Business Council of British Columbia

Suite 810
1050 West Pender St
Vancouver, BC
V6E 3S7

Telephone 604 684 3384
Facsimile 604 684 7957
info@bcbc.com
www.bcbc.com

Speaking Notes for

Jock Finlayson, Executive Vice President,

Business Council of British Columbia,

on the

Canada-EU Comprehensive Economic and Trade Agreement

Before the House of Commons Standing Committee on International Trade

Vancouver British Columbia

February 3, 2014

Introduction

Mr. Chairman and other Committee members, thank for the invitation to appear before you today in connection with your consideration of the Canada-EU Comprehensive Economic and Trade Agreement (CETA).

By way of background, my organization, the Business Council of British Columbia, is a cross-sectoral business association that represents some 260 enterprises active in all major sectors of the province's economy – including natural resources, manufacturing, construction, transportation, utilities, tourism and hospitality, financial services, retail and wholesale trade, advanced technology, telecommunications, health care, education, and the professions.   Taken together, the companies, post-secondary institutions, and affiliated industry organizations that are members of the Business Council account for approximately one-quarter of all jobs in British Columbia.

Let me begin by saying that having examined the CETA agreement-in-principle unveiled last year, the Business Council of BC supports the agreement and looks forward to the adoption and subsequent ratification of the final text once it has been concluded. We have reviewed the federal government's technical summary of the agreement-in-principle[1] published last fall, gained insights from the relevant academic and policy

[11] Government of Canada, "Technical Summary of Final Negotiated Outcomes, Canada-European Union Comprehensive Economic and Trade Agreement," 2013.

literature[2], and consulted with a number of our members who have an interest in trade and investment relations with the European Union. It is our judgment that CETA will be positive for Canada's economy over the medium and longer-term -- it will boost GDP, stimulate the creation of more jobs, lower costs for Canadian taxpayers, promote productive two-way investment flows, and help more Canadian enterprises gain a stronger foothold in the EU marketplace – the biggest in the world.

CETA: The Main Benefits

More specifically, we believe that being part of a broadly based economic and trade agreement with the European Union will benefit Canada in a number of respects.

First, the CETA will give Canadian firms improved and in some ways preferential access to the world's largest market, consisting of 28 countries which collectively are home to 504 million relatively affluent consumers. Today, the EU accounts for approximately one-fifth of global economic output. The CETA, once fully implemented, is expected to result in the elimination of tariffs on a wide range of products of interest to export-oriented Canadian firms; reduce many non-tariff barriers that also hamper trade in goods; and expand and promote trade in services – including engineering, professional, computer and information, and scientific and technical services – between Canada and the EU. Of interest, Canadian trade with the EU has grown quite rapidly in the past decade, and a recent Conference Board of Canada study projects that Canada's exports of goods and services to Europe are poised to increase significantly – particularly if market access is improved.[3]

Second, the CETA will open up government procurement markets in the EU and Canada. The EU government procurement market is estimated at some $2.7 trillion per year. Under the terms of the agreement, Canadians companies will be able to bid on most types of procurement contracts from EU bodies as well as from national, regional and

[2] Notably the following: RBC Economics, "The Comprehensive Economic and Trade Agreement," October 2013; Daniel Schwanen, "Uneasy Birth: What Canadians Should Expect from a Canada-EU Trade Deal," C.D. Howe Institute E-Brief, August 15, 2013; Daniel Schwanen, "Go Big or Go Home: Priorities for the Canada-EU Economic and Trade Agreement," C.D. Howe Institute Backgrounder, Number 143, October 2011.
[3] Conference Board of Canada, What Might Canada's Future Exports Look Like? 2012.

local government entities across the 28 EU member states. At the same time, EU suppliers will have a greater ability to bid for public sector procurement contracts in Canada (with some exceptions). Since the EU public procurement market covered by the CETA is vastly larger than the Canadian procurement market, Canada stands to gain more from the liberalization of market access for public sector procurement under the CETA. In addition, Canadian taxpayers should welcome the prospect of greater competition in the domain of public sector procurement as this will tend to reduce prices, improve quality and increase transparency.

Third, the CETA will support and advance the diversification of Canada's international trade and commercial relations so that we become less dependent on the United States. Increased trade diversification is a strategic goal that has been pursued by successive federal governments and that is endorsed by the provinces; it is also broadly supported by the business community.

Fourth, the CETA will encourage greater foreign direct investment (FDI) between Canada and the EU and strengthen the protection afforded to investors from each party in the other's economy. The EU is a huge source of outbound FDI on a global scale; it is also the second largest source of FDI in Canada, at some $175 billion as of 2013. Canadian companies, for their part, have invested a similar amount in businesses in the EU. The CETA will provide for non-discriminatory treatment of foreign investors and – in Canada's case – result in a higher threshold for review of FDI proposals under the Investment Canada Act.

The CETA will also help to set the stage for Canada to participate, in a credible and substantive way, in another set of ongoing international commercial negotiations that are of considerable importance to our country's economic future – those involving the proposed Trans Pacific Partnership (TPP). A Canada-EU agreement that addresses such complex topics as agricultural protectionism, intellectual property, foreign investment, and other "behind the border" regulatory barriers to trade and investment will signal to other TPP participants that Canada is willing and able to conclude an ambitious trade agreement with significant commercial partner countries.

Finally, Committee members are no doubt aware that the United States and the EU have signaled that they intend to pursue negotiations aimed at reaching a far-reaching Transatlantic Trade and Investment Partnership. The TTIP is expected to go well beyond the elimination of tariffs and other border restrictions to trade in goods, by encompassing matters such as intellectual property, foreign direct investment, and the alignment of regulations concerning manufacturing and services – similar in scope to the CETA. With the CETA, Canada becomes the first Western developed economy to hammer out a comprehensive trade agreement with the EU. Should the CETA not proceed, Canada will be on the sidelines, and Canadian business will be placed at a competitive disadvantage in the EU market as the United States and the EU move to conclude a TTIP.

Conclusion

In summary, the Business Council of British Columbia believes the CETA will provide a number of benefits to Canada. Among other things, the agreement will enhance Canada's access to the world's largest market for both goods and services; enable Canadian firms to bid for EU government procurement contracts on a non-discriminatory basis; promote greater two-way Canada-EU investment; and enhance competition and transparency in the Canadian public procurement market.

We also hope that the final terms of the CETA will entail a gradual reduction in the agricultural trade barriers embedded in current Canadian supply management regimes governing the production and sale of eggs, poultry and dairy products – regimes that not only lead to higher prices for Canadian consumers but also make Canada a less attractive place for value-added food processing.[4] Based on the technical summary document released by the federal government last fall, it is unclear to what extent the CETA will actually affect Canadian agricultural supply management. But the Business Council would strongly support the reform of existing agricultural supply management schemes as part of Canada's participation in new international trade agreements.

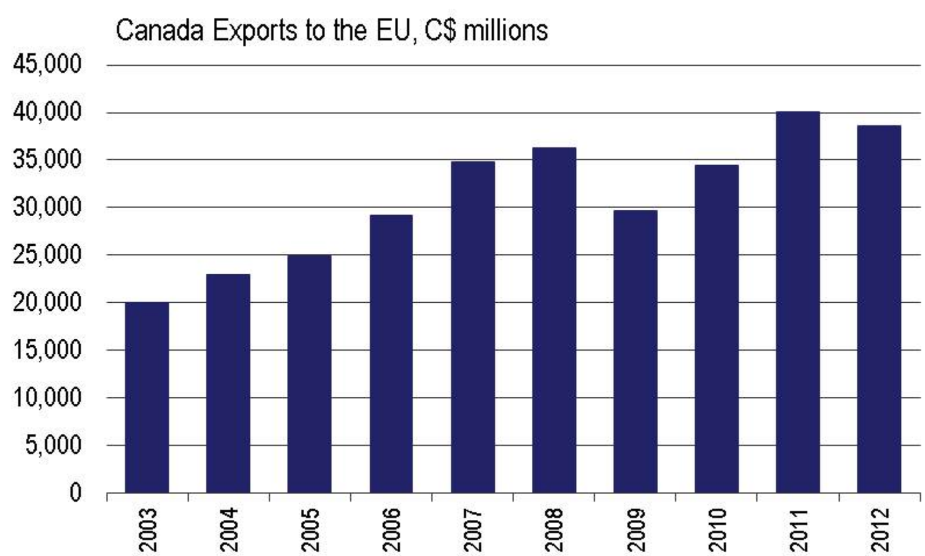
[4] Colin Busby and William Robson, "Freeing Up Food: The Ongoing Cost and Potential Reform of Supply Management," C.D. Howe Institute Backgrounder, Number 128, April 2010.

Tariff Barriers Affecting *Canadian Access to the EU*

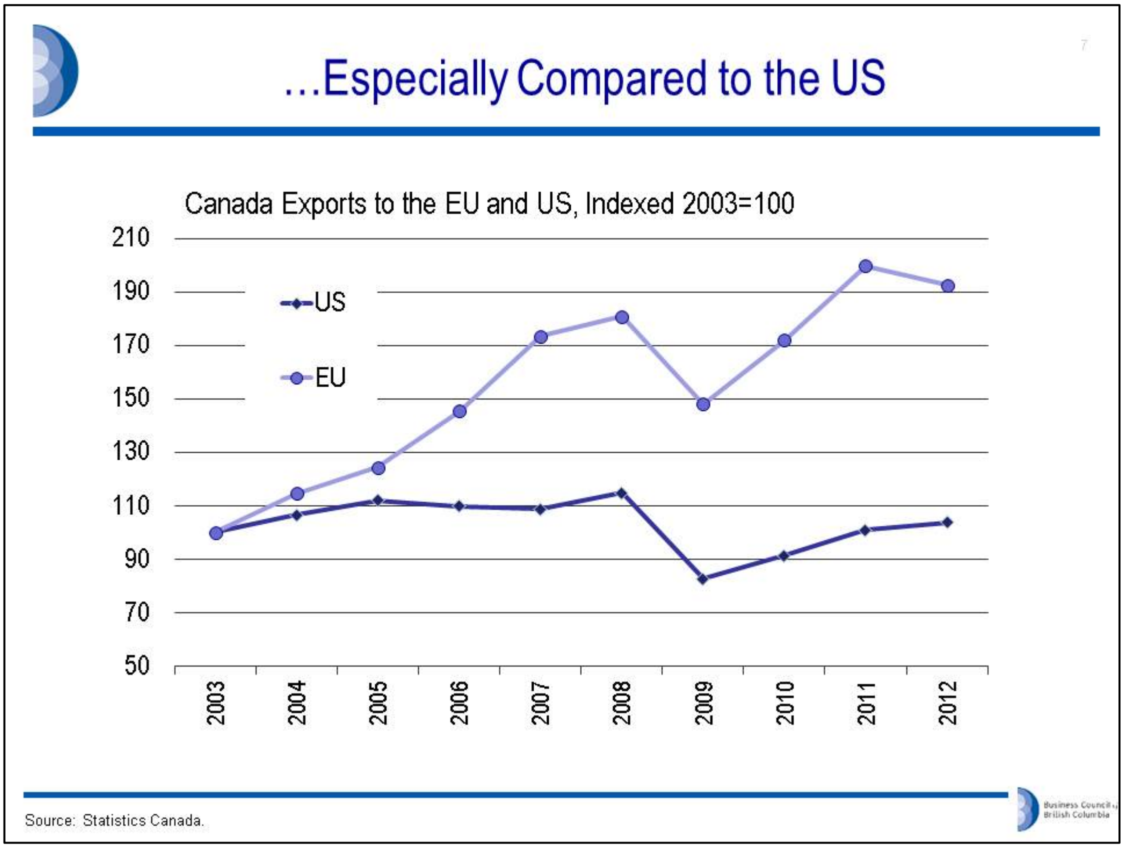
- Agricultural products - EU maintains tariff quotas, with in-quota duties for a single product and high over-quota duties on beef, pork, wheat and oats (averaging 37.5% for pork and as high as 407% for beef). Tariffs on fruits/vegetables (averaging 31.8%).
- Processed Foods - EU applies tariffs on processed foods, based mainly on specific content of dairy, wheat and sugar ingredients.
- Fish and Seafood - Tariffs on fish and seafood products average 12.5%.
- Wood Products - EU maintains tariffs on plywood (7-10%). particleboard/OSB and fiberboard (7%), and manufactured buildings (2.7%).
- Aluminum - Tariffs on fabricated aluminum (7.5%) and raw aluminum (3%).
- Textiles and footwear - Tariffs on textiles, apparel and footwear averaging 9.4%
- Automobiles - Tariffs on automobiles and auto parts of 10%.

Source: "Assessing the Costs and Benefits of a Closer EU-Canada Economic Partnership"

Healthy Export Growth to the EU over Past Decade



Source: Statistics Canada.


7
…Especially Compared to the US
Canada Exports to the EU and US, Indexed 2003=100
210
190
170
150
130
110
90
70
50
US
EU
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
Source: Statistics Canada.

*****