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## **EU-CANADA TRADE & INVESTMENT RELATIONS**

### **BUSINESSEUROPE response to Commission questionnaire**

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#### **Introduction**

BUSINESSEUROPE appreciates Commission efforts to consult civil society and business on the possibilities for improving EU-Canada trade and investment relations. Based on the Global Europe criteria, Canada offers interesting opportunities to improve market access and strengthen economic cooperation for the benefit of both European and Canadian companies.

A comparison of Canada with Korea (see table below), a country with which the EU is currently negotiating a free trade agreement, demonstrates that there are significant similarities. The size of the two markets are similar, although overall market size and EU industrial, services and investment exports are significantly higher in Canada. The considerable EU investment in Canada (four times as much as in Korea) highlights the importance of intra-firm trade and the need to eliminate unjustified taxes in the form of industrial duties and to foster regulatory cooperation. Similarly, Canada and Korea have higher growth rates (3% and 4.5% respectively) than the EU. Both countries also have low average industrial tariffs but many peaks and non-tariff and regulatory barriers are key challenges for the future.

2006 figures	Canada	Korea
<b>Economic indicators</b>		
GDP/GDP/capita	€1 trillion/ €32000	700 bn/€14500
Growth rates (2004-2006)	3%	4.5%
<b>Trade</b>		
EU exports to	€26.5bn	€22.8 bn
EU imports from	€19.6bn	€38.3bn
balance	+7bn	-15bn
Services exports to	€8.4bn	€5.7bn
Services import from	€7.5bn	€3.4bn

balance	+1bn	+2.3bn
<b>Investment</b>		
EU to country (stock)	€86.6bn	€23.6bn
Country to EU (stock)	€70.2bn	€6bn
<b>Level of protection</b>		
Industrial tariffs (bound/applied)	5.3/3.7%	10.1/6.6%
Industrial tariff peaks	Transport equipment (25) Leather (20) Other manufacturers (18) Textiles/apparel (18) Wood/paper (16) Chemicals (16) Minerals/metals (16)	Chemicals(50) Leather (16) Textiles/apparel (13) Electronics (13) Machinery (13) Transport equipment (10)
Non tariff barriers	Restrictions on used cars  Rules on caffeinated drinks  Labelling of garments Textiles/apparel tariffs  High shipbuilding tariffs  Restrictions to public procurement  Approval of biotherapeutic drugs  Excise duties on alcoholic beverages  Registration of Parma ham (GIs)	Nothing available on market access database but issue well covered in EU FTA negotiation.

These figures illustrate the importance of pursuing an ambitious trade and investment initiative with Canada covering industrial tariffs and non-tariff barriers, services and investment liberalisation, binding regulatory cooperation and economic and industrial cooperation in fields such as climate change, energy and pharmaceuticals.

## RESPONSE TO THE QUESTIONNAIRE

### 1. Do you consider that Canadian tariffs constitute a disincentive to trade, or increased trade your field?

- EU exporters are fairly competitive on the market as there is an industrial (and services) surplus with Canada – especially in transport and chemicals sectors.
- Canada has low average industrial tariffs but high peaks in transport equipment (25), Leather (20), other manufactures (18), textiles/apparel (18), Wood/paper (16), chemicals (16) and minerals/metals (16). These peak

tariffs can be serious barriers to trade and are especially serious for the textiles and clothing industry.

- It is also a foregone conclusion that tariffs, regardless of the level, constitute a disincentive to trade. Low tariffs can hinder some trade. In other cases, they simply constitute a tax on intra-firm or intra-industry trade. There is a tendency to overemphasise the importance of inter-industry trade with emerging markets, whereas the great potential in intra-industry trade is often overlooked. Canada has an economy where both inter-industry and intra-industry trade with the EU has greater possibilities than previously exhibited as is clearly demonstrated by the considerable investment stocks held by EU companies in Canada and Canadian companies in the EU (respectively €86 and €70 billion in 2006). It is our firm belief that Canada is well suited for a strong effort from the Commission to obtain better market access in both directions. A free trade agreement would be the best possible outcome of such a process.

**2. Is the level of tariffs such that it renders trade in your field uncompetitive/prohibitive?**

- Peak tariffs render trade prohibitive. Canada has low average industrial tariffs but high peaks in transport equipment (25), Leather (20), other manufactures (18), textiles/apparel (18), Wood/paper (16), chemicals (16) and minerals/metals (16). These peak tariffs can be serious barriers to trade and are a particular problem for the textiles and clothing industry.
- Moreover, low industrial tariffs create an unwarranted tax for intra-corporate trade which weakens the competitiveness of EU firms relative to companies from countries with an FTA with Canada (Mexico, the US).
- Canada also has prohibitively high tariffs on some agricultural products: dairy products, animal products and some cereals which block trade altogether.

**3. Do you consider that trade is more affected by non-tariff barriers than by tariff barriers.**

- There are non-tariff barriers in Canada on Restrictions on used cars, caffeinated drinks, garments/textiles/apparel, procurement, pharmaceuticals, geographical indications and alcoholic beverages. Tariff barriers are probably as important as NTBs in the case of alcoholic beverages.
- Canada, the EU and the US coordinate in the WTO Doha Round on textile labelling issues which should make a bilateral agreement on this issue easy to achieve. Sub-federal consumer regulations in some Canadian provinces (Ontario/Québec) have had the effect of a non-tariff barrier for European exporters. It would be important for the EU to examine to what extent sub-federal NTBs could be tackled through an agreement with Canada. Rules of origin for textiles and clothing could prove to be a challenge for an EU-Canada agreement, although the complementarities between the two economies in this sector should make it possible to boost cooperation and the international competitiveness of the sector for both sides.
- There are concerns about barriers to services between Canadian provinces. These internal barriers can affect European companies as well.

- There is also an interest for both the EU and Canada to engage in regulatory cooperation to prevent future regulations (e.g. REACH, GMOs) from becoming barriers to trade. As the Canadian and EU governments share similar public policy objectives, seeing eye-to-eye on regulatory matters should not be a major challenge.
  - It would be important for the EU and Canada to come to an understanding to remove trade barriers to genetically modified organisms (GMOs). As the Commission is aware, European companies are active in the development of this technology and unjustified restrictions to trade in GMO products are creating serious problems. As a first step, both sides could agree to fully respect the scientific advice of their relevant food safety authorities on such issues. This would provide greater certainty for companies involved in developing these technologies and help improve the prospects for EU companies selling these technologies to, for instance, Canadian farmers.
- 4. If so, what kind of barriers constitute the biggest hindrance to trade?**
- Standards requirements can affect industrial trade.
  - Government control in some provinces of the alcoholic beverage sector creates unfavourable conditions for the EU wine and drinks industry. It seems obvious that this government control favours local wine and drinks producers.
  - The abusive use of sanitary measures can lead to unjustified trade barriers on high quality food products from Europe.
- 5. Do you find that barriers to services hinder trade?**
- Canada and the EU could probably open their respective services markets bilaterally much more than in the WTO context.
  - There are regulatory challenges to entering the financial sector as well as requirements for media content to be produced by Canadians.
  - There is a lack of mutual recognition of some professions (i.e. nurses, etc.).
  - Canada and the EU could substantially liberalise temporary visas for qualified personnel from each other's markets.
- 6. Does the level of IPR protection and enforcement affect your trade activities in the country?**
- There are concerns regarding the protection of intellectual property – notably the lack of robust protection for technological protection measures (TPMs) employed by content owners to enable the distribution of content in digital form. In markets where adequate legal protection is provided, there is a greater motivation to introduce new, more diverse, digital offerings to consumers. The introduction of such legislation in Canada might also incorporate appropriate, balanced safe harbours for internet service providers that cooperate with copyright owners in removing infringing material when notified by copyright owners.
  - The negotiation of a wine and spirits agreement for geographical indications was a positive step for the recognition of various products. Similar sector arrangements of mutual interest should be pursued in this field with a focus on value-added products.

**Give us your views**  
**(Please be as specific as possible in all replies)**

1. Do you consider that Canadian tariff levels constitute a disincentive to trade, or to increased trade, in your field?
2. Is the level of tariffs such that it renders trade in your field uncompetitive/prohibitive?
3. Do you consider that trade is affected more by non-tariff than by tariff barriers?
4. If so, what kinds of non-tariff barriers constitute the greatest hindrance to trade and would most deserve elimination? (Please be specific on the sector and the barrier(s) concerned)
5. Do you find that market access barriers for services in Canada hinder trade in services or make it unprofitable?
6. Does the level of protection and enforcement of Intellectual Property Rights in Canada affect your trade activities in the country? (Is there, for instance, a sufficient and effective level of protection and enforcement regarding geographical indications, or copyright and related rights in the internet?) More generally, do you consider that there is adequate enforcement against piracy, counterfeiting or other infringements of IP rights?
7. What benefits would you see from improved access to Canada's procurement market?
8. Are there other factors influencing trade or investment flows to which you wish to draw attention?
9. Which fields of cooperation outside the area of market access are most important to you, and in which specific areas in these fields would you welcome a greater degree of EU-Canada cooperation?

**Replies should be sent to :**

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**A summary of views expressed will be published later in 2008 as a part of the Study.**