

CETA CARVES OUT MORE THAN JUST EUROPEAN CHEESE AND CANADIAN BEEF

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On September 21, 2017, provisions of the Canada-European Union (EU) *Comprehensive Economic and Trade Agreement* (CETA) that received provisional application came into force and marked a new era in trade relations between Canada and the EU. This bilateral trade agreement offers increased trade opportunities for both Canadian and European businesses by eliminating, or significantly lessening, tariffs and non-tariff barriers on both goods and services. Unlike traditional trade agreements, CETA sets a new standard for global trade by providing a framework that makes it easier to conduct business between Canada and the EU on a multitude of aspects.

Provisional application of CETA means that the agreement comes into force with the exception of provisions that require ratification by Canada and EU member states, which include provisions on investment protection, investment market access for portfolio investment, the Investment Court System and enforcement of criminal penalties against camcording.^[1] Consequently over 98% percent of Canadian goods can now enter the EU without tariffs, compared to only 25% of Canadian goods prior to CETA.^[2] Further tariffs will be phased out in stages after 7 years.^[3] The Canadian government states that this will improve Canadian export opportunities for a wide range of Canadian producers, processors and manufacturers. CETA means increased export business for Europe as well. Tariff reduction plays an important role in improving business for EU companies. On the first day of CETA's implementation, Canada will eliminate duties worth €400 million for goods originating in the EU.^[4] When further tariffs complete their phase-out periods, this figure will jump to more than €500 million for goods originating in the EU.^[5]

CETA also introduces tariff rate quotas as another measure to reduce tariff barriers. Agricultural and agri-food businesses will benefit from these provisions as CETA secures market access gains. Canadian beef and pork producers are permitted to export 80,000 tonnes of pork and 50,000 tons of beef duty-free.^[6] European cheese makers are permitted to export up to 16,000 tons of cheeses of all types and 1,700 tons of industrial cheese annually, which will be phased in over 5 years.^[7] While tariff reductions and tariff rate quotas liberalize trade of goods between Canada and the EU, these tangible benefits are further complemented by CETA's reductions in non-tariff barriers.

Non-tariff barriers also impede trade. CETA addresses these barriers and covers a vast array of trade topics that range from regulatory cooperation, market access, to government procurement, temporary entry and stay of natural persons for business purposes and many other areas of activity. CETA truly covers it all.

The agreement's broad scope will give rise to the following main benefits:

1. **Trade in goods:** Tariff elimination for 98% of goods. Tariff rate quotas to apply on several agri-food and agricultural products.
2. **Trade in services and labour mobility:** CETA places Canadian and EU service suppliers on equal footing in most service sectors, excluding health care, public education and other social services. Canadian service suppliers will receive better treatment than most of their non-EU competitors, and Canada will offer reciprocal treatment. CETA also enacts temporary entry provisions that allow certain skilled professionals to work temporarily across the Atlantic. Canada and EU will also work together to approve the recognition of the qualifications in regulated professions, such as architecture and engineering.
3. **Government procurement:** CETA allows for EU companies to bid on all levels of the Canadian government procurement market, and vice versa. The EU's government procurement market is worth an estimated \$3.3 trillion annually.^[8] As for the EU, CETA offers EU companies access to an additional €32 billion per year of the Canadian public procurement market.^[9]
4. **Regulatory cooperation and conformity assessment:** CETA will ease technical barriers, such as labelling, testing and certification requirements. Canadian and EU companies will be able to have their products tested and certified in their respective countries prior to export, therefore saving time and money by avoiding double certification.
5. **Intellectual Property:** Patent protection for pharmaceuticals will increase up to an additional 2 years in Canada, therefore aligning with EU patent protection periods. This measure was implemented to address lost marketing opportunities in situations of delayed regulatory approvals.

At a time of uncertainty that lingers south of the border with NAFTA renegotiations taking place, trade opportunity has already knocked and entered through Canadian and European doors. The EU represents a tremendous market for Canadian businesses, as does Canada for EU businesses. CETA will allow for greater and smoother access to these markets for Canadian and EU companies that are looking to diversify their export business.

In the shadow of Brexit and uncertain NAFTA renegotiations lies a list of benefits for Canadian and European businesses to reap. CETA has come at an opportune time and is a deal worth celebrating.

by Ronald Petersen and Maria Nasr, Articling Student

[1] The Government of Canada, "[Canada-European Union Comprehensive Economic and Trade Agreement: Canadian Statement of Implementation](#)."

[2] Department of Foreign Affairs, Trade and Development Canada, "[Agreement Overview](#)".

[3] *Ibid.*

[4] European Commission, "[CETA- a trade deal that sets a new for global trade](#)" (February 17, 2017).

[5] *Ibid.*

[6] The Government of Canada, "[How CETA Will Benefit Canada's Key Economic Sectors](#)" at p. 8.

[7] Department of Foreign Affairs, Trade and Development Canada, "[Canada's new tariff rate quotas for cheese imports from the European Union](#)".

[8] *Agreement Overview*, *supra* note 2.

[9] European Commission, "[The Economic Impact of the Comprehensive Economic and Trade Agreement \(CETA\)](#)" at p. 4.

A Cautionary Note

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

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