Przegląd Europejski
Vol. 2018, No. 4

New generation trade agreements as an economic challenge for the European Union and its Member States – the case of CETA

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Abstract

The so-called new-generation trade agreements, such as the CETA agreement signed by the EU and Canada, include not only the liberalization of trade in goods and the creation of a free trade area, but also many other areas, such as liberalization of the services market, including public services, mutual recognition of professional qualifications, deregulation and liberalization of financial markets, enhanced cooperation in the protection of intellectual property, and mutual investment protection. The considerations carried out in this work show that the analysis of the consequences of this type of agreements should be carried out not only at the level of the entire EU but also from the perspective of individual member states whose level of economic development and economic structures differ significantly. This is important for proper preparation for the entry into force of such an agreement, creating conditions for the full use of the opportunities arising from it and for adapting to the new market-specific situation and avoiding the greatest possible threats.

Keywords: trade agreements, new-generation trade agreements, CETA, economic integration, EU, European integration

Umowy handlowe nowej generacji wyzwaniem gospodarczym dla Unii Europejskiej i jej członków – przykład CETA

Streszczenie

Tzw. umowy handlowe nowej generacji, takie jak podpisane przez Unię Europejską i Kanadę porozumienie CETA obejmują nie tylko liberalizację handlu towarami i utworzenie strefy wolnego handlu, ale również wiele innych obszarów. Należą do nich m.in.: liberalizacja rynku usług, w tym usług o charakterze publicznym, wzajemne uznawanie kwalifikacji zawodowych, deregulacja i liberalizacja rynków finansowych, zacieśnienie współpracy w ramach ochrony własności intelektualnej, czy wzajemna ochrona inwestycji. Z rozważań przeprowadzonych w niniejszej pracy wynika, że analiza konsekwencji tego typu umów powinna być przeprowadzana nie tylko na poziomie całego ugrupowania integracyjnego jakim jest UE, ale też z punktu widzenia pojedynczych państw członkowskich, których poziom rozwoju gospodarczego oraz struktury gospodarek znacznie się od siebie różnią. Jest to istotne dla odpowiedniego przygotowania się do wejścia w życie takiego porozumienia, stworzenia warunków do pełnego wykorzystania wynikających z niego szans i dostosowania się do nowej, specyficznej dla danego państwa sytuacji rynkowej oraz uniknięcia największych możliwych zagrożeń.

Słowa kluczowe: umowy handlowe, umowy handlowe nowej generacji, CETA, integracja gospodarcza, UE, integracja europejska

The European Union is currently experiencing a particularly difficult moment in its development. There is a lot of talk about the crisis of the European Union and European integration. Regardless of whether the ongoing processes will be called a crisis or recognized as a normal stage of development, it must be said that this organization is experiencing one of the most turbulent periods since its creation, facing many challenges in the political, economic and social dimension. At the same time the European Union attempts to increase the competitiveness of its economy and accelerate its growth by intensifying the trade and services liberalization and taking steps towards economic integration with the most developed economies of the world. Negotiated and signed by the EU 'new generation' trade agreements are to stimulate the European economy and increase its competitiveness through the intensification of international trade. The first such an agreement signed by the EU is CETA (Comprehensive Economic and Trade Agreement), concluded in October 2016 with Canada.

The economy of the European Union is one of the most important players on the international market, however the level of economic development of its individual members differs significantly. Therefore, the consequences of the entry into force of the 'new generation' trade agreements may be different for particular member states. While the EU as an organization can benefit from those agreements, some member states can benefit greatly from them and some face serious problems. Therefore, the aim of this paper is to identify areas of the agreement that from the economic point of view will constitute the greatest challenge for the organization as a whole and for its individual members. Such a distinction is important, because the effects of the agreement for the EU as a whole, especially on overall economic growth, unemployment or detailed data on the growth of exports and imports may not be the same for all member states, which may mean that some countries will gain a lot on the introduction of the CETA, others less, and others may lose. The analysis of the consequences of this type of agreements from the point of view of individual EU member states is extremely important so that they can be well prepared for its entry into force, create the right conditions to take full advantage of opportunities and to avoid the most serious threats. The way in which the benefits and costs of CETA will be spread between the Member States may also contribute to faster overcoming or even deepening the EU integration crisis.

The paper has been divided into several parts. The first of them was devoted to the 'new generation' trade agreements. The second one presents the scope of the CETA agreement, focusing on its elements, which may constitute the biggest economic challenge for the EU and its member states. The analysis was carried out taking into account the existing integration experience of the European Union, in particular the creation of a Single European Market. In the next three parts, the expected opportunities and economic threats from the perspective of the EU as a whole and its individual members were analysed.

'New generation' trade agreements

One of the most important functions of the state is striving for economic development in order to raise the standard of living of its citizens and ensure their safety. The integration activities undertaken by many governments and the far-reaching liberalization of international trade within the WTO are to serve these purposes. A natural consequence of these trends in the global economy is the occurrence of international trade agreements, the so called 'new generation' trade agreements, which include trade liberalization and cooperation in many areas of economic and social life, to a greater or lesser extent related to trade.

Examples of such agreements are: Trans-Pacific Partnership (TPP) signed in October 2015 by twelve countries of the Asia-Pacific region, The Comprehensive Economic and Trade Agreement (CETA) signed in October 2016 between the EU and Canada, signed in December 2017 the EU–Japan Economic Partnership Agreement, or the agreement between the EU and the United States in the phase of "suspended negotiations" (TTIP – The Transatlantic Trade and Investment Partnership). These agreements differ slightly in content, but their scope is so similar that the common, mentioned above definition – 'the new generation trade agreements' – is commonly used for them.

Trans-Pacific Partnership (TPP), signed by states representing 40 percent, was supposed to counterbalance the growing influence of China in the global economy. However, at the stage of signing and ratifying the agreement, many doubts arose whether it would bring the expected benefits to its participants. The US withdrawal in January 2017 further complicated the situation. The remaining 11 countries, however, agreed and in March 2018 signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which almost entirely took over the content of TPP, suspending only 22 clauses concerning, among others, the extension the protection of intellectual property, including those related to patents on medicines and copyrights, and limiting the use of the arbitration mechanism between the investor and the receiving state.

Takeover of the office of the US President by Donald Trump also led to the suspension of negotiations on the Transatlantic Trade and Investment Partnership (TTIP). Initially, in June 2017 German Chancellor Angela Merkel advocated a resumption of negotiations, and the US secretary of commerce endorsed her position. However, after signing by the US President in March 2018 the regulation imposing duties on steel imports in the amount of 25%, and on aluminium – 10%, justified by the protection of national security, the situation between both parties is tense. In turn, in July 2017, the EU and Japan signed a political agreement, while in December of the same year they concluded negotiations and signed an Economic Partnership and Free Trade Agreement. Its scope is similar to the aforementioned agreements and is an important step in the deepening of cooperation of two of the largest economies, responsible for nearly 30% of global GDP. This is a clear signal for other countries that the EU and Japan are open to trade liberalization and far-reaching international economic cooperation.

This paper focuses on CETA – the first ‘new generation’ trade agreement signed by the EU, which also has a direct impact on the Polish economy. The agreement temporarily entered into force in September 2017, and its ratification is possible in the near future.

The scope of the CETA Agreement

CETA is a bilateral agreement on economic and trade cooperation between the European Union and Canada, which is commonly called by the EU institutions a trade agreement (European Commission 2016). Its main goal is to create a free trade area between the European Union and Canada (Ministry of Development 2016: p. 3), thus entering the first and the simplest possible stage of economic integration. This agreement includes not only the mutual liberalization of trade in goods, as it was predicted by the economic integration model of B. Balassa, but also the liberalization of services, which is natural at the current stage of economic development of both parties, in the situation of the prevailing role of services in their economic growth and employment.

The agreement also applies to many other areas of socio-economic life more or less connected with trade, such as: liberalization of public services, mutual recognition of professional qualifications, deregulation and liberalization of financial markets, protection of intellectual property rights, cooperation in competition protection and the creation of new regulations, or the protection of mutual investments.

In the CETA agreement the parties committed themselves to the gradual and mutual liberalization of trade in goods to eliminate the majority of duties in trade in agricultural, industrial and fishery products. Liberalization of trade under the CETA agreement, however, consists not so much in the abolition of relatively low tariffs, but in the elimination of non-tariff barriers, which are all kinds of national regulations regarding the standards and quality of goods and services offered. In the case of the European Union, common regulations are one of the greatest achievements of this organization, and the current standards for the quality and safety of products and services, sanitary and phytosanitary controls, working conditions and environmental protection have been developed over several decades, constituting an important element of the strategy of building the EU internal market.

As mentioned above, the CETA agreement also introduces liberalization of trade in services. Article 9.3. of the agreement (Council of the EU 2016) introduces the principle of national treatment, which means that each party shall accord to service suppliers and services of the other Party treatment no less favourable than that it accords, in like situations, to its own service suppliers and services. In turn, art. 9.5 sets up the most-favoured-nation treatment. On the basis of this provision, each party shall accord to service suppliers and services of the other Party treatment no less favourable than that it accords, in like situations, to service suppliers and services of a third country. An important element of the contract is also the liberalization of public services and the introduction of the so called 'negative list principle' meaning that all public services are covered by the contract except for the list of exceptions explicitly indicated by the negotiators. Therefore, if any type of service is not explicitly listed as not covered by the contract, its provisions apply to it.

The agreement also introduces certain regulations enabling the flow of services in practice, but affecting directly the labour markets. This is particularly about the mutual recognition of professional qualifications and regulations regarding the posting of employees. For the first time, the free trade agreement signed by Canada will contain important provisions on the mutual recognition of professional qualifications - recognition of licenses and professional qualifications of professional services providers. Canada and the EU have also committed to allowing companies to post their employees within the company for up to three years, regardless of the sector of activity. In addition, the CETA agreement for the first time guarantees the possibility of accompanying spouses and families to employees temporarily seconded to subsidiaries abroad. Thus, the agreement introduces, as a consequence of the liberalization of the services market, certain elements of the free movement of workers.

CETA also assumes deregulation and liberalization of financial markets. It limits, for example, the use by the state of non-discriminatory instruments such as imposing limits on the size of financial institutions or the increase of risky financial instruments (Sinclair et al. 2014). Chapter 13 of the Financial Services Agreement contains, inter alia, the rules of national treatment or most-favoured-nation treatment. As part of ensuring market access, parties were banned imposing any restrictions on the number of financial institutions, the total value of transactions in financial services or assets, the total number of financial services operations or the share of foreign capital. Free movement of services is a fundamental element of creating a common market, and financial services are of particular importance for the stability of economies, which is why in the EU they are regulated by separate regulations, constituting an important basis for creating economic and monetary union.

The agreement provides for far-reaching restrictions on the introduction of new national regulations in the EU and Canada. It imposes on both sides, among others, the requirement to create licensing procedures as simple as possible and not unnecessarily delaying operations, and provides the other party and interested investors with the opportunity to participate in the creation of new regulations related to trade (Sinclair et al. 2014). CETA assumes cooperation in the field of technical barriers to trade, which is to be implemented, among others, by the newly appointed institution – the Regulatory Cooperation Forum (RCF). This institution has, among others, to participate in solving problems relating to the creation, adoption and application of standards, technical regulations and conformity assessment procedures; to facilitate discussions about the risk or threat assessment used by the parties; support cooperation between standardization bodies and conformity assessment bodies, and participate in the exchange of information on standards, technical regulations and conformity assessment procedures, including those used in other countries or international bodies. In the regulatory area regarding technical issues, the parties have committed themselves to strengthen cooperation at the level of both, constituting and testing and certifying bodies. The creation of such structures means far-reaching cooperation in the field of harmonization and creation of new regulations, also characteristic for the stage of creating a common market in the EU.

The agreement also covers the protection of intellectual property rights by extending, among others, patent protection for medicines and seeds. This field is related to trade, but in an indirect and quite specific way and directly affects important areas of social and economic life and economic policy of countries participating in the agreement.

Canada is one of the largest investors in the EU, which is why the provisions on investment protection and how to resolve disputes between investors and host countries through arbitration courts are important. Article 8.4. ensures mutual access to the market for investors of both parties and prohibits any restrictions on, inter alia, the number of enterprises that can run a business, the value of transactions or assets, the total number of transactions or the volume of production, or the share of foreign capital. Article 8.6 introduces the principle of national treatment and grants to investors of the other party and investments covered by the agreement treatment no less favourable than the treatment the party grants in similar situations to its own investors and their investments in relation to the establishment, acquisition, development, operation, maintaining, selling and managing their investments, using them or otherwise disposing of these investments in its territory. These are very advanced regulations, whose task is to ensure the free flow of the production factor, which is capital and the freedom of entrepreneurship, the essential elements of economic integration at the stage of creating a common market. Article 8.1. clearly defines the investment as any kind of asset owned or controlled by the investor, which can take the form both of enterprise, shares or other forms of shareholdings in the enterprise, as well as bonds, debentures, loans or credits granted to the enterprise. The agreement also introduces in art. 8.7. the most-favoured-nation principle, which means that 'Each Party shall accord to an investor of the other Party and to a covered investment, treatment no less favourable than the treatment it accords in like situations, to investors of a third country and to their investments with respect to the establishment, acquisition, expansion, conduct, operation, management, maintenance, use, enjoyment and sale or disposal of their investments in its territory'.

Chances and expected benefits

Negotiations regarding the content of the agreement lasted several years. The European Commission sought to sign the agreement because it expects many benefits for the European economy basing on the assumption that the prosperity and economic growth of both parties depend to a large extent on mutual trade and investment and their ability to be successful on the global market (European Commission and Canadian Government 2008). The European Commission report shows that CETA will contribute to the general growth of welfare, GDP, the level of exports and real wages in the long term both in the EU and in Canada (European Commission 2011: p. 442). GDP should increase in both economies, but in Canada one can expect an incomparably higher GDP growth (0.77%) than in the EU (0.08%). This increase is to be mainly driven by the liberalization of trade in services (50% of the total increase for the EU and 45.5% for Canada) and goods (respectively 25% for the EU and 33.3% for Canada) (European Commission and government Canada 2008: p.167) and by the elimination of customs duties on sensitive agricultural products (European Commission 2011: p. 442). Therefore, as a result of signing the agreement, EU agricultural producers should also gain. The European Commission's research shows that due to the fact that UE exports worth EUR 1 billion currently creates on an average of 14,000 jobs, CETA can contribute to growth and employment in Europe. Experts also expect that the abolition of customs duties on industrial and agricultural products will result in savings for European exporters of EUR 500 million per year (McKeagney 2016).

The European Union also expects great benefits from the opening of the Canadian public procurement market for EU enterprises. In the Commission's opinion, tightening cooperation in the field of regulation concerning technical barriers in trade, protection of European innovations, artists or traditional products and extensive cooperation in the field of mutual investment protection should constitute a great opportunity for EU companies investing in Canada. The EU also expects, that CETA will indirectly contribute to strengthening democracy in the EU, strengthening social rights, labour law, fostering environmental protection and consumer protection, who will gain a greater choice of goods and services while maintaining European quality standards and security (Muszyński 2016).

The list of potential benefits and opportunities resulting from the CETA agreement is undoubtedly long. However, one cannot forget about the challenges facing the EU economy, individual member states and enterprises, because in order to benefit from the above-mentioned chances, they will have to put in a lot of effort.

Economic challenges for the EU

There are studies that do not confirm the optimistic forecasts of the European Commission on the economic impact of CETA Agreement. Analysts believe that the CETA agreement may contribute to the slowdown in economic growth of the EU. According to Kohler and Storm's (2016) research, in the current conditions of high unemployment and low level of economic growth, raising competitiveness by lowering labour costs may harm the economy. Researchers estimate that by 2023, 227,000 jobs will be lost in the CETA countries and the average annual wage will decrease by EUR 1776 in Canada and from EUR 316 to 1331 in the EU, depending on the member state. As a result of the agreement in 2017-2023, they expect a reduction of the average annual GDP growth rate by 0.12%. in Canada and 0.6 % in the EU. This means that the cumulative decline in GDP growth by 2023 may amount 0.96% in Canada and 0.49 % in the EU, where these values differ significantly for individual countries. It is estimated that e.g. the German economy will experience twice smaller losses (-0.37 % of GDP) than the Italian economy (-0.78 % of GDP). Oręziak (2016) expects, in turn, an increase in competitive pressure from international corporations that are responsible for 75% trade between the EU and Canada, and therefore difficulties in the longer term development of the SME sector and increase in unemployment.

Another challenge for the EU economy is that CETA, alongside the elimination of tariff barriers in trade with Canada, also seeks to remove non-tariff barriers, which may obviously hinder the free movement of goods, however, as Stiglitz (2014) points out, even if they are not perfect, they exist to protect consumers, employees, the economy and the environment. Therefore, the question arises whether the principle of mutual recognition of sanitary and phytosanitary inspections performed by the parties will ensure maintaining high standards, developed by EU member states over many years. According to the opinion of the National Council of Agricultural Chambers (Stanowisko 2016) and Foodwatch experts (2016), this may be very difficult or even impossible.

The liberalization of public services and the introduction of the so-called 'negative list' principle is another challenge for the economies of both sides (Sinclair et al. 2014). Technological progress is taking place at such a rapid pace that it is currently difficult to predict what public services will exist in several years and what will be their significance for the economy and society of the partners of the agreement. In addition, it is worth noting that the services sector is an area of the Single European Market, which until now has not been fully liberalized. It is worthy to recall the compromise of the “Services Directive”, in which the ‘old member states’ did not agree to introduce an ambitious from the point of view of the economic integration principle of ‘country of origin’ and accepted only the strengthening of the principle of freedom to provide services. This shows that even for such an advanced integration group as the EU, which is already in other areas at more advanced stages of integration, the freedom to provide services is a sensitive area and still requires many actions to become fully liberalized. The provisions of the CETA agreement in this respect clearly go towards the regulations that the European Union created at the stage of the implementation of the common market.

Sections on investment protection and the resolution of disputes between investors and host countries constitute a challenge for the EU, because Canada is the fourth largest investor in EU countries, and the inflow of foreign direct investment from Canada to the EU in 2008-2010 exceeded the value of EU investment in Canada more than five times (Mazur 2014: p. 35). Apart from the political consequences of these provisions, it should be emphasized that they are formulated in such a way that in the case of a hypothetical change in the geopolitical situation of a member state and the desire to strengthen economic and political cooperation with a certain group of countries, investors covered by CETA will automatically acquire the same rights. This is important because Article 30.9 of the Agreement guarantees that ‘in the event that this Agreement is terminated, the provisions of Chapter Eight (Investment) shall continue to be effective for a period of 20 years after the date of termination of this Agreement in respect of investments made before that date’. These provisions are therefore not only to remove barriers to the free movement of investments and their protection, but also to ensure a particularly privileged position for investors of both sides, limiting the possibility for any party to pursue an independent policy and deepen the integration process with third parties in this area.

CETA from the perspective of the EU member states

CETA is an economic challenge not only for the European Union as a whole, but above all for individual Member States. Their functioning, both in the political and economic spheres, will be directly affected by the provisions of this agreement. The European Union is an organization gathering associating countries with a very diversified level of economic development, different structures of economies and often completely different situation on labour markets. In this context, a major step towards integrating the EU economy with such a strong economic partner as Canada can have different consequences for individual member states.

In the face of significant disproportions in the level of economic development between EU member states, which are one of the key problems of the EU, it seems important that the CETA agreement may contribute to their increase (Kohler and Storm, 2016). The level of trade with Canada among EU members is very diverse. For example, German exports account for 28% of all EU exports to Canada, and their trade balance exceeds many times the balance of other EU countries (Mazur 2014: p. 32). The effects of the agreement can therefore be radically different for individual EU countries. It is therefore astonishing that the European Commission did not carry out a study on the effects of implementation of the agreement in individual member states before signing it (McKeagney 2016). This is important because the EU member states have delegated their competence to conduct trade policy with third countries to the EU institutions. Therefore, these institutions should take responsibility for anticipating the effects of the agreements they negotiate not only at the EU level but also for individual countries so that they can be prepared for their entry into force as best as possible.

Canada is one of the world's most important agricultural producers, and its large-scale farms can constitute a big competition for farmers in the new member states and a threat to small and medium-sized farms. The need to compete with such a strong partner can affect the quality of the offered food and contribute to the collapse of smaller farms. It should be considered whether in the face of lower standards of food production in North America (Stanowisko 2016) and increasing knowledge and public awareness about the role of healthy food for man and the environment, this direction of development is appropriate, especially for countries whose economies to a large extent depend on agriculture and which are forced to reform this sector of the economy. At this point, the question arises whether the CETA agreement will facilitate or hinder the conversion of small farms in Central and Eastern Europe into farms producing healthy and high-quality organic food, which could represent their opportunity to grow and emerge in this difficult market, and what actions and on what level should be taken to support such development in the face of 'new generation' trade agreements signed by the EU.

From the point of view of less developed EU member states a significant economic challenge seems to be the liberalization of public services and the introduction of the 'negative list' principle. Due to the pace of technological progress, it is currently difficult to predict what public services will exist in a dozen or so years and what will be their significance for the economic growth of a given country. This is particularly important for the new member states, whose successful achievement of catching up with high developed economies may depend on the possibility of temporary protection of certain innovative services, products or sectors of the economy, especially those of a strategic or infrastructural nature. Likewise, release of access to public procurement is a major challenge for less developed member states. After the entry into force of the agreement, it will not be possible to provide foreign suppliers with various types of requirements, for example, about the necessity of the participation of domestic products during the contract or the need to conduct training about provided goods or services. It will also be impossible to reserve certain funds for the needs of local companies in order to use public procurement for local development. This is important because, as we know from the economic history, but also activities of many present economic powers, such as the US, public procurement has been and still constitutes to be an extremely important element of economic development strategy and supporting the development of local companies thanks to which these countries owe its strong position in the global economy (Mazzucato 2016). Thus 'catching up economies', as a result of the 'new generation' trade agreements, lose some instruments of economic and development policy, which were widely used by the current economic powers at earlier stages of their development.

This is not a cause for concern for economists and politicians who perceive the liberalization of trade in goods and services as a great opportunity for less developed EU countries. The Lewiatan Confederation (2016) emphasizes that CETA, due to additional mechanisms of promoting trade and simplified customs procedures, will contribute to the development of the sector of small and medium enterprises. This opinion results from the fact that Polish entrepreneurs sell more goods to Canada than they bring, so signing the agreement will only facilitate exports, and thus should contribute its growth. The majority of Polish exports to Canada are machines and products of the chemical sector which is why these industries may, according to some experts, expect the greatest benefits from the liberalization of trade with Canada. Similarly with regard to trade in agricultural goods, many economists and politicians believe that an agreement with Canada will be beneficial for Poland. For example, Czesław Siekierski, chairman of the European Parliament's Committee on Agriculture and Rural Development, argues that Poland has now a significant surplus in the agri-food trade with Canada, therefore the entry into force of the agreement will not only help maintain this surplus, but even increase it (Waś-Turecka 2016).

According to the opinions of many experts, due to the limitation of the state's ability to use instruments such as imposing limits on the size of financial institutions or increasing risky financial instruments, the provisions of the CETA agreement may threaten the stability of the financial systems of individual countries. In turn, the challenge for the stability of their labour markets, especially in the situation of a high unemployment rate, may be regulations allowing companies to transfer certain categories of employees in the territory of the other party without taking into account national law (Sinclair et al. 2014). In the area of protection of intellectual property rights, the challenge is to extend patent protection to medicines and seeds produced by international corporations. In relation to medicines, this may delay access to cheaper medicines and increase the overall costs of treatment, and for seeds – increase their costs and limit the independence of agricultural producers. For poorer EU countries, this can be a significant problem and may worsen an already difficult situation of patients and farmers

From the point of view of an individual member state, it is also important that the agreement provides for significant restrictions for both sides in the introduction of new national provisions. It imposes on them the requirement to create the simplest possible licensing procedures that would not delay business unnecessarily. In some cases, for example in the mining industry, this can have an adverse impact on both society and the environment. In addition, the CETA agreement provides the other party and interested investors with the opportunity to participate in the creation of new trade regulations or related to it. It is a far-reaching opening up and allowing the influence of external groups on the creation of internal national regulations.

The aforementioned provisions on investment protection and on the manner of resolving disputes between investors and host countries by arbitration courts are also a significant challenge for individual EU member states. They limit the ability of any EU member to pursue an independent policy in this field with third countries and deepen the integration process with them in the discussed area. This may be particularly important for less developed member states, the development strategy choice of which is likely to be limited in such a situation. For 'catching up' countries, which are looking for a way to reduce the distance with West European economies, such obligations do not necessarily have to be beneficial in the long run. They can limit the choice of new, unconventional development strategies necessary to make a leap in economic development. Similarly, not only political but also the economic challenge is the development towards the resolution of disputes between investors and host countries through arbitration courts. Despite official assurances from the European Commission and signing the so-called common interpretation instrument on investor-state dispute settlement mechanism, there are reasons to believe that the provisions of the agreement will give international corporations the opportunity to obtain compensation in the event that a change in national regulations, e.g. tightening environmental protection standards, or new regulations concerning consumer or employee protection will result in profits lower than expected. Admittedly, Article 8.9 ensures that 'the Parties reaffirm their right to regulate within their territories to achieve legitimate policy objectives, such as the protection of public health, safety, the environment or public morals, social or consumer protection or the promotion and protection of cultural diversity' but it will be the member states who will have to prove that the regulations they introduce are really justified, and decide whether they are right, will be a private international arbitration court. Limiting the possibility of influencing the new regulations or changing the existing regulations may prevent for example the promotion of greener or more efficient national solutions.

Conclusions

The aim of this article was an attempt to identify areas of the CETA agreement, which from the economic point of view will constitute the greatest challenge for the European Union as a whole and for its individual members. Paying attention to the fact that the consequences of the agreement should be analysed from the point of view of the entire organization as well as individual member states is important because the CETA agreement is the first 'new generation' trade agreement signed by the EU and the analysis of its scope draws attention to the fact that many of its elements belong to the further stages of economic integration in accordance with Balassa's nomenclature than just the free trade zone, the creation of which is its official goal. Many provisions of the agreement concern issues negotiated between EU member states at the stage of creating a common European market and its four freedoms, some even at the stage of economic and monetary union. In view of the above one should be aware that signing the agreement is an important step towards the economic integration of the European Union and Canada. The EU is however an organization of extremely diverse countries, also in terms of the level of economic development, and therefore the effects of the entry into force of the agreement may be different in particular countries.

The CETA agreement raises a lot of controversy both on the political and economic as well as social level, as it carries many opportunities but also some risks and challenges. The European Commission expects for the EU many benefits resulting from the intensification of trade with a strong partner from across the ocean and above all acceleration of economic development and employment growth. The EU institutions look at the opportunities and challenges of signing the CETA agreement from the point of view of the European Union as a whole. The adoption of such a perspective is important, because, according to statistical data, the European Union, like Canada, has a highly developed economy, and therefore, according to the current achievements of economic sciences, far-reaching liberalization of trade in goods and services and other steps taken towards the economic integration of both parties should be beneficial for both parties. Such an approach however may calm down too quickly. One should not forget that the European Union consists of many Member States with a very diversified level of economic development and therefore aggregated indicators for the whole grouping do not reflect the full picture. This means that the generally positive effects of the entry into force of the CETA agreement can mean huge benefits for some member states and serious losses for others, depending on their economic situation and structure, as well as previous trade relations with Canada.

In addition, there are scientific studies that show that the CETA agreement can contribute not to acceleration but to inhibit economic growth across the EU. According to the opinion of some researchers in the current difficult economic conditions, with high unemployment and low level of economic growth, raising competitiveness by lowering labour costs may harm the economy. Due to the high standards of quality of food and industrial products developed by member states over many years the removing of non-tariff barriers and introducing the mutual recognition of sanitary and phytosanitary inspections performed by the parties may also appear unfavourable in the long term.

CETA is a particular challenge for the less developed UE member states. From their point of view, a major threat will be, for example, large-scale highly developed Canadian farms with which competition may not be possible for many small farms from Central and Eastern Europe. An obstacle to accelerating economic development and catching up with highly developed world economies may also be the liberalization of public services and the introduction of the so-called ‘negative list principle’. Likewise, the challenge for them may constitute the free access to public procurement.

In individual member states the deregulation of financial markets, the extension of patent protection to medicines and seeds raise concerns, because they may lead to higher prices and restrictions on the creation of new national rules. Also, provisions on the mutual protection of investments may in specific cases limit the possibilities of accelerating development by some member states.

The considerations carried out in this work show that the analysis of the consequences of 'new generation' trade agreements should be carried out not only at the level of the entire integration group, which is the EU, but also from the perspective of individual member states. Otherwise, it will not be possible to prepare for its entry into force, to create conditions for the full use of opportunities in order to accelerate the economic development and adaptation to the new, country-specific market situation and to avoid the biggest threats. This is important because even if the organization as a whole benefits from deepening economic integration with a strong partner, if some of its members suffer serious negative consequences, in the long run it may adversely affect the economy of the entire European Union and the process of European integration.

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