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2016/0206 (NLE)

Proposal for a

COUNCIL DECISION

on the signing on behalf of the European Union of the Comprehensive Economic and Trade Agreement between Canada of the one part, and the European Union and its Member States, of the other part

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

On the basis of negotiating directives adopted by the Council, the European Commission has negotiated the Comprehensive Economic and Trade Agreement (CETA) with a view to establishing a state of the art and priviledged economic relationship with Canada. Canada is a strategic partner of the European Union with whom we share a past history based on common values and interests, and with whom we also wish to define a positive forward-looking relationship for the future. This should create new opportunities for trade and investment between the European Union and Canada, notably through improved market access for goods and services and enhanced rules on trade for economic actors.

To this end, the EU and Canada have reached an ambitious agreement which will open up new opportunities for trade and investment for economic actors on both sides of the Atlantic. Both sides have also underlined through this agreement the importance of economic activity taking place within a framework of clear and transparent regulation defined by public authorities, and that they consider the right to regulate in the public interest as a basic underlying principle of the Agreement.

The attached proposal for a Council Decision constitutes the legal instrument for the signing of the Comprehensive Economic and Trade Agreement (CETA) between the European Union and its Member States, of the one part, and Canada, of the other part.

The CETA negotiations were completed and initialled at the level of the Chief Negotiators on 1 August 2014 and President Barroso, President Van Rompuy and Prime Minister Harper jointly announced the end of the CETA negotiations at the EU-Canada Summit on 26 September 2014 following which the text of the agreement was made public the same day. The legally reviewed text of CETA has been published on 29 February 2016 and can be found on the following link:

http://trade.ec.europa.eu/doclib/docs/2014/september/tradoc_152806.pdf

• Consistency with existing policy provisions in the policy area

The EU and Canada have a longstanding trade and economic cooperation relationship, developed under the 1976 Framework Agreement for Commercial and Economic Cooperation, the 1996 Joint Action Plan and the 1998 EU-Canada Trade Initiative. In addition, the EU and Canada have concluded several bilateral sectoral agreements, notably the 1996 Agreement for Scientific and Technological Cooperation, the 1998 Agreement on Mutual Recognition of Conformity Assessments, the 1998 Veterinary Agreement, the 1999 Competition Agreement, the 2003 Agreement on Trade in Wines and Spirits Drinks, the 2009 Civil Aviation Safety Agreement and the 2009 Comprehensive Air Transport Agreement.

These agreements will remain in place with the exception that:

The 1989 Alcoholic Beverages Agreement and the 2003 Wines and Spirit Drinks Agreement will be incorporated into and made part of CETA, as amended by Annex 30-B.

The 1998 Agreement on Mutual Recognition will be terminated from the date of entry into force of CETA.

The EU and Canada recognise the achievements that have been accomplished under the Agreement between the European Community and the Government of Canada on sanitary

measures to protect public and animal health in respect of trade in live animals and animal products, done at Ottawa on 17 December 1998 (the "Veterinary Agreement") and confirm their intention to continue this work under CETA. The 1998 Veterinary Agreement shall be replaced by CETA from the date of entry into force of CETA.

The bilateral agreements listed below shall cease to have effect, and shall be replaced and superseded by CETA. The termination of those agreements shall take effect from the date of entry into force of CETA.

- Agreement between the Government of the Republic of Croatia and the Government of Canada for the Promotion and Protection of Investments, done at Ottawa on 3 February 1997.
- Agreement between the Czech Republic and Canada for the Promotion and Protection of Investments, done at Prague on 6 May 2009.
- Agreement between the Government of the Republic of Hungary and the Government of Canada for the Promotion and Reciprocal Protection of Investments, done at Ottawa on 3 October 1991.
- Agreement between the Government of the Republic of Latvia and the Government of Canada for the Promotion and Protection of Investments, done at Riga on 5 May 2009.
- Exchange of Notes between the Government of Canada and the Government of the Republic of Malta Constituting an Agreement Relating to Foreign Investment Insurance, done at Valletta on 24 May 1982.
- Agreement between the Government of the Republic of Poland and the Government of Canada for the Promotion and Reciprocal Protection of Investments, done at Warsaw on 6 April 2009.
- Agreement between the Government of Romania and the Government of Canada for the Promotion and Reciprocal Protection of Investments, done at Bucharest on 8 May 2009.
- Agreement between the Slovak Republic and the Government of Canada for the Promotion and Protection of Investments, done at Bratislava on 20 July 2010.

• **Consistency with other Union policies**

CETA is fully consistent with Union policies, including those affecting international trade. In this respect, CETA will not lower or amend EU legislation, nor it will amend, reduce or eliminate EU standards in any regulated area. All imports from Canada will have to satisfy EU rules and regulations (e.g. technical rules and product standards, sanitary or phytosanitary rules, regulations on food and safety, health and safety standards, rules on GMO's, environmental protection, consumer protection, etc…).

CETA also includes chapters on Trade and Sustainable Development, Trade and Labour and Trade and Environment, which link the trade agreement to the EU's overall objectives in sustainable development and specific objectives in the area of labour, environment, and climate change.

Furthermore, like in all its other trade agreements, in CETA the EU fully safeguards public services. EU Member States will be able to run public monopolies for a particular service if

they wish to. CETA will not force or incite governments to privatise or deregulate public services like water supply, health, social services or education. EU Member States will continue to be able to decide which services they wish to keep universal and public and to subsidise them if they want to. In addition, nothing in CETA will stop a government in a EU Member State to reverse in the future at any time any autonomous decision it may have taken to privatise these sectors.

CETA ensures that Governments' right to regulate for public policies is fully preserved. In addition, any decision of the CETA Joint Committee has to be approved by each Party, and therefore subject to the EU's applicable internal requirements and procedures.

The Regulatory Cooperation Forum within CETA will function as a voluntary cooperation mechanism to exchange experiences and relevant information among regulators, and to help identify areas where regulators could cooperate. It will not be able to change existing regulations or develop new legislation. The Regulatory Cooperation Forum will only provide assistance and make suggestions to regulators and legislators. It will in no way restrict the decision-making power of regulators in the EU's Member States or at EU level.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

• Legal basis

CETA has identical objectives and essentially the same contents as the Free Trade Agreement with Singapore (EUSFTA). Therefore, the Union's competence is the same in both cases. In view of the doubts raised with regard to the extent and the nature of the Union's competence to conclude EUSFTA, in July 2015 the Commission requested from the Court of Justice an opinion under Article 218(11) TFEU (case A – 2/15). In case A -2/15 the Commission has expressed the view that the Union has exclusive competence to conclude EUSFTA alone and, in the alternative, that it has at least shared competence in those areas where the Union's competence is not exclusive. Many Member States, however, have expressed a different opinion. In view of this, and in order not to delay the signature of the Agreement, the Commission has decided to propose the signature of the Agreement as a mixed agreement. Nevertheless, this is without prejudice to the views expressed by the Commission in Case A – 2/15. Once the Court issues its opinion in case A-2/15, it will be necessary to draw the appropriate conclusions.

• Subsidiarity (for non-exclusive competence)

The common commercial policy, in accordance with Article 3 of the TFEU, is defined as an exclusive Union competence. The Commission takes the view that other matters falling outside of the common commercial policy covered under this Agreement fall under the EU's exclusive competence.

• Proportionality

This proposal is in line with the vision of Europe 2020 strategy and contributes to the Union's trade and development objectives.

• Choice of the instrument

This proposal is in accordance with Article 218(5) TFEU, which envisages the adoption by the Council of decisions on international agreements. There exists no other legal instrument that could be used in order to achieve the objective expressed in this proposal.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

Not applicable.

- **Stakeholder consultations**

Prior to the start of the negotiations with Canada, the EU and Canada decided in 2007 to jointly undertake a study to examine and assess the costs and benefits of a closer economic partnership. In the context of this joint study[1], the European Commission and Canada carried out two stakeholder consultations. The European Commission undertook a web-based civil society consultation in February and March 2008 on the basis of a questionnaire covering various aspects of the EU-Canada trade and investment relationship. In March and April 2008 Canada distributed a similar questionnaire among the members of its domestic steering committee.

A high proportion of the respondents expressed the view that, despite the robustness of the existing trade and investment relationship between the EU and Canada, there were still many obstacles and therefore much potential to improve the bilateral relationship.

There was a general consensus among EU respondents that enhanced economic cooperation between Canada and the EU was desirable.

There appeared to be a particular emphasis on the need to remove tariff peaks and onerous non-tariff barriers to trade as well as a strong request for enhanced regulatory cooperation.

In addition, during the CETA negotiations, a range of consultation methods were used in the context of the Sustainability Impact Assessment[2]. This included amongst others civil society meetings, a stakeholder workshop, and a project website with a discussion forum. The civil society meetings took place in Brussels and Ottawa and were attended by broad section of different interest groups and unions. The stakeholder workshop in Ottawa included participants from industry and trade associations, labour organisations, public workers' unions and unions for workers in private sector, environmental organisations, etc. Several academic and institute-based experts also provided helpful comments on the SIA.

- **Collection and use of expertise**

A Joint EU-Canada study was produced with the assistance of Professor Walid Hejazi (Rotman Business School, University of Toronto) for the drafting of this study and Professor Joe Francois (University of Linz) for the economic modelling part of the study.
The CETA Sustainability Impact Assessment has been carried out by the external contractor "Development Solutions".

- **Impact assessment**

In October 2008, the EU and Canada released their joint study "Assessing the Costs and Benefits of a Closer EU-Canada Economic Partnership". At the time the study indicated that the liberalisation of trade in goods and services will bring benefits both to the EU and to Canada. The full report is available on the DG TRADE website:

http://trade.ec.europa.eu/doclib/docs/2008/october/tradoc_141032.pdf

1 http://trade.ec.europa.eu/doclib/docs/2008/october/tradoc_141032.pdf
2 http://trade.ec.europa.eu/doclib/docs/2011/september/tradoc_148201.pdf

Furthermore, the Sustainability Impact Assessment (SIA), carried out during the negotiation, provides a comprehensive assessment of the potential impacts of trade liberalisation under the Agreement. The analysis assesses the economic, social and environmental impacts in Canada and the European Union across three main sectors, sixteen sub-sectors and seven cross-cutting issues. It also assesses the potential impacts of CETA on the U.S., Mexico and other countries and regions, including a number of developing countries as well as the EU Overseas Customs and Territories of Saint-Pierre-et-Miquelon and Greenland. The terms of reference, interim report, and the final report are available on the DG TRADE website:

http://ec.europa.eu/trade/policy/policy-making/analysis/sustainability-impact-assessments/assessments/#study-geo-14

The EU and Canada have reached an ambitious agreement which will open new opportunities for trade and investment on both sides of the Atlantic and support jobs in Europe. CETA will remove customs duties, end limitations on access to public contracts, open up services' market, offer predictable conditions for investors and, last but not least, help prevent illegal copying of EU innovations and traditional products. The agreement also contains all the guarantees to make sure that the economic gains do not come at the expense of fundamental rights, social standards, governments' right to regulate, environment protection or consumers' health and safety.

- **Regulatory fitness and simplification**

CETA is not subject to REFIT procedures; nevertheless it does have some special provisions for SMEs (for example potentially reducing the cost of litigation under the Investment Court System for claimants who are SMEs).

- **Fundamental rights**

The proposal does not affect the protection of fundamental rights in the Union.

4. BUDGETARY IMPLICATIONS

The impact of this agreement for the EU budget will be twofold:

On the **INCOME**: it is estimated that foregone duty will reach an amount of € 311 million upon full implementation of the Agreement after seven years, as 97,7 % of the EU tariffs lines will be eliminated at the entry into force of the agreement and then an additional 1% gradually within 3, 5 or 7 years. The amount of € 311 million corresponds to the 80 % of estimated duties collected by EU Member States on imported Canadian products on the basis of 2015 data. The estimate takes into account the new Own Resources Decision, which lowers the collecting costs that Member States retain, from 25% to 20%.

On the **EXPENDITURE**: the CETA will be the first to incorporate the new Investment Court System (ICS) in the context of the Investment Dispute Resolution System. Accordingly, an amount of € 0,5 million of additional yearly expenditure is foreseen from 2017 onwards (subject to ratification) to finance the permanent structure comprising a First Instance and an Appeal Tribunal.

On the other hand, the proposal entails the use of administrative resources under budget line XX 01 01 01 (Expenditure related to officials and temporary staff working with the Institution), since it is estimated that one Administrator will be dedicated as FTE to the tasks inherent to this agreement. This is indicated in the Legislative Financial Statement and is subject to the conditions mentioned in it.

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

The administrative and institutional chapter establishes a CETA Joint Committee that will continuously monitor the implementation, operation and impact of this agreement. The CETA Joint Committee is comprised of representatives of the European Union and representatives of Canada who will meet once a year or at the request of a Party and will supervise the work of all specialised committees and other bodies established under this Agreement.

- It is important to note that the CETA Joint Committee is not an independent body and shall make its decisions and recommendations only by agreement between the EU and Canada. It will in no way restrict the decision-making power of regulators in the EU's Member States or at EU level, or of their authorising institutions.
- The EU and Canada may, through the CETA Joint Committee, decide to amend the Annexes. When the Parties approve such a decision, it has to be subject to their respective applicable internal requirements and procedures. The EU therefore decides whether or not to agree to a decision of the Joint Committee by following the EU internal procedures as stipulated in the EU Treaty. The CETA Joint Committee can therefore not act without a decision of the EU institutions, taken according to the EU's internal legal process.
- The possibility of Joint Committees adopting certain amendments is a common feature of all international agreements, including EU trade agreements.
- As a special procedure, as stated in Article 30.2, the CETA Joint Committee cannot decide to amend a specific list of annexes for which the full amendment procedure will be needed. This list includes: Chapter 8 - Investment, Chapter 9 - Cross-Border Trade in Services, Chapter 10 - Temporary Entry and Stay of Natural Persons for Business Purposes, and Chapter 13 - Financial Services (with the exception for Annex 10-A List of Contact Points of the Member States of the European Union).

The following specialised committees will be established under the auspices of the CETA Joint Committee:

- the Committee on Trade in Goods, which addresses matters concerning trade in goods, tariffs, technical barriers to trade, the Protocol on the mutual acceptance of the results of conformity assessment and intellectual property rights related to goods. The Committee on Agriculture, the Committee on Wines and Spirits, and the Joint Sectoral Group on Pharmaceuticals shall also be established under and report to the Committee on Trade in Goods.
- the Committee on Services and Investment, which addresses matters concerning cross-border trade in services, investment, temporary entry, electronic commerce, and intellectual property rights related to services.
- the Joint Customs Cooperation Committee (JCCC), established under the 1998 Agreement between the European Community and Canada on Customs Cooperation and Mutual Assistance in Customs Matters, which addresses matters under this Agreement concerning rules of origin, origin procedures, customs and trade facilitation, border measures and temporary suspension of preferential tariff treatment;
- the Joint Management Committee on Sanitary and Phytosanitary Measures, which addresses matters concerning sanitary and phytosanitary measures;
- the Committee on Government Procurement, which addresses matters concerning government procurement;

– the Financial Services Committee, which addresses matters concerning financial services;

– the Committee on Trade and Sustainable Development, which addresses matters concerning sustainable development;

– the Regulatory Cooperation Forum, which addresses matters concerning regulatory cooperation; and

– the CETA Committee on Geographical Indications, which addresses matters concerning geographical indications.

To the extent that any of such specialised Committee has any decision-making power under CETA, those decisions will be taken in the same manner as those of the Joint Committee.

• **Implementation in the EU**

Certain actions will need to be taken in order to ensure implementation of the Agreement. These will be put in place in time for the application of the Agreement. These are a Commission implementing regulation to be adopted pursuant to Article 58(1) of Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code opening the tariff rate quotas provided for by the Agreement.

• **Explanatory documents (for directives)**

Not applicable.

• **Detailed explanation of the specific provisions of the proposal**

CETA is a comprehensive trade and investment agreement which contains provisions on national treatment and market access for goods, trade remedies, technical barriers to trade, sanitary and phytosanitary measures, customs and trade facilitation, subsidies, investment, cross-border trade in services, temporary entry and stay of natural persons for business purposes, mutual recognition of professional qualifications, domestic regulation, financial services, international maritime transport services, telecommunications, electronic commerce, competition policy, state enterprises, monopolies, and enterprises granted special rights or privileges, government procurement, intellectual property, regulatory cooperation, trade and sustainable development, trade and labour, trade and environment, bilateral dialogues and cooperation, administrative and institutional provisions, transparency and dispute settlement.

CETA will significantly improve business opportunities for European companies in Canada. With CETA, European companies will receive the best treatment that Canada has ever offered to any trading partner, thus levelling the playing field on the Canadian market for EU companies.

By opening markets, CETA should support growth and jobs in the EU and bring further benefits for European consumers. It has the potential to keep prices down and provide consumers with greater choice of quality products. CETA will not change EU standards. Standards and regulations related to food safety, product safety, consumer protection, health, environment, social or labour standards etc. will remain untouched. All imports from Canada will have to satisfy all EU product rules and regulations – without exception.

More specifically CETA will offer:

Savings on customs duties

CETA will bring tangible benefits to European consumers and companies by eliminating or cutting customs duties– some of the most far reaching cuts achieved by the EU in a trade agreement. This will provide important market opportunities for European companies

including SMEs. Importantly, most customs duties will be removed as soon as CETA comes into effect. Cutting customs duties will not lower or change EU standards. Canadian imports will have to respect EU regulations.

Opportunities for service suppliers and transparent and effective investment protection and dispute settlement mechanisms

CETA is by far the most far reaching agreement ever concluded by EU in the area of services and investment. European firms will have more opportunities to provide specialised maritime transport services like dredging, moving empty containers, and shipping of certain cargo within Canada. European firms will also have new advantages when it comes to getting investment projects approved in Canada, protecting their investments and enforcing their rights in case of unfair treatment through a balanced and effective dispute settlement system. For all services sectors, such as environmental services, telecom and finance, market access is ensured, both at federal level and - for the first time – provincial level. In CETA – as in all its trade agreements – the EU protects public services. Again, Canadian investors and service providers will have to respect applicable EU regulations.

Investment protection and investment dispute settlement

CETA includes all the innovations of the EU's new approach on investment and its dispute settlement mechanism, thus meeting the expectations of stakeholders for a fairer, more transparent and institutionalised system for the settlement of investment disputes. It introduces important innovations in this field, ensuring a high level of protection for investors, while fully preserving the right of governments to regulate and pursue legitimate public policy objectives such as the protection of health, safety or the environment. CETA represents a significant break with the traditional approach to investment protection and settlement of investment disputes in most of the existing bilateral investment treaties worldwide. It removes ambiguities that made the old system open to abuses or excessive interpretations and creates an independent investment court system, consisting of a permanent tribunal and an appeal tribunal that will conduct dispute settlement proceedings in a transparent and impartial manner.

Mutual recognition of professional qualifications

The agreement provides a framework to facilitate the mutual recognition of qualifications in regulated professions such as architects, accountants and engineers. The relevant professional organisations in the EU and Canada now have a framework that sets out the conditions for the negotiation of mutual recognition agreements for their respective professions. These will then have to be confirmed and agreed by the EU and Canada.

Easier transfers of company staff and other professionals between the EU and Canada

CETA will make it easier for firms to move staff temporarily between the EU and Canada. This will facilitate European companies' operations in Canada. It will be also easier for providers of professional services to temporarily supply legal, accounting, architectural or similar services.

Improve ability of European companies to provide after sales services

CETA will make it easier for EU firms to export equipment, machinery and software by allowing firms to send maintenance engineers and other specialists to provide after-sales and related services.

Access to Canadian public tenders

Canada has opened up its government tenders to EU companies to a greater extent than with any of its other trading partners. EU firms will be able to bid to provide goods and services not only at federal level but also to Canadian provinces and municipalities, the first non-Canadian firms to be able to do so. Canada's provincial procurement market is estimated to be double the size of its federal equivalent.

Avoiding costs related to double testing

The EU and Canada have agreed to accept each other's conformity assessment certificates in areas such as electrical goods, electronic and radio equipment, toys, machinery or measuring equipment. This means that a conformity assessment body in the EU can test EU products for export to Canada according to Canadian rules and vice versa. This will avoid both sides doing the same test and could greatly reduce costs for companies and consumers alike. This is of particular benefit to smaller companies for whom paying twice for the same test can be prohibitive. While this falls short of how the EU operates within its borders, it is nevertheless a very big step forward in the EU's International agreements.

Better protection for EU innovation and creative works

CETA will create a more level playing field between Canada and the EU on intellectual property rights. It will strengthen the protection of copyrights (alignment with EU rules on protection of technological measures and digital rights management as well as on the liability of internet service providers) and enforcement (namely by foreseeing the possibility of provisional measures and injunctions for intermediaries involved in infringing activities). It will improve how Canada's IPR system protects patents for EU pharmaceutical products. Canada also agreed to strengthen its border measures against counterfeit trademark goods, pirated copyright goods and counterfeit geographical indication goods.

Market advantage for producers of traditional European products

Many medium-sized and smaller businesses trading in agricultural products will benefit from Canada agreeing to protect 143 geographical indications for high-quality European products, such as Roquefort cheese, balsamic vinegar from Modena or Dutch Gouda cheese and many others.

Commitment to Sustainable Development

In CETA, the EU and Canada affirm their commitment to sustainable development. Both agree that trade and investment should further environmental protection and labour rights – and not be at their expense. The EU and Canada are committed to CETA helping to ensure that economic growth, social development and environmental protection are mutually supportive. CETA integrates the EU's and Canada's obligations to international rules on workers' rights and environmental protection, and gives a strong role to EU and Canadian civil society in participating in the implementation of the commitments in these areas in CETA. CETA also sets up a process for settling disputes, including government consultations and a panel of experts.

2016/0206 (NLE)

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COUNCIL DECISION

on the signing on behalf of the European Union of the Comprehensive Economic and Trade Agreement between Canada of the one part, and the European Union and its Member States, of the other part

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 91, Article 100(2) and the first subparagraph of Article 207(4), in conjunction with Article 218(5), thereof,

Having regard to the proposal from the European Commission,

Whereas:

(1) On 24 April 2009 the Council authorised the Commission to open negotiations for a Comprehensive Economic and Trade Agreement with Canada.

(2) The negotiations have been concluded and the Agreement should be signed on behalf of the Union, subject to the fulfilment of the procedures required for its conclusion at a later date.

(3) In accordance with Article 30.6(1) of the Agreement it should not confer rights or obligations which can be directly invoked before Union or Member State courts or tribunals,

HAS ADOPTED THIS DECISION:

Article 1

The signing, on behalf of the Union, of the Comprehensive Economic and Trade Agreement between the European Union and its Member States of the one part and Canada of the other part is hereby authorised, subject to its conclusion.

The text of the Agreement is attached to this Decision.

Article 2

The President of the Council is hereby authorised to designate the person empowered to sign the Agreement on behalf of the Union, subject to its conclusion.

Article 3

This Decision shall enter into force on the day of its adoption.

Done at Strasbourg,

For the Council
The President

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

1.2. Policy area(s) concerned in the ABM/ABB structure

1.3. Nature of the proposal/initiative

1.4. Objective(s)

1.5. Grounds for the proposal/initiative

1.6. Duration and financial impact

1.7. Management mode(s) planned

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

2.2. Management and control system

2.3. Measures to prevent fraud and irregularities

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

3.2. Estimated impact on expenditure

3.2.1. Summary of estimated impact on expenditure

3.2.2. Estimated impact on operational appropriations

3.2.3. Estimated impact on appropriations of an administrative nature

3.2.4. Compatibility with the current multiannual financial framework

3.2.5. Third-party contributions

3.3. Estimated impact on revenue

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Comprehensive Economic and Trade Agreement (CETA)

1.2. Policy area(s) concerned in the ABM/ABB structure[3]

20.02 – Trade Policy

1.3. Nature of the proposal/initiative

☑ The proposal/initiative relates to **a new action**

☐ The proposal/initiative relates to **a new action following a pilot project/preparatory action**[4]

☐ The proposal/initiative relates to **the extension of an existing action**

☐ The proposal/initiative relates to **an action redirected towards a new action**

1.4. Objective(s)

1.4.1. The Commission's multiannual strategic objective(s) targeted by the proposal/initiative

The proposal can be framed in the the first of the ten Juncker priorities – Job, Growth and Investment.

1.4.2. Specific objective(s) and ABM/ABB activity(ies) concerned

Specific objective No

1

ABM/ABB activity(ies) concerned

20.02 Trade Policy .

[3] ABM: activity-based management; ABB: activity-based budgeting.

[4] As referred to in Article 54(2)(a) or (b) of the Financial Regulation.

1.4.3. Expected result(s) and impact

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

CETA will bring tangible benefits to European consumers and companies by eliminating or cutting customs duties.

The provisions in the CETA agreement having a budgetary impact relate to the setting up and running of the Investment Court System (ICS).

The establishment of new Investment Court System will meet the high expectations of citizens and industry for a fairer, more transparent and institutionalised system of settling investment disputes.

In addition, the agreement will impact customs duties (see 3.3).

1.4.4. Indicators of results and impact

Specify the indicators for monitoring implementation of the proposal/initiative.

Maintaining or improving level of trade and investment flows between the EU and Canada.

1.5. Grounds for the proposal/initiative

1.5.1. Requirement(s) to be met in the short or long term

Maintain or improve level of trade and investment flows between the EU and Canada.

1.5.2. Added value of EU involvement

Canada is one of the EUs oldest and closest strategic partners in the world. We have a long history of shared values and therefore work closely together on many global challenges such as the environment, climate change, energy security, regional stability etc. Canada is the 11th largest economy in the world and is the 12th largest trading partner of the EU. With CETA, European companies will receive the best treatment that Canada has ever offered to any trading partner, thus levelling the playing field on the Canadian market for EU operators. By opening markets, CETA should support growth and jobs in the EU and bring further benefits for European consumers.

1.5.3. Lessons learned from similar experiences in the past

N/A

1.5.4. Compatibility and possible synergy with other appropriate instruments

N/A

1.6. Duration and financial impact

☐ Proposal/initiative of **limited duration**

– ☐ Proposal/initiative in effect from [DD/MM]YYYY to [DD/MM]YYYY

– ☐ Financial impact from YYYY to YYYY

☑ Proposal/initiative of **unlimited duration**

– Implementation with a start-up period from 2017 (subject to ratification in the Council and the European Parliament).

– followed by full-scale operation.

1.7. Management mode(s) planned[5]

☐ **Direct management** by the Commission

– ☐ by its departments, including by its staff in the Union delegations;

– ☐ by the executive agencies

☐ **Shared management** with the Member States

☑ **Indirect management** by entrusting budget implementation tasks to:

– ☐ third countries or the bodies they have designated;

– ☑ international organisations and their agencies (to be specified);

– ☐the EIB and the European Investment Fund;

– ☐ bodies referred to in Articles 208 and 209 of the Financial Regulation;

– ☐ public law bodies;

– ☐ bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;

– ☐ bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;

– ☐ persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.

– *If more than one management mode is indicated, please provide details in the 'Comments' section.*

Comments

A contribution will be given to an "*existing structure*" (namely, the ICSID) so that it channels the retainer fees to be paid to the judges composing the ICS. It is only in case that a dispute arises that the fees for case management could materialize, the services of ICSID as secretariat being otherwise free of charge.

[5] Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: http://www.cc.cec/budg/man/budgmanag/budgmanag_en.html

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

As per the provisions of the framework agreement concluded with the organisation concerned.

2.2. Management and control system

2.2.1. Risk(s) identified

As per the provisions of the framework agreement concluded with the organisation concerned.

2.2.2. Information concerning the internal control system set up

As per the provisions of the framework agreement concluded with the organisation concerned. In particular, the applicable verification rules.

2.2.3. Estimate of the costs and benefits of the controls and assessment of the expected level of risk of error

Given the estimated financial impact, no substantive quantifiable costs or benefits can be identified. The contribution will be part of DG Trade's overall control system. As regards non-quantifiable benefits.

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures.

As per the provisions of the framework agreement concluded with the organisation concerned. In addition, DG Trade's anti-fraud strategy, which contains a dedicated chapter on financial management, will apply.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number 4	Diff./Non-diff.[6]	from EFTA countries[7]	from candidate countries[8]	from third countries	within the meaning of Article 21(2)(b) of the Financial Regulation
	20.0201	Diff.	NO	NO	NO	NO

- New budget lines requested

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number N/A	Diff./Non-diff.	from EFTA countries	from candidate countries	from third countries	within the meaning of Article 21(2)(b) of the Financial Regulation
	N/A		YES/NO	YES/NO	YES/NO	YES/NO

[6] Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

[7] EFTA: European Free Trade Association.

[8] Candidate countries and, where applicable, potential candidate countries from the Western Balkans.

3.2. Estimated impact on expenditure

3.2.1. Summary of estimated impact on expenditure

EUR million (to three decimal places)

Heading of multiannual financial framework	Number	4

DG: TRADE			Year **2017**	Year **2018**	Year **2019**	Year **2020**	Enter as many years as necessary to show the duration of the impact (see point 1.6)			**TOTAL**
• Operational appropriations										
Number of budget line 20.0201	Commitments	(1)	0.500	0.500	0.500	0.500				**2.000**
	Payments	(2)	0.500	0.500	0.500	0.500				**2.000**
Number of budget line	Commitments	(1a)	-	-	-	-				
	Payments	(2a)	-	-	-	-				
Appropriations of an administrative nature financed from the envelope of specific programmes[9]			**0**	**0**	**0**	**0**				
Number of budget line		(3)								
TOTAL appropriations for DG TRADE	Commitments	=1+1a +3	0.500	0.500	0.500	0.500				**2.000**
	Payments	=2+2a +3	0.500	0.500	0.500	0.500				**2.000**

[9] Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

• TOTAL operational appropriations	Commitments	(4)	0.500	0.500	0.500	0.500				**2.000**
	Payments	(5)	0.500	0.500	0.500	0.500				**2.000**
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)	**0**	**0**	**0**	**0**				
TOTAL appropriations under HEADING 4 of the multiannual financial framework	Commitments	=4+ 6	0.500	0.500	0.500	0.500				**2.000**
	Payments	=5+ 6	0.500	0.500	0.500	0.500				**2.000**

If more than one heading is affected by the proposal / initiative:

• TOTAL operational appropriations	Commitments	(4)								
	Payments	(5)								
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)								
TOTAL appropriations under HEADINGS 1 to 4 of the multiannual financial framework (Reference amount)	Commitments	=4+ 6								
	Payments	=5+ 6								

Heading of multiannual financial framework	**5**	'Administrative expenditure'

EUR million (to three decimal places)

		Year **2017**	Year **2018**	Year **2019**	Year **2020**	Enter as many years as necessary to show the duration of the impact (see point 1.6)			**TOTAL**
DG: TRADE									
• Human resources		0.134	0.134	0.134	0.134				**0.536**
• Other administrative expenditure		**0**	**0**	**0**	**0**				
TOTAL DG TRADE	Appropriations	0.134	0.134	0.134	0.134				**0.536**

TOTAL appropriations under HEADING 5 of the multiannual financial framework	(Total commitments = Total payments)	0.134	0.134	0.134	0.134				**0.536**

EUR million (to three decimal places)

		Year **N**[10]	Year **N+1**	Year **N+2**	Year **N+3**	Enter as many years as necessary to show the duration of the impact (see point 1.6)			**TOTAL**
TOTAL appropriations under HEADINGS 1 to 5 of the multiannual financial framework	Commitments	0.634	0.634	0.634	0.634				**2.536**
	Payments	0.634	0.634	0.634	0.634				**2.536**

[10] Year N is the year in which implementation of the proposal/initiative starts.

3.2.2. Estimated impact on operational appropriations

– ☐ The proposal/initiative does not require the use of operational appropriations

– ☑ The proposal/initiative requires the use of operational appropriations, as explained below:

Commitment appropriations in EUR million (to three decimal places)

Indicate objectives and outputs ⇩			Year **2017**		Year **2018**		Year **2019**		Year **2020**		Enter as many years as necessary to show the duration of the impact (see point 1.6)						**TOTAL**	
			OUTPUTS															
	Type[11]	Average cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	Total No	Total cost
SPECIFIC OBJECTIVE No 1[12]…			Running of the ICS															
- Output	Secretariat		1	0.500		0.500		0.500		0.500								
- Output	Case(s)			-		p.m.		p.m.		p.m.								
- Output																		
Subtotal for specific objective No 1				0.500		0.500		0.500		0.500								
SPECIFIC OBJECTIVE No 2 ...																		
- Output																		
Subtotal for specific objective No 2																		
TOTAL COST				0.500		0.500		0.500		0.500								

[11] Outputs are products and services to be supplied (e.g.: number of student exchanges financed, number of km of roads built, etc.).

[12] As described in point 1.4.2. 'Specific objective(s)…'

3.2.3. Estimated impact on appropriations of an administrative nature

3.2.3.1. Summary

– ☐ The proposal/initiative does not require the use of appropriations of an administrative nature

– ☑ The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million (to three decimal places)

	Year **N** [13]	Year **N+1**	Year **N+2**	Year **N+3**	Enter as many years as necessary to show the duration of the impact (see point 1.6)			**TOTAL**
HEADING 5 of the multiannual financial framework								
Human resources	0.134	0.134	0.134	0.134				**0.536**
Other administrative expenditure	0	0	0	0				
Subtotal HEADING 5 of the multiannual financial framework								
Outside HEADING 5[14] **of the multiannual financial framework**								
Human resources								
Other expenditure of an administrative nature								
Subtotal outside HEADING 5 of the multiannual financial framework								
TOTAL	0.134	0.134	0.134	0.134				**0.536**

The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

13 Year N is the year in which implementation of the proposal/initiative starts.

14 Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

3.2.3.2. Estimated requirements of human resources

– ☐ The proposal/initiative does not require the use of human resources.

– ☑ The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full time equivalent units

		Year **N**	Year **N+1**	Year **N+2**	Year **N+3**	Enter as many years as necessary to show the duration of the impact (see point 1.6)		
• Establishment plan posts (officials and temporary staff)								
XX 01 01 01 (Headquarters and Commission's Representation Offices)		1	1	1	1			
XX 01 01 02 (Delegations)								
XX 01 05 01 (Indirect research)								
10 01 05 01 (Direct research)								
• External staff (in Full Time Equivalent unit: FTE)[15]								
XX 01 02 01 (AC, END, INT from the 'global envelope')								
XX 01 02 02 (AC, AL, END, INT and JED in the delegations)								
XX 01 04 **yy** *[16]*	- at Headquarters							
	- in Delegations							
XX 01 05 02 (AC, END, INT - Indirect research)								
10 01 05 02 (AC, END, INT - Direct research)								
Other budget lines (specify)								
TOTAL		**1**	**1**	**1**	**1**			

XX is the policy area or budget title concerned.

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

Officials and temporary staff	Monitoring of the running of the ICS/Case handling
External staff	

15 AC= Contract Staff; AL = Local Staff; END= Seconded National Expert; INT = agency staff; JED= Junior Experts in Delegations.

16 Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

3.2.4. Compatibility with the current multiannual financial framework

– ☑ The proposal/initiative is compatible the current multiannual financial framework.

– ☐ The proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.

Explain what reprogramming is required, specifying the budget lines concerned and the corresponding amounts. […]

– ☐ The proposal/initiative requires application of the flexibility instrument or revision of the multiannual financial framework.

Explain what is required, specifying the headings and budget lines concerned and the corresponding amounts. […]

3.2.5. Third-party contributions

– The proposal/initiative does not provide for co-financing by third parties.

– The proposal/initiative provides for the co-financing estimated below:

Appropriations in EUR million (to three decimal places)

	Year **N**	Year **N+1**	Year **N+2**	Year **N+3**	Enter as many years as necessary to show the duration of the impact (see point 1.6)			Total
Specify the co-financing body *: Canadian government*	0.500	0.500	0.500	0.500				2.000
TOTAL appropriations co-financed	0.500	0.500	0.500	0.500				2.000

3.3. Estimated impact on revenue

– ☐ The proposal/initiative has no financial impact on revenue.

– ☑ The proposal/initiative has the following financial impact:

– – ☑ on own resources

– – ☐ on miscellaneous revenue

EUR million (to three decimal places)

Budget revenue line:	Appropriations available for the current financial year **(B2016)**		Impact of the proposal/initiative[17]						
		Year **N**	Year **N+1**	Year **N+2**	……	Year **N+7**	Enter as many years as necessary to show the duration of the impact (see point 1.6)		
Article 120 - Custom Duties	***18.465,30***	…… **311**							

For miscellaneous 'assigned' revenue, specify the budget expenditure line(s) affected.

[…]

Specify the method for calculating the impact on revenue.

Duty loss has been calculated on the basis of 2015 data, the budgetary impact of which will be EUR 311 million (80% of EUR 390 million). These duty losses will be spread out over a total of 7 years. The EU will eliminate 97.7% of the EU tariff lines at the entry into force of the agreement and then gradually within 3, 5 or 7 years for an additional 1% of tariff lines for imports of goods originating in Canada.

[17] As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 25 % for collection costs.