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“JMCE Panel: The business of CETA two years in”

Panel discussion

March 9th, 2020.

University of Ottawa, Canada

Summary of conclusions

The discussion panel “The business of CETA two years in” was held at the University of Ottawa on March 9, 2020 hosted by the Centre for European Studies Jean Monnet Centre of Excellence at Carleton University in collaboration with the CN-Paul M. Tellier Chair on Business and Public Policy at University of Ottawa.

The panel was composed of seven speakers: representatives from the Canada-EU Trade Investment and Association, Export Development Canada, Global Affairs Canada, the Delegation of the European Union to Canada, an immigration lawyer and international business representatives.

The seminar gathered approximately 70 participants including trade experts, representatives from various embassies, government officials, academia, the private sector, media and also students to discuss the various perspectives of the CETA implementation, opportunities and challenges both on the Canadian and European sides.

The conference was opened by Patrick Leblond, Associate Professor and CN-Paul M. Tellier Chair on Business and Public Policy, University of Ottawa and moderated by Crina Viju-Miljusevic, Associate Professor, Institute of European, Russian and Eurasian Studies, Carleton University.

The seminar’s discussion was divided into three sections, the first section started with five minutes opening remarks for each panelist to briefly introduce their perspective on the CETA , the second section was in the format of a moderated discussion in order to depict for the challenges as well as the regulatory differences between Canada and the EU that could affect the CETA implementation process. Finally, the last part of the conference was dedicated to open questions from the audience.

This document summarizes the event’s main conclusions.

1) *Opening remarks:*

Speaker: **Stephen Tapp**, *Deputy Chief Economist and Director of the Economic Research and Analysis Department, Export Development Canada.*

Stephen Tapp presented a Canadian perspective on the economics of CETA. He first gave a little background on the significance of the Canada-EU trade relations, a commercial relationship worth \$1 trillion. Since it came into effect, CETA has shown a positive effect in terms of increased Canadian exports to the EU, especially in products with high tariff cuts. Canadian exporters have increased their use of CETA tariff preferences and Atlantic Canada has benefitted most. The conclusion is that, overall, the CETA has had a positive effect on Canadian trade and economy.

Speaker: **Geneviève Gougeon**, *Deputy Director in the free trade promotion division, Global Affairs Canada.*

Geneviève Gougeon talked about the goal and mission of Global Affairs Canada's free trade promotion division: promote the CETA, train trade commissioners and raise the public's awareness of the agreement as well as businesses' capacity to make good use of it. She explained that the lack of understanding of the CETA agreement is the main reason behind its low utilization rate by Canadian importers. The efforts made by her division to promote CETA include the organization of more than 81 CETA events reaching more than 6,000 Canadian businesses. Her team has also organized sectoral training workshops for trade commissioners. Finally Global Affairs Canada by has developed online resources to help SMEs get the needed guidance on how to reach the right information and succeed in the EU. Of these online resources, she mentioned six instructional videos of two minutes each accessible on YouTube, a well-defined website to obtain all needed information and, in collaboration with the Business Development Bank of Canada and Export Development Canada, a "Canada Tariff Finder", which is a search engine that enables Canadian firms to search for tariff preferences and get their HS8 code. Finally, Ms. Gougeon mentioned an internal tool developed by the Trade Commissioner Service called "The market potential finder", which is a searchable database that uses HS8 code to find the optimal market potential in the EU for Canadian exporters. She concluded that more discussions as well as data and tool sharing should be made with the European Commission in order for Canadian and European businesses to take better advantage of CETA.

Speaker: **Maud Labat**, *Trade Counsellor, Delegation of the European Union to Canada.*

Maud Labat provided a European perspective on CETA. According to her, CETA opens the Canadian market to European firms by removing 98% of tariffs on goods. CETA goes beyond previous agreements negotiated with other countries since it has the strongest commitments in

terms of labour rights, environmental protection and sustainable development. Ms. Labat mentioned that the European Commission continually monitor the implementation process; 22 sectoral committees meet annually to discuss issues depicted from the implementation process. This makes CETA a living agreement. Signed in 2016, CETA is today ratified by 13 member-states. The other 14 are expected to gradually ratify as well. Nevertheless, CETA's provisional application means that 98% of the agreement is fully in force. She presented three next steps to achieve when it comes to CETA implementation: 1) regulatory cooperation that sets common or equivalent regulations to protect consumers in both markets; 2) conformity assessment that helps Canadian companies to test EU standards in Canada before exporting to the EU and vice-versa; and 3) mutual recognition of professional qualifications that facilitates logistical barriers so that businesses looking to expand beyond national borders can do so. Ms. Labat concluded that the agreement sets out a framework and a procedure to make progress in these three areas.

Speaker: **Mark Camilleri**, *Lawyer and co-founder of the Canada-EU Trade and Investment Association (CEUTIA).*

Based in Brussels, Mark Camilleri gave on-the-ground thoughts about CETA. He expressed that there is high interest in CETA from the EU as well as various member-states and stakeholders. This interest is divided into three levels; 1) the agreement's high standards and its implementation process; 2) political interest demonstrated by the growing number of ratifying states; and 3) legal interest with the creation of an investment dispute framework. He concluded by saying that CETA is going beyond the typical trade agreement and opens new areas of trade such as services and government procurement. In contrast, he highlighted the fact that there are uncertainties to what will happen to CETA if some EU member-states fail to ratify.

Speaker: **Greg Eston**, *President of Kuriyama Canada, a midsized industrial hose manufacturer.*

Speaker: **Don Paauwe**, *CEO of Canuck Beverage Dispensing Equipment and owner of Drandek Centrale Zeeland.*

Greg Eston and Don Paauwe provided a microeconomic perspective of CETA, from both the Canadian and European sides. CETA made their partnership possible by easing the physical and artificial barriers to trade. Mr. Eston started by giving the historical background of his company; a midsized Canadian industrial hose manufacturer with a wide variety of products. Twenty years ago, his company developed an innovative and revolutionary tube system for the beverage industry, which was immediately taken up by Pepsi. Today, his company has a 90% market share in North America, which leaves no more room for growth. Twenty years ago, Mr. Eston tried to expand to the European market, but it was too difficult since not only his product sold at premium but there were also many physical and artificial barriers. Today, thanks to CETA, he manages to export his

product to the EU through a partnership with Don Paauwe. The product still sells at premium in the EU market but the tariff reduction and the removal of some regulatory barriers as a result of CETA now makes it possible for his product to be competitive.

Don Paauwe, for his part owns a small brewery business in the Netherland. Mr. Paauwe noticed Mr. Eston's product, which is of better quality than European tubes. The need for Kuriyama's product came simultaneously with the CETA, which made it possible for him to contact Mr. Eston and start importing his product into the EU.

Speaker: **Natacha Mignon**, *Franco-Canadian attorney and Partner at Immetis Services Juridiques, an immigration law firm specializing in business immigration and international mobility in Canada.*

Natacha Mignon talked about CETA's chapter 10, which deals with labour. She explained that this chapter does not revolutionize the mobility for business purposes, but it has improved the roots for the following types of workers: 1) intra-company transferees; 2) investors; 3) consultants and 4) business visitors. The importance of CETA, though, is not the same for all the categories. For intra-company transferees, CETA eases the conditions for obtaining a three-year work permit instead of a one-year work permit following the traditional procedure. Ms. Mignon confirmed that this category has been used multiple times since 2017 and no application has been refused. Concerning the "investors" category, she said that, although this could be a worthwhile provision, she has been reluctant to recommend it to her clients since it only provides a one-year permit that goes against the logic of investment that requires a certain stability. Ms. Mignon concluded with chapter 10's most significant and practical improvement: the introduction of "consultant work-permit", which enables EU consultants to obtain a work permit of maximum 12 months to provide specific services to Canadian clients. She confirmed that it is an excellent new legal tool applicable to common situations and that, so far, all applications had been approved.

2) *Moderated discussion:*

The moderated discussion focused on two questions. The first was related to CETA's implementation challenges and issues. The second revolved around the importance of regulatory differences between Canada and the EU and their effect on SMEs.

When depicting the challenges faced during the implementation process, Maud Labat, Mark Camilleri, Geneviève Gougeon, Don Paauwe and Greg Easton emphasized the lack of information and guidance. For them, the challenge is "information and persuasion". The agreement being complex and hard to navigate, many companies in both markets are unable to understand their potential gain. As business owners, Don Paauwe and Greg Easton explained that they found the agreement long and time-consuming while they only need to read the provisions that are directly related to their businesses. That's why Mark Camilleri and Geneviève Gougeon emphasized the

importance of Canadian private-sector participation in all the processes of CETA. For Stephen Tapp, the challenge is also related to the macroeconomic environment. The global economy is slowing down and the financial market is volatile, which make companies reluctant undertake long-term investments.

Concerning the challenges related to the regulatory differences between Canada and the EU and their effect on SMEs, Greg Easton and Don Paauwe expressed their high expectations towards CETA's ability to harmonize these differences. For them, this would give incentive to other companies on both sides of the Atlantic to access both markets. Mark Camilleri and Maud Labat confirmed that there is willingness from both the Canadian and European sides to tackle this issue. CETA provides regulatory cooperation procedures to address this regulatory burdens on companies. However, they explained that negotiating regulatory provisions is a long and technical process that requires a lot of dialogue between both parties. In this regard, Mark Camilleri emphasized on the importance for Canadian industry groups to participate in regulatory discussions in Brussels to voice their needs and concerns.

3) *Open questions from the audience:*

The last part of the panel discussion was dedicated to questions from the audience.

Q: Why CETA has not brought down the price of European cheeses in Canada? And, what is your perspective on the Canada-UK discussions about a potential free trade agreement?

A: Even though CETA increased tremendously European cheese imports in Canada, sellers find themselves obliged to keep a certain level of prices to meet consumers perception of good quality. Concerning EU-UK relations, it is expected to be a long and difficult discussion since leaders have set a short timeline and there are many things to look at since there is a huge EU-UK integration. With Canada, the EU did not have such an issue due to geographical reasons and the fact that EU and Canada were not as closely integrated economically.

Q: What are the professions included in the professional recognition provisions and what is exactly a "consultant"? Are medical doctors operating as business owners included?

A: For the consultant permit there is a list of eligible professions. For medical doctors wishing to operate in Canada, the dispositions of CETA are not necessarily used, rather the regular program. The mutual recognition of professional skills only includes architects for now but CETA opens the door for other regulated professions to follow suit and negotiate mutual recognition frameworks.

Q: Given the fact that Canadian agricultural products have a bad perception in the European market, what advice do you give to Canadian companies and EU governments to change this perception?

A: Canadian producers should be aware that European consumers are socially conscious about the use of pesticides and GMOs in agriculture food. There are about 250 pesticides allowed in Canada that are not in the EU. Canadian producers should work on marketing their product and explore the organic agriculture sector.

Q: Do you see greater collaboration in engaging the rest of the world on standards or is it mostly a bilateral process?

A: Today, there are three poles of standards development: the EU, the US and China. Even though the EU is closer to US standards than it is to China, there are still differences. Through CETA, there is an attempt from the EU to export its standards to Canada but there is also room for regulatory convergence and cooperation between Canada, the EU and the US. So far, discussions have been bilateral but in the long run it would make sense to integrate the rest of the world.