

The EU-Canada Comprehensive Economic and Trade Agreement (CETA)

Opening up a wealth of opportunities
for people in Hungary



CETA will benefit people across Hungary

It'll do so by:



Scrapping **customs tariffs** for Hungarian exporters and importers



Creating new opportunities for Hungarian **farmers** and agri-food producers



Opening up the Canadian **services** market to Hungarian firms



Enabling Hungarian firms to bid for more **public contracts** in Canada



Protecting Hungary's **research** and **creativity**



Making it easier for Hungarian **professionals** to work in Canada



Encouraging more **investment** between Hungary and Canada



Helping Hungary's **small businesses** export more to Canada

Hungary's economy is open to trade

Over 690,000 Hungarian jobs
rely on exports outside Europe

**And Hungary and Canada already have a close
trading and investment relationship**

€87 m

The value of Hungary's trade surplus in goods and services with Canada

€238 m

The value of Hungarian exports to Canada

€151 m

The value of Hungarian imports from Canada



Scrapping customs tariffs on Hungarian goods exports

Hungarian goods exports to Canada: €152 m (2015)

CETA will bring big **savings on custom duties** by eliminating duties on 99% of all tariff lines, of which 98% will already be scrapped at entry into force.

Hungary will benefit from **tariffs being removed on virtually all of its exports**, in particular:

- **Machinery and electrical equipment**

Hungarian exports to Canada: more than €70 m (2015)

Average tariffs are low; some peaks up to 9%.

These sectors employ about 123,000 people in Hungary.

Apart from big savings on customs duties, CETA will enable Hungarian companies to do away with costs of double testing thanks to the provisions on **recognition of conformity assessment certificates** in sectors such as:

- machinery
- electrical goods
- electronic equipment

These sectors will also benefit from CETA's provisions on public procurement and movement of professionals (*see below*).

- **Pharmaceuticals**

Hungarian exports to Canada: €13 m (2015)

This sector employs about 25,000 people in Hungary.

The industry faces very low tariffs but will particularly benefit from CETA's intellectual property provisions (*see below*).

The protocol on mutual recognition of **Good Manufacturing Practices (GMP)** will make it easier to trade in this sector, by allowing one Party's authorities to accept GMP compliance certificates issued by the other Party.

- **Ceramics**

Hungarian exports to Canada: €8 m (2015)

Canadian tariffs up to 8%.

- **Cosmetics**

Hungarian exports to Canada: €7 m (2015)

Canadian tariffs up to 6.5%.

- **Chemicals**

Hungarian exports to Canada: €5 m (2015)

Tariffs are generally low with a peak of 6.5%.



Creating new opportunities for Hungarian farmers and food producers

CETA also offers **big opportunities for Hungarian farmers and the agri-food industry**. Canada agreed to eliminate duties for 90.9% of all its agricultural tariff lines upon the entry into force of CETA.

Hungarian agricultural and food exports to Canada that will see benefits include:

- **Wines and Spirits**

Hungarian wine exports to Canada €2.4 m (2015)

Some tariffs of 1.87-4.68 CAD cents per litre (depending on the alcohol strength)

- **Confectionery products made of chocolate**

Hungarian exports to Canada: €1.5 m (2015)

Such exports face tariffs of around 6%.

For wine and spirits, tariff elimination is complemented by the removal of other relevant trade barriers, including several 'behind the border' barriers that make it difficult for EU exporters to penetrate the Canadian market.

For instance, the cost-of-service-differential fee imposed by the Provincial Liquor Boards on imported wines and spirits will be applied based on volume and not value, and calculated in a more transparent manner, lowering the cost for EU producers to sell their products in Canada.

Other important outcomes are:

CETA will ensure that EU wine and spirit producers can compete on the Canadian market, for example by:

- freezing the number of shops selling only Canadian products, and
- preventing businesses with a local monopoly from expanding into neighbouring provinces.

The abolition of the Canadian requirement to blend imported bulk spirits with local spirits before bottling – a requirement that made it impossible for EU makers of products classified as Geographical Indications from labelling them as such.

The incorporation of the 2004 EU-Canada Wines and Spirits Agreement also provides stronger legal guarantees, as these provisions will now be covered by CETA's general conditions, notably dispute settlement.

The Agreement also provides a forum for further discussions in the future on any other issue of concern for the EU and Canada related to Wines and Spirits.

The EU expects that the combined effect of these measures will be to further increase the EU market share of the Canadian wines and spirit sector.

The EU will also open its market to Canadian agricultural products. This will give consumers more choice.

For sensitive products such as **beef and pork**, CETA limits liberalisation to **duty-free quotas**. Above these agreed quotas, the EU's high tariffs continue to apply.

CETA excludes certain sensitive products like **poultry and eggs** from any tariff cuts.

The EU will still be able to use its traditional tools to protect EU farmers, including the entry price system for fruits and vegetables, which prevents imports from undercutting EU seasonal products. This is of particular relevance for Hungarian fruit and vegetable producers.

All Canadian exports **will also need to comply with the EU's food safety standards**, including:

- EU legislation on Genetically Modified Organisms
- EU legislation on the use of hormones and antibiotics in food production
- providing proof of such compliance wherever this is required by EU legislation



Opening up the Canadian services market to Hungarian firms

Hungarian services exports to Canada: €86m (2015)

Hungary's main services exports to Canada are:

- tourism
- transport
- telecommunications services

Hungarian services imports from Canada: €45 m (2015)

CETA will **improve and secure Hungarian companies' access to the Canadian services market**.

For example in the professional services sector, Canada has removed a number of limitations on citizenship and residency conditions for Hungarian professionals to practice in Canada, who are:

- lawyers
- accountants
- architects
- engineers

CETA also brings legal certainty for EU services exporters. Canada has locked in its current level of openness towards EU companies, for example in:

- financial services
- telecoms
- postal and courier services.



Enabling Hungarian firms to bid for more public contracts in Canada

With CETA, Hungarian companies will get access to the large Canadian public procurement market.

Hungarian companies will have the opportunity to bid to supply goods and services for tenders at all levels of government in Canada (federal, provincial or municipal).

Canada has also agreed to make the tendering process more transparent by publishing its public tenders (both federal and provincial) on a single procurement website.

Canada's commitments on government procurement in CETA are **the most ambitious Canada has ever granted.**



Protecting Hungary's research and creativity

CETA gives Hungarian innovations, copyrights and trademarks a **similar level of protection** in Canada to that they enjoy in Europe.

In particular, Canada will **bring its copyright protection in line with international standards**.

This is important because it will protect the intellectual property of the EU's creative industries (artworks, publications, music and software) including its dissemination through online distribution channels.

CETA also covers **intellectual property rights for pharmaceuticals**.

The agreement includes:

- the possibility of **up to two years of additional patent protection to compensate for undue delays** in granting the marketing authorisation that reduce the useful life of the patent
- a commitment to ensure that all litigants have an **effective right of appeal** under Canada's patent linkage regime (the link between the marketing authorisation for a generic drug and the patent status of the originator drug)
- a commitment to maintain Canada's current practice of offering eight years of data protection.

This is good news for Hungary, given the scale of Hungary's pharmaceuticals exports to Canada

CETA also provides a **high level of protection for 143 distinctive EU food and drink products** that hold a geographical indication (GI) – a sign to show they have a specific geographical origin and possess qualities or enjoy a reputation because of it.

With CETA, Canadian producers won't be able to sell local or foreign products as European GIs if they are not the real thing. So, for example, they won't be able to market salami as **Szegedi szalámi** unless it actually comes from Szeged in Hungary.

The list of 143 distinctive European food and drinks products was chosen by EU Member States on the basis of their export potential to Canada.



Making it easier for Hungarian professionals to work in Canada

CETA includes provisions to make it easier for Hungarian professionals to work in Canada (and vice versa) and to have their qualifications recognised. This is a big plus for companies that:

- provide services such as after sales services for exported machines or information and communication technologies software
- make complex products that require after sales services such as installation or maintenance of machinery

This can be particularly beneficial for small and medium-sized firms, as they may not be able to ensure the presence of permanent staff on the ground to directly supply the service.

CETA establishes legal certainty and significantly **improves mobility for services suppliers** because it:

- makes it easier to transfer key personnel across the Atlantic
- allows companies to send staff for after sales services for machinery, software and equipment
- creates a framework for the recognition of professional qualifications for regulated sectors like architects and accountants



Encouraging investment between Hungary and Canada

Canadian Foreign Direct Investment in Hungary: **€12.6 bn** (2015)

Hungary is **the 9th most important destination** for Canadian Foreign Direct Investment in the world.

This investment is an **important source of growth and job creation for Hungary.**

Many **large Canadian investors are present** in Hungary, including:

- Westcast Hungary Zrt,
- Linamar Hungary
- Bombardier MAV International
- Winstar Magyarország Kft.

Hungarian Foreign Direct Investment in Canada: **€1.6 bn** (2015)

CETA will **make it easier for Hungarian firms to invest** in Canada, as Canada has agreed to **substantially increase the threshold for reviewing the acquisition** of Canadian companies by non-Canadians from CAN \$354 million (€247.26 million) to CAN \$1.5 billion (€1.4 billion).

Hungary has a traditional bilateral investment treaty (BIT) with Canada dating from 1993.

Once CETA enters into force definitively, it will **replace this bilateral investment treaty** and will provide Hungarian and Canadian investors with **greater predictability, transparency, and protection** for their investments in Canada and in Hungary respectively.



Helping Hungary's small businesses export more to Canada

Hungarian small businesses are very export oriented and make up 91% of the total number of Hungarian exporters.

They will be able to take full advantage of CETA.

Reduced trade barriers, tariff elimination, simplified customs procedures and more compatible technical requirements all make it easier and cheaper to export. This allows smaller firms to:

- compete more easily with large companies
- sell the same product (or with fewer modifications) into both markets
- participate more in supply chains and e-commerce.

Specific provisions reinforce the CETA benefits for small companies, such as:

- taking into account their needs in electronic commerce
- improved access to information on public procurement tenders
- the use of the Investment Court System.

The Investment Court System provisions in CETA allow for faster proceedings and reduced costs for smaller firms that bring a case.