J Int Relat Dev (2020) 23:1–23
https://doi.org/10.1057/s41268-018-0135-3

ORIGINAL ARTICLE

The EU's realist power: public procurement and CETA negotiations with Canada

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Published online: 26 January 2018

Abstract One of the thornier areas of negotiation in the Comprehensive Economic and Trade Agreement (CETA) between Canada and the European Union (EU) was the issue of public procurement in the Canadian market. For the EU, the right to bid on government contracts was a critical component of engaging the two markets. For Canada, the idea of opening up public procurement to the European market provoked public protest. This paper uses public procurement as a platform to develop the realist perspective on the EU's economic competitiveness, both within CETA and within the WTO. Both the process and outcome of negotiations within CETA illustrate the role of the EU as a deliberately dominant power in the realm of international trade liberalisation. This contribution to power-based theories of international relations is significant for the EU's own role in future trade negotiations, and its position in shaping precedents for the norms of international trade.

Keywords Canada · CETA · European Union · Procurement · Realism · WTO

Introduction

The Comprehensive Economic and Trade Agreement (CETA) between Canada and the European Union (EU) is the first trade agreement between the EU single market and an industrialised, wealthy democratic country. It presents a significant

Paper originally prepared for and presented at the European Community Studies Association Canada (ECSA-C) meeting in Halifax, Canada, May 2016 (Session 1: Transatlantic Trade: from CETA to TTIP).

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achievement in attending to the reduction of non-tariff barriers and regulatory differences between the economies, and increases the prospects for joint economic gain on either side of the Atlantic; for Canada, CETA also provides an instance of unprecedented trade dynamics with the inclusion of Canadian provinces during CETA negotiations. Both empirically and theoretically, the CETA agreement has important implications for the future of international trade politics. Empirically, the gains in addressing non-tariff barriers and regulatory differences provide a crucial example for other free-trade agreements between large economies—a weighty consideration given the stalled negotiations between the EU and the United States through the Transatlantic Trade and Investment Partnership (TTIP).[1] Theoretically, the outcomes of the CETA agreement speak to EU preferences in international trade settings, and as such hold interesting implications for theories of international relations (IR). More precisely, with regard to realist, power-based theories, the EU's expertise in matters related to international trade, based on the experience of the EU single market, has led it to exhibit dominance within both international markets and the World Trade Organization (WTO). In particular, the issue of public procurement in CETA highlights this dynamic; how CETA negotiations shaped the issue of procurement offers an important window into the evolving trade politics of the twenty-first century, both in the negotiations and articulation of preferences of either economy, and in the outcomes of the tentative CETA agreement.

This paper suggests that CETA's outcomes in the area of public procurement provide evidence of the EU's geo-economic ambitions in the international market. Drawing upon realist theories of IR and power-based analyses of the EU's external relations, the paper considers the issue of public procurement in CETA negotiations an important example of EU efforts to dominate the larger context of international trade rules. Evidence towards this argument comes from both the process and the results of CETA negotiations. First, the process of CETA negotiations saw the EU press hard on Canada to open up the Canadian procurement market to EU access. Prior to CETA, Canada had never before entered into a bilateral preferential trade agreement that would include public procurement at the sub-federal level (Global Affairs Canada 2014). Also prior to CETA, Canada conducted international trade negotiations with other entities under the authority of the Canadian federal government alone. From the outset of CETA negotiations, the EU insisted on two things: the inclusion of provinces to the CETA negotiating table, and negotiation on access to sub-federal levels of the Canadian public procurement market. These 'asks' were interrelated, as the EU recognised that while the Canadian federal government has the right to ratify international agreements, the provinces and territories are those entities which actually implement the agreements, and are also the entities housing the largest amounts of procurement spending in the country (Hübner et al. 2016). While there was no precedent in Canada for the direct and systematic involvement of provincial governments in international trade negotiations, the request for provincial involvement was met amicably on the Canadian side

[1] CETA came into provisional application on 21 September, 2017, after having successfully undergone a legal review, translation into all official Canadian and EU languages, and being ratified by the European Parliament in February 2017. At the time of writing, negotiations over TTIP have paused, and possibly stalled, after the 2016 transition in US administration.

(Woolcock 2011, p. 27). The consideration of municipal procurement markets within CETA, however, proved to be more controversial, and various groups in different parts of Canadian society met this demand with significant amounts of protest, debate, and hostility.

Second, the outcomes of CETA to date highlight the significant progress made towards the EU preference for liberalisation of public procurement markets. While both sides made concessions concerning the details of how public procurement rules within CETA would operate, the final 2016 legal text of CETA offers clear evidence of 'success' for those actors invested in the opening up of public procurement within international trade—meaning, the EU secured its overarching goals. Added to this is the WTO's Agreement on Government Procurement (GPA), of which the EU has been a chief driver and exemplar (Tsarouhas and Ladi 2015). One of the EU's main motivations in agreeing to open up free-trade discussions with Canada 'may have been the chance to "test" one of the pillars of its 2006 Global Europe Strategy, namely the goal to include public procurement in new trade agreements' (Hübner et al. 2016, p. 12). The degree to which the WTO states its objective to open up public procurement to international competition, as well as the degree to which the EU uses its position *within* the WTO to advocate that same objective, is a chief indicator of how the EU asserts its preferences to dominate international trade to serve its own economic growth and relative market security. The efforts of the EU to establish trade rules for international procurement illustrate its competition with other governance providers at the global level to establish rules that work in favour of the single market.

Theoretical approaches to EU external governance provide different possible explanations for EU demands in CETA; this paper argues that the power-based approach offers more explanatory power for EU behaviour in external trade dynamics than other approaches because of the EU's efforts to upload its own rules. The issue of trade rules on procurement supports the notion that EU external governance in the realm of international markets is in large part determined by its own power with regard to market interdependence and with regard to competition over governance providers at the global level. Canada's acceptance of EU access to procurement tenders at sub-federal levels, despite domestic opposition, arguably reflects recognition of the market opportunity costs motivated by EU power. The source of EU power in competitive global markets lies in the combined strengths within its internal market; however, the structure of European single market integration, where members have voluntarily accepted the free movement of goods, services, labour and capital, leaves the EU vulnerable to competition arising from closed markets around the world. The security of the EU is thus inseparable from its ability to export its market norms abroad—both in the WTO, and in bilateral trade agreements. Power-based approaches provide an explanatory lens through which the EU's efforts to leverage broader procurement market access are understood as efforts to secure relative gains within an area of trade traditionally lacking in reciprocal openness. The CETA provides an appropriate case study of these efforts. In making this argument, this paper contributes to a realist perspective on EU external relations, both within the context of trade being a positional good for international security (Schweller 1999), and the context of the design of trade *rules*

being a source of competitive advantage. The paper does so by relying on primary academic research, official documentation from the EU Commission and the Canadian federal government, legal analyses, and reputable international news sources covering CETA.

The paper begins with a brief overview of public procurement rules and procedures prior to CETA in the EU and in Canada, respectively. This section also considers each economy's governance of public procurement in light of the WTO's plurilateral agreement on international public procurement—the GPA. The paper then follows with a review of relevant IR literature on power-based approaches to contextualising EU external relations, with attention to the specific context of international trade agreements. This is followed by an analysis of the main points of CETA provisions on public procurement, including relevant areas of public controversy during negotiations, which are then attached to the central elements of realist theories. The paper concludes with a discussion of how the EU exhibits power in international trade agreements in order to augment opportunities for its own suppliers through its example of single market integration, and provides implications for future comprehensive international free-trade agreements.

Public procurement systems: Canada, the EU, and the WTO

Public procurement—also referred to as 'government procurement' and generally understood as the spending of public authorities on goods or services—comprises a significant component of public spending in industrialised democracies. Typically, governments are the largest purchasers of goods and services in the economy. OECD figures from 2015 reveal that Canada spent approximately 13.3% of total GDP on public procurement, and that the EU average spent on public procurement was 18% of total GDP (OECD 2015). When considered solely as a fraction of total government expenditures, public procurement accounted for just under 1/3 of total public spending in both Canada and the EU (*ibid.*). Procurement could thus be considered an important issue for public economics due to the sheer amount of money alone. However, public procurement is also a critical tool for public support and local economic development, usually in the sense of support for local initiatives, businesses, and companies. This is particularly visible in what is frequently referred to as the 'MASH' sector—public purchasing in the areas of Municipal, Academic, Schools, and Hospitals. Procurement in the MASH sector tends to represent large economic purchases, welfare initiatives very salient to the local public at large, and high stakes public spending. The majority of Canadian spending on public procurement occurs through MASH sectors, in particular the municipal sector (Vammalle 2012). Taken together, the liberalisation of public procurement systems within international trade easily becomes a highly contestatory issue. Governments frequently manage the tension between procurement as a local development tool and procurement as a trade generator with spending thresholds; different sectors are subject to varying monetary thresholds, and procurement obligations under trade agreements are triggered when a procuring entity contemplates a procurement valued at or above certain specified thresholds

(Government of Alberta 2013). The specific monetary threshold, then, becomes a tool used to assuage local politics.

Public procurement can also be controversial within a single country, particularly a highly decentralised one. Although the EU is considered to be a supranational organisation of participating member states only, while Canada is clearly a single country, the two polities share many characteristics of federalism in principle and in practice (Laursen 2011). Put broadly, this is evident in the legal separation of powers between central governments (the federal government in Canada; the supranational level in the EU) and regional governments (provinces and territories in Canada; member states in the EU), and in the clear delineation of competences between the two levels in either area (Wolinetz 2011).[2] This federal dynamic is also visible in the area of public procurement. For CETA, the degree to which either polity governs procurement by differential internal market rules within and among regional governments corresponds to the degree of resistance towards the liberalisation of public procurement with international trading partners. Put more bluntly, the depth of integration within the EU single market, to include procurement, has made it easier for the EU to promote access to international procurement markets as a key component of trade agreements. By contrast, the existing inter-provincial obstacles within the Canadian market—which also include limited access to procurement tenders at sub-provincial levels across the country—have made it much more difficult for the federal government to engage with the discussion of international public procurement regimes.

Canada

The rules governing public procurement in Canada differ between federal, provincial/territorial, and municipal levels. At the federal level, procurement is governed by legislation and policies developed under the federal bid challenge regime in the 1990s—a regime created in response to Canada's trade agreements (Stobo and Leschinsky 2009). During the 1990s, Canada entered into three critical trade agreements that necessitated more formality for procurement legislation at the federal level: the North American Free Trade Agreement (NAFTA) with the US and Mexico in 1994; the Agreement on Internal Trade (AIT) in 1995 (replaced in 2017 by the Canadian Free Trade Agreement, discussed below); and the WTO Agreement on Procurement (GPA) in 1996. Only the federal level is obliged to the procurement rules in NAFTA and in the WTO's GPA, and each agreement is subject to sectoral thresholds and review mechanisms for bidders (Swick 2014).

Each province and territory has its own separate rules governing public procurement. From 1995 to 2017, this was qualified by participation in Canada's AIT, which was the internal trade agreement governing the free movement of goods, services, people, and capital among Canadian provinces and territories. In April 2017, federal, provincial and territorial governments jointly released the text of the

[2] While the purpose of this paper is not to debate the assignment of the label 'federal' to the EU, it does accept that many scholars have merited EU governance as a federal polity. For prominent examples see Burgess (2000), Kelemen (2003), and Verdun (2016).

new Canadian Free Trade Agreement (CFTA), which replaced the AIT in July 2017. According to the Canadian Centre for Policy Alternatives, the motivation for replacing the AIT with the new CFTA came from the CETA agreement with the EU: 'NAFTA gave us the AIT, and now CETA has given us the CFTA' (Sinclair 2017). The logic for this assumption lies in the reality of provincial enforcement of international trade agreements. The Canadian federal government has the authority to negotiate international trade agreements, but cannot compel provinces to comply. The EU's demand that provinces be present at CETA negotiations as a device of 'pre-commitment' addressed this reality (Woolcock 2011, p. 27). Internally, the new CFTA attends to provincial commitment through a different mechanism, not by changing the constitutional rules that secure the role of provinces in implementation, but instead by getting the provinces to voluntarily bind themselves to an internal trade agreement that mirrors some of the terms of the CETA (Sinclair 2017).

Similar to an international free-trade agreement, the objectives of the CFTA are to reduce and eliminate, 'to the extent possible', barriers to the free movement of persons, goods, services, and investments within Canada in order to enhance trade, investment, and labour mobility (Canadian Free Trade Agreement 2017). This matches the principles of the earlier AIT: non-discrimination and the right of entry and exit for goods, services, people, and capital within Canada; removing obstacles to trade between provinces and territories; ensuring that any remaining obstacles to trade are legitimate and justifiable; reconciling the varying regulations between Canadian provinces and territories; and ensuring transparency for all actors involved in transactions across the Canadian economic union (Industry Canada 2011).

Two aspects of the AIT and CFTA are salient for any analysis of CETA specifically, or Canada's efforts in free-trade negotiations more generally. First, that the first ministers of provinces and territories only came to the AIT pursuant to Canada's international obligations in NAFTA and the WTO, and similarly came to the CFTA because of CETA negotiations with the EU. Second, that the internal divisions between Canadian provinces and territories illustrate the decentralised character of Canadian federalism, thus highlighting the internal political barriers to international trade Canada faces when negotiating as a single country with other countries or regional blocs. Corroborating these aspects is the fact that the AIT was a non-binding political arrangement that has no conventional legal effects. For some scholars, the nature of the AIT indicates the emergence of 'collaborative federalism', in that it reflects the federal government's inability to define Canada's economic union and as a result compels political actors at all levels to use collaboration as an alternative to legal constitutional change (Cameron and Simeon 2002, pp. 55–56; MacDonald 2001). An OECD document in 2012 states:

> Canada is one of the most decentralized countries in the OECD […]. Canadian provinces enjoy considerable flexibility in their financial management […] [and] enjoy far greater autonomy both in terms of spending and revenues. […] Canadian provinces have strong and distinct regional identities and cultures. To accommodate these, the federal Constitution and other guidelines usually define terms and conditions in a very broad way, so that each province can

> choose how to apply them to meet its own needs and identity. The advantage of such a system is that it provides flexibility. The drawback is that it creates complexity. (Vammalle 2012: 3)

An obvious but critical implication of Canada's internal economic union under the AIT is that efforts toward trade liberalisation both at home and abroad were likely to encounter resistance from sub-national governments accustomed to a degree of autonomy over economic policy. In this regard, the new CFTA initiates two significant changes. The switch to a 'negative list approach' (where any remaining barriers must be specifically expressed in the agreement by the governments) improves upon the AIT's 'positive list' approach, which had assumed that barriers remained unless explicitly agreed otherwise. As well, the CFTA introduces a 75-page dispute settlement mechanism that allows for person-to-government provisions and includes higher monetary penalties for violations of the CFTA (Canadian Free Trade Agreement 2017). Both of these developments mirror the design of the CETA agreement for Canada and the EU.

In terms of procurement, the CFTA carries forward the general commitments from the AIT to open public procurement. Additions include express prohibitions against limiting participation in a bidding process to those suppliers who have supplied the institution in the past, new provisions that require an entity to provide a losing supplier with an explanation of why it did not win the contract award (upon the request of the supplier), and—most notably when considering the EU—the requirement that internal Canadian procurement tenders all use the same single point of access through an online portal (*ibid.*; Emanuelli 2017). This last requirement highlights the import of CETA on the realignment of internal rules, as the following quote from an op-ed in Canada's *The Globe and Mail* demonstrates: 'Without the CFTA, Canadian businesses would have been disadvantaged against European firms outside their home province. A provision within CETA requires that Canada create a single point of access for government tenders […] for the convenience of European companies […] the new CFTA stipulates that the forthcoming CETA portal may be adapted to advance domestic goals also' (Barter 2017).

The new CFTA carries forward from the AIT the same dollar thresholds from the broadest areas of public sector entities under MASH tenders, but expands the number of government entities at both federal and sub-federal levels bound by internal procurement commitments (Emanuelli 2017). Thresholds for internal trade vary according to the procurement entity—ministries, Crown corporations,[3] and MASH—and according to the sector each procurement entity is contemplating (goods, services, and construction) (Government of Alberta 2013). Municipal purchasing processes are generally governed by common law and codified in municipal statutes, with a separate set of policies and procedures. This is particularly salient when considering the proportion of public spending by municipalities in Canada. Public procurement at the municipal level in Canada tends to comprise the majority of public spending and public investment in the

[3] Crown corporations are analogous to public sector corporations, where the enterprise is technically owned and operated by the monarch in right of the federal government or of a provincial government.

country; an OECD report from 2012 states that approximately 70% of public spending in the whole of Canada came from municipal procurement, and approximately 90% of public investment originated from municipalities (Vammalle 2012). Significantly, up until CETA, municipalities have been exempt from provisions in any of Canada's international trade agreements.

European Union

If a notable feature of the Canadian single market (and Canadian federalism in general) is the strong degree of decentralisation of decision-making and corresponding economic autonomy in regions, a key contrast with the EU single market becomes the markedly heavy degree of integration between entirely distinct countries for the free movement of goods, services, labour, and investment. The EU single market, formalised with the Single European Act (or SEA) in 1987 and coming into effect in 1993, represents one of the largest accomplishments of European integration. Scholars who have situated the EU single market in comparison to other economic unions (either within or between countries) have attended to this either by noting the comparative lack of prohibitive barriers between EU member states for single market freedoms in comparison to other large federations (Hoffmann 2011; D'Erman 2016) or by emphasising the theoretical implications for the voluntary reduction of sovereignty in economic policy for EU member states (Armstrong and Bulmer 1998; Hooghe and Marks 2009). The area of public procurement is no exception.

Two items of comparison between the EU's single market and Canada's AIT demonstrate the relative fluidity of the EU when compared to Canada's economic union. The first is the legal character of each polity's internal trade regime. As noted above, neither the AIT nor the new CFTA are legally binding on its actors, and cannot be enforced by the Supreme Court of Canada: 'it [AIT] contains, for example, a formal dispute-settlement mechanism, but its rulings do not have legal effect […]. Ottawa has neither the power nor the legitimacy to define and enforce the Canadian economic union on its own' (Cameron and Simeon 2002, pp. 55–56).[4] By contrast, the EU treaties govern the EU's single market, upheld by the supranational Court of Justice of the EU (CJEU). The CJEU operates according to the principles of supremacy, which holds that in the event that a national law conflicts with an EU law, the EU level supersedes the national level; as well as the principle of direct effect, which holds that new EU laws are immediately binding and enforceable in member states (Alter 1996). A seminal example of the authority of the CJEU to steer the course of European integration is the 1979 *Cassis de Dijon* ECJ ruling on inter-state barriers to free trade among EU members. The ruling established the precedent of 'mutual recognition', where member states mutually

[4] The new CFTA makes adjustments to dispute settlement procedures to reduce inefficiencies in the process, increases monetary penalties for non-compliance, and rather than paying out compensation to the complainant will deposit monetary amounts in a fund intended to advance and promote internal trade within Canada (Dattu et al. 2017). But it does not fundamentally alter the structure of authority and oversight of internal trade; meaning, enforcement continues to rely upon voluntary dispute resolution procedures, and does not make the agreement enforceable by federal law.

recognise one another's regulations on the production of goods, and established that restrictions on the free movement of goods would only be permitted in exceptional circumstances. The decision to assert mutual recognition rather than outright harmonisation cleared the path for internal market mechanisms with the assertion that basic national regulations did not constitute justification for protectionism (*ibid.*). By contrast, in Canada, the new CFTA relies upon stakeholders to provide information on regulatory barriers to trade, and then relies upon stakeholders and governments to utilise the dispute reconciliation system to come to an agreement (Canadian Free Trade Agreement 2017).

The second item is the amount of authority invested in each polity's central government by its constituent parts. In Canada, although the constitution empowers the federal government to carry out international trade proceedings on behalf of the country, neither the AIT nor the CFTA empowers Ottawa with the same level of authority to monitor implementation (Cameron and Simeon 2002). By contrast, the European Commission holds sole competency over both the areas of external trade and the internal market. The Directorate-General (DG) for Trade is responsible for external commercial relations, and the DG for Internal Market, Industry, Entrepreneurship, and SMEs is the European Commission service responsible for completing and ensuring the EU market for goods and services (European Commission 2016a).

Public procurement within the EU falls under the jurisdiction of the single market. The European Commission website identifies the public sector as the biggest single spender in the EU—accounting for approximately 18% of EU GDP (EU Single Market Scoreboard 2015)—and states that 'the public sector should use procurement strategically to drive key EU2020 horizontal policies such as those aimed at creating a more innovative, greener, and more socially-inclusive economy' (European Commission 2016b). EU directives set out minimum harmonised public procurement rules for tenders that exceed a set threshold, and 'which are presumed to be of cross-border interest' (European Commission 2016c). For tenders of lower value than the set threshold, national rules apply, but those national rules must still respect the general principles of EU law (European Commission 2016b). Within official EU documents, the stated objectives of the single market for procurement are the need for simplification of procedures, fighting fraud and corruption, and making bids and tenders more accessible through digital e-procurement rules. Emphasis is placed upon transparency, reducing red tape, efficiency, and making bids for tenders accessible for small and medium enterprises (SMEs) (*ibid.*).

There are three key differentiators between public procurement in Canada and the EU. First, the single market for procurement in the EU is legally proscribed and formally monitored, as opposed to the lack of legal conventions with Canada's internal trade agreements. This is evidenced by the use of EU directives, which mandate compliance from all EU members, and use scoreboard monitoring to account for members that either have breached EU law or have failed to transpose correctly EU laws into national legislation (EU Single Market Scoreboard 2015). Second, although in the EU any tenders under the official monetary thresholds are subject to national rules, there is no further differentiation beyond the monetary value of a tender according to levels of government within a country. For any

tenders under the EU thresholds, national legislation is free to enact limits on what each country's respective rules are according to municipal rights for procurement. Canada's trade obligations keep municipalities exempt from international agreements and have specific thresholds and qualifications for internal trade rules (Stobo and Leschinsky 2009; Industry Canada 2011). Third, exemptions from procurement rules are fewer within the EU single market than within Canada's AIT. While the EU allows for exempt markets in certain sectors of postal services, energy, and ports and airports (European Commission 2016c), it does not proscribe the same level of exemptions as does the CFTA (and former AIT)—for example, exemptions concerning the production of cultural content and services providing public utilities (Stobo and Leschinsky 2009; Industry Canada 2011; Canadian Free Trade Agreement 2017). Taken together, these differentiators in each polity's market for procurement point to inherent challenges in free-trade negotiations on public procurement rules during rounds of CETA discussions.

WTO

A brief overview of the current WTO rules on procurement is helpful for illustrating the EU's efforts to secure competitive advantage in the design of trade rules. Liberalising procurement markets has been on the WTO agenda since its inception, but the idea precedes the WTO's existence. Efforts to bring government procurement under internationally agreed trade rules were undertaken in the OECD framework and in the General Agreement on Tariffs and Trade (GATT) as early as the 1970s (World Trade Organization 2017). The new Agreement on Government Procurement (GPA) was signed in 1994 and entered into force in 1996; a revised GPA came into force in 2014 (*ibid.*).

The GPA is a voluntary, plurilateral agreement—meaning not all WTO members are a part of the agreement—with (as of April 2017) 19 parties comprising 47 WTO members. The objective is to secure agreement among the parties to open up government procurement to each other (*ibid.*)—in effect, a preferential procurement trade agreement. The 1994 GPA spoke to the 'significance of government procurement as an element of economic activity' and the need for related rules and regimes to ensure the transparency and good governance of international procurement rules (Anderson 2007, p. 2). The operationalisation of the agreement is limited by the monitoring and enforcement mechanisms and the numerous exemptions contained within the GPA's coverage schedules of the different signatory parties. Monitoring of each party's compliance with the agreement occurs through a domestic review mechanism at the national level (World Trade Organization 2017), which carries the potential for misrepresentation through reliance on self-reporting. The enforcement mechanism relies upon the WTO dispute settlement mechanism at the international level, which is only triggered when one WTO member—a GPA signatory, in this case—brings a dispute against another member (World Trade Organization 2016a). The coverage schedules refer to the obligations of each GPA party, which vary according to national preferences and related exemptions: 'Only the procurement activities carried out by a covered entity purchasing covered goods, services or construction services of a contract

valued above the relevant threshold, and not specifically exempted in the notes to the schedules, are subject to the revised GPA's rules' (World Trade Organization 2016b). The operationalisation of these collaborative rules curtails the actual effectiveness of the liberalisation of international procurement.

Both Canada and the EU are parties to the WTO. As procurement and international trade fall under the authority of the EU's internal market, the EU acts as a single party to the agreement representing its 28 member states (World Trade Organization 2017). However, although a signatory to the GPA, Canada had exclusions pertaining to provincial, municipal, and regional governments in the WTO's initial 1996 procurement agreement (Kukucha 2011, p. 140), and had committed only provincial governments (albeit unevenly) in the 2014 revised GPA (World Trade Organization 2016b)—both of these qualifications excluded Canada from the list of beneficiary countries in the GPA because of the lack of reciprocity.

The EU had a strong role in devising and shaping the WTO's approach to the GPA: 'The European regime has to a large extent served as a model for some of the subsequent procurement regimes, and has had a significant influence on the development of the current World Trade Organization GPA' (Gordon et al. 1998, p. 160).[5] In the area of public procurement, as with many other areas of market integration, the EU provides a rare example of countries voluntarily opening up competition to each other. Beyond the single market, 'The EU advocates open international public procurement markets for goods and services, and works to help EU companies get access to global public procurement markets' (European Commission 2016b). Pursuant to the revised 2014 GPA, the EU pushed for a 'significant expansion of other Parties' coverage and a rolling back of exclusions and derogations embodied in their schedules' (Anderson 2007, pp. 2–3). Aside from the single market's example of liberalised procurement, scholars have noted that the EU's own push for enhanced competitiveness motivated the GPA's 2014 revision. The timing of the revision coincided with the modernisation of the EU's own single market directives on public procurement, particularly in the areas of services and public works; Tsarouhas and Ladi (2015) argue that this timing is emblematic of the EU's global economic presence and its ability to influence the behaviour of relevant international organisations. Smith states that one strategy the EU uses to reconcile internal market integration with global economic competition is to upload its own standards to the international level, and that this strategy is keenly visible in the area of procurement, where single market procurement regulation had generated potentially negative externalities in global competition: '[the Commission] also sought to augment opportunities for suppliers by uploading the EU standard of open and transparent government procurement processes to the international level through the WTO procurement regime' (Smith 2010, p. 938).

In many ways the motivation for CETA in general, and in the area of public procurement specifically, arose in part out of recognition that efforts by the WTO to foster multilateral trade liberalisation were encountering frequent political

[5] See here also Nicholas Moussis (2011, Chap. 23.4), who states that the original Agreement on Government Procurement 'is largely based on the European rules on public procurement concerning, in particular, the procedures, the thresholds which apply and the recourse mechanisms if firms believe that they have been denied equal treatment (Annex 4, see Sect. 6.3)'.

obstacles. The EU's turn to regional and bilateral preferential trade agreements became a strategy by which to continue to further economic liberalisation (Hübner et al. 2016, p. 8).

Power-based approaches to EU external relations

Any realist accounting of the European Union quickly runs into the problem of the appropriateness of analysing the EU as a single actor on the international stage. The supranational aspects of the EU can quickly come into conflict with the realist tenant of state security and sovereignty, particularly when considering the individual self-interest and capabilities—military and otherwise—of EU member states. While noting the difficulty of pigeon-holing the EU as a single actor in the realm of international relations, this paper builds on the work of the existing scholars that see fit to consider the EU as an individual polity capable of articulating a grand geopolitical strategy towards the aim of securing a dominant market position (Zimmerman 2007; Smith 2011; García 2013; Wagner 2017).

A generically realist framing of EU external relations situates EU trade policy—past and present—within the context of geopolitical and geo-economic considerations. If realist theoretical approaches within the broader context of international relations hold the central assumption that actors are primarily concerned with their own survival within the distribution of power in the international system, then the EU's emphasis on commercial relations with other actors serves the purpose of increasing EU security in an anarchical environment. This is in accord with the neorealist acceptance of collaboration with mixed motives being a form of enhancing security for positional goods, where competition is subject to absolute limitations in supply and prosperity:

> All states cannot simultaneously enjoy a positive trade balance; and if everyone has status, then no one does. Indeed scarcity confers status. Positional competition is therefore zero-sum, in that a gain (loss) for one player becomes a corresponding loss (gain) for the opponent(s) […] even when security is plentiful and there is no aggressor on the horizon, rapid growth will intensify a relative-gains orientation among essentially satisfied states, and so that realist perspective will continue to offer the best explanations of international politics. (Schweller 1999: 28–30)

Because the complex supranational character of the EU as a single actor has thus far demonstrated a limited ability to seek power and security through conventional geopolitical military means,[6] and because the competitiveness of the international economic system has grown enormously in strategic importance, the EU's potential to exert influence and power in the world exists primarily in its economic weight and ability to negotiate single market access that serves its own self-interest with

[6] 'Limited' in the sense of comparing the EU to a standard state actor in the context of military security, and using the example of the Common Defence and Security Policy (CDSP). See here Aggarwal and Fogarty's (2004) discussion of the EU's inconsistency in generating a more 'political' defence policy within the then-named CFSP.

other actors (Aggarwal and Fogarty 2004). The realist/power-based approach thus conceptualises EU security within the setting of international economic competition. This is demonstrated by the EU's efforts to maximise wealth relative to other powers in various settings, such as the emerging economic power of Asia (*ibid.*; Antkiewicz and Momami 2009), the economic weight of the US (Aggarwal and Fogarty 2004; Dür and Zimmerman 2007), in WTO negotiations over the membership of Russia and China (Zimmerman 2007), or in engaging with African countries in the framework of European Partnership Agreements (Farrell 2005).

Power is also understood as the ability of an actor to exercise influence over other actors in the international system. Literature on this topic focuses on the ideational impact of the EU in world affairs, what Manners (2002) terms the 'normative power' of the EU's international identity. The EU's 'normative power' is entirely separate from its military capabilities, and the realms in which the EU exercises its own normative power are largely universal goods, rather than narrower areas of self-interest. Critiques of this construction of EU power include the relative inability of the EU to quell conflict (Diez and Pace 2011), or argue that the assignment of different kinds of power—a seminal example here being Nye's 'soft power' characterisation of the EU, which holds that the EU can effect change through attraction and reputation rather than conventional coercion (Nye 2006)—has limited strategic importance in international conflicts (Hyde-Price 2006). In this respect, the actual power of reputation presents an important chasm between structural realist theories and liberal/ideational theories of international relations: the former holds that attributes considered to reflect normative or 'soft' power are irrelevant if the actor in question does not also possess a significant amount of military and/or economic power, whereas the latter argues that an actor's prestige and capability in defining the norms of an international situation carries a great deal of authority in the complexities of many modern-day international events. Arguably, the narrower focus on EU external *economic* affairs bridges this theoretical divide, in that the strength of the EU single market holds the bulk of power in dominating external economic relations, while the normative power of the EU's example of internal liberalisation carries prestige during the shaping of trade negotiations that work to the EU's competitive advantage.[7]

While the IR neoliberal theoretical perspective's assumption of complex interdependence holds broad explanatory power for the formation of international institutions (such as the EU itself) and international regimes (such as the WTO's GPA), it is less successful at bridging the step between state preferences leading to cooperation and a reliance on transnational relations and the resulting behaviour of the supranational governance of the EU. Both the WTO's GPA and the EU single market provide concrete examples of effective liberal regimes (Keohane 1982, p. 338); but complex interdependence cannot fully account for differential behaviour between the modes of the EU's internal institutional structures and its external governance. The internal bargaining mechanisms with which individual member states articulate their respective positions on issues (trade and otherwise)

[7] See here the recent work on the idea of 'Liberal Power Europe' and its summary of the utility in bridging different parts of foreign policy analyses to do with the EU (Wagner 2017).

comprise a distinctively federal approach to decision-making and process, whereas the power of the EU exhibited in international trade negotiations speaks to the single market's ability to affect other countries' policies and positions through its capacity to manipulate market access (Meunier and Nicolaïdis 2006, p. 907).

The context of international trade negotiations highlights the EU's ability to successfully leverage its own high bargaining power as a single actor, and by doing so, to seek out more security within the global economic marketplace. This is evidenced in multilateral settings such as the WTO, as stated in Meunier and Nicolaïdis (2006, p. 908): 'The key sources of EU trade power have always been the size of its internal market—specifically, the market access that can be bargained away for both foreign direct investors and exporters from the rest of the world—as well as its share of world trade. The attraction of its market leads most World Trade Organization (WTO) members to seek deals with the EU, and increasingly to try to adapt to its standards'. In the context of bilateral trade pacts, the ability of the EU to dominate external relations varies with structures of power and interdependence between the EU and third countries (Lavenex and Schimmelfennig 2009). A power-based explanation stipulates that the EU is competing with other governance providers in the global marketplace. When third countries are either strongly dependent on the EU (as was the case with candidate countries in the Eastern enlargement) or hold a strongly asymmetric balance of power in the EU's favour (as has been the case in all of the EU's free-trade negotiations prior to CETA), the ability of the EU to dominate trade pacts as the cause of both hierarchy and effectiveness is straightforward (*ibid.*). The case of CETA, however, proves more complicated. Although the trade balance between the EU and Canada was asymmetrical, the process provided the first instance of the EU negotiating with a wealthy, established industrial democracy; as well, the liberalisation of public procurement at sub-federal levels of Canadian government was a highly domestically protected industry.

CETA negotiations on public procurement

Going into CETA negotiations, the EU had two aims related to public procurement. The first was the EU's insistence on having access to Canada's procurement market as being a critical part of a trade agreement. The second was the EU's ambition to establish a precedent with this bilateral agreement that would both meet the EU's commercial interests and further the projection of EU power in a global procurement market. A 2012 Policy Department Study from the European Parliament's Committee on International Trade outlines the aims of the EU's stance on international procurement in the context of EU vulnerability to closed markets: 'The EU has also made commitments under the Government Purchasing Agreement (GPA) that are more or less in line with the coverage of the EU Directives. As a consequence it has sought to persuade other WTO members to make equivalent commitments, but with only partial success […] but experience with previous efforts to open markets suggests that genuine competitive

procurement markets requires 'buy in' on the part of key economic and political interests in the country concerned' (European Parliament 2012).

From the beginning of official CETA negotiations in 2009, access to the full Canadian procurement market was a key 'ask' from the EU side: 'Enhanced access to the Canadian public procurement market, including in particular access to the sub-federal levels of procurement, was a major negotiating aim of the EU' (European Parliament 2015). A Canadian House of Commons report from 2012 states: 'The Committee was informed that opening up government procurement markets in Canada, particularly at the provincial, territorial and municipal levels, is one of the priorities for European negotiators. It appears that they will have to gain concessions from Canadian provinces, territories and municipalities for negotiations to succeed'. This 'ask' was pursuant to the EU's role in shaping and furthering the WTO's GPA agenda for its own purposes (Tsarouhas and Ladi 2015), as well as for the purpose of compelling a deeper Canadian commitment to the GPA (Kukucka 2011, p. 40)—both of which served to reinforce the EU's own economic strategy: 'The main reason why the EU was interested in starting CETA negotiations may have been the chance to "test" one of the pillars of its 2006 Global Europe Strategy, namely the goal to include public procurement in new trade agreements' (Hübner et al. 2016, p. 12). The EU's ability to shift Canadian promises on procurement away from 'non-discriminatory' access to 'unconditional access' would thus comprise a critical success of the CETA, and also comprise a successful test of getting procurement aboard in other bilateral agreements (Hübner et al. 2016). The issue of procurement was also related to EU insistence that Canadian provinces be willing to engage and negotiate in CETA talks (Kukucha 2011); when prior efforts toward Canada–EU partnership had collapsed in 2006, the perception from the EU side was that Canadian provinces were to blame (*ibid.*: 131). The EU's insistence upon including procurement in CETA consequently necessitated provincial involvement in negotiations.

The EU's situation in the global public procurement market was that of being one of the most open in the world, but also the most unusual; as other countries have been more reluctant to liberalise their markets to international competition, the EU traded procurement on an uneven playing field and was limited in its own international opportunities (European Commission 2017). This fact left the EU vulnerable to the protected procurement markets of other countries. To reduce this vulnerability, the EU's choices for increasing its own economic security within the global market were geared towards dominating the terms of international procurement rules—reasonable given the size and strength of the single market. This was done through spearheading the terms of the WTO's updated GPA, and through designing bilateral free-trade agreements where procurement favoured the EU's terms. This strategy applies to issues of economic global competition that reach beyond procurement alone: 'The single market involved a fundamental tension: the European market is nested inside a global economy, and rules designed to perfect that single market may generate competitive disadvantage for producers in their interactions outside that market […]. [One mechanism of reconciliation] involved efforts by EU negotiators to transform EU standards into global standards' (Smith 2010, p. 937). Although the precedent of procurement within CETA would

remain a bilateral precedent only, it occurred in the shadow of the then ongoing TTIP negotiations between the EU and the US. EU access to provincial and municipal public contracts in Canada, particularly as Canada is nested in NAFTA, establishes the possibility of a benchmark for future negotiations with the US. A consideration here of relative power is paramount, given the size of the US economy and the size of the US population. The economic leverage the EU had over Canada would be evened out in EU–US negotiations, and the ability to demonstrate successful procurement negotiations in CETA as a precedent for TTIP—particularly as both Canada and the US are obliged in NAFTA—could potentially increase the EU's relative power in TTIP negotiations. This is particularly salient with regard to public procurement given that the balance of power and the size of markets are much more symmetrically matched in TTIP negotiations (Young 2016), and—notably—given the fact that despite the US' membership in the WTO's GPA, many US states refuse to be bound by the GPA provisions on limiting procurement as a tool for domestic support (Trew and Sinclair 2014, p. 28; EurActiv 2016).[8] In this perspective, the negotiation of procurement rules within CETA became not only a market advantage for the EU in terms of being able to bid on Canadian public contracts, but also a possible tool of leverage for ongoing discussions with US trade negotiators. The success of CETA would provide higher bargaining power for the EU in TTIP negotiations, as well as provide an example of open procurement legitimacy that was grounded in legalisation and effectiveness (Lavenex and Schimmelfennig 2009).

The results of CETA negotiations, as evidenced by the finalised legal text of CETA in 2016, indicate that the EU made substantial progress in furthering its agenda on the liberalisation of international public procurement markets. Canada agreed to broad coverage at federal, provincial, and municipal levels—a first for any kind of loosening of restrictions for international access to Canadian municipal purchasing (Global Affairs Canada 2014), and going well beyond what Canada has previously agreed to in both the WTO's GPA and under NAFTA (European Commission 2016d, pp. 12–15). This agreement is particularly noteworthy when considering the volume of protest raised by municipalities and citizens' groups, many of which clouded the perception of CETA as a whole through the focus on procurement (Trew and Sinclair 2014). During negotiations, CETA's provisions on procurement met with widespread local resistance and opposition from communities across Canada (Hübner et al. 2016). Between 2010 and 2013 more than 50 municipalities—including Toronto, Hamilton, Victoria, and Nanaimo—passed motions requesting an exemption for local governments from the CETA procurement restrictions (Trew and Sinclair 2014, p. 26). Conversely, there was an almost complete absence of protest on the EU side towards procurement negotiations within CETA. The results of CETA speak in part to this: the EU's final offer to Canada legally established what was already de facto available to the Canadian businesses and suppliers under the GPA, giving Canadians the same level of access

[8] The EurActiv (2016) article states that 'German MEP Bernd Lange, an SPD lawmaker from the Socialists and Democrats (S&D) group who chairs the committee, said public procurement could turn into a TTIP deal-breaker as negotiators seem stuck in boasting the openness of their own public contracts market'.

to the EU procurement market that EU member states have with one another: 'CETA achieves a very positive result, fully in line with the EU interests and negotiation requests, in respect of public procurement' (European Commission 2016d, p. 12). The exceptions Canada negotiated for itself include (but are not limited to) energy utilities and public transport in Ontario and Quebec, areas of cultural content and Aboriginal content, and procurement related to national defence, along with other province-specific exemptions. In addition, the thresholds for goods, services, and construction tenders for all levels of government are significantly higher than what was found in Canada's AIT (Trew and Sinclair 2014), or is found in the new CFTA (Canadian Free Trade Agreement 2017)—a distinctly different approach to procurement trade liberalisation than the EU's extension of its own single market practices to third countries.

A realist perspective on the external relations of the EU illuminates the acquiescence of Canada towards the inclusion of sub-central procurement in CETA negotiations. Although both polities are geographically large, wealthy, and have high-wage economies, the size and share of the EU market well surpasses the size and share of the Canadian market. For Canada, the EU is the second largest trading partner for imports and exports, after the US, accounting for 9.4% of total trade (Statistics Canada 2015). For the EU, however, Canada represents the 12th trading partner, accounting for approximately only 1.7% of the EU's total external trade in 2014 (European Commission 2016e). This discrepancy in trade share between the two polities points to a great deal of leverage on the EU side.

The inclusion of the MASH sector for the first time in Canadian negotiations on public procurement, despite a complete lack of precedent, and despite the heavy protest from municipalities across the country, offers evidence of the EU's exercise of leverage. For the first time, all municipal government procurement will be covered by an international procurement agreement; according to Province of Ontario officials, the thresholds stipulated in CETA could cover up to 80% of the value of all government procurement in the province (Trew and Sinclair 2014, p. 26). The dominance of the EU in trade negotiations, and the value of the EU as a free-trade partner for Canada, is also evident in the revision of Canada's internal trade agreement among the provinces and territories. The discussions to open up the existing AIT began in December 2014, shortly after the closing of CETA negotiations, with the stated central rationales being that Canadian firms needed to secure the same access to the Canadian market as international firms and that internal Canadian trade ought to be better aligned with Canada's international trade commitments (CFTA General Backgrounder 2017). For the issue of public procurement, the change from AIT to CFTA reflects specific attempts to give Canadian companies the same level of access to sub-federal government contracts across the country (*ibid.*). Of central importance here is timing; the need to update the procurement rules within Canada did not manifest in concrete change until *after* the CETA was conditionally approved by both sides.

For the EU, access to municipal levels of the Canadian procurement market appears to be linked to the EU's position as a leading actor within the WTO's GPA. The EU's role in creating and defining the GPA furthered for itself a position of power within an important international trade sector. Given Canada's 12th position

in trade with the EU, the incentives for the EU to push procurement as a critical negotiating issue were less for reasons of material gain and more for reasons of establishing power in position and expertise for a prominent sector of positional goods. In essence, the EU used CETA as a tool by which to further the WTO's GPA and in doing so, further the EU's own agenda for trade liberalisation:

> The real objective of EU negotiators in the CETA with respect to procurement was not to achieve non-discriminatory access at all levels of government […]. EU negotiators sought 'unconditional access' […]. In this respect, the EU won handily while Canadian firms operating in Europe picked up few new opportunities. In other words, on procurement, Canada made unilateral concessions to the EU that will mostly affect municipal governments and other provincial entities previous excluded from trade deals. (Trew and Sinclair 2014: 25)

The results of CETA negotiations in public procurement to date indicate the power of the EU to set the terms of debate, as well as the EU's use of persuasive norms to affect the process of negotiation through the WTO's regime: 'As far as the "rules" part of Government Procurement in CETA is concerned (for example the rules governing the procurement procedures, transparency and information, eligibility, administrative and judicial remedies), the text is based on provisions derived from the GPA' (European Commission 2016d: 13). While the WTO's GPA did indeed serve the purpose of fostering a convergence of expectations through the creation of a voluntary, plurilateral agreement narrowly focused on procurement, and set the broad possible conditions for successful cooperation through establishing rules and monitoring systems, the EU's use of this regime in CETA served its own material interests through furthering reciprocity with a known, trusted actor: one that had already demonstrated its surface commitment to trade liberalisation by being a member of the WTO's GPA was asymmetrically matched to the strength of the EU market, and that could likely be persuaded to change its domestic stance on procurement trade because of the potential gain in positional goods on the world market. The explanatory strength of the realist perspective on CETA lies in the initial EU insistence on access to all levels of the Canadian procurement market in the face of strong opposition from Canadian negotiators, and in explaining the willingness of Canadian negotiators to liberalise Canadian procurement to an unprecedented extent in a preferential trade agreement when public opposition was so strong. Whereas a liberal approach aptly summarises the formation of the WTO or the process of international cooperation between two like-minded polities, and idea-based theories highlight the persuasive and reputational powers of the EU in setting the conditions for trade negotiations, neither offers a full explanation for how Canadian domestic interests could come around to the procurement chapter put forth in CETA, or how the protest of many major Canadian municipalities was disregarded. The EU's dominance in the area of trade liberalisation, as established by the expertise of EU's single market, provided the stability to maintain the WTO's GPA regime along EU preferences. Also, the EU's share of power in the international system provided the impetus for the EU to assert procurement as a necessary component of CETA bargaining, through its relative power position in the

WTO. Lastly, Canada's acquiescence to a new procurement agreement speaks to Canada's own concerns with relative power and positional goods within transatlantic dynamics and Canadian concerns about economic security within changing international markets. Taken together, CETA provisions on public procurement illustrate the competitive power dynamics at work in transatlantic economic negotiations.

Conclusion

The CETA negotiations between Canada and the EU on the issue of public procurement illustrate the ability of the EU to be an intentionally dominant actor in the realm of trade liberalisation through its own example of single market integration and through its leverage in the WTO agreements. The process of negotiations during CETA, whereby Canada conceded the liberalisation of the MASH sector for the first time to an international actor, setting a powerful precedent in the face of strong domestic opposition, demonstrates the EU's role as a dominant power broker within the international procurement liberalisation regime. The results of CETA—based on the final legal text—illustrate the EU's potential to assert power through furthering its own interests related to economic security in the narrow policy issue of procurement liberalisation as well as its broader interest to occupy a dominant role in the sphere of international trade. The EU's ability to shape the WTO's GPA, and to use its own leverage in trade negotiations to then further develop the GPA, speaks directly to its own self-interest.

There are several implications for further research that stem from these conclusions—many of which depend on the course of events that are still to unfold in the finalisation of CETA and on whether or not TTIP negotiations continue under the new US administration. First, the inclusion and emphasis on public procurement in CETA suggests that procurement could become the new frontier of trade liberalisation. The new precedent set in Canada points to this possibility. Should CETA be successfully ratified and implemented, the developments that unfold in the area of procurement—through actual bids, legal challenges, and specific sectoral precedents—will continue to provide powerful examples for how this area of trade liberalisation may spread to other parts of the world. Second, the theoretical implication that the EU is both capable and willing of asserting realist power preferences within trade and economic liberalisation is worth developing both for debates over regime theories as well as for research on the goals of the EU and its members within the international context. Third, CETA provides a direct referent for any possible continuation of TTIP negotiations. The US, although a dominant actor that is well-matched to challenge the EU on trade negotiations, is also a large, decentralised federation, with little demonstrated willingness towards the liberalisation of public procurement within its own economic union *and* outward in free-trade negotiations. The course of TTIP negotiations on this particular issue will inform the ability of the EU to firmly occupy its tentative role as a dominant actor within the area of trade liberalisation. Last, public procurement lends itself to ongoing research on the quality and character of federalism. Single markets or

domestic economic unions, when analysed comparatively between the EU and other federations, contribute to policy discussions on the balance between market integration and local support.

Acknowledgements This paper was originally prepared for and presented at the European Community Studies Association Canada (ECSA-C) meeting in Halifax in May 2016. The author is indebted to the comments of the conference discussants and the journal's anonymous referees. This work was supported by a postdoctoral position within a Social Sciences and Humanities Research Council (SSHRC) of Canada Insight Grant supervised by Dr Amy Verdun (grant number 435-2015-0943).

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