



# **Study in support of an ex-post evaluation of the Comprehensive Economic and Trade Agreement (CETA) between the EU and its Member States and Canada**

Draft Final Report – **MAIN REPORT**

16 May 2025

Prepared by a consortium led by Trade Impact BV, with the Institute for European Environmental Policy (IEEP) and Cambridge Econometrics (CE) as partners.

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## **ABSTRACT**

Since September 2017, the EU-Canada Comprehensive Economic and Trade Agreement (CETA) has been provisionally (and partially) applied. In line with established EU practice, the European Commission has requested an ex-post evaluation to be conducted at least five years after the provisional application.

The study is conducted by a team of independent experts led by Trade Impact. It analyses the ex-post economic, social, environmental, and human rights effects of CETA, assessing its impact on the EU and its Member States on the one hand, and Canada on the other. The study consists of two main components. The first component is an analysis of the four sustainability pillars, based on desk research, data analysis, and economic modelling. The second component involves outreach to stakeholders in the EU, EU Member States, and Canada to gather perspectives and inputs on what CETA has meant so far.

This final report contains the full analysis of the evaluation for the EU and its Member States and Canada, as well as summaries of the institutional analysis and the assessment of prior concerns regarding CETA. This study ends with answers to the evaluation questions and recommendations.

The Annexes present the bibliography, methodological notes, tables of the numerical results from the quantitative analyses performed, additional baseline information for the economic, social and environmental analyses, stakeholder consultation results, the institutional analysis, and an assessment of stakeholder concerns regarding CETA.

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## ACRONYMS

AAAQ	availability, accessibility, acceptability, and quality framework	CE	Conformité Européenne
AAM	anode active materials	CE	Cambridge Econometrics
AAQDs	Ambient Air Quality Directives	CEC	Canadian Electrical Code
ACCTS	Agreement on Climate Change, Trade and Sustainability	CEAP	Circular Economy Action Plan
ACE	Architects' Council of Europe	CEDAW	International Convention on the Elimination of All Forms of Discrimination against Women
AEO	Authorised Economic Operator		
AFN	Assembly of First Nations	CEN-	European Committee for Electrotechnical
AI	Artificial Intelligence	CENELEC	Standardization
AIAC	Aerospace Industries Association of Canada	CEO	Chief Executive Officer
		CEPA	Canadian Environmental Protection Act
AIDA	Artificial Intelligence and Data Act	CESCR	Committee on the Economic, Social and Cultural Rights
AIT	Agreement on Internal Trade		
ALB	Asian longhorned beetle	CETA	Comprehensive Economic and Trade Agreement
amb	Ambitious		
AMR	antimicrobial resistance	cf.	compare
ANZTEC	Australia-New-Zealand-Taiwan FTA	CFA	Committee on Freedom of Association
AOC	Appellation d'Origine Contrôlée	CFIA	Canadian Food Inspection Authority
APEC	Asia-Pacific Economic Cooperation	CFP	Common Fisheries Policy
APF	Agricultural Policy Framework	CFR	Charter of Fundamental Rights of the European Union
API	Active Pharmaceutical Ingredients		
AQMS	Air Quality Management System	CFTA	Canada Free Trade Agreement
AQPs	air quality plans	CGE	Computable General Equilibrium
ASEAN	Association of Southeast Asian Nations	CH4	methane
ASTQ	Autonomous Scheme for Tariff Suspensions and Quotas	CHFTA	Canada-Honduras FTA
		CIFTA	Canada-Israel FTA
ATEX	Atmosphères Explosibles	CIPO	Canadian Intellectual Property Office
AUT	Australia Tariff	CIRCABC	Communication and Information Resource Centre for Administrations, Businesses, and Citizens
AVE	Ad-valorem equivalent		
BC	British Columbia	CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
BCA	Border Carbon Adjustment		
BDFP	Bilateral Dialogue on Forest Products	CJEU	Court of Justice of the European Union
BDRM	Bilateral Dialogue on Raw Materials	CKFTA	Canada-Korea FTA
BDS	Biodiversity Strategy	CLB	Citrus longhorned beetle
BEUC	European Consumer Organisation	CLEG	Combined List of Environmental Goods
BEV	Battery Electric Vehicles	CLP	Classification, Labelling, and Packaging
BII	Biodiversity Intactness Index	CMAA	CETA Mutual Assistance in Customs Matters
BIT	Bilateral Investment Treaty		
BMAC	Battery Metals Association of Canada	CMCE	Critical Minerals Centre of Excellence
BMS	Battery management systems	CMMP	Canadian Minerals and Metals Plan
bn	billion	CMP	Chemicals Management Plan
BPA	bisphenol A	CMRDD	Critical Minerals Research, Development, and Demonstration
BPR	Biocidal Products Regulation		
BSE	Bovine Spongiform Encephalopathy	CN	Combined Nomenclature
CAAQS	Canadian Ambient Air quality Standards	CO	Carbon monoxide
CAB	Conformity Assessment Body	CO2	Carbon dioxide
CAGR	Compound Annual Growth Rate	COOL	Country of Origin Labelling
CALA	Canadian Architectural Licensing Authorities	COPs	Conferences of the Parties
		CPED	International Convention on the Protection of All Persons from Enforced Disappearance
CAM	Cathode active materials		
CAN	Canada	CPI	Consumer Price Index
CAP	Common Agricultural Policy	CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
CAP	Conformity Assessment Protocol		
CAPI	Canadian Agri-Food Policy Institute	CQC	China Quality Certification Centre
CAT	Convention against Torture	CRA	Canada Revenue Agency
CBAM	Carbon Border Adjustment Mechanism	CRC	Convention on the Rights of the Child
CBD	Convention on Biological Diversity	CRMF	common risk management framework
CBSA	Canada Border Services Agency	CRM	Critical Raw Materials
CCA	Causal Chain Analysis	CRMA	Critical Raw Materials Act
CCAB	Canadian Council for Aboriginal Business	CRPD	Convention on the Rights of Persons with Disabilities
CCCT	Commonwealth Caribbean Countries Tariff		
CCME	Canadian Council of Ministers of the Environment	CRTC	Canadian Radio and Television Commission
CCPA	Canadian Centre for Policy Alternatives		
CCPI	Canadian Collaborative Procurement Initiative	CSA	Canadian Space Agency

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CSA	Canadian Standards Association	ExNBG	ATEX Notified Bodies Group
CSD	Civil Society Dialogue	FAO	Food and Agriculture Organisation of the United Nations
CSDDD	Corporate Sustainability Due Diligence Directive	FAQ	Frequently Asked Questions
CSF	Civil Society Forum	FATF	Financial Action Task Force
CSP	Certificate of Supplementary Protection	FCTC	Framework Convention on Tobacco Control
CSR	Corporate Social Responsibility	FDI	Foreign Direct Investment
CTE	Committee on Trade and Environment	FDIR	Foreign Direct Investments Restrictiveness Index
CTH	Change of Tariff Heading	FET	fair and equitable treatment
CTSD	Specialised Committee on Trade and Sustainable Development	FIQ	La Fédération interprofessionnelle de la santé du Québec
CUFTA	Canada-Ukraine FTA	FIT	feed-in tariff
CUSMA	Canada-United States-Mexico Agreement	FMVSS	Federal Motor Vehicle Safety Standards
DAG	Domestic Advisory Group	FPIC	free, prior, and informed consent
DDPP	Dairy Direct Payment Programme	FPS	full protection and security
DG	Directorate-General	FPX	First Point Exploration
DG AGRI	DG for Agriculture and Rural Development	FRA	EU Agency for Fundamental Rights
DG ENV	DG for Environment	FSB	Financial Stability Board
DG JUST	DG for Justice and Consumers	FSC	Financial Services Committee
DG TRADE	DG for Trade	FSDS	Federal Sustainable Development Strategy
DiD	Difference-in-Differences	FTA	Free Trade Agreement
EA	European Cooperation for Accreditation	FTZ	Foreign Trade Zone
EBA	European Battery Alliance	GAC	Global Affairs Canada
EBTI	European Binding Tariff Information	GATS	General Agreement on Trade in Services
ECA	European Court of Auditors	GATT	General Agreement on Tariffs and Trade
ECCC	Environment and Climate Change Canada	GBA+	Gender-Based Analysis Plus
ECHA	European Chemicals Agency	GDP	Gross Domestic Product
ECJ	European Court of Justice	GDPR	General Data Protection Regulation
ECRMA	European Critical Raw Materials Act	GEA	Green Energy Act
EDGAR	Electronic Data Gathering, Analysis, and Retrieval	GEM	Global Entrepreneurship Monitor
EEA	European Environment Agency	GHG	Greenhouse Gas
EEAS	European External Action Service	GHS	Globally Harmonised System
EEC	European Economic Community	GI	Geographical Indication
EESC	European Economic and Social Committee	GMO	genetically modified organism
EFSA	European Food Safety Authority	GMP	Good Manufacturing Practices
EG	environmental goods	GP	Government Procurement
EGA	Environmental Goods Agreement	GPA	Government Procurement Agreement
EGS	environmental goods and services	GPM	Global Policy Model
ELVIS	Electronic Low Value Import System	GPT	General Preferential Tariff
EMA	European Medicines Agency	GSIN	Goods and Services Identification Number
EMCD	Electromagnetic Compatibility Directive	GST	Goods and Services Tax
EOs	economic operators	GTA	Global Trade Atlas
EORI	Economic Operators Registration and Identification	GTAP	Global Trade Analysis Project
EP	European Parliament	HAACP	Hazard Analysis Critical Control Point
EPA	Economic Partnership Agreement	HAZLOC	Hazardous Locations
EPHA	European Public Health Alliance	HEV	Hybrid Electric Vehicles
EPI	Environmental Protection Index	HHI	Herfindahl Hirschman Index
EPR	Extended Producer Responsibility	HQ	Headquarters
EQ	Evaluation Question	HRIA	Human Rights Impact Assessment
ES	environmental services	HS	Harmonised System
ESABCC	European Scientific Advisory Board on Climate Change	HST	harmonised sales tax
ESG	environmental, social and governance	HTST	high-temperature-short-time
ESR	Effort Sharing Regulation	IAMAW	International Association of Machinists and Aerospace Workers
ESS	Energy storage systems	ICA	Investment Canada Act
ETS	Emissions Trading System	ICCPR	International Covenant on Civil and Political Rights
ETSI	European Telecommunications Standards Institute	ICCPR-OP1	Optional Protocol to the International Covenant on Civil and Political Rights
ETUC	European Trade Union Confederation	ICCPR-OP2	Second Optional Protocol to the International Covenant on Civil and Political Rights
ETUI	European Trade Union Institute	ICE	Internal Combustion Engine
EU	European Union	ICERD	International Convention on Elimination of all forms of Racial Discrimination
EUCC	EU Cybersecurity Scheme on Common Criteria	ICESCR	International Covenant on Economic, Social and Cultural Rights
EUDR	EU Deforestation Directive	ICESCR-OP	Optional Protocol to the International Covenant on Economic, Social and Cultural Rights
EUIPO	European Union Intellectual Property Office		
EU MS	EU Member States		
EUTR	EU Timber Regulation		
EV	Electric vehicles		
EWRP	Emerging Wine Regions Policy		

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ICMW	International Convention on the Protection of the Rights of all Migrant Workers and Members of their Families	MCAS	Manoeuvring Characteristics Augmentation System
ICPED	International Convention for the Protection of All Persons from Enforced Disappearance	MEA	Multilateral Environmental Agreement
ICRPD	International Convention on the Rights of Persons with Disabilities	MFN	Most-Favoured Nation
ICS	Investment Court System	mln	Million
ICS2	Import Control System 2	MME	Medium-sized enterprise
ICT	Information & Communication Technology	MMIWG	National Inquiry into Missing and Murdered Indigenous Women and Girls
IEA	International Energy Agency	MNE	Multinational enterprise
IECEx	International Electrotechnical Commission System for Certification to Standards Relating to Equipment for Use in Explosive Atmospheres	MoU	Memorandum of Understanding
IEEP	Institute for European Environmental Policy	MP	Member of Parliament
ILO	International Labour Organisation	MPIA	Multi-Party Interim Appeal Arbitration Arrangement
IMF	International Monetary Fund	MRA	Mutual Recognition Agreement
INC-4	Intergovernmental Negotiating Committee	MRL	Maximum Residue Level
INF	Information Sheets for Special Procedures Committee on International Trade	MSFD	Marine Strategy Framework Directive
INTA	French Association for Livestock and Meat	MSME	Micro-, Small and Medium-sized Enterprise
INTERBEV	Internet of Things	Mt	Megaton
IoT	Intellectual Property	MtCO2e	million tonnes of carbon dioxide equivalent
IP	Intergovernmental Panel Climate Change	N2O	Nitrous oxide
IPCC	Important Projects of Common European Interest	N/A	Not applicable
IPCEI	Indigenous Peoples Economic and Trade Cooperation Agreement	NACE	Statistical Classification of Economic Activities in the European Community
IPETCA	Intellectual Property Rights	NAFTA	North American Free Trade Agreement
IPR	International Platform on Sustainable Finance	NANDO	New Approach Notified and Designated Organisations
IPSF	International Renewable Energy Agency	NB	Notified Body
IRENA	Investor-State Dispute Settlement	NBSAP	National Biodiversity Strategy and Action Plan
ISDS	Interservice Steering Group	NCA	Lithium, nickel, cobalt, aluminium oxide
ISG	International Standards Organisation	NCDs	Non-Communicable Diseases
ISO	International Trade Centre	NCP	National Contact Point
ITC	International Trade and Production Database for Estimation	NDCs	Nationally Determined Contributions
ITPD-E	Indigenous Working Group	NEET	not being in employment, education or training
IWG	Judgement Criteria	NFU	National Farmers Union
JC	Joint Customs Cooperation Committee	NGO	Non-Governmental Organisation
JCCC	Joint Sectoral Group	NH3	Ammonia
JSG	Joint Science and Technology Cooperation Committee	NMC	Nickel manganese cobalt
JSTCC	Kunming Montreal Global Biodiversity Framework	NMMA	National Maritime Manufacturers Association
KMGBF	Kiloton	NMVO	Non-methane volatile organic compound
Kt	Low Carbon Business Action	No	Number
LCBA	Liquor Control Board of Ontario	NOx	Nitrogen oxides
LCBO	local content requirements	NPRI	National Pollutant Release Inventory
LCR	Liquor Depot	NRCan	Natural Resources Canada
LD	Least Developed Country	NRL	Nature Restoration Law
LDC	Least Developed Country Tariff	NSN	New Substances Notification
LDCT	Lithium-Iron phosphate	NT	National treatment
LFP	Limited	NTB	Non-Tariff Barrier
Lim	Lithium, manganese, iron phosphate	NTM	Non-Tariff Measure
LMFP	Labour Market Impact Assessment	NZ	New Zealand
LMIA	Lithium, manganese, nickel oxide	NZT	New Zealand Tariff
LMNO	Liquefied natural gas	OBS	Other business services
LNG	Lithium-Nickel-Manganese-Cobalt	OEC	Observatory of Economic Complexity
L-NMC	Living Planet Index	OECD	Organisation for Economic Cooperation and Development
LPI	Land use, land use change and forestry	OHCHR	Office of the United Nations High Commissioner for Human Rights
LULUCF	low voltage	OMERS	Ontario Municipal Employees Retirement System
LVD	Low Value Shipment	OPC	Open Public Consultation
LVS		OP-CAT	Optional Protocol to the Convention against Torture and Other Cruel Inhuman or Degrading Treatment or Punishment
MASH	Municipalities, Academic institutions, School boards, and Health and social services entities	OP-CEDAW	Optional Protocol to the Convention on the Elimination of All Forms of Discrimination against Women
MBM	Market Basket Measure	OP-CRC-AC	Optional Protocol to the Convention on the Rights of the Child on the involvement of children in armed conflict

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OP-CRC-IC	Optional Protocol to the Convention on the Rights of the Child on a communications procedure	SRM	Specified Risk Material
OP-CRC-SC	Optional Protocol to the Convention on the Rights of the Child on the sale of children, child prostitution and child pornography	SRMs	Strategic Raw Materials
OP-CRPD	Optional Protocol to the Convention on the Rights of Persons with Disabilities	SSBC	small solid biomass combustors
OR	Outermost Region	SSPs	Shared Socioeconomic Pathways
OSHA	Occupational Safety and Health Administration	STEM	Science, technology, engineering, and mathematics
P2	Pollution Prevention	STRI	Services Trade Restrictiveness Index
PAA	Peroxyacetic acid	SVHCs	Substances of Very High Concerns
PBO	Parliamentary Budget Officer	SWD	Staff working document
PCF	Pan-Canadian Framework	TBT	Technical Barriers to Trade
PDO	protected designation of origin	TCA	Trade Continuity Agreement
PFA	Pest Free Area	TCA	Trade and Cooperation Agreement
PFAS	per- and polyfluoroalkyl substances	TEC	Trade by Enterprise Characteristics
PGI	protected geographical indication	TED	Tender Electronic Database
PHEV	Plug-in Hybrid Elective Vehicle	TESSD	Trade and Environmental Sustainability Structured Discussions
PIP	Partners in Protection	TFA	Trade Facilitation Agreement
PIPEDA	Personal Information Protection and Electronic Documents Act	TFEU	Treaty on the Functioning of the European Union
PIR	Patent term restoration	TFWP	Temporary Foreign Worker Program
PM	Particulate Matter	TI	Trade Impact BV
PM(NOC)	Patented Medicines (Notice of Compliance)	TI	Traditional Indication
POPs	Persistent organic pollutants	TIC	Testing, Inspection and Certification
PPML	Poisson Pseudo-Maximum Likelihood	TISMOS	Trade in Services by Mode of Supply
PPP	Polluter Pays Principle	ToR	Terms of Reference
PSPC	Public Services and Procurement Canada	TRAPLR	Tobacco Products Appearance, Packaging, and Labelling Regulations
PST	Provincial Sales Tax	TRIPS	Trade-Related Aspects of Intellectual Property Rights
PTA	Preferential Trade Agreement	TRQ	Tariff Rate Quota
PTR	Patent term restoration	TSD	Trade and Sustainable Development
PTs	Provinces and Territories	TSIA	Trade Sustainability Impact Assessment
PUR	Preference Utilisation Rate	TTIP	Transatlantic Trade and Investment Partnership
PV	photovoltaic	UBCIC	Union of British Columbia Indian Chefs
Q&A	Questions and Answers	UDHR	Universal Declaration of Human Rights
RASFF	EU Rapid Alert System for Food and Feed	UHT	Ultra-High-Temperature
RAPEX	Rapid Alert System	UK	United Kingdom
RBC	Responsible Business Conduct	UL	Underwriters Laboratories
RBC	Royal Bank of Canada	UN	United Nations
RCF	Regulatory Cooperation Forum	UNCTAD	United Nations Conference on Trade and Development
RDP	regulatory data protection	UNDRIP	United Nations Declaration on the Rights of Indigenous Peoples
R&D	Research and Development	UNECC	United Nations Economic Commission for Europe
REACH	Registration, Evaluation, Authorisation, and Restriction of Chemicals	UNECE	United Nations Economic Commission for Europe
REEs	Rare Earth Elements	UNFCCC	UN Climate Change Conference
RED	Renewable Energy Directive	UNFSS	UN Forum on Sustainability Standards
REX	Registered Exporter System	UNGA	United Nations General Assembly
RFA	Request for Assistance	UPR	Universal Periodic Review
RFID	Radio-Frequency Identification	US	United States
RoO	Rules of Origin	USMCA	United States – Mexico – Canada Agreement
ROSA	Rules of Origin Self-Assessment	UUMS&DS	Uniform User Management & Digital Signature
RRF	Recovery and Resilience Facility	UV	Ultraviolet
RVC	Regional Value Content	VAT	Value added tax
SADC	Southern African Development Community	VFN	vegetables, fruit and nuts
SAQ	Société des alcools du Québec	VZBV	Federation of German Consumer Organisations
SAWP	Seasonal Agricultural Worker Programme	WCO	World Customs Organization
SC	supply chain	WCT	WIPO Copyright Treaty
SCC	Standards Council of Canada	WHO	World Health Organisation
SCC	Supply Chain Canada	WIPO	World Intellectual Property Organisation
SCM	Subsidies and Countervailing Measures	WFD	Water Framework Directive
SCSA	Supply Chain Security Agreement	WITS	World Integrated Trade Solution
SDG	Sustainable Development Goal	WPPT	WIPO Performances and Phonograms Treaty
SDoC	supplier's declaration of conformity	WTO	World Trade Organisation
SIA	Sustainability Impact Assessment		
SME	Small or Medium-sized Enterprise		
SO2	sulphur dioxide		
SOEs	State-Owned Enterprises		
SPA	Single Point of Access		
SPC	Supplementary Protection Certificate		
SPS	Sanitary and Phyto-Sanitary		



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WTO GPA	World Trade Organisation Government Procurement Agreement	WWF	World Wildlife Fund
WTO SCM	World Trade Organisation Agreement on Subsidies and Countervailing Measures	ZEV	Zero-Emission Vehicle

## 1 INTRODUCTION TO CETA AND THIS EX-POST EVALUATION

The Directorate-General for Trade (DG TRADE) of the European Commission has commissioned an evaluation of the implementation of the Comprehensive Economic and Trade Agreement between the EU and its Member States and Canada (hereafter referred to as “CETA”) to Trade Impact. This final report is the concluding deliverable of the evaluation. CETA is provisionally (and partially) applied since 21 September 2017. Ratification by EU Member States (EU MS) has been ongoing since then. CETA represents a new generation of Free Trade Agreements (FTAs), characterised by its comprehensive and ambitious nature. At present, most - but not all - provisions of CETA are provisionally applied.

The Terms of Reference (ToR) highlight the importance of conducting an evaluation at least five years after the provisional application to assess CETA’s impact on trade in goods, trade in services, and foreign direct investment (FDI), as well as to examine whether concerns raised by stakeholders have materialised. Five Case Studies are included in the evaluation, focusing on: (1) trade in key agricultural goods, including sanitary and phytosanitary (SPS) measures and Intellectual Property (IP) (GI) protection aspects, (2) technical barriers to trade (TBT) and conformity assessment, (3) critical raw materials with a focus on critical minerals, (4) environmental goods and services, and (5) public procurement. This evaluation, therefore, examines:

- The effectiveness and efficiency of CETA in achieving its policy objectives;
- The relevance of CETA in addressing current trade and economic needs as well as challenges faced by the EU and Canada;
- The economic, social, environmental, and human rights impacts of CETA, including its effects on specific areas and stakeholders (e.g. SMEs, consumers, sensitive products, preference utilisation, and specific economic sectors).

### 1.1 Objectives and scope of the ex-post evaluation of CETA

This Section presents the objectives and scope of the ex-post evaluation.

#### 1.1.1 Objective of the ex-post evaluation

After seven years of provisional application, the **objective** of this evaluation is to analyse the economic, social, environmental, and human rights (including labour rights)<sup>1</sup> impact of the implementation of CETA. Ultimately, it seeks to determine whether CETA has produced the anticipated effects and identify areas where improvements in implementation may be needed.

#### 1.1.2 Scope of the ex-post evaluation

The **scope** of the evaluation is defined as follows:

- *Timeframe*: It covers the entire implementation period of CETA from the start of the provisional application in 2017 up to 2024, compared, where appropriate, to the five-year period preceding the entry into force of the Agreement (2012-2016).
- *Geographical coverage*: The evaluation covers the impact of CETA on the EU and its Member States (MS), and Canada. Additionally, it analyses some effects of the Agreement on selected third countries (e.g. Türkiye because of the EU-Türkiye Customs Union) and certain global impacts (e.g. climate change).
- *Data presentation*: Where statistics measuring the effect of CETA across the EU and its MS are available, and where an impact of CETA is observed, detailed results are reported for the most affected EU MS. If no significant effects are identified, EU MS

<sup>1</sup> Whenever this report refers to human rights, this includes labour rights.

specific results are not reported. This approach allows the evaluation to remain leaner by focusing on areas where CETA has had an impact, including at the EU MS level.

- *Types of effects:* The evaluation covers economic, social, environmental, and human rights (including labour rights) effects of CETA, whether resulting from trade-related changes or the direct implementation of its provisions, particularly those in the Trade and Sustainable Development (TSD) chapters.

Since this ex-post evaluation focuses on the effects of CETA, it is important to isolate its impact from concurrent global trends. While factors such as the COVID-19 pandemic, the war in Ukraine, the US-China trade war, the UK leaving the EU, and strategic autonomy debates have influenced the broader economic landscape, they are not the primary focus of this study. Nevertheless, these external developments are mentioned when they provide contextual relevance or affect the operation of CETA.

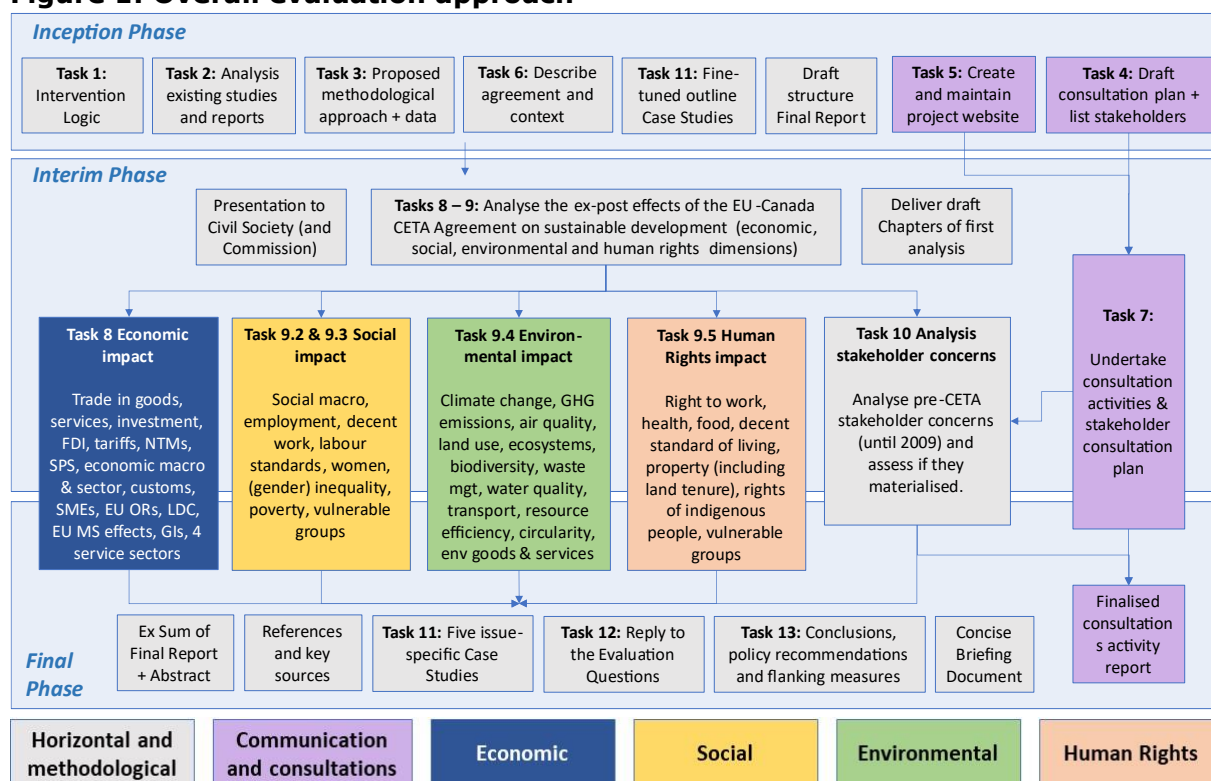
## **1.2 Structure of this evaluation**

This Section outlines the structure for the evaluation in line with the ToR and indicates where the reader can find the various results.

The structure of this ex-post evaluation of CETA is shown in Figure 1:

- *The Inception Phase* focuses on discussing and finalising the methodological approach for the evaluation. It included the development of the intervention logic, an analysis of existing studies on CETA, the proposed methodological approach, a description of the Agreement and its context, the approach to the Case Studies, and the first consultation tasks. This initial consultation tasks involved creating the project website and drafting of the consultation plan and stakeholder lists.
- *The Interim Phase* concentrates on the economic, social, environmental, and human rights analyses – assessing the impact of CETA on these four sustainability pillars. This phase also involves reviewing stakeholder concerns. During this stage, stakeholder consultations were conducted, including interviews, nine online seminars with stakeholders, and the collection of responses from three online surveys: the Open Public Consultation, the Business/SME survey, and the Preference Utilisation Survey.
- In *the Final Phase*, five Case Studies were carried out, an executive summary of the report was prepared, and key evaluation questions were addressed. Additionally, recommendations for the future implementation of CETA were provided. During this phase the stakeholder consultation report was also finalised.

**Figure 1: Overall evaluation approach**



Source: own compilation based on the project Terms of Reference

This final report of the ex-post evaluation of CETA presents all research and consultation findings and is structured as follows:

Chapter	Content	Pages
<b>Chapter 1</b>	Introduction to CETA and the ex-post evaluation	17
<b>Chapter 2</b>	Economic analysis (trade in goods, effects of CETA, diversification and resilience of supply chains, customs, trade facilitation, rules of origin (RoO), and preference utilisation rates (PURs), SMEs, trade in services, FDI, implementation of other areas of CETA, public procurement, and the impact on Türkiye and least developed countries (LDCs))	28
<b>Chapter 3</b>	Social analysis (effects on employment, income, poverty, and consumer rights, effects on working conditions and labour standards, effects on gender equality)	176
<b>Chapter 4</b>	Environmental analysis (effects on climate change, air quality, natural resources, biodiversity, and trade in environmental goods and services)	210
<b>Chapter 5</b>	Human rights analysis (international human rights obligations, pre-existing vulnerabilities, and the impact on human rights)	238
<b>Chapter 6</b>	Institutional analysis of CETA	259
<b>Chapter 7</b>	Analysis of stakeholder concerns	268
<b>Chapter 8</b>	Answers to the Evaluation Questions, policy recommendations, and flanking measures	272

Additionally, the Annexes include the following information:

Annex	Content	Pages
<b>Annex I</b>	Bibliography of referenced sources	9
<b>Annex II</b>	Methodological notes	61
<b>Annex III</b>	Background statistics tables	65
<b>Annex IV</b>	Tables with modelling results	255
<b>Annex V</b>	Economic baseline analysis	270
<b>Annex VI</b>	Social baseline analysis	388
<b>Annex VII</b>	Environmental baseline analysis	434
<b>Annex VIII</b>	Overview of stakeholder concerns and analysis	497
<b>Annex IX</b>	Institutional analysis	531
<b>Annex X</b>	Stakeholder Consultation Report	564

### 1.3 Methodology of the ex-post evaluation of CETA

This Section presents an overview of the evaluation methodology.

Pursuant to a well-established practice, the European Commission (DG Trade) commissions an independent evaluation to assess the effects of EU Trade Agreements that have been (provisionally) applied or in force for at least five years.

#### 1.3.1 Key methodological parts

The ToR emphasises that the evaluation *"shall provide well-supported assessments based on objective analysis and consequent conclusions and recommendations. The stakeholder consultations and the assessment of the impact are complementary and mutually dependent elements of the analysis"* (ToR, p. 8).

For this reason, this study for an ex-post evaluation, conducted from January 2024 to May 2025, consists of the following interlinked components:

- A *comprehensive analysis* of the economic, social, environmental, and human rights-related effects. The analysis examines the effects resulting from tariff reductions, the elimination of Non-Tariff Measures (NTMs), and other provisions implemented under the Agreement. It is based on the results provided by a range of econometric tools and methodologies. Statistical data (primarily Eurostat) and information sources are used. The analysis evaluates the overall impact of CETA and identifies key sustainability effects. These findings aim to enhance CETA's effectiveness moving forward. In the final phase, the study team has formulated recommendations and proposals for flanking measures to further strengthen positive and mitigate any negative effects of the Agreement.
- A *broad consultation/stakeholder engagement programme* designed to gather inputs from key stakeholders regarding the sustainability effects of the Agreement.

The study also examines how the Agreement has contributed to the EU strategic objectives (e.g. supply chain resilience and economic security).

#### 1.3.2 Analysis of economic, social, environmental, and human rights effects

The *economic analysis* begins with a description of trade and investment relations between the EU and Canada since 2012. This includes the evolution of EU-Canada trade in goods and services, comparing the pre-CETA period (2012-2026) with the post-CETA period (2017-2023), and the analysis of current tariffs and NTMs between the EU and Canada. The evaluation also examines the participation of SMEs in trade between the Parties, conditions for bilateral investment, the involvement of economic operators from the EU and Canada in each other's public procurement procedures, and customs operations. Compared to the pre-CETA baseline, the study evaluates the economic effects of tariff and NTM reductions between the EU and Canada on trade in goods, services, and investments. This assessment includes effects on trade creation and diversion, value chain diversification, and broader costs and benefits, including on GDP and overall welfare. The analysis also estimates effects at selected EU MS levels and for selected third countries (e.g. Türkiye). It concludes with recommendations to improve the operation of CETA going forward.

Throughout the study, various quantitative methodological tools are used, including a Computable General Equilibrium (CGE)<sup>2</sup> model, gravity analysis, a difference-in-difference methodology, and the E3ME model (linking the economy to energy and the environment). In addition, empirical data are used to support this ex-post analysis. Eurostat statistics are the main empirical data source. However, in cases when Eurostat statistics are not

<sup>2</sup> Computable General Equilibrium (CGE) model. For the ease of understanding, it is referred to as the economic model. The European Commission has provided the results of the CGE modelling exercise.

available, when Canadian import data are required, or when an analysis based on globally comparable data is needed, other sources are used.

*The social analysis* responds to the question of how CETA provisions agreed upon by the Parties have affected a range of social aspects in the EU and Canada. It also determines potential direct and indirect social effects of other provisions of the Agreement (e.g. on Trade and Sustainable Development and on labour). Areas covered by the analysis include employment, gender equality, working conditions, labour standards, public policies and services, and welfare effects (e.g. wages, poverty, and inequality). For each of these social areas, the analysis starts with a consideration of the current situation in the EU and Canada, observed trends, and influencing factors. The study then continues with a comprehensive evaluation of observed effects. The analysis finishes with the overall findings of the evaluation and recommendations on how the operation of CETA can be further improved. Throughout the evaluation, desk research is complemented by stakeholder engagement to test research findings and receive additional evidence.

*The environmental analysis* examines the effects of CETA on various environmental aspects both through the reduction of tariffs and NTMs and through other provisions (e.g. the chapter on Trade and Sustainable Development and the chapter on Trade and Environment). In the first step, the analysis describes the situation in the EU and Canada since 2012, and observed trends and influencing factors in five impact areas (climate change, air quality, land use, ecosystems and biodiversity, and waste management and water quality). This baseline analysis is then followed by the analysis of observed effects in two thematic priority areas (identified in the preceding step). In addition, a Case Study on the impact of CETA on environmental goods and services is carried out.

*The human rights analysis* looks at how CETA has affected the enjoyment of human rights and state responsibilities in this area. In the first step, the international human rights obligations of the Parties have been identified based on the ratification status of core international human rights conventions. After this first step, a concise description of the situation in the EU and Canada is presented regarding respect for human rights in the reference period, identifying trends and pre-existing vulnerabilities. This step is followed by a screening and scoping exercise that examines the effects of the Agreement on specific human rights and elaborates on the scope and degree of the identified effects. The evidence underpinning the analysis includes relevant human rights indicators, outcomes of the economic modelling, legal texts tabled in the negotiations, and stakeholder views.

### 1.3.3 Case studies

Five Case Studies are part of this evaluation:

- Trade in key agricultural goods, including SPS and IP (GI) protection aspects;
- Technical Barriers to Trade and Conformity Assessment and regulatory cooperation;
- Critical raw materials with a focus on critical minerals;
- Environmental goods and services; and
- Public procurement.

While each Case Study is tailored to the specified topic, all follow a similar structure. They start with a definition of the subject matter and the scope of the analysis and follow with a description of the background, i.e. the situation in the EU and/or Canada regarding the subject matter, the latest developments, and influencing factors. The Case Studies provide a qualitative (and sometimes quantitative) analysis of the effects of CETA and main conclusions.

### 1.3.4 Consultation strategy

The wide-ranging consultation strategy of the ex-post evaluation – to engage with key stakeholders – rests on five pillars:

1. **Pillar 1:** Two meetings with EU civil society (Civil Society Dialogue (CSD) meetings). During these CSD meetings, the draft results are presented, and civil society organisations are invited to ask questions for clarification and provide feedback on the (draft) results.
2. **Pillar 2:** Stakeholder consultations in EU MS and Canada:
  - An online survey for businesses and SMEs in the EU and Canada to gather inputs from companies (both large and small) on the functioning of CETA;
  - Seven online seminars for selected EU MS or EU regions to reach key stakeholders at the EU MS level and discuss the effects of CETA at this level;
  - One online seminar for Canada to reach out to key stakeholders in Canada and discuss the effects of CETA in Canada;
  - One online seminar for SMEs in the EU and Canada to engage specifically with SMEs on the effects of CETA and the challenges they (still) face;
  - A preference utilisation survey in the EU, EU MS, and Canada to gather insights on why importers do or do not make use of CETA preferences;
  - Interviews and meetings with stakeholders in the EU and Canada;
3. **Pillar 3:** The formal Online Public Consultation (OPC) to gather inputs from civil society stakeholders on the four sustainability pillars of the ex-post evaluation;
4. **Pillar 4:** Meetings with representatives of EU institutions and other discussions to present draft findings and gather further inputs;
5. **Pillar 5:** Digital engagement with stakeholders through a website, social media, and other channels to communicate progress of the evaluation and to continue requesting inputs and feedback.

Stakeholder engagement has continued throughout all stages of the study and has provided stakeholders with information about the evaluation, its objectives, timeline, and (draft) findings. Consultations have focused on sharing updates with the stakeholders and checking the draft outcomes for feedback. Moreover, the consultation process has helped gather additional evidence for all parts of the analysis to underpin the findings, conclusions, and recommendations.

#### **1.4 The Comprehensive Economic and Trade Agreement (CETA)**

This Section provides a concise description of the negotiations, ratification process and provisional application of CETA, as well as an overview of the Agreement, focusing on its objectives, structure and content, and its institutional framework.

21 September 2024 marked the seventh anniversary of the provisional application of the Comprehensive Economic and Trade Agreement (CETA). CETA opens markets between the EU and Canada, enhances the stability and predictability of the trade and investment environment, and aims to create benefits for consumers and foster sustainable development.

##### ***1.4.1 The negotiation, ratification, and provisional application of CETA***

#### **Negotiating CETA**

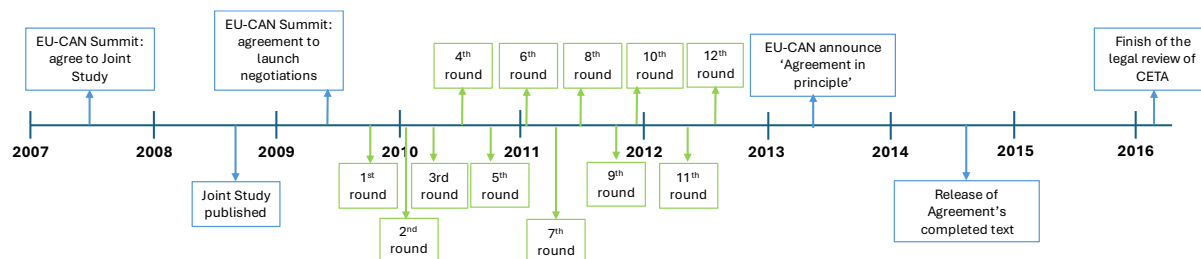
At the EU-Canada Summit in Berlin in June 2007, EU and Canadian leaders agreed to conduct a joint study on the benefits of a closer economic partnership between the EU and Canada. Based on the Joint Study, issued in October 2008, the EU and Canada defined the scope of potential negotiations in March 2009.<sup>3</sup> Subsequently, formal negotiations were launched at the EU-Canada Summit in Prague in May 2009.

After nine negotiating rounds, the EU and Canada announced an agreement in principle in October 2013. The draft Agreement was made public in September 2014, while the legal review was finalised in February 2016. This timeline is shown in Figure 2.

<sup>3</sup> Global Affairs Canada (2008). URL: <https://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/eu-ue/study-etude.aspx?lang=eng>



**Figure 2: Negotiating timeline of CETA**



Source: Own adaptation from [Global Affairs Canada \(2024\)](#)

CETA is an example of a “new generation” trade agreement negotiated by the EU (like the EU-Singapore FTA or the EU-Japan Economic Partnership Agreement). Unlike traditional trade agreements, CETA goes beyond merely reducing tariffs. New generation trade agreements also focus on a broader range of issues, such as trade in services, intellectual property rights, public procurement, digital trade, regulatory cooperation, investment dispute resolution, and sustainable development.

Trade and Sustainable Development (TSD) chapters in new generation EU trade agreements typically focus on labour standards, labour rights, environmental standards, and climate change goals.

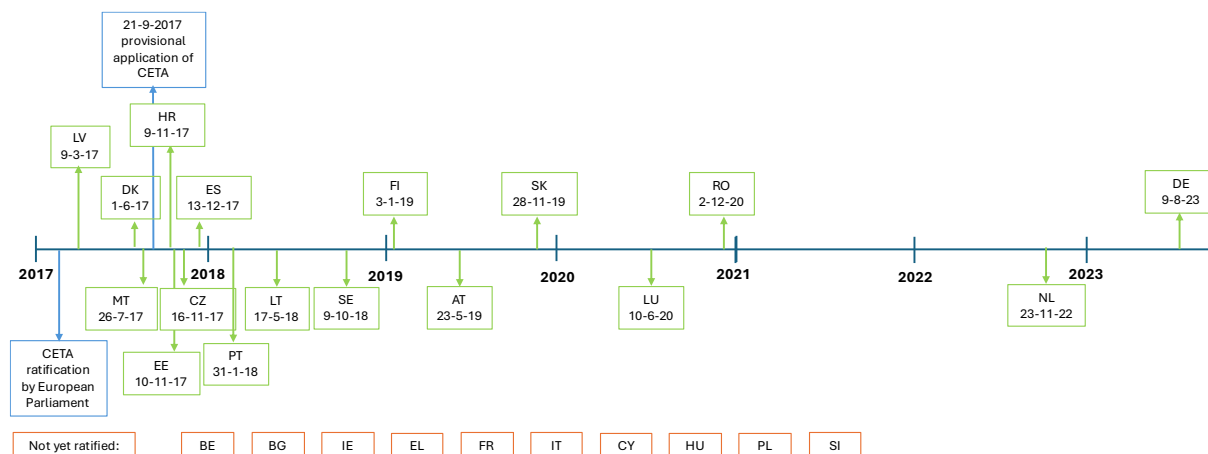
CETA was presented for conclusion by the Commission as a mixed agreement. A mixed agreement requires, on the EU side, ratification both at EU level and by each EU MS.<sup>4</sup>

### Ratification CETA

CETA was signed by the EU and Canada at the EU-Canada Summit in October 2016. In February 2017, the European Parliament approved CETA, and in May 2017, the Canadian Bill to implement CETA was granted royal assent. Since 21 September 2017, parts of the Agreement are provisionally applied.

For the Agreement to enter into force and be fully applied, all 27 EU MS must ratify it. So far, 17 of the 27 EU MS have done so. Figure 3 depicts the timeline from 2017 to 2024, showing the dates of EU MS ratifications.

**Figure 3: Ratification timeline of CETA**



Source: Own adaptation from European Council (2024)

<sup>4</sup> The European Court of Justice (ECJ) clarified whether negotiating and concluding “new generation” trade agreements, like the EU-Singapore FTA, was an exclusive EU competence under EU law, or a shared competence with the EU Member States (EU MS). For more details see European Court of Justice (2017) “Opinion 2/15 of the court ECLI:EU:C:2017:376”, 16 May 2017: <https://curia.europa.eu/juris/document/document.jsf?text=&docid=190727&pageIndex=0&doclang=EN&mode=req&dir=&occ=first&part=1&cid=415687>



## Provisional application of CETA

Because CETA was concluded as a mixed agreement requiring ratification by every EU MS, the Agreement is currently partially and provisionally applied. It will only enter into force once all EU MS have ratified it.

As per the formal announcement in the Official Journal of the EU on 16 September 2017 (L238/9),<sup>5</sup> some CETA provisions are not provisionally applied. These include specific investment and financial services provisions as well as certain related provisions. Box 1 presents the exact scope of what is included and excluded from the provisional application.

Box 1: Scope of the provisional application of CETA	
CETA Chapter	Scope of the provisional application
Chapter 8	(a) only the following provisions of Chapter Eight of the Agreement (Investment) shall be provisionally applied, and only in so far as foreign direct investment is concerned: — Articles 8.1 to 8.8, — Article 8.13, — Article 8.15, with the exception of paragraph 3 thereof, and — Article 8.16
Chapter 13	(b) the following provisions of Chapter Thirteen of the Agreement (Financial Services) shall not be provisionally applied in so far as they concern portfolio investment, protection of investment, or the resolution of investment disputes between investors and States: — Paragraphs 3 and 4 of Article 13.2, — Article 13.3 and Article 13.4, — Article 13.9, and — Article 13.21;
Chapters 20, 27, and 28	(c) the following provisions of the Agreement shall not be provisionally applied: — Article 20.12, — Article 27.3 and Article 27.4, to the extent that those Articles apply to administrative proceedings, review, and appeal at EU MS level, — Paragraph 7 of Article 28.7;
Chapters 22, 23, and 24	(d) the provisional application of Chapters 22, 23 and 24 of the Agreement shall respect the allocation of competences between the Union and the EU MS.

Source: [European Commission \(2017\)](#)

### 1.4.2 Objectives, structure, and content of CETA

A full overview of the CETA structure and content is provided in Chapter 6 and in Annex IX of this evaluation, including a concise description of each chapter, the institutional structure, specialised committee activities, committee descriptions, and collaborations in other bilateral and multilateral frameworks, including links to CETA.

## Objectives of the Agreement

The objectives of CETA are outlined in its introduction pages and specific chapters, aiming to:

- Further strengthen their close economic relationship between the Parties;
- Create an expanded and secure market for goods and services through the reduction or elimination of barriers to trade and investment;
- Establish clear, transparent, predictable, and mutually-advantageous rules to govern trade and investment;
- Recognise that the provisions of CETA preserve the right of the Parties to regulate within their territories and maintain flexibility to achieving legitimate policy objectives;
- Promote sustainable development and the development of international trade in a manner that contributes to sustainable development in its economic, social, and environmental dimensions;
- Implement CETA in a manner consistent with the enforcement of their respective labour and environmental laws, ensuring that it enhances labour and environmental protection, while building upon their international commitments in these areas.

## Structure and content of the Agreement

Table 1 presents all CETA chapters. In Annex IX, a concise content description is provided for each chapter. CETA contains 30 chapters, excluding Annexes, which illustrate that the Agreement goes beyond merely reducing tariffs.

<sup>5</sup> EUR-LEX Document 22017X0916(02): "Notice concerning the provisional application 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 part", URL: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A22017X0916%2802%29>

**Table 1. CETA Chapters and their content**

Chapter nr	Content
1	General definitions and initial provisions
2	National treatment and market access for goods
3	Trade remedies
4	Technical barriers to trade
5	Sanitary and phytosanitary measures
6	Customs and trade facilitation
7	Subsidies
8	Investment
9	Cross-border trade in services
10	Temporary entry and stay of natural persons for business purposes
11	Mutual recognition of professional qualifications
12	Domestic regulation
13	Financial services
14	International maritime transport services
15	Telecommunications
16	Electronic commerce
17	Competition policy
18	State enterprises, monopolies, and enterprises granted special rights or privileges
19	Government procurement
20	Intellectual property
21	Regulatory cooperation
22	Trade and Sustainable Development
23	Trade and labour
24	Trade and environment
25	Bilateral dialogues and cooperation
26	Administrative and institutional provisions
27	Transparency
28	Exceptions
29	Dispute settlement
30	Final provisions

Source: [legal text of CETA \(2017\)](#)

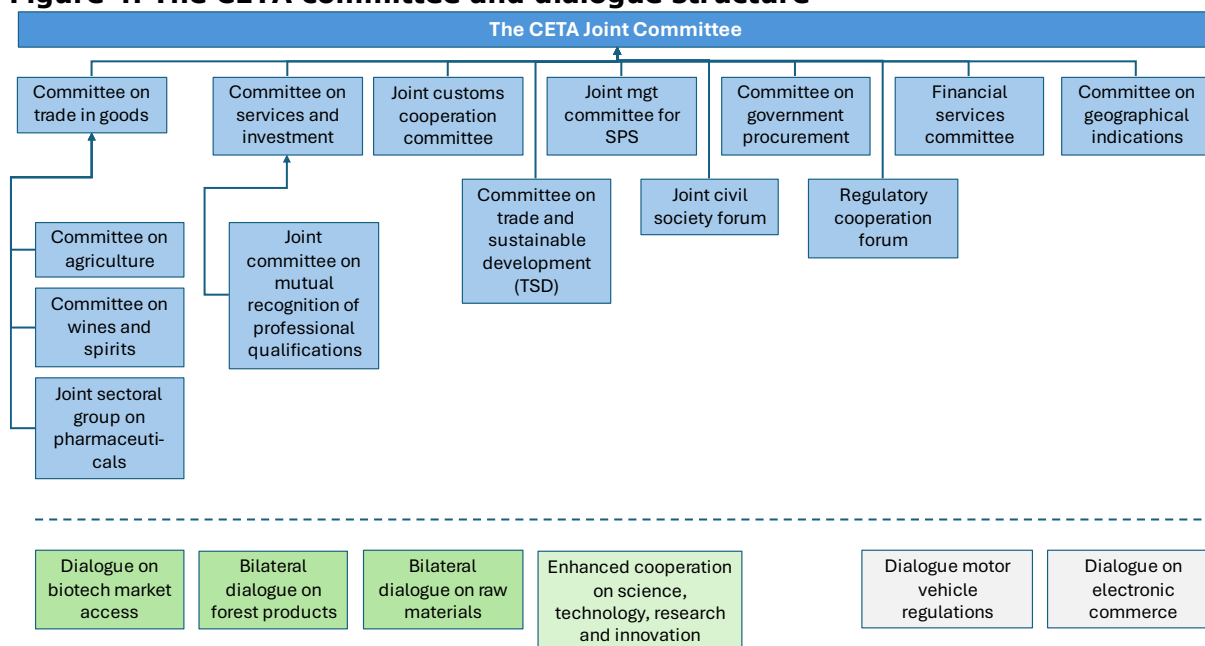
#### 1.4.3 Institutional framework of CETA

CETA has a governance structure consisting of nineteen dedicated committees and dialogues, which report directly (or indirectly via other Committees) to the Joint Committee. Article 26 of the Agreement establishes the CETA Joint Committee and several specialised committees to oversee the implementation of the Agreement.

The CETA Joint Committee is responsible for all questions concerning trade and investment between the Parties and the implementation and application of the Agreement. The Committee on Agriculture, the Committee on Wines and Spirits, and the Joint Sectoral Group on Pharmaceuticals report to the Committee on Trade in Goods. The Joint Committee on Mutual Recognition of Professional Qualifications reports to the Committee on Services and Investment. All other committees report to the CETA Joint Committee. This is presented in Figure 4.

In addition to the specialised committees, several provisions of CETA establish bilateral dialogues to facilitate cooperation of issues of mutual interest. These CETA dialogues focus on biotech market access, forestry products, raw materials, motor vehicle regulations, and electronic commerce.

**Figure 4: The CETA committee and dialogue structure**



Source: own compilation based on CETA legal text

### 1.5 Economic, social, and political context during the CETA negotiations

The CETA negotiations took place against the backdrop of complex economic, social, and political dynamics both within the European Union and Canada.

Economically, the negotiations occurred at a time when both the EU and Canada were seeking to bolster their economic competitiveness and stimulate growth, looking for reliable trading partners. The aftermath of the global financial crisis and subsequent economic challenges prompted policymakers on both sides to explore opportunities for expanding trade and investment. Additionally, there was a growing recognition of the importance of trade agreements in fostering economic integration and facilitating access to new markets for goods, services, and investments.

Socially, CETA negotiations unfolded amid heightened public awareness and scrutiny regarding the potential impacts of trade agreements on various societal issues, including labour rights, environmental protection, consumer safety, and public services. Civil Society organisations, labour unions, environmental groups, and other stakeholders actively engaged in the negotiation process, advocating for greater transparency, accountability, and social responsibility in the Agreement (see Chapter 7 of the report for a detailed overview of stakeholder concerns).

Politically, the negotiations were influenced by a range of domestic and international factors. In the EU, the negotiation process involves navigating the complex decision-making structures of the European Commission, the European Parliament, and EU MS, each with their own priorities and interests. Similarly, in Canada, the federal government, provincial governments, and various stakeholders played important roles in shaping the negotiation positions and outcomes. Furthermore, the negotiations occurred against the background of broader political developments, including shifts in global economic power and more pronounced challenges to multilateral trade negotiations under the World Trade Organization (WTO).

### 1.6 Economic and political context since CETA's provisional application

Since the provisional application of CETA in 2017, the economic and political context has been characterised by a mix of opportunities and challenges for the whole world, including for the EU, EU MS, and Canada.

Economically, countries faced uneven growth as some states continued to experience robust economic expansion while others saw rising debt levels and economic disparities. Trade tensions, geopolitical conflicts, and the COVID-19 pandemic have introduced new risks and vulnerabilities to the global economy, which were reflected in increased volatility in financial markets. Furthermore, new opportunities related to technology as well as challenges related to climate change and social issues, have raised concerns about job displacement and data privacy.

Politically, the period since 2017 has witnessed shifts in domestic and international politics driven by increased nationalism and geopolitical tensions. The cost-of-living crisis in Europe has led to economic inequality and a rise in nationalist movements in some countries. Geopolitical tensions have escalated in Eastern Europe (the war in Ukraine) and the Middle East (the conflict in Gaza), which contributed to instability and uncertainty in global affairs. More concretely it has led to the EU and others imposing sanctions on Russia (and Belarus) and the EU has officially aimed to decouple itself from Russia's economy.

Stakeholders interviewed for this study note that CETA interacts with other EU policies and plays an important role in addressing broader political, environmental, and economic objectives. Press releases of both Parties regularly mention the link between CETA and high-level political dialogues held between the EU and Canada, as well as environmental initiatives (e.g. the EU-Canada Green Alliance), creating synergies that aim to enhance bilateral cooperation. Progress and achievements under CETA are discussed during high-level political summits (European Commission, 2019i; 2023k; Council of the EU, 2021a).

CETA provisions are aligned with the European Green Deal and the EU's Trade Policy Review as it embodies sustainability into trade practices - through the promotion of trade in green goods and fostering cooperation on renewable energy and sustainable supply chains. CETA's provisions on sustainable development, although criticised for their non-binding nature, aim to create a foundation for collaboration in promoting labour and environmental protection.

In the context of global trade, CETA interacts with other significant agreements, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the United States-Mexico-Canada Agreement (USMCA). Canada's participation in these agreements complements its commitments under CETA, creating opportunities for alignment and sharing best practices. Similarly, the EU's trade agreements with such countries like Japan and the UK reflect upon EU's objectives in sustainability and fair trade. These overlapping agreements and synergies with policies strengthen the capacity of the EU and Canada to address modern trade challenges collaboratively, also at multilateral and international fora (see also Annex IX).

## 2 ECONOMIC ANALYSIS

This Chapter examines the economic impact of CETA. It starts with the evolution of tariffs between the EU and Canada, followed by an overview of the changes in trade in goods (including agriculture) and services and the impact of CETA on foreign direct investment (FDI). It then provides specific analyses on the effects of different elements of the Agreement, including the economic impact of CETA, regulatory cooperation, SMEs, critical raw materials, resilience of supply chains, customs & preference utilisation, and public procurement.

### 2.1 Evolution of tariffs between the EU and Canada

This Section describes the evolution of tariffs between the EU and Canada, the importance of MFN0 tariffs in the bilateral relationship, the potential for CETA to extend bilateral preferences, and the impact of extended preference margins on imports.

#### Key findings:

- In line with commitments undertaken by the EU and Canada under CETA, tariffs on the majority of goods fell to zero after the start of the provisional application of the Agreement. For certain products, tariff reductions were phased in gradually, which finished end of 2023.
- Since 2024 CETA features tariffs for sensitive products when out-of-quota tariffs apply. CETA has removed duties for 98.6% of all Canadian tariff lines and for 98.7% of EU tariff lines.
- For sensitive products like beef, pork, and cheese, quotas were introduced and/or expanded for which the tariff is zero, while out-of-quota tariffs remained in place.
- As a result of CETA, the simple average Canadian tariff on EU exports decreased from 4.2% to almost zero. The simple EU average tariff on Canadian exports dropped from 5.1% to almost zero.
- The high share of MFN0 tariffs in EU-Canada trade indicates that bilateral trade was already relatively free prior to CETA.
- The scope for CETA to extend bilateral preferences was limited, as EU-Canada trade had already been relatively liberalised: preferences could only be extended on the remaining (non-MFN0) 25% of EU exports and 15% of EU imports.
- For the remaining tariffs that were liberalised under CETA, the larger the preference margin, the larger the relative increase in EU exports or imports.
- The most significant increases in the value of EU exports and EU imports resulted from changes in preference margins between 0-5% and/or 5-10%.

A key priority of Free Trade Agreements (FTAs), including new generation FTAs such as CETA, is to reduce trade barriers between the Parties. This is achieved by lowering both tariffs and non-tariff measures (NTMs).

When tariffs between the EU and Canada are reduced or even eliminated, the cost of trade decreases, and administrative burdens – such as customs paperwork – are reduced. This facilitates market access, making it cheaper and less cumbersome for EU products to enter the Canadian market and vice versa. As a result of this increased market access, prices decrease. Both final consumers and industrial consumers of intermediate products benefit from lower prices, leading to increased consumer demand, higher trade volumes, and demand-driven economic growth. Consequently, EU producers of motor vehicles, pharmaceuticals, electrical machinery, and beverages have become more competitive in the Canadian market, while Canadian producers of air- and spacecraft, petroleum oils, pharmaceuticals, and cereals benefit from improved market access in Europe.

Since January 2024 all duties are abolished with the exception of the Categories E and AV0+EP (quotas). Exceptions exist for certain sensitive products such as imports of Canadian beef and pork, for which an increase in quotas was negotiated. A quota was also established for EU cheese exports to Canada.

Therefore, CETA removed duties for 98.6% of all Canadian tariff lines and for 98.7% of EU tariff lines. In certain sectors, such as the automotive industry, tariffs were liberalised over a period of seven years (Annex 2-A, from 2017-2023).

Before CETA, Canada was treated by the EU as any other WTO member, with trade happening under EU MFN tariffs. The same applied in reverse: for Canada, the EU was treated like any other WTO member, subject to Canadian MFN tariffs.

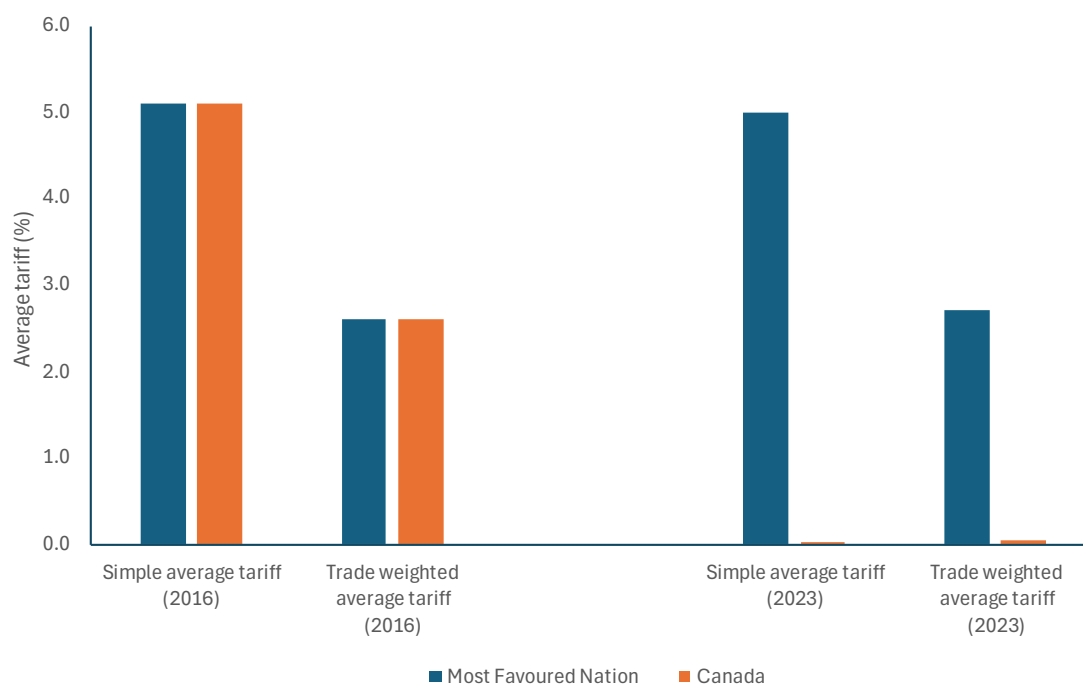
Figure 5 presents EU tariffs applied to MFN countries in 2016 (which also applied to Canada at the time) and to MFN countries and Canada in 2023 (where Canada now benefits from preferential treatment under CETA). There are two ways to calculate aggregate tariff averages: as a simple tariff average or as a trade-weighted tariff average (see Box 2). According to Eurostat (2024), the simple EU MFN tariff was approximately 5.1% in 2016, while the trade-weighted average was 2.6%. In 2023, the simple average EU MFN tariff was 5.0%, and the trade-weighted average tariff was 2.7%. Following the start of the provisional application of CETA, both the simple average and trade-weighted tariffs imposed by the EU on Canadian imports were drastically reduced to nearly zero.

#### Box 2: Simple vs. trade-weighted tariffs

The difference between a simple tariff average and a trade-weighted tariff average is as follows: a **simple tariff average** is the arithmetic mean of all tariffs in force, with each tariff given equal weight. The main issue with this measure is that very high single ad valorem tariffs – especially those so prohibitive that they are not applied in practice – can inflate the simple average tariff, making it less representative of actual trade conditions.

In contrast, a **trade-weighted tariff average** also includes all tariffs, but each tariff is weighed according to its share of trade. This provides a more accurate reflection of the economic significance of different tariffs, as those applied to higher trade volumes have a greater influence on the average. This approach avoids the upward bias inherent in simple tariff averages. However, its main drawback is that changes in trade volumes can alter the trade-weighted average tariff, even when the tariffs themselves remain unchanged.

**Figure 5: EU tariffs on imports – Canada vs. MFN (% , 2016 and 2023)**

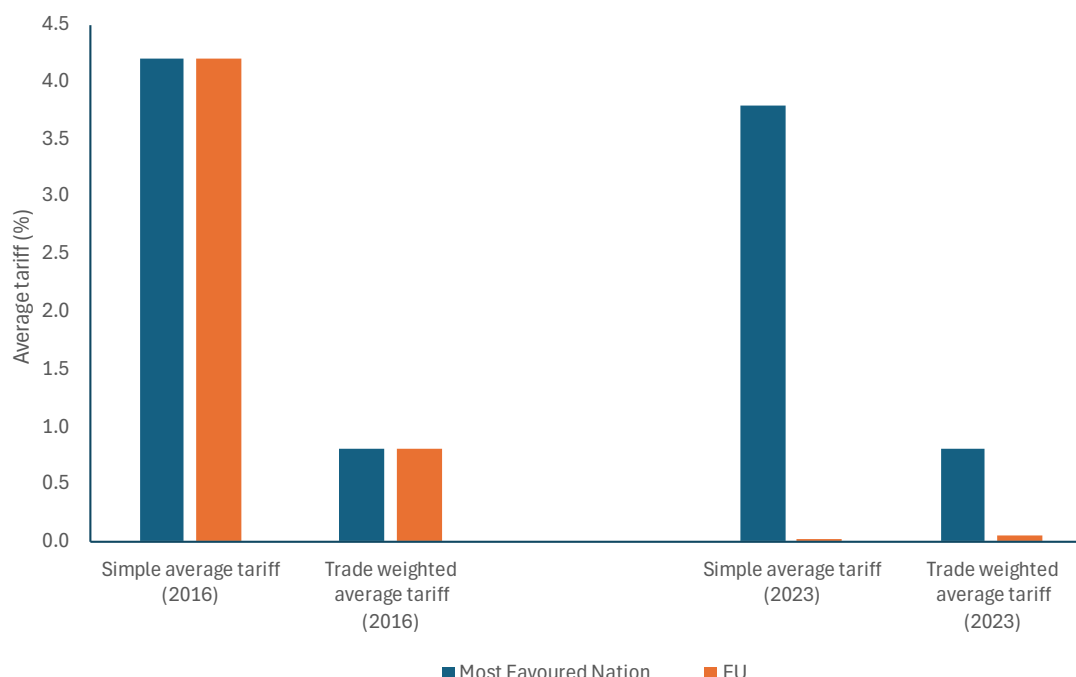


Source: Eurostat (2024), TARIC (2024)

Figure 6 presents the same data for Canada, showing Canadian tariffs applied to MFN countries in 2016 (which also applied to the EU at the time) and to MFN countries and the EU in 2023 (where the EU now benefits from preferential treatment due to CETA). According to Statistics Canada (2024), the simple Canadian MFN tariff was approximately 4.2% in 2016, while the trade-weighted average that year was 0.8%. In 2023, the simple

average Canadian MFN tariff had decreased to 3.8%, while the trade-weighted average tariff remained at 0.8%. Following the start of the provisional application of CETA, both the simple average and trade-weighted tariffs imposed by Canada on imports from the EU were drastically reduced to nearly zero.

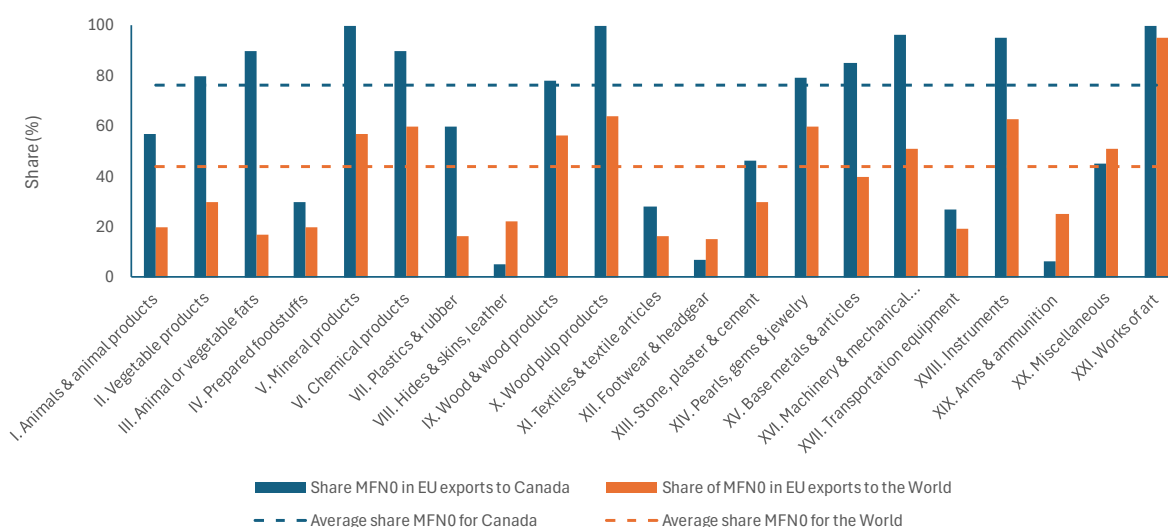
**Figure 6: Canadian tariffs on imports – EU vs. MFN (% , 2016 and 2023)**



Source: Eurostat (2024), TARIC (2024)

Most bilateral trade between the EU and Canada occurs at MFN 0% rates. MFN 0% rates mean that a country allows certain imports from other WTO members to enter without any customs duties (0% tariff) under its Most Favoured Nation (MFN) trade rules, ensuring equal treatment for all WTO members. As shown in Figure 7, in 2017, 75% of EU exports to Canada were subject to MFN 0% rates. Figure 8 further shows that Canada benefitted from MFN 0% rates on 84% on its exports to the EU in 2017. Because most bilateral trade between the EU and Canada was already conducted at MFN 0%, the potential for CETA to extend bilateral preferences on products was limited. CETA preferences could only be extended to the remaining (non-MFN 0%) 25% of EU exports and 15% of EU imports.

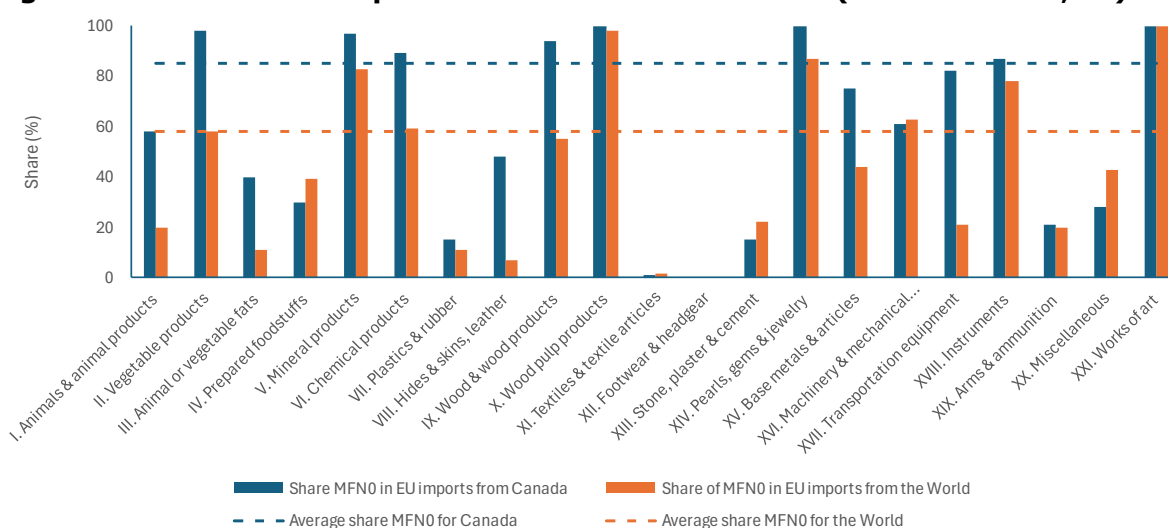
**Figure 7: Shares of EU exports to Canada at MFN 0% (at sector level, %)**



Source: Eurostat (2024)



**Figure 8: Shares of EU imports from Canada at MFN 0% (at sector level, %)**



Source: Eurostat (2024)

Economic theory predicts that for products where tariff liberalisation under CETA has been more significant (i.e. where import tariffs have been reduced more), the corresponding increase in the value of imports should also be greater. Therefore, the following tariff liberalisation analysis focuses only on trade in goods where tariffs have decreased and does not consider goods that were already subject to MFN 0% tariffs.

### Effect of Canadian tariff liberalisation on EU exports

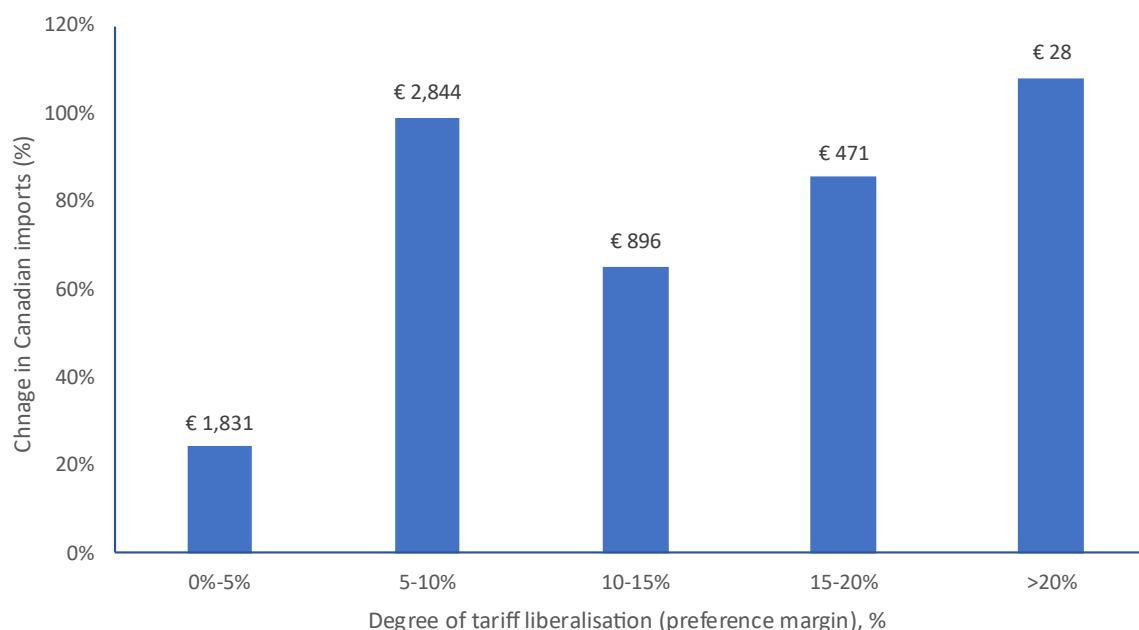
Figure 9 illustrates the changes in EU exports to Canada in response to tariff liberalisation by Canada, comparing data from 2016 (one year before CETA) with 2023 (the most recent post-CETA year). The monetary values displayed on top of each column in Figure 9 indicate the total export value of the goods covered due to tariff liberalisation, categorised by tariff bracket (in € mln).

For products worth €1.8 bn, where Canadian tariffs were reduced by 0-5% under CETA (e.g. walking sticks), EU exports to Canada increased by 24%. For products (with a value of €2.8 bn) where tariffs were reduced by 5-10%, EU exports to Canada increased by 99% (e.g. whey and modified whey). A small subset of products (€28 mln in trade covered) experienced tariff reductions exceeding 20% (e.g. seeds, sausages). As a result, total EU exports to Canada increased in this tariff bracket by 108%.

This analysis of the effect of Canadian tariff liberalisation on EU exports to Canada confirms that the larger the preference margin, the greater the relative increase in EU exports.



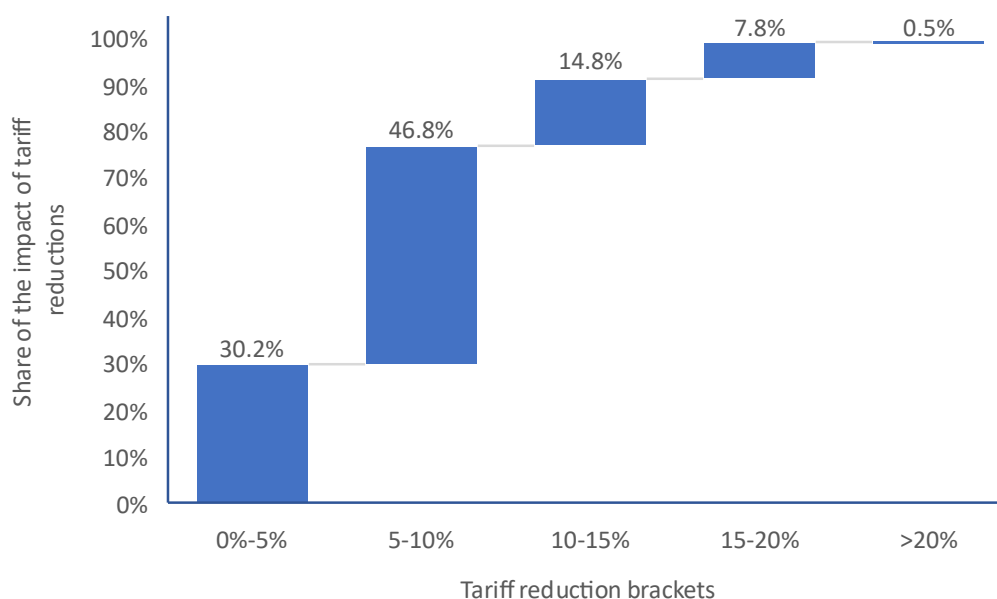
**Figure 9: Canadian tariff liberalisation and changes in EU exports (2016 and 2023, %, € mln)**



Source: Own calculations based on Eurostat (2024) and TARIC (2024)

While the relative increase in EU exports to Canada of products with tariff reductions exceeding 20% is the highest (108%), the overall impact of this tariff bracket is not the most significant, as exports in this tariff bracket applied to €28 mln worth of exports only. The most substantial impact of tariff liberalisation is observed in the 5-10% bracket, where the increase in EU exports covers €2.8 bn worth of goods, accounting for 46.8% of the total tariff effect. Figure 10 illustrates the relative importance of each tariff reduction bracket in terms of the resulting increases in exports, with the total increase set at 100%. Notably, 77% of the increase in EU exports originates from the 0-5% and 5-10% tariff reduction brackets together.

**Figure 10: Importance of Canadian tariff reductions by tariff bracket (% of impact)**



Source: Own calculations based on Eurostat (2024) and TARIC (2024)

### Effect of EU tariff liberalisation on EU imports (Canadian exports)

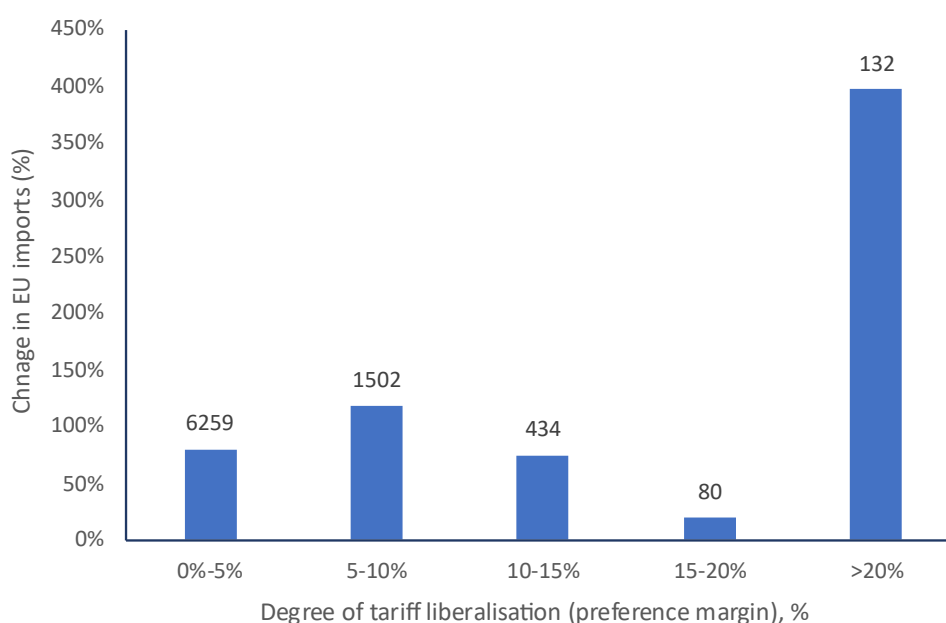
Figure 11 illustrates how EU imports from Canada have changed in response to EU tariff liberalisations, comparing 2016 (one year before CETA) with 2023 (the most recent post-CETA year). As in Figure 10, the values on top of each column in Figure 11 indicate the

change in the value of imports as a result of tariff liberalisation, categorised by tariff bracket (in € mln).

As previously concluded for EU exports in response to Canadian tariff liberalisation, increases in EU preference margins through bilateral tariff liberalisations lead to higher EU imports from Canada (i.e. Canadian exports).

The most significant increase in EU imports stems from the reduction of already low tariffs (0-5% range), where EU imports (e.g. pacific salmon, machinery parts) surged by 80% (covering €6.3 bn in value of goods falling into this tariff bracket). Further tariff liberalisation resulted in an increase of 119% in EU imports for the 5-10% bracket (e.g. cellulose nitrates), with a value of goods covered of €1.5 bn. The largest relative increase in EU imports (397%) occurred for imports where tariff liberalisation exceeded 20% (e.g. polyamide-6). However, the total increase only covered €132 mln in imported goods, making its overall impact smaller compared to lower tariff brackets.

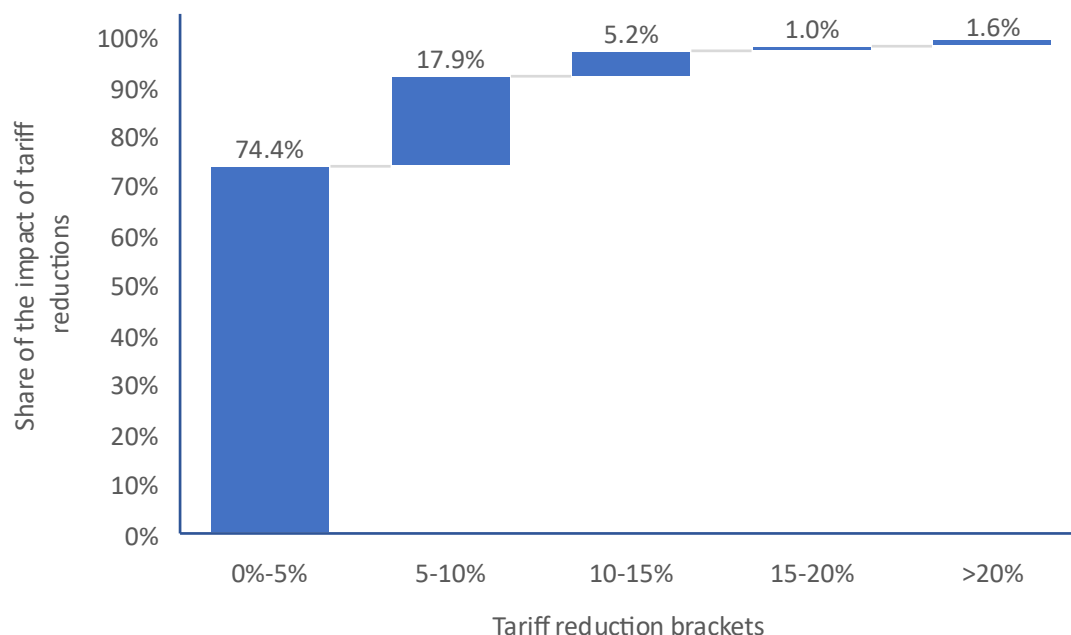
**Figure 11: EU tariff liberalisation and changes EU imports (2016 and 2022, %, € mln)**



*Source: Own calculations based on UN Comtrade data (2024)*

While the relative increase in EU imports from Canada of products with tariff reductions above 20% is the highest (397%), the impact of this tariff bracket is not the most significant in absolute terms, as the increase in imports in this tariff bracket only applies to €132 mln worth of goods. The impact of tariff liberalisation is highest for the 0-5% bracket because the increase in imports of €6.3 bn represents 74.4% of the total tariff effect. Figure 12 illustrates the relative importance of each tariff reduction bracket in terms of the resulting increases in imports, with the total increase set at 100%. Notably, 92.3% of the increase in EU imports originates from the 0-5% and 5-10% tariff reduction brackets.

**Figure 12: Importance of EU tariff reductions by tariff bracket (% of impact)**



Source: Own calculations based on Eurostat (2024) and TARIC (2024)

## 2.2 Evolution of trade in goods between the EU and Canada

This Section describes the evolution of goods trade between the EU, EU MS, and Canada from 2017 to 2023, including in comparison to the 2012-2016 pre-CETA period. The analysis covers changes in total and sector-level exports and imports, as well as effects on trade at a detailed product level, trade in agriculture and the summaries of the Case Studies on geographical indications and conformity assessment.

### Key findings:

- The EU is Canada's 3<sup>rd</sup> most important trading partner, while Canada ranks 12<sup>th</sup> among the EU's most important trading partners for trade in goods.
- In 2023, EU goods exports to Canada amounted to €48.6 bn, while imports from Canada amounted to €27.7 bn.
- While bilateral trade remained relatively stable in the five years before CETA, it increased by 51.4% between 2017 and 2023 (or 66.0% between 2016 and 2023).
- The EU MS that traded most with Canada are Germany, the Netherlands, Italy, France, and Belgium. With the exception of Malta, all EU MS significantly increased their exports to Canada post-CETA compared to the pre-CETA period.
- The EU MS for which trade with Canada is particularly important are: Belgium, Ireland, Austria, Denmark, Finland, Portugal, Latvia, Estonia, Luxembourg, and Malta.
- During the 2017-2023 period, bilateral EU exports to Canada increased more than extra-EU exports (51.4% vs. 28.0%), while EU imports from Canada also increased marginally more than extra-EU imports (52.0% vs. 42.0%).
- The main EU export sectors to Canada were: nuclear reactors & boilers (17.6%), motor vehicles (11.5%), pharmaceuticals (11.1%), chemicals (7.7%) and agriculture and processed foods (6.0%).
- The main EU import sectors from Canada were: mineral fuels & oils (15.6%), ores, slag & ash (12.9%), agriculture and processed food (10.9%), nuclear reactors & boilers (9.9%), and aircraft (8.8%).
- The largest EU export growth to Canada (2017-2023) occurred in nuclear reactors & boilers (€3.1 bn), chemicals (€2.8 bn), pharmaceuticals (€1.6 bn) and cars (€1.1 bn).
- The largest import growth from Canada (2017-2023) occurred in mineral fuels & oils (€2.2 bn), ores, slag & ash (€1.0 bn), and pearls, gems & jewellery (€954.3 mln).

- The main EU agricultural exports to Canada in 2023 were wine (18.8% of all EU agricultural exports), feta cheese (4.2%), sparkling wine (3.9%) and beer (3.3%). The main EU agricultural imports from Canada in 2023 were soya beans (17.8%), oil seeds (15.7%), cereals, wheat (13.9%) and cereals, maize (9.5%).
- Largest EU agriculture export gains accrued to wine (10.8% more exports in 2017-2023 compared to 2012-2016), followed by extra virgin olive oil (8.6%), sparkling wine (4.4%) and feta cheese (4.3%). The largest increases in EU imports were in oil seeds (37.5%), cereals, maize (18.4%), and crustaceans (12.2%).
- Through tariff-rate quotas (TRQs) Canada has opened 17,700 tonnes of quota for EU cheese, while the EU has agreed to TRQs to open 35,000 tonnes for beef & veal, 3,000 tonnes for bison, 15,000 tonnes for frozen beef, 80,000 tonnes for pigmeat, 8,000 tonnes for sweetcorn, 30,000 tonnes for high sugar content products, 10,000 for sugar confectionery, 35,000 for preparations of cereals, and 60,000 tonnes for dog or cat food.
- Various implementation issues have been discussed between the EU and Canada such as the management of TRQs and SPS issues.

### Box 3: Data approach to comparing the pre-CETA and the post-CETA periods

This analysis examines the evolution of actual trade flows to assess how both overall and sectoral trade in goods between the two Parties developed between the 2012-2016 (pre-CETA) and 2017-2023 (post-CETA) periods. However, this approach does not isolate the CETA-specific effect on bilateral trade between the Parties but rather reflects total observed trade flows, which are influenced by CETA as well as other external factors (e.g. other policy initiatives or geopolitical events). The economic analysis in Section 2.5 specifically focuses on isolating the CETA effects. This trade flow analysis aligns with the objective of this evaluation, which is to assess the impact of CETA and serves as the foundation for the social, environmental, and human rights analysis through a causal chain approach outlined in the Inception Report.

#### 2.2.1 *The importance of the EU in Canadian trade and Canada in EU trade*

The main trading partners for the EU and Canada in 2023 are shown in Table 2. In 2023, Canada was the EU's 12<sup>th</sup> most important trading partner, while the EU ranked as Canada's 3<sup>rd</sup> largest trading partner, following the US and China.

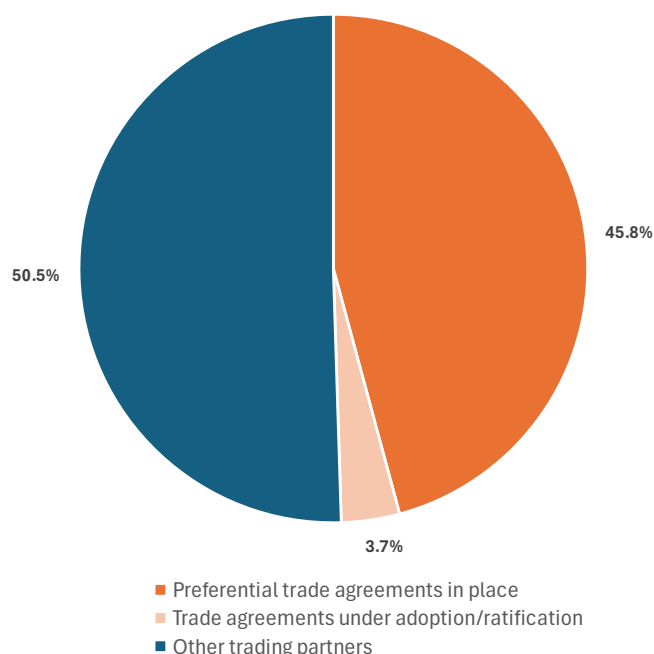
**Table 2: Main EU and Canadian trading partners (2023)**

European Union*		Canada**	
Top trading partners	Total goods trade (€ bn)	Top trading partners	Total goods trade (€ bn)
United States (1)	851.0	United States (1)	598.1
China (2)	743.9	China (2)	76.5
United Kingdom (3)	517.3	<b>EU (3)</b>	<b>76.2</b>
Switzerland (4)	327.7	Mexico (4)	35.7
Türkiye (5)	207.3	Japan (5)	23.1
Norway (6)	174.0	United Kingdom (6)	15.0
Japan (7)	135.3	South Korea (7)	13.5
South Korea (8)	130.7	Switzerland (8)	8.7
India (9)	113.8	Brazil (9)	8.7
Russia (10)	88.9	India (10)	8.1
Mexico (11)	82.1	Australia (11)	4.0
<b>Canada (12)</b>	<b>76.4</b>	Saudi Arabia (12)	2.6
<b>Total EU trade in goods</b>	<b>4,271.3</b>	<b>Total Canadian trade in goods</b>	<b>876.4</b>

Sources: \* Eurostat (2024), \*\* Statistics Canada (2024)

The EU has preferential trade agreements with some of the trading partners listed in Table 2, such as the UK, Switzerland, Türkiye, and Canada, while it does not have such agreements with others (e.g. the US and China). Figure 13 shows that in 2023, 45.8% of all EU trade took place with preferential trading partners, while just over 50% occurred with non-preferential partners.

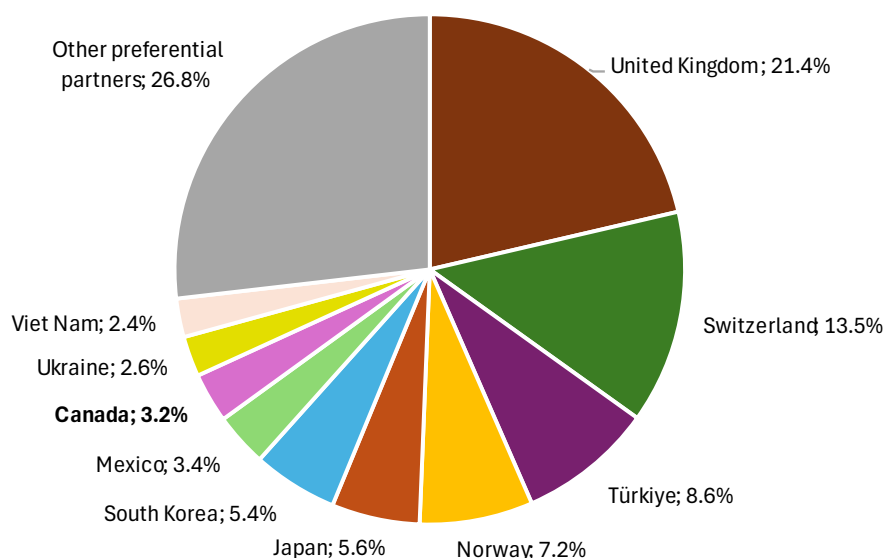
**Figure 13: EU trade in goods by type of trading partner (2023, %)**



Source: Eurostat (2024)

Figure 14 provides further detail on the main countries with which the EU has trade agreements. Within this group, the UK and Switzerland account for the largest share of trade. Canada ranks as the 8<sup>th</sup> most important preferential trading partner for the EU, constituting 3.2% of EU trade, just after Mexico.

**Figure 14: EU trade in goods by preferential partner (2023, %)**



Source: Eurostat (2024)

#### Box 4: Data approach to comparing the pre-CETA and the post-CETA periods

Throughout this evaluation, the pre-CETA period is defined as the five years before the provisional application of the Agreement (2012-2016), while the post-CETA period includes all available years after 2017. For trade in goods, data is available for seven years (until 2023), whereas for trade in services, data is available for six years (mostly until 2022). In some cases, data is unavailable for these periods. When this occurs, an alternative comparison is made, with a reference to the lack of available data.

The reason for comparing pre-CETA and post-CETA *periods* rather than individual years (where data allows) is to avoid annual outliers distorting the analysis. For example, trade fluctuations

#### Box 4: Data approach to comparing the pre-CETA and the post-CETA periods

caused by the COVID-19 pandemic in 2020 or the US-China tariff war in 2018-2019 could otherwise skew results.

This data comparison does not isolate the CETA-induced effect on bilateral trade. Instead, it examines observed trade flows, which include the impact of CETA but may also reflect other external factors.

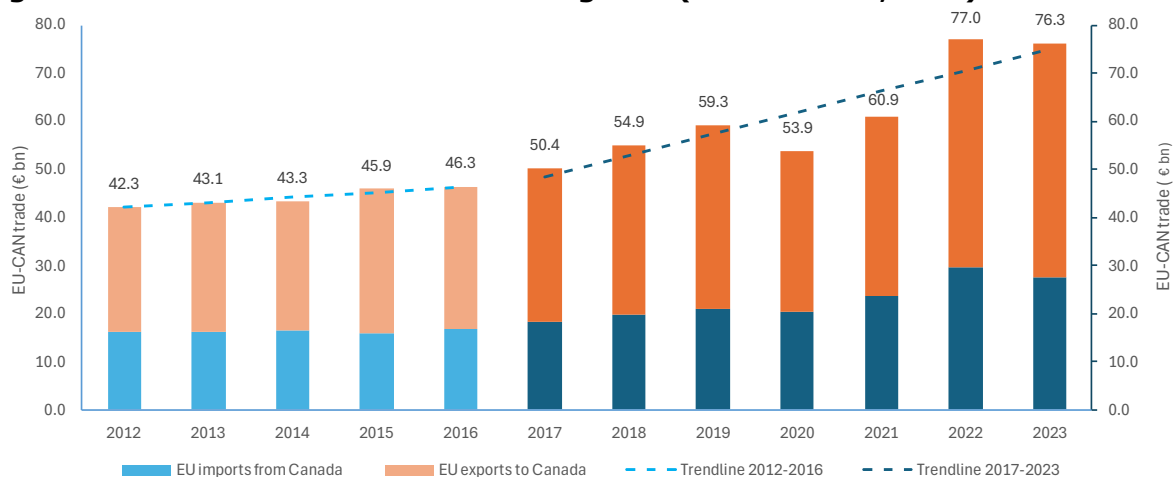
#### 2.2.2 *The overall evolution trade in goods between the EU and Canada*

From 2012 to 2023, total bilateral EU-Canada trade increased from €42.3bn to €76.3bn, as shown in Figure 15. However, during the pre-CETA period (2012 and 2016), bilateral trade remained relatively stable (€42.3bn in 2012 and €46.3bn in 2016). In contrast, during the post-CETA period, bilateral trade grew rapidly, rising from €50.4bn in 2017 to €76.3bn in 2023, an increase of 51.4%, despite a significant drop in trade in 2020 due to the COVID-19 pandemic.

When considering the increase in bilateral trade in goods from 2016 to 2023, the total trade growth is 66.0%. While other factors may have influenced trade patterns, it is evident that EU-Canada bilateral trade expanded at a much faster rate in the post-CETA period than in the five years preceding the Agreement.

Breaking down total trade into exports and imports, in 2023, the EU exported €48.6bn in goods to Canada. When comparing the pre-CETA period (2012-2016) to the post-CETA period (2017-2023) for the EU as a whole, EU exports increased from an average €27.9 bn per year (2012-2016) to €38.9 bn per year (2017-2023), marking an increase of 39.5%. EU imports from Canada increased from an average of €16.3 bn per year (2012-2016) to €22.9 bn per year (2017-2023), marking an increase of 40.4%.

**Figure 15: Bilateral EU-Canada trade in goods (2012 – 2023, € bn)**



Source: Eurostat (2024)

Examining Figure 16, which covers the period from 2012 to 2023, Germany was the top EU MS for trade with Canada, followed by the Netherlands, Italy, France, and Belgium. These five EU MS accounted for 71.4% of total EU-Canada bilateral trade in goods during this period. The relative importance of the Netherlands and Belgium in this ranking is partly due to a statistical effect known as the 'Port of Rotterdam' effect, as explained in Box 5.

Figure 16 also highlights the relative significance of bilateral trade with Canada as a share of each EU MS's total trade. The purple dotted line represents the EU average, which shows that 1.4% of EU total trade is with Canada.

For some EU MS, Canada is a more significant trading partner. For Malta, trade with Canada accounts for 7-8% of its total goods trade. Other EU MS where Canada holds a relatively higher trade share include Luxembourg, Latvia, Finland, Austria, Belgium, France, Denmark, and Portugal (at least for the 2017-2023 period). Moreover, CETA has led to an

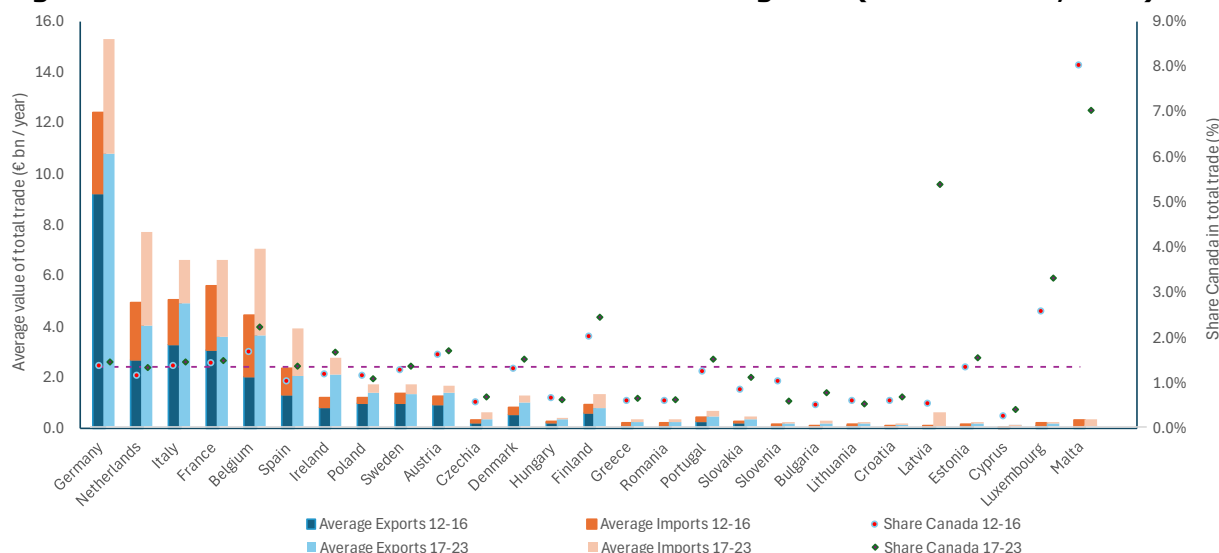
increase in Canada's importance as a trading partner for almost all EU MS – except for Malta – when comparing the share of trade with Canada during the 2012-2016 period with the share during the 2017-2023 period.

### Comparing the evolution of EU-Canada trade before and after CETA

When comparing the five-year pre-CETA average (2012-2016) with the seven-year post-CETA average (2017-2023) for exports and imports (Figure 16), the following key observations stand out:

- The top-5 EU MS in terms of total bilateral trade with Canada are Germany, the Netherlands, Italy, France, and Belgium;
- With the exception of Malta, all EU MS increased their exports to Canada in the post-CETA period compared to the pre-CETA period, despite the inclusion of the COVID-19 pandemic in these figures. The only decline in exports was observed for Malta, amounting to €10 mln per year;
- Germany, Belgium, and Italy each recorded an increase of €1.6bn per year in exports during the 2017-2023 period, compared to the 2012-2016 period. For the Netherlands, exports increased by €1.4 bn per year, while Ireland saw an increase of €1.3bn per year, and France recorded an increase of €0.5bn per year.

**Figure 16: Total bilateral EU MS - Canada trade in goods (2012 – 2023, € bn)**



Source: Eurostat (2024)

### Box 5: The 'Port of Rotterdam' effect

The Single Market creates a unique effect when reporting EU exports. EU customs authorities often classify the point of exit from the EU (country of shipment) as the exporting country rather than the country of origin of the goods.

For example, if a product originates in Austria but is shipped to Canada via sea freight from the Port of Rotterdam, Eurostat may classify it as a Dutch export, even though Canadian customs would record it as an import from Austria. This classification depends on who makes the export declaration – whether it is the exporting company at the Port of Rotterdam or the freight forwarder in Austria. As a result, Eurostat reports higher export levels from the Netherlands and Belgium (both major ports for exports to Canada) than Canada reports as imports from these countries. This discrepancy is known as the "Port of Rotterdam effect" where many EU exports are registered as Dutch or Belgian exports rather than exports from their actual country of origin within the EU.

A similar situation applies to imports, but the discrepancy is even more pronounced. Eurostat classifies a Canadian import based on where goods physically enter the EU (e.g. the Port of Rotterdam), whereas Canadian statistics record the export based on the final country of destination.

This means that countries where exports to Canada leave the EU (i.e. countries of shipment – notably the Netherlands and Belgium, and to a lesser extent France and Germany) appear to be more significant exporters than they actually are when compared to the "country of origin"



### Box 5: The 'Port of Rotterdam' effect

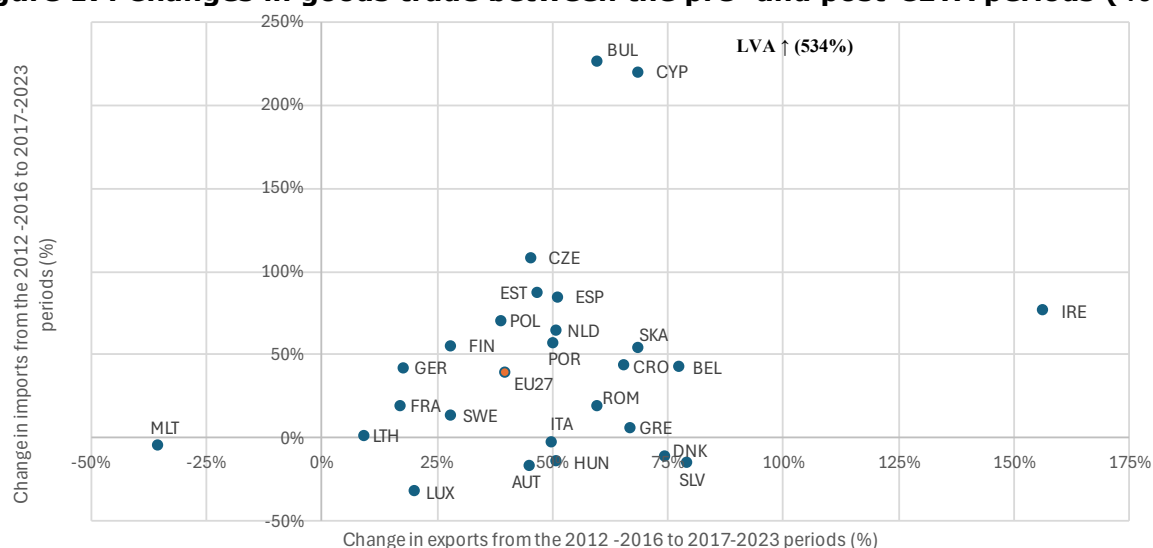
statistics. Similarly, these countries also appear as more significant importers from Canada. These countries are also shown as relatively more important importers.

This statistical effect explains why the Netherlands and Belgium appear to be among the most important EU exporters to – and importers from – Canada, despite not necessarily being actual origin or final destination of the goods.

The approach of comparing adjacent average periods offers two key advantages. First, it incorporates the COVID-19 pandemic within the seven-year post-CETA average, ensuring a more balanced comparison. Second, it mitigates the impact of price shocks (e.g. inflation) by making price levels more comparable than if individual years were compared over the 2012-2023 time period.

Figure 17 illustrates the changes in exports to and imports from Canada for each EU MS when comparing the pre-CETA and post-CETA periods. Exports to Canada increased for all EU MS, with the largest increases observed in Ireland (+156%), Belgium (+77%), Cyprus (+68%), Slovenia (+79%), Denmark (+74%), and Greece (+67%). As mentioned before, Malta is the only EU MS that experienced a decline in exports (-35%), although the absolute reduction remains small.

**Figure 17: Changes in goods trade between the pre- and post-CETA periods (%)**



Source: Eurostat (2024)

The effect on Malta's exports is primarily due to several factors. First, the UK's departure from the EU negatively affected its economy, which in turn had adverse effects on EU MS with strong economic ties to the UK, such as Malta. Second, volatility in energy and metal ore prices reduced the value of Malta's exports. Third, Malta's export structure includes products such as electrical machinery, which faced greater competition in global markets. Finally, CETA contributed to some trade diversion for the UK (i.e. the trade increase between the EU and Canada goes partially at the expense of EU-UK and Canada-UK trade), impacting Malta, whose economy remains closely linked to the UK.

Imports from Canada also increased for most EU MS, with the exception of Luxembourg, Slovenia, Denmark, Hungary, Austria, Italy, and Malta. For these countries, imports declined in the post-CETA period compared to 2012-2016 (before the provisional application of the Agreement).

For the EU27 as a whole, both exports and imports increased in the post-CETA period despite the effects of COVID-19. The EU has a positive trade balance of €4.4 bn per year in the post-CETA period (exports of €11.0 bn per year in the post-CETA period, and imports of €6.6 bn per year).

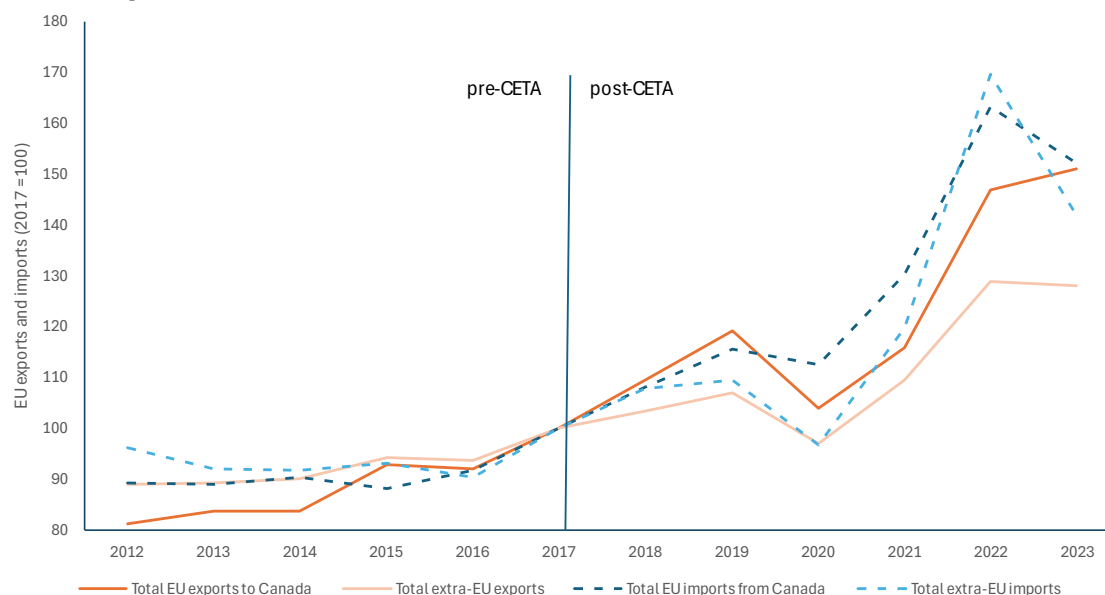


### Comparing the evolution of EU-Canada trade compared to extra-EU trade

While EU-Canada trade has experienced significant growth over time, with notably higher levels of trade in the post-CETA period compared to the five years before CETA's provisional application, some of this growth may reflect a broader global trend of increasing international trade.

To assess the relative impact of CETA, Figure 18 compares the growth of bilateral EU-Canada trade in goods to the growth of total extra-EU trade in goods, covering both exports and imports. The Figure shows that EU exports to Canada have grown at a faster rate than total extra-EU exports, with 2017 set as the base year. For example, between 2017-2019, EU exports to Canada increased by 19.0%, while total EU exports grew by only 6.9%. Moreover, CETA appears to have supported a faster post-pandemic recovery; between 2020 and 2023, EU exports to Canada grew by 45.2%, while total EU exports increased by 32.2%. In contrast, EU imports from Canada appear to have increased at a pace similar to the overall extra-EU imports. Overall, between 2017 and 2023, EU goods exports to Canada increased by 51% compared to a 28% increase in EU exports to third countries.

**Figure 18: Changes in goods trade between the pre- and post-CETA periods (2017=100)**



Source: Eurostat (2024)

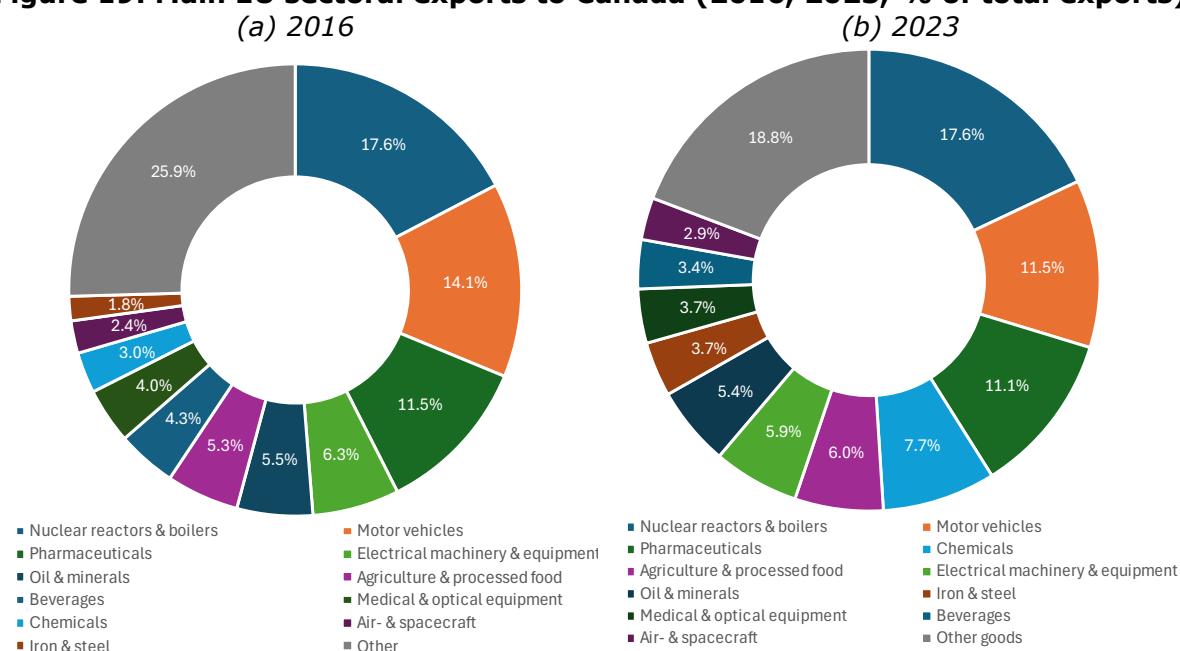
#### 2.2.3 The sectoral evolution of trade in goods between the EU and Canada

##### EU exports to Canada

According to Eurostat (2024), EU exports to Canada amounted to €48.6 bn in 2023. As shown in Figure 19 (right-hand side), the largest export sectors in 2023 were nuclear reactors & boilers (which accounted for 17.6% of EU total exports, amounting to €8.5 bn), motor vehicles (11.5% or €5.6 bn), pharmaceuticals (11.1% or €5.4 bn), chemicals (7.7% or €3.8 bn), agriculture & processed food (6.0% or €2.9 bn), and electrical machinery & equipment (5.9% or €2.9 bn). Together, these six sectors represented 59.6% of total EU exports to Canada in 2023. Other significant export sectors in 2023 included oil & minerals (which made up 5.4% of total exports), iron & steel (3.7%), medical & optical equipment (3.7%), beverages (3.4%), and air- and spacecraft (2.9%).

The top-10 largest EU export sectors to Canada were the same in 2016 (left-hand side of the Figure). However, two notable changes were the increasing relative importance of the chemical and the agriculture & processed food sectors, as their shares in total EU exports to Canada rose from 3.0% in 2016 to 7.7% in 2023 for chemicals and from 5.3% in 2016 to 6.0% in 2023 for agriculture & processed foods.

**Figure 19: Main EU sectoral exports to Canada (2016, 2023, % of total exports)**



Source: Eurostat (2024)

Between 2016 and 2023, EU exports to Canada increased by 64%. As shown in Table 3 (ranked by largest increases in exports between 2016 and 2023), the largest increases occurred in nuclear reactors & boilers (€3.3 bn or 63.7%), chemicals (€3.0 bn or 250.2%), pharmaceuticals (€2.0 bn or 58.4%), motor vehicles (€1.4 bn or 33.4%), agricultural products (€1.3 bn or 80.0%), and mineral fuels & oils (€1.0 bn or 62.2%).

While CETA has played a significant role in these increases in EU exports to Canada, other factors have also contributed. For example, the substantial rise in EU exports of pharmaceuticals to Canada is also due to the export of COVID-19 vaccines from the EU to Canada during the COVID-19 pandemic. Similarly, the decline in EU exports of ships can be attributed, to a large extent, to the introduction of a luxury tax by Canada on boats and yachts valued at over C\$250,000.

**Table 3: Main EU export sectors (by increase in value 2016-2023, € mln, %)**

Product category	Export value (€ mln, 2016)	Export value (€ mln, 2023)	Increase in exports 2016-2023 (€ mln)	Increase in exports 2016-2023 (%)
Nuclear reactors & boilers	5,221	8,545	3,324	63.7%
Chemicals	1,190	4,166	2,977	250.2%
Pharmaceuticals	3,407	5,399	1,992	58.4%
Motor vehicles	4,188	5,586	1,398	33.4%
Agricultural products	1,631	2,935	1,305	80.0%
Mineral fuels & oils	1,630	2,644	1,014	62.2%
Electrical machinery & equipment	1,868	2,864	996	53.3%
Iron & steel	959	1,820	862	89.9%
Copper & copper products	70	774	704	1008.2%
Air- & Spacecraft	700	1,404	704	100.6%
Medical & optical instruments	1,197	1,806	609	50.9%
Pearls, gems & jewelry	140	501	361	257.4%
Beverages	1,280	1,634	354	27.6%
Apparel & clothing	442	778	336	76.1%
Plastics	482	747	265	54.9%
Aluminium & aluminium products	218	390	172	78.7%

Product category	Export value (€ mln, 2016)	Export value (€ mln, 2023)	Increase in exports 2016-2023 (€ mln)	Increase in exports 2016-2023 (%)
Furniture	434	592	158	36.4%
Footwear	245	402	157	64.0%
Rubber	295	436	141	47.8%
Other base metals	46	38	-8	-17.2%
Raw hides & skins	28	20	-9	-30.9%
Ships & boats	278	178	-100	-36.0%
Furskins	176	7	-168	-95.7%

Source: Eurostat (2024)

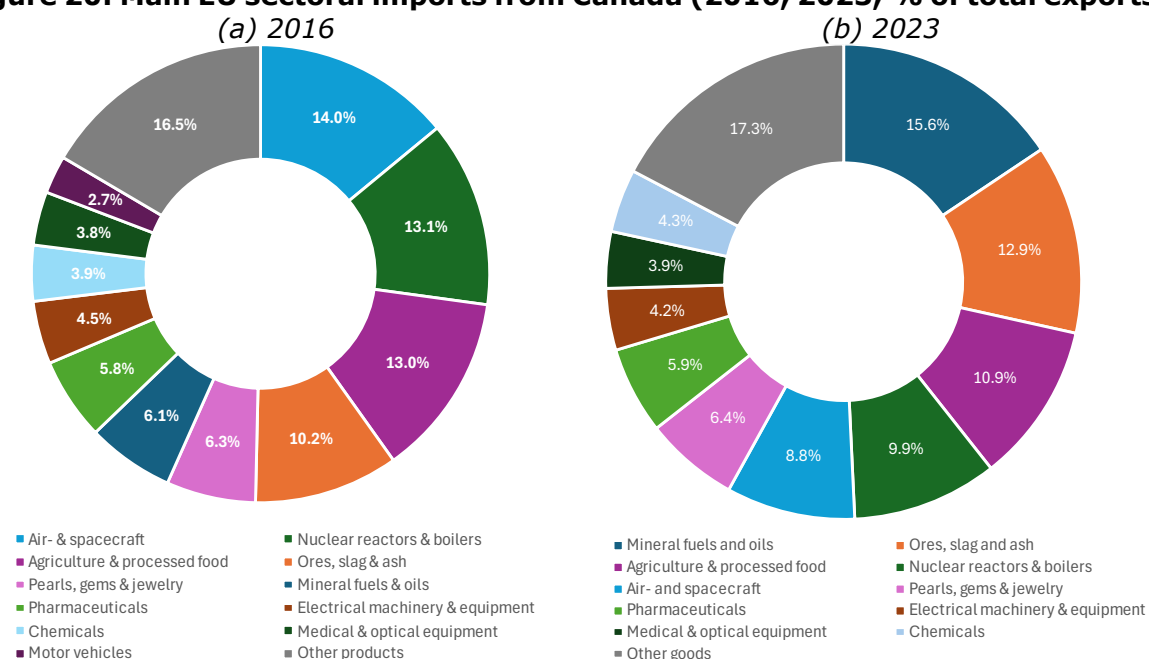
### EU imports from Canada

In 2023, EU imports from Canada amounted to €27.7 bn. As shown in Figure 20 (right-hand side), the largest import sectors were mineral fuels and oils (15.6% of total EU imports from Canada, amounting to €4.3 bn), ores, slag & ash (12.9% or €3.6 bn), agriculture & processed foods (10.9%), nuclear reactors & boilers (9.9% or €2.7 bn), air- and spacecraft (8.8% or €2.4 bn) and pearls, and gems & jewellery (6.4% or €1.8 bn). Together, these six sectors represented 64.4% of all EU imports from Canada in 2023. Other significant import categories in 2023 included pharmaceuticals (5.9%), chemicals (4.3%), electrical machinery (4.2%), and medical & optical equipment (3.9%).

On the import side, significant sectoral shifts occurred between 2016 and 2023. First of all, the share of mineral fuels and oils in total EU imports from Canada increased from 6.1% in 2016 to 15.6% in 2023, reflecting a growing reliance on Canadian energy products. Also the share of ores, slag & ash increased from 10.9% to 12.9%. Third, the relative importance of imports of air- and spacecraft, nuclear reactors & boilers, and pharmaceuticals declined over this period. At the same time, the import of chemicals from Canada became relatively more significant.

Two key factors have driven these shifts in EU imports from Canada. First, the war in Ukraine and subsequent sanctions on Russia have led to an increase in EU imports of Canadian mineral oils and fuels as part of a strategy to substitute Russian energy and CRM imports. Second, in line with the EU economic security policy, there has been a stronger emphasis on securing access to critical raw materials, resulting in higher imports of minerals and oils, but also ores, ash & slags, and certain metals from Canada, which is regarded as a reliable trading partner.

**Figure 20: Main EU sectoral imports from Canada (2016, 2023, % of total exports)**



Source: Eurostat (2024)

Between 2016 and 2023, EU imports from Canada increased by 67%. As shown in Table 4 (ranked by increases in exports between 2016 and 2023), the largest import increases in the post-CETA period occurred in the following sectors: mineral fuels & oils (€3.3 bn or 321.5%), ores, slag & ash (€1.9 bn or 109.5%), agricultural products (€830 mln or 38.3%), chemicals (€788 mln or 119.9%), pearls, gems & jewelry (€718 mln or 68.2%). In relative (percentage) terms, notable increases were also observed in several other sectors, including a 523.6% increase in fertiliser imports, a 177.6% increase in aluminium imports, a 114.5% increase in nickel imports, and 254.2% increase in beverage imports from Canada.

As previously discussed, several factors – in addition to CETA – have contributed to these shifts in trade patterns. The war in Ukraine and the sanctions imposed on Russia have led to a reallocation of EU energy imports, increasing reliance on Canadian energy sources. Additionally, the EU economic security strategy and energy transition have driven a shift towards importing (critical) raw materials from reliable trading partners such as Canada.

**Table 4: Main EU import sectors (by increase in value, 2016-2023, € mln, %)**

Product category	Import value (€ mln, 2016)	Import value (€ mln, 2023)	Increase in imports 2016-2023 (€ mln)	Increase in imports 2016-2023 (%)
Mineral fuels & oils	1,025	4,322	3,296	321.5%
Ores, slag & ash	1,701	3,565	1,864	109.5%
Agricultural products	2,166	2,996	830	38.3%
Chemicals	657	1,445	788	119.9%
Pearls, gems & jewelry	1,052	1,770	718	68.2%
Pharmaceuticals	969	1,642	672	69.4%
Nuclear reactors & boilers	2,194	2,737	544	24.8%
Medical & optical equipment	631	1,067	435	69.0%
Electrical machinery & equipment	743	1,164	421	56.7%
Fertilisers	67	415	349	523.6%
Aluminium & aluminium articles	148	409	262	177.6%
Plastics	194	370	175	90.3%
Nickel & nickel articles	134	287	153	114.5%

Product category	Import value (€ mln, 2016)	Import value (€ mln, 2023)	Increase in imports 2016-2023 (€ mln)	Increase in imports 2016-2023 (%)
Oils & resinoids	144	291	148	102.8%
Air- & spacecraft	2,339	2,428	89	3.8%
Paper & paper products	99	183	84	85.6%
Other base metals	50	127	77	153.7%
Beverages	29	101	73	254.2%
Iron & steel	278	334	57	20.4%
Other manufactured articles	28	11	-17	-61.3%
Furskins	37	8	-30	-79.8%
Motor vehicles	447	391	-56	-12.5%
Wood pulp	170	58	-113	-66.0%

Source: Eurostat (2024)

#### 2.2.4 Product-level evolution of trade in goods between the EU and Canada

In addition to analysing the main sectors in EU-Canadian goods trade, this Section provides a detailed product-level analysis of EU-Canadian trade. The core data for this analysis, including figures for all EU MS, are presented in Annex III.

Products are commonly classified at different levels of detail in order to establish a common statistical framework that is globally recognised. This classification follows the Harmonized System (HS) classification, a standardised method used worldwide for trade data reporting and analysis. A detailed explanation of this system is provided in Box 6.

#### **Box 6: The Harmonized System (HS) of classification**

The Harmonized Commodity Description and Coding System, generally referred to as "Harmonized System" or simply "HS", is a multipurpose international product nomenclature developed by the World Customs Organization (WCO). HS codes are used by all countries globally to ensure common definitions and standardisation in trade classification. The system exists at different levels of disaggregation to provide varying degrees of detail.

At the most aggregate level, HS2 divides the economy into 97 broad sectors. For example, HS code 02 (2-digit level) represents "meat and edible meat offal", while HS code 72 corresponds to "iron and steel". The 4-digit HS code (HS4) provides further specificity by breaking down these broad categories. For instance, within HS sector 72 (iron and steel), HS code 7201 refers to "pig iron and spiegeleisen in pigs, blocks or other primary forms", while HS code 7202 covers "ferro-alloys", etc. The HS6 level is even more detailed, further disaggregating HS4 classifications. For example, within HS4 code 7202 (ferro-alloys), HS code 720211 refers to "ferro-manganese, containing by weight more than 2% of carbon", while HS code 720219 specifies "ferro-manganese, containing by weight less than 2% of carbon", and HS code 720221 corresponds to "ferro-silicon, containing by weight 55% or less of silicon", etc.

Every five years, the HS codes are reviewed and updated to reflect changes in global trade patterns and product classifications. These updates can lead to differences between HS versions, as definitions change, and new sub-headings are introduced. As a result, concordance work is often required to align different HS versions and ensure consistency in trade data comparisons over time.

For this analysis, products are classified at a high level of disaggregation (HS6 level) to provide a detailed overview of products traded between the EU and Canada and to facilitate comparisons between the 2012-2016 period and 2017-2023.

## EU exports to Canada

As shown in Table 5, the main products (at HS6 level of detail) exported by the EU to Canada during the post-CETA period (2017-2023) include medicaments (€1.8 bn per year, on average), light oils and preparations of petroleum (€1.6 bn per year), immunological products (€1.2 bn a year), wine of fresh grapes (€812 mln per year), and vaccines for human medicine (€533.9 mln per year).

**Table 5: Top-10 EU export products to Canada (€ mln, average 2017-2023, HS6)**

Nr	Product name	Average 2017-2023 (mln €)
1	<b>Medicaments</b> consisting of mixed or unmixed products for therapeutic or prophylactic purposes, put up in measured doses	1,831.4
2	Certain <b>light oils and preparations</b> , of petroleum or bituminous minerals	1,598.9
3	<b>Immunological products</b> , in measured doses	1,222.2
4	<b>Wine of fresh grapes</b> (including fortified wines, and certain grape must)	812.2
5	<b>Vaccines for human medicine</b>	533.9
6	<b>Steroidal hormones</b> , their derivatives and structural analogues, used primarily as hormones	469.7
7	Certain <b>heavy oils and preparations</b> , of petroleum or bituminous minerals	383.5
8	<b>Heterocyclic compounds</b> containing an unfused thiazole ring	345.5
9	<b>Medicaments containing corticosteroid hormones</b> , their derivatives or structural analogues but not antibiotics	294.1
10	<b>Sulphonamides</b> (excl. perfluorooctane sulphonamides)	290.0

Source: Eurostat (2024)

Table 6 presents the products whose exports from the EU to Canada have grown the most in absolute terms (column 3) between the pre-CETA (2012-2016) and post-CETA (2017-2023) periods. Column 4 displays the relative percentage change for these products. The EU exports that have experienced the highest average annual growth in value between these periods include heterocyclic compounds (€ 334.6 mln per year), light petroleum oils (€266.0 mln), isotopes (€235.9 mln), steroidal hormones (€178.7 mln), wine (€155.6 mln) and metals (€116.7 mln).

Table 6 also highlights that for some products, the significant increase in export value has been accompanied by exceptionally large relative percentage increases, such as heterocyclic compounds (3,069%) and isotopes (6,553%). In contrast, for other products, even a substantial increase in export value resulted in a more moderate relative increase, such as 20% for light petroleum oils and 42% for heavy petroleum oils.

Finally, when comparing the growth rate of EU exports to Canada (column 4) with the growth rate of EU exports to all other countries (column 5), it becomes evident that for most products, EU exports to Canada have grown at a relatively faster rate than EU total exports. The notable exception is the export of vaccines for human use, which can be attributed to the COVID-19 pandemic. During the pandemic, the EU exported vaccines to many regions worldwide, including Canada, but since the populations in other major destination markets for EU-produced vaccines were significantly larger than the Canadian population, EU global vaccine exports increased at a faster rate than EU exports to Canada.

**Table 6: Top-10 change in EU export products (€ mln, pre- and post-CETA, HS6)**

Nr	Product name	Change in export value 2017-2023 vs. 2012-2016 (mln €) to Canada	Growth 2017-2023 vs. 2012-2016 (%) to Canada	Growth 2017-2023 vs. 2012-2016 (%) to World
(1)	(2)	(3)	(4)	(5)
1	<b>Heterocyclic compounds</b>	334.6	3,069%	26%



Nr	Product name	Change in export value 2017-2023 vs. 2012-2016 (mln €) to Canada	Growth 2017-2023 vs. 2012-2016 (%) to Canada	Growth 2017-2023 vs. 2012-2016 (%) to World
(1)	(2)	(3)	(4)	(5)
2	<b>Light petroleum oils</b> and oils from bituminous minerals	266.0	20%	11%
3	<b>Isotopes</b>	235.9	6,553%	1,343%
4	<b>Steroidal hormones</b> , their derivatives and structural analogues	178.7	61%	1%
5	<b>Wine</b> (still, in containers holding 2 litres or less)	155.6	24%	25%
6	<b>Metals</b> (silver)	116.7	1,850%	63%
7	<b>Medicaments containing corticosteroid hormones</b> , their derivatives or structural analogues	115.6	65%	39%
8	<b>Heavy petroleum oils</b> and oils from bituminous minerals	114.2	42%	-5%
9	<b>Pitch</b> (obtained from coal tar from other mineral tars)	85.6	2,616%	275%
10	<b>Vaccines for human medicine</b>	71.9	45%	118%

Source: Eurostat (2024)

### EU imports from Canada

When examining EU imported products (at HS6 level of detail) from Canada during the 2017-2023 period, Table 7 shows that petroleum oils (€1.6 bn) were the largest import product, followed by non-agglomerated (€1.3 bn) and agglomerated (€1.1 bn) iron ores and concentrates, medicaments (€1.0 bn), non-industrial diamonds (€806.1 mln), and bituminous coal (€568.6 mln).

Based on the detailed EU export data (Table 6) and import data (see Table 7), it is possible to conclude that Canada is increasingly exporting petroleum oils to the EU, which are then processed and re-exported back to Canada in the form of light and heavier petroleum oils and preparations.

**Table 7: Top-10 EU import products from Canada (€ mln, average 2017-2023, HS6)**

Nr	Product name	Average 2017-2023 (mln €)
1	<b>Petroleum oils</b> and oils obtained from bituminous minerals (crude)	1,567.3
2	<b>Non-agglomerated iron ores and concentrates</b>	1,257.8
3	<b>Agglomerated iron ores and concentrates</b>	1,120.1
4	<b>Medicaments</b> (consisting of mixed or unmixed products for therapeutic or prophylactic purposes)	1,007.9
5	<b>Non-industrial diamonds</b> unworked or simply sawn, cleaved or bruted (excl. industrial diamonds)	806.1
6	<b>Bituminous coal</b> , whether or not pulverised, non-agglomerated	568.6
7	<b>Coin of legal tender</b>	520.2
8	<b>Copper ores and concentrates</b>	494.9
9	<b>Soya beans</b> , whether or not broken (excl. seed for sowing)	423.9
10	<b>Natural uranium and its compounds</b> (alloys, dispersions, ceramic products and mixtures)	413.4

Source: Eurostat (2024)

Table 8 presents the products whose imports from Canada have increased the most in absolute terms (column 3) between the pre-CETA (2012-2016) and post-CETA (2017-2023) periods. Column 4 displays the relative percentage change in imports from Canada for these products.

The changes in absolute values between the 2012-2016 and 2017-2023 periods (column 3) illustrate, at a detailed product level, where the largest effects have been in terms of EU imports from Canada. In the post-CETA period, the EU imported €1.1 bn more in petroleum oils per year compared to the pre-CETA period, along with an increase of €761.6 mln in non-agglomerated iron ores and concentrates, €451.8 mln in agglomerated iron ores and concentrates, and €287.8 mln in low erucic acid rape of colza seeds. The rise in imports of petroleum oils highlights shifts in the geopolitical landscape. While imports of petroleum oils from Canada have increased by €1.1 bn per year (218%) in the post-CETA period, overall EU imports of petroleum oils from third countries have declined by 6.5%, amounting to a reduction of €15.4 bn in imports.<sup>6</sup> This trend reflects the significant decrease in oil imports from Russia, combined with the EU transition away from fossil fuels in favour of renewable energy sources. A similar geopolitical effect can be observed in the increased imports of copper ores & concentrates, which rose by €158.3 mln per year (47%), as well as uranium (see Annex III).<sup>7</sup>

Table 8 also indicates that for some products the significant increase in import value was driven by very large relative percentage increases, such as for precious metal ores & concentrates (2,742%), rape and colza seeds (335%), and potassium chloride for fertilisers (389%). Finally, when comparing the growth in EU imports from Canada (column 4) with EU imports from all other countries (column 5), it becomes evident that EU bilateral imports from Canada have grown at a faster rate than EU total imports across all listed products. The geopolitical influences on EU imports from Canada are also clear. While EU imports of petroleum oils from Canada have increased by 218%, total EU imports of petroleum oils have declined by 6.5%. Similarly, bilateral imports of key metals, including iron ore, bituminous coal, and copper ores and concentrates, have risen significantly, reflecting the effects of EU-Canada economic security initiatives as well as the impact of sanctions on Russia following the war in Ukraine.

**Table 8: Top-10 change in EU import products (€ mln, pre- and post-CETA, HS6)**

Nr	Product name	Change in import value 2017-2023 vs. 2012-2016 (mln €) from Canada	Growth 2017-2023 vs. 2012-2016 (%) from Canada	Growth 2017-2023 vs. 2012-2016 (%) from World
(1)	(2)	(3)	(4)	(5)
1	<b>Petroleum oils</b> and oils obtained from bituminous minerals, crude	1,075.0	218%	-6.5%
2	<b>Non-agglomerated iron ores and concentrates</b>	761.6	153%	16%
3	<b>Agglomerated iron ores and concentrates</b>	451.8	68%	23%
4	<b>Low erucic acid rape or colza seeds</b>	287.8	335%	63%
5	<b>Non-industrial diamonds</b> unworked or simply sawn, cleaved or bruted (excl. industrial diamonds)	270.2	50%	-31%
6	<b>Precious-metal ores and concentrates</b>	266.6	2,742%	325%
7	<b>Bituminous coal</b> , whether or not pulverised	264.6	87%	29%
8	<b>Coin of legal tender</b>	241.7	87%	79%
9	<b>Potassium chloride for use as fertiliser</b>	201.5	389%	14%
10	<b>Copper ores and concentrates</b>	158.3	47%	29%

Source: Eurostat (2024)

### 2.2.5 Trade in agricultural goods between the EU and Canada

The EU and Canada are both large producers of agricultural products. CETA liberalises trade for the vast majority of agricultural products, and for certain products it provides

<sup>6</sup> Imports of petroleum oils decreased by 6.5% from an average of €236bn for the 2012-2016 period to €220.6 bn in the 2017-2023 period, which amounts to a decline of €15.4 bn.

<sup>7</sup> 13<sup>th</sup> place, so not shown in the Tables.



preferential access through quotas. This Section examines how agricultural trade has evolved in recent years. Additionally, a more detailed analysis of quotas, geographical indications, and SPS measures is provided in the agricultural Case Study in Annex V.2.

### 2.2.5.1 Changes in trade in agricultural goods between the EU and Canada

#### Top EU agricultural product exports and imports

Several key products dominate EU agricultural exports to Canada and EU agricultural imports from Canada.

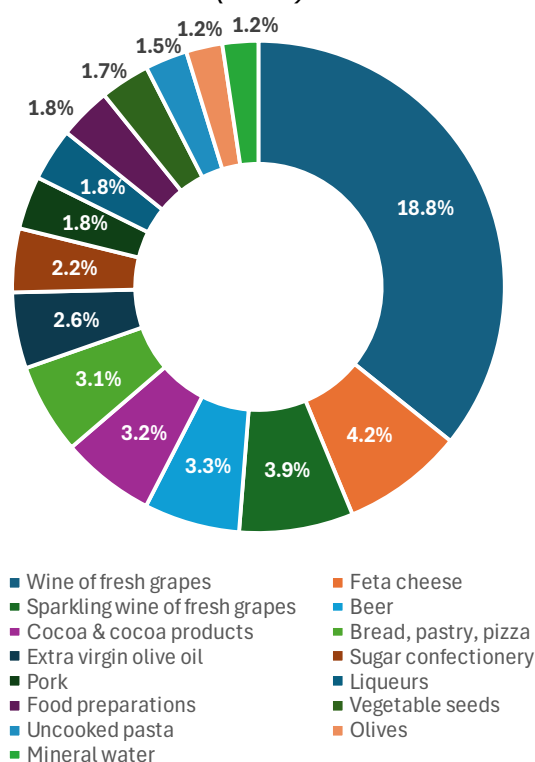
Figure 21 presents the most important EU bilateral exports (

Figure 21a) and imports (

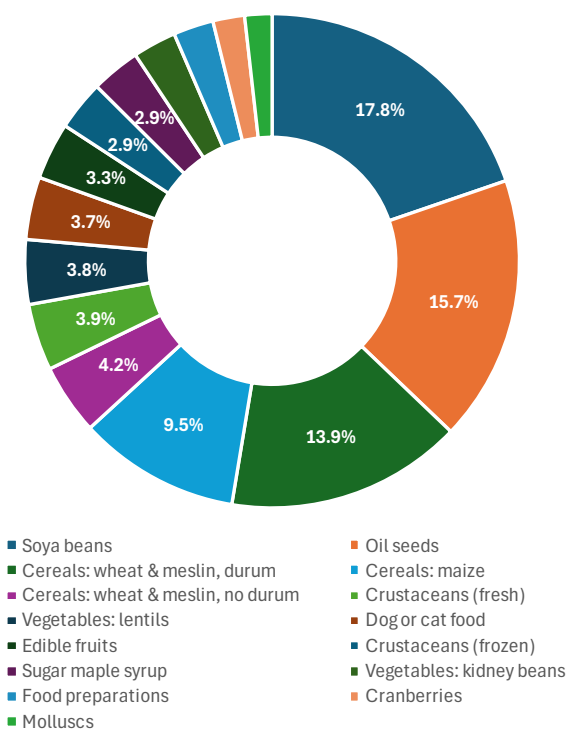
Figure 21b) for 2023. The most significant EU agricultural export products accounted for 52.5% of total EU agricultural exports to Canada. These include wine of fresh grapes (18.8%), feta cheese (4.2%), and sparkling wine (3.9%). The most significant EU agricultural import products accounted for 72.2% of total EU agricultural imports from Canada. These include soya beans (17.8%), oil seeds (15.7%), cereals (wheat & meslin, durum) (13.9%), and cereals (maize) (9.5%).

**Figure 21: Main EU product-level exports/imports from Canada (2023, % of total exports)**

(a) Main EU agricultural export products (2023)



(b) Main EU agricultural import products (2023)



Source: Eurostat (2024)

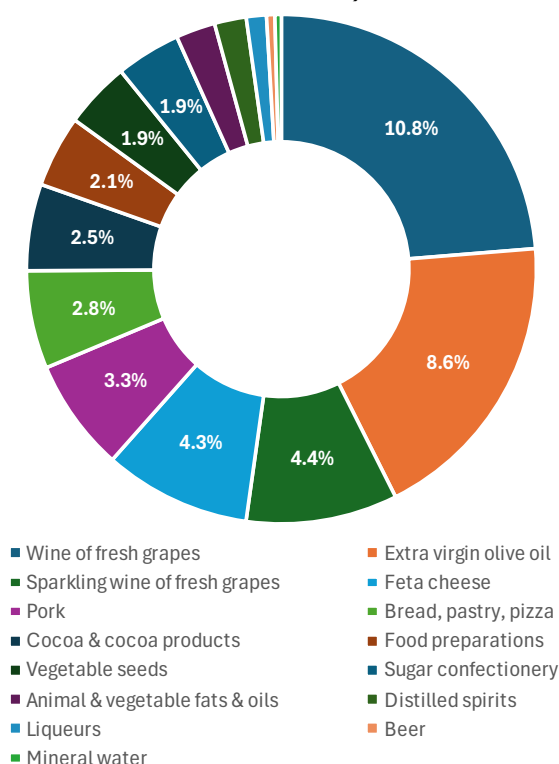
#### Changes in exports and imports for top-10 EU agricultural products

The difference in average EU agricultural exports to Canada between the pre- and post-CETA periods amounts to €1.4 bn per year. This increase is primarily driven by higher exports of wine of fresh grapes (10.8%), followed by extra virgin olive oil (8.6%), sparkling wine of fresh grapes (4.4%), feta cheese (4.3%), and pork (3.3%).

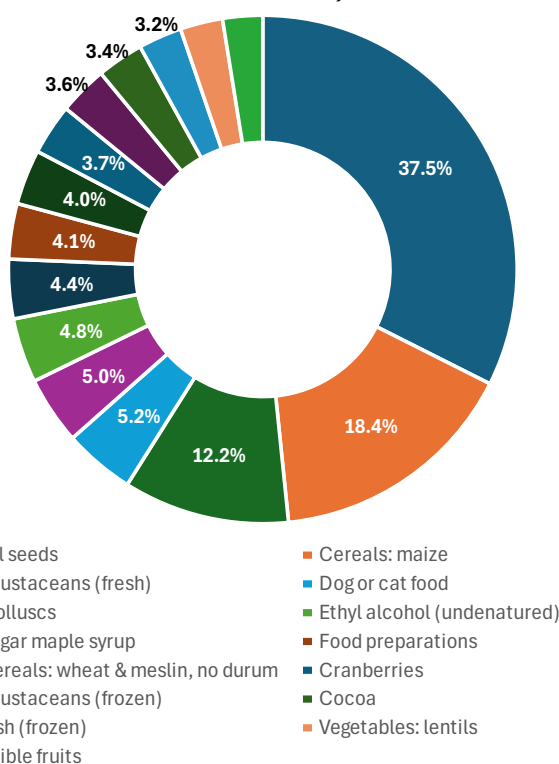
The difference in average EU agricultural imports from Canada between the two periods is €767 mln per year. Oil seeds account for 37.5% of this increase, followed by cereals (maize) (18.4%), crustaceans (fresh) (12.2%), and dog or cat food (5.2%).

**Figure 22: Products with largest changes in exports/imports (pre- and post-CETA)**

(a) EU agricultural export products with largest export increase (2012-2016 vs. 2017-2023)



(b) EU agricultural import products with largest import increase (2012-2016 vs. 2017-2023)



Source: Eurostat (2024)

Based on the product-level analysis, this evaluation concludes that the more aggregated sector-level analysis is further substantiated. The largest increases in EU exports to Canada were observed in wine, virgin olive oil, feta cheese, and pork, while the main increases in EU imports from Canada occurred in oil seeds, cereals, and crustaceans.

### Change in EU exports of agricultural sectors

Figure 13 illustrates how EU exports to Canada and total EU exports evolved between the pre-CETA (2012-2016) and post-CETA (2017-2023) periods. The sectors are ranked based on the increase in the average annual value of exports to Canada between the two periods, with the differences reported above each bar. Across all sectors, EU exports to Canada were higher in the post-CETA period than in the pre-CETA period.

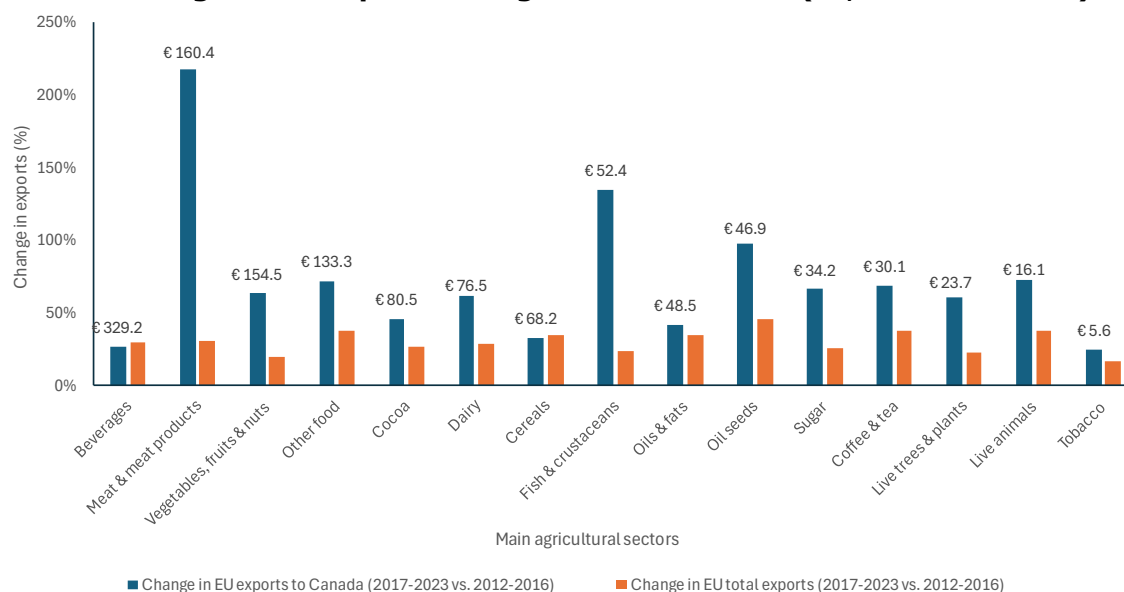
Exports of beverages increased by 27%, amounting to €329 mln more per year in the post-CETA period. Also, EU meat & edible offal exports increased significantly by 218%, with an average annual increase in the value of exports of €160 mln. Other major export increases included vegetables, fruits & nuts (63%, +€154.5 mln per year), cocoa (46%, +€80.5 mln per year), and dairy (62%, +€76.5 mln per year).

The substantial growth in prepared food exports can likely be attributed to tariff liberalisation under CETA, as exactly these agricultural sectors had relatively lower MFNO shares (i.e. a lower share of products in the sector for which MFNO applies), allowing CETA to extend bilateral tariff preferences. Additionally, the two cheese quotas established under CETA allowed EU cheese producers to benefit economically from the Canadian market, which is reflected in the increase in dairy exports. Some stakeholders also noted that beyond tariff reductions on wines & spirits, Canadian consumer preferences may have shifted towards European beverages, driven by trends favouring premium wines, craft beers, and artisanal spirits.

When comparing the change in EU exports to Canada (dark blue bars in Figure 23) with total EU exports (orange bars in the same Figure), it becomes evident that with the exception of beverages and cereals, where EU export growth to Canada mirrored total export growth, all EU bilateral exports to Canada increased more rapidly than total EU exports. For instance, EU exports of meat & edible meat offal to Canada increased by 218%, compared to a 30% increase in total EU meat exports. EU dairy exports to Canada rose by 62%, whereas total EU dairy exports increased by 29%, and EU exports of fish & crustaceans to Canada climbed by 135%, compared to 24% for total EU exports in this sector.

As a result, this evaluation concludes that EU bilateral exports to Canada increased at a faster rate than total EU exports, and that this difference is likely due to CETA's impact on trade preferences and market access.

**Figure 23: Change in EU exports for agricultural sectors (% , value in € mln)**



Source: Eurostat (2024)

### Change in EU imports of agricultural sectors

Figure 24 illustrates that EU agricultural imports from Canada increased the most in the oil seeds sector between the pre- and post-CETA periods, with Eurostat data showing an average annual increase of €238.3 mln, representing 44% growth. Imports of tobacco also increased significantly (by 3,186%) to an annual total of €138.1 mln. Additionally, the EU increased its imports of cereals (by 21%), vegetables, fruits & nuts (by 47%), and fish & crustaceans (by 21%) compared to the pre-CETA period. In contrast, EU imports from Canada of live trees & plants and meat & meat products declined by 76% and 3% respectively.

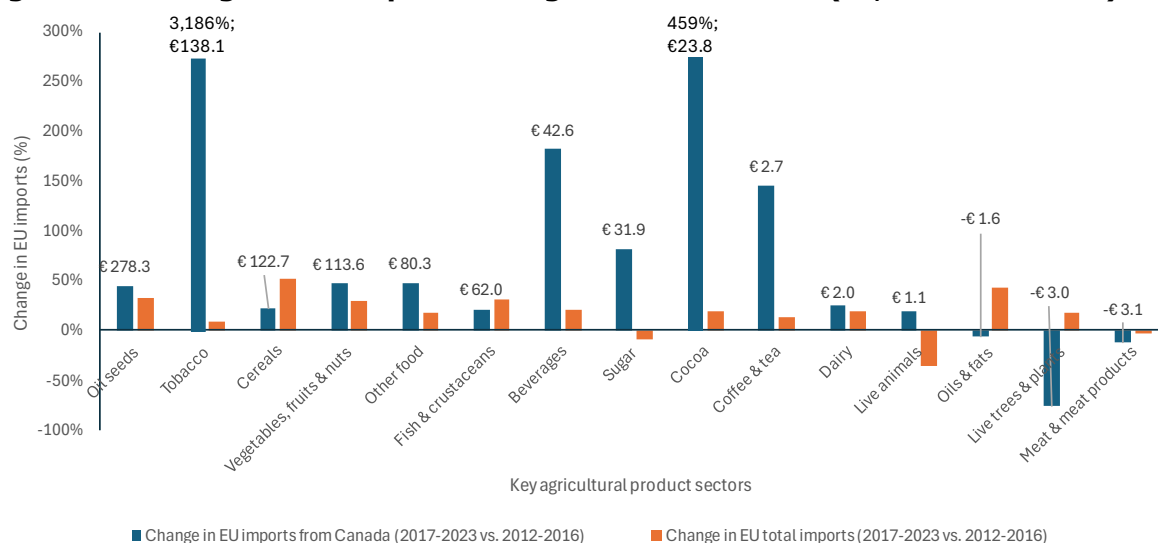
When comparing EU imports from Canada to total EU imports, Figure 24 shows that in most sectors, EU bilateral imports from Canada increased at a faster rate than total EU imports, with some sectors experiencing particularly large differences. For instance, oil seeds imports from Canada were 44% higher in the post-CETA period, compared to a 33% increase in total EU oil seed imports. Similarly, EU tobacco imports from Canada were 3,186% higher, while total EU tobacco imports grew by only 8%.

However, for some sectors, the opposite trend is observed. For cereals, EU bilateral imports from Canada expanded by 21%, whereas total EU imports of cereals increased by 52%. Likewise, EU imports of fish & crustaceans from Canada were 22% higher in the post-CETA period, compared to a 30% increase in total EU imports of the same sector.

Since EU bilateral imports increased faster than total imports in some sectors but not in others, this evaluation concludes that bilateral EU imports from Canada have increased marginally more than total EU imports. Additionally, imports did not increase significantly

in sensitive EU sectors such as dairy or even declined in the meat & meat products sector, which indicates that CETA's impact on agricultural imports remains moderate in these areas.

**Figure 24: Change in EU imports for agricultural sectors (% , value in € mln)**



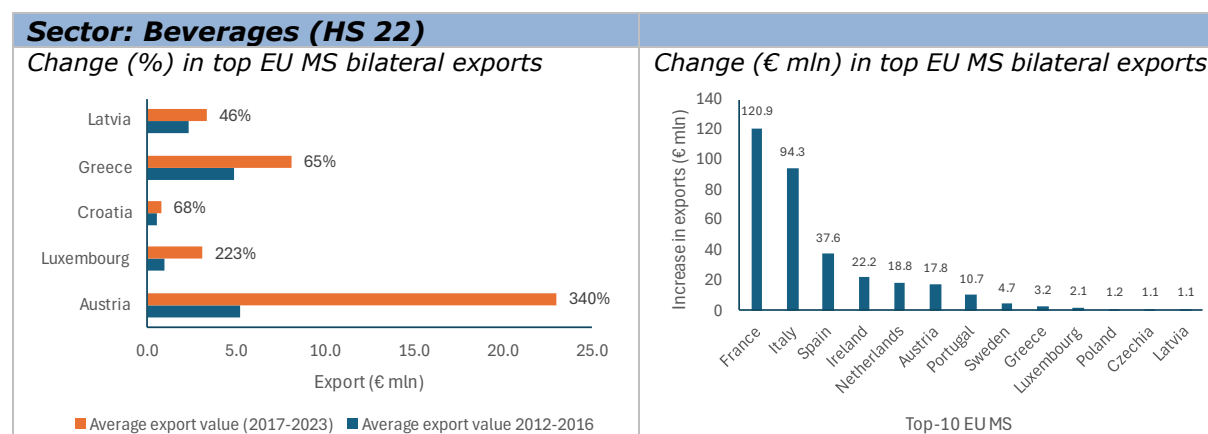
Source: Eurostat (2024)

### Change in EU MS agricultural sector exports to Canada

The extent to which individual EU MS have benefitted from CETA in their agricultural exports to Canada depends on their specific production structures. As a result, the EU average effect may differ across individual EU MS. For instance, Germany, Belgium, and Poland are large exporters of sugar & confectionery products, while Italy, Greece, and Spain export significant volumes of oils & fats. Similarly, France, Italy, and Spain are leading beverage exporters, whereas Romania and Sweden have limited exports in this sector. Meat exports to Canada primarily originate from Italy, Germany, Spain, and Hungary.

Figure 25 illustrates for a selection of the main EU exporting sectors to Canada some of the EU MS effects. On the left-hand side, the Figure highlights the EU MS that have experienced the largest relative increases in agricultural exports to Canada when comparing the pre- to the post-CETA periods. On the right-hand side, the Figure presents the top-10 EU MS that have increased their exports to Canada the most in absolute terms, measured as the average annual increase in export value (€ mln per year).

**Figure 25: Most significant EU MS agricultural sector exports to Canada (% and € mln)**



After CETA was implemented, which resulted in the removal of a 6.9% Canadian tariff on EU wines and reductions in tariffs on various spirits, Italy and France experienced the largest increases in

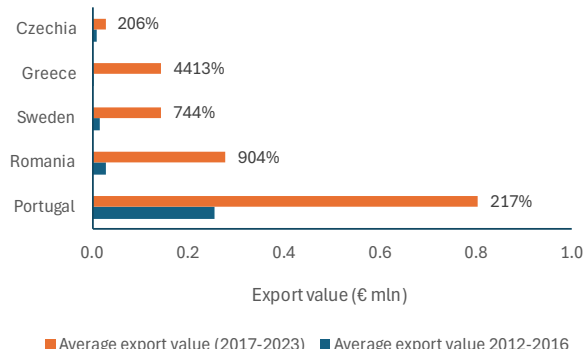
beverage exports to Canada compared to the pre-CETA period, with increases of €120.9 mln and €94.3 mln, respectively, driven mainly by wine exports.

Spain (€37.8 mln), Ireland (€22.2 mln), and the Netherlands (€18.8 mln) also recorded notable export growth. Additionally, Luxembourg, Poland, Czechia, and Latvia each exported at least €1 mln more in beverages per year.

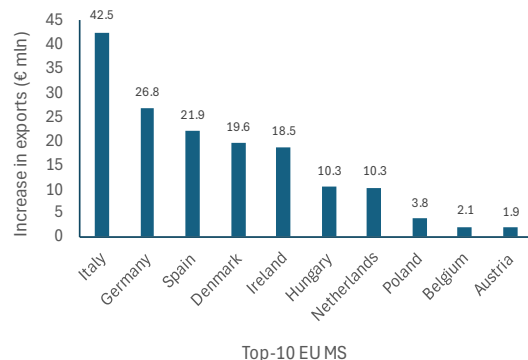
In terms of relative growth, smaller EU countries saw significant percentage increases in beverage exports, with Austria (340%), Luxembourg (223%), Croatia (68%), Greece (65%), and Latvia (46%) experiencing the highest relative gains.

### **Sector: Meat & meat products (HS 02)**

*Change (%) in top EU MS bilateral exports*



*Change (€ mln) in top EU MS bilateral exports*



The most significant positive effect on meat & meat products exports – resulting from tariff liberalisation on the Canadian side of up to 20% on EU imports - has been observed in Italy. Italian meat exports were €42.5 mln higher per year in the post-CETA period compared to the pre-CETA period.

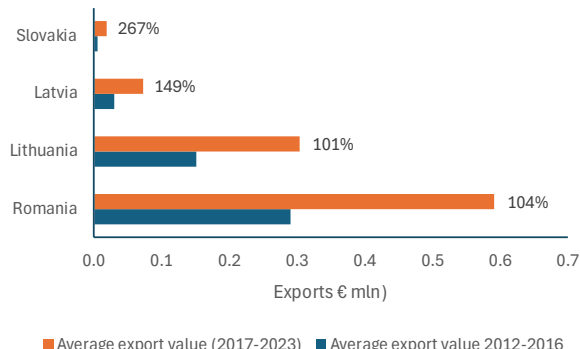
Other EU MS also experienced notable increases in meat exports to Canada, including Germany (€26.8 mln), Spain (€21.9 mln), Denmark (€19.6 mln), Ireland (€18.5 mln), and Hungary (€10.3 mln).

While some EU MS had only marginal meat exports to Canada before CETA, they significantly expanded their exports afterwards.

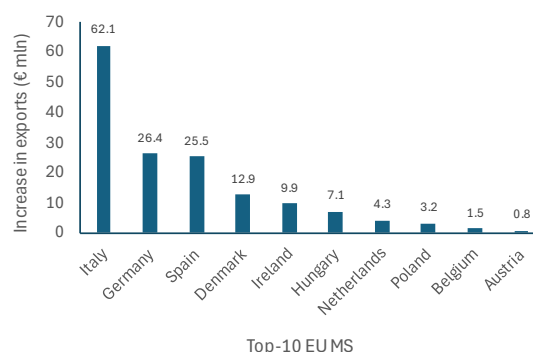
The largest relative increases were recorded in Greece (4,413%), Romania (904%), Sweden (744%), Czechia (206%), and Portugal (217%).

### **Sector: Vegetable, fruits & nuts (VFN) (HS 07 + 08)**

*Change (%) in top EU MS bilateral exports*



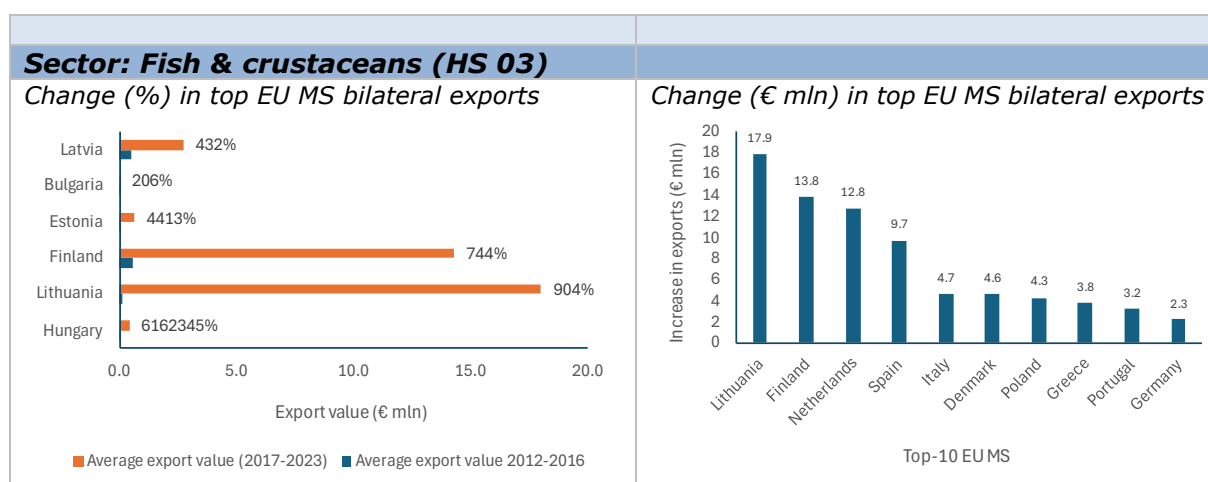
*Change (€ mln) in top EU MS bilateral exports*



CETA led to the elimination of the 10% Canadian tariffs on various fruits & vegetables and the 20% tariff on nuts imported from the EU. As a result, Italy's exports of vegetables, fruits, and nuts (VFN) increased by €62.1 mln per year following the provisional application of CETA.

Other EU MS also experienced notable increases in VFN exports to Canada, with Germany (€26.4 mln per year between the pre- and post-CETA periods), Spain (€25.5 mln), Denmark (€12.9 mln), Ireland (€9.9 mln), and Hungary (€7.1 mln) experiencing the largest absolute gains.

In relative terms, the biggest percentage increases in VFN exports to Canada were recorded in Romania (101%), Lithuania (101%), Latvia (149%), and Slovakia (267%).



EU exports of fish & crustaceans increased by 135%, amounting to an average annual increase of €52.4 mln in the post-CETA period compared to the pre-CETA period, following tariff liberalisation due to CETA of up to 15%.

The EU MS that benefitted most from this increase were Lithuania (€17.9 mln), Finland (€13.8 mln), the Netherlands (€12.8 mln), and Spain (€9.7 mln).

In relative terms, the largest percentage increases were recorded in Hungary (6,162,345%), Lithuania (904%), and Finland (744%). Estonia also experienced a remarkable expansion in fish & crustaceans exports to Canada (4,413%), along with Latvia (432%) and Bulgaria (206%).

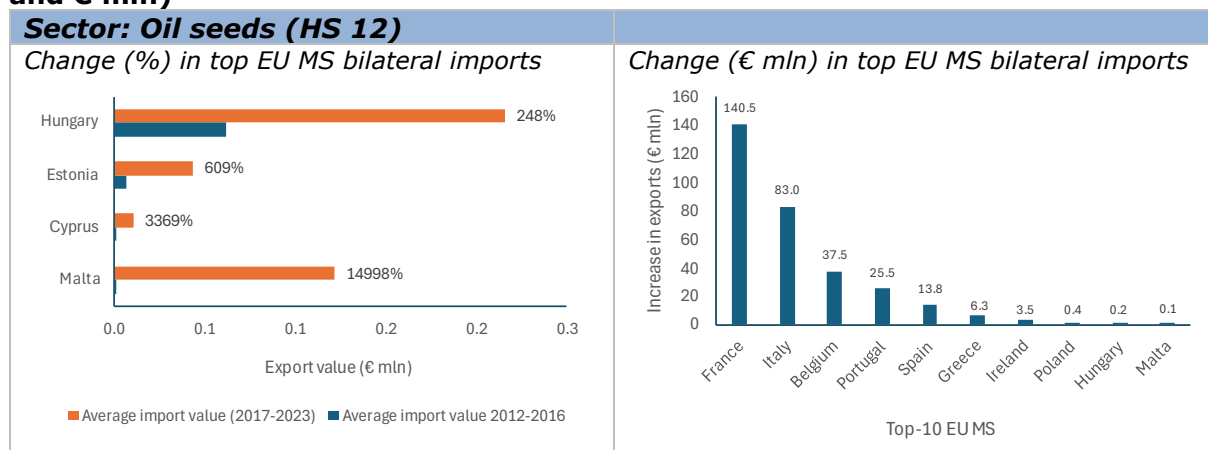
Source: Eurostat (2024)

Based on the EU MS export analysis, this evaluation concludes that individual MS have significantly benefitted from increased exports of specific agricultural products, reflecting their distinct production structures.

### Change in EU MS agricultural sector imports from Canada

Also on the import side, there is a significant variation between EU MS. Figure 26 illustrates the main importing EU MS for the two fastest-growing import sectors, oil seeds and cereals.

**Figure 26: Most significant EU MS agricultural sector imports from Canada (% and € mln)**



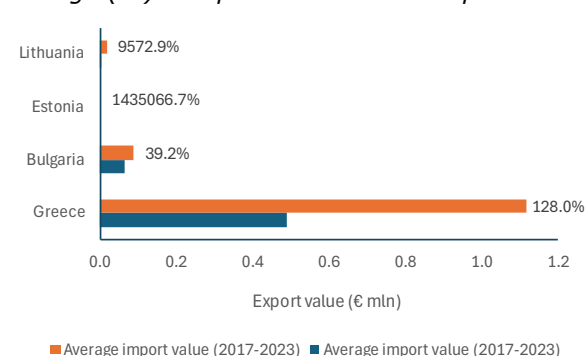
After CETA was implemented, the EU tariff of 9.6% on oil seeds was removed, leading to significant increases in EU oil seed imports from Canada compared to the pre-CETA period. France and Italy recorded the largest increases of €140.5 mln and €83.0 mln, respectively. Belgium (€37.5 mln), Portugal (€25.5 mln), and Spain (€13.8 mln) also experienced notable import growth.

Among smaller EU countries involved in oil seed trade, Malta (14,998%), Cyprus (3,369%), Estonia (609%), and Hungary (248%) experienced substantial relative increases in oil seed imports from Canada.

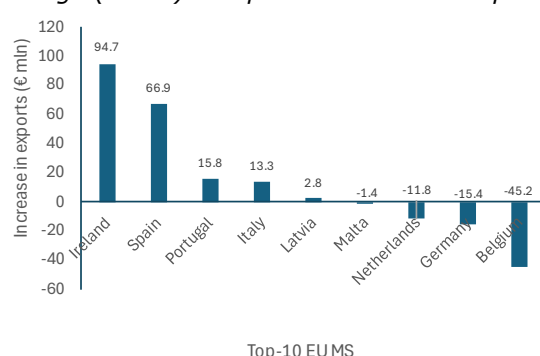


### Sector: Cereals

#### Change (%) in top EU MS bilateral imports



#### Change (€ mln) in top EU MS bilateral imports



Following the provisional application of CETA, which resulted in the elimination of the EU tariff of up to €90 per tonne on wheat and barley, Ireland's imports of cereals were €94.7 mln per year higher in the post-CETA period.

Spain (€66.9 mln), Portugal (€15.8 mln), and Italy (€13.3 mln) also recorded significant increases between the two periods.

In relative terms, the largest percentage increases in cereal imports from Canada were observed in Estonia (1,435,067%), Lithuania (9,573%), Bulgaria (39.2%), and Greece (128%).

Based on the EU MS import analysis, this evaluation concludes that individual MS have benefitted from lower-cost Canadian imports due to the use of preferential tariffs under CETA, particularly in oil seeds, reflecting the production structures of both Canada and the EU MS.

#### 2.2.5.2 TRQ management issues regarding trade in agricultural goods between the EU and Canada

In addition to tariff liberalisation, the EU and Canada have agreed on tariff-rate quotas (TRQs) for certain sensitive products. Box 7 provides a more detailed explanation of the meaning and functioning of TRQs.

#### Box 7: Tariff-Rate Quota (TRQ)

A tariff-rate quota (TRQ) is a trade policy mechanism that combines two key elements: a quota and a tariff. The quota sets a limit on the amount of a specific product that can be imported at a low (or zero) tariff rate. Once this quota limit is reached, any additional imports are subject to a higher tariff.

A TRQ allows countries to import a certain quantity of goods at a reduced or zero tariff, but once that threshold is exceeded, the cost of importing additional goods increases due to the applied tariff. This system enables a country to balance the protection of sensitive domestic industries by maintaining tariffs beyond the quota while still permitting a controlled level of foreign goods to enter the market.

Under CETA, Canada agreed to two EU cheese TRQs: one for "cheeses of all types" and one for "industrial cheese". In return, the EU established TRQs for several Canadian agricultural products, including beef & veal, bison meat, beef (frozen), pigmeat, sweetcorn, high-sugar content, sugar confectionery, preparations for cereals, and animal feed products. The full analysis of TRQ management is explained in Annex V.1 Here a summary of that analysis is provided.

#### Canadian TRQs for EU cheese

Canada's high out-of-quota tariff of 245.5% makes the cheese TRQs highly valuable, ensuring that they are almost fully utilised. The "cheese of all types" TRQ has consistently had high fill rates above 90%, while the "industrial cheese" TRQ was well utilised until 2021 but saw a sharp decline in 2022 (to 40%) due to high EU farmgate milk prices, which reduced the price gap between Canadian and EU cheese. However, in 2023 and 2024, the utilisation rate has rebounded to approximately 80%. Despite these fluctuations, overall cheese exports from the EU to Canada have grown significantly under CETA, showing the

importance of these TRQs in facilitating trade between the two markets. Figure V.3 in Annex V presents a breakdown of these exports for key EU MS.

However, Canada's TRQ management system has been criticised for inefficiencies, unpredictable allocations, and high operational costs. The current system, which allocates 60% of the quota to small and medium-sized enterprises (SMEs), was intended to help smaller companies benefit from CETA. Instead, this allocation has created barriers for both SMEs and larger businesses due to the way quotas are assigned. The fact that 50% of the quota is allocated to Canadian cheese manufacturers that are competitors of EU cheese exporters is a key issue. Second is the "line issue", where mid-sized companies shift unpredictably between allocation pools based on their previous year's performance, which creates uncertainty and discourages expansion. Additionally, the inclusion of actors who do not necessarily use the quota effectively, such as retailers who routinely transfer their allocations instead of importing cheese, leads to inefficiencies. As the system allows for quota rights to be transferred, this has resulted in some entities holding onto quotas purely for financial gain, reselling them at a profit instead of importing cheese. This practice raises costs for actual importers and ultimately increases prices for Canadian consumers.

The European Union has been advocating for reforms to the TRQ system, arguing that it does not comply with CETA's requirement to allocate quotas to those "most likely to use them." The EU has raised concerns in the CETA Committee on Agriculture and emphasised that the current allocation system imposes unnecessary costs on EU exporters and distorts market access. Canada, on the other hand, argues that its system is in full compliance with CETA and highlights the high overall fill rates as evidence of its effectiveness. Discussions between the EU and Canada on this issue are ongoing, with the EU urging Canada to revise its TRQ allocation system to ensure a more efficient and fairer distribution that better serves the needs of exporters and importers.

At the same time, Canadian stakeholders have raised concerns about the intense competition from EU cheese exporters in the Canadian market since the provisional application of CETA. The overall success of CETA's cheese TRQs is evident in trade growth, but the way they are managed remains a contentious issue that both sides continue to negotiate.

A more detailed analysis of the functioning, management, and effects of the cheese TRQs is provided in Section V.1 of Annex V.

### **EU TRQs for Canadian products**

The EU has established TRQs for various Canadian agricultural products. While these TRQs provide a considerable level of market access, Canadian exporters have not fully utilised these quotas, as reflected in the very low utilisation rates of these TRQs. The beef & veal TRQ was 3% utilised in 2021-2023, while the bison meat TRQ fill rate reached 6% and the pigmeat TRQ just 1% in 2023.

One major factor limiting the use of these TRQs is the strict EU SPS standards, which differ significantly from Canadian regulations (see Section 2.2.5.3 on SPS measures). For example, in the case of beef, the EU prohibits imports of meat from cattle treated with growth hormones, meaning that Canadian exporters must maintain separate production and supply chains for hormone-free beef, adding considerable costs. These regulatory differences make it costly for Canadian beef producers to export to the EU, especially when they must also consider the need to export other parts of the carcass to the US, which requires carcass decontamination. As a result, Canadian exporters often face an incompatibility between EU and US requirements, which forces them to prioritise one market over the other.

Beyond regulatory challenges, Canada has expressed concerns about the EU's TRQ administration, arguing that it does not fully align with the negotiated terms of CETA. Canada has pointed out that any unused or unallocated TRQ after the initial allocation period should be made available through an automatic licensing system. At the 5th meeting of the CETA Agricultural Committee, Canada raised the issue that this might become an



increasing barrier if Canadian exports to the EU were to expand. The EU, however, maintains that its TRQ management is fully compliant with CETA obligations and does not constitute a barrier to trade.

Ultimately, despite the significant market access opportunities provided under CETA, Canadian meat exporters find it challenging to take full advantage of the quotas due to regulatory misalignment concerning SPS issues, high compliance costs, and administrative complexities. As a result, trade remains far below the potential envisaged when the Agreement was negotiated.

#### 2.2.5.3 SPS issues in agricultural goods between the EU and Canada (Case Study summary)

Next to tariffs, a range of non-tariff measures (NTMs), such as Sanitary and Phytosanitary (SPS) measures also affect bilateral agricultural goods trade between the EU and Canada. SPS measures are regulations and standards designed to protect human, animal, and plant health from risks associated with food safety, pests, and diseases. These measures ensure that food products, animals, and plants traded internationally meet health and safety standards, preventing the spread of harmful organisms and contaminants.

In Access2Markets, the central page where all formal trade barriers between the EU and a third country are listed, several barriers stand out related to agricultural trade with Canada. Based on Access2Markets data and on stakeholder consultations, the key SPS issues for the EU in agricultural trade with Canada are the following:

- **Wines and spirits:** discriminatory practices in several provinces, where domestic wines benefit from lower taxes, better distribution channels, and fewer service charges, putting EU products at a disadvantage.
- **Phytosanitary conditions for fresh tomatoes:** due to the Tuta absoluta pest, Canada imposes stringent requirements for tomato exports from several EU countries, including pest-free growing environments and removal of green parts. These measures have halted exports from most EU countries, with only Dutch exports continuing at low volumes.
- **Pest risk from Asian and citrus longhorned beetles:** Canada still bans imports of plants from certain EU countries due to pest risks. However, Canada has recognized 21 EU MS as free from these pests, though countries like Austria, Germany, and Italy are still affected.
- **Harmonisation of animal product health certificates:** despite CETA's goal to streamline certificates, some EU MS (e.g. the Netherlands) still face difficulties exporting animal products, such as poultry, due to non-recognition of their meat inspection systems by Canada. An audit in 2025 may resolve this issue.
- **Milk and milk product imports:** Canada proposes stricter health certification requirements for milk imports, which would increase administrative burdens and costs for EU exporters, particularly for cheese products, and potentially reduce exports.

A more detailed analysis of these EU SPS issues is provided in the Case Study on "Trade in key agricultural goods including SPS and IP (GI) protection aspects" in Section V.2.1 in Annex V.

From Canada's perspective, several trade barriers hinder Canadian agricultural exports to the EU. Based on desk research and stakeholder consultations in Canada, the key issues for Canada in agricultural trade with the EU that were indicated are the following:

- **Hormone-treated beef ban:** the EU does not allow imports of beef from animals treated with growth hormones, even if scientific assessments (as done by the WTO) suggest that certain hormone use is safe and even if the WTO ruled that the EU's hormone ban is not fully science-based.
- **Carcass decontamination restrictions:** the EU only permits water and lactic acid washes to reduce bacterial contamination on meat carcasses, not other antimicrobial treatments such as peroxyacetic acid (PAA) and other organic rinses.
- **Antibiotic use restrictions:** the EU enforces strict regulations on antibiotic use in livestock (to fight antimicrobial resistance), banning imports from countries that allow

routine use of antibiotics as growth promoters. Although Canada has phased out growth-promoting antibiotic use, Canada asked for more generous transitional measures in implementing new EU rules.

- **Feed additive restrictions:** the EU does not allow imports of pigmeat from animals that have been fed ractopamine, a beta-adrenergic agonist, as a feed additive to enhance lean muscle growth because of food safety concerns.
- **Animal welfare requirements:** the EU enforces high animal welfare standards, which also extend to imported meat. Canadian producers must prove compliance with EU animal welfare laws and undergo additional audits and certifications, which increases administrative and cost burdens.
- **Traceability and labelling regulations:** the EU requires full traceability of meat products from farm to fork. This leads to a high administrative burden to record every part of an animal's life cycle.
- **Maximum residue levels (MRLs):** Canada brought up with the EU the issue of the EU revoking MRLs for certain pesticides, such as neonicotinoids, due to environmental concerns (e.g. protection of pollinators). Canada argued that MRLs should be based on consumer safety assessments, and environmental considerations should be treated separately through environmental policies.

#### 2.2.5.4 Geographical Indications (Case Study summary)

The analysis of geographical indications (GIs) under CETA involves examining their background, legal provisions, implementation challenges, and economic effects. The main analysis is carried out as part of the Case Study on "Trade in key agricultural goods, including SPS and GI aspects" reported in Annex V.2.2. In this section a short summary of the Case Study is provided.

GIs are treated differently in the EU and Canada. The EU considers GIs a distinct type of intellectual property, while Canada, though applying GIs under its *Trademarks Act*, developed a sui generis GI system in 1996. Before CETA, GIs were limited to wines and spirits through the EU-Canada Wine and Spirits Agreement. CETA expanded this scope to food products, defining GIs as indicators of a product's origin when its quality, reputation, or characteristics are linked to geography.

The EU system distinguishes between Protected Geographical Indications (PGI) and Protected Designations of Origin (PDO), based on the strength of the link between the product and its region. PDOs require all production stages to occur in the specified region, unlike PGIs, which require only one stage. Economic studies show that GIs can command price premiums, particularly in grain, meat, and produce, with premiums varying by product type and the strength of the geographical link.

CETA provisions build on the 2003 Wines and Spirits Agreement, initially listing as eligible for protection 1,575 wine and 57 spirit names. Post-CETA, GI coverage expanded in three ways: extending the GI definition to food, protecting 171 specified food products, and enabling new GI registrations via the Canadian Intellectual Property Office (CIPO). This expansion grants EU producers greater pricing power by limiting the use of protected names. However, exceptions exist for a limited list of distinct products, mostly in the area of cheese (notably "feta" and "gorgonzola") granting so-called grandfathered users' rights to those economic operators who had produced and sold those products in Canada prior to the entry into force of CETA.<sup>8</sup> New producers must use qualifiers like "style" or "imitation," while certain names like "Roquefort" remain entirely protected.

Canada implemented CETA provisions by amending its *Trademarks Act* to include food-related GIs and introducing border measures to seize goods with false GI labels. The

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<sup>8</sup> Grandfathering refers to a legal, regulatory, or contractual exemption that allows existing conditions, rights, or privileges to continue under an old rule, even after a new rule or law has been introduced. This means that individuals, businesses, or entities that were compliant with previous rules are not required to follow the new ones, at least for a certain period, in this case the new CETA GI provisions.

Request for Assistance (RFA) mechanism now allows GI holders to seek customs intervention against counterfeit goods.

Two key post-implementation issues persist:

- First, administrative enforcement differences have been a cause for disagreement. The EU maintains that the Canadian Food Inspection Agency (CFIA) has not acted in line with CETA by rejecting GI-related mislabelling complaints, as seen in the "Italiano" case, where the CFIA found no misleading labelling despite EU concerns. Canada argues that its food labelling and GI regimes are distinct and that judicial avenues remain available for enforcement.
- Second, the EU's request for a list of grandfathered users has been denied, with Canada maintaining that CETA does not oblige it to compile such a list. Canada's commitments under the US-Mexico-Canada Agreement (USMCA) further complicate potential reforms, as they align Canadian GI practices with U.S. preferences.

Despite these challenges, CETA has positively impacted GI-protected products, particularly in wines, spirits, cheeses, and meats. While data limitations prevent precise measurement of CETA's influence (because GI-protect agricultural products are not separated statistically from other agricultural products traded), increased EU exports to Canada suggest growing market benefits. Over time, as Canadian businesses increasingly understand the GI system, CETA's role in protecting and promoting EU GIs in Canada is expected to strengthen. Concerns about CETA weakening the EU GI system have proven unfounded, with new GI registrations proceeding smoothly and a number of cases in which EU rights holders have effectively upheld their rights through the Canadian Intellectual Property system of protection.

#### 2.2.5.5 Stakeholder concerns

Agricultural stakeholders have expressed a range of concerns over the past years, both during negotiations and after ratification, regarding the agricultural aspects of CETA. The main concerns raised by agricultural stakeholders can be grouped into three categories of concerns: (1) concerns about competitive pressures, (2) concerns about the lowering of levels of protection, and (3) concerns related to human and animal health.

The specific issues raised included the following:

- **(Competitive pressures)** Both in the EU and Canada, farmers feared that increased competitive pressures – for example, through expanded duty-free import quotas for cheese and meat – would undermine their livelihoods and encourage more profitable but less sustainable farming practices.
- **(Competitive pressures)** Granting market access to foreign products through new bilateral free trade agreements (FTAs) was seen as a potential threat to small-scale agricultural producers and sustainable agricultural practices in general in the EU and beyond.
- **(Competitive pressures)** The protection of EU geographical indications (GIs) under CETA was perceived as potentially harmful to Canadian agricultural producers, affecting their competitiveness and market position.
- **(Competitive pressures)** Canadian dairy farmers and their communities were expected to get hurt financially as a result of the cheese quotas that allow EU cheese producers to sell 17,700 tonnes of cheese in Canada, even, though under the Canadian milk class pricing system, Canadian dairy farmers earn their income via high domestic prices for cheese and butter. Many European dairy farmers receive a share of their incomes from subsidy payments. As a result, CETA was seen as undermining the stability of Canadian dairy sector by replacing part of the domestic Canadian market – and the employment it sustains – with subsidised EU products.
- **(Lowering of levels of protection)** Some stakeholders feared that EU precautionary measures could be challenged under CETA, based on claims that they were overly burdensome, not “science-based”, or disguised trade barriers. This could lead to a lowering of processing and production standards, particularly in Europe, affecting restrictions on the surface treatment of meat with acetic acid, the use of hormones in

beef production, and the use of genetically modified organisms, which are restricted under the EU precautionary principle.

- **(Lowering of levels of protection)** The regulatory cooperation Chapter in CETA was seen as an opportunity for Canada (on behalf of its agricultural exporters) to advocate for greater market access for Canadian GMOs, potentially undermining existing and future European regulations.
- **(Lowering of levels of protection)** Concerns were raised that CETA would weaken the current GI system for European products. Of the 1,308 food items, 2,883 wines, and 332 liquors protected in the EU, only 171 GIs were included in the CETA text.
- **(Human and animal health)** Some stakeholders expressed concerns that increased trade in meat under CETA could contribute to the excessive use of antibiotics in meat production and therefore exacerbate the problem of antimicrobial resistance (AMR), which poses a major threat to both human and animal health.

Chapter 7 and Annex VIII provide a detailed analysis of other agricultural concerns. Based on that Annex and on the Case Study on 'Trade in key agricultural goods, SPS and GIs' in Annex V.2, this evaluation finds the following:

- Competitive pressures have not materialised so far for EU farmers, given the very low utilisation rates of TRQs by Canadian producers (e.g. for meat). Additionally, representatives of small-scale farmers have expressed positive views about CETA.
- Competitive pressures for Canadian farmers have also remained limited, including those related to GIs, with the exception of increased competition for cheese farmers. However, the impact remains contained due to the way Canada manages and allocates the cheese quota in its cheese TRQs.
- This evaluation has not come across any evidence that CETA has led to a lowering of EU or Canadian regulations or standards related to processing and production. No trade in non-compliant products has taken place (e.g. no EU imports of hormone-treated beef, GMOs, or pigmeat exposed to ractopamine).
- GI protections have not been weakened under CETA. Rather, the EU has expanded its GI system into Canada, leading Canada to introduce its own GI system, which EU exporters can benefit from. However, some implementation challenges do remain.
- Human and animal health concerns related to excessive use of antibiotics in meat production have not materialised under CETA. While EU meat exports – which are subject to strict rules on the use of antibiotics – have increased significantly, EU meat imports have not, in part because meat produced with excessive use of antibiotics does not comply with EU regulations.

#### 2.2.6 Non-Tariff Barriers and Non-Tariff Measures to trade

When looking at total trade costs, it has become clear that the height of tariffs has been declining over the past decades (although with currently a resurgence taking place in 2025 as a result of US trade policy). Because of the overall reduction in tariffs and because of ongoing international production fragmentation (i.e. slicing up the value chain into many parts that are potentially located in different places globally) non-tariff trade measures have gained importance.

In the literature, in part based on the European Commission study on “Non-tariff barriers between the EU and US” (European Commission, 2010), a distinction is made between non-tariff barriers (NTBs) and non-tariff measures (NTMs). NTMs are all non-price and non-quantity restrictions on trade in goods, services and investment at national/federal and state level, including border and behind-the-border measures flowing from domestic laws, regulations and practices that are permitted under WTO law, for example under the SPS and TBT agreements. NTBs, on the contrary, are barriers that have a deliberate protectionist intent and hurt trade disproportionately in achieving non-trade objectives.

Countries take measures and develop standards and regulations to try to achieve legitimate policy objectives, for example those related to human health and safety. However, these valid measures (NTMs) can have a negative impact on trade because they can be costly to comply with or because they differ from (similar but not identical)

measures taken in other countries. Therefore, addressing both NTBs and NTMs is important to avoid them eroding market access provided by CETA (and other EU and Canadian FTAs).

Some examples of common NTMs are: conflicting or simply duplicative regulations, labelling requirements, language requirements, local-content (or local-value) requirements, non-scientific rules on standards for food products, subsidies, (duplicative) administrative procedures (including on RoO or secure trade), non-essential differences in technical regulations, or discriminatory procurement policies at national or sub-national levels.

In CETA, the EU and Canada aim to address several of these NTMs. They do so via regulatory cooperation (see Section 2.6) for which CETA's institutional structure is set-up. For example via looking at and removing redundant duplicative regulations (e.g. the MRA on third country pharmaceutical GMP inspections – see Section 2.6.4). Another example in CETA is the CETA Protocol on Conformity Assessment (see Section 2.2.7), allowing EU and Canadian certification bodies to test products for both markets, thereby reducing the costs associated with double certification, particularly benefiting small and medium-sized enterprises (SMEs). Enhancing transparency and good regulatory practices in the EU and Canada allow businesses, including SMEs, to engage prior to new regulations being put in place. Ensuring that new technical regulations do not discriminate against foreign products and create minimal degrees of barriers to trade. And to make customs procedures as transparent, predictable and easy-to-use as possible for exporters and importers, something CETA, in combination with EU and Canadian domestic policies, is achieving.

In Access2Markets, the platform listing formal trade barriers between the EU and third countries, two specific, non-agricultural barriers to trade have been identified (Table 9): the luxury tax and the levy on foreign online music streaming services. The latter is addressed in Section 2.3.7.

**Table 9. EU-listed trade barriers in Access2Markets (2024)**

Reporting date	Sector	Listed barrier	Issue
4 Dec 2023	Aircraft, automotive, shipbuilding	Luxury tax on vehicles, boats, and aircraft	Canada has introduced a luxury tax on sale or import of certain vehicles and aircraft over C\$100,000 and vessels over C\$250,000
12 Sep 2024	Services – other (music)	Levy on foreign online music streaming services	CRTC announced its decision to levy a 5% base contribution online music streaming services that have a minimum turnover size – intended to support Canadian and Indigenous content

Source: Access2Markets Portal (2024)

### ***Luxury tax on aircraft, automotive, shipbuilding***

On 1 September 2022, the Canadian Select Luxury Items Tax Act entered into force. It applies to sales intended for personal use, imposed a tax on cars and personal aircraft with a retail sales price above C\$100,000 and on boats exceeding a retail sales price of C\$250,000. The tax is calculated as the lesser of 20% of the value exceeding the threshold (C\$100,000 for cars and personal aircraft, C\$250,000 for boats), or 10% of the total value of the luxury item (car, boat, or personal aircraft). The objective of the tax was to enhance fairness in the tax system by ensuring that individuals purchasing luxury goods contribute a greater share to tax revenue.

### ***Economic effects***

With two years of evidence on its effects, this evaluation focuses on the economic impact (insofar possible to determine) and market implications of the tax. A Government of Canada review in March 2023 estimated that the luxury tax could reduce total Canadian GDP by between C\$58 mln to C\$125 mln annually (Government of Canada, 2023e). Tax revenue was projected at C\$79 mln in 2022-2023, increasing to C\$140 mln in 2023-2024 and C\$145mln in 2024-2025 and subsequent years.

According to National Marine Manufacturers Association Canada (NMMA Canada), the luxury tax on boats has failed to meet its projected revenue targets and has led to

unintended economic consequences for the Canadian economy. The Parliamentary Budget Officer (PBO) originally estimated that revenue from the boat tax would reach C\$52 mln from 1 September 2022 to 1 September 2024. However, as of 7 June 2024, the Canada Revenue Agency (CRA) reported only C\$12.04 mln in receipts – a C\$40 mln shortfall (NMMA, 2024). Stakeholders have also pointed to several historically failed attempts to introduce luxury taxes.<sup>9</sup>

Additionally, data from the National Post (2024), obtained via an information request by Conservative MP Scot Davidson, indicates that the luxury tax generated C\$137 mln in its first year (from September 2022 – September 2023). However, administrative costs totalled C\$19 mln, reducing net revenue to C\$118 mln. The tax was levied on 72,000 cars, 398 boats, and 71 aircraft sold in Canada.

Regarding the aircraft sector, industry stakeholders are still assessing the impact of this measure. A study published in *Perspective on Tax Law & Policy* (2023) by Prof. Roy (HEC Montréal), analysed the potential impact of the luxury tax on aircraft and concluded that the tax *"is detrimental to Canada's reputation as a globally strategic country for aerospace. The tax will produce negligible government revenue, at the cost of over 2,000 lost jobs, many of them highly skilled. At a time when Canada needs more skilled jobs, the tax sends the message that Canada is unsupportive of this highly visible, research-intensive industry"* (Roy, 2023).

#### *Discriminatory effects*

Although the tax applies to all goods, both domestic and imported from any other country, raising no immediate concerns of formal discrimination, its practical impact requires further scrutiny. Analysed sales data by product type show that the tax disproportionately affects Canadian imports of cars from the EU, while this is not the case for boats or boats or aircraft.

#### **Boats**

Discussions with EU stakeholders suggest that the luxury tax does not appear to have a discriminatory effect on boat imports, though competitive Italian and Dutch manufacturers have been negatively impacted, and also Polish manufacturers have complained about the tax. The majority of boats imported into Canada originate from the United States, covering both high-value and low-value segments. While the EU supplies a larger share of high-value boats, US manufacturers also produce premium vessels that fall within the tax threshold.

#### **Aircraft**

In the aircraft sector, no clear evidence has emerged to indicate a discriminatory effect on EU exports. Canada primarily sources aircraft from the United States and domestic production, with most transactions falling within the luxury tax range.

#### **Cars**

For cars, the impact appears more problematic. Two key factors raise concerns regarding the tax's unintended effects. First, electric vehicles (EV) for the same type of car generally cost more than internal combustion engine vehicles (ICEs), making them more likely to exceed the C\$100,000 threshold and fall under the luxury tax. As a result, the luxury tax disproportionately affects environmentally friendly vehicles, regardless of their country of origin. Second, the industry estimates that approximately 40% of the total value of cars exported from the EU to Canada falls under the luxury tax. In contrast, approximately 5% of Canadian-produced cars are subject to the tax. This implies that the luxury tax discriminates against EU cars.

#### 2.2.7 Technical Barriers to Trade and Conformity Assessment (Case Study summary)

This section provides an overview of the Case Study on 'Technical barriers to trade and conformity assessment under CETA' (see Annex V.4 for the full Case Study), beginning

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<sup>9</sup> The USA, Croatia, Italy, New Zealand, just to name a few, have previously introduced a luxury tax on boats, all of which were abolished in their entirety due to the net-negative economic effects.

with the background of conformity assessment, followed by the benefits and challenges of the mutual recognition agreement (MRA), and concluding with an analysis of the implementation process and ongoing discussions.

Conformity assessment ensures that products meet specified standards through three procedures: first-party assessments by suppliers, second-party assessments by customers, and third-party assessments by independent bodies. The global Testing, Inspection, and Certification (TIC) market was valued at approximately €234 bn in 2024, indicating its economic significance. Chapter 4 of CETA includes a Protocol on Conformity Assessment, allowing EU and Canadian certification bodies to test products for both markets, thereby reducing the costs associated with double certification, particularly benefiting small and medium-sized enterprises (SMEs).

The MRA provides significant benefits by enabling businesses to use domestic certification bodies for foreign market compliance, reducing time and costs and increasing competitiveness. Consumers benefit from safer, more reliable products and more diverse market options. Regulatory cooperation fosters transparency, while ongoing collaboration between Canadian and EU agencies supports alignment with international standards. The dynamic nature of the MRA also accommodates the inclusion of new products, crucial in rapidly evolving sectors like artificial intelligence and autonomous technologies.

However, the implementation of MRAs presents challenges. Historical experience, such as with the 1999 EU-US MRA, shows that a lack of regulatory convergence can hinder effectiveness. Divergent practices in self-declaration versus third-party certification and challenges in post-market surveillance further complicate the process. The CETA Protocol specifies mutual recognition conditions, market surveillance measures, and a scope initially covering sectors like telecommunications, machinery, and toys, with potential expansion to areas such as medical devices and AI systems.

Ongoing discussions within the CETA Trade in Goods Committee address several key issues: expanding product categories, enhancing stakeholder awareness, collaborating on AI-related standards, and mitigating trade barriers introduced by new EU regulations. Canada has raised concerns about the EU's market surveillance requirements, particularly the need for an EU-based compliance officer, which could disproportionately impact SMEs.

The EU has expressed concerns regarding the CETA protocol, particularly with respect to the fact that while in the EU six Conformity Assessment Bodies (CABs) have been accredited, no EU CAB has achieved the same in Canada. EU stakeholders have highlighted difficulties in understanding Canadian technical requirements at provincial levels and have called for clearer, more accessible guidance. Additionally, there are apprehensions about regulatory divergence, especially in areas like AI and new technology sectors, which could complicate the mutual recognition process. The EU has emphasised the importance of regular reviews and enhanced cooperation to address these issues and ensure the effective implementation of the Protocol.

In conclusion, while the CETA Protocol on Conformity Assessment has made progress in reducing technical trade barriers and encouraging regulatory cooperation, challenges remain. The success of the MRA hinges on continued technical dialogue, regulatory convergence, and effective post-market surveillance. Periodic surveys of accredited conformity assessment bodies and enhanced clarity regarding procedural differences could further improve implementation and facilitate the long-term success of the CETA framework.

### **2.3 Evolution of trade in services between the EU and Canada**

This Section provides a concise overview of the CETA commitments in comparison to GATS (Section 2.3.1), followed by an analysis of the impact of CETA on the evolution of trade in services between the EU and Canada, covering the importance of the EU in Canada's trade and vice versa (Section 2.3.2), the overall and sectoral evolution of trade

in services (Sections 2.3.3 and 2.3.4), the evolution of bilateral trade from an EU MS perspective (Section 2.3.5), services trade by mode of supply (Section 2.3.6), barriers to trade in services (Section 2.3.7), five “deep-dives” covering transport, dredging, business, telecom & computer, and digitally traded services (Sections 2.3.8, 2.3.9, 2.3.10, 2.3.11, and 2.3.12), and temporary entry and stay of natural persons for business purposes (Section 2.3.13). Stakeholder concerns are presented in Section 2.3.14.

#### Key findings:

- The share of the EU in Canadian services trade and the share of Canada in EU services trade have both increased between 2017 and 2023.
- Compared to the pre-CETA period, EU-Canada bilateral trade in services was 44.4% higher on average each year post-CETA, with EU services exports to Canada rising by 46.5% and EU imports from Canada increasing by 43.0%.
- CETA alone has contributed to a 15.4% increase in EU services exports to Canada, while imports from Canada have risen by 11.6%.
- EU bilateral services exports have expanded, in particular in other business services and transport services. EU bilateral imports have also grown, especially in telecommunication, computer & IT services, and other business services.
- At the level of the individual EU MS, France, Germany, the Netherlands, and Ireland remain the main services exporters to Canada. France has experienced the most significant increase in services exports to Canada since 2017, with its share rising from 19.1% in 2017 to 22.6% in 2023.
- The main EU MS importing services from Canada included France, Ireland, and the Netherlands. Ireland has seen the largest increase in services imports from Canada, with its share rising from 4.0% to 15.7%.
- The OECD Services Trade Restrictiveness Index (STRI) indicates that between 2012 and 2022, the EU STRI has increased marginally, while Canada’s has decreased marginally, starting from a higher initial level than the EU.
- The sector-specific analysis (“deep dives”) reveals the following:
  - **Transport services** have expanded post-CETA, with several EU transport companies entering the Canadian market and vice versa (despite the bulk of air transport services not being part of CETA).
  - **Dredging services** have grown, with Dutch dredging firms benefitting particularly from CETA provisions on dredging and the opening of the Canadian public procurement market.
  - **Business services** have significantly increased in both directions, with EU exports to Canada rising by 66.9% and Canadian exports to the EU increasing by 76.3%.
  - **Telecom and computer services** trade also expanded rapidly between 2017 and 2023, driven by CETA, digital transformation, the post-COVID-19 shift to remote work, innovations such as 5G and IoT, overall economic, educational, and labour stability, and a high-quality workforce.
  - CETA provisions on **e-commerce** fall short of the standards set by more recent trade agreements, limiting the full realisation of benefits in the fast-growing digital economy.

CETA addresses trade in services, establishment, and electronic commerce in Chapter 9 of the Agreement, with complementary Annexes detailing Parties’ reservations, commitments, and clarifications. These services commitments help reduce legal and regulatory uncertainty for services traders and investors and improve policy predictability, especially since CETA has specific elements that differ from and/or go beyond the WTO General Agreement on Trade in Services (GATS) as is summarised in Section 2.3.1. As a result, the Agreement is expected to have had a positive impact on services trade between the Parties.

One limitation of the economic analysis is that it captures only part of the services liberalisation directly, notably the impact of macroeconomic changes resulting from tariff liberalisation in the agriculture and manufacturing sectors and reductions of water in the bindings for services (i.e. the reduction of the room for the EU and Canada to increase



services barriers back to MFN level commitments at a later stage by binding already existing *de facto* market opening. To address this, this Section reviews the performance of services trade, including at the disaggregated sector-level, between the EU and Canada from 2012 to 2022, covering both pre- and post-CETA periods.

### 2.3.1 CETA commitments on trade in services compared to GATS

CETA includes several provisions on services trade that differ from and/or go beyond the commitments made under GATS at the WTO. The key areas where CETA exceeds GATS commitments are:

- **Market access (Article 9.4) and National Treatment (Article 9.5):** CETA adopts a negative list approach, meaning that all services sectors are open to competition unless explicitly listed as exceptions. GATS follows a positive list approach, where only specified sectors are liberalised. See Box 8 for a short explanation of the negative list approach, including some advantages and disadvantages. Furthermore, on market access, CETA prohibits certain market access restrictions that are allowed under GATS, like: limits on the number of service providers (e.g. quotas), monopoly or exclusive service providers that restrict market entry, limits on foreign equity (except where exceptions are listed), and restrictions on the total value of services transactions or assets. Regarding national treatment, CETA ensures equal treatment for foreign and domestic service suppliers, meaning that: Canada and the EU cannot discriminate against each other's service providers (except in listed exceptions).
- **Most Favoured Nation (MFN) Treatment (Article 9.6):** if Canada or the EU gives better treatment to a third country in a future trade agreement, that better treatment must also be extended to each other. This provision locks in future liberalisation, preventing either party from offering better terms to competitors (like the US or China) without extending them to CETA partners.
- **Prohibition of local presence requirements (Article 9.7):** CETA prohibits rules requiring service suppliers to have a physical presence in the country where they offer their services. This is a major improvement over GATS, which allows countries to require foreign firms to open local offices before offering services.
- **Mutual recognition of professional qualifications:** CETA establishes a framework for the mutual recognition of professional qualifications to facilitate the mobility of professionals such as engineers, architects, and accountants (see Section 2.6.4). GATS does not provide a detailed mechanism for mutual recognition but only encourages member states to negotiate recognition agreements. So CETA builds on GATS.
- **Regulatory cooperation and transparency:** CETA promotes regulatory cooperation, encouraging dialogue between Canadian and EU regulators to reduce unnecessary barriers to trade in services (see Section 2.6). For example, CETA includes enhanced transparency provisions, requiring timely publication of regulatory measures that affect service providers. CETA also improves domestic regulation provisions, ensuring that licensing and qualification requirements are fair and do not create unnecessary obstacles to trade.
- **Investment and establishment rights:** CETA includes provisions on investment in services, ensuring that service providers from both Canada and the EU can establish businesses in each other's markets more freely. Although not applied, the investment chapter of CETA includes stronger investor protections, going beyond GATS, which does not have detailed investment rules.
- **Temporary entry and mobility of professionals:** CETA provides greater commitments on temporary entry of business persons, intra-corporate transferees, and independent professionals than GATS (see Section 2.3.13). It reduces work permit and visa barriers for specific service providers.
- **Financial and telecommunications services:** CETA goes beyond GATS commitments in financial and telecommunications services by providing enhanced cooperation on financial regulations between EU and Canadian authorities, and commitments on telecommunications services, ensuring fair access to public networks and promoting competitive practices (see Section 2.3.11).
- **Public procurement of services:** CETA grants service providers access to public procurement markets at various government levels, including provinces and municipalities, which GATS does not cover (see Section 2.11).

### Box 8: The negative list approach

While most EU FTAs employ a positive list approach, CETA was the first EU bilateral FTA that has used a **negative list approach** for services. A negative list approach to services commitments means that all service sectors are open to trade and FDI unless listed as exceptions. This approach contrasts with a positive list approach, where only specifically listed sectors are opened up, with those not named remaining out of the FTA scope.

The **negative list approach** offers several **key benefits**, while still allowing both Parties to exclude services they do not wish to liberalise:

- **Greater market openness and predictability:** By default, all service sectors are open unless explicitly restricted, promoting broader market access. This approach provides certainty to businesses and investors, as they can assume a sector is open unless stated otherwise.
- **Encourages transparency and simplification:** Governments must clearly list all exceptions, making restrictions more transparent and the approach reduces bureaucratic complexities compared to the positive list, where each sector must be negotiated separately.
- **Facilitates investment and trade liberalisation:** Foreign and domestic businesses benefit from broader access to markets, fostering competition and efficiency. As a result the approach is expected to attract FDI by reducing uncertainty and ensuring open market access.
- **Future-proofing and innovation:** The approach covers new and emerging service sectors automatically unless explicitly restricted and thus reduces the need for continuous renegotiation when new services arise.
- **Efficient negotiation process:** Instead of negotiating sector by sector, commitments in a negative list approach are assumed open unless excluded, expediting trade agreement negotiations. This helps harmonising regulations across economies, reducing trade barriers.
- **Stronger economic integration:** The approach supports deeper regional or international integration by ensuring broader liberalisation.

**Potential challenges** of a negative list approach:

- Negotiating Parties must carefully assess which sectors to exclude, requiring thorough regulatory reviews.
- Policy flexibility for future regulations may be more limited if certain sectors are inadvertently liberalised.
- Political and social sensitivities could arise if sectors like public services or cultural industries are not adequately protected.

### 2.3.2 *The importance of the EU in Canadian services trade and Canada in EU services trade*

The geographical distribution of bilateral services trade data from UNCTADStats<sup>10</sup> shows that for the EU, bilateral trade in commercial services with Canada accounted for only 0.9% and 0.6% of extra-EU commercial services exports and imports on average over the 2012-2016 and 2017-2023 periods (see Figure 27, panels a and b). There has been little change in these shares between the pre- and post-CETA periods.

The EU's share in Canada's commercial services exports averaged 10.6% between 2012 and 2016 and 10.7% between 2017 and 2021, while on the import side, the EU's share increased from 9.5% on average before CETA to 11.1% on average after CETA (an increase of 18.4%) (see Figure 27, panels c and d).

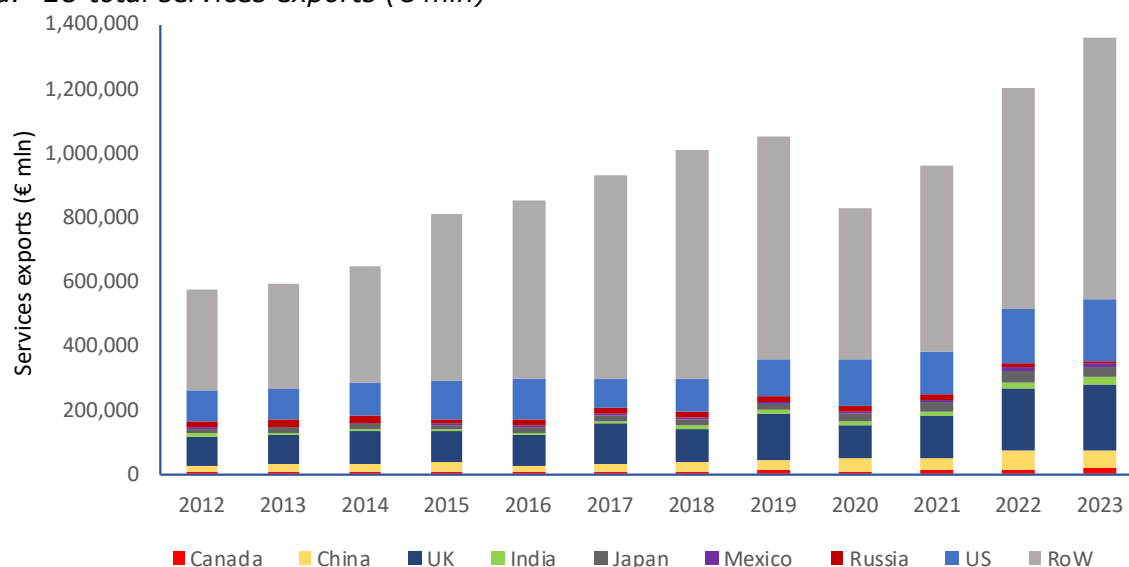
For the EU, some third countries have become less important in the services trade distribution. For instance, the share of the UK (9.9% vs. 9.5% pre and post CETA), Russia (1.8% vs. 1.4%), and the US (11.2% vs. 9.2%) in EU's extra-EU services exports has declined since CETA. Conversely, the EU has sourced more of its services imports from China (extra-EU shares of 1.8% vs. 2.1%), while its import shares from the UK (9.7% vs. 9.2%), Japan (1.1% vs. 0.8%), Russia (1.1% vs. 0.6%), Türkiye (1.2% vs. 0.8%), and the US (14.2% vs. 13.4%) have all decreased in the seven years following the application of CETA.

<sup>10</sup> Eurostat data cannot be used because it does not provide a breakdown of EU data by partner or of non-EU data by reporting country.

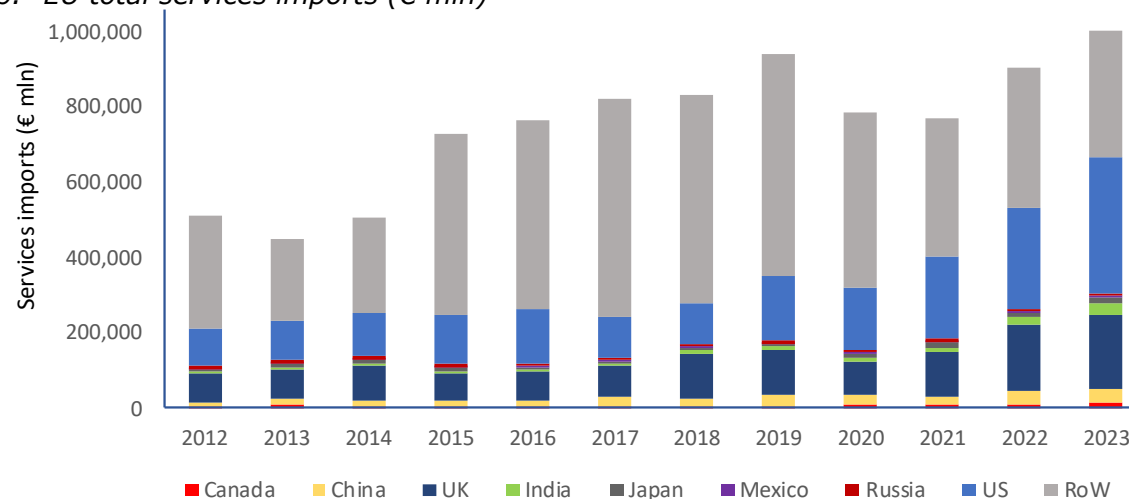
Changes in Canada's services trade with third countries before and after CETA also reveal shifting patterns. The US remains its most important services trading partner, accounting for 55% of Canada's commercial services exports and 56% of imports, on average, for both periods. China and India have become more important as destinations for Canadian services exports post-CETA, with China's share rising from 4.6% to 5.1% and India's from 1.2% to 3.0%, while the UK (5.7% vs. 5.0%) and Japan (1.6% vs. 1.3%) have become less significant. Canada's reliance on the UK (5.0% vs. 5.5%), India (0% vs. 1.5%), and Russia (0% vs. 0.5%) for services imports also increased in the post-CETA period. However, the US share (55% vs. 56%) in Canada's services exports and imports has remained unchanged.

**Figure 27: Geographical distribution of Canada/EU commercial services trade**

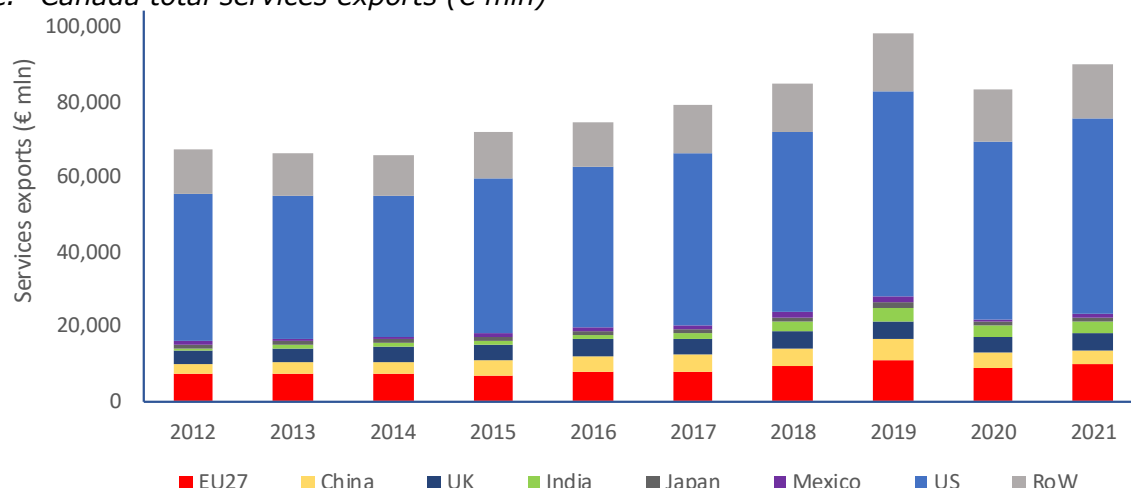
*a. EU total services exports (€ mln)*



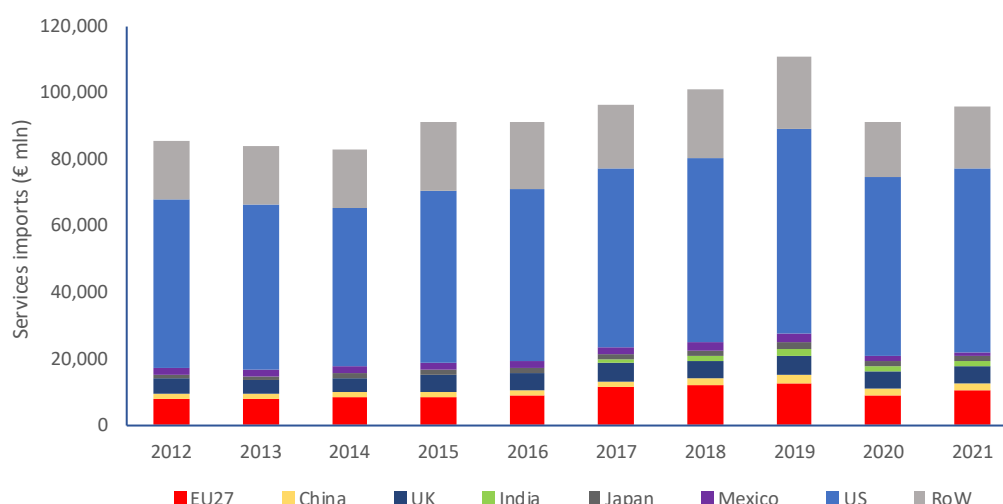
*b. EU total services imports (€ mln)*



c. *Canada total services exports (€ mln)*



d. *Canada total services imports (€ mln)*



Source: UNCTADStats; own calculations

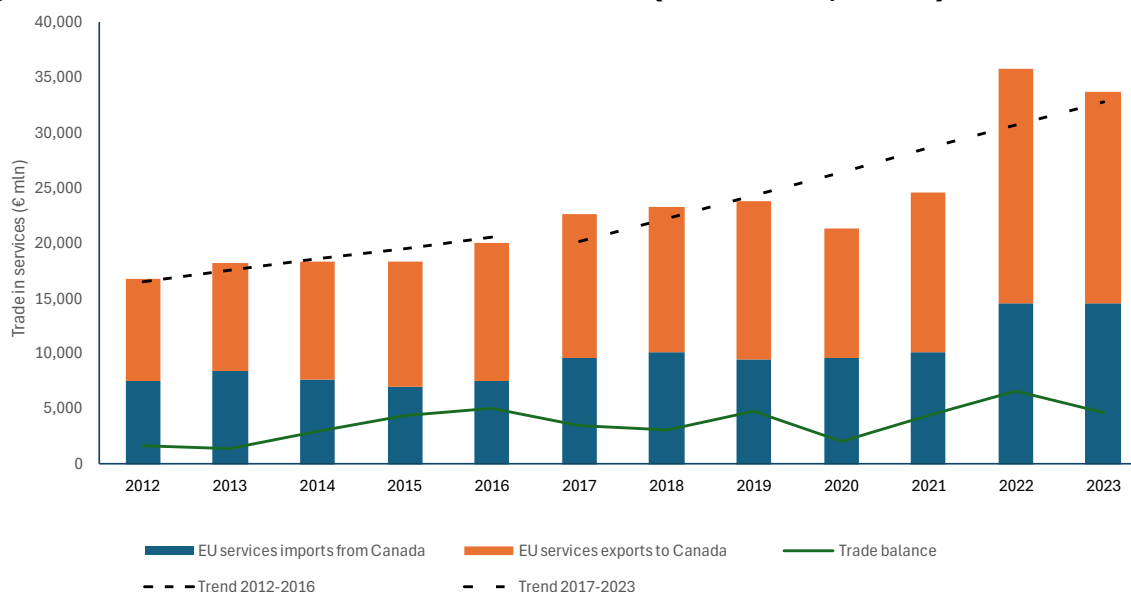
### 2.3.3 The overall evolution of trade in services between the EU and Canada

Figure 28 depicts the evolution of bilateral services trade between the EU and Canada over the 2012-2023 period. Total EU-Canada bilateral services trade (exports plus imports) increased from €18.3 bn on average in the pre-CETA years (2012-2016) to €26.5 bn on average in the post-CETA years (2017-2023), marking a 44.4% increase. While a small increase in trade can be observed for the pre-CETA period, a marginal decline in services trade occurred post-CETA period, due to the COVID-19 pandemic effect on the 2020 data. However, the trendlines indicate that the rate of growth in total services trade was higher post-CETA than pre-CETA, as the post-CETA trendline is steeper (Figure 28).

When considering the increase in bilateral trade in services from 2016 to 2023, the total trade growth is 73% (Eurostat, 2024).

EU commercial services exports to Canada increased in value terms from an average of €10.7 bn pre-CETA to an average of €15.3 bn post-CETA, registering a 46.5% increase. EU commercial services imports from Canada also grew from an average €7.6 bn pre-CETA to an average of €11.2 bn post-CETA, translating into a 43.0% increase. Despite the sharp decline in 2020 due to the COVID-19 pandemic, post-pandemic recovery has been strong, with EU services exports to Canada reaching €19.2 bn and imports from Canada €14.5 bn in 2023, resulting in a trade surplus of €4.7 bn.

**Figure 28: EU-Canada bilateral services trade (2012-2023; € mln)**



Source: UNCTADStats; own calculations

While the observed change in exports and imports between 2017 and 2023 is notable, this increase may also be the result of other factors, such as reduced access to the Russian market for service providers, advances in AI, and a greater focus on strategic autonomy and economic security, with the EU and Canada viewing each other as reliable partners. To determine the effect of CETA only on services, a gravity analysis was employed. This approach (see Section 2.5 and Annex II for a short explanation) isolated the CETA effect on services trade from all other factors. The results of the regression analysis in Table 10 indicate that CETA alone has contributed to a 15.4% increase in EU bilateral services exports to Canada and an 11.4% increase in EU imports from Canada. While lower than the total observed changes in trade, these remain significant gains directly attributable to CETA.

**Table 10: Effect of the CETA on services trade**

	Exports of services	Imports of services
<b>FTA</b>	0.033*	0.045***
	(-0.019)	(-0.017)
<b>D.FTA</b>	0.110***	0.065**
	(-0.032)	(-0.031)
<b>Combined effect</b>	0.143	0.110
	Significant	Significant
<b>Change in trade (%)</b>	15.4%	11.6%
<b>Observations</b>	68,837	65,271
<b>Pseudo-R<sup>2</sup></b>	0.993	0.992
<b>Database</b>	UNCTADStats	OECD
<b>Coverage</b>	2005-2022	2005-2022

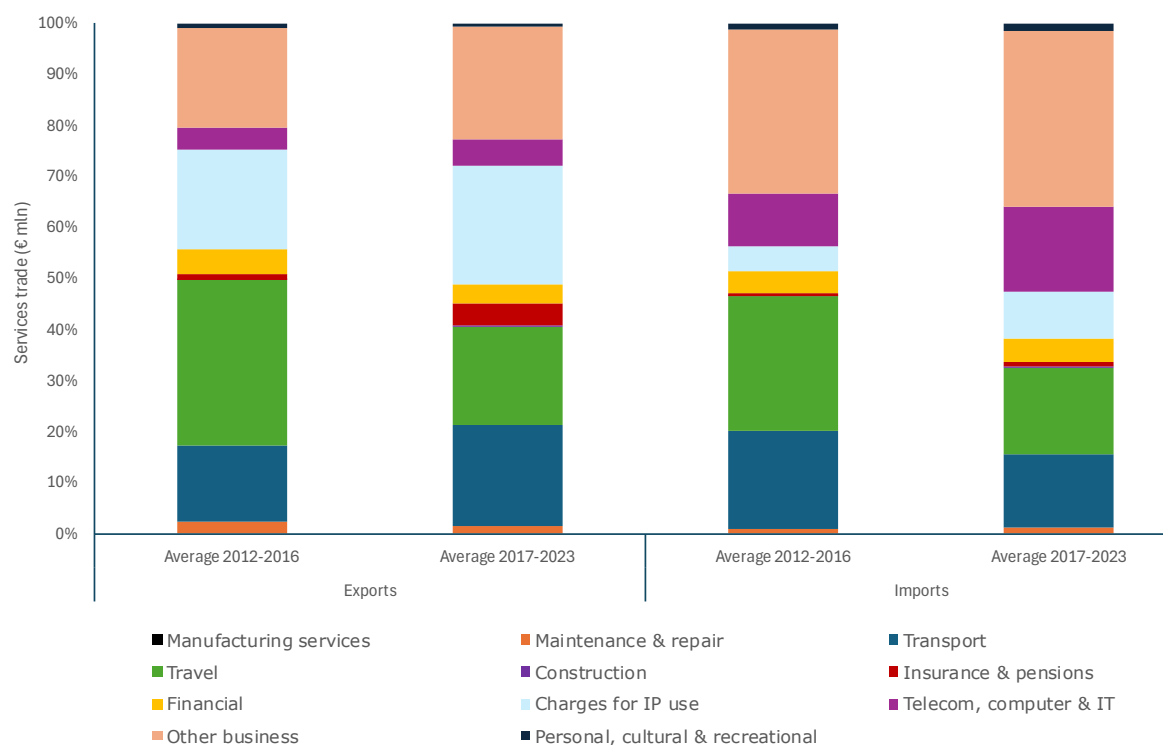
Note: All estimations include source-year, destination-year, and bilateral fixed effects. Standard errors clustered by dyad-year. Levels of significance: \*10%, \*\*5%, \*\*\*1%.

#### 2.3.4 The sectoral evolution of trade in services between the EU and Canada

EU bilateral commercial services exports are dominated by transport, travel, other business, and IP-related services. The share of other business services increased, on average, after CETA (see Figure 29). The share of services traded digitally (insurance and pension services, financial services, charges for the use of IP, telecommunications, computer and information services, other business services, and personal, cultural, and recreational services) has also increased in each partner's bilateral services exports in the post-CETA years.

EU bilateral commercial services imports from Canada are concentrated in other business, travel, transport, ICT, financial, and IP-related services, as shown in Figure 29. The share of each of these sectors in EU bilateral commercial services imports has increased, on average, since CETA's implementation.

**Figure 29: Sectoral distribution of EU-Canada commercial services trade (%)**



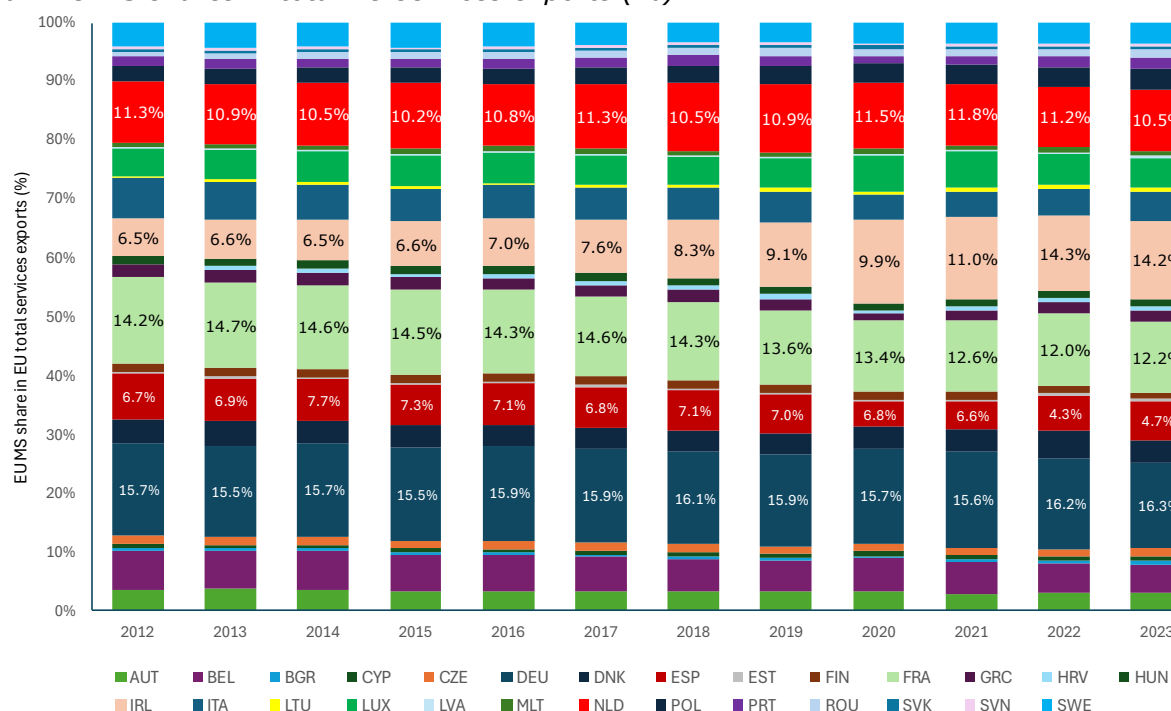
Source: UNCTADStats; own calculations

### 2.3.5 Evolution of bilateral services trade between the EU and Canada by EU MS

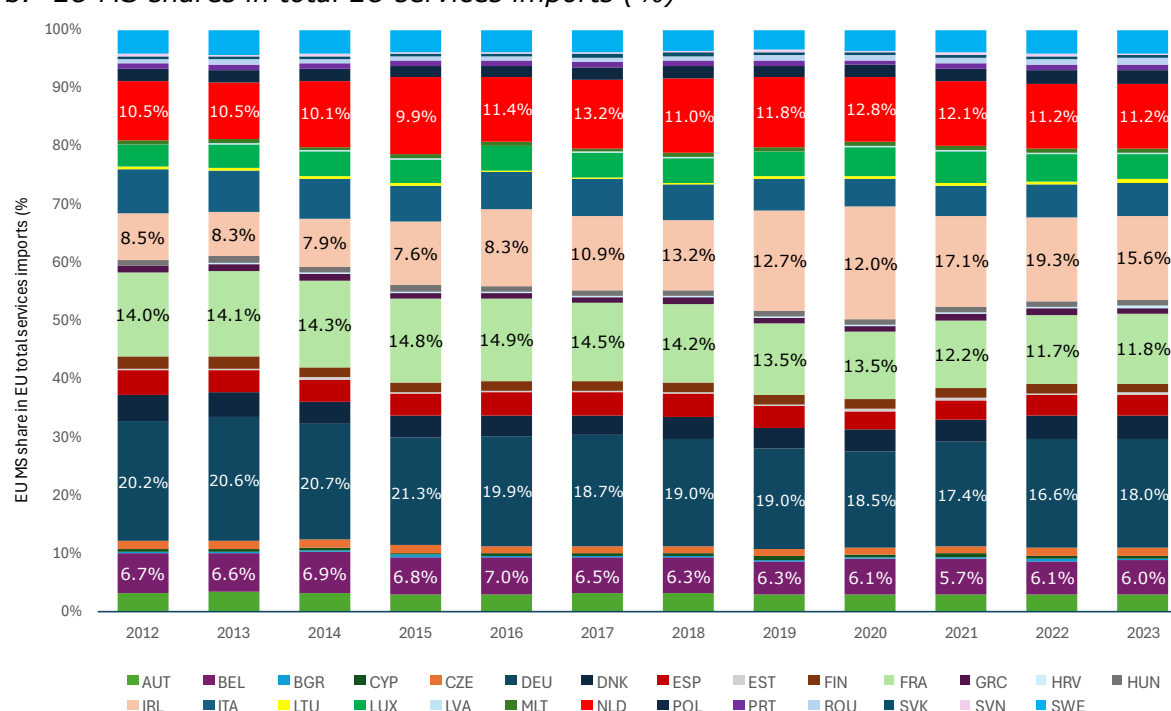
Disaggregating total services trade figures (see Figure 30, panels a and b), Germany, France, Ireland, and the Netherlands dominate the EU's services export and import distributions. While these EU MS have consistently ranked as the top trading partners, their relative shares have shifted over time.

**Figure 30: EU MS shares in EU total services exports/imports (2012-2023, %)**

*a. EU MS shares in total EU services exports (%)*



*b. EU MS shares in total EU services imports (%)*



Source: UNCTADStats; own calculations

Figure 31 (panels a and b) further breaks down EU MS shares in bilateral services trade between the EU and Canada from 2012 to 2023.

Two distinct trends emerge from these bilateral services trade flows by EU MS. First, France, Germany, and the Netherlands have remained Canada's most important services trading partners within the EU.

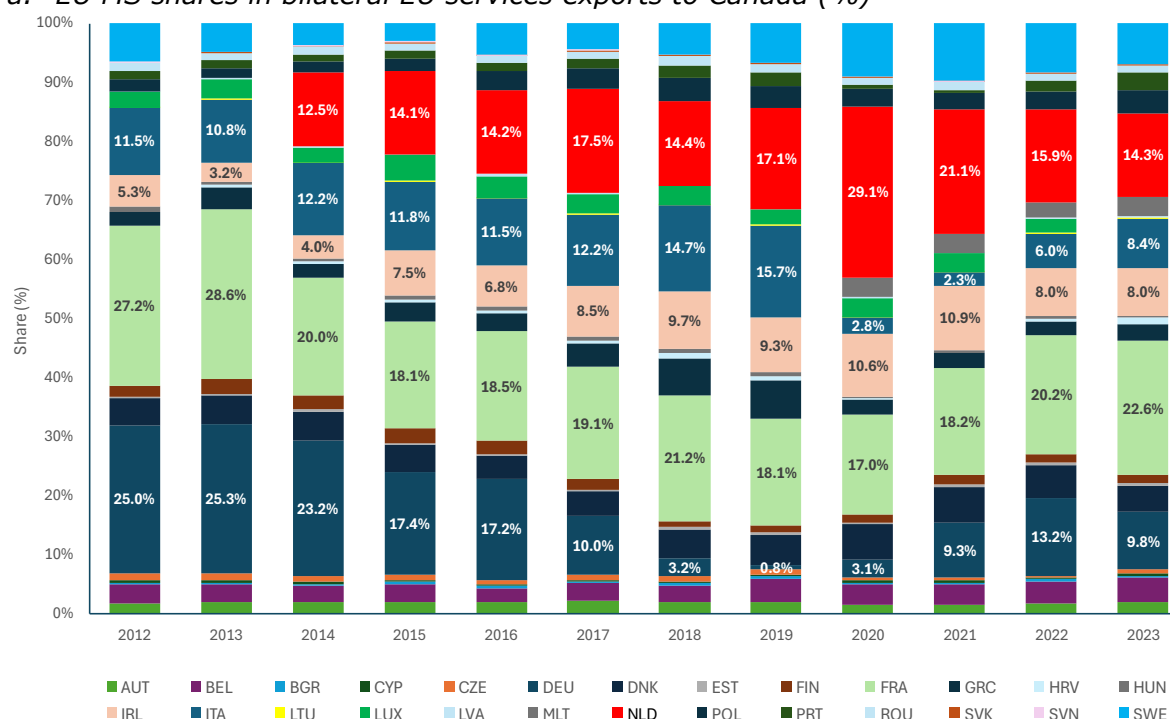
Second, there is a distinct change in shares for several EU MS since the implementation of CETA. In terms of bilateral exports to Canada, Germany's share in EU services exports has

initially declined but later recovered, while France and the Netherlands have increased their shares. On the bilateral import side, Germany's share in total EU-Canada services imports has decreased since CETA, whereas Ireland, the Netherlands, and Denmark have expanded their shares.

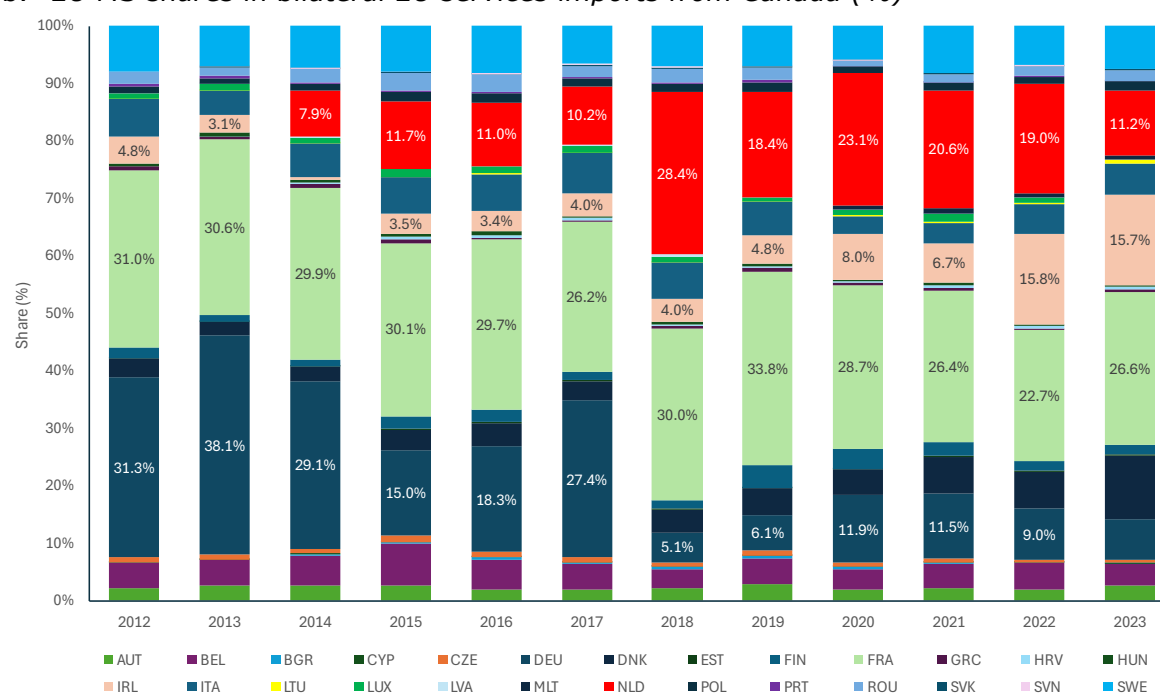
Germany's relative decline can be attributed to its stronger focus on goods exports to Canada, whereas the increase in services trade from other EU MS suggests a greater integration of their services sectors with Canada. On the import side, Germany's weak domestic demand and the energy crisis affecting its industries may have dampened demand for services.

**Figure 31: Share EUMS in EU bilateral services exports/imports (2012-2023, %)**

*a. EU MS shares in bilateral EU services exports to Canada (%)*



*b. EU MS shares in bilateral EU services imports from Canada (%)*



Source: UNCTADStats; own calculations



### 2.3.6 *Services trade by mode of supply for the EU and Canada*

The distribution of services exports by mode of supply (see Box 9) has remained unchanged for Canada over time, despite CETA. However, the EU's services exports have become more Mode 1-intensive and less Mode 3-intensive (Figure 32, panel a). This is a sign of the increasing ability to provide digitally traded services cross-border, including for professional services, that previously relied on people moving physically. The services import distribution indicates a similar trend, with both the EU and Canada increasingly relying on Mode 1, while reducing their reliance on Mode 3 (Figure 32, panel b).

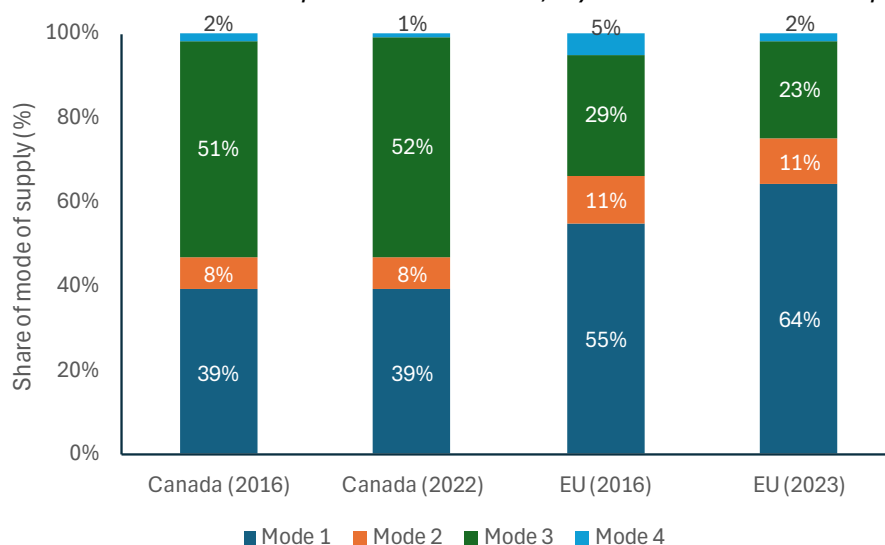
#### Box 9: Explanation of the four modes of supply

In WTO GATS parlance, services trade is transacted via four "modes of supply":

- Mode 1 or "cross-border trade" is the whole range of services that are delivered remotely (e.g. financial services, online consultancy).
- Mode 2 or "consumption abroad" is the service transacted when the consumer travels to the economy of the supplier (e.g. tourism, education abroad).
- Mode 3 or "commercial presence" is foreign affiliate activities in the host economy (e.g. activities of foreign banks and subsidiaries).
- Mode 4 or "movement of natural persons" is the service delivered by the supplier in the economy of the consumer (e.g. onsite software programmers).

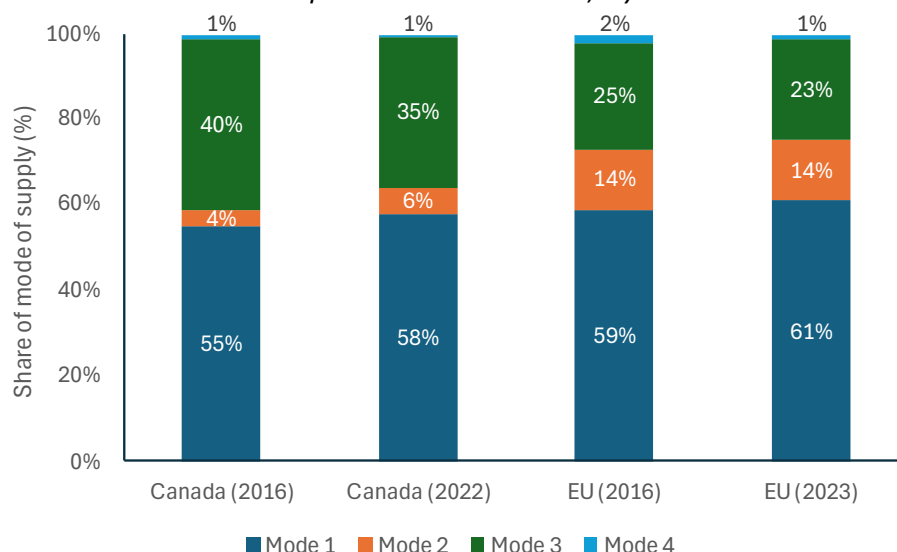
**Figure 32: Distribution of commercial services trade by mode of supply<sup>11</sup>**

a. *EU and Canadian services exports to the world, by share of mode of supply (%)*



<sup>11</sup> The WTO TISMOS data has limitations that prevent the use of period averages for 2012-2016 and 2017-2023. Therefore, this analysis compares the situation in the EU and Canada between 2016 (a pre-CETA year) and 2022 (the latest available post-CETA year).

*b. EU and Canadian services imports from the world, by share of mode of supply (%)*



Source: WTO TISMOS; own calculations

2.3.7 Barriers to trade in services in the EU and Canada

The Access2Markets, which lists all formal trade barriers between the EU and third countries, records one services-related trade barrier: a levy on foreign online music streaming services (reported on 12 September 2024). This is not directly related to CETA but it may affect trade in services sectors that CETA aims to encourage.

On 4 June 2024, the Canadian Radio and Television Commission (CRTC) introduced a 5% “base contribution” on online music streaming services generating C\$25 mln or more in annual revenues. This contribution aims to support Canadian and Indigenous content, aligning with Canada’s Online Streaming Act.<sup>12</sup> However, the requirement for streaming services to be affiliated with a Canadian broadcaster places EU-based online streaming services at a disadvantage relative to Canadian competitors and other forms of online entertainment. As the mechanism for implementation is still under development and the definition of “Canadian and Indigenous content” remains unclear, quantifying the barrier at this stage is not possible.

**OECD STRI analysis on barriers to trade in services**

The OECD STRI (for an explanation see Box 10) indicates that the EU’s services trade restrictiveness has marginally increased over time (Figure 33, panel a). With the exception of legal services, the EU’s services trade policy has become slightly more restrictive across all other sectors covered by the OECD STRI data.

In contrast, Canada had a higher STRI than the EU on average in 2023 (Figure 33, panel b). The data also suggest that Canada may have become less services-trade-restrictive, on average, in the post-CETA period, with the decline in STRI largely emanating from the liberalisation of restrictions on foreign entry (Mode 3).

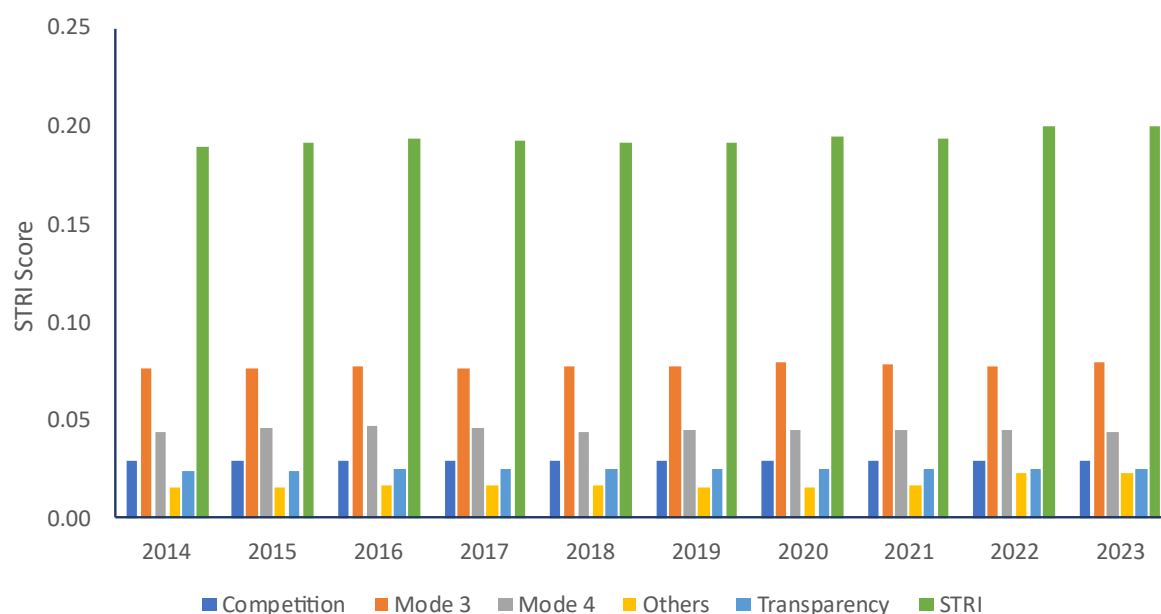
**Box 10: Explanation of the OECD STRI**

The OECD Services Trade Restrictiveness Index (STRI) measures the degree of restrictiveness towards trade in services, functioning similarly to “non-tariff measures” in goods trade. Note, however, that the OECD STRI assesses a range of indicators but does not align with the market access commitments outlined in CETA and other trade agreements. It thus offers a different perspective on measurement. Consequently, a sector/mode of supply may be fully/more liberalised under CETA while still appearing more restricted as per OECD STRI data.

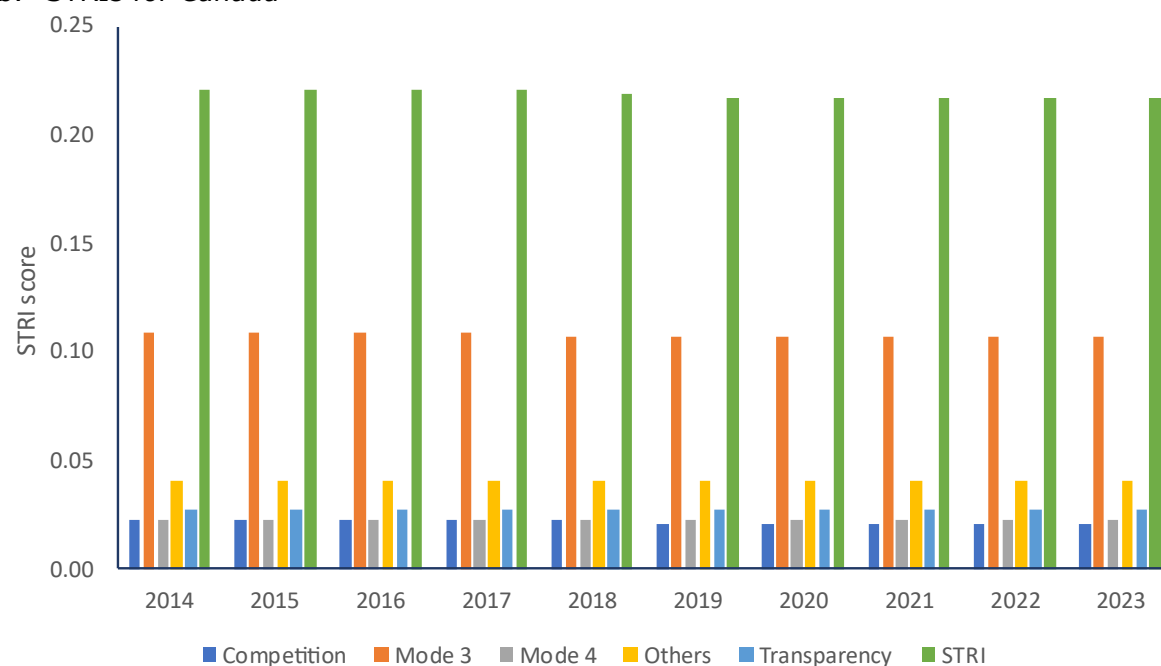
<sup>12</sup> Bill C-11: <https://www.parl.ca/legisinfo/en/bill/44-1/c-11>.

### Figure 33: Services trade restrictions in the EU and Canada

#### a. STRIs for the EU



#### b. STRIs for Canada

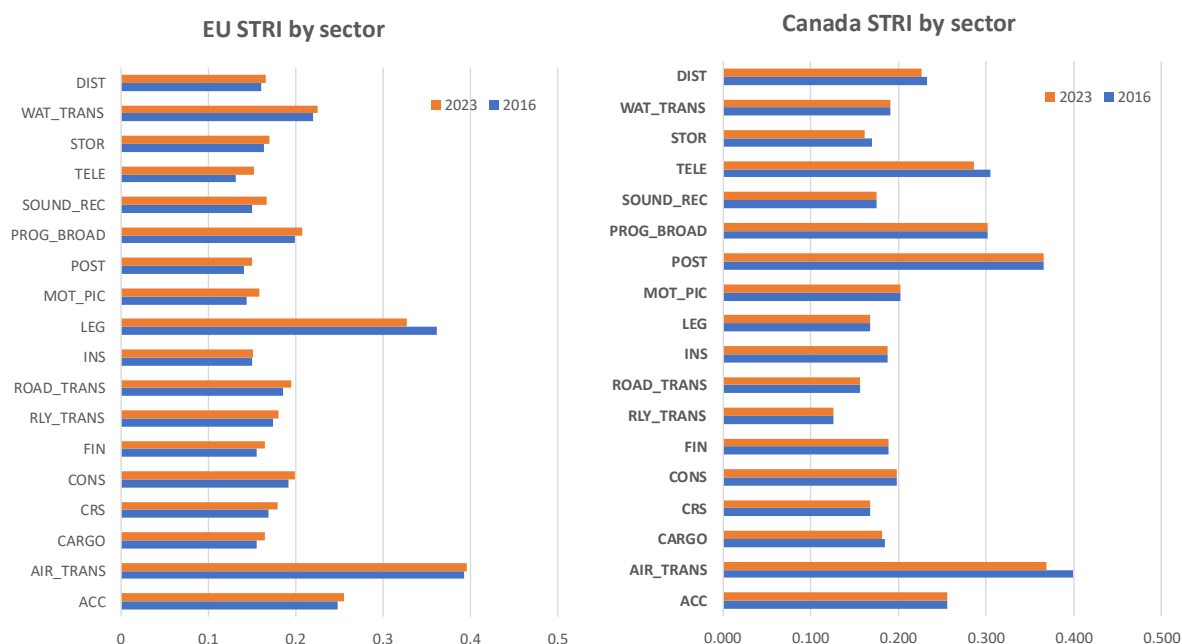


Source: OECD STRI; own calculations

For the EU, sector-level STRIs were the highest in air transport (but lower than in Canada), legal services, and accountancy services (Figure 34). Restrictions have been liberalised in legal services. In most other sectors, the data suggests that the EU has become (marginally) more restrictive over time on average.

Canadian STRIs were the highest in air transport, post- and courier-services, programming and broadcasting, and telecoms (Figure 34). However, air transport, telecommunication services, cargo, warehousing and storage, and distribution services saw reductions in services trade restrictiveness over time.

**Figure 34: Services trade restrictions in the EU and Canada by sector**

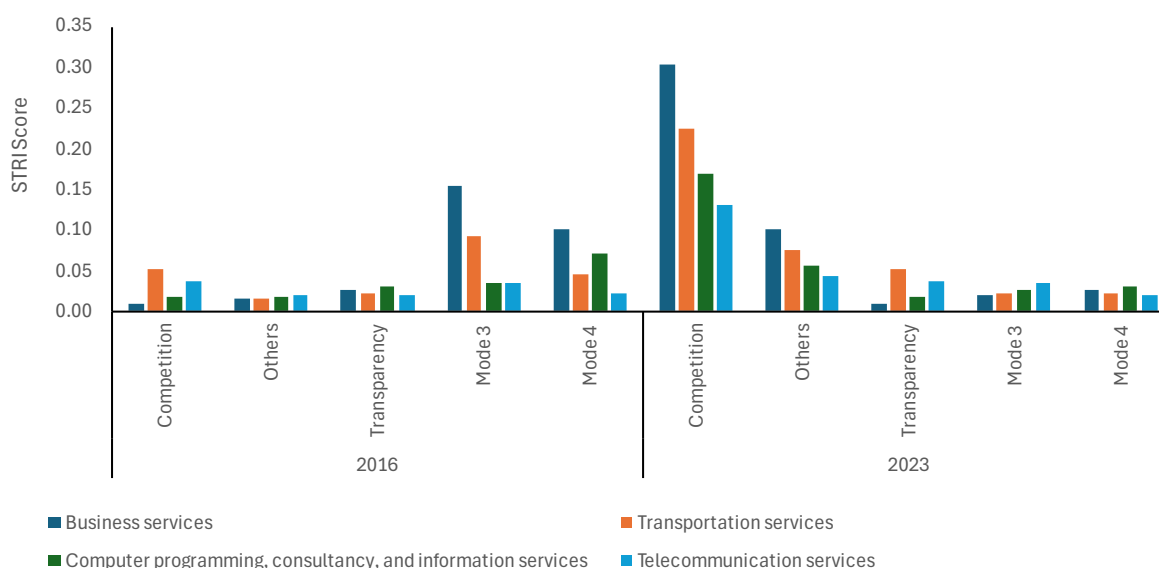


Source: OECD; STRI; own calculations; Legend: DIST = Wholesale and retail trade; WAT\_TRANS = Water transport; STOR = Warehousing and storage; TELE = Telecommunications; SOUND\_REC = Sound recording and music publishing activities; PROG\_BROAD = Programming and broadcasting activities; POST = Postal and courier activities; MOT\_PIC = Motion picture, video and television programme activities; LEG = Legal activities; INS = Insurance, reinsurance and pension funding; ROAD\_TRANS = Freight transport by road; RLY\_TRANS = Freight rail transport; FIN = Financial service activities; CONS = Construction; CRS = Computer programming, consultancy, and information service activities; CARGO = Cargo handling; AIR\_TRANS = Air transport; ACC = Accounting, bookkeeping and auditing activities.

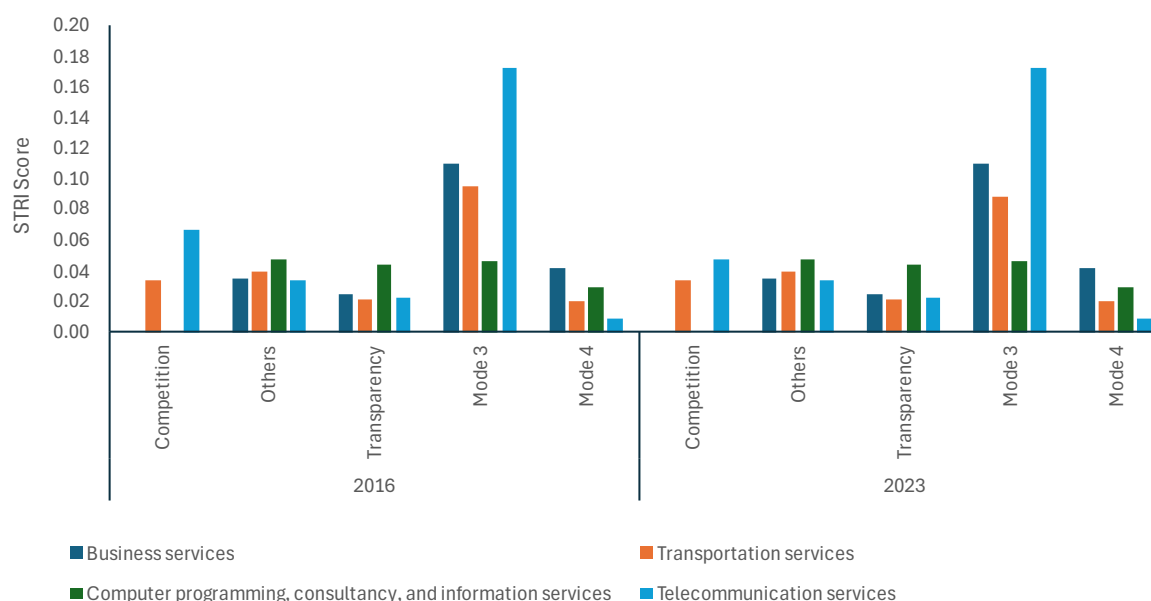
While Mode 3 restrictions in the business, transport, and telecommunications services have been liberalised in the EU over time, barriers to competition may have become more important. In computer-related services, barriers remain low in both jurisdictions, though restrictions on competition may have become more salient in the EU in this sector as well (Figure 35). Services-trade-restrictiveness in business, transport, and telecom services in Canada remains largely driven by restrictions on foreign entry.

**Figure 35: Type of services trade restrictions for selected sectors**

*a. Services restrictions for the EU*



*b. Services restrictions for Canada*



Source: OECD STRI; own calculations

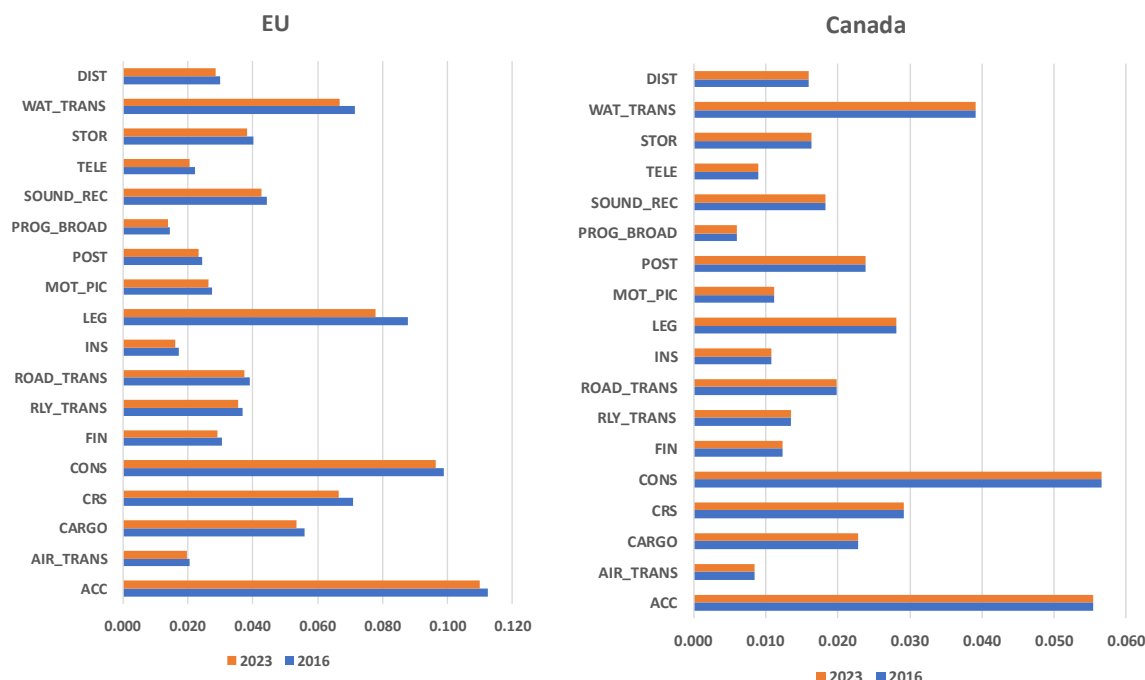
Given the caveat explained in Box 8, OECD STRI data also indicate that the EU is more restrictive in terms of Mode 4 than Canada on average. Mode 4 restrictiveness in the EU is particularly high in professional services (accountancy and legal), construction, and water transport (although restrictions have been reduced over time). This is shown in Figure 36.

While less Mode 4 restrictive than the EU, Canada imposes restrictions on the movement of services providers in construction, accountancy, and water transport services in particular. Mode 4 barriers are not benign. Research suggests that a one standard deviation rise in Mode 4 restrictiveness reduces bilateral services exports by 8%, with adverse effects being more pronounced for intermediate services exports (Shingal, 2022).

Since the OECD STRI are not country-specific, they do not include the possible decrease in restrictiveness regarding Mode 4 under CETA, specified in the provisions in Chapter 10 of CETA, covering temporary entry and stay of natural persons for business purposes, including a unique provision in Annex 10-F, which extends the right to temporary entry and stay to spouses of intra-corporate transferees. These provisions, based on limited

feedback from stakeholders, facilitate Mode 4 trade in services between the EU and Canada.

**Figure 36: Mode 4 restrictions in the EU and Canada by sector**



Source: OECD STRI; own calculations

### 2.3.8 Deep dive: Transport services

This Section examines the transport services sector, focusing on imports and exports of transport services, whether service providers have become more integrated, if investments in environmentally friendly technologies have taken place, and how container volumes have evolved and been handled in relevant ports.

#### EU transport services exports to Canada

EU bilateral exports of transport services to Canada have increased by 9.9%, rising from €3.2 bn in the pre-CETA period (2012-2016) to €3.5 bn in the post-CETA period (2017-2022), despite the fact that only part of air transport services are covered by CETA. This increase was driven by non-air and non-sea transport, which recorded a 46.4% rise in the post-CETA period relative to the pre-CETA period. Within other modes of transport, freight transport services have reported a 143.5% increase in EU-Canada bilateral exports, although passenger transport exports declined. The same trend was observed in air transport services, where bilateral exports between the two sub-periods declined by 13.8%, mainly driven by declines in non-passenger and non-freight transport services. The fact that CETA did not include air transport services commitments is the key reason for this decline. Trade, as a result of CETA, is diverted to other modes of transport – sea, rail and road transport – at the expense of air transport.

Supporting this trend, major EU transport services companies and their Canadian affiliates have expanded operations in Canada in the post-CETA period. In 2022, IKEA Canada and Bolt Logistics partnered to deploy one of Canada's largest zero emission vehicle fleets.<sup>13</sup> Similarly, in 2024, Volvo subsidiary Nova Bus secured an order for 51 electric buses from Canada's public transport provider OC Transpo, which offers scheduled services in the Canadian regions of Ottawa, Ontario, and Gatineau, Québec.<sup>14</sup> This is anecdotal evidence that investments in environmentally-friendly technologies have taken place. As part of

<sup>13</sup> <https://www.businesswire.com/news/home/20220119005122/en/Bolt-Logistics-and-IKEA-Canada-Join-Forces-to-Deploy-One-of-Canada%E2%80%99s-Largest-Zero-Emission-Vehicle-Fleets>

<sup>14</sup> <https://www.electrive.com/2024/06/17/volvo-subsiary-nova-bus-receives-order-for-51-electric-buses/>

Halifax-based Irving Shipbuilding Inc.'s participation in Canada's National Shipbuilding Program, a contract to provide inbound logistics services for ship construction and repair projects was awarded to French logistics MNC, GEODIS in 2024.

Recently, Siemens Mobility has been selected by Metrolinx, the regional public transit operator for the Greater Toronto and Hamilton Area, to manage their track, signal, and right-of-way maintenance for the Central Region of Toronto's passenger railway infrastructure system. This partnership builds upon Siemens Mobility's existing maintenance services in the West Region and signal and communications services at the Metrolinx Network Operations Center. Meanwhile, Maersk, in its annual report, informed investors that it had shifted towards an end-to-end supply chain solutions provider, focusing on providing comprehensive logistics services beyond ocean shipping, including warehousing, distribution, and customs services in Canada. This strategic expansion is part of Maersk's global vision to become an integrated logistics company, connecting and simplifying customers' supply chains.<sup>15</sup>

**Table 11: EU exports of transport services to Canada**

Sector	Av. value (€ mln, 2012-2016)	Av. value (€ mln, 2017-2022)	Change (%)
Total transport	3,159	3,473	9.9%
-Sea transport	1,341	1,472	9.8%
--Sea transport; Passenger (P)	4	1	-81.8%
--Sea transport; Freight (F)	1,035	1,064	2.7%
--Sea transport; Other than P & F	33	40	21.0%
-Air transport*	1,173	1,011	-13.8%
--Air transport; Passenger (P)	536	531	-0.9%
--Air transport; Freight (F)	65	110	70.8%
--Air transport; Other than P & F	116	78	-32.7%
-Other modes of transport	77	112	46.4%
--Other modes of transport; Passenger (P)	11	4	-66.8%
--Other modes of transport; Freight (F)	29	72	143.5%
--Other modes of transport; Other than P&F	19	41	118.8%
-Postal and courier services	11	24	117.0%

Source: UNCTADStats; own calculations; \* Air transport services liberalisation has not been part of the CETA commitments but is part of a separate air transport agreement.

Air transport services (passenger and freight) are not covered under CETA (but rather under a separate air transport agreement), except for carved in sub-categories (e.g. compute reservation systems). For this reason there are no specific commitments regarding one of the four modes of transport (air transport) in the Agreement. For the other three modes of transport (road, rail and water), commitments are included in the Agreement.

### EU transport services imports from Canada

EU bilateral imports of transport services from Canada increased by 11.1% from €2.3 bn in the pre-CETA period (2012-2016) to €2.6 bn in the post-CETA period (2017-2022). This increase was primarily driven by sea transport and other modes of transport, which recorded respective increases of 43.4% and 41.5% in the post-CETA period relative to the pre-CETA period. Within other modes of transport, non-passenger and non-freight transport services reported a 200% increase in EU-Canada bilateral imports, while passenger transport imports declined. Similarly, air transport services saw a 18.7% decline in bilateral imports between the two sub-periods, driven by passenger services. This could be explained by the fact that, as for exports, air transport services (passenger and freight)

<sup>15</sup> <https://investor.maersk.com/static-files/b4df47ef-3977-412b-8e3c-bc2f02bb4a5f?>

are not covered under CETA (but rather under a separate air transport agreement), except for carved in sub-categories (e.g. compute reservation systems). For this reason there are no specific commitments regarding one of the four modes of transport (air transport) in the Agreement.

**Table 12: EU imports of transport services from Canada**

Sector	Av. value (€ mln, 2012- 2016)	Av. value (€ mln, 2017- 2022)	Change (%)
Total transport	2,307	2,564	11.1%
-Sea transport	766	1,099	43.4%
--Sea transport; Passenger (P)	0	0	-70.3%
--Sea transport; Freight (F)	202	446	120.3%
--Sea transport; Other than P & F	300	429	42.7%
<b>-Air transport*</b>	977	794	-18.7%
<b>--Air transport; Passenger (P)</b>	342	245	-28.2%
<b>--Air transport; Freight (F)</b>	74	137	86.6%
<b>--Air transport; Other than P &amp; F</b>	197	209	5.8%
-Other modes of transport	231	327	41.5%
--Other modes of transport; Passenger (P)	0	0	-76.2%
--Other modes of transport; Freight (F)	43	69	57.7%
--Other modes of transport; Other than P&F	22	66	201.3%
-Postal and courier services	12	15	21.3%

Source: UNCTADStats; own calculations; \* Air transport services liberalisation has not been part of the CETA commitments but is part of a separate air transport agreement.

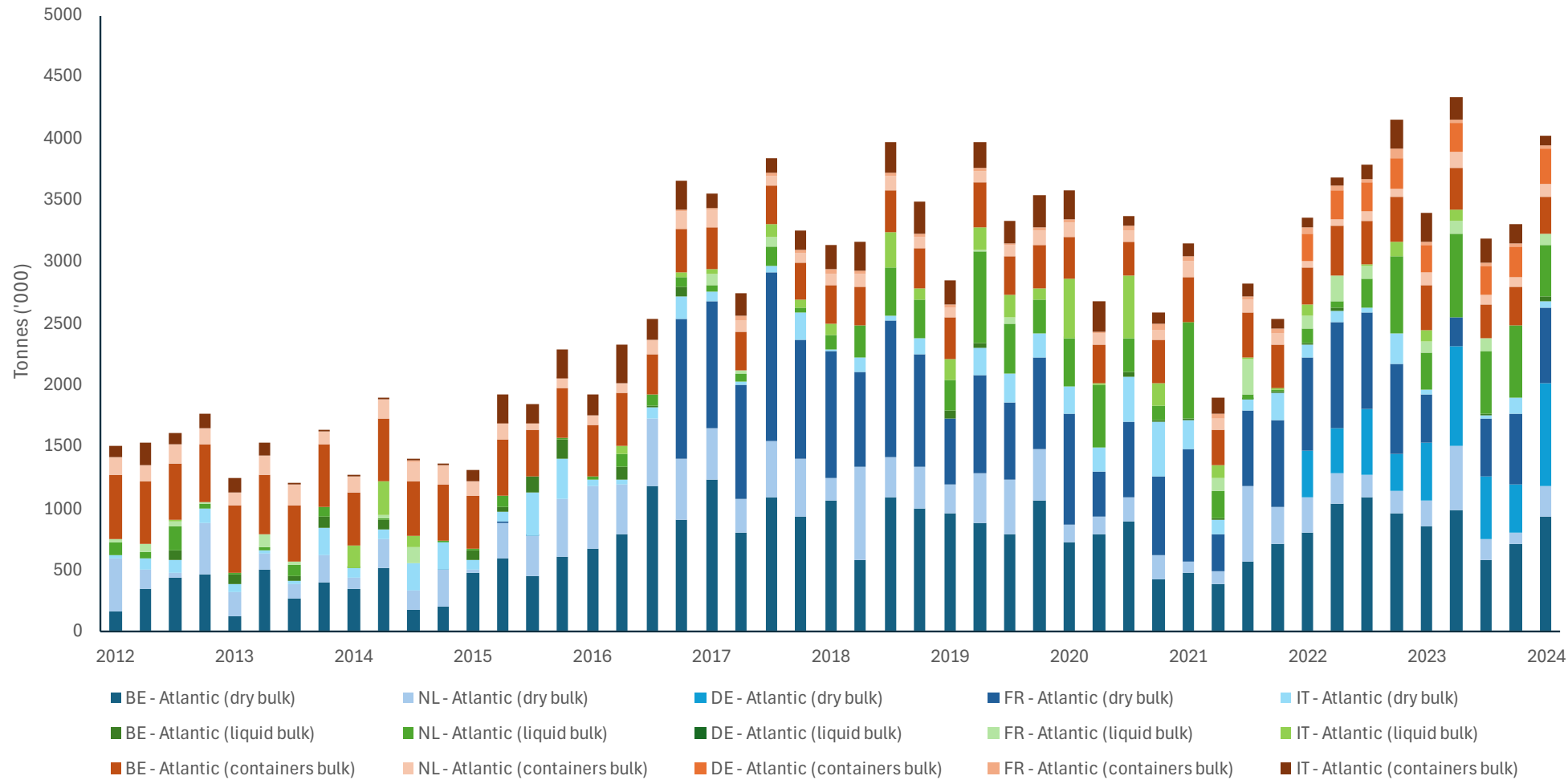
### Bilateral EU-Canada container transport

Figure 37 and Figure 38 depict bilateral trade between main EU and Canadian ports. The main EU ports considered are Rotterdam (the Netherlands), Antwerpen (Belgium), Bremen (Germany), Hamburg (Germany), Le Havre (France), Gioia Tauro (Italy), and Genoa (Italy). In Canada, the main ports are Halifax and Saint John in New Brunswick. In the figures all cargo is expressed in thousands of tonnes. Dry bulk cargo is depicted in various colours of blue (depending on the EU port), liquid bulk cargo - in various shades of green, and containers - in various colours of red, depending on the port. From Table 12, the following conclusions can be drawn:

- The volume changes closely align with the value changes in bilateral trade observed in Section 2.2;
- When comparing the 2012-2016 to the 2017-2023 periods, during the pre-CETA period, on average 1.8 mln tonnes of cargo were exported to Canada, while in the post-CETA period, this had increased to 3.3 mln tonnes, marking an 86.5% rise. Imports increased from 0.66 mln tonnes pre-CETA to 0.93 mln tonnes post-CETA, a 39.6% rise.
- EU exports to Canada were dominated by dry bulk exports, while imports were mostly containerised (measures in tonnes).
- The Ports of Rotterdam and Antwerp/Oostende were the main export hubs for EU bulk and containers to Canada, but right around the provisional application of CETA, the port of Le Havre has also become a very important export hub to Canada.
- While EU exports to Canada have remained largely unchanged from early 2022 onwards, when the war in Ukraine started, EU imports from Canada changed: from early 2022 onwards, EU imports of liquid bulk (oil) and containers increased significantly. Liquid bulk reached the EU via the Port of Antwerp/Oostende mainly, while the increase in containers came in through the ports of Hamburg and Bremen.
- On the Canadian side, Halifax and the Port of Saint John (in New Brunswick) and Montreal (Québec) are the main ports at the Atlantic (or upper St. Lawrence River) benefitting from CETA. In the EU, the extra bulk traffic mainly accrued to Antwerp, although bulk exports through Le Havre have increased from the moment CETA was provisionally applied. Container transport (especially imports from Canada from 2022 onwards) have come in through the large German container ports.

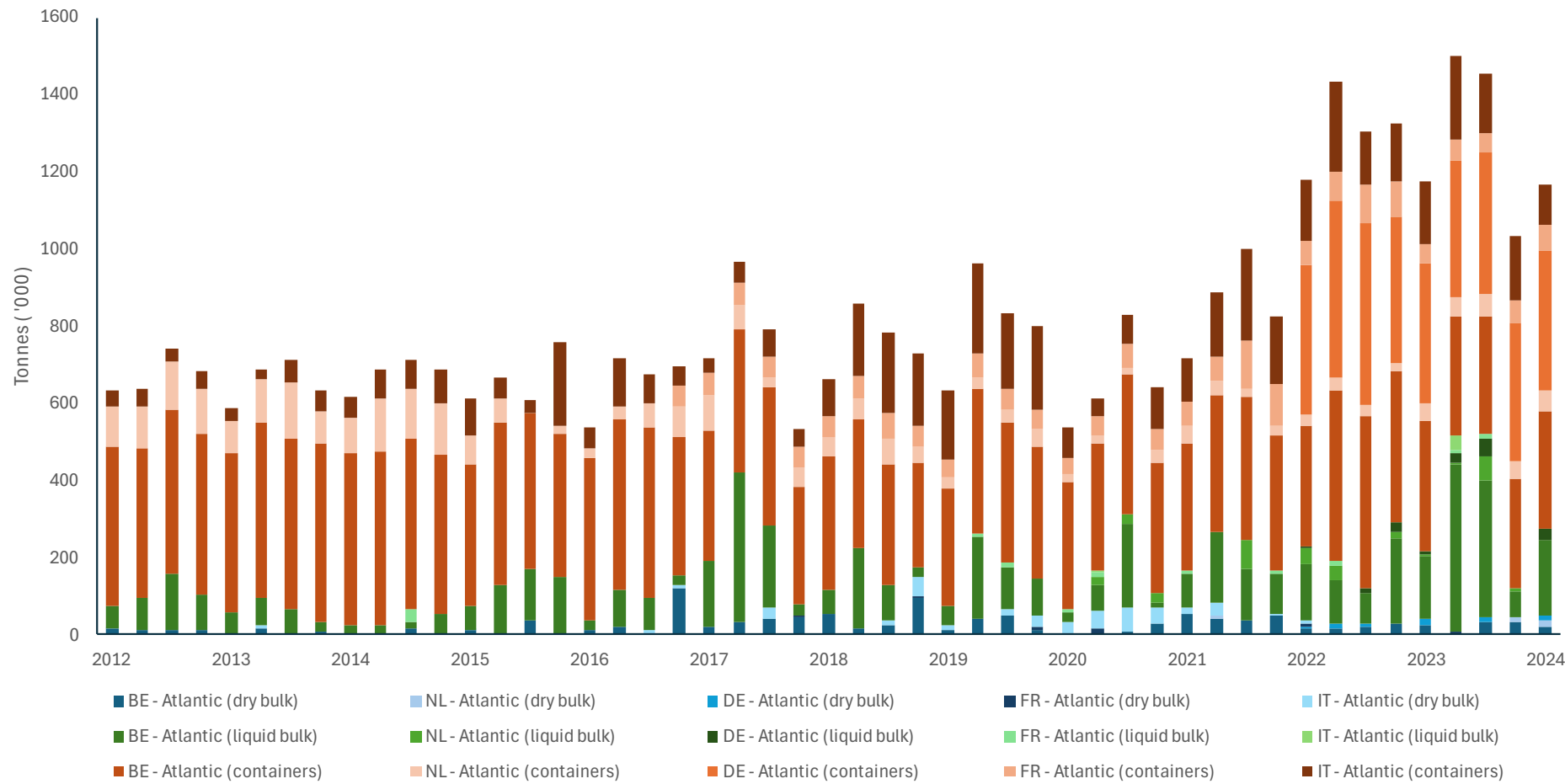


**Figure 37: Main EU port exports to main ports in Eastern Canada (2012-2023, tonnes '1000)**



Source: Eurostat (2024)

**Figure 38: Eastern Canadian port exports to main EU ports (2012-2023, tonnes '1000)**



Source: Eurostat (2024)

### 2.3.9 *Deep dive: dredging services*

On 22 September 2017, DredgingToday announced that CETA had been provisionally applied, opening markets for dredging services in Canada (DredgingToday, 2017).

Dredging services are a part of non-passenger and non-freight sea transport services. EU-Canada bilateral export of non-passenger and non-freight sea transport services increased by 21%, rising from an average of €33 mln in the pre-CETA period (2012-2016) to an average €40 mln in the post-CETA period (2017-2022).

Supporting this increase, major EU dredging services companies, including Royal Boskalis Westminster ("Boskalis") and Van Oord, have expanded operations in Canada in the post-CETA period. For instance, in October 2018, Boskalis announced its execution of the dredging scope for developing the first large-scale LNG export facility in Kitimat, Canada, for a contract value of approximately €100 mln for its entire duration, which concluded in 2021. The same month, Van Oord was awarded a contract for offshore installation works on the West White Rose Project, off the east coast of Newfoundland. Additionally, Boskalis supported maintenance and expansion dredging projects to enhance the operational capacity of Vancouver Port for the Vancouver Fraser Port Authority.

Trade data reported activities since 2017, and stakeholder inputs suggest that CETA has helped facilitate EU dredging activities in Canada. This was not only due to CETA commitments in the dredging area (where EU vessels can perform private dredging in Canadian waters without a coasting trade licence), but also its public procurement provisions (dredging is excluded from Canada's Reservation II-C-14 on procurement by federal entities), which facilitated access of EU dredging companies to Canadian public tenders. An interesting, more recent development in Canada regarding dredging is the Ocean Supercluster announcement on 12 September 2024 regarding a C\$1 mln "Port Watch AI Dredging Project" (Canada's Ocean Supercluster, 2024). This project aims to improve dredging efficiency for ports using AI and cloud services, in combination with geospatial software, enabling real-time data-driven dredging planning and processes.

### 2.3.10 *Deep dive: business services*

#### **EU exports of business services to Canada**

EU exports of other business services (OBS) to Canada increased by 66.7%, from average of €1.9 bn in the pre-CETA period (2012-2016) to an average of €3.1 bn in the post-CETA period (2017-2022), as shown in Table 13. This increase was largely driven by professional and management consulting services, which recorded a 157% rise in the post-CETA period relative to the pre-CETA period. All sub-categories within professional and management consulting services more than doubled in bilateral export value between the two sub-periods, with bilateral public relations exports in particular reporting a 242% increase. Technical and trade-related services, which comprise the bulk of EU-Canada OBS exports, also increased by 54% in value between the two sub-periods.

**Table 13: EU exports of business services to Canada**

Sector	Av. value (€ mln, 2012-2016)	Av. value (€ mln, 2017-2022)	Change (%)
Other business services	1,878	3,130	66.7%
-Research and development services	187	266	42.3%
-Professional and management consulting services	381	979	156.9%
--Legal, accounting, management consulting and public relations	294	983	234.5%
---Legal & accounting	31	64	102.8%
---Management consulting	28	60	117.5%
---Public relations	282	966	242.1%
-Technical and trade-related services	1,056	1,629	54.2%

Sector	Av. value (€ mln, 2012-2016)	Av. value (€ mln, 2017-2022)	Change (%)
--Architectural, engineering, scientific and other technical services	232	251	8.6%
---Architectural services	6	6	-3.5%
---Engineering services	180	187	4.1%
---Scientific and other technical services	60	47	-21.2%
--Waste treatment and de-pollution, agricultural and mining services	85	67	-21.5%
--Operating leasing services	204	408	100.3%
--Trade-related services	50	67	35.0%
--Other business services n.i.e.	261	648	147.7%

Source: UNCTADStats; own calculations

Evidence of various investments and acquisitions in Canada support these bilateral trade statistics and the effect of CETA:

- In May 2018, KPMG-Canada, part of KPMG (Netherlands) acquired Adoxio, a digital customer relationship management consulting firm. This acquisition bolsters KPMGs cloud-based service offerings and digital transformation capabilities in Canada (Consulting Canada, 2018; Canadian Accountant, 2019).
- In July 2022, Arcadis (Netherlands), a global design and consultancy firm, announced its acquisition of IBI Group, a Canadian architectural and engineering services company. This strategic move aimed to bolster Arcadis' presence in North America and expand its expertise in urban infrastructure and technology-driven design solutions.
- In 2023, Bosch Building Technologies announced plans to acquire Paladin Technologies, Inc., which is a leading provider of security and life safety solutions and system integration services in North America. Paladin is headquartered in Vancouver, Canada.

Beyond these individual corporate investments, EU stakeholders mentioned that broader cooperation initiatives have strengthened the EU-Canada bilateral relationship. They mentioned Canada's accession to Horizon Europe and the EU-Canada Green Alliance as well as the EU-Canada Digital Partnership. One stakeholder also highlighted that, while not having direct evidence, the temporary entry and stay of natural persons for business purposes related to spouses would be important for the business services sector.

### EU imports of business services from Canada

EU bilateral imports of other business services (OBS) from Canada have increased by 76.3%, from an average of €2.1 bn in the pre-CETA period (2012-2016) to an average of €3.7 bn in the post-CETA period (2017-2022). This increase was driven by professional and management consulting services, which recorded a 115.7% rise in the post-CETA period relative to the pre-CETA period.

All sub-categories within professional and management consulting services have more than doubled in bilateral import value between the two sub-periods, with bilateral management consulting imports in particular reporting a 300% increase. Technical and trade-related services, which also comprise the bulk of EU-Canada OBS imports, have increased by 34% in value between the two sub-periods.

**Table 14: EU imports of business services from Canada**

Sector	Av. value (€ mln, 2012-2016)	Av. value (€ mln, 2017-2022)	Change (%)
Other business services	2,106	3,713	76.3%
-Research and development services	680	1132	66.6%

Sector	Av. value (€ mln, 2012- 2016)	Av. value (€ mln, 2017- 2022)	Change (%)
-Professional and management consulting services	570	1230	115.7%
--Legal, accounting, management consulting and public relations	388	1062	173.9%
---Legal & accounting	31	67	118.2%
---Management consulting	13	54	299.9%
---Public relations	332	944	184.6%
-Technical and trade-related services	713	951	33.5%
--Architectural, engineering, scientific and other technical services	103	124	20.8%
---Architectural services	3	1	-56.7%
---Engineering services	53	74	40.9%
---Scientific and other technical services	61	34	-44.5%
--Waste treatment and de-pollution, agricultural and mining services	7	6	-11.5%
--Operating leasing services	14	17	19.3%
--Trade-related services	112	148	32.1%
--Other business services n.i.e.	219	420	91.6%

Source: UNCTADStats; own calculations

Significant Canadian investments in the EU during the post-CETA period align with these trade statistics:

- CGI Inc., a major Canadian IT and management consulting services company, has significantly expanded its EU operations in countries like France, Germany, and the Netherlands.
- WSP Global, a Montreal-based management consulting and engineering firm, acquired Louis Berger in 2018 for approximately \$400 mln. While Louis Berger was headquartered in the US, it had a substantial presence in EU countries, particularly in infrastructure and urban planning projects across France, Germany, and Spain.
- SNC-Lavalin, after acquiring Atkins (in May 2017), leveraged Atkins' existing EU operations in Sweden, Denmark, and Poland for further expansion.

### 2.3.11 Deep dive: Telecommunication & computer services

Trade in telecom & computer services has expanded significantly since 2017, both in terms of EU exports to Canada and vice versa. This Section examines the changes in ICT services trade, including the underlying drivers for these trends and the role of CETA in shaping them.

#### EU exports of ICT services to Canada

EU ICT exports to Canada increased by 62.4%, from an average of €779 mln in the pre-CETA period (2012-2016) to an average of €1.3 bn in the post-CETA period (2017-2022). This increase was mainly driven by computer services and information services. Exports of information services more than quintupled in value in the post-CETA period relative to the pre-CETA period. Computer services, which account for the bulk of EU ICT exports, also reported a 55.5% increase in bilateral exports between the two sub-periods. The rise in telecom services exports was more modest, but still very significant, at 27.5%. This is shown in Table 15.

**Table 15: EU exports of ICT services to Canada**

Sector	Avg. value (€ mln; 2012- 2016)	Avg. value (€ mln; 2017- 2022)	Change (%)
ICT services	779	1265	62.4%

Sector	Avg. value (€ mln; 2012- 2016)	Avg. value (€ mln; 2017- 2022)	Change (%)
-Telecommunication services	76	97	27.5%
-Computer services	688	1070	55.5%
--Computer software	188	90	-52.3%
-Information services	15	99	542.1%
--News agency services	0	0	191.7%
--Other information services	12	88	612.8%

Source: UNCTADStats; own calculations

Company-specific evidence supports the rise in bilateral ICT services trade since CETA, especially – but not only – through investments and collaborations from Nokia and Ericsson:

- In June 2020, Nokia (Finland) was selected by Telus Corporation (Canada) as one of its key suppliers for the rollout of 5G network infrastructure across Canada – with the objective of increasing network speed, capacity, and reliability for Canadian consumers and companies.
- In November 2021, Nokia and Bell Canada successfully tested the 25G pon fibre broadband, focusing on delivering next-generation wireless services.
- In November 2024, Ericsson announced a substantial investment of C\$634.8 mln in its Canadian research and development operations, advancing 5G technologies, cloud-based wireless architectures, AI, and quantum computing solutions, including for the purpose of aiding the development of the battery value chain. The R&D activities are primarily conducted at Ericsson's facilities in Ottawa, Ontario, and Saint-Laurent, Quebec (Government of Canada, 2024e).
- Ericsson has been selected by major Canadian telecom companies, including Bell Canada and Telus, to supply 5G radio access network equipment. These collaborations are integral to the nationwide rollout of 5G services, enhancing connectivity and supporting the digital economy.
- Atos has been named the Official Technology Partner for the Invictus Games 2025. Atos will provide all the fundamental projects and operation technology services related to critical data, on- and off-site, equipment such as laptops and screens, and IT systems management.

These strategic collaborations and investments by Nokia and Ericsson have been instrumental in advancing Canada's telecommunications infrastructure, fostering innovation, and supporting the deployment of cutting-edge technologies across the country.

### EU imports of ICT services from Canada

EU ICT imports from Canada increased by 156.7%, from an average of €534 mln in the pre-CETA period (2012-2016) to an average of €1.4 bn in the post-CETA period (2017-2022), as shown in Table 16. This increase was largely driven by both computer and information services, each of which more than doubled in value in the post-CETA period relative to the pre-CETA period. Computer services, that also account for the bulk of EU ICT imports, reported a 183.6% increase in bilateral exports between the two sub-periods, while information services registered a 154.2% increase. The rise in telecom services imports was more modest at 24.6%.

**Table 16: EU imports of ICT services from Canada**

Sector	Av. value (€ mln, 2012- 2016)	Av. value (€ mln, 2017- 2022)	Change (%)
ICT services	534	1369	156.7%
-Telecommunication services	88	109	24.6%

Sector	Av. value (€ mln, 2012-2016)	Av. value (€ mln, 2017-2022)	Change (%)
-Computer services	431	1224	183.6%
--Computer software	37	18	-52.1%
-Information services	14	36	154.2%
--News agency services	3	4	17.7%
--Other information services	9	18	106.3%

Source: UNCTADStats; own calculations

This rapid expansion of two-way trade in telecommunication and computer services ("ICT services") has outpaced the overall growth in trade in goods and/or services under CETA. For this reason, it is important to analyse this growth performance further. As part of this evaluation, stakeholders have been interviewed, and several also have participated in the online seminars that were organised at the EU MS level. Combined with desk research, this evaluation finds that CETA has played an important role, but also that other factors have been influential:

#### **CETA-related drivers**

1. CETA has significantly **reduced barriers to trade**, including through ambitious commitments in the areas of telecommunications and IT (CETA Chapter 15). This has encouraged EU and Canadian companies to explore each other's markets and engage in deeper collaboration – as illustrated by the investment examples outlined in this Section.
2. CETA has also had more **indirect effects**: stakeholders have highlighted that CETA's impact extends beyond specific service chapters or provisions. They have emphasised the alignment of qualifications and certifications and the deepened bilateral cooperation that has become the norm between the EU and Canada since the Agreement's provisional application. In particular, joint efforts in digital and green technologies, where Canada is viewed as a like-minded partner, have provided companies with greater long-term certainty, facilitating strategic, long-term collaborations.
3. CETA has also had **global implications**. For some EU companies, CETA-related investments in Canadian telecommunication solutions are seen as an entry point into the North American market. Similarly, Canadian and US companies leverage CETA to expand their presence in the EU.

#### **Other factors**

4. **Digital transformation**, in general, much sped up by the COVID-19 pandemic, has led to a surge in demand for digital services, fuelling demand for advanced telecommunication solutions, cloud computing, cybersecurity services, and – more recently – AI-driven tools to continue to operate and remain competitive. Stakeholders have indicated that this is the most important underlying driver explaining bilateral growth in trade in ICT services.
5. The pandemic has also led to an expansion of **remote work and digital collaboration**, increasing demand for reliable telecommunication infrastructure and software and leading to an increase in trade in services like video conferencing platforms (e.g. Zoom, Teams, Webex, Google meet), cloud services, and data management solutions. As the EU and Canada both have strong IT sectors, collaborations have intensified.
6. The adoption of **new innovations in telecommunication**, like 5G, and the Internet of Things (IoT), have created the need for worldwide/global expertise and services in telecommunications and computing – a trend strongly supported by the investment examples cited earlier.
7. **Favourable business environment** in the EU and Canada has also contributed to ICT sector growth. The overall macro-economic, educational, regulatory, and labour market conditions in the EU and Canada are such that the ICT sector can flourish. Both Parties have strong innovation ecosystems, well-established R&D centres, and government-backed initiatives in technology. They also have access to a talented and highly



educated workforce as well as strong regulatory frameworks and stable business environments, making them attractive hubs for ICT sector growth.

8. Given the EU and Canada's shared commitment to promote **sustainability in digital infrastructure**, combating climate change, collaborations in energy-efficient telecommunication networks and sustainable IT solutions have emerged.
9. **Geopolitical tensions** have strengthened EU and Canada ties, as both seek to reduce dependence on certain trade partners and increase supply chain resilience. CETA has provided a predictable framework for cross-border ICT trade which companies perceive as a secure, rule-based, and transparent agreement, shielding them from geopolitical disruptions.
10. **Growing concerns over data security** and regulatory compliance are driving demand for secure digital services, software solutions, and consulting in cybersecurity and compliance frameworks. Both the EU and Canada have introduced stricter regulations on data privacy and digital sovereignty, such as the EU's General Data Protection Regulation (GDPR) and Canada's Digital Charter Implementation Act. These regulatory measures have increased demand for secure IT solutions, privacy-enhancing technologies, and compliance advisory services. Rising cybersecurity incidents have pushed EU and Canadian firms to invest in robust cybersecurity frameworks and increased trade in threat detection software.

### 2.3.12 *Deep dive: Digital trade*

The IMF-OECD-WTO Handbook on Measuring Digital Trade classifies digitally delivered services as those in the EBOPS 2010 categories SF (insurance and pension), SG (financial), SH (charges for the use of intellectual property), SI (information, computers, telecoms), SJ (other business), and SK (personal, cultural and recreational). Digitally traded services trade is important for the EU economy. Provisional Eurostat estimates for 2023 show that digitally delivered services trade accounted for 53% of extra-EU services exports and 59% of extra-EU services imports. Similarly, EU-Canada trade in digitally delivered services is also substantial, with EU bilateral exports amounting to €9.9 bn (39% of total EU services exports) and imports at €8.4 bn (43% of total services imports).

#### **EU exports of digitally delivered services to Canada**

EU bilateral exports of digitally delivered services to Canada increased by 75.5%, rising from an average of €4.4 bn in the pre-CETA period (2012-2016) to an average of €7.7 bn in the post-CETA period (2017-2022), as shown in Table 17. This increase was broad-based across all digitally delivered services, except for insurance and pension services, which declined by 32.8% in the post-CETA period relative to the pre-CETA period.

The largest increases were observed in OBS and ICT, which comprise the bulk of bilateral digitally traded services exports (and have been discussed above in detail), reported respective increases of 66.7% and 89.7% in value between the two sub-periods. Bilateral exports of personal, cultural and recreational services increased almost 24 times, albeit from a much lower base value compared to the other constituents of digitally traded services.

**Table 17: EU exports of digitally delivered services Canada**

Sector	Av. value (€ mln, 2012-2016)	Av. value (€ mln, 2017-2022)	Change (%)
Total digitally delivered services	4370	7670	75.5%
-Insurance and pension services	166	112	-32.8%
-Financial services	573	709	23.8%
-Charges for the use of intellectual property	740	1026	38.7%
-ICT	981	1860	89.7%
-OBS	1878	3130	66.7%
-Personal, cultural, and recreational services	34	834	2385.1%

Source: UNCTADStat; own calculations



## EU imports of digitally delivered services from Canada

EU bilateral imports of digitally delivered services from Canada increased by 77.2%, from an average of €3.4 b in the pre-CETA period (2012-2016) to an average of €6.0 bn in the post-CETA period (2017-2022). This increase was driven by all constituents of digitally delivered services. OBS and ICT (again discussed above in detail), which also comprise the bulk of bilateral digitally delivered services imports, reported respective increases of 76.3% and 132.4% in value between the two sub-periods.

**Table 18: EU imports of digitally delivered services from Canada**

Sector	Av. value (€ mln, 2012- 2016)	Av. value (€ mln, 2017- 2022)	Change (%)
Total digitally delivered services	3378	5985	77.2%
-Insurance and pension services	94	145	53.6%
-Financial services	145	213	46.8%
-Charges for the use of intellectual property	191	361	89.6%
-ICT	520	1207	132.4%
-OBS	2106	3713	76.3%
-Personal, cultural, and recreational services	322	345	7.1%

Source: UNCTADStat; own calculations

## The effect of CETA on digitally traded services

Despite this strong overall increase, gravity analysis (which isolates the CETA effect as explained in Annex II.2) suggests that CETA has lowered EU imports of digitally delivered services by 14.4%, while its effect on exports is statistically insignificant, so it is not possible to say whether there has been an increase or decrease (see Table 19).

Some EU MS have gained from CETA, particularly Denmark and Slovakia, which report CETA-induced gains in both exports and imports of digitally delivered services. Other EU MS, such as Bulgaria, Czechia, Greece, and the Netherlands, experienced an increase only in imports, while Estonia saw an increase only in exports.

The main reasons for this underperformance of digitally delivered services may be the partial non-application of certain provisions, as well as the fact that CETA's e-commerce provisions are relatively modest compared to more modern EU trade agreements, such as those with the UK, Japan and New Zealand.

**Table 19: Effect of the CETA on digitally delivered services trade**

	Digital services (exports)	Digital services (imports)
<b>FTA</b>	0.014 (0.022)	0.055** (0.024)
<b>D.FTA</b>	-0.057 (0.058)	-0.211*** (0.064)
<b>Combined effect</b>	-0.043 <i>Not significant</i>	-0.156 <i>Significant</i>
<b>Change in trade (%)</b>	--	-14.4%
<b>Observations</b>	24,672	24,005
<b>Pseudo-R<sup>2</sup></b>	0.989	0.988
<b>Database</b>	IMF-OECD-WTO	IMF-OECD-WTO
<b>Coverage</b>	2005-2022	2005-2022

Note: All estimations include source-year, destination-year and bilateral fixed effects. Standard errors clustered by dyad-year. Levels of significance: \*10%, \*\*5%, \*\*\*1%.

Stakeholders have raised concerns that CETA's e-commerce Chapter, negotiated over a decade ago, has not kept pace with developments in digital trade policy. It lacks ambitious commitments on digital trade facilitation and falls short on essential obligations such as enabling cross-border data flows and addressing data localisation requirements. As a result, CETA's provisions appear modest compared to the EU-UK, EU-Japan, and EU-New

Zealand, or Digital Trade Agreements (with negotiations with Singapore concluded in July 2024 and ongoing with South-Korea). Additionally, the plurilateral WTO Joint Statement Initiative on Electronic Commerce, concluded in July 2024 and co-signed by both the EU and Canada, further underscores the gap between CETA's outdated provisions and emerging global standards. These shortcomings have limited the full realisation of benefits in the rapidly expanding digital economy, underscoring the need for modernisation to unlock the agreement's potential and align it with current and future demands of digital trade.

### **EU-Canadian cooperation on digitally traded services**

In 2019, as part of the EU-Canada Strategic Partnership Agreement, the Parties launched a Digital Dialogue, subsequently discussing areas such as artificial intelligence, e-ID and digital credentials (e-signature), data governance, online safety, trends in disinformation, and emerging technologies such as blockchain. They also cooperate on digital aspects in other forums, like OECD and G7 (Government of Canada, 2023a; Council of the EU, 2022). Moreover, in 2023, the Parties launched a Digital Partnership, elevating the digital dialogue to the political level, with a first meeting setting the priorities held in February 2024. The Digital Partnership extends beyond e-commerce and includes cooperation in areas important for consumers as individual users of digital space, e.g. digital identity, cyber security, artificial intelligence, digital skills development, and ways to address information manipulation and disinformation (European Commission, 2023i; 2024a).

Additionally, as part of the regulatory cooperation on product safety under CETA, the Parties conducted an awareness raising campaign directed to young people on how to identify and buy safe products online. They have also exchanged information on online market surveillance, given an increase in online shopping during the COVID-19 pandemic, the overall rise in digital transactions and related product safety challenges (RCF, 2022; 2023).

While these non-binding cooperative efforts related to the digital environment (which are important to companies and consumers) have been positive, CETA itself has not led to binding digital trade rules between the EU and Canada, which could support and protect businesses, consumers and economic operators engaging in trade under CETA. The limited scope of the e-commerce Chapter is an issue that needs to be studied further. Despite CETA provisions establishing a dialogue on e-commerce, no such structured discussions have been pursued under the Agreement possibly also due to the parallel Digital Dialogue and later on the Digital Partnership. As a result, CETA's provisions have not kept pace with changes in EU policy and lack coherence with the latest EU approach to digital trade in FTAs and could be an area where the parties may want to consider new provisions and commitments in future reviews.

#### ***2.3.13 Temporary entry and stay of natural persons for business purposes***

Chapter 10 of CETA covers temporary entry and stay of natural persons for business purposes, including a unique provision in Annex 10-F, which extends the right to temporary entry and stay to spouses of intra-corporate transferees. However, quantifying the impact of this provision remains challenging, even after seven years of CETA's provisional application.

The multi-pronged approach to investigate the impact of this CETA provision is based on a combination of UNCTADStats regarding business travel and stakeholder interviews conducted after online seminars with business representatives.

### **EU exports of business travel services to Canada**

EU-Canada bilateral exports of business travel services increased modestly by 2.2%, from an average of €279 mln in the pre-CETA period (2012-2016) to an average of €285 mln in the post-CETA period (2017-2022). This increase was driven by the acquisition of goods and services by border, seasonal, and other short-term workers, which doubled in value in

the post-CETA period relative to the pre-CETA period. All other business travel services reported a 4.6% decline in bilateral exports in value terms. This is shown in Table 20.

**Table 20: EU exports of business travel services to Canada**

Sector	Av. value (€ mln, 2012- 2016)	Av. value (€ mln, 2017- 2022)	Change (%)
Travel; Business (total)	279	285	2.2%
-Travel; Business (Acquisition of goods and services by border, seasonal, and other short-term workers)	2	4	99.3%
-Travel; Business (Other)	193	185	-4.6%

Source: UNCTADStat; own calculations

### EU imports of business travel services from Canada

EU-Canada bilateral imports of business travel services increased by 18.2%, from an average of €406 mln in the pre-CETA period (2012-2016) to an average of €480 mln in the post-CETA period (2017-2022). However, the acquisition of goods and services by border, seasonal, and other short-term workers, reported a 20.4% decline in bilateral imports in value terms. All other business travel services, in contrast, increased by 30% after CETA relative to the period before CETA.

**Table 21: EU imports of business travel services from Canada**

Sector	Av. value (€ mln, 2012- 2016)	Av. value (€ mln; 2017- 2022)	Change (%)
Travel; Business	406	480	18.2%
-Travel; Business (Acquisition of goods and services by border, seasonal, and other short-term workers)	47	38	-20.4%
-Travel; Business (Other)	217	282	29.9%

Source: UNCTADStat; own calculations

### Stakeholder consultations

In addition to the increase in business travel for short-term stay, as reflected in the UNCTADStats, several companies interviewed for other aspects of this evaluation were also asked about the temporary entry and stay of natural persons. Two formal questions were posed (see Figure 39). Regarding the importance of this provision for companies, 33% of Canadian respondents rated it as "neutral", another 33% considered it "quite important", while 11% of respondents did not find the provision important at all. Three companies indicated that they were not aware of this possibility and had not considered it.

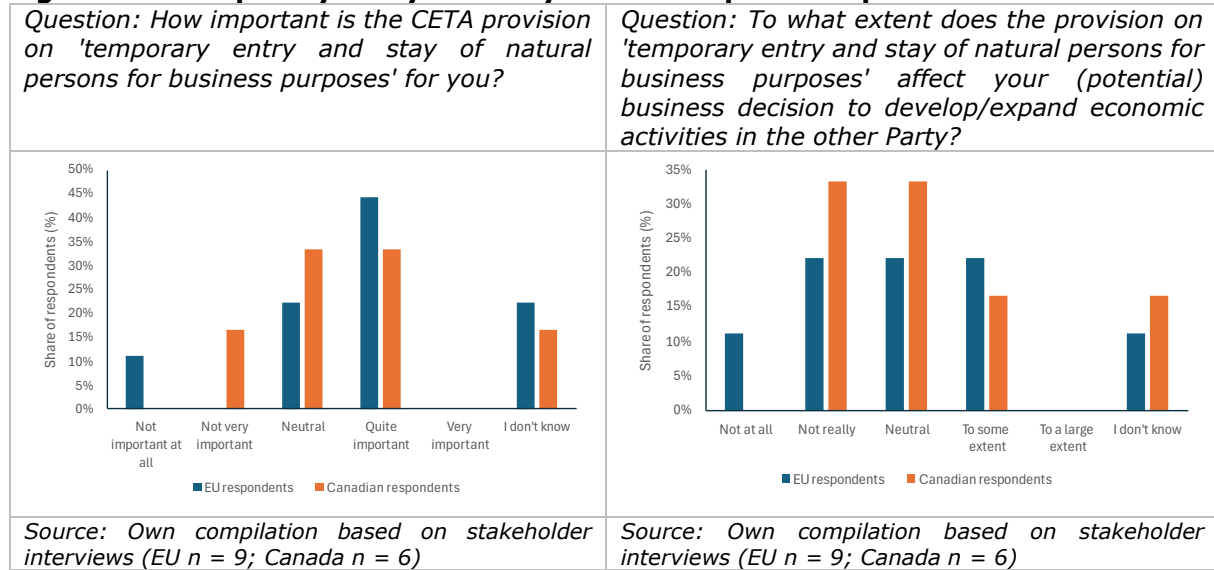
As for the impact the provision on business decisions, respondents were cautious. With the exception of one company, most stated they had not actively used this provision, nor had it been a key factor in business decisions. 33% responded that it had "not really" influenced their decisions, 33% were "neutral", and 17% stated that it had influenced their decisions "to some extent".

For EU companies, a similar pattern emerged. While 44% of the companies considered the provision quite important, four companies indicated they were not aware of it. Like in Canada, 33% stated that the provision would 'not really' influence their business decision to operate in Canada, 33% were "neutral", and 17% indicated that it could influence decisions "to some extent".

Three final points emerged during the interviews. First, companies indicated that CETA in general, but this provision in particular, should be more promoted to increase awareness and facilitate its use. Second, the provision was generally viewed in very positively as part of the strong collaboration between the EU and Canada, with 87% of respondents stating they would keep this possibility in mind as a way to encourage staff to engage in international business travel. Third, several respondents noted that ongoing digitalisation

had led to reduced short-term business stays, with companies shifting towards digital communication platforms to cut travel costs and CO2 emissions.

**Figure 39: Temporary entry and stay of natural persons questions**



### 2.3.14 Stakeholder concerns

During the CETA negotiations and ratification processes, stakeholders expressed three key concerns regarding trade in services:

- While CETA includes exceptions to the services rules, it employs a negative list approach, meaning that all services are covered by default unless specifically excluded.
- Through the standstill and ratchet clauses, CETA compels government to make any future regulatory decisions in the direction of greater liberalisation, including for services already listed as exceptions.
- The Chapter on e-commerce is not sufficiently clear in its protection of personal data and privacy.

This evaluation confirms that CETA does indeed employ a negative list approach, which offers benefits in terms of clarity, transparency, and future-proofing the Agreement (see Section 2.3.1). This approach also enhances predictability by clearly defining exceptions, while providing economic certainty for investors and service providers. It was considered the more favourable option, given the fragmented commitments across EU MS. However, governments are not obligated to pursue further liberalisation. Regulatory decisions continue to be shaped by objectives such as consumer protection, environmental sustainability, economic stability, and fair competition, rather than being driven by trade liberalisation alone.

An assessment of the impact of CETA on services provisions, including regarding the standstill and ratchet clauses, has not yet been conclusive. To date, no impact on forced further liberalisation or other potential negative effects have been found. This evaluation acknowledges that the concern regarding the e-commerce Chapter is valid. The Chapter does not sufficiently clarify protections for personal data and privacy, highlighting a gap that may need to be addressed in future policy discussions.

## 2.4 Impact of CETA on Foreign Direct Investment (FDI)

This Section provides an analysis of the impact of CETA on FDI, examining the importance of the EU in Canadian FDI and Canada in EU FDI (Section 2.4.1), the overall and sectoral evolution of FDI between the two Parties (Section 2.4.2 and Section 2.4.3), the impact of CETA on FDI flows (Section 2.4.4), and the investment climates in the EU

and Canada, along with the broader investment treaty landscape (Sections 2.4.5 and 2.4.6, respectively).

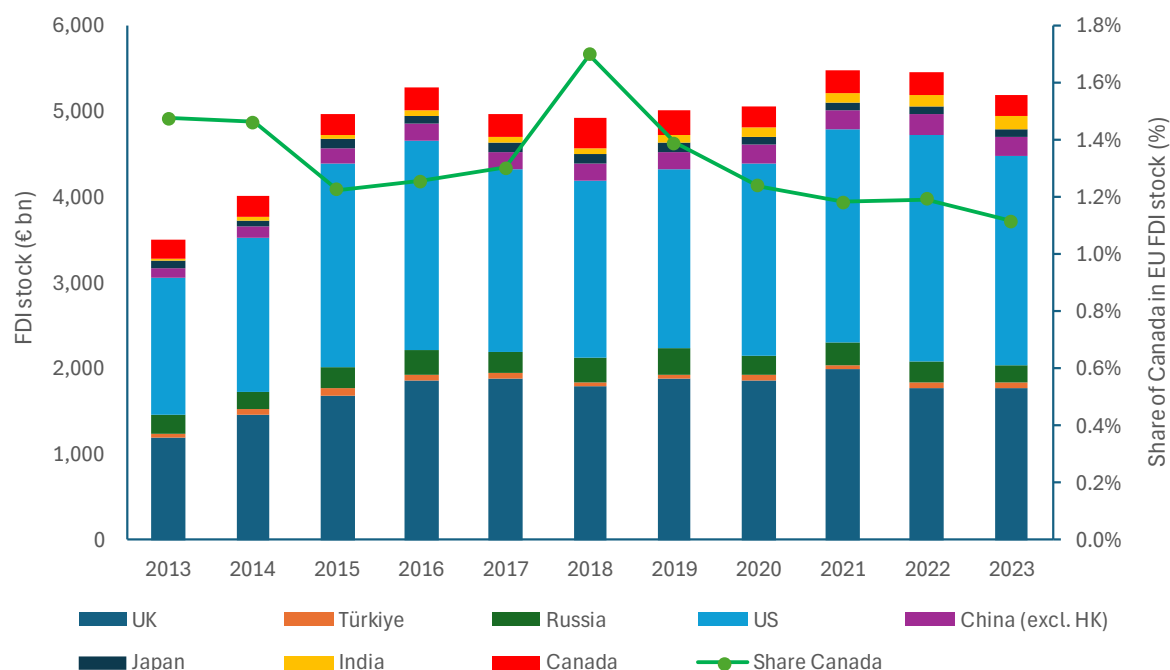
**Key findings:**

- EU FDI in Canada was €40 bn higher each year in the post-CETA period (€260 bn per year) compared to the pre-CETA period (€220 bn per year). The main EU MS from where companies were investing in Canada were the Netherlands, Luxembourg, Germany, France, and Sweden.
- EU FDI were predominantly directed into mining, oil & gas, chemicals, and wholesale trade in Canada.
- Canadian FDI in the EU was €44 bn each year higher in the post-CETA period (€210 bn per year) compared to the pre-CETA period (€166 bn per year). The main EU MS recipients of Canadian FDI were Hungary, Germany, the Netherlands, and Ireland.
- Canadian FDI were predominantly directed into financial and insurance services in the EU.
- While bilateral FDI flows between the EU and Canada increased (by 15.4%), US and Chinese FDI increased at a faster rate, leading to a decline in Canada's share of EU FDI stocks (from 1.7% in 2018 to 1.1% in 2023).
- Although bilateral FDI flows have increased, the isolated effect of the provisional application of CETA has not had a discernible effect on FDI flows and stocks between the EU and Canada.
- Reasons for this modest FDI performance include: 1) Key investment provisions of CETA have not yet been applied, as ratification is still pending in 10 EU MS; 2) While both the EU and Canada offer attractive investment climates, certain regulatory measures could potentially restrict FDI in the future.
- Until CETA is ratified, seven EU MS continue to have active Bilateral Investment Treaties (BITs) with Canada, whereas the other 20 EU MS do not, leading to an uneven investment landscape across the EU regarding investment relations with Canada.
- Both the EU and Canada have strengthened mechanisms to scrutinise FDI initiatives, including the EU FDI Screening Regulation and Investment Canada Act (ICA), which now applies to critical minerals and the Interactive Digital Media sector.

**2.4.1 The importance of the EU in Canadian FDI and Canada in EU FDI**

When examining changes in FDI stocks between 2013 and 2023, Figure 40 shows that EU FDI stocks have remained relatively stable between 2016 and 2023, with peaks in 2016 and 2021. In terms of the EU's share of FDI stocks in Canada compared to key investment partners such as the UK, US, China, and other main FDI partners, the data indicates that this share peaked in 2018 at 1.7% (in part due to a significant increase in chemicals and food investments that year) before declining to 1.1% by 2023.

**Figure 40: EU MS main FDI stocks (2013-2016 and 2017-2022)**



Source: Eurostat (2024)

Table 22 presents Canadian inward FDI stocks for the EU, US and China, confirming that while the EU remains the second-largest investor in Canada after the US, it is significantly ahead of China. However, when analysing the relative growth rate of inward FDI in Canada, EU FDI stocks increased by 15.4%, whereas US and Chinese FDI stocks grew at a faster pace, by 44.9% and 61.3%, respectively. Notably, Chinese investments in Canada declined in 2021 and 2022, potentially reflecting the impact of Canada's policy measures restricting Chinese entities through sanctions and initiatives to establish China-free value chains (Government of Canada, 2023c).

**Table 22: Canadian inward FDI stocks in perspective (€ bn)**

Year	US FDI Inward Stock (€bn)	Annual rate of growth (%)	EU FDI Inward Stock (€bn)	Annual rate of growth (%)	China FDI Inward Stock (€bn)	Annual rate of growth (%)
2017	269.4		273		10.6	
2018	311.2	15.5	366	34.1	14.4	35.8
2019	312.5	0.4	322	-12.0	17	18.1
2020	310.4	-0.7	270	-16.1	13.9	-18.2
2021	364.7	17.5	303	12.2	17.2	23.7
2022	390.4	7.0	315	4.0	17.1	-0.6
2023	414.2	6.1	NA		16.6	-2.9
2017-2023		<b>44.9</b>	<b>NA</b>	<b>15.4</b>	<b>16.6</b>	<b>61.3</b>

Source: Canada Statistics (2024)

#### 2.4.2 Overall evolution of FDI between the EU and Canada

The EU-Canada FDI relationship is almost balanced with €306 bn in inward FDI stocks and €315 bn in outward FDI stocks as of 2022.<sup>16</sup>

#### FDI into Canada and the EU (2013-2022)

Eurostat data records FDI flows and stocks from 2013-2022, which allows for a comparative analysis of the pre-CETA period (2013-2016) and the post-CETA period (2017-2022).

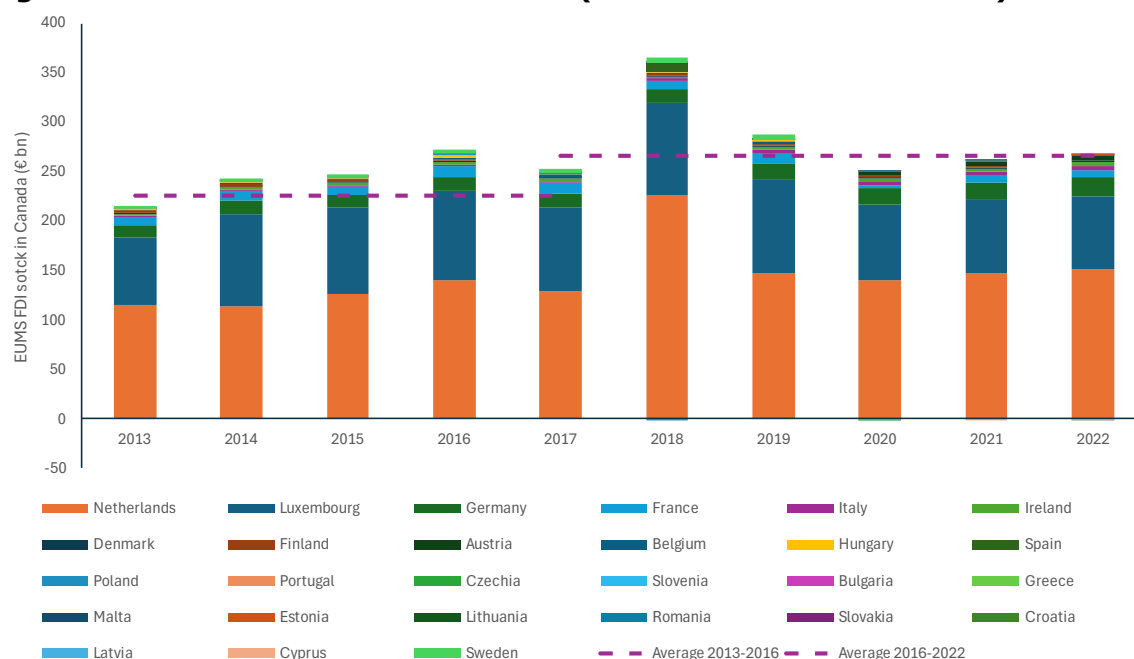
<sup>16</sup> European Commission, DG Trade, [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/canada\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/canada_en)

### *FDI Stocks in Canada by EU MS (2013-2022)*

Between 2013-2016 and 2017-2022, EU FDI in Canada steadily increased from €220 bn to €260 bn.<sup>17</sup> This positions EU as the second largest foreign investor in Canada, behind the US, which steadily increased its FDI from €307 bn in 2013 to €404 bn in 2016.<sup>18</sup>

The main EU MS investing in Canada during the pre-CETA period were the Netherlands, Luxembourg, Germany, France, and Sweden. Following the provisional application of CETA (2017-2022), EU FDI has continued to increase from €273 bn to €315 bn, maintaining the second position after the US, which saw an increase in its FDI from €404 bn to €621 bn.<sup>19</sup> In this period, Luxembourg, Germany, the Netherlands, France, and Italy emerged as the leading EU investors in Canada. These trends are reflected in Figure 41.

**Figure 41: EU MS FDI stocks in Canada (2013-2016 and 2017-2022)**



Source: Eurostat (2024)

### *Share of services in EU FDI into Canada*

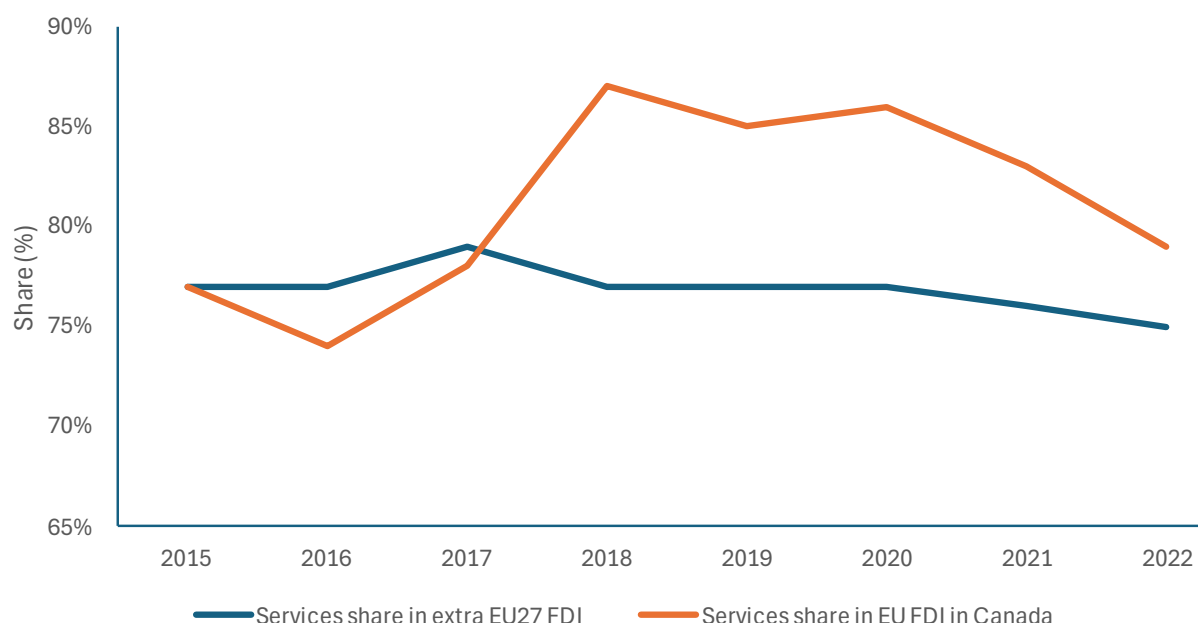
The service content of EU FDI into Canada is around 80%. This share is higher than the 77% services share in extra-EU FDI. When looking at the period between 2015 and 2022 (2 years before CETA and 5 years after for data reasons), this share has significantly increased from the moment CETA was provisionally applied to peak in 2018 at 88%, after which the share declined.

<sup>17</sup> Eurostat (2024).

<sup>18</sup> See: Statistics Canada: <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610000801>

<sup>19</sup> See: Statistics Canada: <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610000801&cubeTimeFrame.startYear=2017&cubeTimeFrame.endYear=2023&referencePeriods=20170101%2C20230101>

**Figure 42: Share of services in EU FDI (% , 2015-2022)**



Source: Eurostat (2024)

#### *FDI Stocks in the EU MS by Canada (2013-2022)*

Figure 43 illustrates the pre-CETA period (2013-2016), Canadian FDI in the EU has increased significantly from €140 bn to €275 bn. The main destinations for Canadian FDI were Luxembourg, Hungary, Germany, the Netherlands, and Ireland.

In the post-CETA period (2017-2022), Canadian FDI into the EU also increased from around €208 bn in 2017 to €3011 bn in 2023. The top-5 destinations for Canadian FDI during this period were Luxembourg, Hungary, Germany, the Netherlands, and Denmark.

**Figure 43: Canadian FDI stocks in EU MS (2013-2016 and 2017-2022)**



Source: Eurostat (2024)

#### 2.4.3 The sectoral evolution of FDI between the EU and Canada

##### *EU sectoral investments in Canada*

At the bilateral sectoral level, FDI flows from the EU into Canada have been concentrated in three main sectors: (1) mining and quarrying, (2) manufacturing, and (3) services. For



mining and quarrying, FDI flows primarily originated from the Netherlands. While for manufacturing, investments were mainly from France, the Netherlands, and Luxembourg. For services, Luxembourg, the Netherlands, Hungary, and Germany remained the top investors.

Annex V.7 presents EU MS-level sectoral FDI flows in detail. According to the latest available data from Statistics Canada (until 2023), between 2017 and 2023, the main sectors for bilateral FDI were mining & quarrying, oil & gas, chemicals, wholesale trade, management of companies, finances & insurance, and transport.<sup>20</sup>

Recent EU FDI in Canada has been particularly notable in the EV battery sector, but also in gaming, transport, pharmaceuticals, oil & gas, and automotives. Table 35 highlights major EU investments in Canada, reflecting key trends in green technologies, advanced manufacturing, and digitalisation.

For EV production and other sectors, the ability to serve the entire North American market, including the US market, from Canada is a crucial factor in Canada's investment attractiveness. Additionally, according to the Canadian Investment Promotion Agency, foreign investors have chosen Canada in 2023 for several reasons, including rich natural resources, a clean energy grid, skilled talent, innovation ecosystem, global market access, and strategic geographic location (FDI, 2023).

**Table 23: Examples of EU investments in Canada**

Company name	Nationality	Inv amount	Year inv announcement	Description
Volkswagen AG (automotive)	Germany	C\$69 mln	18 Dec 2024	Volkswagen acquired 9.9% stake in Canadian Lithium Company Patriot to secure supply of lithium raw materials for its St. Thomas battery production facility. <sup>21</sup>
Airbus (aerospace)	France	C\$900 mln	23 July 2024	Investment in the Airbus Canada Limited Partnership to support the A220 program, extending the Airbus-Quebec partnership until 2035, aiming to enhance Airbus's production capabilities and strengthen its presence in the North American aerospace market. <sup>22</sup>
Northvolt (battery)	Sweden	C\$7 bn	2023, 2024	Northvolt chose Québec to establish its first EV battery plant in North America, which involves an investment of C\$7 bn creating 3,000 jobs. <sup>23 24</sup>
Alstom (transport)	France	€5.5 bn	2024	Acquisition of Bombardier Transportation, positioning Alstom as a global innovative player in sustainable and smart mobility. <sup>25</sup>
Siemens AG (battery)	Germany	NA	2023	Investment in new manufacturing facility to produce EV chargers.
PowerCo – VW-Group (battery)	Germany	C\$7 bn	13 Mar 2023	Production of batteries for up to 1 mln EVs per year by 2027, creating 3,000 direct

<sup>20</sup> Canada statistics: <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610065901>

<sup>21</sup> Reuters (2024). Volkswagen takes 9.9% stake in lithium developer Patriot Battery Metals for C\$69 mln: <https://www.reuters.com/markets/deals/volkswagen-takes-99-stake-lithium-developer-patriot-battery-metals-c69-mln-2024-12-18/?>

<sup>22</sup> Aviator (2024). Airbus continues to invest in the A220 and extends its partnership with the government of Quebec: <https://newsroom.aviator.aero/airbus-continues-to-invest-in-the-a220-and-extends-its-partnership-with-the-government-of-quebec/>

<sup>23</sup> FDI Report 2023, <https://www.investcanada.ca/FDIReport2023>

<sup>24</sup> Reuters (2024a). Battery maker Northvolt moves ahead in Canada but at slower pace: <https://www.reuters.com/technology/battery-maker-northvolt-moves-ahead-canada-slower-pace-2024-09-09/?>

<sup>25</sup> Nord France Invest (2024). Rail news: Alstom acquires Bombardier Transportation: <https://www.nordfranceinvest.com/news/rail-news-alstom-acquires-bombardier/>

Company name	Nationality	Inv amount	Year inv announcement	Description
				jobs and tens of thousands indirect jobs in and around St. Thomas, Ontario. <sup>26</sup>
Stellantis & LG Energy Solution (battery)	Netherlands	C\$5 bn	2022	EV battery manufacturing facility in Windsor, Ontario to strengthen the EV supply chain and support production of EVs in Canada. <sup>27</sup>
Sanofi SA (pharmaceuticals)	France	€600 mln	2021	Investment to build a new facility in Toronto, Ontario, to increase supply of differentiated influenza vaccines. <sup>28</sup>
Ubisoft (recreational services)	France	C\$950 mln	2021	Opened new production studios, accelerator programs, and training initiatives in Sherbrooke, Quebec and Winnipeg, Manitoba, to foster innovation in the gaming industry. <sup>29</sup>
Volkswagen AG (transport)	Germany	NA	2020	Established innovation hub in Toronto, Ontario, focusing on digitalisation and automotive innovation – to develop advanced automotive technologies.
Siemens AG (transport)	Germany	C\$133 mln	2018	Investment in a new facility in Oakville, Ontario, to manufacture test propulsion equipment for light rail transit vehicles.
Total SA (energy)	France	NA	2018	Joint Venture for the LNG Canada project, a large-scale liquefied natural gas (LNG) export facility in Kitimat, British Columbia.
Sanofi SA (pharmaceuticals)	France	C\$500 mln	2018	Expansion of the vaccine manufacturing facility in Toronto, Ontario, aimed to increase production of paediatric and booster vaccines for global markets.

#### Canadian sectoral investments in the EU

In contrast, Canadian investments in the EU are primarily concentrated in the financial and insurance sectors. This is a market signal that financial and insurance service providers in the Netherlands and Luxembourg provide an interesting hub function for Canadian investments into the EU.

**Table 24: Examples of Canadian investments in EU MS**

Company name	Nationality	Inv amount	Year inv announcement	Description
Brookfield Asset Management (clean energy)	Canada	€3.2 bn	2024	Brookfield acquired 53% of Neoen, a renewables developer and clean-power sector from France. <sup>30</sup>

<sup>26</sup> Volkswagen (2023). Volkswagen and PowerCo SE will build their largest cell factory to date in Canada: <https://www.volkswagen-group.com/en/press-releases/volkswagen-and-powerco-se-will-build-their-largest-cell-factory-to-date-in-canada-16163?>

<sup>27</sup> Stellantis (2024). Stellantis and LG Energy Solution to Invest over C\$5 billion in Joint Venture for first large scale lithium-ion battery production plant in Canada: <https://www.stellantis.com/en/news/press-releases/2022/march/stellantis-and-lg-energy-solution-to-invest-over-5-billion-cad-in-joint-venture-for-first-large-scale-lithium-ion-battery-production-plant-in-canada>

<sup>28</sup> Sanofi (2021). Sanofi to build new facility in Canada to increase global availability of high-dose influenza vaccine: <https://www.sanofi.com/en/media-room/press-releases/2021/2021-03-31-14-05-00-2202566>

<sup>29</sup> Ubisoft (2021). Ubisoft announces the opening of a new studio in Sherbrooke: <https://sherbrooke.ubisoft.com/en/ubisoft-announces-the-opening-of-a-new-studio-in-sherbrooke/#:~:text=Supported%20by%20an%20ambitious%20development,Quebec%20to%20ensure%20its%20growth>

<sup>30</sup> Financial Post (2024). Brookfield-led group buys 53% of Neoen, paving way for takeover: <https://financialpost.com/news/brookfield-buys-neoen-takeover>

Company name	Nationality	Inv amount	Year inv announcement	Description
CPPIB (digital trade)	Canada	€550 mln	2024	CPPIB investment in 20% stake in Team.blue (Belgium), a digital enabler for entrepreneurs and SMEs. <sup>31</sup>
OMERS (advertising)	Canada	€1.5 bn	2024	OMERS (Ontario Municipal Employees Retirement System) (and DWS Group) acquired Grandi Stazioni Retail (Italy), managing commercial and advertising leasing spaces in 14 railway stations in Italy. <sup>32</sup>
Alimentation Couche-Tard (retail)	Canada	€3.1 bn	2023	Acquisition of 100% of TotalEnergies' retail outlets in Germany and Netherlands and 60% stake in Belgium and Luxembourg. <sup>33</sup>
CDPQ (investor – battery)	Canada	C\$200 mln	2023	Investment in Northvolt AB (Sweden), a leading integrated battery platform. <sup>34</sup>
Brookfield Asset Management (clean energy)	Canada	PLN650 mln	2021	Acquisition of Polenergia (Poland), active in the areas of wind and solar energy. <sup>35</sup>
Think Research (pharmaceuticals)	Canada	C\$1 mln	2021	Acquisition by Think Research (digital health software) of Pharmapod (Ireland) (offering a cloud-based platform to reduce medication errors for patients and improve patient safety), servicing pharmacies. <sup>36</sup>
ZenaTech (agriculture)	Canada	NA	2021	Investment in Ireland to set up design & development, technical support and sales & marketing of drones for Irish agritech sector. <sup>37</sup>
Bombardier (transport)	Canada	€25 mln	2019	Bombardier investment to expand its manufacturing facility in Crespin (France), to increase production capacity for rolling stock to meet increasing demand in Europe.
CPPIB (energy)	Canada	€900 mln	2018	Investment for a 20% minority equity stake in Gas Natural Fenosa (Spain) – focused on gas distribution in Spain. <sup>38</sup>

Canada's banks, pension funds, and insurance companies have historically been the largest sources of Canadian investment abroad. In the EU, the Netherlands and Luxembourg have consistently been the main destinations of Canadian FDI.<sup>39</sup> Major Canadian financial

<sup>31</sup> CPP Investments (2024). Team.blue welcomes new investment from CPP Investments in transaction worth €4.8 bn: <https://www.cppinvestments.com/newsroom/team-blue-welcomes-new-investment-from-cpp-investments-in-transaction-worth-e4-8bn/>

<sup>32</sup> Reuters (2024b). Canadian pension fund OMERS, DWS to acquire Italy's group Grandi Stazioni Retail: <https://www.reuters.com/business/finance/canadian-pension-fund-omers-dws-acquire-italys-group-grandi-stazioni-retail-2024-08-06/>

<sup>33</sup> Mobility Plaza (2024). TotalEnergies closes retail networks sale to Alimentation Couche-Tard: <https://www.mobilityplaza.org/news/34518>

<sup>34</sup> CDPQ (2023). CDPQ invests in Northvolt: <https://www.cdpq.com/en/news/pressreleases/cdpq-invests-northvolt>

<sup>35</sup> Competition Policy International (2021). EU clears acquisition of Polenergia by Brookfield & Mansa: <https://www.pymnts.com/cpi-posts/eu-clears-acquisition-of-polenegia-by-brookfield-mansa/>

<sup>36</sup> The Irish Times (2021). Pharmapod acquired by Canada's Think Research: <https://www.irishtimes.com/business/technology/pharmapod-acquired-by-canada-s-think-research-1.4720751>

<sup>37</sup> SiliconRepublic (2021). Canadian drone company's move into Irish agritech sector to create 30 jobs: <https://www.siliconrepublic.com/jobs-news/zenatech-drone-zenadrone-30-jobs-ireland>

<sup>38</sup> CPP Investments (2017). Allianz and Canada Pension Plan Investment Board to invest in Gas Natural Fenosa's gas distribution business in Spain: <https://www.cppinvestments.com/newsroom/allianz-cppib-gnf/>

<sup>39</sup> Statistics Canada (2021a). State of Trade 2021 - A closer look at Foreign Direct Investment (FDI). [https://www.international.gc.ca/transparency-transparence/state-trade-commerce-international/2021.aspx?lang=eng#a3\\_3](https://www.international.gc.ca/transparency-transparence/state-trade-commerce-international/2021.aspx?lang=eng#a3_3)

institutions, including Royal Bank of Canada (RBC) and TD Bank, have expanded their presence in Europe, targeting asset management, corporate banking, and real estate investments.

In the renewable energy sector, Canadian firms like Brookfield Asset Management have been actively investing in solar, wind, and hydrogen projects across Europe, with partnerships and acquisitions targeting major European energy producers. For example, Brookfield recently pursued a majority stake in Neoen, a French renewable energy producer with projects totalling 20 GW under development, for approximately €3.2 bn (53% of €6.1 bn).

Despite these strong examples of two-way bilateral investments, statistically, bilateral FDI flows remained largely unaffected by CETA, primarily due to the non-application of the investment protection and ISDS/ICS provisions of CETA.

A comparative example is the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) (as an FTA with an active investment protection chapter comparable to CETA), which entered into force on 30 December 2018 and includes Canada and seven Asian Pacific countries. A recent study found bilateral FDI flows among CPTPP members increased by 23% since its ratification.<sup>40</sup> This suggests that – while acknowledging the differences between CETA and CPTPP – the entering into force of the investment protection provisions of CETA could have a positive impact on bilateral FDI flows between the EU and Canada.

#### 2.4.4 *Impact of CETA on FDI flows*

The empirical analysis in this Section is conducted in the framework of the gravity model as laid down by Anderson (1979) and further described in Annex II.2.

To estimate the effect of CETA on FDI stocks and FDI flows, two distinct results matter. First, the statistical significance of the results: if the results are statistically significant, they indicate that the findings hold 90%, 95%, or even 99% of the time. For CETA to have a statistically significant positive or negative effect, both the “FTA” coefficient (which measures the overall effect of EU FTAs on investment) and the “D.FTA” coefficient (which measures the “difference of the effect of CETA on investment compared to all other FTAs”) must be statistically significant. Statistical significance is denoted with \* (statistically significant at the 10% level), \*\* (statistically significant at the 5% level), or \*\*\* (statistically significant at the 1% level).

**Table 25: Effect of the CETA on FDI (PPML)**

	FDI stock	FDI flow
<b>FTA</b>	0.050	-0.208*
	(0.034)	(0.116)
<b>D.FTA</b>	-0.100**	0.038
	(0.049)	(0.203)
<b>Combined effect</b>	-0.050	-0.170
	<i>Not significant</i>	<i>Not significant</i>
<b>Change in trade (%)</b>	--	--
<b>Observations</b>	81,407	67,029
<b>Pseudo-R<sup>2</sup></b>	0.947	0.900
<b>Database</b>	OECD	OECD
<b>Coverage</b>	2005-2022	2005-2022

*Note: All estimations include source-year, destination-year and bilateral fixed effects. Standard errors clustered by dyad-year. Levels of significance: \*10%, \*\*5%, \*\*\*1%.*

Second, the size and sign of the coefficients for FTA and D.FTA determine CETA’s impact on FDI. The combined effect is calculated by adding the two coefficients: For FDI stocks, the sum of the coefficients is  $0.05 - 0.100 = -0.05$  and for FDI flows the sum is  $-0.208 + 0.038 = -0.17$ . So in order to determine the effect of CETA, you have to add up the overall

<sup>40</sup> Asia Pacific Foundation of Canada (2024). The Impact of the CPTPP on Canada-Asia Pacific Foreign Direct Investment Flows: [https://www.asiapacific.ca/sites/default/files/publication-pdf/IM\\_CPTPP\\_EN\\_FINAL\\_0.pdf](https://www.asiapacific.ca/sites/default/files/publication-pdf/IM_CPTPP_EN_FINAL_0.pdf)

FTA effect with the difference effect ("D.FTA") of CETA compared to the other FTAs (the **Combined effect**). To change the value of a regression coefficient into a relative change (%), the following formula is used:

$$\text{Change in FDI (\%)} = (e^{(\text{coefficient FTA} + \text{coefficient D.FTA})} - 1) * 100 \quad \text{Equation 1}$$

However, since the coefficients are not statistically significant, it is not meaningful to interpret the numerical effects. The lack of statistical significance illustrated in Table 25 suggests that CETA has not had a discernible impact on FDI stocks or flows. This could be due to the fact that CETA is only provisionally applied, and key investment protection provisions have not yet entered into force.

#### 2.4.5 Investment climates in the EU and Canada

While CETA aims to support bilateral investments, investment climates in the EU and Canada are driven by various policy developments. The key factors that have impacted the investment climates in the EU and Canada are highlighted – parallel to the provisional application of CETA.

##### *EU investment climate*

The free movement of capital is also applicable to Canadian investments in the EU, ensuring non-discriminatory treatment and free capital movement, subject to applicable limitations.

However, in recent years, the EU has adopted several measures that stakeholders are concerned could potentially restrict or affect FDI, which are in principle also applicable to Canadian FDI into the EU (measures that have led to an increase in the FDI-RI). These measures stakeholders are concerned about include *inter alia*, the EU FDI Screening Regulation.

Since October 2020, the EU FDI Screening Regulation (2019/452) applies to investments in certain critical infrastructure sectors, such as energy, transport, health, communications, defence, media, and critical technologies, such as AI, robotics, semiconductors, cybersecurity, energy storage. The Regulation does not set a minimum threshold for investments and establishes a common framework under which EU MS screen investments in their own territory and the European Commission could issue opinions when an investment threatens the security or public order of more than one EU MS, or when an investment could undermine a strategic project or programme of interest to the whole EU. The EU has proposed a revision of the current EU FDI Screening Regulation, which would ensure, *inter alia*, that all EU MS have a screening mechanism in place.<sup>41</sup>

While FDI screening already took place at the EU MS level before, 4.6% of the notified FDI into the EU that was screened in 2022 originated from Canada.<sup>42</sup> For the time being, the FDI screening mechanism does not appear to have imposed restrictive effects on Canadian investors.

*Free movement of capital right for third countries:* beyond CETA and the investment-related provisions contained in the BITs, it is also important to note that the free movement of capital right contained in Articles 63-66 of the Treaty on the Functioning of the EU (TFEU) as one of the four fundamental internal market rights also applies in relation to third countries.<sup>43</sup> Accordingly, Canadian investors can rely on the free movement of capital right as enshrined in the TFEU and as interpreted by the Court of Justice of the EU (CJEU).

<sup>41</sup> Proposal for a Regulation of the European Parliament and of the Council on the screening of foreign investments in the Union and repealing Regulation (EU) 2019/452 of the European Parliament and of the Council {SWD(2024) 23 final} - {SWD(2024) 24 final}, 24.1.2024, COM(2024) 23 final, [https://policy.trade.ec.europa.eu/enforcement-and-protection/investment-screening\\_en](https://policy.trade.ec.europa.eu/enforcement-and-protection/investment-screening_en)

<sup>42</sup> See: EC, Third Annual Report on the screening of foreign direct investments into the Union {SWD(2023) 329 final}, 19.10.2023, p.19.

<sup>43</sup> European Parliament, Fact sheet on free movement of capital: <https://www.europarl.europa.eu/factsheets/en/sheet/39/free-movement-of-capital>; see e.g.: COMMISSION STAFF WORKING DOCUMENT ON THE MOVEMENT OF CAPITAL AND THE FREEDOM OF PAYMENTS, 6.4.2021,



### *Canadian investment climate*

The OECD's 2023 Review of Canada highlighted that "barriers to foreign direct investment via foreign ownership restrictions continue to be high in Canada relative to those in other OECD countries, particularly in network sectors. For instance, the telecommunications rules state that both ownership and board composition must be at least 80% Canadian in operators with more than a 10% share of the market".<sup>44</sup>

Canada has screened FDI on the basis of the Investment Canada Act (ICA) since 1985.<sup>45</sup> The ICA applies to all non-Canadians who wish to acquire control of an existing Canadian business or who wish to establish a new unrelated Canadian business.<sup>46</sup> The review threshold for 2024 was C\$1.326 bn<sup>47</sup> in enterprise value for investments to directly acquire control of a Canadian business by:

- WTO investors that are not state-owned enterprises; and
- Non-WTO investors that are not state-owned enterprises where the Canadian business that is the subject of the investment is, immediately prior to the implementation of the investment, "controlled by a WTO investor".

Recently, the ICA has been updated with the following measures<sup>48</sup>:

- Certain provisions of Bill C-34, an Act to amend the ICA to increase scrutiny of foreign investments (came into force on 3 September 2024).
- On 4 July 2024, the Minister of Innovation, Science, and Industry announced a new statement on the application of the ICA as it relates to foreign direct investment in the critical minerals sector.
- On 1 March 2024, the Minister of Innovation, Science, and Industry announced a new ICA policy related to foreign direct investment in the Interactive Digital Media sector.
- The Minister of Canadian Heritage also announced a new ICA policy on foreign investments in Cultural Businesses in the Interactive Digital Media Sector.
- The Department of Canadian Heritage has also recently provided a clarification regarding the application of the Related Business Guidelines to foreign investments in Canada's cultural sector.
- The Policy Regarding Foreign Investments from State-Owned Enterprises in Critical Minerals under the *Investment Canada Act* was introduced on 28 October 2022.

In 2022-2023, only a few EU FDI projects in Canada were screened under the ICA, primarily from Cyprus, France, and Czechia.<sup>49</sup> This suggests that EU investors have not faced significant obstacles under Canada's investment screening framework. However, it should be noted that under Annex 8-C of CETA, any decision by Canada following a review under the ICA regarding whether or not to permit an investment is not subject to the dispute settlement provisions of CETA.

### 2.4.6 Investment treaty landscape and investment provisions

The current investment treaty landscape between the EU, the EU MS, and Canada consists of bilateral investment treaties (BITs) between several EU MS and Canada, in addition to the rights and obligations established under CETA.

### **Bilateral Investment Treaties (BITs)**

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SWD(2021) 68 final, <https://data.consilium.europa.eu/doc/document/ST-7578-2021-INIT/en/pdf>; Ana Paula Dourado, The EU Free Movement of Capital and Third Countries: Recent Developments, *Intertax* 2017, pp.192-204,

[https://www.cideeff.pt/xms/files/The\\_EU\\_Free\\_Movement\\_of\\_Capital\\_and\\_Third\\_Countries\\_Recent\\_Developments\\_Intertax\\_45\\_no3\\_2017\\_pp.\\_192-204.pdf](https://www.cideeff.pt/xms/files/The_EU_Free_Movement_of_Capital_and_Third_Countries_Recent_Developments_Intertax_45_no3_2017_pp._192-204.pdf)

<sup>44</sup> OECD Canada Review Report 2023, p. 39, [https://www.oecd.org/en/publications/oecd-economic-surveys-canada-2023\\_7eb16f83-en/full-report.html](https://www.oecd.org/en/publications/oecd-economic-surveys-canada-2023_7eb16f83-en/full-report.html)

<sup>45</sup> Investment Canada Act (ICA) 1985, <https://laws-lois.justice.gc.ca/eng/acts/i-21.8/page-1.html>

<sup>46</sup> ICA: <https://ised-isde.canada.ca/site/investment-canada-act/en/what-investment-canada-act#fn1>

<sup>47</sup> ICA: <https://ised-isde.canada.ca/site/investment-canada-act/en/investment-canada-act/thresholds>

<sup>48</sup> ICA: <https://ised-isde.canada.ca/site/investment-canada-act/en>

<sup>49</sup> Annual Report ICA 2022-2023, p. 28, <https://ised-isde.canada.ca/site/investment-canada-act/sites/default/files/attachments/2022-23-annual-report-en-v4.pdf>

The following BITs are currently in force between the EU MS and Canada:<sup>50</sup>

1. Canada - Slovakia BIT (2010)
2. Canada - Czech Republic BIT (2009)
3. Canada - Latvia BIT (2009)
4. Canada - Romania BIT (2009)
5. Canada - Croatia BIT (1997)
6. Canada - Hungary BIT (1991)
7. Canada - Poland BIT (1990)

There are no BITs in place between the remaining 20 EU MS and Canada. In addition to these investment agreements, Canada has signed and ratified double taxation agreements with all 27 EU MS, except Belgium, where the agreement has been signed but not yet ratified.<sup>51</sup>

### **Provisional non-application of CETA investment protection and ISDS/ICS provisions**

With the entry into force of the Lisbon Treaty on 1 December 2009, the EU obtained exclusive competence regarding “foreign direct investments” (FDI) as per Article 207 TFEU. However, the scope of the exclusive FDI competence of the EU was clarified by the Court of Justice of the EU (CJEU) in its Opinion 2/15<sup>52</sup> regarding the EU-Singapore Free Trade Agreement (FTA). According to Opinion 2/15, while most of the provisions of the EU-Singapore FTA fall within the exclusive competence of the EU, the following provisions, fall under shared competence of the EU and the EU MS, specifically:

- The provisions regarding Investment Protection, in so far as they relate to non-direct investment between the EU and a third state;
- The provisions regarding resolution of disputes between investors and States.

As explained in Section 1.1, CETA requires ratification by all 27 EU MS for it to fully enter into force. Given that such a ratification process takes several years, the Council of the EU decided to provisionally apply CETA, with the exception of provisions falling under shared competence, i.e., certain provisions relating to investment protection and resolution of disputes between investors and States (ICS).<sup>53</sup> As a result, CETA has been provisionally applied since 21 September 2017, without these provisions taking effect.<sup>54</sup>

Currently, 17 EU MS have ratified CETA, with another 10 ratifications by EU MS are still outstanding.<sup>55</sup> In this context, it should be noted that once the investment protection and ICS provisions of CETA enter into force, they will replace the existing provisions of the old BITs between Canada and seven EU MS, creating a uniform investment protection regime across all EU MS.<sup>56</sup>

In sum, the current landscape regarding investment protection remains largely unaffected by the provisional application of CETA, as these provisions have not yet come in force. Instead, this area continues to be governed by existing BITs between seven EU MS and Canada, while 20 EU MS do not have BITs in place, maintaining an uneven and fragmented investment protection framework.

<sup>50</sup> According to the UNCTAD Investment policy hub database: <https://investmentpolicy.unctad.org/international-investment-agreements/countries/35/canada>

<sup>51</sup> According to Canada Government website: <https://www.canada.ca/en/departement-finance/programmes/tax-policy/tax-treaties.html#status>

<sup>52</sup> CJEU, Opinion of the Court (Full Court) of 16 May 2017, *EU-Singapore FTA*, ECLI:EU:C:2017:376, <https://curia.europa.eu/juris/document/document.jsf?docid=190727&mode=lst&pageIndex=1&dir=&occ=fir&st&part=1&text=&doclang=EN&cid=1110810>; see also: N. Lavranos, *Mixed exclusivity: The CJEU's Opinion on the EU-Singapore FTA*, (2017) 2 *European Investment Law and Arbitration Review*, pp. 3-34.

<sup>53</sup> COUNCIL DECISION (EU) 2017/ 38 - of 28 October 2016 - on the provisional application 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 part

<sup>54</sup> The European Commission has published several fact sheets and videos related to the operation of CETA in the first 5 years, [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/canada/eu-canada-agreement/factsheets-and-guides\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/canada/eu-canada-agreement/factsheets-and-guides_en)

<sup>55</sup> See for the ratification status of CETA: <https://www.consilium.europa.eu/en/documents-publications/treaties-agreements/agreement/?id=2016017>

<sup>56</sup> As per Article 30.8 in conjunction with Annex 30-A CETA.

## **Main investment protection and dispute resolution provisions**

The primary objective of BITs between EU MS and Canada is to promote and protect foreign investments bilaterally made by investors of the Contracting Parties. Typically, BITs guarantee foreign investors certain substantive protection standards, such as non-discrimination, fair and equitable treatment, protection against unlawful expropriation, as well as procedural rights, in particular pertaining to access to international arbitration (ISDS).<sup>57</sup>

### *Substantive protection standards*

The most important substantive protection standards include:

- Fair and equitable treatment (FET) and full protection and security (FPS)
- Most Favoured Nation (MFN) and National Treatment (NT)
- Guarantee of free capital transfer
- Compensation in case of (in)direct expropriation

### *Procedural rights*

The most important procedural rights include:

- Direct access to international arbitration
- Choice of dispute settlement forum
- Choice of arbitrator
- Worldwide enforcement of awards

Under CETA substantive protection standards and procedural rights have been significantly reformed to ensure the proper balance between protection of investors/investments and Parties' right to regulate in public interest, and to ensure legitimacy of the dispute resolution system, which in CETA is based on a permanent Investment Court System (ICS) that also includes an Appeals Tribunal.

Taken together, CETA provides a high level of protection to foreign investors, which in case of a breach by the host State, can effectively be enforced through ICS.

To date, eight international arbitration cases have been initiated by Canadian investors under BITs with various EU MS:<sup>58</sup>

1. *Ulemek v. Croatia* (2004) decided in favour of investor;
2. *Frontier v. Czech Republic* (2007) decided in favour of Respondent State;
3. *EuroGas and Belmont v. Slovakia* (2014) decided in favour of Respondent State;
4. *Miedzi Copper Corp v. Poland* (2015) decided in favour of investor;
5. *Gabriel Resources v. Romania* (2015) decided in favour of Respondent State;
6. *Korsgaard v. Croatia* (2018) decided in favour of Respondent State;
7. *Sukyas v. Romania (II)* (2020) pending;
8. *Gabriel Resources v. Romania (II)* pending (notice has been sent to Romania in August 2024).

Conversely, there have been no known international arbitrations initiated by EU investors against Canada.

During interviews with stakeholders and desk research, the White Pines wind farm project (2018) was frequently mentioned. When a new government took office in the Canadian province of Ontario in June 2018, it cancelled 759 renewable energy projects (totalling 462.5 MW), citing them as unnecessary and wasteful.<sup>59</sup> Among the affected projects as the White Pines wind farm owned by wpd AG Germany, which was already half finished at the time. The German ambassador to Canada at the time stated: "*Obviously, every incoming government has the right to change policy direction. But to have a unilateral cancellation pushed through by law that way is unsettling for the company but is also something that*

<sup>57</sup> See e.g.: R. Dolzer, U. Kriebaum, Ch. Schreuer, *Principles of International Investment Law*, 3<sup>rd</sup> ed., (OUP 2022).

<sup>58</sup> According to UNCTAD investment policy hub data base: <https://investmentpolicy.unctad.org/investment-dispute-settlement/country/35/canada>

<sup>59</sup> <https://opencouncil.ca/wind-farms-cancelled-ordered-ontario/#:~:text=One%20of%20Doug%20Ford's%20first,development%20for%20nearly%20a%20decade>



*will unsettle other potential investors. Ontario has always had a very very strong reputation for being very trustworthy, for being a good place you can do business. So, we appeal to the Ontario government to rethink this because not only German investors, but other investors will look at what's happening in the White Pines case."*

There is no way to determine definitively whether CETA's investment protection provisions would have led to a different outcome had they been fully in force, when comparing ICS to the prior ISDS system. However, CETA does contain provisions designed to safeguard investors against expropriation and provide them with legal certainty.<sup>60</sup> In the Case Study on Critical Raw Materials, one of the findings from engagement with stakeholders is that investments in mining for CRMs in Canada by EU companies are lacking in part because of there not being sufficient, legally binding, and enforced investment protection provisions.

Potentially, the protection standards offered under CETA, including FET, MFN, and NT, as well as effective enforcement through the ICS, may serve as incentives for investors. While these provisions have not yet taken effect, their full implementation could enhance investor confidence and encourage further investment flows between the EU and Canada.

## **2.5 The economic impact of CETA**

This Section provides an analysis of the economic impact of CETA: methodological approaches (Section 2.5.1), impact on welfare and GDP (Section 2.5.2), impact on total and bilateral trade (Section 2.5.3), EU and Canadian sectoral effects (Section 2.5.4 and Section 2.5.5), and impact of CETA for Türkiye (Section 2.5.6).

### **Key findings:**

- CETA adds €3.2 bn each year to EU GDP and €1.3 bn each year to Canadian GDP.
- EU exports in goods to Canada have increased by 14.0% due to CETA, and imports increased by 16.4%.
- Services exports to Canada increased by 15.4%, while imports increased by 11.6%.
- When looking at goods that were already traded before the provisional application of CETA, exports in textiles & clothing increased by 71%, rubber & plastics by 75%, machinery by 39%, and prepared food by 41%, while other sectors have been impacted barely by CETA (e.g. pharmaceuticals, electrical equipment).
- Production has increased marginally in the EU and slightly more in Canada as a result of CETA.
- Real wages for skilled and unskilled workers have increased marginally as a result of CETA.
- The impact of CETA on Türkiye and LDCs is negligible.

Section 2.2 provided a detailed examination of the evolution of trade in goods between the EU and Canada, capturing observed changes in exports and imports that resulted from multiple concurrent developments at both the global and domestic levels. While CETA is a significant factor influencing trade patterns, other external events, including the United Kingdom's (UK) withdrawal from the EU, the COVID-19 pandemic, and the war in Ukraine, have also played a role in shaping bilateral trade between the EU and Canada. For instance, the analysis in Section 2.2 indicates a substantial increase in Canadian exports of petroleum oils and fuels to the EU in the post-CETA period. However, this cannot be attributed solely to CETA, as it may also have been driven by the EU's shift in energy sourcing following the imposition of sanctions on Russia.

Thus, while tracking the evolution of trade in goods provides valuable insights into how bilateral trade between the EU and Canada has developed, it remains important to distinguish the specific economic effects of CETA (e.g. tariff liberalisation, services commitments, public procurement effects) from those caused by other contemporaneous factors (e.g. COVID-19, US trade policy, the US-China trade war, or the War in Ukraine).

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<sup>60</sup> Ibid.

This Section applies a range of methodological approaches to isolate the impact of CETA on trade and economic performance.

### 2.5.1 Methodological approaches

This Section reports on the economic effects of CETA – isolated from all other factors that occurred simultaneously as explained above. To ensure a comprehensive and reliable evaluation, a combination of three distinct methodologies is used to focus on CETA-related economic effects. This multi-pronged approach strengthens the robustness of the analysis by cross-validating results, thereby reducing the risk of methodological bias and increasing the accuracy of the findings.

- The **first approach** is the Computable General Equilibrium (CGE) model. The CGE modelling is undertaken by DG Trade and serves as the core quantitative tool for this ex-post evaluation. This econometric model estimates the impact of CETA on the EU and Canadian economies, including the macroeconomic results and sector-specific effects that allow for further analysis of social (labour) and environmental implications. The CGE model enables the isolation of CETA's effects from other external variables by simulating the impact of the Agreement based on its specific provisions. It incorporates both tariff reductions and, to a more limited extent, reductions in non-tariff measures (NTMs), i.e. the reduction of regulatory differences, and uses data that are consistent across sectors and countries. A short description of this model is included in Annex II.
- The **second approach** involves the application of the gravity model. The gravity model is widely recognised as the principal method to measure the isolated trade effects of bilateral trade agreements. This model predicts bilateral trade flows based on the economic size of the trading partners and their distance. By adding a specific variable for CET, the gravity model estimates the effect of CETA on bilateral EU-Canada trade with a high degree of accuracy. A short description of this approach is provided in Annex II.
- The **third approach** employs the difference-in-difference method, which compares the evolution of trade between the EU and Canada before and after the provisional application of CETA. While this method is limited to trade in goods and applies only to products that were already traded before the Agreement (non-zero trade values), it allows for the modelling of non-tariff measures (NTMs) and, therefore, provides valuable insights into the impact of NTMs over the past seven years in addition to tariff liberalisation. A short description of this approach is included in Annex II.

By applying these three complementary methodologies, this evaluation avoids reliance on a single analytical framework and instead provides a comprehensive assessment of the economic effects of CETA which enhances the reliability of the findings and allows for a more nuanced understanding of the Agreement's impact.

### 2.5.2 Impact of CETA on GDP and welfare

The global macroeconomic impacts of CETA are summarised in Table 26, which presents a comparison of economic outcomes under CETA with a counterfactual scenario in which the Agreement has not been implemented. The results reflect the long-term steady-state equilibrium after the economic adjustments induced by CETA have fully materialised.

The analysis primarily focuses on the EU and Canada as the principal Parties to CETA. Additionally, the study examines Türkiye because of its participation in a Customs Union with the EU, which means that when the EU agrees to tariff liberalisations with Canada, these market access commitments also apply to Türkiye. The UK, US, Mexico, China, Japan, South Korea, and India are added to study in more detail third country effects of CETA for the EU's main trading partners. Russia-Belarus are split out to determine whether CETA has had any impact on these countries – separate from the sanctions imposed in response to the war in Ukraine. Finally, LDCs, the group of least-developed-countries, is added to examine if CETA leads to any unintended negative effects for the poorest countries in the world.

The findings indicate that CETA has had a positive, albeit moderate, impact on output in both the EU and Canada. The Agreement has contributed to an increase of €3.2 bn (0.02%) in GDP in real terms for the EU and €1.3 bn (0.07%) increase for Canada. Moreover, CETA has resulted in economic welfare<sup>61</sup> gains of €490 mln (0.01%) in the EU and €1.0 bn (0.09%) in Canada, as both economies benefitted from the impacts of CETA on relative prices through improved terms of trade.<sup>62</sup>

**Table 26: Global macro-economic impact of CETA (€ mln, %)**

	GDP baseline (€ bn)	GDP value impact (€ bn)	GDP Value impact (%)	Welfare impact (€ mln)	Welfare impact (%)
EU27	16.9	3.2	0.02%	0.5	0.01%
Canada	1.9	1.3	0.07%	1.0	0.09%
UK	3.0	-0.1	-0.00%	-0.1	-0.00%
Türkiye	1.1	0.0	0.00%	0.0	0.00%
US	22.7	-3.7	-0.02%	-0.4	-0.00%
Mexico	1.3	-0.1	-0.01%	0.0	0.00%
China	16.8	-0.7	-0.00%	-0.1	-0.00%
Japan	5.4	-0.1	-0.00%	0.0	0.00%
South Korea	1.9	-0.1	-0.00%	0.0	0.00%
India	3.2	-0.1	-0.00%	0.0	0.00%
Russia-Belarus	2.0	0.0	0.00%	0.0	0.00%
Other High-Income	4.8	-0.1	-0.00%	0.0	0.00%
Least Developed Countries	1.3	-0.1	-0.00%	0.0	0.00%
Rest of World	14.2	-0.4	-0.00%	0.0	0.00%
World Total	96.5	-1.0	-0.00%	0.8	0.00%

Source: simulations conducted by DG Trade

CETA has had a positive overall impact on global GDP and welfare, with real GDP increasing by €748 mln each year and welfare rising by €805 mln annually. However, for most third parties, the effects have been marginally negative as the preferential nature of CETA generates some degree of trade diversion, which has contributed to minor negative impacts on real GDP and welfare. Some third-party suppliers to the EU (in particular, Türkiye) have benefitted from increased demand in the EU and Canada, offsetting trade diversion effects and resulting in minor gains in real GDP. In terms of the distribution of the impacts on third parties, the closest trading partners of the EU and Canada (the UK and the United States, respectively) have experienced the largest negative welfare effects. Low-income countries have faced only a negligible decline in their terms of trade, too minor to be felt in practical terms.<sup>63</sup>

The macroeconomic impact on the EU and Canada has been positive, if modest in overall size. Table 27 summarises the impact.

**Table 27: Macro-economic impact of CETA on the EU and Canada (€ mln, %)**

Macroeconomic indicators	EU	Canada
GDP value (€ mln)	3,158	1,327
GDP value (%)	0.02%	0.07%
Real wages (skilled, %)	0.02%	0.12%
Real wages (unskilled, %)	0.02%	0.12%

Source: simulations conducted by DG Trade

<sup>61</sup> Economic welfare ("equivalent variation" in technical terms) may be interpreted as the lump sum payment that would have to be made to households to leave them as well off without CETA as they are with CETA.

<sup>62</sup> Note that there is no price inflation in the model; however, relative prices of products change due to the changed pattern of supply and demand induced by CETA. In aggregate, products produced by the EU and Canada enjoy increased demand and thus see improved terms of trade compared to other products. For the world as a whole, terms of trade net out at zero.

<sup>63</sup> Note that the negative impacts are not generally experienced as declines in real GDP or in welfare but rather is marginally less growth in real GDP or welfare than would otherwise have been the case without the preference erosions induced by CETA.

The gains in GDP were modest in terms of real output but substantially greater when expressed in value terms: €3.2 bn (0.02%) for the EU and €1.3 bn (0.07%) for Canada. These increases in the value of output in the EU and Canada flowed in good measure to labour, with real wages rising by 0.02% for both unskilled and skilled workers in the EU and by 0.12% in Canada (also for unskilled and skilled workers).

### 2.5.3 *Impact of CETA on bilateral and total trade*

Two-way bilateral trade in goods and services has increased under CETA, with a stronger impact on the EU's exports to Canada (9.4%) than on Canada's exports to the EU (6.9%). In terms of services, EU exports to Canada have risen by 8.1%, while Canadian services exports to the EU have increased by 5.2%. The increase in two-way goods trade has exceeded that of services trade.

**Table 28: Macro-economic impact of CETA on the EU and Canada (€ mln, %)**

Bilateral trade (€ mln)	EU	Canada
<b>Bilateral Trade (€ mln)</b>		
Bilateral Goods Exports	4,398	1,731
Bilateral Services Exports	1,263	821
<b>Bilateral Total Exports</b>	5,661	2,553
<b>Bilateral Trade (%)</b>		
Bilateral Goods Exports	9.8%	8.3%
Bilateral Services Exports	8.1%	5.2%
<b>Bilateral Total Exports</b>	9.4%	6.9%
<b>Total Trade (€ mln)</b>		
Goods Exports	2,395	1,357
Services Exports	703	539
<b>Total Exports</b>	3,098	1,896
Goods Imports	2,541	1,170
Services Imports	1,006	834
<b>Total imports</b>	3,547	2,004
Trade Balance	-449	-109
<b>Total Trade (percent)</b>		
Global Exports	0.09%	0.35%
Global Imports	0.11%	0.35%

Source: simulations conducted by DG Trade

To validate these findings in changes in trade, a gravity analysis was performed,<sup>64</sup> confirming that CETA has significantly increased trade. The results (presented in Table 29) indicate a 14.0% increase in EU exports to Canada and a 16.4% increase in EU imports from Canada. Similarly, services trade has expanded under CETA, with EU services exports to Canada growing by 15.4% and EU services imports from Canada rising by 11.6% (results presented in Table 30).

**Table 29: Effect of CETA on trade in goods (PPML)**

	EU goods exports to Canada	EU goods imports from Canada
<b>FTA</b>	0.073***	0.072***
	(-0.015)	(-0.015)
<b>D.FTA</b>	0.058*	0.080***
	(-0.03)	(-0.024)
<b>Combined effect</b>	0.131	0.152
	Significant	Significant
<b>Change in trade (%)</b>	14.0%	16.4%
<b>Observations</b>	403,257	403,257
<b>Pseudo-R<sup>2</sup></b>	0.993	0.993

<sup>64</sup> This method allows to assess the changes in exports and imports of goods. From the 'Change in trade (%)', it can be seen that this approach confirms the significant trade effects that can be attributed to CETA.

	EU goods exports to Canada	EU goods imports from Canada
<b>Database</b>	UN Comtrade	UN Comtrade
<b>Coverage</b>	2010-2022	2010-2022

Note: All estimations include source-year, destination-year, and bilateral fixed effects. Standard errors clustered by dyad-year. Levels of significance: \*10%, \*\*5%, \*\*\*1%.

**Table 30: Effect of CETA on trade in services (PPML)**

	EU services exports to Canada	EU services imports from Canada
<b>FTA</b>	0.033*	0.045***
	(-0.019)	(-0.017)
<b>D.FTA</b>	0.110***	0.065**
	(-0.032)	(-0.031)
<b>Combined effect</b>	0.143	0.110
	Significant	Significant
<b>Change in trade (%)</b>	15.4%	11.6%
<b>Observations</b>	68,837	65,271
<b>Pseudo-R<sup>2</sup></b>	0.993	0.992
<b>Database</b>	UNCTADStat	OECD
<b>Coverage</b>	2005-2022	2005-2022

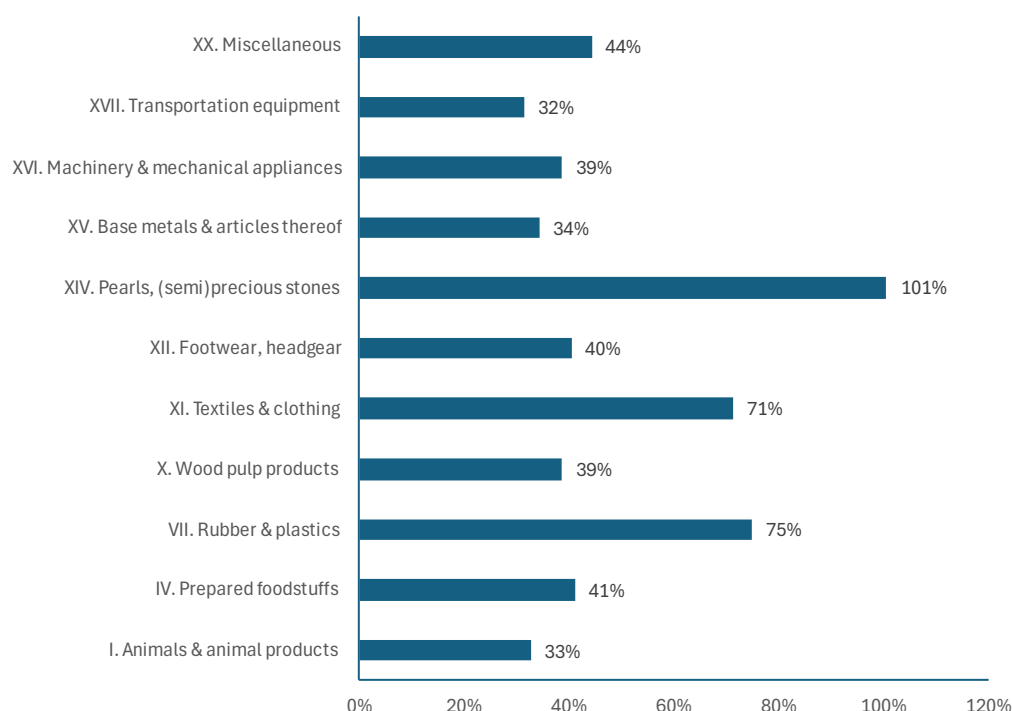
Note: All estimations include source-year, destination-year, and bilateral fixed effects. Standard errors clustered by dyad-year. Levels of significance: \*10%, \*\*5%, \*\*\*1%.

#### 2.5.4 EU sectoral effects

Turning to sectoral effects, some sectors have gained more than others. This is based on evidence generated by two different approaches that isolate CETA-specific effects. The first method, the difference-in-difference methodology, compares in Figure 44 EU goods exports (by HS section) before and after CETA while controlling for other concurrent developments, and reports the difference. A positive number indicates that EU exports for that sector have been higher after CETA's provisional application than before CETA. In this approach, the total effect at the sector level captures the effects of NTMs but focuses only on goods that were already traded before the Agreement came into effect.

Not all sectors are presented in Figure 44 as only statistically significant effects on sectoral trade are reported. In sectors such as textiles & clothing and rubber & plastics, EU exports have increased by over 70%. Additionally, EU exports of prepared foodstuffs, wood pulp products, and machinery have risen by approximately 40% since CETA's provisional application.

**Figure 44: CETA trade impact EU exports (by HS sectors, %)**



Source: simulations conducted by DG Trade

The 39% increase in EU exports of wood pulp products coming from CETA is particularly notable, given that most products in that sector were already traded at MFN0 before CETA. This suggests that the rise in exports has likely resulted from reductions in NTMs or better alignment between the EU and Canada (with the caveat that analysis only includes products that were traded already before the provisional entry into force of CETA). Stakeholders have mentioned three possible reasons for this increase. First, CETA has provided more comprehensive and accessible information for exporters, benefitting industries such as wood pulp industry. Second, deeper collaboration and an increased focus on Canada in EU MS – driven by geopolitical considerations and ongoing ratification processes – have made Canada a more attractive and visible trading partner. Third, industry representatives have indicated that while NTMs (e.g. regulations to prevent pests and diseases, Plant Protection Import Permits, Phytosanitary Certificates, and contaminants regulations) have not changed, greater awareness of these specific requirements has enabled businesses to navigate them more effectively.

Looking at the CGE model to estimate sectoral trade effects, Table 31 shows that the EU has made its most significant bilateral export gains in absolute value terms in textiles, clothing, and leather products (an increase in exports of €1.2 bn or 124%, closely aligning with the results produced by the difference-in-difference method) and automotive products (an increase of €1.1 bn or 24%) compared to the baseline scenario.<sup>65</sup> Sectoral output has expanded in these sectors by 0.3% and 0.1%, respectively. Several other industrial sectors have also seen notable bilateral export gains, including “other manufacturing” (an increase of €644 mln or 10.0%), chemicals (an increase of €448 mln or 9%), food sector (“other food”) (an increase of €215 mln or 12.6%), and rubber and plastics (an increase of €210 mln or 20.3%). However, in these sectors, the impact on production has been more modest: production in “other manufacturing” and “other food” has remained unchanged.

**Table 31: EU Export Gains – Industrial Goods Sectors**

	Baseline (€ mln)	Change bilateral exports (€ mln)	Change bilateral exports (% change)	Sectoral output (% change)
Textiles, clothing & leather	959	1,192	124.3	0.3

<sup>65</sup> The baseline is the situation without CETA having been provisionally applied.

	Baseline (€ mln)	Change bilateral exports (€ mln)	Change bilateral exports (% change)	Sectoral output (% change)
Automotive	4,500	1,094	24.3	0.1
Rubber and plastics	1,032	210	20.3	0.0
Other food	1,704	215	12.6	0.0
Other manufacturing	6,431	644	10.0	0.0
Chemicals	4,969	448	9.0	0.0
Primary products	107	6	5.5	0.0
Metals	1,117	56	5.0	0.0
Other transport equipment	2,474	76	3.1	-0.1
Beverages and tobacco	2,099	55	2.6	0.0
Machinery and equipment	6,563	84	1.3	-0.1
Pharmaceuticals	7,694	-3	0.0	0.0
Computer, electronics	2,158	-4	-0.2	-0.1
Electrical equipment	2,255	-4	-0.2	0.0

Source: simulations conducted by DG Trade

The EU's most significant bilateral export gains in percentage terms (Table 32) have been in the agricultural sectors. Exports of grains have increased by €17 mln (340.2%), dairy by €202 mln (201.1%), and beef products by €68 mln (143.9%). These figures highlight the significant relative impact of CETA on EU agricultural exports to Canada due to increased market access. However, production has remained largely unchanged, with only dairy and red meat production rising by 0.1%.

**Table 32: EU Export Gains – Agricultural Sectors**

	Baseline (€ mln)	Change bilateral exports (€ mln)	Change bilateral exports (% change)	Sectoral output (% change)
Grains	5	17	340.2	-0.1
Dairy	100	202	201.1	0.1
Red meat	47	68	143.9	0.1
Other agriculture	502	37	7.3	0.0
Other meat	310	5	1.6	0.0

Source: simulations conducted by DG Trade

Bilateral export gains in services have been concentrated in the "other services" category (e.g. dwellings and real estate services), with a bilateral export gain of €1.2 bn (26%). The trade sector (distribution, retail and wholesale services) has recorded an increase of €62 mln in additional bilateral exports, while water transport (maritime transport of goods), which had ambitious commitments in CETA (Chapter 14), has seen bilateral export gains of €13 mln (83%).

CETA has not had significant production effects on services, likely because cross-border services trade represents only a portion of total trade in services, which also occurs through commercial presence (Mode 3) and investments.

**Table 33: EU Export Gains – Services Sectors**

	Baseline (€ mln)	Change bilateral exports (€ mln)	Change bilateral exports (% change)	Sectoral output (% change)
Water transport	15	13	83.2	0.0
Other services	4,606	1,178	25.6	0.0
Trade services	1,077	62	5.8	0.0
Utilities	117	0	0.2	0.0
Communications	2,279	3	0.2	0.0
Other transport	1,193	1	0.1	0.0
Financial services	1,783	2	0.1	0.0
Business services	3,940	4	0.1	0.0



	Baseline (€ mln)	Change bilateral exports (€ mln)	Change bilateral exports (% change)	Sectoral output (% change)
Public services	511	0	0.1	0.0

Source: simulations conducted by DG Trade

Reflecting the fact that most of the impact on the EU economy is modelled on prices rather than quantities, bilateral export gains under CETA have to be met through improvements in allocative efficiency (i.e. by a shift of productive resources to sectors of higher productivity) or by deflection towards Canada of existing exports to third parties. Accordingly, a number of EU sectors that make limited bilateral export gains experience a modest reduction in output, most notably other transport equipment, which experiences a contraction of 0.09% in output.

#### 2.5.5 Canadian sectoral effects

Regarding Canada's bilateral export gains (Table 34), the sectors that have experienced the largest increases in bilateral export gains included chemicals (€370 mln or 19.2%), the food sector ("other food") (€317 mln or 54.7%), and other transport equipment (€307 mln or 10.0%). Machinery and equipment (€138 mln or 10.0%) and automobiles (€106 mln or 35.6%) have also recorded notable bilateral gains, although in the case of machinery and equipment, this has not led to a meaningful increase in sectoral output.

**Table 34: Canada's Export Gains – Industrial Goods Sectors**

	Baseline (€ mln)	Change bilateral exports (€ mln)	Change bilateral exports (% change)	Sectoral output (% change)
Other food	580	317	54.7	0.5
Automotive	299	106	35.6	0.3
Chemicals	1,927	370	19.2	0.5
Other transport equipment	3,062	307	10.0	0.9
Machinery & equipment	1,378	138	10.0	0.0
Textiles, clothing & leather	77	80	102.7	0.7
Rubber and plastics	153	61	40.1	0.1
Metals	1,649	89	5.4	0.1
Primary	4,202	0	0.0	0.0
Beverages & tobacco	35	1	3.6	-0.1
Other manufacturing	1,962	62	3.2	-0.2
Pharmaceuticals	1,547	0	0.0	-0.2
Electrical equipment	574	-1	-0.2	-0.3
Computer and electronics	1,591	-7	-0.5	-0.5

Source: simulations conducted by DG Trade

Regarding Canada's bilateral agricultural export gains (Table 35), the grains and other agriculture sectors have recorded notable export gains in the EU market of €79 mln (20.2%) and €78 mln (5.8%), respectively. The dairy sector has experienced a significant relative increase in bilateral exports (219%), which amounts to a more modest absolute increase of €48 mln per year. Domestic agricultural production in Canada has remained largely unchanged in response to CETA, except for dairy production, which has declined by 2.4%. This reduction may reflect increased domestic competition in dairy markets, particularly for cheese and milk.



**Table 35: Canada's Export Gains – Agricultural Sectors**

	Baseline (€ mln)	Change bilateral Exports (€ mln)	Change bilateral Exports (% change)	Sectoral output (% change)
Dairy	22	48	219.2	-2.4
Grains	390	79	20.2	0.4
Other meat	30	4	12.4	-0.1
Other agriculture	1,338	78	5.8	0.1
Red meat	44	0	0.0	-0.2

Source: simulations conducted by DG Trade

Regarding Canada's services sectors (Table 36), several sectors have achieved notable bilateral export gains, including communications (€340 mln or 15%) business services (€326 mln or 7%), water transport (€107 mln or 16%), and trade services (€68 mln or 5.4%). Among these, water transport has recorded the highest increase in sectoral output, followed by communications.

**Table 36: Canada's Export Gains – Services Sectors**

	Baseline (€ mln)	Bilateral Exports (€ mln)	Bilateral Exports (% change)	Sectoral output (% change)
Water transport	678	107	15.8	1.6
Communications	2,238	340	15.2	0.3
Business services	4,587	326	7.1	0.1
Trade services	1,252	68	5.4	0.0
Other transport	921	-2	-0.2	0.0
Other services	3,936	-9	-0.2	-0.1
Public services	845	-3	-0.3	0.0
Financial services	1,278	-4	-0.4	0.0
Utilities	193	-1	-0.5	0.0

Source: simulations conducted by DG Trade

#### 2.5.6 Impact of CETA for Türkiye

Table 37 presents the macroeconomic effects of CETA for Türkiye, given its Customs Union with the EU. The economic analysis depicted in the Table indicates that CETA has had a negligible impact on Türkiye, as the effects on the EU and Canada's GDP, wages, and production have remained very small. The country's GDP has increased by just €10.3 mln annually compared to a counterfactual scenario without CETA, and wage effects for both skilled and unskilled workers have been negligible.

Türkiye's global trade has not changed due to CETA, and neither have its CO2 emissions. In short, the impact of CETA for Türkiye has been minimal.

**Table 37: Macro-economic impact of CETA on Türkiye (€ mln, %)**

Macroeconomic indicators	Türkiye
Welfare (€ mln)	-4
Welfare (%)	-0.00%
GDP value (€ mln)	10.3
GDP value (%)	+0.00%
Real wages (skilled, %)	+0.00%
Real wages (unskilled, %)	+0.00%
<b>Total Trade (€ mln, goods &amp; services)</b>	
Global Exports	-1
Global Imports	-9
Trade Balance	8
<b>Total Trade (percent)</b>	
Global Exports	0.00%
Global Imports	0.00%

Macroeconomic indicators	Türkiye
CO2 emissions (%)	
Households	0.01%
Firms	-0.00%

Source: simulations conducted by DG Trade

## 2.6 CETA and regulatory cooperation

This Section provides an analysis of the regulatory cooperation elements of CETA and their impact. Section 2.6.1 explains what regulatory cooperation is, while Section 2.6.2 examines how it functions. Section 2.6.3 explains the structure of the Regulatory Cooperation Forum (RCF) and other relevant CETA Committees from the perspective of regulatory cooperation. Section 2.6.4. presents the progress achieved and the impact created by regulatory cooperation. Stakeholder inputs and concerns are addressed in Sections 2.6.5 and 2.6.6, respectively. Finally, Section 2.6.7 discusses remaining challenges for regulatory cooperation.

### Key findings:

- The aim of regulatory cooperation under CETA is to *reduce trade barriers, avoid unnecessary duplication of regulations, and facilitate market access while maintaining high levels of protection for consumers, health, safety, and the environment.*
- The Regulatory Cooperation Forum (RCF) serves as the primary platform for regulatory cooperation under CETA, although also in various other Committees regulatory cooperation activities have taken place.
- Key specific regulatory cooperation results and their impact:
  - *Several concrete results achieved:* 1) Joint awareness campaigns and information sharing on safe online shopping and data sharing for unsafe products, enhancing consumer safety; 2) The Mutual Recognition Agreement (MRA) on Good Manufacturing Practice (GMP) inspections of pharmaceutical products in third countries, reducing workloads for EU and Canadian regulators and lower costs and less disruptions for the pharmaceutical industry; 3) The MRA on professional qualifications for architects, facilitating architects working in the other Party and increasing services trade.
  - *Potential areas for further expansion created:* Several outcomes of regulatory cooperation have created possibilities to expand on further. These include, for example, adding active pharmaceutical ingredients (APIs) to the MRA on GMP inspections or expanding the scope of the MRA on professional qualifications to other professions.
  - *Preventing future regulatory divergences:* Several outcomes of regulatory cooperation have the potential to avoid future regulatory divergences through ongoing dialogues on paediatric medicines, hydrogen regulations, and artificial intelligence governance.
- Overall effects of regulatory cooperation:
  - Enhanced information exchange and transparency between EU and Canadian regulators.
  - Greater trust and understanding between policy makers and regulatory authorities.
  - Better understanding of areas where significant differences between the EU and Canadian regulatory systems are likely to remain.
- Stakeholder engagement has been essential for regulatory cooperation. The nature of stakeholder engagement on regulatory cooperation has gradually shifted from an initial focus on addressing trade irritants and clarifying what regulatory cooperation entails, towards collaborating with stakeholders on data needs and shaping a more forward-looking regulatory workplan (and agenda).
- Main stakeholder concerns have not materialised. Concerns raised by stakeholders included regarding regulatory cooperation included: increased burden on regulators, greater influence of corporate lobbyists, potential undermining the precautionary principle, harmonisation leading to lower levels of protection, lack of transparency in

regulatory processes, or reduced access to affordable medicines. However, no evidence has been found that these concerns have materialised.

### 2.6.1 *What is regulatory cooperation?*

Apart from tariff liberalisation, reducing non-tariff measures (NTMs) – such as differences in standards and regulations – has been a key objective of CETA. The main way to achieve reductions in NTMs is through regulatory cooperation, which aims to *reduce trade barriers, avoid unnecessary duplication of regulations, and facilitate market access while maintaining high levels of protection for consumers, health, safety, and the environment*.<sup>66</sup>

Regulatory cooperation under CETA has taken multiple forms:

- The most often used form of regulatory cooperation was through **exchange of information and transparency commitments** between the Parties. Apart from the use of the provisions on information exchange from the WTO Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary (SPS) agreements, CETA also contains many provisions that emphasise this way of regulator cooperation. For example:
  - The issue of transparency is mainly covered in Article 27, but it is also addressed in Article 3.2 (under trade remedies), Article 4.6(1) (under technical barriers to trade), and Article 19.15 (under government procurement).
  - Exchange of information is referred to in Article 2.8(2)(b) (on temporary suspension of preferential tariff treatment), Article 4.6(2) (on technical barriers to trade), Article 11.5(d) (on mutual recognition of professional qualifications), Protocol on the mutual recognition of the compliance and enforcement programme regarding good manufacturing practices for pharmaceutical products, Chapter 11, Article 20.49 (on intellectual property), Article 21.7(3) (on regulatory cooperation), and Article 7.1(a) on the Trade and Labour Chapter.
- Collaboration through existing **(horizontal) international agreements** outside CETA that both Parties are a member of has also played a role. For example, both the EU and Canada are part of the United Nations Economic Commission for Europe (UNECE) World Forum for Harmonization of Vehicle Regulations (WP.29). Within this framework, they collaborated on motor vehicle regulations, using the UNECE as a common baseline and point of reference.
- **Mutual recognition of conformity assessment procedures or results / certificates** has been another key aspect of regulatory cooperation under CETA. The Parties established two mutual recognition protocols:
  - A “*Protocol on the mutual acceptance of the results of conformity assessment*” linked to Chapter 4 on Technical Barriers to Trade. This conformity assessment protocol (CAP) focuses on the alignment on conformity assessment procedures and on conformity assessment certificates (results).
  - A “*Protocol on the mutual recognition of the compliance and enforcement programme regarding good manufacturing practices for pharmaceutical products*,” also linked to Chapter 4 on Technical Barriers to Trade. This protocol focuses on facilitating trade in pharmaceutical products by reducing duplicative regulatory requirements between the Parties.
- **Mutual recognition of functionally equivalent technical requirements has not been applied under CETA.**
- Similarly, **mutual recognition of fully harmonised technical regulations** is not applicable to CETA. However, the EU internal market serves as an example of a system with fully harmonised technical regulations.

<sup>66</sup> This definition is based on the provisions in Article 21.2 of CETA.

### 2.6.2 How does regulatory cooperation work?

There is an important difference in how tariffs are reduced and how NTMs are reduced through regulatory cooperation. Reducing a tariff means, for example, that Canada reduced its tariff for Pacific salmon (*Oncorhynchus nerka*) from 3.5% to 0.0%. Tariff liberalisation involves lowering tariffs to reduce trade barriers and improve market access (in this case, for EU salmon). Given that regulatory cooperation also aims to reduce trade barriers, it is sometimes assumed that it entails lowering levels of protection.

However, regulatory cooperation does not involve reducing levels of protection under CETA or any free trade agreement. Regulatory cooperation is about collaboration. Under CETA, an elaborate set of Committees has been established to foster dialogue between the EU and Canada in order to ensure the effective implementation of the Agreement and identify unnecessary regulatory duplications or areas where cooperation is feasible. Both Parties (or stakeholders) may propose topics or areas for discussion on regulatory cooperation. If both Parties agree on a topic (which they would only do if it does not compromise domestic levels of protection), discussions take place on how to address regulatory differences.

These discussions typically involve experts in the relevant field, including regulators on both sides. If, after thorough discussions, a degree of alignment is reached or a cooperation activity is agreed upon, the topic is considered concluded. However, since regulatory cooperation does not lower levels of protection in either Party, reaching an understanding can be difficult and time-consuming.

### 2.6.3 The RCF and committee structure to support regulatory cooperation

One of the established committees under CETA is the Regulatory Cooperation Forum (RCF). According to the Agreement, the RCF (Article 26.2(1)(h)) deals with matters related to regulatory cooperation.<sup>67</sup> Specifically, the RCF was established to provide a platform for discussing regulatory policy issues of mutual interest, assisting individual regulators in identifying potential partners for cooperation, and offering appropriate tools for this purpose. Its functions also include reviewing regulatory initiatives that may present opportunities for cooperation and encouraging the development of bilateral cooperation activities.

Thus, the RCF serves as a platform for the exchanging information and identifying and removing unnecessary regulatory divergencies and administrative obstacles to trade between the EU and Canada. Interviews with officials indicate that the RCF has helped foster respect, trust, and good effective communication between the Parties. Additionally, both officials and stakeholders have highlighted that the RCF's significance extends beyond discussing existing unnecessary administrative burdens, it also plays an important role in trying to prevent the emergence of new divergences in the future. At the same time, the intention is not necessarily to align regulations between the Parties. Each Party retains its right to regulate and determine its levels of protection as it deems appropriate.

While the RCF is the main forum for regulatory cooperation, interviews with EU and Canadian chairs of various Committees confirm that regulatory cooperation activities have also been part of work in other Committees. Both the RCF chairs and the chairs of other Committees have emphasized that a comprehensive assessment of successful regulatory cooperation between the EU and Canada should not only examine the activities and achievements of the RCF (where most work has taken place) but also consider progress made in other Committees.

### 2.6.4 Progress and impact of regulatory cooperation initiatives

Table 38 presents the regulatory cooperation initiatives discussed between the EU and Canada since 2017. Column (2) provides a short description of each initiative and the

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<sup>67</sup> See also the institutional analysis in Chapter 6 and in Annex Chapter IX.

activities undertaken. Column (3) reports on the progress of each initiative, which can be defined at different levels. Progress may involve concrete deliverables, but it can also include less tangible outputs such as an increased level of mutual understanding, more frequent dialogues, or the review of a draft regulatory proposal by one of the Parties. Column (4) describes the realised or potential impact of the initiative. Finally, column (5) identifies the relevant CETA Committee or Committees associated with each initiative.

As indicated, this table provides a review of key regulatory cooperation initiatives. While the RCF is intended to be the primary vehicle for advancing regulatory cooperation, discussions on these matters have also taken place within other specialised CETA Committees and/or Dialogues, which are indicated in column (5).

**Table 38. Regulatory cooperation initiatives and progress under CETA**

Initiative  (1)	Short description / activities  (2)	Progress  (3)	Impact  (4)	Relevant CETA Committee(s)  (5)
Consumer product safety – awareness campaigns and information exchange about product safety	A series of joint outreach initiatives included awareness campaigns on the risks of button batteries for children, safety of toys, children's water safety, safe sleep, safe online shopping for youth, and safe online shopping for children's products. Campaigns have been conducted since 2019. Each campaign included a number of posts on social media platforms that highlighted key tips for consumers to consider before buying these products online. Health Canada and DG JUST also exchange information on unsafe products on the market via Health Canada's RADAR consumer product incident reporting system and the EU's Safety Gate alert system.	The cooperation is reported to have led to tangible progress. Unsafe products identified in the EU are recalled, with Canada being notified to take similar action, and vice versa. This system has already resulted in product recalls in both markets.	Joint awareness campaigns and coordinated information sharing have had a positive impact on consumer protection and market accountability. By focusing on safe online shopping, the awareness campaign helps educate consumers about the potential risks so that they can make informed purchasing decisions in an increasingly digital marketplace, where products can often bypass traditional regulatory scrutiny. The ability to swiftly share data about unsafe products and ability to coordinate product recalls ensures that unsafe goods are removed from both markets promptly, minimising potential harm.	RCF
Hydrogen	The Standards Council of Canada (SCC) and Natural Resources Canada lead the Standards and Codes Working Group, which was created as part of the Hydrogen Strategy for Canada. The Working Group is developing a Hydrogen Codes and Standards Roadmap. The review of the Roadmap was conducted with the participation of an expert representative from the European Committee for Electrotechnical Standardisation (CEN-CENELEC), who provided recommendations for its improvement. Canadian experts, in turn, participate in discussions on how to address limitations in the European Commission's development of its Hydrogen Alliance Roadmap.	SCC and CEN-CENELEC continue to exchange information on how standardisation supports Canada and the EU's respective hydrogen strategies, aiming to develop an aligned approach.	The cooperation on hydrogen standards has the potential to facilitate the future harmonisation of standards and codes that underpin hydrogen production, storage, and utilisation. By aligning approaches, this cooperation can potentially reduce technical and regulatory barriers, making it easier for businesses to operate across borders. Also, this collaboration strengthens mutual learning and the sharing of expertise, which can eventually enhance the competitiveness of hydrogen industries in both regions, attract investment, and even possibly set a precedent for global collaboration in advancing sustainable energy solutions.	RCF
Artificial Intelligence (AI) standards	The SCC and CEN-CENELEC agreed to cooperate on AI and Data under the RCF in 2024 through quarterly touchpoints. The organisations agreed to identify specific AI domains where both parties can collaborate by exchanging information, sharing best practices, and collaboratively developing standardisation strategies to enhance consistency and improve interoperability.	In December 2023, the SCC was granted observer status at the meetings of CEN-CENELEC's technical body responsible for developing AI standards. This included access to related work plans, draft standards, and proposals. The first meeting was held in January 2024, with the aim of presenting an overview of the AI regulatory landscapes in each	This cooperation has the potential for the creation of internationally recognised standards through the alignment and interoperability between two major jurisdictions. A consistent and cohesive framework can potentially reduce fragmentation in standards, enabling smoother cross-border integration of AI technologies.	RCF

Initiative  (1)	Short description / activities  (2)	Progress  (3)	Impact  (4)	Relevant CETA Committee(s)  (5)
		jurisdiction. During the meeting, the SCC also provided an update on Canada's AI and Data Act (AIDA), which is currently under parliamentary review.		
Expansion of the MRA on Pharmaceutical GMP inspections in third countries	The Parties agreed to expand the existing approach of recognising inspection results under the MRA of good practices for pharmaceutical products to include inspections conducted in facilities in third countries. The Parties have concluded that similarities in their approaches allow for the recognition of the other Party's certificates, and in 2021, they started their exchange.	As of 1 April 2021, Canada and the EU officially recognised pharmaceutical GMP inspections conducted in countries outside their jurisdictions and implemented the exchange of Certificates of GMP Compliance.	The MRA has reduced pressure on regulators by reducing the number of double inspections, as they can now rely more on each other's inspections in third countries. Also, the representatives of the EU and Canadian pharmaceutical industries welcomed the mutual recognition of inspections as it reduces costs, regulatory burdens, disruptions from inspections to the production process, and – in general – optimises the allocation of resources while ensuring high quality medicines. This leads to a stronger competitive position. Another industry stakeholder suggested extension of the regulatory dialogue to medical devices. Given the high level of similarity in regulatory approaches between Canada and the EU in this area, the proposed dialogue could focus on mutual recognition of audits and an agreement on mutually acceptable conformity assessment methods. This could speed up market access for medical devices and ensure product quality and safety for consumers.	JSC on Pharmaceuticals
Paediatric medicines	The European Medicines Agency (EMA) has shared information with Health Canada to support the latter's work on developing policy and regulation governing access to paediatric medicines.	In February 2024, Health Canada launched a Paediatric Submission Policy Pilot, which encourages sponsors to submit paediatric studies and/or paediatric plans as part of certain drug submissions for market authorisation in Canada.	Such collaboration between the EU and Canada on paediatric medicines has the potential to significantly improve access to medicines for children. Moreover, this collaboration may result in the alignment of best practices for ensuring the safety and accessibility of medicines for children in both regions.	RCF
MRA on professional qualifications of architects	EU and Canadian associations of architects submitted a request to conduct negotiations on mutual recognition of qualifications in this profession.	The MRA was adopted by the EU and Canada in October 2024. It will enter into force after Canada and the EU complete their approval procedures.	The Agreement has the potential to significantly enhance professional opportunities for architects from both regions, as it will remove regulatory barriers and allow architects to provide their services more easily in the other Party's jurisdiction, leading to an increase in architectural	The Joint Committee on Mutual Recognition of Qualifications

Initiative (1)	Short description / activities (2)	Progress (3)	Impact (4)	Relevant CETA Committee(s) (5)
			services trade, collaboration in projects, and the exchange of innovative design practices.	
Cosmetic-like drug products <sup>68</sup>	In February 2019, Canada and the EU started a joint pilot to eliminate quarantine and re-test requirements for sunscreen imported from the EU. The list of products was later extended to include additional products such as anti-dandruff shampoos and toothpastes.	The initiative was completed in 2021. Positive responses were reported to the RCF as cosmetic-like drug products from the EU such as sunscreen toothpaste, and anti-dandruff shampoos were exempted from re-testing and quarantine.	These initiatives have been reported as successful as they have reduced unnecessary burdens to the industry.	RCF
Extension of the operational scope of the CETA protocol for pharmaceuticals to include active pharmaceutical ingredients (API)	The EU and Canada started the process to extend the operational scope of the GMP Protocol to API.	Both Parties supported this decision and are working on the internal procedures aimed to amend the CETA protocol for pharmaceuticals to incorporate API.	This could allow the mutual recognition of inspections and acceptance of official documents for API and, therefore, reduce costs resulting from duplicative inspections and compliance requirements. This is, in particular, beneficial for SMEs and MMEs and may eventually contribute to accelerated availability of medicines and greater pharmaceutical supply chain resilience by enabling easier access to high-quality APIs.	JSG on Pharmaceuticals
Animal welfare	The EU and Canada exchanged views regarding animal welfare, in particular on: 1) the role of scientific evidence in guiding animal welfare regulations and 2) the protection of animals during transport.	Both Parties acknowledged similarities in animal welfare outcomes despite differing methodologies. Canadian regulators are consulting industry stakeholders on an EU regulatory proposal (7 December 2023) regarding the protection of animals during transport.	The EU and Canada are converging, through information exchange and increased understanding of each other's positions, on how to regulate the protection of animals during transport, improving animal welfare.	RCF
Regulatory and policy updates on mining and critical raw materials	The Parties enhanced cooperation on mining and critical raw materials, sharing regulatory and policy developments.	Both regulatory and policy updates were shared, in particular on the EU Critical Raw Materials Act and Canada's Critical Mining Strategy. Also NRCan updated the EU on the establishment of Canada's Critical Mineral Centre of Excellence to help critical mineral project developers navigate regulatory processes.	The establishment of Canada's Critical Mineral Centre of Excellence facilitates regulatory navigation for project developers and supports access to critical minerals.	Bilateral Dialogue on Raw Materials

Source: Own compilation based on the reports of the CETA Committees in the CIRCABC database.

<sup>68</sup> URL: <https://www.canada.ca/en/health-canada/services/drugs-health-products/compliance-enforcement/legislation-regulatory-amendments/incorporation-by-reference/list-non-prescription-drugs.html>



Some of outcomes of regulatory cooperation have been very concrete. For example, the joint awareness campaigns and coordinated information sharing on safe online shopping, as well as the data sharing on unsafe products, have contributed to increased consumer safety for EU and Canadian consumers.

The expansion of the MRA on GMP inspections in pharmaceuticals to third countries has led to cost savings for the EU and Canadian pharmaceutical industries by avoiding duplicative inspections and reducing disruptions caused by physical inspections. EFPIA (2021) estimated the cost for a GMP inspection to vary significantly by country, site and inspection specificities, with average savings estimated at approximately €825,000 per inspection.<sup>69</sup> The MRA has also reduced the workload for EU and Canadian regulators (EMA and Health Canada), as they can now rely on each other's GMP inspections in third countries instead of having to duplicate them.

To facilitate the availability of some cosmetic-like low-risk products made in the EU, the re-testing requirement was waived for sunscreen in 2019. As a result, a rise in the selection of sunscreens available in Canada was observed. For other low-risk products, like certain types of shampoo, the requirement of re-testing was removed in 2020. Exemption for toothpaste, antiperspirants, medicated skin care products, mouthwashes and a few more categories followed in 2022.

The conclusion of the joint project to eliminate quarantine and confirmatory re-testing of sunscreen products imported from the EU has been well received by the cosmetics industry, with stakeholders highlighting a significant reduction in regulatory burdens.

Professional opportunities for architects to work in either Party have increased as a result of the MRA on professional qualifications of architects. However, concrete results will have to be evaluated after the MRA comes into force.

Many of the regulatory cooperation outcomes have created possibilities to expand collaboration in the future. For instance, if the MRA on GMP inspections in pharmaceuticals continues to be successfully implemented, it could serve as a foundation for expanding regulatory cooperation to active pharmaceutical ingredients (APIs), an extension that is already being discussed. Similarly, the MRA on professional qualifications of architects, the first one of its kind established by the EU as part of its regulatory cooperation efforts, could be expanded in scope to include other professions.

The establishment of Canada's Critical Mineral Centre of Excellence serves as a best practice for bridging the gap between regulatory cooperation initiatives and their adoption by industry, while the safe online shopping awareness raising campaigns effectively link regulatory cooperation efforts with consumer protection.

Several regulatory cooperation initiatives have the potential to prevent regulatory divergences in emerging technologies or products that are still being regulated. For instance, information sharing between the EMA and Health Canada on paediatric medicines supports the latter's policy and regulatory development efforts and can help prevent future regulatory misalignment. Additionally, regulatory cooperation on hydrogen, while still in its early stages, has the potential to align future standards and codes for hydrogen production, storage and utilisation. Regulatory cooperation on Artificial Intelligence also holds similar potential, even though AI regulations are already being developed.

Finally, at an overall level, four key observations are important.

- First, seven years of regulatory cooperation have significantly increased information exchange, trust, and mutual understanding between EU and Canadian policymakers and regulators. While this has not always resulted in immediate, concrete outcomes, the enhanced trust and familiarity may prove crucial in the future, particularly when regulators need to coordinate responses to unforeseen shocks - as it was the case with the COVID-19 pandemic.

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<sup>69</sup> EFPIA (2021) URL: [https://www.efpia.eu/media/602634/efpia-2020-reg-inspection-survey\\_v1a.pdf](https://www.efpia.eu/media/602634/efpia-2020-reg-inspection-survey_v1a.pdf)

- Second, while progress has been made in clarifying areas where NTMs can be further reduced, the Parties have also developed a clearer understanding of regulatory differences that cannot be addressed or bridged.
- Third, and related to the previous point, regulatory cooperation has not resulted in any reduction in levels of protection for consumers, health, safety or the environment. In fact, regulatory cooperation outcomes indicate the opposite. However, this has also meant that progress has not been as fast or far-reaching as some stakeholders had hoped.
- Fourth, as a result of strong bilateral engagement on regulatory cooperation, much of the substantive work now takes place outside formal RCF or Committee meetings. The heavy lifting is increasingly being carried out by regulators (e.g. CEN-CENELEC on the EU side and the Standards Council of Canada (SCC) on the Canadian side) and technical experts within EU Directorate-Generals and Canadian government departments.

#### 2.6.5 Stakeholder inputs in the regulatory cooperation process

To assess regulatory cooperation under CETA, numerous stakeholders were interviewed, including policy makers involved in Committee work, civil society organisations, business representatives, and standard setting bodies.

Stakeholders unanimously emphasised the importance of stakeholder engagement in the context of the RCF meetings and other Committee work on regulatory cooperation. Several reasons for this were raised:

1. For policymakers, stakeholder engagement helps maintain accountability in regulatory cooperation efforts, ensuring that no unintentional reductions in protection occur for consumers, health, safety, or the environment. Through organising debriefing and accountability sessions with stakeholders, this aspect has been addressed over the past years.
2. Policymakers have actively engaged with issues submitted by stakeholders during debriefing sessions. Stakeholder submissions, as well as interventions made during these organised debriefing sessions, have allowed policy makers to remain continuously exposed to stakeholder concerns and requests.
3. Stakeholders have played a critical role in providing relevant data and expertise in discussions on regulatory cooperation topics. For instance, the generic and R&D-based pharmaceutical industries provided inputs during discussions on the extension of the MRA on GMP inspections to third countries. These contributions were not always made at RCF or Committee level but were often directed to regulators themselves.
4. Stakeholders have actively shaped the RCF and Committee agendas by proposing issues for discussions. RCF Committee Chairs confirmed that stakeholders have been increasingly involved in setting agenda, and several have taken an active role in this process.

Feedback from policymakers involved in the running of the RCF and the Committees, as well as from various stakeholders, indicates that the nature and focus of regulatory cooperation have evolved over the past seven years. Initially, the emphasis was on clarifying that regulatory cooperation was not intended to lower standards. Over time, discussions have gradually shifted toward data needs for regulatory cooperation and stakeholder input on regulatory barriers to trade and opportunities for regulatory cooperation.

RCF Chairs observed a steady decline in the number of stakeholders expressing concerns about regulatory cooperation as a potential threat to standards, reflecting a growing level of trust and understanding. As a result, the nature of stakeholder input has also evolved. In the first years of CETA's implementation, discussions were more focused on raising concerns and identifying potential trade in non-compliant products. Over time, the focus shifted toward providing substantive input to support regulatory cooperation initiatives and suggesting new topics for discussion under CETA's regulatory cooperation agenda.

#### 2.6.6 Stakeholder concerns regarding regulatory cooperation

While concerns regarding regulatory cooperation were primarily raised during CETA negotiations and at the EU MS level during the ratification process, they have persisted among some stakeholders over the past years. The main concerns raised by stakeholders from both the EU and Canada include:

- Regulatory cooperation would create additional burdens on regulators and strengthen the role of corporate lobbyists in the policy-making process.
- CETA would create institutions and processes that give foreign governments a say in domestic regulatory decisions, potentially delaying or blocking public interest legislation and undermining the precautionary principle.
- Any attempt to harmonise standards between the EU and Canada could threaten to push them down to the lowest common denominator, reducing existing levels of protection.
- Business lobbyists could use the regulatory cooperation process to push for regulatory changes that are too controversial to be included in the text of CETA itself.
- Regulatory cooperation in pharmaceutical products could create additional lobbying opportunities for the industry at the expense of access to affordable medicines in the EU and Canada.
- Regulatory cooperation at the horizontal and sectorial levels could be endanger regulations that serve the public interest, particularly in biotechnology.
- Regulatory cooperation could weaken the precautionary principle by requiring the Parties to “conduct cooperative research agendas in order to [...] establish, when appropriate, a common scientific basis”. This refers to the aftercare principle, or so-called science-based approach, which is applied. Undermining the precautionary principle could weaken EU environmental protection laws and hinder the introduction of new rules and regulations to protect the environment and public health in the future.
- The process of regulatory cooperation does not mention transparency features such as the publication of agendas, reports, or participant lists from meetings.
- Apart from a general description, the RCF is only vaguely described, lacks accountability, and remains open to the direct influence of business lobbyists.
- Regulatory cooperation under CETA could harm labour rights, in particular, the position of women.

While these concerns are analysed in detail in Chapter 7 and Annex IX, this evaluation finds the following:

- Regulatory cooperation has indeed required additional resources from regulators, as time and effort have been allocated to exploring cooperation opportunities between the EU and Canada. However, some regulatory cooperation results have also reduced administrative burdens (e.g. the MRA on GMP inspections in third countries has reduced duplicative inspections).
- There is no evidence of a change in the role or engagement from businesses. If anything, the RCF has welcomed more inputs and engagement from the business community, and also civil society, to co-shape the regulatory cooperation agenda.
- The EU has not tried to influence Canadian domestic legislation or regulations via regulatory cooperation, nor has the Canadian government tried to do this in the EU – apart from providing suggestions and inputs into the consultation process, which is consistent with what other stakeholders also do.
- Regulatory cooperation has not aimed at harmonising regulations between the EU and Canada. The focus has been on regulatory cooperation by reducing unnecessary duplications in regulations, not by lowering levels of protection.
- There is no evidence that businesses have attempted to use regulatory cooperation to push for controversial regulatory changes that were not included in the formal CETA text.
- Regulatory cooperation in pharmaceuticals has resulted in tangible benefits, particularly through the MRA on GMP inspections in third countries. This measure does lead to an improvement in access to affordable medicines, because it reduces costs for

pharmaceutical companies and reduces the number of disruptions and delays inspections caused.

- There has been no evidence from any of the regulatory cooperation initiatives that would suggest this collaboration has had a negative impact on regulating in the public interest. On the contrary, the evidence from many initiatives and activities points to a positive effect of regulatory cooperation on what matters for the public interest (e.g. consumer safety).
- Regulatory cooperation has not affected the existence and use of the precautionary principle in the EU or Canada and, therefore, also has not diminished its role in environmental protections. Science-based approaches are in line with the WTO SPS and TBT agreements and do not undermine the precautionary principle.
- All CETA Committees have maintained transparency by publishing agendas before meetings, debriefing civil society, and making minutes of the meetings publicly available (though occasionally with delays). Participant lists were kept but anonymised due to GDPR requirements.
- Regulatory cooperation has not covered labour rights or gender equality.

#### 2.6.7 Challenges facing regulatory cooperation

While the concerns raised by stakeholders have not materialised since 2017, regulatory cooperation has encountered (and continues to encounter) several challenges:

- First, some selected areas for collaboration have proven significantly more complex to address than initially anticipated. An example is the issue of small solid biomass combustors (SSBC), formerly known as wood pellet boilers, which was added to the RCF as an item of interest in November 2021 and has not (yet) been resolved.
- Second, despite commitments to provide the other Party with timely opportunities to engage in the draft stage of new legislation or regulations, doing so effectively has remained challenging. The primary issue lied in the timing: while regulations were still being drafted and required internal approval, they could not be shared, as they were not final and remained subject to change. However, once proposals were published, significant changes were more difficult to integrate into the final text.
- Third, in certain areas of cooperation, such as wines and spirits, regulatory competence in Canada rests with the provinces and territories, rather than the federal government. This jurisdictional division has added complexity and significantly slowed regulatory cooperation efforts. Similarly, in some cases, the EU lacks exclusive competence and requires the agreement of EU MS, further complicating progress.
- Finally, in many areas, regulatory cooperation has progressed at a much slower pace than originally expected. This has largely been due to the need for both Parties to thoroughly assess the implications of alignment, ensuring that any cooperation does not conflict existing standards or regulations, which regulators have been unwilling to compromise.

### **2.7 CETA and Small- and Medium Sized Enterprises (SMEs)**

This Section provides an analysis of the impact of CETA on small-and medium-sized enterprises (SMEs) in the EU and Canada. Section 2.7.1 highlights the relevance of SMEs to the EU and Canadian economies. Section 2.7.2 examines the direct effects of CETA on SMEs, specifically those that have started exporting or importing, while Section 2.7.3 addresses the indirect effects of CETA on SMEs operating in sectors that have gained or lost as a result of CETA. Section 2.7.4 identifies remaining barriers to trade faced by SMEs, and Section 2.7.5 presents overall and sector-specific feedback from SMEs on CETA. Finally, Section 2.7.6 discusses SME access to information about CETA in order to be able to utilise the Agreement effectively.

**Key findings:**

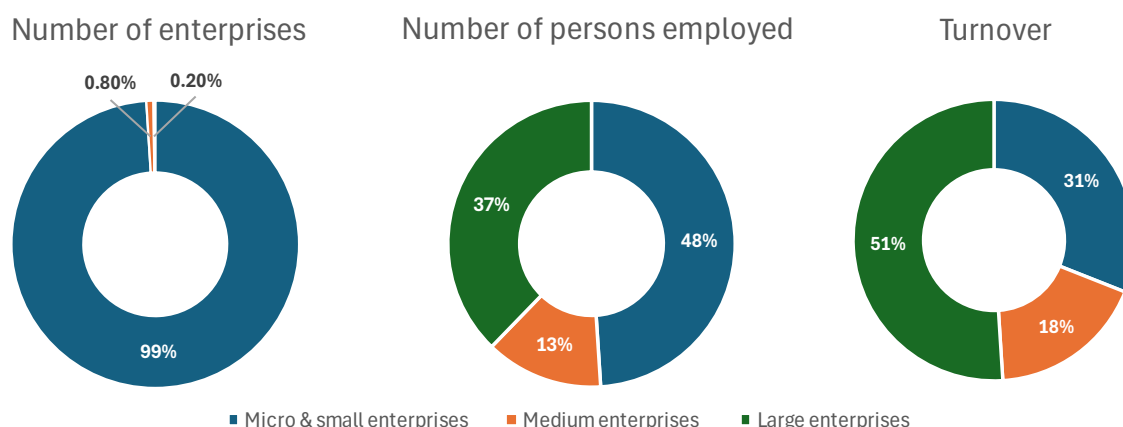
- CETA has had a significant and positive direct effect on SMEs. The number of EU SMEs exporting to Canada increased by 20.3%, while the number of Canadian SMEs exporting to the EU grew by 6.4%. This growth exceeded the increase in SMEs exporting to other countries, indicating a clear CETA specific SME effect.
- The growth rate in the number of exporting SMEs has outpaced that of large companies. SMEs both in the EU and Canada expanded their export activities at a higher rate than larger firms, highlighting the particular benefits of CETA for smaller businesses.
- Certain EU MS saw particularly strong SME export growth. The absolute number of exporting SMEs increased the most in Italy, France, Spain, and the Netherlands, while in relative terms, the growth rate of exporting SMEs was the highest in Latvia, Lithuania, Romania, and Poland.
- CETA has had a significant and positive indirect effect on SMEs. Non-exporting SMEs have benefitted domestically from sectoral effects of CETA, especially in several sectors where SMEs are overrepresented. This includes textiles, rubber & plastics, and agriculture in the EU, as well as textiles, chemicals, other transport, and food in Canada.
- Overall, SMEs have expressed a positive outlook on CETA's effects, particularly in the agricultural sectors. While SMEs have provided constructive feedback, their general sentiment has been favourable, especially among agricultural SMEs that have gained from increased trade opportunities.
- Despite the benefits, SMEs have also raised concerns about certain barriers that persist under CETA. Sanitary and phytosanitary (SPS), for example, continue to pose significant access barriers for EU and Canadian SMEs. Specific concerns were raised about Canada's cheese tariff rate quota (TRQ) management, which affects EU cheese exporters, the provincial discriminatory rules on wines and spirits, which impact EU exporters, and the challenges the GI system poses for Canadian producers.
- SMEs have generally found access to and the quality of information on CETA to be adequate. However, some issues for improvement have been identified, indicating that further efforts could enhance SME awareness and utilisation of CETA provisions.
- The stakeholder concerns that CETA would disproportionately benefit large firms at the expense of SMEs has not materialised. The evidence suggests that SMEs have actively benefitted from CETA both directly and indirectly, contradicting initial concerns that the agreement would favour larger corporations.

*2.7.1 Relevance of SMEs for the EU and Canadian economies*

Small- and Medium sized Enterprises (SMEs) are often referred to as the backbone of an economy.<sup>70</sup> Figure 45 illustrates the importance of SMEs for the EU economy in terms of employment and turnover. A similar trend is observed in the Canadian economy, as shown in Figure 46.

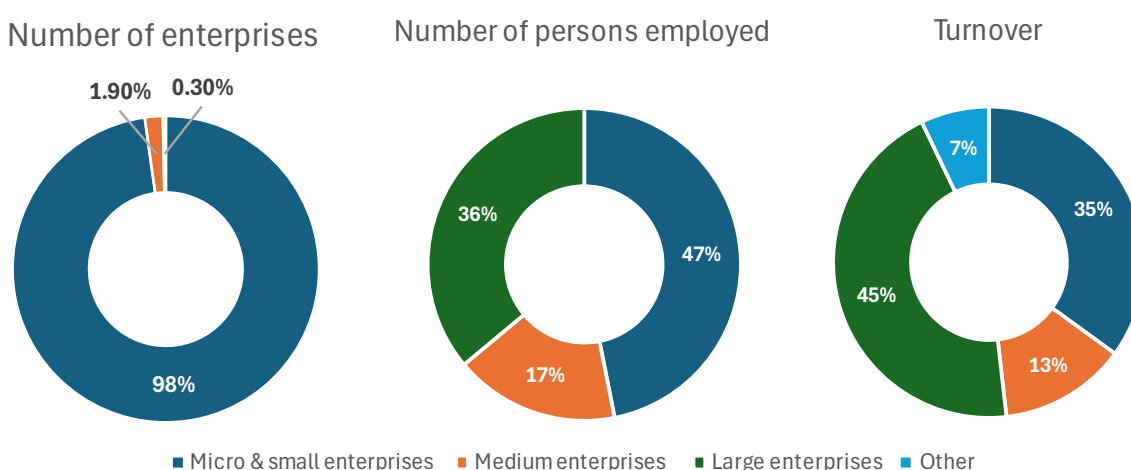
<sup>70</sup> For this evaluation, the EU definition of SMEs is used for the EU analysis: micro-firms have between 1 and 9 employees, small firms between 10 and 49 employees, and medium sized firms between 49 and 249 employees; large firms are firms with 250 or more employees. The Canadian definition of SMEs is used for the analysis of Canada: a small firm has between 1 and 99 employees and a medium-sized firm between 100 and 499 employees; a large firm in Canada has 500 employees or more.

**Figure 45: EU business economy by firm size in 2022 (% of size class, 2022)**



Source: Eurostat (2022)

**Figure 46: Canadian business economy by firm size in 2022 (% of size class, 2022)**



Source: Statistics Canada (Key Small Business Statistics 2023)

According to the literature (Koo, 2021; Asian Development Bank, 2015), SMEs can benefit from FTAs such as CETA in two ways: directly and/or indirectly. The *direct impact* arises from increased opportunities, as lower tariffs and reductions in NTMs enable more SMEs to start to export to or import from the other Party. The *indirect impact* results from domestic economic effects, where SMEs benefit as part of a sector or value chain positively affected by CETA.

### 2.7.2 The direct effect of CETA on SMEs: the number of trading SMEs

The key measure of whether SMEs have benefitted from CETA (direct effect) is assessing whether tariff liberalisations, reductions in NTMs, and facilities provided for SMEs have led to an increase in the number of EU SMEs directly exporting to or importing from Canada, and vice versa for Canadian SMEs trading with the EU.

### **Research on the impact of CETA on trading firms, including SMEs**

CETA has significantly increased bilateral trade between the EU and Canada (see Section 2.2) A key question is how this trade expansion has impacted the number of trading firms, particularly whether large companies of SMEs have benefitted more. Some researchers (Diaz-Mora et al., 2023; 2024) have specifically examined this issue in the context of CETA.

Diaz-Mora et al. (2024) not only assessed the impact of CETA on the number of trading firms but also distinguished the effects by sector (industry vs. services) and firm size (SMEs vs. large firms). Their findings, summarised in Table 39, are as follows:

- 1) CETA (a preferential trade agreement – PTA) has had a positive effect on the number of exporting firms from the EU to Canada and Canada to the EU (column 1). Panel regression analysis estimates that CETA has led to an 11.2% increase in the number of exporting firms both ways. However, no significant impact was found on the number of importing firms (column 2).
- 2) When dividing the trading firms into industrial firms and services firms, Diaz-Mora et al (2024) find that for industrial companies, CETA has increased both the number of exporting firms (by 15.3%) and the number of importing ones (by 4.2%). For services firms, CETA has had a positive effect on the number of exporting firms (by 4.7%), but no measurable impact on importers.
- 3) When dividing the trading firms into large firms and SMEs, the findings show that CETA has led to an 8.5% increase in the number of exporting SMEs and a 7.0% increase in the number of exporting large firms. The growth in the number of exporting SMEs has outpaced that of large firms. No significant effect was found on the number of importing SMEs or large firms.
- 4) Finally, the “EU trend” coefficient measures the effect of further deepening the EU Internal Market (EU IM) on the number of trading firms. Regression results suggest that for each specification, apart from the effect of CETA on importing firms, deepening the EU IM has had a significant impact on the number of trading firms.

**Table 39. The impact of CETA and other PTAs on the number of trading firms**

	# of Exporting firms (1)	# of Importing firms (2)	# of Exporting firms (3)	# of Importing firms (4)	# of Exporting firms (5)	# of Importing firms (6)
CETA	0.106	0.038				
	(0.037)***	(0.042)				
<b>Δ # firms</b>	<b>11.2%</b>	<b>--</b>				
CETA industry			0.142	0.106		
			(0.027)***	(0.041)***		
<b>Δ # firms</b>			<b>15.3%</b>	<b>4.2%</b>		
CETA services			0.081	0.013		
			(0.046)*	(0.034)		
<b>Δ # firms</b>			<b>4.7%</b>	<b>--</b>		
CETA SMEs					0.082	0.030
					(0.025)***	(0.065)
<b>Δ # firms</b>					<b>8.5%</b>	<b>--</b>
CETA Large					0.068	0.034
					(0.016)***	(0.033)
<b>Δ # firms</b>					<b>7.0%</b>	<b>--</b>
Other PTAs	0.015	0.016	0.023	0.072	0.091	-0.075
	(0.027)	(0.036)	(0.030)	(0.029)**	(0.025)***	(0.056)
EU trend	0.029	0.022	0.027	0.016	0.019	0.005
	(0.005)***	(0.009)**	(0.004)***	(0.006)***	(0.007)***	(0.012)
Constant	9.069	9.355	8.266	8,350	8.330	8.952
	(0.022)***	(0.031)***	(0.021)***	(0.022)***	(0.039)***	(0.058)***
# Obs	20,432	20,335	39,179	39,077	11,873	11,900

Source: Diaz-Mora et al. (2024)

Complementing Diaz-Mora et al. (2024), data from the OECD’s Trade by Enterprise Characteristics (TEC) database and SME data from Statistics Canada are used to examine the impact of CETA on the number of exporting firms in general and the engagement of SMEs in particular.

The TEC database provides annual data on international trade in goods, broken down by enterprise size categories and countries of destination. This OECD-Eurostat database allows for an analysis of individual EU MS, enabling a more granular assessment of CETA’s impact on trading firms, including SMEs. However, the TEC database does not contain a complete time series from 2012 to 2022 for all EU MS. For pre- and post-CETA comparisons (2012-2016 vs. 2017-2022), data were complete for only 18 EU MS. For the full period from 2017 to 2022, complete data were available for 16 EU MS. Data beyond 2022 are not available.



### **EU firms exporting to Canada**

Since the provisional application of CETA, the number of EU firms exporting to Canada has increased compared to the pre-CETA period (2012-2016). For the 18 EU MS with complete data, an annual average of 44,007 firms exported to Canada in the pre-CETA period (2012-2016) (Table 40, column (2)). In the post-CETA period (2017-2022), this number increased by 17.5% to an annual average of 51,706 exporting firms (Table 40, column (3)).<sup>71</sup> In order to validate whether the increase was a CETA-specific effect of a part of broader global trend in trade activity, the growth in EU firms exporting to Canada was compared to the overall growth in EU exporting firms globally (Table 40, columns (4) to (5)).

The results indicate that the number of exporting firms in the EU-Canada bilateral trade relationship grew at a faster rate than the overall number of EU exporting firms globally, confirming a CETA-specific impact on firm-level trade engagement.

**Table 40. EU-18 firms exporting to Canada (2012-2016 and 2017-2022)**

Country	Average # EU MS firms exporting to Canada 2012-2016	Average # EU MS firms exporting to Canada 2017-2022	Average share of EU MS-CAN exporters compared to world 2012-2016	Average share of EU MS-CAN exporters compared to world 2017-2022
(1)	(2)	(3)	(4)	(5)
Austria	1,363	1,576	3.3%	3.9%
Belgium	1,743	1,819	2.2%	2.4%
Cyprus	48	63	1.6%	2.0%
Czechia	984	1,088	5.6%	6.1%
Denmark	1,605	1,720	6.3%	6.5%
Germany	10,705	11,809	4.4%	4.4%
Hungary	391	536	1.0%	1.5%
Italy	13,714	15,167	7.5%	7.9%
Latvia	99	192	0.8%	1.6%
Lithuania	175	289	1.1%	1.7%
Malta	40	51	2.8%	5.9%
Netherlands	3,206	4,305	3.3%	3.7%
Poland	2,076	2,866	2.1%	2.2%
Portugal	1,354	1,830	3.0%	3.9%
Romania	335	492	1.6%	2.1%
Slovakia	195	235	0.7%	0.8%
Slovenia	180	317	0.9%	1.3%
Spain	5,797	7,353	4.6%	4.4%
<b>EU-18</b>	<b>44,007</b>	<b>51,706</b>	<b>3.3%</b>	<b>3.5%</b>
		<b>17.5%</b>		

Source: Eurostat OECD TEC data (2024)

The comparison in Table 40 focuses on the number of EU firms exporting before (2012-2016) and after (2017-2023) CETA, while Figure 47 examines the evolution of exporting firms between 2017 and 2022, during CETA's implementation. In Figure 47, the number of exporting companies are categorised into SMEs (dark green for 2017 and dark orange for 2022) and large companies (light green for 2017 and light orange for 2022).<sup>72</sup> Across all reported EU countries (except for Czechia), the total number of exporters to Canada has increased significantly after CETA's provisional application.

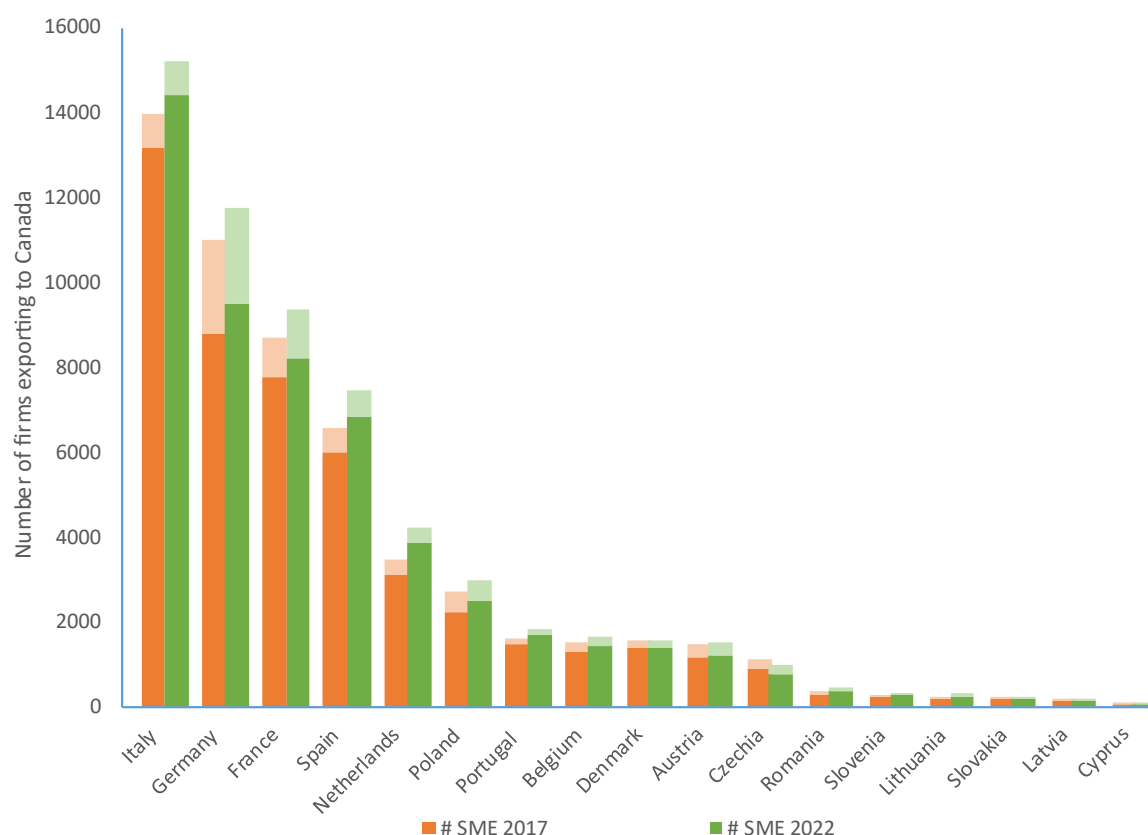
<sup>71</sup> Due to the absence of complete data for the 2012-2016 and 2017-2022 periods in the Eurostat OECD TEC database for all EU MS, only those with available data are reported.

<sup>72</sup> Due to data limitations in the Eurostat OECD TEC database, this graph shows only the years 2016 and 2022 to compare a pre-CETA with the latest post-CETA year. Choosing only these two years allows for a larger subset of EU MS to be included.



Figure 47 further illustrates that the majority of exporting firms in EU MS are SMEs. The SME share varies across EU MS, ranging from 79% of Romanian exporters to Canada to 95% of Italian exporting firms in 2022.

**Figure 47: Number of large and small EU exporters to Canada (2017 and 2022)<sup>73</sup>**

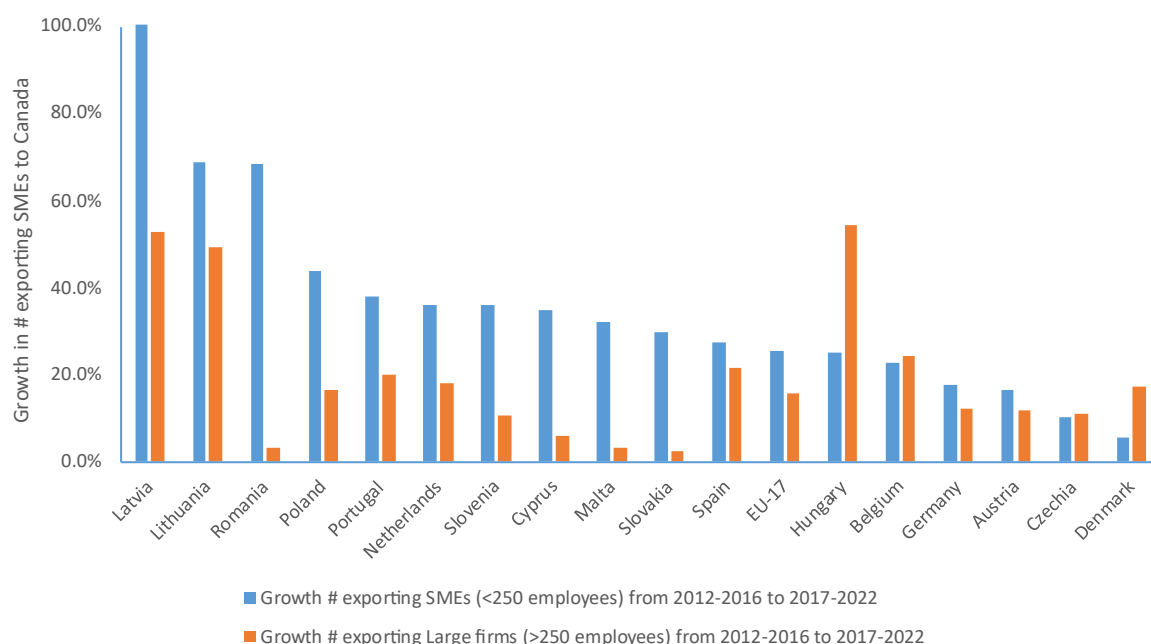


Source: Eurostat OECD TEC data (2024)

In addition to the fact that the large majority of firms exporting are SMEs, also the relative growth in the number of SMEs exporting to Canada is higher than the growth in the number of large firms exporting (when comparing the pre- and post-CETA periods). For all EU MS, except for Hungary, Czechia, and Denmark, the number of SMEs exporting grows faster than the number of large companies exporting to Canada. The growth rate of the number of exporting SMEs to Canada was particularly high in Latvia (101.9%), Lithuania (68.7%), Romania (68.4%), and Poland (43.7%).

<sup>73</sup> For Poland, 2021 has been used instead of 2022. Italy has been projected back 2 years, given the rate of change in exporting SMEs to yield an estimate of exporting SMEs for 2017.

**Figure 48: Growth rate in EU MS SMEs and large firms exporting to Canada**



Source: Eurostat OECD TEC data (2024)

Based on this analysis, the evaluation concludes that EU SMEs have benefitted more in relative terms from the direct effect of CETA than large companies. This is an important conclusion in light of concerns raised during CETA negotiations, where several stakeholders feared that small SMEs would lose out to larger corporations due to increased competition from companies on the other side of the Atlantic (Corporate Europe, 2016). The ex-post evidence on the direct effect of CETA on SMEs dispels these concerns.

### **Canadian firms exporting to the EU**

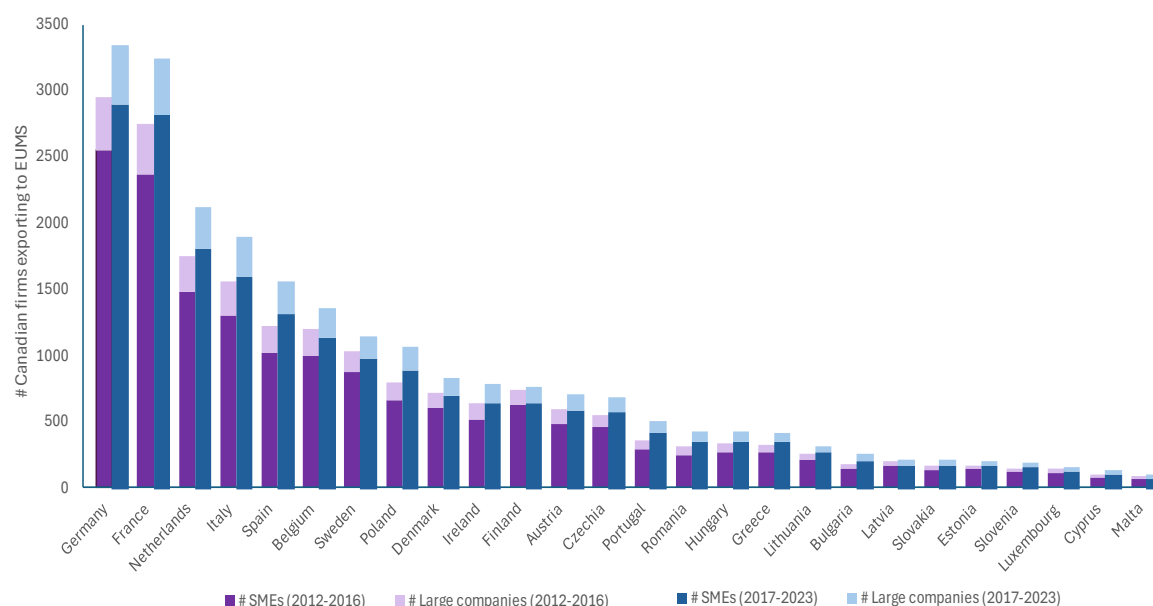
After the implementation of CETA, the number of Canadian firms exporting to the EU has increased when comparing the pre-CETA (2012-2016) and post-CETA (2017-2023) periods.<sup>74</sup>

Figure 49 illustrates the distribution of Canadian exporting firms by EU MS. The largest number of Canadian firms export to Germany (2,956 firms), followed by France (2,746 firms) and the Netherlands (1,746 firms). As observed with EU SMEs exporting to Canada, the majority of Canadian firms exporting to the EU are SMEs. When a Canadian company exports to multiple EU MS, it is recorded separately for each destination, meaning that some exporters are counted multiple times.

When comparing the 2012-2016 pre-CETA period with the 2017-2023 post-CETA period, Figure 49 demonstrates that a greater number of Canadian firms (primarily SMEs) have engaged in exports to the EU following CETA's provisional application. This suggests that CETA has had a positive direct effect on the number of Canadian companies participating in bilateral trade with the EU.

<sup>74</sup> For Canadian exports by type of exporter, the Statistics Canada data include data for the 2012-2016 and 2017-2023 periods.

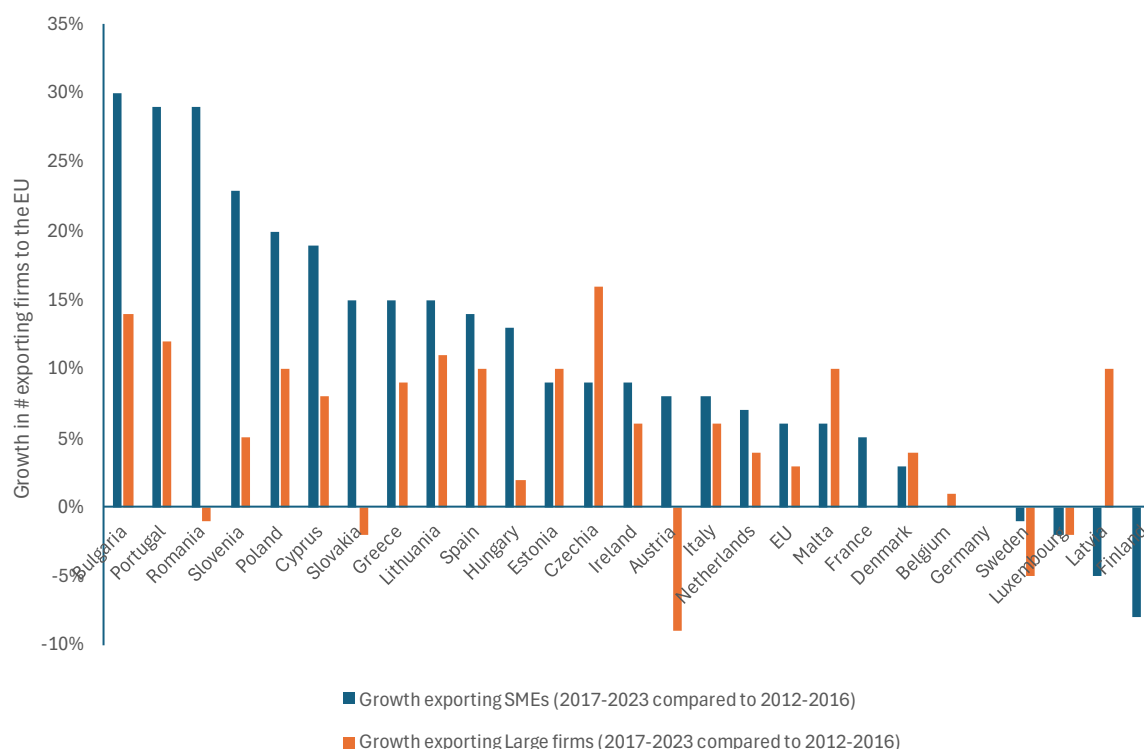
**Figure 49: Number of Canadian exporters to EU MS (2012-2016 and 2017-2023)**



Source: Own calculations based on Statistics Canada (2024)

In addition, Figure 50 depicts the increase in the number of Canadian firms exporting to EU MS. It shows that the growth rate of exporting Canadian SMEs has been higher than the growth rate of large firms for most EU MS, with the exceptions of Estonia, Czechia, Malta, Denmark, Belgium, and Latvia. Notably, the number of Canadian SMEs exporting to Bulgaria (30%), Portugal (29%), Romania (29%), Slovenia (23%), and Poland (20%) has seen significant growth.

**Figure 50: Growth rate of Canadian SMEs and large firms exporting to EU MS**



Source: Own calculations based Statistics Canada (2024)

### **Comparison of bilateral vs. globally exporting firms**

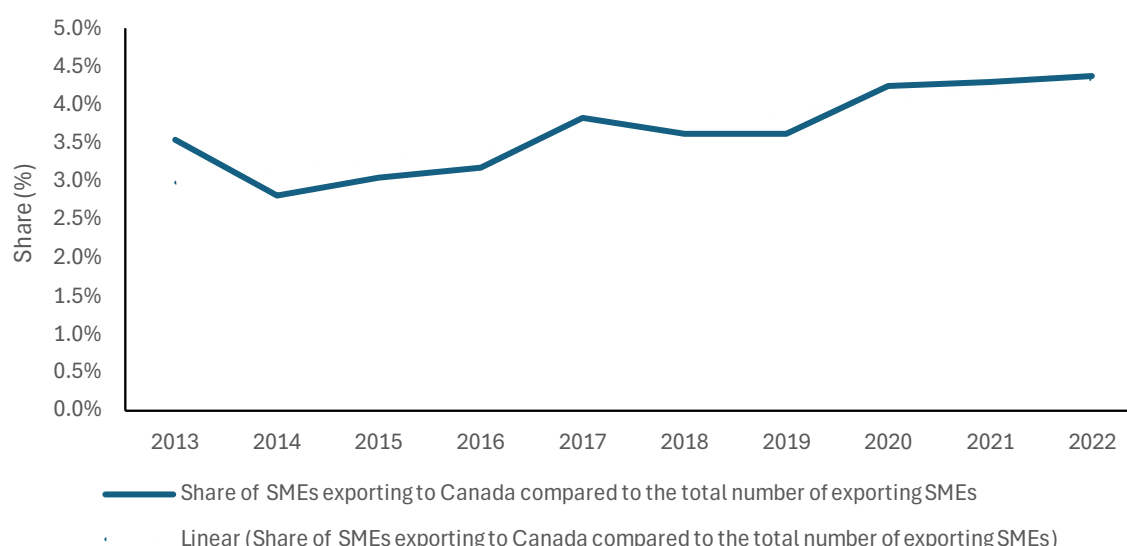
Diaz-Mora et al. (2024) and the research conducted using the Eurostat OECD TEC database conclude that CETA has had a positive effect on the number of exporting firms.

#### *Share of EU SMEs exporting to Canada in relation to EU SMEs exporting to other countries*

In order to determine whether this growth is merely part of broader global trend of an increasing number companies engaging in exports, Figure 51 examines the share of SMEs trading with Canada compared to the total number of exporting SMEs.

- The total number of firms exporting to Canada increased by 17.5% when comparing the pre-CETA period (2012-2016) to the post-CETA period (2017-2022). This 17.5% increase can be broken down into a 20.3% growth in the number of SMEs exporting and a 13.8% growth in the number of large firms exporting.<sup>75</sup> In relative terms, SMEs have performed better than large firms.
- The Figure confirms that the increase in the number of SMEs exporting to Canada has outpaced the increase in the number of SMEs exporting to other countries, as indicated by the upward slope of the dark blue line over time.
- The large majority of firms in EU MS exporting to Canada are SMEs. The SME share of companies exporting to Canada varies from 79% in Romania to 95% in Italy. This implies that some EU MS (e.g. Italy) are more reliant on SME participation under CETA than others.

**Figure 51: Share of EU SMEs exporting to Canada (2012-2022, %)**



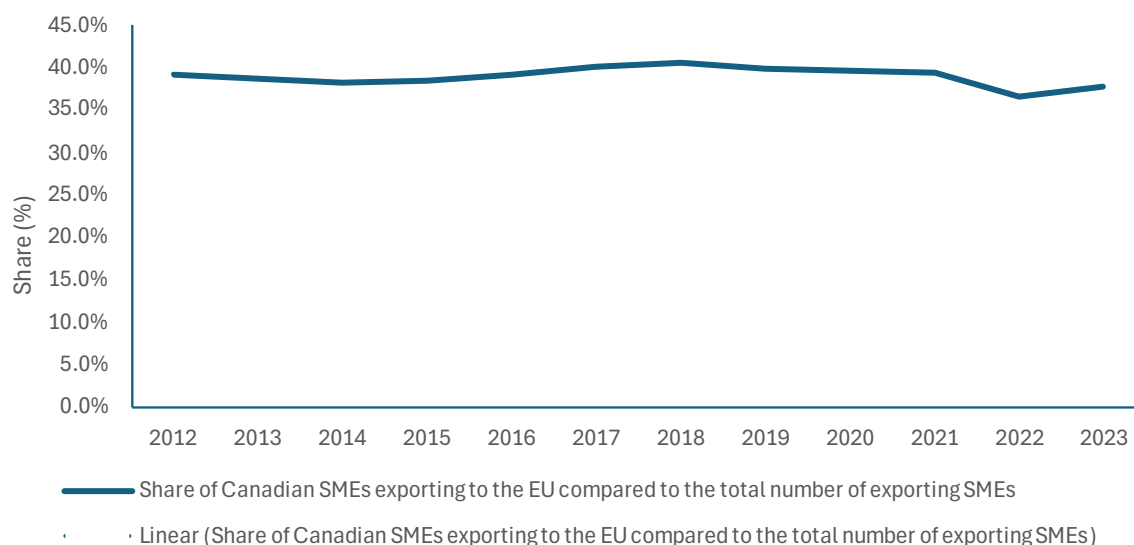
Source: Eurostat OECD TEC data (2024)

#### *Share of Canadian SMEs exporting to the EU in relation to Canadian SMEs exporting to other countries*

- The large majority of firms in Canada exporting to the EU (EU MS) are SMEs.
- The growth rate of Canadian SMEs exporting to EU MS has outpaced the growth rate of large Canadian exporting firms for most EU MS destinations, except for exports to Estonia, Malta, Czechia, Denmark, Belgium, and Latvia.
- While the number of Canadian SMEs exporting to the EU has increased by 5.9% between 2012 and 2022 (from 16,162 to 17,110), the total number of exporting Canadian SMEs increased by 9.8% (from 41,371 to 45,455). As a result, the share of SMEs exporting to the EU as a proportion of total number of Canadian SMEs exporting firms has slightly decreased. This trend is depicted in Figure 52.

<sup>75</sup> From the Eurostat OECD TEC database, data on the number of micro-, small- and medium sized enterprises, as well as the number of large firms, were collected for each EU MS from 2012 to 2022. The pre-CETA years (2012-2016) were averaged, as were the post-CETA years (2017-2022). The relative increase in the number of exporting SMEs was then calculated, along with the relative increase in the number of exporting large firms. By summing these values and determining the overall relative increase, the result is 17.5%.

**Figure 52: Share of Canadian SMEs exporting to the EU (2012-2022, %)**



Source: Own calculations based Statistics Canada (2024)

### 2.7.3 The indirect effect of CETA on SMEs: sectoral economic impact

The second way to determine whether SMEs have benefitted from CETA is to examine how the Agreement has affected sectors where SMEs are relatively overrepresented, both in the EU and Canada. This CETA impact, referred to as the indirect effect, occurs when SMEs benefit from increased domestic economic activity in a sector rather than through direct engagement in EU-Canada trade.

#### **EU SMEs**

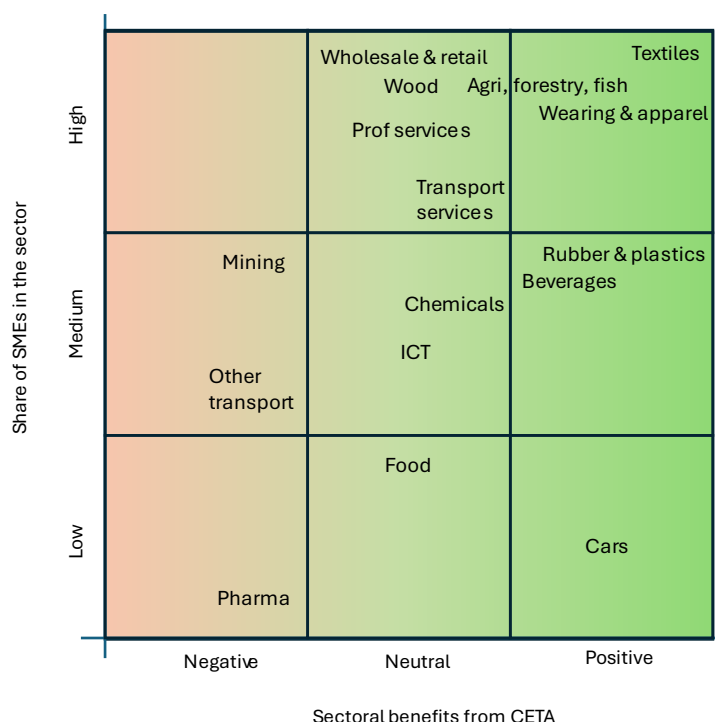
Two aspects influence the magnitude of CETA's indirect effect on SMEs: 1) whether a sector has experienced production growth due to CETA, and 2) the share of SMEs in the production structure of that sector.

The economic analysis (see Section 2.5.4) highlights the sectors where production in the EU has increased, remained stable, or declined due to CETA. The textiles & clothing sector has benefitted the most in terms of production, followed by the automotive (cars), dairy, and red meat sectors. Other sectors have increased exports to Canada but have not seen corresponding increases in domestic production, while some sectors have experienced minor production declines (see Section 2.5.4).

The proportion of SMEs in different EU sectors varies significantly. It ranges from 73.0% in pharmaceuticals and 78.3% in the automotive industry to 95.9% in wholesale & retail trade, 95.3% in wearing & apparel, and 95.2% in agriculture (OECD Eurostat TEC database, 2024). The higher the SME share in a production sector, the greater the number of SMEs that benefit from increased economic production – or are affected by declining economic activity.

Figure 53 combines these two factors. The vertical axis categorises sectors by the relative share of SMEs ((relatively) low, medium or high), while the horizontal axis categorises sectors based on CETA's impact on production (negative, neutral, or positive). Figure 53 indicates that SMEs in textiles, agriculture, forestry & fisheries, wearing & apparel, rubber & plastics and beverages have benefitted the most from CETA. Conversely, SMEs in sectors such as mining, pharmaceuticals and other transport equipment may have been negatively affected by sectoral declines.

**Figure 53: Relative share of EU SMEs and sector-effects of CETA**



Source: own calculations based on OECD Eurostat TEC database (2024) and simulations conducted by DG Trade

### Canadian SMEs

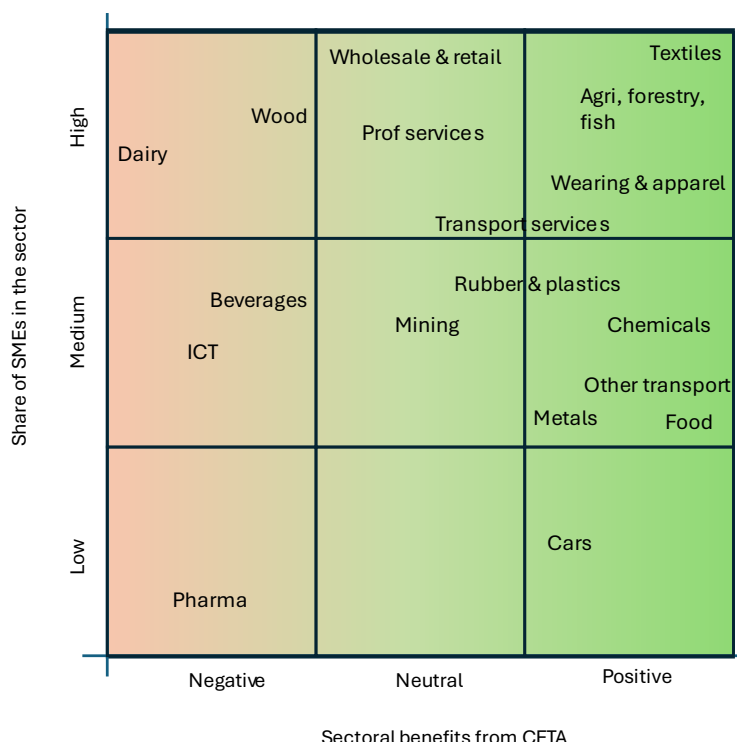
The economic analysis (see Section 2.5.5) has identified the Canadian sectors where production has increased, remained stable, or declined due to CETA. In Canada, the textiles & clothing sector has benefitted the most in terms of production, followed by grains, chemicals, other transport equipment (airplanes, spacecraft), water transport services, and the automotive industry (cars). Other sectors, such as primary products, machinery & equipment, have increased exports to Canada, but have not seen notable domestic production growth, while some, such as dairy, ICT, red meat, have experienced declines (see Section 2.5.5).

The distribution of SMEs across Canadian industries closely resembles that of the EU, with the exception of mining, where the SME share is slightly lower. The greater the SME share in a sector, the more SMEs stand to benefit from increased production or, conversely, be affected by a downturn.

Figure 54 mirrors Figure 53 in its approach. The vertical axis categorises Canadian sectors by SME share ((relatively) low, medium or high), while the horizontal axis categorises sectors by CETA's impact on production (negative, neutral or positive).

Figure 54 demonstrates that Canadian SMEs in textiles, agriculture, forestry & fisheries, wearing & apparel, and transport services have benefitted from CETA. Conversely, SMEs in sectors such as dairy, ICT, beverages, and pharmaceuticals may have faced challenges due to sectoral declines.

**Figure 54: Relative share of Canadian SMEs and sector-effects of CETA**



Source: own calculations based on Statistics Canada (2024) and simulations conducted by DG Trade

#### 2.7.4 Remaining barriers to trade for SMEs and stakeholder concerns

While the overall CETA effect has been positive for SMEs, there are instances where the specific set-up of managing and regulating trade continues to result in barriers to trade that are particularly cumbersome for SMEs to overcome, compared to larger firms:

- The way Canada manages the TRQ on cheese is particularly burdensome for SMEs due to the market-share based allocation, the licensing system and the “line issue” (see Annex V.1).
- The discount rates applied by Canadian provincial Liquor Boards on service charges based on volume create a competitive disadvantage for SMEs that cannot match the scale of larger firms (see Annex V.2.1).
- The CETA Rules of Origin provisions pose additional challenges for SMEs in the EU and Canada, as they have less specialist expertise in completing declarations of origin, leading to a relatively higher error rate compared to large firms, which can have financial consequences.
- In general, SPS measures remain a significant barrier for SMEs, as compliance with EU and Canadian SPS requirements often required costly investments. For example, Canadian SMEs in the cattle industry highlighted the high costs of adaptation needed to meet EU SPS standards to access the TRQ on beef. EU SPS rules are incompatible with US ones, forcing Canadian SMEs to choose where to export or to incur significant additional costs.
- Many SMEs, particularly micro-enterprises (<10 employees), have limited human resources, making it more difficult to stay informed about CETA-related developments (e.g. new outcomes from regulatory cooperation under the RCF) and subsequently benefit from them.

During the CETA negotiations, stakeholders frequently raised the concern that SMEs would be negatively impacted and that CETA would favour the interests and economic performance of large companies. However, this evaluation finds that this concern has not materialised. SMEs, including those in the agricultural sector, have significantly benefitted from CETA, and further benefits could be realised if some of the remaining barriers (see Section 2.7.4) and SME feedback (see Section 2.7.5) are addressed.

### 2.7.5 Overall and specific feedback from SMEs on the Agreement

Through various engagement channels (seminars, position paper submissions, interviews, discussions with representative organisations, and survey responses), SMEs have provided both general and very specific feedback on CETA. These inputs are shortly presented in this Section.

#### **General feedback from EU and Canadian SMEs**

- The sectors where CETA has led to trade liberalisation to imports have not been destabilised, even though 95% of CETA provisions have been provisionally implemented, and the process of gradual tariff liberalisations has been completed by December 2023. Rather, many sectors have grown, and new market opportunities have appeared in Canada.
- As to the positive effect and attractiveness of CETA for SMEs, it should be noted that CETA is seen by some EU SMEs as a natural gateway to the US market (given Canada's membership of USMCA).
- SMEs emphasise the need for increased support to maximise CETA benefits. This pertains to information campaigns, more awareness raising initiatives, and more structured information guidance.
- A growing share of French SMEs have taken advantage of CETA, more than the EU average (63% of French SME exports to Canada benefitted from CETA, compared to 60% for the EU as a whole). The importance of the role of EU MS national promotion agencies should not be underestimated in this success.
- Several SME stakeholder inputs have asked for less complexity in making use of CETA, including more accessible, simplified, and transparent information, streamlined procedures for claiming origin treatment for SMEs, and more tailored guidance through training modules and awareness-raising campaigns for key sectors. Some SMEs advocated for better coordination between the EU and EU MS promotion agencies and among EU MS promotion agencies themselves.
- Some SMEs have reported that broken links on official platforms prevent access to key information.
- A recurring issue raised by SMEs, including during the SME online seminars, is the misconception that CETA only applies to them if their respective EU MS has ratified the Agreement. Some SMEs believed that CETA is applicable to Canadian SMEs or those in fully ratified EU MS. This misconception was also noted by some of the trade associations, which reported that some of their members held similar incorrect assumptions. Interestingly, Spanish farmers appeared significantly more informed about CETA's detailed rules than, for example, their Belgian counterparts.

#### **Specific feedback from EU and Canadian SMEs**

- **Agriculture (EU):** Fears of increased competition from Canadian agricultural imports "remain virtual for the time being" as Canadian producers have not fully utilised their quotas. EU health standards are challenging to meet, and Canada remains more oriented towards the US market with its different health regulations. Meanwhile, EU agricultural exporters have, so far, benefitted from increased exports at higher prices in the Canadian market.
- **Agriculture (EU):** While SMEs in the EU agricultural sector expressed strong support for the cheese quotas, they highlighted inefficiencies and unnecessary costs in the quota allocation process. SMEs reported confusion over conflicting information about quota availability. Sometimes SMEs are informed that the quota has been fully utilised, only to later discover that opportunities for export remain available.
- **Agriculture (EU):** Several measures negotiated under CETA were key for French wine and spirits exporters, including the elimination of duties on wines, removal of the ban on exporting bulk spirits for blending in Canada, the elimination of the federal excise tax exemption for wines produced entirely in Canada, recognising (2017) and updating (2024) the list of GIs, and the recent announcement of the abolition of the specific margin rate applied by the Société des alcools du Québec (SAQ) to cognac and champagne.



- **Agriculture (CAN):** The benefits of CETA in agriculture are perceived to favour the EU, particularly due to the cheese quota and GI protections, which restrict long-standing Canadian product names. Also, the expected gains from exports for Canadian beef and bison meat producers have not materialised due to regulatory discrepancies over food safety standards and the inability of the Canadian government and EU Commission to reach an agreement to resolve the differences.
- **Agriculture (CAN):** Trade agreements such as CETA should not be used to pursue political or geopolitical goals. When production rules are not grounded in scientific principles or fail to address issues with global implications, such as greenhouse gas emissions, the EU risks contravening WTO disciplines and undermining the fundamental rationale for trade.
- **Agriculture (CAN):** Canadian stakeholders criticised the EU's regulatory framework on SPS measures, highlighting several issues. These included the reduction of maximum residue levels (MRLs) for pesticides without consideration of local Canadian production conditions, the lowering of maximum levels of contaminants in deviation from Codex standards, lengthy GM crop approvals, and the absence of an enabling framework for new genomic techniques. Stakeholders emphasised the need for stronger regulatory harmonisation to address these challenges effectively.
- **Public procurement (EU):** German SMEs welcomed the opportunities created by the public procurement chapter of CETA. Tools like 'Access2Procurement' (EU) and CanadaBuys (Canada) were noted for their clarity and usefulness, especially on calls for tender. However, participation in public procurement has been limited, and outcomes remain below expectations in terms of the number of German SMEs engaging in procurement in Canada.
- **Geographical indications & counterfeit products (EU):** European SMEs appreciated the strengthened protection of certain Protected Designations of Origin (PDOs) under CETA but highlighted the lack of protection for other GIs, which they deemed regrettable and in need of improvement. Furthermore, SMEs emphasised the importance of increasing monitoring efforts to combat counterfeit products.
- **Geographical indications (EU):** In Canada, the protection of GIs is significantly more limited compared to the EU. While agricultural and textiles SMEs in several EU MS reported minimal direct impact, concerns were raised regarding the enforcement of GIs. SMEs, in particular, lack the resources to follow up on infringements effectively, which poses a challenge for ensuring compliance.
- **Geographical indications (CAN):** Canadian stakeholders argue that some EU GIs undermine the Canadian production system and give a competitive advantage to European products, disregarding Canadian domestic producers who have used the same product names for generations as many of the same products are produced in Canada by 3<sup>rd</sup>, 4<sup>th</sup> or 5<sup>th</sup> generation immigrants.
- **Rules of Origin (EU/CAN):** CETA's provisions on Rules of Origin (RoO) have been seen as particularly attractive for companies that would otherwise face high tariffs. However, correctly claiming these preferences remains a challenge for many businesses. Some companies reported difficulties in accurately calculating local content, resulting in errors when completing the required forms.
- **Rules of Origin support (EU/CAN):** The Access2Markets platform and ROSA (Rules of Origin Self-Assessment) tool were widely praised for their usefulness, with some stakeholders noting they provide better guidance than similar tools available in the US. However, ROSA still requires a level of 'intermediate' expertise, which some SME representatives found difficult to navigate. Furthermore, SMEs indicated that there is limited support from importers when needed, and completing the supplier's declaration of conformity (SDOC) is time-consuming.
- **Logistics services (CAN):** Stakeholders questioned how CETA could better facilitate collaboration between local port logistics service providers in Canada and their EU counterparts. They identified untapped potential in this area, particularly in the exchange of environmental best practices.
- **Critical raw materials (EU/CAN):** SMEs expressed strong support for the collaboration on critical raw materials under CETA. They emphasised that this cooperation is essential for the operation and innovation of SMEs across various sectors, including high-tech product development and participation in the energy transition.

Some of these inputs will be incorporated into the final recommendations and flanking measures to enhance CETA's effectiveness for SMEs.

Based on this analysis, despite sectoral challenges mentioned, it has become clear that exporting SMEs are relatively overrepresented in those sectors that benefit from CETA and have therefore also gained from the Agreement. This likely explains why, during stakeholder engagements with SMEs, feedback was generally very positive, and SMEs, including agricultural SMEs, confirmed that CETA has had a beneficial impact on them.

#### *2.7.6 Access to and the quality of information provided for SMEs*

Part of the engagement with SME stakeholders via interviews, some survey answers, follow-up to the SME online seminar (and the French and Canadian online seminars), and from SME submissions, centred around the quality and transparency of information for SMEs to benefit from CETA. Having received a total 22 (partially) relevant inputs, this Section looks at access to and quality of information provided for SMEs. Many of their views are also reflected in the institutional analysis of Chapter 6.

Overall, SME stakeholders expressed satisfaction with the Access2Markets portal and its available resources (see also Figure 55 and Figure 56). While a wealth of information is available, some stakeholders indicated that more practical guidance on exporting – such as tips and insights from SMEs with prior experience – would be beneficial. The ability to access the portal via smartphones and tablets was also considered an asset. The ROSA tool was much less known by the interviewed SMEs, but those familiar with it appreciated its functionality. One question was to add a feature highlighting “the most common mistakes”, essentially a more detailed “Frequently Asked Questions” section. CIRCABC was regarded as a functional tool by SMEs who knew about it. However, its interface was considered somewhat outdated, and information from CETA Committee conclusions was reported to be published late.

The European Commission websites were seen as informative and useful, particularly at a higher level, though they did not focus extensively on SME-specific issues. Some SMEs also pointed out that certain links were broken or no longer accessible. A recurring concern was that trade statistics should always include the most recent available data rather than figures that were several years old. The same issue was raised regarding the Trade Statistics Portal, where stakeholders also noted that the large size of data files posed a challenge. However, receiving detailed and updated information was considered a higher priority. For the latter, the size of data files was also considered a challenge, although it was considered more important to get detailed and updated information.

The EU Customs Trader Portal was considered highly useful by the smaller share of SMEs familiar with it. However, its complex authentication layers, excessive documentation requirements, and differing national implementations created significant challenges, particularly for beginners. Each customs system required separate logins, applications, and approvals, leading to delays, inconsistencies, and extra costs, often necessitating brokers. SMEs reported that if documentation was not completed entirely in line with the rules, they were unable to claim duty-free access under CETA. The Economic Operators Registration and Identification number (EORI) registration process was particularly time-consuming, with validation issues across different EU MS, causing shipments delays.<sup>76</sup> Similarly, the Registered Exporter System (REX) was not consistently recognised, requiring additional documentation and leading to unexpected duties or loss of tariff reductions. The UUM&DS system involved multi-step authentication and national discrepancies, while Import Control System 2 (ICS2) security filings risked custom holds due to data errors. Overall, SMEs faced lengthy, non-automatic processes, high compliance costs, and regulatory complexities in accessing CETA benefits.

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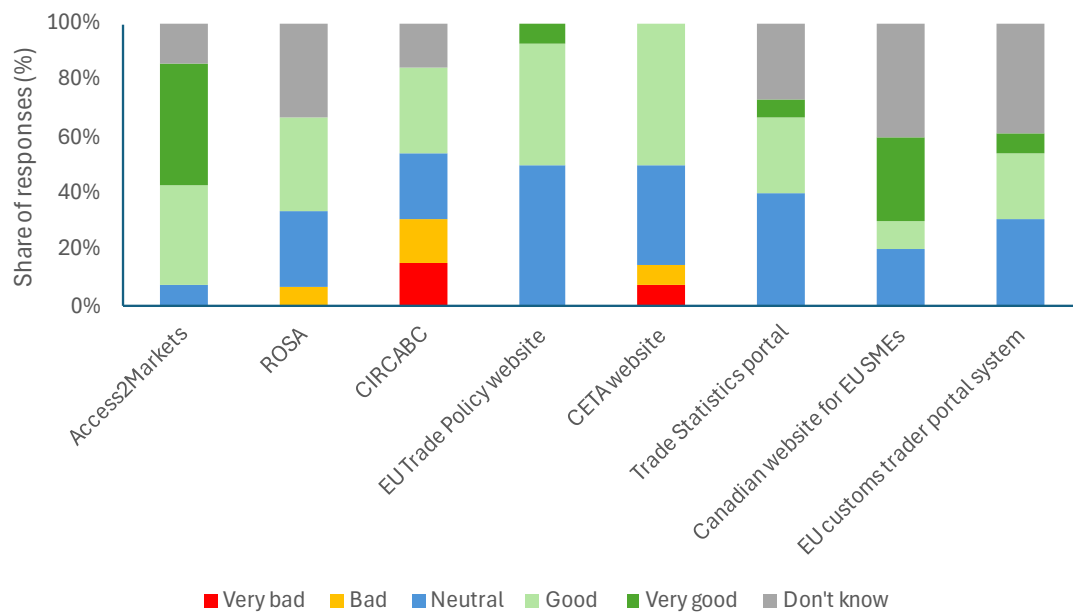
<sup>76</sup> For example, Canadian companies exporting to multiple EU ports had to register separately for an EORI number in each MS, while EU companies faced difficulties when EORI numbers were always recognised across different MS, increasing compliance costs and administrative complexity.

The Canadian website for EU SMEs was not well known among EU SMEs, but Canadian SMEs gave highly positive feedback about the Canadian government's information regarding CETA. The availability of dedicated website for foreign SMEs was also considered a valuable resource. Both EU and Canadian SMEs confirmed that the objective outlined in the SME workplans to provide dedicated websites for EU and Canadian SMEs had been met. However, they emphasised the need to keep these websites up-to-date.

A general comment shared by several SMEs was whether the EU and Canadian governments would introduce AI-powered support tools to provide more tailored advice and interactive learning experiences for users seeking relevant information to maximise their benefits from CETA.

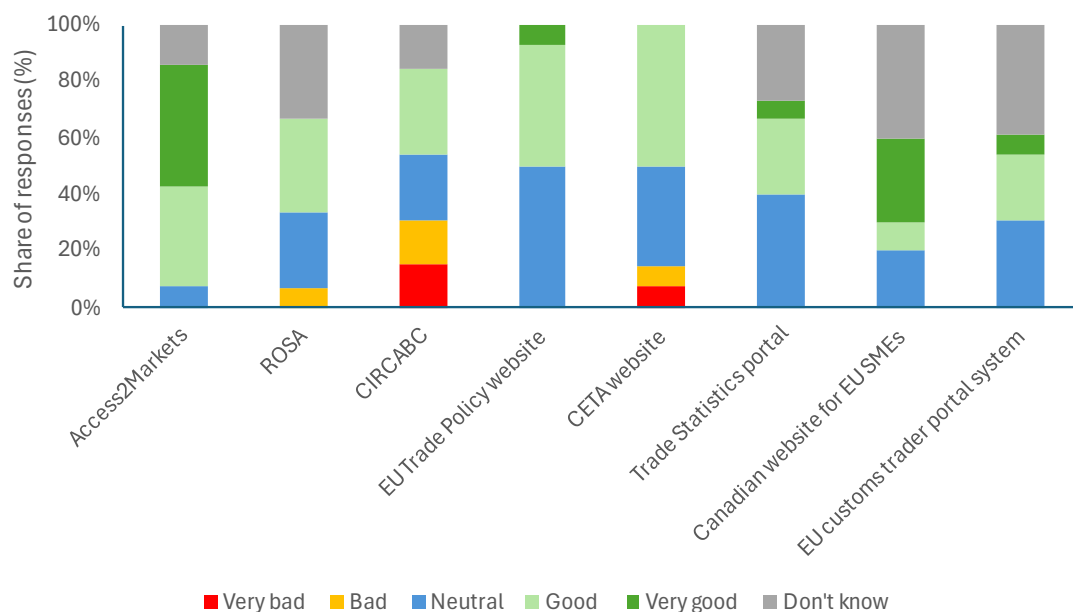
In Figure 55 and Figure 56, SME responses regarding access to and quality of information provided by EU and Canadian tools are presented. The findings in these figures align with the qualitative feedback received from SMEs.

**Figure 55: SME views on the quality of information on the site (%)**



Source: SME stakeholder inputs from surveys and interviews

**Figure 56: SME views on the navigability of the site (%)**



Source: SME stakeholder inputs from surveys and interviews

## **2.8 CETA and Critical Raw Materials (Case Study summary)**

This section is a summary of the Case Study on Critical raw materials (CRMs) – see Annex V.3 for the full Case Study – with a focus on critical minerals, focusing on the EU and Canadian policy frameworks, the evolution of demand, trade patterns, security of supply, and joint initiatives in the battery value chain.

The EU and Canada have established comprehensive policy frameworks to address the strategic importance of CRMs in supporting their green and digital transitions. The EU's Critical Raw Materials Act (CRMA), the EU's strategy on Critical Raw Materials, which came into force in May 2024, sets targets for CRM extraction, processing, and recycling to reduce external dependencies. By 2030, the EU aims to domestically extract 10% of its CRM needs, process 40%, and recycle 25%, while limiting reliance on any single external supplier to 65%. The CRMA aligns with initiatives like the Circular Economy Action Plan and the Batteries Regulation, emphasising sustainable practices and circularity. The EU's Raw Materials Diplomacy framework, particularly through the EU-Canada Strategic Partnership on CRMs signed in 2021, underpins international cooperation between the EU and Canada. It is complemented by Strategic Dialogues on raw materials.

Canada, leveraging its resource wealth, follows a dual strategy: reducing foreign dependencies for certain CRMs while positioning itself as a global leader in extraction, processing, and recycling. The 2019 Canadian Minerals and Metals Plan (CMMP) and the 2022 Critical Minerals Strategy emphasise economic growth, environmental stewardship, and Indigenous participation. Canada has launched initiatives like the Critical Minerals Infrastructure Fund (C\$1.5 bn) and the Critical Minerals Research Program to support the sector. The Critical Minerals Centre of Excellence (CMCE) coordinates these activities, aligning with the Strategic Partnership with the EU to enhance value chain integration.

The demand for CRMs is set to rise dramatically, driven by the energy transition. For example, EU demand for lithium is projected to grow from negligible levels in 2012 to 860,000 tonnes by 2050, driven by battery production (with imports standing at 18.501 tonnes in 2024). The EU's demand for cobalt could reach 100,000 tonnes by 2050 (with EU imports standing at 17.000 in 2024), with similar growth anticipated for nickel, silicon, and rare earth elements like neodymium. Canada's CRM demand, though less documented, also reflects increasing needs, especially for EV batteries and renewable energy systems.

For the analysis of EU-Canadian trade, the Critical Raw Materials Act (CRMA) Annex list was used. This includes 121 CRM which are split into CRMs and SRMs. Trade patterns in CRMs have evolved significantly under the Strategic Partnership. EU exports of CRMs to Canada increased by 864% from €104 mln in 2016 to €1 bn in 2023. EU imports of CRMs from Canada increased by 34%, from €1.15 bn before CETA (2016) to €1.56 bn after CETA (2023). Total EU exports to Canada increased mainly because of increases in exports of copper and nickel ores. EU imports of CRMs from Canada increased mainly because of increases in imports of coking coals, nickel and cobalt mattes.

The security of supply of key CRMs has improved for the EU in general, particularly for cobalt and nickel, where supplier concentration has decreased, and imports from reliable partners like Canada have increased. For instance, the share of cobalt imports from trusted partners rose by 632%. However, rare earth element imports remain vulnerable.

The EU-Canada partnership is especially relevant for the battery value chain, a critical component of the energy transition. Both regions aim to develop a complete value chain encompassing upstream extraction, midstream refining, and downstream battery production and recycling. Investments have been substantial: for instance, Rock Tech Lithium committed €1.5 bn in Canada and aims at building a lithium processing plant in Germany, while Volkswagen invested C\$69 mln (€44 mln) in Patriot Battery Metals. Canada's roadmap for a domestic battery value chain emphasises recycling, projecting that recycled materials could reduce primary CRM demand by 25%.

Despite the positive developments, challenges persist, particularly in the midstream sector. China dominates the processing of battery-grade materials, producing over 90% of global cathode and anode materials. The EU and Canada are working to close this gap through joint R&D and targeted investments. Initiatives like the EU's IPCEI for batteries and Canada's focus on midstream processing infrastructure aim to enhance competitiveness. However, stakeholders emphasise the need for stronger investor protections, noting the absence of binding investment provisions in the Strategic Partnership.

In conclusion, the EU and Canada have made significant strides in CRM cooperation under CETA and the Strategic Partnership. Trade in critical materials has increased, and security of supply has improved for key elements like cobalt and nickel. Both parties continue to face challenges in refining and midstream processing, where China remains dominant. Addressing these issues through targeted investments, R&D collaboration, and enhanced regulatory frameworks will be critical to achieving energy transition goals and ensuring a resilient and competitive battery value chain.

## 2.9 CETA and the diversification and resilience of supply chains

This Section provides an analysis of the impact of CETA on diversification and resilience of supply chains.

### Key findings:

- Overall conclusion is that CETA has significantly contributed to the resilience of EU and Canadian supply chains.
- CETA has increased the number of products traded between the EU and Canada, diversifying their bilaterally traded product portfolios (Metric 1).
- CETA has decreased product-level concentration in bilateral EU-Canada trade at detailed product level, supporting product level diversification (Metric 2).
- For top-traded EU imports from Canada, product concentration has marginally increased due to the significant rise in imports of oils & fuels and critical raw materials after 2021 (Metric 2).
- CETA has increased the share of EU goods in Canadian imports (by 14.2%) and the share of Canadian goods in EU imports (by 7.7%), making the two Parties more important trading partners to each other (Metric 3).
- CETA has facilitated diversification in source country suppliers for both EU and Canadian imports, diverting trade away from the US and China. However, geopolitical events have subsequently increased EU import reliance on the US, reversing some supplier concentration trends after 2022 (Metric 4).
- CETA has been beneficial for EU and Canadian SMEs, which contribute to a more resilient and stronger multi-node network than large companies could achieve (Metric 5).
- CETA has supported an ambitious regulatory cooperation agenda and has led to the Strategic Partnership for Critical Raw Materials, which has helped businesses work towards supply chain diversification and have increased security of supply of critical minerals (Metric 6).

CETA does not explicitly list diversification and resilience of supply chains as its objectives. However, in the context of growing global fragmentation and geopolitical challenges – including the war in Ukraine, the UK having left the EU, and China's increasing restrictions on critical raw materials - supply chain diversification to increase the resilience of EU and Canadian supply chains has become a priority for both the EU and Canada.

The EU's Global Strategy for the EU Foreign and Security Policy<sup>77</sup> provides strategic direction for other policy areas. In addition, the Draghi Report on European Competitiveness (2024), titled "The future of European Competitiveness – A Competitiveness strategy for Europe" (European Commission, 2024), highlights the EU's need to adapt to slowing growth in the context of a shifting global paradigm on global trade

<sup>77</sup> [https://www.eeas.europa.eu/sites/default/files/eugs\\_review\\_web\\_0.pdf](https://www.eeas.europa.eu/sites/default/files/eugs_review_web_0.pdf)

and investment and geopolitical tensions. Competition is increasing globally, Europe is joining the digital revolution late, and populations are ageing. The report identifies three actions to re-ignite growth: 1) Europe must close the innovation gap with the US and China, especially in advanced technologies; 2) Decarbonisation needs to go hand in hand with competitiveness; and 3) Europe needs to increase security and reduce dependencies. These objectives are directly relevant to this CETA ex-post evaluation, as supply chain diversification and resilience are integral to achieving them.

One of the key questions for this evaluation is, therefore, whether CETA has helped the EU and Canada enhance supply chain diversification and resilience. In order to address this, six different metrics are to be used:

- 1) The change in the number of products imported bilaterally between the EU and Canada;
- 2) The degree of product concentration in EU and Canadian imports and exports in the pre- and post-CETA periods;
- 3) The evolution of the share of imports originating from Canada in the EU and from the EU in Canada;
- 4) The degree of source country diversification, supplying the EU and Canada, as a result of CETA;
- 5) The role of SMEs in strengthening the resilience of supply chains; and
- 6) The role of government initiatives in supporting firms to diversify their supply chains.

### 2.9.1 Metric 1: Changes in the number of products traded between the EU and Canada

Comparing the total number of products exported (at HS6 level) in 2016 to 2023 (one year before and six years after the provisional application of CETA) reveals the Agreement's impact. If exports have diversified, the *number* of products that constitute EU imports from Canada in 2023 should be higher than the number of products imported in 2016. Figure 57 presents the change in the number of products exported by the EU to Canada and imported by the EU from Canada in 2016 and 2023.

Both the number of exported and imported products increased when comparing 2016 to 2023. The number of products the EU exported to Canada rose by 5.0%, from 3,200 in 2016 to 3,360 products in 2023. Similarly, the number of products the EU imported from Canada increased by 11.4%, from 2,828 in 2016 to 3,150 in 2023.

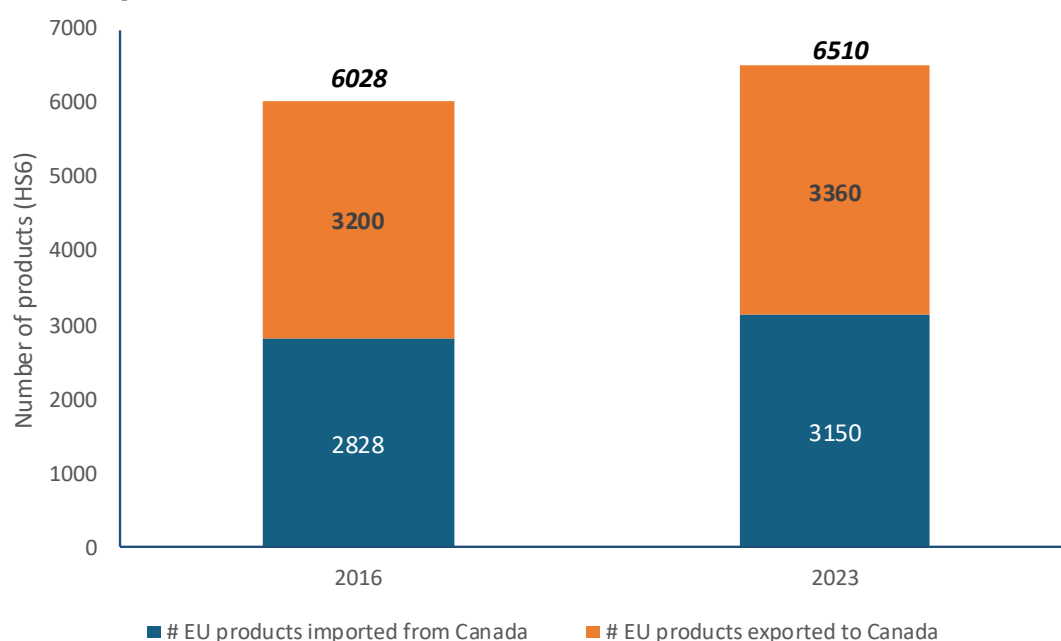
These significant increases are a first indication that trade diversification in the composition of bilateral trade has taken place since the provisional application of CETA.

Examples of new products that started to be exported from the EU to Canada include aniline derivatives & salts (used as intermediates in pain relievers, antibiotics, and anti-inflammatory drugs, as rubber processing chemicals, and in herbicides, pesticides and fungicides), dried apples, wallpaper base, types of alkaloids, articles of apparel, clock movements, cocoa butter, fats & oils, chlorobenzene (used for paints & coatings, degreasing & cleaning agents, plastics, pharmaceuticals and resins), chromium ores (used for stainless steel), natural rubber, mushrooms, and tube mills.

Conversely, new products that have started to be imported by the EU from Canada include vanadium oxides & hydroxides (used for smart windows, electronic switching devices, battery technologies and colorants and UV-blocking additives), zirconium & articles thereof (used for nuclear rods in nuclear boilers, corrosion resistant pipes, jet engines, dental implants & crowns, and capacitors and insulators in electronics), raw hides & skins, shingles & shakes of wood, octyl phenol (used for making non-ionic surfactants for detergents and emulsifiers, paints and coatings, and agrochemicals), and firefighting vehicles.

This increase in the traded product range may be attributed to tariff liberalisations for some products, trade facilitation, or reductions in NTMs. Additionally, when observing some new raw materials products that started to be traded, this could be the consequence of the Strategic Partnership on Raw Materials, signed between the EU and Canada in 2021.

**Figure 57: Change in the number of bilaterally exported/imported products (2016, 2023)**



Source: Own calculations based on Eurostat (2024)

### 2.9.2 Metric 2: Degree of concentration of EU exports to and imports from Canada

A second way to analyse trade diversification is by examining how concentrated EU-Canada trade is in value terms and how this level of concentration has evolved over time. The Herfindahl-Hirschmann Index (the HHI) is used to measure the degree of concentration in EU and Canadian imports and exports. The methodology behind HHI is explained in Box 11. The lower the HHI, the lower the degree of product concentration, the less concentrated and more diversified exports and imports are. Therefore, if over time, the HHI of EU exports/imports of products to/from Canada decreases, it indicates a more diversified export/import product portfolio and thus a lower level of supply chain risk.

#### Box 11: The Herfindahl-Hirschmann Index

The Herfindahl-Hirschmann Index (HHI) is a common measure of market, supplier or product concentration. In this evaluation, the HHI is applied in two ways: 1) To assess the degree of product concentration; 2) To measure the degree of importer or exporter concentration. For example, importer concentration refers to the number of suppliers a country is importing from.

The HHI is calculated for both pre- and post-CETA periods to assess the effect of the Agreement on EU and Canadian importer or exporter concentration.

The HHI is calculated by squaring the importer shares of each of the suppliers into a country and then summing the resulting numbers. The HHI can range from almost zero to one. Mathematically, the HHI is calculated as follows:

$$HHI = s_1^2 + s_2^2 + s_3^2 + \dots + s_n^2$$

An HHI of 1 is the result of a single supplier providing all the imports in a certain sector:  $1^2 = 1$ . If two suppliers each provide 50% of the imports in a certain sector, the  $HHI = 0.5^2 + 0.5^2 = 0.25 + 0.25 = 0.5$ . The more countries that supply and the more evenly distributed the supplier shares, the lower the HHI. For exports, the more countries the source country exports to, the lower the exporter concentration.

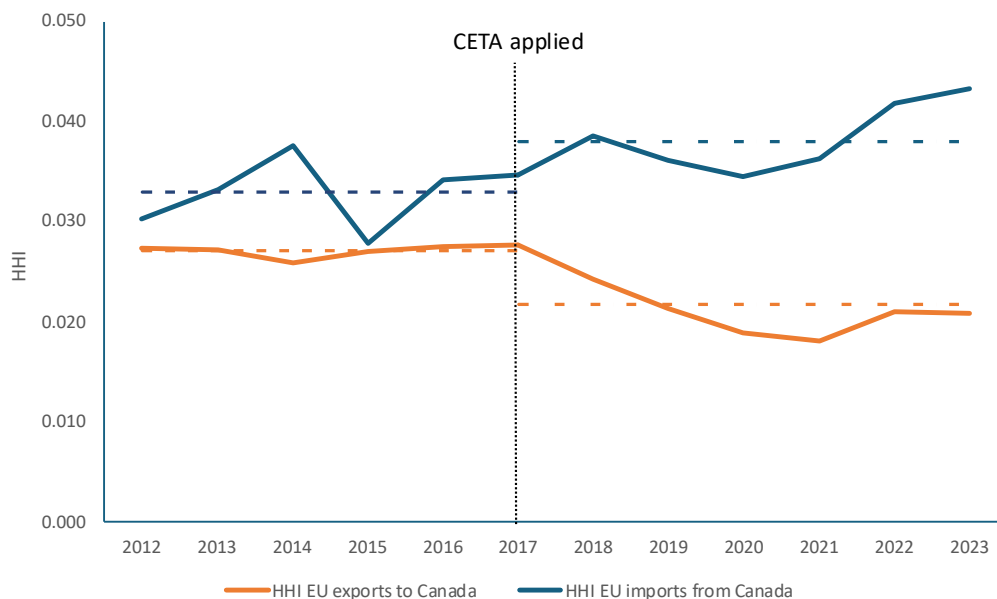
The HHI is first applied to a more aggregated list of products (HS4 level) to examine market concentration trends from 2012-2023. It is then applied at the HS6 product level - first for the top-20 main products only (to capture the key product concentration effect) and subsequently across all 6,028 products in 2016 and 6,510 products in 2023 to compare the years 2016 with 2023 in more detail by product code.

### **Aggregated product concentrations (HS4) from 2012 – 2023**

The HHI considers the differences in the relative importance of the exported and imported products, measuring their concentration. Figure 58 illustrates the change in the HHI for EU exports (orange) and EU imports (blue) from 2012 to 2023. The blue dotted horizontal lines indicate the average value of the HHI for Canadian bilateral exports (EU bilateral imports) before and after CETA, while the orange dotted horizontal lines indicate the average HHI value for EU bilateral exports (Canadian bilateral imports) before and after CETA. Based on Figure 58, the following conclusions can be drawn:

- EU exports to Canada were more diversified than Canadian exports to the EU in the pre-CETA period. This aligns with expectations, because the EU is a much larger economy with a more diverse export base. That is reflected in the EU's exports to Canada.
- Overall, the HHI for EU exports to Canada declined from 0.027 (2012-2016) to 0.022 (2017-2023) (orange dotted lines). This implies that the concentration of EU exports to Canada decreased after the start of the application of the Agreement, which is an indication that EU exports to Canada have become more diversified, possibly because CETA has increased trade in new products or increased trade in existing products that were traded less before.
- Overall, the HHI for EU imports from Canada increased marginally from 0.033 (2012-2016) to 0.038 (2017-2023). This means that the concentration of EU imports has increased marginally. The increase was particularly evident after 2022, likely due to the EU diversifying energy imports away from Russia following the war in Ukraine. As a result, EU imports of oils & fuels, iron ore, and uranium from Canada rose significantly.

**Figure 58: HHI of bilateral trade between the EU and Canada (2012-2023)**



Source: Own calculations based on Eurostat (2024)

### **Detailed comparison of product-level concentrations (HS6) for 2016 and 2023**

EU exports to Canada are less concentrated than EU imports from Canada when looking at the more aggregated product concentrations. However, extending this analysis to all 6,028 products in 2016 and 6,510 products in 2023 provides additional insights:

- 1) In 2016, the HHI for EU export concentration was 0.21, while the HHI for EU import concentration was 0.20. This suggests that when focusing on the most-traded products – particularly raw materials and medicaments - EU imports from Canada were more concentrated. However, when considering the total list of imported products, this difference disappeared, with EU export and import concentrations becoming nearly equal. In 2023, the EU HHI was 0.20 for export concentration and 0.18 for import

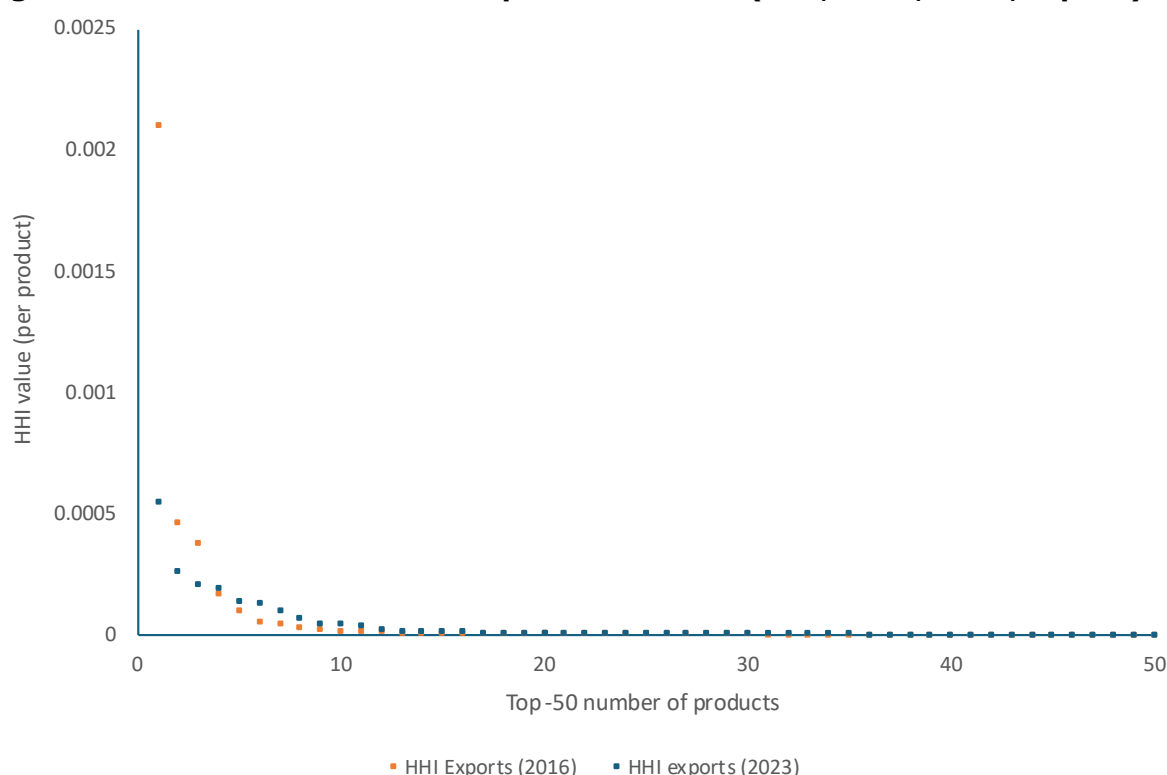


concentration, maintaining the trend of higher export concentration compared to imports.

- 2) Comparing 2016 to 2023 using the same data reveals how export and import concentrations have changed over time, from pre-CETA to post-CETA years. The export concentration has declined from 0.21 to 0.20 when analysing the total product range at the HS6 level (6,510 products in 2023). The import concentration has also declined from 0.20 to 0.18 over that same period.

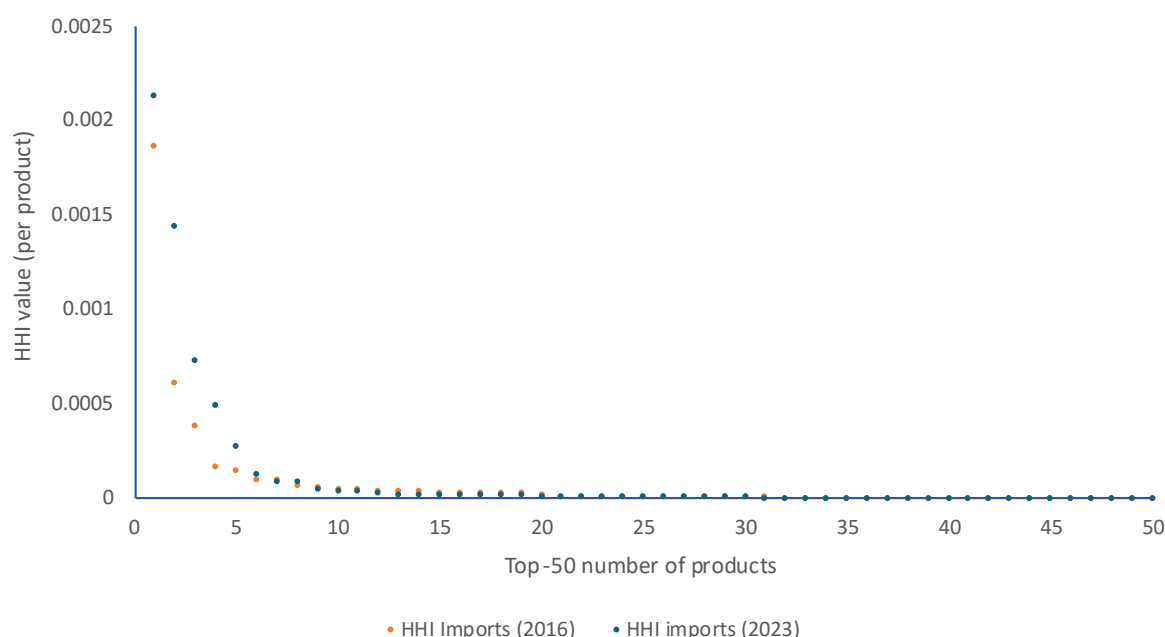
Figure 59 and Figure 60 illustrate these declines in export and import concentration, respectively. While these reductions are not very large, they clearly support the conclusion that CETA has had a diversifying effect in terms of trade concentration, thereby supporting resilience in EU and Canadian supply chains. This finding is particularly significant given that 2022 and 2023 saw substantial increases in EU imports of oil, iron ore, and uranium from Canada, driven by geopolitical shifts, as explained before, such as sanctions on Russian raw materials.

**Figure 59: Product shares in EU exports to Canada (HHI, 2016, 2023, top-70)**



Source: Own calculations based on Eurostat (2024)

**Figure 60: Product shares in EU imports from Canada (HHI, 2016, 2023, top-70)**



Source: Own calculations based on Eurostat (2024)

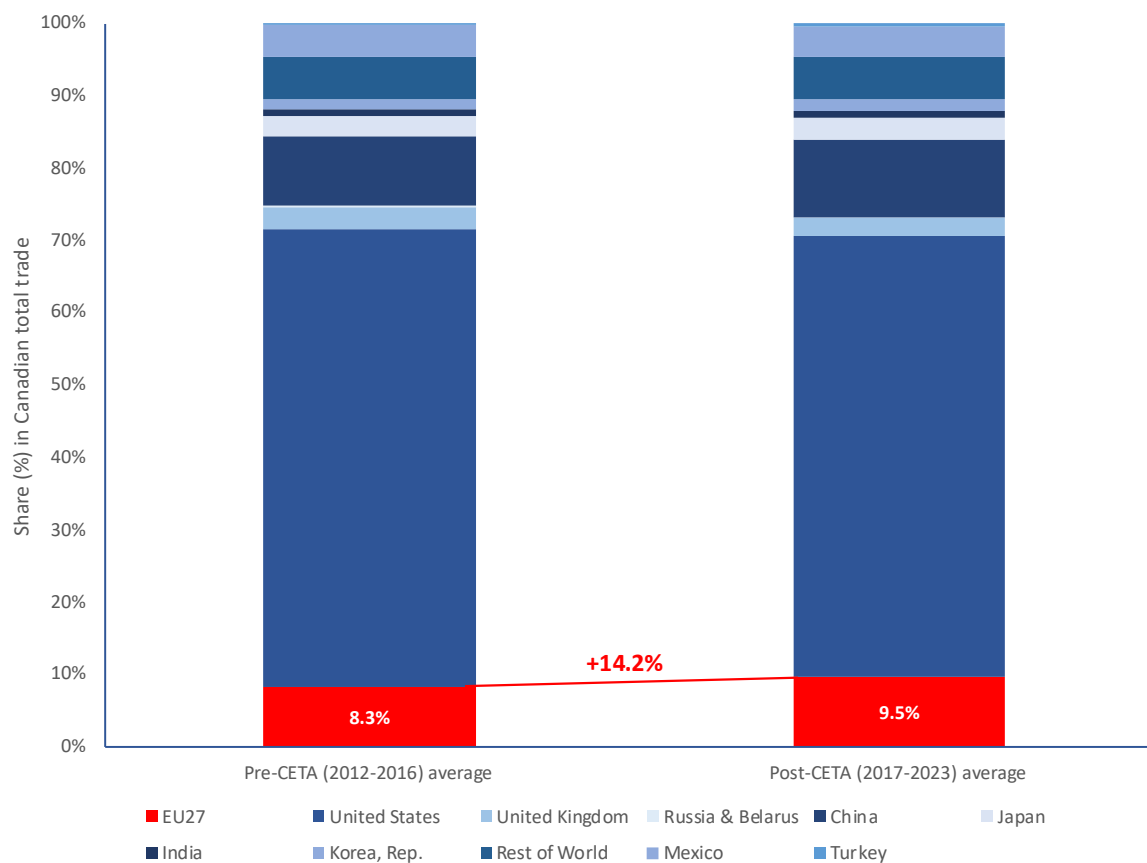
### 2.9.3 Metric 3: Evolution of the share of imports from Canada in the EU and vice versa

The third metric assesses how CETA has influenced the EU's share in Canadian imports and Canada's share in EU imports. This analysis relies on UN Comtrade international data, as it requires Canadian trade partner information that Eurostat does not provide.

#### **The share of the EU in Canadian total goods trade (Figure 61)**

- The share of the EU in Canada's total goods trade (exports and imports) increased by 14.2%, from 8.3% to 9.5%, when the pre- and post-CETA periods are compared. This increase is largely attributed to CETA, which has boosted bilateral trade while partially displacing third-country trade and increasing EU imports of energy and minerals from Canada.
- China's share in Canada's trade has also increased by 12.5%, from 9.5% to 10.7%, when the pre- and post- CETA periods are compared. This increase reflects the continued rise of China as a global manufacturing hub, with its bilateral trade growth outpacing any negative trade diversion effects from CETA.
- The US share in Canadian trade, while still the highest among all Canadian trading partners, has declined by 3.5%, from 63.2% to 61%, as Canada diversified its trading relationships. Table 41 provides an illustration of trade diversion between the US and Canada for the Top-10 products, highlighting a shift in EU exports from the US to Canada and a corresponding shift in EU imports from the US to Canada.

**Figure 61: Shares in Canada's trade pre- and post-CETA (%)**



Source: Own calculations based on UN Comtrade (2024)

**Table 41. Top-10 trade diversion products from the US to Canada in EU trade (2017-2023)**

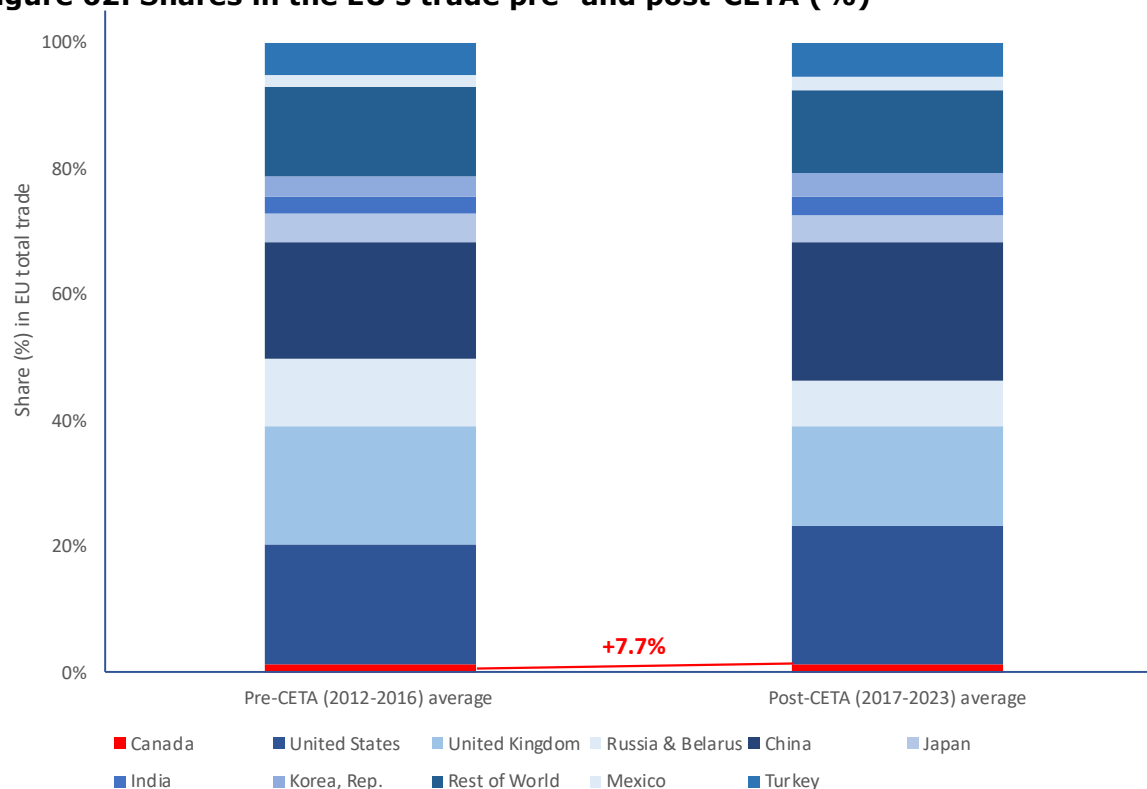
Product name	Change in EU exports to Canada (2017-2023), € bn	Change in EU exports to US (2017-2023), € bn	Trade diversion of EU exports from US to Canada, € bn	Product name	Change in EU imports from Canada (2017-2023), € mln	Change in EU imports from US (2017-2023), € mln	Trade diversion of EU imports from US to Canada, € mln
Other aircraft (for example, helicopters)	0.7	-4.0	4.7	Other aircraft (for example, helicopters)	0.8	-2.2	3.0
Electronic integrated circuits	0.1	-1.9	1.9	Parts of aircraft, spacecraft and related components	-0.2	-1.8	1.6
Nucleic acids and their salts	1.2	-0.4	1.5	Diamonds, whether or not worked	0.9	0.0	0.9
Isotopes	1.4	0.1	1.3	Radioactive chemical elements	0.7	-0.1	0.9
Sulphonamides	0.0	-1.0	1.0	Bodies (including cabs), for motor vehicles	0.0	-0.8	0.8
Parts of aircraft, spacecraft and related components	0.0	-0.8	0.8	Iron ores and concentrates	1.1	0.4	0.7
Unrefined copper; copper anodes	0.7	0.0	0.7	Maize (corn)	0.4	-0.1	0.4
Waters, including mineral waters	0.0	-0.5	0.6	Antibiotics	0.0	-0.4	0.4
Oxygen-function amino-compounds	0.0	-0.5	0.6	Wheat and meslin	0.4	0.0	0.4
Beer made from malt	0.0	-0.5	0.5	Other nuts, fresh or dried	0.0	-0.3	0.3

Source: Own calculations based on UN Comtrade (2024)

### **The share of Canada in EU total goods trade (Figure 62)**

- Canada's share in EU total goods trade has increased by 7.7%, from 1.1% to 1.2% on average, when comparing the pre- and post-CETA periods.
- China's share in EU total trade surged up by 19.2%, from 18.5% on average (pre-CETA) to 22.0% (post-CETA).
- The US share in EU trade increased by 14.8%, from 19.3% (pre-CETA) to 22.1% (post-CETA).
- China has increased its share in EU imports while the US has exported more to the EU, reflecting post-2022 trade realignment, notably increased EU imports of US LNG in 2022 and 2023 due to sanctions on Russia
- The largest decline in EU trade shares came from the UK (from 18.6% down to 15.8%) due to the UK leaving the EU, and Russia and Belarus (from 10.8% to 7.2%) due to sanctions following the war in Ukraine.

**Figure 62: Shares in the EU's trade pre- and post-CETA (%)**



Source: Own calculations based on UN Comtrade data (2024)

#### **2.9.4 Metric 4: Degree of third country diversification for the EU and Canada**

CETA has significantly increased bilateral trade between the EU and Canada. Some of this increase came at the expense of third countries, which see their shares in EU and Canadian imports decline. This phenomenon is well known in economics as "trade diversion", where imports shift away from non-member countries towards a trade agreement partner.

The impact of trade diversion on supply chain diversification depends on the context. If an existing trade partner is already the dominant supplier, increased trade with them may reduce diversification (e.g. the USMCA has increased Canadian reliance on US imports). If a country diversifies its supplier base through trade agreements, diversification increases (e.g. CETA has increased Canada's import source diversification by shifting trade away from the US towards the EU - this is reflected in a decrease in the HHI, measuring Canada's supplier concentration).

Main findings from 2012 to 2023 data, as shown in Figure 63, are the following:

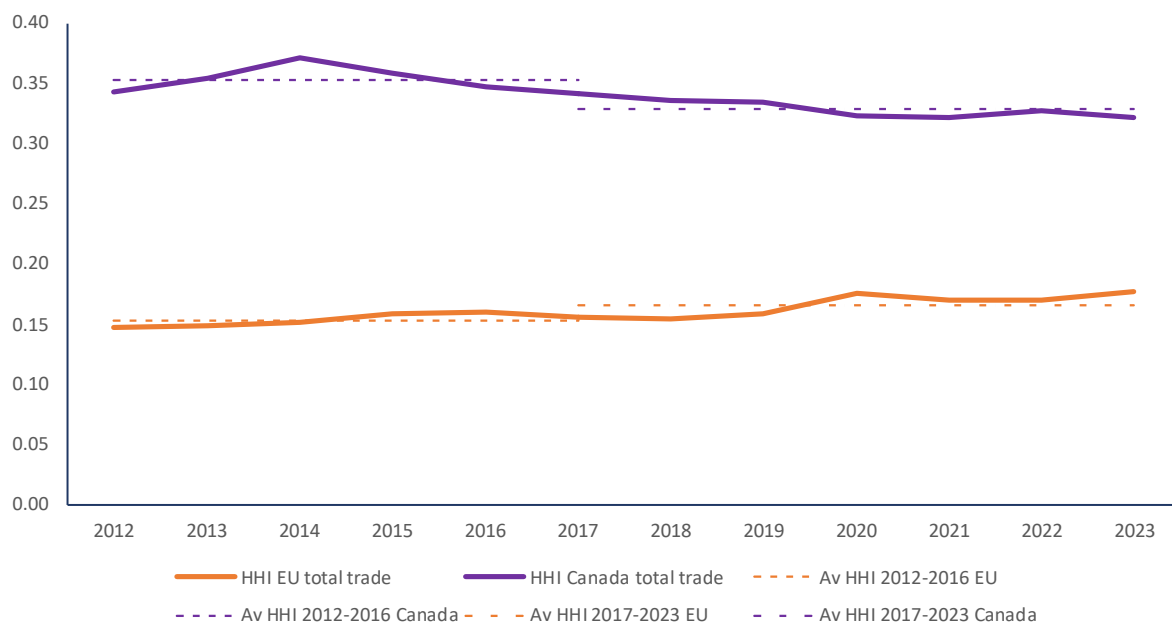
- The EU's HHI is much smaller than Canada's, indicating the EU's trade diversification is significantly higher than Canada's. This is because Canada heavily relies on the US as a dominant trading partner, driving the market concentration of supply for Canada. For

the EU, the relative weights of the trading partners are much more balanced, leading to a much lower value for the HHI over time.

- For Canada, the HHI declined slightly post-CETA, indicating a marginal increase in import diversification. The EU-Canada trade share has increased thanks to CETA, leading to a decline in the US share in Canadian imports. When the US-Canada trade share declines marginally, this lowers the HHI. Based on this empirical finding, this evaluation concludes that Canadian imports have become more diversified because of CETA.
- For the EU, the HHI marginally increased post-CETA, reflecting changes in trade patterns. While CETA has boosted the share of Canada in EU trade by 7.7% (see Figure 62), Canada still constituted only approximately 1.2% of total EU trade, meaning this change was too small to significantly affect the HHI. The observed increase in the HHI for EU imports was primarily driven by geopolitical factors, notably the increased share of trade with the US - already a significant trading partner - due to higher imports of fossil fuels following the sanctions imposed on Russia (a smaller trading partner). Metric 3 further illustrates this geopolitical effect.

This analysis indicates that CETA has contributed to import source diversification for both the EU and Canada, enhancing supply chain resilience and economic security. A concrete example of this effect is the increase in EU import of raw materials from Canada after imports from Russia were significantly reduced due to sanctions. Canada was among the countries that actively collaborated with the EU to help diversify its supply of (critical) raw materials at a crucial time.

**Figure 63: HHI for EU/Canada total imports (2012-2023)**



Source: Own calculations based on UN Comtrade data (2024)

#### 2.9.5 Metric 5: The role of SMEs in supporting the resilience of supply chains

Metric 4 demonstrated that supply chain resilience is not about reducing imports or shifting production entirely to domestic sources. This would be unfeasible given the EU's limited natural resources and the intricate nature of global supply chains, where even a small missing component can disrupt entire production processes. A notable example of this vulnerability occurred during the Icelandic volcano eruption, which prevented a small Irish supplier from delivering essential components to Japanese car plants, causing production delays across Asia) (Cernat & Guinea, 2020).

These complexities highlight why the share of imports only is an incomplete way to look at supply chain vulnerabilities. The challenge is that data are incomplete and sparsely available. While country-level vulnerabilities appear to be product-specific (as shown in Metrics 1-4), company level risks arise from concentrated supply chains (Metric 4 on

supplier concentration). A common risk-mitigation strategy involves sourcing from multiple suppliers across different locations, allowing companies to reallocate demand for inputs from one supplier to another if disruptions occur. Ideally, these suppliers are spread across various countries to reduce exposure to country-specific (i.e. supplier-specific) risks.

Overreliance on a single large supplier can significantly weaken supply networks. If there is a problem at a company factory, there are no sourcing alternatives. This became evident when China tightened environmental regulations, forcing non-compliant companies to either adapt or shut down, causing supply chain disruptions (Xu et al., 2020).

This underscores the importance of SMEs in supporting a diversified and more resilient trading structure. Section 2.7 on the impact of CETA on SMEs found that CETA has significantly increased the number of exporting firms between the EU to Canada. The same SME analysis also concluded that the increase in the number of exporting firms was especially driven by SMEs, with their numbers growing at a faster rate than large firms. This empirical finding, combined with the analysis in this metric, suggests that CETA – through its support for SME growth – has positively contributed to supply chain resilience.

#### **2.9.6 Metric 6: Regulatory cooperation and Committee work**

While CETA has facilitated supply chain diversification for the EU and Canada to some extent, achieving this objective crucially depends on the degree that companies are able to diversify their inputs in practice. During the Supply Chain Canada (SCC) Fall Virtual Symposium (held on 19 September 2024),<sup>78</sup> a key discussion focused on the difficulties companies face in diversifying their suppliers. One of the key questions was: if a company is not very large and does not require substantial quantities of inputs from upstream suppliers, how can it effectively distribute a limited demand across different suppliers? This approach would result in a loss of scale of advantages (and consequently purchasing power), while also making suppliers reluctant to invest in a less exclusive commercial relationship. Suppliers may also be willing to see their client diversify sourcing, particularly if it means competitors could gain a share of the business at their expense.

In this context, regulatory cooperation under CETA can boost resilience by fostering compatibility in standards and regulations. Once a crisis occurs, trying to align views on regulatory frameworks reactively is no longer feasible. CETA's extensive structure of Committees can provide a platform for ongoing dialogue, enabling the EU and Canada to respond more swiftly to future supply chain disruptions. Furthermore, CETA's customs and trade facilitation measures can help streamline procedures, allowing for smoother cross-border transit of goods, further strengthening supply chain security.

Another notable development from CETA's regulatory framework is the Strategic Partnership on Critical Raw Materials between the EU and Canada, established in 2021 through the CETA Bilateral Dialogue on Raw Materials (BDRM). This initiative has played a crucial role in increasing supply chain security, particularly for essential minerals, by enhancing EU-Canada cooperation in critical sectors.

### **2.10 CETA and customs, Rules of Origin, and preference utilisation**

This Section provides an analysis of the impact of customs, trade facilitation, rules of origin, and preference utilisation.

#### **Key findings:**

- CETA incorporates a modern, well-developed chapter on customs and trade facilitation.
- The commitments to ongoing cooperation and information exchange promote a strong working relationship between trading firms and the respective customs agencies, facilitating cross-border operations.

<sup>78</sup> SCC Fall Virtual Symposium (2024) URL: <https://site.phedloop.com/event/SCCFallVirtualSymposium/home>

- The Joint Customs Cooperation Committee (JCCC) reviewed the implementation of the preferential origin provisions under CETA concluded that these provisions were functioning well, with no specific issues requiring attention.
- Data reliability analysis has indicated that the preference utilisation data reported by Canada and the EU authorities accurately reflect the flow of goods eligible for preferential treatment under CETA.
- The share of preference-eligible imports entering Canada through the preferential window has risen steadily from 38.7% in 2018 to 62.4% in 2023.
- The share of preference-eligible imports entering EU through the preferential window has peaked at 66.5% in 2021 but subsequently declined to 58.3% in 2023.
- SMEs and firms that export irregularly tend to make more errors when completing the required documentation to claim CETA preferences.
- Digital trade has had a dampening effect on Preference Utilisation Rates (PURs), as freight forwarders often treat goods as standard shipments without applying for the preferences available under CETA.
- Canada's preference utilisation on imports from individual EU MS has varied significantly, ranging from as low as 34.6% for imports from Latvia in 2022 to over 97% for imports from Cyprus.
- EU MS PURs have varied widely, from as low as 0.0% in Malta to over 83% in the Netherlands, highlighting uneven adoption of CETA preferences across the EU.
- The four top sectors in terms of foregone duty savings on Canadian imports from the EU included automotive products, ships, boards & floating structures, furniture, and apparel and clothing.
- The temporary suspension of preferential tariff treatment (Article 2.8), which is triggered against individual traders rather than at the tariff line level, has been deemed ineffective and not in line with the provisions of more recent EU FTAs.

#### 2.10.1 Customs and trade facilitation

CETA incorporates a modern, well-developed chapter on customs and trade facilitation (Chapter 6). In terms of the level of commitments, CETA was signed shortly after the entry into force of the WTO Trade Facilitation Agreement (TFA), which set a new, up-to-date multilateral baseline for the quality of trade facilitation commitments.

CETA does not materially alter these commitments for either Canada or the EU, which is why a strong quantitative impact through specific trade-cost reductions arising from these measures is not expected. However, the lack of data limits the feasibility of a more detailed quantitative analysis beyond the findings presented in the existing economic analysis, which uses a difference-in-difference approach to measure the effects of tariff and non-tariff measure (NTM) liberalisation on trade. This approach does not isolate specific types of NTMs, and as such, the individual contribution of customs and trade facilitation measures cannot be quantified.

That said, CETA's commitments to ongoing cooperation and information exchange promote a strong working relationship between trading firms and the respective customs agencies. This cooperation is meant to ensure that any potential frictions at the border are managed in a timely and efficient manner, while simultaneously safeguarding bilateral trade from misuse, such as the shipment of counterfeit products. Additionally, these commitments ensure that only goods meeting the rules of origin requirements receive preferential tariff treatment, as stipulated in CETA provisions.

Article 6.1 outlines the objectives and principles for customs implementation and cooperation. This includes commitments for mutual cooperation and information exchange, the sharing of best practices, and the commitments to ensure that trade compliance requirements and procedures are no more administratively burdensome or trade restrictive than necessary. Furthermore, the Article highlights the importance of grounding these practices in internationally recognised trade and customs instruments and standards where feasible.



Article 6.2 establishes transparency obligations, requiring each Party to make publicly available all trade-relevant legislation, regulations, judicial decisions, and administrative policies. This transparency extends to relevant proposed regulations and administrative policies, providing interested stakeholders with opportunities to submit comments before their adoption. The Article also mandates the establishment of contact points to respond to inquiries regarding customs matters.

CETA includes provisions intended to ensure that customs controls are handled expeditiously and at minimum cost to trading firms in terms of time and process. Consistent with international best practice, CETA provides for advance rulings (Article 6.9) so that exporters and importers do not encounter difficulties over the classification of goods at the border. To reduce trade administration costs, CETA also commits both parties (Article 6.8) to best practices in terms of automation, provision of single windows for interaction by trading firms with customs authorities, and adoption of data elements and processes recommended by the World Customs Organization (WCO). Article 6.3 provides for the timely release of goods at the point of arrival, including prior to concluding formalities for payment of duties, with expedited treatment at times of emergency and with simplified procedures for low-value goods, and generally with facilitation of the process through advance electronic submission and processing of information before the physical arrival of goods.

Article 6.7 requires for adoption of risk management principles in order that customs authorities focus compliance measures on transactions that merit attention.

CETA reaffirms the application of widely recognised customs standards, such as the application of the Customs Valuation Agreement (Article 6.3), the use of the Harmonized System (HS) for the classification of goods (Article 6.5), and the publication of fees and charges imposed by the customs administration. Additional articles provide for conventional procedures for independent review and appeal of administrative decisions (Article 6.10); proportionality of penalties imposed for breaches of the party's customs laws (Article 6.11); and maintenance of confidentiality of business confidential information obtained by the authorities under CETA provisions.

Finally, CETA also reaffirms commitments to the 1997 bilateral Canada-EU Customs Cooperation Agreement and to continued cooperation on trade facilitation in international *fora*, including the WCO (e.g. on the WCO Framework of Standards to Secure and Facilitate Global Trade), the United Nations Conference on Trade and Development (UNCTAD – e.g. the UNCTAD Compendium of Trade Facilitation Recommendations, which identifies areas where further joint action would facilitate trade and promote multilateral objectives), and the United Nations Economic Commission for Europe (UNECE).

CETA granted the EU-Canada Joint Customs Cooperation Committee (JCCC), which was established under the 1998 Agreement between the European Community and Canada on Customs Cooperation and Mutual Assistance in Customs Matters, the authority to act as a specialised committee under the auspices of the CETA Joint Committee (Article 6.14), with a mandate to ensure the proper functioning of the customs and trade facilitation measures as well as the Protocol on Rules of Origin and Origin Procedures; Article 20.43 on the scope of border measures; and Article 2.8 which addresses temporary suspension of preferential tariff treatment.

The JCCC has convened five times to date, including two meetings as a specialised CETA committee, held on 22 June 2018 and 28 October 2022. The review of customs and trade facilitation provisions during these meetings concluded that implementation was proceeding as expected, with no significant issues identified.

These meetings addressed various topics of relevance, including regulatory developments in Canada and the EU. The EU provided updates on the development of the EU Single Window Environment for Customs and the implementation of the Import Control System 2 (ICS2), which aims to reinforce customs risk management under the Common Risk Management Framework (CRMF). The EU also reported the timeline for implementation of

the programme and the consequences for different types of economic operators (EOs) and requested cooperation from Canada in further disseminating the relevant information to Canadian EOs exporting to the EU.

Regarding the implementation of CETA's preferential origin provisions, the JCCC concluded that these were functioning effectively, with no immediate concerns requiring attention. Similarly, a review of the Mutual Assistance in Customs Matters (CMAA) confirmed that the programme remained on track, with updated contacts points and effective application of the MAA provisions.

In terms of specific advances in mutual cooperation, the JCCC adopted Decision No 1/2022 concerning the Mutual Recognition of the Authorised Economic Operator (AEO) Programme of the EU and the Partners in Protection Programme (PIP) of Canada. Under this decision, goods transported by members of these programmes are treated as low-risk shipments, facilitating faster border clearance while allowing customs authorities to allocate resources to more suspicious transactions. The Parties also finalised IT specifications for the automatic exchange of information under Article 5 of the above-mentioned JCCC Decision and set performance targets for conformance testing and the start of "live" exchanges of information.

The JCCC also discussed the challenges posed by the rapid growth of e-commerce and the increasing volume of low-value shipments, as well as the growing number of non-fiscal tasks that customs have to perform on the border. In this regard, Canada presented its ongoing work on customs pre-clearance, on the development of the Electronic Low Value Import System (ELVIS). Legislative changes to the Canada's Customs Act were also discussed, particularly new importer of record rules introducing joint liability. The EU shared its experience with the abolition of VAT exemptions for low value imports (not exceeding €22), noting the positive impact on revenue collection and fraud prevention. The EU also provided an update on its internal discussions concerning reforms to address growing trade volumes and other issues such as new trade models, technological developments, the green transition, the evolving geopolitical context, and security risks.

The JCCC reviewed the implementation of sanctions adopted to address Russian invasion of Ukraine, including export controls and risk of circumvention. The EU shared its experience on the customs role in the enforcement of the sanctions, the facilitation of humanitarian aid, the management of migration crises, the facilitation of trade flows with Ukraine through Solidarity Lanes, the support for Ukrainian customs, as well as enhanced security and safety controls on the EU borders with Russia and Belarus. Canada described the additional tasks the Russian invasion has generated including, inter alia, the need to monitor exports of strategic goods, control activities linked to more than 1400 listed individuals and entities and enforce shipping bans.

The option of temporary suspension of preferential tariff treatment (Article 2.8 of CETA) has also been investigated. The article serves mainly as a deterrence towards fraudsters via temporary suspension of CETA preferences, to be triggered only under very exceptional circumstances. The current wording of Article 2.8 provides for a possible suspension of the CETA preference for the goods at the level of an individual trader who committed systematic breaches of customs legislation. Compared to more recent EU trade agreements, this approach – which has not been triggered to date – is considered rather ineffective to tackle fraud, compared to an approach focusing on the level of a tariff line. This difference between article 2.8 in CETA and more recent best practice provisions is considered as leaving room for improvement and as rather impeding to reach the objective of effectively combating customs fraud.

#### *2.10.2 Preference utilisation and foregone duty savings*

This Section reports on the extent to which trading firms have used CETA to get the tariff benefits negotiated under the Agreement, specifically the degree to which firms have utilised the preferences available under CETA. First, an analysis of the data source for preference utilisation is carried out to see if there are any differences between the way

Canada and the EU measure it. Then the preference utilisation rates and amounts of foregone duty savings at overall, sectoral, and EU MS levels are analysed to identify the most important sectors for further analysis.

It is important to note that preference utilisation data is derived solely from the customs authority of the importing country, which records the import programme under which the imports enter the country – namely, Most Favoured Nation (MFN), preferential, or other.

Moreover, the responsibility for claiming preferential tariff treatment lies with the importer of record, who must submit the required documentation. In cases where the trade flow involves intra-firm transfers of goods, the importer and exporter may be the same entity. However, from a legal standpoint, it is the importer who bears the responsibility for making the preference claim. Similarly, when documentation of compliance with rules of origin is required to access the preferential window, the importer must obtain the necessary information from the exporter to access the preference window. If the importer is unable to secure the required documentation, the goods are subject to the applicable MFN tariff.

#### 2.10.2.1 Data reliability analysis

Several questions may arise concerning the data on which PURs are based: the potential use of alternative preference schemes to CETA preferences under which imports from EU MS might enter Canada; the relationship between duty drawback schemes and preference utilisation; and revisions to preference utilisation rates from retroactive claims.

The first issue relates to the various ways in which goods imported into Canada can claim preferences under various preference schemes. The country of origin is recorded by the importing authority at the time of entry of the goods into its customs territory. For purposes of the application of duties, a determination is then made under which preference programme the goods are entering. Canada has a number of preferential programmes, including various free trade agreements (FTAs) and general preferential schemes for developing countries. In the case of CETA, there is no possibility that another FTA or general preferential scheme is used as CETA is mutually exclusive with all of Canada's other FTAs, nor are EU MS eligible for developing country preferences. Consequently, the only option for preferential access from the EU into Canada is through CETA. Canada records in these instances whether the good is eligible for preferential treatment and whether the preference was claimed.<sup>79 80</sup>

Canada Border Services Agency (CBSA) could not exclude that some EU car parts & components would first be exported to Mexico to undergo a substantial transformation before being transported to Canada within the US-Mexico-Canada Agreement (USMCA).

In addition to the bilateral FTAs, the analysis considered the potential impact of autonomous tariff reductions that might overlap with CETA preferences. Unlike the EU, Canada does not operate a Scheme for Autonomous Suspensions of Tariffs and Quotas.<sup>81</sup> However, it does maintain Foreign Trade Zone (FTZ) programmes, such as Windsor-Essex<sup>82</sup> or CentrePort Canada.<sup>83</sup> These programmes offer single-window access to companies importing goods from countries without FTAs with Canada. The implementation of CETA and other FTAs has reduced the relevance of these programmes for many Canadian businesses by eliminating import tariffs. However, some companies continue to use FTZs to claim relief from the Goods and Services Tax (GST), which remains applicable even on CETA qualified imports. The FTZs in Canada are described as "economy-wide" and operate

<sup>79</sup> Memorandum D11-4-2, Proof of Origin of Imported Goods: <https://www.cbsa-asfc.gc.ca/publications/dm-md/d11/d11-4-2-eng.html>

<sup>80</sup> List of Countries and applicable tariff treatments: <https://www.cbsa-asfc.gc.ca/trade-commerce/tariff-tarif/2022/01-99/countries-pays-eng.pdf>

<sup>81</sup> Communication from the Commission concerning autonomous tariff suspensions and quotas - 2011/C 263/02 (OJ C 363, 13.12.2011).

<sup>82</sup> Windsor-Essex: <https://www.investwindsoressex.com/how-we-help/incentives-and-foreign-trade-programs/foreign-trade-zone-programs/>

<sup>83</sup> CentrePort Canada. URL: <https://centreportcanada.ca/wp-content/uploads/2021/03/42539-CP-CentrePort-ForeignTradeZone-OneSheet-FIN-Web-with-links.pdf>

through initiatives like the Duty Relief Programme, Duty Drawback Programme, Customs Bonded Programme, VAT Relief Program (HST/GST), and the Exporters of Processing Services Programme. These programmes provide either temporary relief from duties and taxes until goods enter the domestic market or permanent relief for goods intended for re-export, which are not recorded as Canadian imports. As a result, the Canadian import data distinguish between CETA-preference-eligible goods (with a positive MFN tariff) and MFN goods. Preference utilisation data is further divided into CETA-preference-utilised, MFN tariff-paid, and MFN zero. This means that when goods enter Canada from the FTZ, they either enter under CETA preference or under the MFN programme (or they are exported and have never entered Canada).

A second consideration related to the issue of retroactive preference claims. The EU permits retroactive preference claims up to two years after goods enter the customs territory, whereas Canada allows such claims for up to four years (five years for goods that are destroyed). As a result, preference utilisation data may be revised upwards due to retroactive claims made within the permitted timeframe.

For example, Canadian Customs preference utilisation data for 2020 initially recorded a PUR of 55.3%. By 2023, this figure was revised to 55.4%, reflecting a 0.1 percentage point increase due to retroactive preference claims. While this revision confirms the existence of retroactive claims, the magnitude of the effect is marginal. This aligns with expectations, as firms have limited incentives to tie up working capital by paying duties they only reclaim after several years. Consequently, retroactive claims are expected to remain the exception rather than the rule.

### ***Conclusion on data reliability***

Based on this analysis, this evaluation concludes that the preference utilisation data reported by Canada and the EU authorities provide an accurate portrayal of the flow of goods in bilateral EU-Canada trade that are eligible for preferential treatment under CETA and that take advantage of it. Canada and the EU have no overlapping preferential trade agreements, nor does Canada operate an autonomous tariff suspension scheme that could overlap with CETA. While Canada does have various Foreign Trade Zones (FTZs), they do not affect the preference utilisation. This suggests that there is no realistic possibility of CETA preferences being affected by competing trade agreements or other Canadian schemes like the FTZ. Finally, the preference utilisation rate may increase marginally in the future due to the provision for retroactive claims for such treatment.

#### **2.10.2.2 Overall preference utilisation rates in the EU and Canada**

### ***Preference Utilisation Rates***

Table 42 presents Canadian importer utilisation rates, which represent the utilisation rates applied by Canadian importers to goods exported from the EU (EU MS) to Canada. As shown, preference-eligible imports account for slightly less than 25% of total Canadian imports from the EU, as 75% of these imports are already subject to an MFN0.<sup>84</sup> The share of preference-eligible imports entering Canada through the preferential window has increased consistently, from 38.7% in 2018 to 62.4% in 2023 (the most recent year for which data are available).

The trade-weighted preference margin for these preference-eligible imports varies annually, depending on the exact composition of imports. This margin has risen from 5.3% in 2018 to 6.6% in 2023, with a peak of 6.9% in 2022, indicating a shift in Canadian imports towards goods with higher preference margins.

This shift is further reflected in potential duty savings, which increased from €570 mln in 2018 to €1.0 bn by 2023. Actual duty savings grew even more rapidly due to the increase in the PUR. However, despite these positive trends, foregone savings have also risen, suggesting that untapped gains from CETA preferences remain.

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<sup>84</sup> For the analysis of Preference Utilisation, because this is about the imports, the study reports, exceptionally a trade flow from the EU to Canada as a Canadian import, not an EU export. Also, EU imports are reported instead of Canadian exports.

**Table 42: Canadian imports from the EU27 (€ mln, %)**

	2017	2018	2019	2020	2021	2022	2023
Total Canadian goods imports from the EU	35,893	41,677	45,378	38,735	45,065	57,488	58,404
Preference-eligible imports		10,754	11,044	9,064	11,129	14,142	14,215
Preference-eligible imports as % of total imports		25.8%	24.3%	23.4%	24.7%	24.6%	24.4%
Preference utilised		4,158	5,324	5,025	6,627	8,547	8,870
<b>Preference utilised as % of preference-eligible imports</b>		<b>38.7%</b>	<b>48.2%</b>	<b>55.4%</b>	<b>59.5%</b>	<b>60.4%</b>	<b>62.4%</b>
Potential duty savings		570	660	585	743	975	1,012
Actual duty savings		281	358	344	442	587	648
Actual duty savings as % of potential duty savings		49.3%	54.2%	58.7%	59.5%	60.2%	64.0%
Foregone duty savings		289	302	241	301	388	365
<b>Trade-weighted preference margin</b>		<b>5.3%</b>	<b>6.0%</b>	<b>6.5%</b>	<b>6.7%</b>	<b>6.9%</b>	<b>6.6%</b>

Source: European Commission (DG Trade) calculations based on import data from Canadian Customs

EU importers (these represent the utilisation rates applied by EU importers to goods exported from Canada to the EU (EU MS)) experience a smaller share of preference-eligible imports, with only 15.9% of all imports from Canada being eligible for CETA preferences in 2023 (the most recent year for which data are available). While EU importers demonstrated somewhat higher utilisation of CETA preferences than Canadian importers in 2021 and 2022, the PUR peaked at 66.5% in 2021, before declining to 58.3% in 2023 (see Table 43).

**Table 43: EU27 imports from Canada (€ mln, %)**

	2017	2018	2019	2020	2021	2022	2023
Total EU goods imports from Canada	17,781	19,454	20,914	20,377	23,294	29,573	27,262
Preference eligible imports		4,081	3,992	3,626	4,060	4,275	4,333
Preference eligible imports as % of total Imports		21.0%	19.1%	17.8%	17.4%	14.5%	15.9%
Preference utilised		2,117	2,144	2,051	2,700	2,636	2,528
<b>Preference utilised as % of preference-eligible imports</b>		<b>51.9%</b>	<b>53.7%</b>	<b>56.6%</b>	<b>66.5%</b>	<b>61.7%</b>	<b>58.3%</b>

Source: Eurostat (2024)

Having excluded differences in data collection or data reporting in the previous section, reasons for non-utilisation of available preferences can be many and varied. Products may not meet the rules of origin (RoO) requirements to qualify for preferences. For example, regional value content requirements may not be met. The importer may be unable to obtain a certificate of origin from the exporter or may face other documentation challenges, including errors when completing the forms. The importer may also be unaware of the availability of preferences. Importantly, the costs of compliance with RoO and other administrative requirements (e.g. application for import permits, as required for controlled trade, such as textiles and clothing into Canada) may outweigh the potential duty savings in case of smaller trade volumes. This could be the case despite the fact that exporters only need to be registered and not approved and despite ROSA explaining in detail how the proofs need to be drafted.

The literature indicates that the administrative cost of compliance with RoO in modern trade agreements can be significant due to their complexity and documentation requirements.<sup>85</sup> In particular, administrative burdens related to the approved exporter status have been mentioned, as the application process and the required documentation vary across EU MS and can reportedly be time- and resource-consuming.

<sup>85</sup> Francois, Hoekman & Manchin (2006) concluded: "Preferences are underutilized due to administrative burden—estimated to be at least 4 percent on average": [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=822444](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=822444).

When the goods are transported via hubs, compliance with the non-alteration rule (stipulating that originating goods must be transported directly between the EU and Canada to qualify for preferential tariff treatment under CETA, with very limited exceptions) leads to additional administrative burdens, as proving compliance with the direct transport rule requires companies to maintain detailed documentation for each shipment segment.

Smaller companies mentioned that utilising preferences involved facing a trade-off between costs of compliance against potential trade benefits. Costs to purchase specialised third-party software for performing origin calculations was mentioned as an example.

While the EU has developed a free-of-charge tool, the Access2Markets Portal, to assist exporters in determining the originating status of their products, and despite the availability of a simplified self-certification procedure (further assessed below), stakeholders continue to report RoO compliance as challenging.

RoO requirements under CETA differ from those of other EU and Canadian trade agreements, necessitating exporters to adapt their compliance processes accordingly. Each shipment requires self-declaration (that can be checked later) to qualify for originating status, which involves gathering extensive documentation from suppliers, including customs records from transit countries if the shipment is not direct. Record-keeping obligations extend to six years to accommodate post-entry audits on exporters, importers, and customs brokers, adding to the administrative burden. Many firms hire professional RoO experts to navigate these complexities and mitigate the risk of legal liability for errors. The challenges intensify with the complexity of products and the degree of international sourcing, discouraging participation in global value chains. This results in a statistical regularity that, for smaller shipments and MFN tariffs of less than 5%, preference utilisation falls off steeply.<sup>86 87 88 89</sup>

However, it is important to note that this decline in preference utilisation for MFN tariffs of less than 5% is less pronounced for regular and larger-volume shipments. For instance, although Canadian customs records classify EU MS imports under either CETA preferences or MFN (primarily for small-scale, irregular shipments), some Canadian importers do not claim some of CETA preferences on imports subject to MFN tariffs below 5%, which constitutes a notable share of non-zero tariff lines.

Discussions with customs brokers assisting companies importing into Canada or the EU provided further insights into the challenges companies face when claiming CETA preferences. Key observations include:

- 1) Smaller firms (i.e. SMEs) are more prone to errors when completing the required documentation for CETA preferences. This issue is particularly prevalent when exporting SMEs need to complete forms requested by the importer in the other Party. Brokers noted that expecting SMEs to possess comprehensive knowledge of CETA's provisions is often unrealistic.
- 2) Firms that export more intermittently, rather than on a consistent basis, make more mistakes when filling out the necessary forms to benefit from CETA preferences.

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<sup>86</sup> Alexander Keck and Andreas Lendle. 2012. "New evidence on preference utilization," Staff Working Paper ERSD-2012-12, Geneva: WTO. For a review of the literature, see Dan Ciuriak and Derk Bienen. 2014. "Overcoming Low Preference Utilization in PTAs: Presumption of Origin for Small Shipments," Conference Paper, Workshop of the ESIL Interest Group on International Economic Law, Vienna, 3 September 2014: [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2460648](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2460648)

<sup>87</sup> For FTAs to which Australia is a party, the Australian Productivity Commission (Productivity Commission, 2010; 129: <https://www.pc.gov.au/inquiries/completed/trade-agreements>) found a cut-off preference margin of 5%, above which utilization rates were 70%-100%, but only around 30% for preferential margins below 5%.

<sup>88</sup> Francois, Hoekman & Manchin (2006) concluded: "Preferences are underutilized due to administrative burden—estimated to be at least 4 percent on average": [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=822444](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=822444).

<sup>89</sup> Nilsson, Lars. 2011. "Small Trade Flows and Preference Utilization: The Case of the European Union," in: South African Journal of Economics 79(4), December 2011.

- 3) When preference margins fall below 4-5%, companies' willingness to claim CETA preferences diminishes. While larger firms familiar with the system tend to continue claiming these preferences, smaller and sporadic exporters are more likely to forego them.
- 4) Larger firms may also encounter administrative errors due to the dynamic nature of their supply chains. For example, if a Brazilian factory suddenly faces production issues, exports may be shifted to a Canadian facility instead of using an Austrian plant operating at full capacity. Such changes require new documentation, and in some cases, CETA preferences may not be used at all.
- 5) Brokers reported that SMEs in EU MS that have not yet ratified CETA are generally less aware of its provisions compared to those in ratifying countries. In fact, several SMEs from EU MS that have not ratified CETA have said they thought CETA preferences could not be claimed because their MS has not ratified the Agreement yet.
- 6) Many firms view the simplified self-certification procedure with caution, particularly when they lack confidence in accurately completing documentation. Concerns about retrospective audits and the potential withdrawal of previously granted preferences – resulting in unexpected duty liabilities – deter firms from using this procedure.
- 7) Since importers require documentation from exporters to claim preferences under CETA and reduce costs, exporters incur additional administrative expenses. Consequently, some exporters are disinclined to provide the necessary declarations, particularly, when uncertain about the self-certification process and its potential risks.

The main administrative mistakes that companies make when trying to claim CETA preferences, according to brokers, are listed in Box 12.

**Box 12: Main filing mistakes made by companies claiming CETA preferences**

Mistakes with the **"notice of origin"** – some companies incorrectly classify imports from the United States as Canadian products under RoO, which they are not; others are unclear on how to define goods as grown, produced or assembled locally.

Uncertainty about **"sufficient transformation"** – confusion exists about what constitutes sufficient transformation to claim Canadian or EU origin under the same HS code. The definition of transformation requirements lacks clarity.

Challenges in calculating **local content share** – companies face difficulties in correctly calculating the share of local content needed to claim CETA preferences. How to calculate it exactly leads to incorrect filings.

While the cost of compliance with trade requirements is non-negligible, there is a learning curve, and repeat transactions between the same exporter and importer are more likely to utilise preferences. Consequently, the administrative costs of complying with RoO requirements may not justify pursuing duty cost savings for an occasional transaction between new exporter-importer pairs. However, established trading relationships are more likely to claim preferences. As observed with other trade agreements, preference utilisation rates generally increase over time, and CETA has followed a similar trend.

A notable and significant finding regarding PURs is that digital trade has a dampening effect on PURs. Freight forwarders such as UPS and DHL, as well as Temu and Shein, do not prioritise claiming preferences offered by bilateral trade agreements like CETA. Instead, they clear goods as standard imports, foregoing the benefits of preferential tariffs. For these service providers, obtaining certificates of origin, ensuring correct tariff classification, and handling necessary documentation is considered too cumbersome and costly.

Moreover, in their general terms and conditions, these freight forwarders state that they rely solely on the information provided by shippers and bear no responsibility for any errors or omissions in the provided details. As a result, the rise of digital trade and e-commerce could contribute to lower compliance rates with FTAs. Some of the largest companies using these transport services include Amazon, Samsung, Philips, CAP, LEGO Grup, Xbox, Marks & Spencer. This suggests that goods such as consumer electronics, books, toys, and clothes transported by these companies may exhibit lower preference utilisation rates under CETA.



Finally, it is important to note that while statistics on preference utilisation are compiled by importing authorities, the reasons for non-utilisation are not recorded directly. These must be inferred from statistical patterns and industry feedback.

#### 2.10.2.3 Canadian preference utilisation on imports from EU MS

Canadian data show that PURs of imports from various EU MS - i.e. utilisation rates by Canadian importers on goods exported by the EU (EU MS) to Canada - vary quite considerably (Table 44). This variation can be attributed to differences in product composition, which impact preference margins, differences in the size of shipments, or other factors noted in the previous section that influence PURs. Since preference utilisation is claimed by the importer, it is not intrinsically related to the exporting EU MS but rather to the considerations faced by the Canadian importer of record.

Table 44 presents PURs for Canadian imports from each EU MS for 2022. Annex III.2 provides full data on preference-eligible imports, potential and actual duty savings, and trade-weighted preference margins.

Canada's preference utilisation on imports from individual EU MS varies significantly, ranging from as low as 34.6% on imports from Latvia in 2022 to over 97% on imports from Cyprus in that same year. The share of imports eligible for preferences also varies widely, from 5.2% of imports from Ireland to over 85% of imports from Slovakia. There is no evident correlation between the height of the PUR and either the size of the import flow or the share of the preference-eligible imports in total imports from a given EU MS. However, the margin of preference over the applicable MFN tariff rate plays an important role in motivating preference utilisation.

The exceptionally high rate of overall preference utilisation from Cyprus reflects the large share of exports to Canada under the expanded CETA "cheeses of all types" TRQ, which features near 100% preference utilisation due to the very high out-of-quota tariff rate on Canadian MFN cheese imports of 245.5%. As shown in Annex V.1, Canadian imports of cheese and curd (HS040690) from Cyprus grew by 272% from €530k in 2017 to €1.97 mln (244.122 kg of cheese) in 2023.<sup>90</sup>

However, even products with significantly lower MFN tariffs demonstrate high preference utilisation. For instance, fire extinguishers (HS842410), which face an MFN tariff margin of just 6.5%, exhibited a 100% PUR. Canadian imports of fire extinguishers from Cyprus rose 241% from €59.000 in 2016 to €201.000 in 2022, before leaping to €415.000 or 603% above pre-CETA values in 2023.

Conversely, Latvia recorded the lowest PUR among EU MS, with only 34.6% of its exports to Canada utilising preferences. This appears to be caused by a relatively low overall average preference margin in the range of 2.8 to 3.8% over the period 2018-2022. Despite the low PUR, over 70% of the total potential duty savings available under CETA were realised - €550.000 out of €780.000 in savings on 2022 Canadian imports from Latvia.

A closer look at the top ten product groups that utilised preferences, accounting for 95% of duty savings, reveals a different picture. These products had an average preference margin of 9.7% and a PUR of 85%. Notably, clothing products (HS62), which contributed €179.000 in saved duties in Latvia, had a preference margin of 17.9% and a PUR of 81.4% in 2022.

This case illustrates an important point when comparing PURs (which measure the share of imports entering a customs region as a share of total imports of the same category) and duty savings rates, which measure the share of total duties payable under MFN rates that are saved by utilisation of preferences. If the tariffs are the same across all categories, the two rates will be identical. However, if the tariffs are highly skewed, as they are in the case of Latvia's export mix to Canada, the two rates can vary widely.

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<sup>90</sup> Eurostat (2024).



These considerations underscore the fact that preference utilisation is determined on a shipment-by-shipment basis, depending on preference margin, size of shipment, qualifying status under product-specific rules of origin where relevant, and the cost of compliance with the administrative requirements of accessing preference windows relative to the duty cost savings.

**Table 44: Canadian import preference utilisation under CETA by EU MS (2022, € mln, %)**

	Total imports (€ mln)	Preference eligible (€ mln)	Preference eligible (%)	Preference utilised (€ mln)	Weighted average margin (%)	PUR (%)
Austria	1,823	171	9.4	85	6.0	49.8
Belgium	3,183	439	13.8	281	6.2	64.0
Bulgaria	177	53	30.0	33	12.9	61.5
Croatia	69	19	27.6	16	9.3	83.7
Cyprus	4.5	1.8	40.0	1.7	1.7	97.3
Czechia	708	157	22.2	94	7.0	59.7
Denmark	1,484	150	10.1	112	7.9	74.7
Estonia	115	30	26.3	21	8.9	68.5
Finland	1,222	98	8.0	73	6.2	74.6
France	5,606	1,715	30.6	1,079	5.3	62.9
Germany	16,230	4,194	25.8	2,139	5.8	51.0
Greece	271	101	37.4	84	6.1	82.7
Hungary	630	253	40.1	96	6.2	38.1
Ireland	2,862	148	5.2	92	2.6	62.1
Italy	8,785	3,506	39.9	2,398	7.9	68.4
Latvia	60	21	34.3	7.1	3.8	34.6
Lithuania	292	69	23.5	30	9.2	43.3
Luxembourg	117	12	10.6	5.0	6.6	40.4
Malta	27	1.5	5.6	0.8	6.7	55.2
Netherlands	3,925	354	9.0	233	7.1	65.9
Poland	2,011	512	25.5	258	8.9	50.4
Portugal	1,616	347	21.5	246	11.1	71.0
Romania	568	310	54.5	143	14.6	46.3
Slovakia	687	588	85.6	354	5.1	60.2
Slovenia	196	36	18.2	28	7.6	77.6
Spain	2,676	613	22.9	459	7.1	74.9
Sweden	2,143	245	11.4	180	5.2	73.6

Source: Canadian Customs (2024)

#### 2.10.2.4 EU MS preference utilisation on imports from Canada

As regards EU imports (i.e. Canadian exports to the EU), EU MS PURs vary widely from as low as 0.0% in Malta to over 83% in the Netherlands (see Table 45). This variation largely reflects differences in the importance of preference-eligible imports within each EU MS's import mix. A similar contrast is observed in the Netherlands and Belgium, both of which serve as entrepôts for EU trade.

The Netherlands imported €5.6 bn worth of total imports from Canada in 202, of which €1.0 bn or just over 19% were eligible for preferences. Of these, €872 mln entered under CETA preferences, resulting a PUR of 83%. Belgium, by contrast, recorded total imports of €3.9 bn from Canada, but only €296 mln or 7.6% were eligible for preferences. Preference utilisation in Belgium was also much lower at 69%.

However, given the multiplicity of factors that influence preference utilisation, there remains considerable variation that cannot be entirely explained at this aggregate level – more product-specific analyses are required. For example, Germany, which accounts for the 2<sup>nd</sup> largest volume of imports from Canada at €4.8 bn, of which a significant volume of €996 mln is eligible for preferences, has a lower PUR of 44.7% in 2023 compared to France's 51.6%, notwithstanding that France has a smaller share of its imports eligible for preferences (15.4% in France vs. 20.9% in Germany).

**Table 45: EU MS preference utilisation under CETA on imports from Canada (2022, € mln, %)**

EU MS	Total Imports (€ mln)	Preference-Eligible (€ mln)	Preference-Eligible (%)	Preference Utilised (€ mln)	PUR (%)
Austria	417.6	49.2	11.8	23.7	48.1
Belgium	3,889.2	295.6	7.6	202.4	68.5
Bulgaria	129.8	14.8	11.4	5.1	34.5
Croatia	32.7	15.6	47.7	4.9	31.6
Cyprus	76.8	2.4	3.2	1.0	41.4
Czechia	274.4	67.7	24.7	48.5	71.7
Denmark	240.2	101.7	42.3	76.2	74.9
Estonia	22.0	8.3	37.4	3.9	47.3
Finland	449.6	89.2	19.8	57.3	64.3
France	3,630.6	557.3	15.4	287.4	51.6
Germany	4,764.9	996.2	20.9	445.5	44.7
Greece	110.5	19.7	17.8	11.2	56.8
Hungary	103.8	22.0	21.2	10.9	49.6
Ireland	748.2	84.2	11.3	43.9	52.1
Italy	1,787.3	259.4	14.5	55.7	21.5
Latvia	653.8	4.2	0.6	2.3	55.0
Lithuania	27.7	13.8	49.9	7.2	52.4
Luxembourg	45.9	19.1	41.6	12.3	64.2
Malta	81.0	66.5	82.0	0.03	0.0
Netherlands	5,579.2	1,046.3	18.8	872.1	83.3
Poland	585.9	123.7	21.1	71.6	57.9
Portugal	298.0	47.1	15.8	27.3	58.0
Romania	90.4	24.0	26.6	8.6	35.8
Slovakia	130.5	26.4	20.2	19.0	71.9
Slovenia	41.2	7.0	17.1	4.1	58.7
Spain	2,652.6	247.8	9.3	158.6	64.0
Sweden	398.7	123.3	30.9	67.1	54.4

Source: European Commission DG Trade calculations based on Eurostat data (2024)

#### 2.10.2.5 Preference utilisation by sectors ranking in order of foregone duty savings

At the product level, Canadian import preference utilisation – i.e. the utilisation rates by Canadian importers on goods exported by the EU (EU MS) to Canada - ranged from a high of 100% (for HS01 – live animals) to 1.2% (for HS30 - pharmaceutical products). Eighteen HS2-digit product groups faced MFN zero tariffs, meaning that no preference was available. The research focuses on the product groups with the largest foregone duty savings, with the selection of sectors reported in Table 46.

From Table 46, it becomes evident that the four leading sectors in terms of foregone duty savings on Canadian imports from the EU (i.e. EU exports to Canada) are: automotive products, ships, boards & floating structures, furniture, and apparel and clothing. In addition, the electrical machinery and equipment sector also has a very low PUR and significant foregone duty savings. Together, these five EU sectors constitute €224 mln in foregone duty savings.

Given their significance, these top five sectors will be further investigated in the short Deep Dives that are presented in Annex V.5.

**Table 46: Canadian import preference utilisation by product group (HS2, 2022, € mln, %)**

HS2	Description	Total imports (€ mln)	Preference margin - weighted average (%)	Eligibility - Preferential (€ mln)	Usage - Preferential (€ mln)	PUR (%)	Potential duty savings (€ mln)	Actual duty savings (€ mln)	Duty savings rate (%)	Foregone duty savings (€ mln)
<b>87</b>	<i>Automotive Products</i>	5,705.9	5.1%	4,683.5	2,373.8	50.7%	238.0	116.4	48.9%	121.6
<b>89</b>	<i>Ships, boats, and floating structures</i>	251.5	16.5%	247.7	79.5	32.1%	40.9	8.5	20.7%	32.5
<b>94</b>	<i>Furniture etc.</i>	978.2	8.9%	609.2	289.8	47.6%	54.2	25.4	46.8%	28.8
<b>62</b>	<i>Articles of apparel and clothing accessories, not knitted or crocheted</i>	360.9	17.3%	359.5	208.6	58.0%	62.1	36.1	58.1%	26.1
<b>33</b>	<i>Essential oils etc.</i>	836.8	6.5%	762.4	409.7	53.7%	49.6	26.6	53.6%	23.0
<b>42</b>	<i>Articles of leather</i>	453.2	9.8%	449.7	260.2	57.9%	43.9	25.5	58.0%	18.4
<b>61</b>	<i>Articles of apparel and clothing accessories, knitted or crocheted</i>	279.0	17.9%	277.2	175.2	63.2%	49.6	31.4	63.2%	18.2
<b>64</b>	<i>Footwear</i>	493.0	16.4%	454.3	347.3	76.5%	74.3	57.1	76.9%	17.2
<b>85</b>	<i>Electrical machinery and equipment</i>	3,338.0	7.6%	382.8	176.2	46.0%	29.1	13.7	47.2%	15.4
<b>71</b>	<i>Precious metals etc.</i>	1,503.3	6.9%	326.2	171.4	52.5%	22.4	11.8	52.7%	10.6
<b>39</b>	<i>Plastics and articles thereof</i>	1,326.3	6.5%	365.6	207.4	56.7%	23.8	13.	56.7%	10.3

Source: Canadian Customs (2024)

Table 47 lists selected and detailed EU product sectors that both failed to take substantial advantage of CETA's preferential tariffs (i.e. with PURs below 50%) while also underperforming in terms of exports during the period 2018-2022 period for which preference utilisation data are available.

For example, in 2022, EU exporters of make-up or skin care products (HS3304) had €95.1 mln worth of preference-eligible exports to Canada. However, preference utilisation was only 26%, resulting in foregone duty savings totalled €4.6 mln, given a CETA tariff advantage of 6.5%. Better utilisation of available preferences could reasonably have boosted EU exports, which actually declined by 8.8% over this period as the rebound from the pandemic-induced slump failed to restore the 2016 pre-CETA export levels.

As regards carpets and other woven textile floor coverings (HS5702), only 44.0% of eligible EU exports in 2022 benefitted from the preferences that provided a 13.5% tariff advantage. Exporters in this sector witnessed €836,000 in potential tariff duty savings foregone.

In 2022, EU exporters of dental floss (HS330620) facing an 8% tariff, failed almost completely to utilise the benefits of this pricing advantage. Only 0.02% of eligible EU exports benefitted from the preferences in 2022, and exporters in this sector overlooked €617,000 in potential tariff duty savings. Notably, EU exporters lost market share in this product group to global competitors.

In certain categories of women's clothing (HS620640), EU exporters were afforded a tariff advantage of 18.0% under CETA. However, only 45.1% and 46.3% of eligible EU exports respectively benefitted from the preferences in 2022, and exporters in these two sectors left €748,000 in potential tariff duty savings unclaimed.

Another particularly notable category is monitors and projectors. In 2022, only 4.7% of eligible EU exports benefitted from the preferences, foregoing a 5.9% tariff advantage and failing to capture €353,000 in potential tariff duty savings.

**Table 47: Canadian import PURs for products with low PUR and negative export growth (2022)**

HS	Category	Pref eligible exports (€ mln)	Potential duty savings (€ mln)	Actual duty savings (€ '000)	Foregone duty savings (€ '000)	Weighted Preferenc e Margin (%)	PUR (%)	% Export growth 2018- 2022
3304	Make-up or skin care products	95.1	6.2	1,605	4,574	6.5	26.0	-8.8%
5702	Carpets and other woven floor coverings	11.1	1.5	655	836	13.5	44.0	-13.8%
330620	Dental floss	7.7	0.6	-	617	8.0	0.0	-12.9%
620640	Women's or girls' blouses, shirts, and shirt-blouses of man-made fibres	5.7	1.0	472	547	18.0	46.3	-9.7%
620441	Women's or girls' dresses of wool or fine animal hair	2.0	0.4	165	201	18.0	45.1	-27.5%
611510	Graduated compression hosiery	3.6	0.6	162	422	16.2	27.9	-16.0%
8528	Monitors and projectors	6.2	0.4	18	353	5.9	4.7	-1.3%
6910	Ceramic sinks and similar sanitary fixtures	4.5	0.3	112	226	7.5	33.1	-11.7%
830250	Base metal hat-racks, hat-pegs, and brackets	4.5	0.3	74	222	6.5	24.9	-34.3%
732619	Articles of iron or steel	5.1	0.3	113	215	6.5	34.5	-36.7%
210610	Protein concentrates	2.0	0.2	74	148	11.0	33.4	-12.9%
2206	Cider, and other fermented beverages	18.4	0.1	9	123	0.7	31.3	-32.8%
6813	Friction material and articles thereof	2.1	0.1	9	122	6.4	7.2	-19.1%
2402	Cigars, cheroots, cigarillos, and cigarettes	1.6	0.1	33	105	8.5	25.5	-89.5%
7116	Precious metals and stones	1.9	0.1	39	102	7.4	30.6	-38.9%
79	Zinc products	1.4	0.04	20	21	3.0	48.9	-67.8%

Source: Canadian Customs (2024); and calculations by the study team

### **2.11 CETA and Public Procurement (Case Study summary)**

This section provides the summary of the Case Study on Public procurement, focusing on EU suppliers' access to Canadian markets. CETA introduced unprecedented provisions for sub-federal procurement in Canada while EU procurement commitments remained unchanged. The agreement mandates non-discriminatory, impartial, and transparent procurement processes for covered entities across federal, provincial, municipal, and sector-specific institutions.

Canada's procurement commitments under CETA align with other agreements like the WTO GPA and CPTPP, but with significantly improved sub-central coverage. Canadian municipal and Crown corporation procurements are now accessible to EU suppliers, ensuring greater market openness.

The CETA Committee on Government Procurement has consistently reviewed implementation progress, with key areas of discussion including:

- **Digital procurement platforms:** Canada's CanadaBuys platform and the EU's Access2Markets Portal improve procurement information accessibility.
- **Data collection challenges:** Difficulties persist in tracking supplier origins, especially regarding sub-federal Canadian procurement.
- **Policy and legislative updates:** Both parties exchanged updates on procurement-related regulations.
- **Strategic initiatives:** Sustainable, ethical, and green procurement practices were discussed.
- **Sector-specific issues:** Space procurement was contentious, leading to the exclusion of the Canadian Space Agency.
- **External factors:** The US's Build America Buy America Act and its implications were examined.

From 2017 to 2023, PSPC managed contracts worth over C\$122 bn, marking a significant increase from the pre-CETA period. Key trends include:

- 46% of contracts awarded via competitive open bidding.
- Non-competitive contracts averaged C\$3.4 bn annually.
- EU firms captured 1.1% of procurement by value, with Germany, Denmark, and Spain being the primary beneficiaries.
- Military vehicles, telecommunications equipment, and laboratory supplies were top sectors for EU procurement.

CETA significantly influenced sub-central procurement through the Canadian Collaborative Procurement Initiative (CCPI). Since its 2015 inception, the CCPI has grown to 424 participants. From 2020 to 2024, call-ups increased from 14,000 to 134,000, with provinces accounting for 69% of the total procurement spend. Leading sectors include office supplies, radio equipment, and medical supplies. Provinces like Québec, Ontario, and Alberta dominate sub-national procurement. The CFTA complements CETA by harmonising domestic procurement practices with international commitments.

An econometric gravity regression analysis indicates an 8.4% increase in public procurement due to CETA at central and (partially) sub-federal procurement. However, this is likely an underestimate as sub-federal procurement data remain incomplete. Anecdotal evidence, such as the success of the Belgian company asUgo in securing municipal contracts, supports the conclusion that CETA has lowered entry barriers for EU suppliers and incentivised them to explore Canadian opportunities as a gateway to the broader North American market.

CETA has demonstrably facilitated EU participation in Canadian public procurement markets. While EU firms' federal-level procurement capture remains modest in central procurement, the broader effects, particularly at the sub-federal level, suggest a positive overall impact. The agreement's influence extends beyond immediate procurement

activity, fostering strategic business expansions and international growth for participating firms.

## 2.12 Implementation of other areas of CETA

This Section analyses the impact of CETA on subsidies (Section 2.12.1) competition (Section 2.12.2) and intellectual property (Section 2.12.3).

### Key findings:

- CETA has focused on transparency concerning subsidies implemented by the Parties. In cases where a subsidy adversely impacts the other Party, consultations regarding the implemented measures are foreseen.
- For agricultural products, the Agreement imposes a binding obligation not to provide export subsidies.
- CETA provisions on competition acknowledge the importance of addressing anti-competitive behaviour and committing to good faith cooperation on relevant issues. However, competition policy issues have not been raised in the CETA Regulatory Cooperation Forum (RCF) meetings or by stakeholders.
- CETA has not altered patent law in the EU or Canada, but introduced a *sui generis* protection system for pharmaceuticals, similar to the EU Supplementary Protection Certificate (SPC).
- CETA enshrined Canada's 2012 Copyright Act – which had been aligned with the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT) – into the Agreement. Consequently, CETA did not require any changes to EU or Canadian copyright law.
- Regarding the trademark regime, Canada made significant changes since the conclusion of CETA negotiations, including accession to the Singapore Treaty, the Madrid Agreement and the Nice Agreement, aligning Canada's trademark system with international standards.
- Regulatory Data Protection provisions have remained unchanged in both the EU and Canada following CETA.
- While CETA has not altered the EU IP framework, Canada has implemented several amendments to its IP laws pertaining to pharmaceuticals, including:
  - Introducing the innovator's right of appeal;
  - Changing the "dual litigation" practice; and
  - Establishing a two-year *sui generis* patent restoration period.
- Some stakeholders initially expressed concerns that these measures would increase the prices for medicines and reduce their availability. However, neither outcome has materialised to date. In fact, the share of generic medicines in the Canadian market increased from 67% in 2019 to 70% in 2023 in the EU and from 73% in 2020 to 77% in 2023 in Canada.
- Since CETA's implementation, investments in the Canadian pharmaceutical industry have surged by 182% compared to the pre-CETA period.

CETA touches on several areas of economic governance, including subsidies, competition, and protection of intellectual property rights (IPRs).

### 2.12.1 Subsidies

Looking at the interaction between specific subsidies (in Canada, EU, and EU MS) and CETA goes beyond the scope of this evaluation. However, CETA (in Chapter 7) establishes general obligations concerning transparency in subsidies implemented by the Parties, with provisions for consultations when one Party considers that a measure adversely impacts its interests.

Pursuant to such consultations, CETA provides that the responding Party should endeavour to respond positively and sympathetically to the concerns raised by the requesting Party, but the response is not subject to binding dispute settlement.

For agricultural products for which CETA eliminates tariffs, the Agreement imposes a more stringent, binding obligation not to provide export subsidies to the other Party following tariff elimination.

An assessment of whether CETA's subsidy-related mechanisms have been invoked over the past seven years indicates that this has not been the case. Stakeholder consultations have not generated any specific concerns related to the functioning of these provisions, nor have they been mentioned as a priority in relation to CETA (unlike the reductions of NTMs in agriculture and the creation of a level playing field through regulatory cooperation). On this basis, it can be concluded that subsidy-related issues have not yet arisen or have required intervention under the consultation provision of the Agreement.

### 2.12.2 Competition

CETA provisions on competition, as set out in Chapter 17, acknowledge the importance of addressing anti-competitive behaviour, making commitments to good faith cooperation on relevant issues, and reaffirming the 1999 Agreement between the European Communities and the Government of Canada Regarding the Application of their Competition Laws.

Competition policy issues have not been raised in CETA Regulatory Cooperation Forum meetings, which is the most appropriate forum under the CETA governance regime to address such matters. Given the absence of discussions on these issues, no indication has emerged that CETA mechanisms have been invoked or that competition-related concerns have required intervention under the Agreement.

### 2.12.3 Intellectual Property Rights

CETA contains detailed provisions on intellectual property rights (IPRs). The Agreement builds and expands on the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

Two areas of CETA's IP Chapter have received the most attention from stakeholders during the Agreement's negotiations and ratification: pharmaceutical IP protection and geographical indications (GIs).

Regarding pharmaceutical IP protection, CETA includes provisions that introduce a *sui generis* protection system after the expiration of the lawful term of the patent (i.e. a patent restoration system similar to EU Supplementary Protection Certificates). CETA also contains data exclusivity periods for pharmaceutical products, reflecting pressures to harmonise standards with those in other trade agreements, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the US-Mexico-Canada Agreement (USMCA). These provisions aim to enhance incentives for pharmaceutical R&D but have also sparked debates among stakeholders and civil society organisations about their potential to delay the introduction of generic drugs and increase healthcare costs.

Regarding GIs, as discussed in Annex V.2.2, CETA's measures underscore the importance of protecting regionally significant agricultural products by limiting the use of such labels to producers in designated regions.

This Section examines the impact of CETA's IP provisions and how they navigate the complex trade-offs between encouraging innovation and safeguarding the public interest.

#### 2.12.3.1 General IP rights

##### **Patent law**

Neither Canada (outside the *sui generis* measures on pharmaceuticals) nor the EU modified its patent laws as a result of CETA. Article 20.26 (International agreements) reinforces that each Party must make all reasonable efforts to comply with relevant provisions of the Patent Law Treaty. Accordingly, CETA had no general impact on the level of intellectual



property protection in this area. The only notable addition regarding patents is the introduction of a *sui generis* protection system for pharmaceuticals.

### **Copyright and Related Rights**

CETA's copyright provisions reflect Canada's system as updated by the 2012 Act, which brought Canada into compliance with the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT). This compliance includes key aspects such as the term of protection, broadcasting, protection of technological measures, protection of rights management information, and liability of intermediary service providers. As a result, CETA itself did not introduce material changes to Canadian copyright law, as it merely reconfirmed the provisions of the 2012 Act. However, because Canada implemented the 2012 Act while CETA negotiations were ongoing, the perception arose that Canada was tightening IP protections in response to CETA.

The EU did not modify its copyright laws as a result of CETA.

### **Trademarks and Industrial Designs**

Since the conclusion of CETA negotiations, Canada has made significant changes to its trademark regime, including accession to the Singapore Treaty on the Law of Trademarks, the Madrid Agreement Concerning the International Registration of Marks, and the Nice Agreement, a classification system for registration of a trademark, which is required for accession to the Singapore and Madrid treaties. Canada's Trademarks Act was amended in 2014, and new Trademark Regulations were finalised in 2018 to align with these international agreements. While these changes were consistent with the requirements under CETA to make reasonable efforts to comply with these treaties, CETA was instrumental in encouraging Canada to align its trademark laws with international standards.

The EU did not modify its trademark laws as a result of CETA.

### **Regulatory Data Protection**

Beyond pharmaceutical regulatory data protection, which will be covered in the next section, CETA introduces minimum periods of data exclusivity for plant protection products, fostering innovation in agricultural technology. The Agreement also prohibits unauthorised reliance on test data, ensuring fair competition and safeguarding intellectual investments.

The EU did not modify its regulatory data protection laws as result of CETA.

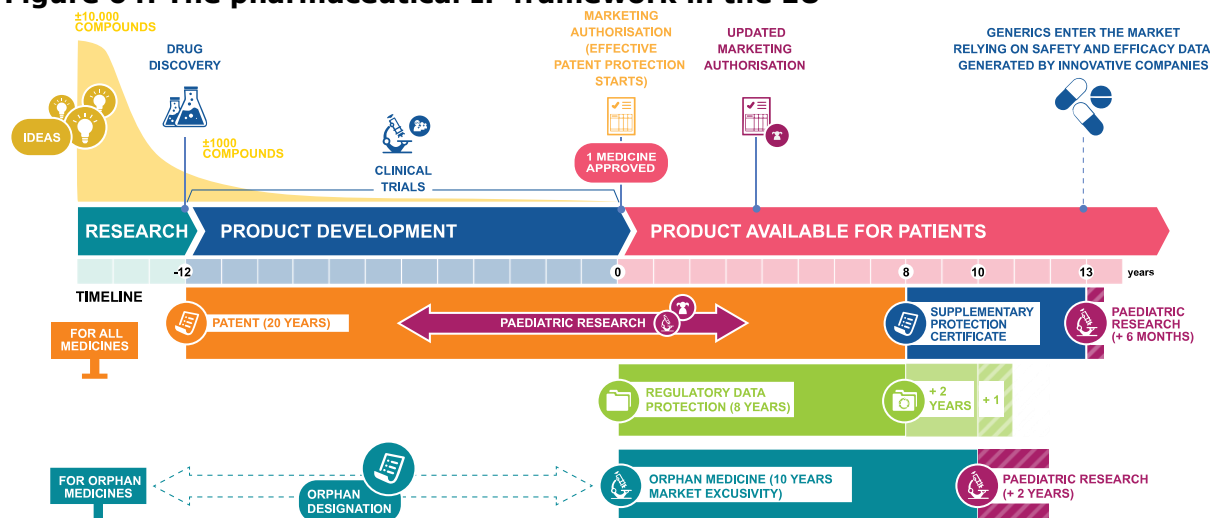
#### **2.12.3.2 Pharmaceutical Intellectual Property Rights**

The pharmaceutical industry is the most R&D-intensive sector in the EU, as evidenced by three indicators: 1) R&D expenditures over net sales (EU Joint Research Centre), 2) Patents in employment (EUIPO), and 3) R&D expenditures over turnover (Eurostat) (ECIPE, 2022).

### **Types of pharmaceutical IP**

Pharmaceutical innovation relies on multiple forms of intellectual property (IP). The IP framework for the EU is illustrated in Figure 64 as an example, acknowledging that IP systems in other jurisdictions may differ. This framework is a complex system of interacting elements, including patents, regulatory data protection (RDP), market exclusivity, and – possibly – Patent Term Restoration (PTR), referred to as Supplementary Protection Certificates (SPC) in the EU.

**Figure 64: The pharmaceutical IP framework in the EU**



Source: EFPIA (2024)

The 20-year patent term is the cornerstone of the pharmaceutical IP system, beginning the moment a patent request is granted. However, because innovative pharmaceutical companies must obtain a marketing authorisation (i.e. regulatory approval that a newly developed medicine is safe) before a medicine can be placed on the market, data proving the efficacy and safety of the medicine must be submitted to regulators.

Because of the time period which elapses between the filing of the application for a patent and the date of the marketing authorisation for new medicines, the 20-year period of effective protection under the patent is shortened. For this reason, beyond the 20-year patent term, a Patent Term Restoration system (PTR) (known as Supplementary Protection Certificates (SPC) in the EU) compensates the reduction of effective protection. In the EU, up to 5 years of PTR can be granted, whereas in Canada, the maximum is 2 years.

To ensure a balance between innovation and fair competition the EU provides an 8-year period of Regulatory Data Protection (RDP), compared to 6 years in Canada. This prevents companies who have not invested in the costs associated to producing the regulatory data from relying on this data for the purpose of obtaining marketing authorisation for a set period of time. Additionally, the EU offers 2 years of market exclusivity and an extra 1-year extension in cases where paediatric research is conducted.

After these IP protections expire, generic medicines can enter the market, relying on the safety and efficacy data generated by the original innovator.

### **Canadian changes to pharmaceutical IP because of CETA**

While the EU pharmaceutical IP system remained unchanged under CETA (since all relevant IP provisions were already included in the EU pharmaceutical legislation), for Canada, CETA implementation required several amendments to pharmaceutical product protection, including:

- **Innovator right of appeal:** CETA provides innovators with “equivalent and effective rights of appeal” similar to generic manufacturers under the Patented Medicines (Notice of Compliance) Regulations (PM(NOC) Regulations). This effectively reversed Canadian jurisprudence, which previously held that once a prohibition application was dismissed and a generic manufacturer received marketing approval, any appeal by the innovator was rendered moot.
- **Changes to “dual litigation” practice:** the right of appeal under CETA also “gives scope for Canada to end the practice of dual litigation”, meaning that the current system of parties litigating a patent for the same product under both the PM(NOC) Regulations and the Patent Act as an infringement or impeachment action.
- **Patent term restoration (PTR):** CETA introduced an additional *sui generis* term of protection for pharmaceutical products covered by eligible patents in Canada to

compensate for regulatory approval delays. This provision grants up to two additional years of exclusive marketing rights in Canada beyond a patent's expiration date in cases of undue regulatory delay.

### ***Stakeholder concerns regarding pharmaceutical IP in CETA***

Pharmaceutical IP was a point of contention during CETA negotiations, though it was less of an issue during ratification procedures in EU MS). Stakeholders raised several concerns (see Chapter 7 for details) during negotiations, ratification, and this evaluation:

- CETA would drive up Canadian prescription drug costs by at least C\$850 mln per year.
- CETA could delay the entry of generic drugs into the Canadian market, reducing access to affordable and essential medicines and negatively impacting public health systems in Canada and the EU.
- CETA could force Canada to make unilateral changes to its IPR framework, increasing drug costs.
- CETA would introduce restrictions affecting prescription quota used by some EU MS to control healthcare costs.
- Ratifying CETA would lock the EU into restrictive IP protections, limiting its ability to shape future innovation policies.

### ***Effects of pharmaceutical IP in CETA***

With several years of data available since the provisional application of CETA, these concerns can now be assessed against actual developments.

To date, no evidence has been found supporting claims that CETA has increased prescription drug costs due to RDP or PTR. Stakeholder projections estimated an additional €583 mln in prescription drug costs, assuming two extra years of RDP/PTR would maintain high patented drug prices before generic competition. However, PTR is granted only in cases of excessive regulatory delays, which may, in fact, incentivise Health Canada to accelerate approvals to avoid granting PTR. The IQVIA (2021) report indicates a negative correlation between PTR and regulatory approval times, suggesting that the introduction of PTR may have sped up approval processes rather than extending the period of exclusivity.

Although RDP protections may extend beyond the 20-year patent period, this is unlikely under Canada's 6-year RDP framework, as regulatory approvals are rarely granted later than 14 years into a patent term.

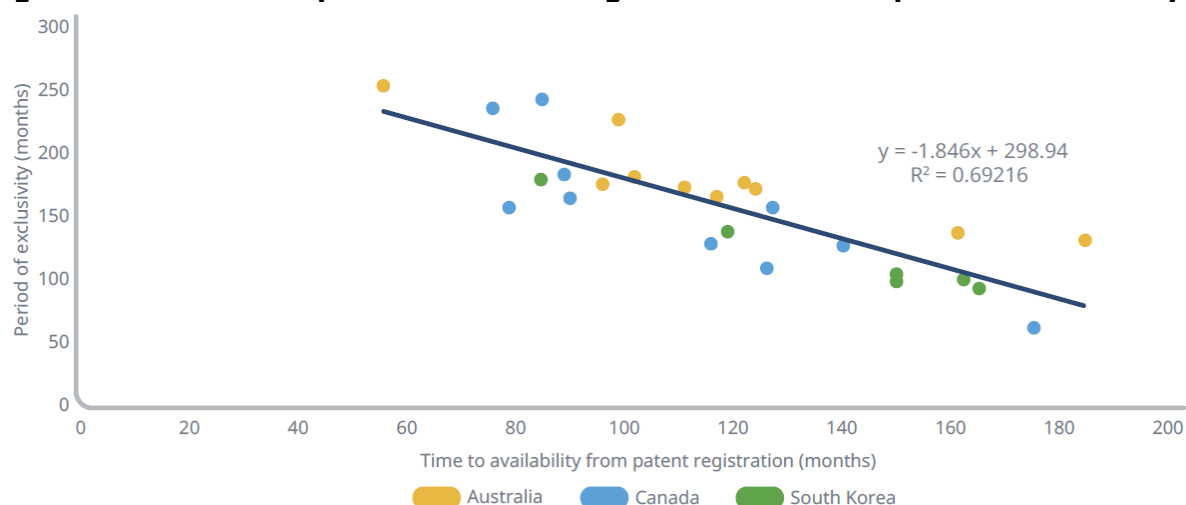
Further data from IQVIA (2021) shows that the pharmaceutical costs as a share of total healthcare expenditure in Canada remained stable when comparing the pre-CETA period (2010-2016) with the post-CETA period (2017-2018) (IQVIA, 2021). Additionally, when analysing the average price growth of pharmaceuticals per standard unit of medicine in Canada (1.96% compound annual growth rate, CAGR) and comparing it with inflation growth (1.74% CAGR) from 2010-2019, the report finds that pharmaceutical prices increase was comparable to inflation rates, suggesting no CETA-driven cost increase.

Stakeholders also raised concerns that stronger IP provisions would reduce product availability by delaying the entry of generics. If PTR or extended RDP were to impact generic drug availability, it would be expected that the volume share of generic medicines would decline. However, the opposite trend has been observed. While PTR and, in rare cases and extended RDP period beyond the patent term could delay the introduction of generics, stronger IP protections have also been associated with faster introduction of innovative medicines (see Figure 65).

When examining the volume share of the pharmaceutical market in Canada and the EU, IQVIA (2024) found that the generics market share has steadily increased, rising from 67% in 2019 to 70% in 2023, while the value share has remained stable at 19-20% (IQVIA, 2024). In Canada, the volume share of generic drugs has also increased in the post-CETA period, rising from 72.9% in 2020 (IQVIA, 2020) to 74.3% in 2022 (IQVIA, 2022) and 76.6% in 2023 (IQVIA (2023)). This provides evidence that, in volume terms, the EU and

Canadian markets have seen an increase in the availability of generics in the post-CETA period.

**Figure 65: Relationship between IP strength and innovative product availability**



Source: IQVIA MIDAS, Feb. 2020; IQVIA ARK Patent Intelligence

The effect of CETA on **investments** has been calculated by IQVIA (2021). The study finds that for all EU FTAs, including an IP Chapter in an FTA leads to a 7.4% annual increase in the value of investments. Adding RDP provisions contributes an additional 2.0% to investments, while incorporating PTR provisions adds another 0.7% annually. Specifically for CETA, the study finds that pharmaceutical investments in Canada increased by 182% in the three years following its implementation compared to the 2012-2016 (pre-CETA) average.

As a result of CETA, Canada has **modified its IPR system regarding pharmaceuticals** by implementing the innovator right to appeal, making changes to its “dual litigation” practice, and introducing PTR to compensate for delays in obtaining regulatory approval for pharmaceutical products. Based on the above analysis, these changes have not led to increases in drug costs in Canada, while they have contributed to improved access to innovative medicines.

The study also examined whether CETA has affected **prescription quota policies in certain EU MS**. Prescription quotas are used to control healthcare costs by requiring doctors to prescribe a minimum share of generic versions of medicines. This evaluation has found no evidence of any effect of CETA on these policies. One possible explanation is that EU MS are responsible for their own healthcare policies, and no changes have been made in response to CETA. Additionally, since CETA has not had a negative effect on the volume share of generic medicines, prescription quota policies have not faced supply-related challenges.

## 2.13 Product potential for EU-Canada trade

This Section provides an overview of the main product potential for EU-Canada trade using the ITC export potential map, comparing actual trade flows to potential trade flows.

### Key findings:

- The ITC Export Potential map has identified “human and animal blood”, “medicaments”, and “motor vehicles for transport” as the main potential exports from EU MS to Canada. This potential is based on existing comparative advantages but does not fully account for the regulatory complexities of the pharmaceutical industry. Additionally, the findings highlight the existence of remaining trade barriers in the automotive sector.
- The ITC Export Potential map has identified “motor vehicles”, “rape colza seeds”, and “powered aircraft” as potential exports from Canada to EU MS. These products are

indeed among Canada's current exports to the EU. However, barriers to trade, such as EU SPS regulations, may hinder trade in rapeseed (colza) seeds.

### 2.13.1 *The ITC Export Potential map*

CETA has lowered barriers to trade (e.g. tariffs) and, in doing so, has boosted bilateral EU-Canada trade. Based on the concept of comparative advantage, the ITC Export Potential Map compares actual (measured) trade flows with potential trade flows, using Ricardian comparative advantage as the basis for expected trade patterns. The potential trade flow is the difference between an expected trade flow (derived from competitive characteristics based on Ricardo's theory) and the measured/realised trade flow.

In some sectors actual trade exceeds expected trade, meaning that firms in a country surpass their export potential. However, in many cases, realised trade falls below potential trade, indicating untapped trade opportunities in specific bilateral trade flows and sectors.

Given the trade potential between the EU and Canada identified by the ITC Export Potential Map, a next step - beyond the scope of this evaluation - could be to conduct qualitative and quantitative analyses at the EU MS level for each of the areas where potential trade is high. These analyses would examine the factors driving the ITC export potential findings and identify specific trade barriers and whether they can at all be addressed or not. For example, the removal of the last remaining tariffs might explain the potential in agricultural trade found by the ITC Export Potential Map. But these tariffs will not be removed and - additionally - SPS measures, TBT measures, tax policies, or specific regulatory requirements could also hinder real trade from both the EU and Canada. Based on these insights, the appropriate CETA Committee or Dialogue could then focus on addressing trade barriers to unlock greater actual trade flows.

Figure 66 summarises the untapped potential for EU MS exports to Canada, while Figure 67 illustrates the untapped potential for Canadian exports to EU MS for 2023.

### 2.13.2 *EU MS and Canadian untapped bilateral export potential*

#### **Untapped EU MS trade potential with Canada**

According to the ITC Export Potential Database, the total untapped export potential for EU MS to Canada amounts to at least €5.2 bn (see Figure 66). The main product categories contributing to this potential are "human & animal blood", "medicaments n.e.s." (not elsewhere specified), and "motor vehicles for transport of <10 persons". The key reasons for this untapped potential in major sectors are:

- For medicines, the market is highly regulated. While both innovative and generic pharmaceutical industries in the EU are globally competitive, companies cannot market medicines in Canada unless they obtain marketing authorisation in Canada for innovative drugs (innovative industry) and win procurement tenders to supply generic medicines to the Canadian healthcare system (or negotiate with the Canadian authorities on pricing & reimbursement).  
Since the ITC Export Potential Map does not fully account for these regulatory constraints, it is highly likely that this high level of untapped potential will persist. Within CETA, access to public procurement for generic medicines could be an area of focus to unlock part of this potential. Another priority could be working with Canada to reduce unnecessary delays in regulatory approvals for innovative medicines, which would also reduce the need for PTR (as explained in Section 2.12.3). Finally, regulatory cooperation that has led to the removal of double 3<sup>rd</sup> country inspections by the EU and Canada can have the effect of increasing actual pharmaceutical trade, reducing the gap with potential pharmaceutical trade.
- For motor vehicles and parts, the full picture of untapped potential is complex, as motor vehicles also represent a significant untapped potential export category for Canada to the EU (see below). The main reason for this intra-industry trade pattern (where the same product is both exported and imported simultaneously) is that Canada is part of USMCA and, as such, is deeply integrated into the North American automotive industry value chain.

While Canada has a highly competitive automotive sector, it operates under the North American regulatory standards in producing cars and car parts, which differ from EU standards. These regulatory divergences created untapped trade potential but also represent structural barriers. As a result, EU exporters can only capitalise on this potential if they align with Canadian automotive regulations, which is unlikely to happen given the EU's commitment to its own regulatory framework.

### Untapped Canadian trade potential with EU

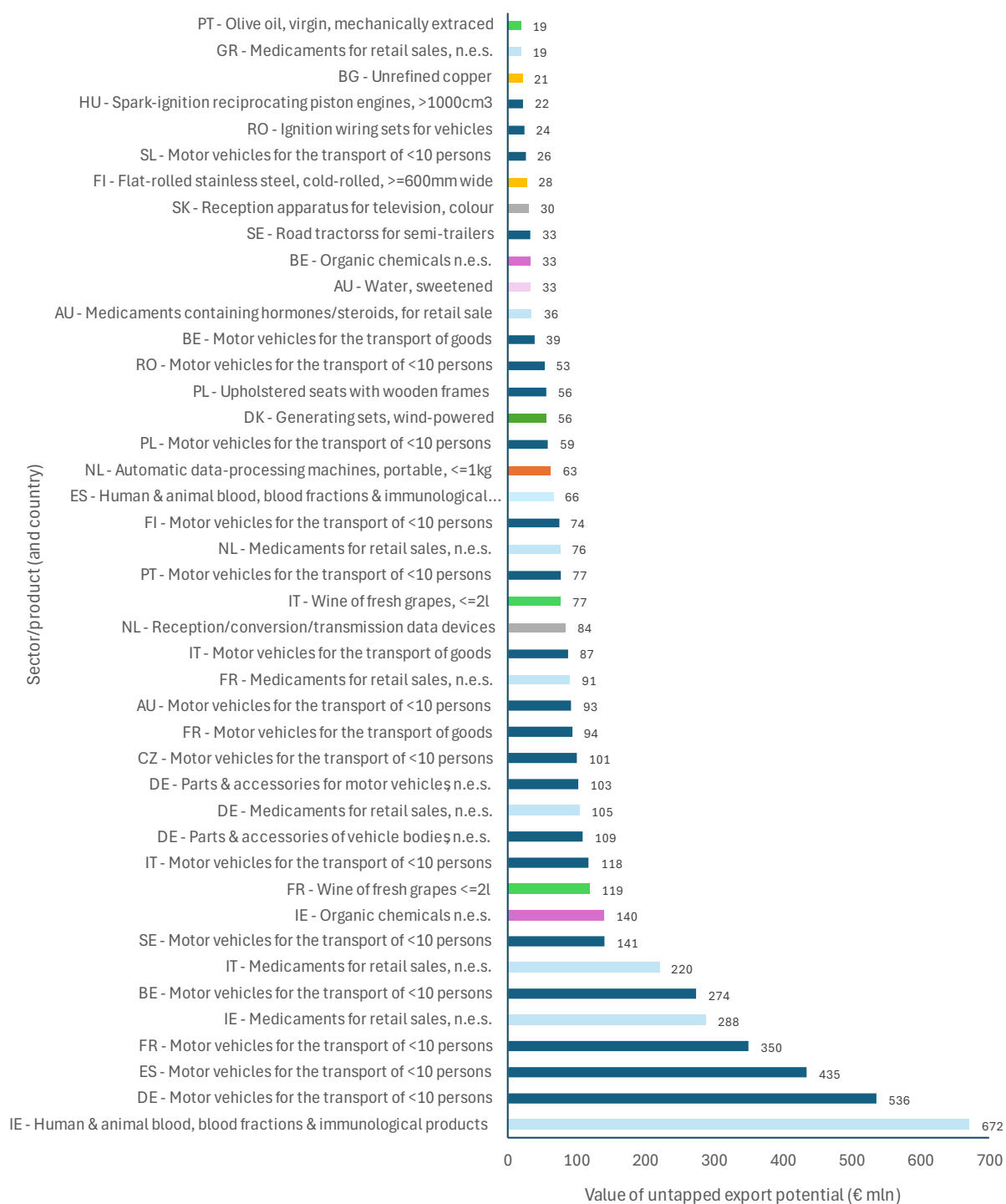
The total untapped export potential for Canada to the EU and its MS amounts to at least €3.8 bn. Figure 67 illustrates that the main untapped export categories/products include: "motor vehicles for transport of <10 persons", "rape colza seeds, <2% acid", and "powered aircraft". Canada's largest untapped trade potential is with Belgium, Germany, and France in these sectors.

- For motor vehicles and car parts, the full picture of untapped potential is complex, as motor vehicles also represent a significant untapped potential for Canada to export to the EU (see above). The main reason for this untapped potential in cars is Canada's deep integration into the North American automotive industry value chain through the USMCA. While highly competitive, Canada aligns with North American regulations and standards for vehicle and car part production, which differ from EU automotive standards. These TBTs prevent EU car exporters from supplying as many parts and components (excluding final vehicles) to Canada for local assembly or for re-export to the US or Mexico. Greater regulatory alignment would be necessary to fully unlock this trade potential, though such changes remain unlikely.
- For products like "rape colza seeds, <2% acid" and "coniferous woods", the gap between the actual and potential exports is likely due to SPS divergencies between the EU and Canada that prevent Canadian exports from materialising. For example, stakeholders in Canada have indicated that most Canadian rapeseed is genetically modified (GM), which is not accepted in the EU market due to EU GMO regulations. Additionally, EU Renewable Energy Directive (RED) sets specific sustainability criteria for biofuels, which could present an additional barrier unless resolved through certification processes. If plant health issues are relevant in limiting trade, the SPS Committee could examine the issue, while the exports of coniferous woods could be addressed through discussions in the SPS Committee.

In Figure 66 and Figure 67, the following colour codes apply for different sectors:

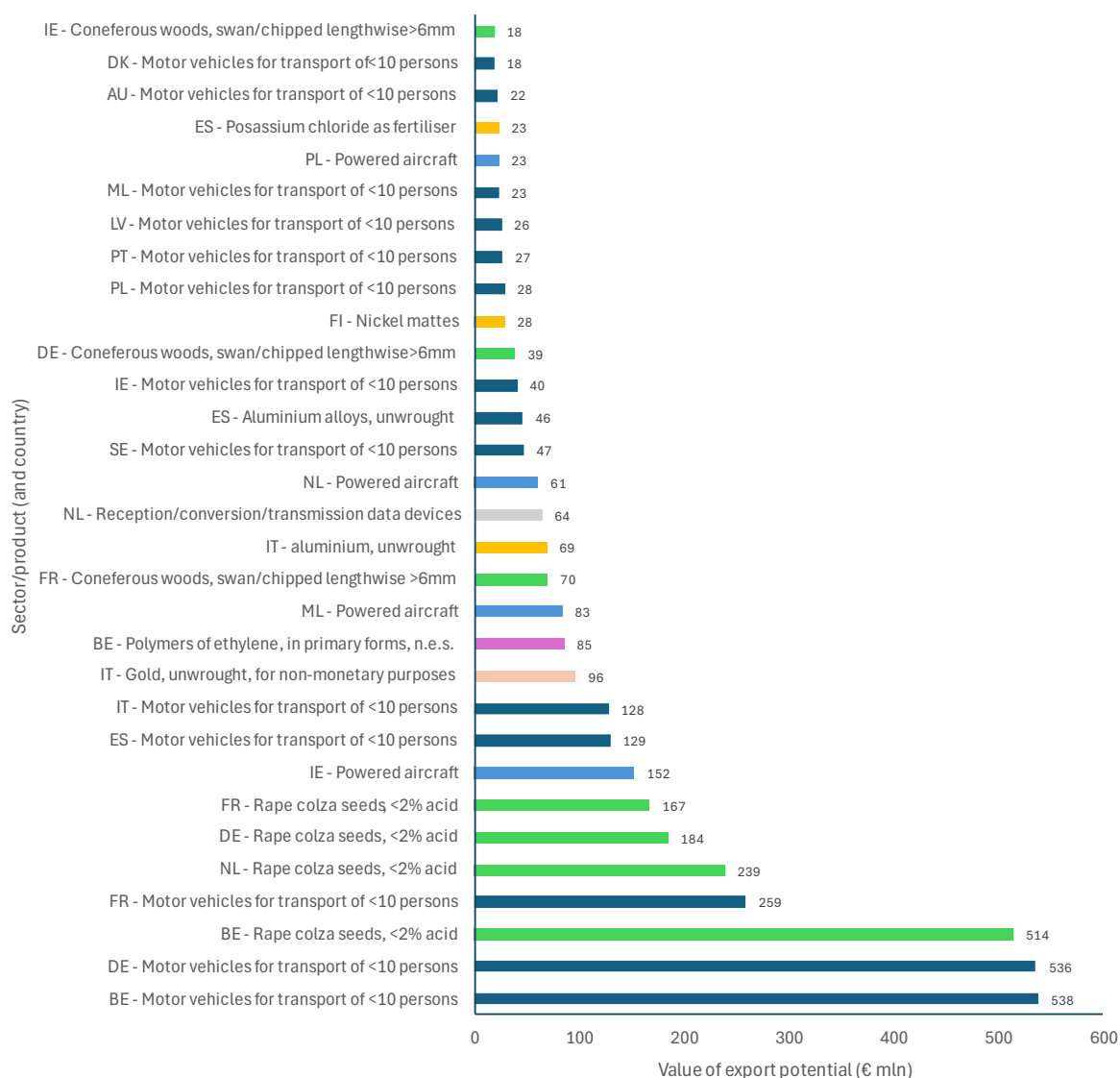
- **Light blue** - medicaments
- **Dark blue** - motor vehicles
- **Purple** - chemicals
- **Green** - agricultural products
- **Grey** - (tele)communication devices
- **Medium blue** - aircraft
- **Orange** - data-processing equipment
- **Light purple** - water
- **Yellow** - raw materials
- **Dark green** - renewable energy materials

**Figure 66: EU Member State export potential to Canada (€ mln)**



Source: ITC Export Potential Map (2024)

**Figure 67: Canadian export potential to the EU (EU MS) (€ mln)**



Source: ITC Export Potential Map (2024)



### 3 SOCIAL ANALYSIS

#### 3.1 Introduction

The analysis of the social impacts of CETA examines the effects of the reduction of tariffs and non-tariff measures under the Agreement, as well as the related changes in trade flows between the Parties on various groups in society, including workers, consumers, women, youth, and individuals with low incomes. Increased exports and imports in both directions across several sectors have led to shifts in production levels and demand for labour. Therefore, the analysis assesses the effects on the number of jobs, working conditions, wages, and compliance with labour standards.

Furthermore, given the increased flow of goods and services between the EU and Canada, the analysis also considers effects on consumers, such as the availability of and accessibility to goods and services, their safety, and consumer protection in online transactions. It also discusses the effects on women as workers, consumers, entrepreneurs, and traders. Finally, the analysis reviews the effects generated by the implementation of specific CETA provisions, such as the Joint Recommendation on Trade and Gender and the Trade and Labour Chapter, as well as the contributions of CETA-established bodies, including the Regulatory Cooperation Forum, the Trade and Sustainable Development Committee, the civil society Domestic Advisory Groups, and the Civil Society Forum.

The analysis follows three main steps:

- 1) Review of the real-life situation in the EU and Canada from 2012 (i.e. five years before the start of CETA application) to 2023 (or the latest available data), identifying trends and external factors influencing social conditions. This background is provided in Annex VI. and helps differentiate CETA-induced effects from other influencing factors.
- 2) Quantitative and qualitative social impact assessment of CETA, drawing on the economic analysis and the effects of specific provisions and decisions taken by the Parties within the framework of the Agreement, including those made by CETA institutions.
- 3) Formulation of draft conclusions and recommendations.

A range of data sources and information have been used at each stage of the analysis, complemented by stakeholder outreach.

#### 3.2 Effects on employment, income, poverty, and consumer rights

This Section analyses CETA effects on employment, wages, real spending power and consumer rights in the EU and Canada.

##### Key findings:

- CETA has contributed to employment increase in the EU in sectors including textiles, clothing and leather products (0.28%), the automotive industry (0.09%), red meat (0.07%) and dairy products (0.07%).
- The Agreement has also supported employment in Canada in sectors such as water transport (1.64%), other transport equipment (0.85%), textiles, clothing and leather products (0.7%), other food (0.51%), chemicals (0.51%), grains (0.42%) and the automotive industry (0.28%).
- On the other hand, increased imports in both directions under CETA have caused a limited slowdown in employment creation in the affected sectors in importing Parties.
- CETA has contributed to a limited wage increase for skilled and unskilled workers in the EU (0.02%) and Canada (0.1%).
- The Agreement has also supported a rise in real spending power for consumers in both Parties. In most EU MS, the poorest 20% of the population have benefitted relatively most. Therefore, one can conclude that CETA has contributed, to a limited extent, towards attaining SDG No. 1 (no poverty) and No. 10 (reduced inequality).

- Thanks to increased trade flows between the EU and Canada, consumers in both Parties have benefitted from an improved availability of goods and services. This was enabled by the reduction in tariffs and NTMs, as well as the work of the Regulatory Cooperation Forum.
- The EU and Canada have also cooperated through inspections in establishments, policy dialogue, market surveillance mechanisms, and awareness-raising campaigns to ensure that increased trade between them does not increase risks for consumers related to product safety.
- The available evidence confirms that the number of unsafe products imported from Canada to the EU and vice versa remains low and has not increased since the start of the CETA application (despite the increase in bilateral trade).
- The only point to highlight for further consideration is the limited scope of the e-commerce Chapter, which does not provide a similar level of protection for consumers as do the most recent EU trade agreements. In this respect, CETA has not kept pace with changes in the EU policy either.

### 3.2.1 CETA effects on employment

The analysis of the situation in the EU and Canada's labour market, trends in employment across sectors in the period under review and factors influencing them has been provided in Annex VI to this Report. Building on this baseline, the analysis in this section focuses on CETA's effects on sectoral employment in the Parties.

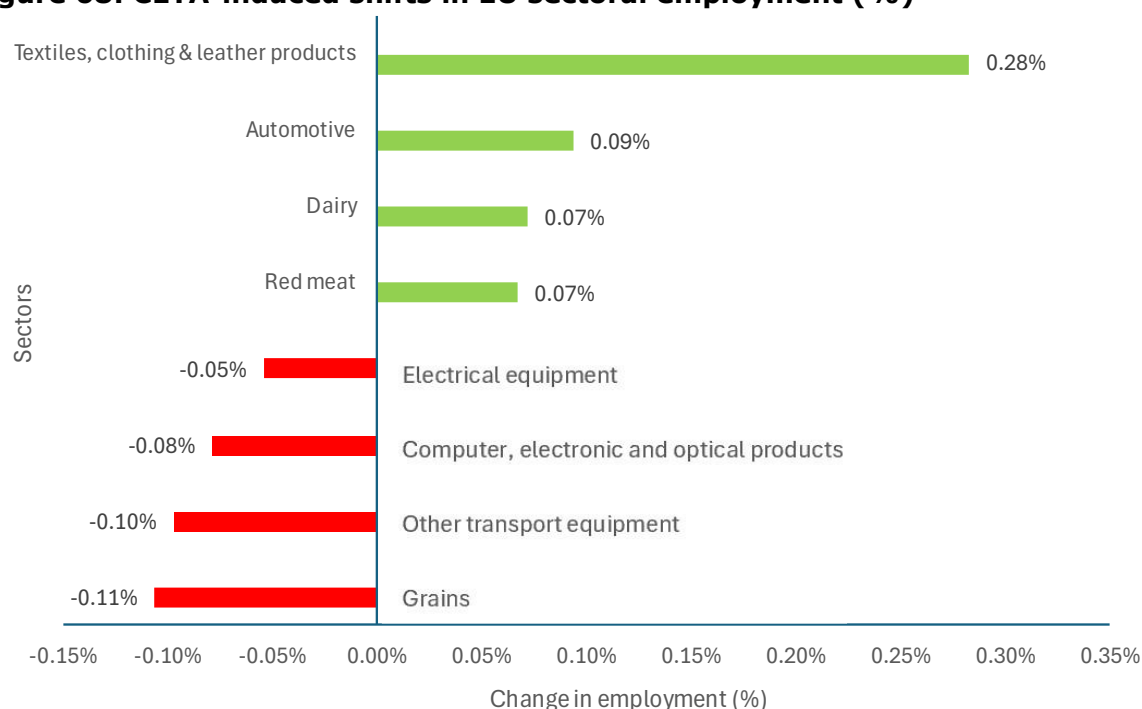
Before proceeding to the analysis, it is worth noting that the economic analysis used to isolate the effects of CETA from all other factors necessarily makes some assumptions and simplifies certain aspects of the economic and social reality. Therefore, its results need to be interpreted with some caution, notably regarding negative employment effects. For example, the analysis assumes a fixed number of jobs and people in the economy and full employment. Therefore, it displays the following picture: sectors that become competitive as a result of CETA start growing and attract workers from other sectors. The simplified reality outlines, however, only workers' moves between sectors, without a change in the total number of jobs or workers. As a result, the analysis indicates employment creation in the growing sectors and employment reductions in others. In reality, however, the situation in the labour market and individual sectors is more dynamic. Additional workers may be recruited from people previously not in the labour force or via immigration. Moreover, every year, a certain number of people enter the labour market while another group retires. This means that the size of the available labour force is fluid, and so are the available skill sets and preferences regarding employment in certain sectors (e.g. young people in the EU and Canada choose more often employment in services sectors than in agriculture or industry). Hence, job creation and growth in certain sectors do not automatically mean job reductions in other parts of the economy.

The analysis that follows discusses the results of the economic analysis in light of real-life employment trends recorded in sectors identified as affected by CETA in the EU and Canada to draw conclusions about the possible effects of the Agreement on jobs.

#### *European Union*

Increased exports from the EU to Canada and related production growth have enhanced demand for labour and contributed to employment increase in several sectors in the EU, although in most of them changes have been limited.

**Figure 68: CETA-induced shifts in EU sectoral employment (%)**



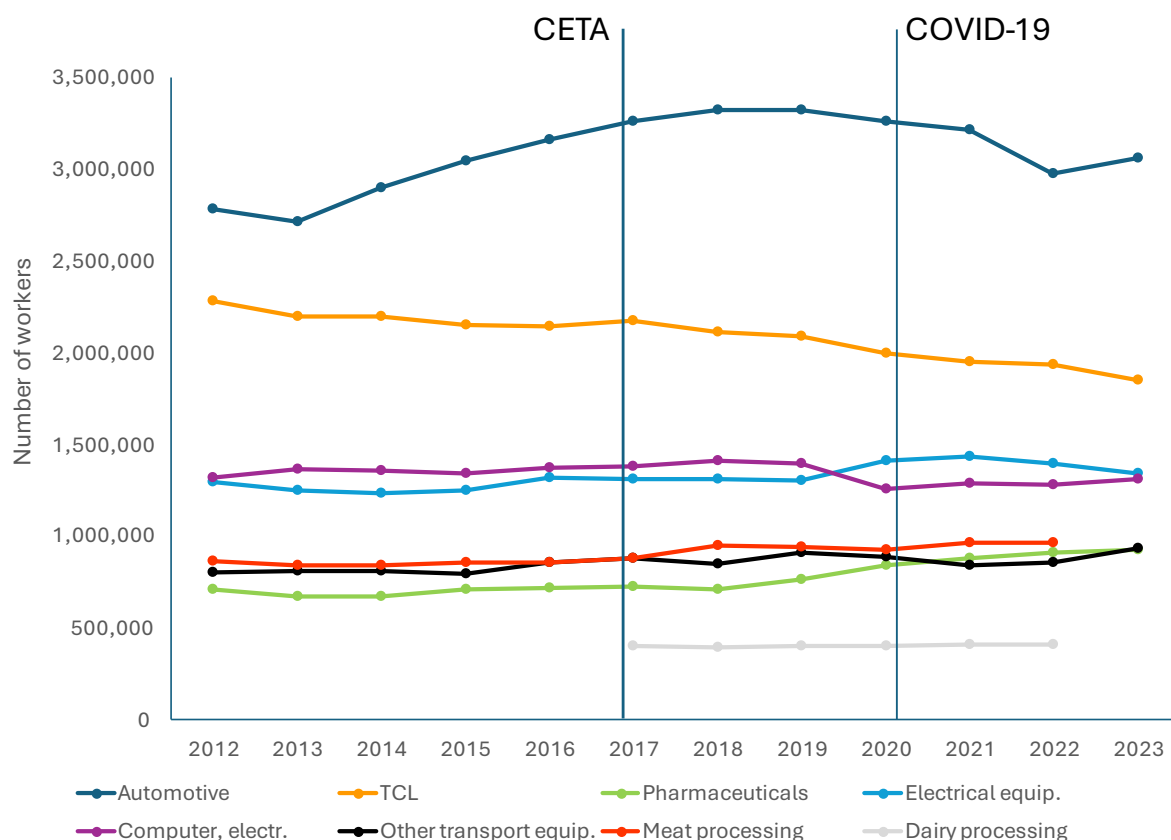
Source: Simulations conducted by DG Trade

As outlined in Figure 68, this includes employment growth in goods sectors, such as red meat, dairy products, textiles, clothing, leather, and the automotive industry. There are also a few goods sectors (beverages and tobacco, chemicals and rubber and plastics) where estimated changes have been marginally positive (below 0.05%). The same goes for services sectors, where an employment increase of 0.02% has been estimated for other services<sup>91</sup> and 0.01% for trade services and water transport (for details, see Table IV.7 in Annex IV).

To verify and interpret the economic results, they are analysed jointly with real-life data recorded over the period 2012-2023, including employment and trade statistics and factors influencing the situation in individual sectors. To this end, Figure 69 below provides the number of jobs in the most affected EU sectors in 2012-2023 recorded in the Eurostat Labour Force Survey database. This allows for the analysis of the overall employment trends and the role played by CETA as one of the influencing factors. In this context, it is to note that in many sectors in the EU and Canada, employment fell in 2020 due to the COVID-19 pandemic, and this affected significantly trends observed in 2017-2023, i.e. during CETA application. Moreover, trends reported in Figure 69 represent the total result on employment of all possible factors, and they should not be interpreted (notably for 2017-2023) as the effect of CETA only.

<sup>91</sup> Other services sector is defined in the model as comprising construction, accommodation and food services, warehousing and support activities, real estate activities, dwellings, and recreational and other services.

**Figure 69: EU sectoral employment (2012-2023, selected sectors)<sup>92</sup>**



Source: Eurostat Labour Force Survey (no date); Eurostat Industry by employment size class (no date d) – see the list of references in the Annex

As outlined in Figure 69, employment in the EU meat processing sector kept increasing until 2020 and, after a short drop due to the COVID-19 pandemic, recovered and exceeded pre-pandemic levels, coming close to 1 mln jobs in 2022 (EFFAT, 2022; McSweemey, Young, 2021; Eurostat, no date d). This number does not include livestock farms where employment has been declining since 2010 due to structural reasons, not related to CETA (Eurostat, no date d).<sup>93</sup> EU MS leading in EU meat exports to Canada, that benefit from employment increases include Italy, Denmark, Germany, Spain, Ireland and the Netherlands (ITC Trade Map). Based on trends outlined in Figure 69 and the economic results which estimate an additional demand for labour of 0.1% in the EU meat processing sector thanks to increased EU meat exports to Canada, one can conclude that CETA has contributed to marginal employment growth in the meat processing facilities and may have helped to limit job reductions at livestock farms by increasing demand for red meat. Some of the jobs created at meat processing facilities may, however, be related to precarious working conditions, as outlined in detail in Section VI.3.1 in Annex VI.

Employment in the EU dairy processing facilities has also been increasing and reached 410,000 jobs in 2022 (Eurostat, no date d), as outlined in Figure 69. According to Eurostat (no date c) employment at milk farms has shown a declining trend (from 885,530 jobs in 2013 to 794,340 in 2020) due to structural reasons not related to CETA.<sup>94</sup> The largest EU

<sup>92</sup> Notes: 1) TCL – textile, clothing and leather sectors; 2) employment data for dairy processing are available only for 2017-2022 period (earlier data have been marked as confidential in the Eurostat database); 3) the latest employment data for meat processing are for 2022 (more recent data are not available yet).

<sup>93</sup> According to Eurostat data on farm structure, employment at EU poultry farms decreased from 145,620 in 2010 to 120,910 in 2020 (the latest data), at pig farms, the number of jobs decreased from 217,070 in 2010 to 161,590 in 2020, at sheep and goats' farms, it declined from 541,280 in 2010 to 376,570 in 2020 and at cattle farms, from 190,160 in 2010 to 98,410 in 2020 (Eurostat, no date c). In total, the number of jobs at livestock farms decreased from 1,094,130 in 2010 to 757,480 in 2020, i.e. by 336,650 jobs.

<sup>94</sup> According to the literature (e.g. Requena-i-Mora; Barbeta-Viñas, 2023), farms have become larger and more advanced technologically which may raise the production level but require fewer workers. Moreover, some farmers may have abandoned their activity due to their own old age (Vinci, 2024), high production costs, dropping farm-gate milk prices and decreasing income (this applies mainly to smaller and less productive farms) which also contributes to the trend of reduced number of farms and farm employment in the EU.

milk producers include Germany, France, the Netherlands, Italy, Poland, Ireland and Spain (Vinci, 2024; EDA, 2020; EDA, 2014). EU MS leading in exports of dairy products to Canada (and, therefore, likely to benefit from job creation) include Italy, France, the Netherlands, Denmark, Greece, Germany and Ireland (ITC Trade Map). Based on employment trends in dairy processing (outlined in Figure 69) and the estimated additional demand for labour generated by increased exports of EU dairy products to Canada, one can conclude that CETA has contributed to some job creation in the milk processing sector in the EU and has also supported jobs in milk production at farms.

The EU textile, clothing, and leather sectors witnessed an employment reduction in the period under review<sup>95</sup> due to factors not related to CETA (Eurostat, no date).<sup>96</sup> The estimated additional demand for labour in these sectors (0.4% for France and 0.3% for the EU as a whole) amounts to around 5,500-6,300 more jobs annually thanks to exports from the EU to Canada under CETA. This demonstrates that the effect of CETA is to mitigate the decline in employment in the sector, which has been facing challenges over the last decade. However, some of the created or preserved jobs may be related to precarious working conditions, as outlined in detail in Section VI.3.1 in the Annex. Among EU MS, Italy, Poland, Portugal, Germany, Romania, France, Spain, and Bulgaria have the largest employment shares in the EU in the textile and clothing sector (EURATEX, 2024). The top five EU MS exporting clothing products to Canada include Italy, Romania, Portugal, France, and Bulgaria (ITC Trade Map). The largest number of jobs in the leather sector were recorded in 2023 in Italy, France, Portugal, Romania, and Spain (Eurostat, no date), while EU MS having the largest shares in exports to Canada are Italy, France, Spain, Germany, and Romania (ITC Trade Map).

As outlined in Figure 69, employment in the automotive sector kept increasing until 2019. After a fall in 2020-2022 due to the COVID-19 pandemic, disruption in supply chains, the increase in living costs, energy and fuel prices, and challenges related to global competition and new technologies, it started recovering in 2023 (Eurostat, no date). Combining this with the results of the economic analysis, one can conclude that the EU exports to Canada under CETA have supported employment in the sector and its recovery by creating an additional demand for labour (estimated by the economic analysis to be 0.1%, equivalent to around 3,000-3,300 jobs annually). The largest number of jobs in the EU automotive sector was recorded in 2023 in Germany, Poland, Romania, Spain, Czechia, Italy, France, Hungary, and Slovakia (Eurostat, no date). Moreover, EU MS leading in EU motor vehicles exports to Canada (and therefore, likely to benefit from employment increase) include Germany, Slovakia, Italy, Belgium, Hungary, and Sweden (ITC Trade Map).

The economic analysis also estimates that the Agreement has contributed to employment reductions (outflow of workers) in sectors including grains (0.1%), electrical equipment (0.1%), computer, electronic and optical products (0.1%), and other transport equipment (0.1%). In the case of other transport equipment and grains, the economic analysis suggests increased imports from Canada as a potential reason for a limited employment fall in the EU, although the import size effect is too small to fully explain this decline. In other sectors, the analysis explains the estimated EU employment reductions via other factors, such as a limited fall in exports to Canada, a more significant fall in total EU exports in a given sector, a fall in EU production (sectoral output) or an increase in EU total imports in a given sector.

As outlined in Figure 69, employment in the EU electrical equipment sector has been fluctuating over the last decade, going up and down every few years, with the latest growth recorded in 2019-2021, followed by a fall in 2022-2023 (Eurostat, no date). Moreover, exports between the EU and Canada in both directions started increasing in 2021-2022 after a longer period without a major change. EU total exports and imports in the sector increased as well, with imports increasing relatively more (ITC Trade Map). Therefore,

<sup>95</sup> Employment in the textile sector decreased from 635,500 in 2012 to 588,500 in 2023, in the clothing sector, from 1,191,600 in 2012 to 853,200 in 2023 and in the leather sector, from 443,400 in 2012 to 401,200 in 2023 (Eurostat, no date).

<sup>96</sup> The challenges include high energy prices and increasing production costs, barriers in access to important export markets, the lack of international level playing field, unfair competition, ageing labour force, skills gaps, and a need to comply with enhanced standards and regulatory requirements (EURATEX, 2024).

imports from Canada under CETA may have slowed down employment creation and the sector's recovery. However, the employment situation in the EU for electrical equipment reflects the influence of many factors, including geopolitical disruptions during the last couple of years. In 2023, the highest number of jobs in the sector were reported by Germany, Italy, Poland, France, and Romania (Eurostat, no date).

Employment in the EU computer, electronic and optical products sector witnessed growth until 2018-2019. After a fall in 2020 (probably related to the COVID-19 pandemic and supply chain disruptions), a recovery set in. In 2023, the largest numbers of jobs in this sector were reported by Germany, France, Italy, Poland, and Hungary (Eurostat, no date). Bilateral trade with Canada has increased in both directions and so have EU total exports and imports in this sector (ITC Trade Map). Therefore, the limited employment fall estimated by the economic analysis (of 0.1%) may represent slower growth in the sector (due to increased imports from Canada and the world) and its recovery since 2020 rather than the employment reduction as such.

In the other transport equipment sector, employment increased until 2019, and after a short drop, it recovered to exceed pre-pandemic levels by 2023. Moreover, since 2017, trade between the EU and Canada increased substantially in both directions (ITC Trade Map). Therefore, in this case, the estimated drop in employment estimated may reflect slower growth in the EU's sector (due to increased imports from Canada) rather than a job reduction, while local negative impacts cannot be excluded either. Germany, France, Italy, Poland, and Spain reported the largest number of jobs in the sector in 2023 (Eurostat, no date).

Finally, employment at EU cereals farms decreased between 2013 and 2020 (the latest available data), with the highest number of jobs in 2020 reported by Poland, Romania, Spain, and Italy (Eurostat, no date c). Cereal imports (notably of durum wheat) from Canada started increasing only in 2020. Therefore, the above EU employment figures do not reflect the impacts of that trend yet, nor is any effect of the War in Ukraine included. However, the situation in this sector may require further analysis to determine whether increased cereals (wheat) imports from Canada may have contributed to a further employment decline in the EU or whether they have filled a market gap. In this context, during one of the online seminars for this study, stakeholders indicated that, for example, Italy is not self-sufficient regarding wheat growing and in order to produce and export pasta, the country needs to rely on wheat imports. Indeed, Italy has been the main EU destination market for imports of Canada's wheat.

#### *Canada*

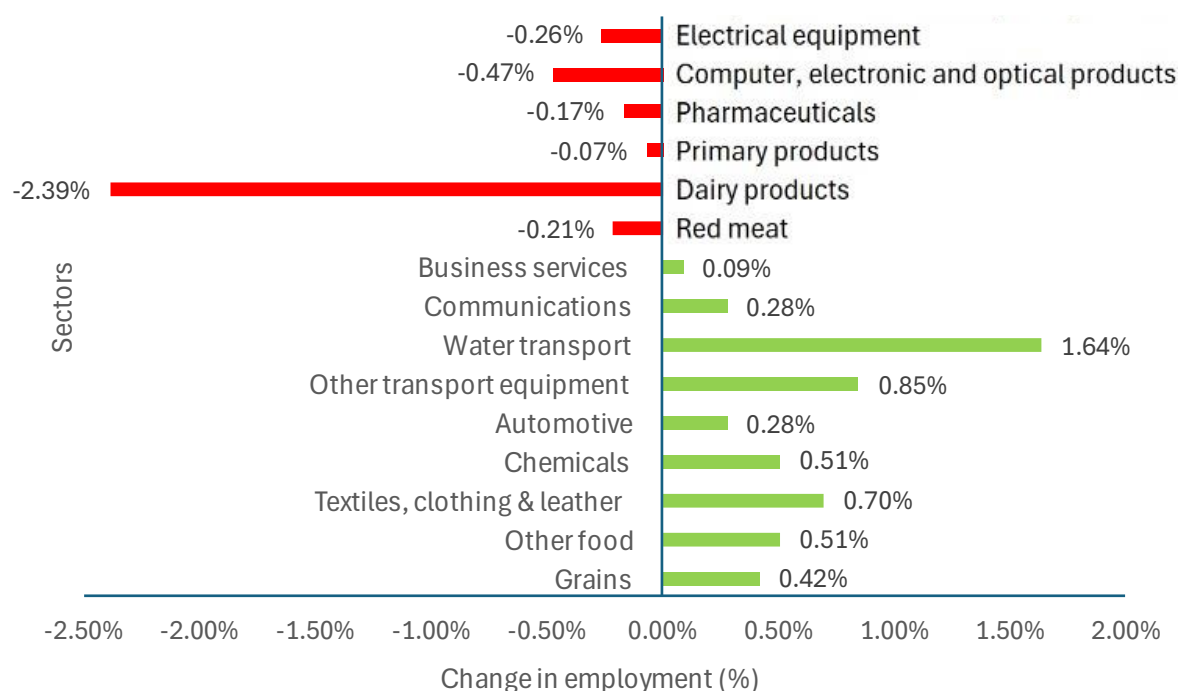
As outlined in Figure 70, for Canada, the economic analysis estimates employment growth for the sectors of grains (0.4%), other food (0.5%), textiles, clothing and leather products (0.7%), chemicals (0.5%), rubber and plastics (0.1%), automotive (0.3%), other transport equipment (0.9%), water transport (1.6%), communications (0.3%), and business services (0.1%).<sup>97</sup>

In Canada's durum wheat sector (the main type of grain exported by Canada to the EU), direct farm employment fluctuated without a clear trend, with the highest number of jobs (10,190) in 2018-2019 and the lowest (7,870) in 2019-2020, with a recovery to 9,180 afterwards. Moreover, since 2020-2021, the number of related jobs at ports has increased. Given that Canadian wheat exports to the EU under CETA started increasing in 2020, one can conclude that those exports and the related additional demand for the labour force (0.4%) have supported the sector's recovery and growth (along the value chain) after the COVID-19 pandemic.

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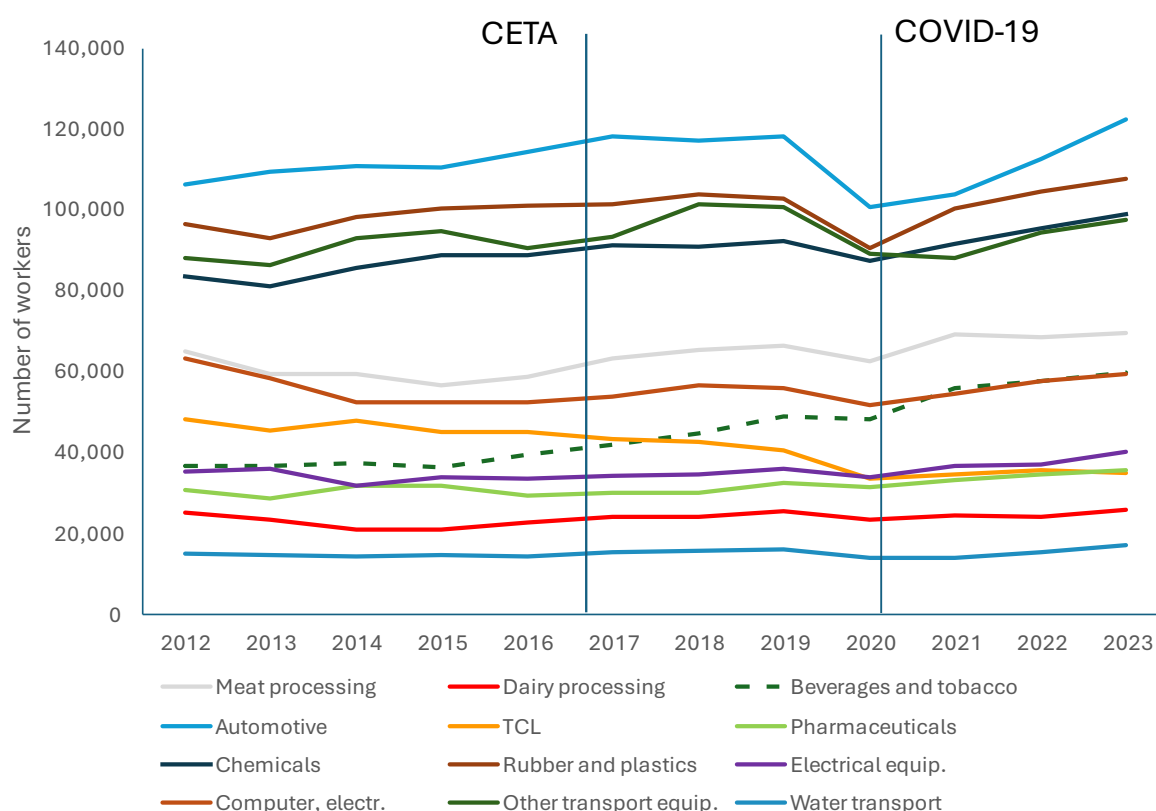
<sup>97</sup> For some sectors from the economic analysis, like other food or business services, there is no comparable break-down in employment statistics. Therefore, no employment data is provided for them.

**Figure 70: CETA-induced shifts in Canadian sectoral employment (%)**



Source: Simulations conducted by DG Trade

**Figure 71: Canadian sectoral employment (2012-2023, selected sectors)**



Source: Statistics Canada, 2024 (see the list of references in the Annex)

Textile, clothing, and leather products manufacturing in Canada have been declining since 2012 (Statistics Canada, 2024). The COVID-19 pandemic caused an additional deep employment fall in the sector, followed by a recovery, although to a level well below the pre-pandemic figures. The observed overall decline in the sector's size, employment, and production has been caused in particular by the relocation of apparel manufacturing from Canada to developing countries in order to cut production costs, as well as by increasing

imports (Smith, 2024). In this context, the additional demand for production and labour (0.7%) generated by exports to the EU under CETA has mitigated employment reduction and helped either to create some new jobs or preserve the existing ones.

In sectors including chemicals, rubber and plastics, automotive, water transport, and information and communication services, employment increased over the period under review, and additional demand for labour generated by exports to the EU under CETA has contributed to this trend. Moreover, after all of them (except the information and communication services sector) suffered from a strong drop in employment in 2020, the combined demand (including via CETA) enabled a quick post-COVID-19 recovery and employment increase above the pre-pandemic levels.

In the other transport equipment sector, the number of jobs increased until 2018-2019, and after a fall in 2020, it started recovering, although not to pre-pandemic levels (Statistics Canada, 2024). Therefore, it is likely that the estimated additional demand for labour (0.9%) generated by increased exports to the EU under CETA has contributed to job creation in the sector until 2019 and supported its post-2020 recovery. This is important in particular for the aerospace industry, where exports to the EU have increased and, in 2022, represented 22.3% (ITC Trade Map) of the total Canadian exports in the aerospace sector.

Additionally, the economic analysis estimates limited employment reductions or outflows of workers from a few sectors in Canada, including red meat (0.2%), dairy products (2.4%), primary products (0.1%), pharmaceuticals (0.2%), computer, electronic and optical goods (0.5%), electrical equipment (0.3%), and other services (0.1%). In the case of the meat and dairy sectors, the analysis suggests that increased imports from the EU and the world at large, combined with a fall in local output, are the reasons behind a limited employment reduction in these sectors in Canada. In other sectors, the fall in exports and local production in Canada are responsible for witnessed employment reductions.

In the meat and dairy processing sectors, and in pharmaceuticals, computer and electronic goods and electrical equipment, employment fell in 2012-2017 and started increasing since then. Therefore, imports from the EU under CETA (which started in 2017 and coincided with the start of employment growth in the analysed sectors) do not seem to have caused any negative employment effects on a wider scale. Moreover, Canadian pharmaceutical and electronic goods & electrical equipment exports to the EU and the world increased (ITC Trade Map), which has also supported employment growth.

In mining and oil and gas extraction, which form part of the primary products sector, the number of jobs fell between 2012 and 2017, however, started increasing afterwards (Statistics Canada, 2024), and exports to the EU have also increased (ITC Trade Map). Therefore, while those exports may not be the result of CETA and rather be influenced by other factors (such as the War in Ukraine), the resulting trade with the EU is likely to have a positive effect on the sector in Canada and employment in it.

### 3.2.2 CETA effects on income and consumer rights

This Section focuses on the effects that CETA has generated for consumers, including income effects and the effects of CETA on consumer rights. According to the literature, consumers usually benefit from global trade and preferential trade agreements due to lower prices of purchased goods and services which result from the reduction of tariffs and non-tariff measures. Other benefits include a wider variety of available goods and services, which satisfy diverse needs and preferences. This should be combined with the high quality and safety of imported products and services to protect consumers' health (Cernat et al, 2018; European Commission, 2015b). Moreover, trade flows triggered by the Agreement contribute to changes in GDP, welfare, and wages, thus affecting the ability of workers and other consumers to satisfy their needs through purchasing decisions.

#### **The accessibility of goods and services to consumers**



As outlined in detail in the economic part of the analysis and the previous section, CETA has generated additional exports from the EU to Canada (and vice versa) in several sectors. This, in turn, has created an additional production and demand for labour and contributed to positive income effects on economies and societies. According to the economic analysis, CETA has increased EU and Canadian GDP and also contributed to a limited increase in real wages of 0.02% for skilled and unskilled workers in the EU and 0.1% for both groups of workers in Canada.

Changes in prices of products purchased by consumers (thanks to reductions in tariffs and non-tariff measures) – considered jointly with the wage increase – have contributed to a rise in real consumer spending power in the EU, for all EU MS and Canada and five groups of consumers split into quintiles based on their income levels, as shown in Table 48.

**Table 48: Effect of CETA on real consumer spending power in EU MS and Canada**

Country	Q1 <sup>98</sup>	Q2	Q3	Q4	Q5
Austria	0.8%	0.7%	0.7%	0.6%	0.7%
Belgium	1.9%	1.8%	1.8%	1.7%	1.7%
Bulgaria	3.5%	3.4%	3.2%	3.0%	2.8%
Croatia	2.5%	2.2%	2.0%	1.8%	1.8%
Cyprus	1.1%	1.0%	1.0%	1.0%	1.1%
Czechia	1.3%	1.1%	1.0%	0.9%	0.9%
Denmark	1.1%	1.0%	1.0%	0.9%	0.8%
Estonia	2.1%	2.4%	2.5%	2.5%	2.9%
Finland	1.2%	1.1%	1.0%	1.0%	0.9%
France	1.0%	0.9%	0.9%	0.9%	1.0%
Germany	0.8%	0.7%	0.6%	0.6%	0.6%
Greece	0.3%	0.3%	0.2%	0.2%	0.2%
Hungary	3.0%	2.9%	2.7%	2.7%	2.6%
Ireland	3.4%	3.0%	3.0%	2.8%	2.9%
Italy	0.1%	0.0%	0.0%	0.0%	0.1%
Lithuania	3.2%	3.2%	3.0%	3.1%	2.9%
Luxembourg	2.1%	2.0%	2.0%	2.1%	2.1%
Latvia	1.2%	1.0%	0.8%	0.8%	0.7%
Malta	3.0%	2.8%	2.6%	2.6%	2.4%
Netherlands	1.9%	1.8%	1.7%	1.6%	1.4%
Poland	4.0%	3.9%	3.6%	3.5%	3.3%
Portugal	0.9%	0.7%	0.6%	0.6%	0.6%
Romania	4.1%	4.0%	3.8%	3.6%	3.4%
Slovakia	2.0%	1.9%	1.7%	1.8%	1.8%
Slovenia	1.9%	1.7%	1.5%	1.5%	1.5%
Spain	0.1%	0.0%	0.0%	0.0%	0.1%
Sweden	1.7%	1.6%	1.5%	1.5%	1.5%
<b>EU27 (total)</b>	1.3%	1.2%	1.1%	1.1%	1.1%
<b>Canada</b>	1.5%	1.5%	1.5%	1.5%	1.5%

Source: Own calculations based on simulations conducted by DG Trade

Consumers from the poorest 20% of the population benefitted most (in relative terms) from this increase. This means that CETA has improved access to goods and services for consumers in the EU and Canada and contributed to some degree of poverty reduction and a limited relative reduction in inequality in the EU and Canada.

### **The availability of goods and services to consumers through trade**

The economic analysis has clearly demonstrated an increase in bilateral trade, as well as an increase in both the number and quantity of products traded between the EU and Canada. This has improved the availability of goods and services for EU and Canadian consumers. The EU increased exports to Canada in pharmaceutical products, food and beverages, leather articles, furniture and bedding, cut flowers, ships and boats, and motor vehicles. The Canadian exports to the EU went up, for example, in cereals, oil seeds,

<sup>98</sup> Q1 stands for the poorest 20% of the population, while Q5 stands for the richest 20%.

beverages, fish, seafood, pharmaceutical products, and medical devices.<sup>99</sup> <sup>100</sup> Representatives of EU exporting sectors<sup>101</sup> acknowledged growth in exports and the positive role played in it by the Agreement.

Statistics also report a bilateral increase in trade in services important for consumers in the EU and Canada, with growth in transport and telecommunication services in both directions, for example. Moreover, the EU has recorded an increase in exports of personal, recreational, and cultural services to Canada, while Canada has increased its exports of insurance and pension services to the EU (Kutlina-Dimitrova, 2023).

The possibilities of further increasing the availability of goods and services to consumers in the EU and Canada (this time, through a reduction of administrative burdens in trade), have also been discussed by CETA Regulatory Cooperation Forum,<sup>102</sup> which builds on the EU-Canada 2004 Regulatory Cooperation Agreement.<sup>103</sup> For example, to facilitate the availability of some cosmetic-like low-risk products made in the EU (such as sunscreen) to Canadian consumers, regulators agreed to explore the possibility of exempting them from quarantine and re-testing in Canada preceding their market access. Both procedures have been required given their product classification as drugs rather than as cosmetics in Canada and the fact that they had not been included in the Mutual Recognition Agreement between the Parties.<sup>104</sup> The exemption for EU sunscreen entered into force in 2019 and, further to engagement with EU exporters, led to a rise in the selection of sunscreens available in Canada (RCF, 2018; 2019; 2020). For other low-risk products, like certain types of shampoo, the requirement of re-testing was removed in 2020. Exemption for toothpaste, antiperspirants, medicated skin care products, mouthwashes and a few more categories followed in 2022 (RCF, 2020a; 2021).<sup>105</sup>

Moreover, to facilitate the availability of pharmaceutical products for consumers, while maintaining high safety standards, the EU's and Canada's regulators discussed their respective ways of working in inspections of Good Manufacturing Practices (GMP) in facilities placed in third countries and related certificates (RCF, 2019).<sup>106</sup> The Parties have concluded that similarities in their approaches allow for the recognition of the other Party's certificates, and in 2021, they started their exchange (RCF, 2021a). The EU regulator has also started information sharing with Canada to support the latter's work on developing a policy and a regulation governing access to paediatric medicines (RCF, 2021a; 2023a).

In this context, in a position shared with the study team, representatives of the EU's and Canada's pharmaceutical industries (Medicines for Europe, representing manufacturers of generic, biosimilar and value-added medicines and the Canadian Generic Pharmaceutical Association) welcomed the mutual recognition of inspections as helping to reduce burdens and optimise the allocation of resources, while ensuring consumer safety. They also suggested EU-Canada cooperation on developing new medicines. Another stakeholder,

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<sup>99</sup> The EU has also recorded increased imports in energy products from Canada (Kutlina-Dimitrova, 2023). While these are not considered consumer products as such, nevertheless, they play an important role for the EU economy and the population in a situation of rising energy prices and a need to secure alternative sources of supply due to the conflict in Ukraine and the EU sanctions against Russia.

<sup>100</sup> Global Affairs Canada, 2022; European Commission and Global Affairs Canada, 2021; European Commission, 2023g; FoodDrink Europe, 2024

<sup>101</sup> Federación Española del Vino (Spanish Wine Federation), Comité Européen des Entreprises Vins (European Committee of Wine Producers), French Federation of Wine and Spirits Exporters, Comité Interprofessionnel du Vin de Champagne (Interprofessional Committee of Wine Producers from Champagne), spiritsEUROPE, FoodDrink Europe, Le mouvement des entreprises de France (Movement of Enterprises of France – MEDEF), French cheese producer, Consorzio Tutela Burrata di Andria IGP (Consortium of Italian cheese Burrata di Andria producers), Consorzio del Prosciutto di Parma (Consortium of Parma ham producers), and Federación de Industrias de Calzado Español (Spanish Federation of Footwear Producers).

<sup>102</sup> Further evaluation of Regulatory Cooperation Forum and its work, from the institutional point of view, is provided in Annex IX.

<sup>103</sup> Framework on Regulatory Co-operation and Transparency between the Government of Canada and the European Commission, done at Brussels on 21 December 2004.

<sup>104</sup> Quarantine and re-testing are not required in the EU for similar products imported from Canada.

<sup>105</sup> For the whole list of non-prescription drugs for which testing requirements set out in the Food and Drug Regulations do not apply since 2022, please, see: <https://www.canada.ca/en/health-canada/services/drugs-health-products/compliance-enforcement/legislation-regulatory-amendments/incorporation-by-reference/list-non-prescription-drugs.html>

COCIR (the European Trade Association representing the medical imaging, radiotherapy, health ICT and electromedical industries), suggested an extension of the regulatory dialogue to medical devices. Given the high level of similarity in regulatory approaches between Canada and the EU in this area, the proposed dialogue could focus on mutual recognition of audits and an agreement on mutually acceptable conformity assessment methods. This could speed up market access for medical devices and ensure product quality and safety for consumers.

In the context of trade in services, EU stakeholders expressed concerns that negotiations based on a negative list may lead to an unintentional liberalisation of certain services which had not been included in that list. Moreover, in their view, there could be a possibility of privatisation of some public services under CETA, which could result in their higher prices or their limited accessibility to consumers (interview with ETUC). In an online seminar for this study Slovenian stakeholders talked about their past fears (from the time of CETA negotiations) about a risk that water supply services may be privatised as a result of the Agreement. However, from this research, studying discussions in the various CETA committees and engagement with stakeholders and officials, it has become clear that those possible negative effects have not materialised (see also Chapter 7, where all stakeholder concerns are analysed). In fact, the joint work on services, including in the Joint Committee on Mutual Recognition of Qualifications, had led to a higher degree of availability of Canadian services in the EU and vice versa (e.g. services of architects), offering consumers more choice and competitive prices.

### **The safety of traded goods and services**

The safety of products and services placed on the EU market is a major consumer-related priority and has been raised in the context of negotiated and implemented trade agreements. Its importance has been acknowledged in the 2015 EU trade strategy “Trade for All” and the New EU Consumer Agenda, where product safety and enforcement of consumer rights are among the priority areas for action in the EU internal policies and its international cooperation (European Commission, 2015b; 2020). Section VI.2.3 in Annex VI provides further details on this matter, including positions expressed by the European Consumer Organisation (BEUC). In Canada, the federal government and authorities in provinces and territories also put a strong emphasis on consumer safety, including through the development of technical regulations and standards and market surveillance mechanisms.

### **Food safety**

In the context of CETA, EU stakeholders have raised concerns regarding product safety and compliance with the EU requirements. For example, an independent commission that elaborated a report for the French Government in 2017 highlighted the existing differences in the EU’s and Canada’s approaches regarding inputs to animal feed, the use of veterinary medicines, hormones and growth stimulators, and meat treatment with high temperatures and chemical substances to decontaminate it. The authors expressed concerns about the degree to which the imported Canadian products will meet EU standards with potential non-compliance, generating negative effects on EU consumers’ health. They recommended audits in the Canadian establishments and strengthened controls at the EU borders to ensure that only products, which comply with the EU requirements are placed on the EU market (Schubert Commission, 2017). The French Veblen Institute for Economic Reforms and the French Association for Livestock and Meat (INTERBEV) raised the same issues in 2024 arguing, based on the European Commission’s audit reports, that actions taken by the Canadian competent authorities to address shortcomings identified in 2019 audits in

the establishments allowed to export meat to the EU, cannot be considered effective (Delfosse et al., 2024; INTERBEV position shared with the study team).<sup>107 108</sup>

Along the same line, the Italian farmers' association (Confederazione Nazionale Coldiretti) and representatives of the Italian food sector (Filiera Italia) highlighted the absence of the precautionary principle in CETA and the lack of links between tariff reductions and requirements regarding sustainability and production methods. Both organisations also argued that the lack of this link, together with the above-mentioned differences in the EU and Canada's regulatory approaches, means that increased imports of Canadian food products to the EU may cause negative health effects on EU consumers (e.g. through the use of substances prohibited in the EU). Linked to consumer safety, these Italian organisations also raised the fear that the different regulatory approaches, combined with increased trade, are likely to undermine the efforts of EU farmers who bear high costs of compliance with demanding EU sanitary and phytosanitary requirements.<sup>109 110</sup> Also, the European Parliament in its 2024 resolution on CETA implementation, stressed the importance of the precautionary principle protecting European farmers and citizens, as well as a need to maintain high sanitary and phytosanitary standards (SPS) and monitor compliance with them (European Parliament, 2024). The Federation of German Consumer Organisations (VZBV), in a written contribution to this study, has also highlighted a lack of reference to the precautionary principle in CETA as a shortcoming, given the role of this principle in the EU consumer policy.<sup>111</sup> VZBV has also indicated that requirements related to information to be provided on labels of food and other consumer products should not be considered a market access barrier as long as that information serves consumer interests and helps ensure consumer protection.

In relation to these concerns, the analysis that follows below focuses on four aspects related to consumer and food safety: 1) The nature of regulatory cooperation on food safety standards; 2) Any legislative or regulatory changes made by the Parties in the related areas since CETA started being applied; 3) Food safety inspections; and 4) Trade in agricultural products where SPS issues are in play.

#### *Regulatory cooperation on consumer safety*

The Joint Management Committee on SPS Measures focuses on SPS-related issues. While tariff reductions normally have the effect of increasing trade, this is only the case if regulatory systems are compatible, and differences do not translate into barriers to trade. Collaboration between the EU and Canada in the SPS Committee (and the Trade in Goods

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<sup>107</sup> Audits conducted by the European Commission's Directorate General for Health and Food Safety (DG SANTE) in Canadian establishments in 2019 and 2022. The 2019 audit identified some shortcomings in relation to (i) the identification, implementation and enforcement of the necessary corrective measures in the EU-listed establishments reviewed by the CFIA and to the effective verification of the operator's compliance with EU hygiene rules; and (ii) the levels of performance at the level of the Approved Veterinarians (AV) performing controls at primary production. However, the outcome of exhaustive traceability exercises carried out by the audit team during the visits to farmers and feedlots did not detect critical losses of traceability, nor possible illegal treatment of animals. In 2022, the EU carried out a follow-up audit to verify the implementation of the actions taken by the Canadian authorities on the ground. While several deficiencies found in the 2019 audit were corrected at the time of the 2022 audit, the EU asked Canada to provide documented evidence on the implementation of the submitted action plans regarding the remaining open recommendations. After the audit, Canada progressively provided DG SANTE with the requested evidence showing that the necessary corrective actions were put in place and, by January 2025, all the recommendations made in the auditor's report were satisfactorily closed.

<sup>108</sup> The importance of safety of imported food products and their compliance with the EU requirements has also been highlighted by EU stakeholders during online seminars related to this study. Stakeholders asked questions and expressed views reflecting their concern that CETA may have increased food safety risks.

<sup>109</sup> These are the positions of Coldiretti and Filiera Italia expressed as part of stakeholder consultations related to CETA and shared with the study team.

<sup>110</sup> Canadian exports of agricultural products to the EU have also been discussed in CETA Committee on Agriculture. Canada noted at that occasion that its durum wheat had consistently met the EU standards and Italy had been the main EU destination market for Canadian wheat (Agriculture Committee, 2019).

<sup>111</sup> The precautionary principle is an approach to risk management. According to it, decision-makers may take precautionary measures when there is a possibility that certain products, substances, policies, actions, etc. may cause harm to human health or environment, while at the same time, there is no sufficient scientific evidence about the matter. In such a situation, any decision focuses on risk reduction and may mean not exercising planned policies or actions or, e.g. not allowing for trade in certain goods (see EUR-lex: <https://eur-lex.europa.eu/EN/legal-content/glossary/precautionary-principle.html> and European Parliament think tank: [https://www.europarl.europa.eu/thinktank/en/document/EPRS\\_IDA\(2015\)573876](https://www.europarl.europa.eu/thinktank/en/document/EPRS_IDA(2015)573876)).

Committee, as well as in the Regulatory Cooperation Forum) has focused on the exchange of information and identification and removal of unnecessary divergencies and administrative obstacles in trade between the EU and Canada. While officials interviewed for this evaluation have underlined that respect, trust and good communication have been the result of Committee work, they also stressed that, at the same time, there has not been and never will be an intention to harmonise regulations between the two Parties. that would go beyond the equivalence possibilities offered and the determinations already set by CETA. Based on the WTO SPS Agreement and the unchanged right that each Party has to regulate, each Party establishes the SPS levels of protection as it considers appropriate, irrespective of CETA. This goes both ways. For example, the EU does not accept hormone-treated beef imported from Canada, while Canada does not accept fresh tomatoes imported from the EU that could contain the plant pest *Tuta Absoluta* (see Annex V.2.1).

#### *Legislative or regulatory changes in areas related to consumer protection*

As part of this evaluation, legislative and regulatory changes made in the EU and Canada in sanitary and phytosanitary measures have been analysed to determine whether CETA had induced any changes that could be considered as weakening consumer protections. While there are examples of fundamental discussions and disagreements among actors regarding consumer safety, for example, the extension of the use of glyphosates in the EU, these are not the result of CETA. In fact, both the EU and Canada have passed new legislations that have increased levels of consumer safety in their respective jurisdictions. For example, the European Commission adopted (on 18 December 2024) a ban on Bisphenol A in food contact materials because of its potentially harmful health impact. BPA is a chemical substance used in the manufacture of certain plastics and resins.<sup>112</sup> On 24 April 2024, EU MS endorsed the Commission's proposal not to renew the authorisation of eight smoke flavourings for food after the European Food Safety Authority (EFSA) concluded that genotoxicity concerns were either confirmed or could not be ruled out.<sup>113</sup> In Canada, the Canadian Food Directorate launched on 7 October 2024 an initiative to modernise Canada's food regulations in response to a more complex global food system, shifting consumer demands, environmental changes and advances in science & technology. Global challenges like antimicrobial resistance (AMR), risks from chemical contaminants, or the impact of climate change, warrant this modernisation.<sup>114</sup>

#### *Food safety inspections*

As part of CETA (and wider collaboration), the EU and Canada carry out food safety inspections and audits in each other's jurisdictions. EU inspectors conducted audits in the Canadian bovine and pig meat establishments in 2019 and 2022 and did not find systemic failures. However, they identified some shortcomings, and issued recommendations in line with the EU audit procedures. Subsequently, the procedure monitoring actions taken in the follow-up to the audit recommendations followed up until their closure. In this framework, Canada provided additional supporting documents related to its action plan to address EU recommendations (SPS Committee, 2020; 2022; 2023), with the most recent documentation provided in August 2024. Regarding the use of veterinary medicinal products in Canadian meat exported to the EU, the EU has informed about its new Regulation in this area. Accordingly, Canada meets the relevant EU import requirements, and therefore, there should be no disruption in bilateral trade, while EU objectives related to consumer health will be respected (SPS Committee, 2023).<sup>115</sup>

#### *Trade in agricultural products where SPS issues are in play*

Differences exist in the SPS import requirements of the EU and Canada, and the exporting Party must comply with the importing Party's SPS measures as described in Annex V.2.1. Trade in products where SPS concerns surface is very marginal and only occurs when

<sup>112</sup> European Commission (2024). URL: [https://food.ec.europa.eu/food-safety-news-0/commission-adopts-ban-bisphenol-food-contact-materials-2024-12-19\\_en?preflang=sl](https://food.ec.europa.eu/food-safety-news-0/commission-adopts-ban-bisphenol-food-contact-materials-2024-12-19_en?preflang=sl)

<sup>113</sup> European Commission (2024). URL: <https://ec.europa.eu/newsroom/sante/items/827828/en>

<sup>114</sup> URL: <https://www.canada.ca/en/health-canada/corporate/about-health-canada/activities-responsibilities/strategies-initiatives/modernizing-canada-food-regulations.html>

<sup>115</sup> The Parties also discussed their respective approaches to animal welfare, including requirements related to long-distance transport of animals, given that animal welfare is an important consideration for consumers, as they care for animals, but also from consumer safety point of view (RCF, 2024).

producers are able to meet the partner country's SPS standards. For example, despite an EU TRQ for Canadian beef & veal under CETA of 35,000 tonnes, the TRQ was only marginally used (3% of the TRQ was filled in 2021, 2022, and 2023). The reason for this, according to Canadian stakeholders, is the fact that hormone-treated beef and the Canadian carcass decontamination methods using peroxyacetic acid differ from the EU's methods (which apply from the farm to the fork) and are not accepted in the EU. Another SPS example is the fact that EU exports of tomatoes are subject to additional SPS controls to prevent Canada from importing the Tuta Absoluta (the tomato leaf miner) that is present in the EU but not in Canada. This results in only the Netherlands exporting tomatoes to Canada, and only to a very limited extent.

### **Consumer safety in general**

To enhance consumer safety, Canada's Department of Health and the European Commission signed in 2018 an administrative arrangement on the exchange of information related to dangerous consumer non-food products identified in any of the two markets<sup>116</sup> (RCF, 2018). In 2019, the regulators conducted an awareness-raising campaign on the risks of button batteries for children (RCF, 2019; 2020). It was followed by two campaigns in 2021, on children's water safety and toy safety (RCF, 2021a).

The Parties have also continued the application of market surveillance mechanisms to identify and stop at the border or recall from the market products considered unsafe for consumers. According to the EU Safety Gate system<sup>117</sup>, which reports unsafe non-food products originating in third countries, fourteen unsafe consumer goods from Canada have been reported in the 2018-2024 period (for further details, see Section VI.2.3 in Annex VI). Given the overall low number and annual numbers of unsafe products (in most years, there were one or two cases per year), one can conclude that the risk for consumer safety related to imports from Canada can be considered as low. It is also notable that the annual number of identified unsafe products has not increased since 2017 despite the increase in bilateral trade flows. As a comparison, in the same period (2018-2024), 245 unsafe products from Japan were notified in the system and 116 from South Korea.

The EU Rapid Alert System for Food and Feed (RASFF)<sup>118</sup> reports unsafe food products imported to the EU. In the period from 2020 until the end of 2024 (the system does not display records earlier than that), there were 41 notifications of unsafe products from Canada (for details, see Section VI.2.3 in Annex VI). In this case, the total number of unsafe products, as well as the number identified each year, are also low and evenly distributed over time despite the increase in trade flows. Therefore, the risk to consumer health can be considered low. For comparison, in the same period, there were 32 notifications of unsafe products imported from Japan and 63 from South Korea.

The Canadian government also operates a portal, which provides user advice on unsafe food and non-food products in a break-down by product categories, safety issues, and user groups (general public, healthcare services, and industry).<sup>119</sup> For example, in November 2024, it listed a total of 19 unsafe consumer products imported from Germany throughout the 2018-2024 period,<sup>120</sup> 25 consumer products and four food products from France, 21 from Italy and lower numbers from other EU MS (for details, see Section VI.2.3 in Annex VI). Given the low number of cases of unsafe products imported from each EU MS in total

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<sup>116</sup> This cooperation was welcomed by Federation of German Consumer Organisations (2018) and the organisation proposed to extend it also on food products. Moreover, it has supported other areas of cooperation, like regulatory dialogue on pharmaceuticals, including on Good Manufacturing Practices (GMP) and suggested additional areas, including reduction or removal of roaming fees, more clarity regarding dispute settlement mechanisms open to consumers with regard to purchasing transactions in trade between the EU and Canada, competition policy and sustainable production and consumption.

<sup>117</sup> Safety Gate system: <https://ec.europa.eu/safety-gate/#/screen/home>  
Alerts about unsafe non-food products are provided to the EU system by the relevant market surveillance authorities of EU Member States and are displayed on the website. Products which are dangerous and do not comply with the EU legislation are described in the system and are withdrawn from the market or end users and banned from further marketing.

<sup>118</sup> EU RASFF system: [https://ec.europa.eu/food/safety/rasff-food-and-feed-safety-alerts\\_en](https://ec.europa.eu/food/safety/rasff-food-and-feed-safety-alerts_en)

<sup>119</sup> Government of Canada, recalls and safety alerts: <https://recalls-rappels.canada.ca/en/search/site>

<sup>120</sup> For Germany and most EU Member States, there are no data displayed from the period prior to 2018. Only for Poland, the database shows one case of unsafe product from 2013.



and per year (comparable with the number of unsafe Canadian consumer products and lower than the number of unsafe Canadian food products imported to the EU), the risk for consumer safety and health in Canada can be considered as low.

### **Online consumer rights and data protection (online transactions)**

The dynamic increase of the digital economy requires consideration of consumer rights in this space. The priority areas for action in the New EU Consumer Agenda include aspects related to digital transformation and digital trade with the aim to ensure consumer rights protection in online transactions (European Commission, 2020). Moreover, the new Product Liability Directive and the Digital Services Act enhance protections for consumers against faulty digital products causing damages, as well as in cases where online platforms act as an economic operator (manufacturer, importer, authorised representative, fulfilment service provider, distributor or as an intermediary) related to the sale of a defective product which has caused damage.<sup>121</sup> The European Consumer Organisation (BEUC), stressed in its position related to trade agreement negotiations and implementation, the need to ensure personal data protection in the cross-border flow of data, and the need to observe certain rules in online transactions, such as product safety and compliance with relevant standards, sufficient information about the trader and easy access to redress for consumers if problems occur (BEUC, 2018; 2022). In Canada, the Office of Consumer Affairs provides information and advice to consumers in areas important to their rights, such as protection against theft, spam, fraud, and other electronic threats, security in shopping online, and staying up to date with shopping and sale practices, among others.<sup>122</sup>

CETA includes a Chapter on electronic commerce. However, compared to more recent agreements, such as the EU-New Zealand FTA,<sup>123</sup> it falls short in providing detailed provisions related to cross-border data flow, personal data and privacy protection, consumer protection in online transactions and protection against unsolicited direct marketing communications. Stakeholders have highlighted this as a critical area requiring immediate improvement. The Federation of German Consumer Organisations (VZBV), in its written contribution to this study, has also noted the above shortcomings, as well as the lack of an explicit reference to personal data protection and the EU General Data Protection Regulation (GDPR) to ensure compliance with EU standards whenever data of EU citizens are collected and processed in Canada or third countries. VZBV also pointed out the lack of provisions related to artificial intelligence and algorithmic decision-making. On the other hand, it acknowledged that there are no provisions in CETA that would restrict the right of the Parties to regulate in those areas and to set levels of consumer protection which they consider appropriate.

In 2019, as part of the EU-Canada Strategic Partnership Agreement, the Parties launched a Digital Dialogue, and subsequently, in 2023, the Digital Partnership, elevating the digital dialogue to the political level, with a first meeting held in February 2024. The Digital Partnership goes beyond e-commerce and includes cooperation in areas important for consumers as individual users of digital space, e.g. digital identity, cyber security, artificial intelligence, digital skills development, and ways to address information manipulation and disinformation (European Commission, 2023i; 2024a).

Moreover, as part of the regulatory cooperation on product safety under CETA, in 2020-2021, the Parties conducted a coordinated market surveillance activity to check the presence of heavy metals in children's jewellery sold online. It allowed for the identification of unsafe products in both markets and was followed by taking appropriate measures (RCF, 2020a; 2021a). In 2023, the Parties conducted a campaign on safe online shopping for children's products. The Parties also conducted an awareness raising campaign directed to young people on how to identify and buy safe products online. They also exchanged information on online market surveillance, given the increase in online shopping during the

<sup>121</sup> The new Product Liability Directive entered into force in December 2024: [https://single-market-economy.ec.europa.eu/single-market/goods/free-movement-sectors/liability-defective-products\\_en](https://single-market-economy.ec.europa.eu/single-market/goods/free-movement-sectors/liability-defective-products_en)

<sup>122</sup> The Office of Consumer Affairs: <https://ised-isde.canada.ca/site/office-consumer-affairs/en>

<sup>123</sup> EU-New Zealand FTA: [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L\\_202400866#page=262](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202400866#page=262)

COVID-19 pandemic, the overall rise in digital transactions and related product safety challenges (RCF, 2022; 2023).

Therefore, one can conclude that the Parties cooperate on diverse aspects related to the digital environment, which are important for consumers, and this is positive given the high dynamic of development in this area. However, unlike the recent EU FTAs or standalone agreements on digital trade or cross-border data flow negotiated by the EU with some partners, the e-commerce Chapter in CETA remains modest in scope and does not include certain aspects important for consumers mentioned at the beginning of this Section.

### **Consumer rights and consumer protection in other CETA provisions**

The Federation of German Consumer Organisations (VZBV) pointed out in its written contribution to this study that CETA falls short of making an explicit reference to consumer rights and consumer protection in the preamble, and likewise, there is no Chapter or Article in CETA dedicated to trade and consumers and no commitment of the Parties to ensure a high level of consumer protection in their trade relations. Indeed, consumers are not mentioned in the preamble, however, regarding other parts of CETA, consumer protection is mentioned in the context of investment protection and the right of the Parties to regulate, as well as in the financial services section as one of the exceptions (which does not give permission for access to information related to accounts of individual consumers). Moreover, Chapter 20 on geographical indications requires in which the Parties ensure a differentiation of products having homonymous names to avoid a situation that consumers are misled. Also, Annex V of the Agreement on Motor Vehicles mentions consumer protection among areas where the Parties preserve the right to regulate. However, there is no one place in the Agreement where aspects related to consumer rights and protection (e.g. protection of personal data) are mentioned in a more comprehensive manner. The Federation of German Consumer Organisations also suggests, in this context, a more regular engagement between the Parties and consumer organisations regarding monitoring of CETA implementation and its impacts on consumers.

### **3.3 CETA effects on working conditions and labour standards<sup>124</sup>**

This Section analyses CETA's effects on working conditions and labour standards in the EU and Canada, in particular in sectors engaged in bilateral trade between the Parties. In addition, it discusses the implementation of the Trade and Labour Chapter and labour-related effects of the operation of the Trade and Sustainable Development Committee and civil society Domestic Advisory Groups (DAGs).

#### **Key findings:**

- CETA has had a limited impact on working conditions and labour standards in the EU and Canada, including in sectors engaged in bilateral trade.
- Other factors have exercised more influence in these areas. These factors include the domestic labour law with high levels of workers' protection, trade union presence and collective bargaining, adopted business models, technological changes, competition and other global developments.
- The Parties have adopted new legislation in areas related to working conditions and labour standards (e.g. the elimination of child labour and forced labour from their markets and supply chains).
- The EU Member States and Canada have also ratified further ILO fundamental and other up-to-date Conventions. These steps resulted, however, from their values and the domestic policy agenda rather than from CETA's provisions.
- The Parties held regular TSD Committee meetings and engaged in a dialogue with civil society, including Domestic Advisory Groups. This resulted in a positive exchange of information, mutual learning and better understanding; however, it has not created any tangible results on the ground.

<sup>124</sup> The importance of maintaining high levels of workers' protection in the EU has been highlighted by EU stakeholders during online seminars related to this study. Stakeholders asked questions and expressed views reflecting their concerns that CETA (either through trade flows or regulatory cooperation between the Parties) may have (had) a negative impact on working conditions and labour standards in the EU.



- Contrary to concerns expressed by several stakeholders, the EU and Canada did not pursue any regulatory dialogue in labour-related aspects and preserved their right to regulate.

### *3.3.1 Overall CETA effects on working conditions*

The analysis of the effects of CETA on working conditions in the EU and Canada has been based on results of the economic analysis (impact on output, employment and wages), as well as evidence outlined in Section VI.3.1 in Annex VI regarding trends in working conditions in sectors engaged in bilateral trade under CETA, and stakeholder engagement.

#### *European Union*

The economic analysis concludes that CETA has contributed to a real wage increase for all groups of workers in the EU (skilled and unskilled) by 0.02%. Given an also limited impact on production levels and employment in sectors engaged in trade between Canada and the EU under CETA, it is right to assume that its impact on working conditions in these sectors has also been limited. This finding is supported by the fact that in several sectors, bilateral trade under CETA represents only a very limited share of the total trade of each Party in that sector. Moreover, CETA does not envisage a regulatory dialogue between the Parties in relation to labour law and instead preserves their right to regulate (beyond the International Labour Organisation (ILO) fundamental Conventions) and to set the levels of labour protection as each of them considers appropriate. While preserving this right is of vital importance for each Party, their societies, and stakeholders, it also means a negligible influence of the Agreement on the situation on the ground in the EU and Canada. Also, there has been no systematic monitoring of the situation in sectors engaged in trade by the Trade and Sustainable Development (TSD) Committee and civil society Domestic Advisory Groups (DAGs) from the EU and Canada established by CETA.

At the same time, there is a range of factors having an impact on working conditions since the start of CETA application, but independent from the Agreement. These include domestic law, which in the EU provides for a high level of workers' protection. Moreover, since 2017, the EU and individual EU MS have adopted further legislation in this area. For example, in 2024, the EU adopted a Directive on working conditions in platform work.<sup>125</sup> In Germany, a law prohibiting subcontracting in meat processing has been adopted and led to direct employment and improved working conditions for 35,000 formerly sub-contracted workers (IUF, 2023). In Spain, the 2022 labour reform reduced working time in meat processing and limited the use of temporary contracts in the economy (SEPE, 2023; EFFAT, 2022). In Romania, new legislation adopted in 2021 regulates the operation of temporary work agencies engaged in recruiting Romanian workers for employment abroad (EFFAT, 2024b).

Other factors include trade union activity, the rate of trade union membership and sector coverage by collective bargaining agreements. The evidence from sectors in the EU MS engaged in bilateral trade under CETA (e.g. meat processing in Denmark, automotive in Germany and clothing in Italy) demonstrates their significant contribution to job safety and quality (EFFAT, 2022; Mercedes Benz Group, 2024; ETUI, 2022; 2021; ETUC, 2018). In addition, working conditions are influenced by adopted business models where sub-contracting in sectors, such as meat processing or clothing and leather products, introduces discriminatory treatment of sub-contracted workers (often migrants from other EU MS or third countries) compared to direct employees. It offers the former low wages, low levels of social security protection (or no protection at all), demanding working hours, risks related to occupational safety and health and poor living conditions (EFFAT, 2020a; McSweeney & Young, 2021; 2021a; Fair Wear Foundation, 2020). Fortunately for workers, in the last few years, more attention has been paid to these aspects. As a result, labour inspections supported by Europol and coordinated by the European Labour Authority or domestic enforcement agencies have been conducted in sectors most affected by poor working conditions and risks of workers' rights violations in EU MS (Europol, 2023; 2024; O'Brien, 2022; European Labour Authority, 2022; Parodi, 2024; 2024a).

<sup>125</sup> Platform workers: Council adopts new rules to improve their working conditions: <https://www.consilium.europa.eu/en/press/press-releases/2024/10/14/platform-workers-council-adopts-new-rules-to-improve-their-working-conditions/>

Finally, global developments, including competition and technological changes. e.g. in the automotive sector (production of electric vehicles) or textiles (digitisation) drive change in job profiles, required skills sets and related working conditions (see Section VI.3.1 in Annex VI, and Sections on employment, women, and labour standards in this Report).

#### *Canada*

Similar findings emerge for Canada, where real wages for skilled and unskilled workers have increased by 0.1% thanks to CETA. Canada and its provinces have also progressed in adopting laws related to working conditions and respect for labour standards.

In Canada, working conditions have also been influenced by factors not related to CETA. For example, in the automotive and aerospace industries (other transport equipment sector), trade union presence and collective bargaining (either at the sector or the enterprise level) support setting wage levels, pension contributions, and other benefits and help ensure job security (IAMAW, 2019; Unifor, 2021; 2023; 2024; 2024b). In these two sectors, working conditions are also shaped by technological changes, new job profiles requiring new skills, workforce ageing and a need to attract more young and skilled workers (Yates & Holmes, 2019; FOCAL Initiative, 2019; 2020; Molenhuis, 2021; IAMAW Canada, 2021).

In the clothing sector, a large number of companies are small (self-employed or employing up to nine workers), while there are also large textile businesses and internationally known brands. The sector's structure and international competition have kept wages at a low level compared to other sectors. However, the shortage of skilled workers and the need to attract them have provided a stimulus for wage increases in the last few years (Invest in Hamilton, 2020; Canada Goose, 2019). Other elements of working conditions are often shaped by lead firms and their business models, e.g. through the provision of training for new workforce and audits in suppliers' manufacturing facilities (see Section 5.3.1. in the Annex) (Canada Goose, 2022; 2023; 2024).

#### *3.3.2 Overall CETA effects on labour standards*

##### **Non-discrimination**

In this Section, the analysis focuses on young people, older workers, and migrant workers, i.e. groups that may be discriminated against or face challenges in the labour market. Given the lack of detailed workforce statistics for persons with disabilities and Indigenous Peoples, it is not possible to conduct a comparable analysis for these groups.

#### *European Union<sup>126</sup>*

**Young people** (aged 15-24 years) represented 8.1 % of workers in the EU in 2012. After a fall to 7.8% in 2017, their share increased again to 8.3% in 2023. Moreover, the absolute number of young workers in the EU labour market has continuously increased during the period under review (except for a temporary drop in 2020 due to COVID-19). Young people's employment in services sectors has followed the same trend, while in manufacturing, their employment has been falling since 2018, and in agriculture, it has been declining since 2012 (Eurostat, no date). In the automotive sector, their share increased from 8.5% in 2012 to 8.9% in 2017 (and so did their absolute number, which continued increasing until 2018), thus being above the average for the whole economy. By 2023, their share fell to 6.5%, and the absolute number kept going down between 2018 and 2022, with a slight increase in 2023 (Eurostat, no date). This is in line with the overall trend for young people's employment in the manufacturing and may reflect two aspects: a longer job recovery after the pandemic (as young people are often in temporary or lower-skilled jobs) and the change in demand for skills in the automotive industry. Due to the transition to electric vehicle production, the sector needs workers with backgrounds in engineering, IT and data analysis, while jobs in manufacturing of traditional components

<sup>126</sup> Unfortunately, due to limited data availability regarding employment in sectors engaged in trade under CETA with a break-down of the workforce by age groups (such data is only available for a few sectors in the EU and one in Canada), this information cannot be presented graphically.

will be reduced. Therefore, new jobs require higher skills and a longer time to complete education and may attract persons from higher age groups (VDA, 2024; Brown et al., 2021). Also, fewer than needed young people choose education in the corresponding areas and may be available to fill the existing and future vacancies (Brown et al., 2021). One can, therefore, conclude that due to these developments, not related to CETA, young people have been less likely than other age groups to benefit from the additional demand for labour generated by the Agreement and EU exports to Canada.

The same is also true for the textile, clothing, and leather sectors, where the share of young workers increased from 5.0% in 2012 to 5.2% in 2017 and then fell to 4.4% in 2023. The clothing sector has been negatively affected by the move of production to EU neighbours and developing countries, as well as higher production costs in the EU, high energy prices, weak demand, and technological changes, with jobs requiring higher technical and digital skills. Moreover, sector representatives admit that due to the negative trends in the sector, young people show limited interest in taking jobs in it (notably regarding technical jobs other than design) (EURATEX, 2024c; Just Style, 2019). Therefore, also in this case, due to structural factors not related to CETA, young people have been less likely than other age groups, to benefit from job opportunities supported by the Agreement.

**Older workers** (aged 55-64 years) represented 14.5% of workers in the EU in 2012. Their share increased to 17.1% in 2017 and further to 19.7% in 2023 (Eurostat, no date). In the automotive industry, their absolute number and share increased over the period under review, the latter from 10.7% in 2012 to 12.6% in 2017 and 16.2% in 2023 (Eurostat, no date). This is likely to reflect a trend of an ageing workforce in the manufacturing industry also observed in Canada (see Section 3.3.1), with younger generations being reluctant to take industry jobs (see the above analysis). However, this also means that older workers benefit from exports and every positive dynamic in the sector, which helps them preserve their jobs. The same situation has been observed in the textile, clothing, and leather sector where older workers represented 12.3% of the workforce in 2012, and this share increased to 16.8% in 2017 and further to 24.0% in 2023 (Eurostat, no date).

While there are no exact data regarding the number or share of **immigrant non-EU workers** in the analysed EU sectors, their presence has been reported in meat processing, e.g. in Ireland (O'Brien, 2022), Italy, and Spain (McSweeney & Young, 2021). They also work at dairy farms, e.g. in Italy (Antonioni, 2022) and in the clothing sector in Italy (Fair Wear Foundation, 2020). They may have, therefore, benefitted from EU exports to Canada and new jobs in these sectors created by additional demand. However, as in most cases, immigrant workers have found employment as sub-contracted workers, they are likely to work in precarious conditions, as discussed in Section VI.3.1 in Annex VI.

#### *Canada*

Given the general lack of sectoral employment statistics in a breakdown by age groups of workers for sectors engaged in trade with the EU, data based on a study for the automotive sector has been used here as an illustrative example. According to this study, **young people** (aged 15-24 years) represented 13.3% of the Canadian workforce in 2017. However, they accounted for only 10.5% of workers in motor vehicle manufacturing and 10.7% in car parts. Most recently, this sector has been struggling to attract young workers who prefer lighter and well-paid work in utilities and services and are reluctant to work in shifts or in places based further away from cities or city centres, as manufacturing facilities often are. Moreover, more often than older workers, the young ones work part-time or on temporary contracts (FOCAL Initiative, 2020). Therefore, while young workers also benefit from positive trends in the sector thanks to increased exports, including to the EU, they do so to a lower degree than the remaining age groups.

The share of **older workers** (aged 55+ years) has been increasing in the automotive sector in Canada. For example, in 2016 in Ontario, older workers represented 21% of the total workforce; in car manufacturing, they accounted for 18%, and in the production of car parts, for 21%. In Quebec, they represented 20% in both car manufacturing and car parts. Given the reluctance of young people to join the industry, employers started

adapting workplaces and employment policies to retain older workers (FOCAL Initiative, 2020). This group is, therefore, likely to benefit from exports to the EU to keep their jobs, wages, and favourable working conditions. A similar situation has been observed in the aerospace industry, where some 41% of the workforce is near retirement (IAMAW, 2019).

**Immigrant workers** from Mexico and the Caribbean countries work in Canada's agricultural sector under the Seasonal Agricultural Worker Programme (SAWP). Before the COVID-19 pandemic, it was estimated that around 24,000 Mexican workers took part in it annually (Canadian Council for Refugees, no date). In 2020, around 60,000 temporary foreign workers in total worked in Canadian agriculture (Xu et al., 2024). Sectors covered by the offer include livestock farming, grains, dairy, tobacco, flowers, fruits and vegetables, oil seeds, mushrooms, and tree nurseries (Employment and Social Development, Canada, 2024a), i.e. also a few of those (like grains) where Canadian exports to the EU have started or increased thanks to CETA. Therefore, migrant workers are also likely to have benefitted from employment opportunities supported by CETA and exports to the EU.

### **Freedom of association**

As discussed in Section VI.3.2.2 in Annex VI, EU MS and Canada have ratified ILO fundamental Conventions on freedom of association and collective bargaining (No. 87 and 98) prior to the start of CETA application and ILO priority Convention No. 144 on tripartite consultations. Moreover, as noted in Section VI.3.2.2 and in the working conditions analysis (Section VI.3.1 in Annex VI), the rate of trade union membership and the collective bargaining coverage vary between the Parties, EU MS, and sectors and change over time. This results from domestic legislation, the social dialogue tradition, global competition, a shift from manufacturing towards a larger share of services in total employment, new technologies (and related job losses in industry sectors), and new forms of work organisation.

The new developments have been discussed under the CETA Trade and Labour Chapter. For example, further to civil society concerns regarding the observed weakening of freedom of association and collective bargaining, the Parties held in 2019, jointly with civil society, a workshop on the right to collective bargaining in the context of technological changes in the world of work (TSD Committee, 2019; CSF, 2019). The EU and Canadian trade union representatives also raised with the Parties concerns regarding workers' rights in the Port of Montreal in Canada (EU and Canada DAG, 2022; interviews with DAG Members).

The more detailed analysis conducted in this evaluation suggests that the situation in sectors most affected by CETA is very diverse and results from factors not related to the Agreement. For example, in the textile and clothing sector, in Italy, trade unions are present, and most employees, at least in lead companies, are covered by collective bargaining agreements (Fair Wear Foundation, 2020; Mind RH, 2021; 2022; ETUI, 2021; 2022; ETUC, 2018). In the automotive industry in Germany, workers employed by the main brands are covered by collective bargaining agreements providing for job security and favourable working conditions (Mercedes-Benz Group, 2024). In Romania, the rate of trade union membership in the clothing sector is low due to the Law on Social Dialogue that abolished collective bargaining at the national level and raised the threshold for the number of workers from the same company needed to set up a trade union (Fair Wear Foundation, 2021). In the meat processing sector in Denmark, all workers are covered by collective agreements, and trade union membership rate is high (EFFAT, 2022). In the same sector in Germany, trade union membership increased only after new legislation prohibited sub-contracting and workers had to be directly employed by processing companies (IUF, 2023). In Ireland, a system with sub-contracting, precarious working conditions, and identified cases of labour exploitation in the meat sector means that workers are sometimes afraid of joining a trade union. As a result, the rate of collective bargaining in the sector stood at 33% in 2022 compared to 80% in ten other EU MS covered by a survey conducted in 2022 (EFFAT, 2024b; O'Brien, 2022).

In Canada, trade unions are present in the manufacturing industry, although the collective bargaining coverage and unionisation rates have been falling slightly since 2012, with the

latest drop observed since the COVID-19 pandemic (Statistics Canada, 2023i).<sup>127</sup> In the aerospace industry (covered by other transport equipment sector in the economic model), trade unions<sup>128</sup> engage in discussions on sector strategy, labour-related legislation and collective bargaining at the firm level. Collective agreements cover wage increases, pension contributions, provisions on job security during the lifetime of the agreement and other aspects (IAMAW, 2019; Unifor, 2023; 2024; 2024b). In the automotive industry, the main collective bargaining agreement negotiated in 2020 and 2023 covers 20,000 (out of around 40,000) auto-assembly workers. It was agreed by the leading trade union with three main companies. The other two major employers, whose factories are not unionised, have subsequently offered their employees working conditions mirroring those bargained collectively (Unifor, 2021). Compared to large assembly plants, trade union membership is much lower in smaller firms, among suppliers of parts, distributors, and auto-dealers. This implies a much lower coverage by collective bargaining agreements. As a result, working conditions offered by individual employers vary significantly in those segments of the sector (Unifor, 2022).

This evaluation has found no evidence that would suggest any CETA positive or negative effects on trade union activities, social dialogues, or collective bargaining in the analysed sectors. This may be related to the fact that exports from the EU to Canada (and vice versa) in several of these sectors represent a small share of the total exports of the Party in a given sector. For example, Canadian exports to the EU in motor vehicles account for only around 1.0% of the total Canadian exports to the world in the automotive sector (DiCaro, 2022). Also labour standards already being high in both the EU and Canada could have been a factor. Along the same line, CETA's economic and social impacts, including on output and employment estimated by the economic analysis, are limited, and therefore, one should expect a very limited (if any) impact on working conditions or labour standards through this channel. Moreover, the existing domestic labour legislation in the EU and Canada, social dialogue tradition and the above-mentioned influencing factors are more likely to shape the situation in each Party.

### **Occupational safety and health**

As outlined in Section VI.3.2.3 in Annex VI, since the start of the CETA application, EU MS have progressed in the ratification of the ILO fundamental Conventions No. 187 and 155 on occupational safety and health. Canada ratified Convention No. 187 already in 2011, while the ratification of Convention No. 155 remains pending. Officials interviewed for this study (see also Section 3.3.3 on the Trade and Labour Chapter below) informed that in the TSD Committee meetings, the ratification of the ILO Conventions had been an area of regular exchange of information between the Parties and an aspect where progress made by the other Party had been monitored. However, while these TSD Committee discussions can be considered a useful reminder of outstanding issues where further steps can be taken, they have not been the main driving force behind the progress in ratifications. Instead, as suggested by interviewed officials, the ratification process has been underpinned by the values and domestic policy agenda of each Party.

In this context, it is to note that even though not all EU MS have ratified both ILO Conventions on occupational safety and health yet, their legislation is largely in line with those Conventions and is implemented. Likewise, Canada and its provinces have developed their own laws in this area. While this had taken place largely before CETA was applied, it helped the Parties ensure compliance with CETA Article 23.3 (Trade and Labour Chapter) which commits each of them to "ensure that its labour law and practices promote the following objectives (...) health and safety at work, including the prevention of occupational injury or illness and compensation in cases of such injury or illness".

According to the available reports, there was no detailed discussion on occupational safety and health between the Parties and civil society in the Trade and Labour Chapter under

<sup>127</sup> In the wider manufacturing industry, unionisation rate fell from 24% in 2012 to 20.7% in 2023 and the collective bargaining coverage fell from 26% in 2012 to 22.9% in 2023 (Statistics Canada, 2023i).

<sup>128</sup> The International Association of Machinists and Aerospace Workers (IAMAW), the leading trade union in the aerospace industry and air transportation, represents 22,000 out of 88,200 of the workforce directly employed in the sector (IAMAW, 2019; Unifor, 2024b). Another trade union, Unifor represents 10,715 workers in the sector (Unifor, 2024a).

CETA. EU and Canadian civil society representatives mentioned only this area when calling on the Parties to ensure due diligence in their value chains to respect decent work (EU and Canada DAGs, 2022). However, the Parties pursued policy dialogue on employment, decent work and social affairs under the Strategic Partnership Agreement, i.e. outside CETA, with one workshop on occupational safety and health policy and legislation held in the reporting year 2021-2022 (Government of Canada, 2023a).

The limited available evidence regarding trends in the EU and Canada in the application of occupational safety and health in practice, in particular in sectors engaged in bilateral trade (as outlined in Annex VI), does not allow for drawing precise conclusions about CETA effects in this area.

### **Forced labour**

As outlined in Section VI.3.2.4 in Annex VI, the Parties have ratified ILO fundamental Conventions No. 29 and 105 prohibiting the use of forced labour and have made progress in the ratification of the 2014 Protocol to Convention No. 29. They have also adopted laws and policy frameworks to tackle forced labour and human trafficking. Moreover, in the last two years, both the EU and Canada adopted legislation aiming to eliminate forced labour from the supply chains of goods traded by the Parties and placed on their markets. They also exchanged information about these measures during the TSD Committee meetings (see also Section 3.3.3). However, all these steps have been taken either prior to the start of the CETA application or independently from the Agreement. Moreover, while the exchange of information about the adopted measures should be considered a useful learning opportunity, these discussions have not triggered the work of the Parties as such. Therefore, the fact that the Parties adopted new legislation cannot be considered as a result of their discussions under CETA and its application.

Sectors identified as being of relatively high risk of labour exploitation in the EU include agriculture, construction, forestry, food processing, meat processing, textile and garment, assembly lines, food delivery, hospitality, retail trade, carwashes, beauty industry, cleaning services, transportation, housekeeping and domestic service (European Commission, 2022j; 2012; 2021e; Europol, 2023; 2024). In Canada, such sectors include agriculture, hospitality, food preparation, construction, and domestic work (Ahmed, 2023). Some of these sectors have been identified in the economic analysis as growing and benefitting from bilateral trade under CETA. During the research for this evaluation, however, no evidence has been found that would suggest that forced labour has taken place in firms exporting from the EU to Canada under CETA (or vice versa) or their supply chains.<sup>129</sup> Moreover, with one exception detailed in the footnote, in publicly available materials identified for this evaluation and reporting about forced labour-related inspections or investigations, no company names have been disclosed and hence, no links could be made between forced labour, production, sales and potential destination markets. Therefore, based on the conducted analysis, there is no evidence identified that would suggest a relation between trade flows triggered or facilitated by CETA and cases of labour exploitation. In this context, once in force, the new EU and Canadian legislation aimed at eliminating forced labour from supply chains may play a role in improving practices and transparency applied in sectors engaged in bilateral trade between the Parties to ensure that operations of businesses, including those hiring sub-contracted workers and migrant workers, as well as those sourcing inputs from third countries, are free from the use of forced labour and other violations of workers' rights along their supply chains.

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<sup>129</sup> The only exception identified to-date are materials published in 2021 and 2024 by Canadian and European media (Rudin & Buckley, 2024; Szeto et al, 2021) outlining practices of two Italian companies (as well as a few multinationals) which used to import tomatoes from China, likely to have been harvested with the use of forced labour in the Xinjiang province. Reportedly, those tomatoes were later processed (some of them in the South-East Asian countries) and used in products like tomato paste and sauces sold in Canadian, UK and EU supermarkets. There have been diverging statements and evidence regarding whether this practice has been abandoned in 2020-2021 or if it continued until more recently (2023). In any case, this example confirms the importance of the EU and Canadian new legislation related to the elimination of child labour and forced labour from supply chains providing goods and services to both markets, and its effective implementation.

### **Child labour and child poverty**

The conducted analysis (for details, see Section VI.3.2.5 in Annex VI) shows that EU MS and Canada have ratified ILO fundamental Conventions No. 138 and 182 related to the elimination of child labour already long before the start of CETA application (Convention No. 138 by 2007 for all EU MS and Convention No. 182 by 2006 for all Parties). The Parties have also taken steps to help reduce child labour incidence in third countries. Moreover, they have adopted measures to address child poverty within their own territory.

Regarding CETA effects on child poverty, the economic analysis signals a limited increase in real spending power in particular for poorer households and a very limited real wage increase in the EU and Canada. Those effects are, however, not specific to households with child poverty, although may include them. Given that there is no granular data available that would link households experiencing child poverty and sectors where adult members of those households are employed, it is not possible to say anything more about CETA's effects on those households, e.g. through preserving or creating jobs.

Additionally, in the TSD Committee meetings, the Parties exchanged information about their new legislations aiming to eliminate child labour from supply chains of goods being traded by the Parties and/or placed on their markets (for details, see Section VI.3.2.5 in Annex VI and Section 3.3.3). Given that those legal acts were adopted only in 2023 and 2024, it is too early to say anything of their impact on CETA and the elimination of child labour from the respective supply chains, including for agricultural commodities sourced in third countries as ingredients in products further processed in the EU and Canada.

#### **3.3.3 Effects of the implementation of the TSD and Trade and Labour Chapters**

Like all EU "new generation" comprehensive trade agreements, CETA includes provisions on TSD, labour, environment, and climate change, institutions implementing them and dispute settlement. The analysis that follows below focuses on labour-related aspects, while environment and climate change are addressed in Chapter 4 of this Report and work of the institutional mechanism and aspects related to dispute settlement, have been covered in the institutional part in Chapter 6 and Annex IX. The analysis considers to what extent the Parties have implemented labour provisions, monitored this implementation, and used cooperation opportunities. Moreover, it discusses how the Parties have engaged with civil society on labour-related aspects, how responsive they have been to interests or concerns raised with them in this context and how they have approached any problems in case they have occurred. Finally, the analysis evaluates the impact of actions taken by the Parties.

As part of the implementation of the TSD and Trade and Labour Chapters, the Parties held annual (except for 2021) meetings of the Joint TSD Committee. Officials participating in them reiterated in interviews for this evaluation that the EU and Canada are like-minded partners whose dialogue and cooperation are based on trust and emphasised that preparations for the TSD Committee meetings went smoothly, with constructive discussions on the agenda. The Parties have also developed a work plan, first reviewed and updated annually, and now foreseen for a two-year period to secure more time for action and achieving tangible results. It was also important to bear in mind that dialogue and cooperation under the TSD and Trade and Labour Chapters have been complemented by a dialogue on employment, decent work, and social affairs under the Strategic Partnership Agreement,<sup>130</sup> as well as meetings of the EU and Canadian officials posted in third countries and in international forums.

Regarding the implementation of Trade and Labour provisions, pursuant to CETA Article 23.3, the Parties have progressed in the ratification of the ILO fundamental, priority and

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<sup>130</sup> In the framework of that dialogue, the Parties discussed in 2020 changes in the world of work and inclusive growth, as well as the 2030 Sustainable Development Agenda, gender, data, analysis and impact assessment. In 2021-2022, they held four workshops focused on: 1) short-time work measures applied during the pandemic, 2) the EU and Canada's occupational safety and health policies and legislative framework, 3) skills for the future jobs, including for the green and digital transitions, and 4) income support for self-employed and social protection for persons engaged in non-standard forms of work (Government of Canada, 2023a).

other up-to-date Conventions and exchanged information about it.<sup>131</sup> Officials interviewed for this evaluation informed that ratification of the ILO Conventions has been an area of regular exchange of information and monitoring of progress made by the other Party. However, while these discussions can be considered a useful reminder of outstanding issues and further steps to be taken, they have not been the main driving force behind the progress in ratifications. Instead, as suggested by interviewed officials, the ratification process has been underpinned by the values and domestic policy agenda of each Party.

Each Party has also continued to exercise the right to regulate and to adopt new laws with a view to improving levels of workers' protection (Article 23.2). Subsequently, the Parties exchanged information about their respective progress in this area. The EU informed, for example, about the European Pillar of Social Rights Action Plan, the EU Directive on pay transparency, the Directive on digital platform work, and the Forced Labour Regulation banning the placement on the EU market of products made with the use of forced labour. Canada presented, for example, its Fighting Against Forced Labour and Child Labour in Supply Chains Act (TSD Committee, 2022; 2023; 2024). The adoption of forced labour laws was welcomed by the EU and Canadian civil society Domestic Advisory Groups (DAGs) established under the Trade and Labour Chapter. The DAGs also encouraged the Parties to cooperate to eradicate forced labour from all sectors of the economy, including services (EU and Canada DAGs, 2024). The DAGs also stressed that trade relations between the EU and Canada should be shaped in a way that protects workers, communities, human rights, and Indigenous Peoples' rights, and ensures respect for the ILO core labour standards and decent working conditions.

The Parties have also conducted diverse cooperation activities, pursuant to Article 23.7. For example, further to civil society concerns regarding the observed weakening of freedom of association and collective bargaining, the Parties held in 2019, jointly with civil society, a workshop on collective bargaining in the context of technological changes in the world of work (TSD Committee, 2019; CSF, 2019).

The Parties also exchanged information about their engagement in ILO projects and other cooperation and assistance activities in third countries with which Canada and the EU have trade agreements with labour provisions, like Ukraine or Vietnam, with a view to promoting decent work and the implementation and enforcement of ILO Conventions. In 2024, they agreed to cooperate to promote workers' rights in Bangladesh, Vietnam, Colombia, and Peru. Also in the same year, the EU and Canada developed a new Work Plan (2024-2026) which foresees the continuation of cooperation and coordination of the EU's and Canada's engagement in third countries to promote compliance with fundamental labour rights. The Parties discussed, moreover, the need for international support for the LDCs to mitigate socio-economic impacts of the COVID-19 pandemic (TSD Committee, 2019; 2020; 2020a; 2022; 2022a; CSF, 2024). The reports suggest that most of these activities were limited to the exchange of information. Moreover, no further details have been shared yet regarding effects of the EU's and Canada's cooperation and coordination of their engagement in third countries.

In relation to Article 22.3, the Parties and their representative organisations (CSR Europe and UN Global Compact Network Canada) exchanged information about their approaches to Corporate Social Responsibility (CSR) / Responsible Business Conduct (RBC) practices and challenges and opportunities faced by businesses (TSD Committee, 2018; 2019). The EU informed about the Corporate Sustainability Reporting Directive, sustainable finance, sustainable product initiatives, socially responsible and green procurement, the Regulation on responsible sourcing of minerals from conflict-affected and high-risk areas, and plans for the Corporate Sustainability Due Diligence Directive (TSD Committee, 2020). Canada shared a handbook for SMEs on how to implement the OECD Guidelines for Multinational Enterprises and a compendium on how companies can contribute to attaining Sustainable Development Goals (SDGs). The EU also expressed interest in learning more about Canada's position regarding the development of a legally binding international instrument on business and human rights (TSD Committee, 2018; 2019). In the following years, the

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<sup>131</sup> ILO, NORMLEX:  
[https://normlex.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200\\_COUNTRY\\_ID:102582](https://normlex.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:102582)



Parties continued cooperation outside CETA; in the OECD Working Party on RBC. According to the Work Plan 2024-2026, their cooperation will continue within the OECD context (TSD Committee, 2024a).

Moreover, pursuant to Articles 22.4-22.5 and 23.8, the Parties regularly engaged with civil society representatives from the EU and Canada to discuss aspects covered by the Trade and Labour and TSD Chapters. Updates on cooperation activities and individual initiatives of the Parties have been shared with civil society at annual Civil Society Forum meetings. On those occasions, the Parties also demonstrated their readiness to listen to proposals for further discussions and cooperation. For example, as mentioned above, further to civil society concerns, the Parties held a workshop in 2019 on collective bargaining in the context of technological changes in the world of work (TSD Committee, 2019; CSF, 2019). Also, further to a proposal from the Civil Society Forum, the Parties agreed to discuss the ways of promoting the participation of Indigenous Peoples in CETA implementation and Canada's practices in this context, as well as in relation to other trade agreements (TSD Committee, 2019; 2020). Subsequently, Canada presented the Indigenous Peoples Economic and Trade Cooperation Arrangement with Australia, New Zealand, and Chinese Taipei and invited EU MS to join once the initiative became fully operational (TSD Committee, 2023).

Regular de-brief sessions have also been held with Chairs of the EU and Canadian DAGs, and additionally, the Commission representatives have participated in meetings of the EU DAG held in Brussels. The interviewed EU and Canadian DAG Members were very positive about the engagement with the like-minded Parties and the possibility of discussing trade and labour-related aspects, while they would appreciate an even further openness of the Parties to follow-up civil society's proposals, including on horizontal aspects, such as an early TSD review (addressed in more in detail in the institutional part of the analysis). This format of engagement also enabled EU and Canadian trade union DAG Members to raise concerns related to respect for freedom of association and the right to collective bargaining in the Canadian Port of Montreal, in the context of trade (interviews with EU and Canadian trade union DAG Members).

### **3.4 CETA effects on gender equality**

Annex VI to this Report provides a literature review regarding trade effects on women, as well as a detailed analysis of the situation of women in the EU and Canada in their roles as workers, entrepreneurs, and traders. It also outlines the policy approaches of the Parties and their stakeholders regarding gender equality in trade agreements and trade and gender provisions in this context.

In this Section, the analysis focuses on CETA's effects on women as workers, consumers, entrepreneurs, and traders. It also covers cooperation between the EU and Canada in the implementation of the Joint Recommendation on Trade and Gender in the light of their policy approaches (discussed in the Annex) and stakeholder expectations.

#### **Key findings:**

- Female workers in the EU and Canada have benefitted from additional employment opportunities created by CETA in the exporting sectors. However, as in several of those sectors, women represent the minority of workers, they have benefitted less compared to men.
- CETA has also contributed to a limited wage increase for women.
- The analysis of effects on EU female entrepreneurs and traders suggests that at least some of women's businesses operating in agriculture, food and drink production, chemicals, and the textile, clothing, and leather sectors have benefitted from CETA due to an increased demand for their products and improved exporting opportunities through increased market access.
- The lack of gender-disaggregated data in a breakdown by sector does not allow for conducting a similarly detailed analysis of effects on Canadian female entrepreneurs and traders.

- CETA's effects on women as consumers (in both the EU and Canada) largely align with those for all consumers.
- Certain CETA provisions may have been beneficial for women entrepreneurs. These include for example, tariff reductions and TRQ for cheese, the agreement on mutual approval of conformity assessment for electronic and radio equipment and mutual recognition of qualifications for architects.
- The effects of the implementation of the Joint Recommendation on Trade and Gender are also positive, while limited. To highlight are various engagement activities with female entrepreneurs and traders to discuss challenges they face and explain opportunities offered by CETA.
- Overall, CETA is likely to have contributed to the attainment of SDG No. 5 (gender equality), and activities undertaken in the area of trade and gender under CETA are consistent with the latest EU policy and stakeholder positions in that area.

#### 3.4.1 CETA effects on women as workers, entrepreneurs, traders, and consumers

##### **Effects on women as workers**

The analysis of CETA effects on female workers compares outcomes of the economic analysis (modelling) related to employment with trade and employment statistics, including changes in the number of jobs in individual sectors in the EU and Canada over time.

##### *European Union*

As mentioned in Section 3.2.1 on CETA effects on employment, according to the economic analysis, the Agreement has contributed to employment growth in sectors, such as red meat (0.1%), dairy products (0.1%), textiles, clothing, and leather products (0.3%), and the automotive sector (0.1%). For a few more goods sectors (beverages and tobacco, chemicals and rubber and plastics), the estimated changes have been marginal (below 0.05%). The same goes for services sectors where employment increases of 0.02% have been estimated for other services and +0.01% for trade services and water transport. On the other hand, the economic analysis estimates limited negative CETA effects on jobs in sectors including grains (0.1%), electrical equipment (0.1%), computer, electronic and optical products (0.1%), and other transport equipment (0.1%).

As outlined in Annex VI, 85.6% of women in the EU (78.3 mln) (Eurostat, no date) worked in 2022 in diverse services sectors, including 13.2 mln (14.5%) in the wholesale and retail trade, as one of the largest groups (Eurostat, no date). When this is compared with the marginal CETA effects on services sectors estimated by the economic analysis, one could conclude that the Agreement has not brought about significant changes in the demand for labour for the vast majority of EU female workers, i.e. those already employed in services sectors and potentially interested in such jobs. However, it is to note that the economic approach used in this evaluation tends to underestimate effects on services sectors as it does not include, for example, effects related to investment, and it focuses on cross-border trade – not focusing on Modes 2, 3, and 4 of services trade.

In manufacturing, a positive impact of the Agreement and EU exports to Canada (estimated as a 0.1% employment rise) occurs in the automotive sector, where female employment increased between 2012 and 2021. After a fall in 2022, it started recovering in 2023 (Eurostat, no date). Therefore, exports under CETA may have supported job creation for women until 2021 and the latest recovery, as well as helped cushion the fall in 2022. A more detailed analysis of trends in jobs occupied by men and women in the EU automotive sector suggests that women, who represent the minority of workers (24.8% in 2017, increasing to 26.7% in 2023<sup>132</sup>), are less exposed than men to both positive and negative impacts affecting the sector. Female employment recorded a slower increase in absolute and relative terms compared to men when employment in the sector was growing. However, women also lost fewer jobs when employment fell. In the analysed period, job losses in the sector have been driven by the COVID-19 pandemic, declining demand, rising production costs, and delayed investments in new technologies (CLEPA, 2024). Women

<sup>132</sup> In the period under review, the share of women in senior management positions in the automotive sector has also increased, e.g. in one German brand, it went up (in its global operations) from 17.6% in 2017, to 25.7% in 2023 (Mercedes-Benz Group, 2019; 2024).

tend to work in more generalist roles, less depending on production levels, which may – in part – explain why their numbers show a lower degree of volatility under production changes. The same aspect may also explain why men may have benefitted more from increased production thanks to exports under CETA. However, in the last few years, various activities within the sector have been undertaken to encourage more women to take jobs, including in engineering and designer roles (Arnold Clark, no date; Women Automotive Network, 2024).

Employment in the EU textile, clothing, and leather sectors has been declining since 2012. In 2022, women represented 53% of workers in the textile sector, 81.3% in clothing, and 58.5% in the leather sector. Given that 85.8% of EU jobs lost in the clothing sector since 2010 (319,400 jobs out of 372,200) (Eurostat, no date) had been previously occupied by women, and also given their current high representation in the sector, one can conclude that women are overall more exposed to negative impacts in the sector than men. Conversely, any employment boost in the textile, clothing, and leather sectors triggered by EU exports to Canada under CETA (estimated at 0.3%) may have benefitted women more than men. However, as noted in Section 3.3.2 on young people, the textile sector has been undergoing technological changes with new job profiles requiring higher technical and digital skills (EURATEX, 2024c; Just Style, 2019). Therefore, based on skill sets and job preferences of men and women, one may assume that if exports to Canada helped create new jobs related to new technologies and new skill sets, they may have supported both men and women.

In sectors, for which very limited negative CETA employment effects (0.1%) have been estimated, i.e. electrical equipment and other transport equipment, the number of jobs occupied by women increased in 2017-2023, along with the overall employment growth in these sectors. In computer, electronic and optical products, female employment also increased except during the COVID-19 pandemic period (Eurostat, no date). In the grains sector, female employment also increased in 2013-2020 (the latest available data) against the background of the overall employment fall (Eurostat, no date c). This leads to a conclusion that increased imports from Canada under CETA may have caused some limited slowdown in female employment growth in these few sectors rather than job reduction as such.

#### *Canada*

For Canada, the economic analysis estimates CETA-induced employment growth in grains (0.4%), other food (0.5%), textiles, clothing and leather products (0.7%), chemicals (0.5%), rubber and plastics (0.1%), automotive industry (0.3%), other transport equipment (0.9%), water transport (1.6%), communications (0.3%), and business services (0.1%).<sup>133</sup>

There are certain limitations in the analysis of CETA effects on female workers in Canada, given that detailed employment data in a breakdown by sectors and gender are available only based on the Census of 2011, 2016 and 2021. Therefore, they do not cover the whole period under review. Additionally, the latest available data for 2021 are likely to be affected by the effects of the COVID-19 pandemic driving down employment across the analysed sectors. They may not, therefore, accurately reflect long-term trends and CETA effects.

In the textile, clothing, and leather sectors, women's employment decreased between 2011 and 2021 (Statistics Canada, 2023m; 2011; 2016), in line with the overall trend in these sectors. A deep employment fall was caused by the COVID-19 pandemic and has not been balanced yet by the following economic recovery. Moreover, the observed long-term decline in the sectors' size, employment, and production has been caused in particular by the relocation of apparel manufacturing from Canada to developing countries (to cut production costs) and by increasing imports (Smith, 2024). In this situation, positive employment effects generated by CETA and Canadian exports to the EU (0.7%) may have mitigated further decline and supported economic recovery. This has been important for

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<sup>133</sup> For some sectors, such as other food, communications or business services, no comparable breakdown in employment statistics for women is available. As a result, employment data and the impact analysis for these sectors are not provided.

women, who represent the majority of workers in the sector (63% in 2021) and therefore, are likely to benefit more than men from any improvement.

In other sectors positively affected by CETA, i.e. chemicals, rubber and plastics, water transport and automotive industry, female employment has displayed a growing trend between 2011 and 2016, even at a slightly higher pace than each of these sectors. As a result, the share of women in each of them has increased, e.g. in the automotive sector from 19.4% in 2011 to 23.6% in 2016 and in chemicals, from 36.7% in 2011 to 38.2% in 2016 (with a further increase to 38.9% in 2021). The 2021 data suggest a limited employment fall for women in these sectors compared to 2016, except in automotive, where it increased (Statistics Canada, 2023m; 2011; 2016). A check of the post-2020 data for the whole sector shows, however, that after a deep fall in 2020, employment recovered to levels above the 2019 figures by 2022, i.e. that recovery is not visible yet in the 2021 data for women. It is, therefore, likely that the more recent (2022-2023) data would also display employment growth for women, and it is also likely that exports from Canada to the EU under CETA have contributed to this trend. It is to note, however, that women, who represent the minority of workers in these sectors, benefit less from sectors' growth than do men (as men take the majority of newly created jobs).

In the other transport equipment sector, female employment fell between 2011 and 2016 against an overall growth trend in the sector (although in some sub-sectors, there was a short-term employment fall in 2016 which may have affected figures for women). As a result, women's share in the sector fell from 24.1% in 2011 to 18.7% in 2016. Due to the COVID-19 pandemic, their employment further declined, although at a slower pace than in the whole sector. As a result, women's share among all workers increased to 20.3% in 2021 (Statistics Canada, 2023m; 2011; 2016). This may suggest a recovery after the COVID-19 pandemic but is not certain. Regarding CETA's effects on women, the most natural consideration would be that the estimated additional demand for labour (0.9%) generated thanks to increased exports to the EU under CETA, has helped to limit a further fall in their employment and support the post-2020 recovery.

Additionally, the economic model estimates limited employment reduction in a few sectors in Canada, including red meat (0.2%), dairy products (2.4%), primary products (0.1%), pharmaceuticals (0.2%), computer, electronic and optical products (0.5%), and electrical equipment (0.3%).

The analysis of women's employment data indicates that in meat processing, dairy processing, and the pharmaceutical industry, women's employment increased continuously over time, despite a negative employment trend displayed by these sectors in 2012-2017. Thanks to that, the share of women among all workers increased (Statistics Canada, 2011; 2016; 2023m). Since 2017, positive employment trends for women aligned with the rest of these sectors, and there have been no indications of negative CETA effects on a wider scale. This means that negative impacts estimated by the economic analysis for these sectors and women's jobs in this context indicate a slower growth rather than an actual employment reduction. It is also to note that women, who represent a minority of workers in dairy processing, are less likely than men to benefit from growth or be affected by the sector's decline. However, in the pharmaceutical industry, they represent almost half of workers (48.8% in 2021), and hence, impacts (both positive and negative) are more likely to be shared equally between men and women in this sector.

In the electrical equipment and computer and electronic products sectors, the number of jobs occupied by women decreased between 2011 and 2016, in line with a declining trend in both sectors. However, while both sectors started growing in 2017, women's employment figures for 2021 display a further fall compared to 2016 (Statistics Canada, 2016; 2023m). This may be a result of a deeper employment fall in 2020 due to the COVID-19 pandemic. Given that Canada's exports to the EU and the world in both sectors have increased since 2017, they should have created new demand for labour and thus, supported employment. In such a situation, negative CETA impacts could either be of a local nature or mean slower growth of the sectors rather than an employment reduction as such.

### **Effects on women as consumers and carers<sup>134</sup>**

CETA effects on women as consumers (in both the EU and Canada) largely align with those for all consumers (see Section 3.2.2). However, as women (notably sole mothers) are more likely than men to live in poverty and often work in sectors offering lower wages, they are also more likely to benefit from improved availability and accessibility of basic products traded under CETA, like food, cosmetics, clothing, footwear or pharmaceuticals (provided, these are not the expensive luxury brands). This is because, on average, women spend a larger share of their income on these groups of products. Moreover, all working women have witnessed a limited but nevertheless positive real wage increase generated by CETA (0.02% for the EU and 0.1% for Canada). The additional analysis for the EU also confirms that the poorest 20% of consumers in each of the EU MS (including women) have benefitted from the largest relative increase in real spending power (thanks to CETA) calculated based on changes in income and prices. In Canada, all consumer groups have benefitted equally, recording a 1.5% increase in their real spending power.

Women, in their roles as caregivers, can also benefit from regulatory initiatives (e.g. the one aiming to improve the availability of paediatric medicines) and joint actions of the Parties on product safety, like the awareness raising campaigns regarding children's safety, including regarding certain product risks (like button batteries).

### **Effects on women as entrepreneurs**

The analysis of CETA effects on women as entrepreneurs,<sup>135</sup> uses the results of the economic analysis regarding changes in production levels (output) of individual sectors induced by the Agreement. The selection of affected sectors is compared to a list of sectors where women-owned businesses operate and where they have larger shares. This helps determine whether sectors where businesswomen are present have been affected by CETA and if so, how.

#### *European Union*

According to the economic analysis, the Agreement has contributed to production growth in sectors including red meat (0.1%), dairy products (0.1%), textile, clothing, and leather products (0.3%), and automotive industry (0.1%). The analysis also finds a CETA-induced limited output reduction in sectors including grains (0.1%), computer, electronics, and optical equipment (0.1%) and other transport equipment (0.1%).

As already explained in Annex VI, there is no comprehensive data that would cover firms in all 27 EU MS and provide details regarding their sectors of activity and owner's gender. Therefore, to evaluate CETA's effects on women-owned businesses, the results of three surveys are used that include questions regarding gender and sectors of activity but cover each time only a selected group of EU MS or businesses (excerpts from these three surveys are discussed below).

According to the Global Entrepreneurship Monitor reports<sup>136</sup> covering 18 EU MS in 2019 and a slightly different selection of 17 of them in 2022, some 70%-80% of women-owned businesses in the EU operate in trade and diverse services sectors (GEM, 2019; 2023). Also, in a survey conducted by Eurochambres Women's Network (2023), out of 823 female

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<sup>134</sup> In the context of previous ex-ante impact assessments and ex-post evaluations of trade agreements, stakeholders called for inclusion in the gender equality analysis, the analysis of effects on women's time use. This is because, on average, women dedicate more time than men to unpaid care and household work. However, according to the literature on the subject matter (Fontana, 2020), in the analysis of FTA effects on women in developed countries with high rates of wage employment (like in the EU and Canada), it is more appropriate to focus on changes in wage levels (as done above) or respect for labour standards rather than time use. On the other hand, the impact analysis for paid and unpaid work is more relevant for developing countries. Following this guidance, the analysis of CETA effects on women will not include the analysis of time use.

<sup>135</sup> We use the occupational definition of entrepreneurs. They are understood as either self-employed without employees or persons managing their own business and having employees. However, there is no distinction made between them regarding the reason for starting own business activity. Moreover, women-owned businesses are understood as those where women have at least a 51% share in ownership.

<sup>136</sup> GEM reports cover businesses that are in the phase of being launched and those not older than 3.5 years. Therefore, they do not provide an overview of a more mature business activity.

entrepreneurs, who replied, 604 (i.e. 73.4%) operate in services sectors. In this context, the economic analysis suggests that CETA did not have a noticeable impact on production levels in services. However, the economic analysis focuses only on cross-border trade in services, which represents one of the four modes in which services can be traded. Therefore, it is likely to underestimate CETA effects on services and women-owned businesses in this context. This means that the Agreement may have had an effect on some of the 80% of women-owned businesses in the EU, while it is not possible to quantify it.

Additionally, some effects may be generated by policy dialogue and regulatory cooperation. For example, as discussed in Section 3.2.2. on consumers, the EU and Canada have negotiated and adopted within CETA the Mutual Recognition Agreement (MRA) covering professional qualifications by architects (European Commission, 2023h; 2024c). Once it enters into force, the MRA will facilitate the provision of services offered by architects from the other Party. This, in turn, means that women who own such businesses will benefit from easier market access in both directions. In 2022, women represented 46% of architects in Europe, compared to 36% in 2012. Therefore, if this trend continues, women are likely to benefit from the new measures almost equally as men<sup>137</sup> (In Canada, women account for 37.9% of architects, and additionally face lower pay, slower promotion and challenges related to return to work after parental leave. Hence, they may be less likely than men to use the new opportunities under CETA (Jakob, 2025)).

Regarding other sectors, in the survey conducted by the Eurochambres Women's Network (2023), 58 respondents (7.0%) owned businesses operating in agriculture, 32 (3.9%) in food and drink production, 30 (3.6%) in textile, clothing and leather sectors, 29 (3.5%) in mechanical and electrical equipment industry, 10 (1.2%) in chemical industries, 8 (1.0%) in metal production, 7 (0.8%) in forestry, wood, pulp and paper production, 3 (0.4%) in mining, 2 (0.2%) in shipping and fisheries and 1 (0.1%) in oil and gas sectors. In another survey among female entrepreneurs (Cooney, 2021), which attracted 316 responses from 25 EU MS, 4.5% of those who already operated a business were active in agriculture, 10.2% in food and beverages, and 7.0% in other manufacturing (the remaining 73.2% in services, 1.3% in construction and 1.3% in utilities).

While the likelihood of positive effects of CETA depends on the exact business specialisation (e.g. meat and dairy production in agriculture or their processing in the manufacturing industry), based on the above, one can conclude that at least some of women-owned EU businesses operating in agriculture, food and drink production and textile, clothing and leather sectors (in total, around 14.5% of respondents in each of the two above surveys) may have benefitted from CETA, including from higher demand for their products. On the other hand, there is also a possibility that some women-owned EU businesses operating in agriculture have been affected negatively by the Agreement. For example, in Italy, where imports of the Canadian wheat started increasing in 2020, farms owned by women (of all types, not only in the grains sector) represent a slightly larger share than the EU average of 30% and hence, may potentially be affected by increased imports (Fanelli, 2022). However, as pointed out by Italian stakeholders in this study's online seminar for Italy, the country is not self-sufficient in wheat growing for production of pasta and other products. Therefore, depending on the ratio between imports from Canada and the market gap, imports are not expected to have had a negative effect on Italian wheat growers. Moreover, since 2022, further increases in imports of grains from Canada could have been the result of trade diversion of grains away from Ukraine and Russia after the start of the war in Ukraine.

#### *Canada*

According to the economic analysis, CETA has contributed to production growth in sectors including grains (0.4%), other food (0.5%), textiles, clothing and leather (0.7%), chemicals (0.5%), automotives (0.3%), other transport equipment (0.8%), water transport (1.6%), communications (0.3%), and business services (0.1%). The economic model also estimates output fall in sectors including red meat (0.2%), dairy products

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<sup>137</sup> For further information regarding architects in Europe, see: <https://culture.ec.europa.eu/cultural-and-creative-sectors/architecture>

(2.4%), pharmaceuticals (0.2%), computer, electronic and optical products (0.5%), and electrical equipment (0.3%).

According to the Global Entrepreneurship Monitor (GEM) report, in 2022, 3.5% of women's businesses in Canada were active in agriculture and mining, 24.7% in manufacturing and transportation, 25.9% in wholesale and retail trade, 14.1% in healthcare, education and social services, and 31.8% in financial, professional, and administrative services. There is no data for women's businesses in ITC services in that year (GEM, 2023), while in 2019, 5.1% of women's firms operated in this sector (GEM, 2019). National data collected in the Survey on Financing and Growth of Small and Medium Enterprise are also aggregated in large groups, with agriculture and manufacturing, each considered as one sector (Bélanger Baur, 2019; Statistics Canada, 2022d).

Due to a high degree of data aggregation in the above surveys, it is not possible to conduct a detailed analysis of CETA effects on women-owned businesses in agriculture and industry by sector corresponding to a sector break-down from the economic analysis. One can only conclude that some of them may have been affected positively and some potentially negatively by the Agreement, depending on the sector or type of activity.

Regarding service sectors, according to the Survey on Financing and Growth of Small and Medium Enterprise, in 2017,<sup>138</sup> 30.3% of women-owned businesses in Canada operated in professional, scientific and technical activities, 17.9% in wholesale trade, 13.7% in retail trade, 10.6% in warehousing and transportation, 4.4% in information and cultural activities, 4.2% in construction, 2.6% in accommodation and food services, and 2.2% in other services (Bélanger Baur, 2019). Also in this case, a degree of aggregation and a break-down different than in the economic model allow for only a very general conclusion. Accordingly, some of the 30.3% of women-owned businesses active in professional, scientific, and technical activities, some of the 10.6% in warehousing and transportation, and some of the 4.4% operating in information and cultural activities may have benefitted from the additional demand for their sectors' work generated by CETA.

### **Effects on women as traders (exporters)**

In this part of the analysis, CETA effects on bilateral exports across sectors are compared to an overview of sectors where women-owned enterprises in the EU/Canada operate and are engaged in exports. In this way, CETA effects on women as traders can be evaluated.

#### *European Union*

According to the economic analysis, the Agreement supported EU exports growth in sectors including red meat (€68 mln), dairy products (€202 mln), other food (€215 mln), textile, clothing and leather products (€1.2 bn), other manufacturing (€644 mln), chemicals (€448 mln), rubber and plastics (€210 mln), machinery and equipment (€84 mln), automotive (€1.1 bn), other transport equipment (€76 mln), and other services (€1.2 bn).

According to a 2019 study based on interviews with firms from 12 EU MS, women-owned EU businesses are well represented in EU exports of clothing, fresh and processed food, agrifood products, and electronic components. They also export (although to a lower degree) wood and paper products, chemicals, textiles, and leather. Regarding destination markets, Canada ranked 7<sup>th</sup> among export destinations for women's enterprises and did not feature in the list of top ten countries in imports origin. The study did not analyse exports in services (European Commission & ITC, 2019). Based on the above, one can conclude that EU women exporters of clothing, textile, and leather products may have in particular benefitted from the Agreement (although no further details regarding the product structure of exports by women-owned EU firms to Canada under CETA are available).

Women exporters may have also benefitted from certain CETA provisions that facilitate trade. For example, tariff reductions in agricultural and food products exported from the

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<sup>138</sup> Data from a more recent survey (2020) are aggregated in a different way and present women-owned businesses as a share of all businesses in a given sector. This means that a comparison of trends over time is not possible (Statistics Canada, 2022d).



EU to Canada have supported women exporters of those products, including cheese. There is some anecdotal evidence of women cheese producers, e.g. in Italy, Portugal, and Spain (Forever Cheese, 2019). While the study team has not identified any wider data regarding cheese exports to Canada by women-owned companies, based on information from several online stores, one can conclude that some cheese brands produced by women in Italy and Spain are exported to the US and Canada. The latter may have benefitted from the cheese TRQ under CETA (see Annex V.1). Moreover, as Canada and the EU agreed to reduce NTMs and accept each other's conformity assessment certificates, e.g. for electronic and radio equipment,<sup>139</sup> women-owned enterprises which produce and export electronic components may have used this cost-cutting and trade facilitating opportunity on their own or as part of a value chain (European Commission & ITC, 2019).

### *Canada*

According to the economic analysis, the Agreement has supported growth in Canadian exports to the EU in sectors including grains (€79 mln), other agriculture (€78 mln), dairy products (€48 mln), other food (€317 mln), textile, clothing and leather (€80 mln), other manufacturing (€62 mln), chemicals (€370 mln), rubber and plastics (€61 mln), metals (€89 mln), machinery and equipment (€138 mln), automotive (€106 mln), other transport equipment (€307 mln), trade services (€68 mln), water transport (€107 mln), communications (€340 mln) and business services (€326 mln).

The 2020 survey on financing and growth of SMEs provides data only in large, aggregated groups for women-owned businesses. Accordingly, 10.4% of all women-owned businesses were engaged in exporting activity, which represented a growth from 5.0% in 2011 and a slight fall from 11.1% in 2017 (the latter, however, may reflect the impacts of the COVID-19 pandemic on trade activity in 2020). Moreover, out of those women-owned businesses which exported, in 2020, 39.6% exported only goods, 50.2% exported only services and the remaining 10.2% exported both goods and services (Statistics Canada, 2022d). Due to data aggregation, it is, therefore, not possible to conclude to what extent women-owned exporting businesses traded in sectors benefitting from export increase thanks to CETA.

Regarding destination, 30% of women-owned businesses engaged in international trade exported in 2020 to Europe (excl. the UK) compared to 36% in 2017 (Statistics Canada, 2022d). This decline could be caused by a combination of the COVID-19 pandemic and a relative increase in exports from Canada to China compared to previous years. According to another survey conducted in 2021, 8.9% of responding businesses where women had the majority ownership and which were engaged in international trade, declared to trade under CETA (compared to 10% of all businesses).<sup>140</sup> When the remaining women-led enterprises were asked in this survey about the reasons for not using an FTA, the main response was the lack of knowledge of trade agreements and applicable rules, followed by a response that the goods produced by the respective company did not qualify for trade under an FTA due to rules of origin (Trade Commissioner Service, 2022a) – see also Section 2.10. One can, therefore, conclude that there is a group of women-owned Canadian businesses exporting to the EU under CETA and benefitting from opportunities offered by the Agreement. However, as they represent less than one third of women-owned firms exporting to Europe, there may be potential to increase that group if the obstacles faced by them in the use of CETA can be addressed.

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<sup>139</sup> EU-Canada Agreement explained: [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/canada/eu-canada-agreement/agreement-explained\\_en#duties](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/canada/eu-canada-agreement/agreement-explained_en#duties)

<sup>140</sup> In the same survey, 41.6% of responding businesses where women had the majority ownership and which were engaged in international trade, declared to trade under the Canada-US-Mexico Agreement (compared to 40.9% of all businesses), and 5.1% under the CPTPP (compared to 7.8% of all businesses) (Trade Commissioner Service, 2022a).



### 3.4.2 Implementation of the Joint Recommendation on Trade and Gender

Policy approaches of the Parties and stakeholder positions regarding gender equality in trade agreements have been outlined in detail in Annex VI. They include the commitments to ratify and effectively implement relevant ILO and UN conventions, collect and process gender-disaggregated data related to jobs, enterprises, and trade and analyse gender-related impacts of trade agreements. Other elements include the promotion of women's education and careers in fields such as STEM (science, technology, engineering, and mathematics) and sectors benefitting from trade agreements as well as support for skills development (e.g. digital skills). The analysis of the implementation of the Joint Recommendation on Trade and Gender that follows below considers, among others, how the Parties have addressed the above aspects.

In 2018, the CETA Joint Committee adopted a Joint Recommendation on Trade and Gender (Joint Committee, 2018). In its implementation, the Parties followed the priorities listed in the text itself and in their respective policy approaches and stakeholders' requests. They exchanged information about the situation of women in the labour market and measures taken by the Parties in support of gender equality, e.g. name-blind recruitment procedures, support to women in STEM careers, and legislation on pay equity or maternity leave (Joint Recommendation on Trade and Gender, 2019). Bilateral meetings were complemented by cooperation activities. For example, in a workshop held in April 2019, the participants discussed elements of a policy environment that is necessary to support women's economic empowerment. This includes measures and legislation from outside the trade policy area, such as equal access to education and skills development, parental leave, and affordable childcare facilities (Joint Recommendation on Trade and Gender, 2019a).

EU MS and Canada have also progressed in the ratification of international conventions that focus on women's rights and non-discrimination. While the UN CEDAW and the ILO fundamental Conventions No. 100 and 111 had been ratified by all Parties prior to the start of the provisional application of CETA, ratifications of other conventions followed since then. For example, Canada and 13 EU MS (see Chapter 5) have ratified ILO Convention No. 190 (harassment and violence), and three EU MS have ratified ILO Convention No. 189 (domestic workers). Additionally, 13 MS (all before 2017) have ratified ILO Convention No. 156 (workers with family responsibilities). Canada has not yet ratified ILO Conventions No. 189 and 156 (ILO, NORMLEX).

The Parties also focused on women as entrepreneurs and traders. In 2018, they organised a mission of Canadian businesswomen to the EU, and in 2019 a workshop, where participants (over 80 representatives of business, civil society, international organisations and the EU MS) discussed specific needs of women-led or women-owned enterprises that are often small and operate in services sectors. Measures that can be taken by the Parties in this context include facilitating networking among businesswomen, adapting funding schemes for enterprises, simplifying processes required to utilise trade agreements and applying supplier diversity programmes to include more female entrepreneurs (Joint Recommendation on Trade and Gender, 2019a). This was followed by a roundtable held in July 2019 in Canada to hear from businesswomen about opportunities brought about by CETA and the challenges they had faced in utilising it. In September 2019, the EU held a conference discussing women's participation in international trade, challenges faced by women's enterprises and ways to address them. In two other events hosted by UN Women under the EU-funded "We Empower" project, participants also discussed businesswomen's success stories and challenges under CETA<sup>141</sup> and gender responsive trade agreements (Joint Recommendation on Trade and Gender, 2020). In 2021, the Parties co-hosted a webinar on trade, gender, and standards (Global Affairs Canada, 2021).

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<sup>141</sup> Reported challenges included problems with access to finance, limitations regarding professional mobility under CETA (restricted to key personnel), the diversity of the EU as a destination market for exports, with each Member State having its own specificity (on the other hand, EU exporters pointed to struggles with demanding requirements of the Canadian food labels), and the fact that women's enterprises often operate in services sectors and services tend to be more difficult to export than goods. The success stories included commercial activity set up in Canada by EU businesswomen, increased imports from the EU, and a possibility to sell goods at lower prices to the Canadian consumers further to tariff reduction at the start of CETA application (see: <https://www.youtube.com/watch?v=JbHQQH83-Q>).

Canada and the EU also discussed initiatives aimed at supporting women entrepreneurs, such as Canada's Women Entrepreneurship Strategy and Businesswomen in International Trade and EU's WEgate and Enterprise Europe Network (Joint Recommendation on Trade and Gender, 2019b). In March 2024, at the Civil Society Forum, Canada presented outcomes of a study regarding the participation of underrepresented groups, including women and Indigenous Peoples, and their businesses in international trade, including EU-Canada, under CETA (CSF, 2024). In April 2024, the Parties held an event engaging businesswomen and trade promotion agencies from the EU and Canada. It supported network building and exchange of information and ideas about what can be done to further support women-led and women-owned enterprises engaged in trade, notably under CETA (interview with officials).

Given the importance of analysing gender-related impacts of trade agreements, Canada and the EU also exchanged information about their respective approaches to it and lessons learned from their practical application. Canada presented its Gender-Based Analysis Plus (GBA+) fully applied for the first time in 2018-2019 to accompany negotiations of a trade agreement between Canada and Mercosur. The EU informed about the gender equality impact analysis, based on the UNCTAD Trade and Gender Toolbox and applied since 2018 and the Sustainability Impact Assessment (SIA) for a modernised agreement with Chile. The Parties acknowledged that data availability remained an obstacle in this analysis (Joint Recommendation on Trade and Gender, 2019c). It was followed by a discussion on data and methodology used in assessing women's participation in trade and the related impacts on their jobs and wages (Global Affairs Canada, 2021a; UNCTAD, 2018). The EU has also provided funding for a G7 "We Empower" initiative. This included a publication showing, based on data from Canada and the EU and CETA provisions, the situation of women as workers and entrepreneurs in both Parties and channels through which a trade agreement may have an impact on them and women-owned/women-led enterprises (UNCTAD et al, 2020). At the 2020 Civil Society Forum meeting, civil society highlighted to the Parties a need to consider COVID-19's impacts on women and stressed the importance of women's engagement in trade, including in supply chains (CSF, 2020). The Parties have also agreed to cooperate in the WTO framework to pursue the initiatives related to the Buenos Aires Declaration on Trade and Women within the Informal Group on Trade and Gender (TSD Committee, 2019; 2020; 2022; 2024a).

The engagement with officials confirmed the overall positive evaluation of cooperation on trade and gender between the EU and Canada, the constructive approach of the Parties and the willingness to conduct joint activities with the engagement of diverse actors on both sides. It extends beyond the bilateral relationship into the multilateral area, including the WTO framework. The views of interviewed stakeholders are that it would be best to continue the cooperation on trade and gender without longer breaks (there was one during the COVID-19 pandemic) and with concrete activities which will be included in the joint work plan. Also, as more EU trade agreements now include provisions dedicated to trade and gender, it would be good to use the experience from the EU-Canada cooperation in the implementation of other FTAs. The interviewed officials also appreciated the dialogue with civil society, notably members of the DAGs, on trade and gender.

## 4 ENVIRONMENTAL ANALYSIS

This chapter provides an analysis of the environmental impact of CETA. In Section 4.1 the step-by-step approach is presented. Section 4.2 summarises the baseline analyses for each of the impact areas. In Section 4.3, the impact screening & scoping matrix of environmental issues is populated, and based on that the impact analysis is carried out in Sections 4.4 and 4.5 for 'climate change & air quality' and 'natural resources & biodiversity' respectively. Section 4.6 is the summary of the Case Study on Environmental Goods and Services (EGS).

### Key findings:

- The impact of CETA on greenhouse gas (GHG) emissions in both the EU and Canada has been largely insignificant since the provisional application in 2017. Quantitative analysis indicated that energy demand has increased by 0.02%, with Malta experiencing the largest increase (0.05%), while all other EU MS recorded changes below 0.02%.
- CO<sub>2</sub> emissions per capita have decreased by 0.9% in Canada and 0.2% in the EU as a result of CETA.
- The impact of CETA on freight emissions has been negligible overall.
- Other GHG emissions, such as methane, have either remained unaffected, or declined marginally.
- Trade diversion, caused by increased EU-Canada trade displacing trade with third countries, has helped mitigate potential emissions growth.
- The quantitative results on natural resources and biodiversity point towards a negative albeit marginal impact of CETA on land use change. As a result of CETA, there has been an overall combined increase of land use for agriculture of 1.5mln hectares in both partners (0.7% of total agricultural land use in both regions). The decrease in land use from other countries as a result of CETA could not be qualified as available data on land use intensity indicators for these countries remains insufficient.
- The overall impact of CETA on energy demand for fossil fuels and other raw materials has been negligible. The textiles, clothing, and leather sector experienced the most significant sectoral increase of 0.25%, followed by red meat production and the automotive sector.
- The complementary qualitative analysis demonstrates a concerning situation in terms of general evolution of biodiversity and ecosystems when looking at the sub-variables of the Environmental Performance Index (EPI), the Biodiversity Intactness Index (BII), and the Living Planet Index (LPI). However, no direct link has been identified between CETA and these trends, based on observed production effects and stakeholder input.
- Trade in environmental goods (EG) was 11.6% higher in the post-CETA period than in the pre-CETA period, on average, per year. Exports of EG were 5.6% higher, while imports were 38% higher.
- EU exports in environmental services (ES) were 25.8% higher in the post-CETA period compared to the pre-CETA period, while EU imports were 63.5% higher.

### 4.1 Introduction

The EU and Canada reaffirmed their commitments to the sustainable development agenda at the time of the provisional entry into force of CETA in 2017, building on the momentum of the ratification of the Paris Agreement in 2016. Since then, additional major achievements have been made with respect to environmental policies within the EU under the overarching framework of the European Green Deal published in 2019.<sup>142</sup> These include

<sup>142</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. The European Green Deal, COM/2019/640 final, 11 December 2019; for more information, see [https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en).

but are not limited to the EU Biodiversity Strategy for 2030<sup>143</sup> or the Circular Economy Action Plan 2, both published in 2020. Under the EC's strategy for 2019-2024, implementation of the Green Deal was a top priority.<sup>144</sup> Accordingly, various policies have been introduced to deliver the ambitious targets from the Green Deal, including those outlines in the Fit for 55 policy package. In addition, diplomacy and trade policy have been recognised as tools to promote and enforce sustainable development globally and to support the EU's green transition.

Preventing environmental degradation and climate change have indeed taken on a more central role in the EU policies, including EU trade policy. Environmental objectives have gained a more prominent and integral role in the EU's 2021 "Open, Sustainable and Assertive Trade Policy",<sup>145</sup> and then in the EC Communication on "*The power of trade partnerships: together for green and just economic growth*" aiming to further strengthen the implementation and enforcement of Trade and Sustainable Development (TSD) Chapters of the EU's trade agreements.<sup>146</sup> Finally, the EU's environmental footprint in third countries through its imports has become a key policy topic since studies identified the role of EU consumption in imported emissions through for instance (embedded) deforestation. As a result, the EC adopted legislations such as the Carbon Border Adjustment Mechanism (CBAM) or the EU Deforestation Regulation on deforestation free products (EUDR), which respectively aims to prevent carbon leakage as well as deforestation and forest degradation in third countries driven by EU consumption. In light of these developments, conducting a transparent, evidence-based evaluation of CETA's environmental effects is highly relevant, as it aims to inform the EC on the alignment of existing trade agreements with evolving sustainability policies.

This Section presents the results of the environmental evaluation of CETA across different impact areas. The environmental areas that could have been affected by CETA are defined as follows: (1) climate change and air quality, (2) natural resources & biodiversity (including forests, wildlife and freshwater and marine resources), as well as key environmental parameters such as (3) soil, (4) water and waste, and (5) chemicals management. CETA may create an impact on the environment in two primary ways: 1) trade-related impacts (e.g. tariff preference impacts), as the Agreement influences production levels in certain sectors and for specific products, and 2) governance-related impacts, primarily through the provisions in the TSD Title and bilateral dialogue initiatives, which may affect the environmental policies of both partners in these different impact areas.

However, isolating the specific effects of CETA on the environmental performance of each partner is challenging due to broader policy developments and trends that would have occurred regardless of the Agreement. Additionally, the counterfactual scenario (i.e. the situation in which CETA had not been implemented) is unobservable. A further challenge is the limited availability of sufficient and reliable data, making it difficult to draw robust conclusions.

Given these challenges, the evaluation follows a structured four-step approach:

- **Step 1:** Conduct a baseline analysis of the main environmental impact areas in the EU and Canada in order to identify trends and influencing factors in both governance and trade-related impacts. Detailed baseline analyses are provided in Annex VII, with a summary in Section 4.2.

<sup>143</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. EU Biodiversity Strategy for 2030. Bringing nature back into our lives, COM(2020) 380 final, 20 May 2020.

<sup>144</sup> See [https://ec.europa.eu/info/strategy\\_en](https://ec.europa.eu/info/strategy_en)

<sup>145</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Trade Policy Review – An Open, Sustainable and Assertive Trade Policy, COM(2021) 66 final, 18 February 2021.

<sup>146</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. The power of trade partnerships: together for green and just economic growth. COM(2022) 409 final, 22 June 2022: [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_22\\_3921](https://ec.europa.eu/commission/presscorner/detail/en/ip_22_3921)

- **Step 2:** Use the screening & scoping matrix developed under this ex-post evaluation to identify two environmental impact areas that require further attention.
- **Step 3:** Analyse the impact of CETA on the two main impact areas identified. Additionally, trade in environmental goods and services, is covered as a separate Case Study.
- **Step 4:** Formulate conclusions, recommendations, and proposals for flanking measures aimed at enhancing positive and mitigating potential negative effects.

## **4.2 Baseline descriptions of the five impact areas**

In the context of FTAs, such as CETA, trade liberalisation in goods, services, and investments can function as a driver for change across various economic sectors, affecting greenhouse gas (GHG) emissions, land and resource use, and environmental quality (e.g., pollutants and emissions affecting air, water, or soil quality). The performance baselines in this analysis capture trends in environmental performance, focusing on drivers, pressures, and their effects to identify environmental impact risks for the EU and Canada. This Section summarises the main findings from the baseline analysis. The full baseline analysis can be found in Annex VII.6.

### **4.2.1 *Climate change and air quality***

The baseline analysis of climate change and air quality highlights ongoing efforts in both Canada and the EU to address GHG emissions and air pollution.

In March 2022, the Government of Canada introduced Canada's 2030 Emissions Reduction Plan, outlining a roadmap to reduce emissions by 40-45% below 2005 levels by 2030, building upon the actions outlined in Canada's previous climate plans. However, on 12 December 2023, Canada announced a new 2035 Nationally Determined Contribution (NDC) target (Government of Canada, 2024f), which appears to represent a step back from the 2030 targets set in 2022.

Prior to this, in December 2020, Canada launched its strengthened climate plan "A Healthy Environment and a Healthy Economy" to enhance pollution reduction and environmental protection. As part of this plan, the Government of Canada committed to developing its first National Adaptation Strategy, a decentralised initiative involving provinces, territories, local governments, and Indigenous Peoples.

Canada has also implemented several policy measures targeting energy production and emissions reductions, including an ambitious carbon pricing scheme, clean fuel regulations, a commitment to phase out unabated coal use by 2030, nuclear plant extensions, upstream methane regulations, energy efficiency programmes, and measures to decarbonise the transport sector.

Since 2019, The European Union has strived to achieve its environmental and climate objectives under the European Green Deal. The EU passed the European Climate law in 2021, which reaffirmed the climate neutrality by 2050 pledge and strengthened the intermediate target to reduce 55% of emissions (compared to 1990) by 2030.<sup>147</sup> To achieve this intermediate target, the European Commission proposed a 2030 Climate Target Plan (European Commission, 2021o) and the Fit for 55 Package (Council of the EU, 2024a), which aim to increase efforts for emissions reduction by strengthening and expanding the scope of the EU Emissions Trading System (ETS),<sup>148</sup> significantly improving energy efficiency across the EU including a renovation wave, increase the share of renewable

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<sup>147</sup> Regulation of the European Parliament and of the Council establishing the framework for achieving climate neutrality and amending Regulation (EU) 2018/1999. 2020/0036(COD): <https://data.consilium.europa.eu/doc/document/ST-8440-2021-INIT/en/pdf>

<sup>148</sup> European Commission. Increasing the ambition of EU Emissions Trading System (ETS) [https://climate.ec.europa.eu/eu-action/eu-emissions-trading-system-eu-ets\\_en](https://climate.ec.europa.eu/eu-action/eu-emissions-trading-system-eu-ets_en)



energy in the EU's energy mix, tackle road transport<sup>149</sup> and agricultural sector emissions, while protecting the EU's forests.<sup>150</sup> The European Commission published a communication on 6 February 2024 recommending a 90% reduction in net GHG emissions by 2040 and to reach climate neutrality by 2050.<sup>151</sup> The legal proposal on the EU 2040 climate target is expected to be tabled in 2025.

Canada's overall GHG emissions stagnated between 2005 and 2016, remaining around 750 megatonnes (Mt) of CO<sub>2</sub> equivalent, largely due to increased emissions from the oil and gas sector (+117%) and the transport sector (+36%) during this period. Additionally, coal mining continues to play a significant role in Canada's economy, although most coal exports are metallurgical coal used for the manufacturing of steel rather than thermal coal for power generation.

Between 2000 and 2022, Canada saw its coal exports rise by 15%, making it the seventh-largest coal exporter globally (IEA, 2022). Although Canada has pledged to phase-out coal-powered electricity by 2030,<sup>152</sup> it continues to profit from international coal consumption despite commitments made in its 2021 NDC and at COP27 and COP28 to support a global phase-out (Government of Canada, 2022b; 2024b). That being said, sectors such as industrial combustion (-9%) and waste (-14%) showed some reductions.

Overall, however, Canada appears on track towards its 2030 Paris Agreement emissions reduction target, having reduced domestic coal emissions by 76% between 2000 and 2022, while maintaining its commitment to phasing out unabated coal-powered electricity by 2030 (Government of Canada, 2023b).

In the EU, the ETS has played a key role in reducing emissions in energy and carbon-intensive industries, contributing to a 31% overall reduction in GHG emissions between 1990 (4.7 Gt CO<sub>2</sub> eq.) and 2022 (3 Gt CO<sub>2</sub> eq.). However, projections indicate that by 2030, the EU is expected to achieve a 41% emissions reduction, falling short of the 55% reduction target established under the European Climate Law (see baseline analysis).

With regards to air quality, in 2021, Canada experienced "Good" quality air, in line with World Health Organisation (WHO) recommendations (IQAir, 2023). The country has seen an overall decrease in particulate matter (PM) emissions, with PM<sub>2.5</sub> levels stabilising at around 215,000 tons/year. However, this remains 2.1 times higher than WHO guidelines, with air pollution contributing to approximately 14,600 premature deaths and costing an estimated C\$114bn for the year 2021.

Major sources of air pollution in Canada include human activities that rely on the use of carbon-based or fossil fuels (for example, transportation, off-road vehicles and mobile equipment, as well as power generation), industrial processes such as those related to the production of oil and gas as well as certain products, such as paints and solvents. It is also quite dependent on natural sources of air pollution, such as forest fires.

Air quality in the EU has improved over the past years. However, the main sectors of concern remain the agriculture and transport sectors, which are largely responsible for the emissions of methane (25% from agriculture), ammonia (93% from agriculture), nitrous oxides (53% from transport) and PM<sub>2.5</sub> (20% from transport). Between 2005 and 2020, emissions of these pollutants declined drastically in the EU (NO<sub>x</sub> by 52% and PM<sub>2.5</sub> by 68% Figure 72) with the energy, industry, and transport sectors subject to strong EU

<sup>149</sup> European Commission. CO<sub>2</sub> emission performance standards for cars and vans: [https://climate.ec.europa.eu/eu-action/transport/road-transport-reducing-co2-emissions-vehicles/co2-emission-performance-standards-cars-and-vans\\_en](https://climate.ec.europa.eu/eu-action/transport/road-transport-reducing-co2-emissions-vehicles/co2-emission-performance-standards-cars-and-vans_en)

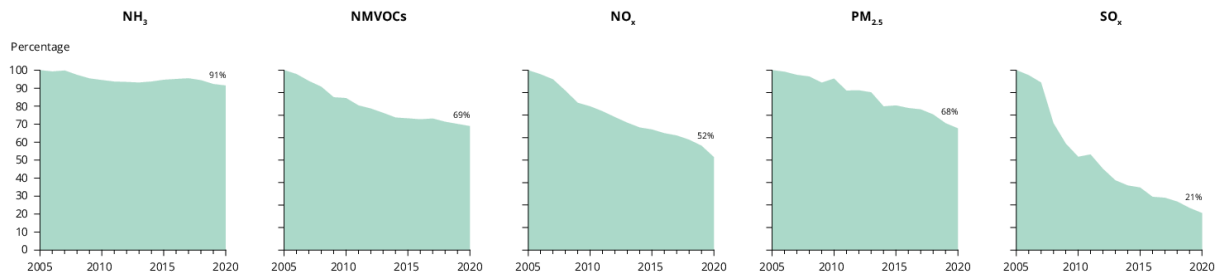
<sup>150</sup> European Commission. Land use, forestry and agriculture: [https://climate.ec.europa.eu/eu-action/land-use-sector\\_en](https://climate.ec.europa.eu/eu-action/land-use-sector_en)

<sup>151</sup> Communication from the Commission to the European parliament, the Council, the European economic and social committee and the committee of the regions Securing our future Europe's 2040 climate target and path to climate neutrality by 2050 building a sustainable, just and prosperous society, COM/2024/63 final. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2024%3A63%3AFIN>

<sup>152</sup> Canada's 2021 Nationally Determined Contribution under the Paris Agreement. [https://unfccc.int/sites/default/files/NDC/2022-06/Canada%27s%20Enhanced%20NDC%20Submission1\\_FINAL%20EN.pdf](https://unfccc.int/sites/default/files/NDC/2022-06/Canada%27s%20Enhanced%20NDC%20Submission1_FINAL%20EN.pdf)

legislation identified as the main responsible for these declines such as the Industrial Emissions Directive, Large Combustion Plant Directive and Euro standards for vehicles (see Figure 72). However, ammonia (NH<sub>3</sub>) emissions have remained stable and even increased in some MS.

**Figure 72: Share of emission reductions of main air pollutants 2005-2020**



Source: EEA (2024j)

Despite significant progress, air pollution in the EU still causes approximately 238,000 premature deaths annually, while ground-level ozone and nitrogen deposition continue to negatively impact ecosystems and reduce agricultural yields.

#### 4.2.2 Natural resources and biodiversity

Both Canada and the EU face considerable challenges in protecting and restoring biodiversity, despite significant progress in establishing frameworks and strategies aimed at mitigating environmental degradation. In Canada, the decentralised governance structure, with responsibilities divided between federal, provincial, and territorial governments and specific policy frameworks for Indigenous communities, complicates biodiversity protection efforts. The federal government, responsible for safeguarding biodiversity on federally controlled lands and waters, operates under several key legislative frameworks, including the Species at Risk Act and the National Marine Conservation Areas Act. Efforts to favour coordinated action for biodiversity conservation across different levels of government also include the articulation, in 2018, of the Pan-Canadian Approach to Transforming Species at Risk Conservation in Canada.<sup>153</sup>

Canada supports a remarkable diversity of tundra, forest, grassland, freshwater, and ocean ecosystems, which provide essential ecosystem services. Nearly 40% of Canada is forests, representing about 9% of the world's total forest cover and close to 25% of the world's boreal forests (Government of Canada, 2024g). Canada is also estimated to host 25% of the world's wetlands, occupying roughly 14% of the country's area, as well as approximately 20% of the world's freshwater resources through 8,500 rivers and over 2 mln freshwater lakes covering almost 9% of Canada's total surface area (CBD, no date).

In June 2024, Canada unveiled its 2030 National Biodiversity Strategy (Government of Canada, 2024c), which was submitted as the updated National Biodiversity Strategy and Action Plan (NBSAP) under the Convention on Biological Diversity (CBD). This strategy aligns with the 23 targets of the Kunming-Montreal Global Biodiversity Framework (KMGBF) and is built around six key pillars:

- Recognising and valuing Indigenous rights in conservation efforts;
- Promoting a whole-of-government, whole-of-society approach for cohesive policies;
- Supporting a resilient economy through sustainable biodiversity management;
- Empowering local, on-the-ground actions;
- Using the best available science and knowledge to guide decisions, and
- Applying integrated and inclusive approaches for transparency and accountability.

Additionally, Canada introduced the Nature Accountability Act, aimed at ensuring transparency and accountability in meeting Canada's CBD commitments. However, as of

<sup>153</sup> Government of Canada (2018). Pan-Canadian Approach to Transforming Species at Risk Conservation in Canada. <https://www.canada.ca/en/services/environment/wildlife-plants-species/species-risk/pan-canadian-approach/species-at-risk-conservation.html>

January 2025, this legislation has not yet been approved. Together, the Strategy and the Act represent critical steps toward fulfilling the nation's biodiversity goals. However, implementing the NBSAP faces governance challenges, particularly in the context of Canada's federal system. While the federal government has jurisdiction over the marine environment, it manages only 6% of the nation's land and freshwater resources. Most of the responsibility for land and natural resource management rests with provincial and territorial governments. Moreover, the crucial role and rights of Indigenous peoples in conservation efforts and stewardship to preserve biodiversity are increasingly recognised in Canada with the recent signing of the Northwest Territories Mill Land for the Future Agreement on 14 November 2024 (Government of Canada, 2024g). Such large-scale Indigenous-led land conservation initiatives aim to cover 2% of land and inland water in Canada toward the national goal of conserving 30% by 2030.

Biodiversity in Canada faces increasing pressures from habitat loss and fragmentation, driven by urbanisation, agriculture, mining, and oil and gas development. The substantial loss of wetlands—up to 88% in certain areas— is one example underscoring the extent of ecological degradation. Climate change further exacerbates these issues, with Arctic Sea ice having diminished by 34% since 1979, posing severe risks to regional ecosystems and species (and to Inuit culture, food security and socio-economic well-being – as per the Inuit Circumpolar Council report). The decline in Monitored wildlife populations is concerning, occurring at a similar level in northern America (39%) as it does in Europe (35%). The country's natural areas also include critical habitat for species at risk on land and at sea and Canada's terrestrial protected areas increased steadily over the past decades to cover 12.7% of its terrestrial area (land and freshwater) and 9.1% of its marine territory as of December 2022. Although encouraging, Canada will require significant additional efforts to meet its own 2025 and 2030 targets.

In the European Union, biodiversity conservation has so far been primarily governed by the Birds and Habitats Directives, which set out the legal framework for protecting and managing the Natura 2000 network of protected areas. This legislation is bolstered by additional regulations, such as the Water Framework Directive and the Invasive Alien Species Regulation. The EU also implements the EU Wildlife Trade Regulations to enforce the provisions of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) uniformly in all EU countries. The main regulation in this set is the Council Regulation on the protection of species of wild fauna and flora by regulating trade therein.<sup>154</sup> The last major milestone in terms of EU biodiversity-related legislation was the adoption of the EU Nature Restoration Law (NRL) which entered into force in July 2024.<sup>155</sup> EU MS are now expected to develop their National Restoration Plans and submit them to the European Commission by July 2026.

In May 2020, the European Commission published its Biodiversity Strategy for 2030 (EU BDS), which it also submitted later in 2023 as its NBSAP. The EU BDS outlines a series of actions and measures to set EU biodiversity on a path to recovery by 2030. It is non-binding, but it has driven the adoption of binding legislation, which contributes to advancing KMGBF implementation. Most importantly, the EU BDS called for the adoption of legally binding targets on restoration, which resulted in the adoption of the Nature Restoration Law (NRL) in July 2024. The NRL is a crucial step for achieving both the goals of the EU BDS and KMGBF and will also contribute to the achievement of binding environmental goals under the Habitats and Birds Directives, among others. The NRL sets the ambitious overarching goal of restoring 20% of the EU's land and sea areas by 2030, as well as more specific targets for protected terrestrial, coastal and freshwater and marine areas, and for agricultural, forest, urban ecosystems outside of protected areas and for pollinator populations and river connectivity. It requires EU MS to prepare and submit National Restoration Plans two years into the adoption of the law, which will set out how they are planning to implement the law and contribute to the laws' targets and objectives.

<sup>154</sup> Council Regulation (EC) No 338/97 of 9 December 1996 on the protection of species of wild fauna and flora by regulating trade therein <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A01997R0338-20230520>

<sup>155</sup> Regulation (EU) 2024/1991 of the European Parliament and of the Council of 24 June 2024 on nature restoration and amending Regulation (EU) 2022/869 (Text with EEA relevance). <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32024R1991&qid=1722240349976>



Despite these efforts and some progress with signs of recovery in some areas, European biodiversity still suffers as wildlife population continues to shrink (WWF, 2024), and most protected habitats and species have either poor or bad conservation status due to the destruction of habitats, overexploitation of resources, pollution, climate change, the introduction of invasive species, urban sprawl and landscape fragmentation (EEA, 2024k). The WWF Living planet report also states that the average size of monitored wildlife populations has shrunk by 35% in Europe, as measured by the Living Planet Index (LPI) (WWF, 2024). Meanwhile, only 15% of habitat assessments at the EU level show a good conservation status, while most of them continue to show poor (45%) or bad (36%) status. Over 60% of the assessed species show poor or bad status. Reptiles and vascular plants have the highest proportion of good conservation status. Fish have the greatest share of bad conservation status, although recent efforts on management efforts have led to some stock recovery, mainly in the North-East Atlantic Ocean, where 62% of the assessed stocks are under good environment status (EEA, 2024b). The situation is more critical in the Mediterranean and Black seas, where 73% of the assessed stocks are deemed overfished. Overall, a high proportion of assessed marine species and habitats continues to be in “unfavourable conservation status” (EEA, 2024k).

#### 4.2.3 Agriculture, Soil and Land Use

The baseline analysis on agriculture, soil, and land use under the Canada-EU Trade Agreement (CETA) revealed significant environmental challenges and governance complexities in both Canada and the European Union. In Canada, agriculture is governed under a shared jurisdiction between federal and provincial governments, making policy coherence a challenge. Despite frameworks like the Agricultural Policy Framework (2005) and subsequent initiatives such as the Sustainable Canadian Agricultural Partnership in Canada, or recent reforms of the Common Agricultural Policy (CAP) of the EU, agricultural practices from both partners exert substantial pressure on environmental resources.

Unsustainable practices and their impact on specific sectors are deemed to significantly overshoot planetary boundaries, especially on climate issues, with beef production alone representing 340% of the estimated planetary boundary of GHG emission. Combined, global beef, dairy, pork, and poultry production contribute to over half of the pressure on land use, freshwater, and GHG emissions exerted by agricultural activity. These estimates are based on food demand and food group environmental footprints, while planetary boundaries are based on the targets for sustainable food production as determined by the Sustainable Development Goals.

EU and Canadian productions are not solely responsible for such global impact yet the importance of these impactful sectors for both economies as outlined in the economic modelling does point toward the need for careful consideration in the context of the impact assessment of the Agreement.

Canada has one of the highest cropland areas per capita, even though only 8% of its land is suitable for crop production. This is compounded by Canada’s growing role as a global food supplier, with demand for animal-based proteins projected to increase by 68% by 2050, particularly from countries like China and India. Such trends signal an intensifying pressure on Canada’s agricultural and natural resources.

In the European Union, agriculture is governed through the Common Agricultural Policy (CAP), with sustainability reforms introduced in the latest 2023-2027 framework. Agriculture accounts for 11% of the EU’s total GHG emissions, with methane from livestock representing over 54% of these emissions and nitrous oxide from soils contributing another 38%. While agricultural emissions have declined by 2% since 2005, this reduction falls short of the EU’s broader climate goals. Organic farming has expanded across 9.1% of the EU’s utilised agricultural area, but intensive land use and soil degradation remain significant concerns. Approximately 61% of European soils are considered degraded, and the EU is the second-largest global emitter of GHGs linked to drained peatlands. Land use change, particularly in farming on drained peatlands, accounts for around 14% of

agricultural emissions. Restoring just 3% of these peatlands could reduce agricultural GHG emissions by 25%, illustrating the urgent need for more effective land use and soil conservation strategies in the EU.

#### 4.2.4 Water use, waste management, and circularity aspects

Canada's waste management framework involves coordination across federal, provincial, territorial, and municipal governments. Provinces play a central role in practical implementation. Despite ambitious waste reduction efforts, including Extended Producer Responsibility (EPR) programs, waste generation in Canada rose steadily, exceeding 700 kilograms per capita by 2016, up from 671 kg in 2002. The non-residential sector, particularly in provinces with strong industrial bases like Alberta and Saskatchewan, was the main driver of this increase, while provinces like British Columbia and Nova Scotia, with robust waste diversion policies, achieved lower waste generation rates. Despite public policy efforts on circularity in Ontario and British Columbia, Canada's national waste diversion rate in 2016 remained modest at 27.6%, with a notable disparity between the residential sector (37%) and the non-residential sector (17%). Recycling rates also varied significantly by material. While Canada excelled in paper recycling, achieving a 70% recycling rate for paper and cardboard, plastic recycling lagged at only 10%. Despite municipal composting programs, large amounts of organic waste were still sent to landfills. Challenges in non-residential waste management, coupled with the lack of policy harmonisation across provinces, hindered Canada's overall waste management performance. Indigenous and remote communities continued to struggle with inadequate waste management infrastructure, further exacerbating these challenges.

In terms of water governance, Canada's decentralised system, supported by laws like the Canada Water Act and the Fisheries Act, contributed to improvements in water quality, particularly in major bodies like the Great Lakes. However, significant gaps persisted, especially in Indigenous communities, where access to clean water remained a critical issue. In 2016, around 150 boil-water advisories were still in place, underscoring the need for continued investment in water management infrastructure, particularly in underserved areas.

In the European Union, the Waste Framework Directive, the Waste Shipment Regulation and the Water Framework Directive (WFD) form the basic legislative corpus of the EU on the topic. They aim to reduce waste and protect water quality, leading to an 8% reduction in total waste generation per capita from 2010 to 2020 (EEA,2024c). However, municipal waste generation increased to 530 kg per capita by 2021. While 40% of waste was recycled, performance varied significantly between EU MS. Annex VII provides detailed references for these data. Water quality remained a concern, with only 40% of surface waters achieving "good" ecological status, largely due to agricultural pollutants. Recent initiatives like the Farm to Fork Strategy are expected to improve waste management and address agricultural water pollution across the EU in the coming years.

#### 4.2.5 Chemicals management

The Canadian Environmental Protection Act (CEPA), enacted in 1999, and the Chemicals Management Plan (CMP) of 2006 were designed to mitigate the environmental and health risks associated with hazardous substances. By 2016, the CMP had evaluated 2,700 high-priority chemicals, identifying those with significant environmental hazards and subjecting them to regulatory control. Substances such as bisphenol A (BPA) and mercury, both recognized for their detrimental environmental effects, were placed under stringent regulations. The prohibition of BPA in baby bottles and the restriction of mercury-containing products contributed to reducing their release into ecosystems, thereby lessening their long-term environmental impact. Furthermore, Pollution Prevention (P2) plans encouraged industries to limit toxic chemical emissions at the source, promoting improvements in air, water, and soil quality. However, despite these advancements in chemical management, challenges persisted, particularly regarding persistent chemicals like per- and polyfluoroalkyl substances (PFAS) and other persistent organic pollutants (POPs). These substances are known for their resistance to degradation, enabling their accumulation in

ecosystems and wildlife. Their enduring presence in the environment increased risks to biodiversity and human health through bioaccumulation within food chains.

In the European Union, the REACH regulation (2006) aimed to safeguard human health and the environment by regulating hazardous chemicals and promoting the adoption of safer alternatives. By 2016, REACH had facilitated an 11% reduction in the consumption of harmful chemicals between 2004 and 2016, significantly curtailing their environmental impact. This reduction played a crucial role in minimizing the release of substances that pose threats to ecosystems, particularly in relation to air and water pollution. Nonetheless, certain sectors faced challenges in replacing hazardous substances with safer alternatives, allowing these dangerous chemicals to persist in production processes and continue contributing to environmental risks. Non-compliance with REACH regulations also posed a notable challenge. Although compliance rates ranged from 78% to 88%, violations led to ongoing chemical releases that could contaminate water sources, degrade soil quality, and harm biodiversity. While REACH effectively identified Substances of Very High Concern (SVHCs), efforts to fully eliminate their use were slowed by the industry's hesitance to adopt alternatives. Nonetheless, the regulatory framework encouraged innovation in risk management, progressively reducing the environmental footprint of chemical use across the EU.

By the time of CETA's signing, both Canada and the EU had made significant progress in regulating chemicals with severe environmental impacts. However, the persistence of pollutants such as PFAS and the slow substitution of hazardous chemicals continued to present critical challenges to achieving comprehensive environmental protection.

#### **4.3 Prioritising the environmental effects of CETA**

This Section prioritises the five impact areas described in Section 4.2 and Annex VII using the impact screening & scoping matrix. This matrix is a well-established tool in ex-ante impact assessments and ex-post evaluations. It covers all sectors included in the quantitative modelling, which isolates the effects of CETA from other developments for each of the five impact areas. The impact screening process identifies the two “most affected impact areas”, which are then further examined in the detailed impact analyses in Sections 4.4 and 4.5.

##### ***Explaining the screening & scoping matrix***

The screening & scoping matrix (see Table 49) matches the economic sectors included in the economic modelling (vertical axis) to the five impact areas (horizontal axis). The TSD Chapter is also included on the horizontal axis to qualitatively complement the quantitative modelling results that isolate CETA effects.

Apart from the modelling results and the TSD chapter, the selection of impact alerts (priority environmental effects by sector and impact area) is based on: the characteristics and specificities of CETA, the findings from the baseline analysis, and stakeholder inputs.

*Column by column, the screening & scoping matrix works as follows:*

- Column (1) lists the sectors covered in the economic modelling exercise, encompassing the entire EU and Canadian economies.
- Columns (2) and (3) present the effects of CETA:
  - (2) Economic impact:
    - Quantitative effects based on the economic modelling, which isolates CETA's impact. The effects can either be ++ (large: >1% experienced increase in production in a sector); + (medium: 0.5% - 1.0% experienced increase in production in a sector); -/- (medium: 0.5% - 1.0% experienced decrease in production in a sector);
  - (3) Additional impacts:
    - Qualitative effects based on the provisions in the TSD Chapter and dialogues that have taken place over the past seven years since the provisional application of CETA, two effects can be witnessed: (A)

- expected improvements in legislation on sustainable production and value chains in partner countries; and (B) expected improvements in legislation on sustainable agriculture and forestry in partner countries.
- Columns (4) to (9) present the sector-specific environmental effects of CETA:
    - (4) Climate change & air quality impact:
      - (A) (big effect) or (a) (small effect) of increased economic activity leading to higher emissions, accelerating climate change;
    - (5) Natural resources and biodiversity impact:
      - (B) (big effect) or (b) (small effect) of agricultural and industrial production affecting resource use (e.g. raw materials) and land use;
    - (6) Agriculture, soil, and land use impact:
      - (C) (big effect) or (c) (small effect) of agricultural production on agricultural soil and land use;
    - (7) Water and waste management impact:
      - (D) (big effect) or (d) (small effect) of increased economic activities in sectors impacting water and waste management;
    - (8) Chemical management impact:
      - (E) (big effect) or (e) (small effect) of sectoral production affecting chemical use and management;
    - (9) Circularity aspects impact:
      - (F) (big effect) or (f) (small effect) of sectoral production on circularity aspects (e.g. recycling, waste reduction, resource efficiency).

**Table 49: Environmental impact screening matrix**

Sector			Ex-post impact		Environmental status						Priority impact
			Economic impact*	Additional impacts**	Climate change & air quality	Natural resources & biodiversity	Agriculture, soil and land use	Water & waste mgt	Chemical mgt	Circularity aspects	
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Sectors	Primary	Grains	/	A / B		b	c	d	e		
		Other agriculture	/			b	c	d			
		Red meat	/	A / B	a	b	c	d			
		Other meat	/		a	b	c	d			
		Dairy	-	A / B	-A	-B	-C		-e	-F	Yes
		Primary	/	A / B	a	b	c	d			
		Other food	+		A	B	C	D			Yes
		Beverages & tobacco	/			b					
	Secondary	Textiles, clothing & leather products	+	A	A	B		D	E	F	Yes
		Other manufacturing	/		a				e		
		Chemicals	/	A	a	b	c	d	e	f	
		Pharmaceuticals	/			b			e	f	
		Rubber and plastics	/		a	b		d			
		Metals	/		a			d		f	
		Computer, electronic & optical products	-		-A	-B				-F	
		Electrical equipment	/							f	
		Machinery & equipment	/	A	a				e		
		Automotive	/	A	a	b			e	f	
		Other transport equipment	/		a						
	Tertiary	Utilities	/								
		Other services	/								
		Trade services	/		a					f	
		Other transport	+		A						
		Water transport	++		A				E		
		Communications	/			b					
		Financial services	/								
		Business services	/								
		Public services	/					d			
		<b>TOTAL EFFECT</b>			<b>High</b>	<b>High</b>	<b>Medium</b>	<b>Medium</b>	<b>Medium</b>	<b>Medium</b>	

Legend: \* Economic impacts are predominantly based on CGE results, \*\* additional impacts are predominantly based on the TSD chapter

Light green = small positive impact/ Dark green = large positive impact; Light red = small negative impact / Dark red = large negative impact

### ***Prioritisation based on the screening & scoping matrix***

The results of the impact screening & scoping matrix indicate that “Climate change and air quality” and “Natural resources & biodiversity” emerge as “high importance” in terms of most important impact areas for further analysis. These areas are particularly significant due to the effects of CETA on both the agricultural and manufacturing sectors. As a result, the impact of CETA on “climate change and air quality” is examined in Section 4.4, while the effects on “natural resources and biodiversity” - in Section 4.5.

## ***4.4 Impact analysis for climate change and air quality***

This Section provides a detailed analysis of climate change and air quality, the first selected impact area based on the screening & scoping matrix. The analysis begins with an overview of the observed effects of CETA on climate change and air quality, followed by CETA cooperation frameworks in this area.

Climate change, the rise in global temperatures, is the result of significant emissions of greenhouse gases (GHGs) that prevent UV radiation from reflecting back into space, keeping heat increasingly trapped in the atmosphere, which leads to rising global temperatures. Hence, the key effect to analyse for CETA is the impact the Agreement has had on GHG emissions since its provisional application. Emissions can come, among others, from households, firms’ activities and energy demand, from the agricultural sector when production changes and from transport of goods.

Clean air is essential to health and to the environment. However, human activities notably linked to industry, energy production, domestic heating, agriculture and transport cause polluting emissions with detrimental impact on air quality. Air pollution is the number one environmental health problem in the EU and vulnerable groups are affected the most (EEA, 2025). Air pollution also damages the environment and ecosystems through excess nitrogen pollution and acid rain. It is also costly for the economy, as it leads to lost working days and high healthcare costs.

### ***4.4.1 Overall effects of CETA on climate change and air quality***

#### ***Effect of CETA on CO<sub>2</sub> emissions***

Once the effects of CETA are isolated through economic modelling, its impact on CO<sub>2</sub> emissions in Canada and the EU appears to be largely insignificant. In Canada, household emissions increased by 0.09%, while firm emissions rose by 0.01%. In the EU, the increases were even lower, a 0.001% for household emission and 0.0006% for firm emissions. The total increase in CO<sub>2</sub> emissions in both Canada and the EU is estimated at 0.3 megaton (Mt) – a negligible amount compared to overall emissions levels in both economies. Thus, while emissions in both partners have increased, CETA’s contribution to this increase is minimal.

These findings align with the result of Canada’s environmental assessment of CETA, conducted before the Agreement was signed. The study estimated a net increase in emissions of 0.2% (or 1.3 Mt), primarily due to the expansion of economic activities in the sectors of oil & gas, utilities, primary agriculture and paper product and publishing in Canada. This increase represented only 0.2% of total GHG emissions in Canada, which prompted Canada to estimate the potential negative impact arising from the implementation of CETA on Canada’s overall GHG emissions to be small (Government of Canada, 2015). The Trade Sustainability Impact Assessment (Trade SIA) conducted by the EU in 2011 similarly anticipated a potential increase in GHG emissions from the oil sands sector, should CETA expand output in that sector (European Commission, 2011).

The economic analysis does not discern a strong role for CETA in an increase of production in sectors most associated with GHG emissions in Canada. Major impactful sectors, as identified in the baseline analysis, such as primary production of wood and paper, or petroleum, mineral and coal, even experienced a small production decline of 0.2% (or €337 mln). Meanwhile, the situation in the EU in these sectors is estimated to have experienced

insignificant change due to CETA, with an increase in red meat output of 0.06% for instance, and a decrease in primary production (wood, oil, coal, etc.) by 0.01% (or €28 mln).

From an environmental perspective, which focuses on outputs/production of a particular commodity or product in a country as a factor of environmental impact, the CETA effect is thus negligible. That being said, the Agreement has had a more significant bilateral effect in environmentally impactful sectors at the expense of other export destinations. Canadian exports of grains to the EU, for instance, are 20.2% higher than without CETA. Other food product exports are deemed 54.7% higher, while dairy exports are a very significant 219.2% higher with CETA than without. The reverse is also true with EU exports of grains, red meat, and dairy, exports of which have increased by 340.2%, 143.9%, and 201.1%, respectively. This bilateral trade increase is accompanied by a decrease in exports from the rest of the world to Canada and from the rest of the world to the EU, but it still reflects the higher importance of the EU as a trade partner for Canada and thus increased emissions from production (if related to production effects in the EU and Canada) and from international transport of these goods.

Looking at household emissions, changes in emissions following the economic impact of CETA point toward an increase by 0.09% in Canada following CETA. Canada's population increased by 9.7% between 2017 and 2023.<sup>156</sup> This translates into a drop of 0.9% in emissions per capita linked to CETA. For the EU, household emissions increased by 0.001%, with the EU population having increased by 0.6%. This translates into a drop of emissions per capita of 0.2% in the EU. There is some evidence that supports these findings from the economic analysis, as Qirjo et al. (2021) find that there is no statistically significant evidence suggesting an increase of GHGs per capita emissions in the EU and Canada, regardless of the model or statistical method employed in the paper. The study estimates that, on average, a 1% increase of a percentage point in the bilateral volume of trade as a portion of GDP between Canada and a typical EU member could help reduce annual per capita emissions of GHGs in any of the CETA Parties by about 0.57% (Qirjo et al, 2020; 2021).

### ***Effect of CETA on other GHG emissions***

With regards to air quality, the economic modelling does also point toward an insignificant impact of CETA on the main air pollutants identified in the baseline analysis. These estimated changes are summarised in Table 50.

**Table 50: Change in main air pollutant emissions in the EU/Canada (Mt, %)**

Region	Change in CH <sub>4</sub>		Change in N <sub>2</sub> O		Change in NH <sub>3</sub>		Change in NO <sub>x</sub>		Change in PM <sub>2.5</sub>	
	Mt	%	Mt	%	Mt	%	Mt	%	Mt	%
EU	-0.1	0.0	0.0	0.0	-0.8	0.0	-0.4	0.0	-0.3	0.0
Canada	0.2	0.0	-0.1	0.0	-0.2	0.0	2.1	0.0	0.2	0.0
World	0.2	0.0	0.0	0.0	0.3	0.0	0.8	0.0	-0.1	0.0

Source: author from CGE Modelling

For all major air pollutants, there are slight variations in absolute values of emissions with or without CETA. Yet these changes are consistently less than 0.05% and thus can be reasonably considered insignificant. The analysis also shows some positive impact of CETA on the trade of red meat and dairy, for instance, which are strongly linked to methane emissions. But since there is a lot of trade diversion, and with production not being impacted much, there has been a decline in methane emissions in the EU and Canada by 0.2% and 2.4% respectively due to CETA.

### ***4.4.2 Effect of CETA on energy demand at EU and EU MS levels***

Changes in output and trade due to CETA have influenced the energy systems of both the EU and Canada, as different goods produced and traded between the two partners vary in energy intensity.

<sup>156</sup> Statistics Canada (2024).

Table 51 provides an overview of the changes per EU MS resulting from CETA. The energy intensity of goods in the table is calculated based on the EU data on air emissions intensities by NACE, measured in grams of CO<sub>2</sub> per € output.<sup>157</sup>

In line with the overall GHG emission findings, CETA has had a limited overall effect on energy demand in both the EU and Canada. The total increase in emissions due to CETA is estimated at just 0.015% compared to a scenario where CETA had not been implemented.

At a disaggregated level, no EU MS, except for Malta (0.05%), experienced an increase greater than 0.02% or a decrease greater than 0.02% in emissions.

**Table 51: Change in energy demand and CO<sub>2</sub> emissions by EU MS ('0000 tonnes, %)**

Country	Change in energy demand ('000 tonnes)	Change in energy demand (%)	Change CO <sub>2</sub> ('000 tonnes)	Change in CO <sub>2</sub> (%)
Austria	0.6	0.00%	3.4	0.01%
Belgium	-6.4	-0.01%	20.3	0.02%
Bulgaria	-3.7	-0.01%	-4.1	-0.01%
Cyprus	0.1	0.00%	0.2	0.00%
Czechia	0.8	0.00%	1.6	0.00%
Germany	6.6	0.00%	38.0	0.01%
Denmark	0.0	0.00%	9.5	0.01%
Spain	-30.6	-0.01%	-13.8	-0.01%
Estonia	-0.3	0.00%	-0.3	0.00%
EU27	-62.0	0.00%	38.8	0.00%
Finland	4.4	0.01%	1.7	0.00%
France	-1.0	0.00%	15.6	0.01%
Greece	-8.2	-0.03%	-10.0	-0.02%
Croatia	-2.3	-0.01%	-1.6	-0.01%
Hungary	-2.3	-0.01%	-2.7	-0.01%
Ireland	-2.8	-0.01%	4.7	0.02%
Italy	-15.5	-0.01%	-31.1	-0.01%
Lithuania	-0.1	0.00%	0.4	0.00%
Luxembourg	0.6	0.01%	0.0	0.00%
Latvia	0.2	0.00%	0.2	0.00%
Malta	1.6	0.01%	0.7	0.06%
Netherlands	4.2	0.00%	7.0	0.01%
Poland	-1.2	0.00%	3.1	0.00%
Portugal	-6.0	-0.02%	-7.6	-0.02%
Romania	0.3	0.00%	2.7	0.01%
Slovakia	-2.0	-0.01%	-2.3	-0.01%
Slovenia	-3.0	-0.03%	0.1	0.00%
Sweden	4.0	0.01%	3.2	0.01%

Source: simulations conducted by DG Trade; E3ME calculations by Cambridge Econometrics

#### 4.4.3 Effect of CETA freight emissions at EU and EU MS levels

This Section first presents a calculation of the impact of CETA on bilateral and total CO<sub>2</sub> emissions from transporting goods between the EU and Canada, broken by EU MS and mode of transport. Second, it examines the impact of freight emissions on total emissions at the EU MS level, including trade diversion effects with third countries.

<sup>157</sup> Data extracted on 25/10/2024 16:14:34 from Air emissions intensities by NACE Rev. 2 activity: [https://ec.europa.eu/eurostat/databrowser/view/env\\_ac\\_aejnt\\_r2/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/env_ac_aejnt_r2/default/table?lang=en)



### **Effect of CETA-induced freight emissions from bilateral and total EU-Canada trade**

Eurostat bilateral transportation data (by mode) indicate that imports from and exports to Canada occur via rail, road, air, and maritime freight. This analysis includes all components of these emissions, accurately reflecting the full logistics flow.

For example, a good produced in Austria is first transported via road, rail, or inland waterways to an EU port (e.g. Antwerp, Rotterdam). It is then shipped to a Canadian port on the east coast (e.g. Montreal, St. John). Finally, it is transported inland within Canada via road, rail, or inland waterways to reach its final destination.

Table 52 presents the total change in emissions resulting from shifts in transport flows due to CETA, for both the EU as a whole and individual EU MS. Column (1) shows the increase in freight-related CO<sub>2</sub> emissions from bilateral EU-Canada trade (in tonnes). Column (2) shows the share of CETA-induced freight emissions as a percentage of total CO<sub>2</sub> emissions in each EU MS. The analysis shows that CETA-induced emissions from bilateral trade range from 0.001% in Cyprus and 0.002% in Estonia, to 0.039% in Belgium (the highest increase among EU MS).

The impact of CETA on third-country trade flows is presented in Columns (3) and (4), which indicate a negative effect for all EU MS.<sup>158</sup> The third country impact is negative because CETA increases bilateral EU-Canada trade at the expense of some trade between Canada and the EU (and its MS) and third countries. For example, before CETA, France imported lithium from Chile. After CETA, France imports more lithium from Canada and less from Chile. This results in higher emissions from increased lithium imports from Canada, but lower emissions from reduced lithium imports from Chile.

Columns (5) and (6) show net freight emission effect, which combines increased bilateral trade emissions with reduced emissions from third-country trade diversion. From Column (6), it is evident that due to trade diversion from third countries, CETA's overall effect on CO<sub>2</sub> emissions is actually negative for Cyprus, Estonia, Croatia, and Poland. For all other EU MS, the impact is negligible, with the largest increase occurring in Belgium at 0.04%.

**Table 52: Change in total emissions due to changes in freight from CETA (tonne, %)**

	Bilateral trade impact of CETA (t) (1)	Bilateral trade impact of CETA (%) (2)	Third country impact of CETA (t) (3)	Third country impact of CETA (%) (4)	Net CETA effect (t) (5)	Net CETA effect (%) (6)
Austria	9,481	0.01%	-2,023	-0.003%	7,458	0.011%
Belgium	37,372	0.04%	-2,940	-0.003%	34,432	0.036%
Bulgaria	2,878	0.01%	-1,338	-0.003%	1,541	0.004%
Cyprus	90	0.00%	-207	-0.003%	-117	-0.002%
Czechia	6,277	0.01%	-2,994	-0.003%	3,282	0.003%
Germany	51,302	0.01%	-20,411	-0.003%	30,891	0.01%
Denmark	6,152	0.02%	-836	-0.003%	5,316	0.02%
Spain	36,931	0.02%	-7,109	-0.003%	29,822	0.01%
Estonia	332	0.00%	-457	-0.003%	-125	0.00%
Finland	1,991	0.01%	-1,195	-0.003%	796	0.00%
France	25,294	0.01%	-9,267	-0.003%	16,027	0.01%
Greece	16,044	0.03%	-1,636	-0.003%	14,408	0.03%
Croatia	274	0.00%	-552	-0.003%	-277	0.00%
Hungary	4,663	0.01%	-1,554	-0.003%	3,110	0.01%
Ireland	4,538	0.01%	-1,073	-0.003%	3,465	0.01%
Italy	43,032	0.01%	-9,799	-0.003%	33,233	0.01%
Lithuania	753	0.01%	-424	-0.003%	329	0.00%

<sup>158</sup> The reason why the third country impact in column (4) is -0.003% for all EU MS is because for third country effects a central EU point to calculate emission effects is chosen.

	Bilateral trade impact of CETA (t)	Bilateral trade impact of CETA (%)	Third country impact of CETA (t)	Third country impact of CETA (%)	Net CETA effect (t)	Net CETA effect (%)
Luxembourg	1,124	0.01%	-259	-0.003%	865	0.01%
Latvia	281	0.00%	-221	-0.003%	60	0.00%
Malta	175	0.01%	-54	-0.003%	122	0.01%
Netherlands	17,990	0.01%	-4,502	-0.003%	13,488	0.01%
Poland	6,378	0.00%	-9,832	-0.003%	-3,455	0.00%
Portugal	5,148	0.01%	-1,186	-0.003%	3,963	0.01%
Romania	8,873	0.01%	-2,414	-0.003%	6,459	0.01%
Slovakia	2,286	0.01%	-1,149	-0.003%	1,137	0.01%
Slovenia	860	0.01%	-434	-0.003%	426	0.01%
Sweden	7,593	0.02%	-1,193	-0.003%	6,400	0.02%
<b>EU27</b>	<b>298,114</b>	<b>0.01%</b>	<b>-85,059</b>	<b>-0.003%</b>	<b>213,055</b>	<b>0.01%</b>

Source: simulations conducted by DG Trade; E3ME calculations by Cambridge Econometrics

### **Effect of CETA-induced freight emissions by mode of transport**

When considering both imports and exports, as well as the trade diversion effect, CETA has led to an 8% increase in freight emissions from bilateral trade between the EU and Canada (see Table 53).

EU exports account for 64% of these added emissions, while imports represent 36%. There is significant variation in the changes in emissions among EU MS. The largest relative increase in CO<sub>2</sub> emissions from imports has occurred in Lithuania (21%), while the lowest increase has been observed in Finland (2%), France (2%), and Slovakia (2%). The largest relative increase in CO<sub>2</sub> emissions from bilateral exports has occurred in Bulgaria (40%), while the lowest increase has been observed in Malta (2%).

Table 53 also highlights the modal distribution of total emissions increases, reflecting the geographical location of EU MS (by mode of transport). For example, landlocked countries such as Austria and Czechia have shown a higher share of emissions from road transport. Air transport emissions from imports showed less variation across EU MS, suggesting a more uniform increase in air freight-related emissions.

**Table 53: Change in freight emissions from bilateral trade between EU MS & Canada (%)**

EU MS	Imports from Canada				Exports to Canada				TOTAL
	Sea	Air	Road	Total imports	Sea	Air	Road	Total exports	
Austria	22%	12%	22%	<b>14%</b>	11%	9%	11%	<b>11%</b>	<b>11%</b>
Belgium	5%	9%	5%	<b>5%</b>	9%	8%	9%	<b>9%</b>	<b>6%</b>
Bulgaria	3%	12%	3%	<b>3%</b>	14%	59%	14%	<b>40%</b>	<b>11%</b>
Croatia	10%	11%	10%	<b>11%</b>	9%	6%	9%	<b>6%</b>	<b>8%</b>
Cyprus	13%	13%	13%	<b>13%</b>	19%	8%	19%	<b>13%</b>	<b>13%</b>
Czechia	24%	4%	24%	<b>4%</b>	14%	10%	14%	<b>12%</b>	<b>8%</b>
Denmark	12%	17%	12%	<b>13%</b>	9%	4%	9%	<b>6%</b>	<b>9%</b>
Estonia	18%	7%	18%	<b>9%</b>	10%	12%	10%	<b>11%</b>	<b>11%</b>
Finland	1%	13%	1%	<b>2%</b>	9%	6%	9%	<b>7%</b>	<b>4%</b>
France	1%	11%	1%	<b>2%</b>	9%	12%	9%	<b>11%</b>	<b>4%</b>
Germany	2%	12%	2%	<b>4%</b>	11%	9%	11%	<b>10%</b>	<b>7%</b>
Greece	7%	6%	7%	<b>7%</b>	8%	10%	8%	<b>9%</b>	<b>9%</b>
Hungary	2%	8%	2%	<b>3%</b>	18%	13%	18%	<b>15%</b>	<b>11%</b>
Ireland	11%	6%	11%	<b>10%</b>	11%	8%	11%	<b>9%</b>	<b>10%</b>
Italy	9%	7%	9%	<b>9%</b>	10%	24%	10%	<b>15%</b>	<b>12%</b>
Latvia	21%	4%	21%	<b>10%</b>	6%	10%	6%	<b>8%</b>	<b>9%</b>

EU MS	Imports from Canada				Exports to Canada				TOTAL
	Sea	Air	Road	Total imports	Sea	Air	Road	Total exports	
Lithuania	25%	19%	25%	<b>21%</b>	11%	35%	11%	<b>16%</b>	<b>18%</b>
Luxembourg	11%	13%	11%	<b>13%</b>	8%	13%	8%	<b>11%</b>	<b>11%</b>
Malta	14%	10%	14%	<b>10%</b>	8%	2%	8%	<b>2%</b>	<b>5%</b>
Netherlands	6%	11%	6%	<b>8%</b>	10%	18%	10%	<b>13%</b>	<b>11%</b>
Poland	4%	11%	4%	<b>6%</b>	8%	10%	8%	<b>9%</b>	<b>8%</b>
Portugal	11%	11%	11%	<b>11%</b>	16%	37%	16%	<b>25%</b>	<b>17%</b>
Romania	16%	11%	16%	<b>13%</b>	26%	14%	26%	<b>19%</b>	<b>17%</b>
Slovakia	1%	16%	1%	<b>2%</b>	18%	3%	18%	<b>15%</b>	<b>7%</b>
Slovenia	5%	10%	5%	<b>6%</b>	5%	8%	5%	<b>7%</b>	<b>6%</b>
Spain	3%	11%	3%	<b>3%</b>	10%	43%	10%	<b>20%</b>	<b>8%</b>
Sweden	8%	12%	8%	<b>10%</b>	9%	11%	9%	<b>10%</b>	<b>10%</b>
<b>EU27</b>	<b>4%</b>	<b>10%</b>	<b>4%</b>	<b>5%</b>	<b>10%</b>	<b>14%</b>	<b>11%</b>	<b>12%</b>	<b>8%</b>

Source: simulations conducted by DG Trade; E3ME calculations by Cambridge Econometrics

#### 4.4.4 Complementary qualitative analysis

The quantitative results are complemented by a qualitative assessment of the impact of CETA on climate change and air quality. The depth of the qualitative assessment is challenged by the difficulty to ascertain the isolated role of CETA in the evolution of the indicators listed below, although the quantitative analysis is strong evidence that also for the qualitative indicators the impact of CETA on climate change and air quality is likely to have been very small.

#### Environmental Performance Index

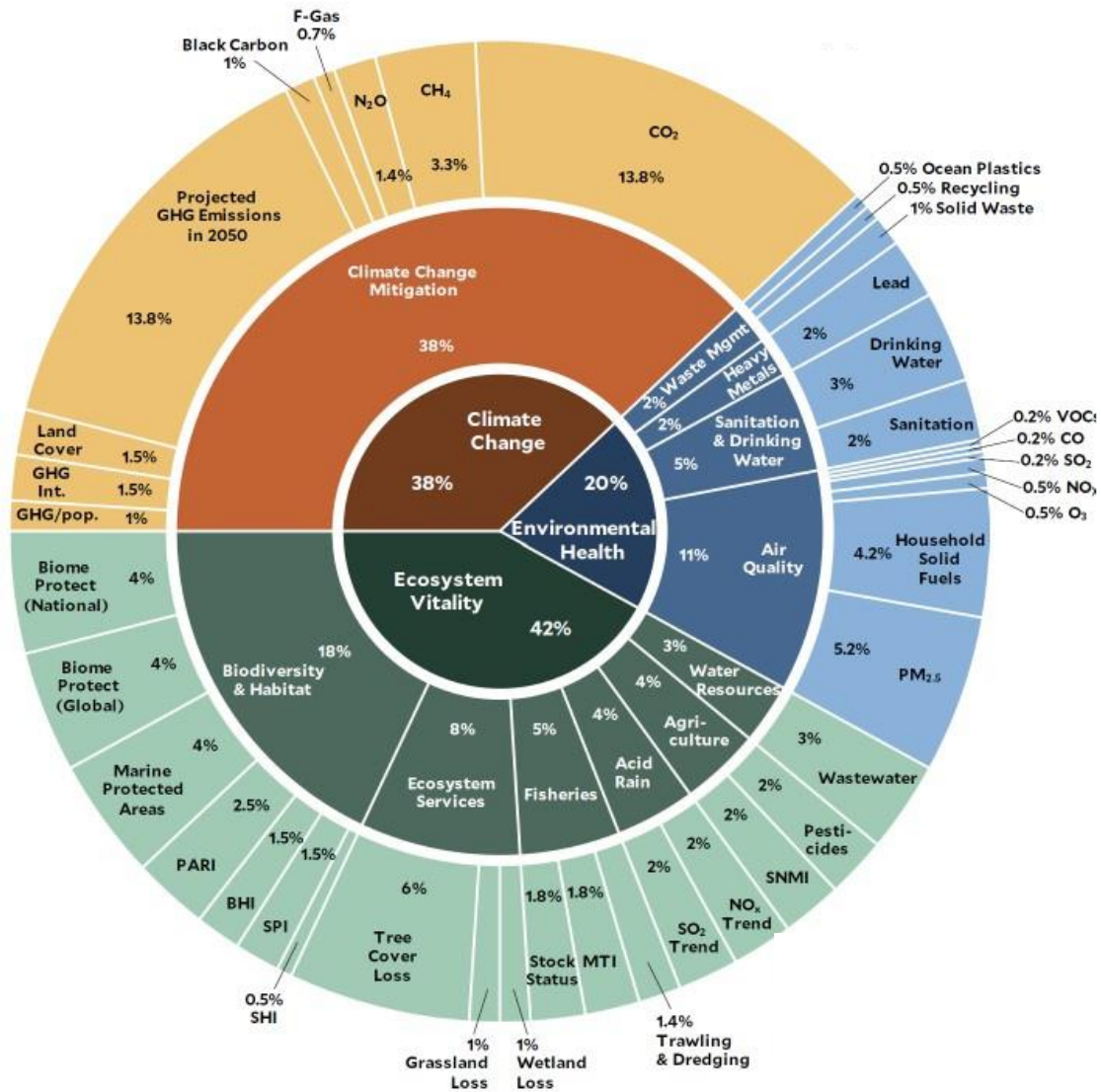
The Environmental Performance Index (EPI) provides a summary of the state of sustainability for 180 countries (see Figure 73). It uses 58 performance indicators across 11 issue categories spread over the three main themes: climate change performance, environmental health, and ecosystem vitality. These indicators give an indication of how close countries are to established environmental policy targets. The EPI offers a scorecard that highlights leaders and helps to provide practical guidance for countries that aspire to move toward a sustainable future.<sup>159</sup> The performance of the EU and Canada in terms of the EPI is hard to compare because the EPI does not treat the EU as a single entity, but instead covers the EU MS separately. Hence, for the EU, an unweighted average of the scores of the individual EU MS is taken.

While the entire EPI is important, for the impact area of climate change and air quality, the performance indicators for climate change performance matter most. These are also related to the quantitative analysis: CO<sub>2</sub> emissions and other GHG emissions (e.g. N<sub>2</sub>O, CH<sub>4</sub>, PM<sub>2.5</sub>). The weight of CO<sub>2</sub> emissions is 13.8% in the indicator, while the weights of CH<sub>4</sub>, N<sub>2</sub>O, and PM<sub>2.5</sub> are 3.3%, 1.4%, and 5.2% respectively. While the EU has remained a leader in the EPI, Canada has consistently ranked around 25<sup>th</sup> place on the EPI for 2014, 2016, 2018, 2020, and 2024, with the exception of 2022 when it ranked 49<sup>th</sup>.

So while EU performance on the EPI is strong, Canada's fluctuates a bit more. The detailed quantitative analysis of emissions shows, however, that this is not related to CETA.

<sup>159</sup> Environmental Performance Index approach and methodology. URL: <https://earthdata.nasa.gov/data/catalog?keyword=epi>

**Figure 73: Environmental Performance Index (2022)**



Source: [EPI \(2022\)](#)

#### 4.4.5 CETA cooperation frameworks

CETA contains Articles for regulatory cooperation between the trade partners on environmental matters under Chapter 22: Trade and Sustainable Development (TSD).

CETA also incorporates other sector-specific avenues for collaboration, including dedicated committees or meetings that cover exchanges on environmental protection measures as well as other relevant measures that may impact trade in natural resources. For example, the revision to the packaging and packaging waste directive was discussed in the Trade in Goods Committee and the Wine and Spirits Committee. Also the Environmental Footprint methodology was discussed in other committees (e.g. the Wines and Spirits Committee). For a detailed overview of the Committees and their structure, coverage, and content discussions, please see Chapter 6.

Article 26.2 establishes a Specialised Committee on Trade and Sustainable Development (CTSD).<sup>160</sup> As part of the implementation of the TSD, Trade and Environment Chapters, the Parties held annual (except for 2021 because of COVID-19) meetings of the TSD Committee.

<sup>160</sup> Library of documents for the Specialised Committee on Trade and Sustainable Development. [https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/d810eef0-b56b-4094-98ed-57a3fe385f6a?p=1&n=10&sort=modified\\_DESlink](https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/d810eef0-b56b-4094-98ed-57a3fe385f6a?p=1&n=10&sort=modified_DESlink)

Such continuous dialogue between both partners to ensure high environmental, social and governance (ESG) standards and regulatory cooperation is particularly relevant considering the representation of natural resources in Canada's GDP and exports to the EU. Moreover, frequent dialogues can facilitate exchange and thus foster mutual understanding on the EU's Green Deal autonomous measures, such as the EU Deforestation Regulation (EUDR) and the European Critical Raw Materials Act (ECRMA) and Canada's sustainability/climate measures, including the Sustainable Mining initiative. Chapter 25 of CETA notably introduces bilateral dialogues as cooperation mechanisms on salient issues such as forest products or (critical) raw materials (see Chapter 6).

Demonstrating commitment to transparency and stakeholder engagement, pursuant to Article 22.5, the Parties also held annual discussions with the Civil Society Forum prior to the TSD Committee meetings and de-briefed the EU and Canadian Domestic Advisory Group (DAG) Chairs on the outcomes of discussions in the Committee. Moreover, the Commission representatives have participated in EU DAG meetings and there was an agreement to engage with civil society between sessions of the TSD Committee.

The first intersessional meeting took place in September 2024. Officials interviewed for this study emphasised a positive and constructive engagement with civil society, in particular with the DAGs. The Parties were open to receiving their views and listening about the areas of importance, and some of those have already been included into the list of agenda items to be discussed during the annual Civil Society Forum. Stakeholder interviews related to CETA cooperation frameworks note a positive, constructive relationship that has built trust between two like-minded partners. The meeting reports from the CTSD indicate that bilateral exchanges on the respective cooperation and dialogue topics intensified. The CTSD focused on three recommendations:

- On trade and Small and Medium-sized Enterprises (SMEs);
- On Climate Change and the Paris Agreement, and
- On Trade and Gender.

The CTSD marked some advancements in terms of the exchange of information on relevant policy developments in both partners, especially pertaining to the priorities outlined above. The three available CTSD Joint Workplans<sup>161</sup> for 2020-21, 2022-23 and 2023-24 notably highlight that the EU and Canada have explicitly put talks concerning climate and trade as a priority of the CTSD meetings and EU-Canada cooperation. Specifically, through the Joint work plans, the Parties engage in the context of international events, organise bilateral events such as the CleanTech Workshop and Summit as well as work together in bilateral and multilateral discussions on the Carbon-Border-Adjustment Mechanism (CBAM), carbon pricing, trade and climate, including at the World Trade Organisation's (WTO) Committee on Trade and Environment (CTE) and the Trade and Environmental Sustainability Structured Discussions (TESSD).

The evolution of the CTSD Joint work plans from 2020 to 2024 shows that most of the planned actions have been carried out and implemented by the two parties. The implementation of the Workplans seem to have incentivised Canada and the EU to mutually reinforce their role in international multilateral fora, engage with other parties by hosting regular dialogues on climate, environment, energy and ocean governance, and promote joint multilateral initiatives such as the Ministerial on Climate Action that took place in March 2021. The EU-Canada Green Alliance was established in November 2023 in parallel to these structured bilateral dialogues, highlighting their benefits in terms of the exchange of information and fostering complementary initiatives by both partners (European Commission, 2023j). Green Alliances are presented as the most comprehensive form of bilateral engagement established under the European Green Deal, with both parties committing to climate neutrality and aligning their domestic and international climate policies to this overarching goal. Both parties acknowledged the importance of their existing collaborations, including arguable through the role of CETA in reaching the agreement (European Commission, 2023k).

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<sup>161</sup> Library of documents on the Committee on TSD meeting reports, agendas & work plans: [https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/d810eef0-b56b-4094-98ed-57a3fe385f6a?p=1&n=10&sort=modified\\_DESC](https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/d810eef0-b56b-4094-98ed-57a3fe385f6a?p=1&n=10&sort=modified_DESC)



The sixth and latest meeting of the CTSD was hosted by Canada in April 2024. Interviews with stakeholders involved in the meeting indicate that Canada and the EU continued their exchanges on issues identified as priority areas (trade and gender issues, carbon pricing, collaboration at the WTO, etc.). Partners also further validated their collaboration in the context of the green alliance by agreeing that joint action under that framework was a key priority to help achieve the shared aim of becoming climate-neutral by 2050. The co-chairs of the Canadian and the EU DAGs joined the committee meeting to debrief the work of the CTSD and the outcomes of the Civil Society Forum of March 2024. The CTSD and the DAGs agreed to deepen their ongoing collaboration through an annual intersessional meeting between each CSF meeting, thus formalising further the link between the work of the CTSD and civil society in line with recent commitments made by the EU in the context of the TSD review. Most importantly, Canada and the EU have agreed to update the current workplan of the TSD Committee under a 2-year timeline (2024-2026). The extension of the timeline aims to allow the partners to ensure adequate time to implement the list of priority cooperation areas and activities. This latest CTSD thus marks a notable increase in the ambition of the collaboration between both partners in the context of CETA.

Overall, analysis of the meeting reports suggests that CETA can contribute to the achievement of Nationally Determined Contributions (NDCs) of both Canada and the EU in the form of increased cooperation on climate measures and overall intensification of bilateral and multilateral cooperation on climate policies and action between the Parties. In particular, it can be noted that the CTSD and CETA Joint Committee recalled the parties' commitment to effectively implement the Paris Agreement. Both initiatives have been instrumental in coordinating joint efforts in multilateral fora to foster sustainable trade and address climate change. One missed opportunity may be that the CTSD meetings have not pushed the implementation of the Paris Agreement more to the foreground in parallel to joint multilateral efforts through other channels such as UNFCCC Conferences of the Parties (COPs). The role of CETA as a vector to cement and accelerate bilateral cooperation between the EU and Canada on climate action is also acknowledged by stakeholders interviewed.

Regarding the role of Civil Society, interviews with stakeholders linked to the TSD Committee and DAGs recognised an improvement in the level of interaction between the Committee and CSOs under the auspices of CETA. Canadian DAG members though did regret that the EU DAG was not separated into two entities covering labour and environmental aspects (as it is the case for Canada). This seems to have resulted in the prominence of labour/social issues being discussed in the context of DAG-to-DAG meetings on the EU side at the expense of the environment. A suggestion was made for the EU to either formally distinguish between labour and environmental DAGs or alternatively create a sub-entity or task force dedicated to environmental matters thus allowing both partners to engage more meaningfully on the matter. The agreement to organise a recurring intersessional meeting between the CTSD and DAG members is a welcome move to ensure that feedback from civil society are considered in the context of the CTSD.

#### **4.5 Impact analysis for natural resources & biodiversity**

In this Section, the second selected impact area, based on the screening & scoping matrix, is analysed in more detail: natural resources & biodiversity. First, the witnessed effects of CETA on natural resources and biodiversity are covered, followed by CETA cooperation frameworks.

Trade liberalisation introduces changes to economic sectors, increasing or decreasing demand – and therefore production – in partner countries. These changes can have an impact on biodiversity, ecosystems, and the services they provide. In this Section, the aim is to assess the role of CETA by following the methodology for assessing the impacts of trade agreements on biodiversity and ecosystems as developed for the European Commission, hereafter called “the biodiversity methodology” (IEEP et al. 2021). The biodiversity methodology mobilises the same general equilibrium modelling (CGE

modelling) approach to isolate the CETA effects and provide quantitative results on biodiversity impacts through land use changes. These quantitative results are then combined with qualitative assessments based on other indicators.

#### 4.5.1 *Overall effects of CETA on natural resources & biodiversity through land use*

As per the biodiversity methodology, a quantitative assessment of the effects of CETA on natural resources & biodiversity will be provided. This approach is complemented by a qualitative approach that uses causal chain analysis based on literature and data analysis to estimate impacts on biodiversity caused by increased activity in certain sectors. While knowing there are other possible effect mechanisms (e.g. the direct trade in wildlife affecting biodiversity) this approach is based on the use of the economic modelling, using these as inputs to estimate the extent to which CETA-affected output changes have added to biodiversity loss through land use changes and deforestation. The economic modelling results are used because they provide the most (and only) reliable quantitative estimates of CETA-induced changes by outlining the difference between the situation with CETA compared to the situation without CETA. Yet, this approach also poses a challenge, because the effects on biodiversity and ecosystems are presented in monetary units (€ mln). Thus, the results of witnessed CETA-induced production changes per sector are transposed into a spatial metric (hectares of land) as per the methodology below:

- A. The first step is to determine the CETA-related production changes per sector (in € mln) – i.e. isolating the CETA effects from all other factors also changing at the same time. These output changes at sector level are then applied to the output change in terms of tonnes of product.
- B. This results in the CETA-induced output change at the sector level in tonnes of product. This output change is then multiplied by the average land use intensity of that crop, to calculate the changes in hectares of land related to CETA-induced output changes.
- C. The last step is to aggregate the data again to estimate CETA-induced output change in hectares of land per sector.

In this way, a causal link is presented between the CETA effects (driver) and the main biodiversity pressures identified. For that purpose, the quantitative analysis is complemented with a number of other indicators (see qualitative analysis in Table 54).

**Table 54: List of indicators used for impact analysis**

Indicator	Source	Description	Link
Environmental Performance Index	Yale School of the environment	The EPI provides a data-driven summary of the state of sustainability in Canada and EU countries using 58 performance indicators across 11 issue categories.	<a href="https://epi.yale.edu/">https://epi.yale.edu/</a>
Policy Objective Score	EPI	The Policy objective score presents a comparative analysis of the EPI scores of a country against a range of similar economies.	
Biodiversity Intactness Index	UK Natural History Museum	Measures biodiversity change in response to human pressures such as land use change and intensification	<a href="https://www.nhm.ac.uk/our-science/services/data/biodiversity-intactness-index.html">https://www.nhm.ac.uk/our-science/services/data/biodiversity-intactness-index.html</a>
Living Planet Index	WWF and ZSL	Measure of the state of the world's biological diversity based on population trends of vertebrate species from terrestrial, freshwater, and marine habitats	<a href="https://www.livingplanetindex.org/">https://www.livingplanetindex.org/</a>

Source: Authors, based on the methodology for assessing the impacts of trade agreements on biodiversity and ecosystems (IEEP et al., 2021)

Ecosystems services provide economic, social, and ecological benefits that are crucial to Canada (Schindler & Lee, 2010), as a significant portion of Canada's GDP is directly related to the use of natural resources, with approximately 1.2% from forests (Government of Canada, 2024g), 8% from agriculture and agri-foods, 1.5% from the ocean sector, and a significant share from nature-related tourism and recreational activities (CBD, no date). The baseline analysis (see Annex VII) identifies the combined pressures from urbanisation and industrial activity including agriculture, forestry, fisheries, mining and oil, and gas development, along with air and water pollution, invasive alien species and wildlife disease, as the main drivers of negative impact on biodiversity and ecosystems in Canada.

*Output change (in €, volume of product/crop and land) at sector level*

The economic approach does not find there to be a strong role for CETA in terms of increasing production or outputs in the agricultural sector in Canada. Most commodities and products, and notably those most associated with impact on GHG emissions such as red meat and dairy, actually have experienced a decline in production in Canada (by 0.2% and 2.4%, respectively). Other major impactful sectors, as identified in the baseline analysis, such as primary production of wood and paper, or petroleum, mineral and coal, also have seen declines of 0.2% (or €337 mln) following the provisional application of the Agreement. Meanwhile, the situation in the EU in these sectors has also not changed due to CETA: red meat output increased by 0.1% for instance, while primary production (wood, oil, coal etc.) has decreased marginally by 0.01% (or €28 mln).

CETA-induced changes in output at the sector level serve as the basis for this analysis. While the economic approach covers 27 sectors in total (see Section 2.5), four sectors are the focus of the analysis in this Section, as they have been identified to be linked to the main drivers of biodiversity loss as shown in the baseline analysis (see Annex VII): red meat, dairy, grains, and primary products. These are presented in Table 55.

The changes in production (in € mln) – see columns (1) to (4) in are applied to production levels in the EU and Canada to calculate the output change in tonnes of product.<sup>162</sup> Columns (5) and (6) show the production changes in tonnes of product. The output changes in € and in volumes of product are then used to calculate the impact on the amount of land used (in terms of hectares) to carry out the economic activity changes (columns (7) and (8)). In these steps, various sets of data from the FAO, OECD, and other sources are used to estimate a proxy on land use intensity.

**Table 55: Output and land use change due to CETA**

Economic sectors	EU		Canada		EU		Canada	
	Change (%)	Change (€ mln)	Change (%)	Change (€ mln)	Output change in volumes of product (tonnes)		Output change in land use (Ha)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Red meat	0.1%	79	-0.2%	-44	72,009	-25,088	2,347,505	-817,880
Dairy	0.1%	213	-2.4%	-484	48,525	-100,690	10,549	-8,680
Grains	-0.1%	-50	0.4%	54	-109,696	137,339	-20,220	25,791
Primary	-0.0%	-28	0.0%	-73	NA	NA	NA	NA
<b>TOTAL change in land use per Partner (ha)</b>							<b>2,337,833</b>	<b>-800,769</b>
<b>CETA TOTAL change in land use (ha)</b>							<b>1,537,064</b>	

Source: Own calculations based on data from OECD,<sup>163</sup> EU DG Agri,<sup>164</sup> FAO<sup>165</sup> & Statista<sup>166</sup>

Our findings demonstrate that there has been an overall increase of land used for agriculture of a little over 1.5 mln hectares due to CETA in both Parties combined, mainly due to the marginal increase in production of red meat in the EU. Canada actually sees a

<sup>162</sup> Producer prices are not available at sector level in Canada hence the need to assume the evolution of outputs per mln euros as per production levels.

<sup>163</sup> <https://www.oecd.org/en/data/indicators/crop-production.html>

<sup>164</sup> <https://agridata.ec.europa.eu/extensions/DashboardCereals/OilseedProduction.html>

<sup>165</sup> <https://www.fao.org/faostat/en/#data/QCL>

<sup>166</sup> <https://www.statista.com/statistics/1179708/land-use-per-kilogram-of-food-product/>



net decrease of agricultural land of 800,769 hectares (or 1% of its total farmed land) (Government of Canada, 2024h). On the other hand, the EU sees an increase of 2.3 mln ha of land used for agriculture due to CETA (or 1.5% of its total farmed land) (European Commission, 2022n). Overall, the change represents 0.7% of the land used for agriculture in both partners, hence an arguably marginal impact. These results on land use are consistent with the results of the EU Sustainable Impact Assessment of CETA, which outlined the potential for CETA to contribute to the intensification of agriculture, potentially negatively affecting land usage and quality as well as biodiversity (European Commission, 2011). Due to the fact that land use intensity indicators at product level for third countries are not detailed enough, the decrease in land use from other countries as a result of CETA could not be quantified.

As noted in the previous Section, bilateral trade in ecosystems and biodiversity impactful sectors, such as iron ore (the most important raw material exported from Canada to the EU) as well as fossil fuels (such as crude oil and hard coal), have increased. However, these increases are not due to CETA as claimed by some,<sup>167</sup> but due to geopolitical developments. When looking at the isolated CETA effect, Canadian exports to the EU in these products have grown to be 3.2%, or €62 mln each year, higher with CETA than without the Agreement. Dairy products are also pointed at as an impactful subsector, as Canadian exports to the EU are estimated to be 219% (€48 mln), higher with CETA than without, according to the modelling exercise. Because Canadian output in dairy decreases by 2.4% and because EU dairy production goes up by only 0.1% the effect on net emissions from CETA is negative.

#### 4.5.2 Overall effects of CETA on natural resources and energy use

As noted above in the impact analysis on climate change and air quality, the evolution of production and trade patterns due to CETA also marginally impacted energy demand in the EU and Canada due to the varying levels of energy intensity of the goods produced and traded between the Parties. Energy demand is therefore also relevant when analysing the use of natural resources and biodiversity because it reflects the need for inputs like fuels and land in producing goods and services. Table 56 below provides an overview of changes per identified sector in the EU and Canadian economies. The sector of textiles, clothing, and leather products saw the most important change with an increase of 0.3% in energy demand (and an increase in CO<sub>2</sub> emissions of 0.3%). The increase in energy demand (and thus natural resources providing energy) from red meat production is an additional 0.1%, followed by the automotive industry with 0.1% and the dairy sector by 0.1%. These findings on energy demand confirm the priority and findings detailed above on land use, but they also show that the effect of CETA is marginal despite variations in energy demand across sectors.

**Table 56: Sectoral output-induced change in energy demand and CO<sub>2</sub>**

Sector	Change in Energy demand ('000 ToE) (1)	Change in Energy demand (%) (2)	Change in CO <sub>2</sub> ('000 tonnes) (3)	Change in CO <sub>2</sub> (%) (4)
Textiles, clothing & leather products	25.2	0.3	32.1	0.3
Red meat	5.7	0.1	12.9	0.1
Automotive	7.9	0.1	10.8	0.1
Dairy	8.7	0.1	25.9	0.1
Other services	9.0	0.0	26.8	0.0
Beverages & tobacco	1.5	0.0	2.4	0.0
Rubber and plastics	2.5	0.0	1.5	0.0
Chemicals	-0.3	0.0	5.9	0.0
Utilities	-0.9	0.0	2.7	0.0
Trade services	0.4	0.0	1.6	0.0

<sup>167</sup> See e.g. T. Fritz, A. Hartmann (2024). Assessing the Climate Impact of Trade Policy and Agreements - A Case Study of CETA. PowerShift: [https://power-shift.de/wp-content/uploads/2024/03/PowerShift\\_Casestudy\\_CETA\\_Summary\\_2024-02-28.pdf](https://power-shift.de/wp-content/uploads/2024/03/PowerShift_Casestudy_CETA_Summary_2024-02-28.pdf)

Sector	Change in Energy demand ('000 ToE) (1)	Change in Energy demand (%) (2)	Change in CO2 ('000 tonnes) (3)	Change in CO2 (%) (4)
Other meat	-0.3	0.0	0.3	0.0
Other manufacturing	7.9	0.0	-0.3	0.0
Public services	-0.2	0.0	-0.4	0.0
Other transport	-16.9	0.0	-15.8	0.0
Financial services	-0.6	0.0	-0.3	0.0
Other food	-1.2	0.0	-1.4	0.0
Primary products	-2.4	0.0	-5.8	0.0
Water transport	-46.1	0.0	5.7	0.0
Other agriculture	-3.9	0.0	-12.3	0.0
Communications	-3.6	0.0	-2.2	0.0
Business services	-4.5	0.0	-7.0	0.0
Electrical equipment	-3.0	-0.1	-2.2	-0.1
Pharmaceuticals	-11.2	-0.1	-4.3	-0.1
Metals	-18.6	-0.1	-18.1	0.0
Machinery & equipment	-5.7	-0.1	-6.7	-0.1
Computer, electronic and optical products	-6.3	-0.1	-3.2	-0.1
Grains	-2.5	-0.1	-7.8	-0.1
Other transport equipment	-2.6	-0.1	-2.0	-0.1
<b>Total</b>	<b>-62.0</b>	<b>0.0</b>	<b>39.0</b>	<b>0.0</b>

Source: simulations conducted by DG Trade; E3ME calculations by Cambridge Econometrics

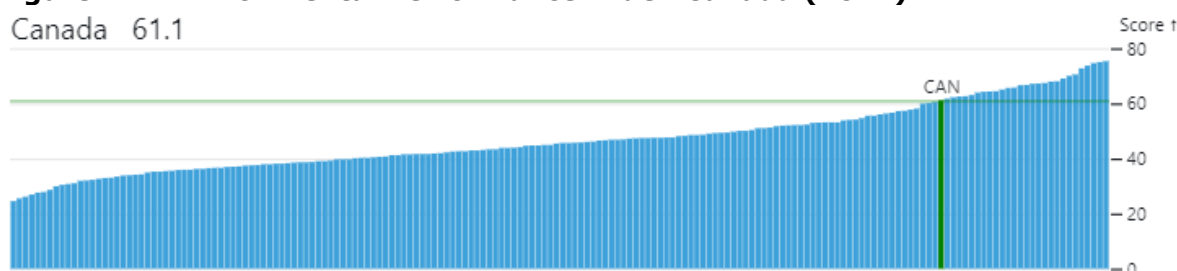
#### 4.5.3 Complementary qualitative analysis

The quantitative results are complemented by a qualitative assessment of the impact of CETA on biodiversity and ecosystems in line with the biodiversity methodology developed for DG ENV. The depth of the qualitative assessment is challenged by the difficulty to ascertain the isolated role of CETA in the evolution of the indicators listed below, although when looking at the share of CETA in the quantitative developments, also for the qualitative indicators, the impact is likely to have been very small.

#### Environmental Performance Index and Policy Objective Score

When looking at the Environmental Performance Index (EPI) scorecard once more, as shown in Figure 74, Canada has a score of 61.1 which puts the country in 28<sup>th</sup> place globally. Moreover, Canada progressed by 3.4 points over the last 10 years.

**Figure 74: Environmental Performance Index Canada (2024)**



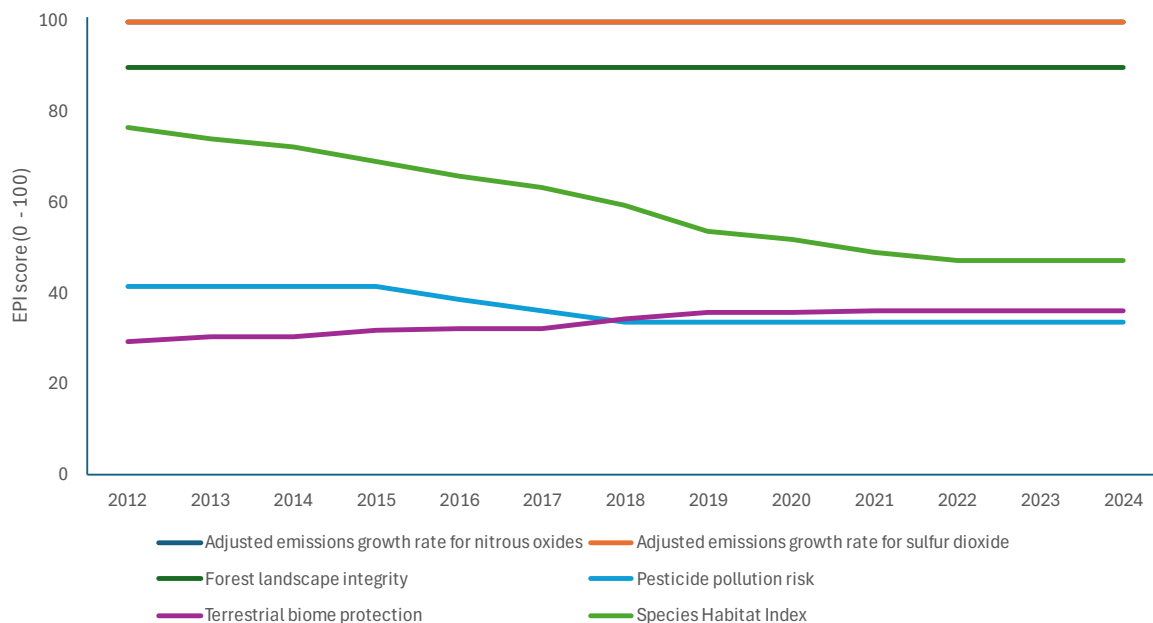
Source: 2024 Environmental Performance Index (EPI)<sup>168</sup>

Within the three policy objectives (climate change, environmental health, ecosystem vitality), it is noted that Canada reaches a very high score on issues such as "Adjusted emissions growth rate for nitrous and sulphur oxides" (1st in the world), or "Forest Landscape Integrity" (6<sup>th</sup>). On the other hand, Canada scores very poorly on issues such as "wastewater generated" (174<sup>th</sup>), "pesticide pollution risks" (164<sup>th</sup>), "Terrestrial Biome Protection" (119<sup>th</sup>), or "Species Habitat Index" (109<sup>th</sup>).

<sup>168</sup> Ibid.

When looking at the evolution of these indicators over time (from 2012 – 2024), as shown in Figure 75, it becomes clear that – overall – CETA has not had a significant effect. The scores for issues where Canada scores well (nitrous and sulphur oxides and forest landscape integrity) were reached before the provisional application of CETA in 2017. The very small improvement in performance in terrestrial biome protection (2017-2018) and decrease in performance in pesticide pollution risk (2015-2018) essentially precede CETA. The only variable of interest is the species habitat index. Canada's score on this index has gradually declined (from a score of 100 in 2001 – not reported) to 76.6 in 2012 and 47.1 in 2024. However, the rate of decline has slowed since 2019 and stabilised from 2022 onwards. While it is not possible to attribute this effect to CETA, as domestic policy initiatives have a much larger impact, the exchange of information and dialogues on biodiversity, and protection of species under CETA may have supported Canadian initiatives on key biodiversity variables.

**Figure 75: Evolution of key biodiversity variables for Canada (2012-2024)**



Source: EPI (2024)

This indicator does not provide an aggregated figure for the European Union, hence the difficulty to assess the performance and evolution of the region. Yet, the vast majority of EU countries score well on the EPI index, with only Italy (29<sup>th</sup>), Latvia (30<sup>th</sup>), Hungary (31<sup>st</sup>), Romania (33<sup>rd</sup>), Bulgaria (37<sup>th</sup>), and Cyprus (43<sup>rd</sup>) scoring below Canada. This is further complicated by the diversity of results within EU MS when looking at different indicators comping the EPI. For instance, Germany, which scores very high on the overall EPI (74.5, ranked 3<sup>rd</sup> in the world), is ranked only 116<sup>th</sup> on landscape integrity, 105<sup>th</sup> on fish stock status, or 75<sup>th</sup> on pesticide pollution risk.

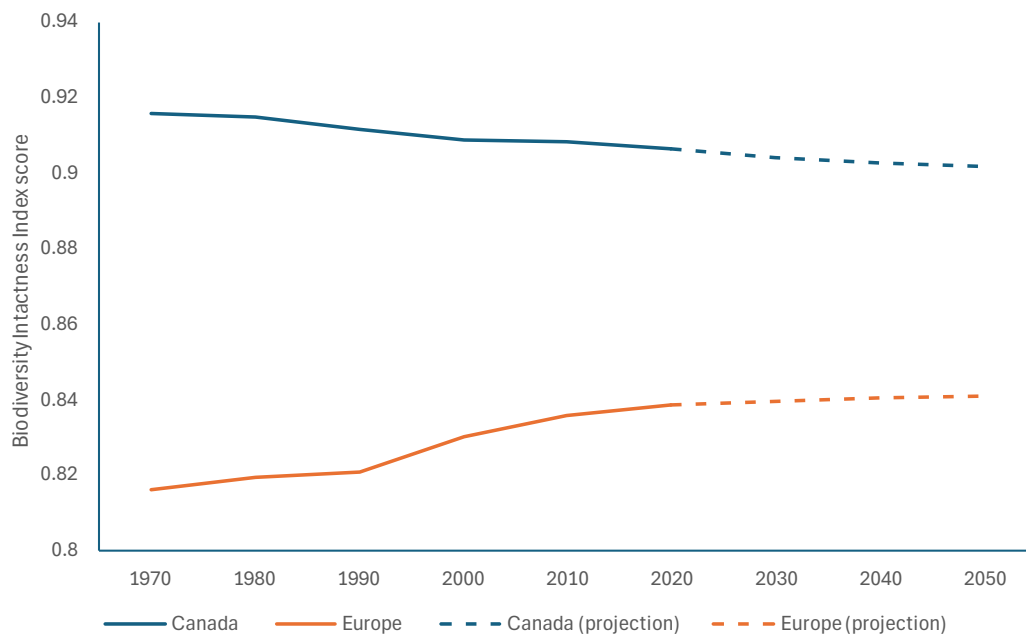
### **Biodiversity Intactness Index**

The Biodiversity Intactness Index (BII) measures biodiversity change using abundance data on plants, fungi, and animals worldwide. The Index notably shows how local terrestrial biodiversity responds to human pressures such as land use change and intensification. The variables include data relating to a number of pressure variables e.g. annual, perennial and nitrogen-fixing crops, pasture and rangeland, urban high intensity, high-intensity agriculture, primary and mature secondary vegetation, and human population density. The evolution of these variables is computed according to five Shared Socioeconomic Pathways (SSPs). The results presented in Figure 76 represent an average of these five scenarios. Canada has experienced a small but steady decline in the BII over decades, which is an area of concern. Europe, on the other hand, seems to present a different picture, where the BII has been gradually increasing. When looking at disaggregated figures, the increased overall performance for Europe in the BII seems largely driven by national improvements in some of the Central- and Eastern European countries as shown by an

analysis of the BII data in a selection of countries. Two other observations can be made. First, the BII in Canada, despite a decline, is still significantly higher than in Europe. Second, the BII does not take into account the evolution of the population of species (see the 'Living Planet Index' below).

Looking at the effect of CETA on the BII, it is important to note that the BII is a long-term indicator measured every decade. The impact of CETA falls partially in the 2010-2020 period and partially in the 2020-2030 (projected) period. Therefore, the isolated effect of CETA on the BII is difficult to measure. However, the production effects caused by CETA have been limited. When combining this information with the fact that the EU and Canada collaborate in various ways to combat biodiversity degradation (e.g. by combating wildlife trafficking through CITES and via the CETA commitment to enhance environmental cooperation, including illegal wildlife trade), and because stakeholder inputs have not indicated such a CETA-induced effect, such impact is unlikely to have occurred.

**Figure 76: Evolution of Biodiversity Intactness Index in Canada and Europe**

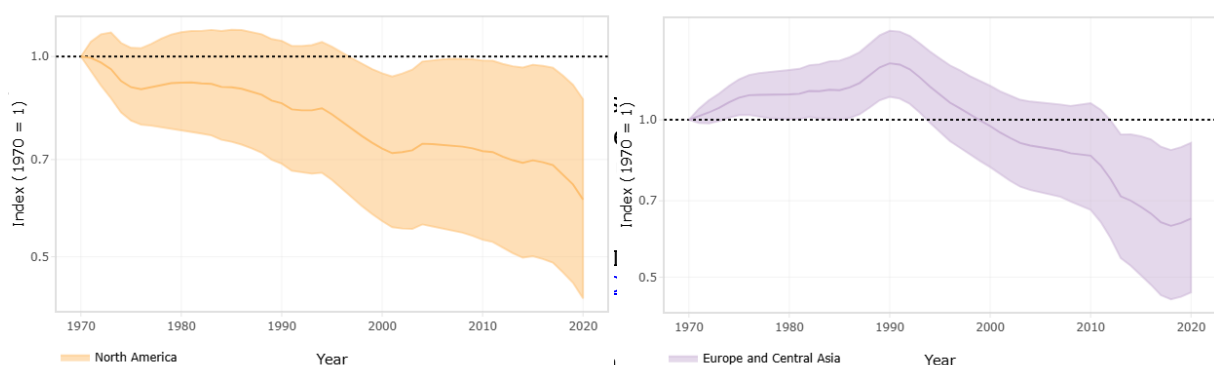


Source: Own calculations based on data from BII.<sup>169</sup>

### Living Planet Index

The Living Planet Index (LPI) is calculated at supra-regional level and provides an aggregated figure for the whole of Europe and Central Asia as well as for Northern America. Nevertheless, the following figures remain largely relevant to consider in the current situation in the EU and Canada. As noted above, the situation in both regions is relatively similar with a decreased population of vertebrate species from terrestrial, freshwater, and marine habitats of 35% in Europe and Central Asia and 39% in North America as of 2020 (last year on record).

**Figure 77: Living Planet Index (2020)**



[change/services/environmental-indicators/canadian-species-index.html](https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&code=sdg12.1.1&plugin=1)

is caused by CETA. Based on the evidence of 7 year of provisional application, where CETA has caused limited production effects (but large trade effects), the decline in the LPI, while concerning, cannot be attributed to the Agreement. The drivers for the decline could, instead, be related to over-exploitation of natural resources, with habitats being put under pressure from climate change, pollution, and coastal development.

#### 4.5.4 CETA cooperation frameworks

CETA Article 25.3 establishes a Bilateral Dialogue on Forest Products (BDFP),<sup>172</sup> and Article 25.4 establishes a Bilateral Dialogue on Raw Materials (BDRM).<sup>173</sup> Analysis of the reports from the meetings held over the past years show that the BDFP focused on policy exchanges to (i) ensure a smooth implementation which would not hinder trade in forest products, (ii) improve the sustainability and circularity of forest products, and (iii) align respective standards for forest products. The potential impacts of key EU legislations and policies in place, such as the EU Timber Regulation (EUTR), or later introduced by the EU, such as the Renewable Energy Directive (RED), Circular Economy Action Plan (CEAP), EU Deforestation Regulation (EUDR), and Corporate Sustainability Due Diligence Directive (CSDDD), were also discussed in that setting.

The focus of the BDRM meetings was on advancing the development of resilient raw material supply chains to secure a clean transition, which had been significantly impacted by the COVID-19 pandemic and the war in Ukraine. The Parties notably agreed upon setting up the EU-Canada Strategic Partnership on Raw Materials which was eventually endorsed by political leaders and launched in 2021, thus demonstrating the importance of targeted dialogues in the context of CETA to foster bilateral initiatives at state levels. The EU and Canada continued to leverage the BDRM to discuss various issues mentioned in Article 25.4 of CETA (including topics of potential interest to civil society), exchange information on their respective raw material policies such as the ECRMA, and cooperate at international fora to facilitate understanding of each other's policies on responsible mining and sustainable use of raw materials. The exchange can prove instrumental in monitoring trade flows of products within these sectors which are identified as potentially impactful for ecosystems and biodiversity in both partners.

Based on interviews with stakeholders and EU and Canadian officials engaging in CETA Committee work, bilateral dialogues have facilitated the discussion and potential convergence of national policies on sustainable forest management and responsible mining and use of raw materials. There is a focus on continuous policy exchange, facilitating trade in natural resources, resource efficiencies, and the green transition, which, in the case of the BDRM, facilitated the establishment of a dedicated Strategic Partnership on Raw Materials in 2021.

#### **4.6 Environmental goods and service (Case study – summary)**

This section provides an overview of the Case Study on “Environmental goods and services” (see Annex VII.6 for the full Case Study). It starts with the definition of environmental goods and services, followed by the impact of CETA on trade in Environmental Goods (EG) and Environmental Services (ES). The comparison is assessed in terms of changed in trade over time, but also by comparing trade in EG to total bilateral trade between the EU and Canada and to total EG trade of the EU. The Case Study ends with a qualitative analysis of diffusion effect of clean technologies.

##### **Scope and definition of Environmental Goods and Services in CETA**

The definition of Environmental Goods and Services (EGS) remains debated internationally. This case study refines existing classifications by referencing the EU-New Zealand Free

<sup>172</sup> Library of documents for the Bilateral Dialogue on Forest Products meetings and agendas. Available here: <https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/e46e12d4-79a1-4fa2-95a2-47b7384338e3>

<sup>173</sup> Library of documents for the Bilateral Dialogue on Raw Materials meetings and agendas. Available here: [https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/eafedf5e-56dd-4c60-a17d-2b5e0ecce521?p=1&n=10&sort=modified\\_DESC](https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/eafedf5e-56dd-4c60-a17d-2b5e0ecce521?p=1&n=10&sort=modified_DESC)

Trade Agreement, focusing on goods used in green energy production and energy efficiency. Data for environmental goods are grouped into five categories: energy efficiency, geothermal, hydro, solar, and wind energy. The Agreement liberalises trade for these goods to promote sustainable development. There is no clear unified definition of what are environmental services. In this reason, the focus has been on a set of services which are either intrinsically environmental or play a critical roles for environmental projects: waste treatment & de-pollution, R&D services, engineering services, scientific & other technical services, and maintenance & repair services. On top of the lack of a unified definition, these data are also more difficult to obtain. This results in a more limited analysis of environmental services effects of CETA when compared to the effects of the Agreement for environmental goods.

### **Baseline analysis: state of EGS before CETA**

Before CETA, the trade of EGS was growing due to environmental awareness and policy initiatives. However, trade faced barriers such as tariffs, regulatory restrictions, and complex procurement policies, limiting market access. Canada's regulatory landscape before CETA emphasised environmental protection, renewable energy, and efficiency. Post-CETA, Canada continued enhancing policies with emissions reduction plans and initiatives to boost clean technology, while also procurement access had significantly improved.

### **Trade in Environmental Goods (EG) pre- and post-CETA**

Before CETA (2012-2016), EU-Canada environmental goods trade averaged €943.2 million annually, with EU exports at €769.3 million and imports at €173.9 million. Wind and solar energy products dominated trade. Post-CETA (2017-2024), trade increased to €1,052.4 million annually, with exports at €812.6 million and imports at €239.8 million. While solar and energy efficiency goods saw increased exports, wind-related exports declined due to Canada's domestic investments and competition from China.

EU exports of EG to Canada grew by 5.6% while imports from Canada grew by 38%, mainly in solar energy and efficiency goods, reflecting changing trade dynamics. Overall, EGS trade rose 11.6% post-CETA. This is a meaningful increase but less than the overall increase in bilateral trade between the EU and Canada. Despite a decline in the share of environmental goods in total trade, the agreement contributed to steady growth in green sectors.

### **Trade in Environmental Services (ES) pre- and post-CETA**

Before CETA, EU-Canada environmental services trade was valued at €3.1 billion annually, with EU exports at €1.45 billion and imports at €1.68 billion. The largest categories were maintenance and repair services, research & development, and engineering.

Post-CETA, environmental services trade rose to €4.6 billion annually, with EU exports at €1.8 billion (+25.8%) and imports at €2.75 billion (+63.5%). Research & development services led the growth, doubling to €1.9 billion in imports. While the share of environmental services in total trade declined slightly, CETA positively impacted sectoral growth, particularly in maintenance, repair, and R&D services.

### **Diffusion effects of clean technologies**

CETA supports clean technology diffusion through tariff elimination on green products, enhancing EU firms' market access. Initiatives like the Green Alliance and Low Carbon Business Action (LCBA) further sustainability cooperation. Trade liberalisation facilitates green innovation adoption, fostering positive environmental impacts in both regions.

### **Conclusions**

CETA has boosted trade in environmental goods (+12%) and services (+46%), reflecting increased demand for green technologies. While EGS trade has grown, it has not outpaced overall EU-Canada trade expansion. The agreement's impact is evident in public procurement access, service sector growth, and tariff removal benefits. Future efforts should focus on standardising technical requirements, improving procurement transparency & data collection, and strengthening sustainability policies to further enhance trade in environmental goods and services.



## 5 HUMAN RIGHTS ANALYSIS

This Section presents the analysis of the impact of CETA on human rights, as defined by the Charter of Fundamental Rights of the European Union, the core UN human rights treaties, the European Convention on Human Rights, the ILO fundamental conventions, and other relevant conventions.<sup>174</sup>

The analysis follows the methodology developed by the European Commission (2015) and focuses on specific human rights that may have been affected by particular measures within the Agreement. The assessment is carried out in three steps:

- **Step 1:** Baseline analysis: a brief overview of the pre-existing human rights situation in the EU and Canada, including the ratification status of core international human rights treaties and ILO fundamental conventions by all Parties to the Agreement;
- **Step 2:** Screening and scoping of the effects of CETA: identification of specific human rights potentially affected by the Agreement, along with an assessment of their scope and content. This step also include an evaluation of Corporate Social Responsibility (CSR) impacts;
- **Step 3:** Formulation of recommendations.

A diverse range of data sources and information have been used at each stage of the analysis, complemented by outreach to stakeholders to gather insights and feedback.

This Section analyses the impact of CETA on human rights. Section 5.1 presents the baseline analysis (Step 1 of the methodology), providing an overview of the international human rights obligations of the EU MS and Canada (Section 5.1.1). and pre-existing human rights context in the EU and Canada (Section 5.1.2). Section 5.2 presents a detailed screening scoping exercise (Step 2 of the methodology) to assess the impact of CETA on specific human rights, including the impact on the right to an adequate standard of living (Section 5.2.1), the right to health (Section 5.2.2), the right to a clean and healthy environment (Section 5.2.3), Indigenous Peoples' rights (Section 5.2.4), women's rights (Section 5.2.5), and labour rights (Section 5.2.6). The analysis related to corporate social responsibility (CSR) is presented in Section 5.2.7.

### Key findings:

- CETA has not had any major impact on human rights. The overall and sectoral effects of the Agreement on human rights have been minor.
- Despite mixed effects on employment across sectors, the overall impact of CETA on the right to an adequate standard of living has been limited but positive for both Parties.
- Concerns about intellectual property provisions under CETA affecting access to affordable medicines (right to health) have not been substantiated by evidence of price increases or restricted/delayed access to innovative medicines (so far).
- CETA includes specific provisions to ensure that trade does not compromise environmental protection. The environmental analysis suggests no significant adverse effects on the right to a clean and healthy environment to date. Pollution levels and other environmental indicators point to only minor impacts from trade under CETA in both Parties.
- Indigenous Peoples' rights are indirectly supported through carve-outs in Canadian legislation and institutional frameworks. Canada's policy environment promotes Indigenous engagement in international trade and measurable benefits reported by Global Affairs Canada (GAC) and the Canadian Council for Aboriginal Business (CCAB). However, while Canada's policy environment promotes Indigenous engagement in international trade, participation of the Sámi in international trade requires additional efforts from the EU to ensure their inclusion and economic empowerment within the framework of CETA.

<sup>174</sup> In line with the EC Guidelines on the Analysis of Human Rights Impacts in Impact Assessments for Trade-Related Policy Initiatives, this analysis defines "human rights" to include fundamental rights enshrined in the Charter of Fundamental Rights of the EU.

- The importance of continuous efforts and concrete joint activities to facilitate access and benefits from CETA for Indigenous Peoples in Canada and the EU has been discussed during the TSD Committee meetings. However, no specific events or actions have been noted in the reports.
- EU and Canada have implemented various activities since 2018 to promote women's economic empowerment, gender equality, and support for women entrepreneurs. These efforts have been positively received by stakeholders, but additional actions are required to further advance women's participation in trade under CETA (see social analysis).
- Trade liberalisation under CETA has created competitive pressures but had limited overall impact on labour rights/ standards (see social analysis).
- CSR references are less prominent in CETA compared to other EU FTAs, with limited cross-cutting commitments to eco-labelling, ethical trade, and sustainability standards. The Bilateral Dialogue on Raw Materials places strong emphasis on CSR in supply chains and environmental protection. The EU-Canada Raw Materials Partnership provides a platform for further CSR cooperation within the CETA framework.
- Insufficient disaggregated data on vulnerable population groups, including women and Indigenous Peoples, and other marginalised communities, impedes detailed analysis in this evaluation. Better data collection is crucial to support targeted policy development and effectively monitor the impact of CETA on human rights.

## **5.1 Baseline analysis**

Step 1 of the analysis focuses on the overall human rights situation in the EU and Canada before CETA. The aim of this step is to gain an understanding of the EU's and Canada's status quo regarding international human rights obligations and their implementation, highlighting pre-existing vulnerabilities. Additionally, at this stage, information is gathered regarding key concerns and expectations of various stakeholders from the Agreement at the moment of its negotiation (see Chapter 7 on stakeholder concerns). The findings from this step aid the impact assessment in Steps 2 and 3.

For both Parties to the Agreement, the analysis includes: 1) Human rights obligations of the Parties prior to the signature of the Agreement based on the ratification status of the core human rights treaties and ILO fundamental conventions, and (2) Pre-existing conditions of stress regarding human rights, including in relation to vulnerable population groups.

The baseline analysis is based on the reports of various United Nations (UN) treaty bodies, UN Universal Periodic Review (UPR) reports, reports of international human rights organisations, stakeholder inputs, interviews with negotiators, media reports, as well as other sources.

### **5.1.1 International human rights obligations of the EU MS and Canada**

#### ***UN Conventions***

Overall, Canada and the EU have strong records regarding the ratification of international human rights instruments. Both the EU and Canada have ratified most of the core international human rights treaties and their optional protocols. The only convention not ratified by either of the Parties is the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (ICMW).

A few states have ratified the Optional Protocol to the International Covenant on Economic, Social and Cultural Rights (ICESCR). However, the ratification process of human rights conventions continues, reflecting an ongoing commitment to upholding international obligations. For instance, since 2017, Canada and Czechia ratified the Optional Protocol to the Convention on the Rights of Persons with Disabilities (OP-CRPD) in 2018 and 2021, respectively; Cyprus signed the Optional Protocol to the International Covenant on Economic, Social and Cultural Rights (ICESCR-OP) in 2021; Finland ratified the



International Convention for the Protection of All Persons from Enforced Disappearance (CPED) in 2023; and Ireland ratified the Convention on the Rights of Persons with Disabilities (CRPD) in 2018. Table 57 presents an overview of the ratification status of the core UN human rights treaties and their optional protocols for all the states that are Parties to the Agreement.

By ratifying or acceding to these legal instruments, states undertake to put in place domestic measures and legislation that comply with the treaty obligations and duties. Compliance with these treaties is overseen by specific treaty bodies that conduct periodic reviews. As part of their reporting obligations, states regularly submit state reports on the progress made in implementing the provisions of a treaty.

According to data from the Office of the United Nations High Commissioner for Human Rights (OHCHR), Canada has three overdue reports (under the Torture Convention (CAT), the International Covenant on Civil and Political Rights (ICCPR), and the Convention on the Elimination of Racial Discrimination (CERD)). Finland, France, Greece, Lithuania, Luxembourg, the Netherlands, Poland, Romania, Slovakia, Spain, and Sweden do not have any overdue reports. Malta and Latvia have the highest number of overdue reports among EU MS, with three reports each.<sup>175</sup>

**Table 57: Ratification status core UN human rights treaties and their protocols**

Treaty <sup>176</sup>	Canada	Austria	Belgium	Bulgaria	Cyprus	Croatia	Czechia	Denmark	Estonia	Finland	France	Germany	Greece	Hungary	Ireland	Italy	Latvia	Lithuania	Luxembourg	Malta	Netherlands	Poland	Portugal	Romania	Slovakia	Slovenia	Spain	Sweden
CAT																												
OP-CAT	✗	✓	S	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	S	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
ICCPR	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
ICCPR-OP1	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
ICCPR-OP2	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
CPED	✗	✓	✓	S	S	✓	✓	✓	✗	✓	✓	✓	✓	✗	S	✓	✗	✓	✓	✓	✓	✓	✓	S	✓	✓	S	
CEDAW	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
OP-CEDAW	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
ICERD	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
ICESCR	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
ICESCR-OP	✗	✗	✓	✗	✗	✗	✗	✗	✗	✓	✓	✓	✗	✗	S	✓	✗	✗	✓	✗	S	✗	✓	✗	✓	S	✗	
ICMW	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	
CRC	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
OP-CRC-AC	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
OP-CRC-SC	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	S	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
OP-CRC-IC	✗	S	✓	✗	✓	✓	✓	✓	✗	✓	✓	✓	✗	✗	✓	✓	✗	✓	✓	S	✗	S	✓	S	✓	✓	✗	
CRPD	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
OP-CRPD	✓	✓	✓	S	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗	✓	S	✓	✓	✓	

\* (✓) state party, (S) signatory party, (✗) no action.

Source: Study team compilation based on OHCHR dashboard ([indicators.ohchr.org](https://indicators.ohchr.org))

<sup>175</sup> UN Treaty Body Database: [https://tbinternet.ohchr.org/\\_layouts/15/TreatyBodyExternal/LateReporting.aspx](https://tbinternet.ohchr.org/_layouts/15/TreatyBodyExternal/LateReporting.aspx)

<sup>176</sup> CAT: Convention against Torture and Other Cruel Inhuman or Degrading Treatment or Punishment; OP-CAT: Optional Protocol to the Convention against Torture and Other Cruel Inhuman or Degrading Treatment or Punishment; ICCPR: International Covenant on Civil and Political Rights; ICCPR-OP1: Optional Protocol to the International Covenant on Civil and Political Rights; ICCPR-OP2: 2nd Protocol to the International Covenant on Civil and Political Rights; CPED: International Convention for the Protection of All Persons from Enforced Disappearance; CEDAW: International Convention on the Elimination of All Forms of Discrimination against Women; OP-CEDAW: Optional Protocol to the Convention on the Elimination of All Forms of Discrimination against Women; ICERD: International Convention on the Elimination of All Forms of Racial Discrimination; ICESCR: International Covenant on Economic, Social and Cultural Rights; ICESCR-OP: Optional Protocol to the Covenant on Economic, Social and Cultural Rights; ICMW: International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families; CRC: Convention on the Rights of the Child; OP-CRC-AC: Optional Protocol to the Convention on the Rights of the Child on the involvement of children in armed conflict; OP-CRC-SC: Optional Protocol to the Convention on the Rights of the Child on the sale of children, child prostitution and child pornography; OP-CRC-IC: Optional Protocol to the Convention on the Rights of the Child on a communications procedure; CRPD: Convention on the Rights of Persons with Disabilities; OP-CRPD: Optional Protocol of the Convention on the Rights of Persons with Disabilities.

### *ILO fundamental conventions*

The ILO has identified ten fundamental conventions and one protocol (eleven instruments in total) that establish fundamental principles and rights at work: freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced or compulsory labour, the effective abolition of child labour, the elimination of discrimination in respect of employment and occupation, and a safe and healthy working environment (ILO, 1998; ILO, 2022).

All EU MS and Canada have ratified the eight original ILO fundamental conventions. Since the list of the ILO fundamental conventions was extended to eleven instruments in 2022, both Canada and some EU MS have remaining ratification gaps.

Table 58 presents an overview of the ratification status of the ILO fundamental conventions for all the states that are Parties to the Agreement.

**Table 58: Ratification status of ILO fundamental conventions**

Treaty 177	Canada	Austria	Belgium	Bulgaria	Cyprus	Croatia	Czechia	Denmark	Estonia	Finland	France	Germany	Greece	Hungary	Ireland	Italy	Latvia	Lithuania	Luxembourg	Malta	Netherland	Poland	Portugal	Romania	Slovakia	Slovenia	Spain	Sweden
C029	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
C087	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
C098	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
C100	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
C105	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
C111	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
C138	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
C182	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
C155	✗	✗	✓	✗	✓	✓	✓	✓	✗	✓	✗	✗	✗	✓	✓	✓	✓	✗	✓	✗	✓	✗	✓	✗	✓	✓	✓	
C187	✓	✓	✓	✓	✓	✗	✓	✓	✗	✓	✓	✓	✓	✗	✓	✓	✗	✗	✓	✗	✗	✓	✗	✗	✓	✓	✓	
P029	✓	✓	✓	✗	✓	✗	✓	✓	✓	✓	✓	✓	✗	✗	✓	✗	✓	✓	✓	✓	✓	✓	✓	✗	✗	✗	✓	

\* (✓) ratified; (✗) no action.

Source: Study team compilation based on ILO NORMLEX – Information System on International Labour Standards ([www.ilo.org](http://www.ilo.org))

After ratification, states undertake to implement these conventions in national law and practice. As with the UN Conventions, states also need to report on the application of the ILO Conventions regularly. The reports regarding ratified fundamental and priority conventions need to be submitted to the ILO Committee of Experts every three years, while reports on other ratified (technical) conventions are due every six years.<sup>178</sup>

Moreover, in line with the 1998 Declaration, there is a requirement for annual reporting on all non-ratified conventions. In case of violations, states risk having the representation and complaint procedures initiated against them, in line with Articles 24 and 26 of the ILO Constitution.

Additionally, the Committee on the Application of Standards reviews each year a list of individual cases of concern related to ratified conventions. For violations of freedom of association, complaints may be submitted to the Committee on Freedom of Association (CFA) irrespective of whether the country concerned has ratified the relevant Conventions (Conventions No. 87 and No. 98).

<sup>177</sup> Fundamental ILO Conventions: C029: Forced Labour Convention, 1930; C087: Freedom of Association and Protection of the Right to Organise Convention, 1948; C098: Right to Organise and Collective Bargaining Convention, 1949; C100: Equal Remuneration Convention, 1951; C105: Abolition of Forced Labour Convention, 1957; C111: Discrimination (Employment and Occupation) Convention, 1958 ; C138: Minimum Age Convention, 1973; C182: Worst Forms of Child Labour Convention, 1999; C155: Occupational Safety and Health Convention, 1981; C187: Promotional Framework for Occupational Safety and Health Convention, 2006; P029: Protocol to the Forced Labour Convention, 2014.

<sup>178</sup> ILO: Reports on ratified Conventions are due every three or six years depending on the Convention: <https://guide-supervision.ilo.org/reporting/reports-on-ratified-conventions-are-due-every-three-or-six-years-depending-on-the-convention-and-the-alphabetical-order-of-the-countrys-name/>

According to ILO data, none of the states-parties to the Agreement have any active cases regarding the violation of freedom of association. However, Belgium, France, Hungary, Luxembourg, and Romania have one or two follow-up cases.<sup>179</sup>

### *5.1.2 Key pre-existing human rights vulnerabilities in EU MS and Canada*

Both Canada and the EU enjoy a global reputation as defenders of human rights, making regular efforts to advance human rights at home and abroad (EEAS, 2023a; European Union, no date, Human Rights Watch, 2024). However, despite their strong human rights records, active participation in initiatives related to human rights at various international and regional human rights fora, and support for and funding of projects that promote human rights globally, ongoing challenges are regularly reported by international human rights organisations and civil society. The baseline analysis looks at the key issues that the Parties to the Agreement faced in the five-year period before the provisional application of the Agreement in 2017 (i.e. in the period from 2012 to 2016).

#### *European Union*

In the EU, in the period from 2012 to 2016, the main human rights issues included reported violations of the rights of refugees and migrants, discrimination against ethnic minorities, Roma communities, LGBTIQ+ persons, and women, human trafficking, and the erosion of democratic norms and judicial independence in some EU MS (Human Rights Watch, 2014a; 2016a). In some economic sectors, weak protection of labour rights was a matter of concern (e.g. in the textile sector in Eastern Europe and Italy – see the social analysis).

The treatment of refugees and migrants, particularly in countries such as Greece and Italy, was one of the primary issues extensively raised by the UN Special Rapporteur on the human rights of migrants (United Nations, 2015a). The migrant crisis in the EU led to overcrowded conditions in refugee camps, with reports of poor sanitation, discrimination in access to work, healthcare, housing, education, and insufficient support services (FRA, 2016). The Dublin III Regulation (which placed the responsibility for asylum applications on the first country of entry) exacerbated these challenges, putting disproportionate pressure on the “frontline” EU MS.

Discrimination and minority rights were also prominent issues during that period. The 2018 European Union Agency for Fundamental Rights (FRA) report highlighted discrimination against the Roma communities, their poor living conditions, and inadequate access to education and healthcare (FRA, 2018). The EU took measures to address these issues through various strategies and funding (European Parliament, 2024g). However, issues remained, as the Roma continued to face discrimination in employment, housing, education, and healthcare (Human Rights Watch, 2014a; 2016a). FRA’s annual reports noted that the segregation of Roma children in schools persisted in Slovakia, Hungary, and Czechia (FRA, 2017). During that period, the UN Committee on the Elimination of Racial Discrimination (CERD) raised concerns about the lack of progress in tackling structural discrimination against the Roma across several EU MS (CERD, 2018; 2018a; 2019; 2019a; 2019b).

The protection of the rights of LGBTIQ+ individuals improved in some EU MS but deteriorated in others from 2012 to 2016. For instance, Ireland, Malta, and Germany made progress in recognising same-sex partnerships and protecting LGBTIQ+ individuals from discrimination (Human Rights Watch, 2015; 2017a). In Poland, however, there were reports of “LGBT-free zones” being declared in some municipalities (ETUC, 2019; Human Rights Watch, 2021). In Hungary and Lithuania, hate crimes against LGBTIQ+ individuals were reported to be inadequately investigated (Human Rights Watch, 2016a; United Nations, 2016). The UN Human Rights Committee and Human Rights Council raised concerns about persistent discrimination and hate speech in several EU MS and called for stronger anti-discrimination laws to protect LGBTIQ+ rights (United Nations, 2016; 2016a).

The treatment of persons with disabilities was also reported as a human rights issue in the EU between 2012 and 2016. According to the UN Committee on the Rights of Persons with

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<sup>179</sup> [Search Freedom of Association cases \(ilo.org\)](#)

Disabilities (CRPD), some EU countries had not fully implemented the rights of persons with disabilities under the Convention on the Rights of Persons with Disabilities (CRPD) (CRPD, 2016; 2017; 2018; 2018a). In particular, persons with disabilities faced barriers in accessing education, employment, and independent living. FRA reported that persons with disabilities were often placed in institutional settings rather than being supported to live independently in the community (FRA, 2015). In countries such as Hungary and Bulgaria, the CRPD expressed concern about the overuse of guardianship systems, which deprived persons with disabilities of their legal capacity and autonomy (CRPD, 2012; 2018b).

Another group that faced significant human rights challenges in the EU during this period was women, particularly due to gender-based violence and unequal access to economic opportunities. Despite legal frameworks designed to combat gender-based violence, FRA and Human Rights Watch noted persistent gaps in their implementation and enforcement, especially in Southern and Eastern European countries (Human Rights Watch, 2016a; FRA, 2016; 2017). The UN Committee on the Elimination of Discrimination against Women (CEDAW) expressed concern about the high levels of domestic violence in countries like Poland, Greece, and Italy, and the lack of adequate support services for survivors (CEDAW, 2013; 2014; 2017). Discrimination in the workplace and unequal pay for women also remained prevalent across the EU (FRA, 2017).

Human trafficking also remained a significant issue in the EU in the period from 2012 to 2016, although its severity and forms varied across the region. Victims of sex trafficking and labour trafficking were from the EU itself or from non-EU countries, particularly Eastern Europe, Africa, and Asia. The 2016 Global Slavery Index report recorded the highest levels of modern slavery in Poland and Italy (181,100 and 129,600 persons, respectively) (Walk Free Foundation, 2016). Most victims trafficked for forced labour in Western and Southern Europe were found in domestic labour, agriculture, and in the catering sector. In Central and Eastern Europe, most victims trafficked for forced labour were detected in agriculture, construction, and forced begging (Walk Free Foundation, 2016).

The rise of xenophobia and nationalist movements posed a serious threat to human rights across the EU during this period. FRA and Human Rights Watch both documented increasing hate speech and violence against ethnic minorities, migrants, and refugees, exacerbated by far-right political rhetoric in countries such as Hungary, Austria, and Germany (Human Rights Watch, 2017; FRA, 2016; 2017).

Finally, the erosion of democratic norms and judicial independence in Hungary and Poland (Smeltzer, 2023; Freedom House, 2016) led to concerns about the rule of law and the EU's ability to uphold its foundational values (European Parliament, 2020). In Hungary, the government was criticised for undermining the independence of the judiciary, restricting media freedom and limiting the work of civil society organisations. Poland faced scrutiny over its judicial reforms that threatened democratic checks and balances (Human Rights Watch, 2017).

#### *Canada*

In the period from 2012 to 2016, there were no reports of widespread or systemic human rights violations in Canada. The main human rights issues included the treatment of Indigenous Peoples and ethnic and religious minorities in Quebec, violence against women, human trafficking, and human rights violations by Canadian businesses abroad (Human Rights Watch, 2014; EEAS, 2015). Some of these issues have a long history. Reports from the UN and international human rights organisations during this period highlighted persistent discrimination, violence, and neglect experienced by Indigenous communities (Human Rights Watch, 2016; Amnesty International, 2016; United Nations, 2015; 2018a).

Indigenous women, in particular, were disproportionately affected, with international organisations noting alarming rates of missing and murdered Indigenous women (Human Rights Watch, 2014). The 2017 National Inquiry into Missing and Murdered Indigenous Women and Girls (MMIWG) detailed cases of violence and called for comprehensive reforms to address these issues (MMIWG, 2017). It highlighted failures in police responses and broader institutional neglect that contributed to ongoing violence. Academics and

researchers further contextualised these issues within the framework of colonialism, illustrating how land dispossession and economic marginalisation contributed to these vulnerabilities, leading to disparities in access to healthcare and economic opportunities for Indigenous Peoples (Horrill et al., 2018; Durand-Moreau, 2022; Smith, 2016, Simpson, 2017). Together, these factors have contributed to an environment of discrimination and violence against Indigenous communities over the years.

In a trade context, the UN Committee on the Elimination of Racial Discrimination (CERD) expressed concerns about violations of the land rights of Indigenous Peoples related to resource development projects undertaken without the free, prior, and informed consent of Indigenous communities (United Nations, 2017). These concerns were also echoed in the 2014 report of the UN Special Rapporteur on the Rights of Indigenous Peoples, which highlighted Canada's failure to fully respect Indigenous land rights, citing projects like oil sands development and pipeline construction (United Nations, 2014). International organisations and the media documented similar violations, including the expansion of the Trans Mountain and Enbridge Northern Gateway pipelines, which faced strong opposition from Indigenous communities whose lands and waters were impacted (Amnesty International, 2017; The Guardian, 2016). The 2013 UN Universal Periodic Review (UPR) also criticised Canada for inadequate consultation processes, resulting in disruptions of their traditional livelihoods (United Nations, 2013).

Another issue in Canada during the period from 2012 to 2016 was human trafficking. Population groups at risk included Indigenous women and girls, migrants and new immigrants, LGBTIQ+ persons, children, and youth in the child welfare system, and those who were socially or economically disadvantaged (Bourgeois, 2015; Human Rights Watch, 2013; Amnesty International, 2016). The Government of Canada reported that migrant workers were particularly vulnerable to exploitation and abuse due to language barriers, working in isolated and remote areas, a lack of access to services and support, and limited access to accurate information about their rights (Government of Canada, 2024d).

Canada was identified as both a source and a destination country for human trafficking, primarily for the purposes of sexual exploitation and forced labour (UNODC, 2014). Statistical data from the Government of Canada noted an increase in police-reported incidents of human trafficking in the period from 2012 to 2017, from 92 incidents in 2012 to 351 in 2016 (and 528 incidents in 2022) (Statistics Canada, 2021; 2022e). However, at the same time, the statistics of the Walk Free Foundation (Global Slavery Index) noted an overall increase of persons subjected to human trafficking in the reported period from an estimated 4,600 persons – victims of human trafficking in 2013 to 17,000 persons in 2017<sup>180</sup> (and 69,000 persons in 2022). While the government response to human trafficking has improved substantially (Walk Free Foundation, 2023), efforts have not been sufficient to counter the increasing number of trafficked persons in Canada.

The treatment of migrants, refugees, and asylum seekers was also noted as a human rights concern during that period. Several international organisations pointed out that Canada's immigration detention system often lacked transparency and accountability. There were reports of prolonged detention periods without adequate legal representation and poor living conditions in detention centres. Additionally, asylum seekers faced lengthy processing times and restrictive policies that limited their access to essential services and protection. The UN UPR in 2013 and 2018 highlighted concerns over Canada's Temporary Foreign Worker Programme (TFWP), which left migrants vulnerable to exploitation due to restrictive permits that tied them to specific employers, limiting their ability to report abuse or seek better conditions (United Nations, 2013; 2018a). Violations of the rights of migrants to just and favourable conditions of work were noted in economic sectors such as agriculture, domestic work, and construction, where they were subjected to long hours, inadequate housing, and limited access to healthcare (FCJ Refugee Centre & Canadian Centre to End Human Trafficking, 2023).

Finally, human rights violations by Canadian businesses abroad (in the mining and textile sectors) were a frequent topic in Human Rights Watch reports in the period from 2012 to

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<sup>180</sup> Data from the Walk Free Foundation is available for 2017 but not for 2016.

2016. Specifically, evidence indicated the use of forced labour, violence against women, and labour rights violations that disproportionately affected vulnerable communities (Human Rights Watch, 2014; 2016).

## 5.2 Screening and scoping of the effects of CETA

The aim of the human rights evaluation is to identify specific human and labour rights that are most likely to have been affected by the Agreement and clarify their scope and content. This is done using the triangulation of multiple methods, including the analysis of the legal text of the Agreement, economic analysis findings, literature review, statistical information, and human rights indicators. The focus of the analysis is on the human rights most likely to have been impacted by specific measures under the Agreement, considering pre-existing vulnerabilities and key concerns raised by stakeholders. The economic modelling results have isolated the impact of CETA from all other influencing factors.

The screening process relies on the criteria defined in the EC Guidelines on the analysis of human rights impacts in impact assessments for trade-related policy initiatives:

1. A specific link to trade measures of the Agreement;
2. A focus on human rights impacts directly related to trade;
3. The magnitude or scale of the potential impact;<sup>181</sup> and
4. Pre-existing vulnerabilities in the context of trade.<sup>182</sup>

The overview of the affected rights or human rights and human rights-related issues is presented in Table 59, which includes the following information:

- Specific rights likely to have been affected by CETA and the normative basis of each right,<sup>183</sup>
- Trade measures under the Agreement,
- The kind of the expected impact (direct/indirect),
- The degree of the expected impact (major/minor),
- Potentially affected population groups (where possible).

**Table 59: Overview of the rights that may have been affected by CETA.<sup>184</sup>**

Human right / normative framework	Trade measure	Kind of impact direct / indirect	Scale of impact major / minor	Potentially affected vulnerable population groups
<i>Right to an adequate standard of living</i> - UDHR, Art. 25 - ICESCR, Art. 11 - CESCR General Comments No. 4, 7, 12, 15 & 19 - CFR, Art. 34	Trade liberalisation under the CETA (a.o. Chapters Two, Eight, and Nine)	Direct	Minor	Workers from sectors affected by the Agreement
<i>Right to the enjoyment of the highest attainable standard of physical and mental health</i> - ICESCR, Art. 12 - CESCR GC No.14 - CEDAW, Arts. 11 & 12 - CRC, Art. 24 - CRPD, Art. 25	Chapter Twenty	Direct and indirect	Minor	Patients / populations in the EU and Canada

<sup>181</sup> The scale of the impact is determined based on the results of the economic modelling, in combination with statistical data regarding the estimated number of affected people, and the irremediability of the impact. There is no threshold for when impacts are grave. The assessment of the gravity of the impact is relative to the impacts identified, based on professional judgment and perspectives of stakeholders.

<sup>182</sup> See European Commission (2015). Guidelines on the analysis of human rights impacts in impact assessments for trade-related policy initiatives, pp. 6-7.

<sup>183</sup> If applicable, in line with the Fundamental Rights Checklist outlined in Tool No. 29 of the Better Regulation Toolbox, absolute human rights are marked with a (\*).

<sup>184</sup> The Table does not include rights where desk research did not indicate that they could be affected by the Agreement, except the rights that were of specific interest to stakeholders.



Human right / normative framework	Trade measure	Kind of impact direct / indirect	Scale of impact major / minor	Potentially affected vulnerable population groups
- ICMW, Art. 28 - CERD, Art. 5 - CFR, Art. 35				
<i>Right to a healthy environment</i> - UNGA Resolution A/76/L.75	Chapter Twenty-four	Direct	Minor	Populations living in proximity to polluting economic activities
<i>Indigenous Peoples' rights</i> - UNDRIP, Arts. 3, 19, 25 & 26 - <b>ILO Convention 169</b> - <b>CESCR General Comment No. 26</b>	Chapter Twenty-Four, Twelve, Annex 19-7, Protocol on RoO & Origin Procedures, Reservations for future measures applicable in Canada		No impact	
<i>Women's rights (gender equality)</i> - CEDAW - ICCPR & ICESCR, Art.2	Recommendation 002/2018 of 26 September of the CETA JC on Trade and Gender	Direct	Minor	Women working in affected sectors in Canada and the EU
<i>Labour rights:</i> <i>Right to just and favourable conditions of work</i> - ICESCR, Arts. 6 & 7 - CESCR General Comment No.23 - CFR, Arts. 15 & 31 <i>Freedom from discrimination</i> - ICCPR, Art. 26 - ILO Conventions 100 & 111 <i>Freedom of association, incl. right to join &amp; form trade unions and right to strike</i> - ICESCR, Art. 8 - ILO Conventions 87 & 98 <i>Freedom from forced labour &amp; slavery, incl. child labour</i> - <b>CFR, Art. 5, Palermo Protocol</b> - <b>ILO Conventions 29, 105, 138 &amp; 182</b>	Chapter 22 & 23	Direct	Negligible/minor (see social analysis of labour standards)	Workers in affected sectors

Source: own compilation

The following Sections examine each identified right in detail.

### 5.2.1 Right to an adequate standard of living

The right to an adequate standard of living is recognised in international human rights law under Article 25 of the Universal Declaration of Human Rights (UDHR) and Article 11 of the International Covenant on Economic, Social and Cultural Rights (ICESCR). All EU MS and Canada have ratified the ICESCR and, therefore, commit to obligations regarding this right (see Table 57 for an overview of ratifications). The right to an adequate standard of living requires that "everyone has the right to a standard of living adequate for the health and well-being of himself and his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control" (Article 25 of the UDHR). It is a compound right that consists of several rights: the right to adequate housing, the right to food, the right to water, the right to social

security, and the right to health.<sup>185</sup> In a trade context, the impact on this right could stem from overall economic growth due to increased trade as well as shifts in employment patterns, affecting wages, job security, incomes, and access to essential services.

The economic analysis indicates that trade liberalisation under CETA (primarily through provisions stipulated in Chapter 2 on national treatment and market access for goods, Chapter 8 on Investment, and Chapter 9 on Cross-border trade in services, along with provisions in other Chapters such as SPS, TBT, customs and trade facilitation) has led to a modest increase in GDP and limited job creation/employment stabilisation in the states-parties to the Agreement.

#### *European Union*

In the EU, no significant impact on the right to an adequate standard of living for workers has been identified, as employment changes due to CETA have been marginal. The largest recorded employment increase was 0.3% in the textile, clothing, and leather sector, while other sectors saw employment gains of 0.1% or less.

The largest reduction in employment (-.01%) was observed in pharmaceuticals, grains, electric equipment, computer, electronic and optical products, and other transport equipment. In combination with employment statistics, the only sector where a minor negative impact was detected was the grain sector, although available data does not conclusively confirm this effect.

Despite mixed effects on employment in specific sectors, the overall effect of the Agreement on employment has been marginally positive for both Parties. The economic results suggest that CETA facilitated increased trade and investment flows between the EU and Canada, which has stimulated economic growth in sectors benefitting from new export opportunities.

This has either led to the creation of new jobs or helped mitigate the negative economic effects of the COVID-19 pandemic and other external factors, thereby reducing employment declines. Supporting this conclusion, economic analysis also indicates that real wages for both skilled and unskilled workers have increased.

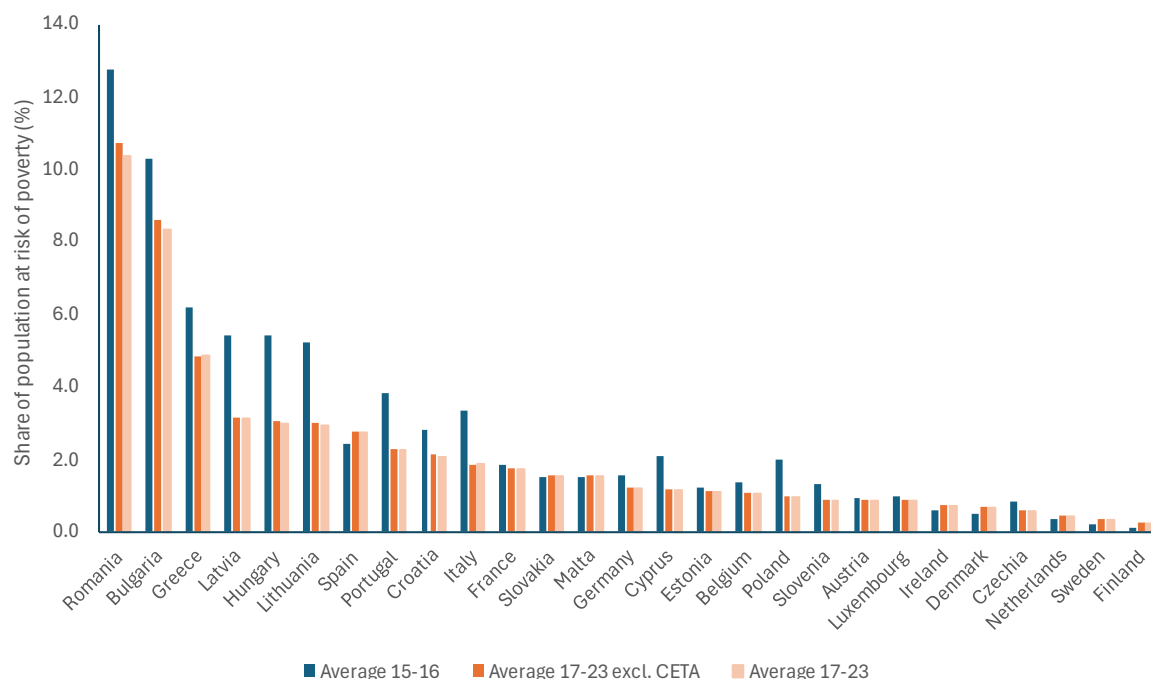
Regarding poverty, Figure 78 illustrates the trend across the EU. In almost all EU MS, poverty rates in the 2017-2023 period were lower than in the 2015-2016 period. Notably, poverty rates declined most significantly in Central and Eastern European Union MS. The effect of CETA – through increases in real spending power – is very small, except for some EU MS (e.g. Romania, Bulgaria, Ireland, Poland, and Hungary), where CETA contributes to poverty reduction. As such, CETA contributes to SDG 1, reducing poverty.

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<sup>185</sup> General Comments No. 4 and 7 – right to adequate housing, General Comment No. 12 – right to food, General Comment No. 15 – right to water, General Comment No. 19 – right to social security.



**Figure 78. Share of populations in EU MS at risk of poverty (%)**



Source: Eurostat (2024)

### Canada

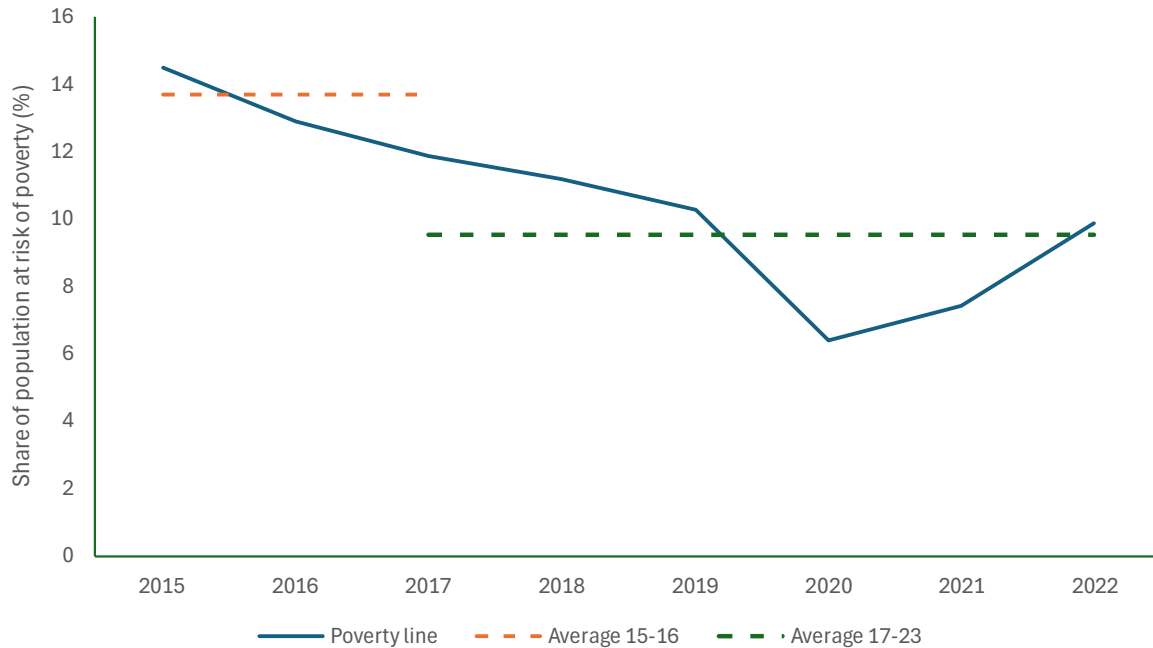
In Canada, a similar situation is observed. The economic results do not suggest that CETA has had a significant effect on the right to an adequate standard of living for workers. The largest employment gains attributed to CETA have been observed in such sectors as textile, clothing, and leather (+0.7%), other transport equipment (+0.9%), and water transport (+1.6%). Because real wages have increased, the Canadian economy has created jobs as a result of CETA.

However, an analysis of broader employment trends – beyond CETA –reveals that these sectors have experienced overall employment declines over recent years, despite the jobs created by CETA. While the CETA effect was not strong enough to reverse these sectoral declines, the Agreement has had a mitigating effect, helping preserve some jobs that may have otherwise been at risk. Employment reductions across most sectors have been minimal, ranging from -0.1% to -0.5%. The largest decline was calculated in the dairy products sector, with a model-based estimate of -2.4%. However, employment statistics indicate that this sector has experienced slower growth rather than outright job losses. This suggests that while growth may have decelerated, the sector has not faced the large-scale job losses initially anticipated (see social analysis for detailed employment effects).

In Canada, the share of the population at risk of poverty fluctuated between 2015 and 2022 (time series limited by available statistics), as shown in Figure 79. In 2015-2016 (pre-CETA), the poverty rate was 13.7%. In 2017-2023, the share of the population at risk of poverty declined to 9.5% - a 30.5% reduction compared to pre-CETA levels. However, the specific impact of CETA cannot be fully isolated.

If CETA's effect in Canada is comparable to that in the EU (see above), the share of Canadians at risk of poverty may have declined by an estimated 1.7% due to CETA. While this effect if not substantial, it is still noteworthy and contributes to SDG 1: reducing poverty.

**Figure 79. Share of population in Canada at risk of poverty (%)**



Source: Statistics Canada (2024)

Additionally, the increase in trade in goods and services, along with enhanced regulatory cooperation between the Parties, has facilitated greater availability and affordability of products for consumers, improved competition, and expanded the variety of products and services available on the market (see also the impact on consumers). These factors have positively affected people's standard of living.

Taken together, these developments suggest an overall, albeit limited, positive impact of the Agreement on the right to an adequate standard of living for workers, particularly through job preservation, job creation, improved access to markets, and a modest increase in income.

Due to its provisions related to trade and services and collaboration in innovation and technology, the Agreement has the potential to contribute to improvements in living standards by enhancing access to quality services. Technological advancements driven by trade partnerships may also lead to innovations that enhance productivity, job opportunities, and overall well-being. However, no significant impact from these provisions has been observed so far, and their long-term effects remain to be seen.

### 5.2.2 Right to the highest attainable standard of physical and mental health

The right to health is recognised under Article 25 of the UDHR and Article 12 of the ICESCR. It is an inclusive right, encompassing a wide range of "underlying determinants of health". The CESCR General Comment No. 14 specifies that the right to health includes safe drinking water and adequate sanitation, safe food, adequate nutrition and housing, healthy working and environmental conditions, health-related education and information, and gender equality. Access to essential medicines is also part of the right to health and includes essential medicines as defined by the WHO Action Plan Programme on Essential Drugs.

The obligations of states with respect to the right to health include taking necessary measures to ensure its progressive realisation, based on the principle of non-retrospection, without discrimination, while respecting, protecting, and fulfilling it - including through international cooperation and assistance. Additionally, in line with the AAAQ (Availability, Accessibility, Acceptability, and Quality) framework, states are required to provide a functional public health system and ensure access to essential health facilities, goods, and services. Both EU MS and Canada ratified the ICESCR and are, therefore, bound by these obligations.

Addressing the right to health in the context of trade and investment agreements involves a range of issues, including intellectual property rights, the availability and affordability of healthcare services and medicines, environmental protection, the safety of traded goods, and labour rights.

#### *Intellectual Property provisions and Access to Medicines*

Chapter 20 (Intellectual Property) of CETA includes certain provisions related to patents and data exclusivity, which are linked to access to medicines. During CETA negotiations, stakeholders raised concerns about the impact of these provisions, emphasising their potential negative effects on drug affordability and access to medicines in both Canada and the EU (EPHA, 2016; Radio Canada, 2012). Specifically, the potential extension of data protection periods for pharmaceutical products under CETA was seen as problematic by some stakeholders, as it could delay the market entry of lower-cost generic medicines. By extending the period during which generic manufacturers cannot rely on clinical data from pharmaceutical companies, stakeholders feared these provisions could create longer monopolies for original drug producers, keeping drug prices higher for an extended period (EPHA, 2016).

However, based on available evidence seven years into the provisional application of the Agreement, no significant impact of CETA IP protection provisions on the right to health and access to medicines in the EU and Canada has been identified.

There are several reasons why these concerns have not materialised. *First*, both the EU and Canada already had data protection periods in their domestic systems before entering into CETA. Neither Party changed their data protection frameworks upon the conclusion of CETA. The Agreement only established a common minimum standard of data protection but has not extended existing data protection provisions. *Second*, an IQVIA (2021) study, which analysed the impact of IP provisions in EU FTAs on medicine prices and the speed of introduction of innovative drugs onto the market, found that medicines prices in Canada increased by only 0.22% overall in the period from 2010 to 2019. This indirectly indicates that CETA has had no significant impact on the prices of medicines (albeit the IQVIA report does not cover the period after 2021). *Third*, the same report found that stronger IP provisions allowed for the faster introduction of innovative medicines onto the market, boosting innovation and access to innovative medicines for patients. Pharmaceutical investment in Canada increased by 181.9% compared to pre-CETA levels (IQVIA, 2021).

However, at the same time, recent Canadian court cases (*GlaxoSmithKline Biologicals SA v. Canada (Health)*, 2020, and *Viiv Healthcare ULC v. Canada (Health)*, 2020, raised concerns about broader patent protections granted by court rulings. Some stakeholders have expressed concern that “Canadian judges may now force Health Canada to grant CSPs [Supplementary Protection Certificates red.] in a broader set of circumstances than in the EU”, which may potentially undermine the original intent to balance pharmaceutical innovation with public health needs (Wine & Lipkus, 2021). However, this has not happened to date.

For the EU, comparable data is lacking. The pricing of medicines is a national competence of individual EU MS and is not directly related to trade under CETA. However, a literature review suggest that the EU is becoming a less attractive market for pharmaceutical companies, as its policies are not seen as sufficiently incentivising innovation and R&D investment due to relatively weaker IP protection. This trend is leading to increased R&D expenditures being allocated to other regions in the world (Erixon & Guinea, 2023; EFPIA, 2022).

Recent data also indicate a decline in medicine availability and longer waiting times for new medicines in the EU (ECIPE, 2022; IQVIA, 2024). The availability rate of new medicines in the EU decreased from 45% in 2022 to 43% in 2023. The average waiting time for a new medicine to be available on the European market increased by 14 days and amounts to 531 days (IQVIA, 2024). The importance of competitiveness, including in the pharmaceutical sector, has also been highlighted in the Draghi report (Draghi, 2024),

which emphasises the need for stronger incentives for research and innovation to maintain the global position of Europe in the pharmaceutical sector.

These trends can be largely attributed to EU and national EU MS policies, rather than CETA, as economic results suggest a limited increase in bilateral trade in pharmaceutical products and medical devices between the EU and Canada (induced by CETA). This can be partially explained by increased trade in medical goods during the COVID-19 pandemic. However, ITC Trade Map data indicates that the increase in trade in pharmaceutical products cannot be attributed solely to the pandemic, as bilateral trade between Canada and some EU MS (e.g. Portugal) continued to increase significantly even after major COVID-19 outbreaks in 2021 and 2022. While the increase in bilateral trade in pharmaceuticals has not been substantial, data suggests that CETA has facilitated greater access to medicines, medical devices, and healthcare technologies, contributing to the availability of essential health products in both regions.

Additionally, CETA provisions on cross-border trade in services (Chapter 9) and investment (Chapter 8) encourage collaboration between healthcare providers, research institutions, and pharmaceutical companies in the EU and Canada. Chapter 25 on Bilateral dialogues and cooperation further includes provisions that offer potential opportunities for open science collaborations. Some researchers suggest that such collaborations could drive an alternative model of innovation that allows to alleviate some of the costly technological dependence created by traditional IP frameworks (Finbow, 2019).

In the long run, cooperation and joint scientific initiatives related to healthcare could contribute to innovation in medical research and lead to improvements in healthcare services, ultimately enhancing health outcomes.

While several projects are already underway, and multiple joint meetings have taken place (e.g. the EU-Canada Joint Science and Technology Cooperation Committee met in 2022, discussing cooperation and in several fields, including health), it is too early to assess any significant impact in this area.

To avoid overlap with other sections in this evaluation, the analysis regarding safety at work and consumer rights is presented in the social analysis, while environmental health risks are covered under the right to a clean and healthy environment.

### 5.2.3 Right to a clean and healthy environment

The right to a clean, healthy, and sustainable environment was recognised in international human rights law in 2022 through the UN General Assembly Resolution A/RES/76/300. Although the UN Resolution does not provide a specific definition of the new right, a 2019 UN Human Rights Council report identified several “vital elements” that could be included in the definition: the right to breathe clean air, access to clean water and sanitation, healthy and sustainable food, a safe climate, and healthy biodiversity and ecosystems. The report also emphasised the link between the right to a healthy environment and the right to life and right to health recognised in the International Covenant on Civil and Political Rights (Article 6) and the ICESCR (Article 12). While the Resolution is not legally binding and the international legal framework with respect to this right remains to be formalised, more than 155 states have already established legal recognition of the right to a healthy environment and incorporated it into their constitutions or national environmental legislations (United Nations, 2019). Moreover, civil society pressure for formal recognition of this right within the Council of Europe has been growing, particularly in recent years (Amnesty International, 2024; CIEL, 2024; CIDSE, 2024).

Table 60 indicates which State-Parties to CETA have incorporated the right to a clean and healthy environment into their national legislations or constitutions.

**Table 60: Legal recognition of the right to a clean and healthy environment**

State-Party to the proposed agreements	Status of recognition*		State-Party to the proposed agreements	Status of recognition*
Austria	No		Ireland	No
Belgium	Yes		Italy	No
Bulgaria	Yes		Latvia	Yes
Canada	Yes		Lithuania	Yes
Croatia	Yes		Luxembourg	No
Cyprus	Yes		Malta	No
Czechia	Yes		Netherlands	No
Denmark	No		Poland	No
Estonia	No		Portugal	Yes
Finland	Yes		Romania	Yes
France	Yes		Slovenia	Yes
Germany	No		Slovakia	Yes
Greece	Yes		Spain	Yes
Hungary	Yes		Sweden	No

(\*) recognition either in national legislation or in the national constitution.

Source: own compilation based on UN Environment Programme (no date).

This right is closely linked to environmental protection, sustainable development, and the long-term well-being of communities. In a trade context, its realisation can be affected by increased industrial and economic activity, which may lead to environmental degradation if not properly regulated. However, trade agreements also include provisions that promote environmental protection and cooperation in green technologies, goods, and services. Additionally, if provisions related to investor protection mechanism prioritise investor interests over public interests (when those interests conflict), governments may be discouraged from implementing and enforcing stricter environmental protections.

Based on these impact mechanisms, what can be said about the effect of CETA on the right to a clean and healthy environment? *First*, economic analysis has indicated that the CETA-induced output and emissions effects are marginal for both the EU and Canada, meaning that the Agreement has not negatively impacted this right. There is no evidence of increased pressure on natural resources or environmental degradation linked to mining. While pollution from transport has risen marginally, it accounts for no more than 0.1% of total emissions, excluding third-country diversification effects.

*Second*, CETA includes specific provisions aimed at ensuring that trade does not come at the expense of environmental protection. Chapter 24 on Trade and Environment commits both the EU and Canada to maintaining high levels of environmental protection (Article 24.3 on the right to regulate and levels of protection and Article 24.5 on upholding levels of protection). Additionally, Chapter 24 encourages cooperation on environmental issues, such as biodiversity, climate change, and renewable energy (Article 24.9). By fostering collaboration and promoting high levels of protection, CETA contributes to stronger environmental standards and green technologies.

*Third*, while investor protection provisions could, in theory, conflict with environmental goals, recent developments suggest the relationship is more complex. The White Pines case, for example indicates that the right to regulate applies even when it results in reduced support for renewable energy, meaning sustainable energy companies do not necessarily receive special protection. However, as investor protection provisions have not yet been applied, this concern remains hypothetical in the context of CETA's impact on environmental rights.

*Finally*, through the exchange of environmentally friendly goods, technologies, and services, the Agreement can support the adoption of renewable energy technologies, energy-efficient products, and environmentally sound practices, which can help mitigate pollution and reduce carbon emissions. However, evidence does not indicate a significant impact of CETA in this regard, as tariffs on environmentally friendly goods were already low before the provisional application of CETA. While small positive effects have been observed, further initiatives and cooperation are necessary to strengthen this potential benefit.

#### *5.2.4 Indigenous Peoples' rights*

Protection of Indigenous Peoples' rights in the context of the ex-post evaluation of CETA can refer to three primary aspects: the duty to consult (right to free, prior, and informed consent (FPIC)), the safeguarding of traditional knowledge (including through intellectual property provisions), and the recognition and protection of inter-Indigenous trade practices.

CETA does not contain specific provisions or general exceptions exclusively related to Indigenous Peoples' rights. However, several provisions address issues pertinent to Indigenous rights. For example, Article 12.2.2 of Chapter 12 on Domestic Regulation states that, in Canada, the chapter's provisions do not apply to several sectors or activities, including Aboriginal affairs, thereby allowing the Government of Canada to maintain or introduce domestic regulations that benefit Indigenous service providers. Article 24.1 of Chapter 24 on Trade and Environment exempts the provisions of the chapter from applying to "Aboriginal harvesting of natural resources". Additionally, Note 2(a) of Canada's Annex 19-7 to the Chapter on Government Procurement excludes from the obligations of the Chapter "any measure adopted or maintained with respect to Aboriginal peoples" and "set aside for Aboriginal businesses". This Note also clarifies that existing Aboriginal or treaty rights of any of the Aboriginal peoples of Canada, as protected by Section 35 of the Constitution Act (1982), remain unaffected by this chapter. This provision allows the Canadian government to continue implementing preferential measures to encourage the participation of Aboriginal business suppliers in procurement processes otherwise covered by the CETA Chapter on Government Procurement. The Assembly of First Nations (AFN) noted in 2018 that the Agreement includes exceptions and carve-outs that are necessary to ensure its ability to adopt measures that preserve rights and preferences for Aboriginal peoples (AFN, 2018).

Indigenous rights are explicitly recognised in Section 35 of the Constitution Act (1982) of Canada, which cannot be superseded or undermined by commitments under a trade agreement. Global Affairs Canada's trade-focused Indigenous Working Group (IWG) engages in ongoing dialogues with Indigenous Peoples to increase the opportunities for them to benefit from trade and investment (Government of Canada, 2020a). In 2021, Canada endorsed the Indigenous Peoples Economic and Trade Cooperation Agreement (IPETCA), which came into force in 2023. IPETCA is a cooperation-based agreement among Canada, Australia, New Zealand, and Chinese Taipei, which acknowledges the importance of economic empowerment of Indigenous communities through an inclusive approach to trade for Indigenous businesses. Canadian institutional and policy frameworks have evolved to include the interests of First Nations, Inuit, and Métis peoples. Several publications indicate that an increasing number of Indigenous Peoples' businesses are participating in international trade (Government of Canada, 2019a; Canadian Council for Aboriginal Business, 2023). The First Nations Economic Forum convened for the first time in May 2024 to discuss strategies for strengthening Indigenous economies. However, Canada has not ratified ILO Convention No. 169 on Indigenous and Tribal Peoples.

The Sámi are recognised as the only Indigenous Peoples within the EU, with their traditional territories, known as Sápmi, spanning across such EU MS as Finland and Sweden.

The Finnish Constitution acknowledges the Sámi as an Indigenous population group and guarantees cultural autonomy within their homeland (Section 17 of Chapter 1 of the 1999 Finnish Constitution).<sup>186</sup> This includes rights related to language and culture, which are also laid down in the Act on the Sámi Parliament (Section 17 of Chapter 1 of the 1999 Finnish Constitution).<sup>187</sup> The Sámi Parliament in Finland serves as a representative body, though discussions continue regarding the extent of its authority and the definition of Sámi identity (Sámediggi, no date). The Finnish government has faced scrutiny regarding its granting of

<sup>186</sup> See full text of the Finnish Constitution: [Ministry of Justice, Finland](#)

<sup>187</sup> The Act of the Sámi Parliament also obliges public authorities to negotiate with the Sámi Parliament on issues that may affect their status as an indigenous group. The text of the Act is available only in Finnish: [Laki saamelaiskäräjistä 974/1995 - Ajantasainen lainsäädäntö - FINLEX ®](#)

mineral exploration permits on traditional Sámi territory, as highlighted in recent UN treaty body views. These concerns focus on potential violations of Sámi rights under international agreements, particularly regarding free, prior and informed consent (FPIC) (CRC, 2024; CESCR, 2024). The Finnish government acknowledged the importance of balancing economic interests with Indigenous rights and initiated legal reforms to strengthen Sámi participation in decision-making processes related to land use and trade (CRC, 2024). Two EU Sámi Summits took place at the EU level to raise awareness on Sámi issues (Sámidiggi, 2025).

Sweden recognises the Sámi as both an Indigenous people and a national minority (Article 2 of Chapter 1 of the Swedish Constitution).<sup>188</sup> The Swedish Sámi Parliament (Sametinget), established in 1993, functions as a government agency and a representative body.<sup>189</sup> In January 2022, the Swedish Parliament adopted the Act on Consultation in Matters Concerning the Sámi People (Sections 7 and 8 of the Act 2022:66).<sup>190</sup> This Act mandates that the government, administrative authorities, and municipalities consult with the Sámi Parliament or other Sámi representatives on issues that may have a particular impact on the Sámi people, such as land use, reindeer husbandry, and cultural matters. Despite these legal frameworks, challenges remain in fully realising and implementing the rights of the Sámi, particularly in relation to land use and the regulation of the extractive industry (Mazzoleni, 2023).

Neither Finland nor Sweden has ratified ILO Convention No. 169 on Indigenous and Tribal Peoples. Despite existing national legal frameworks, reports indicate that the Sámi continue to face challenges regarding land rights, especially in relation to natural resource extraction and infrastructure projects. The proposed EU Critical Raw Materials Act has been criticised for potentially compounding injustices against the Sámi by failing to adequately protect their rights amid increased mineral extraction (Raitio & Larsen, 2023). In response, the Sámi parliaments of Finland, Norway (which is not an EU MS but is also home to the Sámi people), and Sweden have jointly drafted a Nordic Sámi Convention, aiming to harmonise the Sámi rights across these countries and reinforce their Indigenous status (Swift, 2025).

No direct evidence of how the Agreement has affected Indigenous communities has been identified.<sup>191</sup> However, some reports suggest a modest overall increase in exports to EU destinations, though not necessarily linked to CETA. For instance, “The Adàwe: Export Experiences of Indigenous Entrepreneurs Report” published by the Canadian Council for Aboriginal Business and Global Affairs Canada, provides insights into the export activities of Indigenous-owned small and medium-sized enterprises (SMEs). According to the report, the United States is the primary export destination for these businesses. In 2021, 90.5% of Indigenous SMEs exported to the US. Additionally, Indigenous SME exporters target EU destinations such as France (14%), Germany (10.1%), Belgium (2.7%), and Spain (2.3%) (CCAB & GAC, 2023). While it was not possible to find comparable statistics for earlier years, the 2019 CCAB & GAC report states that in 2014, exports to the US amounted to 21.5%, and exports to the overseas international destination markets (including Europe, Australia, and New Zealand) amounted only to 14.8%, with First Nations being most active in that market (15.9%) and Inuit least active (7.3%) (Bélanger Baur, 2019a). This data indicates that exports have increased significantly to the US and, to some extent, to EU countries. No comparable data were available to provide details on trade of the businesses owned by the Sámi with Canada.

Reports from the Civil Society Forum and the Trade and Sustainable Development (TSD) Committee indicate efforts of the Parties to discuss issues related to proper consultation with Indigenous communities, particularly concerning the mining of critical materials and building meaningful relationships to ensure their full engagement and participation in

<sup>188</sup> See full text of the Swedish Constitution here: [grundlagar-2023-engelsk-web.pdf](#)

<sup>189</sup> In line with the Sámi Parliament Act (1992:1433): [Sametingslag \(1992:1433\) | Sveriges riksdag](#)

<sup>190</sup> The Act (2022:66) on consultation in matters concerning the Sami people is available in Swedish: [Lag \(2022:66\) om konsultation i frågor som rör det samiska folket | Sveriges riksdag](#)

<sup>191</sup> The study team reached out to twelve organisations representing Indigenous Peoples in Canada and two organisations representing the Sámi people. No organisation provided a response. One Canadian organisation initially acknowledged the invitation to provide feedback but ultimately did not submit a response.



decision-making processes (European Commission, 2023l; 2024a). The importance of continuous efforts and concrete joint activities to facilitate access and benefits from CETA for Indigenous Peoples in Canada and the EU has also been on the agenda of the joint meetings, including opportunities for inter-indigenous trade between the Indigenous Peoples of Canada and Sámi, but no specific events or actions have been noted in the reports (European Commission, 2023l; 2024a).

#### 5.2.5 Women's rights

Women's rights are protected under the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). Core gender equality standards related to employment are established in ILO Convention No. 100 (the Equal Remuneration Convention) and ILO Convention No. 111 (The Discrimination (Employment and Occupation) Convention). Women's rights in trade are generally affected through employment conditions in export-oriented sectors, employment shifts in gender-specific industries (e.g. textiles), and the participation of businesses led by women.

The Trade and Gender agenda under the CETA framework is defined by the Recommendation 002/2018 of 26 September 2018 adopted by the CETA Joint Committee on Trade and Gender. This has been followed by Work Plans outlining specific activities. Two Work Plans (for 2019-2020 and 2020-2021) are available on the European Commission website, while a more recent one is currently being prepared but has not yet been adopted.

The implementation of the Trade and Gender Recommendation is presented in the social analysis (Chapter 3). Since 2018, the EU and Canada have undertaken various activities and initiatives that focused on the debate on women and trade, policies that support women's economic empowerment and gender equality, support for women entrepreneurs to make use of CETA, exchange of best practices and information on programmes and methods of collecting gender-disaggregated data.

The Government of Canada noted in 2020 that considerable progress had been made in implementing the Trade and Gender Recommendation. Several activities took place, including eight events that were carried out in the period from 2018 until 2020 and over twenty documents shared between the parties around that period of time (Government of Canada, 2020). Information exchange included such topics as pay equity and the gender gap, data, reports on women's entrepreneurship and women and trade, initiatives on work to increase the number of women in STEM, guideline materials on conducting impact assessments of trade agreements, and others. After a COVID-19-related pause, cooperation has resumed in 2023 and 2024, with further activities. Stakeholders have expressed overall positive feedback regarding various initiatives aimed at engaging women entrepreneurs.

Joint work plans set out a number of measurable goals and present a clear overview of deliverables and activities. It is remarkable that academics have noted that CETA "delivers solid structures to design and implement concrete actions, leading to more policy coordination between the EU and Canada on trade and gender issues" (Viju-Miljusevic, 2024).

However, an important gap remains concerning the collection of disaggregated data on women, which is essential for assessing the impact of the CETA on women entrepreneurs and traders (e.g. the proportion of women-owned businesses involved in export/import activities, disaggregated by economic sector and year, and the total value of exports and imports by women-owned businesses, also disaggregated by sector and year). Both the EU and Canada have acknowledged this issue during CETA meetings on Trade and Gender (European Commission, 2019e; 2019f).

### 5.2.6 *Labour rights*<sup>192</sup>

The right to just and favourable conditions of work and freedom of association, including the right to strike, are recognised in Articles 20, 23 & 24 of the UDHR and Articles 6-8 of the ICESCR. All States-Parties have ratified the ICESCR and therefore have legal obligations regarding the protection and realisation of this right. CESCR General Comment No. 23 clarifies the normative content of this right and the corresponding state obligations. It details the key elements that are necessary for its realisation, including fair wages, equal remuneration for work of equal value without distinction of any kind, remuneration that ensures decent living for workers and their families, safe and healthy working conditions, opportunities for promotion in employment, rest, leisure, reasonable limitation of working hours, periodic holidays with pay, remuneration for public holidays, and freedom from harassment, including sexual harassment.<sup>193</sup> The ILO fundamental Conventions comprehensively address labour rights, covering fundamental principles such as the prohibition of forced and child labour and the elimination of discrimination at work (see Table 57 and Table 58 for a full overview of ratifications).

The impact of on labour rights generally materialises through competitive pressures resulting from trade liberalisation, increased investment, and implementation of labour-related TSD commitments (Chapter Twenty-Two on Trade and sustainable development and Chapter Twenty-Three on Trade and Labour). However, economic analysis indicates that CETA has had a limited impact in this area. For a more detailed analysis on labour standards, refer to the social analysis section.

### 5.2.7 *Corporate Social Responsibility (CSR) assessment*

The Corporate Social Responsibility (CSR) assessment focuses on three main areas: (1) commitments to Multilateral Guidelines, (2) EU and Canadian approaches to CSR and (3) the uptake of voluntary measures.

Overall, references and commitments to CSR and responsible business conduct (RBC) in CETA are less pronounced and frequent compared to some other EU trade agreements. While certain EU FTAs include references to CSR and RBC, along with commitments to international guiding documents – such as the OECD Guidelines for Multinational Enterprises, the UN Global Compact, the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, and the UN Guiding Principles on Business and Human Rights – CETA contains fewer explicit commitments. Notably, CETA lacks cross-cutting commitments related to promotion and cooperation in the area of ethical trading schemes, eco-labelling, eco-certification and related activities.

CETA mentions corporate social responsibility in the preamble, encouraging enterprises to “respect internationally recognised guidelines and principles of corporate social responsibility, including the OECD Guidelines for Multinational Enterprises, and to pursue best practices of responsible business conduct”. Additionally, references to CSR appear in Article 22.3(b) on cooperation and promotion of trade supporting sustainable development, Article 24.12(c) on cooperation on environmental issues, and Article 25.4(c) on Bilateral Dialogue on Raw Materials.

In terms of international instruments, CETA refers only to the OECD Guidelines for Multinational Enterprises (MNEs), which provide voluntary standards and principles for responsible business conduct (RBC) in a worldwide environment. These Guidelines encourage MNEs to adhere to best practices regarding human rights, employment and industrial relations, environmental protection, competition, taxation, science and technology, and corporate disclosure. As of 2025, 38 OECD countries and 13 non-OECD countries have signed up to these guidelines. Within the EU, Bulgaria, Croatia, Cyprus, Malta, and Romania have not yet signed them.

<sup>192</sup> Labour rights include: the right to just and favourable conditions of work, freedom of association, incl. the right to collective bargaining and right to strike, prohibition of all forms of forced labour, including child labour, freedom from discrimination at work.

<sup>193</sup> General comment No. 23 (2016) on the right to just and favourable conditions of work (Article 7 of the International Covenant on Economic, Social and Cultural Rights), E/C.12/GC/23: <https://digitallibrary.un.org/record/1312521?ln=en>

Under the OECD Guidelines, each signatory is required to establish a National Contact Point (NCP) to handle complaints and promote RBC. All EU MS which signed up to the Guidelines have established an NCP, although in different ways and under different ministries. In Canada, the NCP operates under Global Affairs Canada (GAC) within the International Business Development, Investment and Innovation Branch (Chief Trade Commissioner), Trade Portfolio Strategy and Coordination Bureau. It has an eight-member interdepartmental decision-making structure, chaired by GAC, with Natural Resources Canada as a vice-chair. Other departments involved include Natural Resources Canada, Environment and Climate Change Canada, Innovations, Science and Economic Development Canada, Employment and Social Development Canada, Crown-Indigenous and Northern Affairs, and Finance Canada.

The commitment to the OECD Guidelines pre-dates CETA, meaning the Agreement itself does not directly impact Canada's adherence to these international standards.

The European Union incorporates CSR and RBC policies both at the national and EU levels. These policies are embedded in external trade relations, international dialogues, and sustainability initiatives. The EU's CSR strategy is outlined in the 2019 Commission staff working document (SWD) on corporate social responsibility, responsible business conduct, and business & human rights (European Commission, 2019). This document highlights several main priority areas on which the EU developed concrete policies in the context of *inter alia* the European Green Deal. The European Green Deal introduced a whole 'ecosystem' of regulatory measures which to a degree transform soft law CSR guidelines into hard law obligations for EU MS and companies through due diligence obligations. These include *inter alia* the Critical Raw Materials Act, the Corporate Sustainability Reporting Directive, the Corporate sustainability due diligence directive, Regulation on responsible sourcing of minerals from conflict affected and high-risk areas (relevant for Article 25 of CETA), the Regulation on Deforestation-free commodities, and the Regulation concerning Batteries and Waste Batteries.

In addition to regulatory measures, the EU has introduced sector-specific strategies. Following the focus in SWD on the development support to responsible value chains in the garment sector (European Commission, 2019), in 2022 the European Commission launched the EU Strategy for sustainable and circular textiles, which aims to address the negative impacts of textile production and consumption on climate, energy, water, and the environment (European Commission, 2022m).

Canada's approach is outlined in its 2022 strategy, "Responsible Business Conduct Abroad: Canada's Strategy for the Future", a five-year action plan that builds on the 2014 RBC strategy and is framed in an evolving environment involving several legal requirements in Canada and abroad in relation to CSR and RBC. Canada has also strengthened its legal framework to promote RBC. In 2015, the *Extractive Sector Transparency Measures Act* came into force, which focuses on addressing corruption in the extractive sector. The July 2020 Customs Tariff amendments prohibit imports of goods that are mined, manufactured or produced fully or in part through forced labour. This is now amended by a new legislation (Fighting Against Forced Labour and Child Labour in Supply Chains Act of 2024) which focuses on the elimination of forced labour from Canadian supply chains and ensures that Canadian businesses operating abroad do not contribute to human rights abuses.

The Canadian strategy explicitly refers to international jurisdictions which are also introducing mandatory measures related to labour, the environment and due diligence and recognises that Canadian businesses must comply with evolving international standards. In this way the Canadian approach aligns with the EU. The Strategy is built around three main components: (1) build awareness and champion action, (2) increase the uptake of due diligence and accountability, and (3) strengthen the global RBC ecosystem. The first component includes promoting RBC and helping Canadian companies adopt internationally recognised best practices. The second component aims to increase the uptake of RBC due diligence by Canadian companies (including in their supply chains), mainstream

responsible business considerations in external policies (including funding and programmes), and facilitate access to remedy. The third component aims to contribute to a rules-based international system that advances Canada's interests and values, integrate RBC in bilateral and multilateral engagements, and foster an enabling environment for dialogue on RBC. The strategy should lead to several concrete actions, including the introduction of a standard on due diligence reporting, digital RBC attestation, awards for best practices, and additional RBC initiatives.

The alignment between EU and Canada in terms of sustainable development and CSR/RBC-related activities is also underlined in the Canadian Statement on the Implementation of CETA. The statement stresses that the provisions in CETA build on both Parties' traditions of promoting sustainable development within FTAs and confirms their shared views that trade should support environmental protection and decent work. It also recognises the importance of assessing the potential economic, social, and environmental impacts of possible actions and of taking into account stakeholder views. No amendments to Canadian legislation arise from the Articles in CETA which refer to CSR/RBC.

Finally, CETA Article 22.3 encourages cooperation on voluntary sustainability standards, including eco-labelling and fair-trade schemes. This promotion of voluntary standards is a recurring provision in EU FTAs which fall under the provisions of CSR. These voluntary standards can be defined as *"standards specifying requirements that producers, traders, manufacturers, retailers or service providers may be asked to meet, relating to a wide range of sustainability metrics, including respect for basic human rights, worker health and safety, the environmental impacts of production, community relations, land use planning and others"* (UNFSS, 2013, p.3).

As of January 2025, the Standards Map of the International Trade Centre lists 351 voluntary standards globally. Both EU and Canada actively promote these standards, with 250 standards active in the EU and 179 in Canada.<sup>194</sup>

The most direct impact of CETA on CSR stems from Article 25, which establishes bilateral dialogues and cooperation. Under Article 25.4, the Bilateral Dialogue on Raw Materials serves a platform for exchanging information on CSR activities aligned with internationally-recognised standards. This Dialogue also facilitates consultation on EU-Canada positions in multilateral or plurilateral fora, where issues related to raw materials, sustainability, and CSR/RBC may be discussed. The dialogue met for sixth time in March 2024.

Additionally, the EU and Canada launched the "European-Canadian Raw Materials Partnership", where CSR and sustainability concerns can be addressed within the broader framework of responsible supply chains.

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<sup>194</sup> <https://www.standardsmap.org/en/identify> [accessed on 31 January 2025].

## 6 INSTITUTIONAL ANALYSIS

This Section presents the institutional analysis of CETA. Section 6.1 provides a concise description of the Agreement. The chapter structure of CETA as well as a focused description of each chapter can be found in Annex IX.1. Section 6.2 offers an overview of the institutional structure of CETA. The extended institutional framework of CETA is presented in Annex IX.2. Section 6.3 assesses decisions taken by the CETA Joint Committee. A detailed overview of the activities carried out by specialised committees and dialogues, as well as a detailed analysis of current relevance of CETA institutions is available in Annex IX.3. Finally, Section 6.4 evaluates the user-friendliness of access to information, and transparency for stakeholders.

### Key findings:

- Good progress has been made on various key issues, including on recommendations of the Joint Committee on climate change and the Paris Agreement, trade and gender, and SMEs (e.g. the adoption and execution of detailed Trade and Gender work plans, ongoing bilateral cooperation non-trade-related aspects of the international climate change regime, as well as the implementation of a comprehensive work plan on SMEs and the establishment of the Enterprise Europe Network in Canada).
- The Joint Committee adopted four decisions to enhance transparency, consistency, and fairness of the Investment Court System provisions for once the Agreement is ratified by all EU MS.
- Significant progress has been reported on the agreement on an “Interpretation on Investment”, which clarifies elements of investment provisions under CETA, particularly that “the Parties can regulate in the framework of climate, energy, and health policies to achieve legitimate public objectives”.
- In February 2024, the Parties concluded technical negotiations on new rules designed to facilitate SME access to investment dispute resolution under CETA by streamlining and simplifying dispute resolution procedures.
- Multiple digital resources have been identified as useful sources of trade-related information for stakeholders involved in EU-Canada trade under CETA. These platforms provide practical tools and information on trade procedures, customs regulations, market access, and statistical data. Positive feedback highlights improved accessibility for SMEs and international traders, though user experience challenges persist across several platforms.
- The Access2Markets portal has been highly valued for its user-friendly approach to complex trade information, particularly for SMEs.
- While stakeholders acknowledged CIRCABC database as a transparent and secure platform for assessing official documents related to CETA implementation, significant usability challenges were raised: files and texts do not show up in search requests, non-intuitive interface, delayed publication of meetings, lack of clear publication dates, multiple layers of navigation to access documents.
- Thematic portals, such as the EU Trade Policy website, CETA website, Canadian SME website, offer comprehensive overviews of EU-Canada trade relations. Common feedback from stakeholders is that infrequent updates limit usefulness of available information.
- The Trade Statistics Portal is appreciated for its data on trade flows but users have struggled with the format, suggesting to introduce interactive visual tools to make data available in user-friendly formats.
- The EU Customs Trade Portal is useful for customs-related information but requires simplification. Stakeholders reported complex registration processes and difficult navigation.
- For all available portals and websites, stakeholders highlighted the need for interactive tools and AI-powered assistance to provide tailored consultations.
- Regarding activity and progress, significant progress has been observed in some CETA Committees and Dialogues, while others have been underutilised or been less impactful than they could have been (see Annex IX for a detailed analysis).

## **6.1 Concise description of the Agreement**

This Section provides a high-level description of the Agreement and its structure. Annex IX contains a detailed breakdown of the chapters, including their objectives and scope. Since September 2017, most - but not all - parts of CETA have been provisionally applied while the ratification process continues.

Chapters 1 and 30 of CETA focus on definitions and final provisions, providing the foundational and concluding elements of the Agreement. Chapter 2 covers trade in goods, while Chapter 9 addresses trade in services, and Chapter 8 focuses on investments. Chapters 3 to 7 deal with trade remedies, technical barriers to trade (TBT), sanitary and phytosanitary measures (SPS), customs and trade facilitation, and subsidies, offering detailed framework for these areas. Chapters 10 and 11 explore the temporary entry and stay of natural persons for business purposes and the mutual recognition of professional qualifications, respectively. The latter is particularly innovative for EU FTAs. Chapter 12 addresses domestic regulation, while Chapters 13 to 16 focus on specific sectors (such as financial services, maritime transport services, telecommunications, and e-commerce). Horizontal issues are covered in Chapters 17 to 20 (including competition policy, state enterprises, government procurement, and intellectual property). The government procurement and intellectual property chapters introduce novel provisions compared to earlier EU FTAs. Chapter 21 is dedicated to regulatory cooperation and links closely to the TBT and SPS provisions in Chapters 4 and 5. Chapters 22 – 24 focus on trade and sustainable development, trade and labour, and trade and environment. These chapters were considered the most advanced sustainable development chapters in EU FTAs as of 2017. Chapters 25 and 26 detail bilateral dialogues and cooperation, as well as administrative and institutional provisions, outlining the various committees and dialogues established under CETA. Finally, Chapter 27 contains transparency provisions, Chapter 28 addresses exceptions, and Chapter 29 focuses on dispute settlement.

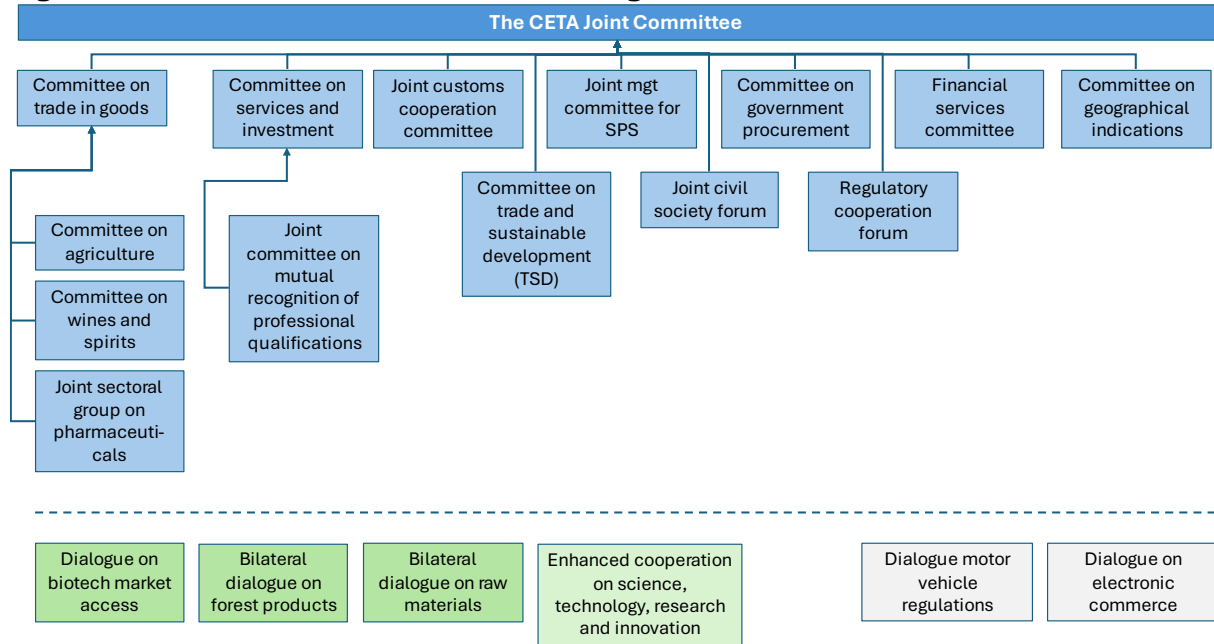
As highlighted in Annex IX, not all parts of CETA have been provisionally applied. Notably, Chapters 8 (investment), 13 (financial services), 20 (intellectual property), 27 (transparency), and 28 (exception) are only partially applied.

This structured approach reflects the comprehensive scope of CETA, covering a wide range of trade and cooperation topics while emphasising innovative and sustainable practices in international trade.

## **6.2 Overview of the institutional structure of CETA**

CETA has a governance structure with nineteen dedicated committees and dialogues that report to the Joint Committee. Article 26 of the Agreement establishes the CETA Joint Committee along with several specialised committees to oversee the implementation of the Agreement. Additionally, Chapter 25, Article 16.6, and Annex 4-A of CETA foresee the establishment of bilateral dialogues and cooperation mechanisms, aimed to facilitate collaboration on issues of common interest. This structure is summarised in Figure 80.

**Figure 80: The CETA committee and dialogue structure**



Source: own compilation based on the CETA legal text

The CETA Joint Committee is responsible for all questions concerning trade and investment between the Parties and the implementation and application of the Agreement. The Committee on Agriculture, the Committee on Wines and Spirits, and the Joint Sectoral Group on Pharmaceuticals report to the Committee on Trade in Goods. The Joint Committee on Mutual Recognition of Professional Qualifications reports to the Committee on Services and Investment. All other committees report to the CETA Joint Committee. The CETA bilateral dialogues focus on forestry products and raw materials, while there is also the dialogue biotech market access and the enhanced cooperation on science, technology, research and innovation (less formal hence with a lighter colour in Figure 80. Other dialogues include the dialogue motor vehicle regulations and the dialogue electronic commerce (semi-separate because they are not covered in Chapters 25 and 26 of CETA, but are the result of specific dialogues being set up).

The quantitative overview of the frequency of the meetings and reports published by each Committee/Dialogue is presented in Table 61.<sup>195</sup>

**Table 61: Overview of the meetings and reports of the CETA institutions**

Name of the body	Number of meetings <sup>196</sup>	Available reports	Missing reports
Joint Committee	4	4 (2018, 2021, 2022, 2024)	None
<b>Specialised Committees</b>			
Committee on Trade in Goods	6	6 (2018, 2019, 2021, 2022, 2023)	None
Committee on Agriculture	7	7 (2018, 2019, 2020, 2021, 2022, 2023, 2024)	None
Committee on Wines and Spirits	6	6 (2018, 2019, 2020, 2022, 2023, 2024)	None
Joint Sectoral Group on Pharmaceuticals	6	6 (2018, 2019, 2020, 2021, 2022, 2023)	None
Committee on Services and Investment	1	1 (2018)	None
Joint Committee on Mutual Recognition of Professional Qualifications	3	3 (2019, 2020, 2024)	None

<sup>195</sup> A more detailed description of the meetings of each CETA institution is presented in Annex XI.

<sup>196</sup> The evidence provided in the Table has been compiled based on information and documents available in the CIRCABC database on 29 January 2025.



Name of the body	Number of meetings <sup>196</sup>	Available reports	Missing reports
Joint Customs Cooperation Committee	2	2 (2018, 2022)	None
Joint Management Committee for Sanitary and Phytosanitary Measures	7	7 (2018, 2019, 2020, 2021, 2022, 2023, 2024)	None
Committee on Government Procurement	7	7 (2018, 2019, 2020, 2021, 2022, 2023, 2024)	None
Financial Services Committee	7	7 (2018, 2019, 2020, 2021, 2022, 2023, 2024)	None
Committee on Trade and Sustainable Development	6	6 (2018, 2019, 2020, 2022, 2023, 2024)	None
Civil Society Forum	6	6 (2018, 2019, 2020, 2022, 2023, 2024)	None
Regulatory Cooperation Forum	6	6 (2018, 2020, 2021, 2022, 2023, 2024)	None
Committee on Geographical Indications	6	5 (2018, 2019, 2020, 2022, 2023)	1 (Dec 2024)
Bilateral dialogues			
Dialogue on Biotech Market Access Issues	7	6 (2018, 2019, 2020, 2021, 2022, 2023, 2024)	None
Bilateral Dialogue on Forest Products	7	7 (2018, 2019, 2020, 2021, 2022, 2023, 2024)	None
Bilateral Dialogue on Raw Materials	6	6 (2018, 2019, 2020, 2021, 2022, 2024)	None
Enhanced cooperation			
Enhanced cooperation on science, technology, research, and innovation	-	-	N/A
Other dialogues			
Dialogue on Motor Vehicle Regulations	5	5 (2018, 2019, 2020, 2021, 2022)	None
Dialogue on Electronic Commerce	-	-	N/A

Source: own compilation based on data from the CIRCABC database

This overview indicates that overall CETA Committees have convened on a regular basis, and meeting reports have been made publicly available. Regarding activity and progress, significant progress has been observed in some CETA Committees and Dialogues, while others have been used less frequently (or not at all) and have therefore been less impactful (see Annex IX for a detailed analysis).

### 6.3 Assessment of decisions taken by the CETA Joint Committee

The CETA Joint Committee was established in accordance with Article 26.1 of CETA and oversees the implementation and application of the Agreement and facilitates its aims, including through supervisions of the work of all specialised committees and bodies established under the Agreement.<sup>197</sup> The Committee meets once a year or at the request of either Party to the Agreement, either in person or digitally. Each meeting has a provisional agenda and report of the meeting. Most recent meeting of the Joint Committee took place on 9 February 2024. Table 62 presents the main issues discussed and decisions taken by the CETA Joint Committee during its four meetings since 2018.

**Table 62: CETA Joint Committee issues**

Date of meeting	Main issues discussed
<b>26 Sep 2018</b>	- Review of the work of specialised committees (progress, 13 meetings).

<sup>197</sup> Main report focuses on the work carried out by the CETA Joint Committee. Annex IX presents a more detailed overview of the mandate of the committees and their activities.

Date of meeting	Main issues discussed
	<ul style="list-style-type: none"> <li>- Progress regarding the establishment of the DAGs.</li> <li>- First CETA Civil Society Forum took place.</li> <li>- Specific issues raised (management of cheese TRQ, access to the Canadian wine and spirits market, implementation of CETA provisions on GI, EU COOL measures, administration of beef and port TRQ).</li> <li>- Adopted three recommendations (on Trade and SMEs, on Climate Change and the Paris Agreement, and on Trade and Gender).</li> </ul>
<b>25 Mar 2021</b>	<ul style="list-style-type: none"> <li>- Steady progress noted despite the COVID-19 pandemic.</li> <li>- Review of work of specialised committees (launch of negotiations towards the conclusion of the first Mutual Recognition Agreement in the field of professional qualifications (architects)).</li> <li>- Progress on new Canada-EU Strategic Partnership on Raw Materials.</li> <li>- Extensive exchanges on Trade and Sustainable Development.</li> <li>- Third CETA Civil Society Forum took place in December 2020.</li> <li>- Concrete initiatives are taken on three recommendations: conference, workshops, CETA SME Action Plan for 2020-2021).</li> <li>- Conformity Assessment Protocol and non-discriminatory treatment of wines and spirits.</li> <li>- Progress in the framework of the Regulatory Cooperation Forum.</li> <li>- Adoption of four decisions on CETA Investment Court System: (1) rules setting out the functioning of the Appellate Tribunal, (2) the code of conduct for Members of the Tribunal, Members of the Appellate Tribunal and mediators, (3) the rules for mediation, (4) the procedure for issuing binding interpretations to be adopted by the CETA Joint Committee.</li> </ul>
<b>2 Dec 2022</b>	<ul style="list-style-type: none"> <li>- Review of the five-year trade performance: progress in bilateral trade, cooperation, in addressing climate change, increased participation of SMEs, significant tariff savings for both Parties.</li> <li>- Review of the work of specialised committees.</li> <li>- Joint progress review on wines and spirits (Annex 30-C).</li> <li>- Update on the implementation of the TSD Chapter and the Joint Committee Recommendations on Climate, Gender, and SMEs.</li> </ul>
<b>9 Feb 2024</b>	<ul style="list-style-type: none"> <li>- Agreement on an "Interpretation on Investment" – esp. on fair and equitable treatment, indirect expropriation, and investment and climate change. It clarifies Parties' right to regulate on climate, energy, and health policies.</li> <li>- Conclusion of negotiations at technical level on facilitating access for SMEs to investment dispute resolution.</li> <li>- Progress made towards the adoption of the CETA Mutual Recognition Agreement (MRA) for professional qualifications or architects.</li> <li>- Progress on the extension of the operational scope of the CETA protocol on the mutual recognition of the compliance and enforcement programme regarding good manufacturing practices for pharmaceutical products (the GMP protocol).</li> </ul>

Source: own compilation based on the reports from the CIRCABC database

### Decisions and recommendations taken by the Joint Committee

The Joint Committee adopts its decisions and recommendations following a formalised procedure outlined in Article 26.3 of CETA. This procedure is designed to ensure mutual agreement between the Parties and reflects the principles of transparency and bilateral cooperation. All decisions and recommendations must be adopted by mutual consent between the EU and Canada. Proposals for decisions or recommendations are typically prepared and discussed in advance. Draft decisions or recommendations are shared between the Parties for formal discussions. Each party ensures that its internal requirements and procedures are fulfilled for the adoption of the decision by the Joint Committee. After approval in substance, a linguistic review of all authentic languages is carried out. Following this process, the decisions and recommendations are adopted by the Parties during the Joint Committee meeting, which is formally documented. Decisions and recommendations (as well as drafts before formal adoption) are made publicly available to stakeholders to ensure transparency and accountability. After adoption, both Parties are responsible for implementing the Joint Committee decisions and recommendations. The Joint Committee, often in collaboration with the relevant specialised committees, oversees and monitors their implementation and application.

In September 2018, the Joint Committee adopted its *Rules of Procedure*, which established the guidelines for its operations and the operation of the specialised committees.

During the same meeting, the Joint Committee also issued two Recommendations on Trade and Sustainable Development (on climate change and the Paris Agreement, and on trade and gender) and a Recommendation on SMEs.

In its *Recommendation on Climate Change and the Paris Agreement*, the Joint Committee reaffirmed the commitment of the Parties to effectively implement the Paris Agreement and progressively increase efforts to mitigate climate change. To achieve this, the Parties committed to working together and taking joint actions.

In its *Recommendation on Trade and Gender*, the Joint Committee acknowledged the importance of more gender-responsive trade policies that facilitate the active participation of women in the economy and international trade. The Committee recommended that the Parties cooperate to improve access to, and benefit from, the opportunities created by CETA with the inclusive participation of women. Contact Points for trade and gender have been appointed to coordinate the implementation of the Recommendation and meet annually.

In its *Recommendation on SMEs*, the Joint Committee recognised the importance of SMEs in EU-Canada bilateral trade relations and the need to promote an environment that facilitates and supports their development, growth, and competitiveness. Key components of the Recommendation include establishing publicly accessible websites by both Parties, and providing comprehensive information about CETA tailored for SMEs (e.g. user-friendly summaries of the Agreement, details on market access, import requirements, and links to relevant governmental resources). Additionally, the Recommendation calls for the appointment of SMEs Contact Points by both Parties, who are tasked with overseeing the implementation of the Recommendation and meeting on an annual basis or as decided by the Parties. The goal of this Recommendation is to create an environment that supports the development and competitiveness of SMEs (including those owned by under-represented groups), empowering them to engage more effectively in trade and investment activities under CETA.

Good progress has been noted by both Parties regarding the implementation of these three Recommendations through the adoption and execution of detailed Trade and Gender work plans, ongoing bilateral cooperation on trade-related aspects of the international climate change regime (with a focus on the organisation of concrete events such as two clean-tech workshops), as well as the implementation of a comprehensive work plan on SMEs and the establishment of the Enterprise Europe Network in Canada (based on interviews with stakeholders and government officials).

In 2021, the Joint Committee adopted *four decisions implementing the Investment Court System* that would come into force once CETA is ratified by all EU MS. These decisions outlined procedures for appeals in investment disputes: (1) on the rules setting out the functioning of the Appellate Tribunal, (2) on the code of conduct for Members of the Tribunal, Members of the Appellate Tribunal and mediators, (3) on the rules for mediation, (4) on the procedure for issuing binding interpretations. These decisions aim to enhance transparency, consistency, and fairness in resolving investment disputes between investors and states. They serve as a preparatory basis for the future implementation of the investment provisions of the Agreement and are meant to lay the groundwork for the smooth and effective operationalisation of the Investment Court System once the ratification process is complete (European Commission, 2021n).

Major progress has also been reported on the agreement on an “Interpretation on Investment”, which clarifies elements of investment provisions under CETA, particularly that “the Parties can regulate in the framework of climate, energy, and health policies to achieve legitimate public objectives” (European Commission, 2024h). The text of the interpretation has been approved in substance and is expected to be adopted by the Parties

through the Joint Committee after the linguistic review of all authentic languages under CETA has been finalised (based on the interview with the EU official).<sup>198</sup>

In February 2024, the Parties concluded technical negotiations on new rules designed to facilitate SME access to investment dispute resolution under CETA by streamlining and simplifying dispute resolution procedures. These new rules are reported to include safeguards for the State as the defendant and aim to help SMEs while preventing potential abuse. In April 2024, these rules were submitted to the Council for approval (European Commission, 2024i).

The EU and Canadian Chairs of the CETA Committees stated in interviews for this study that the EU and Canada are like-minded partners. They emphasised the continuity of cooperation and work in all Committees (also between the meetings), constructive dialogue on issues, and overall positive progress in implementing the Agreement. Civil society representatives have also been positive about EU-Canada policy dialogue and cooperation under CETA. However, some EU and Canadian stakeholders noted the need for more consistent follow-up on issues raised during meetings by the European Commission and Canadian government (based on interviews with representatives from business associations and EU and Canadian DAGs). Participants of the Civil Society Forum acknowledged that Canada and the EU share a commitment to promoting high levels of labour and environmental standards (CSF, 2019).

#### **6.4 Analysis of user-friendliness, access, and transparency of information**

This Section presents an overview of digital resources that were named by stakeholders as useful sources of information related to trade under CETA. For each portal/website, a short overview of its purpose is presented, followed by feedback received from stakeholders regarding its user-friendliness, access, and transparency of information.

*The Access2Markets portal* was launched in October 2020, three years after the provisional application of CETA, and aims to assist small and medium-sized enterprises (SMEs) in trading beyond the EU's borders (European Commission, 2020j). The European Commission states that Access2Markets breaks down a "complex set of rules into practical information so that smaller firms can have access to relevant information more easily" (European Commission, 2020j). The portal includes step-by-step guidance on how to trade in goods and services (e.g. tariffs and taxes for over 135 exporting countries, EU imports from all countries in the world, customs procedures, rules of origin, statistics, trade barriers, product requirements, services, procurement) and an explanation of trade terminology. It is available in all official EU languages.

On the Canadian side, Global Affairs Canada, has a clear overview of CETA for stakeholders,<sup>199</sup> outlining key benefits, market access provisions, and trade facilitation measures for Canadian and EU businesses. The website includes information on tariff elimination, regulatory cooperation, rules of origin, and sector-specific opportunities under CETA. It also provides access to guides on navigating Canadian trade regulations and offers tools such as the Tariff Finder to help businesses identify duty-free opportunities under the Agreement, the step-by-step guide to exporting, as well as funding and supporting programmes, exporting guides and CETA videos. Additionally, CanadaBuys (launched in 2022) serves as a single point of access for all public sector tenders, where EU companies interested in participating in Canadian public tenders can find the necessary information. Furthermore, Canada's Trade Commissioner Service provides resources tailored to SMEs, including market insights, regulatory guidance, and trade-related support services.

Overall, stakeholders interviewed for this project appreciated the Access2Markets portal for helping them understand the complexities of international trade, providing essential

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<sup>198</sup> Draft Interpretation on Investment is published in the CIRCABC database: [relations-negotiations-and-agreements — Bibliotheek](#)

<sup>199</sup> URL: <https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/ceta-aecg/index.aspx?lang=eng>

information, and offering practical tools that facilitate market expansion. Some stakeholders found it useful that the portal is accessible on smartphones and tablets, enhancing its accessibility. However, certain sections of the portal were considered less clear, with the depth of information sometimes making navigation challenging. Training seminars organised in EU MS have been reported as helpful for stakeholders in navigating the portal and making better use of its features such as the Rules of Origin Self-Assessment tool, My Trade Assistant for Procurement, My Trade Assistant for Services and Investment, Trade Defence Instruments, and the SME Helpdesk.<sup>200</sup> Several stakeholders suggested further improvements, including the addition of the live chat support to provide practical assistance on specific questions, potentially at the EU MS level, rather than relying solely on information provided on pre-selected topics through training seminars.

*The Communication and Information Resource Centre for Administrations, Businesses, and Citizens (CIRCABC)* is an online platform developed by the European Commission to facilitate the secure sharing of documents and information. It provides a central repository for managing and sharing large volumes of documents, such as meeting minutes or legislative acts. It allows users to work together within specific interest groups that are tailored to particular projects or topics. Documents are often available in multiple EU languages, ensuring accessibility for users from different EU MS.

Stakeholders valued the platform for its secure environment and transparency, which is important in understanding the EU's complex governance framework. However, several critiques were raised. Stakeholders noted that the website lacks a user-friendly and welcoming interface, its structure is not always clear, and – specifically in the context of CETA, the minutes of the meetings of CETA institutions are published with considerable delays. For instance, one stakeholder pointed out that minutes from a meeting held in April might only become available in January of the following year. Furthermore, transparency could be improved by clearly indicating the publication date of meeting reports. Currently only the date of the last modification is displayed, making it difficult to determine whether reports were published in a timely manner. Some trade associations also noted that while the portal provides access to minutes of the meetings, the rationale behind certain regulatory decisions or tariff structures is not always transparent. Finally, stakeholders did not appreciate multiple layers of navigation to access documents.

Stakeholders also identified the following additional EU Commission websites and portals as useful sources of information on trade, particularly with Canada:

- *EU Trade Policy Website* ([EU trade relations with Canada](#)), which focuses on the overall trade relationship between the EU and Canada and contains key information on statistics and updates on EU-Canada trade dialogues and cooperation. Both business stakeholders and NGOs noted that this page offers a comprehensive overview of the trade relationship between the two Parties and contains links to other websites, such as the CETA website, allowing for a more in-depth study of the Agreement and its implementation. However, several stakeholders noted that the website needs more regular updates to ensure that the most recent information is available one place by all interested parties at all times.
- *CETA website* ([EU-Canada](#)), which provides comprehensive information about the Agreement, including its provisions, benefits, and implementation. It also offers information for businesses on how to register for CETA benefits and export information for SMEs exporting to Canada. Despite the overall easy navigation of the website, some stakeholders emphasised the importance of regular updates to maintain its relevance. Additionally, stakeholders suggested incorporating more interactive elements into the website, such as live chat support, webinars, or forums, to facilitate direct engagement and discussion among stakeholders.
- *Trade Statistics Portal* ([#EUtrade Statistics](#)), which provides statistical information regarding trade flows between the EU and Canada, including by sector and (sections of) product. Some stakeholders appreciated regular updates of data, while others

<sup>200</sup> The European Commission's DG TRADE organises Access2Markets live training seminars approximately every three to four months. For instance, recent seminars were held in December 2023, April 2024, September 2024, and December 2024.

stated that the lag between data collection and publication does not always allow for time-sensitive analysis. Several business organisations expressed a need for more detailed and disaggregated data to better analyse specific trade flows and sectors. Other stakeholders pointed out that data needs to be available in Excel files rather than only in programmes that are not generally accessible to the general public or involve high costs. Upon investigating this point, the evaluation concludes that excel links to detailed trade data are made available in Access2Markets. The size of data files was also mentioned as an issue. Some organisations stated that the size of data files is often considered an obstacle to working with the data presented by the Commission. Data files from the UN sources were named as more user-friendly. Finally, stakeholders suggested that the incorporation of interactive charts and graphs could make data interpretation more accessible.

- *Canadian website for EU SMEs* ([Canada-European Union: Comprehensive Economic and Trade Agreement \(CETA\)](#)), which outlines how CETA benefits both Canadian and EU businesses, including tariff eliminations and improved market access that are crucial for businesses exploring international opportunities. EU stakeholders appreciated the information provided by the Canadian government but suggested regular updates of the information, incorporation of interactive features such as webinars, FAQs sections, chat support to allow more effective engagement that addresses specific queries in real-time.
- *EU Customs Trader Portal System* ([EU Customs Trader Portal - European Commission](#)), which serves as a single access point for various custom-related information, including the Authorised Economic Operators (AEO), European Binding Tariff Information (EBTI), Registered Exporter System (REX), and Information Sheets for Special Procedures (INF). While the portal aims to streamline interactions between businesses and customs authorities, stakeholders have identified several areas of improvement. First, some organisations found the navigation and overall user interface challenging, particularly when accessing specific modules or services within the portal. In this regard, several stakeholders suggested that the EU Commission simplifies the layout of the portal and/or develops detailed tutorials, user-guides, or training modules (preferably interactive) that can help users navigate the portal more effectively and fully utilise its range of services. Second, several stakeholders noted that the requirement to obtain necessary credentials – such as an Economic Operators Registration and Identification (EORI) number and the appropriate roles assigned to access the system (“Uniform User Management & Digital Signature” UUMS&DS) - can be cumbersome, especially for new users unfamiliar with these processes and suggested that the EU Commission simplifies this process to facilitate easier access to the portal’s services or at least provide a dedicated helpdesk offering tailored assistance.
- *EU Delegation to Canada* ([Delegation of the European Union to Canada | EEAS](#)), which was named as a useful source of information for companies doing business with Canada as it provides updates on EU-Canada trade relations and events as well as information regarding networking opportunities and resources for EU businesses in Canada. Similar to feedback on other websites, stakeholders emphasised the importance of regular updates of the website to ensure that it reflects the latest developments in EU-Canada relations. Additionally, some of them noted that the menu of the website could be more structured, and that clear categorisation of information would improve navigation and accessibility. Finally, several organisations, particularly SMEs, stressed the importance of direct support communication channels for tailored assistance to EU companies exploring the Canadian market.



## 7 STAKEHOLDER CONCERNS

This Section presents the analysis of stakeholder concerns regarding CETA. Section 7.1 outlines the approach to the collection of concerns. Section 7.2 provides main categories of concerns raised by stakeholders. Section 7.3 presents a general overview of the evaluation of CETA concerns. A detailed assessment of the stakeholder concerns is presented in Annex VIII.

### **Key findings:**

- A total of 77 key concerns, reflecting a diverse range of perspectives and potential issues, related to CETA have been identified, 67 concerns have been analysed in this evaluation.
- The majority of the analysed concerns (63.9% or 49 concerns) were found to be unsubstantiated by ex-post evidence or findings from the analysis of the final CETA text. Additionally, 18.2% of the concerns (14 concerns) were partially validated, while 3.9% were confirmed (3 concerns) and 1.3% (1 concern) could not be verified as no data was available to substantiate on its impact. 13.0% (10 concerns) have not been analysed because certain provisions have not been applied (see Box 1).

Throughout the negotiating and ratification processes, stakeholders actively engaged by providing inputs, while also expressing doubts and concerns about the potential effects of CETA. Now, seven years after its provisional application, allowing sufficient time for most of its effects to materialise, it is an opportune moment to take stock and assess these concerns based on empirical evidence.

### **7.1 Approach to the collection of CETA concerns**

Throughout the evaluation, inputs have been carefully reviewed for comments and critiques regarding CETA:

- A wide range of documents and submissions made between 2012 and 2016 during the negotiation phase have been examined, along with the 2016 civil society consultation and concerns raised by stakeholders.
- Developments in EU MS and Canada during the ratification process since 2017 have been closely followed, with various concerns raised by CETA opponents taken into account until 2024;
- Critical questions regarding CETA, expressed by stakeholders during the nine online seminars in November and December 2024 have been analysed. They did not bring up new concerns, but asked for clarifications and preliminary findings regarding earlier concerns.
- Several inputs from stakeholders who have researched and published on CETA up to 2024 have been included.

A few key submissions – such as Powershift & CCPA (2016), Corporate Europe Observatory (2015); Corporate Europe (2016); EPHA (2016); and CIEL & HEAL (2017) - have managed to capture and summarise a broad range of concerns. As a result, they are frequently referenced in Annex VIII.

### **7.2 Main categories of concerns raised by stakeholders on CETA**

Concerns raised by stakeholders regarding CETA can be grouped into several categories:

- Sustainable development (labour and environmental standards as well as human rights);
- Reduced policy space for domestic regulation;
- Agricultural effects;
- Liberalisation of trade in services;
- Economic and financial effects;
- Intellectual property rights;



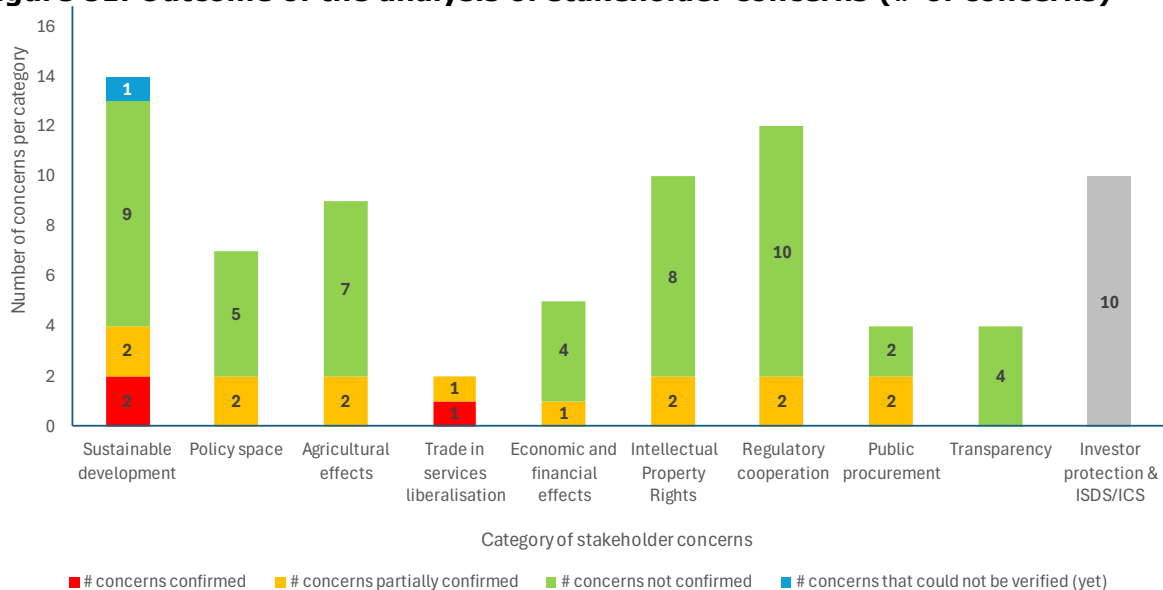
- Regulatory cooperation;
- Public procurement;
- Transparency of negotiations and effectiveness of consultations; and
- Investor protection (presented in a separate table, Table VIII.2 in Annex VIII).

For each of the first nine categories, Annex VIII presents a non-exhaustive list of key concerns raised by EU and Canadian stakeholders, along with the source of each concern, an analysis of its implications, and a brief conclusion. Stakeholder concerns on Investment Court System (ICS) and investor protection have been collected and are documented in Table VIII.2 in Annex VIII. However, as related CETA provisions are not yet applied, these concerns could not be analysed. Figure 81 illustrates the distribution of key concerns across these categories. The highest number of concerns were raised in the area of sustainable development (i.e. labour, environmental, and human rights impacts with 14 key concerns), followed by regulatory cooperation (12 key concerns).

### 7.3 General overview of the evaluation of CETA concerns

Figure 81 also summarises the findings of the analysis regarding the extent to which ex-post evidence supports or refutes stakeholder concerns. The concerns are classified into four categories: concerns that could not be verified (marked in blue), concerns that can be confirmed (red), concerns that can be partially confirmed (orange), and concerns that are not supported by evidence (green). Concerns that have not been analysed are market in (grey).

**Figure 81. Outcome of the analysis of stakeholder concerns (# of concerns)**



Source: Own calculations

The majority of concerns raised (63.9%) have not been substantiated by ex-post evidence or an analysis of the final CETA text. Meanwhile, 18.2% of concerns have been partially validated, 3.9% have been fully confirmed, and 1.3% could not (yet) be verified.

#### Concerns that could not be verified

Data limitations or the relatively short period since CETA's provisional application make it difficult to evaluate the long-term effects of the Agreement.

#### Concerns that can be confirmed

Some concerns, upon evaluation, were found to be valid. Two of these fall under the "Sustainable Development" category. One relates to the ratification of certain ILO fundamental conventions, while the other points out that CETA does not include references to some key health-sustainability issues. Another confirmed concern, under the "Trade in

services liberalisation” category, is that the e-commerce chapter is not sufficiently clear in safeguarding personal data and privacy.

### **Concerns that can be partially confirmed**

Most partially confirmed concerns fall under the “Sustainable Development” category of concerns. For example, there is validity to concerns that labour rights and sustainable development provisions – while legally binding – do not enjoy the same level of enforceability and access to sanctions as investor protection provisions.

Under concerns related to “Reduced policy space”, stakeholders expressed concerns that renationalising privatised services could expose government to compensation claims and effectively “lock in” privatisations. While it is correct that renationalisation may require compensation, contrary to the claim, privatisations can be reversed. Compensation mechanisms exist under CETA, but they also exist independently in EU and Canadian domestic legislation. CETA reconfirms this principle. Governments remain free to renationalise privatised services, as they were before CETA.

Under concerns related to “Agricultural effects”, a key concern was that tariff liberalisations and market access commitments under FTAs would place small-scale agricultural producers under significant pressure. While this may be valid for some FTAs (hence, the concern could be partially correct), it does not apply to CETA. Seven years of ex-post evidence, corroborated by discussions with SME stakeholders, indicate that CETA has facilitated EU MS exports of agricultural products, while an anticipated significant increase in imports of Canadian agricultural products has not materialised due to the EU’s strict and different health standards.

Finally, under “Government procurement” concerns, the issue of bringing in own (foreign) workers to work on acquired procurements was raised. While CETA grants broader access to public procurement and facilitates temporary entry and stay of natural persons for business purposes, all temporary stays remain subject to EU and Canadian national laws. Labour laws in both jurisdictions continue to apply as they did before the Agreement.

### **Concerns that cannot be confirmed**

Most concerns raised have not materialised in the seven years since CETA’s provisional application. However, this does not imply that these concerns were unimportant. In some cases, raising them may have helped mitigate potential risks, meaning that the absence of negative effects could itself be a sign of successful prevention. At the same time, several concerns appear to have stemmed from misinterpretations of CETA’s provisions or an incomplete understanding of its scope.

For instance, under the category of “Regulatory cooperation”, some stakeholders expressed concerns that CETA would lead to the harmonisation of standards and regulations, potentially lowering EU/Canadian standards. However, the legal text of CETA clarifies that regulatory cooperation remains entirely voluntary and respects the regulatory autonomy of both Parties. Article 21.2 of CETA explicitly states that regulatory cooperation “shall be voluntary and shall not affect the ability of each Party to carry out its regulatory, legislative and policy activities”. CETA merely focused on information exchange, technical discussions, and cooperation on issues of mutual interest.

Concerns that CETA would not support future-oriented and climate-friendly policies have also not been substantiated. Since 2017, the EU and Canada have implemented numerous policies advancing environmental protection and sustainability, many of which have been discussed in CETA committees. Rather than restricting policy space, the Agreement has provided a framework for discussions on environmental and labour standards, as well as sustainable trade practices.

Additionally, mining activities and EU mineral imports from Canada have increased significantly over the past years. However, when analysing the degree to which this increase has come from CETA, the economic analysis finds that CETA has not had a significant impact on mining activities in Canada. For this reason, while overall mining has

increased, and so have imports, CETA has not been the causal factor. This also means that CETA has not been the cause for increased pressures on Indigenous communities or the environment through extraction.

Similarly, concerns about gender equality being negatively affected by CETA are not supported by evidence. The Agreement has not led to privatisation of public services, and sectors with a high proportion of women workers may have benefitted from CETA because of tariff reductions, cheese TRQs, and mutual recognition of conformity assessments for electronic and radio equipment.

Under the category "Reduced policy space", the evaluation has found no indication that CETA has constrained the ability of governments to regulate in the public interest, forced privatisations, or prevented the renationalisation of privatised services. According to stakeholders, the precautionary principle, under "agricultural effects", remains intact, and there is no evidence that CETA has weakened its application.

Regarding concerns under the "Negative economic and financial effects" category, empirical data suggest that the feared negative consequences have not materialised. Instead, economic analysis indicates that CETA has facilitated trade and economic growth, strengthened SME participation, and contributed to higher wages, employment, and disposable incomes, while also yielding positive geopolitical benefits for both Parties.

Concerns under "Intellectual property rights" have also not been realised. Contrary to initial fears, medicine prices have not increased, and the market share of generic medicine has grown. Stronger intellectual property provisions appear to have facilitated faster regulatory approvals and supported pharmaceutical innovation.

Finally, under "Public procurement" category, concerns that CETA provisions would restrict local and regional development initiatives lack empirical support. The Agreement has opened opportunities for businesses without undermining domestic procurement policies or local economic development strategies.

## 8 CONCLUSIONS AND RECOMMENDATIONS

This Chapter presents the overall findings of the evaluation, based on the Better Regulation Toolbox (Section 8.1), and the recommendations (Section 8.2). The conclusions of this ex-post evaluation of CETA are organised according to the evaluation questions.

### 8.1 Overall findings of the evaluation

Table 63 presents the evaluation questions (EQs) for this study, along with the corresponding Sections in this Chapter where they are addressed.

**Table 63: Evaluation questions for the study**

<i><b>Evaluation questions</b></i>	<i><b>Section</b></i>
<b>Effectiveness</b>	
EQ1: To what extent have the objectives of the Agreement been achieved?	8.1.1
EQ2: What are the factors influencing (either positively or negatively) the achievements of the objectives of the Agreement?	8.1.2
EQ3: Has implementation of the CETA had unintended (positive or negative) consequences, and if so, which ones?	8.1.3
<b>Impact</b>	
EQ4: What has been the impact of implementation of the CETA?	8.1.4
<b>Efficiency</b>	
EQ5: To what extent has the implementation of the CETA been efficient with respect to achieving its objectives?	8.1.5
EQ6: To what extent are the costs associate with implementation of the CETA proportionate to the benefits it has generated? Is the distribution of both costs and benefits proportionate among different stakeholder groups and interests?	8.1.6
EQ7: Are there unnecessary regulatory costs (including administrative burden)? What is the potential for simplification?	8.1.7
<b>Coherence</b>	
EQ8: To what extent has implementation of the CETA been coherent with the EU's trade policies – and in particular, with the EU's commitment to sustainable development in trade policies as a contribution towards attainment of the Sustainable Development Goals of the UN?	8.1.8
<b>Relevance</b>	
EQ9: To what extent do the provisions of the CETA continue to be relevant in order to address the current trade needs of the EU and Canada?	8.1.9

#### **Effectiveness**

##### **8.1.1 EQ1: To what extent have the objectives of CETA been achieved?**

**The evaluation concludes that CETA has been effective in achieving the objectives of the Agreement:**

- CETA has further strengthened the close economic relationship between the EU and Canada through the implementation of the Agreement, the seizing strategic cooperation opportunities, and the building trust and understanding via technical dialogues. Disagreements on regarding regulatory differences or implementation challenges have remained at the technical level.
- CETA has led to the successful liberalisation and facilitation of trade in goods and services between the Parties:
  - Following the start of the provisional application of CETA, 98.6% of Canadian and 98.7% of EU tariff lines were reduced to zero.
  - Due to CETA, EU exports to Canada have significantly outperformed exports to other regional trade partners, while EU imports from Canada have marginally outperformed imports from other regions.
  - Since the start of the provisional application of CETA, the bilateral EU trade surplus in goods with Canada has increased.

- Both the number of products exported to Canada and imported from Canada have increased significantly since 2017, suggesting gains in product availability in both the EU and Canada.
- EU bilateral services trade with Canada increased significantly between 2017 and 2023, following the provisional application of CETA.
- Bilateral FDI between the EU and Canada rose between 2017 and 2022, although the EU relative share in Canadian FDI decreased, because the rise in FDI from the US and China into Canada was much higher.
- CETA has succeeded in reducing non-tariff measures (NTMs), but further work is needed as progress has been slow and further cost reductions related to, for example, standardisation, conformity assessment, and SPS measures have not yet materialised.
- Overall, CETA has established clear, transparent, predictable, and mutually advantageous rules for governing bilateral trade and investment through measures such as tariff liberalisation, customs and trade facilitation, competition, subsidies, domestic regulation, government procurement, transparency, and dispute settlement.
- CETA has significantly liberalised government procurement markets in the EU and Canada:
  - CETA has ensured the opening of government procurement not only at the federal but also at the sub-federal level, making it the most ambitious EU trade agreement so far concluded by the EU regarding government procurement.
  - Economic analysis, based on federal and partially sub-federal data (insofar available), indicates CETA has led to an 8.4% increase in procurement between the Parties. However, sub-federal data availability remains a challenge.
- CETA has contributed to the protection of intellectual property rights, including their enforcement. The protection of geographical indications has expanded in Canada, though some implementation issues persist.
- Increased trade and investment flows resulting from CETA have had positive, albeit limited, effects on social development in both the EU and Canada.
- The Parties have implemented CETA in line with their international obligations regarding labour standards. The evidence collected in this evaluation indicates that the EU and Canada pursued their respective labour policy agendas and exchanged information about their actions. However, these activities largely occurred independently of CETA and were not directly driven by the Agreement's commitments.

The evaluation criterion **effectiveness** refers to the extent to which an intervention has reached its objectives. In the case of CETA it therefore concerns the extent to which the objectives as laid down in the Agreement have been achieved. The following are the key objectives of CETA:

1. Further strengthen the close economic relationship between the EU and Canada.
2. Create an expanded and secure market for goods and services, through the reduction or elimination of barriers to trade and investment, based on Article XXIV of GATT and Article V of GATS (1994).
3. Establish clear, transparent, predictable and mutually advantageous rules to govern bilateral trade and investment.
4. Further liberalise, on a mutual basis, the government procurement markets of the parties.
5. Protect and enforce intellectual property rights.
6. Promote sustainable development and the development of international trade in such a way as to contribute to sustainable development in the economic, social and environmental dimensions.
7. Implement CETA in a manner consistent with the enforcement of the Parties' respective labour and environmental laws, building upon their international commitments on labour and environmental matters.

The following sub-sections present the findings of the study for each specific objective separately.

## **Ad 1. Further strengthen the close economic relationship between the EU and Canada**

### *Strengthening the economic relationship*

The EU and Canada were like-minded partners in many areas even before CETA. This evaluation concludes that **CETA has fostered a closer economic relationship between the EU and Canada**, although external factors (e.g. geopolitical developments like the war in Ukraine, geopolitical fragmentation, and the COVID-19 pandemic) have also played a role. **The bilateral relationship has benefitted from the Agreement on three levels.**

### *Successful implementation of CETA provisions*

Many CETA commitments (for example on tariff liberalisation, regulatory cooperation, or SMEs) have been successfully implemented and yielded concrete results. For example:

- **Duties have been removed** on nearly 99% of EU and Canadian tariff lines, resulting in increased bilateral trade in goods without significantly increasing competitive pressures on importing sectors.
- **Regulatory cooperation successes** under CETA have included joint awareness campaigns and information sharing on safe online shopping, data sharing for unsafe products, the MRA on GMP inspections of pharmaceutical products in third countries, the MRA on professional qualifications for architects, and joint work on animal welfare during transport. These reductions in NTMs have further facilitated trade and investment and created an agenda for further discussions going forward.
- **Provisions dedicated to Small- and Medium Sized Enterprises** (SMEs) (e.g. providing one-stop-shop information tools for SMEs) have facilitated their engagement in CETA, resulting in significant increases in the number of SMEs exporting from the EU to Canada and vice versa.

### *Strategic elements of CETA*

At a more strategic level, CETA has also contributed to a closer economic relationship between the EU and Canada. In the current – increasingly challenging and volatile – global climate for EU and Canadian companies and for the EU and Canadian economies, both Parties aim to **increase economic security for their supply chains** by trading more with reliable trading partners, and **promoting sustainable development**. Examples of how CETA has supported these policy objectives include:

- CETA has enhanced EU and Canadian supply chain resilience and security by increasing the number of products traded bilaterally, reducing supplier and product import concentrations for both Parties, expanding their mutual importance in terms of trade in goods, services, and investments, increasing SME engagement in bilateral trade, and fostering regulatory cooperation.
- The Bilateral Dialogue on Raw Materials (BDRM) established under CETA has led to the 2021 Strategic Partnership for Critical Raw Materials, which improved supply chain security for critical raw materials.
- Recognising the growing importance of digital dimension for bilateral trade and sustainable development, the EU and Canada launched the Digital Partnership to strengthen their cooperation on artificial intelligence (AI), quantum science and semiconductors, public policy related to online platforms, secure international connectivity, and cyber security.
- Under the Trade and Sustainable Development Chapter, the Parties have exchanged updates on legislative initiatives designed to eliminate child labour and forced labour from their respective markets and supply chains.
- The Parties have also explored opportunities for cooperation in third countries where both the EU and Canada have trade agreements with labour provisions.
- As part of the Joint Recommendation on Trade and Gender, the Parties organised several events for women entrepreneurs and traders from the EU and Canada. These events provided a platform to discuss the challenges faced by women-led businesses and to showcase the opportunities created by CETA to support them and encourage greater participation in bilateral trade.



### *Institutional structure under CETA*

CETA has a **well-developed institutional structure of Committees and Dialogues** to address issues of importance for bilateral cooperation. This structure covers the key aspects of the Agreement and fosters joint work agendas and dialogue on various topics. Insights from stakeholder consultations indicate that this structure has significantly **increased trust and mutual understanding** of each other's rules and regulations, even when differences persist. The trust built among policymakers and regulators through CETA may also prove valuable in the face of future, unforeseen developments or shocks that require international coordination.

### **Potential challenges to the economic relationship**

While CETA has clearly strengthened the economic relationship between the EU and Canada, deeper engagement has also revealed areas, primarily at the more detailed implementation level, where **the Parties differ in their views and approaches**. For instance, differences persist regarding: SPS regulations (the EU hormone beef ban or use of ractopamine in pigmeat, the Canadian SPS rules on EU tomato and poultry exports, or provincial practices that differentially treat EU wines & spirits), tariff-rate quota management, and regulatory differences (e.g. differences in regulations regarding wood pellet boilers). Despite these differences, ongoing discussions have remained at the technical level and have not escalated to the political level. As a result, these potential challenges have not negatively affected the broader political and economic relationship.

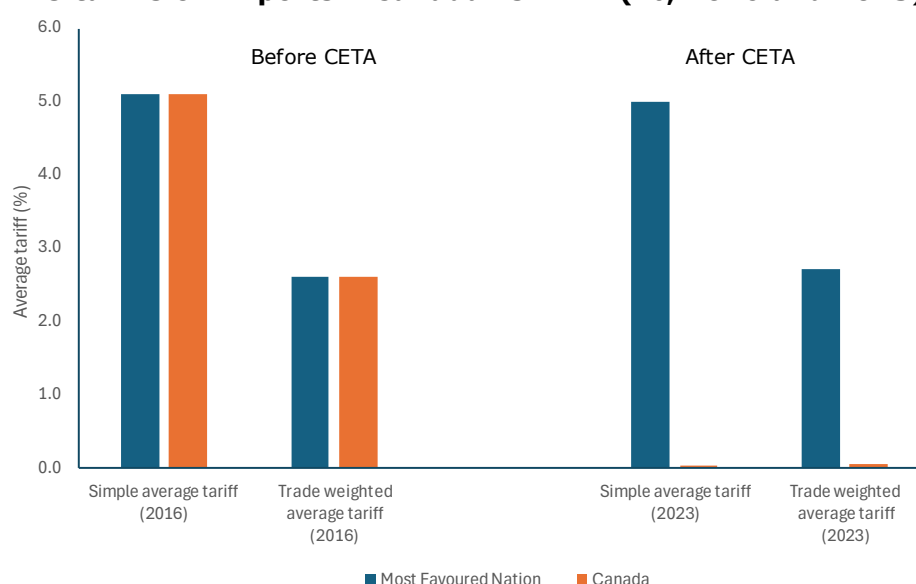
## **Ad 2. Create an expanded market for goods and services through the reduction or elimination of barriers to trade and investment**

Tariffs and non-tariff measures (NTMs – regulatory divergences) constitute barriers to trade between the Parties, reducing CETA's trade potential.

### **Tariffs have been effectively eliminated**

CETA has effectively **eliminated duties for 98.6% of all Canadian tariff lines and for 98.7% of EU tariff lines**. Figure 82 presents EU tariffs applied to MFN countries in 2016 (which also applied to Canada at the time) and to MFN countries and Canada in 2023 (where Canada now benefits from preferential treatment under CETA). According to Eurostat (2024), the simple EU MFN tariff was approximately 5.1% in 2016, while the trade-weighted average was 2.6%. In 2023, the simple average EU MFN tariff was 5.0%, and the trade-weighted average tariff was 2.7%. Following the start of the provisional application of CETA, both the simple average and trade-weighted tariffs imposed by the EU on Canadian imports were drastically reduced to nearly zero.

**Figure 82: EU tariffs on imports – Canada vs. MFN (%, 2016 and 2023)**

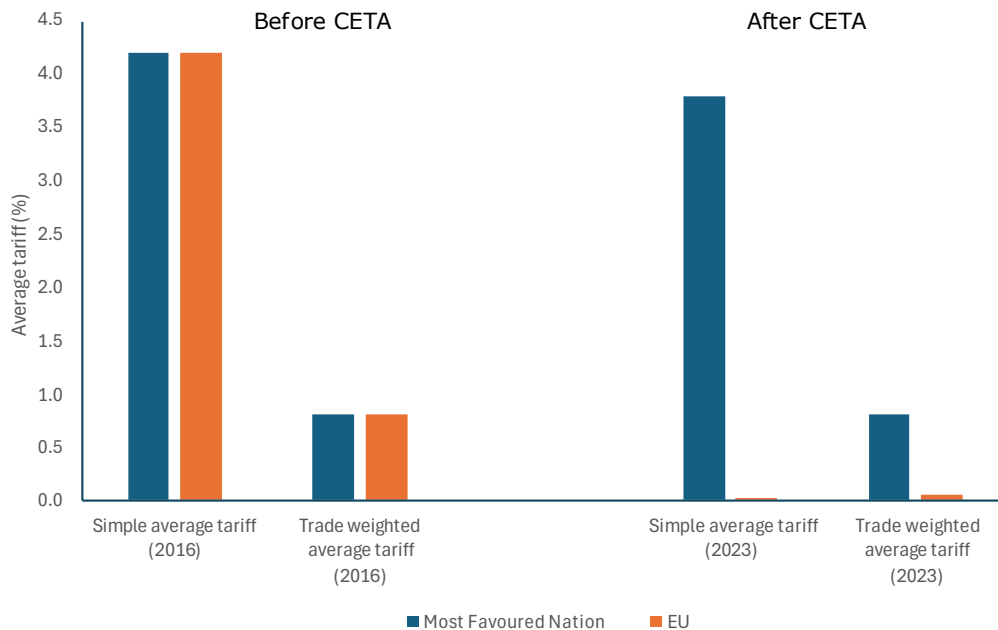


Source: Eurostat (2024), TARIC (2024)



Figure 83 presents the same data for Canada, showing Canadian tariffs applied to MFN countries in 2016 (which also applied to the EU at the time) and to MFN countries and the EU in 2023 (where the EU now benefits from preferential treatment due to CETA). According to Statistics Canada (2024), the simple Canadian MFN tariff was approximately 4.2% in 2016, while the trade-weighted average that year was 0.8%. In 2023, the simple average Canadian MFN tariff had decreased to 3.8%, while the trade-weighted average tariff remained at 0.8%. Following the start of the provisional application of CETA, both the simple average and trade-weighted tariffs imposed by Canada on imports from the EU were drastically reduced to nearly zero.

**Figure 83: Canadian tariffs on imports – EU vs. MFN (% , 2016 and 2023)**



Source: Eurostat (2024), TARIC (2024)

For tariff liberalisation under CETA, **the larger the preference margin, the greater the relative increase in bilateral exports**. The value of EU exports of products with Canadian tariff reductions of 0-5% increased by 24% between 2016 and 2023. But EU exports of products with Canadian tariff reductions of more than 20% rose by 108% between 2016 and 2023. Similarly, the value of Canadian exports of products with EU tariff reductions of 0-5% increased by 80%, while Canadian exports of products with EU tariff cuts of over 20% rose by 397% (for a small number of products).

### Non-tariff measures have in part been tackled

Though collaborative work in the various Committees and Dialogues under CETA, non-tariff measures (NTMs) have been reduced. Examples of these achievements include:

- Expansion of the MRA on GMP inspections in pharmaceuticals - The Mutual Recognition Agreement (MRA) on Good Manufacturing Practice (GMP) inspections have been expanded to include third countries. This expansion reduces regulatory burdens for regulators and pharmaceutical companies by decreasing the number of required inspections.
- MRA on professional qualifications for architects – The MRA will enable architects from both Parties to practice in the other's jurisdiction by streamlining the recognition process of their professional qualifications, once the legal process is completed.
- Elimination of the quarantine and confirmatory re-testing of low-risk sunscreen products – The removal of quarantine and confirmatory re-testing requirements for low-risk sunscreen products has lowered regulatory costs and enhanced product availability for consumers.
- Simplified export certification for poultry - Canada's acceptance of the EU as a single entity for the purpose of export certificates for poultry has simplified trade processes,

reduced costs for exporters, and increased market access for EU poultry exporters from EU MS that are recognised via a health certificate issued by the Canadian Food Inspection Agency (CFIA).

- Exemptions for low-risk cosmetic-like products - Canada has exempted certain cosmetic-like low-risk products manufactured in the EU from quarantine and re-testing in Canada before market access. The exemption for EU sunscreen entered into effect in 2019, and, following engagement with EU exporters, resulted in an increased variety of sunscreens products available in Canada. In 2020, the re-testing requirement for certain types of shampoos was removed. In 2022, exemptions followed for toothpaste, antiperspirants, medicated skin care products, mouthwashes, and a few other similar categories.
- Collaboration on access to paediatric medicines - EU regulators have initiated information-sharing with Canadian authorities to support Canada's development of policies and regulations governing access to paediatric medicines.

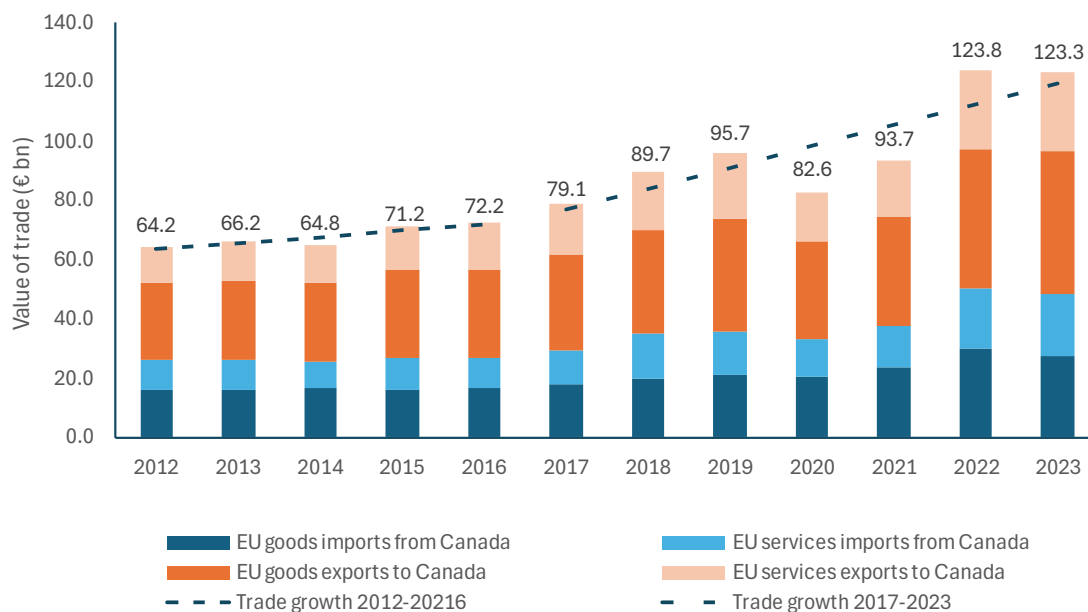
However, regulatory cooperation has also faced important challenges:

- Some topics selected for collaboration proved difficult to address, resulting in limited progress (e.g. small solid biomass combustors, SSBC).
- Providing timely input during the draft stage of new legislation or regulations has been challenging for both Parties.
- In some areas of cooperation, sub-federal / EU MS competences have added a layer of complexity, slowing down regulatory cooperation.
- Standardisation efforts and the CETA conformity assessment protocol provisions have seen limited use. While the EU has accredited five Conformity Assessment Bodies (CABs), no EU CABs have been accredited in Canada so far.
- In many areas, progress has stalled as both Parties have adhered strictly to their own standards or regulations, leaving little room for compromise (e.g. on SPS measures).

### Total trade has increased faster in the post- than in the pre-CETA period

As shown in Figure 84, Bilateral trade in goods and services between the EU and Canada has increased from €64 bn to €72 bn in the pre-CETA period (2012-2016), representing a 12.5% increase. During the post-CETA period (2017-2023), **total bilateral trade increased by 55.9%, from €79 bn in 2017 to €123 bn in 2023**, despite the negative impact of the COVID-19 pandemic in 2020.

**Figure 84: Increase in total bilateral EU-Canada trade (2012 – 2023, € bn)**



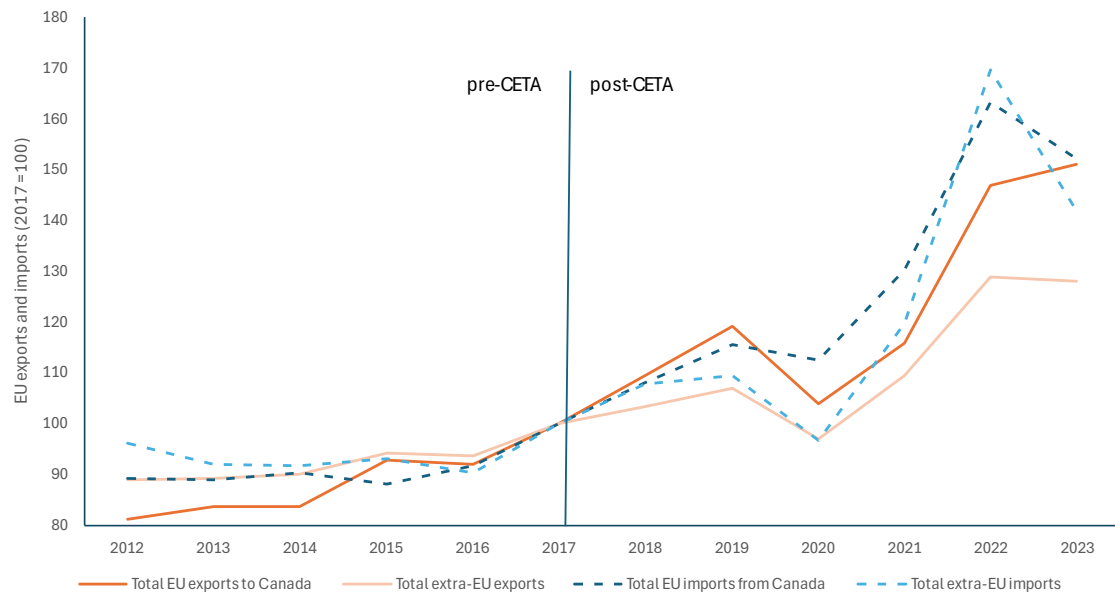
Source: Eurostat (2024)

### Trade in goods has increased faster in the post- than in the pre-CETA period

To assess the relative impact of CETA, Figure 85 compares the growth of bilateral EU-Canada trade with the growth of total extra-EU trade, covering both exports and imports. The Figure shows that EU exports to Canada have grown at a significantly faster rate than total extra-EU exports, with 2017 set as the base year.

Between 2017 and 2023, EU goods exports to Canada increased by 51% compared to a 28% increase in EU exports to third countries. EU imports from Canada rose by 52% during the same period, growing at a slightly faster pace than overall extra-EU imports, which increased by 42%.

**Figure 85: Changes in goods trade between the pre- and post-CETA periods (2017=100)**



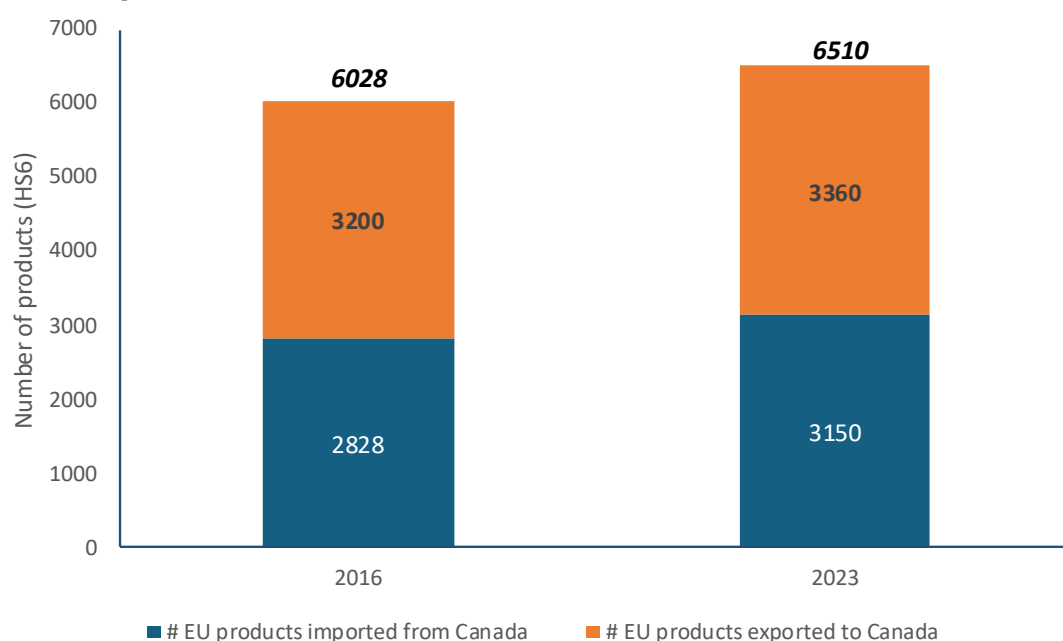
Source: Eurostat (2024)

CETA has had a **significant and positive effect on sectoral goods trade** between the EU and Canada, both in agricultural and manufacturing.

- **On agriculture:** CETA has had a significant effect on bilateral agricultural trade between the EU and Canada. EU exports of **meat & edible meat offal** were €122 mln per year higher (188%) in the post-CETA period compared to pre-CETA levels. **Dairy** exports rose by 62%, while exports of **fish & crustaceans**, edible fruit & nuts, and oilseed also increased by large amounts. On the Canadian side, exports to the EU increased especially for **oilseeds** (44%), **cereals** (21%), and **fish and crustaceans** (65%). *The main EU exporters are:* Italy, Spain, Germany, and Denmark for all products combined, Ireland (meat), Lithuania and Spain (fish & crustaceans), and Italy, France, Germany, Greece, Denmark, Spain, Ireland, and Estonia (milk and dairy products like cheese). *The main EU importers are:* France, Italy, and Belgium (oil seeds) and Ireland, Spain, and Portugal (cereals).
- **On manufacturing:** Some manufacturing sectors experienced substantial export growth, including **textiles & clothing** (71%), **rubber & plastics** (75%), and **machinery & mechanical appliance** (39%), whereas pharmaceuticals and electrical equipment saw minimal impact.

In terms of the number of products traded: as shown in Figure 86, both the number of exported and imported products increased when comparing 2016 to 2023. The number of products the EU exported to Canada rose by 5.0%, from 3,200 in 2016 to 3,360 products in 2023. Similarly, the number of products the EU imported from Canada increased by 11.4%, from 2,828 in 2016 to 3,150 in 2023. These significant increases point to gains in product availability in the EU and Canada.

**Figure 86: Change in the number of products traded between the EU and Canada (2016, 2023)**

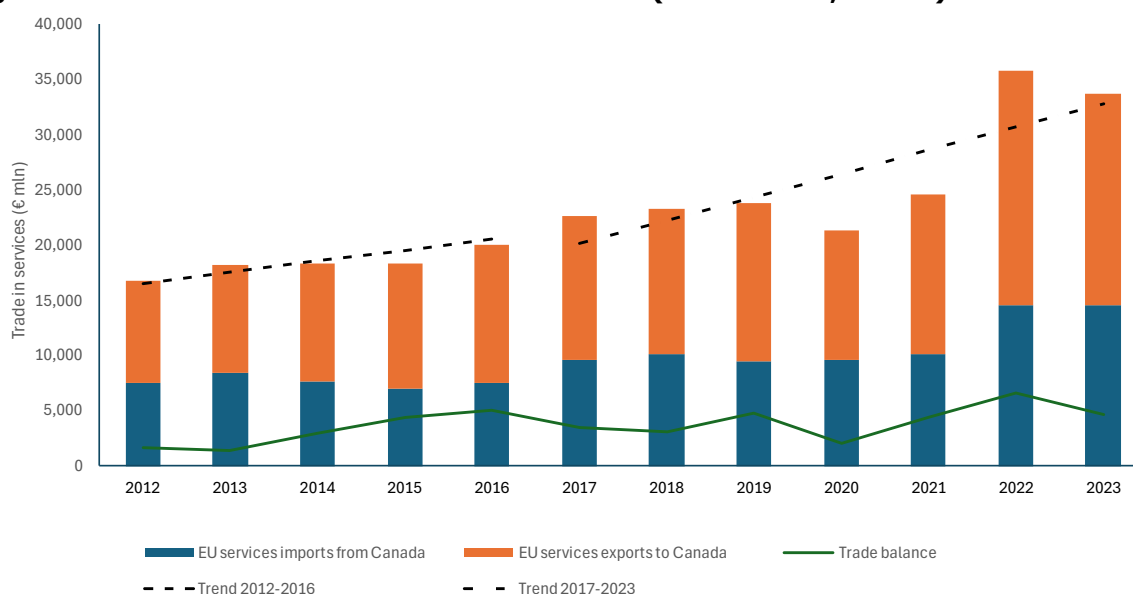


Source: Own calculations based on Eurostat (2024)

### Trade in services has increased faster in the post-CETA period than in the pre-CETA period

EU commercial services exports to Canada increased in value terms from an average of €10.7 bn pre-CETA to an average of €15.3 bn post-CETA, registering a 46.5% increase. EU commercial services imports from Canada also grew from an average €7.6 bn pre-CETA to an average of €11.2 bn post-CETA, translating into a 43.0% increase. Despite the sharp decline in 2020 due to the COVID-19 pandemic, post-pandemic recovery has been strong, with EU services exports to Canada reaching €19.2 bn and imports from Canada €14.5 bn in 2023, resulting in an EU trade surplus of €4.7 bn. This is illustrated in Figure 87.

**Figure 87: EU-Canada bilateral services trade (2012-2023; € mln)**

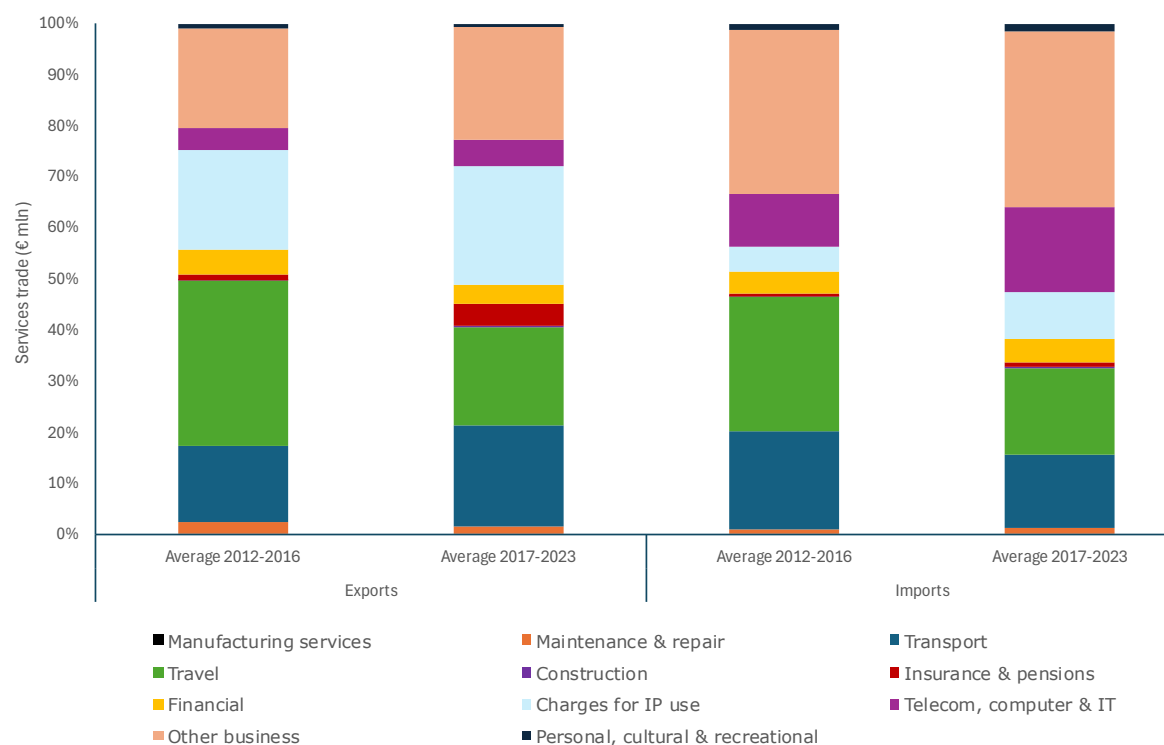


Source: UNCTADStats; own calculations

At sector level, EU bilateral commercial services exports are dominated by transport, travel, other business, and IP-related services. The share of other business services increased, on average, after CETA (see Figure 88). The share of services traded digitally (insurance and pension services, financial services, charges for the use of IP,

telecommunications, computer and information services, other business services, and personal, cultural, and recreational services) has also increased in each partner's bilateral services exports in the post-CETA years. Contrary to most service sectors, exports in digital services have not increased and EU imports of digitally delivered services from Canada have declined by 14.4%.

**Figure 88: Sectoral distribution of EU-Canada commercial services trade (%)**



Source: UNCTADStats; own calculations

Germany, France, Ireland, and the Netherlands dominate the EU's services export and import distributions. While these EU MS have consistently ranked as the top trading partners, their relative shares have shifted over time.

*Trade in transport services* has increased between the pre- and post-CETA periods. Before CETA, the ports of Antwerp and Rotterdam were the main trading hubs, joined by Le Havre from the moment CETA was provisionally applied. *Dredging services* have increased and – in particular – Dutch dredging firms have benefitted from the CETA provisions on dredging as well as on opening up the Canadian public procurement market. Trade in *business services* has significantly increased both ways (66.9% in terms of EU exports to Canada and 76.3% vice versa). *Telecom and computer services* trade also grew rapidly between 2017 and 2023, more rapidly than in the pre-CETA period. The main drivers for this increase were, among others, CETA, the digital transformation, growth of remote work after the COVID-19 pandemic, new innovations like 5G and IoT, aligned views on sustainability and climate change, geopolitical tensions bringing the EU and Canada closer, and the issue of cybersecurity. CETA's outdated provisions on e-commerce fail to meet the standards set by more recent trade agreements. This shortfall has prevented the full realisation of benefits in the rapidly expanding digital economy. Stakeholders have highlighted this as a critical area requiring immediate improvement. Regarding the *temporary entry and stay of natural persons*, the evaluation has found evidence that the business community is appreciative of this provision. However, it remains relatively unknown, and its uptake has been limited to date.

### **Ad 3. Establish clear and predictable rules to govern bilateral trade and investment**

CETA has established clear and predictable rules to govern bilateral trade and investment. The clarity of these provisions, confirmed through stakeholder consultations, is evident in areas such as:

- Tariff liberalisation (Annex 2 of CETA), which provides for immediate or gradual tariff liberalisation based on pre-agreed schedules.
- Customs and trade liberalisation (Chapter 6), which establishes transparent, predictable rules for customs and trade facilitation by promoting simplified procedures, risk-based inspections, advance rulings, and the use of electronic systems. It ensures efficient goods clearance, facilitates cooperation between authorities, and guarantees accessible review mechanisms for traders.
- Subsidy rules (Chapter 7), which require both Parties to ensure transparency and fair competition and prevent trade distortions. Both Parties commit to notifying subsidies, particularly those that significantly affect trade, and agree to consultations if concerns arise.
- Domestic regulation (Chapter 12), which sets rules for domestic regulation to ensure transparent, impartial, and predictable procedures for licensing and qualification requirements. It requires timely decisions, clear criteria, and non-discriminatory practices for businesses and professionals.
- International maritime transport services (Chapter 14), which ensures open and non-discriminatory access to international maritime transport services. It guarantees fair treatment for vessels from both Parties, including access to ports, infrastructure, and related services to promote efficient maritime trade.
- Competition policy (Chapter 17), which commits Parties to prohibit and sanction certain practices and transactions involving goods or services which distort competition and trade. The provisions reflect main principles and obligations consistent with both EU and Canadian competition law to ensure free and undistorted competition.
- Sustainable development (Chapter 22), which promotes high environmental and labour standards in trade by encouraging cooperation, transparency, and public participation. The Chapter ensures that neither side weakens protections to gain a trade advantage.
- Transparency provisions (Chapter 27), which requires the EU and Canada to publish laws, regulations, and administrative rulings affecting trade. It promotes open communication, public consultations, and timely responses to inquiries from businesses and stakeholders.

These provisions have contributed to a predictable and more certain environment for both large and small businesses. However, stakeholders have noted some uncertainties regarding implementation, which are discussed in response to EQ1, 2, and 5.

### **Ad 4. Further liberalise the government procurement markets of the Parties**

Through Chapter 19 of CETA (Government procurement), the EU and Canada have made ambitious commitments to open their public procurement markets to each other, not only at the federal but also at the sub-federal level.

During the period from 2017 to 2023, suppliers from EU MS primarily engaged in goods procurement, accounting for 92% of the total procurement value in that period – surpassing participation from non-EU suppliers. Spain and Germany captured the highest procurement values between 2012 and 2016. In the 2017-2023 period, Germany, Denmark, and Spain together accounted for 86% of the total value of contracts and amendments.

Contracts for goods in the top-10 sectors (military vehicles, armaments, automotive components, telecommunications equipment, and supplies, laboratory equipment, and computer equipment) represented 99% of the total value of contracts and amendments issued to EU MS firms in 2023.

As a result of CETA, the value of public procurement has increased by 8.4% annually. This increase is based on data covering all federal-level procurement contracts, but only part of the sub-federal procurement, as only those Canadian provinces and territories that feed their procurement data into CanadaBuys are captured. Procurement effects of CETA for provinces using alternative platforms, such as mRex, are not reflected in this increase. Consequently, this estimate likely underrepresents CETA's impact on procurement, in particular in view of the fact that the additional market access brought about by CETA is on the sub-federal level.

A second factor contributing to the potential underestimation is the growing success of multinational firms headquartered in EU MS. These firms have been securing an increasing share of contracts when mode 3 services (commercial presence) are considered alongside cross-border trade alone. Based on data from the top-25 suppliers, EU MS firms may be securing approximately 11% of procurement opportunities in Canada – far more than the 3.2% reflected by cross-border alone.

Based on statistical, econometric, and qualitative findings, it is reasonable to conclude that CETA has had a significant and positive effect on public procurement.

#### **Ad 5. Protect and enforce intellectual property rights**

CETA has contributed to the protection of intellectual property rights, in particular their enforcement.

##### **CETA has contributed to the protection of Intellectual Property Rights**

The EU maintained its existing patent, copyright, and trademark laws, and so did Canada after it implemented the 2012 Act, bringing its copyrights law in line with international standards. Canada aligned its trademark regime with international standards, such as the Singapore Treaty and the Madrid Agreement.

In addition, CETA prompted Canada to introduce a *sui generis* protection system, a patent restoration term (PTR), similar to the EU's Supplementary Protection Certificate, for pharmaceutical products. Furthermore, CETA provided innovator companies with "equivalent and effective rights of appeal" under the Patented Medicines (Notice of Compliance) Regulations (PM(NOC) Regulations), placing them on equal footing with generic manufacturers. It also ended the "dual litigation" practice.

Despite initial concerns about potential drug cost increases and delays in generic availability, evidence to date shows no significant rise in costs or adverse effects on the generic market share because of these measures. These stronger IP protections have contributed to improved access to innovative medicines for Canadian patients and supported a 182% increase in pharmaceutical investments in Canada.

##### **CETA has expanded geographical indications in Canada but implementation issues remain**

CETA has expanded the protection of geographical indications (GIs) in Canada in three ways:

- CETA led to changes in Canada's Trademarks Act, expanding the definition of GIs to cover not only wines and spirits but also food and agricultural products.
- Before CETA, Canadian GI framework protected only 1,575 wines and 57 European spirit names under the EU-Canada 2023 Agreement on Wines & Spirits. CETA expanded this scope to include 171 food and agricultural products from the EU.
- Following CETA, the Canadian Intellectual Property Office (CIPO), established a process to add new GIs to the protected list in Annex 20-C.

This expansion has increased new market opportunities for EU exporters of GI-protected products in Canada. GIs provide marketing and branding advantages by linking products to specific geographical origins, allowing producers to command price premiums and enhance their brand value.



However, implementation challenges persist. Key ongoing issues include divergent views between the EU and Canada on administrative enforcement and Canada's reluctance to create a public list of grandfathered GI users.

**Ad 6. Promote sustainable development and foster international trade in such a way as to contribute to sustainable development in the economic, social and environmental dimensions**

CETA's implementation, with increased trade and investment flows in both directions, has created positive - albeit limited - effects on social development in the EU and Canada:

- CETA has contributed to employment increase in key exporting sectors:
  - EU sectors: textiles, clothing and leather products (0.28%), the automotive industry (0.09%), red meat (0.07%), and dairy products (0.07%).
  - Canadian sectors: water transport (1.64%), other transport equipment (0.85%), textiles, clothing and leather products (0.7%), other food (0.51%), chemicals (0.51%), grains (0.42%), and the automotive industry (0.28%).
- CETA has contributed to a modest wage increase for both skilled and unskilled workers:
  - In the EU: 0.02%.
  - In Canada: 0.10%.
- CETA has supported a rise in the real spending power for consumers in both Parties, with the poorest 20% of the population in most EU MS benefitting relatively the most.
- Thanks to increased trade flows between the EU and Canada, consumers in both Parties have enjoyed greater availability of goods and services. This has been facilitated by the reduction in tariffs and NTMs, and the work of the Regulatory Cooperation Forum.
- The EU and Canada have also collaborated through inspections, policy dialogue, market surveillance mechanisms, and awareness-raising campaigns to ensure that increased trade does not compromise product safety.
- Available evidence indicates that the number of unsafe products imported from Canada to the EU and vice versa has remained low and has not increased since the start of the CETA application, despite rising bilateral trade.
- Under the Joint Recommendation on Trade and Gender, the Parties have collaborated to support women's economic empowerment by organising events for women entrepreneurs and traders from the EU and Canada. These events provided a platform to discuss challenges, showcase opportunities created by CETA, and encourage greater participation of women-led businesses in bilateral trade.
- This documented economic and social progress due to CETA did not occur at the expense of the environment as the impact on CO<sub>2</sub> emissions in Canada and the EU appears to be largely insignificant. Household emissions did increase by 0.09% and 0.001%, while firm emissions rose by 0.01% and 0.001% respectively in Canada and the EU, yet the total increase in CO<sub>2</sub> emissions in both Canada and the EU is estimated at 0.3 megaton (Mt) which can be considered negligible compared to overall emissions levels in both economies. Furthermore, when considering population growth, CO<sub>2</sub> emissions have actually decreased by 0.9% per capita in Canada and by 0.2% per capita in the EU.
- CETA has had a marginally negative impact on land use and thus natural resources and biodiversity. Our findings demonstrate that there has been an overall increase of land used for agriculture of a little over 1.5 mln hectares due to CETA in both Parties combined, mainly due to the marginal increase in production of red meat in the EU. This change represents 0.7% of the land used for agriculture in both partners, hence an arguably marginal impact
- CETA has contributed to growth of trade in environmental goods and services, including the sharing of environmentally sustainable technologies.

While CETA has supported sustainable development, some challenges persist:

- CETA's e-commerce Chapter has a limited scope and does not provide a similar level of protection for consumers as more recent EU trade agreements.
- The lack of detailed gender-disaggregated data regarding (detailed) sectors of operation of women-owned businesses and women's trading activity put constraints at the level

of detail of the evaluation of CETA's effects on female entrepreneurs and traders, in particular in Canada.

**Ad 7. Implement CETA in a manner consistent with the enforcement of the Parties' respective labour and environmental laws, building upon their international commitments on labour and environmental matters.**

The Parties have implemented CETA in a manner consistent with their international obligations regarding labour standards and environmental commitments. Evidence collected during this evaluation suggests that both the EU and Canada have continued to pursue their own labour and environmental policy agendas and have exchanged information about related actions. However, these activities have largely occurred independently from the Agreement.

- CETA has had a limited but positive impact on working conditions and labour standards in both the EU and Canada, particularly in sectors engaged in bilateral trade.
- Domestic factors have exercised more influence in these areas. These factors include the domestic labour law with high levels of workers' protection, trade union presence and collective bargaining, adopted business models, technological changes, competition and other global developments.
- Since the start of the provisional application of CETA, the Parties have adopted new legislation in areas related to working conditions and labour standards, such as the elimination of child labour and forced labour from their markets and supply chains. These developments were discussed during TSD Committee meetings.
- Contrary to concerns raised by several stakeholders, the EU and Canada have not engaged in a regulatory dialogue on labour-related matters and have preserved their right to regulate independently.
- The EU MS and Canada have ratified further ILO fundamental and other up-to-date Conventions. However, these ratifications were primarily driven by domestic policy priorities and shared values, rather than CETA.
- Both Parties discussed environmental matters in the cooperation bodies set up by the agreement. This had limited concrete impact in terms of domestic policy developments but arguably further cemented their respective understanding and cooperation of respective legal frameworks. They also indicated interest in further fostering their cooperation to increase trade in environmental goods and services with environmental benefits.
- The Parties have held regular TSD Committee meetings and engaged in dialogue with civil society, including through Domestic Advisory Groups (DAGs). These exchanges have fostered mutual learning and better understanding, though they have not yet resulted in tangible outcomes on the ground.

Despite these overall positive developments, the Parties have not fully utilised CETA's potential in the area of labour cooperation. Future efforts could focus on:

- Enhanced cooperation in third countries – The Parties have explored potential cooperation in third countries with which both the EU and Canada have FTAs containing labour provisions. This cooperation (aimed at improving third countries' labour-related performance) could be expanded and intensified.
- Sector-specific discussions on labour standards – To date, the Parties have not addressed the situation regarding working conditions and compliance with international labour standards in sectors engaged in bilateral trade (the only exception was the situation in the port of Montreal, raised by civil society). However, there are sectors or their parts (like meat processing or clothing in some EU MS), where adopted business models (sub-contracting) have created environment for precarious working conditions. Future TSD Committee meetings could focus more directly on these sector-specific challenges and explore joint strategies to address them.

**8.1.2 EQ2: What are the factors influencing the achievement of the CETA objectives?**

The evaluation concludes that several factors – both positive and negative – have influenced the achievement of the Agreement's objectives.

**Positive influences:**

- External factors: Geopolitical developments, such as the war in Ukraine, global geopolitical fragmentation, and increased rivalry with China, have underscored the strategic importance of closer EU-Canada cooperation.
- Shared policy values: The EU and Canada share core policy values that have supported the CETA implementation, including pro-trade policies and a commitment to the rules-based trading system, recognition of trade diversification as a key policy for enhancing economic security and supply chain resilience, similar views on trade and sustainable development, as well as on the role of gender equality in trade.
- CETA specific elements: Certain characteristics of CETA have directly contributed to the Agreement's success, including a strong institutional structure with multiple forums for collaboration, active engagement from diverse stakeholders, including a well-organised civil society that actively participates in CETA-related meetings, and trade complementarities in key sectors and export products, which have created natural synergies between the EU and Canadian economies.

**Negative influences:**

- External factors: the UK's departure from the EU (which disrupted some trade dynamics), global economic fragmentation (particularly the disruption of global value chains spanning the EU and Canada), the COVID-19 pandemic (which caused significant disruptions in global trade), and US political distance from the EU and Canada during the evaluation period, affecting external trade dynamics.
- Differences in legislative and regulatory systems between the EU and Canada: divergent approaches to standards and regulations, including differences in the application of risk-based and precautionary principles; contrasting views on data protection, with the EU following more stringent standards; variability in regulatory harmonisation - across EU MS in the EU vs. a federal system with room for provinces and territories to implement their own regulations that may differ.
- CETA specific challenges: political and regulatory differences regarding SPS and TBT measures, the application of CETA preferences in delivery services, data fragmentation at the sub-federal level in Canada's public procurement system, excessive focus and limited progress on the reform of the enforcement mechanism for the TSD, Trade and Labour and Trade and Environment Chapters, and misconceptions and misunderstandings about CETA applicability during the ratification processes in EU MS.

**Factors affecting achieving the CETA objectives positively**

Several factors have contributed to achieving the CETA objectives over the past seven years. These factors can be grouped into three categories: external factors, shared core policy values, and CETA-specific elements.

*External factors*

Geopolitical and economic developments have brought the EU and Canada closer together, highlighting the importance of CETA as a strategic trade agreement. Key external factors include: the war in Ukraine, an increased degree of economic protectionism, the crisis of the multilateral trading system, the view of China as a competitor and strategic rival, and recent shift in US tariff-driven trade policy:

- On the war in Ukraine: Both the EU and Canada have imposed sanctions on Russia and Belarus while providing strong support for Ukraine. This shared response has reinforced their bilateral cooperation.
- On the increased degree of economic protectionism and the crisis of the multilateral trading system: Both Parties have worked together to defend the rules-based international trade system and its benefits.
- On the view of China as a competitor and strategic rival: Both Parties pursue strategies to reduce dependencies on Chinese imports and aim to strengthen supply chain resilience in the years ahead.

- On the recent US tariff-driven trade policy: The EU and Canada view CETA as a means to reduce their dependency on the US economy and to diversify trade relationships.

#### *Shared core policy values between the EU and Canada*

- The EU and Canada, as like-minded partners with relatively open economies, share key policy values. Both Parties are strong supporters of the World Trade Organisation (WTO) and its principles. They have expressed continuous support for the WTO reform through initiatives like the Ottawa Group. In addition, the EU and Canada both participate in the Multi-Party Interim Appeal Arbitration Arrangement (MPIA) – an alternative dispute settlement mechanism.
- Both Parties focus on trade diversification as a core policy objective as part of their broader economic security and supply chain resilience strategies. CETA provides a mutually beneficial platform for these efforts. The EU pursues these goals through its policy of open strategic autonomy, including strategic partnerships for critical raw materials and minerals. Canada follows a trade diversification strategy and leverages its participation in multiple trade agreements, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), to achieve similar objectives.
- Both Parties have aligned their trade policies with their climate and sustainability goals, as reflected in their joint support for the Paris Climate Agreement and ambitious environmental policies to reduce GHG emissions and move to net-zero economies. The EU has implemented key policies like the European Green Deal (2019), the EU Biodiversity Strategy for 2030, and the Circular Economy Action Plan. Canada has introduced its “A healthy environment and a healthy economy” (2020) plan, which includes measures to reduce greenhouse gas emissions, promote clean fuel regulations, and improve energy efficiency.

#### *CETA specific aspects*

- The strong institutional structure of CETA with 19 Committees and Dialogues facilitates joint work, dialogue, and discussions that put the Parties’ regulatory systems and differences into perspective, while searching to reduce unnecessary duplications to minimise NTMs.
- The multiple forums for collaboration on different aspects like trade in goods, services, FDI, SPS and TBT measures, procurement, investment, SMEs, conformity assessment, critical raw materials, customs and trade facilitation, geographical indications, and trade and sustainable development, require the involvement of many policymakers and regulators, as well as companies and civil society from both Parties. The success of joint work programmes involving regulators has been a key driver of CETA’s positive outcomes.
- Trade complementarities between the Parties have created numerous win-win situations as tariffs are liberalised. While some overlaps exist, for instance, in agricultural production and financial and insurance services, clear patterns have emerged where the EU has increased its exports (e.g. cheese, wines & spirits, rubber & plastics, transport services) and where Canada has done the same for other products or services (e.g. oil seeds, cereals, other business services, and financial services).

#### **Factors affecting achieving the CETA objectives negatively**

Several factors have negatively affected the achievement of the CETA objectives. These factors can be grouped into three main categories: external factors, differences in legislative and regulatory systems and values, and CETA-specific challenges.

#### *External factors*

Geopolitical developments such as the UK leaving the EU, the COVID-19 pandemic, and geopolitical fragmentation have posed challenges to CETA:

- With the UK leaving the EU, one of Canada’s most important EU MS trading partners left the bloc. As a result, the GDP and trade size of CETA diminished, reducing the Agreement’s potential to create a larger, secure market for goods and services.
- The increasing fragmentation of the global economy - in a world deeply interconnected through global value chains – has negatively impacted CETA because the availability of

third country imports for EU and Canadian industries and consumers, or third country export markets for EU and Canadian exporters, are negatively affected. For example, China's increasingly restrictive export policy on rare earth materials has disrupted supply chains and hindered CETA's objective to promote sustainable development through ambitious environmental policies that aim to reduce GHG emissions.

- The COVID-19 pandemic and related lockdown measures have significantly disrupted bilateral trade between the EU and Canada hard in 2020 and in 2021. However, by late 2021 and throughout 2022, the EU's increased exports of COVID-19 vaccines provided a significant boost to bilateral trade, helping it recover more quickly than initially expected. While COVID-19 initially hindered CETA's objectives, its negative impact was short-lived, with bilateral trade growth resuming in 2022 and continuing into 2023.
- Should political and economic divergence between the US and Canada or the US and the EU increase, Canada could find itself caught between two major markets with differing regulatory systems. Because the US is a relatively much more important trading partner, this could lead to increased divergence (or at least lack of further alignment) with the EU. Moreover, EU companies that considered Canada a strategic point for the North American market (via USMCA) might reconsider if tariff-free access and regulatory stability become uncertain.

#### *Differences in legislative and regulatory systems and values between the EU and Canada*

The differences in how the EU and Canada regulate their markets have also posed challenges:

- Approach to standards and regulation:
  - In the EU, standards are voluntary and typically linked to legislation. Legislation sets out essential requirements, while standards (developed by three standard setting bodies – CEN, CENELEC or ETSI – under mandate from the Commission) offer practical guidance for compliance. Companies that follow these standards are presumed compliant with the law, although alternative standards may also be accepted.
  - In Canada, standards are less likely linked to regulation. Instead, private standard-setting bodies create standards that businesses may adopt voluntarily. The primary incentive for compliance comes from the risk of litigation rather than regulatory mandates.
- Regulatory approach:
  - The EU often employs the precautionary principle, enacting comprehensive regulations to pre-emptively address potential risks. This approach is evident in some SPS measures, such as the General Data Protection Regulation (GDPR) and the AI Act.
  - Canada applies a more flexible, risk-based regulatory approach, focusing on balancing innovation with regulation. For example, Canada's Directive on Automated Decision-Making provides guidelines for federal institutions to ensure responsible AI use. For this reason, under CETA discussions on SPS, Canada typically advocates for a risk-based, science-based approach, while the EU often relies on scientific evidence supplemented by the precautionary principle.
- Data protection standards:
  - EU GDPR enforces strict data protection rules, granting individuals extensive rights over their personal data and putting obligations on organisations handling private data.
  - The Personal Information Protection and Electronic Documents Act (PIPEDA) in Canada offers robust, yet less stringent data protection than GDPR standards, creating compliance challenges for businesses operating across both jurisdictions.
- Regulatory harmonisation vs. federal autonomy:
  - The EU, as a supranational entity, strives for regulatory harmonisation across its EU MS, ensuring uniform application of laws in support of the EU Internal Market.
  - Canada operates under a federal system, allowing provinces and territories to implement regulations that may vary, leading to potential regulatory differences and thus trade barriers within the country and vis-a-vis external trading partners. This difference has led to many discussions under CETA, ranging from provincial-level discrimination regarding EU (as well as out of province Canadian) wines &

spirits to the lack of accreditation of EU Conformity Assessment Bodies (CABs) in Canada, in part due to provincial-level regulatory divergences.

#### *CETA specific aspects*

While there are several CETA-specific disagreements, such as differing views on SPS or TBT measures, differences in interpretation of the CETA legal text, differences in effects of the CETA conformity assessment protocol, these issues are mostly rooted in the differences between the EU and Canadian legislative and regulatory systems described above. It is evident, however, that these disagreements negatively impact the objective of creating an expanded market for goods and services:

- Regarding companies making use of CETA, stakeholder feedback highlighted that the increase in delivery services has negatively affected the extent to which CETA preferences are being claimed (i.e. CETAs preference utilisation rates). This is because digital delivery service providers do not claim CETA preferences unless explicitly requested by clients, as doing so is seen as cumbersome and costly. As a result, goods are often traded at MFN tariffs rather than CETA preferential tariffs, reducing the effectiveness of CETA.
- Regarding public procurement, the sub-federal level of fragmentation in Canada, both in terms of differences in procurement rules and the availability of tenders and procurement statistics, may negatively impact the objective of increasing EU public procurement participation in Canada. However, the introduction of CanadaBuys, a centralised single point of access to all procurement notices falling within the scope of international agreements such as the GPA and CETA, has certainly achieved a major increase in transparency and can be considered a very important positive outcome of CETA.
- While the provisions of the TSD, Trade and Labour and Trade and Environment Chapters are legally binding and include an enforcement mechanism without sanctions (reflecting the EU position at the time of CETA negotiations), a significant amount of time and energy has been invested in discussions about reforming the enforcement mechanism to include financial penalties or sanctions (as envisaged in the Joint Interpretative Instrument). However, no progress has been made so far, despite the EU and Canada's positions being much closer today than during the initial negotiations. The lack of progress stems from the inability to revise the Agreement until its original version has been ratified by all EU MS. Several stakeholders interviewed for this evaluation raised this issue as a priority concern.
- An issue raised repeatedly by SMEs, including during the SME online seminar, is the misconception among some EU SMEs that CETA applies only if their respective EU MS has ratified the Agreement. Some SMEs believed/believe that CETA is only applicable to Canadian SMEs and those EU companies operating from EU MS that had completed the ratification process. For instance, in discussions with agricultural stakeholders, Spanish farmers appeared better informed and more actively engaged with CETA than, for example, their Belgian counterparts.

#### 8.1.3 EQ3: Has CETA implementation had unintended consequences?

The evaluation concludes that CETA has resulted in very few unintended effects. One unintended positive effect is that GHG emissions have decreased as a result of CETA. A negative consequence has been the combination of CETA Rules of Origin (RoO) and the Canadian luxury tax has negatively impacted trade and prices for electric vehicles.

This evaluation has identified one unintended positive side effects and one unintended negative side effect as a result of CETA.

#### **Positive unintended effect**

A limited but notable reduction in GHG emissions constituted a second unexpected (positive) side effect. Despite increased bilateral trade in transport services, CO2 emissions have only increased marginally – an unexpected but positive environmental outcome.

#### **Negative unintended effect**



While the EU and Canada have set clear objectives on sustainability, through domestic legislation and regulations, flanked by CETA's TSD chapters, to advance the greening of their economies and reduce emissions, an unintended negative consequence has emerged. The interaction between CETA's automotive rules of origin (RoO) provisions and the Canadian luxury tax has penalised trade in electric vehicles (EVs) compared to trade in more polluting internal combustion engine (ICE) vehicles. The ICE vehicles more easily meet CETA's RoO requirements and are also less likely to be subject to the luxury tax due to their lower cost of production. This unintended side effect undermines the shared goal of reducing GHG emissions through sustainable trade practices.

## Impact

### 8.1.4 EQ4: *What has been the impact of implementation of the CETA?*

The evaluation concludes that the wider economic, social, and environmental effects of CETA, beyond its immediate goals, have been predominantly positive.

- CETA has positively impacted EU and Canadian GDP, contributing €3.2 bn annually to the EU's GDP and €1.3 bn annually to Canada's GDP.
- CETA has had a significant and positive effect on trade (see EQ1).
- CETA has not had any measurable impact on Türkiye or Least Developed Countries (LDCs).
- CETA has not had a significant impact on FDI. While FDI increased during the CETA period, the increase was less pronounced compared to Canadian inward FDI from other key trading partners such as the US and China.
- CETA has had a positive impact on EU and Canadian SMEs in two ways:
  - *Direct way:* increased the numbers of EU and Canadian SMEs exporting (and in some cases importing). The relative increase in the number of SMEs was in almost all cases higher than the relative increase in the number of large companies exporting.
  - *Indirect way:* SMEs benefitted indirectly by operating domestically in sectors positively affected by CETA. In the EU and Canada, SMEs have benefitted in textiles, agriculture and forestry & fisheries, for example.
  - Despite these benefits, stakeholders identified barriers that, if removed, could further enhance the positive impact of CETA for SMEs.
- CETA has been instrumental in the signing of the EU-Canada Strategic Partnership on Critical Raw Materials (2021). This Partnership has supported collaboration on critical raw materials, with both Parties strengthening their access to essential resources and the battery value chain. This has marginally reduced supplier concentration and increased the EU's economic security.
- CETA has contributed to greater supply chain diversification and resilience of supply chains by increasing the number of products traded, reducing the degree of concentration in bilateral trade, raising the share of EU-Canada exports and imports, strengthen the role of SMEs in cross-border trade, and fostering regulatory cooperation initiatives in key sectors.
- CETA has positively impacted public procurement (see EQ1).
- The CETA institutional structure has had a positive impact, as progress has been made in many Committees and Dialogues. However, there is room for further improvement. Stakeholders suggested that reorganising certain workstreams could improve efficiency.
- Regulatory Cooperation under CETA has achieved concrete outcomes. However, progress has been slow in some areas, and further work is needed on TBT, SPS, geographical indications, and standardisation and conformity assessments.
- The social impact of CETA has been limited but positive for employment, real wages, real spending power, and availability and affordability of goods for consumers. The impact of CETA on working conditions and labour standards was minimal. The Agreement has had a positive impact on women in the EU as workers, as entrepreneurs and as consumers.
- The environmental impact of CETA has been largely insignificant. Energy demand has remained unchanged, and CO2 emissions have decreased by 0.9% per capita in



Canada and by 0.2% per capita in the EU. Freight-related emissions have increased slightly but remain marginal. CETA has had a marginally negative impact on land use and thus natural resources and biodiversity. CETA has contributed to growth of trade in environmental goods and services, including the sharing of sustainable technologies.

- The human rights impact of CETA has been limited but positive. The positive economic effects of CETA have contributed modestly to the right to an adequate standard of living. Stakeholder concerns about access to affordable medicines have not materialised. Linked to the environmental analysis, the right to a clean and healthy environment has not been adversely affected, while only minor impacts are observed from increased trade under CETA between the Parties.

### **CETA impact on GDP and trade in the EU and Canada was positive**

CETA has contributed to GDP increases in both the EU and Canada. **EU GDP** has become **€3.2 bn higher** each year due to CETA while **Canadian GDP is €1.3 bn higher** each year.

CETA has had a **significant and positive effect on trade** between the EU and Canada, increasing total bilateral trade by 55.9% during the 2017-2023 period, comprised of both goods and services trade increases. Sectoral agricultural exports from the EU to Canada (meat & edible meat offal, dairy, fish & crustaceans) and Canada to the EU (oilseeds, cereals, fish & crustaceans) have also increased significantly. Manufacturing exports increased mostly in terms of textiles & clothing, rubber & plastics and machinery. At sector level, EU bilateral commercial services exports are dominated by transport, travel, other business, and IP-related services, while for Canada maritime transport services and other business services were most important.

### **No CETA impact on Türkiye and Least Developed Countries**

Based on the economic analysis, this evaluation concludes that the effects for **Türkiye** have been negligible, and also **Least Developed Countries (LDCs)** have not been impacted by CETA.

### **CETA impact on Foreign Direct Investments was marginal**

Comparing pre- and post-CETA periods, **EU foreign direct investment (FDI)** into Canada has become €40bn per year higher (from an average of €220 bn to €260 bn per year), making the EU the second largest foreign investor in Canada after the US. However, Canadian inward FDI stocks have risen much faster for the US and China (see Table 64) than for the EU, which implies that the EU's share in Canadian inward FDI has decreased over time until 2022. The ongoing EU MS ratification process and FDI screening, as well as the rapid growth of both inward and outward FDI for China may explain why these investment results are much more modest.

**Table 64: Canadian inward FDI stocks in perspective (€ bn)**

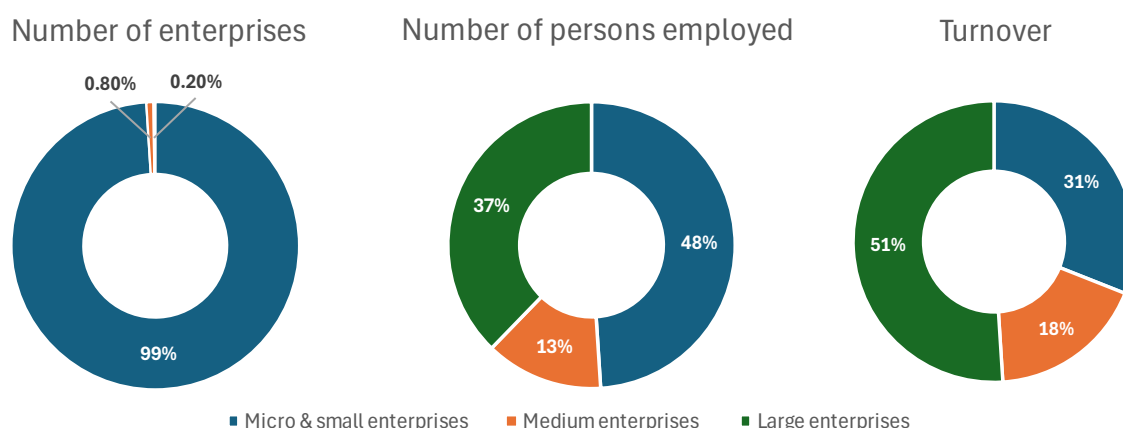
Year	US FDI Inward Stock (€bn)	Annual rate of growth (%)	EU FDI Inward Stock (€bn)	Annual rate of growth (%)	China FDI Inward Stock (€bn)	Annual rate of growth (%)
2017	269.4		273		10.6	
2018	311.2	15.5	366	34.1	14.4	35.8
2019	312.5	0.4	322	-12.0	17	18.1
2020	310.4	-0.7	270	-16.1	13.9	-18.2
2021	364.7	17.5	303	12.2	17.2	23.7
2022	390.4	7.0	315	4.0	17.1	-0.6
2023	414.2	6.1	NA		16.6	-2.9
2017-2023		<b>44.9</b>	<b>NA</b>	<b>15.4</b>	<b>16.6</b>	<b>61.3</b>

Source: Canada Statistics (2024)

### **Small- and Medium-Sized Enterprises (SMEs) benefit from CETA**

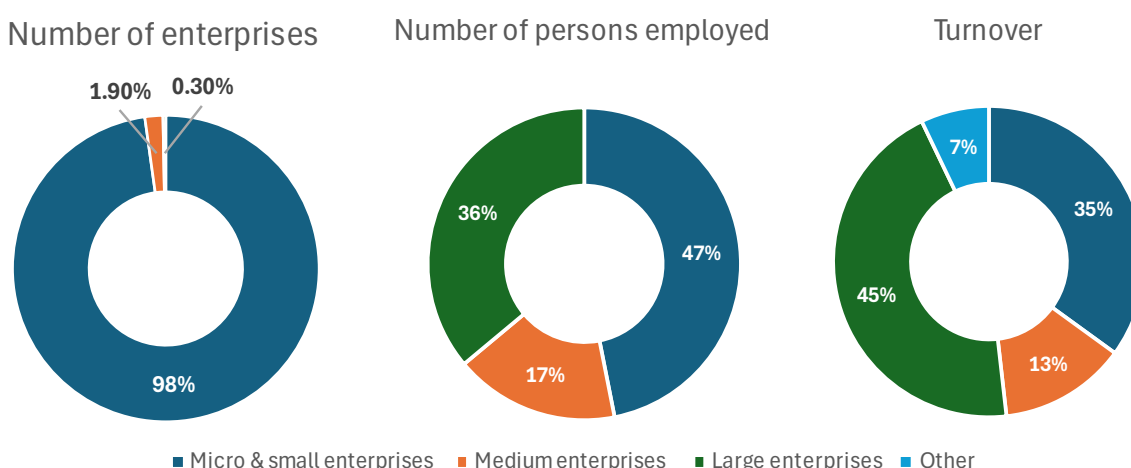
Small- and Medium sized Enterprises (SMEs) are the backbone of an economy. Figure 89 illustrates the importance of SMEs for the EU economy in terms of employment and turnover. A similar trend is observed in the Canadian economy, as shown in Figure 90.

**Figure 89: EU business economy by firm size in 2022 (% of size class, 2022)**



Source: Eurostat (2022)

**Figure 90: Canadian business economy by firm size in 2022 (% of size class, 2022)**



Source: Statistics Canada (Key Small Business Statistics 2023)

According to the literature (Koo, 2021; Asian Development Bank, 2015), SMEs can benefit from FTAs such as CETA in two ways: directly and/or indirectly. The *direct impact* arises from increased opportunities, as lower tariffs and reductions in NTMs enable more SMEs to start to export to or import from the other Party. The *indirect impact* results from domestic economic effects, where SMEs benefit as part of a sector or value chain positively affected by CETA.

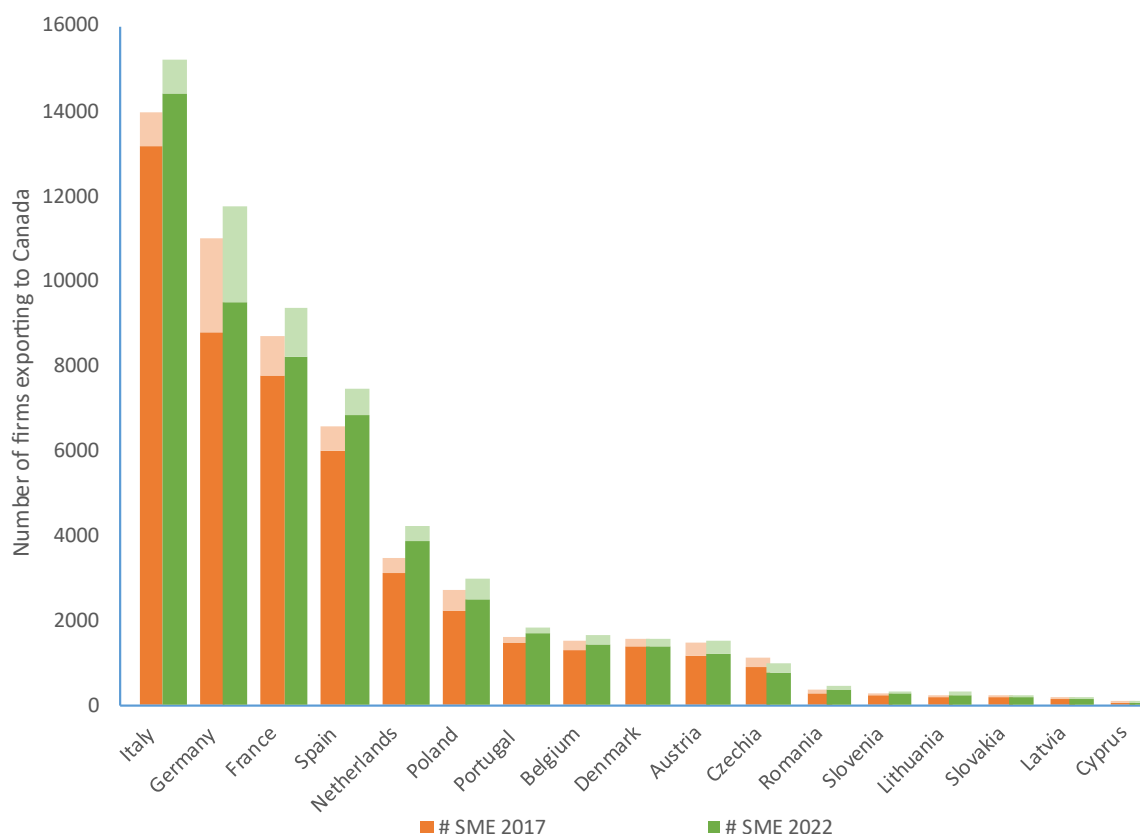
#### **Direct effect: Number of SMEs exporting and importing**

Diaz-Mora et al. (2024) not only assessed the impact of CETA on the number of trading firms but also distinguished the effects by sector (industry vs. services) and firm size (SMEs vs. large firms). Their main conclusions on how CETA has impacted SMEs are the following:

- CETA has had a positive effect on the number of exporting firms. The Agreement has led to an 11.2% increase in the number of exporting firms. However, no significant impact was found on the number of importing firms.
- For manufacturing companies, CETA has increased both the number of exporting firms (by 15.3%) and the number of importing ones (by 4.2%). For services firms, CETA has had a positive effect on the number of exporting firms (by 4.7%), but no measurable impact on the number of importers.
- CETA has led to an 8.5% increase in the number of exporting SMEs and a 7.0% increase in the number of exporting large firms. No significant effect was found on the number of importing SMEs or large firms.

Figure 91 illustrates that the majority of exporting firms in EU MS are SMEs. The SME share varies across EU MS, ranging from 79% of Romanian exporters to Canada to 95% of Italian exporting firms in 2022. For all EU MS, except for Hungary, Czechia, and Denmark, the number of SMEs exporting grows faster than the number of large companies exporting to Canada.

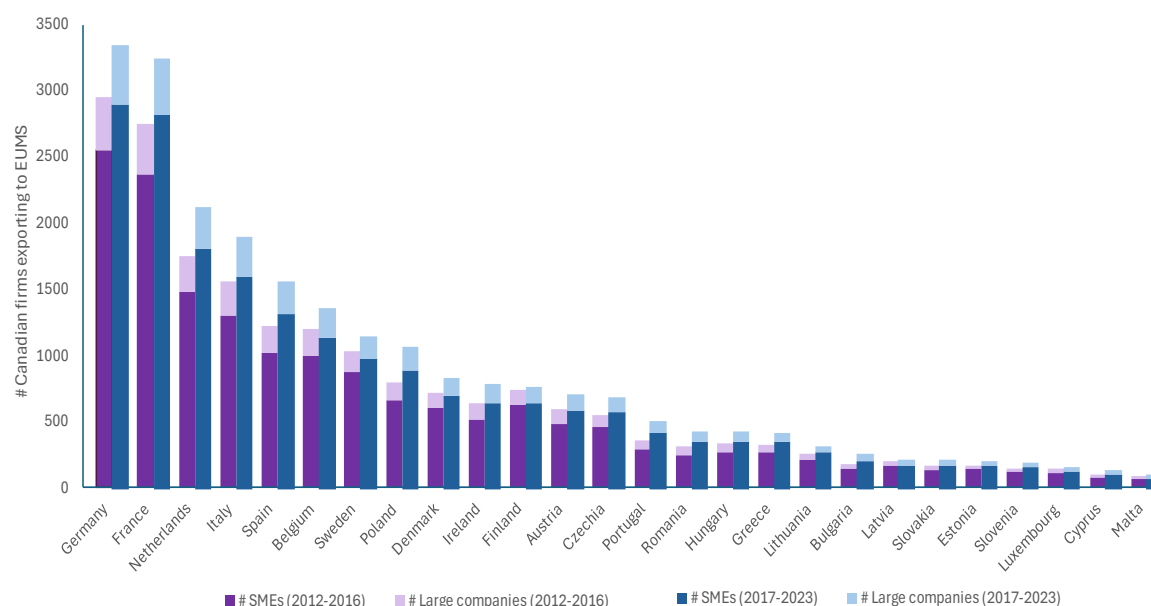
**Figure 91: Number of large and small EU exporters to Canada (2017 and 2022)**



Source: Eurostat OECD TEC data (2024)

When comparing the 2012-2016 pre-CETA period with the 2017-2023 post-CETA period, Figure 92 demonstrates that a greater number of Canadian firms (primarily SMEs) have engaged in exports to the EU following CETA's provisional application. This suggests that CETA has had a positive direct effect on the number of Canadian companies participating in bilateral trade with the EU. The growth rate of exporting Canadian SMEs has been higher than the growth rate of large firms to most EU MS.

**Figure 92: Number of Canadian exporters to EU MS (2012-2016 and 2017-2023)**



Source: Own calculations based on Statistics Canada (2024)

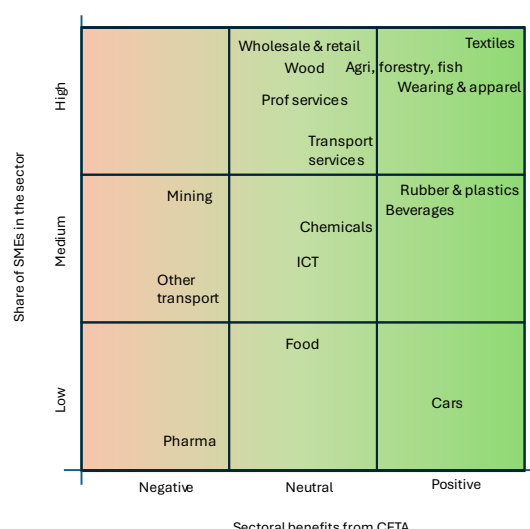
### Indirect effect: sectoral economic effects where SMEs are active

Two aspects influence the magnitude of CETA's indirect effect on SMEs: 1) whether a sector has experienced production growth due to CETA, and 2) the share of SMEs in the production structure of that sector.

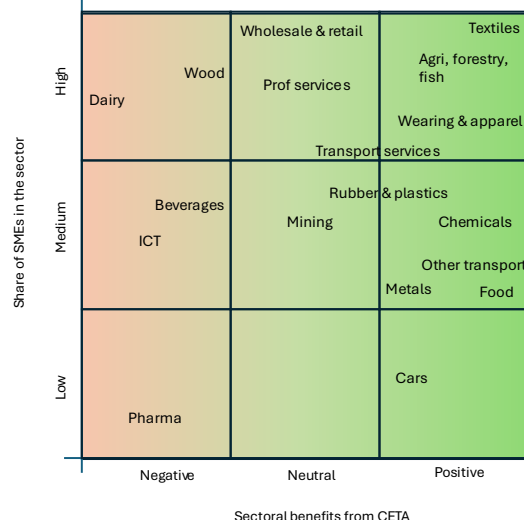
Figure 93 (left panel) indicates that EU SMEs in textiles, agriculture, forestry & fisheries, wearing & apparel, rubber & plastics and beverages have benefitted the most from CETA. Conversely, SMEs in sectors such as mining, pharmaceuticals and other transport equipment may have been negatively affected by sectoral declines. Figure 93 (right panel) demonstrates that Canadian SMEs in textiles, agriculture, forestry & fisheries, wearing & apparel, and transport services have benefitted from CETA. Conversely, SMEs in sectors such as dairy, ICT, beverages, and pharmaceuticals may have faced challenges due to sectoral declines.

**Figure 93: Relative share of SMEs and sector-effects of CETA**

Relative share of SMEs in EU sectors and  
EU-sector effects of CETA



Relative share of SMEs in Canadian sectors  
and Canadian-sector effects of CETA



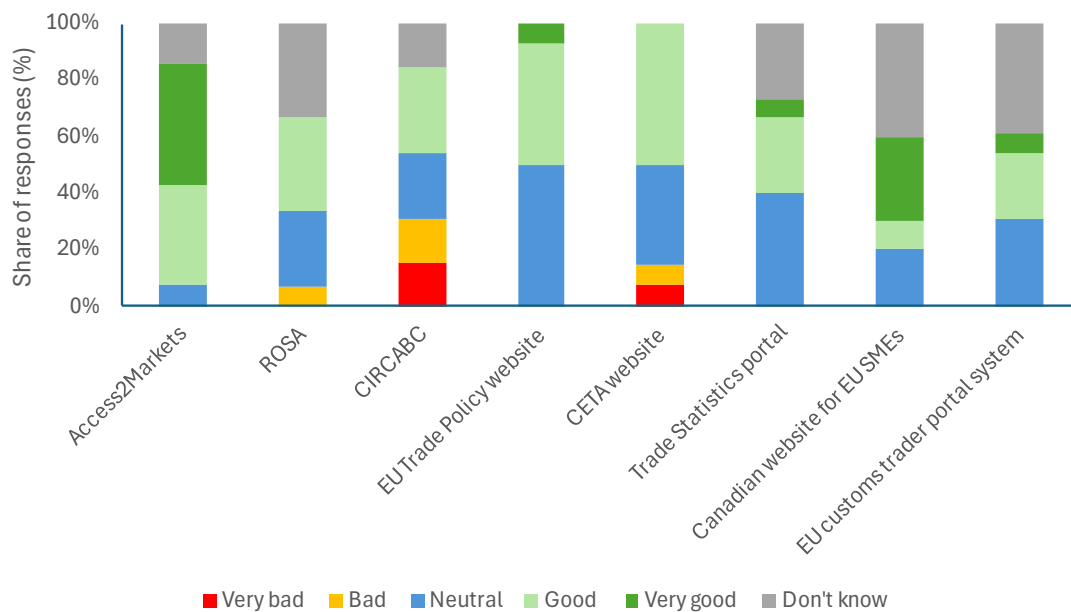
Source: own calculations based on OECD Eurostat TEC database (2024), Statistics Canada (2024) and simulations conducted by DG Trade

### SME stakeholder consultations

SMEs were actively engaged during the stakeholder consultations, raising a variety of issues important to them. For example, on the EU side, SMEs mentioned that initial fears about competition from Canadian products have not materialised and remain largely theoretical for the time being. SMEs expressed strong support for the cheese TRQs. However, they have also highlighted concerns regarding the high costs associated with TRQ management and the lack of transparency in the administrative processes. EU SMEs welcomed CETA's procurement provisions as well as the one-stop shops of the EU for information on procurement (Access2Procurement) and Canada (CanadaBuys). EU and Canadian SMEs expressed strong support for the EU-Canada collaboration on critical raw materials and the battery value chain. Despite EU and Canadian efforts in raising awareness in differences in Geographical Indications (GIs) systems, stakeholders on both sides had voiced frustrations about how they affect their businesses. Canadian SMEs, for instance, expressed concerns that CETA's agricultural provisions disproportionately favour EU farmers, potentially putting Canadian producers at a disadvantage.

Overall, SME stakeholders expressed satisfaction with the information tools in both the EU and Canada, as well as the available resources (see also Figure 94). While a wealth of information is available, some stakeholders indicated that more practical guidance on exporting – such as tips and insights from SMEs with prior experience – would be beneficial. Also they indicated that some links did not work. The ability to access the portal via smartphones and tablets was also considered an asset. A suggestion shared by several SMEs was for the EU and Canadian governments to introduce AI-powered support tools to provide more tailored advice and interactive learning experiences for potential users.

**Figure 94: SME views on the quality of information on the site (%)**



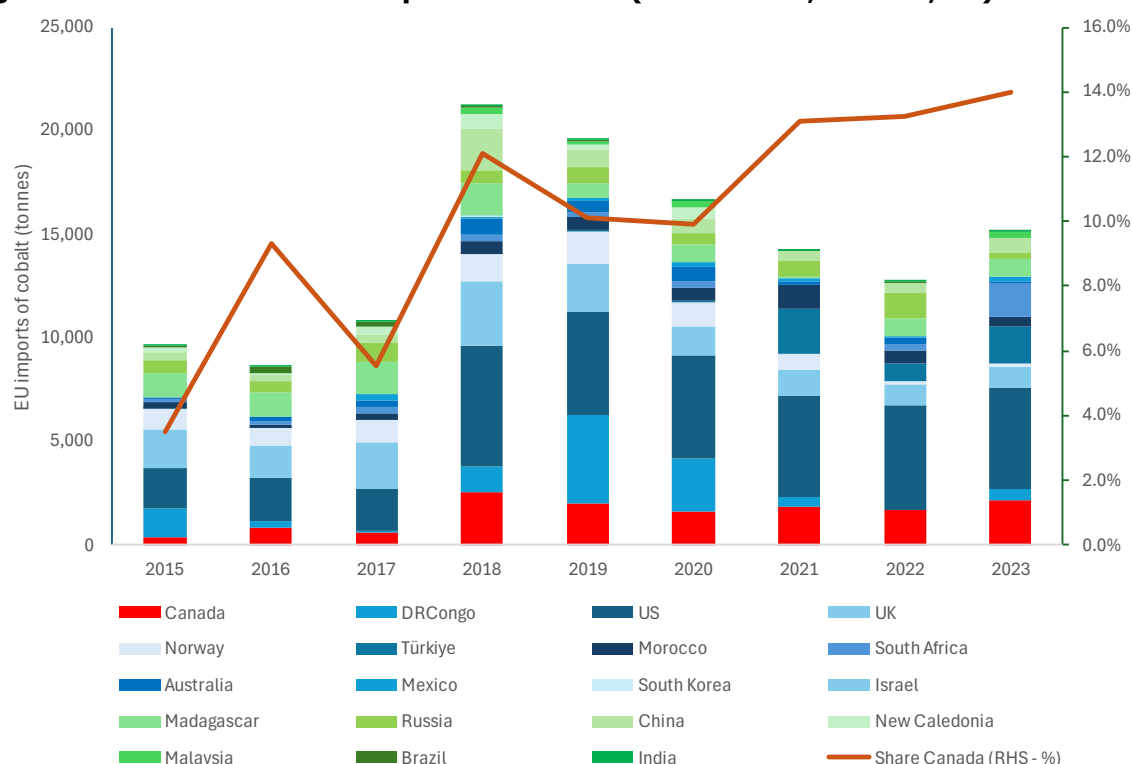
Source: SME stakeholder inputs from surveys and interviews

### CETA has supported collaboration on critical raw materials

CETA has facilitated EU-Canadian cooperation in the area of **critical raw materials (CRM)** by facilitating the Strategic Partnership on Critical Raw Materials. The evolution of bilateral trade in CRM, driven by geopolitical events and the focus on the transition to a net-zero economy, supports the conclusion that the Raw Materials Dialogue under CETA and the EU-Canada Strategic Partnership on Critical Raw Materials, have helped enhance the security of supply for the EU and Canada. Both Parties have clear frameworks in place to work towards increase security of supply for their energy transitions. Canada has been a strong and reliable supplier of cobalt and nickel for the EU (see Figure 95), while the EU has exported unrefined copper for anodes, cathodes and electrolytes. While mining has not increased as a result of CETA, trade in CRMs has gone up, both for the key six CRMs as well as for a wide range of detailed CRM products.

Companies in the EU and Canada, supported by clear policies and regulatory frameworks, have made significant progress in building an EU and Canadian battery value chain. Canada is working to increase extraction capacities for CRMs, while the EU is signing Strategic Partnerships with key global CRM players to increase its security of supply. The key competitiveness challenge for the EU and Canada in the battery value chain lies in its midstream part, dominated by China. Canada is relatively more focused on this stage of the supply chain, since it is a CRM producer and can more easily link up CRM extraction to smelting and refinement. For the EU these provide investment opportunities. Since 2017, especially regarding the downstream stage of battery production, there have been ample investments from EU companies in Canada, and collaborations continue to develop. These investments are in line with EU objectives to build a battery supply chain with battery production to support its energy transition, and Canadian objectives to increase investments in its downstream battery production, also to support its own energy transition. A key element for the EU and Canada to consider, is the fact that lack of legally binding investor protection provisions may have a chilling effect on investments in the battery value chain, especially upstream in extraction where projects are capital-intensive and long-term.

**Figure 95: Evolution of EU imports of cobalt (2015-2023, tonnes, %)**



Source: own compilation based on Eurostat (2024)

### CETA increased supply chain diversification and resilience of supply chains

The evaluation concludes that CETA has significantly contributed to diversification and resilience of EU and Canadian supply chains because of the six reasons that are summarised in Table 65.

**Table 65: Summary of CETA impact on supply chain diversification & resilience**

Nr.	Metric	Conclusion on effects of CETA for supply chain diversification & resilience	Summary effect
1	Changes in the number of products traded between the EU and Canada	More products are exported to and imported from Canada, showing trade diversification in EU-Canada trade post-CETA (see EQ1).	Support for diversification SC
2	Degree of concentration of EU-Canada	At the detailed product level, the concentration of EU exports to Canada went down due to CETA and so did the concentration of EU imports from Canada. At the aggregate	Support for diversification SC and resilience.

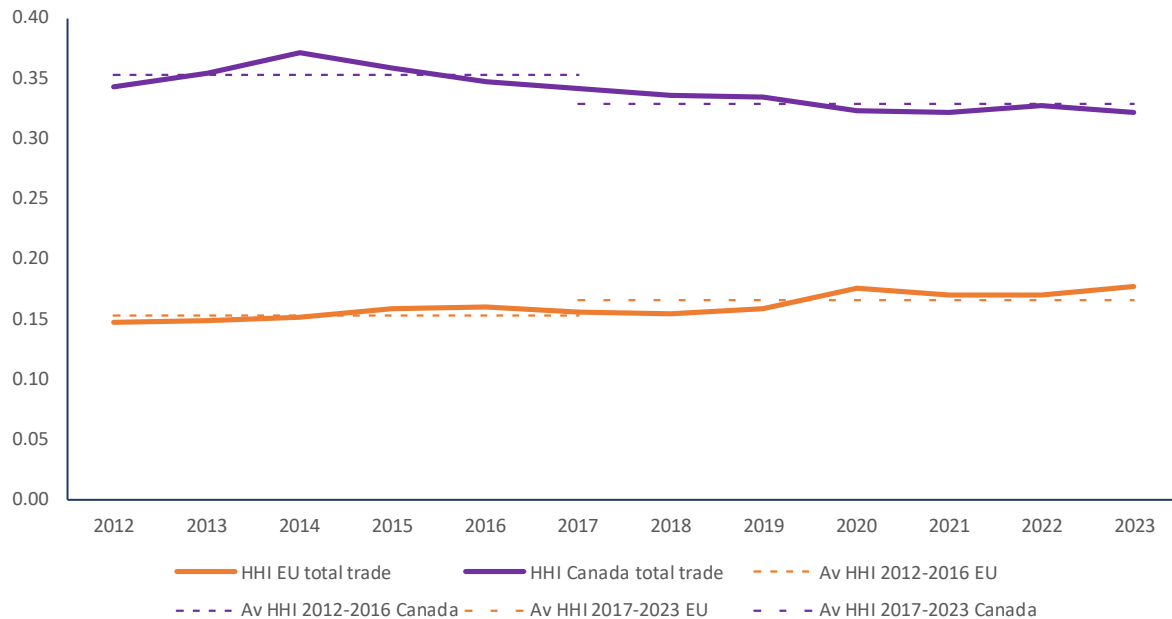
Nr.	Metric	Conclusion on effects of CETA for supply chain diversification & resilience	Summary effect
	exports and imports	level, the concentration of EU imports from Canada went up due to geopolitical events: a large increase in imports of raw materials post February 2022, facilitated by CETA and Strategic Partnership on Critical Raw Materials and due to the war in Ukraine and related sanctions on Russia.	Additionally: Canada's importance as a reliable provider of EU energy and raw materials
3	Evolution of share of Canada in EU imports and vice versa	The share of EU goods in Canadian imports went up by 14% (from 8.3% pre-CETA to 9.5% post-CETA). The share of Canadian goods in EU imports went up by 8% (from 1.1% pre-CETA to 1.2% post-CETA).	Support for SC diversification towards the CETA Parties
4	Source country diversification for EU and Canadian imports	For Canada, dependence on the US has decreased because of CETA (observed country supplier concentration dropped), increasing source country diversification and resilience. For the EU, CETA also increased the importance of Canada in its imports, increasing the share of imports for a reliable partner and source of raw materials, but geopolitical shocks outweighed the CETA effect. So the concentration of EU suppliers increased marginally but would have increased more without CETA.	Support for SC diversification & resilience for Canada and – to a lesser extent – also for the EU (outweighed by geopolitical shocks)
5	Role of SMEs in supporting supply chain resilience	The CETA has had a positive effect on the number EU/Canadian SMEs exporting to Canada/the EU (see EQ4). Many SMEs form a more resilient network with many nodes (where one SME can more easily be replaced), which is stronger than a network of a few big nodes (more quickly impacted if one of the nodes falters).	Support for SC diversification and resilience through positive effects on SMEs
6	Regulatory cooperation and trade & customs facilitation	The long-term processes of regulatory cooperation and continued trade facilitation through streamlined customs procedures reduce the costs for companies to export and diversify supply chains (even if in a more regulated environment). CETA has made some progress in this regard.	Some progress towards supporting SC diversification & resilience

The main metric for assessing the economic security of supply is the degree to which importer concentration decreases over time for the EU and Canada. In Figure 96, the Herfindahl-Hirschman Index of supplier concentration is presented for total EU imports and total Canadian imports from 2012 to 2023. Several observations stand out:

- The EU's HHI is substantially lower than Canada's, indicating that the EU' trade diversification is significantly higher than Canada's. This is because Canada heavily relies on the US as a dominant trading partner, driving the market concentration of supply for Canada. For the EU, the relative weights of the trading partners are much more balanced, leading to a much lower value for the HHI over time.
- For Canada, the HHI declined slightly post-CETA, indicating a marginal increase in import diversification. The EU-Canada trade share has increased due to CETA, leading to a decline in the US share in Canadian imports. When the US-Canada trade share declines marginally, this lowers the Canadian HHI as Canadian dependence on the US decreases. Based on this empirical finding, this evaluation concludes that Canadian import suppliers have become more diversified because of CETA.
- For the EU, the HHI marginally increased post-CETA, reflecting changes in trade patterns. While CETA has boosted the share of Canada in EU trade by 7.7%, Canada still constituted only approximately 1.2% of total EU trade, meaning this change was too small to significantly affect the EU's HHI. The observed increase in the HHI for EU imports was primarily driven by geopolitical factors, notably the increased share of trade with the US - already a significant trading partner – due to higher imports of fossil fuels following the sanctions imposed on Russia (a smaller trading partner).



**Figure 96: HHI for EU/Canada total imports (2012-2023)**



Source: Own calculations based on UN Comtrade data (2024)

### **CETA has positively affected public procurement**

As outlined in EQ1, CETA contains ambitious provisions that open Canadian federal and sub-federal procurement markets to EU companies, while granting Canadian companies reciprocal access to procurement markets at both the EU and EU MS levels.

As a result of CETA, the value of public procurement has increased by 8.4% compared to a scenario without the Agreement. However, this figure is likely an underestimation of CETA's impact on procurement, as sub-federal procurement is only partially included in CanadaBuys. Additionally, multinational firms headquartered in the EU are securing a greater share of contracts when mode 3 services (commercial presence) are considered.

### **The institutional structure of CETA has had a positive impact**

The **institutional structure** established under CETA has performed well and made a significant impact. Most CETA Committees and Dialogues have made progress in implementing the Agreement, reducing regulatory divergences and achieving concrete results, while others have been less active. Some of the CETA institutions have evolved from pre-existing agreements (e.g. the Joint Customs Cooperation Committee). Useful information exchanges have taken place, along with discussions at the technical level. These have led to concrete progress in several areas (see next bullet under regulatory cooperation) while also strengthening bilateral trust and fostering a forward-looking agenda. However, the Enhanced Cooperation on Science, Technology, Research, and Innovation as well as the Dialogue on e-commerce have remained inactive under CETA, as alternative fora exist. All Committees and Dialogues have maintained transparency, with meeting reports, draft decisions, and agendas publicly accessible.

### **Regulatory cooperation has achieved concrete outcomes**

Regulatory cooperation has achieved several concrete outcomes due to the well-structured institutional framework and significant efforts from both the EU and Canadian sides, with strong involvement of regulators. Key achievements included joint awareness campaigns and coordinated information sharing on safe online shopping, data sharing on unsafe products, the expansion of the MRA on GMP inspections in pharmaceuticals to third countries, the MRA on professional qualifications for architects, and a joint project to eliminate quarantine and confirmatory re-testing of cosmetic-like low-risk products.

However, regulatory cooperation has also faced important challenges. First, some topics selected for collaboration proved difficult to address, resulting in little progress (e.g. small solid biomass combustors, SSBC). Second, providing the other Party with timely input at the draft stage of new legislation or regulations has been challenging. Third, for some areas

of cooperation, sub-federal / EU MS competences added a layer of complexity, slowing regulatory cooperation. Finally, in many areas, progress has stalled as both Parties have adhered to their own standards or regulations without room for compromise (e.g. on SPS measures).

### **The social impact of CETA was limited but positive**

The social impacts of CETA, driven by its economic effects, have been **limited but positive**. Employment effects at the sector level follow the economic impacts outlined above, with real wages increasing by 0.02% in the EU and 0.1% in Canada. CETA has contributed to an increase in real spending power for families by raising real wages and lowering prices (with relatively most gains for the poorer strata of the household population), while consumers have benefitted from greater availability and affordability of goods and services, along with high levels of consumer protection. CETA effects on **working conditions** have been minimal in most sectors, with domestic factors (e.g. legal protection and enforcement, trade union presence) playing a much larger role. Likewise, CETA effects on **labour standards** have been marginal. Most labour-related actions taken by the Parties (e.g. new legislation addressing forced and child labour in supply chains) stem from their respective domestic policy agendas rather than from CETA itself. The Agreement has had a positive impact on **women** in the EU as workers, generating employment opportunities in exporting sectors while potentially slowing employment growth in import-competing sectors. Female entrepreneurs and traders in the EU have benefitted in the economic sectors where CETA has had a positive impact.

### **The environmental impact of CETA was insignificant**

CETA's **impact on CO2 emissions has been insignificant** in both the EU and Canada. Quantitative analysis indicates no effect on energy demand in either Party, with overall energy demand remaining unchanged. Since 2017, per capita CO2 emissions have decreased by 0.9% per capita in Canada and by 0.2% per capita in the EU due to CETA. The freight-related effects of CETA have led to only a marginal increase in emissions for both partners. The quantitative results on **natural resources and biodiversity** suggest a very small negative impact of CETA on land use. Agricultural land use has increased by 1.5 mln hectares across both Parties, mainly due to a slight rise in the EU production of red meat. This represents 0.7% of the total agricultural land in both regions. CETA has contributed to the growth of **trade in environmental goods and services** between the EU and Canada, driven by the Agreement's provisions and increasing global demand for sustainable technologies. Since 2017, trade growth has accelerated, particularly in sectors such as energy efficiency, renewable energy technologies, and sustainable building equipment, reflecting strong demand for environmental technologies. In addition, trade in environmental services has expanded, driven by increased investment in renewable energy infrastructure and the demand for expertise in environmental sustainability. Enhanced access to public procurement markets in both Canada and the EU has further supported the expansion of trade in environmental services.

### **The human rights impact of CETA was limited**

Despite mixed effects on employment across sectors, the overall effect of the Agreement on **the right to an adequate standard of living** has been limited but positive for both Parties. Concerns about intellectual property provisions under CETA affecting **access to affordable medicines** have not been substantiated by evidence of price increases or restricted/delayed access to innovative medicines (so far). CETA includes specific provisions to ensure that trade does not compromise environmental protection. The environmental analysis suggests no significant adverse effects on **the right to a clean and healthy environment** to date. Pollution levels and other environmental indicators point to only minor impacts from trade under CETA in both Parties. Moreover, CETA's promotion of environmentally friendly goods and technologies presents opportunities to support sustainable development and mitigate environmental risks.

**Indigenous rights** are indirectly protected through carve-outs in Canadian legislation and institutional frameworks. Canada's policy environment promotes Indigenous engagement in international trade. However, the participation of the Sámi in international trade requires

additional efforts from the EU to ensure their inclusion and economic empowerment within the framework of CETA.

## Efficiency

### 8.1.5 EQ5: To what extent has the implementation of the CETA been efficient?

While CETA has been implemented efficiently on the whole, and its regulatory and compliance costs are in line with other trade agreements, there is still room to further reduce costs and enhance CETA's **efficiency**. While CETA has reduced trade costs for companies and opened up market access opportunities for both EU and Canadian firms, its implementation has incurred some costs and unresolved inefficiencies. However, it has also reduced costs for some stakeholders, delivering significant economic gains. Additionally, CETA has contributed to the EU's goals of economic security and supply chain resilience, with modest positive impacts on social, environmental, and human rights outcomes.

*CETA has resulted in some cost increases such as:*

- Administrative burdens related to the approved exporter status, as the application process and the required documentation vary across EU MS and can reportedly be time- and resource-consuming.
- Compliance with the non-alteration rule (stipulating that originating goods must be transported directly between the EU and Canada to qualify for preferential tariff treatment under CETA, with very limited exceptions) leads to additional administrative burdens, as proving compliance with the direct transport rule requires companies to maintain detailed documentation for each shipment segment.
- Utilising preferences involves companies weighing costs against potential benefits. For example, RoO requirements may discourage companies in certain sectors from claiming tariff preferences, due to the need to purchase specialised third-party software for performing origin calculations. While this may not be a significant issue for the majority of exporters, for companies that frequently change suppliers, the costs of calculating origin may exceed the benefits of utilising preferences.
- Financing the institutional structure of CETA, including human resources, travel expenses, and event costs, has been highlighted as a concern by policymakers during consultations.

*Additionally, some CETA provisions have improved market access or advanced towards other CETA objectives, but not to the full extent possible, due to various reasons:*

- Costs stemming from the way the Parties have chosen to implement certain CETA provisions. For example, the Canadian management of the two cheese TRQs leads to additional costs and uncertainties for EU cheese exporters. The EU argues that this TRQ management could be made more efficient and cost-effective.
- The continued existence of NTMs, such as SPS and TBT measures leads to reduced market access and / or higher costs for exporting to the other Party. For example, Canadian cattle farmers need to make significant investments to comply with EU SPS standards allowing them to use the available TRQs for beef & veal or pigmeat to export to the EU.
- The fundamentally different ways the EU and Canada are organised create additional costs – for example, for the exports of wines & spirits to Canada – or reduced regulatory efficiency – for example, in accrediting EU conformity assessment bodies (CABs) for the Canadian market.<sup>201</sup>
- While having very advanced procurement provisions, liberalising also sub-federal procurement markets, consolidated data on sub-federal public procurement volumes and outcomes remain incomplete or unavailable. This creates inefficiencies and a lack of transparency for businesses. It also makes it difficult to fully appreciate the benefits resulting from CETA.

<sup>201</sup> With the EU aiming for regulatory harmonisation for the sake of the EU Internal Market and Canada being a federation, allowing provinces and territories to implement regulations that may vary.

- Feedback from SMEs and brokers indicates that SMEs still face difficulties in correctly filling out the importer/exporter declarations, which discourages some, particularly occasional exporters, from engaging in EU-Canada trade. This results in suboptimal utilisation of CETA's trade preferences. Enhancing SME support mechanisms in this specific regard could help address this inefficiency.
- As mentioned before, CETA's e-commerce provisions do not meet the standards for more modern trade agreements. This gap has hindered the full realisation of benefits in the fast-growing digital economy, especially for digitally delivered services.
- While the Committee and Dialogue structure under CETA has generally functioned efficiently, some Dialogues have remained inactive as EU-Canada discussions have occurred through other forums. The efficiency of some of the Committees and Dialogues could therefore be improved.
- SMEs raised the point that some of their peers think that CETA only applies to them if their respective EU MS has ratified the Agreement. As a result, some SMEs do not look to try to benefit from CETA since they believe to be ineligible.
- Canadian stakeholders argue that the EU is not only trying to achieve trade- and trade & sustainable development-related objective, but also to inject its values into the Agreement. When production rules are not grounded in scientific principles or fail to address issues with global implications, such as greenhouse gas emissions, the EU risks contravening WTO disciplines and undermining the fundamental rationale for trade and reducing CETA's efficiency.
- The way RoO and the Canadian luxury tax add up to increase the price for electric vehicles at this moment, compared to vehicles with internal combustion engines is the one example where a CETA objective is unintentionally cannibalised, as explained in EQ3 and EQ8.

*8.1.6 EQ6: To what extent are the costs associated with implementation of the CETA proportionate to the benefits it has generated?*

The evaluation concludes that **the costs associated with the implementation of CETA are proportionate** to the benefits the Agreement has generated and that **the distribution of costs and benefits is proportionate** among different stakeholder groups and interests.

The EU and Canada experienced notable gains in terms of GDP (€3.2 bn a year for the EU and €1.3 bn a year for Canada) and trade and also benefitted strategically from CETA. Moreover, the increase in total bilateral trade between the EU and Canada increased by 55.9% (€44 bn) between 2017 and 2023.

In comparison, the costs associated with CETA, as per EQ5, are a fraction of these gains that have already materialised. Moreover, while some of the costs or inefficiencies mentioned, are inherently difficult to reduce (e.g. SPS measures), others could be tackled (e.g. the TRQ management, SMEs not realising they can use CETA preferences even if their EU MS has not yet ratified the Agreement, improving sub-federal procurement information & statistics, and updating outdated digital standards).

This evaluation finds that, overall, the distribution of both costs and benefits is proportionate among different stakeholder groups and interests. In some instances, the costs of CETA do not fully match the benefits, for example, when EU or Canadian exporters have to fill out declarations of origin for the Canadian or EU importers, who then benefit from selling the exported product into the other Party's market.

When exporters are faced with significant SPS or TBT measures, they make a rational decision whether it is economically advantageous to incur the costs of compliance to meet the other Party's SPS or TBT requirements and then benefit from exports opportunities – or forgo the opportunity altogether.

Finally, the positive, albeit small, social, environmental, and human rights impacts mean that a large number of EU and Canadian citizens also benefit from the Agreement.

#### *8.1.7 EQ7: Are there unnecessary regulatory costs under CETA and can they be simplified?*

The evaluation concludes that there are **some unnecessary regulatory costs** that remain under CETA, some of which can be simplified/addressed, while others cannot.

For example, SPS and TBT measures, as well as regulatory divergences that are rooted in the fundamental differences between the EU and Canadian legislative and regulatory systems, are difficult to address. For specific areas, minor unnecessary overlaps can be identified and reduced, but overall there is limited scope to reduce NTMs in these areas.

Other regulatory costs could be reduced, not by adjusting regulations, but by continuing to provide information about CETA, how it can be used, and who is eligible to use it.

A third category of regulatory costs can be addressed if there is political will from one or both Parties to adjust certain CETA provisions and the way they are being implemented.

Finally, some provisions to reduce regulatory costs under CETA already exist, like the CETA conformity assessment protocol, but they are not yet sufficiently utilised.

Some trade barriers that lead to regulatory costs have a valid objective, for example, the protection of human, plant, and animal health, or consumer safety. These are not unnecessary costs and fall outside the scope of this EQ.

There are unnecessary costs in SPS and TBT measures that could be simplified or addressed between the EU and Canada, without undermining the levels of protection, but these involve multiple stakeholders and take a long time to achieve.

One example of an unnecessary regulatory cost is having to conduct conformity assessments in both the EU and Canada. The **conformity assessment protocol (CAP)** under CETA is a mutual recognition agreement (MRA) for the procedures and results of conformity assessments. This enables products to be tested and certified in either the EU or Canada and accepted in both markets without requiring additional testing.

The EU and Canada recognise each other's Accreditation Bodies (European Co-operation for Accreditation (EA) in the EU and the Standards Council of Canada (SCC) in Canada). Additionally, accreditation of Conformity Assessment Bodies (CAB) is included in the CETA provisions.

The results so far show that no EU CABs have been accredited in Canada, while the EU has accredited five Canadian CABs. Interest in this CETA protocol from industry for this CETA protocol has been limited so far, even though it could generate significant cost savings for companies.

As mentioned before, CETA's e-commerce provisions do not meet the standards of more modern trade agreements. This gap has hindered the full realisation of benefits in the fast-growing digital economy, especially for digitally delivered services. With political will from both Parties, the e-commerce trade provisions could be updated to align with more recent commitments such as those negotiated in the EU-New Zealand FTA

While RoO lead to costs, they are there to ensure that only products that are eligible benefit from trade preference under CETA. RoO are also important to encourage domestic EU and/or Canadian production. However, while these costs are necessary, their regulatory burden could be reduced, not by further simplifying procedures or lowering RoO, but by increasing support for companies, especially SMEs, to navigate the RoO provisions more efficiently and therefore at lower cost. In this regard, there is also an important role for EU MS and Canadian export promotion agencies to help companies fully utilise the legal framework and advantages that CETA provides.

Addressing unnecessary regulatory costs stemming from the way the Parties have implemented certain CETA provisions could be feasible, but only if there is political will

from the Party being asked to adjust its regulations. Other regulatory bottlenecks, like the availability of sub-federal procurement statistics and information, can gradually be addressed over time.

Unnecessary regulatory costs, for example, SMEs making mistakes when filling out customs forms, or SMEs wrongfully assuming that CETA only applies to companies from EU MS that have ratified CETA, can be tackled through information and awareness campaigns.

Finally, because financing the institutional structure of CETA, including human resources, travel expenses, and event costs – requires substantial resources (as understood from policymaker feedback), the Committee and Dialogue structure could be further optimised to reduce part of these costs.

## Coherence

### 8.1.8 EQ8: Has CETA implementation been coherent with EU's strategic and trade policies?

The evaluation concludes that CETA has been **coherent** overall with the EU's trade policies and broader EU strategic policies, particularly regarding the EU's commitment to sustainable development:

- CETA is generally coherent with EU trade policy, but in some aspects, the 2021 EU strategy goes beyond the CETA commitments (e.g. on enforcement and digital trade).
- CETA has enhanced competitiveness in line with current EU policy priority to enhance the competitiveness of EU industries.
- CETA has strengthened economic security and improved the resilience of EU and Canadian supply chains through trade diversification.
- CETA has increased economic opportunities for SMEs in the EU and Canada. Through reduced barriers and creation of central access points to help SMEs export, many have already benefitted, in line with a key objective in the EU's 2021 trade strategy.
- CETA's competition chapter is aligned with EU and Canadian competition policies, promoting free and undistorted competition.
- CETA and the cooperation activities undertaken under the Joint Recommendation on Trade and Gender have been consistent with the EU's and Canada's approaches to gender equality in trade agreements and their commitments under the 2017 Buenos Aires Declaration on Trade and Women's Economic Empowerment.
- CETA's TSD and Trade and Labour Chapters remain largely consistent with the EU's and Canada's approaches, while some adaptations could be considered (e.g. paying more attention to occupational safety and health as a new ILO core labour standard or the mandate of the Domestic Advisory Groups).

Some issues regarding coherence that have emerged include:

- The combined effect of CETA RoO and the Canadian luxury tax has disadvantages trade in electric vehicles (EVs), leading to increased prices for EVs.
- The fact that CETA's e-commerce provisions are outdated and do not meet the standard of more recent EU agreements that provide for a more comprehensive coverage of the domestic policy frameworks on consumer protection (notably in online transactions), product liability, digital services, data security and privacy .
- The latest (2022) review of the EU's approach to trade and sustainable development and the change in the EU's position towards the enforcement of TSD provisions. It allows now the application of a sanctions-based mechanism, with the use of sanctions as the last resort.

CETA is broadly **coherent** with the EU's strategic and trade priorities, and policies aimed at achieving sustainable development, contributing towards the UN Sustainable Development Goals (SDGs).

CETA is **generally coherent with EU trade policy**, although the Agreement predates the 2021 "An open, assertive and sustainable EU trade strategy" and certain commitments go



beyond the provisions of CETA, such as enhanced enforcement mechanisms (i.e. the Chief Trade Enforcement Officer), greater integration of SDGs into trade policy, increased focus on digital trade and services, and the concept of “open strategic autonomy”.

Following the Draghi report (2024), one of the key priorities of the European Commission is to **enhance the competitiveness** of companies in the EU economy. CETA supports this objective by:

- Increasing market access for EU businesses through tariff liberalisation and reductions in NTMs and by creating a level playing field (see responses to EQ1 and EQ4)
- Strengthening IP rights (see response to EQ1); and
- Providing legal certainty that facilitates long-term investment in the EU economy and opportunities.

CETA also aligns with the **economic security policies** of both the EU and Canada. For both Parties, diversifying sources of supply – particularly in the area of critical raw materials – is crucial. The Strategic Partnership on Critical Raw Materials between the EU and Canada serves as a key initiative to enhance economic security and mitigate supply chain risks. Additionally, this evaluation has found that CETA **strengthens supply chain resilience** for both the EU and Canada by increasing the number of products traded, raising each other’s shares in bilateral trade, reducing dependencies on third countries, and promoting supplier diversification. Supply chain resilience remains a top policy priority for both Parties (see also the responses to EQ4).

CETA has been, and continues to be, **positive for EU and Canadian SMEs** who benefit from increased market access through lower tariffs, increased access to important and relevant information on how to export (through the Access2Markets portal and the Global Affairs Canada website dedicated to help SMEs export to the EU). This makes CETA a key Agreement to support, and be coherent with, the EU’s trade policy strategy on SMEs (“An open, assertive and sustainable EU trade strategy”); specifically, to make trade work for SMEs (see also the response to EQ4).

In the **competition chapter** of CETA, the Parties agreed to prohibit and sanction certain practices and transactions involving goods or services which distort competition and trade between them. The Agreement includes provisions laying down the main principles and obligations undertaken by the Parties to ensure free and undistorted competition, which are coherent with EU and Canadian competition law.

The **Trade and Sustainable Development and Trade and Labour Chapters under CETA** have generally aligned with broader EU and Canadian domestic policy frameworks and initiatives. However, the 2022 review of the EU’s approach to the TSD Chapters has introduced new elements which are not reflected yet in CETA, like the enforcement of labour and environmental provisions through a sanctions-based mechanism. Moreover, in the recent FTAs, the EU has proposed to other partner countries an extension of the civil society Domestic Advisory Groups’ mandate on the whole agreement. Also, the ILO’s 2022 decision on including occupational safety and health in the list of the core labour standards with the two related Conventions (No. 155 and 187) becoming fundamental Conventions means that CETA’s commitments related to the ratification and effective implementation of the ILO Conventions should also be extended on this area. Otherwise, the new policies and measures of the Parties fall within the framework of CETA provisions. For example, the EU has pursued ambitious sustainability goals through initiatives such as the European Green Deal, the Forced Labour Regulation and the Corporate Sustainability Due Diligence Directive, which overlap with CETA’s TSD commitments, but often go beyond them in the enforceability. Similarly, Canada’s domestic policies and measures, such as its commitment to the elimination of child labour and forced labour from the supply chains, carbon pricing and environmental protection through measures like the Impact Assessment Act, reflect CETA’s sustainability principles but operate independently.

However, as mentioned under EQ3, the combination of rules of origin (RoO) under CETA and Canadian luxury tax put **electrical vehicles at a disadvantage** compared to internal



combustion engine (ICE) vehicles. This disadvantage is incoherent with the environmental objectives of the EU and Canada to increase electrification and reduce GHG emissions.

CETA's **e-commerce** provisions are outdated and fail to meet the standards set by more recent EU trade agreements that provide for a more comprehensive coverage of the evolving domestic policy frameworks on consumer protection (notably in online transactions), product liability, digital services, data security and privacy. Stakeholders have identified this as a critical area requiring immediate improvement to enhance consumer protection.

## Relevance

### 8.1.9 EQ9: To what extent do CETA provisions continue to be relevant?

The evaluation concludes that CETA has been relevant and is becoming increasingly more relevant to address the current trade needs of the EU and Canada:

- CETA has led to significant increases in bilateral trade and an increase in the number of products traded, improving product availability in the EU and Canada.
- CETA and the Strategic Partnership on Critical Raw Materials have strengthened economic security, improved access to critical raw materials, and increased supply chain resilience through trade diversification for both the EU and Canada.
- CETA has supported the EU and Canada to foster a closer economic relationship in light of increased geopolitical tensions and global fragmentation, where both consider each other reliable and trusted trading partners.
- CETA provides an opportunity for the EU and Canada to enhance their collaboration under the TSD and Trade and Labour Chapters beyond the exchange of information. The Parties should go further and coordinate their assistance and message to third countries with whom they have FTAs with labour provisions, like the ASEAN Member States. Moreover, a coordinated approach to the elimination of child labour and forced labour from supply chains would be useful, given the Parties' new legislation in this area and supply chains engaged in their bilateral trade, but starting in third countries (like the ASEAN region).

Some issues that could impact CETA's relevance in a negative way include:

- The **continued existence of NTMs** that affect EU and Canadian exporters, for example, in the areas of standardisation, conformity assessment, and labelling requirements, as well as some SPS measures.
- CETA's **e-commerce** provisions are outdated and fail to meet the standards set by more recent Agreements (e.g. EU-New Zealand FTA), WTO Joint Statement initiative on e-commerce (2024), the EU's trade policy strategy, and its digital trade policy and legislation.
- The rise of **digital delivery service providers**, who do often not claim preferences on behalf of the companies they transport goods for, could reduce the degree to which CETA preferences are ultimately utilised by companies.

This evaluation concludes that CETA has been - and continues to be - increasingly **relevant** in providing a foundation for fostering bilateral trade, achieving strategic policy objectives, and promoting trade and sustainable development.

CETA has served as the foundation for a **significant increase in trade** between the EU and Canada, including agricultural trade, at a time when trade with other partners has faced challenges, such as with the UK due to it leaving the EU, and with Russia due to sanctions (see also the responses to EQ1 and EQ4).

By facilitating increases in trade, CETA has become relevant for both large and especially small companies (SMEs). It has opened new export opportunities to Canada while enabling businesses to import inputs at lower costs. This has enhanced export competitiveness and ultimately **supporting production and job creation** (see also the responses to EQ1 - part on SMEs).

CETA has provided the framework for the **Bilateral Dialogue on Raw Materials (BDRM)**, which led to the establishment of the **Strategic Partnership on Critical Raw Materials**. This partnership plays a key role in the economic security strategies of both the EU and Canada, particularly in securing critical raw materials. More broadly, CETA has supported – more in general – EU and Canadian supply chain resilience, as evidenced by the increased number of products traded and a reduction in import supplier concentration for both partners at overall and detailed product levels. This makes CETA increasingly relevant in a world where ensuring supply security from reliable partners is becoming ever more challenging (see also the responses to EQ4).

CETA has also laid the groundwork for EU and Canadian cooperation on **trade and sustainable development (TSD)** in alignment with the UN Sustainable Development Goals (SDGs) and the Paris Climate Agreement. As like-minded partners, the EU and Canada have reinforced CETA with high levels of labour and environmental protections. While CETA's provisions and cooperation between the Parties on TSD and Trade and Labour related aspects remain relevant for and support the EU's trade policy, the collaboration is now going beyond the exchange of information to reinforce bilateral cooperation. The Parties should mainly focus on the coordination of messages and other measures towards selected partner countries with whom the EU and Canada have or are negotiating trade agreements with labour provisions (e.g. the ASEAN Member States or the Andean countries). The objective is to help improve their performance on the ILO core labour standards and decent working conditions to ensure a more level playing field in the current and future trade relations.

CETA's **e-commerce** provisions are outdated and fail to meet the standards set by more recent EU trade agreements with a more comprehensive coverage reflecting the evolving domestic policy frameworks on data security and privacy. Stakeholders have identified this as a critical area requiring immediate improvement to enhance consumer protection.

Stakeholder inputs during research on preference utilisation rates (PURs), have indicated that the **increase in delivery services has a negative impact on the PURs** of trade agreements, including CETA. Prominent delivery providers like DHL, UPS and others do not automatically claim CETA preferences, as the process is perceived as cumbersome and resource-intensive if clients do not explicitly request it. Consequently, goods are frequently traded under MFN tariffs rather than at the significantly lower CETA preferential tariffs.

## **8.2 Recommendations**

This Section presents recommendations derived from the results of the evaluation of the implementation of CETA over the past seven years.

As concluded in the previous Section, CETA has been **effective** in liberalising and facilitating trade in goods between the Parties, with total EU goods exports to Canada having increased by 55.9% between 2017 and 2023. Due to CETA, EU goods exports to Canada have increased much faster than EU exports to third countries, while also EU goods imports from Canada have marginally outperformed imports from third countries. While FDI has increased, it did so at a slower pace than FDI from third countries, reducing the share of the EU in Canada's FDI stock.

The **impact** of CETA on GDP has been positive to an amount of €3.2 bn each year for the EU and €1.3 bn each year for Canada. The Strategic Partnership on Critical Raw Materials has been beneficial for both Parties. Additionally, CETA has positively impacted SMEs, and public procurement has been substantially liberalised. Social effects of CETA have been small but positive – for employment, real spending power, real wages, and the position of women – while labour standards and labour rights have not been significantly impacted. The environmental effects of CETA have been minimal. While CO<sub>2</sub> emissions have only increased marginally, in part due to higher transportation flows between the EU and Canada that were not offset by third country trade diversion, GHG emissions have decreased as a

result of CETA. Per capita emissions in the EU and Canada have declined by 0.2% in the EU and 0.9% in Canada. Human rights effects of CETA have also been marginal but overall positive. A few unintended side effects of CETA were identified – both positive and negative.

The implementation of CETA has been **efficient** overall, with the Agreement having resulted in some costs, but also in cost reductions through regulatory cooperation. Certain inefficiencies were identified, including unnecessary regulatory costs. The costs associated with implementation of CETA have been found proportionate to the benefits achieved.

CETA has been **coherent** with EU trade policy and the EU's overall strategic policies. CETA provisions have been - and continue to be - increasingly **relevant** for addressing the current trade needs of the EU and Canada.

Major changes to CETA are not recommended in light of the evaluation results, although some detailed issues have been identified that could be addressed through improved implementation and, where necessary, limited amendments to CETA.

The recommendations below concern the following issues:

1. Non-tariff measures and regulatory cooperation
2. Administrative burdens
3. Application and scope of CETA
4. Trade and Sustainable Development chapter
5. Statistics
6. Awareness raising and providing support
7. Institutional analysis
8. Longer-term effects of CETA

#### *8.2.1 Non-tariff measures and regulatory cooperation*

CETA has been successful at not only eliminating tariffs, but also succeeded in reducing NTMs for EU and Canadian exporters. However, several NTMs still affect EU-Canadian trade and hinder CETA from realising its full potential:

- Various SPS and TBT measures continue to act as trade barriers.
- Canadian sub-federal / EU MS competences add layers of complexity and slow regulatory cooperation efforts (e.g. for access for wines & spirits at Canadian sub-federal level).
- Implementation issues regarding the CETA conformity assessment protocol.
- Implementation issues regarding TRQ management, access for wines & spirits at the Canadian provincial levels, and the Canadian system of geographical indications add to costs, reduce market access, and limit export opportunities.
- Failure to engage the other Party in a timely manner by providing input during the draft stages of new legislation or regulations could represent a missed opportunity to prevent the emergence of new NTMs.

Efforts to address these existing NTMs, as well as newly emerging issues, should continue and be reinforced. In particular, when it comes to the effective implementation of CETA in Canada in certain areas (e.g. procurement, SPS or wine & spirits), it should be explored how sub-federal implementation and buy-in could be enhanced.

Expanding regulatory cooperation is one way to further reduce NTMs and increase the effectiveness, impact, and efficiency of CETA. This evaluation recommends that CETA could build further on existing regulatory cooperation achievements and dialogues at CETA Committee levels by focusing regulatory cooperation efforts on the following:

- Expanding the MRA on professional qualifications for architects to other professions (once the current MRA has been successfully implemented).
- Expanding the scope of the MRA on pharmaceuticals to include vaccines (once the current MRA has been successfully implemented).

- Expanding the scope of the MRA on conformity assessments to include more sectors (once the current MRA has been successfully implemented).
- Focusing regulatory cooperation efforts on other groups of products important to consumers, where administrative burdens can be reduced (e.g. medical devices). The proposed efforts could focus on mutual recognition and agreement on mutually acceptable conformity assessment methods. Likewise, dialogues on paediatric medicines and their availability on the Canadian market should continue.
- Given the importance of food and food safety for consumers in Canada and the EU, the Parties should continue their cooperation on product safety, including exchange of information from market surveillance and joint public awareness campaigns.
- Building upon the initial discussions started within the Regulatory Cooperation Forum, the topic of hydrogen should be strategically and pro-actively pursued. The horizontal nature of the RCF should be leveraged to mobilise multiple stakeholders to drive this agenda. This could help position hydrogen as an integrated component of the EU's green and digital transitions rather than a distant future concept.

Efforts to address implementation issues and then focus on the expansion of these MRAs, should continue and be reinforced. They could include short, periodic surveys conducted by the EU and Canada to assess the degree of MRA uptake and to monitor the extent to which MRAs are being utilised by industry actors.

### 8.2.2 Administrative burdens

Trade agreements like CETA set specific rules of origin (RoO). RoO specify the exact conditions under which a good is considered to originate from a Party to the Agreement, making it eligible for CETA preferential treatment (and excluding goods that do not meet these conditions). Complying with rules of origin may lead to administrative costs, which are typically more burdensome for SMEs than for large companies. Stakeholder consultations highlighted two types of costs contributing to administrative burden:

- When goods are transported through hubs, compliance with the non-alteration rule (which stipulates that originating goods must be transported directly between the EU and Canada to qualify for preferential tariff treatment under CETA, where splitting of consignments is authorised) creates additional administrative burdens. Companies must provide evidence of compliance with the direct transport rule, which requires maintaining detailed documentation of each shipment segment.
- The costs of calculating origin on order to claim CETA preferences may be high for companies that frequently change suppliers.

Stakeholders have noted that the increased reliance on service providers and freight forwarders has negatively impacted the preference utilisation rates (PURs) of trade agreements, including CETA. These service providers find claiming CETA preferences cumbersome, time-consuming, and resource-intensive. It is therefore important for the EU and Canada to raise awareness among these service providers and freight forwarders regarding the scope of forgone duties in certain sectors, as well as the availability of preferences and the application process involved.

Another CETA-related issue concerns the Canadian management of its cheese TRQs. The EU has raised concerns that the way Canada sets up and manages the TRQs results in additional administrative costs (and uncertainties) for EU cheese exporters.

Although demonstrating origin involves administrative burdens, CETA includes the most simplified procedures available for requesting preferences: exporters only need to be registered and can make the declarations themselves. However, effort should be continued to inform stakeholders on how to comply with the RoO.

It is therefore recommended to reduce administrative burdens related to RoO and the management of the cheese TRQs under CETA.

### 8.2.3 Application and scope of CETA

CETA is currently partially and provisionally applied, while the ratification process in EU MS is ongoing. So far, 17 of the 27 EU MS have ratified CETA. Some CETA provisions are not provisionally applied: certain investment provisions and financial services provisions are excluded from provisional application. Seven EU MS still have old BITs with Canada, while the other 20 EU MS do not. The result of this situation is that there is no level playing field regarding investments from EU MS into Canada, and that dispute settlement is not yet in force.

From the analysis of critical raw materials, it has become clear that for investments in mining (large capital requirements, risky and long-term) investor protection provisions could be particularly important. To address this issue and to better support FDI through CETA, it is recommended for all EU MS to continue their ratification processes in order for investor protections under CETA to also enter into force, to allow CETA to better support the objectives of the EU Critical Raw Materials Act.

Furthermore, certain limitations in the scope of CETA restrict its potential. These limitations include:

- CETA's e-commerce chapter is modest compared to more modern EU trade agreements and the WTO Joint Statement initiative on e-commerce, and has failed to keep up with the pace of developments in the digital economy, lacking ambitious commitments on digital trade facilitation. It has fallen short on essential obligations such as enabling cross-border data flows and addressing data localisation requirements. As a result, CETA has not made an impact in this area of the Agreement.
- CETA does not include the enhanced trade enforcement mechanisms in the TSD chapter that have been developed in other EU Agreements since the signing of the Agreement. In the TSD Chapter stronger enforcement mechanisms could improve implementation of TSD provisions.
- CETA's provision for the temporary suspension of preferential tariff treatment (Article 2.8) is primarily designed as a deterrent against fraud. It allows the temporary suspension of CETA preferences, but only under very exceptional circumstances. The current wording of Article 2.8 is considered rather ineffective for tackling fraud, as it focuses on the broad application of suspensions rather than targeted actions at their tariff-line level. This difference between the current Article 2.8 in CETA and more recent best practice provisions is viewed as an area for improvement.

These limitations in scope are recommended to be scrutinised when reviewing the agreement in the future, and when considering to negotiate potential amendments to the Agreement.

### 8.2.4 Trade and Sustainable Development (TSD) chapter

The institutional mechanisms of the TSD, Trade and Environment and Trade and Labour Chapters have been established and operated as envisaged and have promoted dialogue on TSD between the EU and Canada. However, there have been certain shortcomings. For example, the Parties and civil society have not monitored closely the situation in the EU's and Canada's sectors engaged in bilateral trade, e.g. regarding the implementation of ILO labour standards or working conditions (the only exception was the concern raised by civil society regarding freedom of association in the Port of Montreal). Moreover, the mandate of the Domestic Advisory Groups covers only the TSD, Trade and Labour and Trade and Environment Chapters, while in the latest EU FTAs, it extends over the whole agreement.

While the TSD, Trade and Labour and Trade and Environment Chapters are legally binding and are linked to a dedicated dispute settlement mechanism, the solution adopted in CETA reflects the EU's previous (pre-2022 review) position and departs from the current EU's and Canada's approaches, which support the use of financial penalties or sanctions as a measure of last resort. The absence of an enhanced enforcement mechanism including sanctions or financial penalties or linking the Trade & Sustainable Development, Trade and

Labour and Trade and Environment chapters with the general dispute settlement mechanism has been frequently raised as a concern by interviewed stakeholders. In their view, this shortcoming is hampering the CETA TSD Chapters to fully achieve their objectives and makes the Agreement not consistent with the general EU's and Canada's approaches. The DAGs and the TSD Committee are monitoring progress on the TSD chapters but feel this could be further improved upon.

While CETA's provisions and cooperation between the Parties on TSD and Trade and Labour related aspects remain relevant for and support the EU's trade policy, the collaboration is now going beyond the exchange of information to reinforce bilateral cooperation. The Parties should mainly focus on the coordination of messages and other measures towards selected partner countries with whom the EU and Canada have or are negotiating trade agreements with labour provisions (e.g. the ASEAN Member States or the Andean countries). The objective is to help improve their performance on the ILO core labour standards and decent working conditions to ensure a more level playing field in the current and future trade relations.

While the EU and Canada have set clear objectives - both through CETA TSD Chapters and via domestic legislation and regulations - to advance the greening of their economies and reduce emissions, an unintended effect has emerged. The combination of CETA RoO provisions for automobiles and the Canadian luxury tax penalises trade in electric vehicles (EVs) compared to more polluting internal combustion engine (ICE) vehicles. ICE vehicles (equivalent in brand and type to EV engine vehicles), for the time being, more easily meet RoO requirements and are less likely to be subject to the luxury tax, due to their lower production costs. This may result in a price advantage for ICE vehicles over EVs, which is not aligned with the shared objective of both Parties to reduce GHG emissions.

It is therefore recommended that the EU and Canada:

- *Commit to strengthening implementation of the TSD chapter*, and regularly report on its implementation and the outcomes achieved to stakeholders, including the Domestic Advisory Groups, to create a process of accountability. Moreover, the Parties are recommended to improve the monitoring function of DAGs and TSD Committee and the monitoring of respect for labour standards and decent working conditions in sectors engaged in bilateral trade where deficiencies have been identified by this study or by other sources, e.g. the clothing sector in the EU and Canada, meat processing sector in the EU, and potentially other sectors related to agriculture and food production.
- *Strengthen cooperation activities* to enhance a positive impact of CETA on the implementation of labour standards and due diligence. For instance, the Parties could organise workshops for EU and Canadian businesses engaged in bilateral trade to help them understand how to comply with new EU<sup>202</sup> and Canadian legislation concerning the elimination of child and forced labour from global supply chains. Additionally, workshops should provide guidance on meeting the requirements of both Parties when importing raw materials, commodities or components from third countries, processing them in the EU and/or Canada, and exporting the assembled products to the other Party.
- *Further strengthen* collaboration between the EU and Canada to increase cooperation regarding TSD issues in third countries. In trade negotiations or an FTA implementation between the EU and Canada with the same third country / countries, both Parties should coordinate their messages, assistance and other measures (e.g. the implementation or pre-ratification Action Plans) to support ratification, implementation and enforcement of ILO fundamental Conventions.
- *Cooperate on engagement* with women entrepreneurs and traders and organisations representing them to further raise awareness of CETA and to collect feedback of its use. Moreover, the Parties should publish detailed reports from such cooperation events for the use of researchers, stakeholders and other parties.
- *Improve data collection* regarding women-owned businesses and their participation in the international trade, including in CETA implementation, in a detailed breakdown by sectors, to facilitate impact assessment and improve targeting of support measures.

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<sup>202</sup> In case of the EU, this would apply to Forced Labour Regulation and Corporate Sustainability Due Diligence Directive.

- Ensure that *IP provisions* under CETA continue to balance innovation, public health, and access to affordable medicines. For that reason, the Parties should monitor the impact of CETA's (or EU FTAs') IP provisions on medicine affordability and accessibility, ensuring that public health interests are prioritised in the long term.

#### 8.2.5 Statistics

In certain areas of this evaluation, statistics necessary for evaluating of CETA have proven to be insufficient, limited, or entirely absent, particularly regarding:

- Trade in services (e.g. a Eurostat breakdown by country and sector is unavailable);
- Trade activities of SMEs (e.g. coverage of the Eurostat-OECD TEC database is limited for several EU MS);
- Public procurement at the sub-federal level in Canada (data remains fragmented and is not presented in a format conducive to statistical analysis);
- Information on cheese TRQs in Canada – specifically, the number of quota transfers and the associated prices and volumes;
- Employment statistics of vulnerable groups of workers, such as persons with disabilities and immigrants, with a sector-specific break-down. It is recommended that Canada collect and publish sectoral employment data with a break-down by workers' age groups;
- Statistics of Indigenous-owned businesses and Indigenous women-owned businesses engaged in trade with the EU (preferably with a breakdown by EU MS);
- Annual employment statistics for women, and data on women's economic activity (women-owned businesses), by sector and by detailed economic activity, as well as their participation in international trade, including CETA implementation;
- Monitoring and analysis of bilateral trade flows for products with high potential environmental impact – specifically those identified as potentially harmful to ecosystems and biodiversity in both Parties.

Additionally, many databases only provide incomplete country or product samples. Inconsistent reporting of certain variables across specific countries makes detailed analysis even more challenging, particularly because a sound evaluation of a bilateral agreement such as CETA requires information not only from EU or Canada, but also data global trade at a high level of detail.

Furthermore, frequent changes in the definition of variables and discrepancies in methodologies across statistical databases complicate empirical assessments.

It is therefore recommended to *improve the collection and presentation of relevant data* by addressing the above-listed data gaps, ensuring consistency across databases, and facilitating more in-depth analysis of the causal effects of CETA and other EU trade agreements in the future.

#### 8.2.6 Awareness raising and providing support

In many respects, the information provided by the EU and Canada regarding CETA and its practical implications for EU and Canadian businesses has been commendable. Stakeholders welcomed and provided positive feedback on Access2Markets and other EU tools (e.g. ROSA, Access2Procurement) as well as Canadian step-by-step guide to exporting, Canada tariff finder, and funding and support programmes.

That said, certain points of feedback from stakeholders should be addressed:

- *Establish an update protocol for all CETA-related platforms and websites.* Develop a comprehensive content management protocol applicable across all CETA-related platforms and websites to ensure regular updates, consistency, and accuracy of information. This protocol should include pre-defined update intervals and automated alerts to track outdated information. Additionally, ensuring that all interactive features remain functional and responsive should be part of ongoing maintenance routines. At



the time of evaluation, for example, stakeholders reported several instances of non-functioning links across multiple resources. Also, information provided was often outdated (e.g. a figure on EU trade website regarding EU preferential trading partners (including Canada) was from 2020).

- *Introduce AI-powered support tools.* Several SMEs suggested that the EU and Canadian governments develop AI-driven tools to offer more tailored advice and interactive learning experiences for potential users.
- *Redesign the availability of CETA specific information on the European Commission website including how it links to the CIRCABC Platform* to (1) to create a more intuitive and user-friendly interface by adopting modern web design principles, such as improved navigation menus, responsive layouts, and clear visual cues, (2) simplify access to information by minimising the number of clicks required to reach frequently used documents, implementing a streamlined navigation structure, and configuring documents to open directly in the browser instead of being downloaded; 3) include the actual publication date of documents alongside the last modification date to enhance clarity and transparency, and (4) ensure content can be found through main search engines and brings up EU published content directly.
- *Reduce data lag in the Trade Statistics Portal.* Minimise the time between data collection and publication to support time-sensitive analysis.
- *Continue streamlining relevant portals* (e.g. the EU Customs Trader Portal System). Simplify navigation, create educational materials, establish dedicated helpdesks.
- *Improve the quality of Committee meeting reports.* Enrich meeting reports with more details (e.g. including activities, their dates, the number of participants, their feedback) and provide contextual insights to explain the rationale behind key regulatory decisions to improve stakeholder understanding. Simplify language of the meeting reports to ensure that any interested stakeholder understands decisions taken during the Committee meetings and their impact.

Efforts to address information needs should continue and take into account this feedback.

Additionally, *awareness raising activities* could focus on the following issues:

- SMEs raised the misconception among some companies in some EU MS that CETA only applies to them if their respective EU MS has ratified the Agreement, and not otherwise.
- Feedback from SMEs and brokers indicates that SMEs still face difficulties in correctly filling out importer/exporter declarations, which discourages some, particularly occasional exporters, from engaging in EU-Canada trade. This results in suboptimal utilisation of CETA's trade preferences.
- While rules of origin lead to administrative costs (see Section 8.2.2), it is evident that RoO are necessary. Through providing further information, and possibly the use of AI to support potential exporters, the degree to which RoO provisions are a burden for exporters could be further reduced.
- On geographical indications, there remains further scope for joint promotion by the Parties of the opportunities of the Canadian GI system and for companies to navigate it effectively – highlighting practical do's and don'ts, clarifying what legal and administrative enforcement differences between Canada and the EU, and highlighting other differences with the EU GI system.
- As explained in Section 8.2.2, freight forwarders often do not claim preferences. This leads to a decrease in the PURs, i.e. the share of eligible trade for which companies claim CETA preferences.
- Building on the commitments expressed during the meetings of the Civil Society Forum and the TSD Committee, the Parties should take specific action and develop a more formalised framework within CETA to address Indigenous Peoples' rights, including measures to support their participation in trade under CETA and cross-border trade between Canadian Indigenous Peoples and EU indigenous groups. Access2Markets can be supporting in any training needs they have.
- Stakeholders expressed concerns during the online seminars and stakeholder engagement that trade in agricultural and food products under CETA may lead to imports of products not complying with regulations of the importing Party.

It is therefore recommended to organise focused and specific information campaigns for targeted stakeholders to address misconceptions, help further reduce administrative costs from RoO, and improve the uptake of CETA in EU-Canada trade.

#### 8.2.7 Institutional analysis

While the Committee and Dialogue structure under CETA has generally functioned efficiently, in some Committees making concrete progress has been challenging, and some Dialogues have remained inactive as EU-Canada discussions have occurred through other forums where issues have been extensively discussed between the Parties.

After reviewing feedback from various officials regarding the resource intensity of the institutional structure under CETA, and after carefully examining the agendas, topics, dialogues and their impacts, and the existence of alternative/parallel platforms for collaboration this evaluation recommends the following actions:

- *Review the functioning of the e-commerce dialogue under CETA.* The study has found clear evidence that the e-commerce chapter contained in CETA falls behind more modern practices on digital trade. As regards the institutional structure, the Dialogue on E-Commerce, has never convened under CETA despite covering a crucial area of trade. It should be considered how to best advance reflections on e-commerce and digital trade under CETA and whether this dialogue should continue to be convened, or whether discussions could also take place under the Committee on Services and Investment.
- *Review the functioning and focus of the Dialogue for Motor Vehicle Regulations,* which has met five times since the provisional application of CETA. Further alignment of regulatory systems, as stipulated in Annex 4-A of CETA, remains an issue, given Canada's close alignment with the US Federal Motor Vehicle Safety Standards (FMVSS) regulations. A review should focus on: 1) Ensuring added value on key topics (such as electric vehicles batteries and connected vehicles); 2) Better linking the dialogue's work with international platforms like the United Nations Economic Commission for Europe (UNECE). The review could also look at the best way to cover these topics.
- *Encourage a more forward-looking approach in CETA Committee agendas.* While addressing implementation challenges and trade irritants remains essential, co-chairs should also aim to discuss emerging issues (e.g. hydrogen) to anticipate potential regulatory or legislative divergences.
- *Implement mandatory stakeholder feedback surveys.* All events and initiatives involving stakeholders should conclude with a short online obligatory stakeholder survey at the end of the event / initiative that would collect feedback. These insights will help officials improve future events and initiatives to reach common goals. Survey results should be made publicly available to ensure transparency and facilitate future evaluations.
- *Publish reports presented during the Civil Society Forum (CSF).* In light of the recent decline in stakeholder interest in the CSF, attributed in part to the event's perceived lack of inclusivity, it is strongly recommended that reports containing details of the activities and events presented during the CSF be published ahead of the meetings. Following through on stakeholder recommendation to make these reports publicly available can help maintain and strengthen engagement in the ongoing monitoring and implementation of the Agreement. Transparency through published reports can promote inclusivity and enhance trust.
- *Ensure timely publication of meeting reports.* While meeting reports must be prepared jointly by EU and Canadian officials, some Committees have experienced publication delays exceeding ten months. In particular the Committee on Trade in Goods, the Committee on Trade and Sustainable Development, and the Joint Committee should address delays of more than six months. Timely publication of these reports is essential to ensure transparency, facilitate informed decision-making, and maintain accessibility of relevant information for businesses, civil society, and policymakers.
- *Improve the quality of Committee meeting reports.* Enrich meeting reports with more details (e.g. including activities, their dates, the number of participants, their feedback) and provide contextual insights to explain the rationale behind key regulatory decisions to improve stakeholder understanding. Simplify language of the meeting reports to

ensure that any interested stakeholder understands decisions taken during the Committee meetings and their impact.

#### *8.2.8 Longer term effects of CETA*

The present study covers only a limited period of time - seven years - after the provisional application of the Agreement in September 2017. For some products, the Agreement established phase-in schedules for tariff reductions, some of which have only recently concluded. Additionally horizontal provisions may take time to fully develop their effects, for instance the impact of the Intellectual Property (IP) provisions in CETA.

The same applies to the dissemination of information, such as details regarding procurement markets or opportunities for conformity assessments. Furthermore, some variables, such as investment stocks accumulate only gradually over time. As a result, the present analysis may underestimate the longer-term effects of CETA.

It is therefore recommended to conduct regular follow-up evaluations every five years to track how effects develop over time as the full impact of the Agreement becomes observable. Regular evaluations would allow policymakers and stakeholders to better understand the longer-term economic, social, and regulatory outcomes of CETA, while also providing a basis for potential adjustments or improvements if necessary. Such evaluations are crucial for monitoring gradual and long-term effects, adapting to global market dynamics, supporting transparency and accountability, and benchmarking against other EU FTAs, both concluded before CETA (e.g. EU-Korea FTA) and those concluded after CETA (e.g. EU-Japan, EU-Vietnam, EU-Singapore, and EU-New Zealand), to examine effectiveness of different FTA provisions and inform future trade policy decisions.

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