

Doing Business in Europe:

A New Era For Canada

Canada has taken the first steps toward a liberalized trade agreement with Europe.

At a summit meeting in Prague in May, Canada and the European Union launched discussions on a new economic and free trade agreement that will go well beyond their World Trade Organization commitments. In June, EU Commissioner for Trade Catherine Ashton and Canada's Minister of International Trade and Minister for the Asia-Pacific Gateway Stockwell Day met in Montreal to set parameters on a Comprehensive Economic and Trade Agreement, with full-fledged negotiations to begin in October.

"The decision [to begin negotiations] sends a signal that the European Union remains committed to trade and open markets at a time of economic crisis and rising protectionist sentiment," says Ashton. "An EU-Canada agreement will be good news for companies and consumers on both sides of the Atlantic."

The initiative builds directly on the outcome of the Canada-EU summit in Quebec City last October, when Prime Minister Stephen Harper, French President Nicolas Sarkozy and European Commission President José Manuel Barroso issued a declaration that they would pursue an economic partnership incorporating liberalized trade in goods and services as soon as possible in 2009. EU member states subsequently adopted a negotiating mandate to begin talks.

Trade relations between Canada and Europe are currently governed by a framework agreement dating back to 1976, together with a number of subsequently negotiated sectoral agreements.

Updating the relationship is highly significant for Canada. Europe is its second-largest trading partner with \$110 billion in goods and services trade and \$411 billion in two-way investment as of 2008. The October declaration cited an earlier joint study that indicated freer trade between Canada and Europe could boost Canada's economy by \$12 billion or over 0.8% of GNP within seven years of an agreement. The study addressed air transport, climate change, the environment, energy and other areas.

"The EU would like a new agreement to be as ambitious and comprehensive as possible," says Giovanni di Girolamo, acting head of the delegation of the European Commission to Canada. "Canadian and European officials are in the process of discussing a whole range of trade and trade-related subjects already covered in the EU-Canada joint study, including tariff and non-tariff barriers, regulatory co-operation, government procurement, services, investment, labour mobility and co-operation in science and technology, energy, the environment and education. Obviously, we will have to see how far each side is able to go in each of these areas."

European Union Flag



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The deteriorating world economy and the threat of a return of protectionism may have contributed to obtaining a mandate for a quick start to negotiations. "Leaders on both sides are very aware of the need for major developed economies such as Canada and the EU to demonstrate that the answer to the current crisis does not consist of retreating within national borders," says di Girolamo. "If we work together, we will both be in a much stronger position to face new global challenges."

Christian Frayssignes, vice-president of the French Chamber of Commerce - Ontario, and president of the EU Chamber of Commerce in Toronto – coordinating body for the 25 active member countries and associate members through their Toronto-based chambers of commerce and business associations – was delighted at the priority given to the summit's objectives. "The fact that it went ahead, in spite of other priorities of the economy and the election, is overall recognition that Europe is an economic power of significant importance to Canada."

Jason Langrish, executive director of the Canada Europe Roundtable for Business (CERT) was also jubilant. A Canadian and European business advocacy group, CERT has long championed a comprehensive bilateral trade and investment framework working toward the goal of transatlantic free trade, and issued a declaration in advance of the October summit, signed by more than 100 chief executives in support of comprehensive bilateral trade and investment liberalization.

"We hesitate to use the term 'free trade agreement'," says Langrish. "That is typically the removal of tariffs. This initiative would go beyond tariff removal to include customs and regulatory co-operation, aligning taxation procedures and competition policy, movement of professionals and skilled labour, as well as government procurement policies."

French President Sarkozy was a particularly influential force behind the outcome, adds Langrish. "He is a strong advocate of a trade agreement with Canada, and that is what is required – a large European Union member country leader who gets behind it." He says Canada is at the forefront of a change of direction for Europe. "They don't have agreements with other developed countries."

Canada looks to Europe

The 27 countries of the European Union represent 30% of the world's GDP – about US\$16.8 trillion in 2007. It is also the source of 51% of global foreign investment.

That's big business, but it's not big news to Canadian businesses. The EU is already Canada's second-largest trading partner, with more than \$100 billion in goods and services crossing the ocean in 2008. It is also Canada's second-largest investor with \$118.4 billion in FDI or 26.3% of all investment, while Canada is Europe's fourth-largest investor with \$144.4 billion in FDI or 27.6% of the total.

Canadian exported \$33.6 billion in goods and \$12.4 billion in services to the EU in 2006. The EU exported \$42 billion in goods and \$13.8 billion in services to Canada in the same year.

Malta, Italy



Trendsetters: Breaking Into New Markets

These companies have already found that Canada and Europe can be welcoming markets for one another's products and services. Just be prepared to understand the differences.

Canada to Europe

Imagine Financial: Exploiting advantages

Robin Ingle found the perfect beachhead in Europe for his Toronto-based insurance consultants, advisors and brokers at Imagine Financial Ltd. It's the tiny nation of Malta, which joined the European community five years ago.

"Malta's financial services regulations meet EU standards, they're very conservative and licensing is not a chore because it's similar to Canada," says Ingle, chairman of Imagine Financial.

Imagine markets travel, health, life and accident insurance for special-risk situations such as government agency workers, missionaries, athletes and individuals involved in difficult-to-insure activities, such as scuba divers and foreign media journalists in war zones. It also offers international plans for travellers, visitors and expatriates.

Luxembourg Architecture



Ingle is taking Imagine into Europe because he believes the company has an advantage in using the Internet and its call centre technology to sell insurance. The company already has partnerships in the U.K., Germany and France, and it is now building a call centre in Malta. “We are very advanced in marketing insurance through the Internet,” he says, “and our call centre in Canada is leaps and bounds ahead of anything in the world” due to leading-edge technology, and highly trained, fully licensed agents.

Accustomed to differing provincial insurance regimes, Ingle isn’t concerned about adjusting to different country markets throughout Europe. “You just have to do your research and be prepared,” he says. “You can’t be afraid to look beyond Canada and the U.S.,” he adds. “Europe is a different market and a very large market, but you can do it.”

■ Europe to Canada

Hastens Beds: Seeking “aware” consumers

Keith Doughty knew just where to find customers who would understand the benefits of high-end beds and mattresses handmade in Sweden from biodegradable, hypoallergenic natural materials.

“Canada is a very progressive market,” says Doughty, Managing Director of Hastens Beds Canada, which opened in Toronto’s trendy Distillery District in January 2008, and in Montreal in June 2009. “Environmental problems are well understood, and ours is a population that seems more concerned with health issues, problems of aging, immune system issues and reducing our carbon footprint. We’re conservative, but we’re more European than people like to admit.”

Hastens Beds Canada’s management has adjusted gradually to North American consumer culture, having adopted vacation, staffing, warehousing and logistics necessary for prompt delivery.

But Doughty would like to see Canada adjust a little, too. Duties on beds, pillows and other accessories range from 4.5% to 10% and more, which is much more than the duties of other countries.

Doughty plans to open two additional stores – one in Calgary and one in Vancouver – by the end of 2009.

■ Europe to Canada

Regus: Flexible office concept

A good idea works anywhere. From its headquarters in Luxembourg, The Regus Group started expansion in Belgium as a place for workers on the road to have productive, professional office space.

Regus now offers office space in 1,000 well recognized buildings worldwide – including 28 familiar ones in Canada. These business centres have everything for everyone, from multinationals to entrepreneurs: offices, meeting rooms, conference facilities, a lunchroom, common areas, even reception. And they’re fully outfitted with office furniture, faxes, printers, copiers, mailroom and IT support.

Regus opened in Canada in 2001. “We’re seeing lots of growth in the last three years,” says Wes Lenci, vice-president for Canadian operations. “Even in the present environment, we’re still seeing it.” He expects to nearly double the company’s presence to 55 centres within 18 months.

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Canada to Europe

Crew International: Going global

As consultants helping Canadian companies set up in other countries and help foreign companies come to Canada, Crew International understands quite clearly what can go right and wrong in both directions.

"Over the last five years, the story for Canada is great," says senior vice-president Tim Adams. "It's a cultural mosaic; the major cities are an hour from the U.S. border; in Ontario, we are in the 'bull's eye' of most major trade centres in North America; and we have a great reputation, and that overcomes a lot of hurdles right away. But the tariffs and taxes can be difficult in attracting foreign companies to Canada. They start punching the numbers and sometimes it doesn't make good business sense."

Canadian companies going to Europe actually have it a little easier, he says. "But the value of the euro is such that it quickly can become very expensive as well. Of course, you can earn twice the revenues, too."

He points out that Canadians often don't understand the need for a different approach in Europe – not just different from Canada but different from one country to the next. "When a North American company goes international," says Adams, "it tends to use the same market approach that worked before – sometimes even using the same marketing materials that are being utilized in their mature markets where their brand is well-recognized. They underestimate the competition and the fact no one knows who they are. You have to be cognizant of the cultural differences to get your brand out."

Adams feels Crew is well positioned to assist in that regard, with three consultants in Europe to complement six in Shanghai. Offices in Mexico and Brazil are in the works. "We dovetail on the back of governments and chambers of commerce," he says. "We actually tell them how to expand – everything from a sales strategy/business development to setting up an office."

Europe to Canada

Roxul: A good fit

With its stone wool insulation featured in Home Depot and Rona stores, Roxul Inc. is now something of a Canadian fixture with its two manufacturing plants in Milton, Ont., and another in Grand Forks near Kelowna, B.C.

Yet Roxul is a subsidiary of Rockwool International of Denmark, and as its long-term success and 13-year annual sales growth rate of 20% suggest, its management is extremely well integrated in spite of the ocean between the two countries. Roxul president Trent Ogilvie travels to Denmark 10 times a year and sits on the board of one other Rockwool operating company in Europe, while two members of group management sit on his board in Canada.

"There is a good fit between Scandinavian countries and Canada," says Ogilvie. "Management thinking, employee relations, the approach of government and the tax regimen are all pretty familiar. There's also a fit in the sense of building codes and energy-conservation regulations."

That's important for Roxul's product, which is high-end fireproof, water-resistant and sound-deadening insulation, essentially made by melting rocks and spinning it into a woolly fibreglass-like material. A quarter of its sales currently come from the U.S., and in March 2009 Roxul opened a new \$170-million plant in Milton that triples its present capacity there and doubles its North American capacity.

"The key to our success is our technology," says Ogilvie. "We're the biggest company in the world with this product."

EUCOCIT: A Catalyst for European Business in Canada

The announced intention of Canada and the EU to pursue a liberalized trade agreement was heartily welcomed by the EU Chamber of Commerce in Toronto (EUCOCIT). Building trade relations between Europe and Canada is its main mission.

EUCOCIT co-ordinates the voices of 25 active member countries and associate members through their Toronto-based chambers of commerce and business associations with the objective of raising the visibility of the EU as a welcoming market of 500 million people. It does this primarily behind the scenes by promoting relationships. "What we do very well is put together Canadian and European business people," says EUCOCIT president Christian Frayssignes, who is also vice-president of the French Chamber of Commerce - Ontario. "We do that through networking events, luncheons and other receptions for visiting delegations."

Events have gained high-level attention and created a pro-trade buzz, he says. "The positive dynamics are starting to work."

Frayssignes is enthusiastic that the summit's declaration urges both sides to get the authorization to negotiate. "It's a key point," he says, "because it represents the willingness to go and do it." He says an agreement is "a possibility" by 2010.

EUCOCIT recently negotiated a three-year strategic alliance resulting in a Memorandum of Understanding with EURO-CHAMBRES (The Association of European Chambers of Commerce and Industry) that makes EUCOCIT a major conduit for European co-operation and trade development strategies relating to Canada.