

If not with Canada, then with whom?

Five reasons why we need to ratify CETA

Current EU trade agreements set rules for economic relations that go far beyond the World Trade Organisation to set guardrails for fair trade that overcome completely unregulated free trade. The CETA agreement is one of these new trade agreements. Germany should ratify it for at least 5 reasons.

1. The economic benefits of the agreement are significant. As compared to 2016, the last full year before CETA Trade part entered into provisional application (bilateral flows of EUR 46.3 billion), bilateral trade flows between the EU and Canada witnessed an increase of 31% for goods in 2021 (bilateral trade flows of EUR 60.7 billion). This increased trade is not just beneficial to larger companies, but also to SMEs. Our trade agreement with Canada has helped the EU tremendously in withstanding the economic downturn related to Covid. Apart from providing additional jobs, CETA also has a strong impact on people's daily lives. To give one very concrete example, recently Canada and the EU agreed to recognise each other's architectural degrees. In 2023 EU architects that want to work in Canada, and vice-versa, will be able to work almost as freely as they would at home.

2. We need preferential access to Canada's market to help us with our transition to climate neutrality. Not only will we need hydrogen imports, but we also need key minerals like cobalt and nickel, that are among others produced in Canada. Last year the EU and Canada also set up a strategic partnership on raw materials that aims to integrate our raw material value chains and strengthen collaboration on innovation.

3. While the investment chapter was already robust, the German government has now managed to negotiate an additional text that assuages any remaining concerns. CETA is the world's first trade agreement that no longer recognises private arbitration tribunals. The socialists in the European Parliament together with EU's socialist trade ministers have thus prevailed. CETA provides for the first time for the establishment of an investment court organised under the rule of law and governed by public law. A new interpretative declaration aims to ensure that investors cannot misuse the investor to state dispute settlement mechanism and that the EU and Canada have the freedom to regulate when it comes to climate, energy and health policies. This provides additional assurances that governments set out policies and the frameworks within which investors can act (and not the other way around). A full ratification would enable the remaining provisions on investment to enter into force. Important for our foreign direct investment: in 2020, the German outward FDI stocks to Canada amounted to 15 billion euros while inward FDI stocks totaled 6.2 billion euros. This represents, respectively, an increase of 8 % and 262% when compared to the situation before CETA entered into force (14 billion euros and 1.7 billion euros in 2016).

4. We need to cherish our partnership. In the current context with a war in Europe, high inflation and increasing energy costs, we need to use all tools at our disposal to work together with like-minded partners to tackle joint challenges. Canada has proven to be a strong ally in addressing Russia's illegal aggression in Ukraine. Furthermore, Canada is one of our most reliable partners when it comes to defending rules-based trade and multilateral cooperation as a whole. We both understand how important it is to make sure our world is governed by rules and not by the law of the jungle.

5. This agreement is a living agreement and it is very likely that it will become even more sustainable in the future. The agreement has already many binding fundamental provisions on sustainable development such as fundamental workers' rights. In this context we should not forget that CETA was an additional push for Canada to ratify ILO convention 98 on collective bargaining. The agreement is also remarkable for the civil society involvement in the implementation. Since its provisional entry into force, both partners have also increasingly engaged in subjects such as trade and gender. But this is not a story of CETA alone: the EU is seriously stepping up its game when it comes to making trade more sustainable. The Paris Climate agreement will become a central part of any future agreement and in case of labour or environmental violations, trade sanctions will become possible. As the EU and Canada are some of the most progressive actors in sustainable trade, this new model will also be discussed between the EU and Canada in order to update the agreement.

All too often statements on trade are not based on facts. For example, it is absolutely not true that a trade agreement can undermine EU law. When discussing such an important agreement as CETA, we should really look at the provisions of the agreement.

Finally, if we don't manage to ratify a trade agreement with Canada, then with whom could we do so? Recent shocks have shown us that the world is interconnected. Those who wrongly believe we can produce everything at home, will come back empty-handed. We need stronger partnerships with reliable partners to combat climate change and the energy crisis. And we need to deliver on what we sign up to.

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