CETA AND CANADA'S TRADE

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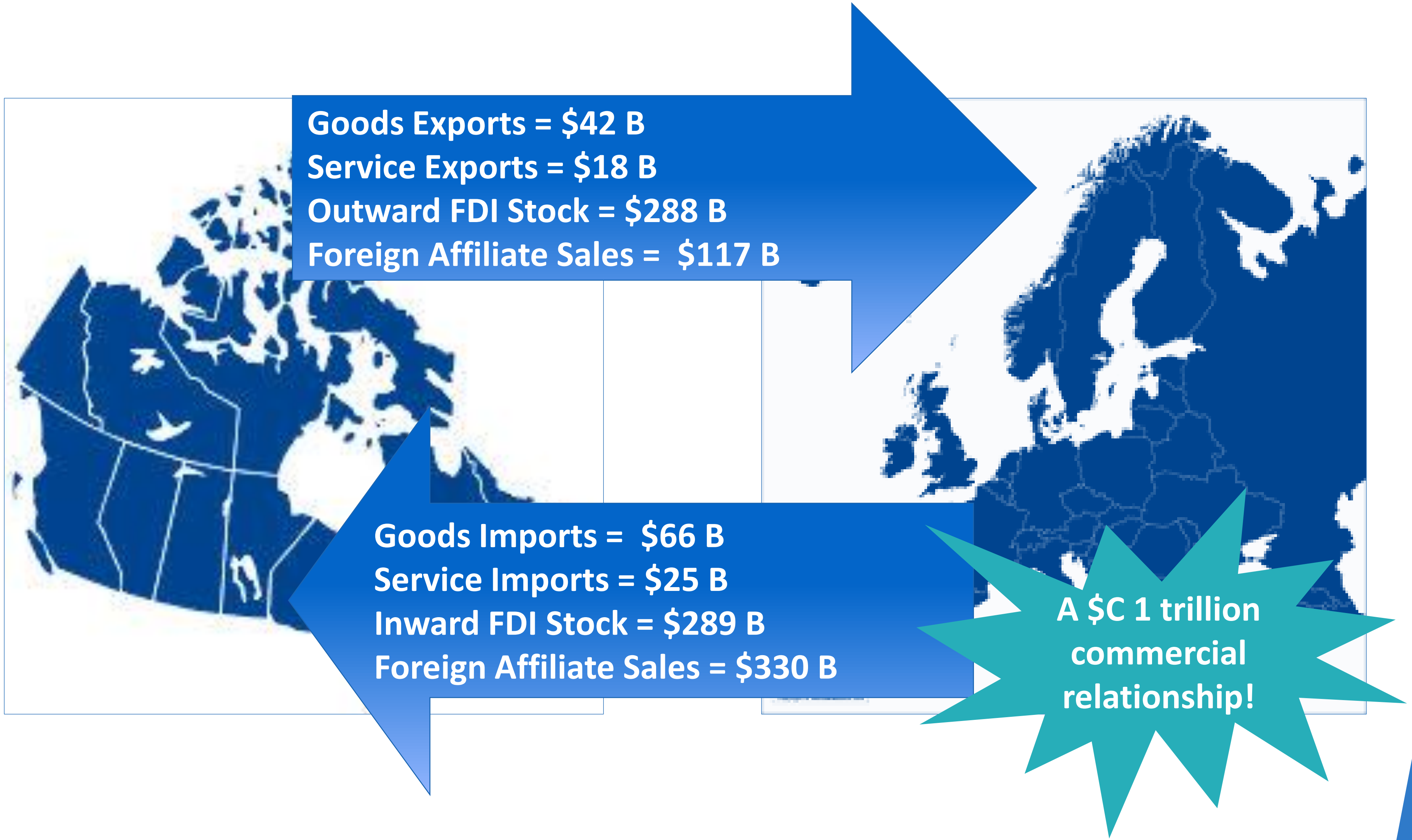
Canada

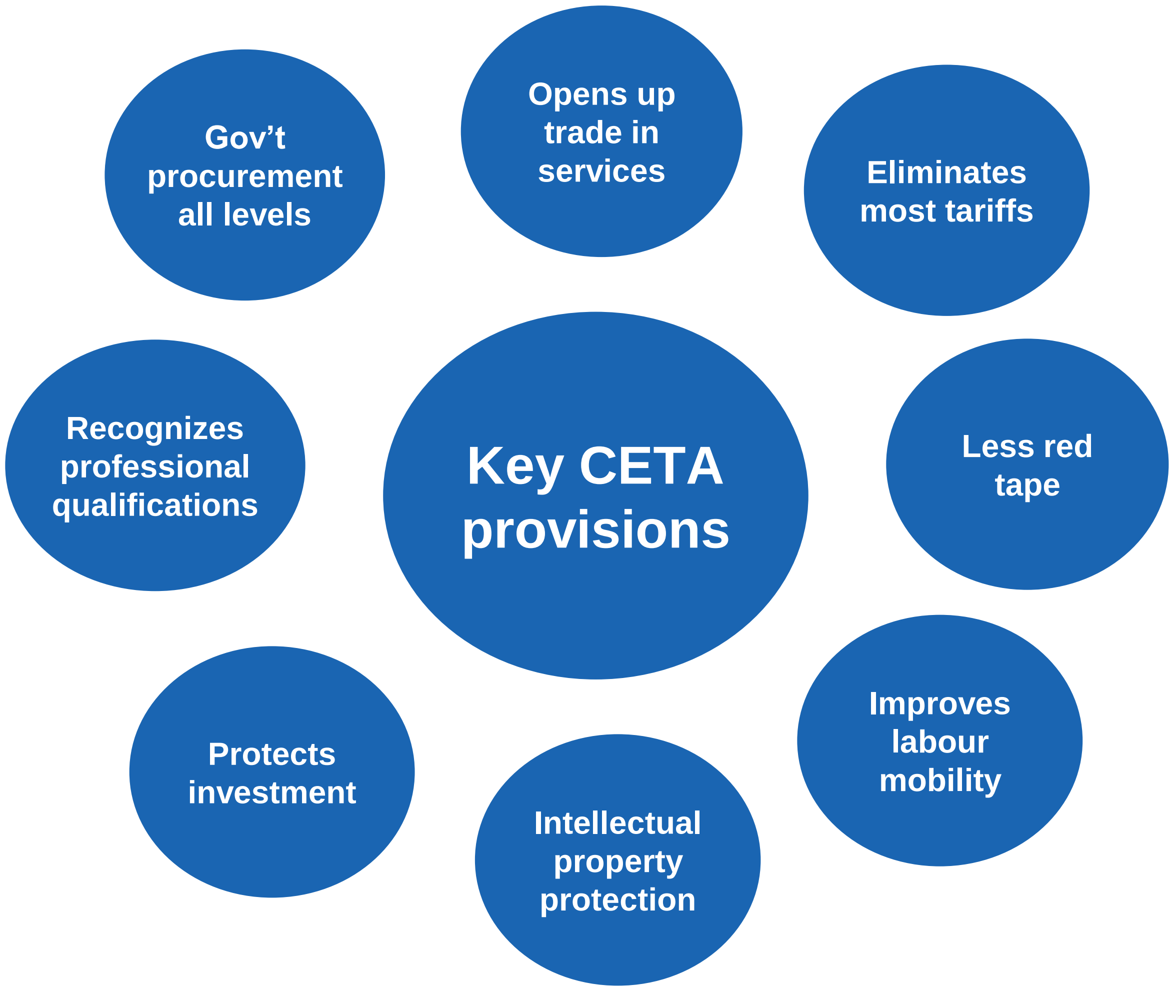
SIGNIFICANT CANADA-EU COMMERCIAL TIES



Source: EDC Economics, Statistics Canada.

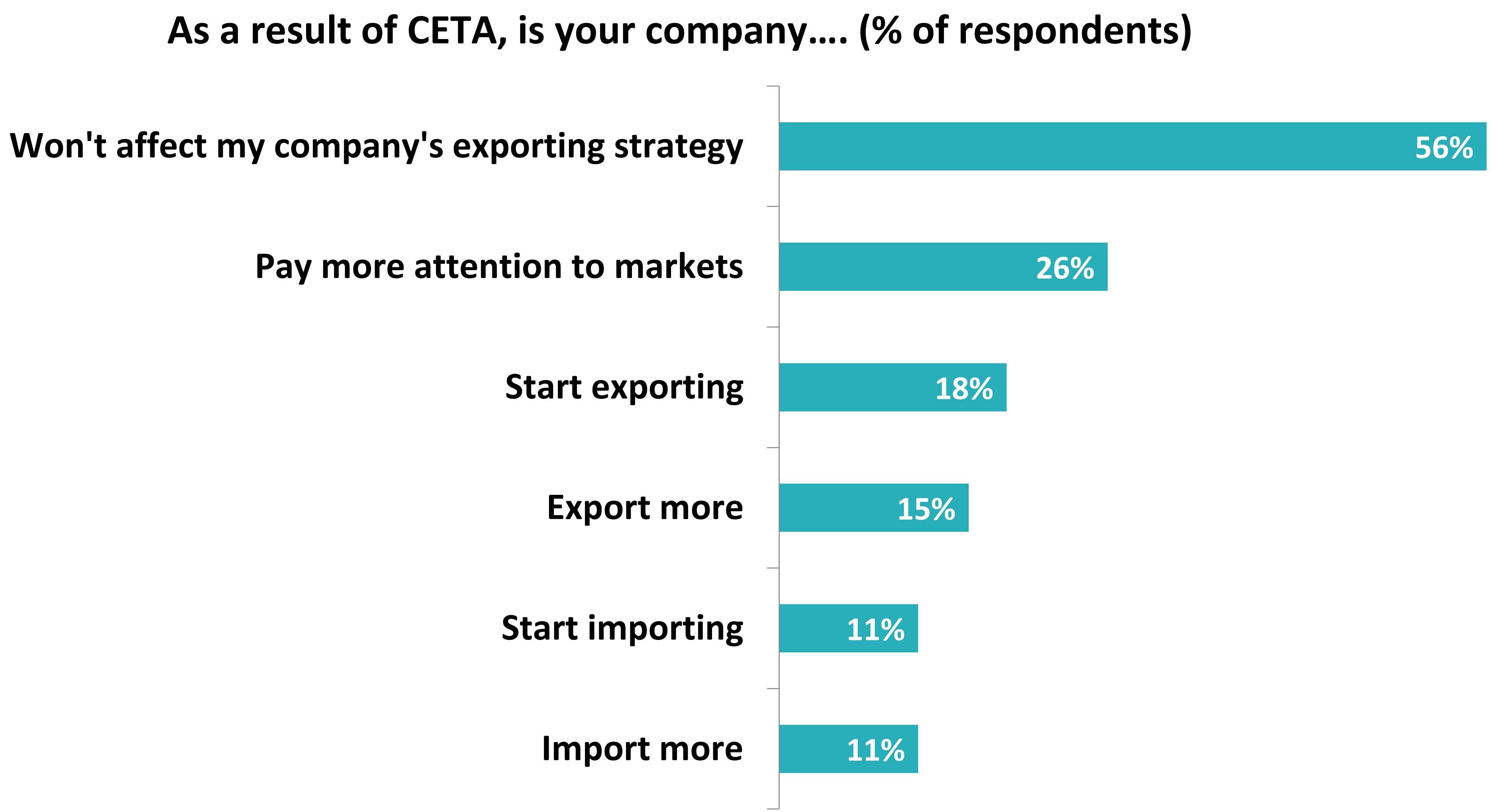
CETA IS A BIG DEAL

Ambitious agreement covers many aspects of Canada-EU commercial relations



TIMING IS EVERYTHING

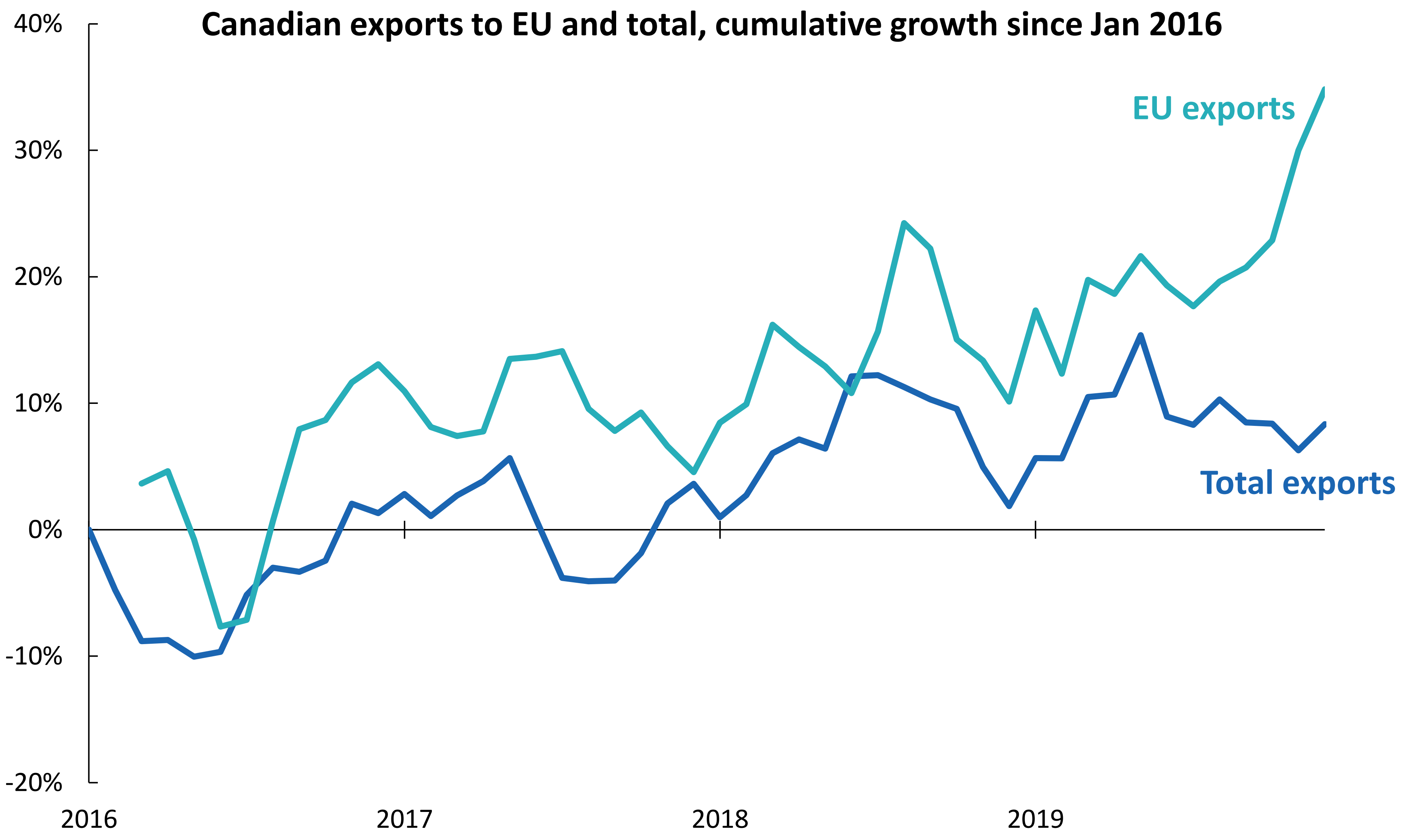
WHAT CANADIAN EXPORTERS SAID



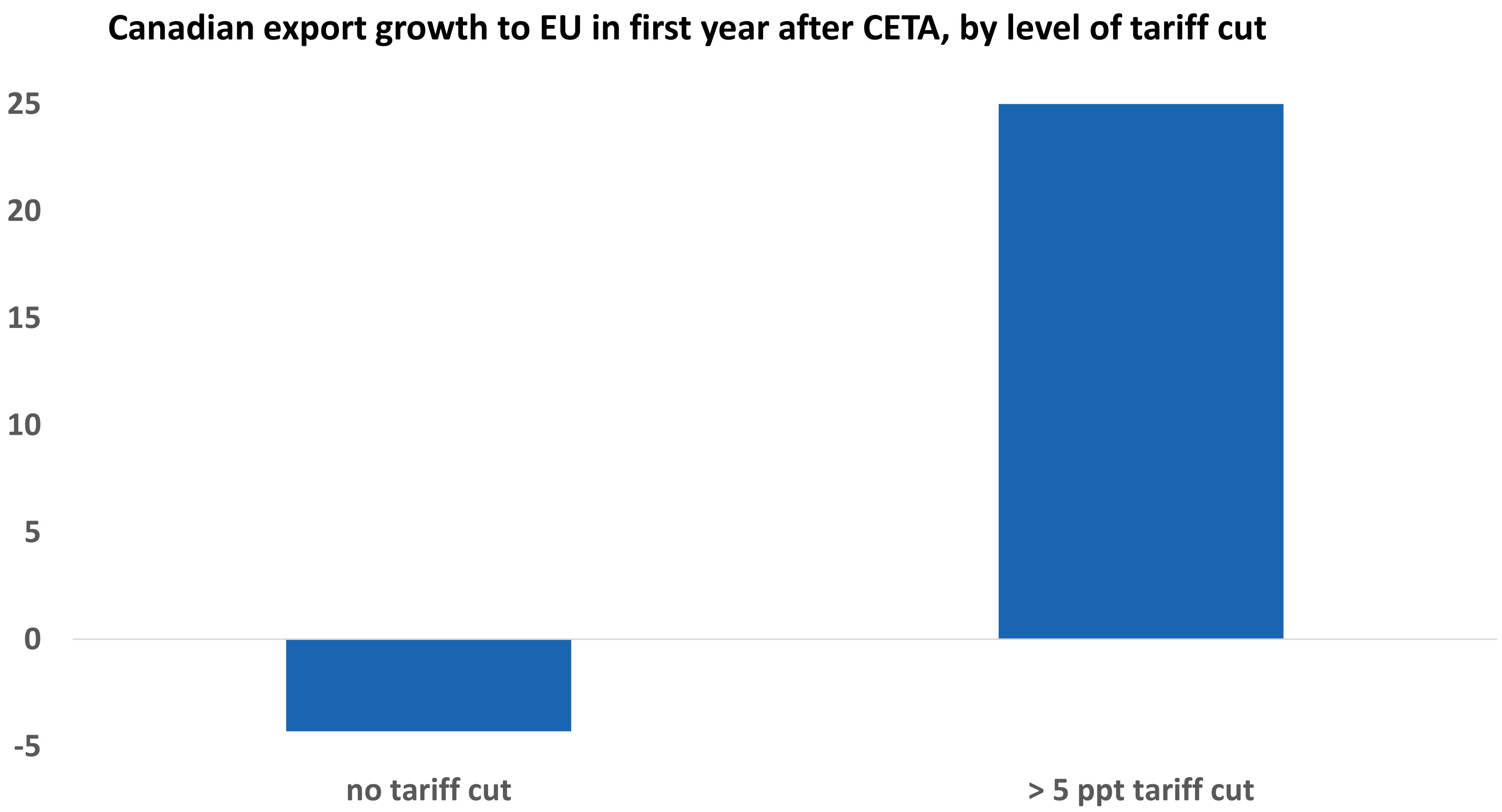
Source: EDC’s Trade Confidence Index, 866 respondents, Fall 2017 survey.

ENCOURAGING PRELIMINARY DATA

CANADA'S EXPORTS TO EU HAVE GROWN FASTER



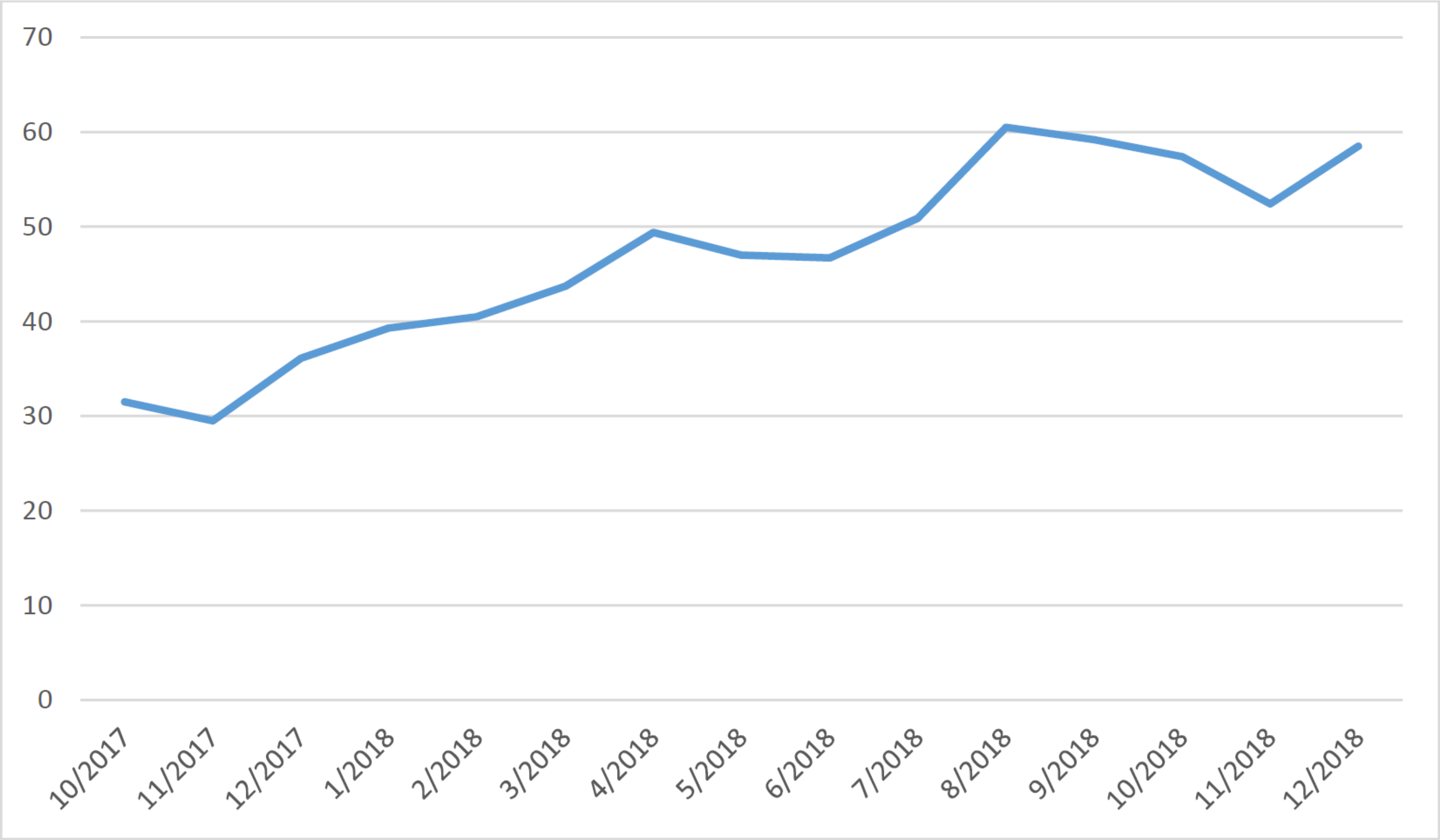
BIGGER CETA TARIFF CUTS, FASTER EXPORT GROWTH



Source: Global Affairs Canada State of Trade (2019)

TARIFF PREFERENCE USE DOUBLED SINCE CETA

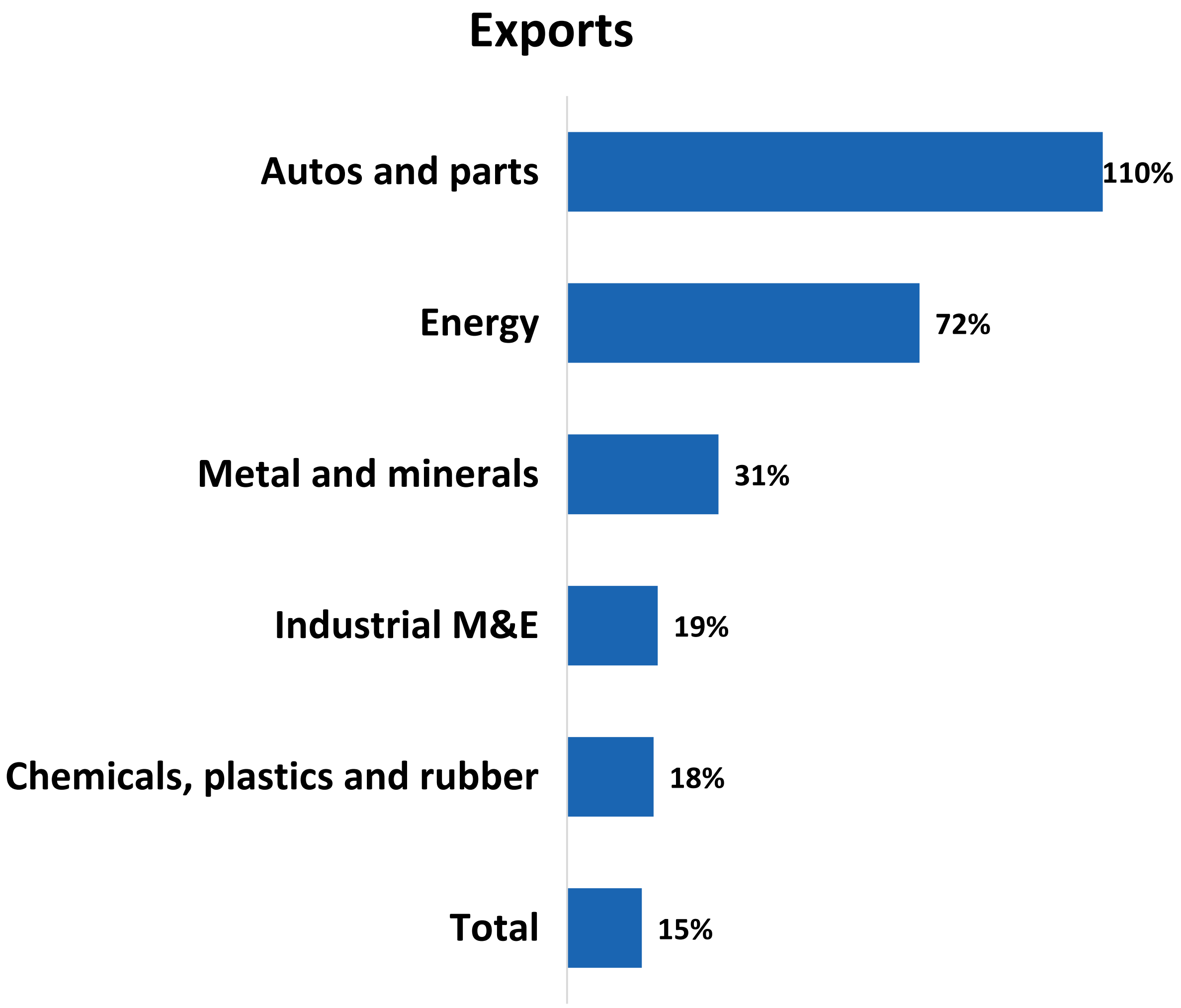
Tariff preference use rate, Canada's exports to the EU, %

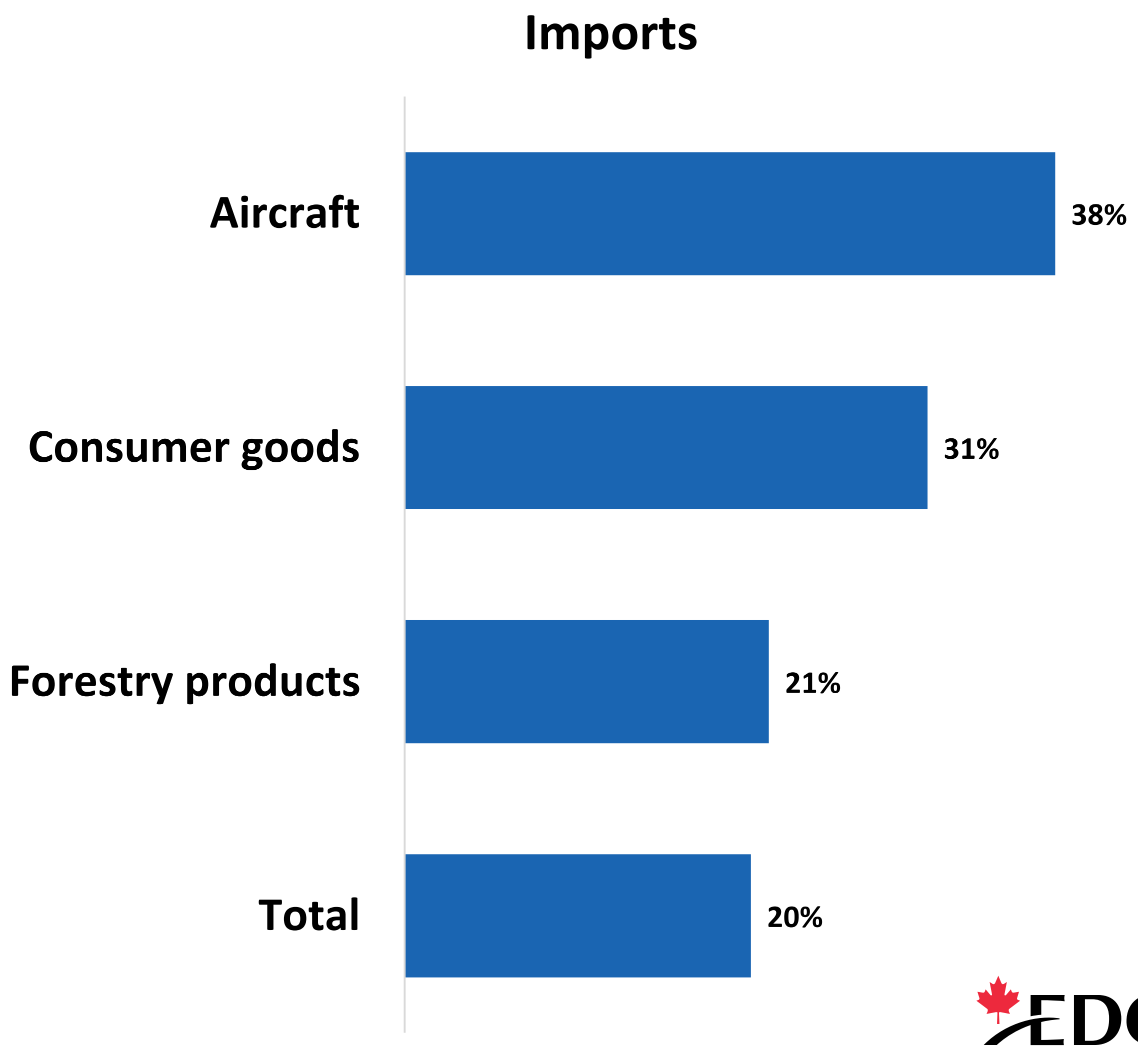


Source: Van Assche (2019)

LARGEST SECTORAL TRADE GAINS

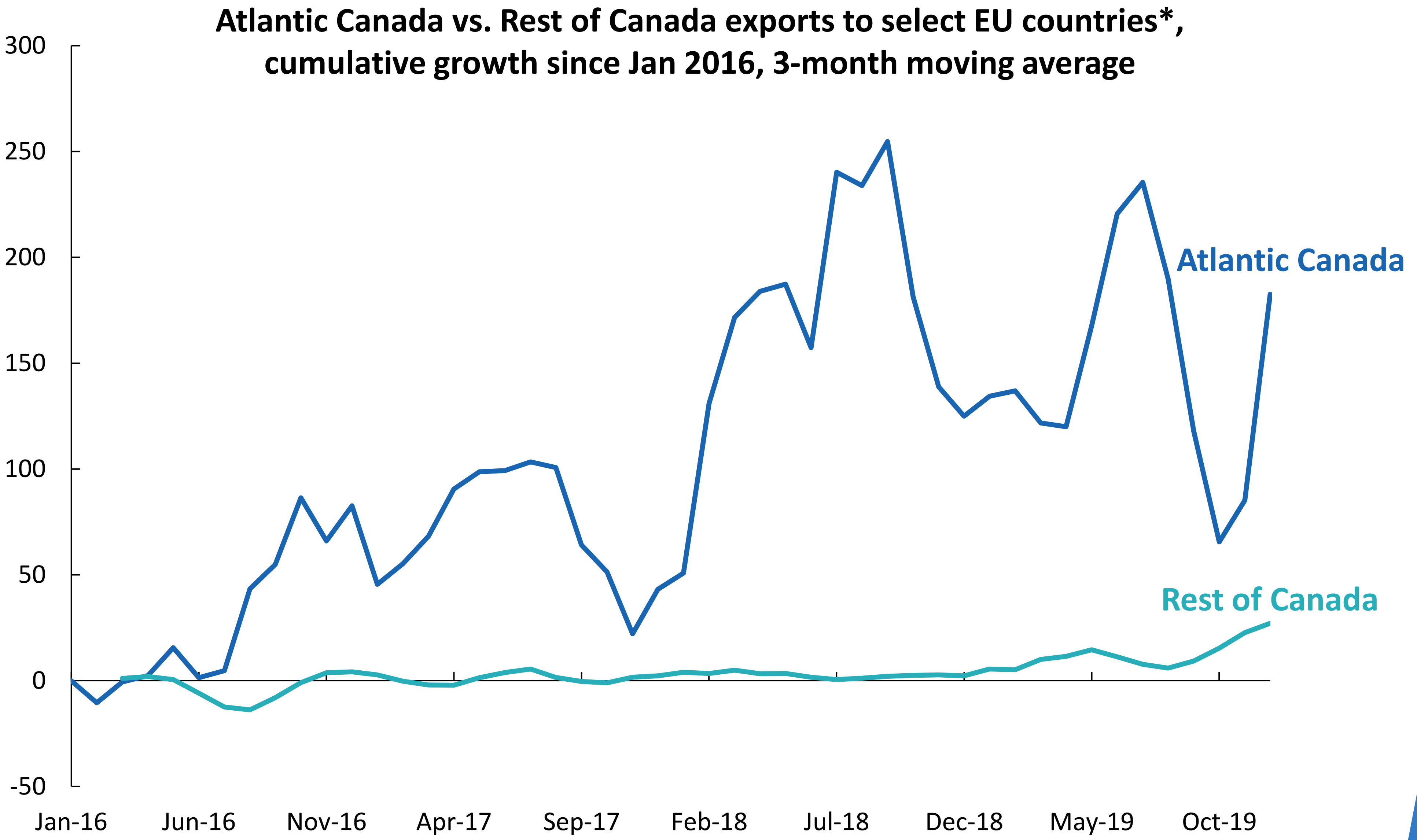
Before vs. after CETA trade growth*, above average % changes





*Compares the 28-month period before and after CETA implementation in Sept. 2017

ATLANTIC CANADA BENEFITTING



**= UK, Germany, France, Italy, Netherlands, Spain and Belgium.*

CONCLUSIONS

- **Canada-EU relationship important commercially and politically.**
- **CETA's arrival was timely, with Canadians looking to diversify.**
- **Preliminary analysis suggests:**
  - **CETA raised Europe's profile among Canadian companies**
  - **Trade grew faster with EU, especially goods with significant tariff cuts**
  - **Canadian exporters increased use of CETA tariff preferences**
  - **Early sectoral gains, consistent with prior CGE modelling**
  - **Atlantic Canada benefitting most**

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KEY CANADIAN TRADE AGREEMENTS

CETA

Morocco

Caricom

CPTPP

ASEAN

Pacific Alliance

In force

Negotiations

Exploratory talks

Sources: Global Affairs Canada; EDC Economics

CETA BOOSTS TWO-WAY TRADE AND INVESTMENT

CHANGE IN CANADA-EU BILATERAL TRADE AND FDI by 2030 (vs. baseline)		
	$C gain (billions)	% gain
Canadian exports to the EU	**8.6**	**8.1**
-- merchandise goods	*6.0*	*8.1*
-- services	*2.6*	*8.2*
Canadian imports from the EU	**8.4**	**8.0**
-- merchandise goods	*5.5*	*8.8*
-- services	*2.9*	*6.5*
Canadian direct investment in EU	**0.6**	**<1**
EU direct investment in Canada	**1.2**	**<1**

Source: European Commission, September 2017.

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WHERE ARE THE EXPECTED GAINS FOR CANADA?

CHANGE IN CANADIAN EXPORTS TO EU by 2030 (versus baseline)		
	$C gain (millions)	% gain
Chemical and plastic products	1,315	12.4
Non-Ferrous metals	1,121	4.0
Business services	1,070	7.9
Processed foods	722	61.5
Machinery	670	12.2
Transportation equipment (excl. auto)	629	10.0
Transportation services	541	8.2
Automotive	464	42.5
Cereals and grains	302	13.1
Financial services	226	8.0
Total, all industries	**8,564**	**8.1**

Source: European Commission, September 2017.

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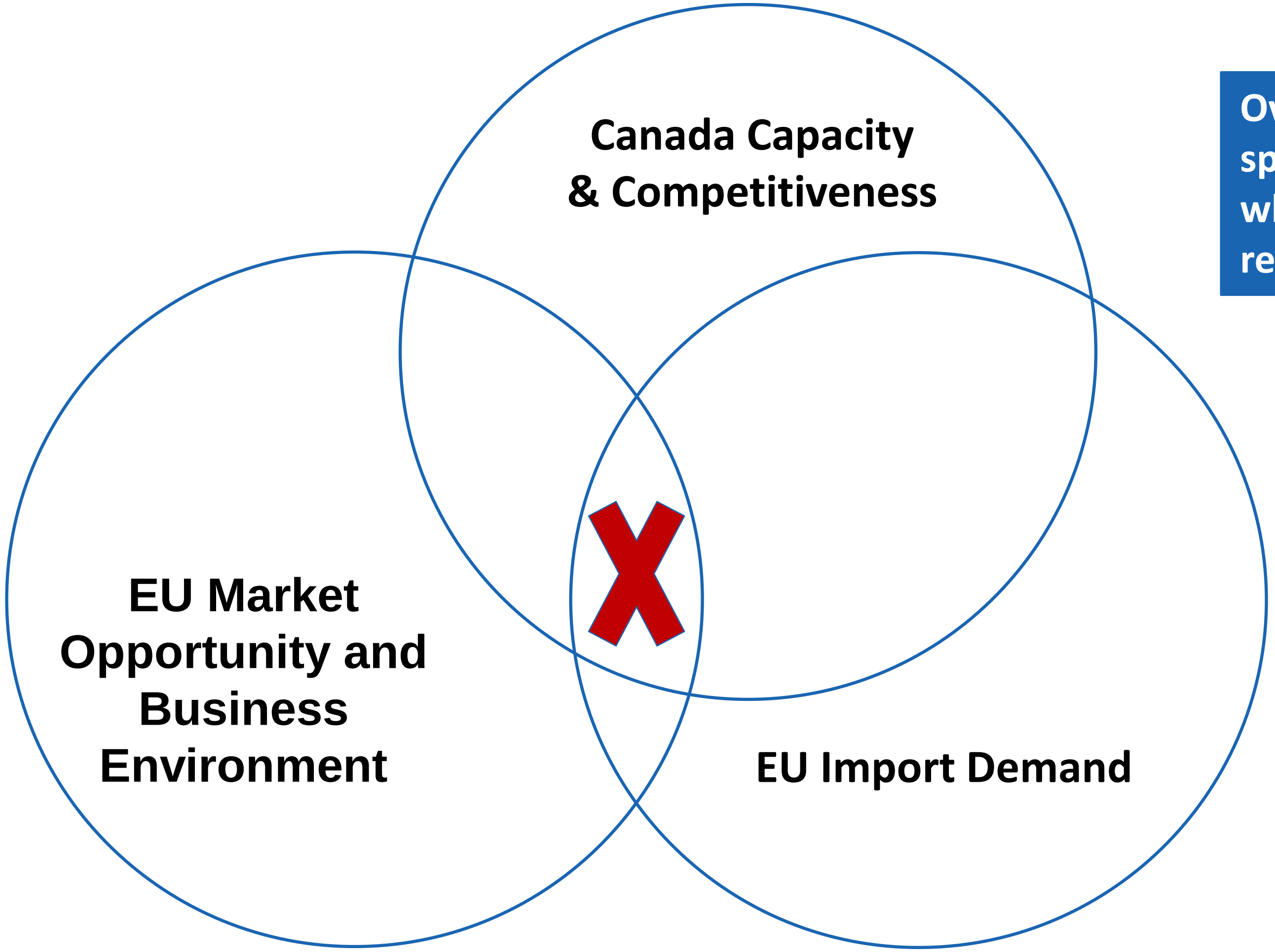
… AND THE GAINS FOR EU COMPANIES?

CHANGE IN EU EXPORTS TO CANADA by 2030 (versus baseline)		
	$C gain (millions)	% gain
Automotive	1,276	17.8
Textiles, clothing and leather products	1,177	105.7
Business services	934	6.3
Chemical and plastic products	654	5.4
Financial services	638	8.0
Transportation services	608	8.2
Dairy products	435	132.0
Machinery	434	3.1
Other services	403	7.3
Processed foods	289	13.9
Total, all industries	**8,450**	**8.0**

Source: European Commission, September 2017.

FINDING THE SWEET SPOT FOR CANADIAN COMPANIES IN EUROPE



Overlay the "sweet spot" against sectors where tariffs are removed.

Source: EDC Economics and Conference Board of Canada

EXPECTED AREAS OF OPPORTUNITY FOR CANADIAN EXPORTS TO EU

Merchandise Exports

1. Fish and seafood.
2. Agri-food, processed/value-added food products.
3. Higher value-added consumer goods.
3. High tech manufacturing (e.g. electronics, navigation, instrumentation)
4. Building materials, lumber, paper products.
5. Aerospace (aircraft and parts).
6. Industrial machinery and equipment.
7. Metal products.
8. Chemicals and plastics.

Service Exports

1. Engineering, architectural and construction.
2. Marine and ocean technology services.
3. Healthcare.
4. Education.
5. Software, technology.
6. Mining and energy support services.
7. Management, administrative.
8. Environmental (water treatment, pollution and waste remediation, alternative energy).

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CETA REMOVES OBSTACLES, REDUCES TRADE COSTS

- Increased labour mobility, temporary residency for skilled labour and professionals (up to 3 years)
- Recognizes professional qualifications & accreditation
- Recognizes product standards and certification
- National treatment of investments and service providers
- Opens up procurement at all levels of government, crown corporations, public utilities
- Removes tariffs and reduces non-tariff barriers

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WITH OPPORTUNITIES COME CHALLENGES

- **More competition from EU companies looking to expand their Canadian sales**
- **Increased competition for government procurement at all levels -- more EU companies bidding on infrastructure and construction projects in Canada**
- **But don't overlook the opportunity to partner with EU firms looking to expand into North America**
  - **Provides smaller Canadian firms with scale and partners**
- **Access to EU technology, skill sets and intermediate inputs**
  - **Improves Canadian companies' competitive position**

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