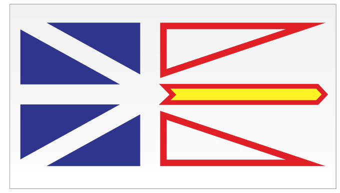
Opening New Markets in Europe

Creating Jobs and Opportunities for Canadians

How CETA Will Benefit Newfoundland and Labrador



Creating jobs and opportunities for Newfoundlanders and Labradorians

The Canada-European Union Comprehensive Economic and Trade Agreement (CETA) will bring benefits to every region of our country. It will unlock new opportunities by opening new markets for Canadian businesses and creating new jobs for Canadian workers. CETA is a 21st-century, gold-standard agreement and is Canada's most ambitious trade initiative ever. It is broader in scope and deeper in ambition than the historic North American Free Trade Agreement.

Canada's historical and cultural ties with the EU make it an ideal partner for a comprehensive and ambitious free trade agreement. The EU, with its 28 member states, 500 million people and annual economic activity of almost $17 trillion, is the largest and most lucrative market in the world. It is also the world's largest importing market for goods: the EU's annual imports ($2.3 trillion) are worth more than Canada's total gross domestic product (GDP), which stood at $1.8 trillion in 2012. Reducing and eliminating tariff and non-tariff barriers will make Canadian goods, technologies and expertise more competitive in the lucrative EU market and benefit businesses of all sizes, as well as workers and their families.

A joint Canada-EU study, which supported the launch of negotiations, concluded that a trade agreement could boost Canada's income by $12 billion annually and bilateral trade by 20 percent. Put another way, the economic benefit of a far-reaching agreement would be equivalent to creating almost 80,000 new jobs or increasing the average Canadian household's annual income by $1,000. This is like adding 80 percent of the total number of jobs currently found in St. John's to the Canadian economy.

Across Canada, workers and businesses from a wide range of sectors will benefit from increased access to the EU's lucrative market—the largest in the world. This enhanced access will give a competitive edge to Canadians in all 13 provinces and territories.

Newfoundland and Labrador

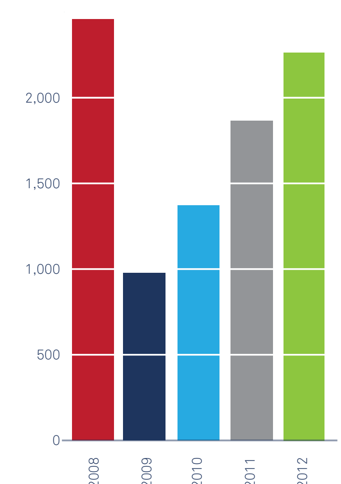
Newfoundlanders and Labradorians stand to benefit significantly from this preferred access to the EU market. The EU is already the province's second-largest export destination and third-largest trading partner. CETA will eliminate tariffs on almost all of Newfoundland and Labrador's key exports and provide access to new market opportunities in the EU. In particular, the agreement will remove tariffs on fish and seafood and permanently lock in the duty-free access currently received by goods in the mineral and petroleum sectors. Exporters will also benefit from other CETA provisions that will improve condi-

Top provincial benefits

- ✓ New markets for fish and seafood
- ✓ EU tariffs eliminated on metal and mineral products
- ✓ Improved access for professional services
- ✓ Predictable rules for Canadian investors

Principal merchandise exports from Newfoundland and Labrador to the EU, by sector (annual average, 2010-2012) (value in millions of Canadian dollars)

Merchandise exports from Newfoundland and Labrador to the EU (2008-2012) (value in millions of Canadian dollars)



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tions for exports—provisions, for example, that ease regulatory barriers, reinforce intellectual property rights and ensure more transparent rules for market access.

Overall, Newfoundland and Labrador has a lot to gain from this historic agreement. This document provides a summary of CETA's key benefits for Newfoundland and Labrador.

Opening new markets in Europe for Newfoundland and Labrador's world-class products

Under CETA, world-class Canadian products will enjoy preferential access to the EU. The benefits will be extensive, including for those who produce primary goods (like minerals and agricultural products) and those who turn them into value-added processed and manufactured products.

Out of more than 9,000 EU tariff lines, approximately 98 percent will be duty-free for Canadian goods when CETA comes into force. Some EU tariffs are high enough that they impose a real burden on Canadian exporters and prevent or limit considerably their ability to compete in the EU market. For example, the EU tariff applied on Canadian exports of frozen mackerel can be as high as 20 percent—a hefty cost to enter the market. When CETA comes into force, tariffs on almost all Canadian primary goods will be eliminated. Equally important to Newfoundland and Labrador's economy is the fact that tariffs on manufactured products will also be eliminated.

Increasing exports of fish and seafood products

Newfoundland and Labrador's fish and seafood sector is a $527.3-million industry focused on diversification, revitalization and long-term sustainability. Employing some 8,000 Newfoundlanders and Labradorians in 2012, the sector has long been an economic mainstay for the region.

Trade snapshot

- Newfoundland and Labrador's fish and seafood exports to the EU were worth an average of $119.4 million annually between 2010 and 2012, making it the province's top export sector facing EU tariffs.
- Canadian fish and seafood exports to the EU faced tariffs up to 25 percent.

Tariff elimination

When CETA comes into force, almost 96 percent of EU fish and seafood tariff lines will be duty-free. Seven years later, 100 percent of these tariff lines will be duty-free, making these world-class goods more competitive and creating the conditions for increased sales. Higher sales can lead to more jobs, higher wages and greater long-term prosperity, directly benefiting hard-working Newfoundlanders and Labradorians.

For example, EU tariffs will be eliminated on:

- frozen shrimp, from a rate of 12 percent;
- cooked and peeled shrimp, from a rate of 20 percent;
- snow crab, from rates up to 8 percent;
- dried and salted cod, from a rate of 13 percent; and
- frozen scallops, from a rate of 8 percent.

Eliminating tariffs on value-added goods, like cooked and peeled shrimp, frozen cod fillets and processed crab and lobster, will make these goods more competitive in the EU, allowing Canadian processors to sell more of their goods and create new jobs.

Beyond tariffs

Canada is committed to ensuring sustainable fisheries, aquaculture, and healthy and productive aquatic ecosystems. CETA will establish a framework for dialogue with the EU on trade-related sustainable development issues of common interest, including on such matters as the sustainable management of fisheries and aquaculture. In addition, nothing in CETA affects Canada's sovereignty and full control over its territorial waters or control over granting commercial fishing licences.

Reaping the benefits

Newfoundland and Labrador is a significant exporter of fish and seafood goods. Some of the province's key exports in the sector include shrimp, snow crab, pelagics and groundfish, including cod. As the world's largest importer of fish and seafood, with global imports averaging $25 billion annually from 2010 to 2012, the EU presents significant export opportunities for Newfoundland and Labrador's fish and seafood producers. With a focus on developing new markets, productivity, quality and product enhancement, the province's industry is well placed to take advantage of the growing demand for high-quality and sustainable fish and seafood goods from discerning and health-conscious European consumers.

Increasing exports of manufactured products

Newfoundland and Labrador's manufacturing industry is particularly strong in a few sub-sectors, including metal and mineral manufacturing, agri-food, and fish and seafood transformation. In 2012, the province's manufacturing sector employed some 11,300 hard-working Newfoundlanders and Labradorians.

On the day that CETA comes into force, approximately 99 percent of EU tariff lines will be duty-free for Canadian industrial products. Seven years later, 100 percent of these tariff lines will be duty-free.

With CETA, Canada will be the only G-8 country and one of the only developed countries in the world to have preferential access to the world's two largest markets, the EU and the United States— giving us access to more than 800 million of the world's most affluent consumers. This will make Canada the envy of trading nations all over the world and an even more attractive destination for investors and manufacturers looking to benefit from this access. The expanded opportunities for Newfoundland and Labrador companies and new investors will lead to more high-paying manufacturing jobs for Newfoundlanders and Labradorians.

Increasing exports of metal and mineral products

Newfoundland and Labrador's metal and mineral industry is critical to the province's economic health. The sector employs more than 11,000 Newfoundlanders and Labradorians, and its employment opportunities provide some of the highest earnings in the economy.

Trade snapshot

- Newfoundland and Labrador exported an average of $1.7 billion in metal and mineral products to the EU between 2010 and 2012.
- Though many of Newfoundland and Labrador's exports of mineral products to the EU enter duty-free, exports of metals face rates up to 9 percent on some goods.

Tariff elimination

Upon entry into force, CETA will eliminate existing EU tariffs on metal and mineral products, making these goods more competitive and creating the conditions for increased sales. Higher sales of these world-class products can lead to more jobs, higher wages and greater long-term prosperity, directly benefiting hard-working Newfoundlanders and Labradorians.

For example, EU tariffs will be eliminated on:

- iron and steel tube or pipe fittings, from rates up to 3.7 percent; and
- iron and steel tanks, drums, cans, boxes and similar containers, from a rate of 2.7 percent.

Beyond tariffs

The Government of Canada is committed to fostering an open and transparent trade and investment environment in the metals and minerals industry. CETA will establish a dialogue on raw materials that will support market access gains by seeking to prevent unintentional or unnecessary interference with trade. This dialogue has the potential to enhance understanding of existing regulatory policies on raw materials such as environmental, resource-conservation and land-use policies. The dialogue will enable better cooperation between Canada and the EU on these important issues in international forums.

Reaping the benefits

The metal and mineral goods sector accounts for the largest percentage by far of Newfoundland and Labrador's exports to the EU. The competitive edge and market access secured by CETA will translate into real benefits for the province. Given the potential for growth and existing expertise in this sector, Newfoundland and Labrador is ideally positioned as an attractive location for investment.

Opening new markets in Europe for Newfoundland and Labrador's world-class services

The services sector accounted for 53.3 percent of Newfoundland and Labrador's economy, employing some 180,400 Newfoundlanders and Labradorians in 2012.

Trade snapshot

Canada's services exports to the EU were worth an annual average of $14.5 billion between 2010 and 2012. The province's key export interests in this vibrant sector include retail and wholesale trade, environment, travel and tourism, construction and real estate. Jobs in this sector are traditionally highly skilled and well-paying, creating enormous opportunities for Canadian expertise.

Improved access to markets

- CETA will establish preferential access to and greater transparency in the EU services market, resulting in better, more secure and predictable market access in areas of interest to Canada, such as professional services (e.g. auditing, architectural and integrated engineering services), environmental services, related scientific and technical consulting services, and services incidental to energy distribution.
- Canada has negotiated the most ambitious market-access commitments the EU has ever made in any of its free trade agreements. This includes, for the first time for the EU, a broad and transparent approach to market access in which every service sector is subject to the terms of the agreement unless explicitly indicated otherwise (i.e. through a "negative list" approach).
- The agreement ensures that if the EU were to reduce or eliminate restrictions on foreign service providers or investors in the future, this better treatment would be locked in for Canadians (this is referred to as the "ratchet mechanism").
- Temporary entry provisions will provide increased transparency and predictability, facilitating movement between Canada and the EU of intra-company transferees, investors, contract service suppliers and independent professionals (including a broad coverage of professionals, and limited coverage of technologists), business visitors and others. EU commitments for temporary entry under CETA are more extensive than any other country has received from the EU under a free trade agreement.
- Recognition of professional qualifications is a key aspect of labour mobility. In addressing this issue, CETA's mutual recognition provisions are both ambitious and innovative. Some professions in Canada and the EU have already expressed interest in engaging in discussions on mutual recognition agreements, including stakeholders representing the architecture and engineering professions.

Beyond border measures

Transparent and objective treatment by regulatory authorities is essential to the success of both Canadian and EU service providers. CETA contains provisions on domestic regulation that will facilitate trade in services by ensuring that regulatory measures related to licensing and qualification requirements and procedures are clear, publicly available, objective and impartial. While recognizing the right of all governments to regulate in the interests of their citizens, CETA's services provisions will help to ensure that government regulations are applied in a non-discriminatory and transparent fashion.

Protecting services and policies that are fundamental to our social fabric

As do all of Canada's international trade agreements, CETA will continue to preserve policy space for activities that are fundamental to our social fabric. Nothing in CETA prevents governments from regulating in the public interest, including for delivering public services, providing preferences to Aboriginal peoples, or adopting measures to protect or promote Canadian culture. For example, public services such as health, public education and other social services have been excluded from the obligations of CETA, ensuring that governments remain free to enact policies and programs they choose in these areas. Similarly, CETA will preserve policy space for cultural policies and programs at all levels of government, recognizing the importance of the preservation and promotion of Canadian culture, as well as its various forms of expression.

Reaping the benefits

The EU services economy is among the largest in the world, at approximately $12.1 trillion in GDP terms in 2012. The total value of services imported by the EU from around the world reached $664.5 billion in 2011, a 4.9-percent increase over the previous year. Providing Canadian service providers with better, more predictable and secure access to the EU market will give Canadian companies a competitive edge in the lucrative EU market. Ultimately, this advantage will benefit the entire Canadian economy and lead to new jobs, growth and prosperity in a sector that exemplifies Canadian expertise.

Opening new markets in Europe for investment

Investment plays an increasingly important part in Newfoundland and Labrador's economy in sectors as diverse as oil and gas, aerospace and defence. As the second-largest foreign investor in Canada, the EU can contribute to economic growth and job creation through investment in these and other growing sectors in Newfoundland and Labrador.

In addition, Newfoundland and Labrador businesses currently have significant investments in the EU in sectors such as agriculture and ocean and petroleum technologies.

Snapshot of investment

The stock of known foreign direct investment by Canadian companies in the EU totalled $180.9 billion at the end of 2012, representing 28.5 percent of Canadian direct investment abroad. The same year, the stock of known foreign direct investment from European companies in Canada totalled $171.5 billion, representing 24.1 percent of total foreign direct investment in Canada.

Improved access and rules that work

- CETA will guarantee a level playing field for Canadian businesses by securing access to a broad range of EU markets.
- Key sectors of interest to Canadian investors that will benefit from the agreement include energy, mining, manufacturing, financial services, automotive, aerospace, transportation, and business and professional services.
- CETA's predictable investment rules, including a requirement that Canadian businesses be treated no less favourably in the EU than EU businesses, will further reduce risks associated with investing abroad.
- CETA's investment provisions will provide Canadian and EU investors with greater certainty, transparency and protection for their investments, while preserving the rights of governments to legislate and regulate in the public interest. This will lead to greater two-way investment, which will help create jobs and long-term prosperity for hard-working Canadians.

Reaping the benefits

Investment and trade are inextricably linked and are extremely important to the province's prosperity as EU and Newfoundland and Labrador firms increasingly sell through affiliates in each other's markets. In this sense, Newfoundland and Labrador benefits from greater foreign direct investment, regardless of whether investment is outward or inward. Greater foreign direct investment in the EU will improve access to European markets, technology and expertise and enhance the competitiveness of our firms. Greater EU foreign direct investment in Newfoundland and Labrador will stimulate economic growth and job creation here at home, provide new technologies and increase competition in the marketplace, ultimately benefiting Newfoundland and Labrador consumers.

Setting the stage to attract investment in Canada

Investment is key to job creation and economic prosperity. Canada has always been open to investment, welcoming and encouraging foreign companies to invest in Canada. Canada's foreign investment policy framework provides a welcoming environment that seeks to maximize the benefits of foreign direct investment for Canadians, while preserving other public policy interests. Part of this framework includes the *Investment Canada Act* (ICA), which provides for the review of significant investments in Canada by non-Canadians in a fast-changing global investment landscape. CETA recognizes the importance of the ICA and protects it.

At the same time, CETA recognizes the special relationship that Canada has with the EU: the EU is already Canada's second most important source of investments. As part of the ongoing review of the ICA, Canada will raise the threshold for net benefit reviews, and CETA will provide a higher threshold for investments from the EU.

CETA also includes rules for the protection of investors. Investor protection rules ensure that foreign investors will not be treated worse than similarly situated domestic investors or other foreign investors, nor will they have investments expropriated without prompt and adequate compensation. These rules include investor-state dispute settlement procedures, which provide for independent access to an impartial and timely process for the resolution of conflicts. These rules have been a standard feature of Canada's comprehensive free trade agreements since NAFTA and give assurance to investors that their investments will be protected from discriminatory or arbitrary government actions.

Opening new government procurement markets in Europe to world-class Newfoundland and Labrador companies

Government procurement is a major source of economic activity. The market for EU government procurement is estimated to be worth about $2.7 trillion annually. CETA will provide Newfoundland and Labrador suppliers of goods and services access to EU procurement processes on a preferential basis, providing them with new opportunities to win major government contracts. Opening procurement processes also increases competition; CETA will ensure that procurements covered by the agreement are conducted with transparency and openness in order to help ensure the best value for money in public spending.

New access to markets

- CETA will expand and secure opportunities for Canadian firms to supply their goods and services to the three main EU-level institutions (the EU Commission, Parliament and Council), the 28 EU member states and thousands of regional and local government entities within the EU.
- Approximately 18 percent of EU contracts are for business services. This means that workers in Canada employed in the fields of architecture, engineering, construction, environmental services, technology and marketing consultancy, among many other areas, will benefit from greater access to the EU's procurement market.
- CETA will also ensure that Canadian exporters are eligible to supply any EU firms engaged in government procurement contracts in the EU.

Reaping the benefits

CETA's greater access to the world's largest government procurement market will create opportunities that could benefit workers and their families in sectors that are vital to the economy of Newfoundland and Labrador, such as construction and environmental goods and services.

Supporting Canada's municipalities

Municipal governments have an interest in guaranteeing that suppliers of products and services in their communities benefit from access to the EU's lucrative procurement market. At the same time, the Government of Canada recognizes the importance of ensuring that Canada's municipalities have the ability to support local interests. CETA procurement rules will apply only to high-value procurement contracts in order to ensure that governments can continue to use procurement to support local development, especially small and medium-sized enterprises. CETA rules will not apply to any procurement under the CETA thresholds, which are much higher than the Agreement on Internal Trade and are comparable with Canada's thresholds in the WTO. Procurement thresholds in international agreements are typically expressed in "special drawing rights" (SDRs), which are an international reserve asset based on a basket of four key international currencies (the U.S. dollar, the euro, the British pound and the Japanese yen). For the 2012-2013 cycle, in Canadian dollars, the thresholds are $315,538 for goods and services (in CETA, 200,000 SDRs); $631,077 for procurement by utilities entities (in CETA, 400,000 SDRs); and $7.8 million for construction services (in CETA, 5 million SDRs).

CETA will also preserve governments' flexibility to give preferences to Canadian companies through grants, loans and fiscal incentives. Like all other procurement rules found in Canada's trade agreements, CETA will continue to allow governments to determine which selection criteria help them best meet their procurement needs—like quality, price, experience or environmental sustainability. And, as in all of Canada's free trade agreements, important sectors, such as education and health-care services, will be excluded from the Agreement.