

A Trade SIA Relating to the Negotiation of a Comprehensive Economic and Trade Agreement (CETA) Between the EU and Canada

Trade 10/B3/B06

Draft Final Report: Summary Report
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PROJECT WEBSITE AND FEEDBACK

Feedback and comments on the draft Final Report and on the project in general is strongly encouraged and can be sent to the study team by visiting www.eucanada-sia.org

The deadline for feedback to be included in the Final Report is 11 April 2011.

EU-Canada SIA draft Final Report Team:*

Colin Kirkpatrick, PhD, Team Leader

Selim Raihan, PhD, CGE and FDI gravity equations modeller

Adam Bleser, sectoral economic and social impacts expert

Dan Prud'homme, select cross-cutting issues expert

Karel Mayrand, sectoral environmental expert on North America

Jean-Frédéric Morin, PhD, IPR expert

Hector Pollitt, E3MG modelling team

Leonith Hinojosa, PhD, sectoral environmental expert on EU, other third countries expert

Michael Williams, labour mobility section and researcher

Contact information and/or affiliations in order:

-Dr. Colin Kirkpatrick: (Colin.Kirkpatrick@manchester.ac.uk)

-Dr. Selim Raihan: Associate Professor, Department of Economics at University of Dhaka (selim.raihan@econdu.ac.bd), Executive Director, South Asian Network on Economic Modelling (SANEM)

-Adam Bleser: DEVELOPMENT Solutions

-Dan Prud'homme, IPA Worldwide Group (dprudhomme@ipaworldgroup.com), DEVELOPMENT Solutions

-Karel Mayrand: senior expert to the team

-Dr. Jean-Frédéric Morin: Université Libre de Bruxelles

-Hector Pollitt: Cambridge Econometrics (hp@camecon.com)

-Dr. Leonith Hinojosa: Open University, Honorary Fellow at the IARC/SED University of Manchester (Leonith.Hinojosa@manchester.ac.uk)

-Michael Williams: DEVELOPMENT Solutions

The views of the authors expressed herein are their own and do not necessarily reflect the views of their affiliated institutions.

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LIST OF ABBREVIATIONS

AGP	Agreement on Government Procurement
AIT	Agreement on Internal Trade
ATC	Agreement on Textiles and Clothing
AVMSD	Audiovisual Media Services Directive
BIT	Bilateral Investment Treaty
BOD	Biochemical oxygen demand
BRIC	Brazil, Russia, India and China
BSE	Bovine spongiform encephalopathy
CAMSC	Canadian Aboriginal Minority Supplier Council
CAP	Common Agricultural Policy
CBA	Canadian Bankers Association
CCA	Causal chain analysis
CDC	Canadian Dairy Commission
CDE	Constant difference of elasticity
CDIA	Canadian Direct Investment Abroad
CEC	Commission for Environmental Cooperation
CERT	Canada-EU Round Table
CES	Constant Elasticity of Substitution
CETA	Comprehensive Economic and Trade Agreement
CFA	Committee of Freedom of Association
CFIA	Canadian Food Inspection Agency
CFP	Common Fisheries Policy
CGE	Computable General Equilibrium
CITT	Canadian International Trade Tribunal
CLS	Core Labour Standards
COSEWIC	Committee on the Status of Endangered Wildlife in Canada
CSR	Corporate Social Responsibility
CSRA	Canadian Securities Regulatory Authority
CSTO	Canadian Securities Transition Office
CUSFTA	Canada-US Free Trade Agreement
CWB	Canadian Wheat Board
DFAIT	Department of Foreign and International Trade
DG	Directorate General
DWA	Decent Work Agenda
ECTI	EU-Canada Trade Initiative
EEC	European Economic Community
EESC	European Economic and Social Committee
EEZ	Exclusive Economic Zone
EFTA	European Free Trade Association
EMU	Economic and Monetary Union
ENGO	Environmental non-governmental organisation
FARA	Federal Acquisition Reform Act
FAR	Federal Acquisition Regulation
FASA	Federal Acquisition Streamlining Act
FATS	Foreign Affiliate Trade in Services
FBT	Food, beverage and tobacco

FDI	Foreign direct investment
FFN	Functional foods and nutraceutical
FIAS	Financial information and advisory service
FIPA	Foreign Investment Promotion and Protection Agreement
FQD	Fuel Quality Directive
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
GHG	Greenhouse Gas Emissions
GI	Geographical indications
GM	Genetically modified
GP	Government procurement
GPA	Government Procurement Agreement
GTAP	Global Trade Analysis Project
GVA	Gross value added
HACCP	Hazard Analysis and Critical Control Points
HS	Harmonised system
ICA	Investment Canada Act
IEA	International Energy Agency
ILO	International Labour Organization
IMF	International Monetary Fund
IMO	International Maritime Organization
IPR	Intellectual property rights
ISDS	Investor-state dispute settlement
JCC	Joint Cooperation Committee
LDC	Least developed country
LICO	Low-income cut off
LULUCF	Land use, land use change and forestry
M&A	Merger and acquisitions
MASH	Municipalities, academic institutions, school boards and hospitals
MFN	Most favoured nation
MLC	Maritime Labour Convention
MMS	Maritime Modal Schedule
MNC	Multinational corporation
MNE	Multinational enterprise
MOU	Memorandum of Understanding
MRA	Mutual recognition agreement
MS	Member State
NAFTA	North American Free Trade Agreement
NAMA	Non-agricultural market access
NC	Net cost
NEC	Not elsewhere classified
NGO	Non-governmental organisation
NPE	Nonylphenol and its ethoxylates
NPRI	National Pollutant Release Inventory
NROP	Non-Resident Ownership Policy
NTB	Non-tariff barrier
OCT	Overseas countries and territories

OECD	Organisation for Economic Co-operation and Development
OIE	World Organisation for Animal Health
PA	Preferential agreement
PAC	Polycyclic aromatic compounds
PAP	Process agricultural product
PGM	Platinum group metal
PM	Particulate matter
PMPRB	Patented Medicines Price Review Board
PNAS	Proceedings of the National Academy of Sciences
PSAB	Procurement Strategy for Aboriginal Businesses
PWGSC	Public Works and Government Services Canada
RAMP	Regional Aquatics Monitoring Program
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
REE	Rare earth elements
ROO	Rules of Origin
RVC	Regional value content
SAGD	Steam assisted gravity draining
SARA	Species at Risk Act
SAWP	Seasonal Agricultural Worker Program
SCM	Steering Committee Meeting
SCO	Synthetic crude oil
SIA	Sustainability Impact Assessment
SITC	Standard International Trade Classification
SME	Small and medium-sized enterprise
SOP	Standard operating procedure
SPS	Sanitary and phytosanitary
STRI	Services Trade Restrictiveness Index
TAA	Trade Agreements Act
TAC	Total allowable catch
TBT	Technical barrier to trade
TEU	Twenty-foot equivalent unit
TFEU	Treaty on the Functioning of the European Union
TFWP	Temporary Foreign Worker Program
TIEA	Trade and Investment Enhancement Agreement
TILMA	Trade, Investment and Labour Mobility Agreement
TOR	Terms of reference
TPM	Total particulate matter
TPRP	Telecom Policy Review Panel
TRIPS	Trade Related Aspects of Intellectual Property Rights
TRQ	Tariff rate quota
TSE	Transmissible spongiform encephalopathies
TSIA	Trade Sustainability Impact Assessment
TV	Transaction value
UECBV	European Livestock and Meat Traders Union
UNESCO	United Nations Educational, Scientific and Cultural Organization
UPOV	Union for Protection of New Varieties of Plants
VA	Value added

VAT	Value-added tax
VOC	Volatile organic compound
VNM	Value of non-member materials
WEF	World Economic Forum
WIPO	World Intellectual Property Organization
WMI	Whitehorse Mining Initiative
WTO	World Trade Organization

EXECUTIVE SUMMARY

This draft Final Report: Summary Report for the EU-Canada Sustainability Impact Assessment (SIA) on the EU-Canada Comprehensive Economic and Trade Agreement (CETA) provides a summary of the comprehensive assessment of the potential impacts of trade liberalisation under CETA contained in the full draft Final Report. The impact analysis looks at the economic, social and environmental impacts in 3 sectors and 16 sub-sectors; and reviews 7 cross-cutting issues.

There are eight main sections of this report. **Section one** provides an introduction on the state of play of the SIA and outlines next steps in completion of the study (by approximately April 2011). **Section two** outlines the methodology implemented to date and builds on the overview in Section one on next steps to be taken in completing the SIA.

Sections three to seven contain the core of this report: an assessment of the potential economic, social and environmental impacts of trade liberalisation under the CETA. The macro-economic assessment is included in **section three** and briefly discusses overarching macro-economic impacts on the EU and Canada as predicted by the CGE model, while also including brief macro-data on third countries. The sectoral assessments are included in **sections 4 through 6** and provide individual impact assessments for 3 sectors and 16 sub-sectors: the agricultural and processed agricultural products (PAPs) and fisheries sector (and the sub-sectors of (i) grains and oilseeds, (ii) beef and pork, (iii) dairy, (iv) beverages, (v) other PAPs, and (vi) fisheries); the industrial products sector (and the sub-sectors of (vii) mining and manufacturing of metal, (viii) oil and petroleum products, (ix) coal, (x) forest-based industries, (xi) automotive and other transport equipment and (xii) textiles); and the services sector (and the sub-sectors of (xiii) transportation, (xiv) financial, (xv) telecommunication, and (xvi) other business services). **Section seven** assesses cross-cutting issues and provides individual impact assessments for 7 issues: government procurement, intellectual property rights, investment, trade facilitation, labour mobility, free circulation of goods, and competition policy. **Section eight** lists the policy recommendations, also called flanking measures, based on the results of the sustainability analyses. These measures cover both enhancement and preventative/mitigation measures, i.e. measures needed to reinforce key positive sustainability impacts and to prevent or at least mitigate major negative sustainability impacts.

One **annex** (including Annex A and Annex B) is included in this summary report which provides information on consultations undertaken to date and the stakeholder network. Several other **annexes** are located in a separate document (available for download alongside the full draft Final Report) which again include information on consultations undertaken to date and the stakeholder network as well as further methodological explanation of the CGE model, E3MG model and gravity models as well as results of these models.

KEY FINDINGS FROM THE DRAFT FINAL IMPACT ASSESSMENT:

Macro-economic assessment:

The CETA is expected to lead to overall gains in welfare, real GDP, total exports, the balance of trade and wages in both Canada and the EU over the long-term. Based on modelling results, these gains will be maximised under an agreement that offers the highest degree of liberalisation.

Specifically, the modelling estimates that the EU will experience increases in its real GDP of 0.02% to 0.03% over the long-term, while Canada is estimated to see increases ranging from 0.29% to 0.36%. Increases in total exports are also expected over the long-term, ranging from a 0.07% increase in the EU

to 1.56% in Canada. These increases in exports are expected to improve the balance of trade in both Canada and the EU, with Canada likely to see the greatest improvements from the removal of tariffs and the EU from the removal of barriers to trade in services. In both Canada and the EU, the CETA is similarly expected to lead to increased wages. Whereas increases in wages should be fairly comparable between skilled and unskilled labour in the EU, modelling results suggest wage rates for unskilled labour in Canada will exceed increases for skilled labour.

Third countries are estimated to experience minor degrees of welfare loss as a result of the Agreement, though the overall impact on these countries is insignificant, with GDP projected to exhibit no noticeable change.

Macro-economic results are estimated to differ significant from those generated by a similar modelling approach used in the EU-Canada Joint Study (2008). Despite using the same assumptions regarding cuts in tariffs and liberalisation of services, this study estimates far less pronounced gains in real GDP, welfare and exports over the long-term.

Sectoral-level assessment:

The sectoral impact varies according to the level of liberalisation achieved under the CETA. Liberalisation appears to generate its greatest gains for the services sector, though greater degrees of liberalisation can result in a worse outcome for some industrial or agricultural products as expansion in the services stimulates resources to move out of these sectors and into the services over the long-term. This appears to be generally the case in both Canada and the EU, though the relative impact is greater in the former.

In **agriculture, PAPs and fisheries**, significant degrees of liberalisation would likely have a pronounced impact on a number of sectors in Canada and the EU. Canada would realise significant gains from a CETA that provided notable increases in access for its exports of **beef and pork**. The impact on both beef and pork is likely to be influenced by the rules of origin that the CETA adopts, with more relaxed rules likely to benefit Canada given the integration of its industry with the United States. The EU is expected to be negatively impacted under a CETA that provides substantial improvements in market access to Canadian producers. The magnitude of this impact would be expected to increase with greater levels of liberalisation, with the pork industry in particular standing to be negatively affected. Further, expansion of the beef and pork industries would likely lead to greater herd size in Canada, potentially leading to increased released of methane as a by-product, creating a negative environmental impact.

Limited to moderate gains are expected for Canada's **fisheries** sector under the full removal of tariffs, with the greatest impact likely to occur in exports of frozen fish and seafood. In the EU, processors could potentially benefit from cheaper imports from Canada, while consumers would stand to benefit from reduced costs. The EU would also likely benefit from liberalisation of investment in the sector, particularly in regards to lowering the domestic ownership requirement for the granting of commercial fishing licenses. The primary environmental risk is that the CETA could lead to over-fishing in certain parts of the Atlantic and increased reliance on aquaculture. Increased Canada-EU collaboration could provide greater impetus for the development of more sustainable fishery practices, such as the use of separate containment tanks in aquaculture, maintaining sustainable Total Allowable Catch levels and sustainable fishing practices.

EU **dairy** producers' access to the Canadian market is significantly restricted by Canada's supply management system. If this system were to be eliminated, the EU would be expected to see significant increases in output and exports. At the same time, this would invariably result in a negative outcome for Canadian dairy producers, though it would likely benefit consumers by reducing prices. While such an

outcome is uncertain, gains to the EU could still be realised through improved minimum access requirements and/or greater recognition of GIs for a number of EU produced cheeses.

The EU could also realise increased exports of **beverages** to Canada, though the outcome is largely non-tariff related and relies on the Agreement's ability to resolve discriminatory practices that are alleged to take place in provincial liquor control boards.

Producers of **processed agricultural products** (not including meat, dairy or fish) in both Canada and the EU could potentially realise gains from liberalisation under the CETA. The impact on Canada, however, would be influenced by the Agreement's rules of origin, with more relaxed rules on sugar expected to enhance gains for Canada under tariff liberalisation. Both sides could also realise gains from greater harmonisation in labelling and packaging requirements.

It is not expected that the CETA's economic impact on agriculture, PAPs and fisheries will lead to a pronounced **social** impact. Full removal of tariffs would result in the greatest social impact, by generating the largest number of jobs, but also leading to the greatest amount of displacement in those sectors expected to contract under such a degree of liberalisation. The dairy industry in Canada could be the most negatively impacted, with a number of producers being displaced due to the dismantling of supply management, while removal of tariffs in the EU would likely lead to displacement in its pork and beef industries. Nevertheless, it is doubtful that the CETA would lead to full removal of tariffs, limiting the likelihood that workers within these industries will be negatively impacted as a result of the Agreement.

With significant degrees of liberalisation, it is likely that the CETA will have an **environmental** impact in the agriculture and PAPs sector by increasing output. Greater demand for Canadian agricultural products would require an intensification of agriculture to be achieved by increasing chemical inputs, changing the distribution of crop production, and potentially encroaching onto marginal or other productive lands. These changes would affect land usage and quality, water usage and quality, air pollution, biodiversity and waste creation. Under less ambitious liberation scenarios, the expected overall environmental impact from CETA would be limited. Moreover, if expected increases in crops like wheat under full liberalisation scenarios are produced using more sustainable practices, such as no or reduced till, the negative environmental impact can be mitigated because of reduced emissions and chemical inputs. This trend towards more beneficial agricultural practices can potentially be further supported under CETA through Canadian-European cooperation and European preferences for sustainable products.

Industrial products are generally not subject to high tariff rates in either Canada or the EU, limiting the impact that tariff liberalisation is likely to have. This is specifically the case for mining and manufactured metal products, oil, coal and forest-based industries which are not expected to be significantly affected by trade liberalisation. Instead, investment liberalisation is likely to have a greater impact on these products, though it is not expected that the CETA will significantly increase the level of EU FDI into these sectors within Canada. The CETA could lead to greater investment in Canada's **mining** sector with the removal of ownership restrictions on uranium, in turn potentially leading to greater output and trade within Canada. The extension of national treatment to EU investors could induce limited increases in investment in Canada's mining of other metals and minerals, though it is likely that price will continue to be the driving force behind sectoral investment. This is similarly the case for the **oil** sector, where it is not expected that the CETA will significantly alter EU investment or Canadian output.

The CETA has the potential to have a positive impact on Canada and the EU's **transportation equipment** sector, with the elimination of tariffs expected to lead to increases in output and exports over the long-term. The rules of origin on automotive products are an important issue, with stringent rules likely to

significantly restrict the ability of Canadian manufacturers to capitalise from preferential tariffs under a CETA. Additionally, differences in emission standards between Canada and the EU could serve to further reduce estimated gains for the Canadian auto industry. This is largely dependent, however, on the level of market access granted to Canadian auto manufacturers under the CETA, with significant improvements in market access likely to stimulate Canadian producers to make the necessary investments in order to meet the stricter EU standards. The EU would similarly be expected to experience gains, though this would be predominantly in the auto sector, with its manufacturers of other transport expected to experience minor declines in output and exports as a result of the CETA.

The CETA would be expected to have a positive impact on the **textiles** industries of Canada and the EU. Canada would likely experience increases in output and exports in its textiles and apparel sector over the long-term with the full removal of tariffs; although there could be some deterioration in the trade balance for these products. Within the EU, the CETA is likely to positively impact output, exports and the balance of trade for textiles, clothing and leather products. Further gains for the EU would arise if the CETA leads to the removal of barriers to the free circulation of goods in Canada as well as improved enforcement of IPR. The impact on Canada and the EU will likely be significantly influenced by the rules of origin ultimately adopted, with Canada benefitting from less restrictive rules.

The **social** impact is likely to be limited. Quality and decency of work could be somewhat improved where the CETA includes a chapter on trade and labour that provides for better implementation and ratification of the ILO's Core Labour Standards and Decent Work Agenda. Canada, specifically, could see its standards and rights improved with respect to collective bargaining and freedom of association with provisions that require ratification of the ILO's Convention 98 which provides legally binding measures on such rights.

With limited expected impact on production in the mining, metal manufacturing, oil, coal and forest-based industries, it is not expected that the CETA will lead to a significant **environmental** impact in these sectors. GHG emissions from the auto industry may increase, though improvements in energy intensity could help offset these gains and mitigate the negative impact.

The **services sector** has the potential to generate the greatest gains for both Canada and the EU, though this outcome is dependent on a CETA that achieves a significant amount of liberalisation. Liberalisation would likely provide significant benefits to **maritime transport services** in both Canada and the EU and lead to pronounced increases in output and trade. Increased merchandise trade resulting from the CETA will directly increase the demand for maritime transport services, increasing output and exports. Provisions in the CETA that would enhance the positive gains include liberalisation of feeder services and repositioning in Canada which would lower costs, increase competitiveness and efficiency and also spur greater levels of FDI in Canada's maritime transport sector.

The CETA has the potential to significantly impact the Canadian **telecom** sector, primarily through its ability to liberalise Canada's foreign ownership restrictions. If the CETA results in the removal of these restrictions, it is likely that the impact in Canada will be pronounced, with sizeable increases in inward FDI, output and exports occurring over the long-term. Additional benefits would occur through improved competitiveness in the industry, which would serve to enhance technological acquisition of Canadian telecom companies and help to stimulate their expansion into foreign markets. Canadian consumers would likely benefit substantially from reduced prices, improved service and wider selection. EU telecom companies would also benefit by increased access to the Canadian market, spurring increased investment through establishment and acquisitions. While such an outcome may not impact output and cross-border trade within the EU, it would benefit EU exports via mode 3. Additional benefits

could be achieved by the CETA's granting of non-discriminatory access to infrastructure and networks, though this is likely to have less of an impact than the removal of ownership restrictions.

The CETA is unlikely to have a pronounced impact on output, trade (as it pertains to cross-border trade and sales through foreign affiliates) and investment in the **financial services** sector of either Canada or the EU. The CETA is, however, expected to have a positive impact on the other **business services** sectors within both Canada and the EU, with greater gains likely to accrue under an Agreement that provides higher degrees of liberalisation. However, given the absence of restrictions for most sub-sectors within the business services sector, the overall impact from the CETA may be limited, and instead serve to make the existing level of liberalisation legally binding. Nevertheless, liberalisation could yield benefits in certain subsectors where specific barriers are present, while improvements in the temporary movement of labour could serve to benefit trade and investment across the entire sector. Liberalisation of both at-the-border and behind-the-border restrictions on temporary movement of professionals would likely serve to increase the level of cross-border trade as well as the investment and trade occurring via foreign affiliates, providing greater benefits. In order to realise the greatest gains it will be important for the CETA to foster mutual recognition agreements allowing professionals to have their qualifications/certificates recognised in both Canada and the EU.

The **social** impact is expected to be positive, with the CETA expected to lead to the creation of services jobs in both Canada and the EU. The **environmental** impact is also expected to be limited and could be beneficial if expansion redirects resources away from more environmentally harmful sectors (e.g. extractive industries) and towards services. Increased merchandise trade would be expected to lead to greater GHG emissions from the transport services sector. At the same, the vast majority of this increased trade would be expected to occur through maritime transport, which has a lower environmental impact than land or air transport. To the degree that trade in Canada is diverted away from the U.S. and toward the EU, the environmental impact could be positive by replacing land transport with maritime transport. Further, liberalising feeder services within Canada could contribute to the development of Canada's short-sea shipping industry, which could help improve environmental performance of the transport sector by redirecting land shipments to sea shipments.

Cross-cutting issues assessments:

Government procurement (GP): A government procurement chapter in CETA will have a variety of impacts that are positive for some and negative for others. The main effect of the chapter would be to encourage competitiveness in the bidding process. It will clearly reduce regulatory flexibility in Canada, some of which will also constitute reductions in economic and social, and potentially environmental, policy space of the type relevant to this SIA. Still, the overall loss in policy loss would be mitigated to a certain degree by a number of legalities likely in CETA, including that the agreement would only directly apply to contracts above certain thresholds.

Specifically, these impacts would be felt in terms of government savings, market share, employment, and quality and decency of work. The increased GP competition CETA would likely create may in turn result in savings by the Canadian government and lower-cost goods and services, while any similar effect would be much less pronounced in the EU given its already highly liberalised GP market. CETA will likely allow EU firms to gain some GP market share where they could not before, e.g. in some utilities, and may allow Canadian firms to make comparatively minor gains in the EU GP market. The extent of these gains depends on a number of factors of competitiveness and not just market access afforded in CETA, as a wide range of foreign subsidiaries are already competitive in the Canadian GP market. An increase in indirect cross-border competition, i.e. from foreign subsidiaries, may lead to shifts in jobs among

firms operating in Canada. The full effect on employment within jurisdictions/regions in Canada is unclear, although prohibition of offsets may have negative impacts, and Aboriginal suppliers may be somewhat negatively impacted, at least in the short-term, by prohibition of set-asides. CETA's effect on 'fair wage' and other 'social consideration' GP policies in the EU and Canada is unclear without further details of the Agreement, although if restricted would clearly have negative impacts.

Neutral impacts are expected on the quality of government-procured goods and services. CETA may create some positive impacts in terms of wider choice of GP service providers, although available evidence does not clearly indicate that a GP chapter in CETA would significantly affect quality of public goods and services, including water delivery and management, and health and education. In part, a number of legalities likely included in CETA's GP Chapter would ensure quality of goods and services.

A GP Chapter in CETA would likely have mixed environmental impacts, although depending on the wording could have notable net negative impacts. CETA's prohibition on offsets could have some mixed environmental impacts, particularly in Canada who has maintained many offsets under the GPA. If CETA restricts initiatives on green procurement it would have a significant negative impact in Canada and the EU according to a number of environmental indicators.

Intellectual Property Rights: Canada offers a standard level of IP protection but one lower than that of the EU, and it is thus assumed that CETA will lead to an upward harmonisation and call primarily for change in Canadian IPR laws. IPR-related provisions of CETA could have a minor positive impact on Canadian GDP growth, and may have a minor positive impact on European GDP. Specifically, a CETA IPR chapter will likely have a slight positive effect on specific industries in the EU, such as agri-food companies using geographical indications. It would also benefit the Canadian publishing industry and the innovative pharmaceutical industry. It could also benefit certain television, film and sound recording industries via reducing piracy and increasing revenues. At the same time, an IPR chapter in CETA could lead to notable negative effects on certain consumers in Canada, for example via higher prices on educational and pharmaceutical products. Improving IPR enforcement as a result of CETA could lead to increased FDI flows and technology transfer, resulting in positive spillover effects on production and potentially on employment. Overall, however, stronger IPR protection would have mixed impacts on Canadian employment. It would have a positive but minor impact on the employment rate in the EU. In terms of policy space, as a net importer of IPR-related assets, Canada has an interest in maintaining some IPR exceptions and limitations.

Investment: The impact of CETA as a whole on investment in Canada will likely be positive, but of minor to notable magnitude. The Investment Chapter in CETA could encourage economic benefits including investment-related effects as well as trade-stimulating effects in Canada, although the significance of these will likely be minor to notable at most. The role of investor-state dispute settlement (ISDS) as a contributor to the aforementioned economic benefits is unclear, as there does not appear to be readily available empirical evidence on the matter.

The economic impact of CETA as a whole, an Investment Chapter specifically, and ISDS specifically on investment in the EU will follow the trends mentioned for Canada but on a smaller level of significance given the relatively larger size of the EU economy as well as the EU's relatively higher level of investment liberalisation.

There may be some positive social and environmental impacts from investment encouraged under CETA as a whole; however, the policy space reductions caused by ISDS allowances in CETA in particular, while likely less significant than foreseen by some parties, would be enough to cast doubt on its contribution to net sustainability benefits. Regarding social issues, increased investment under CETA might be channelled into creating jobs in Canada and the EU that score higher on quality and decency of work

indicators, although it may also create some degree of worker displacement and wage inequality. Either way, these impacts would likely be relatively limited. Regarding environmental issues, if CETA were to increase FDI in the oil sands and mining sectors in Canada, this could lead to increased environmental impacts since these sectors are environmentally intensive. At the same time, some investment might gravitate towards green technology, producing positive impacts in Canada and the EU. Regarding ISDS in CETA, the conflicting costs and benefits of such a mechanism make it questionable that its inclusion in CETA would create a net/overall sustainability benefit for the EU and/or Canada.

Trade facilitation: Given the relatively sophisticated state of existing customs and border regimes in Canada and the EU overall, but with exceptions for certain individual EU Member States, it is unlikely that there will be significant economic, social or environmental impacts from trade facilitation reform under CETA. However, incorporating provisions under CETA to reform and improve trade facilitation would be particularly useful in limiting costs of compliance that will inevitably increase with the introduction of new rules of origin under CETA.

Labour mobility: Labour mobility provisions in CETA focused on workers in professional business services could result in a more efficient allocation of skills and increased productivity in Canada and the EU, as well as increase innovation that could lead to social and environmental benefits.

Free circulation of goods: The CETA provides an opportunity to bring the federal and provincial governments together to enact major reform in terms of allowing free-circulation of goods within Canada. Provisions allowing freer circulation of goods, which will likely focus on the agriculture and agri-foods sector given the barriers in that sector, could improve Canada's productivity performance and allow benefits to EU exporters.

Competition policy: If CETA removes discriminatory practices of the Canadian liquor control boards this would encourage competition. While reducing regulatory flexibility, evidence suggests that this would not necessarily undermine public health and safety objectives as the Canadian government would retain the most important policy tools for reducing over-consumption of alcohol, i.e. being able to set price floors and impose taxes on beer, wine and spirits.

Removal of discriminatory practices by the Canadian Wheat Board could improve wages of competitive wheat farmers. And there is evidence to limit concerns about the negative economic and social impacts of removing such practices.

No significant negative impacts or unclear impacts are predicted for the two other competition policy issues. If being negotiated, CETA would legally bind Canada's recent liberalisation in international letter delivery via Bill C-9 to the EU, but would not be expected to have negative effects on quality of postal services. The impacts of revising state aid policies under CETA are unclear without further details of the Agreement.

POLICY RECOMMENDATIONS:

Given the provisional nature of the policy recommendations and the importance of the consultation period and feedback from the Steering Committee and stakeholders on the proposals, the proposals are not presented in summary form in the Executive Summary. Instead, the reader is invited to read section 8 in its entirety. The final recommendations will be summarised in the Executive Summary in the Final Report.

MOVING FORWARD:

The final step to completing the SIA will be to incorporate the ongoing feedback received from stakeholders and the Steering Committee on the draft Final Report. It is envisaged the Final Report will be available around the second-to-last week in April 2011.

1. INTRODUCTION

1.1 EU-CANADA COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT

Overview of negotiations

With the negotiations on a Comprehensive Economic and Trade Agreement (CETA), the EU-Canada trade and economic relationship has now moved beyond the Trade and Investment Enhancement Agreement (TIEA) toward an agreement with a much broader and more ambitious scope. The TIEA, on which negotiations began in 2004 but were suspended in 2006, followed several other previous EU-Canada economic cooperation frameworks, for example the 1998 EU-Canada Trade Initiative.

Negotiations on a CETA are taking place on a number of areas including trade in goods and services, investment, government procurement, competition policy, intellectual property and trade and sustainable development. Negotiations on trade of goods are expected to include trade in industrial, agricultural and fishery products while also including tariff and non-tariff measures, trade defence instruments, technical barriers to trade (TBT), sanitary and phytosanitary (SPS) measures, customs/trade facilitation and rules of origin. Within trade in services, negotiations will include cross-border delivery (modes 1 and 2), the temporary presence of natural persons for business purposes (mode 4), and regulatory principles. Investment issues are expected to address establishment (mode 3) for services and non-services sectors, capital movements and payments.

The launch of CETA negotiations was officially announced on 6 May 2009 at the Canada-EU Summit in Prague. The first full round of negotiations was held in Ottawa in October 2009 with many of the Canadian provinces in attendance. As of publication of this report, six rounds of negotiations had taken place, with the sixth round in January 2011.

1.2 EU-CANADA SUSTAINABILITY IMPACT ASSESSMENT

European Commission Trade Sustainability Impact Assessments (hereafter also referred to interchangeably as Trade SIAs, TSIAAs, or simply SIAs) assess the potential impacts of proposed trade liberalisation agreements on all pillars of sustainable development in order to optimise policy decision-making/trade negotiations. The EU-Canada SIA is conducted by DEVELOPMENT Solutions Europe Ltd. (DS) in cooperation with key experts.

The SIA is divided into 3 phases:

Phase 1 (end of July – beginning of September 2010)

Phase 1 was designed to ensure the review of relevant information sources, flagging of sustainability issues, first stages of data preparation, preparation of analytical tools and to present how the work for the EU-Canada SIA will be carried out. The phase culminated with the Final Inception Report.

Inception Report: following submission of the draft Inception Report at the end of August 2010, the first Steering Committee Meeting and Civil Society Meeting was held in Brussels on 7 September 2010 to formally discuss the contents of the report and provide any necessary feedback for revisions. The minutes of this Civil Society meeting can be found on the SIA website at <http://www.eucanada-sia.org/>. Feedback from the steering committee meeting and civil society meeting were directly incorporated into

the Inception Report in order to create the Final Inception Report. The report was made public on the SIA website after approval in August 2010.

Phase 2 (September 2010 – December 2010/January 2011)

Phase 2 was designed to incorporate developments from Phase 1 and deliver the Trade SIA's interim quantitative and qualitative impact assessment, which was presented in the Interim Report. The Interim Report only includes preliminary considerations from the economic modelling, and not the full results of these models.

Consultation with civil society was an important tool for development of the impact assessment in this report. During this phase the team prepared for and delivered the Local Workshop in Ottawa on 26 November 2010. A Preliminary Findings document, a summary of the results from the draft Interim Report, was provided to stakeholders registered to attend that meeting. The minutes of the Local Workshop can be found on the SIA website.

Interim Technical Report:

The draft Interim Technical Report was submitted to the Steering Committee in late October 2010 and its contents were initially discussed at the second Steering Committee meeting on 10 November 2010. A revised version of the report was submitted to the Contracting Authority in mid December 2010. The report was made public on the SIA website after approval in January 2011.

Phase 3 (January – April 2011)

Phase 3 builds on the Interim Technical Report and ultimately culminates in the Final Report. This phase involves further incorporation of stakeholder feedback into the impact analysis, revised economic modelling, revised impact assessment, and policy recommendations.

The draft Final Report was submitted to the Contracting Authority in early March 2011 and made public on the SIA website in late March 2011. A second Civil Society Meeting and the third and final steering committee meeting will be held in Brussels on 30 2011 March to review and provide feedback on the draft Final Report. The minutes of this meeting will be available on the SIA website.

Final Report:

Contents: The Final Report will include all findings from the study. The Final Report, which will be available on the SIA website after approval, will include the following elements:

- Executive Summary
- Introduction and progress of the SIA's implementation
- Summary of methodology
- Baseline conditions overview (trade and economic, social and environmental spheres)
- Final sustainability impact assessment (including modelling results and expert analysis)
 - Macro level (trade and economic, social and environmental spheres)
 - Sectoral level (trade and economic, social and environmental spheres)
 - Cross cutting level (trade and economic, social and environmental spheres)
- Proposals for flanking measures/policy recommendations; Conclusions
- Information on consultation activities undertaken
- References
- Annexes (modelling tables; minutes of local workshop, workshop program and list of participants, etc.)

Additionally, the Final Report will be accompanied by a Briefing Document which will not exceed two pages.

State of play

The EU-Canada SIA draft Final Report provides a comprehensive sustainability assessment on potential impacts of trade liberalisation under CETA. The assessment is undertaken at three levels:

- Macro-economic assessment
- Sectoral assessment
- Cross-cutting issues assessment

The macro-economic section discusses macro-economic effects forecasted for Canada and the EU as a whole, and includes a brief discussion of the macro-economic effects on certain third countries.

The sectoral assessment looks in detail at the social, economic and environmental impacts in 3 sectors and 16 sub-sectors. The sectors and sub-sectors selected for analysis in this report are those that contain the highest frequency and magnitude of potential impacts and sensitivities as identified in the Inception Report and as confirmed and/or added by additional research (including consultations) for the Interim Report. The 3 sectors and 16 sub-sectors: are the agriculture, processed agricultural products (PAPs), and fisheries sector, and the sub-sectors of grains and oilseeds, beef and pork, dairy, other PAPS, beverages, and fisheries; the industrial products sector, and the sub-sectors of mining and manufactured metal products (ferrous, nonferrous and fabricated metals), oil and petroleum products, coal, forest-based industries (wood, paper and forestry), automotive and transport equipment, textiles (textiles clothing, leather and footwear); and the services sector, and the sub-sectors of transportation, telecommunications, financial, and other business services.

The cross-cutting assessment analyses 7 key issues. These ‘cross-cutting’ issues are defined in part by the study’s Terms of Reference. The cross-cutting issues considered in the report are: government procurement, intellectual property rights, investment, trade facilitation, labour mobility, free circulation of goods, and competition policy.

While the focus of the assessment is on the economic, social and environmental effects on the EU and Canada, it also assesses the potential impacts on the US, Mexico and a group of other countries/regions including, among others, a variety of developing countries.

The draft Final Report also includes a section on policy recommendations, also called flanking measures, which are based on the results of the sustainability analyses. These measures cover both enhancement and preventative/mitigation measures, i.e. measures needed to reinforce key positive sustainability impacts and to prevent or at least mitigate major negative sustainability impacts.

Recommendations are presented in two main categories:

- Measures related to provisions that will likely be included in CETA (“trade measures”)
- Measures, not directly related to provisions in CETA, for cooperation that may accompany the agreement (“cooperation measures”)

Next steps

The Final Report, expected in April 2011, will further build on the draft Final Report by considering any additional feedback received from stakeholders and the Steering Committee. All stakeholder feedback received up until the next cut-off deadline of 11 April 2011 will be compiled and considered for inclusion in the impact assessment for the Final Report.

2. METHODOLOGY

2.1 INTRODUCTION: EVIDENCE-BASED APPROACH

The EU-Canada SIA adopts the basic methodological framework for Trade SIAs as described in the EC's *Handbook for Trade Sustainability Impact Assessment* (EC, 2006). The SIA methodology is designed to provide trade negotiators and policy-makers with an evidence-based assessment of the potential economic, social and environmental impacts of alternative trade liberalisation scenarios.

This section describes the main components and tools of the SIA methodology as applied in the EU-Canada SIA. The study team has used a variety of evidence sources to inform the qualitative and quantitative sustainability impact analyses for specific indicators. The sources of evidence include formal modelling (CGE, E3MG and investment gravity modelling) results, and quantitative and qualitative evidence collected from desk research and consultations. Causal chain analysis is applied to the evidence base to estimates of impact on key economic, social and environmental indicators.

2.2. INDICATORS

Table 1 lists the main TSIA sustainability indicators that are applied in this Final Report.¹ The core economic, social and environmental indicators listed in bold are taken directly from the original 1999 SIA methodology and mentioned in the *Handbook for Trade Sustainability Impact Assessment* (EC, 2006).² In addition, other frequently used indicators are listed (not in bold) in the table.

¹ Before selecting the indicators proposed herein, key sustainability themes and related sub-themes were identified. The indicators are specific and measurable, illustrate trends over time, are reliable and credible, coherent, and comprehensive; they are also relevant to policymaking (in terms of relevance to sustainable/unsustainable development, domestic policy targets/international agreements, etc.).

² These indicators are used consistently, as envisaged by the SIA handbook; however this SIA makes changes to the usage of other core indicators as envisaged in the handbook. Although a core indicator for previous SIAs, the poverty indicator was not applied in-depth in all analyses within this report. For context, the SIA methodology was employed in the past on trade agreements the EU was negotiating with developing countries. Poverty issues in the context of the EU-Canada CETA are not of the same magnitude as in an agreement between the EU and developing countries, and as such the poverty indicator is given different weight in this particular SIA and only mentioned when relevant. Indicators for health and education were used only where relevant throughout the SIA. FDI was used as a proxy for the "fixed capital formation" indicator proposed in the 1999 methodology.

Table 1: Sustainability impact assessment indicators

<u>Sustainability pillar</u>	<u>Theme</u>	<u>Indicator</u>
ECONOMIC		
	People’s ability to support themselves and their families	Employment/unemployment rate
	Competitiveness and economic performance	-market share -exports -output -imports - FDI flows -GDP growth rate -overall trade balance -bilateral trade balance between EU and Canada
	Other	-strength of institutional and regulatory environments -policy space*
SOCIAL		
	Quality and decency of work	-Wages/income -Equity in wages -worker displacement levels and ability to shift among occupations -strength of collective bargaining -quality of work environment in terms of health and safety
	Other	-strength of institutional and regulatory environments -policy space* -poverty levels -public safety -access to and/or quality of healthcare -access to and/or quality of education -rate of technological advancement/innovation
ENVIRONMENTAL		
	Environmental quality	-Waste from output (including hazardous and toxic waste, as well as other types of wastes) -rate of GHG emissions
	Natural resource stocks	-rate of reduction in biodiversity -fish stocks -forest usage -mineral usage -fossil fuel usage
	Other	-strength of institutional and regulatory environment -policy space*

* **Usage of the concept of “policy space” in this SIA:** Some use the term “policy space” to mean all ‘regulatory flexibility’ in terms of the breadth that government is afforded in making policies. However, “policy space” as used as an SIA indicator exclusively refers to regulatory flexibility that if reduced directly results in the inability of governments to make policies that have clear economic, social or environmental benefits. In other words, reductions in policy space as defined herein should lead to negative externalities (for example, hurting human and/or environmental health, increasing the cost of goods and services, reducing quality of goods and services, hurting wages and employment, among other negative effects). It does not refer to the wider concept of reductions in regulatory flexibility that can create positive impacts (for example, improving the efficiency with which businesses operate and creating positive spill-over effects on employment and income, among other effects). As a note, the costs and benefits from reductions in policy space are typically difficult to calculate and vary among circumstances.

2.3 EVIDENCE

2.3.1. Modelling Approach

Modelling using a CGE model, E3MG model and gravity models provided a fundamental source of evidence for the quantitative analysis performed in this Final Report. These results were then interpreted and incorporated into the more detailed assessment of specific indicators, as described in Section 2.4 below.

CGE Model

Due to the inter-linkages between various sectors within Canada and the EU as well as the relationship these sectors have with the rest of the world, the assessment of the liberalisation of trade and investment in the EU-Canada CETA requires an analytical framework that allows for a holistic view of world economies. This has been accomplished through application of a multi-region Computable General Equilibrium (CGE) model based on the framework of the Global Trade Analysis Project (GTAP).

Basic model structure

The model employed is a comparative static model grounded in neoclassical theories.³ In particular, CGE models build upon general equilibrium theory that combines behaviour assumptions of rational economic agents with the analysis of equilibrium conditions. The model assumes perfect competition and thus constant returns to scale in some sectors and monopolistic competition in a number of sectors (depending on prior assessment of the sectors), and profit and utility maximising behaviour of firms and households, respectively. The model uses version 7 of the GTAP database and is executed with GEMPACK software.

The main virtue of the CGE approach is its comprehensive micro-consistent representation of price-dependent market interactions. The simultaneous explanation of the origin and spending of agents’ income makes it possible to address both economy-wide efficiency as well as distributional impacts of policy intervention/interference.

³ Full documentation of the GTAP model and the database can be found in Hertel (1997) and Dimaranan and McDougall (2002)

Baseline, liberalisation scenarios, countries and timeframe

Scenarios prepared within a CGE model represent ‘what if’ or counter-factual examples that estimate what is likely to happen under the assumptions made in the model, the data estimates, and the policy and other changes specified. These scenarios employ a baseline scenario that outlines the ‘likely economic, social and environmental effects in the absence of a bilateral trade agreement between the EU and Canada,’⁴ as well as liberalisation scenarios as requested in the Terms of Reference.

Baseline scenario: A baseline scenario is utilised to quantify the economic, social and environmental effects in the absence of a bilateral trade agreement between the EU and Canada. In order to obtain separate price and quantity observations, the common convenient procedure is to choose units for goods and factors so that they have a price of unity in the benchmark equilibrium. This scenario encompasses a successful completion of the Doha Round.

Liberalisation scenarios:

The Final Report employs two liberalisation scenarios⁵:

- **Scenario A.** 100% liberalisation of goods and less ambitious liberalisation of services, using the services trade cost cuts employed in the 2008 Joint Study multiplied by a factor of 0.6 (Table2).
- **Scenario B.** 100% liberalisation of goods and ambitious liberalisation of services, using the services trade cost cuts employed in the 2008 Joint Study (Table2).

Table2: Cut in service trade costs by sector and scenario

Sectors	Scenario A	Scenario B
Electricity	3.49	5.82
Gas manufacture, distribution	3.49	5.82
Water	3.49	5.82
Construction	6.13	10.21
Trade	3.76	6.27
Other transport	5.45	9.09
Maritime transport	5.45	9.09
Air transport	5.45	9.09
Communication	2.53	4.21
Financial services	3.76	6.27
Insurance	3.76	6.27
Other business services	5.45	9.09
Recreation and other services	3.76	6.27

⁴ Terms of Reference, pg 11.

⁵ Given the importance of investment in EU-Canada bilateral relations, a third CGE scenario was originally intended that modelled the effects of investment liberalisation within the CGE model. However, given data limitations it was ultimately decided that such an exercise would not be able to accurately reflect the outcome of the CETA and would thus not provide realistic, policy-based outcomes.

PubAdmin/Defence/Health/Educat	2.29	3.81
Dwellings	3.76	6.27

Note of scenarios used: While four scenarios were originally employed in the Interim Report, it was found that scenarios modelling slight variation in the assumed level of tariff liberalisation were not producing notable changes to the results. As such, it was agreed with the Contracting Authority that only two scenarios would be used in revised scenarios for the Final Report, with both focusing on the assumed services liberalisation. For information on the four scenarios used in the Final Interim Report, refer to that report.

Geographical aggregation: The liberalisation scenarios have been applied across a select group of countries: the EU; Canada; US; Mexico; Least Developed Countries (LDCs) for which GTAP data is available; European/Mediterranean countries with preferential agreements with the EU for which GTAP data is available and Russia; Africa, Caribbean and Pacific Countries excluding LDCs for which GTAP data is available; and China.

Timeframe: The results of the CGE model reflect long-term outcomes where resources have had sufficient time to reallocate capital in response to the CETA. Herein, all results should be understood as representing the outcome of the CETA by approximately 2020.

The main results generated by the CGE modelling are:

- Impacts on output, trade volumes and trade prices, by product group
- Macroeconomic impacts: Welfare, GDP and aggregate exports
- Labour market impacts: Employment and wage rates

For further information on the CGE model employed in the SIA, and the modelling results see Annex 1.

E3MG Model

The modelling approach further employs a multi-region framework of global trade and energy use. Combustion of fossil fuels is a driving force of global warming through the release of CO₂ and causes serious regional and transboundary pollution through emissions of SO_x and NO_x. An additional model, the E3MG model, has been used along with the CGE model to better detail the full scale of relevant CO₂ emissions.

The E3MG model is an econometric model for the world capable of addressing issues that link developments and policies in the areas of energy, the environment and the economy. The essential purpose of the model is to provide a framework for evaluating different policies in the long-term, while also giving an indication of short-term transition effects.

E3MG is a detailed model of over 40 sectors, compatible with ESA95 (Eurostat, 1995) accounting classifications, and with the disaggregation of energy and environment industries, in which the energy-environment-economy interactions are central; this gives a strong degree of consistency between the economy and environment results. The model is designed to be estimated and solved for 20 regions of the world, although single-region solutions are possible.

The E3MG model provides a notable amount of detail in its modelling of GHG emissions. The model decomposes greenhouse gas (GHG) effects into scale effects (as a result of increased output), composition effects (as a result of shifts in the relative weight of sectors) and possible technique effects

(as a result of productivity increases that can be attributed to the CETA). As such, the GHG analysis throughout this report covers emissions across a range of sectors.

By combining the workings of the CGE model and the E3MG model, estimated environmental effects have been directly linked with changes in production and will account for pollutions costs. Resulting impacts are expressed in units of welfare in terms of million tons of CO2 emissions.

The main results from the E3MG model are:

- Energy consumption, by user group and by fuel
- CO2 emissions by sector, other atmospheric emissions
- Macroeconomic and labour market impacts

For further information on the CGE model to be employed in the SIA, and the results of the model for this draft Interim Report, see Annex 2.

Investment Modelling

Gravity modelling is used to estimate the responsiveness of sectoral level FDI flows to liberalisation of investment flows between Canada and the EU. The key explanatory variable employed is investment restrictiveness as measured by the OECD. The model shows how investment flows into certain sectors in Canada and the EU change with a reduction in restrictiveness. The applicability of the modelling is restricted given the limited availability of data on which it was based, although the results are generally referenced as relevant throughout the economic analyses in the individual impact assessments of the SIA.

2.3.2 Desk research

Desk research was critical to the research phase of this report. Sources used include credible literature, statistics, and case studies. Also, policy statements, laws, regulations and international agreements were reviewed.

2.3.3 Stakeholder consultations

A key part of the SIA is consultations with stakeholders. The study website, email and phone updates, and the arranging of civil society meetings in Brussels and a local workshop in Canada are used to create awareness of the SIA and elicit feedback from stakeholders. In-depth consultations are undertaken via interviews, soliciting written comments on drafts of study reports, questionnaires, monitoring the study website's web form, and the implementation of steering committee meetings and civil society meetings in Brussels and a local workshop in Ottawa. Detailed and thorough stakeholder consultation is vital to a successful impact assessment, and has proven to be an integral part of the data-collecting for this report as well as provided information and feedback on the likely impacts and scenarios studied.

Feedback that was presented to the study team was closely evaluated and as relevant, included directly into the SIA report. For example, relevant factual information was directly included as part of the baseline or analysis. Alternative feedback was closely considered as a 'stakeholder concern,' and the length and breadth of the analysis devoted to mentioning these concerns was determined by their appropriateness/relevance and frequency of being mentioned by stakeholders. See **Annex 5** for an overview of the stakeholder network for the study; as well as summarised feedback from civil society

and business groups in particular (most relevant comments from academic consultations referenced as such within the body of the report), and civil society/workshop meeting minutes, and a summary of where such information was incorporated into the report.

More details of the consultation process:

All SIA project documents, including draft reports and the minutes of public meetings, are published online (see www.eucanada-sia.org). Stakeholders have also been invited to provide their comments in an online discussion forum. All stakeholder feedback received up until the next (and final) cut-off deadline of 11 April will be considered for inclusion in the Final Report.

Steering Committee meetings – Brussels

Steering committee meetings are held with members of the European Commission at each phase of the study. The comments from these meetings have been considered in revising study reports. The next steering committee meeting will be on 30 March 2011 to discuss the draft Final Report.

Civil Society Meetings - Brussels

Public meetings are held throughout the study. The first civil society meeting was held in Brussels on 7 September 2010 where the contents of the draft Inception Report were presented including its process, purpose, methodology, timing and consultation activities. And an update on negotiations was provided. The minutes from this meeting can be found in the second table in Annex 5. The next civil society meeting will take place on 30 March 2011 after publication of the draft Final Report.

Stakeholder Workshop – Ottawa, Canada

A full one-day consultation workshop was held on November 26th in Ottawa, Canada. Thirty-two members of civil society, business and public administrations confirmed attendance to the workshop, many of whom attended and commented at-length on the work delivered within the Preliminary Findings document sent specially to these interested participants in preparation for the workshop. During the workshop, the project experts presented the preliminary findings of the Interim Report. Discussion and debate was productive. Comments from that workshop were incorporated in this report (see Annex 4).

Digital Consultation

Website

DS launched a project website to support the project's visibility as well as to assist in facilitating the collection of stakeholder feedback (see www.eucanada-sia.org). The website is updated to coincide with the completion of each phase of the study and relevant deliverables. It provides all relevant information concerning the SIA's progress, reports, meeting minutes and relevant contact information.

To date, the website has received 1235 hits with a bounce rate of 46.8%. The average time spent viewing the site is 20 minutes and 50 seconds.

Discussion Forum

The website's Discussion Forum also serves as a communications platform through which European and Canadian, as well as American and other stakeholders' from other countries that convincingly make the case that they will be impacted by CETA are able to provide feedback into the EU-Canada Trade SIA.

Electronic Trade SIA Newsletter

Another aspect of digital consultation is the project's Trade SIA newsletter/email update which is disseminated to the project's consultation network. This newsletter is distributed electronically at key points during the study, coinciding with the release of each report.

Interviews and Email Feedback

In the course of the study, more than 350 civil society organisations, trade associations, academic institutions and government agencies were contacted to participate in telephone consultations. For a complete list please see Annex 5. Initially, the response rate was overwhelming with close to 70 replies in the first week. However, interest waned when it became known that the study team did not have access to the content of CETA negotiations beyond what was publicly available. Nonetheless, several key stakeholder interviews were conducted via telephone and numerous respondents communicated their positions via email.

The Way Forward With Consultations

Comments on this draft Final Report to be considered for the Final Report are welcome. They should be submitted before the cut-off date of 11 April 2011.

2.4 ANALYSIS

The results from the CGE model, E3MG model, desk research and consultations were analysed according to the principles of "causal chain analysis," with more specific forms of analysis employed under this umbrella. Different types of analyses were employed for different issues. As relevant, 'comparative analysis' was employed. Even more specifically, policy analysis incorporating socio-economic, economic/statistical, and legal analysis was used. All analysis was organised in terms of the relevant indicators.

The main purpose of the evidence-based assessment in the SIA is to identify where significant impacts are expected to occur, i.e. the most important ways in which the trade agreement being analysed will change the status quo/baseline per relevant indicators. The significance of an impact has been evaluated by expert opinion relative to an appropriate context-specific benchmark, based on the research and analysis described in the methodology herein. Impacts identified as less than significant are still discussed as relevant, particularly if stakeholders, for example, allege that such impacts will be significant. Also, these impacts may receive the bulk of attention in an analysis under a certain indicator if there are not more significant impacts to be discussed under such an indicator. As a rule of thumb, within each indicator, impacts with comparatively less significance receive less discussion than those with more significance. The below table provides an overview of how different degrees of significance for impacts are described in this SIA. Once a level of significance is determined, the positive and/or negative dimensions of such impacts are described to the extent feasible.

Core level of impact	According keywords in SIA
Significant	significant, or substantial
Moderately significant < significant	moderate/moderately significant, notable/noteworthy, or “not insignificant”
Less than moderately significant > insignificant	marginal, minor, or limited
Insignificant	non-existent → negligible → insignificant/not significant*

* “→” indicates increasing degree of significance *among* keywords

Core form of analysis

As envisaged in the SIA Handbook, causal chain analysis was the fundamental form of *all* analysis employed in this SIA. Causal chain analysis entails reviewing impacts from a baseline and subsequently along a sequence of potential resulting impacts. This process was followed for each individual indicator employed in the assessments, as indicators are only useful in predicting future trends in so much as they first consider past and present trends in the absence of the trade agreement (the baseline). Subsequently, making a causal link between existing (past and present) trends and potential future trends requires a thorough risk assessment: identifying possible risks, and analysing the linkages between the causes/sources of risks and the possible damages.

More specific forms of analysis

‘Comparative analysis’ was a key tool used in a significant portion of the economic, social and environmental sustainability impact analyses for this SIA. Comparative analysis as used in this SIA constitutes reviewing trends on similar indicators with those employed in this SIA after signature of trade/economic agreements or policies comparable to CETA (in terms of breadth and scope) with comparable countries (considering the level of development of the EU and Canada). Herein, efforts were made to ensure that (a) the indicators themselves, (b) the provisions of the trade/economic agreements or policies, and (d) circumstances of the countries (in terms of size and structure of economy, and nuances in the economic, social and environmental spheres) that were used are all relevant to an analysis of CETA. Assessments on different components of NAFTA, for example, were often used as a foundation for comparative analyses. The information used to create these comparisons was largely taken from desk research and consultations.

Specific approaches to analysis per each of the 3 pillars of sustainability are as follows:

Economic assessments in the sectoral analyses focused largely on the results of the CGE model and incorporated information from desk research and consultations; while economic assessments in the cross-cutting issues section focused more on statistical and economic analysis built on information outside the CGE model, including desk research and consultations.

The social assessments in the sectoral analyses were based on the potential outcomes arising from estimated economic impacts, particularly in terms of primary concerns over employment creation and job displacement, as well as the impact on labour standards, health, security and culture.

The social assessments in the cross-cutting issues sections were made through a variety of different forms of analysis depending on the issues, including, among others, socio-economic analysis following the principles of comparative analysis.

The environmental assessments in the sectoral and cross-cutting issues sections were made through a variety of different forms of analysis depending on the issues, including, among others, statistical analysis of the results of the E3MG model, and comparative analysis.

Legal analysis was applied in assessing all three pillars of sustainability specifically in the government procurement, investment, competition policy, and IPR sections of the cross-cutting issues assessment. Such analysis was combined with the other aforementioned forms of analysis to provide a comprehensive assessment.

2.5 Policy Recommendations

As a final step, a series of policy recommendations, also called flanking measures, were created based on the results of the sustainability analyses. These measures cover both enhancement and preventative/mitigation measures, i.e. measures needed to reinforce key positive sustainability impacts and to prevent or at least mitigate major negative sustainability impacts.

A number of steps were undertaken to facilitate the process of developing the policy recommendations. First, individual experts created a brief bullet-pointed summary of all the major impacts from their sections of the sustainability impact assessment. This highlighted issues that deserved to be addressed with policy recommendations. It was then considered that recommendations should generally fit within three main categories (i.e. trade measures and “cooperation” measures). A detailed list of recommendations was then brainstormed, based upon best practice for formulating such recommendations as shared among study team members. The recommendations and the impacts they are intended to address were then also compiled in an abbreviated form in a chart.

Attention was paid to making sure all recommendations are practical. It was considered that the recommendations to be made in this SIA will differ in many ways from those made on past SIAs, one reason being that past SIAs have focused on EU trade with developing countries and emerging economies.

SUSTAINABILITY IMPACT ASSESSMENTS

3. Macro-Economic Assessment

The CGE model estimates that the CETA will lead to overall gains in welfare, real GDP, total exports and wages in both Canada and the EU over the long-term. While these gains are expected under the two scenarios modelled in the economic assessment, the gains are expected to be higher under an agreement that offers a higher degree of services liberalisation. Third countries are estimated to experience minor degrees of welfare loss as a result of the Agreement, though the overall impact on these countries is insignificant.

4. Agriculture, Processed Agricultural Products (PAPs) and Fisheries

For nearly all sectors in agriculture, PAPs and fisheries, the impact of the CETA will largely depend on the degree of liberalisation reached under the Agreement. CGE estimates suggest that for those sectors in which Canada and the EU are restricted in their market access, the greatest degree of liberalisation will produce the greatest gains.

The **economic impact** assessment suggests that a high degree of tariff liberalisation would result in moderate to significant benefits for Canada's beef, pork, other PAPs and fisheries sectors and for the EU's dairy and other PAPs sector. Reducing non-tariff barriers could further increase these gains for Canada and the EU while also potentially leading to pronounced gains for the EU's alcoholic beverages sector.

In terms of **grains and oilseeds**, the CETA is likely to have a positive, though marginal, impact on Canadian growers and a limited negative impact on the EU. The impact of tariff liberalisation is significantly reduced on account of the ability for Canadian exports of durum and high quality non-durum wheat to enter the EU duty-free. However, as these duties have only been suspended as a response to increased global prices for wheat, the positive impact for Canada could be more pronounced if the CETA makes these zero tariffs permanent and if global increases in production prompt the EU to reinstate TRQs. The impact on the sector is also likely to be influenced by the CETA's impact on the Canadian Wheat Board, which is viewed as non-competitive in the EU.

If the CETA improves Canada's access to duty-free exports of hormone-free **beef**, the Agreement will likely produce a positive impact for Canada's beef industry. Gains are likely to be limited to moderate, with EU rules of origin and ban on hormone-treated beef likely to reduce potential gains and/or require the passing of an adequate amount of time for Canadian producers to adjust to increased access. The Canadian **pork** industry could see even greater gains as a result of the CETA, with the model suggesting that significant degrees of tariff liberalisation would lead to pronounced increases in output and exports in Canada over the long-term. Increased access would also likely lead to greater investment in processing plants in Canada that meet EU standards, helping to facilitate exports over the long-term. As

with beef, the impact will likely be influenced by the rules of origin adopted, with an agreement that promotes Canadian rules likely to enhance gains for Canada. The CETA also has the potential to increase cooperation on SPS/TBT issues relevant to trade in meat, allowing the Agreement to facilitate the trade of beef and pork between the two sides. Further, with collaboration on creating a separate tariff code in the EU for bison meat, the CETA could produce minor gains for Canada's bison producers.

While gains would be expected for Canada, the EU would be expected to be negatively impacted under a CETA that provided substantial improvements in market access to Canadian producers. The magnitude of this impact would be expected to increase with greater levels of liberalisation, with the pork industry in particular standing to be negatively affected.

Canada maintains clear defensive interests with respect to the **dairy** sector, with the current system of supply management serving to restrict EU market access. To the degree that the CETA leads to the elimination of supply management, it is expected that EU output and exports would substantially increase while Canada would experience significant declines in both indicators. While the impact on Canadian dairy producers would invariably be negative, it is envisaged that Canadian consumers would benefit through reduced prices. Nevertheless, such an outcome appears unlikely, particularly as the Government of Canada has directly expressed its commitment to supply management and its continued existence under the CETA. Gains to the EU could still be realised through improved minimum access requirements and/or greater recognition of GIs for a number of EU produced cheeses.

In production of **processed agricultural products** (not including meat, dairy or fish), both Canada and the EU could experience economic gains from the CETA, though again the size of these gains is positively related to the achieved level of liberalisation. Further, more relaxed rules of origin on sugar would enhance gains for Canada from tariff liberalisation. Both sides would gain from harmonisation in labelling and packaging requirements.

The economic impact of the CETA on the **beverages** sector is largely dependent on the Agreement's ability to resolve discriminatory practices present in the provincial liquor control board. Without better enforcement/compliance of provisions to end these practices at the provincial level, it is unlikely that the CETA will have a pronounced impact on the sector. Where the Agreement is able to resolve this issue, the EU would likely realise increased exports to Canada, allowing European producers to capture a greater share of the Canadian market for alcoholic beverages.

With 80% of its **fish and seafood** production exported into foreign markets, Canada could realise gains from tariff reductions in the EU. Limited to moderate gains are expected for Canada under full removal of tariffs, with the greatest impact likely to occur in exports of frozen fish and seafood. Additionally, Canada could realise gains if the CETA facilitates the approval of genetically modified salmon. In the EU, processors could potentially benefit from cheaper imports from the EU, while consumers would stand to benefit from reduced costs. The EU would also likely benefit from liberalisation of investment in the sector, particularly in regards to lowering the domestic ownership requirement for the granting of commercial fishing licenses.

In terms of the **social assessment**, it is not expected that the CETA will have a pronounced impact. Full removal of tariffs would result in the greatest social impact, by generating the largest number of jobs, but also leading to the greatest amount of displacement in those sectors expected to contract under such a degree of liberalisation. The dairy industry in Canada could be the most negatively impacted, with a number of producers being displaced due to the dismantling of supply management, while removal of tariffs in the EU would likely lead to displacement in its pork and beef industries. Nevertheless, it is the opinion of the study that full removal of tariffs in all agricultural products is unlikely, limiting the likelihood that workers within these industries will be negatively impacted as a result of the Agreement.

Under a full liberalisation scenario, CETA will have an **environmental impact** in the agriculture and PAPS sector by increasing output of Canadian products. This higher demand will require an intensification of agriculture to be achieved by increasing chemical inputs, changing the distribution of crop production, and potentially encroaching onto marginal or other productive lands. These changes will affect land usage and quality, water usage and quality, air pollution, biodiversity and waste creation. Under less ambitious liberalisation scenarios, the expected overall environmental impact from CETA would be limited. Liberalisation of beef and pork, in particular, have potential to lead to greater herd size in Canada, potentially leading to increased released of methane as a by-product. Because of certain NTBs, increase in demand of certain sectors, such as hormone-free beef, could have a positive effect where hormone-free beef production substitutes other beef livestock, as these cattle produce less emissions and manure. Moreover, if expected increases in crops like wheat under full liberalisation scenarios are produced using more sustainable practices, such as no or reduced till, the negative environmental impact can be mitigated because of reduced emissions and chemical inputs. This trend towards more beneficial agricultural practices can potentially be further supported under CETA through Canadian-European cooperation and European preferences for sustainable products.

For fisheries, the primary environmental risk is that the CETA could lead to over-fishing in certain parts of the Atlantic and increased reliance on aquaculture. Fish farms are associated with a number of environmental impacts, from reductions in water quality to negative interactions with surrounding wild species. Increased Canada-EU collaboration could also provide greater impetus for the development of more sustainable fishery practices, such as the use of separate containment tanks in aquaculture, maintaining sustainable Total Allowable Catch levels and sustainable fishing practices.

5. Industrial Products Assessments

5.1. MINING & METAL MANUFACTURING

The assessment suggests that the CETA's long-term **economic impact** on the mining and metal manufacturing sectors in Canada and the EU is likely to be limited. The metal manufacturing sector is likely to see limited changes in output and exports in both Canada and the EU as a result of liberalisation under the CETA. Given the absence of tariffs on many metal and metal ores in the EU, trade liberalisation is likewise expected to produce negligible changes in Canada's mining industry over the long-term. The CETA's greatest economic impact would be expected to arise in Canada's mining sector as a result of investment liberalisation. The extension of national treatment to EU investors could facilitate increased investment in Canada's mining sector, in turn leading to greater levels of output and trade in Canada over the long-term. It is not clear, however, that this would have a direct impact on exports of metals and minerals from Canada to the EU, although it could lead to some downward pressure on global prices to the extent that such investments stimulate increases in Canadian output. With respect to uranium, the removal of ownership restrictions in Canada could lead to an increase in EU investment in the sector, allowing for an increase in, output and exports within Canada's mining sector over the long-term, while benefitting the EU's uranium/nuclear energy industry.

With the CETA not expected to significantly affect employment in the mining and metal manufacturing sectors of Canada or the EU, the **social impact** is likely to be minor. A degree of displacement may occur in the EU's nonferrous metal manufacturing sector and in the fabricated metal manufacturing sector of Canada, although this is expected to be mitigated by opportunities to shift into expanding sectors without needing to acquire new skills or sacrifice salary. Quality and decency of work could be improved

where the CETA includes a chapter on trade and labour that provides for better implementation and ratification of the ILO's Core Labour Standards and Decent Work Agenda. Canada, specifically, could see its standards and rights improved with respect to collective bargaining and freedom of association with provisions that require ratification of the ILO's Convention 98 which provides legally binding measures on such rights.

Where the CETA produces a marginal increase in mining and manufacturing of metal products it is expected that it will lead to a limited increase in output-related **environmental impacts**. These impacts could be amplified as a result of increased EU investment in mining in Canada, for example in the uranium sector. Environmental impacts will be concentrated in mining intensive areas such as Northern Quebec, Ontario and British Columbia. In the EU, the CETA may have a positive environmental impact through reduced mining and production of metal products, though overall the impact should be negligible.

5.2. OIL & PETROLEUM PRODUCTS

The CETA's **economic impact** on the oil industry in both Canada and the EU is expected to be limited. Trade liberalisation is likely to have little to no impact as MFN duties on oil are already low or zero in the EU. Investment liberalisation is likely to have a more pronounced impact, with the CETA having the potential to increase EU FDI in Canada's oil sector with the inclusion of national treatment provisions and the removal of net benefit tests for EU investments. However, the overall change is expected to be limited as it is not certain that Canadian screening procedures have served to significantly limit the EU's investment in Canada's oil sector.

The CETA is not expected to have a pronounced **social impact** in the oil industries of Canada or the EU as limited change in employment will reduce the magnitude of worker displacement. While investment liberalisation may contribute to greater inward FDI by the EU, it is not expected to increase substantially, also making it unlikely that the CETA will greatly contribute to negative social outcomes associated with boom towns that have been developing as a result of rapid development in the oil sands areas of Alberta and Saskatchewan. The CETA could, have a positive impact on labour standards in both Canada and the EU by including a chapter on trade and labour in the agreement that contains provisions that foster greater implementation and ratification of the ILO's Core Labour Standards and Decent Work Agenda.

Based on the CGE modelling scenarios, the CETA will not have a noticeable effect on oil and gas output in Canada, and output-related **environmental impacts** are therefore expected to be insignificant. Where it leads to increased investment in the oil and gas sectors, the CETA could lead to increased output and negative environmental impacts. Within the EU, it is not expected that the CETA will have a noteworthy environmental impact.

5.3. COAL

The CETA's **economic impact** on the coal sector in Canada and the EU is expected to be minor, with the agreement not expected to lead to pronounced changes in production, trade or investment in either jurisdiction. Tariff liberalisation is likely to have little to no impact given the already low MFN duties on coal and coal products, while investment liberalisation is also unlikely to lead to pronounced changes given the lack of overt restrictions and limited role the sector plays in FDI.

The CETA's **social impact** is likewise expected to be minor. With no expected impact on employment in the coal industries of Canada and the EU, it is not expected that the CETA will have an impact in terms of

worker displacement. The CETA could, however, have a positive impact on labour standards in both Canada and the EU by including a chapter on trade and labour in the agreement that contains provisions that foster greater implementation and ratification of the ILO's Core Labour Standards and Decent Work Agenda.

The CGE model suggests that high levels of liberalisation under the CETA would have very limited effects on coal sector in Canada or the EU, limiting the **environmental impact** from an agreement. Where investment liberalisation leads to increases in output in Canada, the coal industry could cause a reduction in air quality, with increased emissions of particulate matter, sulphur dioxide, nitrogen oxides, mercury and greenhouse gases; a reduction in water quality through wastewater; depletion of coal stocks; destruction of landscape from mining; and increase in toxic wastes, in particular ash which does not get used in cement production. However, because coal is only a minor component of FDI in Canada, investment liberalisation is not expected to increase output.

5.4. FOREST-BASED INDUSTRIES

The CETA is unlikely to have a significant **economic impact** on the forest-based industries of either Canada or the EU. Generally, tariff liberalisation would not be expected to generate pronounced changes in output or trade in Canada or the EU given the low level of existing MFN duties on forestry, wood and paper products in each area. It is not expected that the CETA would stimulate more than limited increases in investment over the long-term given the low level of existing restrictions on investment and the minor role the forest-based industries play in bilateral investment.

In the EU, it is not expected that the CETA will impact employment in the forest-based industries, limiting the **social impact**. The number of displaced workers will similarly be minor in Canada though it is expected to be most pronounced in the wood manufacturing sector. Given the regional concentration of the industry in Canada as well as the limited industrial diversification in those areas reliant on the lumber industry, the negative social impact could be more pronounced for certain areas in Canada.

Given the limited expected impact on production in the forest-based industries of Canada and the EU, the associated **environmental impact** from the CETA is expected to be minor. This is further reinforced by the fact that Canada has already implemented an ambitious sustainability agenda with legislation mandating that all harvested forestland must be successfully regenerated.

5.5. AUTOMOTIVE & OTHER TRANSPORTATION EQUIPMENT

The CETA has the potential to have a positive **economic impact** on Canada's transportation equipment sector, with the elimination of tariffs expected to lead to increases in output and exports over the long-term. An important factor that will influence the CETA's impact on Canada's automotive industry is the rules of origin (RoO) that are ultimately agreed to. Given Canada's high degree of integration with the U.S. auto industry, stringent rules of origin for auto products could eliminate the ability of a number of Canadian produced automotive products to qualify for preferential tariffs. An overly restrictive set of RoO would be expected to mitigate the gains estimated to arise under the removal of tariffs, while potentially leading to reductions in output and Canada's balance of trade over the long-term. Additionally, differences in emission standards between Canada and the EU could serve to further reduce estimated gains for the Canadian auto industry. This is largely dependent, however, on the level of market access granted to Canadian auto manufacturers under the CETA, with significant

improvements in market access likely to stimulate Canadian producers to make the necessary investments in order to meet the stricter EU standards.

Similarly, the CETA is expected to have a positive overall impact on output and exports within the EU's transportation equipment industry. The auto industry is expected to be the main beneficiary, with estimates projecting increases in output, exports and the overall balance of trade over the long-term. At the same time, it is not certain that these gains will extend to the EU's manufacturers of other transport equipment as the CGE model projects that tariff liberalisation under the CETA will lead to reduced output and exports over the long-term, worsening the EU's sectoral balance of trade. One important factor influencing these results will be the rules of origin ultimately agreed to. With more restrictive rules of origin on auto products there is potential for the CETA to result in higher degrees of output and exports over the long-term.

If the rules of origin are not overly restrictive, it is likely that employment in Canada's transport equipment sector will be positively impacted, helping to foster a positive **social impact**. The positive implications would likely be more concentrated given the clustering of the auto industry in the Windsor-Oshawa corridor of Ontario. In the EU, expected increases in employment within the EU's auto industry are expected to largely cancel out declines in employment for manufacturers of other equipment, limiting the CETA's displacement of workers in the sector. For both Canada and the EU the CETA could have a positive impact on labour standards with the inclusion of a chapter on trade and labour in the agreement that contains provisions that foster greater implementation and ratification of the ILO's Core Labour Standards and Decent Work Agenda.

The **environmental impact** is likely to be associated with the CETA's impact on output in Canada. The results of the CGE model predict a notable increase in output in both the automotive sector, and in the other transportation equipment sector. While it is therefore expected that the CETA will have negative impact on the environment by leading to greater GHG emissions in the transport equipment sector, it is expected that improvements in energy intensity can help offset these gains and mitigate the environmental impact. In the EU, the environmental impact is expected to be minimal with limited increases in output of automotive products leading to minor increases in energy consumption, GHG emissions and waste production.

5.6 TEXTILES

The CETA would be expected to have a positive **economic impact** on the textiles industries of Canada and the EU. Canada would likely experience increases in output and exports in its textiles and apparel sector over the long-term with the full removal of tariffs; although there could be some deterioration in the trade balance for these products. Within the EU, the CETA is likely to positively impact output, exports and the balance of trade for textiles, clothing and leather products. Further gains for the EU would arise if the CETA leads to the removal of barriers to the free circulation of goods in Canada as well as improved enforcement of IPR. The impact on Canada and the EU will likely be significantly influenced by the rules of origin ultimately adopted. Canada stands to benefit from less restrictive RoO while the EU would exhibit greater gains under a more stringent set of RoO.

As the CETA is projected to place upward pressure on the demand for labour in the textiles sectors within Canada and the EU, it is not expected that the agreement will lead to worker displacement. The social impact would in fact be positive as jobs created would likely benefit lower skilled workers, particularly women and migrants, and areas that are typically characterised by a low level of industrial diversification. The CETA could also have a positive impact on labour standards in both Canada and the

EU by including a chapter on trade and labour in the agreement that contains provisions that foster greater implementation and ratification of the ILO's Core Labour Standards and Decent Work Agenda.

Though increases in textiles manufacturing in Canada and the EU may produce a negative, but minor, impact on the **environment**, it is expected that with proper regulatory enforcement this impact can be mitigated.

6. Services Sector Assessments

6.1. TRANSPORTATION SERVICES

Liberalisation in the maritime transport services under CETA is likely to have a positive **economic impact** in both Canada and the EU. Output and exports of maritime transport services are expected to increase over the long-term as a result of the CETA, with the magnitude of these increases positively correlated with the level of liberalisation achieved. Increased merchandise trade resulting from the CETA will directly increase the demand for maritime transport services, increasing output and exports. Provisions in the CETA that would enhance the positive gains in these indicators would include liberalisation of feeder services and repositioning in Canada which would lower costs, increase competitiveness and efficiency and also spur greater levels of FDI in Canada's maritime transport sector.

While the CETA could contribute to the development of Canada's underdeveloped short-sea shipping industry, it is less likely that the CETA would lead to wider liberalisation of cabotage in general. Additional related benefits include the upgrading of Canada's maritime fleet through the potential removal of prohibitive tariffs on imported new vessels as well as increased investment in Canada's ports and greater attractiveness as ports-of-call vis-à-vis U.S. ports along the Atlantic, St. Lawrence and Great Lakes. In the EU, large shipping firms are likely to benefit directly through increased access to Canada as well as improved global competitiveness.

With expected increases in output and trade, it would be expected that the CETA would also lead to the creation of maritime transport jobs in both Canada and the EU, leading to a positive **social impact**. In Canada, this gain to employment would likely be negated by declines in land transport as trade is diverted from the United States to the EU. Nevertheless, the increased employment in maritime transport services would be particularly beneficial to Canada's Atlantic Provinces as well as ports along the Saint Lawrence and Great Lakes. While it is questionable that the CETA will require all EU Member States to ratify the ILO's Maritime Labour Convention (MLC), it could nevertheless have a positive impact on quality and decency of work by putting in place a mechanism for cooperation and dialogue on labour issues as well as promotion of the ILO's MLC in third countries. The CETA could also commit to greater collaboration on safety and security issues associated with maritime transport services.

The CETA's **environmental impacts** in the transportation sector in Canada will primarily occur in the maritime transportation sector where significant growth is expected, leading to increased pressures on watercourses as a result of increased traffic and infrastructure demand. Increased road, maritime and air transportation are also likely to increase GHG emissions. It should be noted that increased EU investment in the transportation sector could result in higher growth rates in the transportation sector, fuelling growth in GHG emissions. On the other hand, this impact could be partly offset if EU investment supports a shift from road to maritime transportation. Increased land, air and maritime transport in the

EU could potentially lead to an adverse environmental impact as increased activity will put pressure on GHG emissions.

6.2. TELECOM SERVICES

The CETA has the potential to significantly impact the Canadian telecom sector, primarily through its ability to liberalise Canada's foreign ownership restrictions. If the CETA results in the removal of these restrictions, it is likely that the **economic impact** in Canada will be pronounced, with sizeable increases in inward FDI, output and exports occurring over the long-term. Additional benefits would occur through improved competitiveness in the industry, which would serve to enhance technological acquisition of Canadian telecom companies and help to stimulate their expansion into foreign markets. Canadian consumers would likely benefit substantially from reduced prices, improved service and wider selection. EU telecom companies would also benefit by increased access to the Canadian market, spurring increased investment through establishment and acquisitions. While such an outcome may not impact output and cross-border trade within the EU, it would benefit EU exports via mode 3. Additional benefits could be achieved by the CETA's granting of non-discriminatory access to infrastructure and networks, though this is likely to have less of an impact than the removal of ownership restrictions.

The **social impact** from the CETA is likely to be limited in both Canada and the EU. Employment is projected to grow in Canada, allowing for workers displaced in alternative sectors to shift into a profession that is generally well paid compared to the national average; while in the EU it is not expected that employment will be impacted. The CETA could have a positive impact on labour standards in both Canada and the EU by including a chapter on trade and labour in the agreement that contains provisions that foster greater implementation and ratification of the ILO's Core Labour Standards and Decent Work Agenda. While there may be concerns that liberalisation of foreign ownership restrictions could adversely affect Canadian culture, it is envisaged that the CETA could be structured so that carriage is liberalised separately from content, allowing Canada to maintain cultural objectives.

In both Canada and the EU the **environmental impact** is expected to be limited.

6.3. FINANCIAL SERVICES

The CETA is unlikely to have a pronounced **economic impact** on output, trade (as it pertains to cross-border trade and sales through foreign affiliates) and investment in the financial services sector of either Canada or the EU. Restrictions are already generally low in both jurisdictions, with the main barriers to trade and investment generally viewed as prudential. Specifically, the 'widely-held' rule is generally credited with fostering the soundness of the Canadian financial system and is also non-discriminatory by applying equally to Canadian and foreign firms. Where the CETA is likely to impact the financial services sector is through its ability to legally bind the existing levels of liberalisation, ensuring their future continuation and providing a positive signal to investors on both sides of the Atlantic.

There is potential for a CETA to facilitate the temporary movement of workers in the financial services sector between Canada and the EU. By easing both at- and behind-the-border restrictions, trade (modes 1 and 3) and investment in the sector could be facilitated, potentially leading to larger gains in output and exports than estimated under the CGE model.

The overall impact on employment is expected to be negligible, limiting any associated **social impact** in Canada or the EU as a result of the CETA. The EU is not expected to see any changes in employment

within the financial services, while Canada may experience very minor decreases, though these are not expected to engender noteworthy amounts of displacement.

Financial services have few direct **environmental impacts** other than those related to office supplies and energy use. They also have indirect impacts on the environment largely through the financing they make available to other industries, which then in turn impacts the environment (e.g. preferential financing of oil sands contributes to environmental issues). Given that financial services represent the most important share of foreign direct investment in Canada and the EU, they could also have impacts through investment practices. Unless the CETA significantly alters current practices in the financial industry or related regulatory frameworks, it is unlikely that CETA will have direct effects on the environment in these sectors.

6.4. BUSINESS SERVICES

The CETA is expected to have a positive **economic impact** on the business services sectors within both Canada and the EU, with greater gains likely to accrue under an Agreement that provides higher degrees of liberalisation. However, given the absence of restrictions for most sub-sectors within the business services sector, the overall impact from the CETA may be limited, and instead serve to make the existing level of liberalisation legally binding. Nevertheless, liberalisation could yield benefits in certain subsectors where specific barriers are present, while improvements in the temporary movement of labour could serve to benefit trade and investment across the entire sector. Liberalisation of both at-the-border and behind-the-border restrictions on temporary movement of professionals would likely serve to increase the level of cross-border trade as well as the investment and trade occurring via foreign affiliates, providing greater benefits than those estimated in the CGE model. In order to realise the greatest gains it will be important for the CETA to foster mutual recognition agreements allowing professionals to have their qualifications/certificates recognised in both Canada and the EU. This, however, is complicated by the fact that the Government of Canada does not maintain the authority to provide mutual recognition, with professional organisations at the national/provincial level tasked with these functions.

With limited expected change in employment in either Canada or the EU's business services, it is not expected that the CETA will have a significant **social impact**.

The business services sector has few direct **environmental impacts** other than those related to office supplies and energy use. However, through their influence on customers and suppliers, they have important upstream and downstream effects on sectors of the economy that may have a direct environmental footprint. For example, architecture or engineering services influence downstream construction, transportation and building energy use, as well as upstream supply of materials. They therefore have influence on the upstream supply chain and downstream customer behaviour. Unless the CETA would significantly alter current practices in these industries, or related regulatory frameworks, it is unlikely that CETA will have direct effects on the environment in these sectors.

7. CROSS-CUTTING ISSUES

7.1 PUBLIC PROCUREMENT

The logic behind liberalising public procurement rules, also known as government procurement (GP), in trade agreements is to improve the transparency, efficiency, and effectiveness of the procurement process, as well as to increase market access into GP markets. This is expected to ensure accountability in GP, combat corruption (particularly when involving countries with corruption problems), as well as provide governments the best value goods and services for their money. It is likely that the majority of sensitive GP provisions in CETA, and thus the focus of this assessment, deal particularly with GP market access issues.

Economic assessment: The main effect of GP provisions in CETA would be to encourage competitiveness in the bidding process. At the most macro scale, Canada may experience some minor benefits in terms of GDP increases from GP provisions under CETA, although the extent of these gains is uncertain, and would be linked with the benefits from other directly relevant CETA provisions. The EU is not expected to see significant gains given the already highly competitive nature of its GP market.

GP provisions in CETA would reduce Canada's flexibility in making economic policy, and, to a lesser extent, restrict the EU's flexibility in economic policymaking. In assessing CETA's impact on regulatory flexibility it is prudent to compare Canada and the EU's 1994 GPA commitments with potential CETA commitments. Through such analysis it is clear that CETA will remove the wide discretion which the Canadian government was afforded in its 1994 GPA commitments to favour certain domestic companies in its tendering process in terms of entities, sectors/services and goods, and exceptions. CETA would also reduce the discretion of the EU in favouring its own companies in the GP process, although given the comparative openness of the EU GP market at present, the magnitude of this additional opening under CETA would not be as great as that experienced by Canada.

GP provisions in CETA will create a clear loss of some policy space in Canada in particular, although this needs to be contextualised in terms of thresholds, as it is unlikely that the CETA will apply to Canadian contracts worth less than the lowest current GPA thresholds of SDR 130,000 (approximately \$202,420 in current USD), which means the significant amount of GP contracts falling under this threshold would not be legally subject to CETA GP provisions. Policy space would ultimately be more or less limited for governments of different provinces and territories in Canada rather than at the national level, with areas with comparatively more contracts above thresholds experiencing more significant losses of policy space. The resulting effects on market share, employment, cost and quality of public services, and the environment are discussed below.

EU companies would likely see some increase in market share as a result of GP provisions in CETA, and Canadian companies are likely to see a comparatively smaller increase in market share. WTO data suggests that domestic companies in GPA Parties like Canada and the EU control the overwhelming percentage of market share in their home GP markets and empirical evidence suggests any significant competition from foreign companies is through foreign subsidiaries. Thus, CETA will likely not lead into any notable shifts in domestic to "direct" cross-border trade; however, EU firms may gain market share through "indirect" cross-border trade (through a foreign subsidiary). They may take advantage of the potential allowances in CETA to gain market share in the Canadian utilities and other sectors, as well as in sub-central GP above CETA thresholds. The extent of these gains importantly depends on a number of factors of competitiveness and not just market access afforded in CETA, as a wide range of foreign

subsidiaries are already competitive in the Canadian GP market. Also, as a result of CETA, in the mid to longer term EU companies may become more competitive in Canadian GP contracts both above and below thresholds. Canadian companies may increase their market share of EU GP contracts as a result of CETA, although this would be made difficult given the EU's GP environment is more open and thus more accustomed to competition than the GP market in Canada.

The effect of GP provisions in CETA on employment in Canada is mixed. CETA is unlikely to result in any significant loss of domestic employment to companies operating in the GP market that have not established a foreign presence in Canada and are not employing people living in Canada. The precise impact of CETA on employment in specific localities within Canadian borders is unclear, although there is indeed some indication of potentially negative impacts even if minor. Prohibition of offsets will likely have some negative impacts on employment in the short-term at least, but a comprehensive analysis would be needed to gauge the full impacts therein. Prohibition of set-asides for Aboriginal and minority businesses would appear to have some negative effects on employment (and culture), at least in the near term, on those currently benefiting from such preferences.

Social assessment: Evidence from a number of studies suggests that the competition caused by GP provisions, like those in CETA, will likely result in increases in welfare; and these increases may translate into lower cost public goods and services. However, the extent of these welfare gains will also depend on changes in competition and investment rules, among other provisions in CETA.

CETA would encourage more firms to participate in the GP process, allowing wider choice for governments in the companies contracted to deliver goods and services, which should reinforce the trend that companies that provide quality services win contracts; however, beyond this theoretical statement there is not enough available evidence to suggest this will have a significant positive or negative impact on the end quality of goods and services tendered in the EU and Canada, including water delivery and management, and health and education services.

Moreover, quality in GP would likely be maintained in that it seems any agreeable CETA would include key provisions for quality standard in GP agreements. These provisions include discretion to use "most advantageous offer" in terms of price and quality; denial of contracts if there are no suitable offers/the option not to award a contract if not in the "public interest"; the ability to institute or enforce measures to protect several fundamental societal interests; and the ability to use selective or limited tenders. Also, the democratic process and well developed institutions in the EU and Canada provide a solid foundation to ensure quality in procured goods and services and that the aforementioned provisions are properly enforced. Additionally, even if CETA included mechanisms for challenging GP bids and projects via investor-state cases, which does not clearly exist in NAFTA, or bid challenges, there is no conclusive evidence to suggest these would have a net positive or negative effect on the quality of government-procured goods or services in Canada or the EU. Still, this area deserves further study.

CETA would likely have less of an impact on quality and decency of work in the GP sector than some stakeholders have predicted, although there are still prominent issues of concern and related questions that cannot be answered without further details of CETA. Empirical evidence suggests that production costs, wages inclusive, do not correlate to winning of GP projects. All EU countries are required by domestic laws to meet core requirements in terms of treatment of workers. Canadian companies must likewise comply with domestic Canadian laws on treatment of workers. While there are still discrepancies in the quality and decency of work environments within localities in the EU and Canada, there does not appear to be sufficient evidence to suggest these will be significantly exacerbated by GP provisions in CETA. However, it is not clear how CETA would affect current initiatives towards "fair wages" as it is not obvious that these policies would be an "unnecessary obstacle" to trade, but if CETA

disallows these initiatives it would have a negative impact on quality and decency of work in certain areas.

Environmental assessment: GP provisions in CETA may limit environmental policy space, but an exhaustive review of the specific effects is not feasible in this SIA. Canada allows for environmental considerations in GP, as does the EU, which is also known as “green procurement.” The EU and Canada have made some exceptions in the GPA to allow for environmental consideration in GP, and NAFTA more generally stipulates it should not prevent parties from implementing measures to protect animal or plant life or health. To the degree that CETA changes the types of entities, sectors and goods and services commitments and exceptions in agreements like NAFTA and the GPA in a way that removes flexibility in green procurement enjoyed under agreements like NAFTA and the GPA, CETA may reduce environmental policy space in Canada and the EU.

7.2. INTELLECTUAL PROPERTY RIGHTS (IPR)

Canada offers a standard level of IP protection but it is lower than that of the EU on several accounts.⁶ Canada does not accept the patentability of higher life-forms, does not offer patent term extension, does not protect copyrights for 70 years after death, does not protect technological protection measures, does not offer resale rights to artists, does not have statutory provisions on internet service providers liability, has not ratified and implemented WIPO internet treaties nor UPOV 1991, has no sui generis protection for geographical indications on food products, and the Canada Border Services Agency does not have the legal authority to detain on its own initiative goods suspected of infringement. It is thus assumed that CETA will lead to an upward harmonisation and call primarily for change in Canadian laws.

Assessing the impact of these changes is challenging, since the final provisions of CETA are not yet available, given both Canada and the EU are currently considering major changes in their IPR system independently from CETA, and given the economics of IPR are characterised by a high level of scientific uncertainty.

Nevertheless, it is likely that IPR-related provisions will benefit specific sectors, such as the Canadian publishing industry and the innovative pharmaceutical industry and FDI inflows could increase as a result. As a net importer of IPR-related assets, however, Canada has an interest in maintaining some exceptions and limitations. CETA could otherwise have significant adverse impacts on consumers of educational and pharmaceutical products as well as on the balance of payments for royalties and licensing fees; however, the overall impact will depend on CETA’s specific provisions and on Canada’s implementing legislation.

Strengthening IPR protection in Canada will very likely have a positive impact on the economy of the European Union, derived mostly from enhanced export opportunities and additional revenues from royalties and license fees. Depending on CETA provisions, the creative industry, the pharmaceutical industry and the agro-food industry, or at least companies active in the Canadian market or facing Canadian competition, would benefit from enhanced IPR protection. Only minor impacts are anticipated for each indicator, but the cumulative impact could have a moderate significance and spill-over impacts on third countries could be significant as well.

⁶ European Commission and Government of Canada, *Assessing the Costs and Benefits of a Closer EU-Canada Economic Partnership*: 2008, p. 79-88

7.3. INVESTMENT

Economic assessment:

Regulatory and institutional reforms encouraged by CETA may remove certain barriers in Canada to EU investment. However, without further details of the agreement it is difficult to tell exactly what barriers may be removed.

The impact of CETA as a whole specifically on investment, as well as the impact of the Investment Chapter specifically on both trade and investment, could contribute to some increase in GDP growth in Canada and the EU. However, given the level of development of both economies this impact will inevitably be quite small in percentage terms.

More specifically, the impact of CETA as a whole on investment in Canada and the EU will likely be positive, but is expected to be of a minor to notable magnitude. For Canada, investment liberalisation in CETA is expected to reinforce existing trends in bilateral investment, with the majority of flows directed towards the financial, energy and mining sectors. In addition, if included in the negotiations, removal of restrictions in such sectors as telecom; transportation services, including water and transportation services; fisheries; finance; and mining/uranium sub-sectors may positively impact the level of bilateral investment in such areas. Investment in the EU would likely follow the positive trend predicted for Canada, but on a smaller scale. This is due to the relatively larger size of the EU economy compared to Canada and given Canada is currently more restricted to FDI than the EU at large.

The Investment Chapter in CETA could encourage economic benefits in terms of both investment and trade-related effects in Canada although the significance of these will likely be minor to notable at most. To the extent the Investment Chapter in CETA effectively increases the number BITs/FIPAs Canada has signed, there could be increased FDI flows. It would also provide benefits to multinational companies in particularly in terms of fostering forms of intangible business relationships, which may have economic benefits, and stimulating the flows of capital and differentiated goods. Any benefits from an Investment Chapter may have a multiplier effect given that an important part of the EU-Canada economic relationship is based on investment and certain more intangible linkages. The Investment Chapter in CETA by itself would likely result in negligible increases in GDP growth.

However, the role of investor-state dispute settlement (ISDS), which may be included in the Investment Chapter in CETA, as a contributor to the aforementioned economic benefits is unclear, as there does not appear to be readily available empirical evidence on the matter. On one hand, the inclusion of ISDS in CETA may create some economic benefits, and the economic risks it brings are unlikely to be as significant as some stakeholders suggest. On the other hand, it is uncertain that the aforementioned economic benefits from ISDS would be maximised in a sustainable way, and the fact remains that ISDS does usually create at least some minimal economic costs to government.

The Investment Chapter in CETA will create reductions in regulatory flexibility that on one hand will likely have positive economic effects, while on the other hand some of this may also constitute a reduction in economic policy space.

Social assessment

There may be some positive social impacts from investment encouraged under CETA as a whole. Any positive impacts related to CETA-encouraged investment flows would not be attributable solely to the Investment Chapter but to the combined impacts of a number of provisions in CETA, for example those relating to other cross-cutting issues described herein, those liberalising restrictions in services (outside those related directly to investment), and those creating tariff reductions.

The policy space reductions caused by ISDS allowances in CETA would likely be less significant than foreseen by some, but still enough to cast doubt as to if they would contribute to net/overall social sustainability in Canada and the EU. Herein, it is important to stress that a reduction in “policy space” as used in this assessment exclusively refers to the ability of governments to make policies that have clear social (as well as economic and environmental) benefits. This assessment is based upon consideration of several arguments: the questionable utility of using ISDS as currently operating rather than domestic courts in Canada and the EU; precedent of ISDS creating some regulatory chill; risk of unrecorded regulatory chill from ISDS; lack of information on ISDS case rulings; and risk created by a ‘third country incorporation’ provision in ISDS in CETA. This brings into question the efficacy of ISDS in meeting the objective of its advocates of preventing capital flight and enhancing investment with the end goal of contributing to the “the well-being of society.” Likewise, it is questionable that including ISDS in CETA would create a net/overall social sustainability benefit for the EU and/or Canada.

Environmental assessment

As mentioned in the Industrial Products section, increased FDI in the oil sands and mining sectors could lead to increased environmental impacts since these sectors are environmentally intensive. Given the relative concentration of FDI inflows in these sectors in Canada, a marginal increase in investment inflows driven by CETA and higher oil and mineral prices could lead to an increase in production capacity that would in turn lead to impacts on capital stocks, use of bio-diverse areas, water use and contamination, toxic contaminants and effluents, and air pollution and GHG emissions. This said, although the gravity modelling for this report provides some indication that investment could increase, it is unclear how much CETA would increase investment in the oil sands and mining sectors and if it does not particularly increase investment the directly related environmental impacts therein would clearly be lessened.

This analysis errs on the side of caution by assuming that, while not meeting the threshold of ‘significant,’ ISDS in NAFTA, as well as some EU BITs, may very well have created some magnitude of reductions in environmental policy space relevant to this SIA, and thus ISDS in CETA may have some negative environmental impacts on the EU and Canada. It is therefore questionable that including ISDS in CETA would create a net/overall environmental sustainability benefit for the EU and/or Canada.

7.4. TRADE FACILITATION

Trade facilitation aims to promote transparency, facilitate customs clearance, enhance government effectiveness in collecting duties and help in the fight against fraud and corruption.

Given the relatively sophisticated state of existing customs and border regimes in Canada and the EU overall, but with exceptions for certain individual EU Member States, it is unlikely that there will be as significant economic, social or environmental impacts from related trade facilitation reform under CETA compared to if the agreement was signed between the EU and a developing country. However, incorporating provisions under CETA to reform and improve trade facilitation could assist with reducing trading costs, which would be particularly useful in limiting the costs of compliance that will inevitably increase with the introduction of new rules of origin under CETA.

7.5. LABOUR MOBILITY

Labour mobility provisions in CETA focused on workers in professional business services could result in a more efficient allocation of skills and increased productivity in Canada and the EU, as well as increase innovation that could lead to some social and environmental benefits.

7.6. FREE CIRCULATION OF GOODS

Similar to non-tariff barriers that exist in international trade, internal trade barriers often distort production and consumption costs, raising the purchase prices of goods paid for by consumers, businesses and governments. The negative impact of internal barriers created by Canadian labelling rules in particular are not exclusively encountered by Canadian companies, as incoming goods from the EU and other countries are also subject to the same rules. Thus, reducing these internal trade barriers increases efficiency in the Canadian market and while the EU does not face the same issues internally with respect to the free circulation of goods that Canada does, the benefits expected to be realised within Canada as a result of CETA, or at least CETA-encouraged inter-provincial reform, will likely have a favourable effect on the EU.

While governments within Canada have made efforts in the past to reduce internal trade barriers, including those to free-circulation of goods, the pace of progress has been slow and CETA provides an opportunity to bring the federal and provincial governments together to enact major reform. Provisions allowing freer circulation of goods could improve Canada's productivity and would be particularly focused within the agriculture and agri-foods sector. Additionally, addressing this internal issue will likely have a more general positive influence on investment in the country by changing the current global perception that Canada has many internal impediments to free circulation of goods.

7.7. COMPETITION POLICY

A competition policy chapter in CETA will likely focus on removing discriminatory measures imposed by Canada's provincial liquor control boards and its Wheat Board; include provisions on international letter delivery; and make changes to EU and Canadian state aid policies.

If CETA removes discriminatory practices of the Canadian liquor control boards this could improve the transparency of the Canadian regulatory regime and encourage competition. Evidence suggests that this would not necessarily undermine public health and safety objectives as the Canadian government would retain the most important policy tools for reducing over-consumption of alcohol, i.e. being able to set price floors and impose taxes on beer, wine and spirits.

Removal of discriminatory practices of the Wheat Board could improve wages of wheat farmers in Canada if they prove themselves more competitive without the Board. While some stakeholders allege it could also result in a reduction of the value of wheat farmer's lands, which would limit/eliminate an important source of funding for farmers to pay their bank debt and significantly limit the amount of the money otherwise received by selling the land to fund their retirement plans, other evidence appears to limit these concerns. The EU wants to remove discriminatory practices of the Wheat Board in an effort to increase market share in the grains regulated by the Board.

International letter delivery in Canada has already been opened to foreign competition under budget Bill C-9, passed in July 2010, and thus CETA itself would not open up this sector although it would bind

such access in a trade agreement. Changes in market share and employment in Canada Post resulting from Bill C-9 and also stipulated by CETA would depend on Canada Post's ability to compete with EU producers in this cross-section of the market. No notable negative effects would be expected in regards to quality of services.

Without further details of CETA and an in-depth analysis beyond the scope of this report it is unclear how revision of state aid policies under CETA would affect wages and working environments in Canada and the EU.

Overall, the competition policy chapter of CETA is not expected to have significant environmental impacts.

8. Policy Recommendations

8.1 OVERVIEW

The policy recommendations herein, also called flanking measures, were created based on the results of the sustainability analyses. For reference, major (the significant or at least the most important) impacts uncovered in the analyses which warrant being addressed by policy recommendations are summarised below. The proposed policy recommendations cover both enhancement and preventative/mitigation measures, i.e. measures needed to reinforce any significant positive sustainability impacts and to prevent or at least mitigate negative sustainability impacts.

Recommendations are presented in two main categories:

- Measures related to provisions that will likely be included in CETA ("trade measures")
- Measures, not directly related to provisions in CETA, for cooperation that may accompany the agreement ("cooperation measures")

8.2 LIST OF MAJOR IMPACTS

Agriculture, PAs & Fisheries

Economic

- **Beef:** significant increase in exports from Canada to the EU if TRQ for beef liberalised to a significant degree. This would be accompanied by increases in output in Canada and decreases in the EU, though this depends on the quota allowed to Canadian producers. It is unlikely that the ban on GM beef in the EU will be lifted, but Canadian producers could be induced to increase hormone free production if the quota increases were large enough. Creation of a separate tariff line for bison meat could help Western Provinces diversify. Rules of origin are important and depend on whether origin determined by place of birth or slaughter.
- **Pork:** Liberalisation (likely in TRQ) could lead to significant increases in exports from Canada to the EU. This would be accompanied by increases in output in Canada and decreases in the EU. Rules of origin are important and depend on whether origin determined by place of birth or slaughter.

- **Dairy:** Significant degrees of liberalisation would substantially benefit the EU, while leading to declines in output and domestic market share in Canada. Dairy producers in the EU would be expected to see significant increases in exports and output. Results would likely depend on the elimination of supply management in Canada, which is unlikely. Nevertheless, the EU could realise gains through improved minimum access commitments for certain products (i.e. specialty cheeses). Protection for EU GI cheeses could also confer benefits onto the industry.
- **Other PAPs:** Gains to Canada's manufacturers of processed foods could potentially see increases in output and exports, though this impact is contingent on the CETA providing rules of origin that are not too restrictive with respect to sugar. Cooperation on harmonisation of ingredient and labelling regulations could provide benefits. The EU could benefit from increased exports of cereals and flours (e.g. pastas, bread, biscuits), while removal of Canada's compulsory container size requirements could lower costs for EU exporters.
- **Alcoholic beverages:** EU producers and exporters would likely benefit from the removal of discriminatory practices in place at the provincial level that are implemented through the Liquor Control Boards. Either greater compliance or enforcement could lead to greater export sales in Canada, benefitting the EU alcoholic beverages industry. This could potentially serve to reduce domestic market share for Canadian producers.
- **Fisheries:** Canada would likely benefit from the full removal of tariffs on fish and seafood (mostly in frozen seafood). Facilitating access to Canadian GM salmon could provide significant gains to Canada's aquaculture industry. This could benefit processors and customers in the EU. Removal of investment restrictions in Canada could lead to greater investment opportunities for EU processors.

Social

- **Beef and pork:** Liberalisation would benefit Canadian employment and lead to displacement within the EU.
- **Dairy:** Removal of supply management would likely result in benefits to consumers, but would be expected to significantly affect Canadian producers.
- **Other PAPs:** Employment stands to be positively impacted in both Canada and the EU. Rules of origin that are not overly restrictive will help foster the greatest increases in employment in Canada. This could benefit a number of provinces given its importance as a source of manufacturing in Canada.
- **Fisheries:** removal of tariffs could spur increased employment in the fisheries sector in Canada, which would be particularly beneficial to the Atlantic Provinces. Increased investment from the EU could further spur increases in employment in processing jobs.
- **Beverages:** A CETA leading to removal of LCBs would likely have a negative social impact. Nevertheless, LCBs can be non-discriminatory while maintaining their public health role (as with Sweden's Systembolaget).

Industrial Products

Economic

- **Mining:** removing foreign ownership restrictions on uranium mining could lead to substantial increases in EU investment in the sector in Canada.
- **Cross-sectoral:** tariffs are low on many manufactured products making it likely that removal of NTBs and restrictions on investment will foster the greatest economic gains in many cases.
- **Automotive industry:** removal of tariffs could positively benefit auto manufacturers in Canada and the EU leading to greater exports and output over the long-term. This impact would be contingent on the CETA adopting rules of origin that would not overly restrict Canadian exports. This could also facilitate greater investment by Canadian manufacturers in meeting EU emission standards, helping to upgrade the industry and enhance competitiveness vis-à-vis producers in the US.
- **Textiles:** Tariff removal would likely benefit the textiles industries of both Canada and the EU. Exports and output would be expected to increase, with the EU seeing gains in apparel, textiles and leather manufacturing. The EU could see further benefits from the removal of NTBs that limit interprovincial circulation. Rules of origin are important and could negatively impact Canada if too restrictive. Greater IPR enforcement (border seizures and anti-counterfeiting) would likely further benefit the EU.

Social

- **Cross sectoral:** A chapter on Trade and labour could help foster greater implementation of the ILO's core labour standards and perhaps lead to ratification of ILO conventions in Canada.
- **Cross sectoral:** a mechanism that fosters regular dialogue and cooperation between Canada and the EU could include commitments to and exchange on reducing occupational injuries, perhaps fostering improved safety over the long-term.
- **Transport equipment:** If the rules of origin are not overly restrictive, it is likely that employment in Canada's transport equipment sector will be positively impacted, helping to foster a positive social impact. The positive implications would likely be more concentrated given the clustering of the auto industry in the Windsor-Oshawa corridor of Ontario.
- **Textiles:** Removal of tariffs and rules of origin that are not overly restrictive can generate employment in the textiles industries of both Canada and the EU. These would particularly benefit lower skilled workers, including among women and migrants

Environmental

- Greenhouse gas emissions are expected to increase in the oil sands sector if the combined effect of higher world prices and increased EU investment increase output in that sector.
- Water contamination and water use could increase in the oil sands industry if the CETA, combined with higher world prices leads to increased investment in that sector.

Services

Economic

- **Maritime transport:** The CETA will likely have a positive impact in both Canada and the EU, with greater liberalisation increasing gains. Liberalisation of feeder services and repositioning in Canada would lower costs, increase competitiveness and also spur greater levels of FDI in

Canada's maritime transport sector. This could also assist in the development of Canada's short-sea shipping industry. Additional benefits include the upgrading of Canada's maritime fleet through the potential removal of prohibitive tariffs on imported new vessels (25%) as well as increased investment in Canada's ports and greater attractiveness as port-of-calls vis-à-vis U.S. ports along the Atlantic, Saint Lawrence and Great Lakes.

- **Telecom:** Removal of foreign ownership restrictions would likely have a significant impact on Canadian output and exports. FDI from the EU to Canada would likely increase significantly. Competitiveness of the Canadian telecom sector would improve as would technological acquisition, which would help to stimulate expansion of Canadian telecom services into foreign markets over the long-term. Canadian consumers would likely benefit from lower costs, greater selection and better service. EU exports via mode 3 would increase.
- **Financial services:** A bilateral securities agreement could contribute to greater portfolio flows between the two sides. Mutual recognition of standards would provide securities dealers on both sides of the Atlantic with increased access to customers, while investors would be able to invest more easily in each side's securities market, allowing for greater diversification and chances to earn greater returns. The ability for this to increase portfolio flows between the EU and Canada, could in turn increase the availability of both debt and equity capital, lowering the costs business face in raising capital. The ability of the CETA to foster such an agreement would depend on the ability of the EU to ensure that securities markets are regulated in a manner that protects investors, however, and this is made more difficult by the absence of a national regulator in Canada. With regulation instead overseen at the provincial level, and with several provinces seeking to challenge the constitutionality of centralising regulation, it is unclear whether the CETA would be able to foster a bilateral securities agreement.
- **Business services:** Liberalisation of both at-the-border and behind-the-border restrictions on temporary movement of professionals would likely serve to increase the level of cross-border trade as well as the investment and trade occurring via foreign affiliates. In order to realise the greatest gains it will be important for the CETA to foster mutual recognition agreements allowing professionals to have their qualifications/certificates recognised in both Canada and the EU. This, however, is complicated by the fact that the Government of Canada does not maintain the authority to provide mutual recognition, with professional organisations at the national/provincial level tasked with these functions.

Social

- **Maritime transport:** The CETA would be expected to create jobs. This would be particularly beneficial to employment in Canada's Atlantic Provinces as well as ports along the Saint Lawrence and Great Lakes. The CETA could also have a positive impact on quality and decency of work by putting in place a mechanism for cooperation and dialogue on labour issues as well as promotion of the ILO's Maritime Labour Convention in third countries. It could also contribute to greater collaboration on safety and security issues associated with maritime transport services.

Environmental

- Increased maritime transportation as a result of CETA is likely to lead to increased demand for infrastructure and dredging, especially in the St-Lawrence River.
- Increased maritime transportation may increase the risk of accidental spills and other types of accidents.
- GHG emissions from road, air and other transport sectors, including maritime transport, are expected to increase as a result of the agreement.

Cross-cutting issues

Government Procurement

- The competition caused by GP provisions, like those in CETA, will likely result in increases in welfare; and these increases may translate into lower cost public goods and services.
- EU companies would likely see some increase in market share as a result of GP provisions in CETA, and Canadian companies are likely to see a comparatively smaller increase in market share.
- CETA is unlikely to result in any significant loss of domestic employment to companies operating in the GP market that have not established a foreign presence in Canada and are not employing people living in Canada.
- GP provisions in CETA would reduce Canada's flexibility in making policy, and, to a lesser extent, restrict the EU's flexibility in policy making. Any simultaneous loss of policy space herein needs to be contextualised in terms of thresholds.
- Prohibition of offsets in Canada's schedule will likely have some negative economic/social impacts in the short-term at least, but a comprehensive analysis would be needed to gauge the full impacts therein.
- Prohibition of set-asides for Aboriginal businesses would appear to have some negative effects on employment and culture, at least in the near term, on those currently benefiting from such preferences.
- CETA would encourage more firms to participate in the GP process, which should reinforce the trend that companies that provide quality services win contracts; however, beyond this theoretical statement there is not enough available evidence to suggest this will have a significant positive or negative impact on the end quality of goods and services tendered in the EU and Canada.
- CETA could impact decency and quality of work. For example, it is not clear how CETA would affect current initiatives towards Social Considerations in Public Procurement and "fair wages," although disallowing these initiatives would have negative impacts.
- To the extent that CETA removes flexibility in green procurement enjoyed under agreements like NAFTA and the GPA, CETA may reduce environmental policy space in Canada and the EU, which would have negative impacts on the environment in terms of a number of indicators.

IPR

- The CETA will likely have significant adverse impacts on consumers of pharmaceutical products in Canada
- The CETA could potentially have a positive impact on R&D spending in Canada
- The CETA will likely significantly reduce counterfeiting and piracy level in Canada.

Investment

- Regulatory and institutional reforms encouraged by CETA may remove certain barriers in Canada to EU investment, which could contribute to some minor increases in GDP growth in Canada and the EU. Investment in the EU would likely follow the positive trend predicted for Canada, but on a smaller scale.
- The Investment Chapter in CETA could encourage economic benefits including investment and trade-related effects. To the extent the Investment Chapter in CETA effectively increases the number BITs/FIPAs Canada has signed, there could be increased FDI flows. It would also provide benefits to multinational companies and foster forms of intangible business relationships, which may have economic benefits, and stimulate the flows of capital and differentiated goods.
- The Investment Chapter in CETA will create reductions in regulatory flexibility that on one hand will likely have positive economic effects while on the other hand may to some extent constitute a reduction in economic policy space.
- There may be some positive social impacts from investment encouraged under CETA as a whole.
- There is reason to question the efficacy of ISDS in meeting the objective of its advocates of preventing capital flight and enhancing investment with the end goal of contributing to the “the well-being of society.” Likewise, it is questionable that including ISDS in CETA would create a net/overall social sustainability benefit for the EU and/or Canada.
- While not meeting the threshold of ‘significant,’ ISDS in NAFTA, as well as some EU BITs may very well have created some reductions in environmental policy space relevant to this SIA, and thus ISDS in CETA may have a negative environmental impact on the EU and Canada.

Trade facilitation

- Incorporating provisions under CETA to reform and improve trade facilitation could assist with reducing trading costs, which would be particularly useful in limiting the costs of compliance that will inevitably increase with the introduction of new rules of origin under CETA.

Labour mobility

- Labour mobility provisions in CETA focused on workers in professional business services could result in a more efficient allocation of skills and increased productivity in Canada and the EU, as well as increase innovation that could lead to some social and environmental benefits.

Free circulation of goods

- Provisions allowing freer circulation of goods could improve Canada’s productivity and would be particularly focused within the agriculture and agri-foods sector.

Competition policy

- If CETA removes discriminatory practices of the Canadian liquor control boards this could improve the transparency of the Canadian regulatory regime and encourage competition. Evidence suggests that this would not necessarily undermine public health and safety objectives as the Canadian government would retain the most important policy tools for reducing over-consumption of alcohol, i.e. being able to set price floors and impose taxes on beer, wine and spirits.
- Removal of discriminatory practices of the Wheat Board could improve wages of wheat farmers in Canada if they prove themselves more competitive without the Board. The EU could also potentially increase market share in the grains regulated by the Board. There is evidence to limit concerns that such liberalisation would create net negative impacts on the value of farmers' land holdings, which would in turn impact their retirement plans.
- Provisions on state aid policies could have a variety of different impacts, although the specifics of such impacts are unclear without further details of CETA.

8.3 RECOMMENDATIONS

8.3.1 Trade Measures

- **T1:** Include a Trade and Sustainable Development chapter in the Trade Pillar of the Agreement. The proposed Trade and Sustainable Development chapter could include a requirement that both parties commit to the effective implementation of core environmental regulatory measures. Also within this chapter, include a section on trade and labour that commits to implementation the ILO's core labour standards and Decent Work Agenda (see T 2). (See C1 on a monitoring mechanism for this chapter).
- **T2:** Include a section on trade and labour within a Trade and Sustainable Development chapter (see T1) that commits to implementing the ILO's core labour standards and Decent Work Agenda. While labour standards in Canada and the EU are strong relative to most countries, greater commitment to the ILO's standards could help ensure greater implementation while helping to foster greater cooperation in international fora such as the WTO. Further, cooperation could help lead to eventual ratification of all Core Labour Standards that have not yet been ratified in Canada due to conflicts such actions would have with provincial labour laws. This could assist with improving rights of collective bargaining and association at the provincial level. Included in this chapter should be a framework ensuring oversight and enforcement while also creating an impartial review panel that can hear and rule on complaints.
- **T3:** Establish an appropriate timetable for the phased reductions in tariffs and non-tariff barriers in the sectors which are likely to be significantly impacted in Canada and the EU. Canada is a major competitor in beef, pork and fish and seafood and the injudicious removal of barriers could significantly impact EU producers, particularly in the pork sector. In Canada, providing increased access to EU dairy imports is likely to negatively impact domestic producers. To the degree that this leads to a removal of supply-management, the impact on Canadian dairy producers will be significant, likely requiring a longer phasing-in period. Outside of agriculture, it

would also be important to establish an appropriate phasing-in period for liberalisation in the textiles and transport equipment so that producers have time to adjust to changing incentives.

- **T4:** Create a separate tariff line in the EU for meat products derived from bison. Such an action would not harm European producers given the lack of bison production in Member States, but would allow Canadian producers greater access to the EU market without subjecting their imports to the tariff-rate-quota for beef. Although it is not clear whether EU consumers would exhibit demand for bison, additional access could assist with diversification efforts undertaken by Canada's Western Provinces.
- **T5:** Ensure that access to the Canadian market for EU alcoholic beverages does not lead to a removal of Canada's provincial liquor boards but rather better compliance by these boards to end practices that discriminately favour local producers. Canada's liquor control boards serve an important role in helping to reduce abuse of alcohol and underage drinking, and should remain intact so as to ensure public health objectives.
- **T6:** Rules of origin should be carefully considered in the negotiations, with a special group of EU and Canadian officials formed to deal with the issue. Interests should be carefully balanced between (i) restricting the ability of third countries (most notably the U.S.) to capitalise from Canadian preferential access to the EU; and (ii) ensuring Canadian producers are able to benefit from improved access to the EU and able to qualify for preferential treatment. Specifically, if rules of origin are too restrictive, they will likely reduce transshipment through Canada, but could significantly limit the benefits for Canadian producers. Rules of origin will need to be considered in the context of access commitments, with minimal liberalisation and restrictive rules of origin likely to limit the overall benefits for Canadian producers. At the sectoral level, special attention should be given to the following:
 - Beef and pork. With sufficient improvements to the TRQ for beef and pork, Canadian producers would likely shift some of their production to hormone free products and invest in slaughterhouses that meet EU standards. This could also induce producers to ensure that, over the long-term, these cattle and hogs are born and slaughtered in Canada to ensure they meet EU rules of origin. With limited improvements in market access, however, the benefit of meeting all of these criteria would be significantly diminished, limiting gains for the industry.
 - Automotive products. Integration with the United States makes it unlikely that Canadian producers would be able to benefit from an agreement that adopts EU rules of origin. At the same time, rules of origin that are too relaxed will likely allow U.S. producers to take advantage of Canadian access granted under the CETA. EU environmental standards will also play a role, and allowing greater access to Canadian producers while ensuring their products can qualify as originating could help promote environmental goals by inducing greater investment in Canada to meet higher environmental standards than those presently in place within North America.

- Textiles. Canada's textiles industry has become increasingly integrated with its NAFTA partners and as such it would favour rules of origin that are less stringent than the EU's double transformation rule. Special care should be given to ensure, however, that a less stringent set of rules are not injurious to LCDs who benefit from the EU's generalised system of preferences and rule of single transformation.
- **T7:** In order to promote environmental goals it is recommended that trade in green technologies and environmental resources be fully liberalised.
- **T8** Restrictions on investment in the Canadian sectors of fisheries and telecom should be liberalised or removed completely. Liberalisation could lead to an influx of FDI from the EU, helping to improve competitiveness of the Canadian industries while creating jobs. For the telecom sector in particular, liberalisation could also help reduce costs for consumers while improving service.
- **T9:** In liberalising investment in Canada's telecom sector, it is recommended that a phase-in period be carefully considered. This should take into account the recommendations of the Telecommunication Policy Review Panel which call for two 5 year phase-in periods. It is further recommended that divisions be made between carriage and content so as to ensure the maintenance of Canadian cultural objectives. Specifically, it is recommended that liberalisation follow the findings of a 2003 report by the House of Commons Standing Committee on Industry, Science and Technology that recommended that foreign investment restrictions should be eliminated while maintaining restrictions on investments in broadcasting.⁷ Given the increased integration of these services, however, it is important that the Agreement establish rules for determining when an investment can be defined as encroaching on cultural objectives so as to eliminate ambiguities and encourage investment.
- **T10:** Liberalising feeder services within Canada's maritime transport services is encouraged. Such an action could increase infrastructural investments over the long-term while helping to improve Canada's underdeveloped short-sea shipping industry. This could improve the efficiency of logistics in Canada, but could also serve an important environmental role by helping to shift land transport to maritime transport. Similarly, removal of the 25% tariff on new vessels could help Canada's shipping industry upgrade its aging fleet.
- **T11:** To increase bilateral trade and investment in services, it is recommended that measures be taken to streamline the visa process for professionals seeking to temporarily work in Canada or the EU. Canada should review its requirements for 'needs tests' for certain professionals under the TFWP, with specific attention to facilitation of intra-corporate transfers between the EU and Canada.
- **T12:** Both Canada and the EU made important progress in environmental regulation and awareness. The CETA can enhance this by calling for harmonisation of environmental regulation.

⁷ <http://cmte.parl.gc.ca/Content/HOC/committee/372/inst/reports/rp1032302/instrp03/14-chap4-e.htm#6>

In addition, this could be extended to third country trade partners. Sectors that need particular attention are: fisheries, mining and oils, forestry and livestock.

- **T13:** The agreement should leave sufficient flexibility to its signatories for implementing policies that are required by their specific legal, economic, social, industrial, and cultural environment. To ensure a minimal level of flexibility, it is recommended to duplicate the language of *TRIPs agreement* article 7, 8, 13, and 30 as well as the language of the *Declaration on the TRIPs Agreement and Public Health* in the introduction of CETA IPR chapter.
- **T14:** Ensure that language in CETA's Competition Policy Chapter clearly states that alcohol price floors are not prohibited under the agreement and that the ability to use legitimate regulations, i.e. alcohol taxation and pricing policies is maintained.
- **T15:** Ensure sufficient reductions in state aid policies with little net sustainability benefits while preserving state aid that does produce clear sustainability benefits.
- **T16:** Explicitly allow for Social Considerations in Public Procurement, including fair wages, in the General Notes of both Canada and the EU in the GP Chapter. Provide some criteria of what constitutes these policies. (And create a monitoring body to oversee that these allowances are not being abused, and allow renegotiation on the language herein if the monitoring body reports abuse. The monitoring body might be set up through the Trade and Sustainable Development Chapter. See C13 for details on the monitoring body).
- **T17:** Explicitly allow for green procurement policies in all 'standard' forms in the General Notes of both Canada and the EU in the GP Chapter. (And a monitoring body might be set up to ensure these policies are implemented in a way that is legitimately furthering the objectives to improve the environment with limited adverse costs to business. The monitoring body might be set up through the Trade and Sustainable Development Chapter. See C13 for details on the monitoring body.)
- **T18:** GP Chapter should explicitly allow for preferential treatment for those with officially documented disabilities.
- **T19:** Explicitly allow set-asides for Aboriginals in Canada's schedule in the GP Chapter, however make such exception more stringent than the one allowed in NAFTA and the GPA. Specifically, require that any preferences to be given under these exclusions go to those who meet an 'economically disadvantaged' criterion. (The 'economically disadvantaged' assessment to be conducted by the appropriate bureau in Canada or by a committee established under the Sustainable Trade and Investment Chapter in CETA. See T1 about the chapter and C13 about the committee.)
- **T20:** Consider keeping set-asides for minority business in Canada's schedule in the GP Chapter but make this contingent that this group is distinguished from Aboriginals, better defined than under current regulations, and also meets the 'economically disadvantaged' criteria mentioned for Aboriginal set-asides. (The 'economically disadvantaged' assessment to be conducted by the appropriate bureau in Canada or by a committee established under the Sustainable Trade and Investment Chapter in CETA. See T1 about the chapter and C13 about the committee.).

- **T21:** Include environmental protection provisions in the GP Chapter like that in Note 7 of Canada's GPA Annex 2 that states "Nothing in this Agreement shall be constructed to prevent any provincial or territorial entity from applying restrictions that promote general environmental quality in that province or territory, as long as such restrictions are not disguised as barriers to international trade." (Also see T17)
- **T22:** Include a provision in the General Notes of the EU's GP commitments similarly worded to that mentioned in T21 but applying to localities in EU MS. (Also see T17)
- **T23:** Allow exclusions, in the General Notes section of the GP Chapter for Canada and the EU, of provisions on agricultural products made in furtherance of agricultural support programs or human feeding. Language could generally follow that listed in NAFTA Annex 1001.2b, General Notes, Schedule of Canada, sub-article 1(f) – however, the language should be tightened, for example it should only exclude programs that 'if abandoned would clearly jeopardise emergency human feeding programs.'
- **T24:** Allow GP offsets for projects in Canada in the same sectors as those listed in the Annex II/exclusions annex of the Investment Chapter in CETA.
- **T25:** Do not include a full-stop prohibition on GP offsets for municipalities, but rather include an 'offset justification provision' pertaining exclusively to municipalities. The provision would only generally be drafted like Article XVI (2) of the 1994 GPA, which allows offsets for certain policy considerations when "used only for qualification to participate in the procurement process and not as criteria for awarding contracts. Conditions shall be objective and non-discriminatory." A transparent mechanism/panel should be set-up to approve or disapprove the invoking of this 'offset justification provision.' (See C12 for details of this mechanism)
- **T26:** Consider allowing a higher GP threshold exclusively for Canadian (and possibly EU) sub-federal contracts (GP Annex II) over which offsets are prohibited. This threshold would be higher than 'main' thresholds being negotiated for the party's Annex I, II and III of CETA GP commitments, whereas offsets cannot be used in any contracts with values over this threshold. Contracts below that threshold, however, and, for example, above the party's 'main' Annex II thresholds, are allowed to use offsets so far as they are justified under the 'offset justification provision' to the offset review panel. (See C12 for details of this review panel/mechanism)
- **T27:** As a safety valve to ensure the quality of goods and services delivered in GP, as well the maintaining of decency and quality of work standards, include the provision: "Where a procuring entity receives a tender with a price that is abnormally lower than the prices in other tenders submitted, it may verify with the supplier that it satisfies the conditions for participation and is capable of fulfilling the terms of the contract."

- **T28:** Consider excluding the ‘third country incorporation’ provision in a GP Chapter, or if it is included ensure this action is properly justified and that the drafting language prevents treaty shopping and unintended usage of such provision.
- **T29:** In the GP and Investment chapters, clearly define the rules governing bulk exports of water, particularly allowing unbound flexibility in implementing national water policies that explicitly protect water necessary to support human and ecosystem health and prohibit the export of non-renewable water resources.
- **T30:** Consider a sunset provision/pilot approach to ISDS if it is decided that CETA’s Investment Chapter should include ISDS. Specifically, allow for a 5 year period under which ISDS will be allowed, however the allowance will expire after that time unless renewed. Consider implementing a similar provision for the next 5-10 years if ISDS allowances are renewed after the initial 5 year ‘test’ period. An ISDS forum would be established to monitor usage of ISDS under CETA. (See C13 for details on the ISDS forum)
- **T31:** If choose to include ISDS, use language from the “tantamount to expropriation” article from US-Singapore FTA and US-Chile FTA instead of original language in NAFTA 1994 or seriously consider using language generally following the Calvo doctrine/similar to that recommended in T32 below.
- **T32:** If choose to include ISDS, draft the expropriation provision generally like the following: ‘expropriation as defined for Canada and EU/EU MS under this agreement exclusively follows the same definition of takings under the domestic takings laws of Canada and EU MS, respectively, as of the signing of this agreement and should in no circumstances provide treatment to foreign investors beyond that which is afforded to domestic investors under those domestic takings laws.’ Should any revisions be made to domestic takings laws, in order for those revisions to apply under the aforementioned clause they should treat foreign and domestic investors the same. Such revisions should also be respected by foreign investors under this agreement, although any change must be notified to the appropriate body of the other CETA party within 1 month of it being made.
- **T33:** If choose to include ISDS in CETA, enhance the role of domestic dispute settlement bodies in ISDS rather than operating under the current ISDS system.
- **T34:** If choose to include ISDS in CETA, require the first place of arbitration to be in the country at which complaint is targeted.
- **T35:** Require CSR provisions linked to ISDS provisions if ISDS is included in CETA.
- **T36:** Exclude ‘essential and basic’ public services from ISDS (e.g. certain healthcare and education services), if ISDS be included in CETA.

8.3.2 Cooperation measures

- **C11:** Work through a Trade and Sustainable Development Monitoring Body of EU-Canada experts, government, organised business and civil society to conduct M&E on the CETA agreement. The body would review sectoral labour and environmental commitments and related impacts as well as commitments and impacts in the areas of GP, IPR, investment, labour mobility, and competition policy issues overall, as well house the specific review bodies discussed in the policy recommendations hereto (i.e. review bodies for offsets in GP (C12), other social and environmental issues (C13), and ISDS specifically (C15), would be organised under this body.
- **C2:** A framework should be established to formalise enhanced regulatory cooperation and regular dialogue on SPS and TBT issues. Such cooperation should seek to prevent future barriers while providing greater transparency on packaging, labelling and certification requirements. An ultimate goal should be increased harmonisation and mutual recognition of food safety standards, nutrition policies and inspection processes.
- **C3:** Included in the CETA's section on trade and labour within the Trade and Sustainable Development chapter, should be a framework for increasing awareness of legal rights and obligations and fostering social dialogue. This dialogue and cooperation should be extended to include exchanges on reducing occupational injuries. The M&E body for this framework is discussed in C18.
- **C4:** It is strongly recommended that negotiators create a mechanism for fostering mutual recognition of professional qualifications. Given its limited role in this capacity, it is recommended that the Government of Canada build on efforts in past trade agreements to encourage and support the negotiation of mutual recognition agreements between relevant professional bodies in Canada and authorities in the EU. A framework should be developed that guides and encourages Canadian professional bodies, while also ensuring regular dialogue between Canada and the EU so as to identify professional bodies of importance.
- **C5:** Potential welfare loss in third countries, in particular in small economies such as Saint Pierre and Miquelon, could be mitigated by cooperation measures to promote business initiatives.
- **C6:** Cooperation between companies in the energy and minerals sectors could help to produce sound environmental governance across the EU and Canada, and also have important spill-over effects in third countries. This could include exchanges of information, technology transfers, involvement of public-private initiatives from both sides and, in the long run, the formulation of a common energy policy.
- **C7:** Canada and European governments should cooperate on the exchange of best agricultural practices to reduce the environmental impacts associated with agricultural production.
- **C8:** Collateral cooperation initiatives from the EU and Canada towards their low-income trade partners, and other dependent economies could help to strengthen social protection in these countries, particularly for vulnerable populations that will be affected by adjustment costs.

- **C9:** Promote fishery practices that are more sustainable through Canada-EU collaboration, while maintaining strict monitoring and implementation of quotas and Total Allowable Catch to remain within sustainable population levels and avoid overfishing. More R&D should be invested into environmental risk of farmed fish, and into mechanisms such as the containment tasks, to reduce impact on wild species.
- **C10:** CETA's provisions on IPR enforcement will have limited impact on global counterfeiting and piracy if they are not reproduced elsewhere. The European Union and Canada should cooperate to make sure their agreed norms on enforcement become recognized globally as minimal standards. This cooperation could be crystallized in multilateral fora (WHO, WIPO, WTO, etc.), in plurilateral settings (OECD, ACTA, etc.) and bilaterally in their respective agreement with third parties.
- **C11:** To accelerate the entry of new medicines on the market and lessen the actual use of patent extensions, the European Union and Canada should cooperate to fast-track marketing approvals for those drugs already approved by the respective regulatory agencies.
- **C12:** A GP 'offset review' panel should be set up, perhaps as a small committee within the monitoring body discussed in C1, or perhaps within the current bodies for bid challenges in the EU and Canada, to monitor the invoking of the 'offset justification provision.' The body should be well trained and informed in the sustainable utility surrounding usage of GP offsets and be able to approve applications within 2 weeks of submission as not to overly hinder the GP tendering process.(See T25 and T26 for further details on the 'offset justification provision.')
- **C13:** Create one or more bodies to monitor the application of those allowances for policies on fair wages and Social Considerations in Public Procurement, Aboriginal and minority business set-asides, as well as green procurement, as mentioned in T16, T17, T21, and T22. The body would hear reports/allegations on abuse of such provisions and ensure policies are legitimately being used to meet their intended and sanctioned objectives. The body may be incorporated along with the 'offset review panel' as mentioned in C12 (and within the larger body mentioned in C1) to create a larger 'GP sustainability review' body, or perhaps within the current bodies for bid challenges in the EU and Canada.
- **C14:** Cooperate on a separate study (i.e. outside of this SIA) on the impact of privatisation of water sources that might in the long-term indirectly result from CETA.
- **C15:** If ISDS is included in CETA, an ISDS monitoring body/forum should be created. It would be composed of representatives of all governments in the EU and Canada (national level, provinces and territories and municipalities), academics, and civil society. All members would commit to periodic dialogues on the impacts investor-state provisions/ISDS in CETA are having in terms of causing regulatory chill and other reductions on policy space. Reports are required from governments on these issues at least once every 6 months. Participation required from all members. Membership in forum weighted by population of provinces/EU MS. The body could

be organised under the auspices of the larger Trade and Sustainable Development Monitoring Body mentioned in C1.

- **C16:** Create a short-term forum for members of various NAFTA and EU FTA dispute settlement bodies to discuss or make recommendations to CETA negotiators before final drafting of CETA.
- **C17:** The EU-Canada Joint Cooperation Committee should take on tasks similar to the Transatlantic Economic Council between the EU and US, for example to facilitate legislative convergence between the EU and Canada. A number of the entities described in the cooperation measures hereto may fit under this organisation. It should work closely with the Trade and Sustainable Development Monitoring Body mentioned in C1.
- **C18:** Create a training mechanism whereby, as relevant, EU workers in the professional business services wanting to work in Canada are schooled on relevant Canadian standards and vice versa.
- **C19:** Conduct a study on the implications of rules of origin policies being negotiated under CETA and how trade facilitation measures can best mitigate the negative impacts such policies may have. During this process may consider EU-Korea FTA as model, consider potential problems with NAFTA rules of origin. (Also see T6)
- **C20:** Create a clean energy partnership initiated between the EU and Canada modelled off of the EU-China Clean Energy Centre and/or US-China Renewable Energy Partnership, operating Eco-Partnerships via P3s. Foster initiatives in a number of relevant environmental areas, including in areas that might otherwise be subject to GP offsets and investment performance requirements.
- **C21:** Require that part of the role in the clean energy partnership mentioned in C20 is to foster green finance, including in areas that might otherwise be subject to GP offsets and investment performance requirements.

References

See full version of Final Report for list of references

ANNEX A: Summary of Interviews and Written Consultations with Stakeholder Groups

Organisations	Issues raised in interview or through email consultation	How feedback was incorporated into the report
EU		
Association of Poultry Producers and Poultry Trade in the EU	<ul style="list-style-type: none"> Concerns were expressed over food safety issues examined as well as issues with food treated with chemical additives from the US entering the EU through Canada. 	Comments were considered for the Agriculture, PAPs and Fisheries section of the report.
Brewers of Europe	<ul style="list-style-type: none"> Main area of contention is with Canada’s provincially regulated liquor control boards and the perceived discriminatory practices of the boards. Another area of concern was the treatment of new market entrants with respect to post factum communications and other onerous commercial conditions. 	Comments were considered for the Agriculture, PAPs and Fisheries and competition policy sections of the report.
Confederation of the Food and Drink Industries of the European Union	<ul style="list-style-type: none"> Very few offensive and defensive concerns. Main priorities are: 1.) Tariffs in some protected sectors: poultry, eggs and dairy. 2.) Opposition to the activation of Special Agricultural Safeguard for dairy. 3.) Import for Re-Export Program should not be considered when calculating import volume. 4.) Discriminating tax policies against EU wines and spirits. 5.) Compositional cheese standards. 6.) Dairy MUST be included in the agreement. 7.) Discriminatory policies of provincial liquor boards must end. 8.) Some meat and pork products should be considered sensitive 	Comments were considered for the Agriculture, PAPs and Fisheries, IPR, and competition policy sections of the report.

	<p>or not subject to liberalisation. 9.) Rules of Origin 10.) Dispute resolution 11.) Geographical indicators.</p>	
Copa-Cocega	<ul style="list-style-type: none"> Concerns centre mostly around Canada’s supply management system and graphical indicators (GI) specifically with respect to Canadian wines and wine kits 	Feedback was considered for inclusion in the Agriculture, PAPs and Fisheries sector and IPR sector.
Danish Meat Industry Federation	<ul style="list-style-type: none"> See UECBV. 	Feedback was considered for inclusion in the Agriculture, PAPs and Fisheries sector.
EUCOLAIT	<ul style="list-style-type: none"> See European Dairy Association 	Feedback was considered for inclusion in the Agriculture, PAPs and Fisheries sector.
EURATEX	<ul style="list-style-type: none"> Concerns centre on: 1.) Tariff peaks for certain textile products with Canada and 2.) Rules of Origin. 	Feedback was considered for inclusion in the textiles section of the report.
EUROCHAMBRES	<ul style="list-style-type: none"> Main issues related to: 1.) Enhancing investment regime including the removal of rules on foreign ownership. 2.) Demands for local content in public procurement. 3.) Mutual recognition of professional qualifications. 	Comments were considered for inclusion in the government procurement, trade facilitation, investment and labour mobility sections.
European Competitive Telecommunications Association	<ul style="list-style-type: none"> Main areas of concern are: 1.) Labour mobility 2.) Equity Caps 3.) Residency requirements 4.) Qualifications and professional designations and 5.) Regulatory cooperation 	Feedback was considered for the services sector and for the labour mobility sections.
European Association of Fish Producers	<ul style="list-style-type: none"> Main concerns were in regards to: Fair competition, SPS measures and foreign ownership 	Feedback was considered for inclusion in the Agriculture, PAPs and Fisheries sector.
European Dairy Association	<ul style="list-style-type: none"> Major concerns relate to: 1.) Canada’s Supply Management System and 2.) Import Limitations 3.) Rebate programs that support domestic product ingredients. 	Comments were considered for the Agriculture, PAPs and Fisheries and the IPR section of the report.
European Economic and Social Committee	<ul style="list-style-type: none"> Key issues: 1.) Opening up of government procurement markets, 2.) Labour mobility with respect to recognition of 	Comments were incorporated in the government procurement and labour mobility sections.

	<p>qualifications and visa issues. 3.) Environmental and sustainability issues.</p>	
European Livestock and Meat Traders Union (UECBV)	<ul style="list-style-type: none"> • Most interests are defensive. 1.) Negotiations are bilateral but need to consider current multilateral agreements. 2.) Sensitive products issue is crucial. 3.) OIE recommendations for protecting against TSEs and BSE. 4.) Hormone treated beef. 	Feedback was considered for inclusion in the Agriculture, PAs and Fisheries sector.
International Federation of the Phonographic Industry (IFPI)	<ul style="list-style-type: none"> • Key issue: Canada’s IPR regime is not on par with the rest of the developed world, specifically that of the EU. Related comments on report: Certain statistics and reports/sources used in IPR section should be replaced with more up-to-date information; Clarify references to IPR infringement on physical goods; Add four further policy options available to the Canadian government to improve IPR enforcement; The Canadian market for IPR should be measured as the legitimate market for goods plus piracy rate; Economic impacts predicted would be more significantly positive 	Feedback was considered for inclusion in the IPR and Agriculture, PAs and Fisheries
Protection Rights for the Entertainment Industry – Europe	<ul style="list-style-type: none"> • Key concern: Piracy in Canada 	Comments were considered for inclusion in the IPR section of the report.
CANADA		
Access Copyright	<ul style="list-style-type: none"> • Feedback focused on BillC32 being introduced in Canada and amendments to Copyright Act in relation to 1.) Remedies not “having enough bite” to be preventative. 2.) The creation of safe harbours for infringing distributors. 3.) Weakened rights of creators. 4.) Too many exceptions being created and becoming the norm vs. the exception. 5.) 	Comments were incorporated into the IPR section of report.

	<p>If the EU entered into an agreement given the current IPR regime, it could appear to be sanctioning the proposed provisions and could have a domino effect on some lesser developed countries.</p>	
Association of Equipment Manufacturers	<ul style="list-style-type: none"> Supportive of the CETA negotiations. In favour of tariff elimination on all industrial equipment. Markets could potentially open to allow the sale of remanufactured goods. 	Comments were considered in the manufacturing section of the report.
Canadian Recording Industry Association	<ul style="list-style-type: none"> Main issues: IPR (copyright infringement, patent interests and trademarks), Canada's enforcement regime, market access, sustainability and FDI. 	Feedback was considered for the IPR section of the report.
Canadian Wheat Board	<ul style="list-style-type: none"> Feedback was primarily centred on defending the board and supply management in Canada. 	Feedback was considered for inclusion in the Agriculture, PAs and Fisheries and competition policy sections of the report.
CUPE	<ul style="list-style-type: none"> Main issues are 1.) Subnational government procurement 2.) Against including an investor rights clause similar to that in Chapter 11 of NAFTA 3.) Concerns about the privatization of public services. 4.) Water quality. 5.) Pharmaceuticals being protected for proprietary concerns and therefore limiting access and increasing costs. 6.) Job losses. 	Feedback was considered for inclusion in the government procurement, investment and IPR sections of the report.
Diamond Manufacturers Association of Canada	<ul style="list-style-type: none"> Concerns that the Kimberly Process will continue to be a going concern for both the EU and Canada. 	Feedback noted. (Was considered for inclusion in reference to natural resources in the mining and metal manufacturing assessments of the report, but ultimately not included.)
Fisheries Council of Canada	<ul style="list-style-type: none"> Concerns are concentrated mostly on the EU's current tariff regime and rules and regulations regarding the import of fish products which they feel are overly cumbersome and needlessly expensive. 	Feedback was considered for inclusion in the Agriculture, PAs and Fisheries section of the report.

National Union of Public and General Employees	<ul style="list-style-type: none"> Main issues: 1.) Job loss. 2.) Threats to new and existing social programs 3.) Investor state provisions. 4.) Subnational government procurement. 5.) Labour mobility. 	Feedback was considered for inclusion in the government procurement, investment and labour mobility sections.
Pollution Probe	<ul style="list-style-type: none"> Expressed that current environmental efforts are focusing on domestics issues. Specifically transportation policies. 	Feedback was considered in the environmental analysis sections of the report.
EUCOCIT	<ul style="list-style-type: none"> See EUROCHAMBRES in the EU section. 	Comments were considered for inclusion in the trade facilitation, investment and labour mobility sections.
Unisféra	<ul style="list-style-type: none"> Suggested that CETA is not generating any significant interest among traditional environmental stakeholders. 	Feedback was considered in the environmental analysis sections of the report.
United Nations Environmental Program	<ul style="list-style-type: none"> Acknowledged that trade with the EU is smaller than NAFTA and that the EU is seen as an environmental leader and as such, CETA does not currently raise any environmental alarms. 	Feedback was considered in the environmental analysis sections of the report.

(*This chart does not include an overview of the many position papers, reports and other literature provided by stakeholders to the study team as part of the consultation process. It also does not include a summary of points from academic consultations, although all of the relevant points from academic consultations are expressed and cited from their source within the body of the impact analyses.)

Overview of concerns raised during first civil society meeting in Brussels.

Issues raised during Civil Society Meeting	Organisation	Response
- Was the list of flagged sectors finalised? If so, concern was raised over the omission of textiles in light of the concerns over inter alia tariff peaks for certain textile products with Canada and ROO.	EURATEX	- The list was not a formalised list of the sectors flagged for further impact assessment and textiles would be included in the formal modelling.

<ul style="list-style-type: none"> - Concern was expressed over the means of communicating with member of ACP countries given that stakeholders in the region may not have access to Internet. A desire was expressed to hold regional workshops. 	<p>ACP Civil Society Forum</p>	<ul style="list-style-type: none"> - The study team welcomes feedback from the ACP countries and further discussion could be used to facilitate greater incorporation of the ACP countries' concerns.
<ul style="list-style-type: none"> - Inquiry was made into the analysis of the content industry and whether or not additional stakeholders and experts could be recommended to the study team to ensure equal representation. It was also expressed that the statement in the report that IP enforcement and protection in Canada is "strong" is inaccurate. 	<p>International Federation of the Phonographic Industry (IFPI)</p>	<ul style="list-style-type: none"> - It was explained that inclusion of the content industry in the formal modelling was difficult as the data is not readily available in GTAP. However, the content industry would be included in the qualitative assessment. Recommendations of alternative stakeholders was welcomed.
<ul style="list-style-type: none"> - Desire was expressed in having the study include a list of sensitive sectors/areas in both Canada and the EU. A desire was also expressed to include the pork sector in addition to the beef sector as this was an issue of particular interest to the EU. 	<p>European Livestock and Meat Trading Union (UECBV)</p>	<ul style="list-style-type: none"> - It was acknowledged that the study will look into pork.
<ul style="list-style-type: none"> - Concerns were raised over the practicality of a scenario that assumes 100% liberalisation as it was not believed that Canada would liberalise the dairy sector. It was also highlighted that where concessions were made on dairy, Canada could also enact other protectionist measures such as cheese standards. 	<p>European Dairy Association</p>	<ul style="list-style-type: none"> - It was stated that within negotiations everything has been put on the table and as such, the study will proceed under this assumption and therefore include an ambitious scenario of 100% liberalisation. Negotiators are aware of the sensitivity of dairy in Canada.
<ul style="list-style-type: none"> - The question was raised regarding the studies inclusion of cultural protocol. 	<p>European Coordination of Independent Producers</p>	<ul style="list-style-type: none"> - It was stated that nothing specific in this regard was included in the negotiations. However, if there was Canadian interest, the EC could look at cultural cooperation in the strict sense without any trade elements.
<ul style="list-style-type: none"> - Inquiry was made as to whether the study team would consult labour organisations and whether this would include organisations at the local level. 	<p>Ergon Associates</p>	<ul style="list-style-type: none"> - The study team is making efforts to contact labour organisations expected to be impacted by the CETA.

<ul style="list-style-type: none"> - Questions were raised with regards to which specific agriculture products were being considered and whether the analysis would consider triangular trade. 	<p>European Farmers and European Agri-Cooperatives</p>	<ul style="list-style-type: none"> - It was explained that triangular trade would be dealt with as an ROO issue and that the specific agricultural products to be considered would be identified as part of the detailed SIA analysis.
<ul style="list-style-type: none"> - Interest was expressed in having food safety issues examined as well as the possibility of food treated with chemical additives from the US entering the EU through Canada. 	<p>Association of Poultry Processors and Poultry Trade in the EU Countries</p>	<ul style="list-style-type: none"> - It was stated the study was considering wheat, barley, oilseeds (particularly canola), beef and pork, fruits and vegetables and soya. With respect to triangular trade, the liberalisation scenarios will incorporate rules of origin.

Canada Stakeholder Workshop:
Trade SIA for the EU-Canada Comprehensive Economic and Trade Agreement
(CETA)

26 November 2010, 9am to 5pm; Westin Hotel, Ottawa

Subject: EU-Canada CETA Trade SIA Preliminary Findings

Study team:

Colin Kirkpatrick (CK)

Selim Raihan (SR)

Karel Mayrand (KM)

Erick Duchesne (ED)

Dan Prud'homme (DP)

Adam Bleser (AB) EU Delegation:

Maurizio Cellini

Fred Kingston

Rafal Lapkowski

Meeting Minutes:

- CK provided an introduction to the stakeholder meeting.
- Maurizio Cellini, Head of the Economic and Commercial Affairs Section of the EU Delegation, provided introductory remarks as well as an update on the negotiations between the EU and Canada.
- Martin Rice from the Canadian Pork Council asked whether the SIA is used by the EU Parliament or is only used by the EC.
 - CK noted that the response to the SIA by the EC, which takes the form of a position paper, highlights its agreement and disagreement with the SIA contents. There is no requirement that the Parliament use the SIA, but that it does have access to it and has used the findings of other SIAs in the past.
- Kathleen Sullivan from the Canadian Agri-food Trade Alliance asked whether the Canadian government was able to comment on the SIA's findings
 - CK noted that the Canadian government is allowed but that they are treated as other stakeholders. DP stated that a number of Canadian government offices have already been invited to participate and comment on the SIA.
- CK and SR gave a presentation on the SIA methodology

- Brian Roberts from the Fur Institute inquired into the study team's definition of 'sustainability' and whether this used the previous EC definition of the term or whether it approached it from the recently updated definition which was set out in Regulation 1007/2009?
 - CK replied that the study team was employing a broad definition of sustainability which was then used across a balanced assessment of the 3 sustainability pillars.
- John Masswohl from the Canadian Cattlemen's Association asked that the study team provide more information on the CGE model: what does it do exactly that make it better than other competing models.
 - SR noted that a CGE model is the commonly used model for such an ex ante analysis. Its main benefits come from its ability to gauge inter-sectoral linkages – e.g. changes in one sector also affecting another sector – which cannot be done in a partial equilibrium model. The Global CGE model can further take into account global effects and the existence of already existing FTAs with third countries.
- John Masswohl asked whether the CGE model assumes finite supply of farmland.
 - SR replied that land is considered fixed in the short-term, as are the supply of labour and other forms of capital. This can change in the long-term though land continues to be fixed.
- Kathleen Sullivan asked how the model accounts for non-tariff barriers.
 - SR noted that in goods, the model is mostly accounting for tariffs with most non-tariff barriers in the model accounted for in the services sector.
- SR provided a presentation on the macro-economic effects of the potential CETA
- Martin Rice asked about the impacts on the USA and Mexico
 - SR replied that the US is likely to experience some minor welfare losses due to erosion of preferences and trade diversion with almost no impact expected in Mexico.
- Martin Rice asked if the estimated impact on GDP in Canada was comparable in Mercosur countries as per the impact assessment for the EU-Mercosur agreement.
 - CK replied that they were generally comparable.
- Richard Phillips of the Grain Growers of Canada asked whether the model took into account relationship-based trading.
 - SR and CK replied that it is not.
- Richard Phillips noted that from his perspective it appeared that modelling results seemed conservative and that the actual outcome of the agreement is likely to provide more upside than that estimated.
 - SR further noted that gains can often be higher due to static gains.
- ED provided a presentation of the impact on agriculture, processed agricultural products and fisheries.
- Richard Phillips noted that the focus within the report is on wheat and not on canola and pulse crops. It seems that such focus does not blend with the recent trends in Canada as most expansion has been in the former two crops with these generating more value in land.
- Jim Everson of the Canola Council of Canada noted that wording on page 68 regarding the Wheat Board's impact on land value was not accurate. Further, with respect to canola he noted

that the issue of genetically modified organisms was very important for Canadian farmers. Other issues of importance include the changes in cultivation rules and animal feed in the EU, which showed that the EU was moving towards greater flexibility on GM products. Moreover, TBT issues were likely to have more of an impact on the sector than tariff liberalisation. Finally, the Renewable Energy Directive in the EU is likely to have a positive impact on global demand in the future, positively benefiting the Canadian industry.

- Kathleen Sullivan noted that any CETA that does not deal with non-tariff barriers would significantly limit gains to the agricultural sector. Herein, many of the NTBs are specific to EU-Canada trade. Citing the 2008 Study, she pointed out that nearly half of the gains for agricultural trade were due to the resolution of NTBs. Further, she questioned the model's assumption that resources are likely to easily transition out of agriculture due to limitations in the usage of land.
- Richard Phillips encouraged the study team to assess the impact on the pulse crops and to take a look at barley. He further noted that the mention on page 68 that the removal of the Wheat Board would lower land prices is not accurate and that it is instead the loss of subsidies that may affect land prices.
 - DP noted the suggestions on amending the language on page 68 and replied that this was based on stakeholder feedback, most notably from the Canadian Wheat Board.
- Richard Phillips asked what the mechanism for dissemination information is.
 - DP directed stakeholders to the website and to see the first page for its URL.
- AB and KM provided a presentation on the impact for the industrial products sector.
- AB and KM provided presentation on the impact for the services sector.
- DP provided a presentation in the impact for cross-cutting sectors.
- Ron Kane from the Canadian Steel Producers Association asked whether the assessment on government procurement took into account the possibility of the Canada-US Agreement not being extended.
 - DP: yes.
- Stan Marshall from the Canadian Union of Public Employees noted that the government procurement assessment poses more questions that it answers. Further, the assessment leaves ambiguity over what is direct and what is indirect. For example, if policy space is reduced and the agreement introduces competitive bidding, investor state provisions and extension of NAFTA provisions, is this indirect?
 - DP noted these points and stated that the combined effects will be more fully assessed in the final report. He noted the negative impacts from reduced policy space should be distinguished from a mere reduction in regulatory flexibility which does not always create negative impacts.
- Brian Roberts commented on the government procurement assessment and its statement that the CETA will lead to a probable negative impact for aboriginal communities. He advised rewording this statement. It was also pointed out that First Nations have an enormous disincentive to move of the reserve since in doing so they would be subject to income tax. He also asked whether any similar disincentives exist for the EU's minority groups.

- DP replied that he was unaware of any such policies for the EU's minority groups. He also replied that the study team was responsible for mentioning impacts where it was determined that such outcomes were likely.
 - Brian Roberts agreed with DP but noted that care with language was important, particularly with respect to perceived negative impacts on minority groups. He also identified large discrepancies in definitions of minority businesses.
 - DP commented that the study does define aboriginal businesses in particular and follows accepted definitions therein.
- Jason Kee of the Entertainment Software Association of Canada made a number of comments regarding IPR: (1) The assessment on IPR could benefit from more precision (e.g. in copyrights, trade secrets, etc.) and distinction between IPR regions as some parts are confusing (by lumping together different topics) and inappropriate; (2) on counterfeiting/piracy he noted that while the size of Canada may limit impact on EU to be lessened, the assessment should consider spillover effects, particularly with respect to the disproportionate consumption of electronic content within Canada. Further, while hacking devices are illegal in the US and the EU, they are not illegal in Canada. Therefore, Canada serves as a transshipping point for pirated goods in other Western economies. Finally, the relative size of the Canadian economy increases when considering the market for games as Western producers are primarily designing games for the Western Market. This makes the Canadian market relatively larger by omitting Asia, which also applies to a larger extent for film and television. As such, the impact should be larger; (3) on health and safety, he pointed out that the report doesn't assess how bolstering IPR laws will improve health and safety and noted that there will be an overall positive impact.
 - DP commented that he had already flagged the third issue and noted the other two points.
- CK provided concluding remarks.

Workshop Confirmations		
Name	Organisation	Confirmation
INDUSTRY AND TRADE ASSOCIATIONS		
Mr Graham Henderson	Canadian Recording Industry Association (CRIA)	Confirmed
Ms Roanie Levy	Access Copyright – Canadian Copyright Licensing Agency	Confirmed
Mr Chris Gray	Canadian Chamber of Commerce	Declined
Ms Wendy Noss	Canadian Motion Picture Distributors Association	Confirmed
Mr Declan Hamill	Canada’s Research-Based Pharmaceutical Companies	Confirmed
Ms Kathleen Sullivan	Canadian Agri-food Trade Alliance	Confirmed
Ms Carla Ventin	Food and Consumer Products of Canada	Confirmed
Mr Martin Rice	Canadian Pork Council	Confirmed
Mr Richard Phillips	Grain Growers of Canada	Confirmed
Mr Edouard Asnong	Canada Pork International	Confirmed
Mr Jim Everson	Canola Council of Canada	Confirmed
Ms Jane Proctor	Canadian Produce Marketing Association	Confirmed
Mr Petr Schmidt	Canadian Vintner’s Association	Confirmed
Mr Steve Couture	Dairy Farmers of Canada	Confirmed
Mr Jean-Michel Laurin	Canadian Manufacturers and Exporters	Confirmed
Mr Patrick McGuinness	Fisheries Council of Canada (FCC)	Confirmed
Mr Paul Stothart	Mining Association of Canada	Confirmed
	Canada Beef Export Federation (CBEF)	
Mr Brian Roberts	The Fur Institute – International Relations and Conservation Committee	Confirmed
Mr Ron Kane	Canadian Steel Producers Association	Confirmed
Mr Jason Kee	Entertainment Software Association of Canada	Confirmed
LABOUR ORGANISATIONS		
Mr Larry Brown	National Union of Public and General Employees (NUPGE)	Confirmed
Mr Stan Marshall	Canadian Union of Public Employees (CUPE)	Confirmed
Dr Teresa Healy	Canadian Labour Congress	Confirmed
ENVIRONMENTAL ORGANIZATIONS		
Mr Andrew Bevan	Sustainable Prosperity	Confirmed
Mr William Amos	University of Ottawa-Ecojustice Environmental Law Clinic	Confirmed
SPECIAL INTEREST GROUPS		
Mr Kip Beckman	Conference Board of Canada	Confirmed
Ms Nan Hudson	Institute of Cultural Affairs	Confirmed
Ms Joy Nott	Canadian Association of Importers and Exporters	Confirmed
Ms Sara Ulmer	Heenan Blaikie	Confirmed
MINORITY GROUPS		
John LaRoux	Assembly of First Nations	Confirmed
Ms Cassandra Dorrington	Canadian Aboriginal and Minority Supplier Council	Confirmed
Ms Holly Cooper	Public Sector Aboriginal Business Association	Confirmed

ANNEX B: Stakeholder Network

Governments and other relevant entities in Canada		
Field Related to “Expected Commitments to be Negotiated”	Core	
<i>Trade in Agricultural and Fisheries products; SPS measures</i>	Government of Canada	Ministry of Agriculture and Agri-business
		Farm Products Council of Canada
		Fisheries and Oceans Canada
		Canadian Food Inspection Agency
		Canadian Grain Commission
<i>Trade in industrial products; Trade in services</i>	Government of Canada	Minister of International Trade
		Department of Foreign Affairs and International Trade Canada International Business Development, Investment & Innovation
		Canadian Trade Commission
<i>Technical Barriers to Trade; Tariff and non-Tariff Measures; Trade Defence Instruments; Customs and Rules of Origin; Dispute settlement; Trade and Sustainable Development; Investment issues, movement of persons</i>	Government of Canada	Department of Foreign Affairs and International Trade Canada
		Department of Finance
		Canadian Commercial Corporation
		Canadian International Trade Tribunal
		NAFTA Secretariat – Canadian Sector
		Canada Industrial Relations Board
		Natural Resources Canada
		National Round Table on the Environment and the Economy
Policy Research Initiative		
<i>Regulatory issues (Public Procurement, Investment, Competition, IPR, Regulatory cooperation)</i>	Government of Canada	Canadian Commercial Corporation
		Canadian Intellectual Property Office
		Competition Bureau
		Industry Canada
		Measurement Canada
		Public Works and Government Services Canada
		Standards Council of Canada

		Offices of the Premier's
		Ministry of Indian Affairs and Northern Development
		National Energy Board
		Ministry of Public Safety
		Royal Canadian Mounted Police (RCMP)
		Heritage Canada
		Canada Council for the Arts
		Health Canada
		Canadian Transportation Agency
		Attorney General's offices in all provinces and territories, Attorney General's office at national level
		Ministry of Economic Development and Trade, Ontario
		Transport Canada
<i>Environment issues</i>	Government of Canada	Environment Canada
		Canadian Environmental Assessment Agency
European Government Missions in Canada		
<i>The EC Delegation is the permanent mission of the European Commission in Canada.</i>		Delegation of the European Union to Canada
<i>EU Member States also engage in a number of development cooperation projects.</i>		Member States' Missions to Canada
Government Institutions within the European Union		
Directorate General of Trade		
EU Parliament: Committee on International Trade (INTA), Vital Moreira's office		
Premiers offices of Member States		
Academic/research institutions		
<i>Leading universities and research institutions in Canada, the EU and US</i>		Gus Van Harten, Osgoode Hall Law School, York University; Gary Hufbauer, Institute for International Economics; Christopher Kukucha, Associate Professor of political science, University of Lethbridge; Dan Ciuriak, former DFIAT trade negotiator; Rolf Mirus, University of Alberta; Michael Hart, Norman Paterson School of International Affairs, Carleton University; Canadian Institute for Advanced Research (CIFAR); Canadian Institute for Environmental Law and Policy (CIELAP); Graduate School of Public and International

	<p>Affairs, University of Ottawa; Sunder Magun, Carleton University; Center for International Studies and Research, University of Montreal (CERIUM); University of Toronto: Rotman Institute for International Business, Centre for Economics and Public Affairs; University of British Columbia: Institute for Resources, Environment and Sustainability, Centre for Research on Economic & Social Policy; Canadian Centre for Policy Alternatives (CCPA); Michael Geist, IP Expert, University of Ottawa; Patrick George, Rules of Origin Expert, University of Ottawa; David Schindler, Professor of Ecology, University of Edmonton; CMA Centre for Strategic Change and Performance Measurement, Simon Fraser University; Centre for Biotechnology Management, Simon Fraser University; Maritime and Environmental law Institute, Dalhousie University; Eco-Efficiency Centre, Dalhousie University; Ysolde Gendreau, Université de Montreal; Laura A. Nenyck, Ryerson University; Simon Evenett, St. Gallen University; Jeffrey Schott, IIE; Barbara Allen, Warwick Business School; Alan Deardorff, University of Michigan; Bob Stern, University of Michigan; Sanford E. Gaines, University of Aarhus; Rita Beuter, EIPA; Knut Panknin, Friedrich Ebert Institute; Amela Karabegovic, Fraser Institute; Steven Woolcock, London School of Economics; George Gorgopolous, York University; Robert Wolfe, Queen’s University; Helmut Mach, Alberta Institute for American Studies; John Curtis, former trade negotiator at DFAIT; Jason Brisbois, Alberta Institute for American Studies; Ted Chambers, Alberta Institute for American Studies; Anna Constable, BUSINESS EUROPE; Chris Scott, Osgoode Hall Law School; Helen Walker, Warwick Business School; Vital Moreira, Chairman of Committee on International Trade, EU Parliament.</p>
<i>Labour organisations</i>	International Labour Organization (ILO)
<i>Environmental IGOs</i>	United Nations Environment Programme
<i>NAFTA environmental bodies</i>	Commission for Environmental Cooperation
<i>Canada-EU organisations</i>	Canada-Europe Roundtable for Business (CERT)

EU Industry/trade associations (based primarily in Europe, and also those with operations in Canada)	
<i>European Chambers of Commerce and cross-industry organisations</i>	European Union Chamber of Commerce in Toronto, EUROCHAMBRES, BusinessEurope, MEDEF, The German Chambers of Industry and Commerce (DIHK) , American Chamber of Commerce to the European Union (AmChamEU); Business Europe; Movement des Entreprises de France (MEDEF); The German Chambers of Industry and Commerce (DIHK)

<i>Agriculture, livestock and fish</i>	European Livestock and Meat Trading Union (UECBV), European Liaison Committee for Agricultural and Agri-Food Trade (CELCAA), European Fresh Produce Association (Freshfel), European Association of Fish Producers Organisations (EAPO); <i>Comité du Commerce des céréales, aliments du bétail, oléagineux, huile d'olive, huiles et graisses et agrofournitures</i> (COCERAL); The European Flour Millers Association; Association of Poultry Processors and Poultry Trade in the EU Countries; Danish Meat Industry Federation; European Dairy Association (EDA); EUCOLAIT; Eurpatat; Copa-Cogeca; Assembly of European Fruit and Vegetable Growing Regions (AREFLH); Secretariat des Associations du Commerce Agricole Reunies (SACAR); European Fresh Produce Association (Freshfel); European Coordination of Independent Producers (CEPI); European Association of Fish Producers Organisations (EAPO); European Association of Sugar Traders; Grupo de Empresas Agrarias
<i>Textiles</i>	EURATEX
<i>Transportation equipment</i>	European Automobile Manufacturers' Association, AeroSpace and Defence Industries Association of Europe (ASD)
<i>Processed foods</i>	Confederation of the Food and Drink Industries of the EU (CIAA), Brewers of Europe, Assembly of European Wine-producing Regions, The European Spirits Organisation (CEPS)
<i>Electronics</i>	DigitalEurope (EICTA), European Semiconductor Industry Association (EECA)
<i>Paper and chemicals</i>	Confederation of European Paper Industries (CEPI), European Chemical Industry Council (CEFIC), PlasticsEurope
<i>Raw materials (mining, steel, timber, etc.)</i>	European Association of Mining Industries (euominex), European Confederation of Iron and Steel Industries (EUROFER), European Aluminium Association (EAA), Timber Trade Federation (TTF)
<i>Services</i>	European Services Forum (ESF), European Banking Federation (EBF), European Insurance and Reinsurance Federation (CEA), European Competitive Telecommunications Association (ECTA)
<i>Machinery and Equipment</i>	European Association of the Machine Tool Industries (CECIMO)
<i>IPR</i>	International Federation Representing the Music Industry (IFPI)

EU organisations, NGOs and civil society groups

<i>Labour organisations</i>	European Trade Union Confederation (ETUC), European Federation of Public Service Unions; Federlegno-Arredo; European Economic and Social Committee (EESC)
<i>Environmental organisations</i>	Friends of the Earth Europe (FoEE), European Environmental Bureau, Greenpeace European Unit, European and Mediterranean Plant Protection Organisation (EPPO)
<i>Women's organisations</i>	European Women's Lobby (EWL), Women in Development Europe (WIDE)
<i>Think tanks</i>	The European Centre for International Political Economy (ECIPE), Centre for European Policy Studies (CEPR), Institute for European Environmental Policy

Canada Industry/trade associations

<i>Canadian Chambers of Commerce and cross-industry organisations</i>	The Canadian Chamber of Commerce, Canadian Manufacturers & Exporters (CME), Food & Consumer Products of Canada (FCPC)
<i>Agriculture, livestock and fish</i>	The Canadian Federation of Agriculture (CFA), Canada Beef Export Federation (CBEF), Fisheries Council of Canada (FCC), Canadian Cattlemen’s Association (CCA); Western Canadian Wheat Growers Association; Canadian Canola Growers Association; Canadian Produce Marketing Association (CPMA); The Vegetable Oil Industry of Canada; Canadian Wheat Board; Dairy Processors Association of Canada
<i>Textiles</i>	Canadian Apparel Federation (CAF)
<i>Transportation equipment</i>	Association of International Automobile Manufacturers of Canada (AIAMC), Automotive Parts Manufacturers’ Association (APMA), Automotive Industries Association of Canada (AIA), Canadian Vehicle Manufacturers’ Association (CVMA), Aerospace Industries Association of Canada (AIAC),
<i>Processed foods</i>	Food Beverage Canada (FBC), Atlantic Food & Beverage Processors Association, Canadian Food Exporters Association (CFEA); Canadian Vintners Association; Brewers Association of Canada; Canadian Association of Liquor Jurisdictions; The Association of Canadian Distillers
<i>Electronics</i>	Electro-Federation Canada, Information Technology Association of Canada (ITAC)
<i>Paper, chemicals and wood products</i>	Chemistry Industry Association of Canada (CCPA), Canadian Wood Council (CWC), Canadian Plastics Industry Association (CPIA), Forest Products Association of Canada (FPAC)
<i>Raw materials (mining, steel, timber, etc.)</i>	The Mining Association of Canada (MAC), Canadian Steel Producers Association (CSPA), Canadian Forestry Association (CFA), Aluminium Association of Canada (AIA), Canadian Aboriginal Minerals Association, Coal Association of Canada; Diamond Manufacturers Association of Canada;
<i>Services</i>	Canadian Bankers Association (CBA), Canadian Wireless Telecommunications Association (CWTA); Canadian Medical Association (CMA)
<i>Machinery and Equipment</i>	Canadian Tooling & Machining Association (CTMA); Canadian Association of Equipment Distributors; Machinery and Equipment Manufacturer’s Association of Canada
<i>IPR</i>	Canadian Recording Industry Association (CRIA); Canadian Intellectual Property Council (CIPC); International Intellectual Property Alliance (IIPA); International Federation Representing the Music Industry (IFPI); Canada’s Research-Based Pharmaceuticals Companies; Canadian Motion Picture Distributors Association; Entertainment Software Association of Canada; Access Copyright – The Canadian Copyright Licensing Agency; Canadian Media Production Association (CMPA); GE Canada; Canadian Publisher’s Council; Canadian Independent Music Association; Ellis Entertainment; Epitome Pictures; McCarthy Tetrault; Kestenberg, Siegal, Lipkus; Ontario Arts Council; EMI Music Canada; Sony Music Entertainment Canada; Universal Music Canada Inc.; Warner Music Canada Co.; MapleCORE Ltd.;
Canadian organisations, NGOs and civil society groups	

<i>Labour organisations</i>	Canadian Labour Congress, Christian Labour Association of Canada (CLAC), Canadian Auto Workers (CAW); Canadian Union of Public Employees (CUPE); National Union of Public and General Employees (NUPGE); Public Service Alliance of Canada; National Farmers Union; Canadian Council of Chief Executives
<i>Environmental organisations</i>	Canadian Environmental Network (RCEN), Friends of the Earth Canada (FoEC), Canadian Wildlife Federation (CWF), Wildlife Preservation Canada (WPTC), Environmental Defence, Nature Conservancy Canada (NCC), Sierra Club Canada; Canadian Institute for Environmental Law and Policy (CIELAP); Greenpeace Canada; Sustainable Prosperity; FAST International; Unisfera; Pollution Probe; International Institute for Sustainable Development; World Wildlife Fund (WWF); Polaris Institute; Centre for Ecological Economics; Council of Canadians; Centre for International Sustainable Development Law and Kairos
<i>Women's organisations</i>	National Council of Women of Canada (NCWC), Pauktuutit; Federation of Medical Women of Canada (FMWC)
<i>Civil society & Community</i>	Ontario Healthy Communities Coalition (OHCC), Canadian Community Economic Development Network (CCED); The Council of Canadians; Columbia Institute
<i>Other</i>	Canada Without Poverty (CWP); Consumers' Association of Canada; Canadian Federation of Independent Business; Conference Board of Canada; Institute of Cultural Affairs
<i>Minority Groups</i>	Asian Canadian Organization , National African Canadian Association (NACA), Assembly of First Nations, Metis National Council, Canadian Council for Aboriginal Business (CCAB), Centre for Indigenous Environmental Resources (CIER), Congress of Aboriginal Peoples
Stakeholders in the US	
<i>Government organisations</i>	United States Department of Agriculture (USDA), United States Trade Representative (USTR); Environmental Protection Agency
<i>Academic/Research organisations</i>	International Institute of Economics; Council on Foreign Relations (CFR); Centre for Trade Policy Studies, Cato Institute; Economic Policy Institute (EPI); University of Michigan, Department of Economics, and School of Public Policy
<i>Industry/trade associations</i>	US Chamber of Commerce Canada
<i>Civil Society and NGOs</i>	American Federation of Labour and Congress of Industrial Organizations (AFL-CIO)(labour union); Public Citizen (consumer advocacy);
Stakeholders in Mexico	
<i>Government organisations</i>	Ministry of Economy: NAFTA Office of Mexico in Canada; Federal Attorney's Office of Consumer (PROFECO); ProMexico; Ministry of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA)
<i>Academic/Research organisations</i>	Mexican Council on Foreign Relations (COMEXI), Center for Research and Teaching in the Social Sciences (CIDE), Mexican Institute for Family and Population Research (IMIFAP)

<i>Industry/trade associations</i>	The Cámara Nacional de la Industria del Vestido (CNIV) (textiles); Confederation of Industrial Chambers of Mexico (CONCAMIN)
<i>Civil Society and NGOs</i>	Confederation of Mexican Workers (CTM), Congress of Labor (CT), Authentic Workers Front (FAT)
Stakeholders in Turkey	
<i>Government organisations</i>	Under secretariat of the Prime Ministry for Foreign Trade
<i>Industry/trade associations</i>	Turkish Canadian Chamber of Commerce; Turkish Chamber of Commerce and Industry; Istanbul Textile and Apparel Exporter Associations (ITKIB); Turkish Industrialists' and Businessmen's Association (TUSIAD);
<i>Civil Society and NGOs</i>	MUSIAD