

## Lessons from CETA for a UK-EU Deal

David Martin | 22 March 2017

The EU-Canada free trade agreement, known as CETA, is widely considered to be the EU's most comprehensive and progressive trade deal yet. The European Parliament voted to give its consent to the deal on 15 February 2017, which means that the majority of its chapters will enter into force soon. Several politicians, including notably the British Foreign Secretary Boris Johnson, have called for CETA to be a model for a future UK-EU deal. In that spirit, what lessons can be learned from this process for the UK?

When negotiations began for CETA in 2009, nobody expected that a deal with long-time ally Canada would be as controversial as it turned out to be. If there is one lesson to be taken from this experience, it is that there is no longer any way of avoiding politics in trade policy. This has, of course, been reinforced by events across the Atlantic, with President Trump tearing up the Trans-Pacific Partnership and threatening to do the same to NAFTA without serious renegotiation.

With CETA, we saw an unprecedented increase in lobbying efforts against the final deal from NGOs and citizen campaigns. I attribute this to two factors. Firstly, because of a widely held belief that globalisation hasn't worked for everybody in society, the EU institutions came to epitomise a far-off elite, blind to the concerns of citizens. This was not helped by a tradition of confidentiality in trade negotiations, something that has thankfully changed significantly due to pressure from our social democratic group.

Secondly, the debate around the Transatlantic Trade and Investment Partnership (TTIP) with the US contributed a lot to the politicisation of trade policy. Serious concerns about transparency, democracy and investment protection were often drowned out by scaremongering, typified by the easily disproved claim that we were about to be overrun by chlorine-washed chicken. Given the geographical proximity of Canada to the US, and the close cultural ties, it was easy therefore to paint CETA as a similar beast – something that was done very effectively under the moniker – 'TTIP's evil little brother'. Even my own Labour party, which for years has been pro-trade, has taken a much more critical line in recent months. Although the challenges following Brexit are different (our food standards start from a position of complete parity, for example), some of these issues still put a cloud over EU trade policy-making and will have a hangover effect on EU-UK negotiations.

One of the most obvious of these issues is the growth in democratic actors responsible for trade, which complicates the ratification procedure. Under pressure from national governments wary of national anti-CETA campaigns, and in a general context of increased scepticism towards the EU institutions, the European Commission proposed CETA as a 'mixed' agreement, rather than an EU-only competence. This is despite the fact that the Commission itself believes CETA to be an EU-only agreement, legally speaking. The important point is that with an EU-only agreement, the trade agreement comes into force when both the Council and the Parliament have consented. In a mixed agreement, some parts of the agreement must wait until national (and in some cases regional) parliaments have had their say.

In Belgium, the constitution states that regional parliaments must also consent to international agreements before the federal government can give its approval. Therefore, during the CETA process we had the situation where Wallonia, a region of 3.5m people, was able to hold up for weeks a trade agreement that was supported by democratically-elected national governments representing 500m people. Given this precedent, and the fact that the deal will most likely be the most comprehensive trade deal that the EU has ever negotiated, it is likely that the UK-EU trade deal will also be presented as mixed. This means that around 37 national and regional parliaments will also have to have their say, increasing the amount of veto-players and the risk of hold-ups and specific local concerns obstructing international policy.

In many ways, the UK-EU process should be more straightforward. Unlike Canada, in terms of market openness and the regulatory environment, the UK is starting from a position of absolute convergence with our European partners. In addition, it is quite clearly in both sides' interest to reach a mutually beneficial deal, given our reliance on each other. However, this is where the politics comes into play. The British-EU relationship is more personal, and other EU countries are understandably annoyed at us for leaving. Furthermore, there is the need to show other potential Eurosceptics in other countries that leaving the EU leads to negative economic consequences.

This is most acutely felt in the European Parliament, which happens to be armed with a veto. Here, MEPs will want to show that if you leave the EU there is a price to pay. From my experience in the parliament, I wouldn't be too surprised if parliamentarians scuppered the deal if it was felt to be too favourable to the UK. This is a particular risk if the deal comes before MEPs in an election year. Look out for Spanish fishermen complaining about retaining access to UK waters, French farmers opposing British beef and lamb imports, and Eastern Europeans concerned about the reduction in structural funds, and so on. The vote on the Article 50 process outcome – scheduled for March 2019 (three months before the European elections) – will be an important barometer of the European mood towards Britain.

As with any trade agreement, technical difficulties can be overcome when the political will is there. However, recent unhelpful quotes by the three Brexiteers – Boris Johnson, David Davis and Liam Fox – (who still seem to be in campaign mode) – have caused the EU's position to visibly harden. Good will is at a premium, and confidence in each other needs to be rebuilt – a statement that sounds crazy considering the fact that we have been such close allies for over four decades. Throughout the CETA process, the continual engagement of the then Canadian Trade Minister Chrystia Freeland and European Commissioner Cecilia Malmström, as well as a determined group of MEPs, were essential to keep the process on track when it threatened to derail. British politicians should take note. Whatever happens, we are in for a bumpy ride over the next few years and grandstanding is not in the country's best interests.

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