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COVER NOTE

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To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
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Subject:	Recommendation for a COUNCIL DECISION authorising the opening of negotiations for a digital trade agreement with Canada

Delegations will find attached document COM(2025) 480 final.

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Recommendation for a

COUNCIL DECISION

authorising the opening of negotiations for a digital trade agreement with Canada

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

The digitalisation of the economy changes the scale, scope and speed of international trade. It allows businesses to reach and sell goods and services to a larger number of customers around the world and greatly enhance consumer's choice. It also allows businesses to use new and innovative digital tools to overcome barriers to growth. In particular small and medium enterprises (SMEs) benefit from these opportunities and can become more integrated in global value chains.

Trade in goods and services enabled by electronic means ('digital trade'¹) is growing in importance on a global scale. Digital trade encompasses both the physical delivery of goods and services the purchase of which is enabled digitally (such as the purchase of a book through an internet platform) as well as the digital delivery of goods and services (such as software, e-books or data flows), involving both business-to-business and business-to-consumer transactions. It has been estimated that in 2022 the global value of e-commerce reached EUR 22.84 trillion, an increase of 10% from 2021, which represented about 30% of the global Gross Domestic Product (GDP).²

There is a growing number of national rules regulating the digital economy that may either inadvertently or purposefully result in unjustified barriers to digital trade. In order to improve legal certainty for business and to facilitate digital trade, countries around the world have sought to establish digital trade rules. In July 2024, more than 90 Members of the World Trade Organisation (WTO) successfully concluded negotiations for a plurilateral Agreement on Electronic Commerce.³ Once integrated in the WTO legal framework, this agreement will represent a first set of global rules on digital trade. In recent years, an increasing number of regional and bilateral agreements on digital trade have also been developed.⁴ In addition to Free Trade Agreements including comprehensive rules on digital trade, such as those with the United Kingdom, Chile, and New Zealand⁵, the EU has also pursued and signed a Digital Trade Agreement (DTA) with Singapore and has concluded negotiations for a similar DTA with the Republic of Korea ('Korea').⁶

The bilateral trade relations between the EU and Canada have been liberalised and enhanced through the Comprehensive Economic and Trade Agreement (CETA), which has been

¹ Internationally often used interchangeably with 'e-commerce'.

² UNCTAD. Business e-commerce sales and the role of online platforms. [Business e-commerce sales and the role of online platforms - UNCTAD Technical notes on ICT for development | No. 1](#) - \$27 trillion with an average USD/EUR exchange rate of 0.8459 EUR in 2021.

³ World Trade Organization. "Joint Statement Initiative on E-Commerce." [WTO | Joint Statement Initiative on E-Commerce](#)

⁴ In June 2020, Singapore, Chile and New Zealand signed a Digital Economy Partnership Agreement (DEPA) with Chile and New Zealand. Korea requested to participate in DEPA in September 2021, China requested to participate in October 2021 and Canada in May 2022. See for instance also the Singapore-Australia Digital Economy Agreement (entered into force in December 2020), the Singapore-UK Digital Economy Agreement (entered into force in June 2022) and the Singapore-Korea Digital Partnership Agreement (signed on 21 November 2022).

⁵ Trade and cooperation agreement between the European Union and the European Atomic Energy Community, of the one part, and the United Kingdom of Great Britain and Northern Ireland, of the other part, OJ L 149, 30.4.2021, p 10–2539; *European Commission, EU-Chile: Text of the Agreement*, <https://policy.trade.ec.europa.eu>, *European Commission, EU-New-Zealand: Text of the Agreement*, <https://policy.trade.ec.europa.eu/>

⁶ COM(2023) 230 final 9 (14.04.2023).

provisionally applied since 2017.⁷ In November 2023, the EU and Canada further strengthened their relationship as strategic and like-minded partners in the digital field by launching an EU-Canada Digital Partnership, providing a framework for regulatory cooperation on digital policies in key areas of mutual interest. The EU and Canada also closely cooperate in the context of the G7, where in October 2021 they endorsed the G7 Digital Trade Principles⁸, demonstrating their joint commitment to an open, fair and secure digital economy.

On this basis, the EU and Canada share a deep and dynamic economic relationship. For the EU, Canada ranks as the 12th most significant trading partner, while the EU stands as Canada's 2nd largest trading partner. Although CETA is a comprehensive FTA that provides for substantial commitments for trade in goods and services between the parties, it does not provide for comprehensive rules on digital trade, as the EU did not propose such rules in this regard to its negotiating partners at the time of the negotiations of this FTA. The EU has since then developed further rules on digital trade that apply to its bilateral relations with several trading partners, including with the United Kingdom, Chile, New Zealand, Singapore, and Korea. The lack of modern rules on digital trade has also been identified as a shortcoming in the study supporting the ex-post evaluation of CETA in relation to its e-commerce chapter.⁹

Negotiating digital trade rules with Canada presents substantial potential to create new opportunities for EU businesses and consumers, particularly by facilitating the operation of micro, small, and medium enterprises (SMEs) and enhancing consumer trust in the online environment. In 2024, Canada was the 13th in the IMD World Digital Competitiveness ranking.¹⁰ Additionally, the annual trade in goods and services between the EU and Canada was valued at over EUR 75.6 billion.¹¹

Negotiating a binding DTA to deepen the EU-Canada economic relationship could significantly enhance bilateral cooperation in the digital economy. Already playing a substantial role, EU-Canada trade in digitally delivered services amounts to bilateral exports and imports of EUR 9.9 billion and EUR 8.4 billion, respectively.¹² Successfully negotiating digital trade rules would enhance trust and provide for legal certainty to connect the EU and Canada's digital economies.

By negotiating a binding DTA, the EU and Canada can further solidify their positions as pioneers in the digital economy, ensuring mutual growth, long-term competitiveness and economic security in an increasingly connected global landscape.

⁷ Council Decision (EU) 2017/38 of 28 October 2016 on the provisional application of the Comprehensive Economic and Trade Agreement (CETA) between Canada, of the one part, and the European Union and its Member States, of the other part, OJ L 11, 14.1.2017, p. 1080, ELI: <http://data.europa.eu/eli/dec/2017/38/oj>

⁸ G7 Trade Ministers' Digital Trade Principles, <https://www.gov.uk/government/news/g7-trade-ministers-digital-trade-principles>

⁹ Study in support of an ex-post evaluation of CETA - Final Report, <https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/9af74247-45cc-449b-bd75-8b3557f3508c/details>

¹⁰ Results of the 2024 ranking of IMD World Digital Competitiveness. [World Digital Ranking Results - IMD business school for management and leadership courses](#)

¹¹ Council of the European Union. EU-Canada trade: facts and figures. [EU-Canada trade: facts and figures - Consilium](#)

¹² Study in support of an ex-post evaluation of CETA - Final Report, <https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/9af74247-45cc-449b-bd75-8b3557f3508c/details>

- **Consistency with existing policy provisions in the policy area**

The initiative builds on the Treaty on the European Union (TEU) that provides that the EU should ‘encourage the integration of all countries into the world economy, including through the progressive abolition of restrictions on international trade’.

The initiative is consistent with the Commission’s Trade policy review of February 2021, which announces the intention to step up bilateral engagement and explore for cooperation on trade-related digital issues with like-minded partners stronger frameworks and to deepen its regulatory dialogues with like-minded partners.¹³

Additionally, it is consistent with the EU Competitiveness Compass, which outlines strategies to diversify and fortify supply chains by developing a new range of clean trade and investment partnerships.¹⁴

It also aligns with the EU’s Economic Security Strategy, which emphasises the need to strengthen cooperation with likeminded partners worldwide, both bilaterally and multilaterally.¹⁵

The initiative is consistent with the International Digital Strategy that states that the ongoing global competition for technological supremacy, no individual nation excels in every aspect of the tech value chain. The landscape is constantly evolving due to innovation and competition. Therefore, international collaboration and trade with key partners and allies, alongside effective diversification and risk management strategies, are essential to advancing the EU’s technology and digital objectives.¹⁶

It is consistent with and complements CETA, which already enhanced and liberalised bilateral trade relations between the European Union and Canada, but which does not provide for comprehensive rules on digital trade. At the EU-Canada Summit on 23 June 2025, the European Union and Canada agreed to modernise their approach to trade by launching work towards a Digital Trade Agreement that would complement CETA.¹⁷

The EU systematically puts forward ambitious regulatory disciplines on digital trade in its free trade negotiations. The negotiating directives proposed follow a consistent approach as the EU pursued for its recent DTA negotiations with Singapore and Korea.¹⁸ Similarly, the negotiating directives proposed follow the approach pursued for FTA negotiations, including as most recently concluded with the United Kingdom in the EU-UK Trade and Cooperation Agreement, with Chile in the EU-Chile Advanced Framework Agreement, and with New Zealand for the EU-New Zealand FTA.

The proposal is consistent with and builds on the Digital Partnership with Canada, which provides a non-binding framework for regulatory cooperation on digital matters and research cooperation on digital matters as well as joint projects of digital infrastructure.

¹³ COM(2021) 66 final (18.2.2021).

¹⁴ European Commission. Competitiveness compass. [Competitiveness compass - European Commission](#)

¹⁵ JOIN(2023) 20 final (20.06.2023).

¹⁶ ARES(2025)3716570 (07.05.2025).

¹⁷ European Commission. [Joint Statement following the European Union - Canada 2025 Summit: Enduring Partnership, Ambitious Agenda.](#)

¹⁸ COM(2023) 230 final 9 (14.04.2023).

The proposal is also consistent with and builds on the G7 Digital Trade Principles that emphasise the importance of fostering an open, fair, and secure digital economy that supports innovation and growth.

Finally, the proposal is consistent with the outcome of the concluded negotiations on a plurilateral Agreement on Electronic Commerce.

- **Consistency with other Union policies**

The negotiating directives build on, and are fully in line with, the EU's internal market legislation in the area of digital trade. The proposed negotiating directives also confirm that any rule or commitment agreed upon by the EU should be in line with the EU legal framework and should preserve the policy space required to implement EU legislation. They are consistent with the Declaration on European digital rights and principles, signed by the European Parliament, the Council, and the European Commission on 15 December 2022, which the EU aims to promote in its international trade relations.¹⁹ This is aligned with the objectives set out by the EU's International Digital Strategy to guide Europe's digital transformation globally.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Procedural legal basis**

The procedural legal basis for the proposed decision to authorise the opening of negotiations of the envisaged agreement is Article 218(3) and (4) TFEU.

Article 218(3) of the Treaty on the Functioning of the European Union (TFEU) provides that, where the agreement envisaged does not relate exclusively or principally to the common foreign and security policy, the Commission shall submit recommendations to the Council. The Council shall adopt a decision authorising the opening of the negotiations and nominating the Union negotiator or the head of the Union's negotiating team.

Article 218(4) TFEU provides that the Council may address negotiating directives to the negotiator and designate a special committee in consultation with which the negotiations must be conducted.

The Commission recommends to open negotiations between the European Union and Canada for an international agreement relating to digital trade. The Commission is to be nominated as negotiator.

- **Substantive legal basis**

This act falls within the common commercial policy and hence the substantive legal basis is the first subparagraph of 207(4) TFEU.

- **Choice of negotiator**

Given that the agreement envisaged exclusively covers matters other than the common foreign and security policy, the Commission must be designated as the negotiator pursuant to Article 218(3) TFEU.

- **Union competence**

This act falls within the common commercial policy under Article 207 TFEU. It therefore falls within the exclusive competence of the Union in accordance with Article 3(1) TFEU.

¹⁹ European Declaration on Digital Rights and Principles for the Digital Decade 2023/C 23/01, OJ C 23, 23.1.2023, p. 1-7.

- **Subsidiarity (for non-exclusive competence)**

According to Article 5(3) of the TEU, the subsidiarity principle does not apply in areas of exclusive EU competence. The common commercial policy is an area of exclusive competence of the Union under Article 3(1) of the TFEU.

- **Proportionality**

This initiative does not go beyond what is necessary to achieve the policy objectives at stake.

- **Choice of the instrument**

This recommendation for a Council decision is submitted in accordance with paragraphs 3 and 4 of Article 218 TFEU, which envisage the adoption by the Council of a decision authorising the opening of negotiations and nominating the Union negotiator. The Council may also address negotiating directives to the negotiator. There exists no other legal instrument that could be used in order to achieve the objective expressed in this recommendation.

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

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

The findings in the study supporting the ex-post evaluation of CETA, published in June 2025, show that CETA's e-commerce chapter is limited in scope and has not kept up with evolving EU policies, rendering its provisions outdated and less comprehensive than those in more recent agreements.²⁰ Recent EU agreements, including most recently Digital Trade Agreements with Singapore and Korea, present significant commitments that surpass those found in CETA. These agreements encompass various aspects, including cross-border data flows, privacy and personal data protection, customs duties on electronic transmissions, online consumer trust, unsolicited marketing communications, open government data, and regulatory cooperation on digital trade, reflecting broader coverage and stronger commitments. Stakeholders have pointed out this gap as a critical area needing urgent improvement. Similarly, the WTO Joint Statement Initiative on e-Commerce, for which negotiations were concluded in July 2024 and endorsed by both the EU and Canada, further emphasises the gap between CETA's provisions and rising global digital trade standards.

- **Stakeholder consultations**

The proposal builds upon the insights gathered during the ex-post evaluation of the CETA, where stakeholders provided valuable feedback on the effectiveness, efficiency, relevance, and coherence of the agreement. This evaluation process included a Call for Evidence published in March 2024, ensuring a thorough assessment of bilateral commitments on digital trade.

Stakeholders have already been actively engaged through various channels in this context, such as civil society dialogues in 2024 and 2025, a comprehensive 12-week online public consultation available to stakeholders in both the EU and Canada, and a targeted online survey aimed at business users, including SMEs. Additionally, interviews with selected stakeholders have been conducted to capture specific experiences related to digital trade.

²⁰ Study in support of an ex-post evaluation of CETA - Final Report, <https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/9af74247-45cc-449b-bd75-8b3557f3508c/details>

Through these consultations, stakeholders have had opportunities to voice their perspectives, ensuring that the Commission's approach aligns with the collective interests and needs of both EU and Canadian entities. This consultative process underscores the collaborative nature of trade policy development and reflects the commitment to drawing from a comprehensive stakeholder perspective in a transparent and participatory manner.

- **Collection and use of expertise**

Not applicable.

- **Impact assessment**

The context on EU-Canada bilateral relations in digital trade is provided in the staff working document on the CETA ex post evaluation. An impact assessment has not been performed for the initiative due to the difficulty in measuring its economic impact compared to the existing situation. Given that the digital trade framework will build upon the already established and liberalised trade relations under the existing agreements, this initiative mainly serves to enhance legal certainty for digital trade operators. Furthermore, the scope for alternative approaches is limited, as the intended negotiation disciplines align closely with those already established in the EU's FTAs with the United Kingdom, Chile, and New Zealand, Digital Trade Agreements with Singapore and Korea, and the WTO Agreement on Electronic Commerce.

The initiative does not include an implementation plan at this stage, as the specifics will only be clear upon conclusion of the negotiations.

- **Regulatory fitness and simplification**

Not applicable.

- **Fundamental rights**

The initiative fully respects the Charter of Fundamental Rights of the European Union, and in particular Article 8 on the protection of personal data.

4. BUDGETARY IMPLICATIONS

The initiative does not have budgetary implications.

5. OTHER ELEMENTS

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

Not applicable.

- **Explanatory documents (for directives)**

Not applicable.

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

The provisions aim to recommend the adoption by the Council of a decision authorising the opening of negotiations and nominating the Union negotiator. The Council may address directives to the negotiator.

Recommendation for a

COUNCIL DECISION

authorising the opening of negotiations for a digital trade agreement with Canada

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular the first subparagraph of Article 207(4), in conjunction with Article 218(3) and (4) thereof,

Having regard to the recommendation from the European Commission,

Whereas:

- (1) The European Union and Canada have a deep and dynamic economic relationship. Canada is a significant trading and close strategic partner of the European Union. The European Union Free Trade Agreement with Canada has been in force provisionally since 2017. This Free Trade Agreement provides for substantial commitment for trade in goods and services between the parties, but does not include comprehensive rules on digital trade.
- (2) In October 2021, the European Union and Canada jointly endorsed the G7 Digital Trade Principles within the G7 framework, and further deepened their cooperation by launching a Digital Partnership in November 2023.
- (3) In June 2025, at the occasion of the EU-Canada Summit, the European Union and Canada agreed to modernise their approach to trade by launching work towards a Digital Trade Agreement that would complement the European Union Free Trade Agreement with Canada.
- (4) The European Union has successfully incorporated digital trade rules in several bilateral free trade agreements with third countries, as well as Digital Trade Agreements with Singapore and Korea. Furthermore, the negotiations on a plurilateral Agreement on Electronic Commerce in the WTO were completed in July 2024 and the efforts are ongoing to incorporate this agreement into the WTO legal framework. Therefore, it is appropriate to authorise the Commission to open negotiations on binding digital trade disciplines that are coherent with these agreements and pursue the same objectives that the European Union intends to achieve in the ongoing negotiations,

HAS ADOPTED THIS DECISION:

Article 1

1. The Commission is hereby authorised to open negotiations, on behalf of the Union, on a digital trade agreement with Canada.
2. The negotiations shall be conducted on the basis of the negotiating directives of the Council set out in the Annex to this Decision.

Article 2

The Commission is hereby nominated as the Union negotiator.

Article 3

The negotiations shall be conducted in consultation with the special committee provided for in the third subparagraph of Article 207(3) TFEU.

Article 4

This Decision is addressed to the Commission.

Done at Brussels,

*For the Council
The President*