

Canadian exports will increase by \$1.4B under CETA: Conference Board

By Kelsey Johnson | Jul 7, 2015 8:45 am

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Despite choppy economic waters right now, Canada's annual exports to the European Union will increase by \$1.4 billion by 2022 — about 6 to 8 per cent — as a result of lower tariffs that could come from a Canada-EU trade agreement, says a new report released Tuesday by the Conference Board of Canada.

Canada's annual merchandise exports to the European Union have averaged about \$25 billion over the past decade, topping out at just under \$40 billion in 2011 and now sitting closer to \$35 billion, according to the report. The vast majority of that is in the category of "Pearls, precious stones or metals, coins, and jewellery. Canada also does brisk business in nuclear reactors, boilers, machinery, and mechanical appliances. Petrochemicals finished a distant third.

The report predicts the greatest export gains from CETA to come from agriculture, food and beverage, tobacco, chemicals, rubber, and plastics.

"Our empirical analysis shows that tariff elimination on goods, in real terms, will result in over \$1.4 billion being added to Canada's merchandise exports to the EU by 2022," the report's authors Danielle Goldfarb and Doris Chu write.

The analysis was conducted using numbers and data collected from Statistics Canada, Industry Canada and Eurostat.

Finalized in 2013, the Canada-EU trade agreement, commonly known as CETA, is an agreement between Canada and the 28 member states of the European Union. The agreement is in the process of being legally scrubbed and translated. The final agreement is expected to be ratified sometime in 2016.

With that time frame in mind, the Conference board report warns Canadian companies should be working to position themselves in the European market.

"European demand is likely to be a more important factor driving Canada's sale to the EU than the price impacts from tariff reductions," the report reads.

"This suggests that if companies sit still and expect to build their exports on the strength of tariff elimination alone, they will reap only a modest benefit."

Europe is Canada's second largest export destination after the United States, accounting for more than seven per cent of total Canadian merchandise exports since 2007, the report said.

In 2013, the top Canadian exports to the region included pearls, precious stones or metals, coins and jewellery, nuclear reactors, boilers, machinery, mineral fuels and aircrafts.

Canada and Europe also share a notable investment relationship, with the EU serving as Canada's second largest source of foreign direct investment in Canada. Europe, meanwhile, is "the second largest destination for Canadian direct investment in a foreign country," the report said.

This "two-way investment relationship between Canada and Europe," the Conference Board of Canada stressed in its report, "is very important to the Canadian economy."

CETA, the board noted "is certainly a huge step in breaking down trade barriers that have burdened exporters for years."