment between the two areas:

- **Tariff Reductions:** One of the primary goals of the CETA is to eliminate or reduce tariffs on a wide range of goods and services traded between Canada and the EU. This makes it easier and cheaper for businesses in both regions to export and import goods.
- **Market Access:** The CETA provides improved access to each other's markets for goods, services, and investment. It reduces barriers to trade, such as quotas and licensing requirements, making it easier for businesses to operate across borders.
- **Services and Investment:** The agreement includes provisions for the liberalization of trade in services, allowing for increased market access and fair treatment of service providers from both Canada and the EU. It also includes protections for foreign investments, providing investors with greater certainty and confidence.
- **Intellectual Property Rights:** The CETA includes provisions related to the protection and enforcement of intellectual property rights. This includes patents, trademarks, copyrights, and other forms of intellectual property, ensuring that businesses and creators are protected in both markets.
- **Regulatory Cooperation:** The agreement encourages regulatory cooperation between Canada and the EU, aiming to reduce unnecessary regulatory barriers to trade while maintaining high standards for consumer protection, health, safety, and the environment.
- **Government Procurement:** The CETA opens up government procurement markets between Canada and the EU, allowing businesses from both regions to compete for government contracts (on national, regional, provincial and even local level) on a more equal footing. Canada has committed to set up a one-stop shop for procurement notices ('single point of access' site) by 2022.
- **Sustainable Development:** The CETA includes provisions related to sustainable development, emphasizing the importance of environmental protection, labour rights, and social responsibility in trade and investment activities.
- **Dispute Settlement:** The agreement establishes a mechanism for the resolution of disputes between Canada and the EU, providing a forum for addressing disagreements related to the interpretation or implementation of the agreement.

So far, and among the Atlantic Member States, only Spain and Portugal ratified the CETA. France and Ireland, among other EU countries, have not ratified the CETA. In France, the Assemblée Nationale approved in 2019 the CETA's ratification, paving the way for the next steps in the procedure in the Senate. As a result of Brexit, the UK's participation in the CETA is no longer through its membership in the EU. Instead, the UK and Canada have been exploring the possibility of negotiating a bilateral trade agreement to govern their trade relationship.

1.2 The CETA: the governance

The EU and Canada meet annually in bilateral summits and in the committees and dialogues set up by the CETA to review a range of issues relating to EU-Canada economic and trade relations.



The Commission publishes a timetable of the CETA committee meetings and their agendas (when available), reports and other documents in order to inform about the different steps of the CETA implementation process.

The CETA Joint Committee is the main coordination body which is able to endorse decisions. It is chaired by the Vice President Dombrovskis and Minister Ng, Minister of Export Promotion, International Trade and Economic Development of Canada. It gathered last 9 February 2024. In particular, the Joint Committee Co-Chairs announced the conclusion of negotiations at technical level on the text establishing rules to facilitate access of small and medium-sized enterprises (SMEs) to investment dispute resolution under the CETA. Ultimately, these rules will enhance the ability of SMEs to participate and benefit from the opportunities created by the CETA.

It is helped by 19 Specialised Committees on a variety of topics: Committee on Trade in Goods, Geographical Indications Committee, Agriculture Committee, etc.

A **regulatory cooperation forum** is an annual meeting gathering non-governmental organisations, consumers associations, workers/trade unions, professional organisations, industry and business associations, companies, regional/local representatives and other stakeholders from either the EU or Canada. It serves as a platform for both parties to enhance regulatory cooperation and address regulatory barriers to trade and investment.

A **civil society forum** has been established under the CETA's article 22.5, to conduct a dialogue on the sustainable development aspects of the CETA. Canada and the EU are to promote a balanced representation of relevant interests, including employers, unions, labour and business organisations, environmental groups, and Indigenous organizations as well as other relevant civil society organisations.

1.3. Other related agreements between Canada and the EU

The CETA is not the only framework regulating cooperation between the EU and Canada. This paper aims to shed a light on a couple of others, in particular:

- **The Green Alliance Initiative**¹ lists a series of priority areas for bilateral cooperation between Canada and the EU:
 - Climate action, climate finance and sustainable finance.
 - Environmental and ocean protection. Parties will intend to cooperate on the sustainable management of coastal ecosystems and on the protection of marine biodiversity, ensuring conservation of at least 30% of oceans globally through Marine Protected Areas (MPAs), reaffirming their commitment to end illegal, unreported and unregulated (IUU) fishing.
 - Energy, Green industrial transformation, regulatory and business cooperation.
 - Research and Innovation. Parties notably intend to cooperate on ocean science initiatives such as the All-Atlantic Ocean Research and Innovation Alliance and the EU Mission Restore our Ocean and Waters, in particular the Atlantic-Arctic 'lighthouse' on ecosystems protection and restoration and under the UN Decade of Ocean Science for Sustainable Development (2021–2030).

- **Canada's Association to Horizon Europe**, which may greatly enhance opportunities for research and innovation cooperation.

¹ [Canada – European Union Green Alliance - Canada.ca](https://www.canada.ca/en/eu-relationships-international-trade/2021/06/canada-eu-green-alliance.html)



2. Main controversies around negotiations on the CETA

The ratification of the CETA followed a lengthy negotiation process, which began in 2009, and several years of debate and discussion among the EU member states, the European Parliament, and Canadian authorities. The CETA has been the subject of several controversies, including:

- **Investor-State Dispute Settlement (ISDS):** Critics argued that ISDS could undermine national sovereignty by allowing foreign investors to sue governments over regulations that they perceive as unfair or harmful to their investments. There were concerns that ISDS could lead to regulatory chill, where governments are hesitant to implement public policies due to fear of facing costly legal challenges from corporations. In order to alleviate civil society concerns, the EU decided to shift away from arbitration under an investor-state dispute settlement (ISDS) mechanism towards an investment court system (ICS).
- **Impact on Regulatory Standards:** Some critics raised concerns that CETA could lead to a lowering of regulatory standards in areas such as food safety, environmental protection, and labour rights. They argued that the harmonization of regulations between Canada and the EU could result in a race to the bottom, where standards are weakened to facilitate trade at the expense of public health, safety, and environmental sustainability. The chapters on labour and the environment have their own dispute resolution mechanism, envisaging the creation of a panel of experts and consultation with civil society, but no possibility of the removal of tariff preferences in the event of violations of labour or environmental commitments.
- **Impact on Agriculture:** Various sectors of agriculture in both Canada and the EU expressed concerns about the potential impact of the CETA on their industries. For instance, Canadian dairy farmers were worried about increased competition from European dairy products, while some European farmers were concerned about the importation of genetically modified organisms (GMOs) and hormone-treated beef from Canada.
- **The Precautionary Principle:** The Commission issued a declaration in respect of the protection of the precautionary principle in the CETA which confirmed the right of the EU and its Member States to apply their fundamental principles governing regulatory activities and confirmed that nothing in CETA prevented the application of the precautionary principle.
- **Public Services:** There were concerns that the CETA could undermine public services, such as healthcare and education, by opening them up to competition from private providers. Critics argued that increased liberalization under the agreement could lead to privatization and reduced access to essential services for citizens.
- **Transparency and Democratic Process:** Some critics raised concerns about the lack of transparency and democratic scrutiny in the negotiation process of the CETA. They argued that the negotiations were conducted behind closed doors, with limited public input and oversight, which raised questions about the legitimacy of the agreement. Today, the institutional framework under the CETA is fully in place, with 19 specialised committees, a regulatory cooperation forum and a civil society forum, and their agendas and reports are publicly available.
- **Intellectual Property Rights:** There were concerns raised by consumer rights groups and civil society organizations about the provisions related to intellectual property rights in the CETA. Critics argued that these provisions hinder access to affordable medicines by extending patent protections and delaying the entry of generic drugs into the market.



These controversies led to significant public debate and protests in both Canada and Europe during the negotiation and ratification processes of the CETA. The European Parliament's views on the CETA were somewhat mixed, reflecting the diverse points mentioned above. However, a majority of Members of the European Parliament (MEPs) supported the CETA and voted to approve the agreement in February 2017, viewing it as a significant opportunity to boost trade and economic growth between the EU and Canada.

Its approval was nonetheless conditional on the implementation of certain changes and safeguards. These conditions were aimed at addressing the concerns raised by MEPs and ensuring that the agreement would not compromise European standards in areas such as labour rights, environmental protection, and consumer safety.

3. The CETA: feedback on its implementation so far

On 17 January 2024, the European Parliament approved an own initiative report on the implementation of the CETA. The report was led by MEP Javier MORENO SÁNCHEZ (S&D, Spain) in International Trade (INTA) Committee. MEP Moreno Sanchez is also Vice-Chair of the Delegation for relations with Canada. AGRI Committee provided an opinion.

3.1. Main effects

Overall, after around 6 years of implementation, trade in goods between the EU and Canada increased by 66 % between 2016 and 2022, while EU-Canada trade in services increased by 46 %, outperforming other extra-EU trade. The EU goods exports to Canada increased by 47 % during the first five years of provisional application, where the biggest gains were registered in the cases of manufactured products, chemical products as well as food and animal products. Canadian exports to the EU saw an increase of 46,4 %. Gains concerned ores, precious stones and metals, mineral fuels and oils, machinery and transport equipment. According to the report, the CETA would have contributed to the creation of 76 000 jobs between 2017 and 2021.

Although most of the concerns expressed on the agreement related to the influx of Canadian agricultural products into the EU market, the report states that they have not materialised. EU agri-food exports to Canada increased by 62 % and EU imports of such products from Canada by 52 % since the start of the provisional application of the CETA.

3.2. Areas of progress

Although there is a number of specialised provisions in the CETA to bring greater focus to smaller enterprises (provisions on electronic commerce, CETA Joint Committee of a recommendation on SMEs), the report points out the need to enhance the possibilities for SMEs to engage in trade and investment under the CETA.

It is up to companies to prepare the necessary customs paperwork – which can be cumbersome - to ensure that they can enjoy the preferential tariff rates of the CETA. A complementary report produced by the European Parliamentary Research Service² “CETA implementation, SMEs and Regions focus” (2019) also shows shortage of working capital to finance exports, a lack of funds to fuel investment for internationalisation for SMEs, inability to generate excess production over what the domestic

² [https://www.europarl.europa.eu/RegData/etudes/IDAN/2019/644179/EPRS_IDA\(2019\)644179_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2019/644179/EPRS_IDA(2019)644179_EN.pdf)



market requires, difficulty in developing new or adapting existing products to meet foreign demand, lack of managerial time, skills and knowledge with regard to internationalisation.

The report shows that important provisions, in particular relating to investment protection, have still not been applied, as not all Member States have ratified the agreement.

It underlines that Canada has considered elements of European legislative and non-legislative initiatives with regard to the European Green Deal as technical barriers to trade. Synergies still need to be found when it comes to the implementation of the **Carbon Border Adjustment Mechanism³** (CBAM) and other initiatives in the EU, to develop joint or comparable carbon emissions methodologies at international level.

3.3. Regional implications

In October 2019, the Committee of the Regions and Eurochambres developed a joint survey on the **implementation of trade agreements** from a regional perspective. A total of 136 respondents answered on behalf of local businesses, including representatives of regional organisations. Two thirds of respondents considered positive the reduction or abolition of tariffs.

A large number of respondents identified the access to the information on the CETA limited and the complexity of rules of origin and customs formalities as two issues for doing business under CETA. Respondents indicated that **chambers of commerce** should be the place to find information. Participants in the survey felt that their governments were not doing enough to implement trade agreements in the region.

The European Parliament Report also points out that CETA has a significant economic impact on the outermost regions (ORs) and stresses the need to protect ORs interests in future negotiations.

4. CETA and the implementation of the Pilot Project

The CPMR Atlantic Arc Secretariat has identified concrete steps to take to ensure a sound implementation of the pilot project, in line with EU developments on the CETA.

As a preliminary step, the pilot project consortium should meet with MEP [Javier Moreno Sanchez](#) and his team to discuss the link between CETA and the pilot project, possible contacts/institutions to approach to share our intentions with the pilot project.

The CETA governance includes a Civil Society Forum, which gathers hundreds of representatives from across the EU and Canada, including businesses, environmental and labour organisations, civil society, academia who works in the Trade and Sustainable Development (TSD) Committee through their joint statements. It would be important to anticipate contacts to ensure that the expertise of this Forum feed into the pilot project activities and recommendations for the future.

³ To avoid the risk of companies production going to jurisdictions with laxer environmental regulation, the new carbon border adjustment mechanism (CBAM) requires EU importers, as of 2026, to purchase certificates equivalent to the weekly EU carbon price. The CBAM initially applies to imports in five emissions-intensive sectors deemed at greater risk of carbon leakage: cement, iron and steel, aluminium, fertilisers, and electricity. The CBAM charge covers imports of these goods from all third countries other than those included in the ETS or a linked mechanism.



The pilot project aims at addressing the need to enhance the possibilities for SMEs to engage in trade and investment under the CETA. The report of the European Parliament indicates three avenues of work:

- the internationalisation of SMEs,
- simplification of procedures
- addressing technical barriers to trade that disproportionately affect SMEs.

These areas of work should be taken into account when building up the 3 online meetings of the pilot project and capacity building workshops. In particular, the pilot project consortium should make sure to get familiar with the Access2Markets platform, which supports SMEs with practical information on trade agreements and trade barriers.

The Conference of Peripheral Maritime Regions (CPMR) represents more than 150 regional authorities from 24 countries across Europe and beyond. Organised in Geographical Commissions, the CPMR works to ensure that a balanced territorial development is at the heart of the European Union and its policies. One these Commissions is the Atlantic Arc Commission.

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