

## **Canada-EU Comprehensive Economic and Trade Agreement (CETA)**

*Embassy of Canada to the Kingdom of the Netherlands*

*Prepared for the Dutch Senate Committee on Foreign Affairs, Defence and International Cooperation*

In the global recovery phase of this pandemic, companies of all sizes – and SMEs in particular – need a predictable and stable international trading environment in order to rebuild and grow. This is provided by the multilateral trade system on which Canada and Europe are leading reform, and by trade agreements like CETA. CETA will play an integral role in accelerating recovery, rebuilding and strengthening resilience in our domestic economies, and diversifying and expanding trade in Europe and Canada. As we face these important challenges together, our commitment to the implementation of CETA provides us with the strong rules and tools that will facilitate this recovery while maintaining the level playing field for our citizens.

**CETA is a landmark agreement that upholds and promotes the values shared by the European Union and its Member States, and Canada.** These include sustainability, rules-based trade and multilateralism. CETA demonstrates our shared ambition for trade that is beneficial to all parts of the economy and society. Canada and the Netherlands are both trading nations, with exports of goods and services contributing to 82.5% of GDP in the Netherlands and 31.6% of GDP in Canada respectively (2019).<sup>1</sup> Our commercial relationship is close, longstanding, and strengthened by CETA.

- Two-way trade in goods and services between our countries has increased by 34.7% since CETA came into effect in 2017. This includes a 25.1% increase in Canada's imports of Dutch products over this period.
- CETA has eliminated tariffs on Dutch exports to Canada across a range of sectors. For example, aluminum greenhouses are imported into Canada duty free under CETA. Before CETA, these products could have faced import tariffs of up to 6.5%.<sup>2</sup>
- Canada-Netherlands agriculture and agri-food trade is complementary and two-way trade has grown by 24% since 2017.<sup>3</sup> Canada imports beer, bulbs and tubers and vegetable seeds from the Netherlands, while our main exports to the Netherlands include soya beans, fruits and nuts, and food ingredients such as syrups, vegetable and fruit extracts. In 2019, the Netherlands maintained an agri-food trade surplus with Canada of €79.3 million.
- In 2019, Canada imported nearly €12.5 million of cheese from the Netherlands. Under CETA, the Netherlands enjoys recognition of two Geographical Indications covering cheeses: Gouda Holland and Edam Holland.
- The Netherlands had a surplus in services trade with Canada of €345 million in 2019, with exports in management consulting, engineering, technical and financial services.<sup>4</sup>
- CETA eliminated tariffs in clean tech goods such as wind turbines and rechargeable electric batteries. Canada-Netherlands trade in environmental and clean technology products grew by 9.6% from 2017 to 2018.<sup>5</sup>

**CETA enhances cooperation on science, technology, research and innovation.** In CETA, and through the Strategic Partnership Agreement, Canada and the EU are building upon a well-established science and technology relationship that is more important than ever. CETA's framework supports enhanced cooperation at all levels of government, promoting private sector investments in science and technology development and fostering partnerships between Canadian and European

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<sup>1</sup> Source: Eurostat, Exports of goods and services in % of GDP; Statistics Canada.

<sup>2</sup> Based on products in HS 940690 and HS 761090. Illustrative only.

<sup>3</sup> Source: Agriculture and Agri-Food Canada from Statistics Canada data.

<sup>4</sup> Source: Statistics Canada, Balance of international payments, services by principal trading partners.

<sup>5</sup> Latest available data. Source: Statistics Canada, Environmental and Clean Technology Products Economic Account, International Trade in Environmental and Clean Technology Products.

universities, research centres and civil society. CETA contains provisions such as improved labour mobility for skilled professionals and intellectual property protections for innovators. Dutch and Canadian researchers are working together in fields ranging from agriculture to medical science, including research currently underway on the rapid development of antiviral compounds to fight COVID-19, which received funding through Canada's *COVID-19 Rapid Research Funding Opportunity*.<sup>6</sup> Meanwhile, our trade in life sciences products is more important than ever: this trade, including in medical devices and supplies, has grown by 8.59% since 2017, the year CETA provisional application began.

**CETA sets a new, consistent and transparent precedent to investment protection.** CETA's Investment Chapter reinforces the government's right to regulate in the pursuit of legitimate policy objectives, such as the protection of health, safety, the environment and cultural diversity. This objective is achieved by a set of carefully drafted provisions and exceptions and a stand-alone article reaffirming the government's right to regulate.

CETA also makes procedures to resolve investment disputes fairer and more transparent by introducing a permanent tribunal with members appointed by governments only (not companies), rigorous commitments on ethics for members of the Tribunal, an Appellate Tribunal and mediators. CETA ensures that the investment dispute resolution hearings are open, and that submissions to the tribunals will be made public (except in cases of business confidentiality). CETA also provides non-disputing individuals and organizations an opportunity to make submissions to the Tribunal. It is also forward-looking, leaving room for future improvements to the Investment Chapter in light of developments in other international fora, including at the WTO, while committing to work together to establish a multilateral investment tribunal.

Clearly, CETA's language does not allow investors to be compensated simply because a government measure has affected their expectations and profits, nor does it allow the Tribunal to request that a government change its laws, regulations, or policies. Full ratification of CETA, and therefore CETA's investment provisions, will provide Dutch and Canadian investors with greater predictability, transparency, and protection for their investments.

**CETA promotes environmental protection, sustainable development and labour rights.** CETA includes robust chapters on trade and the environment, labour and sustainable development. These chapters prevent both Canada and the EU from waiving or not enforcing their labour and environment laws as a means of encouraging trade and investment. CETA also reaffirms Canada and the EU's commitments to the Multilateral Environment Agreements that each have signed, notably the Paris Agreement, and includes commitments to promote trade and investment in environmental goods and services, sustainable forestry and fisheries management. Highlights of Canada and the EU's green collaboration in 2019 included a Trade and Climate conference and a Clean Technology Workshop. Additionally, CETA guarantees the right of Member States to regulate in areas such as safety of agricultural products, public services, the environment and labour protection. Finally, CETA ensures continuous and meaningful collaboration between Canada and the EU in advancing labour, environment and sustainable development objectives through the CETA Committee on Sustainable Development, Domestic Advisory Groups on Sustainable Development (DAGs), and an annual CETA Civil Society Forum on Sustainable Development.

Additionally, Canada and the EU committed in CETA's Joint Interpretative Instrument to an early review of the Trade and Sustainable Development (TSD) Chapters "with a view to the effective enforceability of CETA provisions on trade and labour, and trade and environment". We have been

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<sup>6</sup> <https://www.canada.ca/en/institutes-health-research/news/2020/03/government-of-canada-funds-49-additional-covid-19-research-projects-details-of-the-funded-projects.html>

actively engaging with representatives of Canadian and EU civil society, including the DAGs, and through the Trade and Sustainable Development Civil Society Forum, to consult on how best to meet this objective. In consultation with the DAGs, Canada and the EU are currently in the process of exchanging proposals on how best to ensure the effective enforceability of these chapters. Canada takes the commitment to an early review to strengthen enforceability on TSD obligations very seriously, and we are engaged with the Commission on this matter with constructive proposals.

**CETA is good for SMEs.** SMEs are the backbone of both of our economies, comprising 91% of Dutch exporters and 97% of Canadian exporters. CETA recognizes the importance of SMEs in bilateral trade relations by increasing transparency, predictability and lowering tariffs for SMEs, and including provisions that are of particular benefit to these companies. For example, Canada and the EU committed to improve the procedures governing the movement of goods to reduce transaction costs, while ensuring national safety and security are also maintained. This is particularly important to SMEs, including women-led exporters. Additionally, in September 2018, the CETA Joint Committee adopted a Recommendation on SMEs that sets out concrete actions to help SMEs access new international markets. These provisions will ensure that our entrepreneurs and small business have access to information specifically tailored for their use, making it easier for Canadian and Dutch businesses to explore and navigate our respective markets and better position themselves for success.

**CETA is good for consumers.** CETA aims to protect the health and safety of consumers to the highest possible degree. The Agreement provides guarantees that governments remain entirely free to manage public services as they see fit to best serve their citizens. Further, CETA does not undermine European or Canadian standards or regulatory frameworks. For example, Canadian meat products for export to the EU must come from animals raised and processed following EU requirements, and vice-versa. CETA also facilitates cooperation between EU Member States and Canada to protect the health and safety of our citizens. This includes cooperation on the safety of consumer products so that Canadian and European regulators can more effectively share information and coordinate product recalls.

**CETA offers fora for dialogue and coordination.** CETA established a governance structure of 19 specialized committees and dialogues to ensure that the agreement continues to deliver tangible benefits to citizens on both sides of the Atlantic. For example, CETA's Regulatory Cooperation Forum produced the agreement on sharing consumer product safety information. The annual CETA Civil Society Forum involves a balanced representation of relevant interests, such as independent representative employers, unions, labour and business organisations and environmental groups, among others. The November 2019 meeting of the Forum brought people from both sides of the Atlantic to discuss a shared long-term approach to climate change, tackling labour concerns in third countries, protecting biodiversity, and corporate social responsibility, among other topics.

While the outbreak of COVID-19 has affected CETA committees' and dialogues' meeting schedules, officials from Canada and the EU continue to engage with a renewed focus on economic recovery and sustaining supply chain integrity for crucial items in both jurisdictions. These discussions between trusted partners will be more important than ever as we navigate these complex challenges together.