

Canada-EU Comprehensive Economic and Trade Agreement (CETA)

Prepared for the Dutch House of Representatives Committee on Foreign Trade and Development Cooperation

Canada and the Netherlands have longstanding and strong commercial ties: Canada and the Netherlands have much in common, with similar values, open economies and comparable approaches to business. Trade has been, and continues to be a source of prosperity for our citizens. We are both trading nations, with exports of goods and services at 86.5% of GDP in the Netherlands and 30.9% of GDP in Canada.¹

The close Canada-Netherlands commercial relationship has been **strengthened by CETA**, which has been provisionally applied since September 21, 2017, with all economically significant parts of the agreement in effect, with the exception of the investment dispute resolution mechanism between investors and states, some provisions in the Financial Services Chapter related to portfolio investment and the investment dispute resolution mechanism for investment disputes in financial services. Overall two-way goods (merchandise) trade between Canada and the Netherlands increased by 33% in the period of October 2017-June 2019, when compared to the equivalent pre-CETA period.² At the time of CETA's provisional application, duties on 98% of tariff lines were eliminated for originating goods; this will increase to 99% over the next several years.

Through CETA, Canada has reduced import duties on products that the Netherlands reports among its top 20 goods exports to Canada. CETA also recognizes the growing importance of services in the Canada-EU trading relationship by establishing more stable and transparent conditions for business. For instance, CETA includes standalone chapters and sector-specific provisions that ensure broad-based liberalization for services trade. The Netherlands increased its services trade surplus with Canada by €15.7 million from 2017 to the end of 2018.³ The Netherlands' main services exports to Canada, as well as Canada's main services exports to the Netherlands, are management consulting services, architectural, engineering, and other technical services, financial services, ICT services, and transportation services.

Opportunities for Small and Medium-sized Enterprises (SMEs): CETA recognizes the importance of SMEs in bilateral trade relations and includes provisions that are of particular benefit to SMEs. For example, Canada and the EU committed to improve the procedures governing the movement of goods so as to reduce transaction costs, while ensuring national safety and security are also maintained. This is particularly important to SMEs, including women-led exporters. CETA also includes modernized provisions for the protection of intellectual property, an area of interest to the entrepreneurial and innovative businesses in the Netherlands.

A modern and inclusive agreement: CETA is a landmark agreement that upholds and promotes the values shared by the EU and Canada. CETA demonstrates our shared ambition for trade that is beneficial to all parts of the economy and all segments of society, and includes an institutional framework to: (1) enhance cooperation on climate change and other global

¹ Source: World Integrated Trade Solution Country Profiles; Statistics Canada

² Source: Eurostat.

³ Source: Statistics Canada

environmental challenges, (2) enhance commercial opportunities for SMEs, including women-led exporters, while (3) fully preserving the ability of governments to regulate in the public interest, especially with regard to public services and areas such as the environment, culture, health and safety, and labour protection. There are specific references to the right to regulate in CETA's investment chapter, Article 9 of the Joint Interpretive Instrument and Article 24.3 of the Environment Chapter, as well as in the Agreement's Preamble.

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. Canada and the EU are working to ensure the benefits of CETA are shared widely. This includes the Committee on Trade and Sustainable Development (TSD), which oversees implementation of dedicated chapters on trade and sustainable development (Chapter 22), trade and labour (Chapter 23); and trade and environment (Chapter 24). Canada and the EU also committed to host an annual Civil Society Forum that involves a balanced representation of relevant interests, such as independent representative employers, unions, labour and business organisations and environmental groups, among others. Canada will host the second annual Civil Society Forum on November 12, 2019 in Ottawa.

Environmental provisions in CETA: CETA includes a substantive chapter on the environment, which commits Canada and the EU to effectively enforce domestic environmental laws and not to waive or derogate from those laws in order to encourage trade or investment. EU investors in Canada, and Canadian investors in the EU, must obey all of the laws and regulations of the host country, including those related to environmental protection. Both Canada and the EU retain the right to regulate in the public interest, and to take certain measures, including environmental measures, necessary to protect human, animal and plant life or health.

Recognizing that ambitious climate action will protect the environment, spur clean growth and sustainable development, create jobs, and improve human health, CETA includes commitments to promote trade and investment in environmental goods and services as well as sustainable forestry and fisheries management. Growth in clean technology trade is of particular importance to Canada, which has a cleantech sector ranked 4th in the world.⁴ This is an area with strong potential for growth. Two-way Canada-Netherlands trade in cleantech products increased by approximately 60% between 2017 and 2018.⁵

Transparent and predictable rules for investment: Canada's stable and open economy has long attracted investment from the Netherlands and it has potential for further mutually-beneficial growth. The Netherlands is the EU's largest investor in Canada and Canada's second largest source of Foreign Direct Investment (FDI). Canada was the 5th largest investor (FDI stock of extra-EU countries) in the Netherlands in 2017. Canadian majority-owned affiliates operating in the Netherlands generated €3.7 billion in sales by the end of 2017.⁶ They are also creating jobs; over 100 Canadian companies in Europe have established their hub in the Netherlands, employing over 15,000 people, and interest continues to grow.⁷ Full implementation of CETA's investment provisions will provide EU and Canadian investors with greater predictability, transparency, and protection for their investments.

⁴ Source: Global Cleantech Innovation Index (2017 data).

⁵ Source: Global Affairs Canada calculation, based on Statistics Canada's Canadian International Merchandise Trade Database. Two-way trade increased from CAD \$26 million to \$42 million, between 2017 and 2018.

⁶ Source: Statistics Canada

⁷ Source: European Commission fact sheet, February 2017

CETA: Myths and Realities

CETA does:

- ... provide, via the Environment and Labour Chapters, that each Party retains its right to set its own domestic levels of protection or standards.
- ... reaffirm Canada and the EU's respective commitments to Multilateral Environment Agreements. Specific references to the Paris Agreement were added to the Joint Interpretative Instrument between Canada and the EU and its Member States (October 2016) and to a recommendation of the CETA Joint Committee (September 2018).
- ... include a novel investment dispute resolution mechanism, introducing innovations such as a permanent investment tribunal, rigorous commitments on ethics for all tribunal members, and a robust appellate mechanism.
- ...include forward-looking provisions that open the door to future improvements to the Investment Chapter in light of experience and developments in other international fora and under other international agreements.
- ...provide mechanisms for dialogue and cooperation on issues such as animal welfare. Canada is a member of the World Organisation for Animal Health (OIE) and is an active participant and supporter of advancing international animal welfare through development of standards under the Terrestrial (and Aquatic) Animal Health Code. Canada and the EU have jointly agreed that animal transportation will be the first topic to be discussed under the CETA Regulatory Cooperation Forum.

CETA does not:

- ... allow foreign investors or companies to force a government to change its laws and regulations. In fact, CETA provides clear language that preserves the right of the EU and Canada to regulate within their territories and flexibility to achieve legitimate policy objectives, including in public health, social services, public education, safety, the environment, social or consumer protection, privacy and data protection and the promotion and protection of cultural diversity.
- ... undermine European standards, nor the standards implemented in Canada regarding European products imported to Canada. CETA does not change EU or Canadian import requirements or sanitary and phytosanitary requirements in any way. All applicable requirements of the importing party must be met, without exception. CETA does not alter the ability of the EU, its Member States or Canada to regulate and legislate, including in areas such as the environment, health and safety. This includes the EU and Canada's existing regulatory frameworks for GMOs; nothing in CETA limits the ability of the EU to maintain or change its existing regulatory framework for GMOs.
- ... threaten the Dutch agricultural or livestock industry. The Netherlands had an agri-foodtrade surplus of approximately €113 million with Canada in 2018. Canada's share of Netherlands total agri-food and seafood imports was 0.3% in 2018.⁸
- ...allow enterprises from third states to benefit from CETA's investment dispute resolution provisions simply by the fact that it has activities in Canada. Enterprises must be established and have substantial business activities in Canada.

⁸ Source: Agriculture and Agri-food Canada.