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DRAFT REPORT

on the implementation of the EU-Canada Comprehensive Economic and Trade Agreement (CETA)
(2023/2001(INI))

Committee on International Trade

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EXPLANATORY STATEMENT - SUMMARY OF FACTS AND FINDINGS

On 25 October 2022, the rapporteur was entrusted with the task of preparing a report on the implementation of the EU-Canada Comprehensive Economic and Trade Agreement (CETA);

I. Sources of information

Since his appointment, the rapporteur has collected information and has relied on the following sources, among others:

- EPRS Briefing note ‘Stakeholder consultation report on the implementation of selected aspects of the EU-Canada Comprehensive Economic and Trade Agreement (CETA)’, October 2023;
- Kiel Institute for the World Economy, ‘The implementation of the EU-Canada Comprehensive Economic and Trade Agreement (CETA)’ (2023);
- Fact-finding mission by the rapporteur to Montreal and Ottawa, 19-21 June 2023;
- 2022 Annual Report on Implementation and Enforcement of EU Trade Agreements from the European Commission (COM(2022) 730 final);

II. Main findings

Based on the comparative sources of information above, it becomes clear that:

- CETA has established stronger trade ties and a stable framework for trade relations between the EU and Canada, delivering substantial economic gains, through increased trade in goods, services as well as investment.
- Beyond its clear economic significance, CETA also offers a strategic opportunity for both the EU and Canada to fortify and diversify their supply chains, ensuring the security of their trade flows amidst heightened geopolitical uncertainties.
- The implementation of CETA is also important in view of the EU’s concerns regarding access to critical raw materials (CRM) which are vital for the green transition and the technological ambitions of the Union.
- Stakeholders from business and civil society are largely content with the progress of CETA’s implementation, including the collaborative efforts within CETA committees, the regulatory cooperation forum and the domestic advisory group.
- While the EU almost make full use of the granted tariff rate quotas, Canada is only using a very small part of the quota granted for beef, for example, which was a major concern before the agreement was concluded.
- The utilisation rate of the preferences can be improved, but is higher for SMEs than larger companies, and higher in specific sectors, such as agri-food industries compared to manufactured industries.

- Some challenges related, in particular, to the enforcement of GIs or the management of the cheese quota, still remain.

III. Key recommendations

- to promote action to raise awareness of CETA among stakeholders in both regions;
- to put at the disposal of SMEs all the necessary tools to foster greater exchanges and participation to reap the benefits of CETA;
- to fully implement all the provisions of CETA;
- to urge Belgium, Bulgaria, Cyprus, France, Greece, Hungary, Ireland, Italy, Poland, and Slovenia to ratify CETA, as only when the agreement is fully in force, will important provisions, in particular as regards investment protection, be applied. It will also be necessary in order to allow updates to the agreement, such as a review of its chapter on sustainable development (TSD).

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the implementation of the EU-Canada Comprehensive Economic and Trade Agreement (CETA) (2023/2001(INI))

The European Parliament,

- having regard to the Comprehensive Economic and Trade Agreement (CETA) between Canada, of the one part, and the European Union and its Member States, of the other part¹,
 - having regard to its position of 15 February 2017 on the draft Council Decision on the conclusion of the Comprehensive Economic and Trade Agreement (CETA) between Canada, of the one part, and the European Union and its Member States, of the other part²,
 - having regard to the Commission report of 11 October 2022 entitled ‘Implementation and Enforcement of EU Trade Agreements’ (COM(2022)0730),
 - having regard to the report of the CETA Joint Committee of 31 March 2023 following its third meeting,
 - having regard to the reports of the different specialised committees, the Civil Society Forum and the Regulatory Cooperation Forum,
 - having regard to Rule 54 of its Rules of Procedure, as well as Article 1(1)(e) of, and Annex 3 to, the decision of the Conference of Presidents of 12 December 2002 on the procedure for granting authorisation to draw up own-initiative reports,
 - having regard to the opinion of the Committee on Agriculture and Rural Development,
 - having regard to the report of the Committee on International Trade (A9-0000/2023),
- A. whereas CETA was the first trade agreement the EU completed with another major established OECD economy; whereas it was also the most ambitious agreement either the EU or Canada had concluded at the time, including unprecedented access to public procurement at sub-federal as well as federal level;
- B. whereas CETA has been provisionally applied since 21 September 2017, i.e. for more than six years;
- C. whereas important provisions, in particular relating to investment protection, have still not been applied, as not all Member States have ratified the agreement;
- D. whereas the EU was Canada’s third largest trading partner after the United States and China, accounting for 8.2 % of its trade in goods with the world in 2022; whereas

¹ [OJ L 11, 14.1.2017, p. 23.](#)

² [OJ C 252, 18.7.2018, p. 348.](#)

Canada ranked 14th among the EU's international trading partners for the same year, accounting for almost 1.4 % of the EU's total external trade in goods;

- E. whereas the implementation of the EU's trade agreements is a key priority for Parliament, the Council and the Commission in order to monitor, assess and calibrate the EU's common commercial policy (CCP); whereas reporting on the implementation of the agreement with Canada is a timely and useful contribution to the reflection on the functioning of EU trade agreements;
- F. whereas the institutional framework under CETA is now fully in place, with 19 specialised committees, a regulatory cooperation forum and a civil society forum, and their agendas and reports are publicly available;
- G. whereas there is now sufficient experience, data and statistical information to assess the implementation of CETA;

Main conclusions and recommendations

1. Highlights that CETA relies on a fair and predictable rules-based relationship which promotes a more secure and stable economic environment between the trading partners, which is particularly important in the context of heightened geopolitical uncertainties, built on the principles of sustainable development and respect for human rights and labour and environmental standards; considers that such predictability fosters economic growth, the exchange of goods, the provision of services, participation in public procurement, the attractiveness of investment, quality employment, and improved working conditions and living standards;
2. Notes with satisfaction that trade in goods between the EU and Canada increased by 53 % between 2017 and 2022, while EU-Canada trade in services increased by 46 %, outperforming other extra-EU trade; welcomes the fact that EU goods exports to Canada increased by 47 % during the first five years of provisional application, where the biggest gains were registered in the cases of manufactured products, chemical products as well as food and animal products;
3. Welcomes the fact that trade flows between the parties have generally proven to be resilient throughout the pandemic, as well as the difficult situation created by Russia's war of aggression in Ukraine, thereby resisting pressure on supply chains and contributing to strengthened food security; takes the view that CETA should serve as a tool to facilitate cooperation and joint action in the reconstruction of Ukraine once the war is over;
4. Underlines that EU exports are key to employment; welcomes the fact that CETA has contributed to creating new job opportunities, as the number of jobs supported by EU exports to Canada rose from 624 000 in 2017 to more than 700 000 in 2021;
5. Stresses the importance of labour mobility facilitation granted under CETA as it helps ensure an adequate skills transfer between the EU and Canada and avoid shortages of qualified labour; welcomes in this regard the successful conclusion in 2022 of the first Mutual Recognition Agreement under CETA for architects' qualifications; takes the view that the EU Blue Card could further facilitate exchanges between two developed economies with a highly educated population;

6. Notes that the two most important product categories that the EU and Canada export to each other are machinery, accounting for around 40 % of both exports and imports, and chemical, pharmaceutical and plastic products, making up around 20 % of total exports and imports; notes, however, that the mining and extraction sector is highly significant when it comes to imports from Canada, compared to other trading partners, accounting for nearly 20 % of the EU's total imports from Canada; underlines that access to critical raw materials from a reliable trading partner is a key element of the green transition;
7. Welcomes the fact that European and Canadian firms are making increasing and continuous use of preferences granted by CETA, with preference utilisation rates of EU imports from Canada standing at 65 % in 2021 compared to 52 % in 2018; notes that the utilisation rate is still lower, though increasing for EU exports, reaching 58 % in 2021 compared to 40 % in 2018; notes with interest that smaller companies are using the preferences to a larger extent than large companies and that utilisation rates are significantly higher for agri-food industries compared to manufacturing industries; stresses that the low utilisation rates in key sectors for several EU members indicate foregone cost savings and diminished welfare gains from the agreement; encourages both partners to continue to promote actions to raise awareness of CETA among stakeholders in both regions;
8. Notes that the utilisation rate of the tariff rate quota (TRQ) for beef and veal imports to the EU was only 3 % in 2021, and that EU exporters have expanded their market share in Canada, such that the EU exports more frozen beef to Canada than it imports from it;
9. Takes note of the fact that the TRQ utilisation rate stands at 98 % for EU cheese exports on average; calls, nevertheless, for a more transparent and flexible Canadian TRQ management system for dairy products, in particular the cheese quota, and urges the Canadian authorities to move forward with a potential review of the system as soon as possible;
10. Highlights the importance of recognising the system of geographical indications (GIs) as a key component of the agreement; underlines the need for further effective enforcement of GIs protection for EU rights holders in Canada, in order to ensure the trust in the correct functioning of the agreement;
11. Takes note of the fact that during the first six years of provisional application of CETA, the EU's exports to and imports from Canada in services have grown by 19 % and 15 %, respectively, with highest gains in transport services, business services and information, computer and telecommunications services, in particular benefiting smaller EU Member States where services features significantly in the economic structure of the country; regrets however that unlike trade in goods, services trade in 2022 had not yet recovered to its pre-pandemic level;
12. Welcomes concrete efforts to facilitate access to public procurement, such as the Single Point of Access in Canada; takes the view that even if many more EU businesses are successfully participating in Canadian tenders, such as for regional rail passenger transport in Ontario or bridges in Montreal, EU suppliers could take even further advantage of the opportunities offered, in particular as regards infrastructure projects and bidding for provincial and municipal contracts;
13. Calls on the parties to make available all the legal and administrative support and tools

SMEs need to engage in trade and investment under CETA, in order to foster an increase in exchanges and to enhance participation so they can reap the benefits of CETA, including through active measures to facilitate the internationalisation of SMEs; welcomes, in this regard, the recommendation on SMEs adopted by the Joint Committee in 2018, and the subsequent action plans, including concrete actions such as the launch of the Access2Markets platform in October 2020, which supports SMEs with practical information on trade agreements and trade barriers;

14. Encourages both parties to continue their outreach activities, in particular focusing on SMEs, to raise awareness about the opportunities offered by CETA through targeted information campaigns, while ensuring that the benefits of the agreement are shared equally between men and women;
15. Welcomes the adoption of the recommendation on Trade and Gender by the CETA Joint Committee as early as 2018, which includes a commitment to share methods and procedures for the collection of gender disaggregated data, the use of indicators, monitoring and evaluation methodologies, and the analysis of gender-focused statistics related to trade; takes the view that the work carried out under the jointly adopted action plan can serve as an example for other trade agreements, even when there are no dedicated chapters on trade and gender in the agreement itself; encourages the Commission to publish more easily accessible gender disaggregated data on the usage of the agreement;
16. Underlines that CETA provides a framework that fosters both trade and climate action by including commitments to cooperate on trade-related environmental issues of common interest such as climate change, as demonstrated by the recommendation on trade, climate action and the Paris Agreement; welcomes the growth of the environmental goods trade by 27 % since provisional application started;
17. Welcomes the active involvement and monitoring of CETA implementation by the domestic advisory groups (DAGs) and the Civil Society Forum, gathering hundreds of representatives from across the EU and Canada, including businesses, environmental and labour organisations, civil society, academia as well as indigenous people's representatives from Canada, and actively contributing to the work of in particular the Trade and Sustainable Development Committee through their joint statements;
18. Insists on the effective implementation of the specific commitments related to the trade and sustainable development (TSD) provisions, which are an integral part of CETA and are essential to the accomplishment of the objectives set; takes note that in 2024 the Commission will conduct an *ex post* evaluation of CETA, including its TSD chapter, involving independent experts;
19. Calls on the parties to review CETA in order to introduce a suitable and effective dispute settlement mechanism, including the consideration of, among various enforcement methods, sanctions as a deterrent to be used, as a last resort, in the case of serious breaches;
20. Urges Belgium, Bulgaria, Cyprus, France, Greece, Hungary, Ireland, Italy, Poland and Slovenia to ratify CETA, as this will also be essential in order to update the agreement, and reiterates the importance of full application of CETA, including its investment protection provisions;

21. Instructs its President to forward this resolution to the Council and the Commission, and to the Government and Parliament of Canada.