

The Canada-European Union Comprehensive Economic and Trade Agreement and the Multilevel Politics of Trade

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On October 30, Canada and the European Union signed the *Canada-European Union (EU) Comprehensive Economic and Trade Agreement (CETA)*. The deal has been called “next generation”, “historic” and “progressive”. But not everyone is in favour of the agreement...

[Dr. Patricia Goff](#) and [Dr. Jörg Broschek](#), political scientists at Wilfrid Laurier University and experts in trade, [politics and multi-governance systems](#), recently hosted a workshop on “The Multilevel Politics of Trade in North America, Europe and Beyond: Configurations, Patterns and Dynamics” at the Balsillie School of International Affairs in cooperation with the Forum of Federations. The workshop was very timely given the recent media attention that CETA has been attracting.

The workshop is a key component of Drs. Goff and Broschek’s research project on the changing patterns of sub-federal actors’ involvement in international trade politics. There is an abundance of evidence that suggests that sub-federal actors can become a major obstacle in the way of successful Free Trade Agreements (FTA’s), depending on their interests. The goal of the workshop was to bring together scholars and practitioners from Canada, various European Union member countries, as well as Switzerland and Australia, to generate knowledge of how sub-federal actors in different countries participate in trade politics, with a special focus on the nature of intergovernmental relations.

Michael Piaseczny, a 4th-year undergraduate political science major, recently had the opportunity to chat with Drs. Goff and Broschek about CETA, the multi-level politics of trade, and their recent workshop.

MICHAEL PIASECZNY: What does the term “multi-level politics of trade” mean? And what role do sub-federal actors, like provincial governments, play in trade policy?

DR. BROSCHEK: Essentially, trade politics, especially international trade politics and policy, today is shaped through and by actors, primarily governments from different tiers and territorial entities. This is somewhat astonishing if you take a look at most of the formal provisions that are included in constitutions. Constitutional drafters try to allocate jurisdictional trade policy to the upper governmental tier; federal level in federal systems; the central level in unitary systems (UK or Italy) and the supranational level in the case of the European Union. Typically, you would expect one level is more or less exclusively responsible. But we have observed that in practice sub-federal actors often play different but significant roles, as we saw in the case of CETA. The most far-reaching, yet rather rare, form of participation for these sub-federal actors is being involved in the negotiating process.

DR. GOFF: You have to look at the evolution in trade itself, the fact that trade agreements are becoming more intrusive and expanding their reach into sublevel governments’ jurisdictions in many instances. What is interesting is that it makes a lot of sense in the Canadian case, because now we can understand why provinces are more active. But in other federations such as Mexico or the United States (which is why the comparative aspect is important), the same thing is happening in terms of trade agreements but we are not necessarily seeing the enhanced activity

of sublevel actors in response. So, different sublevel actors in different regions can play different roles with varying degrees of inclusion. So, we need to understand not only what is going on in Canada with regards to CETA but also what is going on in other multi-level environments across the world.

MICHAEL PIASECZNY: What are the most significant challenges and issues associated with multi-level politics and trade identified in your workshop? And are these challenges different in Europe (and in the [European Union](#)) as compared to Canada? Why or why not?

DR. BROSCHEK: In terms of the provinces, there is variation in how they are included in negotiations and this may become a problem. If provinces have been involved early on, there are lots of opportunities to provide input in the negotiation process, so, in the end, it is more likely that this is an agreement that is largely uncontested. In the European Union context, we have a situation where sub-federal actors from the member state level became involved late in the process or their involvement is limited to ratification of the agreement- saying yes or no. This makes it more challenging to get these huge new ‘second generation’ agreements successfully ratified.

DR. GOFF: Presuming that the ultimate goal is to move forward on these trade agreements, the issue/challenge becomes how to move forward in light of opposition. This might take the form of national governments figuring out why sub-federal actors resist or trying to understand the nature and origin of that resistance. Understanding resistance is necessary so that the government can figure out how to respond in tangible ways to the legitimate concerns of sub-federal, and even civil society actors. Addressing the problems can lower or eliminate resistance and smooth the path for moving forward.

MICHAEL PIASECZNY: Given our generalist audience, perhaps you could outline the main features/benefits of the *Canada-European Union (EU) Comprehensive Economic and Trade Agreement (CETA)*. What makes CETA “historic” and “next generation”? What are the major concerns, for Canada and for the EU, as CETA moves forward?

DR. GOFF: There are always costs and benefits of trade agreements, and to me, it makes the most sense to think about them in sectoral terms. There are lots of prospective benefits from CETA for certain sectors that will likely gain new or enhanced access to the European market. So that is a straightforward economic benefit for some sectors in the future. However, it is important to note that as we have this ‘outward’ looking view of gaining greater access to their markets, so will the EU producers gain access to our markets. There are some producers in Canada for whom that enhanced competition will not be welcome, specifically, dairy. Canada has raised our quota for dairy imports. It is important to show costs as well as benefits, as CETA will have both. The costs and benefits that we identify are not the same as the costs and benefits being identified on the European side. Also, it is interesting to note that the opposition to CETA on the streets in Europe, for example, is not necessarily what animated support or opposition in Canada. Again, this is why the comparative aspect is important.

DR. BROSCHEK: It is difficult to identify costs and benefits because it depends on individual member states. Europe is a very fragmented and diverse political entity so it depends a lot on where you look. Take for example a European member state that has an industry that is extremely interested in gaining access to the Canadian [procurement market](#). This type of industry

will be able to take advantage of an agreement like CETA. But a member state that does not have an advanced or developed industry in this regard won't feel the benefits right away. The European Union tries to sell these types of trade agreements, in this case CETA, as a European-wide achievement. CETA is labelled as an agreement that is exceptional because it is so encompassing and ambitious in terms of how they want to advance what the literature calls "regulatory cooperation". This means providing globalisation with rules, labour standards and sustainability in addition to opening up markets. Other agreements, such as the [TTIP](#) or [TPP](#), are often said to be less ambitious when it comes to market-correcting regulations, although this is a question that deserves further empirical investigation.

DR. GOFF: It is important to note that the people who opposed CETA in Europe do not necessarily oppose trade or trade agreements. Many oppose what is called [Investor State Dispute Settlement \(ISDS\)](#), which is a major concern on both the European Union side and Canadian side. CETA has been portrayed as the "gold standard" and the most progressive trade agreement... maybe that is the case. There are still people who are concerned about the empowerment it gives to businesses. Recent revisions have circumscribed this, but it is still significant. The types of things that are included in trade agreements, like ISDS, are not exactly what people would tend to think are included. So the opposition may actually stem from provisions that get included in trade agreements, not necessarily trade itself.

MICHAEL PIASECZNY: A recent study for Canada concluded that internal trade costs, if removed, would gain about \$7,500 a year for every Canadian household (or about \$50 to \$130 billion in real GDP gains per annum).¹ This past summer the provinces signed an agreement in principle for a new internal trade agreement, the [Canadian Free Trade Agreement \(CFTA\)](#).

Multi-level politics clearly affect trade within Canada. Are there parallels between the benefits (and challenges) to this new internal trade agreement and CETA? How does the internal trade (before and after the new CFTA) situation in Canada compare with that in the EU?

DR. GOFF: It may be difficult to show, but I think there is a modest link between some of the provisions in CETA and the reinvigoration of the internal trade discussion in Canada. I say this because one of the quirky outcomes of the CETA agreement is that certainly in government procurement there will be European actors who will have easier access to procurement in some provinces and territories than other contractors in Canadian provinces would. We see with external trade or with international trade agreements that they go forward with stops and starts. Advocates will push it forward and then people resist and it stops. We have seen the same thing with internal trade in Canada. Internal trade has had lots of resistance and it has been stalled, so what is it that has focused the mind around it again? I don't think CETA is the only reason Canada got the signature in principle on the CFTA, but, I also don't think that it is a coincidence that CETA delivered possibilities to foreign bidders in procurement contests that were not delivered to out-of-province bidders within Canada. So, anecdotally there is probably a link.

DR. BROSCHEK: It is important to highlight that currently, we do not know much about how the CFTA will look. We know that the [New West Partnership Agreement](#) will serve as a basic

¹ Albrecht, L. and T. Tombe (2016) "Internal trade, productivity and interconnected industries: A quantitative Analysis", *Canadian Journal of Economics*, 49(1), 237-263.

template. We know that there is a commitment to a negative list approach which is different from the agreement on internal trade, and considered this an important innovation. Nevertheless, I take as my general benchmark the rhetoric that at least on the surface everyone agrees these internal barriers are problematic. There is disagreement about their scope, their implications and how we can quantify them in terms of the ‘sums’ Canadians are losing as a result. So I think there is a convergence in the policy discourse that these barriers are widely perceived as a problem and that we need to do something about it. The [Agreements on Internal Trade \(AIT\)](#) was not far-reaching enough because many problems persisted. Therefore, this new attempt (CFTA), in rhetoric at least, represents a new consensus that something needs to be done and that a more encompassing approach is needed to tackle these problems. Essentially, this all started around 2009 with the New West Partnership Agreement. So, as Dr. Goff mentioned, this coincides with the beginning of the CETA negotiations. We still do not know if this linkage actually exists and, if it exists, how exactly external and internal trade reform dynamics mutually reinforce each other, but there is definitely a parallel in the timing.

Depending on how you look at this, some people will say in the European Union the single market has been advanced in a way that there are actually not many internal trade barriers left compared to Canada, but I do not believe this to be true. The internal market in Europe is still not covering all sectors. This is one constraint and/or limitation that still exists. The so-called Single Market Acts I and II demonstrate that the European Commission is working hard to include those sectors, for example, services, but they have encountered opposition from various member states. Myself as a professor would not face problems switching universities within the EU, but a lawyer or dentist, for example, would definitely feel these constraints crossing boundaries. Although there are licencing problems in Canada, they are not as far-reaching as they are in Europe. Furthermore, the mechanisms of economic integration differ as well. One important element that has facilitated economic integration within the EU is the principle of mutual recognition. The mechanisms that try to foster economic integration and reduce internal barriers in Canada are often different, with profound implications for the dynamic of economic integration. In conclusion, there remain significant differences between Canada versus the European Union.

We would like to thank Drs. Goff and Broschek for sharing their views on the multilevel politics of trade and their ideas on CETA. All above ideas are of Drs. Goff's and Broschek's.