

“JMCE Business Roundtable Webinar: COVID-19’s impact on Canada-Europe Business”

December 2, 2020

Summary

The business roundtable webinar “COVID-19’s impact on Canada-Europe Business” was the second event of a series on Canada-EU relations offered by the Centre for European Studies’ Jean Monnet Centre of Excellence (JMCE) at Carleton University in collaboration with the CN-Paul M. Tellier Chair on Business and Public Policy at the University of Ottawa. The event was held in a virtual setting on December 2, 2020.

The roundtable was composed of six speakers: Ms. Geneviève Abbott, Executive Director, Catalonia Trade & Investment Office; Ms. Delphine Adenot-Owusu, Executive Director, EU Chamber of Commerce in Canada; Ms. Claire Citeau, Executive Director, Canadian Agri-Food Trade Alliance; Ms. Yvonne Denz, President & CEO, Canadian German Chamber of Industry and Commerce; Ms. Marie-France Paquet, Chief Economist, Global Affairs Canada and Ms. Riva Walia, Managing Director, France Canada Chamber of Commerce (Ontario).

Crina Viju-Miljusevic, Associate Professor, Institute of European, Russian and Eurasian Studies at Carleton University, and Patrick Leblond, Associate Professor and CN-Paul M. Tellier Chair on Business and Public Policy at the University of Ottawa, moderated the discussion.



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The webinar discussed the challenges as well as opportunities that the COVID-19 pandemic has imposed on businesses with transatlantic activities between Canada and the European Union. The event also aimed at understanding how CETA helped (or hindered) during the pandemic and in the recovery plan on both Canadian and European sides.

The webinar was divided in two parts. The first part started with opening remarks by each panellist to briefly introduce their perspective on CETA, the challenges faced during the pandemic and their expected recovery plan. The second part was in the format of moderated questions and answers with the audience.

This document summarizes the main conclusions and outcomes of the JMCE Business Roundtable Webinar: "COVID-19's impact on Canada-Europe Business."

Part 1: Opening Remarks

Speaker: **Marie-France Paquet**

Marie-France Paquet began the discussion with a presentation on CETA's impact on the Canadian economy since the agreement came into force in September 2017. She confirmed that there has been an overall good growth rate for both Canadian exports to and imports from the EU.

On the investment side, Ms. Paquet confirmed that over the period from 2014 to 2018 there has been a good growth rate for investments into Canada coming from Luxembourg and Germany and a large growth rate for investments coming from Spain, reaching 133% over the four-year period. The data for the year 2020 are yet to come.

To assess the impact and benefits of CETA on the Canadian economy, Ms. Paquet suggested that we should be looking at the utilization rates and tariff reductions rather than looking at the growth in exports and imports since the latter do not tell if it is directly related to the trade agreement. Since the introduction of CETA, in goods with tariff reductions of 5-10% or 10% or more, trade between Canada and the EU saw a significant increase. This tells that when Canadian companies have possible large gains from a trade agreement, they tend to know about it and use it. Moreover, the utilization rate of CETA's tariff-reduction provisions by Canadian exporters to the EU improved from 49.9% in 2018 to 55% in the first six months of 2020. For imports from the EU, the same trend holds true: the utilization rate improved from 37.1% in 2018 to 55% over the same period. However, Ms. Paquet indicated that utilization rates varied significantly from country to country in the EU and from sector to sector. For example, she pointed to the agricultural sector with utilization rates of 92-94% while the automotive sector's utilization rate was of only 5.2% for automotive goods going to Germany when the tariff was about 6%. The utilization rate for the same sector was almost 66% for the UK. She further explained that, for the first six months of 2020,

there has been an improvement in terms of utilization rates for what goes to Germany with an increase in the utilization rate overall both for exports and imports.

Concerning the impact of COVID-19, Ms. Paquet mentioned that China and the EU were the only major trade partners with which Canada had growing trade as of September 2020. Both the EU and China were fuelling Canadian trade in terms of goods and especially in terms of imports of drugs, testing kits and medical devices.

Ms. Paquet acknowledged that the pandemic's two waves had affected Canadian SMEs that export to the EU. In February 2020, the number of SMEs that exported to the EU was about 3,500. In April, the number dropped to 2,600. She confirmed, however, that the number of SMEs exporting to the EU was steadily coming back to pre-pandemic levels. Unfortunately, the data do not show if the same companies that stopped exporting to the EU have resumed their trading activities or whether it is other SMEs taking advantage of new opportunities arising from the pandemic. She also confirmed that despite the pandemic, SMEs continue to use government programs to access the EU market. She gave the example of the "CanExport" program, which gives access to up to \$75,000 of funding to companies wishing to expand to the European market.

Ms. Paquet concluded by confirming that despite the pandemic's negative impact, trade between Canada and the EU continues to grow amidst these difficult times. Canadian firms are taking more advantage of CETA preferences and SMEs are also using some of the programs to access the European market.

Speaker: Geneviève Abbott

Ms. Abbott provided a perspective on the Catalan-Canadian trade relationship as well as the impact of the COVID-19 pandemic on Catalonia's Trade & Investment Office in Montreal. She confirmed that the first major impact of COVID-19 was the cancellation of the "Mobile World Congress", which is based in Barcelona and normally hosts over 100,000 participants. For her office, this event is normally a great opportunity to promote FDI into Catalonia as well as Canada-Catalonia technological collaborations. She also explained that the pandemic has forced her office, which has the mission to help Catalan companies to export to Canada, to postpone many projects, whether it was because they were no longer a priority for clients or because of the many business closures that resulted from pandemic.

Nevertheless, Ms. Abbott said that it was not all bad news. In fact, Grifols, the Catalan global healthcare company and one of the world's top producers of plasma-derived medicines, announced, in July 2020, its acquisition of a Montreal-based plasma fractionation facility to become the only large-scale commercial manufacturer of plasma products in Canada. As for FDI into Catalonia, Ms. Abbott confirmed that surprisingly it has been a good year since many Canadian companies set up offices or regional headquarters in Barcelona to pursue business opportunities there.

From her perspective, moving to remote, online work fostered more collaboration between Catalan Trade and Investment Offices in different parts of the world as well as made it easier to organize and host trade events in a virtual setting. For example, in late November, Ms. Abbott and her office co-organized an information seminar on smart cities in Canada with the Toronto Board of Trade where 30 people from Catalonia participated. Finally, the pandemic also offered opportunities to Catalan companies to participate in international calls to find COVID-19 related solutions.

Speaker: **Delphine Adenot-Owusu**

Ms. Adenot-Owusu offered a European business perspective on CETA and the impact of the COVID-19 pandemic on Canada-EU trade relations. She started her presentation by reassuring that not all sectors were affected by the pandemic. As an example, during a conference organized by her office entitled "One week, one province", the canola seeds industry in Saskatchewan announced a growth of 200% for this year.

Ms. Adenot-Owusu further talked about the impact of the pandemic on the mobility of professionals, which CETA makes easier. She confirmed that there has been a slowdown in immigration on both sides. From the EU perspective, she highlights that some EU countries raised the issue of the difficulty for EU service providers to obtain exemption letters for their employees so that they did not have to quarantine for 14 days upon arriving in Canada. Nonetheless, she was hopeful that the pilot project established in Calgary, which consists of on-arrival tests, would be successful and implemented across Canada and, thus, allow service providers from the EU to come to Canada to perform their work without needing to quarantine.

Concerning the benefits gained from the pandemic, Ms. Adenot-Owusu talked about the new way of doing business that her team created. Over the last months, they have organized multiple online trade missions and webinars. She also highlighted the work done by some provinces, such as Prince-Edward-Island and other maritime provinces, in attracting European investment despite the pandemic and managing to launch several cross-border deals. In this regard, she emphasized the role played by chambers of commerce in bridging between businesses between Canada and EU countries.

Ms. Adenot-Owusu concluded her presentation by acknowledging that at this time of instability, CETA is an element of stability. She explained that for the EU countries, exports are part of their recovery plans. CETA has been able to push trade between EU and Canada, so this is a good sign for the post-COVID-19 recovery.

Speaker: **Claire Citeau**

Ms. Citeau talked about the experience of Canadian agri-food exporters during the pandemic and their perspective on CETA before and during the COVID-19 pandemic.

Ms. Citeau discussed the importance at the global level of keeping the borders opened for agri-food products, before and during the COVID-19 pandemic to ensure food security, prevent supply shocks, and provide income stability for farmers. For Canadian agri-food exporters specifically, keeping the US-Canada border opened to agri-food trade has been critical. This ensured very little market disruptions for consumers.

Ms. Citeau has also mentioned the challenges faced by Canadian agri-food exporters during the COVID-19 pandemic. Some of these challenges are related to the imposition of quarantine measures in some markets, shipment delays and lack of warning for shipments already on route. Despite reassuring that Canadian agri-food exporters were able to adapt and manage supply quickly to accommodate market needs, she mentioned that trade rules did not respond fast enough.

Ms. Citeau has also expressed concerns in terms of the achievements of CETA related to agri-food trade. She explained that the expectations were for an increase in Canada's exports of agri-food products by nearly \$ 1.5 billion annually and a decline in sanitary and phytosanitary differences and trade-distorting subsidies as well as more regulatory cooperation between the two parties. However, in her perspective, these expectations were not fulfilled.

To conclude, Ms. Citeau acknowledged the longstanding trading relationship between Canada and the EU and the importance of their partnership at the bilateral and multilateral levels and suggested that the enhanced dialogue and further commitments proposed under CETA will result in a more stable and deeper trading relation between the two parties.

Speaker: Yvonne Denz

Ms. Denz discussed the impact of COVID-19 pandemic on the German exports and investments to Canada as well as the work of the Canadian-German Chamber.

Ms. Denz mentioned that Germany's exports worldwide declined by 12% in 2020 as compared to 2019. The German exports to Canada declined by 40% in April and May 2020, mainly due to disruptions in supply chains, production shutdowns and lack of cargo capacities. In December 2020, the main barrier to doing business for German companies was restrictions on travel.

Additionally, many German companies located in Canada were negatively impacted during the COVID-19 pandemic. However, none have left the Canadian market. In general, their operations in Canada have improved mainly due to the economic response plan introduced by the government of Canada, specifically the Canadian emergency wage subsidy and the work-sharing program. Other German companies such as "Dr. Oetker Pizza" and "Siemens Healthineers" saw great growth in both, sales and production. While others, such as "BASF" adapted to the new conditions by changing their production line to produce disinfectant. Ms. Denz has outlined that German

companies have shown solidarity and togetherness during the pandemic with some companies refurbishing and donating laptops to local school boards and others helping in transferring food and products to local hospitals.

In terms of the Canadian-German Chamber new way of doing business, Ms. Denz has outlined the benefits of virtual work since it has opened the opportunity to host meetings, trade shows and trade missions with stakeholders all over the world with fewer costs and efforts.

In the conclusion of her presentation, Ms. Denz discussed CETA and its utilization rate by outlining her hopes that due to a collective effort more companies will take advantage of CETA. Part of the collective effort are certain government initiatives such as the Rules of Origins Self Assessment (ROSA) tool launched by the EU, which offers quick access to product-by-product information on tariffs, customs procedures, and product requirements.

Speaker: Riva Walia

Ms. Walia talked about the impact of CETA on the trade relations between Canada and the EU. Additionally, she mentioned the role played by the France-Canada Chamber of Commerce.

Ms. Walia started her presentation by outlining the importance of Canada-France economic relations. As the 14th largest foreign investor in Canada with close to 600 companies and subsidiaries, French companies contribute to close to 85,000 jobs to the Canadian economy. The France Canada Chamber of Commerce, through its 85+ members, is fostering partnerships between Canadian and French companies. The four goals of this partnership are 1) smart cities, 2) luxury retail and hospitality, 3) innovation and technology, and 4) financial services. Some of the latest projects launched in Canada to attract FDI and encourage French companies to have a Canadian presence are in partnership with "Business France" entitled "Innovate and Create in Canada."

This program, launched in March 2020, has tremendous success during the pandemic time, as 35 large French companies were supported to come to Canada, other companies were helped to reopen their business and pivot their production lines to COVID-19 related products and thereby help the Canadian economy in its overall recovery.

Ms. Walia stressed the importance of CETA in providing great business opportunities for companies post-COVID-19 pandemic. She further explained that although some areas of CETA need improvement in their implementation, the agreement still provides important benefits as even during the COVID-19 pandemic, CETA helped reduce by approximately 28% the costs of doing business. Ms. Walia ended her presentation by outlining that CETA provides opportunities for both, Canada and the EU, to recover from the pandemic by implementing green policies.

Part 2: Questions & Answers

Q: What would be one or two actions that would need to be taken to increase Canadian agricultural exports to the EU?

R: Ms. Citeau responded to this question by giving examples of various regulations that could be changed such as recognizing the Canadian canola seeds farming and meat processing, addressing the Italian regulations that discriminate against Canadian durum wheat and removing EU subsidies on processed foods.

Q: What are the expected impacts of Brexit on Canada-EU trade and the recently announced Canada-UK deal?

R: Ms. Walia said that following Brexit many European countries, including France, are looking for a safe and stable English-speaking country to expand their businesses. Thus, post-Brexit, Canada will emerge as the next destination where companies can expand and establish their subsidiaries to service the Americas.

Ms. Citeau however, considered Brexit as another unnecessary disruption and outlined that Brexit represents a loss of an important trading partner within the EU. She further explained that she welcomes the interim agreement between Canada and the UK.

Finally, **Ms. Adenot-Owusu** responded by saying that she would not consider that Brexit would have any impact on the relationship between Canada and the rest of the EU members. She reassured that they would continue to push for CETA and for Canadian and European companies to use CETA as a tool to trade and invest.

Q: One of the interests from the Canadian perspective towards CETA is the diversification of trade partners. The expectations are that trade with the US will be declining, while trade with other regions, including the EU, will increase. However, additional to Covid-19 pandemic, Brexit and the Trump administration might have slowed down this objective. Are the statistical data confirming these trends? Can we draw the conclusion that it is not only the pandemic, but rather the events mentioned above that affected the Canadian trade?

R: Ms. Paquet responded by saying that the goal of the Canadian government was to increase by 50% overseas exports i.e., outside of the US by 2025. Today, 74% of Canadian exports go to the US compared to 80% in 2000 which means that progress has been made. By signing different trade agreements, including CETA and the CPTPP, trade diversification is happening steadily. When CETA came into force, the agreement had a 50% utilization rate, while today the rate is at 55%; another example, when the Canada-South Korea trade agreement came into force, the trade agreement utilization rate was low, however, today, it is at 75%. Thus, due to a collective effort,

progress was made. She further explained that absent-COVID, the objective would have been doable, but the pandemic slowed down the progress.

Ms. **Walia** outlined that the professional mobility and human resources aspects of CETA create a competitive advantage. Many large European companies have been using this provision and moved their knowledge-based businesses to Canada rather than traditionally going to Miami or New York. Immigration policies in the US have not been helpful for certain organizations in contrast to what the CETA provision on professional mobility offers.

Q: The EU has recently appointed a new chief trade enforcement officer. Is this expected to have an impact on CETA both in terms of enforcement of its terms and obligations but also in terms of its promotion particularly on the EU side?

R: Ms. Adenot-Owusu responded by affirming that any appointment that allows enforcement of implementation and agenda on both sides of the Atlantic is always useful. However, for CETA it is more a matter of information on how to use it rather than enforcing its implementation. The agreement needs to be turned into a business practical guide so that companies can navigate it and use it. From her perspective the more information is spread about CETA, the more it will be understood and used by companies.

Ms. Denz added that in Europe CETA could use more promotion. From her perspective, the agreement was pushed to the sideline for a while. She finished by saying that we should not forget that the CETA ratification is still on the table for many European countries, and thus promotion is very important.

Q: From your perspective, looking forward once a vaccine is out, what are your expectations concerning Canada-EU relations post-COVID? Do you believe that everything is going to be back to normal or do we see some underlining trends that could affect the relationship either positively or negatively?

R: Ms. Abbott responded by saying that post-COVID, there will be some trends adopted during the pandemic that will certainly remain such as webinars and online meetings with different stakeholders in different regions. From her perspective, the way of doing business will adopt hybrid methods between in-person trade shows and online meetings.

Ms. Walia added that there is a certain shift in industries. During the pre-COVID period, collaboration was coming from aerospace companies, however now it is coming from companies operating in innovation and digital economy. In terms of recovery, she believes that there is an opportunity to consider a different set of sectors for collaboration and that the recovery period for each sector will be different.

On this matter, **Ms. Denz** said that it is hard to make long term projections since companies do not know how well their business developments are going. The virtual formats are great to connect with people, but it does not replace in-person trade shows from a networking perspective. However, she highlights the establishment of German knowledge-based companies in Canada.

From agri-food exporters' perspective, **Ms. Citeau** emphasized the importance of the maintenance of a strong trade framework and rules. She further explains that moving forward governments should ensure a transparent system where there are timeliness and notifications of measures that allow the ease of trade.

Finally, **Ms. Paquet** by focusing on SMEs, explained that most SMEs in Canada became exporters accidentally. In fact, with a minimal web presence, they get contacted by interested stakeholders to do business with them from the other side of the Atlantic. Thus, she believes that Canadian SMEs should focus on developing a larger and better web presence which will be useful for them in the future.