



European Economic and Social Committee

REX/274
EU-Canada relations

Brussels, 16 September 2010

OPINION

of the
European Economic and Social Committee
on
EU-Canada relations
(own-initiative opinion)

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On 26 February 2009 the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on

EU-Canada Relations.

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 3 September 2010.

At its 465th plenary session, held on 15 and 16 September (meeting of 16 September), the European Economic and Social Committee adopted the following opinion unanimously.

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1. Conclusions and recommendations

- 1.1 European and Canadian civil societies share common values, including economic values, which underpin the identity of their societies in the 21st century. Pooling these values can bring added value to the European Union and Canada, and thus to the international community as a whole.
- 1.2 Canada must therefore be a key partner for the EU. Existing relations are adequate, but could be described as unambitious. In this regard, the EESC welcomes the opening of the negotiations on a Comprehensive Economic and Trade Agreement. The agreement raises expectations not only for the future of EU-Canada relations, but also for transatlantic relations more generally. It should be borne in mind that the US and Canada, together with Mexico, are NAFTA signatories, and Canada could thus provide a way in to the very significant US market.
- 1.3 The EESC hails the results of the recent EU-Canada Summit, held on 6 May 2010. The EESC welcomes the fact that the leaders undertook to resolve their differences on granting visas and considered that Canada's intention to revise its asylum policy should make a positive contribution to making it easier for all EU citizens to obtain visas under fully reciprocal arrangements.
- 1.4 The EESC considers that inclusion of specific arrangements for the participation and consent of the provinces and territories and of civil society in the negotiations will therefore be vitally important to the successful implementation of the agreement. Opening up the public procurement markets is one of the EU's main areas of interest. Canadian provinces have very wide powers in this field, which is why they must also be included in this aspect of the negotiations. In view of the differences between the various economic and social actors on

this point, the EESC believes that the active involvement of the social partners in this aspect of the negotiations will be vital.

- 1.5 The EESC would like to see the European Parliament take part in the process through sufficient monitoring and information throughout the negotiations, and not just at the point agreement and ratification of the final version, as set out in the Lisbon Treaty.
- 1.6 Once the agreement has been concluded, the EU-Canada Joint Cooperation Committee should perform tasks similar to those of the Transatlantic Economic Council between the EU and the USA, in order, amongst other things, to facilitate progress towards legislative convergence between the EU and Canada.
- 1.7 The EU must negotiate an ambitious agreement covering all aspects of EU-Canada trade relations, including public procurement. In this respect, there is an urgent and pressing need to tackle the real obstacles facing businesses, by harmonising regulations and removing non-trade barriers.
- 1.8 Environmental and sustainable development aspects must be included within the scope of the agreement.
- 1.9 The EESC believes that neither the EU nor Canada can afford to miss this opportunity to forge closer relations, as it will be of benefit to their societies. To this end, the two sides should maintain an open dialogue with the representatives of organised civil society, not only during the negotiations but also in order to monitor the implementation and results of the future agreement so that they can be enhanced.
- 1.10 The EESC proposes that in conjunction with the agreement, a joint consultative body of EU-Canada organised civil society be set up. This body would perform a consultative function for the future joint body that is to provide the agreement's political leadership and could issue opinions regarding the consultations emanating from the joint body on matters covered by the agreement. This consultative committee could be modelled on other civil society joint consultative committees, the most recent example of which is the Joint Consultative Committee under the 2010 Association Agreement between the EU and Central America.

2. **Introduction**

- 2.1 The European Economic and Social Committee (EESC) analysed relations between the European Union (EU) and Canada in 1996¹. Since then, numerous events have occurred as a result of which the context for these relations is now different, creating the need for the present opinion.

¹ Opinion EXT/142 on *Relations between the EU and Canada*, Brussels, 27 November 1996.

- 2.2 European and Canadian civil societies share common values which continue to underpin the identity of their societies in the 21st century. Pooling these values can bring added value to the European Union and Canada, and thus to the international community as a whole, in areas such as economics, environmental policy, security, immigration and so on. Greater multilateral cooperation on issues such as economic governance, climate change and conflict-resolution would also be desirable.
- 2.3 In this regard, many sectors of their economies are complementary, and both regions share common economic values: this would facilitate any agreement. An EU-Canada Summit was held in Prague on 6 May 2009, the main outcome of which was the opening of negotiations on a Comprehensive Economic and Trade Agreement (CETA) between the two sides.
- 2.4 The EESC welcomes the opening of the negotiations for an agreement and hopes that this agreement will mark the beginning of a new stage in relations between the EU and Canada, fostering cooperation of benefit to both parties. By the same token, it will send a clear signal to the international community that both the EU and Canada reject a protectionist approach at this time of economic and financial crisis. Moreover, seeking to reinvigorate transatlantic relations without Canada's full involvement would be inconceivable.
- 2.5 It is worth pointing out that, once concluded, the agreement will be the first trade agreement in recent times between a group of countries mostly belonging to the OECD, all of whom are equally sensitive regarding economic growth and job creation. It is thus hoped that the agreement will lay down solid foundations regarding (i) sustainable economic, social and environmental development aspects, and (ii) consultation of civil society and monitoring of the trade agreement's implementation.

3. **Civil society in Canada**

- 3.1 The Canadian system for consulting civil society is different to its European counterpart. Civil society is consulted on an ad-hoc basis by both parliamentary committees and by federal ministers. This regular consultation is a compulsory element of Canada's parliamentary procedures, under which proof that consultation has actually taken place must be provided. Consultation of civil society at provincial level is also widespread.
- 3.2 In Canada, approximately 4.6 million workers² are affiliated to a trade union, representing 26.1% of all workers. Although union membership has risen by more than half a million in the last ten years, due to the proportional increase in the number of jobs, the percentage of unionised workers has scarcely changed, remaining at a similar level throughout the period.

² Labour Force Survey 2008, Statistics Canada.

- 3.3 The Canadian Labour Congress (CLC)³ is the leading national voice of the trade union movement. Most national trade unions in Canada belong to the CLC, which comprises 12 provincial and territorial federations and 136 labour councils, representing around three million unionised workers. It campaigns for more acceptable pay and working conditions, for tighter health and safety rules, for a fair tax system and social programmes, including childcare services, sickness insurance and pensions. It also calls for improved training programmes and job creation.
- 3.4 The Canadian Council of Chief Executives⁴ is the country's main employers' organisation. It is made up of some 150 members from leading Canadian companies and outstanding businessmen from all economic sectors. The main aim of the Council is to put forward employers' views at three levels: within Canada, in North America and globally. In Canada, its work focuses on national issues such as monetary and fiscal policy, the environment, competitiveness, company law and regulation. Across North America, its main focus is economic interdependence between the USA and Canada and the North American Free Trade Agreement (NAFTA). Globally, its work concentrates on international tax questions, trade, investment and development policy, and bilateral and multilateral relations.
- 3.5 The Canadian Federation of Independent Business⁵ has 105 000 members nationwide from every sector, and seeks to represent SMEs' interests at federal, provincial and territorial level. There is also a Canadian Chamber of Commerce⁶, an influential national-level body.
- 3.6 With regard to consumers, the Consumers' Association of Canada⁷ is probably the most representative group. Its main objective is to inform consumers⁸, at the same time articulating their views to government and business in order to resolve consumer disputes.
- 3.7 Canada also has a number of farmers' organisations. The largest is the Canadian Federation of Agriculture (CFA)⁹, with more than 200 000 members. The CFA was founded in 1935 to provide a single voice to speak on behalf of Canadian farmers. It is an umbrella organisation representing provincial organisations and national commodity groups. It promotes the interests of Canadian agriculture and the agri-food sector.

3 <http://canadianlabour.ca>.

4 <http://www.ceocouncil.ca/en/>.

5 <http://www.cfib.org>.

6 <http://www.chamber.ca>.

7 <http://www.consumer.ca>.

8 Other consumer organisations in Canada include the Consumers Council of Canada, the Society of Professional Consumers of Canada, Option consommateurs, and the Union des consommateurs.

9 <http://www.cfa-fca.ca/pages/home.php>.

3.8 The fisheries sector is represented chiefly by the Fisheries Council of Canada (FCC)¹⁰. The FCC represents the fisheries industry at national level and has some 100 member companies, who process the majority of Canada's fish and seafood production.

4. **New impetus in EU-Canada relations: economic exchanges and political relations**

4.1 Canada is the world's fourteenth economy, with a GDP of USD 1.51¹¹ trillion. The leading sector in the Canadian economy is the service sector, in 2008 accounting for more than 69.6%¹² of GDP and employing three quarters of the Canadian working population¹³.

4.2 Canada's trade balance for 2009 is estimated to show a deficit of USD 34 309 million, compared with a surplus of USD 7 606 million in 2008. The main export headings are: automobiles and automobile components, industrial machinery, aircraft, telecommunications equipment, chemical products, plastics and fertilisers. According to the joint EU-Canada report of March 2009, one in every five jobs in Canada is trade-related.

4.3 Formal relations between the EU and Canada date back to 1959, when an Agreement for Cooperation on the Peaceful Uses of Nuclear Energy was signed. Since then, the two sides have signed a series of agreements and declarations. In line with the New Transatlantic Agenda, signed with the United States in 1995, the EU-Canada Summit of December 1996 adopted a Joint Political Declaration and Action Plan with the dual aim of developing bilateral political and economic relations, and facilitating cooperation on multilateral issues. The plan also provided for twice-yearly summits to review and further develop bilateral relations.

4.4 Canada and the EU maintain very substantial economic relations. In 2009 trade in goods between them amounted to EUR 40.2 billion¹⁴, and trade in commercial services (excluding public services) to EUR 18.8 billion. Moreover, the trend in recent years has been broadly positive, with EU goods exports to Canada rising from 21.1 to 22.4 billion between 2000 and 2009, while EU imports from Canada fell from 19 to 17.8 billion over the same period. The EU goods trade surplus over the last decade has thus risen from EUR 2.1 to 4.7 billion. The main EU exports to Canada are medicines, motor vehicles and aircraft engines. In the other direction, Canada's main exports to the EU are aircraft, diamonds, iron ore, medicines and uranium. In 2009 there was also a EUR 2.5 billion surplus in trade in services in the EU's favour.

10 <http://www.fisheriescouncil.ca/>.

11 Estimated at 1.3 for 2009, 1.4 for 2008. IMF. World Economic Outlook Database. October 2009.

12 <https://www.cia.gov/library/publications/the-world-factbook/geos/ca.html>.

13 Source: Spanish External Trade Institute - ICEX.

14 Eurostat.

4.5 One of the EU's main interests in the economic sphere is the liberalisation of the public procurement market. While Canadian companies enjoy free access to European public procurement, as both Canada and the EU are signatories to the World Trade Organization (WTO) Agreement on Government Procurement (GPA, 1994), European businesses do not receive reciprocal treatment in Canada. The provinces have authority over sectors such as energy, the environment, transport and health. The importance of including this aspect in the negotiating process, in order to achieve a satisfactory agreement of economic benefit to the EU, is therefore obvious. At the beginning of this year, Canada signed a trade agreement with the United States, opening up its public procurement markets at sub-regional level. Canada came up with this proposal in response to the protectionist "Buy America" steps taken by the United States to stimulate its own economy. The agreement shows that the provinces are willing to open their public procurement markets to international competition.

4.6 Bilateral EU-Canada relations are based on the following instruments:

- The 1976 Framework Agreement for commercial and economic cooperation.
- The 1990 Declaration on Transatlantic Relations, creating the institutional framework for both the EU-Canada Summits and the ministerial meetings.
- The 1996 EU-Canada Joint Political Declaration and Action Plan, comprising three basic sections on economic and trade relations, foreign policy and security issues, and transnational issues.
- The Ottawa Summit in March 2004 adopted a new Partnership Agenda, extending the relations into a number of as yet unexplored areas (international coordination, joint participation in peace missions, development cooperation, scientific cooperation, justice and external affairs, etc.), and a negotiating framework for a Trade and Investment Enhancement Agreement (TIEA).

4.7 Relations between Canada and the EU can generally be described as excellent. The main points of political friction between Canada and the EU centre upon Arctic issues, the European ban on the trade in seal products and Canada's visa requirements for certain EU Member States.

Firstly, the imminent opening of navigable Arctic sea routes raises a series of questions relating to sovereignty, since it had not previously been thought possible to exploit this zone commercially. It is estimated that the region could hold 20% of the world's oil and gas reserves, as well as offering new, alternative and highly attractive trade routes. The lack of multilateral legislation or regulation is an issue that must be addressed in the medium term, before divergences or disputes arise over territorial sovereignty. In December 2009 the EU Council laid down three main objectives for EU Arctic policy: (1) to protect and preserve of the Arctic in consensus with its population (2) to promote sustainable use of natural resources,

and (3) to contribute to multilateral governance in the Arctic based on the United Nations Convention on the Law of the Sea (UNCLOS).

Secondly, Canada requires visas for citizens of the Czech Republic, Romania and Bulgaria, alleging that abuses have occurred in applications for asylum by citizens of those countries. Bearing in mind that EU visa policy is based on reciprocity, a solution must be found urgently before the EU is compelled to impose similar measures. Bulgaria and Romania are working to meet the criteria laid down by Canada for visa exemption. Canada has not yet undertaken any specific measures to lift the visa requirement concerning the Czech Republic. Canada justifies its attitude on the grounds that it has no defence against false asylum applications. It is currently working on legislative reform, but this will take time before reaching Parliament.

4.8 In this regard, the EESC hails the results of the recent EU-Canada Summit, held on 6 May 2010, at which the leaders undertook to resolve their differences on granting visas and considered that Canada's intention to revise its asylum policy should make a positive contribution to easing the question of visas for all EU citizens.

5. **Assessment of the Comprehensive Economic and Trade Agreement between the EU and Canada**

5.1 It was decided at the EU-Canada Summit held in Prague on 6 May 2009 to launch negotiations towards a Comprehensive Economic and Trade Agreement.

5.2 A study on the costs and benefits of a closer EU-Canada economic partnership, drawn up jointly by the EU and Canada, concluded that major benefits for both sides would result from removing tariffs, liberalising trade in services and lowering non-tariff barriers for goods and investment.

5.3 According to this report, the most relevant areas for the agreement will lie in trade in goods, sanitary and phytosanitary issues, technical barriers to trade, trade facilitation, customs procedures, cross-border trade in services, investment, government procurement, regulatory cooperation, intellectual property, movement of persons, competition policy, institutional arrangements and dispute settlement, and sustainable development. Non-trade barriers and regulation are the two main items to be discussed during the negotiations.

5.4 Liberalising the trade in goods and services between the two sides could boost bilateral trade flows by 20%. It is also estimated that, seven years after the entry into force of an agreement of this kind, the real income gain to the EU would be EUR 11.6 billion, and to Canada EUR 8.2 billion. Total EU exports to Canada would go up by 24.3%, or EUR 17 000 million, while Canadian exports would grow by 20.6% or EUR 8 600 million by 2014.

5.5 The study suggests there is scope for enhancing science and technology cooperation through collaboration on a common research agenda, mainly in key strategic areas such as energy and

the environment, clean coal, carbon capture and sequestration, biofuels and intelligent power grids.

- 5.6 Other areas for closer cooperation under the agreement could be security, social security matters, a system for the mutual recognition of qualifications, and cooperation within the Northwest Atlantic Fisheries Organisation.
- 5.7 In trade terms, the tariff aspects do not seem to be a source of difficulties in the negotiations. Legislative harmonisation will be an important element in the negotiations, since the shift towards a service economy and foreign investment makes the regulatory framework more important than ever. However, the system of legislative powers shared between the federal state, the provinces and the territories could be an obstacle for the agreement negotiations in this regard.
- 5.8 For this reason, the provinces have, by way of exception, been granted direct involvement in the negotiating process, with the EU supporting their presence. A federal government representative is in charge of the negotiations, but differences could emerge in areas of shared or exclusive competence, both between the provinces and between them and the federal government.
- 5.9 Canada does not have a real single market. Both the federal government and the provinces understand the need to create an internal market, but for the moment, there is only a strong political willingness. The world economic crisis is nevertheless pushing Canada to conclude an agreement as soon as possible to allow it to diversify its external markets beyond the United States.
- 5.10 Regarding the most sensitive sectors, the automotive sector is the main point of trade-related controversy between the EU and Canada. In contrast, relations are good concerning fisheries, and this will not be prominent issue in the negotiations. In energy, the EU wishes to diversify its energy suppliers and is consequently considering negotiating a special energy agreement, although for the moment this is only a proposal. Other sectors where European companies experience difficulty in conducting business in Canada are aviation, banking and public procurement. The EU and Canada also take different views of geographical indications and agricultural issues.
- 5.11 The federal and provincial governments still have to develop a common position on environmental questions, particularly regarding greenhouse gas emissions. The provinces have different stances: while Quebec, Ontario, British Columbia and Manitoba belong to the Western Climate Initiative, and have implemented measures to mitigate and adjust to climate change, Alberta and Newfoundland – whose economies are heavily dependent on oil production – have not signed up. This matter remains unresolved and it is unlikely that this part of the negotiations will produce a binding agreement on the question, which under no circumstances must be allowed to result in positions being adopted that would put the

competitiveness of European businesses at a disadvantage. Canada has however undertaken to invest in clean energy and to establish bilateral cooperation on nuclear energy strategy.

6. **The position of civil society regarding the EU-Canada agreement**

6.1 **Employers**

- 6.1.1 European employers (BUSINESSEUROPE) are calling for: the removal of tariff and non-tariff barriers, without excluding any tariff headings; much easier access to government procurement at all levels (national and subnational); a commitment to legislative convergence in priority sectors; greater protection of intellectual property (including protection for designations of origin, especially for alcoholic beverages); a dispute resolution mechanism; and greater labour mobility, including reciprocal recognition of the qualifications of business staff and of certain professions such as nurses or barristers.
- 6.1.2 The agreement opens the door to new business opportunities between the partners, who share similar levels of development and comparable approaches to trade policy. Prosperity has been closely linked with an economic policy based on liberalising trade and attracting foreign direct investment. It is now more important than ever to keep the markets open, as this provides a significant stimulus for competition, innovation and growth.
- 6.1.3 The business sector is convinced that multilateral trade rules should prevail in governing international trade, but also believes that there is room for further progress through more ambitious bilateral agreements allowing for faster removal of barriers, especially regarding non-tariff ones, trade in services and investment.
- 6.1.4 An ambitious and far-reaching agreement between the EU and Canada will have a positive effect in strengthening economic relations between the two sides: these relations have been stepped up in recent years, in terms not only of exports but also of more complex transactions in the services sector and in setting up businesses.
- 6.1.5 The agreement will provide impetus towards increased bilateral economic and trade flows. The negotiations should lead to the creation of business opportunities in sectors where companies have clearly demonstrated their competitive capacity on the global markets, such as energy, especially in the renewables segment, infrastructure management, financial services, construction, environmental services and technologies, and telecommunications.
- 6.1.6 The overall aim is to create more opportunities with fewer barriers: to offer new business opportunities to companies by removing obstacles to the export of goods, services and capital.
- 6.1.7 The agreement will make a decisive contribution to closer integration between the economies of the European Union and Canada, facilitating economic recovery on both sides during periods of crisis by expanding trade and investment flows.

6.1.8 International trade can and must play a key role as a motor for growth and development around the world – consequently, trade policy must, by opening up markets, be a major element of EU economic policy.

6.2 **Trade unions**

6.2.1 The European and international trade unions (EPSU, ETUC, ITUC) have set out a number of recommendations concerning workers' rights and compliance with the ILO's fundamental labour Conventions Nos 98 (collective bargaining), 138 (minimum age), 94 (labour clauses in public contracts) and 29 (forced labour), together with other factors for decent work. They call on both sides to publish regular reports on the progress they have made in fulfilling these commitments. They recall, in this regard, that the Canadian Labour Congress has often lodged complaints with the ILO for breaches of labour standards in Canada at provincial level. In practice, although federal law guarantees workers the right to join trade unions, different legal systems at provincial level impose restrictions on trade union rights throughout the country, consequently attracting criticism from the ILO.

6.2.2 Both sides must also undertake to comply with OECD guidelines for multinational enterprises and the ILO Tripartite Declaration on multinational enterprises and social policy, and not to push down labour standards in order to attract foreign investment.

6.2.3 The European Trade Union Confederation (ETUC) would like to see the agreement contain a robust chapter on sustainable development, including a binding mechanism guaranteeing implementation of fundamental labour conventions.

6.2.4 For its part, EPSU urges that the agreement should protect current and future public services, and should to this end guarantee national regulation.

6.2.5 For the Canadian unions, the Canadian Labour Congress strongly supports the use of public procurement to achieve social environmental and economic development objectives and therefore opposes opening up public procurement to include Crown corporations and sub-federal governments.

6.2.6 The CLC is also deeply concerned that possible disputes of interest between investors and the State could threaten public services and domestic regulation, as well as the impacts of excessive intellectual property protection, particularly on pharmaceutical prices.

6.2.7 There must be a binding mechanism through which employers' and workers' organisations from both sides can appeal against government actions.

6.2.8 They call for a Trade and Sustainable Development Forum to be set up, to consult workers, employers and other civil society organisations on a balanced basis. The Canadian labour organisations argue that the consultative process is at present biased towards business views.

6.2.9 They also call for robust clauses ensuring compliance with multilateral agreement on the environment, including the Kyoto Protocol. In this area, they consider that compliance with human rights conventions, including those on political and civil rights, should be included, as this is of great importance to the social dimension of sustainable development.

6.3 **Various interests**

6.3.1 The agricultural sector calls for EU negotiators to take sensitive products in this area into consideration. Regarding rules of origin, they recommend using the agreement with South Korea as a model. The milk sector is crucial, and it is hoped that the agreement will generate new market opportunities for European producers. The EU's interests in the meat sector are defensive, and producers are calling for quotas for pigmeat, poultry, eggs and egg products. The sector also has very offensive interests regarding cereals, particularly wheat, and is opposed to any increase in Canada's quota. It would also be helpful for the Canadian government to notify the World Trade Organisation of what regulations might entail barriers to trade, so that the Technical Barriers to Trade Committee can analyse their compatibility, as in the case of Canadian law C-32 on ingredients in tobacco products.

6.3.2 Turning to education and training, the EESC recalls that the possibility of cooperation between the EU and Canada in this sphere was mentioned as far back as the joint declaration of November 1990. In 2006, the EU and Canada extended the agreement in the fields of higher education, training and youth for the 2006-2013 period. This makes it the first bilateral agreement signed by the EU that mentions cooperation for young people outside the domain of higher education. The agreement does not however appear to have been matched with funding. The EESC calls for these measures to be properly financed, and for financial assistance also to be provided for the many social workers involved with children and young people in the EU, and who would be willing to work through exchanges of experience and joint activities with similar organisations in Canada.

7. **The position of the European Economic and Social Committee on the Comprehensive Economic and Trade Agreement**

7.1 The EESC supports increased and liberalised trade and consequently welcomes the opening of the negotiations for an EU-Canada agreement, although it regrets the failure of the Doha Round and restates its preference for a multilateral approach and its rejection of protectionism in trade.

7.2 The EESC supports all measures intended to resolve the few points of friction that remain in bilateral issues (access to the Arctic, visas and the trade in seal products), and recalls the importance of the agreement to boosting exchanges between the EU and the North American region as a whole under the NAFTA. In this regard, it recommends that sufficient monitoring by the European Parliament be guaranteed at every stage of the negotiations, thereby facilitating the final approval of the agreement by Parliament.

- 7.3 The EESC expresses its satisfaction at the excellent relations between the EU and Canada, and encourages both sides to use these relations to strengthen alliances with multilateral aims in the political sphere, and in particular energetic and practical steps in favour of world economic recovery and others such as non-proliferation of nuclear weapons, climate change and joint crisis management (peace missions or natural disasters).
- 7.4 The EESC strongly upholds the European model of social dialogue and civil dialogue. It therefore lays emphasis on the need to listen to and actively involve the social partners and organised civil society in the process of negotiating the agreement, and in its subsequent implementation.
- 7.5 The EESC considers that the future agreement should consider the possibility of setting up an EU-Canada joint consultative committee comprising representatives of organised civil society, with the task of promoting dialogue and cooperation on the economic, social and environmental aspects of relations between the EU and Canada that may arise in connection with the application of the agreement. Since there is no counterpart institution representing Canadian organised civil society, the EESC proposes examining, together with Canadian civil society organisations, the best way of framing their participation in the future committee.

Brussels, 16 September 2010.

The President
of the European Economic and Social
Committee

Mario Sepi
