

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

Opening up a wealth of opportunities
for people in the United Kingdom



CETA will benefit people across the UK

It'll do so by:



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



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



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



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



Protecting the UK's **research and creativity**



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



Encouraging more **investment** between the UK and Canada



Helping the UK's **small businesses** export more to Canada

Britain's economy is open to trade

Around 4 million British jobs – almost one in eight –
rely on exports outside Europe

**And the UK and Canada already have a close
trading and investment relationship**

5th

Canada is Britain's 5th biggest
trade partner outside the EU

€9 bn

The value of British exports of
goods and services to Canada

€14 bn

The value of British imports of
goods and services from Canada



Scrapping customs tariffs on British exports of goods

British goods exports to Canada: €5.3 bn (2015)

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

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

- **Machinery and electrical equipment**

British exports to Canada: €1.4 bn (2015)

These sectors employ more than 380,000 people in the UK and account for 16% of total EU exports to Canada.

Machinery and electrical equipment face low average tariffs but some products face tariff peaks of 9%.

Apart from savings on customs duties, CETA will enable British 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*).

- **Motor vehicles and parts**

British exports to Canada: €700 m (2015)

The UK is the EU's 2nd largest exporter of motor vehicles to Canada, accounting for 15% of total EU exports to Canada.

This sector employs more than 800,000 people in the UK.

Canadian tariffs are up to 9.5%.

- **Pharmaceuticals**

British exports to Canada: €360 m (2015)

The pharmaceutical 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.

- **Optical instruments and medical instruments**

British exports to Canada: €219 m (2015)

Canadian tariffs are up to 8.5%.

- **Chemicals**

British exports to Canada: €130m (2015)

Canadian tariffs are in general low with a peak of 6.5%

- **Clothing and textiles**

This sector employs around 79,000 people in the UK.

British exports of clothing to Canada: €70m (2015)

The UK is the EU's 2nd largest exporter of clothing to Canada, accounting for 15% of total EU exports to Canada.

British exports of textiles to Canada: €30m (2015)

The UK is the EU's 3rd largest exporter of textile to Canada, accounting for 13% of total EU exports to Canada.

Canada's tariffs on clothing and textiles average 16%, but peak at 18% for many product categories.



Creating new opportunities for British farmers and food producers

British exports to Canada: €360 m (2015)

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

The UK is the EU's 3rd largest exporter of processed foods to Canada, accounting for 15% of total EU exports to Canada.

Exports include:

- **Confectionery products made of chocolate**

British exports to Canada: €33 m (2015)

Canadian tariffs are around 6%.

- **Confectionery products made of sugar**

British exports to Canada: €21 m (2015)

Canadian tariffs are around 10%.

- **Cheese**

British exports to Canada: €10 m (2015)

EU cheese exports to Canada are limited by the EU's portion of an existing World Trade Organization duty free quota; outside this quota, exports face prohibitive tariffs of on average 227% which makes them uncompetitive.

CETA offers two new annual duty free quotas, or permanent Tariff Rate Quotas, for EU cheese:

- 16,800 tons of high-quality cheese (16,000 tons in CETA, and 800 tons that will be added to the EU portion of the existing World Trade Organization quota thanks to CETA)
- 1,700 tons of industrial cheese

These quantities will be phased in progressively over a period of 5 years.

- **Gin and whisky**

British exports to Canada in the spirits sector: €129 m (2015)

The majority is whisky.

Gin faces specific tariffs of 4.92 CAD cents per litre of pure alcohol, but whisky is tariff-free.

For spirits such as gin and whisky, tariff elimination is complemented by **the removal of other relevant trade barriers**, including several 'behind the border' barriers that make it difficult for British exporters to access the Canadian market.

The cost-of-service-differential fee imposed by the Provincial Liquor Boards on imported wines and spirits will for instance be:

- applied based on volume and not value
- calculated more transparently

This lowers the costs for EU producers to sell their products in Canada.

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.

Regarding wine and spirits CETA also:

- abolishes 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.
- incorporates the 2004 EU-Canada Wines and Spirits Agreement. Because this will be made subject to CETA's general rules, notably dispute settlement, the legal guarantees become stronger. So names of specific British products such as **Scotch Whisky and Plymouth Gin** will continue to enjoy full protection.
- 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 wine 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 British 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 British firms

British services exports to Canada: €4.2 bn (2015)

The UK's main services exports to Canada are:

- transport
- tourism
- financial services
- assurance
- other professional services such as Research and Development and consulting

British services imports from Canada: €2.5 bn (2015)

CETA will improve and secure British 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 British 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

CETA also offers **new market access in key areas**.

In particular, Canada takes market access commitments on **dredging**, on **repositioning of empty containers** and some **opening of feeding activities** on the route Halifax-Montreal, which was limited to national operators under previous agreements.

Some of these could also be relevant to the UK's maritime sector.



Enabling British firms to bid for more public contracts in Canada

With CETA, **British companies will get access to Canada's large public procurement market.**

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

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

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



Protecting the UK's research and creativity

CETA gives British 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 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 the UK, given the importance of pharmaceuticals in the UK's exports to Canada.



Making it easier for British professionals to work in Canada

CETA includes provisions to make it easier for British 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 smaller and medium-sized firms, as they may not be able to provide 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 the UK and Canada

British Foreign Direct Investment in Canada: €23.5 bn (2015)

This makes the UK the 4th largest foreign direct investor in Canada globally.

British companies have set up affiliates in Canada.

For example:

- HSBC Bank
- Amec Foster Wheeler
- Carillion
- Burberry

They have significant investments in areas such as:

- manufacturing
- aerospace
- life sciences
- engineering services

CETA will **make it easier for British 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).

Canadian Foreign Direct Investment in the UK: €18.2 bn (2012)

Canadians invest more in the UK than in any other EU Member State, and only invest more in the United States.

There are many Canadian affiliates in the UK, including:

- engineering and other professional services (Fasken Martineau LLP, SNC Lavalin and Kevin R Twigger & Associates Ltd)
- automotive (Magna)
- information and communication technology (Com Dev International Ltd, Future Electronics Inc. and BlackBerry)
- aerospace (Magellan)
- financial services (Sun Life, Bank of Montreal, Scotiabank and Canaccord Financial Inc.).

The UK does not have a bilateral investment treaty with Canada.

This makes the investment protection and the dispute settlement provisions in CETA all the more relevant to British investors in Canada and Canadian investors in the UK.

Once CETA enters into force definitively, these provisions **will provide British and Canadian investors with greater predictability, transparency, and protection** for their investments in Canada and in the UK respectively.



Helping the UK's small businesses export more to Canada

British small businesses are very export oriented and make up 90% of the total number of British 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.