



Civil society consultation on the costs and benefits of a closer economic partnership between the EU and Canada

Response to the European Commission questionnaire by the Canada Europe Roundtable for Business (CERT)

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Introduction

The Canada Europe Roundtable for Business (CERT) appreciates Commission efforts to consult civil society and business to assess the costs and benefits of a closer economic partnership between the EU and Canada. The bilateral relationship with Canada offers the EU interesting opportunities to improve trade and investment and meets the European Union's commitment to ensuring that the European economy is open to the world and competitive on the world stage. A bilateral framework with Canada offers the possibility to include sustainable development aims at reconciling economic growth, social cohesion and environmental protection.

The Canada Europe Roundtable for Business (CERT) is an association of Canadian and European companies founded in 1999 to provide private sector input to the Government of Canada and the European Commission to assist bilateral policy formation. The goal of CERT is the establishment of a bilateral trade and investment relationship that is barrier-free, creating a more dynamic and prosperous transatlantic market. CERT supports an ambitious trade and investment initiative between the EU and Canada as a means to generating prosperity gains for both partners.

RESPONSE TO THE QUESTIONNAIRE

1. Do you consider that Canadian tariffs constitute a disincentive to trade, or increased trade, your field?

- Average tariffs are often high enough to divert trade. For example, average tariffs on manufactured goods, at 3 per cent (EU); 1.6 per cent (Canada) are equivalent to one half or a third of industry profit margins.
- Peak tariffs are prohibitive to trade or trade expansion in a number of areas, including manufacturing, textiles, forest products, chemicals and mining/metals.

2. Is the level of tariffs such that it renders trade in your field uncompetitive/prohibitive?

- While average tariffs are low, the various peak tariffs that are currently in place render trade in these sectors prohibitive.
- The average tariff level on agriculture and agri-food foods remains very high.
- Low industrial tariffs create an unwarranted tax for intra-corporate trade

which weakens supply chain efficiencies and the competitiveness of firms relative to companies from countries with an FTA.

3. Do you consider that trade is more affected by non-tariff barriers than by tariff barriers?

- Given that investment accounts for a larger share of the bilateral relationship than trade, non-tariff barriers are likely to cause greater disruptions in the overall economic relationship.
- Barriers to services exist between Canadian provinces and EU member states. These internal barriers affect company activities, including supply chains.

4. If so, what kind of barriers constitutes the biggest hindrance to trade and would most deserve elimination?

- Standards and technical regulations that favour national products and create barriers to trade and investment. Mutual recognition of national standards and regulatory requirements by recognition of each other's conformity assessment procedures would enhance competitiveness at the global level while allowing for differences in national environmental policy objectives.
- Environmental standards and protection measures. Mutual recognition could prevent future NTB's from being implemented in this area.
- Divergent procurement policies and restrictive foreign ownership requirements, such as in banking and telecommunications.
- Better communication of information about risk between experts, policy-makers and legislators from Canada and the EU will reduce regulatory barriers.

5. Do you find that barriers for services in Canada hinder trade in services or make it unprofitable?

- Regulatory challenges to entering the financial sector. The mutual recognition of stock exchange standards and the qualifications of self-regulatory organizations, such as investment dealers, would be a useful development.
- There is no existing agreement that facilitates professional labour mobility, including mutual recognition of professional qualifications.
- Removal of onerous restrictions on length of stay for non-resident executives and residency requirements for boards of directors.
- Increase in mutual recognition of professional qualifications and product and services standards as a mutually beneficial approach in helping to address skilled labour shortages in Canada and the EU. This will support the development of knowledge base, increase productivity and assist the development of a common skilled labour market between the EU and Canada.
- The application of comity principals (the deference given by one agency or tribunal of one nation to an act or decision of another) to prevent inconsistent demands from divergent national law and policy standards is a services barrier that could become more significant in the future. A framework regarding the application of comity in avoiding remedial clashes in competition cases would be a valuable development.

6. Does the level of protection and enforcement of IPR in Canada affect your trade activities in the country?

- The negotiation of an EU-Canada wine and spirits agreement for geographical indications is an important precedent for establishing similar sector arrangements of mutual interest, with a focus on value-added

products.

7. What benefits would you see from improved access to Canada's procurement market?

- A bilateral framework to ensure procurement policies are applied in a non-discriminatory manner that is fully transparent, inclusive, and according to proper and sufficient scientific evidence would prevent NTBs and increase bilateral investment and jobs.
- Open procurement markets will have the added effect of enabling the formation of value-added supply chains.
- Any arrangement should be reciprocal and provide a 'level playing field' in terms of access to each other's market.

8. Are there other factors influencing trade or investment flows to which you wish to draw attention?

- Determining the best practices in bilateral tax treaties to encourage the free flow of capital between Canada and the EU member states, including the removal of double taxation provisions. Reduction of withholding taxes on dividends, interest and royalties between Canada and EU member countries.
- Canada and EU member states should implement personal tax exemptions on unincorporated business income received by non-residents.
- Implement a common method of taxing foreign source income by exempting income received from member states. A similar approach should be implemented for foreign income received from outside the EU.
- Trade transactions costs remain in the range of 2 to 15 per cent of trade transaction value. Tariff elimination combined with measures to expedite the movement of goods across borders would result in significant savings to businesses and consumers.

9. Which fields of cooperation outside the area of market access are most important to you, and in which specific areas in these fields would you welcome a greater degree of EU-Canada cooperation?

- A high-quality, binding regulatory framework between Canada and the EU as the foundation for deeper bilateral economic integration. A transparent regulatory development process that consults with potentially affected parties in advance of regulatory formation, and/or establishes processes to resolve disputes through mutual recognition. Chemicals are an example of a sector where greater cooperation should occur.
- Agree upon science-based approaches to rule-making, such as risk assessment and risk management, with a view towards highlighting divergences between Canadian and EU regulators across business sectors.
- Share proposed technical or sanitary and phytosanitary regulations, where such measures may have a detrimental effect on bilateral trade and investment.
- Freer trading in securities between Canada and the European Union, based on the principle of mutual recognition of stock exchanges, should be pursued. Mutual recognition includes the acceptance by each exchange and jurisdiction of the regulations, rules, reporting and other requirements of all the other participating exchanges and jurisdictions related to the operation of securities markets so as to facilitate free trading in equity, debt and other securities.
- Retail and institutional investors from each country should have unfettered access to acquire or sell securities in either country as long as they follow the regulations in the other country. They should be treated as domestic investors would be treated.
- Members of self regulatory organizations (investment dealers) should be

able to do business in each country without the onerous duplication of fixed costs necessitated by residency requirements. This could mean the mutual recognition of national investment dealers associations; or an EU-registered dealer could apply to be, and be accepted as, an IDA member without establishing a physical presence in Canada, and vice-versa.

- Exchanges from each country should be free to do business in the other country in trading services, listings, and data, either through mutual recognition of their exchange status in the other jurisdiction or some other device of comparable effect.
- Securities regulators should be mutually recognized by each other's governments.
- S&T cooperation. The EU and Canada could cooperate on technological development in the field of low carbon and energy efficiency technologies in the energy, transport and manufacturing sectors.
- Utilize best practice in modern customs techniques, cooperation in the field of electronic data exchange, balancing security measures with impacts on trade and promotion of the common application of international rules, standards and guidelines.
- Link Canadian and EU carbon abatement policies in the medium to longer term.
- A comprehensive and binding bilateral trade and investment agreement. The October 2008 Canada-EU Summit would provide a good occasion on which to announce this initiative.

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