



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 2.4.2009
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DECLASSIFIED PART

RECOMMENDATION FROM THE COMMISSION TO THE COUNCIL

in order to authorize the Commission to open negotiations for an Economic Integration Agreement with Canada

A. EXPLANATORY MEMORANDUM

1. Background

The EU and Canada have a longstanding and fruitful trade and economic cooperation relationship, developed under the 1976 Framework Agreement for Commercial and Economic Cooperation, the 1996 Joint Action Plan and the 1998 EU-Canada Trade Initiative. In addition, the EU and Canada have concluded several bilateral sectoral agreements, notably the 1996 Agreement for Scientific and Technological Cooperation, the 1997 Agreement on Mutual Recognition of Conformity Assessments, the 1999 Veterinary Agreement, the 1999 Competition Agreement and the 2003 Agreement on Trade in Wines and Spirits Drinks. Two further Agreements, relating to Air Safety and Air Services, have been initialled, though not yet signed.

In May 2005, negotiations were held between the EU and Canada in 2005 and 2006 for a new bilateral Trade and Investment Enhancement Agreement (TIEA), aimed at tackling existing barriers to trade and investment. However, after three negotiating rounds had been held, the talks were put on hold, by mutual agreement, in May 2006, pending a clearer outcome of the DDA negotiations. The pause was, however, an acknowledgement of the difficulties encountered in the negotiating process. Firstly because it had proved difficult to persuade Canada to move forward on some of the EU's offensive interests, namely government procurement and GIs. Second and foremost, Provinces were not committed to the process because they considered that the scope of the TIEA was not sufficiently attractive to engage them.

Canada has meanwhile expressed interest in a wider FTA-type agreement with the EU. At the 2007 EU-Canada Summit, the EU and Canada agreed to undertake a Joint Study to assess the costs and benefits of a "closer economic partnership". The aim of this Study was to examine the existing barriers – especially non-tariff barriers – to the flow of goods, services and capital between the EU and Canada, and to estimate the potential benefits of removing such barriers. The findings of the Joint Study indicate approx. €11.6bn in annual real income gains by 2014 for the EU (representing 0.08% of its GDP), and €8.2bn for Canada (0.77% of its GDP). Most gains, for both parties, derive from services liberalisation (50% of total gains for the EU; 45.5% for Canada). Gains from tariff elimination account for 25% of total EU gains and 33% of total Canadian gains, with remaining gains resulting from reduction in the trade costs of non-tariff barriers.

At the Summit held on 17th October in Quebec City, the EU and Canada agreed to work together to define the scope of a deepened economic agreement and to establish the critical points for its successful conclusion". Such an agreement would be aimed at strengthening EU-Canadian economic integration and would complement multilateral trade negotiations currently underway at the WTO.

The European Commission, in consultation with the 133 Committee of the Council, and the Government of Canada have worked towards the definition of the scope of a deepened EU-Canada economic agreement. The Joint Scoping Group met three times, on 20th November, 3rd December and 21st to 23rd January and engaged in substantive discussions on the subjects relevant to any future deepened economic agreement. This work culminated with the Joint Report on the EU-Canada Scoping Exercise, annexed hereto.

2. Nature and scope of the Agreement

The Agreement shall provide for the progressive and reciprocal liberalisation of trade in goods and services as well as rules on trade-related issues. The Agreement will seek a very high level of ambition, going above and beyond the existing WTO commitments. Given the Constitutional structure of Canada, and in order to be balanced and commercially attractive for the EU, the Agreement will need to include commitments at the sub-federal level in Canada (Provinces and Territories).

There shall be a clear legal and institutional linkage between the economic integration agreement and the 1976 Framework Agreement, and a coherent institutional framework for the administration of the agreements.

In parallel to consultations with Member States to open negotiations with Canada on an economic integration agreement, the Commission intends to start a consultation with Member States – on a longer timescale – on the desirability of upgrading the 1976 Framework Agreement for commercial and economic cooperation between the European Communities and Canada. Such an upgraded text should in particular result in the inclusion of the political clauses on the respect of human rights, countering the proliferation of Weapons of Mass Destruction, combating terrorism, et. Al. in the upgraded Framework Agreement.

3. Preparation of the Draft Negotiating Directives

Consultations with Member States, civil society and the Government of Canada have taken place for the preparation of the negotiating Directives, mainly through the work of the Joint Study and the conclusion of the Scoping Exercise.

4. Procedures

The objective is to complete these negotiations no later than 2 years after their effective start. In line with normal practice, the Commission will report regularly to Member States in the appropriate committees of the Council on progress in the negotiations.

B. RECOMMENDATION

In the light of the above, the Commission recommends:

- that the Council authorises the Commission to negotiate, on behalf of the European Community and its Member States, an economic integration agreement with Canada;
- That, in accordance with the Treaty, the Council appoints the special Committee, foreseen in Article 133 of the Treaty, to assist it in this task, and
- that the Council issues the appended negotiating directives.

(Annex: EU RESTRICTED)