

Canada–European Union *Comprehensive Economic and Trade Agreement* An overview of the agreement, trade and advantages

Recently, Canada and the European Union concluded a free trade agreement that is currently in the process of being ratified. This *Economic Viewpoint* summarizes the terms of the accord, which is a broad agreement that goes beyond the trade in goods to cover trade in services, investment, labour mobility, access to public contracts, the environment, intellectual property rights, regulations, etc. By analyzing the volume of trade between Canada and the European Union and factoring in the size of the current customs duties, we identified the products that will benefit the most from eliminating customs duties. All in all, implementing a free trade agreement with the European Union will generate many benefits for Canada's economy, and feature its own share of challenges.

In recent years, Canada has entered into numerous free trade agreements with its trading partners. No fewer than 5 agreements have come into effect since 2011, including the agreement with South Korea that started January 1, 2015. In all, Canada currently has 11 free trade agreements with various countries, the largest of which is the *North American Free Trade Agreement (NAFTA)*, in effect since January 1994.

This list should grow in the coming years, as ten additional agreements are currently being negotiated, including the Trans-Pacific Partnership involving Canada, the United States, Mexico, Australia, Brunei, Chile, Japan, Malaysia, New Zealand, Peru, Singapore and Vietnam. This *Economic Viewpoint* will focus on the recent agreement concluded with the European Union, the *Comprehensive Economic and Trade Agreement (CETA)*.

In June 2007, Canada and the European Union decided to carry out a joint study to determine the costs and benefits of a free trade agreement between the two zones. Published in October 2008, the study found, among other things, that liberalizing trade would generate gains of €11.7B for the European Union's economy (+0.08% of GDP) and €8.2B for Canada (+0.77% of GDP).¹ Given this positive finding,

¹ As the negotiations took longer than expected, the results of the estimates done more than six years ago are becoming obsolete and must be taken with a big grain of salt.

the parties initiated formal negotiations in 2009. The negotiations took longer than anticipated, however, and it was only in October 2013 that Canadian Prime Minister, Stephen Harper, and European Commission President, José Manuel Barroso, announced an agreement in principle between the two parties. It was September 2014, before the full text of the agreement was released. The ratification process is now underway in both zones, with no date yet set regarding the official effective date of the agreement.

A WIDE-REACHING TRADE AGREEMENT

The *CETA* between Canada and the European Union is intended to be a broad agreement, which covers the trade in both goods and services, along with investment, labour mobility, access to public contracts, the environment, intellectual property rights, and so forth. It is a highly complex accord, so it is difficult to provide a detailed analysis of these aspects in the context of this *Economic Viewpoint*. Nonetheless, here are the broad strokes of the agreement, to provide a general idea of its primary orientations.

Elimination of customs duties on the trade in goods

The date that *CETA* goes into effect—not yet established—about 98% of all of the European Union's tariff lines will be exempt from duty for products originating from Canada (graph 1 on page 2). A tariff line is a specific product coded "HS" in the international coding system. Currently, tariff lines may indicate that a product is exempt from duty, or that a percentage tariff (ad valorem tariff) or lump sum

Graph 1 – Elimination of customs duties stipulated in CETA as a percentage of tariff lines

		Canada	EU
Agricultural products	Upon CETA implementation	92.0%	93.6%
	Eight years following implementation	92.9%	95.0%
Seafood	Upon CETA implementation	100.0%	95.5%
	Eight years following implementation	100.0%	100.0%
Industrial products	Upon CETA implementation	99.6%	99.3%
	Eight years following implementation	100.0%	100.0%
All products	Upon CETA implementation	98.4%	98.0%
	Eight years following implementation	98.8%	99.0%

CETA: Comprehensive Economic and Trade Agreement, EU: European Union
 Sources: Ministère de l'Économie, de l'Innovation et des Exportations du Québec and Desjardins, Economic Studies

tariff (non-ad valorem tariff) may apply. When *CETA* goes into effect, nearly all non-agricultural tariff lines and almost 94% of tariff lines on agricultural products will be exempt from duty in the European Union. For certain more sensitive products, a 3- to 8-year transition period has been established to gradually eliminate the tariffs. The main products affected by gradual elimination are automobiles, some fish and seafood products, and some agricultural products. After the phasing-out period, nearly 99% of all tariff lines will have been eliminated in the European Union, 100% of non-agricultural tariff lines and 95% of tariff lines on agricultural products. Canadian agricultural products that will still be subject to customs duty include certain live animals, some beef, pork, poultry and horse meat products, some hams, shoulders and parts, eggs and some egg-based products. Some fruit and vegetables remain subject to specific duties stemming from the input price system.²

Conversely, the day *CETA* goes into effect, 98.4% of Canadian tariff lines will be eliminated on products from the European Union. A 3- to 8-year transition period has also been established to gradually eliminate tariffs on certain sensitive products, such as ships, automobiles and some agricultural products. In the end, 98.8% of tariff lines will be exempted from customs duties in Canada, i.e. all tariff lines for non-agricultural products and 92.9% of tariff lines for agricultural products. The European agricultural products that will remain subject to tariffs in Canada are principally poultry and dairy products, eggs and egg-based preparations, as well as some ready-meals.³

² The complete list of HS codes for Canadian products that will remain subject to duty in the European Union is available on request.

³ The complete list of HS codes for European products that will remain subject to duty in the Canada is available on request.

The trade in alcoholic beverages will also be among the exceptions to the liberalization of trade between Canada and the European Union. Instead, the current *Canada–European Community Wine and Spirits Agreement* will be incorporated into *CETA*, with some minor changes.

Canada and the European Union have also agreed to reduce the technical obstacles to trade between the two zones. Integration measures are contemplated for technical, compliance, marking and labelling regulations, particularly in the motor vehicle sector.

Trade in services

In both Canada and Europe, the service industry plays a dominant role in the economy. Compared with the trade in goods, the trade in services between the two zones is fairly limited, attesting to substantial growth potential. *CETA* contains provisions to promote the trade in services between Canada and the European Union. Each party will give the other's service providers and services treatment that is no less favourable than the treatment that party accords, in similar situations, to its own services and service providers (national treatment clause). Each party will also accord treatment similar to what it accords a third-party state (most-favoured nation clause). Lastly, each party pledges not to adopt or maintain measures intended to limit the number of service providers, restrict the total value of the trade in services between the two zones, or limit the total number of transactions (market access clause).

CETA contains individual clauses to provide a more specific framework for financial services, telecommunications, international maritime transport services, and electronic commerce. In general, these clauses strive to stipulate the application of the accord or limit its scope by excluding certain sectors or operations that the parties deem more sensitive or strategic. Among other things, Canada and the European Union agree that electronic deliveries must not be subject to customs duties, fees or other charges.

Labour mobility

The *CETA* between Canada and the European Union will also include several measures to facilitate the mobility of business people and some categories of workers between the two zones. The agreement's provisions will allow certain qualified professionals and business people to work in both Canada and European Union member nations. This will make it possible to support businesses and professionals in monitoring their investments and following up on customers, particularly in terms of after-sales service. The eligible length of stay is a maximum of 3 years (with the option of an 18-month extension) for people transferred

within a company (specialists and executives), a maximum of 1 year for interns who are university graduates and transferred within a company, as well as investors, and a maximum of 90 days every 6 months for business people visiting for investment purposes.

The agreement also stipulates a process of mutual recognition of professional qualifications. Professional credentials are of course a way to guarantee the quality of services provided for citizens and businesses. However, the existence of different professional requirements in different countries does create obstacles to the trade in services between Canada and nations that belong to the European Union. Some of the differences can be explained by specific needs, but others result in involuntarily excluding foreign professionals. In the context of *CETA*, the regulatory bodies of the two territorial jurisdictions could determine that the credentials are equivalent, opening the door to mutual recognition that would allow their professionals to work in both zones. That being said, *CETA* acknowledges that each party will retain the right to regulate its own labour market and will promote the maintenance of national protection and standards in the area of labour.

Direct investment

CETA will also contain measures to govern direct investment by Canadian and European Union businesses in the other's territory. This should ensure fair and equitable treatment for investors and investments in both zones. Among other things, the agreement includes an obligation not to treat foreign investors less favourably than national businesses, to guarantee foreign investors access to the national market, to prohibit nationality restrictions on members of boards of directors, to prohibit the imposition of conditions on investment (such as a percentage of national content) and to prevent the expropriation of foreign assets without compensation.

This aspect of *CETA* could foster a great number of investments in Canada. Some European companies could decide to make direct investments in Canada so as to secure free access to the United States or other parts of the world that already have free trade agreements with Canada. Conversely, non-European businesses could invest in Canada to gain free access to European Union markets.

Access to public contracts

The agreement should give Canadian and European businesses free access to high-value public contracts in both Canada and European Union nations. Public contracts involve the procurement of goods and services in the framework of public administrations' current

expenditures and government investments. The minimum value of contracts subject to *CETA* will be 13,000 special drawing rights⁴ for the purchase of goods and services, and 5 million special drawing rights for the construction of public infrastructure. For contracts valued at less than the minimum criteria, the various governments may continue to give preference to local businesses. Governments can also continue to impose technical considerations and environmental and social criteria. Some strategic contracts will also be excluded from the agreement. *CETA* also stipulates that Canada and European Union nations can continue to designate and maintain government corporations and monopolies and give special rights and privileges to certain corporations.

Regulations

Canada and the European Union have also agreed to work together in a number of ways with regard to regulations and compliance of some products. Items the two parties will look at include the compatibility of their regulations on the same or related issues so as to increase convergence between the two zones. Mutual recognition and acceptance of evaluation results from various compliance evaluation organizations are also called for (for electrical and electronic equipment, toys, radiocommunication and telecommunication terminal systems, etc.).

With *CETA*, both parties are also confirming their intention to continue their efforts in the area of sanitary measures to protect public and animal health. Among other things, Canada and the European Union are reaffirming the rights and obligations that derive from the World Trade Organization's (WTO) agreement on sanitary and phytosanitary measures (SPS).

CETA also includes a chapter on the principles and standards governing intellectual property rights. This includes copyright, trademarks, geographical indications (used to identify an agricultural product, foodstuff, or regional product), patents, and protection of data on pharmaceutical products and plant varieties. For example, *CETA* will provide more assistance to pharmaceutical companies by protecting data with an 8-year period of market exclusivity, a potential 2-year extension of patent protection (now twenty years), and a right of appeal under the regulation on patented drugs. Moreover, the agreement contains a protocol intended to increase cooperation between Canada and European Union member nations on mutual recognition

⁴ A special drawing right is an international unit of value created by the International Monetary Fund (IMF); it corresponded to approximately C\$1.56 in 2013.

of certificates of compliance with good manufacturing practices in the pharmaceutical industry, for the purpose of ensuring the compliance of medicinal products and quality standards for drugs.

More broadly, in one chapter of *CETA*, both parties acknowledge the importance of free and undistorted competition in their trade relations. They therefore pledge to take appropriate measures to prohibit anti-competitive behaviour.

For subsidies and government support, if Canada or the European Union believes it is being affected by an action by its trade partner, it can notify the partner of its concerns and request that consultations be held on the matter. With regard to agricultural and fishery products, Canada and the European Union want to further enhance the WTO's multilateral regulations and develop a global, multilateral solution for fishing subsidies.

Environment

CETA acknowledges the right of Canada and European Union member nations to establish their own environmental priorities and levels of environmental protection in their territories. Both zones agree not to ease or reduce the current levels of protection. Moreover, Canada and the European Union plan to cooperate on climate change, on the management and use of forest resources, and fishery and aquaculture products. Both parties also plan to cooperate on the environment by means of technical and information exchanges, research projects, studies, conferences and workshops.

THE EUROPEAN UNION IS A MAJOR MARKET

For Canadian and Quebec businesses, the agreement with the European Union is a unique opportunity to gain free access to one of the world's largest markets, and increase the geographic diversification of their operations. The European Union contains 28 member nations, including the United Kingdom, France and Italy (graph 2). The European Union's total population stood at 507.4 million on January 1, 2014. In comparison, the population of the United States was 317.8 million in 2014, while Canada's was just 35.7 million. The European Union's economy produced US\$17,958B in 2013, slightly more than the United States, at US\$16,768B. Canadian output was US\$1,827B in 2013.

A SNAPSHOT OF TRADE

Although the size of the European Union's economy is similar to that of the United States, the relative importance of Canadian trade with the two zones is not. Due to geographic proximity, industrial integration between the two countries, and the fact that a free trade agreement has been in place

Graph 2 – The 28 European Union member nations

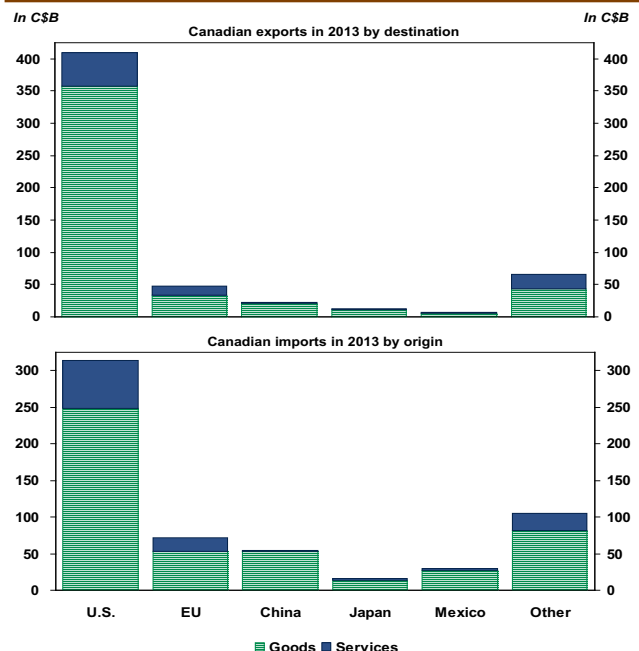


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|----------------------|------------------------|
| 1. Austria (1995) | 16. Latvia (2004) |
| 2. Belgium (1952) | 17. Lithuania (2004) |
| 3. Bulgaria (2007) | 18. Luxembourg (1952) |
| 4. Croatia (2013) | 19. Malta (2004) |
| 5. Cyprus (2004) | 20. Netherlands (1952) |
| 6. Czech Rep. (2004) | 21. Poland (2004) |
| 7. Denmark (1973) | 22. Portugal (1986) |
| 8. Estonia (2004) | 23. Romania (2007) |
| 9. Finland (1995) | 24. Slovakia (2004) |
| 10. France (1952) | 25. Slovenia (2004) |
| 11. Germany (1952) | 26. Spain (1986) |
| 12. Greece (1981) | 27. Sweden (1995) |
| 13. Hungary (2004) | 28. U.K. (1973) |
| 14. Ireland (1973) | |
| 15. Italy (1952) | |

Note: The dates in parentheses are the dates the nation joined the European Union.
Sources: Eurostat and Desjardins, Economic Studies

for many years, just over 70% of Canada's exports⁵ of goods and services go to the United States. In contrast, nearly 53% of Canada's imports of goods and services come from the United States (graph 3). Nonetheless, the European Union is Canada's second-largest trading partner. About 8% of Canadian goods and services exports go to the European Union (for a value of about \$48B in 2013), while the European Union accounts for nearly 12% of imports coming into Canada (for a value of about \$72B in 2013).

Graph 3 – The European Union ranks second in Canada's trade



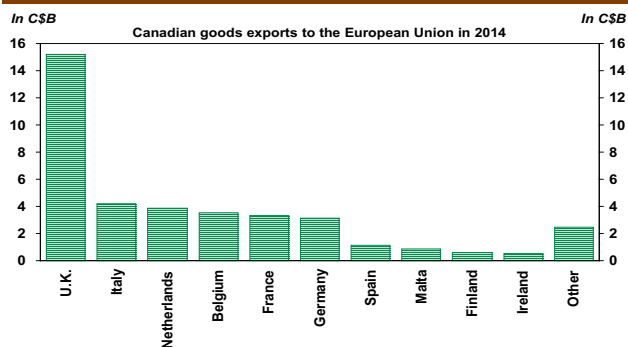
EU: European Union
Sources: Industry Canada and Desjardins, Economic Studies

⁵ According to the results for 2013.

Conversely, Canada only accounts for a tiny part of the European Union’s international trade, with a weight of about 2% in both European exports and imports.

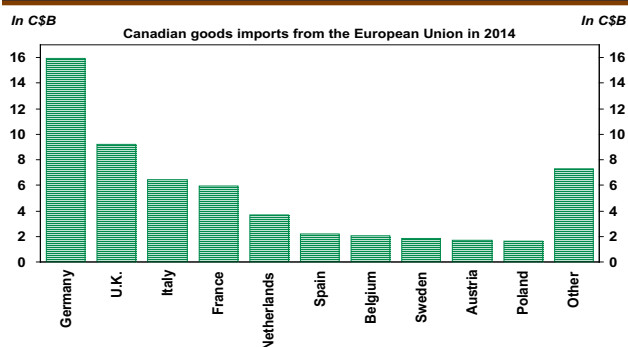
In Canada’s trade, goods account for a much larger proportion than services. Table 1 on page 9 depicts the relative weight of each European Union member nation in the trade in goods with Canada. It shows that the United Kingdom is the preferred destination for Canadian exports to the European Union, with a relative weight of 40% (graph 4), followed by Italy (10.8%), the Netherlands (9.9%), Belgium (9.1%), France (8.5%) and Germany (8.1%). The historic ties between Canada and the Commonwealth are responsible for the United Kingdom’s dominance in Canadian exports to Europe. For imports, the geographic distribution is a little more uniform (graph 5). Germany (27.6%) is in the lead, followed by the United Kingdom (15.9%), Italy (11.1%), France (10.2%) and the Netherlands (6.4%).

Graph 4 – The United Kingdom is the preferred destination for Canadian goods exports



Sources: Industry Canada and Desjardins, Economic Studies

Graph 5 – Germany and the United Kingdom are heavyweights in Canada’s goods imports

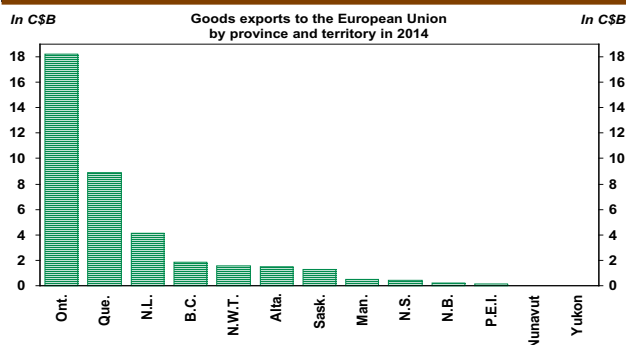


Sources: Industry Canada and Desjardins, Economic Studies

Quebec and Ontario are heavily involved in trade with the European Union. In total, the two provinces account for nearly 56% of Canadian production but about 70% of Canadian exports to the European Union come from

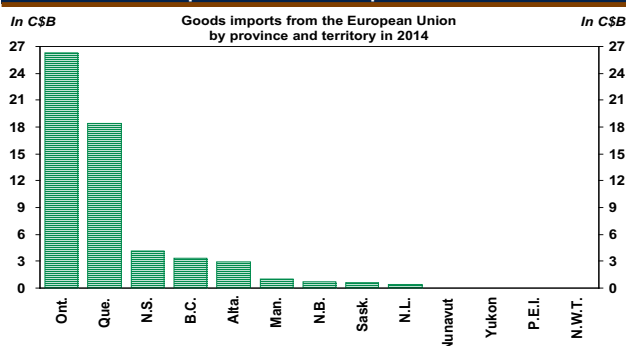
Ontario and Quebec (graph 6). For imports from the European Union, nearly 77% go to Ontario or Quebec (graph 7).

Graph 6 – Ontario and Quebec account for nearly 70% of goods exports to the European Union



Sources: Industry Canada and Desjardins, Economic Studies

Graph 7 – Ontario and Quebec account for nearly 77% of goods imports from the European Union



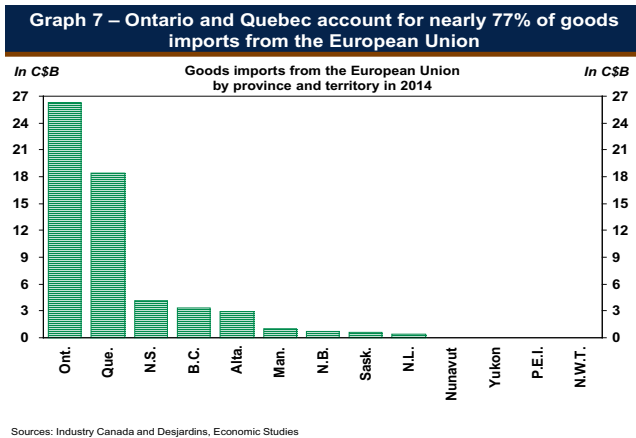
Sources: Industry Canada and Desjardins, Economic Studies

In terms of the trade in services between Canada and the European Union, the United Kingdom dominates with nearly 30% of the trade, in terms of both receipts (exports) and payments (imports). France is second with nearly 15% of trade, followed by Germany, the Netherlands and Ireland (see table 2 on page 10). Nearly half of the trade in services between the two zones comes from commercial services, with \$8.1B in receipts in 2012⁶ and \$8.8B in payments. Travel, transportation and government services follow (graph 8 on page 6).

As mentioned earlier, the CETA with the European Union is a fairly broad agreement that goes beyond just trade in goods and services. It also contains provisions to facilitate the flow of investment between Canada and the European Union.

⁶ The category data for the trade in services is only available for 2012.

⁷ Direct investments essentially comprise mergers and acquisitions (acquisitions or net sales of new interests) and reinvested earnings.



This type of trade between the two zones is sizable. For one thing, the stock of direct Canadian investment⁷ within the European Union totalled more than \$187B in 2013 (see table 3 on page 11), with the United Kingdom (\$86B), Luxembourg (\$30B), the Netherlands (\$18B), Ireland (\$16B) and Hungary (\$11B) leading the way. For another, European Union direct investment in Canada was more than \$191B in 2013, with the largest investments coming from the Netherlands (\$68B), the United Kingdom (\$57B), Luxembourg (\$29B), France (\$11B) and Germany (\$10B).

CURRENTLY, THERE ARE NUMEROUS TARIFFS

The database compiled by the WTO is the most reliable source on customs duties. The WTO database has information on the tariffs in force in every country in the world, for every conceivable product. Goods are labelled using the “HS” international classification system, which features three levels. The most detailed category contains thousands of different products, which are then grouped into two additional higher levels. The highest, most general category is still fairly detailed, as it contains nearly 100 different groups. For analysis purposes, this *Economic Viewpoint* focuses on the top level of about 100 categories, labelled with the first two numbers of the HS codes.

As we mentioned earlier, there are essentially two types of customs duties. With ad valorem tariffs, a percentage is applied to the value of the imported products. Non-ad valorem tariffs are lump sum amounts usually calculated using quantities, for example, €10 a kilogram. The WTO database provides the ad valorem or non-ad valorem tariff for each product, for the country or region in question. Note that, in many cases, tariffs are zero as the products are already exempt from duty. For high-level categories, the WTO database provides the average ad valorem tariff within the group, and the total number of non-ad valorem tariffs recorded for the various products in the category. These two metrics appear in tables 4 and 5 on pages 12 and 15. The

tables also feature the value of the trade between Canada and the European Union for each top-level category. They also show the percentage of products in each category that is exempt from customs duties.⁸

On average, Canadian exports to the European Union are subject to an ad valorem tariff of 4.7%. There are an average of nearly ten non-ad valorem tariffs per category. In contrast, Canadian imports from the European Union are subject to an average ad valorem tariff of 3.1%; nearly four non-ad valorem tariffs are recorded on average per category. However, individual results for each category vary widely. On one hand, numerous categories are already tariff exempt. On the other, some categories are subject to very high tariffs.

PRODUCTS THAT WILL BENEFIT

To pinpoint the products that will get particular benefit from *CETA* and the elimination of duties, we could simply try to identify the products that currently face the highest duties. However, this approach would not take into consideration the structure of trade between Canada and the nations that belong to the European Union. For *CETA* to have a big impact on a product category, it would have to be subject to customs tariffs, and the value of trade would also have to be substantial. With this in mind, in the grey areas in tables 4 and 5 on pages 12 and 15 we identified several product groups with a substantial combination of trade value and tariff size. Some categories that are subject to tariffs that are, all in all, fairly low were kept because they represent a large proportion of the value of trade. Other categories with lower trade volume were also retained because they are subject to fairly high tariffs. The products listed in the grey areas are the products that will benefit the most from *CETA*’s implementation, for both exports and imports. Some product groups are also listed in the blue area. These products also show a substantial combination of trade value and tariff size, but will continue to face some customs duties once *CETA* is in effect, because they are included in the exceptions.

For exported products, category HS 71 leads the way, primarily due to gold exports to the European Union. This category is followed by HS 27 (primarily oil and natural gas exports), HS 84 (primarily industrial machinery and appliances) and HS 88 (aviation products). These four categories alone account for nearly half of Canada’s exports to the European Union. Eliminating tariffs will be of particular benefit to the aviation sector, as it is subject to a fairly high average ad valorem tariff and all of the products

⁸ This column shows the percentage of tariff lines (each line corresponds to a specific product) within the category that are exempt from duty.

in this category are subject to some kind of tariff. As for the sector with high growth potential, category HS 03 (fish and crustaceans) is currently subject to very high ad valorem tariffs on average and only 7% of products are exempt from duty. Similarly, HS 76 (aluminum), HS 39 (plastics and plastic articles) and HS 87 (vehicles) also have good potential.

For Canadian imports from European Union member nations, there is more dispersion among the various categories, so the list of product categories that could get a lot from tariff elimination is slightly larger. It includes HS 84 (primarily industrial machinery and mechanical appliances), HS 87 (vehicles), HS 27 (primarily oil and natural gas imports), HS 85 (electrical and electronic machinery and appliances), and HS 90 (medical instruments).

For example, the average ad valorem tariff on vehicles imported from the European Union is 3.6% and more than half of the products in this category are subject to duty. The gradual elimination⁹ of tariffs on this category should therefore result in lower prices for motor vehicles imported from Europe, something that will make fans of German, Italian and British cars happy.

Although import volumes are lower at this point, numerous products seem to have attractive growth potential once tariffs are removed. For example, category HS 62 (apparel and clothing accessories) is currently subject to very high ad valorem tariffs; over 90% of products carry customs duties. Category HS 64 (footwear) is in a similar situation.

BUSINESS OPPORTUNITIES FOR EVERY PROVINCE

The *CETA* between Canada and the European Union will create benefits nationwide. For clarification purposes, tables 6 and 7 on pages 18 and 19 show the volume of trade between Canada and the European Union for every product category identified as one that could get particular benefit from removing tariffs.¹⁰ The three provinces or territories with the highest volume of trade were selected for each of these categories, which means that Ontario and Quebec often top the list for such trade. Not surprising, given that the two provinces alone account for nearly 70% of trade with the European Union.

That being said, some results are worthy of mention. The Northwest Territories are front and centre in terms of Canadian precious metal exports. Newfoundland and

Labrador exports a lot of oil and natural gas to Europe. Saskatchewan is especially active in exporting grains and vegetables. The Atlantic provinces are very present in the seafood trade. For Quebec, the focus is primarily on exports of aviation products, as the province accounts for more than 85% of Canada's exports to the European Union in this category. The province is also in very good position in terms of aluminum exports. Note, however, that the presence of port infrastructures, substantial gateways for certain product types, can skew the data somewhat for some provinces. For example, Quebec shows a high level of exports of automotive products to the European Union. However, there is reason to think that the fact that vehicles and parts manufactured in Ontario are shipped via the Port of Montreal inflates this result.

As for imports, the relative importance of the target product categories within the provinces is more of a reflection of each region's economic weight. There is also some skewing. For example, Nova Scotia leads the way for imports of motor vehicles. Obviously, this isn't because Nova Scotians have a strong taste for European cars—it is due to the Port of Halifax. Some results also reflect provinces' industrial structure. For example, Quebec imports a lot of aviation products because of the inputs the industry uses. The same applies to Ontario's imports of automotive products.

FOR CANADA'S ECONOMY, THE BENEFITS WILL BE EXTENSIVE

Will *CETA* be a good thing for Canada? As Canada is in a deficit position in the trade in goods and services with the European Union (the value of imports is higher than the value of exports), some could think that Canadians will automatically lose if trade between the two zones is liberalized. However, the reality is a lot more complicated. Both economies will benefit from the business opportunities generated by lifting nearly all of the restrictions on the trade in goods and services and investment. Canadian exporters will have free access to European markets, giving them greater growth potential. Moreover, eliminating customs duties on numerous imported products will lower consumer prices on such goods, making households happy. Thus, the variety of benefits yielded by liberalizing trade have prompted many countries to enter into numerous trade agreements in the last few years. Each such agreement had to be ratified by a country with a trade deficit.

According to the joint 2008 study by Canada and the European Union, the spin-offs from implementing *CETA* would add an average of 0.77% a year to Canada's GDP. However, this estimate was calculated in 2008, at a time when the Canadian economy had greater growth potential. If this assessment were to be done today, the upside

⁹ A 6- to 8-year phasing-out period is stipulated for the gradual elimination of tariffs on numerous products in this category.

¹⁰ These categories correspond to the grey and blue areas in tables 4 and 5 on pages 12 and 15.



impact on Canadian GDP would likely be a little smaller. However, the forecast GDP gain is much smaller for the European Union, which is very surprising, given Canada's deficit position. The gap is due to the fact that the European Union has a much bigger weight in Canada's international trade than Canada does in the European Union's total trade.

CETA should also make Canada more attractive on the global economic scene. Given free access to European markets, along with the agreement already in force with the United States and Mexico, a variety of foreign businesses could opt to set up shop in Canada. This would help Canada take its place in the global production chain. Note that the structure of global trade is becoming more and more integrated, creating value chains within multinationals and also within most businesses, which are outsourcing a growing share of their output.

CETA should also allow Canada to increase its exports to the European Union, creating better geographic diversification for Canada's exports. Currently, Canadian exports are heavily focused on the United States, which means that Canada is highly dependent on the U.S. growth cycle. Increasing the European Union's weight in Canada's international trade would reduce this country's exposure to its primary trade partner.

That being said, *CETA's* benefits will not be uniformly distributed across the country. Companies that export goods that will benefit the most from eliminating tariffs within the European Union will get the most out of liberalizing trade. Conversely, companies that produce goods in import categories that are the most favoured by the disappearance of Canadian customs duties will face stronger competition. The heightened competition could prompt some Canadian companies to seek efficiency gains by improving productivity and reducing their cost structure. In the end, this would not be a bad thing for the Canadian economy as a whole. Moreover, the federal and provincial governments could contemplate instituting programs to help the most vulnerable firms deal with the competition from Europe.

The distortion between sectors that will be favoured by the elimination of tariffs in Europe and those that will face greater competition here at home raises some concern, however. Potentially, we could see greater industrial specialization within Canada's economy; on one hand, the advantaged sectors could become more important in total output while, on the other, industries facing greater competition could lose some ground. Sectoral rebalancing within Canada's economy is not necessarily negative. However, it could make Canada's economy more fragile by reducing its industrial diversity. In this context, transition

measures that the various tiers of government could put forward could make it easier to adapt.

For consumers, the benefits of the *CETA* between Canada and the European Union are fairly clear. As mentioned, eliminating tariffs on imported European products would result in reduced consumer prices on numerous goods. Also, an almost total liberalization of trade should make it possible for numerous new European products to reach Canadian soil, increasing the array of goods available for consumption.

Our analysis of the *CETA* between Canada and the European Union has put a lot of emphasis on the trade in goods. However, this is a broad accord, which also covers the trade in services, direct investment, access to public contracts and enhanced mobility for specialized labour. The benefits of greater flexibility in this type of trade between Canada and the European Union are much more difficult to appraise. That being said, greater trade flexibility between the two zones will create business opportunities for Canadian firms and lead to better efficiency in both Canada and Europe.

Lastly, even though free access to European Union markets could benefit many Canadian firms, as noted in this *Economic Viewpoint*, the fact remains that most countries in the European Union are economically mature, meaning that most European Union nations have more limited potential for economic growth. Under these conditions, it could be hard for some Canadian businesses to carve out a place in these markets. Over the medium and long run, it would be best for the federal government to enter into additional free trade agreements with a focus on countries and zones with high growth potential, such as emerging nations in Asia and South America. The negotiations now underway with India, and negotiations in the framework of the Trans-Pacific Partnership (which includes the United States, Mexico, Peru, Chile, Japan, Malaysia, Singapore, Brunei, Vietnam, Australia and New Zealand) seem especially promising.

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ANNEX

**Table 1 – Relative weight
of EU* member nations in Canada's trade in goods in 2014**

<i>Relative weight in Canadian exports to the EU*</i>			<i>Relative weight in Canadian imports from the EU*</i>				
	<i>In C\$M</i>	<i>In %</i>		<i>In C\$M</i>	<i>In %</i>		
1	United Kingdom	15,226	39.3	1	Germany	15,968	27.6
2	Italy	4,171	10.8	2	United Kingdom	9,173	15.9
3	Netherlands	3,845	9.9	3	Italy	6,418	11.1
4	Belgium	3,524	9.1	4	France	5,919	10.2
5	France	3,313	8.5	5	Netherlands	3,673	6.4
6	Germany	3,138	8.1	6	Spain	2,202	3.8
7	Spain	1,127	2.9	7	Belgium	2,066	3.6
8	Malta	836	2.2	8	Sweden	1,825	3.2
9	Finland	599	1.5	9	Austria	1,684	2.9
10	Ireland	507	1.3	10	Poland	1,594	2.8
11	Sweden	392	1.0	11	Ireland	1,496	2.6
12	Poland	346	0.9	12	Finland	1,404	2.4
13	Austria	272	0.7	13	Denmark	1,078	1.9
14	Denmark	266	0.7	14	Hungary	549	1.0
15	Portugal	226	0.6	15	Czech Republic	499	0.9
16	Czech Republic	130	0.3	16	Portugal	477	0.8
17	Greece	117	0.3	17	Romania	423	0.7
18	Romania	108	0.3	18	Slovakia	316	0.5
19	Bulgaria	97	0.3	19	Lithuania	231	0.4
20	Luxembourg	93	0.2	20	Greece	186	0.3
21	Hungary	91	0.2	21	Luxembourg	164	0.3
22	Cyprus	88	0.2	22	Slovenia	126	0.2
23	Lithuania	76	0.2	23	Bulgaria	121	0.2
24	Slovenia	63	0.2	24	Estonia	96	0.2
25	Slovakia	34	0.1	25	Croatia	55	0.1
26	Estonia	33	0.1	26	Malta	46	0.1
27	Latvia	31	0.1	27	Latvia	33	0.1
28	Croatia	23	0.1	28	Cyprus	3	0.0
	Total EU*	38,747	100.0		Total EU*	57,821	100.0

* European Union.

Sources: Industry Canada and Desjardins, Economic Studies

**Table 2 – Relative weight
of EU* member nations in Canada's trade in services in 2013**

<i>Canadian receipts (exports) in trade in services with the EU*</i>			<i>Canadian payments (imports) in trade in services with the EU*</i>				
	<i>In C\$M</i>	<i>In %</i>		<i>In C\$M</i>	<i>In %</i>		
1	United Kingdom	4,734	32.9	1	United Kingdom	5,608	29.6
2	France	2,272	15.8	2	France	2,826	14.9
3	Germany	1,995	13.9	3	Germany	2,199	11.6
4	Netherlands	963	6.7	4	Netherlands	1,714	9.1
5	Ireland	807	5.6	5	Ireland	1,348	7.1
6	Belgium/Luxembourg	789	5.5	6	Greece	965	5.1
7	Other**	584	4.1	7	Italy	941	5.0
8	Sweden	546	3.8	8	Other**	818	4.3
9	Italy	461	3.2	9	Belgium/Luxembourg	805	4.3
10	Greece	270	1.9	10	Spain	504	2.7
11	Denmark	268	1.9	11	Sweden	334	1.8
12	Spain	263	1.8	12	Austria	260	1.4
13	Austria	179	1.2	13	Portugal	238	1.3
14	Finland	147	1.0	14	Denmark	237	1.3
15	Portugal	115	0.8	15	Finland	129	0.7
16	Croatia	n/a	n/a	16	Croatia	n/a	n/a
	Total EU*	14,393	100.0		Total EU*	18,926	100.0

n.a.: not available

* European Union; ** Bulgaria, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia and the Czech Republic.

Sources: Foreign Affairs, Trade and Development Canada and Desjardins, Economic Studies

**Table 3 – Relative weight of EU* member nations
in the total stock of Canadian direct investment in 2013**

<i>Relative weight of Canadian direct investment in the EU*</i>			<i>Relative weight of EU* direct investment in Canada</i>				
	<i>In C\$M</i>	<i>In %</i>		<i>In C\$M</i>	<i>In %</i>		
1	United Kingdom	86,087	46.0	1	Netherlands	67,805	35.4
2	Luxembourg	30,224	16.1	2	United Kingdom	56,745	29.6
3	Netherlands	17,742	9.5	3	Luxembourg	28,549	14.9
4	Ireland	15,976	8.5	4	France	11,016	5.8
5	Hungary	10,984	5.9	5	Germany	10,114	5.3
6	Germany	8,230	4.4	6	Belgium	4,897	2.6
7	France	5,745	3.1	7	Ireland	2,903	1.5
8	Spain	4,757	2.5	8	Sweden	2,710	1.4
9	Cyprus	3,362	1.8	9	Finland	2,327	1.2
10	Sweden	2,178	1.2	10	Denmark	1,375	0.7
11	Belgium	587	0.3	11	Italy	1,140	0.6
12	Italy	487	0.3	12	Austria	636	0.3
13	Denmark	395	0.2	13	Cyprus	595	0.3
14	Finland	261	0.1	14	Spain	590	0.3
15	Poland	202	0.1	15	Bulgaria	---	0.0
16	Portugal	41	0.0	16	Croatia	---	0.0
17	Romania	33	0.0	17	Estonia	---	0.0
18	Austria	---	0.0	18	Greece	---	0.0
19	Bulgaria	---	0.0	19	Hungary	---	0.0
20	Croatia	---	0.0	20	Latvia	---	0.0
21	Estonia	---	0.0	21	Lithuania	---	0.0
22	Greece	---	0.0	22	Malta	---	0.0
23	Latvia	---	0.0	23	Poland	---	0.0
24	Lithuania	---	0.0	24	Portugal	---	0.0
25	Malta	---	0.0	25	Czech Republic	---	0.0
26	Czech Republic	---	0.0	26	Romania	---	0.0
27	Slovakia	---	0.0	27	Slovakia	---	0.0
28	Slovenia	---	0.0	28	Slovenia	---	0.0
	Total EU*	187,291	100.0		Total EU*	191,402	100.0

* European Union.

Sources: Foreign Affairs, Trade and Development Canada and Desjardins, Economic Studies

Table 4
Canada's tariffs and export volumes to the EU* in 2014

Ranking**	Product type according to HS classification	Canadian exports to the EU*		EU* tariffs on Canadian products		
		In C\$M	In %	Ad valorem ⁽¹⁾	Non-ad valorem ⁽²⁾	Percentage of exempt tariff lines ⁽³⁾
1	HS 71 – Pearls, Precious Stones or Metals, Coins and Jewellery	11,196	29.3	0.6	0	80.2
2	HS 27 – Mineral Fuels, Mineral Oils, Bituminous Substances and Mineral Waxes	3,757	9.8	0.8	0	70.6
3	HS 84 – Nuclear Reactors, Boilers, Machinery and Mechanical Appliances	3,339	8.7	1.8	0	21.4
4	HS 26 – Ores, Slag and Ash	2,603	6.8	0.0	0	100.0
5	HS 88 – Aircrafts and Spacecrafts	2,447	6.4	3.3	0	0.0
6	HS 30 – Pharmaceutical Products	1,613	4.2	0.0	0	100.0
7	HS 75 – Nickel and Articles Thereof	1,613	4.2	0.7	0	76.5
8	HS 10 – Cereals	1,315	3.4	2.2	47	32.7
9	HS 85 – Electrical or Electronic Machinery and Equipment	1,287	3.4	2.8	0	22.9
10	HS 90 – Optical, Medical, Photographic, Scientific and Technical Instrumentation	1,145	3.0	2.2	0	34.4
11	HS 12 – Oil Seeds, Oleaginous Fruits, Industrial or Medicinal Plants, Straw and Fodder	868	2.3	1.2	3	73.1
12	HS 28 – Inorganic Chemicals and Compounds of Precious Metals and Radioactive Elements	721	1.9	4.5	0	12.1
13	HS 76 – Aluminum and Articles Thereof	593	1.5	6.4	0	2.9
14	HS 44 – Wood and Articles of Wood (Incl. Wood Charcoal)	461	1.2	2.2	0	58.3
15	HS 87 – Motor Vehicles, Trailers, Bicycles, Motorcycles and Other Similar Vehicles	419	1.1	5.8	0	7.9
16	HS 03 – Fish, Crustaceans, Molluscs and Other Aquatic Invertebrates	364	1.0	11.1	0	7.0
17	HS 39 – Plastics and Articles Thereof	338	0.9	6.0	0	7.4
18	HS 07 – Edible Vegetables and Certain Roots and Tubers	317	0.8	8.5	22	14.4
19	HS 48 – Paper, Paperboard and Articles Made From These Materials	273	0.7	0.0	0	100.0
20	HS 47 – Pulp of Wood and The Like; Waste and Scrap of Paper or Paperboard	268	0.7	0.0	0	100.0
21	HS 29 – Organic Chemicals (Including Vitamins, Alkaloids and Antibiotics)	193	0.5	4.3	5	27.9
22	HS 73 – Articles of Iron or Steel	180	0.5	1.7	0	44.4
23	HS 38 – Miscellaneous Chemical Products	176	0.5	5.4	8	5.3
24	HS 33 – Essential Oils and Resinoids, Perfumes, Cosmetics and Toilet Preparations	172	0.4	2.4	2	53.4
25	HS 72 – Iron and Steel	167	0.4	0.3	0	92.3
26	HS 89 – Ships, Boats and Floating Structures	134	0.3	1.1	0	46.3
27	HS 43 – Furskins, Artificial Fur and Related Articles of Apparel or Clothing Accessories	129	0.3	1.2	0	61.9
28	HS 16 – Meat, Fish and Seafood Preparations	123	0.3	17.9	23	2.4
29	HS 49 – Printed Books, Newspapers, Pictures, Manuscripts and The Like	120	0.3	0.0	0	100.0
30	HS 82 – Tools, Implements, Cutlery, Spoons and Forks of Base Metals	113	0.3	3.1	0	0.0
31	HS 95 – Toys, Games, Sporting Goods and Other Goods for Amusement	102	0.3	2.3	0	20.6
32	HS 23 – Residues and Waste from the Food Industries, and Prepared Animal Fodder	99	0.3	0.8	32	68.8
33	HS 81 – Other Base Metals, Cermet and Articles Thereof	91	0.2	3.0	0	36.0
34	HS 40 – Rubber and Articles Thereof	87	0.2	2.6	0	34.7
35	HS 08 – Edible Fruits and Nuts	86	0.2	6.4	16	20.4


Table 4
Canada's tariffs and export volumes to the EU* in 2014

Ranking**	Product type according to HS classification	Canadian exports to the EU*		EU* tariffs on Canadian products		
		In C\$M	In %	Ad valorem ⁽¹⁾	Non-ad valorem ⁽²⁾	Percentage of exempt tariff lines ⁽³⁾
36	HS 94 – Furniture, and Stuffed Furnishings; Lamps and Illuminated Signs; Prefabricated Buildings	86	0.2	2.3	0	41.0
37	HS 61 – Knitted or Crocheted Clothing and Articles of Apparel	79	0.2	11.7	0	0.0
38	HS 17 – Sugars and Sugar Confectionery	74	0.2	6.8	39	11.8
39	HS 21 – Miscellaneous Edible Preparations	74	0.2	9.2	14	9.4
40	HS 96 – Miscellaneous Manufactured Articles	69	0.2	3.3	0	5.1
41	HS 97 – Works of Art, Collector's Pieces and Antiques	64	0.2	0.0	0	100.0
42	HS 93 – Arms and Ammunitions and Parts Thereof	63	0.2	2.2	0	22.2
43	HS 62 – Woven Clothing and Articles of Apparel	61	0.2	11.3	0	0.0
44	HS 19 – Preparations of Cereals, Flour, Starch or Milk (Including Bread and Pastry)	55	0.1	10.7	49	0.0
45	HS 83 – Miscellaneous Articles of Base Metal	52	0.1	2.5	0	8.3
46	HS 20 – Preparations of Vegetables, Fruit, Nuts or Other Parts of Plants	49	0.1	17.5	75	0.7
47	HS 34 – Soap, Washing and Lubricating Preparations, Waxes and Related Articles	48	0.1	2.0	0	54.3
48	HS 02 – Meat and Edible Meat Offal	47	0.1	5.1	186	19.1
49	HS 31 – Fertilizers	42	0.1	4.8	0	21.7
50	HS 74 – Copper and Articles Thereof	41	0.1	3.3	0	26.0
51	HS 35 – Albuminoidal Substances, Modified Starches, Glues and Enzymes	40	0.1	4.6	10	16.7
52	HS 05 – Products of Animal Origin Not Elsewhere Classified	39	0.1	0.1	0	98.3
53	HS 41 – Raw Hides, Skins (Other than Furskins) and Leather	38	0.1	2.0	0	51.1
54	HS 25 – Salt, Sulfur, Earths, Lime, Stone, Cement and Plastering Materials	35	0.1	0.2	3	86.1
55	HS 22 – Beverages, Spirits and Vinegar	31	0.1	3.9	126	41.9
56	HS 68 – Articles of Stone, Plaster, Cement, Asbestos, Mica or Similar Materials	30	0.1	1.4	0	32.7
57	HS 15 – Fats, Oils, Their Cleavage Products and Waxes	24	0.1	5.4	11	21.5
58	HS 32 – Tannins, Dyes, Pigments, Paints, Varnishes, Inks, Putty and Other Similar Substances	23	0.1	5.5	0	11.1
59	HS 70 – Glass and Glassware	20	0.1	5.0	7	3.6
60	HS 04 – Dairy Produce, Eggs, Honey and Other Similar Edible Products of Animal Origin	19	0.0	5.8	161	5.7
61	HS 63 – Other Made-Up Textile Articles and Worn Clothing	14	0.0	10.1	0	3.9
62	HS 13 – Lac, Gums, Resins and Other Vegetable Saps and Extracts	13	0.0	2.3	0	66.7
63	HS 92 – Musical Instruments	12	0.0	3.2	0	0.0
64	HS 65 – Headwear	10	0.0	2.3	0	25.0
65	HS 42 – Articles of Leather; Saddlery and Harness, Travel Goods, Handbags and Similar Containers	10	0.0	4.6	0	0.0
66	HS 59 – Coated, Impregnated, Covered or Laminated Fabrics and Industrial Textiles	10	0.0	6.1	0	0.0
67	HS 54 – Man-Made Filaments; Strip and the Like of Man-Made Textile Materials	9	0.0	6.0	0	0.0
68	HS 36 – Explosives, Matches and Other Miscellaneous Combustible Preparations	8	0.0	6.3	0	0.0
69	HS 01 – Live Animals	7	0.0	1.2	32	55.6
70	HS 09 – Coffee, Tea, Maté and Spices	7	0.0	2.3	0	68.2
71	HS 37 – Photographic or Cinematographic Goods	6	0.0	5.5	2	7.0
72	HS 56 – Wadding, Felt, Nonwovens, Twine, Cordage, Rope, Cables and Related Articles	6	0.0	6.0	0	0.0
73	HS 80 – Tin and Articles Thereof	5	0.0	0.0	0	100.0

Table 4
Canada's tariffs and export volumes to the EU* in 2014

Ranking**	Product type according to HS classification	Canadian exports to the EU*		EU* tariffs on Canadian products		
		In C\$M	In %	Ad valorem ⁽¹⁾	Non-ad valorem ⁽²⁾	Percentage of exempt tariff lines ⁽³⁾
74	HS 64 – Footwear	5	0.0	11.1	0	0.0
75	HS 18 – Cocoa and Cocoa Preparations	5	0.0	6.1	20	18.2
76	HS 69 – Ceramic Products	4	0.0	4.6	0	10.3
77	HS 67 – Prepared Feathers and Downs, Artificial Flowers and the Like	4	0.0	2.8	0	0.0
78	HS 86 – Rail Transportation (Incl. Tramways and Traffic Signalling Equipment)	4	0.0	1.7	0	4.3
79	HS 11 – Products of the Milling Industry; Malt, Straches, Inulin and Wheat Gluten	3	0.0	12.2	65	0.0
80	HS 78 – Lead and Articles Thereof	3	0.0	2.3	0	37.5
81	HS 79 – Zinc and Articles Thereof	3	0.0	3.1	0	11.1
82	HS 91 – Clock and Watches and Parts Thereof	2	0.0	4.2	20	0.0
83	HS 57 – Carpets and Other Textile Floor Coverings	2	0.0	7.3	1	0.0
84	HS 06 – Live Trees and Other Plants (Incl. Cut Flowers and Ornamental Foliage)	2	0.0	6.7	0	13.3
85	HS 24 – Tobacco and Manufactured Tobacco Substitutes	1	0.0	44.7	11	0.0
86	HS 55 – Man-Made Staple Fibers, Staple Fiber Yarns and Fabrics	1	0.0	6.2	0	0.0
87	HS 58 – Special Woven or Tufted Fabrics, Lace, Trimmings,	1	0.0	7.3	0	0.0
88	HS 52 – Cotton, Cotton Yarns and Cotton Fabrics	1	0.0	6.1	0	4.0
89	HS 66 – Umbrellas, Whips, Walking-Sticks and Similar Articles	1	0.0	4.3	0	0.0
90	HS 53 – Other Vegetable Textile Fibers, Yarns and Fabrics	1	0.0	2.8	0	52.2
91	HS 60 – Knitted or Crocheted Fabrics	1	0.0	7.9	0	0.0
92	HS 51 – Wool, Wool Yarns and Wool Fabrics	0	0.0	3.5	0	31.6
93	HS 46 – Straw and Other Plaiting Materials; Basketware and Wickerwork	0	0.0	3.0	0	9.1
94	HS 45 – Cork and Articles of Cork	0	0.0	2.7	0	42.9
95	HS 50 – Silk	0	0.0	3.1	0	33.3
96	HS 14 – Vegetable Plaiting Material and Other Similar Vegetable Products	0	0.0	0.0	0	100.0
	Total	38,276	100.0	---	---	---
	Average	---	---	4.7	10.3	30.4

* European Union; ** Among all primary categories; ⁽¹⁾ Average tariff (%); ⁽²⁾ Number of tariffs; ⁽³⁾ Exempt from duty.

The grey areas show products with a high combination of value of trade and size of duties; the blue areas show products with a high combination of value of trade and size of duties for which some tariffs will remain.

Sources: Industry Canada, World Trade Organization and Desjardins, Economic Studies

Table 5
Canada's tariffs and import volumes from the EU* in 2014

Ranking**	Product type according to HS classification	Canadian imports from the EU*		Canadian tariffs on EU* products		
		In C\$M	In %	Ad valorem ⁽¹⁾	Non-ad valorem ⁽²⁾	Percentage of exempt tariff lines ⁽³⁾
1	HS 84 – Nuclear Reactors, Boilers, Machinery and Mechanical Appliances	11,314	19.8	0.3	0	95.3
2	HS 87 – Motor Vehicles, Trailers, Bicycles, Motorcycles and Other Similar Vehicles	6,874	12.1	3.6	0	44.3
3	HS 30 – Pharmaceutical Products	6,361	11.2	0.1	0	98.4
4	HS 27 – Mineral Fuels, Mineral Oils, Bituminous Substances and Mineral Waxes	4,149	7.3	0.7	0	90.6
5	HS 85 – Electrical or Electronic Machinery and Equipment	3,876	6.8	1.2	0	81.6
6	HS 90 – Optical, Medical, Photographic, Scientific and Technical Instrumentation	2,751	4.8	0.6	0	85.2
7	HS 22 – Beverages, Spirits and Vinegar	2,200	3.9	2.7	43	46.8
8	HS 71 – Pearls, Precious Stones or Metals, Coins and Jewellery	1,598	2.8	1.4	0	79.2
9	HS 88 – Aircrafts and Spacecrafts	1,505	2.6	1.0	0	88.9
10	HS 29 – Organic Chemicals (Including Vitamins, Alkaloids and Antibiotics)	1,259	2.2	0.0	0	99.6
11	HS 73 – Articles of Iron or Steel	1,252	2.2	1.4	0	78.8
12	HS 72 – Iron and Steel	1,056	1.9	0.0	0	100.0
13	HS 39 – Plastics and Articles Thereof	948	1.7	1.1	0	80.4
14	HS 38 – Miscellaneous Chemical Products	824	1.4	1.1	0	83.1
15	HS 94 – Furniture, and Stuffed Furnishings; Lamps and Illuminated Signs; Prefabricated Buildings	782	1.4	5.0	0	43.4
16	HS 40 – Rubber and Articles Thereof	718	1.3	1.7	0	77.5
17	HS 33 – Essential Oils and Resinoids, Perfumes, Cosmetics and Toilet Preparations	682	1.2	4.6	0	25.9
18	HS 48 – Paper, Paperboard and Articles Made From These Materials	416	0.7	0.0	0	100.0
19	HS 43 – Furskins, Artificial Fur and Related Articles of Apparel or Clothing Accessories	372	0.7	3.5	0	70.8
20	HS 64 – Footwear	346	0.6	12.1	0	28.7
21	HS 19 – Preparations of Cereals, Flour, Starch or Milk (Including Bread and Pastry)	345	0.6	4.1	38	16.0
22	HS 82 – Tools, Implements, Cutlery, Spoons and Forks of Base Metals	331	0.6	3.8	0	46.1
23	HS 62 – Woven Clothing and Articles of Apparel	315	0.6	15.9	0	6.7
24	HS 76 – Aluminum and Articles Thereof	314	0.6	1.3	0	78.6
25	HS 18 – Cocoa and Cocoa Preparations	295	0.5	3.0	2	47.7
26	HS 49 – Printed Books, Newspapers, Pictures, Manuscripts and The Like	279	0.5	0.0	0	100.0
27	HS 69 – Ceramic Products	267	0.5	4.0	0	39.1
28	HS 28 – Inorganic Chemicals and Compounds of Precious Metals and Radioactive Elements	266	0.5	0.0	0	99.7
29	HS 83 – Miscellaneous Articles of Base Metal	255	0.4	2.4	0	60.2
30	HS 32 – Tannins, Dyes, Pigments, Paints, Varnishes, Inks, Putty and Other Similar Substances	233	0.4	1.5	0	76.1
31	HS 68 – Articles of Stone, Plaster, Cement, Asbestos, Mica or Similar Materials	217	0.4	3.0	0	45.2
32	HS 70 – Glass and Glassware	217	0.4	0.1	0	98.8
33	HS 42 – Articles of Leather; Saddlery and Harness, Travel Goods, Handbags and Similar Containers	209	0.4	7.8	0	18.3
34	HS 44 – Wood and Articles of Wood (Incl. Wood Charcoal)	204	0.4	1.2	0	72.4
35	HS 20 – Preparations of Vegetables, Fruit, Nuts or Other Parts of Plants	201	0.4	5.3	0	40.3
36	HS 15 – Fats, Oils, Their Cleavage Products and Waxes	201	0.4	4.7	2	34.5

Table 5
Canada's tariffs and import volumes from the EU* in 2014

Ranking**	Product type according to HS classification	Canadian imports from the EU*		Canadian tariffs on EU* products		
		In C\$M	In %	Ad valorem ⁽¹⁾	Non-ad valorem ⁽²⁾	Percentage of exempt tariff lines ⁽³⁾
37	HS 04 – Dairy Produce, Eggs, Honey and Other Similar Edible Products of Animal Origin	186	0.3	6.0	76	10.4
38	HS 21 – Miscellaneous Edible Preparations	181	0.3	5.7	7	31.8
39	HS 95 – Toys, Games, Sporting Goods and Other Goods for Amusement	180	0.3	0.8	0	88.7
40	HS 34 – Soap, Washing and Lubricating Preparations, Waxes and Related Articles	165	0.3	4.7	0	25.4
41	HS 61 – Knitted or Crocheted Clothing and Articles of Apparel	146	0.3	17.1	0	3.9
42	HS 35 – Albuminoidal Substances, Modified Starches, Glues and Enzymes	138	0.2	3.7	4	43.3
43	HS 75 – Nickel and Articles Thereof	133	0.2	0.1	0	97.1
44	HS 08 – Edible Fruits and Nuts	127	0.2	0.8	19	84.1
45	HS 97 – Works of Art, Collector's Pieces and Antiques	125	0.2	0.9	0	85.7
46	HS 26 – Ores, Slag and Ash	124	0.2	0.0	0	100.0
47	HS 31 – Fertilizers	123	0.2	0.0	0	100.0
48	HS 93 – Arms and Ammunitions and Parts Thereof	118	0.2	4.0	0	21.3
49	HS 09 – Coffee, Tea, Maté and Spices	107	0.2	0.9	0	70.9
50	HS 96 – Miscellaneous Manufactured Articles	102	0.2	5.9	0	24.8
51	HS 74 – Copper and Articles Thereof	98	0.2	0.3	0	92.0
52	HS 89 – Ships, Boats and Floating Structures	93	0.2	16.2	0	16.2
53	HS 17 – Sugars and Sugar Confectionery	82	0.1	4.0	26	29.4
54	HS 02 – Meat and Edible Meat Offal	80	0.1	2.6	36	66.2
55	HS 59 – Coated, Impregnated, Covered or Laminated Fabrics and Industrial Textiles	70	0.1	2.8	0	45.3
56	HS 07 – Edible Vegetables and Certain Roots and Tubers	64	0.1	2.3	50	48.6
57	HS 12 – Oil Seeds, Oleaginous Fruits, Industrial or Medicinal Plants, Straw and Fodder	63	0.1	0.6	0	91.7
58	HS 51 – Wool, Wool Yarns and Wool Fabrics	62	0.1	0.1	0	93.4
59	HS 56 – Wadding, Felt, Nonwovens, Twine, Cordage, Rope, Cables and Related Articles	58	0.1	2.5	0	72.5
60	HS 06 – Live Trees and Other Plants (Incl. Cut Flowers)	57	0.1	4.8	0	39.6
61	HS 55 – Man-Made Staple Fibers, Staple Fiber Yarns and Fabrics	54	0.1	0.6	0	74.2
62	HS 23 – Residues and Waste from the Food Industries, and Prepared Animal Fodder	53	0.1	0.4	3	85.5
63	HS 54 – Man-Made Filaments; Strip and the Like of Man-Made Textile Materials	50	0.1	0.4	0	82.8
64	HS 03 – Fish, Crustaceans, Molluscs and Other Aquatic Invertebrates	48	0.1	0.4	0	90.7
65	HS 41 – Raw Hides, Skins (Other than Furskins) and Leather	48	0.1	0.0	0	100.0
66	HS 81 – Other Base Metals, Cermets and Articles Thereof	47	0.1	0.0	0	100.0
67	HS 86 – Rail Transportation (Incl. Tramways and Traffic Signalling Equipment)	47	0.1	6.6	0	29.3
68	HS 63 – Other Made-Up Textile Articles and Worn Clothing	47	0.1	15.6	0	5.1
69	HS 25 – Salt, Sulfur, Earths, Lime, Stone, Cement and Plastering Materials	39	0.1	0.0	0	99.3
70	HS 01 – Live Animals	39	0.1	0.5	7	86.8
71	HS 13 – Lac, Gums, Resins and Other Vegetable Saps and Extracts	39	0.1	0.0	0	100.0
72	HS 24 – Tobacco and Manufactured Tobacco Substitutes	38	0.1	7.0	0	3.3
73	HS 57 – Carpets and Other Textile Floor Coverings	36	0.1	11.3	0	4.8


Table 5
Canada's tariffs and import volumes from the EU* in 2014

Ranking**	Product type according to HS classification	Canadian imports from the EU*		Canadian tariffs on EU* products		
		In C\$M	In %	Ad valorem ⁽¹⁾	Non-ad valorem ⁽²⁾	Percentage of exempt tariff lines ⁽³⁾
74	HS 16 – Meat, Fish and Seafood Preparations	36	0.1	7.7	12	22.8
75	HS 11 – Products of the Milling Industry; Malt, Straches, Inulin and Wheat Gluten	35	0.1	3.8	25	28.6
76	HS 37 – Photographic or Cinematographic Goods	30	0.1	4.3	0	33.3
77	HS 92 – Musical Instruments	23	0.0	3.3	0	44.6
78	HS 10 – Cereals	23	0.0	14.1	8	76.9
79	HS 36 – Explosives, Matches and Other Miscellaneous Combustible Preparations	20	0.0	6.5	0	0.0
80	HS 60 – Knitted or Crocheted Fabrics	20	0.0	0.8	0	57.6
81	HS 45 – Cork and Articles of Cork	18	0.0	0.0	0	100.0
82	HS 79 – Zinc and Articles Thereof	16	0.0	0.2	0	94.4
83	HS 91 – Clock and Watches and Parts Thereof	16	0.0	3.3	0	56.8
84	HS 52 – Cotton, Cotton Yarns and Cotton Fabrics	14	0.0	0.6	0	73.7
85	HS 65 – Headwear	13	0.0	4.7	0	54.2
86	HS 58 – Special Woven or Tufted Fabrics, Lace, Trimmings,	13	0.0	0.2	0	96.7
87	HS 05 – Products of Animal Origin Not Elsewhere Classified	8	0.0	0.0	0	100.0
88	HS 53 – Other Vegetable Textile Fibers, Yarns and Fabrics	4	0.0	0.0	0	97.8
89	HS 80 – Tin and Articles Thereof	3	0.0	0.2	0	95.0
90	HS 47 – Pulp of Wood and The Like; Waste and Scrap of Paper or Paperboard	3	0.0	0.0	0	100.0
91	HS 50 – Silk	2	0.0	0.0	0	100.0
92	HS 67 – Prepared Feathers and Downs, Artificial Flowers and the Like	2	0.0	9.3	0	18.8
93	HS 78 – Lead and Articles Thereof	2	0.0	0.0	0	100.0
94	HS 66 – Umbrellas, Whips, Walking-Sticks and Similar Articles	2	0.0	4.3	0	41.7
95	HS 14 – Vegetable Plaiting Material and Other Similar Vegetable Products	1	0.0	0.0	0	100.0
96	HS 46 – Straw and Other Plaiting Materials;	0	0.0	4.4	0	10.5
	Total	56,998	100.0	---	---	---
	Moyenne	---	---	3.1	3.7	63.8

* European Union; ** Among all primary categories; ⁽¹⁾ Average tariff (%); ⁽²⁾ Number of tariffs; ⁽³⁾ Exempt from duty.

The grey areas show products with a high combination of value of trade and size of duties for which some tariffs will remain.

Sources: Industry Canada, World Trade Organization and Desjardins, Economic Studies

**Table 6 – Volume of Canadian exports to the EU*
for products that will get the most out of eliminating tariffs** in 2014**

Product type according to HS classification	<i>Top three provinces or territories</i>	<i>In C\$M</i>	<i>Proportion as a % of the total***</i>
HS 71 – Pearls, Precious Stones or Metals, Coins and Jewellery	Ont.	9,490	84.8
	N.W.T.	1,537	13.7
	Que.	126	1.1
HS 27 – Mineral Fuels, Mineral Oils, Bituminous Substances and Mineral Waxes	N.L.	2,793	74.3
	B.C.	422	11.2
	Ont.	243	6.5
HS 84 – Nuclear Reactors, Boilers, Machinery and Mechanical Appliances	Ont.	1,559	46.7
	Que.	1,176	35.2
	Alta.	218	6.5
HS 88 – Aircrafts and Spacecrafts	Que.	2,090	85.4
	Ont.	245	10.0
	B.C.	39	1.6
HS 10 – Cereals	Sask.	810	61.6
	Que.	173	13.2
	Alta.	168	12.8
HS 85 – Electrical or Electronic Machinery and Equipment	Ont.	613	47.6
	Que.	447	34.7
	B.C.	147	11.4
HS 90 – Optical, Medical , Photographic, Scientific and Technical Instrumentation	Ont.	519	45.4
	Que.	403	35.2
	B.C.	112	9.8
HS 28 – Inorganic Chemicals and Compounds of Precious Metals and Radioactive Elements	Ont.	569	78.9
	Sask.	79	11.0
	Que.	46	6.3
HS 76 – Aluminum and Articles Thereof	Que.	534	90.0
	Ont.	52	8.8
	B.C.	3	0.5
HS 87 – Motor Vehicles, Trailers, Bicycles, Motorcycles and Other Similar Vehicles	Que.	192	45.7
	Ont.	169	40.3
	Man.	17	4.0
HS 03 – Fish, Crustaceans, Molluscs and Other Aquatic Invertebrates	N.S.	192	45.7
	N.L.	169	40.3
	N.B.	17	4.0
HS 39 – Plastics and Articles Thereof	Ont.	261	77.4
	Que.	49	14.6
	Alta.	12	3.6
HS 07 – Edible Vegetables and Certain Roots and Tubers	Sask.	160	50.5
	Ont.	107	33.8
	Que.	18	5.6
HS 29 – Organic Chemicals (Including Vitamins, Alkaloids and Antibiotics)	Ont.	73	37.8
	Que.	58	30.0
	Alta.	28	14.7

* European Union; ** According to the leading three provinces or territories for each product; *** Total Canadian exports for that category.
Sources: Industry Canada and Desjardins, Economic Studies



**Table 7 – Volume of Canadian imports from the EU*
for products that will get the most out of eliminating tariffs** in 2014**

Product type according to HS classification	Top three provinces or territories	In C\$M	Proportion as a % of the total***
HS 84 – Nuclear Reactors, Boilers, Machinery and Mechanical Appliances	Ont.	4,806	42.5
	Que.	3,209	28.4
	B.C.	984	8.7
HS 87 – Motor Vehicles, Trailers, Bicycles, Motorcycles and Other Similar Vehicles	N.S.	3,064	44.6
	Ont.	2,787	40.5
	Que.	515	7.5
HS 27 – Mineral Fuels, Mineral Oils, Bituminous Substances and Mineral Waxes	Que.	3,229	77.8
	N.B.	545	13.1
	Ont.	235	5.7
HS 85 – Electrical or Electronic Machinery and Equipment	Ont.	1,637	42.2
	Que.	1,300	33.6
	B.C.	341	8.8
HS 90 – Optical, Medical, Photographic, Scientific and Technical Instrumentation	Ont.	1,580	57.4
	Que.	660	24.0
	Alta.	253	9.2
HS 71 – Pearls, Precious Stones or Metals, Coins and Jewellery	Ont.	1,399	87.5
	Que.	159	10.0
	B.C.	27	1.7
HS 88 – Aircrafts and Spacecrafts	Que.	910	60.5
	Ont.	337	22.4
	Alta.	101	6.7
HS 73 – Articles of Iron or Steel	Ont.	374	29.9
	Que.	237	19.0
	Alta.	211	16.9
HS 39 – Plastics and Articles Thereof	Ont.	486	51.3
	Que.	285	30.1
	Alta.	67	7.1
HS 38 – Miscellaneous Chemical Products	Ont.	353	42.8
	Que.	272	33.0
	Alta.	78	9.4
HS 94 – Furniture, and Stuffed Furnishings; Lamps and Illuminated Signs; Prefabricated Buildings	Que.	338	43.2
	Ont.	256	32.8
	B.C.	126	16.1
HS 40 – Rubber and Articles Thereof	Ont.	301	41.9
	Que.	286	39.9
	N.S.	35	4.9
HS 33 – Essential Oils and Resinoids, Perfumes, Cosmetics and Toilet Preparations	Ont.	408	59.9
	Que.	236	34.6
	B.C.	30	4.4
HS 64 – Footwear	Ont.	162	46.9
	Que.	151	43.7
	B.C.	26	7.5
HS 19 – Preparations of Cereals, Flour, Starch or Milk (Including Bread and Pastry)	Ont.	159	46.0
	Que.	146	42.2
	B.C.	22	6.5
HS 62 – Woven Clothing and Articles of Apparel	Ont.	207	65.8
	Que.	76	24.0
	B.C.	24	7.7
HS 42 – Articles of Leather; Saddlery and Harness, Travel Goods, Handbags and Similar Containers	Ont.	144	68.9
	Que.	34	16.1
	B.C.	24	11.4

**Table 7 – Volume of Canadian imports from the EU*
for products that will get the most out of eliminating tariffs** in 2014**

Product type according to HS classification	<i>Top three provinces or territories</i>	<i>In C\$M</i>	<i>Proportion as a % of the total***</i>
HS 20 – Preparations of Vegetables, Fruit, Nuts or Other Parts of Plants	Ont.	89	44.3
	Que.	80	40.0
	B.C.	24	12.1
HS 15 – Fats, Oils, Their Cleavage Products and Waxes	Ont.	115	57.2
	Que.	51	25.2
	B.C.	25	12.5
HS 04 – Dairy Produce, Eggs, Honey and Other Similar Edible Products of Animal Origin	Que.	97	52.3
	Ont.	73	39.3
	B.C.	13	6.9
HS 21 – Miscellaneous Edible Preparations	Ont.	98	54.3
	Que.	58	32.2
	B.C.	17	9.5

* European Union; ** According to the leading three provinces or territories for each product; *** Total Canadian imports for that category.

Sources: Industry Canada and Desjardins, Economic Studies