How CETA Will Benefit Ontario

Opening New Markets in Europe
Creating Jobs and Opportunities for Canadians

Creating jobs and opportunities for Ontarians

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.

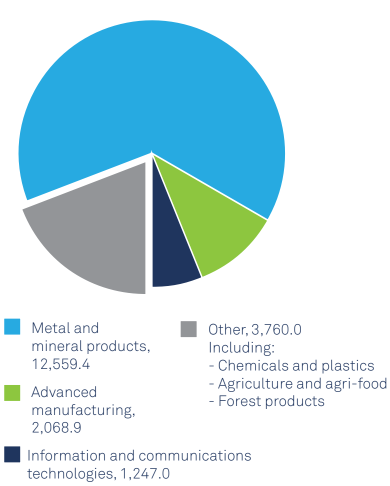
A joint Canada-EU study, which supported the launch of negotiations, concluded that a trade agreement could boost Canada's income by $12 billion annually and bilateral trade by 20 percent. Put another way, the economic benefit of a far-reaching agreement would be equivalent to creating almost 80,000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

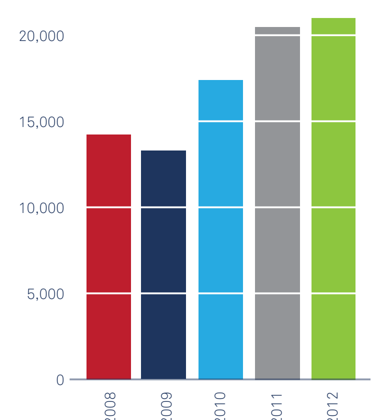
Top provincial benefits

- ✓ EU tariffs eliminated on machinery and equipment
- ✓ Improved access for professional services
- ✓ Improved conditions for ICT sales, including software services
- ✓ Predictable rules for Canadian investors

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



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



Ontario

Ontarians stand to benefit significantly from this preferred access to the EU market. The EU is already Ontario's second-largest export destination and trading partner. When CETA comes into force, it will eliminate tariffs on almost all of Ontario's key exports and provide access to new market opportunities in the EU. Exporters in these sectors will also benefit from other CETA provisions that will improve conditions for export—provisions, for example, that ease regulatory barriers to trade, reinforce intellectual-property rights and ensure more transparent rules for market access.

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

Opening new markets in Europe for Ontario'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 to 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 on dog and cat food is up to $1,218 per tonne, which over the last five years has turned out to be equivalent to an astonishing 64.6 percent of the price of Canadian dog and cat food—a hefty cost to enter the market. When CETA comes into force, tariffs on almost all Canadian goods will be eliminated, including those on dog and cat food. Equally important to Ontario's economy is the fact that tariffs on manufactured products will also be eliminated.

Increasing exports of manufactured products

As one of the hubs of Canada's manufacturing activities, Ontario is deeply integrated in the North American economy and value chains. The province's manufacturing industry is diverse and covers many sub-sectors, including cars and transportation equipment, information and communication goods, chemicals and plastics and agri-food—to name just a few. In 2012, more than 800,000 hard-working Ontarians were employed in this dynamic sector.

When 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 Ontario companies and new investors will lead to more high-paying manufacturing jobs for Ontarians.

Advanced manufacturing

Advanced manufacturing is a major provider of jobs and prosperity in Ontario, contributing more than $24.3 billion to the province's GDP in 2012. Nearly 243,000 hard-working Ontarians and their families depend on the manufacturing sector for their livelihood.

Trade snapshot

- Ontario's advanced manufacturing sector exported an annual average of $2.1 billion worth of goods to the EU between 2010 and 2012, with machinery manufacturing at the top of this list.
- In particular, Ontario's exports of industrial machinery to the EU face tariffs with rates up to 8 percent.

Tariff elimination

Upon entry into force, CETA will immediately eliminate the vast majority of EU tariffs on advanced manufacturing products, making these world-class products more competitive and creating the conditions needed for increased sales. This will directly benefit hard-working Ontarians through more jobs, higher wages and greater long-term prosperity. For example, EU tariffs will be eliminated on:

- machinery and equipment, from rates up to 8 percent;
- medical devices, from rates up to 8 percent;
- rail products, from rates up to 3.7 percent;
- electrical parts and equipment, from rates up to 14 percent; and
- scientific and precision instruments, from rates up to 6.7 percent.

Beyond border measures

Minimizing the impact of technical barriers will help maximize market access for our exports.

Regulations or other requirements on labelling, product testing and certification, even for legitimate reasons, can be barriers for a product exported to a foreign market. These requirements are known as "non-tariff barriers." For example, requesting that a particular product include information on every step of its production and for all of its component parts could impose unreasonable costs that would end up making this product uncompetitive. To help ensure that non-tariff barriers do not create barriers that are overly burdensome, trade restrictive or discriminatory, CETA includes provisions that will help Canada and the EU figure out ways to either prevent non-tariff barriers or deal with them when they do arise.

Canada and the EU have-negotiated provisions on regulatory cooperation, the first of their kind in a free trade agreement, which aim to reduce regulatory differences as early as possible to try to prevent the creation of non-tariff barriers down the road. CETA will establish a Canada-EU Regulatory Cooperation Forum that will facilitate dialogue between regulatory authorities and that will benefit Canada by providing earlier access to the complex and sophisticated regulatory development system in the EU.

CETA will also include a mechanism that will provide for the acceptance of test results and product certification by designated Canadian bodies. The ability of Canadian manufacturers to have their products tested and certified in Canada for the EU market, also a first for the EU in a free trade agreement, will reduce costs and delays associated with bringing products to market.

Reaping the benefits

Opportunity abounds for Canada's manufactured exports to the EU. Ontario is home to numerous high-growth companies in advanced manufacturing that use leading-edge computerized control and manufacturing systems by incorporating the latest in robotics, automation and vision systems. Ontario is also at the forefront when it comes to developing and introducing new, clean energy-efficient systems at all stages of the manufacturing process, for which there is a large market across the EU. Additionally, robotics and high-end tools are in demand in established EU markets, while demand is growing for industrial machinery in EU member states with expanding economies. As Canada's largest manufacturing base, Ontario is well placed to reap the benefits of tariff elimination under CETA.

Chemicals and plastics

Ontario is Canada's largest producer of chemical goods and the hub of the nation's plastics industry. With seven of the 10-largest chemical companies in Canada located in Ontario, the sector employs more than 51,000 Ontarians.

Trade snapshot

- Ontario's exports of chemicals and plastics to the EU were worth an average of $1.2 billion annually between 2010 and 2012, accounting for more than half of Canada's chemicals and plastics exports to the EU.
- Canadian chemicals and plastics exports to the EU face tariffs with rates up to 6.5 percent.

Tariff elimination

Upon entry into force, CETA will immediately eliminate existing EU tariffs on chemical and plastic products, making these world-class products more competitive and creating the conditions needed for increased sales. This will directly benefit hard-working Ontarians through more jobs, higher wages and greater long-term prosperity.

For example, EU tariffs will be eliminated on:

- plastic floor coverings, from a rate of 6.5 percent;
- plastic tubes, pipes, hoses and fittings, from a rate of 6.5 percent;
- plastic plates, sheets, film, foil and strip, from a rate of 6.5 percent;
- photographic plates and film, from a rate of 6.5 percent;
- chemical preparations for photographic uses, from a rate of 6 percent; and
- silicon, from a rate of 5.5 percent.

Beyond tariffs

Investment plays an increasingly important part in the Canadian economy and is crucial in linking Canada to global value chains. Both the EU and Canada are major destinations for foreign direct investment in the chemicals and plastics industry, and CETA's investment chapter provides Canadian and EU investors with greater certainty, stability, transparency and protection for their investments while preserving the full rights of governments to legislate and regulate in the public interest.

Reaping the benefits

Ontario's chemicals and plastics industry encompasses the full length of the value chain, from basic organic and inorganic chemicals, resins and moulds, to processors that feed into a spectrum of end-user markets—automotive, consumer electronics, packaging, construction and more. Ontario's chemical industry is also investing in bio-based products and technologies to meet the demand for cleaner and greener chemical and plastic products. The EU market for chemicals and plastics is sophisticated and multi-faceted.

Demand is growing for value-added and specialty products in a wide range of areas, from plastic packaging to health products. Ontario's broad expertise in the chemicals and plastics sector ensures that its companies are well-placed to take full advantage of the lucrative EU market.

New opportunities for Canada's automotive industry

The automotive sector is a key driver of Canada's economy and employs more than 115,000 highly skilled Canadians across the country. The Canadian auto industry is highly dependent on trade, with around 85 percent of auto production exported every year. CETA provides historic new market access opportunities for the automotive sector and will allow significant increases of exports to Europe. The removal of tariffs along with flexible rules of origin will benefit vehicle and auto parts producers alike.

For passenger vehicles, the EU's 10-percent tariff will be eliminated, providing Canada's auto makers with a competitive advantage in the EU market that few other countries have.

CETA will also benefit Canada's lucrative auto-parts sector, not only because the sector will be incorporated into the Agreement, but also because CETA will eliminate EU tariffs on auto parts, which run up to 4.5 percent. This means that Canadian auto parts producers will have an important advantage over competitors in other countries.

In addition, CETA includes rules of origin which reflect Canada's place within the integrated North American automotive industry. These provisions are designed to work with Canada's existing supply chains and allow for up to 100,000 passenger vehicles to be exported to Europe, a twelve-and-a-half-fold increase from our current average exports. At the same time, CETA encourages "made in Canada" production by granting unlimited preferential treatment to vehicles with higher Canadian content that are exported to Europe. Finally, CETA includes forward-looking provisions that allow for the adjustment of the rules of origin to provide additional flexibility in the event that the EU strikes free trade deals with other countries, such as the United States. Taken together, the CETA rules of origin give Canadian producers the opportunity to export to the EU market on a preferential basis now and in the years to come.

Increasing exports of information and communications technology

Home to industry giants and small start-ups with strengths that include digital gaming, mobile application development and wireless communications, Ontario's information and communications technology (ICT) sector contributed more than $4.9 billion to Ontario's GDP in 2012. Its innovative and knowledge-intensive companies employ some 50,200 Ontarians.

Trade snapshot

Ontario's exports of ICT goods to the EU were worth an average of $1.2 billion annually between 2010 and 2012. These exports face tariffs rising as high as 14 percent on some goods.

Tariff elimination

Upon entry into force, CETA will immediately eliminate all EU tariffs on ICT goods, making these goods more competitive and creating the conditions needed for increased sales. Increased sales of these world-class goods can lead to more jobs, higher wages and greater long-term prosperity, directly benefiting hard-working Ontarians.

For example, EU tariffs will be eliminated on:

- optical fibres, optical-fibre bundles and cables, from a rate of 2.9 percent;
- magnetic, optical, semiconductor and other media, from rates up to 3.7 percent;
- parts for electrical sound- and visual-signalling equipment, from a rate of 2.2 percent; and
- microtomes, from a rate of 2.5 percent.

Beyond tariffs

The three EU-level institutions (European Commission, European Parliament and European Council) and the 28 EU member states are major consumers of ICT products and services. In addition to tariff removal, the new access secured by CETA in the EU government-procurement market will ensure that Canadian ICT companies can bid on and compete for contracts to supply either ICT products or software services, including consulting services, design, programming and maintenance services.

The provision of ICT services is taking on an increasingly important role in Canada's growing IT sector. Commitments on cross-border services and temporary entry as part of CETA will allow Canadian ICT service providers to provide valuable ongoing services to EU clients. An important example is services following equipment sales.

Many ICT services are directly linked to, or enabled by, telecommunications services. CETA's provisions on telecommunications will enhance certainty and support a pro-competitive environment. CETA's commitments on telecommunications will ensure that Canadian enterprises have access to EU telecommunications networks and services for the supply of ICT products and services, thus allowing them to grow and prosper in the EU marketplace. In addition, CETA will include a commitment to not apply duties on digital products transmitted electronically, as well as commitments on maintaining a clear, transparent and predictable domestic-regulatory framework to build trust and confidence for users engaged in electronic commerce.

Reaping the benefits

The EU market in areas such as cyber-security, gaming and smartphone applications offers significant growth potential for service providers and exporters alike. The Ontario ICT industry is recognized globally for its expertise and has much to offer in these sectors. Capitalizing on the province's world-class research facilities, innovation and research capabilities, the Ontario ICT sector will benefit from the new opportunities in the EU secured under CETA.

Increasing exports of agricultural and agri-food products

Ontario's multi-faceted agricultural and agri-food sector is one of the largest and most competitive food clusters in the world. The agricultural, agri-food and beverage sector contributed $15 billion to the province's GDP in 2012 and employed some 212,500 Ontarians. Of these, more than a third work in the manufacturing end of the industry.

Trade snapshot

- Ontario's agricultural exports to the EU were worth an annual average of $621.8 million between 2010 and 2012.
- Canadian agricultural exports to the EU face high tariff rates, with average tariff rates of 13.9 percent.

Tariff elimination

On the first day CETA comes into force, almost 94 percent of EU agricultural tariff lines will be duty-free, and seven years later, that number will rise to over 95 percent. This duty-free access will give Canadian agricultural goods, including specified amounts of Canadian beef, pork and bison, preferential access to the EU market and a competitive advantage over producers from other countries which do not have free trade agreements with the EU. Creating an opportunity for increased sales will benefit hard-working Ontarians through more jobs, higher wages and greater long-term prosperity. For example, EU tariffs will be eliminated on:

- fresh and frozen fruits and vegetables, including fresh apples (EU seasonal tariffs up to 9 percent), and frozen blueberries (the EU tariffs of 3.2 percent to 14.4 percent are not currently applied but CETA will lock in the duty-free rate);
- processed goods, including cat and dog food (EU tariffs up to $1,218/tonne), and miscellaneous food preparations (EU tariffs start at 12.8 percent);
- processed fruits and vegetables, including sweetened, dried cranberries (EU tariffs of 17.6 percent) and frozen potato goods, such as french fries (EU tariffs up to 17.6 percent);
- low- to medium-quality common wheat (EU tariffs up to $122/tonne);
- processed pulses and grains, which include baked goods, pulse flour, meal and powder (EU tariffs start at 7.7 percent);
- oils, including canola oil (EU tariffs up to 9.6 percent); and
- other goods, including mushrooms, potatoes, peas, cranberries, raspberries and strawberries, as well as jams, jellies and juices; and processed goods such as fruit and nut bars, yeasts, mixed seasonings and condiments, sugar confectionery, chocolates and mixes and doughs.

Beyond tariffs

Recognizing the importance of grain and oilseed products in Canada's total agricultural exports to the EU, CETA will establish mechanisms to address issues of key importance to agricultural producers, including technical discussions and regulatory cooperation. In addition, CETA will enhance the existing Canada-EU forum for discussion on biotechnology and emphasize the promotion of efficient science-based approval processes and cooperation on low-level presence of genetically modified crops. Canadian grain and oilseed exporters will benefit from such cooperation, which will increase transparency and provide greater predictability for them as they seek more buyers for their products in the EU.

CETA also includes provisions to address non-tariff barriers in the EU, such as those related to animal and plant health and food safety. Building on the strength of existing Canada-EU cooperation in these areas, CETA establishes a mechanism under which Canada and the EU will cooperate to discuss, and attempt to prevent or resolve, non-tariff barriers that may arise for agricultural exports. CETA will provide opportunities and tools for Canadian and EU regulators to exchange information in order to better understand each other's requirements to assist importers and exporters alike.

Reaping the benefits

Ontario is the largest food-and-beverage processing jurisdiction in Canada and among the three largest in North America. Its researchers, employees and innovators have built a stellar reputation for sustainable sources of agricultural raw materials, state-of-the-art automated food-processing methods and world-class food safety standards.

As the world's largest importer of agricultural goods, with total imports worth more than $130 billion in 2012, the EU offers new and expanded export opportunities of strategic importance for the growth of this sector in Ontario and Canada as a whole. For example, the elimination of tariffs on further processed agricultural goods under CETA will open up new markets for Ontario's agricultural exporters. Pet food is an important processed agricultural product export for Ontario, with annual average exports to the EU of $11.3 million facing tariffs as high as $1,218 per tonne between 2010 and 2012. As the pet-food market in Eastern Europe accounts for an expanding share of the global pet-food market, the elimination of relatively high EU tariffs on exports of interest, including dog and cat food, will provide more advantageous export opportunities for the Ontario industry.

Maintaining Canada's supply management system

Canada's supply management system provides Canadians with a consistent supply of high-quality dairy, egg and poultry products at reasonable prices. This system supports farmers on around 17,000 Canadian farms. CETA will not affect Canada's supply management system, which will remain as robust as ever. The supply management system and its three key pillars (production control, import controls and price controls) remain intact. The vast majority of supply-managed products will be exempt from increases in market access. The Government of Canada remains committed to working with industry stakeholders throughout the implementation period to ensure that Canada's agricultural sector remains strong and vibrant.

New access for world-class Canadian beef, pork and bison

CETA will provide new market access opportunities for key Canadian agricultural exports: beef, pork and bison. These world-class products will now benefit from preferential treatment in the EU. CETA establishes tariff rate quotas for each product, giving Canadian farmers yearly duty-free access for up to:

- 80,000 tonnes of pork (including consolidation of existing quota of approximately 6,000 tonnes);
- 50,000 tonnes of beef; and
- 3,000 tonnes of bison.

In addition, CETA will give farmers duty-free access:

- for high-quality beef under the existing quota of nearly 15,000 tonnes (Hilton beef quota, current duty of 20 percent); and
- for processed beef, pork and bison products.

Increasing exports of metal and mineral products

Ontario is one of Canada's leading metals producers. It produces more than 25 different metal and non-metal mineral products. In 2011, Ontario produced 43 percent of Canada's nickel, 52 percent of its gold, 38 percent of the country's copper and 84 percent of its platinum-group metals. The sector employs close to 65,000 Ontarians, creating employment opportunities that provide some of the highest earnings in the economy.

Trade snapshot

- Ontario exported $12.6 billion worth of metals and mineral products to the EU on average annually between 2010 and 2012.
- Though many of Ontario's exports of precious metal and mineral products to the EU enter duty-free, exports of other metals and mineral products face tariffs up to 10 percent.

Tariff elimination

Upon entry into force, CETA will eliminate existing EU tariffs on metal and mineral products, making them 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 Ontarians. For example, EU tariffs will be eliminated on:

- aluminum and aluminum products, from rates up to 10 percent;
- nickel and nickel products, from rates up to 3.3 percent;
- non-ferrous metals, including copper, zinc, lead and tin, from rates up to 9 percent; and
- iron and steel and iron or steel products, from rates up to 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 with the EU on raw materials that will support our 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

Ontario's metal and mineral sector is known around the world for its productivity, innovation and environmental leadership. With exports going to every corner of the EU, Ontario's metal and mineral sector will benefit from the competitive edge and market access secured by CETA. As one of the most important metal and mineral producers in Canada, Ontario is also ideally positioned as an attractive location for investment.

Opening new markets in Europe for Ontario's world-class services

The services sector is a key driver of Ontario's economy, accounting for 77 percent of Ontario's overall economy, or $442 billion, and employing some 5.4 million Ontarians in 2012.

Trade snapshot

Canada's services exports to the EU were worth an average of $14.5 billion annually between 2010 and 2012. Ontario's key export interests in this sector include environmental services, research and development, and financial services. 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 broad coverage for professionals, and limited coverage for technologists), business visitors, and others. EU commitments for temporary entry under CETA are more extensive than what 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 a pivotal role in Ontario's economy. The province's highly diversified economy presents excellent opportunities in all sectors, ranging from automotive, plastics, and aerospace to information and telecommunications technology and life sciences. As the second-largest foreign investor in Canada, the EU can contribute to economic growth and job creation through investment in these and other of the province's strategic sectors. In addition, Ontario businesses currently have significant investments in the EU in a wide variety of sectors, including agriculture, automotive, financial services, renewable energy, transportation, and information and communications technology.

Snapshot of investment

The stock of known foreign direct investment by Canadian companies in the EU totaled $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 totaled $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.

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.

Reaping the benefits

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

Opening new government procurement markets in Europe to world class Ontario 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 Ontario suppliers of goods and services secure access to EU procurement on a preferential basis, providing them with new opportunities to win major government contracts. Opening procurement processes also increases competition; CETA will ensure that procurement processes 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 Ontario's economy, such as information and communication technologies 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.