Canada Reaches Historic Trade Agreement with the European Union

18 October, 2013
Brussels, Belgium

Prime Minister Stephen Harper today announced that Canada and the European Union (EU) have reached an agreement in principle on a comprehensive trade agreement that will significantly boost trade and investment ties between the two partners, and create jobs and opportunities for Canadians.

This is the biggest, most ambitious trade agreement that Canada has ever reached. It covers most aspects of the Canada-EU bilateral economic relationship, including trade in goods and services, investment, and government procurement. It also grants the flexibility to include areas of mutual interest beyond those that have traditionally been included in Canada's trade agreements, such as regulatory cooperation.

“This trade agreement is an historic win for Canada,” said Prime Minister Harper. “It represents thousands of new jobs for Canadians, and a half-billion new customers for Canadian businesses.”

The Agreement will provide Canada with preferential market access to the European Union’s more than 500 million consumers. Canadian workers in every region of the country - including in sectors such as fish and seafood; chemicals and plastics; metal and mineral products; technology; forestry and value-added wood products; automotive; advanced manufacturing; and agriculture and agri-food - stand to benefit significantly from increased access to this lucrative 28 country market which currently generates $17 trillion in annual economic activity.

The elimination of approximately 98 per cent of all EU tariff lines on the first day of when the Agreement comes into force will translate into increased profits and market opportunities for Canadian businesses of all sizes, in every part of the country. For example, the elimination of EU tariffs in the agricultural sector and the fish and seafood sector will mean that lobster fishermen in the Maritimes, maple syrup producers in Québec, apple growers in Ontario, grain producers in the prairies, cherry growers in British Columbia and arctic char farmers in the Yukon who export to the EU will see their bottom lines improve.

The trade negotiations with the European Union on the Comprehensive Economic and Trade Agreement are the most transparent and collaborative trade negotiations Canada has ever conducted. From the outset, provinces and territories have been active participants, and municipalities and stakeholders from across the country from a variety of sectors have been consulted regularly. Input from the general public has also been sought, including as early as December 20, 2008, in the Canada Gazette. Foreign Affairs, Trade and Development Canada’s website has also been open to consultations from Canadians at all times throughout the negotiations.

“Businesses, provinces and territories have been crucial partners in reaching this point in the negotiation,” added the Prime Minister. “That is why we have been able to deliver on our commitment to reach an agreement that is in the best interest of Canadians.”

Now that an agreement in principle has been reached, both parties will seek to conclude the formal agreement and undertake a legal review of the document. Once the final agreement is signed, it will then need to be ratified by respective parliaments.

Backgrounder - Partnerships and Consultations to Date

The Canada-European Union (EU) Comprehensive Economic and Trade Agreement (CETA) negotiations are the most ambitious, transparent and inclusive in Canada's history. The Government of Canada committed to keeping Canadians informed throughout the process and to consulting as extensively as possible with key stakeholders to ensure that an agreement would create jobs for Canadian workers in every region of the country, and protect and strengthen the financial security of hardworking Canadian families.

A Historic Partnership with Provinces and Territories

From the beginning, the Government of Canada worked to ensure that an agreement-in-principle with the EU would serve the interests of all provinces and territories, as well as the broader interests of the Canadian economy. To this end, the provinces and territories have been engaged throughout the negotiations – even before they began. Federal, provincial and territorial governments have all recognized the benefits that an agreement would bring to every region of Canada, as demonstrated in a joint release in February 2012 by stating that "there is no more important Canadian trade negotiating priority today than the Canada-European Union Comprehensive Economic and Trade Agreement."

Consultations with Canadians

Prior to the launch of the negotiations, a notice was published in the December 20, 2008, Canada Gazette seeking Canadians' input on the possibility of negotiating a trade agreement with the EU. Foreign Affairs, Trade and Development Canada (DFATD) has also been open to consultations with Canadians at all times throughout the negotiation process via their website and through official correspondence.

Consultations with Municipalities

From the beginning, municipalities and municipal sector leaders, including those from the Federation of Canadian Municipalities (FCM), have been consulted on numerous occasions by Ed Fast, Minister of International Trade, Gerald Keddy, former Parliamentary Secretary, and DFATD officials, including Chief Trade Negotiator Steve Verheul. They have been kept informed on the status of the negotiations and have had the opportunity to provide their views.

Consultations with Key Stakeholders (Canadian industry, workers and small businesses)

Canadian officials held hundreds of meetings with stakeholders to consult on all aspects of the negotiations, both on broad direction and specific technical issues. Ed Fast, Minister of International Trade, Gerald Keddy, former Parliamentary Secretary, Steve Verheul, Chief Trade Negotiator, and other DFATD officials held extensive consultations with Canadian workers, small businesses, civil society groups and other stakeholders to provide updates and hear their views.

Mr. Verheul also held regular teleconferences with Canadian industry and civil society groups, usually after meeting with the EU. The teleconferences provided an opportunity for the Chief Trade Negotiator to give updates on the status of the negotiations and to solicit input and views on them.

Consultations with Parliamentarians

Minister Fast and Mr. Verheul made several presentations to Parliament through various House of Commons committees, including: the Standing Committee on International Trade (7 times); the Standing Committee on Canadian Heritage (twice); and the Standing Committee on Agriculture and Agri-Food (once). Additionally, the Government Response to the First Report of the Standing

Committee on International Trade Negotiations Toward a CETA Between Canada and the European Union was tabled on June 20, 2012.

Backgrounder - Summary of CETA Benefits

The Government of Canada's top priority is to create jobs and opportunities for Canadians in every region of the country. A key part of this goal is ensuring that Canadian businesses and investors have the market access they need to be globally competitive and prosperous.

To this end, on October 18, 2013, Prime Minister Stephen Harper announced that Canada and the European Union (EU) have reached an agreement in principle on a Comprehensive Economic and Trade Agreement (CETA) which will significantly boost commercial ties between the two partners, and create jobs and long-term economic growth and prosperity.

The Agreement will provide Canada with preferential market access to the EU's more than 500 million consumers and to its annual $17 trillion in economic activity. In fact, a joint **study** conducted with the European Union, which supported the launch of negotiations, concluded that an agreement could boost Canada's income by $12 billion annually and bilateral trade by 20 per cent. That's equivalent to creating almost 80,000 new jobs or increasing the average Canadian family's annual income by $1,000.

Benefits by Sector (all figures 2012)

Canadian workers in sectors across every region of the country stand to significantly benefit from increased access to this lucrative 28 member state market. Some of the sectors that stand to gain the most include:

Advanced manufacturing

Canada is a world leader in the research, innovation and production of a broad range of manufactured products, including: industrial and power-generating machinery; aerospace and rail products; agricultural and construction equipment; medical devices; and scientific and precision instruments. This industry employed almost 419,000 Canadians and contributed $42.2 billion to Canada's gross domestic product (GDP) in 2012.

Canadian exports of manufactured products to the EU are led by aerospace and rail products, machinery and equipment, medical devices, and scientific and precision instruments. These exports of advanced manufacturing products to the EU face tariffs reaching as high as 22 per cent on some products.

Upon entry into force, the Comprehensive Economic and Trade Agreement will eliminate the vast majority of existing EU tariffs on advanced manufactured products, including those on electrical parts and equipment (as high as 14 per cent) and medical devices (as high as 8 per cent). From aerospace and auto parts centres of excellence in Ontario and Québec, to agriculture machinery and equipment in Saskatchewan, to extractive machinery in Newfoundland, manufacturing industry workers across Canada will reap the benefits of new market access achieved under the Agreement.

Automotive industry

The automotive sector is a key driver of Canada's economy and employs more than 115,000 highly skilled Canadians across the country. The Canadian auto industry is highly dependent on trade, with around 85 per cent of auto production exported every year. CETA provides historic new market access opportunities for the automotive sector and will allow significant increases of exports to

Europe. The removal of tariffs along with flexible rules of origin will benefit vehicle and auto parts producers alike.

For passenger vehicles, the EU's 10 per cent tariff will be eliminated, providing Canada's auto makers with a competitive advantage in the EU market that few other countries have.
CETA will also benefit Canada's lucrative auto parts sector, not only because the sector will be incorporated into the Agreement, but also because CETA will eliminate EU tariffs on auto parts, which run up to 4.5 per cent. This means that Canadian auto parts producers will have an important advantage over competitors in other countries.

In addition, CETA includes rules of origin which reflect Canada's place within the integrated North American automotive industry. These provisions are designed to work with Canada's existing supply chains and allow for up to 100,000 passenger vehicles to be exported to Europe, a twelve-and-a-half fold increase from our current average exports. At the same time, CETA encourages "made in Canada" production by granting unlimited preferential treatment to vehicles with higher Canadian content that are exported to Europe.

Finally, CETA includes forward looking provisions that allow for the adjustment of the rules of origin to provide additional flexibility in the event that the EU strikes free trade deals with other countries, such as the United States. Taken together, the CETA rules of origin give Canadian producers the opportunity to export to the EU market on a preferential basis now and in the years to come.

Chemicals and plastics

Canada has a thriving, multi-billion dollar chemicals and plastics industry. This industry employed close to 110,000 Canadians in 2012 and contributed $12.4 billion to the Canadian economy. The industry produces inorganic and organic chemicals, as well as resins and plastic packaging and is highly export oriented, with 55 per cent of production exported abroad.

Canadian exports of chemicals and plastics to the EU were worth an average of $2 billion per year between 2010 and 2012. These exports face average tariffs of 4.9 per cent, with peaks of 6.5 per cent.

Upon entry into force, CETA will immediately eliminate existing EU tariffs on all chemicals and plastics including: plastic floor coverings (from 6.5 per cent); chemicals used in photography (from 6 per cent); and silicon (from 5.5 per cent). Whether employed in Ontario - the hub of Canada's plastics industry - or at leading edge petrochemical facilities in Alberta and New Brunswick, workers across Canada in the chemicals and plastics industry will benefit from new market opportunities as a result of CETA.

Agriculture and agri-food

Canada's agriculture and agri-food sector employed more than 585,000 Canadians in 2012, accounting for almost 3 per cent of Canada's GDP.

Canada's agricultural exports to the EU were an annual average of $2.5 billion between 2010 and 2012, led by wheat (durum and common), soybeans and other oilseeds, and canola oil. Canada is interested in expanding exports of these and a wide variety of products, including meats, grains and oilseeds, fruits and vegetables, and processed foods. Canadian agricultural exports to the EU face high tariff rates, with average EU agriculture tariffs of 13.9 per cent.

Upon entry into force, almost 94 per cent of EU agricultural tariff lines will be duty-free, including durum wheat (up to $190 per ton), other wheat (up to $122 per ton), and oils, including canola oil (3.2 per cent - 9.6 per cent). These and other tariff reductions in the agriculture and agri-food sector will be of greatest benefit to Alberta, Saskatchewan, Manitoba, Ontario and Québec.

Food processing

Transforming agricultural commodities into food and beverages is an important part of Canada's agriculture and agri-food industry, and a key manufacturing sub-sector. In 2012, the food processing industry contributed $26.5 billion to Canada's GDP. Canadian processors across the country transform primary agricultural goods into value-added products that are consumed, sold, and enjoyed around the world. Between 2010 and 2012, Canadian exports of manufactured food and beverages to the EU averaged $536.0 million.

Other processed foods face tariffs that are applied based on the quantity of certain ingredients used in the final product. CETA will immediately eliminate existing EU tariffs on processed foods and beverages, making these world class items more competitive and creating the conditions for increased sales into the EU.

Forest and value-added wood products

Canada is the world's leading exporter of softwood lumber, newsprint and wood pulp, and the fifth largest exporter of wood panels. The industry represents a significant component of the Canadian economy, contributing $20.2 billion to Canada's GDP in 2012 and employing roughly 235,000 Canadians.

From 2010 to 2012, Canadian exports of forest products to the EU were worth an average of $1.2 billion annually. These exports face average tariffs of 1.2 per cent, with peaks of 10 per cent.

Upon entry into force, CETA will immediately eliminate existing tariffs on all forest products, including those on plywood (7 per cent -10 per cent), prefabricated wooded buildings (2.7 per cent), and particle board and oriented strand board panels (7 per cent). These and other tariff reductions in the forest products sector will be of greatest benefit to British Columbia, Alberta, Manitoba, Ontario, Québec, Nova Scotia and New Brunswick.

Metals and mineral products

Canada is a global giant in mineral exploration and mining, producing more than 60 minerals and metals in country, and operating in 100 nations around the world. The metal and minerals industry contributed close to $144.1 billion to Canada's GDP in 2012 and employed more than 387,000 Canadians.

Canada exported $20.4 billion worth of metals and mineral products to the EU on an average annual basis between 2010 and 2012, led by precious gems and metals. Key exports include gold, nickel, diamonds, aluminum, and iron ore.

Upon entry into force, CETA will eliminate existing EU tariffs on metals and mineral products. Eliminated tariffs include iron and steel, and the products that are made from them (as high as 7 per cent). Mineral production or processing takes place in every region of Canada. CETA will secure a competitive edge for the industry that will benefit both urban and rural workers from coast to coast, including those in many Aboriginal communities and in the Yukon, Nunavut and Northwest Territories.

Fish and seafood products

Canada has one of the world's most valuable commercial fishing industries, which contributed more than $2.2 billion to Canada's GDP in 2012 and provided some 41,000 jobs to Canadians. Canada's fish and seafood exports to the EU were worth an average of $400 million per year between 2010 and 2012. These exports face average EU tariffs of 11 per cent, with peaks of 25 per cent.

Upon entry into force, almost 96 per cent of EU tariff lines for fish and seafood products will be duty-free. 100 per cent of these tariff lines will be duty-free 7 years later, making these world class products more competitive and creating the conditions for increased sales. For example, CETA will eliminate tariffs on cooked and peeled shrimp (20 per cent), live lobster (8 per cent), frozen lobster (6 per cent -16 per cent) and frozen scallops (8 per cent). These and other tariff reductions in the fish and seafood sector will be of greatest benefit to Newfoundland and Labrador, Nova Scotia, New Brunswick, Prince Edward Island and British Columbia.

Information and communications technology (ICT)

Canada's ICT industry includes leaders in every sector, including from the manufacturing of telecommunications equipment, software development and services, digital media, web, and microelectronics. The sector, which consists mainly of small companies, contributed $8.3 billion to Canada's GDP in 2012 and employed roughly 86,500 Canadians.

Canadian exports of ICT products to the EU were worth an average of $1.7 billion annually between 2010 and 2012. These exports faced an average tariff of 1 per cent, with tariffs rising to as high as 14 per cent on certain products.

Upon entry into force, CETA will immediately eliminate all existing EU tariffs on ICT products, including parts for visual signalling equipment (from 2.2 per cent) and optical fibre cables (from 2.9 per cent). With its diversified software, wireless and digital-media clusters found in almost every region of the country - from British Columbia to Newfoundland and Labrador - the ICT industry, its innovative companies and knowledge workers across Canada will benefit from the new market access secured under CETA.

Services

Service industries are vital to the Canadian economy. Canada is one of the largest services exporters in the world and has significant expertise in a wide range of fields. These include: management services; computer and information services; architectural, engineering and other technical services; research and development services; and private education services. Service industries employed over 13.6 million Canadians and accounted for 70 per cent of Canada's total GDP in 2012, making it the largest sector in Canada.

The EU's services import market totalled $664.5 billion in 2011. Canada's services exports to the EU were worth an average of $14.5 billion annually between 2010 and 2012, led by management services, research and development services, architectural, engineering and other technical services.

Citizenship or residency requirements, barriers to temporary entry, and ownership and investment restrictions can all act as barriers to exports of services. These barriers will be reduced or eliminated under CETA, directly benefiting businesses and workers across Canada.

Upon coming into force, CETA will establish preferential access to and greater transparency in the EU services market, resulting in better, more secure and predictable market access in areas of interest to Canada, such as: information and communication technologies services; professional services (e.g., auditing, architectural and integrated engineering services); environmental services; related scientific and technical consulting services; and services incidental to energy distribution.

All of Canada's provinces and territories will benefit from a reduction in services barriers.

Investment

Known direct investment by Canadian companies in the EU totalled $180.9 billion at the end of 2012, representing 28.5 per cent of Canadian direct investment abroad. The same year, known direct investment by European companies in Canada totalled $171.5 billion, representing 24.1 per cent of total foreign investment in Canada. CETA's investment chapter will provide Canadian and EU investors with greater certainty, stability, transparency and protection for their investments, while preserving full rights for governments to legislate and regulate in the public interest. This would lead to greater two-way investment, which would help create jobs and long-term prosperity for hardworking Canadians.

Key sectors of interest to Canadian investors that will benefit include energy, mining, manufacturing, financial services, automotive, aerospace, transportation, renewable energy, and business and professional services.

Government procurement

Workers in Canada employed in fields such as engineering, architecture and technology will benefit from greater access to the EU's procurement market, which is worth an estimated $2.7 trillion annually. CETA will give Canadian suppliers of goods and services secure access to EU procurement processes on a preferential basis, providing them with significant new export opportunities. Greater access to the world's largest procurement market would benefit workers and their families in sectors that are vital to Canada's economy.

CETA will expand and secure opportunities for Canadian firms to supply their goods and services to the 3 main EU level institutions (the EU Commission, Parliament, and Council), the 28 EU member states and thousands of regional and local government entities within the EU, as well as with entities operating in the utilities sector.

Backgrounder - Chronology of Events and Key Milestones

October 2008 – Canada and the EU issue a joint study, *Assessing the Costs and Benefits of a Closer EU-Canada Economic Partnership*, which provided supporting rationale for a launch of negotiations.

December 2008 – A notice was published in the December 20, 2008, Canada Gazette seeking Canadians' input on the possibility of negotiating a trade agreement with the EU. These consultations were open to all stakeholders and groups.

March 2009 – A Canada-EU joint report was finalized, defining the scope of potential negotiations.

May 2009 – The Comprehensive Economic and Trade Agreement (CETA) negotiations were launched at the Canada-EU Summit in Prague, Czech Republic.

October 2009 – A successful and productive first round of negotiations toward a CETA was held in Ottawa. Both sides made efforts to identify common grounds and set an ambitious negotiating timeline.

December 2010 – Canadian and EU trade ministers met to take stock of progress to date, instructing negotiators to maintain the pace and ambition of negotiations.

October 2011 – Nine formal rounds of negotiations were completed, with significant progress made across all sectors. Negotiations moved into a more intensive and focused phase.

November 2012 – Canadian and EU trade and agriculture ministers met in Brussels, Belgium, to take stock of progress and discuss outstanding issues.

February 2013 – Canadian and EU trade and agriculture ministers met in Ottawa to further narrow the remaining outstanding issues in the negotiations.

October 2013 – Canada and the EU announce that they have reached an agreement in principle on a CETA.