

CETA: Setting a New Gold Standard for 21st-century Trade Agreements

Quick Facts on CETA

- comprehensive EU-Canada economic agreement
- removing 99% of customs duties & many other obstacles for business
- to boost trade, strengthen economic relations and create jobs
- an expected €12 billion increase for Europe's GDP
- agreed text available for the public
- presented for EU democratic approval
- a foothold in Canada provides access to North America and to the NAFTA agreement

Over the next two years, 90% of world demand will be generated outside the EU. That is why it is a key priority for the EU to open up more market opportunities for European business by negotiating new Free Trade Agreements with key countries. The well-being and prosperity of the European Union (EU) depends on healthy international trade and investment relationships and on the ability of Europeans to succeed in all areas of global commerce.

The EU and Canada – among the most prosperous economies in the world – are heavily dependent on international trade. Canada and the EU have a long history of economic cooperation. The Comprehensive Trade and Economic Agreement (CETA) which is being negotiated between the EU and Canada will offer EU firms more and better business opportunities in Canada and support jobs in Europe.

CETA will tackle a whole range of issues to make business with Canada easier. It will remove customs duties, end limitations in access to public contracts, open-up services' market, offer predictable conditions for investors and, last but not least, help prevent illegal copying of EU innovations and traditional products.

The agreement contains also all the guarantees to make sure that the economic gains do not come on expense of democracy, environment or consumers' health and safety.

Before embarking on negotiations for this historic agreement, Canada and the EU completed a joint study to assess its potential benefits. The study revealed that CETA could deliver a 20% boost in bilateral trade and an €11.6 billion annual increase to the EU economy. These are significant benefits, coming at an important time for all those with a stake in securing stable and expanded growth across North America.

Luxembourg as an open and exporting economy will benefit from CETA. As a founding member of the European Union, the country has always promoted free trade and the European fundamental freedoms, namely the free movement of goods, services, people and capital. In terms of exports and imports, Luxembourg is the most open country in the European Union and the third most open country in the world after Singapore and Hong Kong. The Grand Duchy exports over 80% of goods and services produced in the country; the manufacturing industry exporting even more than 90% of its production. This openness to the world has already convinced many international companies to settle in the Grand Duchy. Abandonning such a beneficial approach would therefore be unwise.

Furthermore, we should remember that the country remains heavily dependent on Europe and that the problems facing the European Union, particularly on the economic front (low growth rate since the crisis) and employment, directly affect Luxembourg. If it seeks to reposition itself in the international economic arena, it will seize the unique opportunity that CETA offers. CETA becomes especially important considering the current economic situation. In recent years, Luxembourg has shown a downward trend in terms of competitiveness and public finances deteriorated significantly, hence the need to strengthen the purchasing power, maximize margins and increase tax revenues. The cheapest way to achieve this while avoiding additional public debt might be a free trade agreement that promotes foreign trade.

What is CETA about?

- Ending customs duties
- Letting EU businesses bid for Canadian public contracts
- Stepping-up regulatory cooperation
- Protecting European innovations & traditional products
- Streamlining trade in services
- Promoting and protecting investment
- Ensuring good cooperation in the future
- Protecting democracy, consumers and environment

EXPANDING TRADE AND INVESTMENT

Trade in Goods

On the day CETA comes into force, 98% of all EU and Canadian tariff lines will be duty-free. And seven years after the agreement's entry into force, the EU and Canada will achieve even greater market openness through the elimination of a further range of tariffs. Comprehensive tariff elimination means that CETA will create a host of new opportunities for Luxembourg businesses looking to increase their exports to Canada.

CETA will liberalize trade for all significant EU exports, including machinery and equipment, chemicals and plastics, and motor vehicles. Under CETA, Canada and the EU will eliminate tariffs on approximately 93% of agricultural products. It is important to emphasize that CETA will have no impact on existing EU requirements regarding genetically modified organisms or the use of hormones and growth promotants in livestock.

Trade in Services and Labour Mobility

The services sector is responsible for the majority of economic activity in both the EU and Canada—over 70% in both cases. The services chapter in CETA positions the two economies to create a wealth of new opportunities for European and Canadian business managers, computer and IT professionals, architects and engineers and a host of other service providers. Ensuring that service providers and other business persons can easily move across respective borders is essential to their ability to reap the rewards of this comprehensive agreement. Accordingly, CETA will contain provisions on temporary entry that will facilitate the movement of contract service suppliers, investors, independent professionals and business visitors alike. The EU and Canada have also negotiated commitments on the recognition of professional qualifications.

Luxembourg must seize the opportunity to liberalize the free provision of services, especially in view of the importance of the export of services for the Luxembourg economy. Our key sectors as well as our niche markets such as biomedicine, logistics and environmental technologies have a tertiary character. Having seen a rise in employment of some 70% over the past decade and representing an important additional service provider for our other industries, the ICT sector has become a priority for our national economy. However, economic diversification as referred to by Luxembourg presupposes a high level of expertise, hence the urgent need to get highly qualified staff. The bad international ratings for Luxembourg with regards to the availability of engineers and scientists should remind us of the need for further efforts to eliminate existing barriers and facilitate the recruitment of foreign workers, including foreign nationals outside of the European Union who wish to work in Luxembourg.

Government Procurement

CETA will expand EU companies' access to procurement opportunities at federal, provincial and municipal levels beyond any agreement previously negotiated. Canada has also offered, for the first time in any trade agreement, coverage of mass transit procurement, as well as procurements by major energy entities across Canada. This includes commitments by all Canadian provinces and territories with major energy production and distribution capacity.

Investment

CETA's investment rules will set out how investors and their investments must be treated by a host country. At the heart of these rules are commitments to treat investors and investments fairly, equitably and no less favourably than domestic or other foreign investors and investments. CETA's comprehensive investment provisions will provide investors and their investments with greater certainty, stability, transparency and protection.

At the same time, CETA fully protects and defends the rights of governments to regulate in the public interest. There will be no restrictions on any level of government—either in the EU or Canada—to legitimately legislate in the public interest, and measures designed to protect public health, the environment and public safety will not be affected.

Regulatory Cooperation

Canada and the EU will identify joint cooperative activities and establish an annual dialogue on regulatory matters. CETA will build bridges between regulatory authorities in the EU and Canada, while also advancing cooperation in specific areas of particular importance, such as the safety of consumer goods. The EU and Canada have also agreed to a Protocol on Conformity Assessment that will allow accredited bodies in the EU and Canada to test products for use in the other jurisdiction, ultimately reducing administrative costs and marketing delays for European and Canadian exporters.

Sustainable Development, Labour and the Environment

CETA will commit the EU and Canada to maintain high levels of environmental and labour protection, and to review, monitor and assess CETA's impact on sustainable development. This will be accomplished, in part, through the creation of a forum that will enable civil society organizations to dialogue with the EU and Canada on these aspects of trade relations. The governments in the EU member states and in Canada will maintain full capacity to regulate in the public interest, including through efforts to protect human, animal and plant health.

Why Luxembourg companies should increase their business with Canada:

- The Economist Intelligence Unit says Canada is the best G-7 country in which to do business over the five-year period from 2014 to 2018.
- Canada is the easiest place to start a business in the G-7, according to the World Bank.
- Canada is a highly attractive destination for foreign investors, placing Canada second among G-7 countries.

Foreign trade between Luxembourg and Canada: (source Statec 2013 & 2014)

➤ Goods:

Exports from Luxembourg to Canada: 108 mio EUR

Imports to Luxembourg from Canada: 117 mio EUR

➤ Services:

Exports from Luxembourg to Canada: 444 mio EUR

Imports to Luxembourg from Canada: 224 mio EUR

EU Free Trade Agreements in on-going negotiations:

Canada: Comprehensive Trade and Economic Agreement (CETA)

United States of America: Transatlantic Trade and Investment Partnership (TTIP)

Trade in Services Agreement (TiSA)

China: Agreement on investment protection

Japan

Association of Southeast Asian Nations (ASEAN)

India

Southern Mediterranean

Eastern Neighbourhood

Mercosur

Gulf Cooperation Council

African, Caribbean and Pacific countries (ACP)

→ The EU has twelve trade negotiations actively under way and several more trade and development negotiations (EPAs) ongoing.

EU Free Trade Agreements finished but not yet applied

Concluded in

2013 Moldova

2013: Ukraine

2012: Singapore

2012: Colombia

2012: Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama)

African, Caribbean and Pacific States (Cote d'Ivoire, Cameroon, the Southern African Development Community, Ghana and the Eastern African Community)

→The EU has finished negotiating 9 trade agreements that have yet to enter into force.

EU Free Trade Agreements already in force:

In force since

2013 Peru

2011 South Korea

2003 Chile

2000 Mexico

2000 South Africa

N.B. On top of these "classic" free trade deals, Free Trade Agreements are a core component of many Association Agreements as well as Customs Unions (Andorra, San Marino, Turkey). Hence the EU also has free trade deals in force with a number of countries and territories in Europe (Faroe Islands, Norway, Iceland, Switzerland, the former Yugoslav Republic of Macedonia, Croatia, Albania, Montenegro, Bosnia and Herzegovina, Serbia) and the Southern Mediterranean (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority, Syria, Tunisia) and three with African, Caribbean and Pacific countries (Caribbean, Pacific and Eastern and Southern Africa).

→ The EU therefore has 28 trade agreements already in place. This does not include Syria as the trade provisions are not applied.

Source: europa.eu