



CETA: Europe's Next Trade Step

Workshop on the EU-Canada Comprehensive Economic and Trade Agreement (CETA)

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Ladies and gentlemen,

Thanks to Parliament for organising this workshop.

I'm very happy to be talking about the Comprehensive Economic and Trade Agreement or CETA for two reasons:

First, because it's the most significant new free trade agreement on the block for many years:

- CETA is an agreement with a major economic player. In economic terms Canada is as big as Russia. It's bigger than Spain. It's bigger than Sweden, Belgium, Austria and the Czech Republic combined. It's therefore a vital part of the platform of agreements we are building to make sure the EU is properly connected to the global economy.
- It's also a highly ambitious agreement. In many areas it does more to remove barriers to economic opportunity for European workers, consumers and entrepreneurs than any other EU free trade agreement so far. Not only on tariff removal but also on public procurement, services or geographical indications.
- And CETA is a significant step forward in our efforts to shape the future of the global economy, inspired by European values. It's therefore consistent with the approach we have adopted in our new strategy in October.

The second reason I'm happy to be talking in more detail about CETA is that, frankly, the conversation has already begun. And I want to engage with the ongoing debate to listen and to explain.

The first achievement of this deal is a highly ambitious result on tariffs. On the day CETA enters into force – if Parliament and the Member States agree that it should of course – more than 98% of European goods exports will enter the Canadian market duty free. That's faster than we achieved in the Korea agreement.

Though current Canadian tariffs tend to be low, some are not. And CETA means significant cost reductions for some products given tight profit margins.

Let's take Europe's fashion industry for example. It is a sector that is made up of many SMEs. It will start to feel the benefits straight away. Canada's tariffs on clothes go as high as 18% and on shoes as high as 20%. They will completely disappear from day one.

Many EU countries are also strong exporters of food and drink, especially processed foods like pasta, biscuits, jams and marmalades, soft drinks and wines and spirits. Products like these currently face tariffs between 10% and 25% in Canada. They will also be eliminated.

Overall we estimate tariff savings for EU exporters of around 470 million euro a year for industrial goods. And that's particularly important since our competitors in the US don't have to pay those duties, as they already have an agreement with Canada. So CETA is about levelling the playing field for the EU.

And, last but not least, getting rid of tariffs on our side will also help European consumers as they will have access to cheaper products coming in from Canada. Today there is an 8% tariff on maple syrup coming from Canada. A product I like very much. In future that tariff will be gone. Your breakfast will be just as good but a little bit cheaper!

Our second big achievement in CETA is on public procurement.

Europeans excel at the kind of goods and services that governments buy - like trains, road building and healthcare products.

But Canada's market for government contracts has historically been less open than Europe's. This deal corrects this current imbalance.

It is the most ambitious and comprehensive that Canada has ever made on procurement. As well as the federal government, it covers Canada's provinces, regions, cities and state-owned enterprises.

In short, Canada opens up procurement more in CETA than in the WTO's Government Procurement Agreement, NAFTA and the Transpacific Partnership!

A third area where we have progress is on services. Again this is a vital sector for Europe. More than half of the value EU exports is composed of services and it's growing. And one of the most interesting economic changes we're seeing today is the integration of goods and services. So you often can't sell a product without providing installation or maintenance services to go with it.

CETA is comprehensive across the whole range of different services businesses. In some areas, it improves on what Canada offers the US in both NAFTA and TPP. This includes maritime services like dredging and or feeder shipping and airport operations and ground-handling.

Also in services, the agreement will make it easier for qualified EU professionals to work in Canada. It provides a framework to approve mutual recognition of their qualifications. The European architects organisations are already in advanced negotiations with their Canadian counterparts to allow this to happen. This is an important benefit for young people in particular who want to go and get experience on the other side of the Atlantic.

The fourth big achievement of this deal is on geographical indications. For many European farmers and food producers, GIs are a vital way to recognise the unique qualities of their regional products. Under CETA, Canada recognises the special status and agrees to protect a list of 145 European geographical indications, including products like Prosciutto di Parma, Camembert de Normandie or Schwarzwälder Schinken.

The final accomplishment of this deal is in the whole area of the relationship between regulation and trade. CETA addresses a number of key issues, without undermining the protection of citizens.

- Goods, for example, will have fewer administrative hurdles to jump. I CETA provides for a way for EU certification bodies to be allowed to certify for the Canadian market according to Canadian technical regulations and vice-versa. This will considerably reduce the costs to companies for testing in particular by avoiding double-testing on both sides of the Atlantic.

This is the kind of step that will benefit small and medium sized companies in particular. It can be the difference between making the leap into the Canadian market or not. That's because conformity assessment is a fixed cost - so it's much more significant for a low-volume business than a major international company.

- Canada will also abolish a rule that says that when alcoholic spirits are imported in bulk, they have to be blended with local spirits before they can be bottled.
- And both sides agree to hold a closer dialogue on upcoming regulatory issues in future.

These are just a selection of the benefits for European consumers, workers and entrepreneurs that we have achieved in this deal.

But as I said, I know that the discussion on this deal has not only been about the benefits.

There are concerns and worries. And looking forward to hearing what people have to say. I hope the final text will be done and available very soon. But the draft text of this agreement is already public. It's on our website. So we have the possibility for all sides to examine it and make sure we have a shared understanding.

A few of the concerns:

First, on public services. CETA uses our standard EU approach to public services. It's an approach that has been tried and tested for years. And it is an approach that works.

And it means:

- Nothing will prevent Member States from organising public services the way they want to...
- Nothing will oblige Member States to privatise anything...
- And nothing will stop Member States from taking privatised services back into public ownership if that's what they want.

Second, on regulation. CETA will help make EU and Canadian regulation more compatible. But it's important to understand that CETA is fully included in the pledge the Commission has taken in the Trade for All strategy, which is the following:

- Nothing in trade deals will limit the EU's right to regulate in the public interest.
- No trade agreements will ever lower levels of consumer, environmental or social and labour protection.
- And any change to levels of regulatory protection can only be upward.

Third, investment protection. This is the area where most concerns have been raised.

Let me just say this: the Commission wants a deal that encourages investment but that also protects – fully – our ability to make public policy in the interest of people.

That's why the draft public CETA text online already goes very far along the road to reform of the old system. Among other things:

- It makes the proceedings of disputes fully transparent.
- It has clear language on the protection of our right to regulate in the public interest
- It sets a code of conduct for arbitrators to ensure their independence and impartiality
- And it includes a review mechanism for further improvements, including the introduction of an appeal body.

This deal was, it is true, done before the reform process of this year. And it is true that the EU's recent proposal to the US in the context of TTIP goes further than the draft CETA text.

That's why we want to use the ongoing talks on legal scrubbing of the text to do some fine-tuning. This will allow us to introduce some targeted improvements, notably on dispute resolution, to better align CETA to our new approach.

We will have to be careful. I don't believe that Europe or Canada have any interest in reopening these negotiations. We have a good result. It makes no sense to jeopardize it.

However, I fully recognise that improvements will be crucial for this house and for several Member States to look favourably on the whole CETA package.

So my intention is firm: either immediately, or by using the review clauses, we will bring CETA up to the new EU standard.

Finally, on values.

As we look ahead to the coming decades...

... as we seek to project Europe's values into a changing world...

... a world in which we have to deal with partners with very different views...

... CETA is an important tool.

This agreement includes, for example, a very ambitious chapter on labour rights and the environmental protection. This makes sure that both sides commit to essential principles on these issues. And it will cement our cooperation at international level – cooperation we are already seeing in Paris at the COP 21 conference by the way.

More generally CETA is a framework for closer cooperation - economic and political - with an essential ally.

Why is Canada such an essential ally for Europe?

Because Canadians share Europe's underlying values.

We share a commitment to open markets, the rule of law and very high levels of regulatory protection when it comes to the environment, food safety and other areas.

But in two key areas Canada is, if anything, even closer.

Like Europe it's a group of peoples with more than one language and culture seeking to work together. French-speaking Quebecers base their provincial law on the civil code. Their English speaking provincial neighbours base theirs on English common law. So Canadians know about cross-cultural compromises.

And Canada, like Europe, places a priority on collective approaches. That's perhaps why Canada, like Europe, has had public universal healthcare for more half a century.

It's an example of how Canadians take a sympathetic view of the world. As the Canadian author Margaret Atwood has put it:

"People put down Canadian literature and ask us why there isn't a Moby Dick. The reason there isn't a Moby Dick is that if a Canadian did a Moby Dick, it would be done from the point of view of the whale."

Ladies and gentlemen,

The "C" in CETA stands for comprehensive. That's what this agreement is.

- It will create many new economic opportunities for Europeans.
- It is the next step towards making the EU economy the kind of open competitive economy our people need for the coming decades.
- And it is a way to deepen our cooperation with a vital ally.

I believe it is a good agreement for Europe. I'm looking forward to hearing your views about it. And I'm looking forward, hopefully, to see it enter into force. Thank you.