

The Impact of BREXIT on CETA

The Comprehensive Economic and Trade Agreement (CETA) between Canada and the EU is an ambitious and important agreement. It goes beyond trade liberalization into services, intellectual property, government procurement and the movement of people. It has taken many years to negotiate and is now a modern model for bilateral economic agreements, between countries or groups of countries like the EU.

All this effort and achievement risk being lost, however. Both a complex ratification process in Europe and the ill-advised British decision to leave the EU may jeopardize CETA. In addition, over the period taken to negotiate the agreement, the mood in industrialized countries has shifted decidedly against free trade and in favour of nationalism and protectionism. This is especially true in the United States but is also reflected in European politics.

The ratification of CETA in Canada is quite straightforward and should move smoothly. However, in Europe the situation is much more complicated. First, a formal decision by the European Council is scheduled for October. This will require unanimity among the 28 EU members. Second, a vote in the European Parliament is expected in late 2016 or early 2017, probably the latter. Third, the European Commission has decided that parliaments in every EU member will have to ratify the agreement, thus opening the door to individual country grievances holding up the process. The mood in some European countries is decidedly anti-free trade, not because of CETA and Canada, but because of fear of free trade and competition generally. There is also concern in some European circles that CETA is a stalking horse for more penetration into the EU market by big American corporations. While this fear may be misplaced it is politically important.

If the vote in the European Parliament is successful, at least some of the elements of CETA may come into force provisionally, notably those that are the exclusive domain of the EU and not national governments. Some argue that this would cover as much as 90% of the provisions of CETA. Nonetheless, the whole process of ratification in Europe may drift onto the back burner. The focus for the next two years at least will be on the extraordinarily complex negotiations that will follow the British Government's formal decision (due early in 2017) to withdraw from the EU. This is the biggest problem for CETA - getting the necessary high level attention and support for a complex agreement in the face of the historic challenge posed by BREXIT.

Canada should continue to push for ratification of CETA before BREXIT takes place. Britain has been one of the strongest proponents of CETA and the deal was negotiated with Britain as a key player within the EU. While European leaders have given Canada assurances that they will not lose focus on CETA, with both French and German elections scheduled for 2017 and with free trade increasingly seen politically as a threat rather than an opportunity, who among the Europeans will champion CETA?

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