

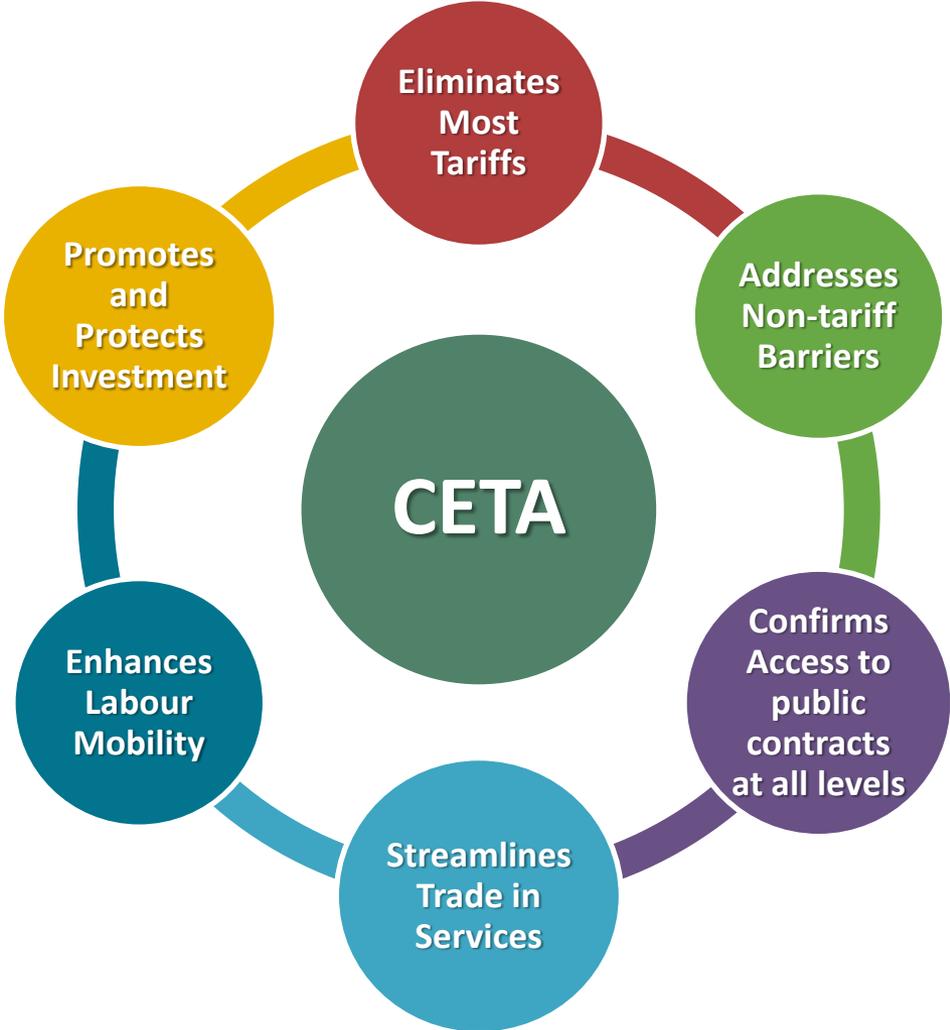


CETA: Opening New Doors for European Businesses in Canada

Mario Nigro
Eric Bremermann
November 2016

STIKEMAN ELLIOTT

CETA – Setting New Standards



Source: Leslie Harris Centre – Memorial University

CETA – New Opportunities for Trade in Goods

Ambitious tariff elimination:

- Comprehensive tariff elimination across all sectors
- 98% of all EU tariff lines eliminated on day one of CETA's entry into force
- Duty-free access across 99% of all tariff lines once fully implemented
- Duty-free access for 100% of industrial goods once CETA fully implemented.

Clear and favourable rules of origin:

- Reflects the real-world sourcing patterns of Canadian and EU companies while encouraging production to take place in Canada or the EU

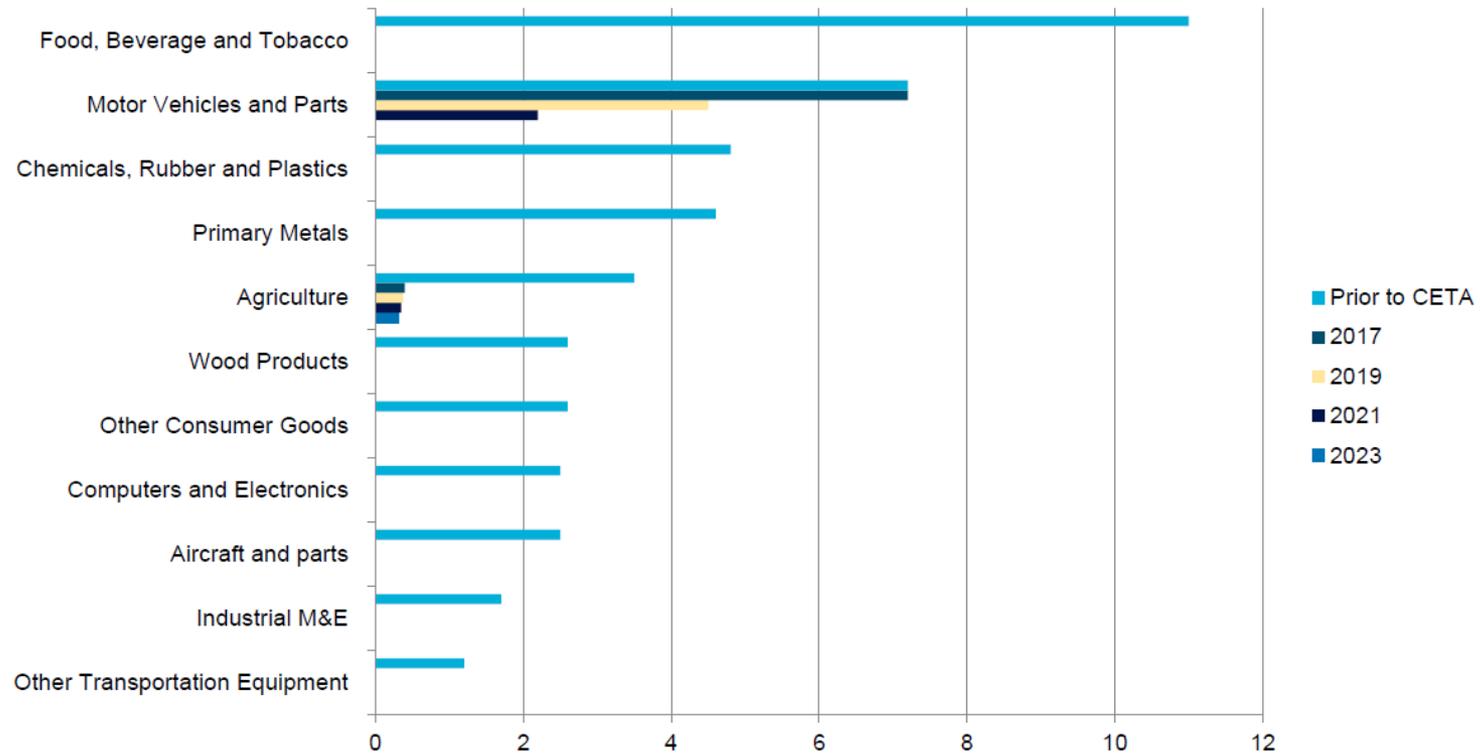
Customs and trade facilitation:

- Advance rulings on the origin and tariff classification of products
- Automated border procedures will be implemented where possible

Source: Leslie Harris Centre – Memorial University

CETA Removes Some Challenges to Doing Business: Tariffs

(per cent)



Source: The Conference Board of Canada

CETA Making it Easier to do Business: Non-Tariff Barriers

CETA seeks to reduce the trade distorting impact of non-tariff barriers by:

facilitating recognition of equivalency in technical regulations to reduce manufacturing costs for exports;

establishing a protocol on conformity assessment that will allow Canadian companies to have their products tested and certified for the EU market in Canada;

encouraging Canadian and EU standard-setting bodies to cooperate on joint initiatives; and

creating mechanisms where trade irritants can be discussed with the goal of speedy resolution.

New Business Opportunities under CETA - Government Procurement

Entity/Procurement Type	Goods	Services	Construction Services
EU-level institutions / Member State government entities (Removal of reciprocity notes)	Improved Access	Improved Access	Improved Access
Regional government entities (Lowering of thresholds)	Improved Access	Improved Access	Improved Access
Local government entities and bodies governed by public law	New Access	New Access	New Access
Utilities	New Access	New Access	New Access
Procurement funded by EU cohesion funds at local government level	New Access	New Access	New Access

Source: Leslie Harris Centre – Memorial University

CETA – Facilitating the Growth in Trade in Services

Negative List Approach:

All service sectors are subject to CETA obligations unless explicitly listed as reservations in the Annexes.

Ratchet Mechanism:

Future regulatory or legal changes that make it easier for each other's service suppliers to access Canadian/European markets are automatically locked in under CETA.

MFN Treatment:

If the EU or Canada offers better treatment to another country under an FTA, Canada or EU would automatically receive the same treatment.

National Treatment:

Canadian or EU service providers in sectors covered by CETA will be treated the same way as service providers from the EU and Canada.

CETA – Encouraging the Movement of People - Temporary Entry

CETA provides greater certainty and predictability for service providers

- CETA's temporary entry provisions facilitate trade by improving labour mobility for a wide range of business persons and business activities.
- CETA establishes a framework for the mutual recognition of professional qualifications as well as a Chapter on domestic regulation.
- CETA does not impact permanent employment or migration.

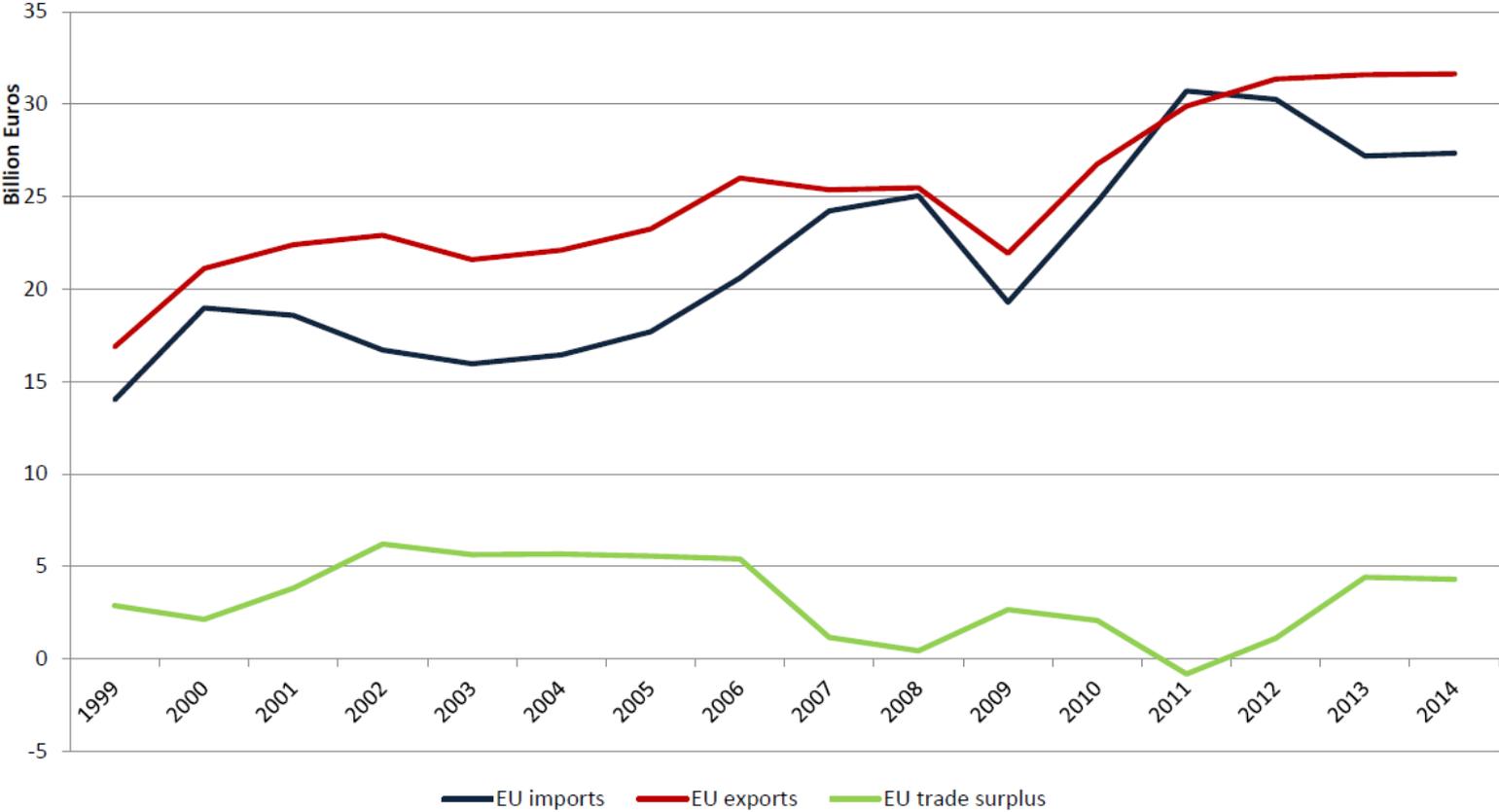
CETA – Creating Greater Predictability and Stability for Investment

- **Canadian and EU investors will benefit from the predictable investment climate established under CETA, which includes:**
 - **treatment no less favourable than that granted to their domestic counterparts or any other investor from a third country**
 - **investor protections related to treatment of investors/covered investments, expropriation and transfers; and**
 - **a recourse for breaches of investment protections**
- **Furthermore, the net benefit review threshold under the Investment Canada Act will be raised to \$1.5 billion for EU investments following CETA's entry into force.**
- **Access to the EU market, along with existing access to the U.S. market, is expected to attract new volumes of investment to Canada and Europe.**

Economic Determinants for Europe

- The EU runs a consistent (and significant) surplus on its services trade balance with Canada, one that has exceeded its goods trade surplus since 2007.
- The EU exported €15.9 bn worth of services to Canada in 2014, double the amount it did a decade earlier. Canada exported close to €11.3 bn worth of services to the EU in 2013.
- Canada is the EU's 12th most important trading partner. The EU is number two for Canada, accounting for nearly 10 per cent of its external trade. A joint EU-Canada study forecast CETA would increase bilateral trade in goods and services by more than 20 per cent. For the European Union, this could boost annual economic output by 11.6 billion euros – \$13.1 billion U.S. – per year. Canada has put its economic gain at around \$12 billion (Canadian).

EU goods surplus with Canada



Source: CETA Presentation, World Trade Institute Bern/London School of Economics



What will the EU gain from CETA?

- Savings on customs duties
- Opportunities for service suppliers and transparent and effective investment protection and dispute settlement mechanisms
- Mutual recognition of professional qualifications
- Easier transfers of company staff and other professionals between the EU and Canada
- Improve ability of European companies to provide after sales services
- Access to Canadian public tenders
- Avoiding costs related to double testing
- Better protection for EU innovation and creative works
- Market Advantage for producers of traditional European products
- Commitment to Sustainable Development



CETA – Provisional Application

- ❑ On October 28, 2016, the European Council approved the Commission's proposal for provisional application, allowing the CETA to be effective before its prescribed date of entry into force.
- ❑ Therefore, the CETA will apply provisionally, pending the completion of the procedures for its conclusion and subject to certain exceptions, which generally relate to investment, financial services and administrative proceedings

CETA – Provisional Application Continued

- ❑ The CETA can be provisionally applied as of the:
 - ❑ first day of the month following the date on which the parties have notified each other that their respective internal requirements and procedures necessary have been completed , or
 - ❑ on another date agreed to by the parties.

- ❑ Discussions with Canadian authorities indicate that the date of provisional entry into force may be as early as mid-2017. However, as noted above, some provisions of the agreement will not be provisionally applied.

Contact us

Mario Nigro

Partner

Toronto Office

Stikeman Elliott

(416)869-6810

mnigro@stikeman.com

Eric Bremermann

Partner

Toronto Office

Stikeman Elliott

(416) 869-6821

ebremermann@stikeman.com

