



Chaire CN-Tellier  
CN-Tellier Chair



**Canada-EU economic relations are excellent.  
Time to make them more forward-looking.**

*Summary of Roundtable Discussion*

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On November 9, 2023, the Canada-EU Trade and Investment Association (CEUTIA) and the CN-Paul M. Tellier Chair on Business and Public Policy at the University of Ottawa hosted a roundtable discussion on Canada-European Union (EU) economic relations. The round table, which was attended by a number of experts,<sup>1</sup> focused on strategic issues that impact the relationship; it emphasized the areas for cooperation between Canada and the EU.

The discussion began with a “debriefing from Brussels” by Mark Camilleri (CEUTIA’s President) on issues facing the EU and its impact on the state of Canada-EU economic relations. In his presentation, Mr. Camilleri focused on three key areas that were having a big impact on EU economic policy, namely the Russian invasion of Ukraine, the impact of the US Inflation Reduction Act (IRA) and EU elections.

With respect to the Russian invasion of Ukraine, Mr. Camilleri noted that the economic dynamics have changed in that the EU felt more confident in its energy supplies than a year ago (when it was looking for direct LNG supplies from countries like Canada). The EU was now looking at how to

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<sup>1</sup> Present at the roundtable discussion were: Wolfgang Alschner (Associate Professor, Faculty of Law, University of Ottawa); Mark Camilleri (President, CEUTIA); Magdalena Ciesielska (Deputy Head, Trade and Economic Section, EU Delegation to Canada); Claire Citeau (Executive Director, EUCCAN; Member, Advisory Board, CEUTIA); Nathalie Dubé (Director General, Investment, Innovation and Education, Global Affairs Canada); Geneviève Dufour (Professor, Faculty of Law, University of Ottawa); Bruce Dunlop (Regional Vice-President, Europe, Export Development Canada); Reuben East (Deputy Director, Investment Trade Policy, Global Affairs Canada); Ime Ekong (Director, Business Development, EMEA, Export Development Canada); Gaphel Kongtsa (Director, International Policy, Canadian Chamber of Commerce); Morgan Larhant (Chief, Regional Economic Service, Embassy of France to Canada); Patrick Leblond (Associate Professor, Graduate School of Public and International Affairs, University of Ottawa; Member, Advisory Board, CEUTIA); Sydney Moulton (M.A. Candidate, Public and International Affairs, University of Ottawa); David Plunkett (Chairperson, CEUTIA; former Canadian ambassador to the EU); Megan Richards (Senior Advisor, Rud Pedersen Public Affairs; Member, Advisory Board, CEUTIA); Rocco Rossi (President and CEO, Ontario Chamber of Commerce; Member, Advisory Board, CEUTIA); Riva Walia (Managing Director, France-Canada Chamber of Commerce); André von Walter (Head, Trade and Economic Section, EU Delegation to Canada); Xiang Xiao (M.A. Candidate, Public and International Affairs, University of Ottawa).

include Ukraine (as well as other countries) as part of the EU and, given the profound impact such an expansion would have, what changes the EU would need to make politically and economically to support a new enlargement round. Economic support for a post-war Ukraine would be an important part of the Canada-EU dialogue.

In connection with the impact of the IRA, Mr. Camilleri noted that the EU, like Canada, was still grappling with how to address this. On the one hand, allowing for subsidies risked destabilizing the EU Single Market (as only a few EU member states could afford to offer significant industrial subsidies). On the other hand, the EU was moving forward with approving its own industrial legislation to support its own industrial base and ensure access to critical raw materials: namely, the Net Zero Industry Act (NZIA) and the Critical Raw Materials Act (CRMA). In the case of both the NZIA and the CRMA, the EU has identified international partnerships as being an important plank of its industrial policy, both to secure raw materials as well as promote a more sustainable model of industrial development. As with the implementation of its Carbon Border Adjustment Mechanism (CBAM), the EU's industrial policy is an attempt to show its leadership in the green transition while at the same time, seeking to protect its own internal market from imports from jurisdictions with what it sees as lower ESG standard. In this way the EU is trying to initiate a "race to the top". Canada's rich mineral endowment, coupled with the fact that it is seen as a "like-minded partner", mean it is seen not just as an important but a key international partner for the EU's industrial strategy.

Finally, Mr. Camilleri noted that the upcoming EU elections are having an impact on EU policy. First, there have been, and will continue to be, a number of key changes at top posts in the European Commission and other EU institutions as individuals start to consider new roles for themselves in the future. In particular, 2024 will not only see a new Commission and European Parliament, but also changes of leadership at other key EU institutions such as the European Investment Bank (EIB). The EIB, for example, is expected to play a strong role in providing financing to help stimulate the EU's green industrial deal. In addition to the various political manoeuvrings, EU legislators are conscious of the economic angst facing European voters, and, as such, there is less of a focus on introducing new legislation but, instead, passing and implementing existing legislation and focusing on economic issues in the EU. This was reflected in the Commission President von der Leyen's State of the European Union address in September.

Indeed, given the short time remaining in the EU's legislative agenda, the EU will be very hard pressed to pass all of its ambitious legislation in this session. That said, two files that are expected to move quickly are: (a) the NZIA and the CRMA and (b) the EU's proposed AI Act. As with the NZIA and the CRMA, the EU is keen to work with Canada on developing standards on AI legislation that it and Canada has proposed.

Mr. Camilleri concluded his introduction by pointing out the EU's Economic Security Strategy, which was announced in June. This strategy is based on the concept of de-risking the EU's Single Market; it builds on the concept of "Open Strategic Autonomy" for the EU Single Market. In effect, the EU's strategy links economic security with national security. A key pillar of this strategy is to work with reliable partners. Although Canada is seen as such a partner for the EU, it will be incumbent on the Canadian government to deliver on the things that the EU both needs and expects from it, including raw materials and energy supplies.

Following Mr. Camilleri's opening remarks, Mr. Leblond opened the floor for wider conversation.

### Challenges

It was noted that, while various initiatives of the EU (such as in digital and responsible business legislation) are positive, the imposition of unilateral standards by the EU can pose issues for the Canada-EU trade relationship, specifically for small and medium-sized enterprises (SMEs) navigating the rapidly evolving regulatory standards. While the trading relationship is maturing and growing, Canadian businesses are experiencing confusion about what can be imported and what the minimum requirements are. Additionally, non-tariff barriers (NTBs) still remain the biggest challenge for Canadian companies looking to do business in Europe, especially when learning how to navigate the various customs requirements (e.g., rules of origin) as well as the cultural contexts of multiple member states.

There is a lack of understanding by Canadian firms of the EU as a regulatory superpower, leading to confusion about the scope and pace of EU regulation that can affect businesses and how to navigate this space when stuck between a North American and European context.

### Opportunities - CETA

While there are challenges, the avenues for cooperation exist. CETA has been a significant success in increasing trade flows between the Canadian and European markets. While Canadian firms have realized less of the agreement's benefits than their European counterparts, it has helped increase supply chain linkages as well as cooperation on a number of trade-related topics.

The CETA process, initiated some time ago, has become increasingly relevant in light of lessons learned from geopolitical shifts, subsidy wars, and competition for industries. The emergence of new challenges, including the impact of the Trump era, the vulnerabilities exposed by the COVID-19 pandemic, and the growing influence of Russia and China underscore the need for proactive measures. CETA is recognized as a critical tool in protecting Canada from global uncertainties and positioning the country to take advantage of future opportunities. The partnership is already delivering benefits, particularly for SMEs that are leveraging CETA to increase supply chain integration.

### Regulatory disparities between Canada and EU

While CETA has paved the way for increased economic cooperation, regulatory differences between Canada and Europe present challenges. To facilitate ratification of CETA across the EU and to address regulatory challenges, the creation of common standards is essential. This requires Canada to establish common standards across provinces, particularly in areas such as privacy, digitization, and taxation of large tech giants, providing an opportunity for joint leadership with the EU. To empower Canadian businesses, there is an urgent need for a collaborative effort to

synthesize relevant information and provide a clear path forward, aimed at strengthening and bridging the knowledge gap and equipping businesses with the insights needed for successful market integration.

Rather than seeing regulation as an obstacle, Canadian businesses should see it as an opportunity to create markets. Closer collaboration with government agencies such as Export Development Canada (EDC) can provide the necessary guidance for Canadian firms to successfully navigate European markets and foster closer partnerships. CETA should be used as a tool to facilitate and enhance further cooperation to the benefit of both economies. At a time of geopolitical uncertainty, the security and stability provided by a strong relationship with the EU is critical. The EU can serve as a strategic partner in navigating global complexities.

### Involving all stakeholders in fostering a more interconnected and dynamic trade environment

While CETA has been seen as the main reason for the increase in trade flows between Canada and the EU, there are critics who question the importance of CETA in contributing to this growth. Is it CETA itself or broader global trends such as inflation and supply chain diversification (in response to China-US economic tensions or the Russia-Ukraine war) that are driving these increases?

Despite the criticisms, the EU's regulatory standards share similar policy objectives with those in Canada. Rather than questioning the causal effect of this relationship, the focus should be on collaborative efforts to develop policies that facilitate transatlantic business without compromising regulatory objectives. In a rapidly evolving global landscape, the need for forward-looking dialogue is critical.

Given the complexity of the regulatory landscape, the responsibility to guide SMEs on regulations should be a collective effort involving all stakeholders, including governments, industry associations and trade promotion agencies. It is crucial to go beyond a traditional government-centric approach. Private sector involvement is seen as essential to fostering a more dynamic and responsive trade environment.

For instance, EDC plays a key role in exchanging information, particularly with SMEs seeking to export to the EU. Its commitment to environmental, social and governance (ESG) issues enhances SMEs' understanding of the regulatory environment. EDC's work with other government departments exemplifies the potential for cooperative partnerships to navigate regulatory complexities. CETA provides a platform to create a shared leverage that can drive mutual prosperity. The responsibility for navigating the regulatory landscape and guiding SMEs extends beyond governments; a pragmatic solution must involve all stakeholders in fostering a more connected and dynamic Canada-EU trade environment.