



Customs Flash Belgium

Thumbs up for CETA: How to benefit from the Comprehensive Economic and Free Trade Agreement (CETA) between Canada and European Union (EU)

On 30 October 2016, the European Union and Canada [signed](#) a free trade agreement, improving trade and investment opportunities for both importers and exporters. It is expected that the EU – Canada [Comprehensive Economic and Free Trade Agreement \(CETA\)](#) will provisionally enter into force in the springtime of 2017. Through CETA, companies will benefit from an estimated increase of nearly 25% of trade in goods and services between the EU and Canada.

Canadian Prime Minister Justin Trudeau, European Council President Donald Tusk and European Commission President Jean-Claude Juncker referred to CETA as “one of the most comprehensive, ambitious and progressive trade agreements ever negotiated by Canada or the European Union”. It is exemplary of the new style of trade agreements going beyond tariff liberalization, through far-reaching collaboration on matters that are behind the border, such as access to services markets, Government Procurement, protection of Intellectual Property Rights, cooperation on standards and certifications, improved customs and trade facilitation.

CETA may ‘set the tone’ and ‘raise the bar’ for future trade agreements.

What can be said about trade relations between the EU and Canada?

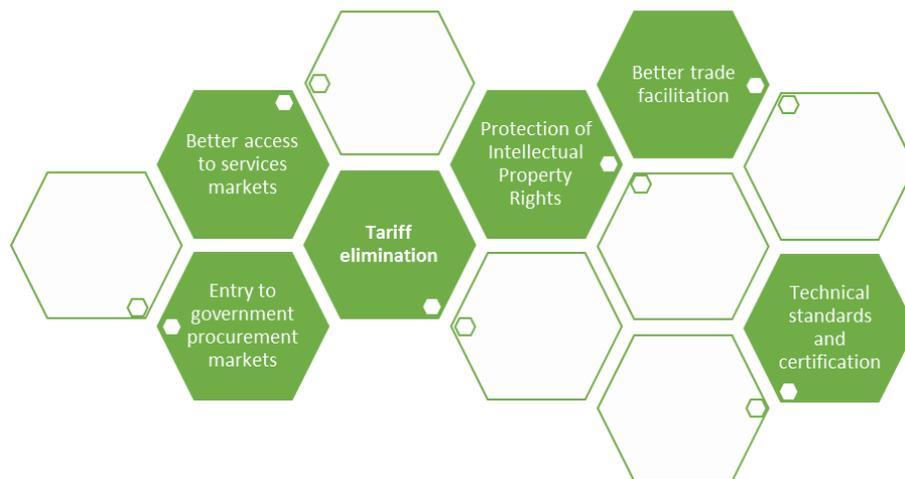
Trade in goods between the EU and Canada is predominately driven by industrial products (90%), especially manufactures, and some agriculture trade (10%). The value of European exports of industrial goods to Canada has grown to a total of 31,715 Euro Million in 2015. Machinery, chemicals and transport equipment dominate EU exports to Canada.

Imports are equally important when examining trade and investment flows. The EU imports from Canada industrial goods at a value of 25,496 Euro Million.

Trade in services has equally intensified between Canada and the EU, whereby the EU exported a value of 16,5 Euro Billion in 2015, including logistics, transport, tourism and construction services.

What will CETA mean for companies?

For European companies wishing to assess the possible implications of CETA, the following aspects should be taken into account:



Tariffs. Overall, 98.6% of all Canadian tariff lines and 98.7% of all EU lines will be eliminated fully. For some sensitive products, this will take up to 7 years, whereas the majority of customs duties will be eliminated upon entry into force. For EU exporters in industrial goods the 100% elimination of customs duties on all products on both sides will lead to around 470 Euro Mio of savings per year. For Canadian exporters, the savings may be around 158Euro Mio per year.

For EU exporters in agricultural goods, the access for EU exports to the Canadian market will particularly improve for wines and spirits, processed agricultural products (especially bread and pastry), vegetables, fruits, nuts, sugar and meat. For Canadian exporters to the EU significantly improved market access is offered for cereals, oilseeds, vegetables, fruits and spirits.

Whereas the poultry and egg products are excluded by Canada and the EU, some tariff rate quotas (TRQs) will be maintained but increased by the EU, notably for wheat, sweet corn, pork,

beef and bison meat. The improved market access in the wines and spirits products, of special interest to the EU, has been secured addressing both tariffs as well as non-tariff barriers.

For European exporters of agri-food products, the agreed cooperation in the area of Geographical Indications (GI's) means that the protection of 145 Geographical Indications (GI's), which are location specific names, will be recognized and protected on the Canadian market. For example, the five types of cheeses Asiago, Gorgonzola, Feta, Fontina, and Munster, will be recognized and protected in Canada. For companies depending on protection of intellectual property, such as the pharmaceuticals, the provisions on copyright, trademarks and designs provide improved protection.

With often differing technical (product) standards (TBT) and safety standards (SPS) between the EU and Canada, the agreed regulatory and standards cooperation will simplify the process of conformity assessments for exports. In order to prove that a product qualifies for CETA preferential market access, exporters will benefit from the fact that the standard EU rules of origin will be used in most instances. Some rules of origin derogations remain for a limited number of Canadian exports, including cars and textiles. Upon request, advance rulings can be issued for tariff classification. Duty drawback will be prohibited after 3 years of entry into force.

For companies providing services, CETA presents relevant opportunities, both for supply to the private sector as well as public sector. Far-reaching commitments in the services sectors allow service providers to enter the foreign market, for example in formerly restricted sectors such as maritime transport, dredging or postal and telecommunications. Canada and EU will retain the flexibility to regulate public utilities and restrict access to public services. As part of the Government Procurement provisions, EU and Canadian companies will be able to participate in tenders from public authorities, offering opportunities for infrastructure projects, construction services.

As part of the services commitments, Canada and EU also agreed on improved labour mobility, by intra-corporate transferees (allowing up to 3 years placements) and increased incentive for mutual recognition of certain professional qualifications.

When will CETA enter into force?

CETA is expected to enter into force on a provisional basis in the springtime of 2017. In the meantime, European and Canadian companies with an interest to expand or initiate trading abroad should plan now to assess possible implications and take advantage of the opportunities presented by CETA.

Your company: next steps to optimize the use from CETA

Understanding possible implications of CETA for your company's supply chain, can provide valuable guidance in reassessing your sourcing strategies, in identifying new export

opportunities, or ensuring that your customs and trade compliance processes are 'CETA-proof'.

- In order to optimize the use of CETA, as with other FTA's, an in-depth understanding is needed of your global supply chain. Conduct a global supply chain FTA-review, with a focus on the (possible) role of the FTA partner (Canada or EU) in your supply chain, be it through goods or services supply, or both, and assess possible risks and opportunities.
- From an importer perspective, evaluate whether sourcing from Canada (for EU based companies) or from EU (for Canada based companies) offers opportunities. Be sure to check the Product-Specific Rules of Origin (Annex 1, CETA), so as to be sure that the goods can qualify for preferential market access under CETA.
- From an exporter perspective, evaluate whether Canada (for EU based companies) or EU (for Canada based companies) constitutes an interesting market to sell your products, benefiting from possible tariff cuts under CETA. Prepare for questions from buyers about qualifying for the preferential market access and prepare for the origin certificate.
- For companies in the services-industry or (considering) investment in the FTA partner country (EU or Canada), assess whether the lowering of barriers in your sector could offer a competitive advantage.
- On the domestic market, assess whether increased competition as result of increased imports due to a lowering of barriers (tariffs) or increased number of services providers in your sector could pose negative business implications.

How Deloitte Customs and Global Trade can help

Our Customs and Global Trade teams at Deloitte are well positioned to help you identify opportunities and optimize benefits arising from Free Trade Agreements (FTA's). With a comprehensive perspective on trade in goods and services, our subject matter experts include customs and trade lawyers, accountants, customs brokers, former government officials and industry specialists.

Combining our tax law and customs and global trade practices, our customs and trade experts are present in more than 150 countries where Deloitte firms are established. With customs and trade solutions covering strategy, advisory, training and automation, we are able to support your company tapping into global trade opportunities, whilst dealing with local trade conditions and restrictions.

Do not hesitate to contact us in the event your company requires support: strategic guidance on sourcing and selling in global markets, dealing with trade restrictions and customs procedures in target markets (import, storage, export, investment), or establishing in a foreign market as a (non-resident) importer, exporter or investor.

Contacts

If you have any questions concerning the items in this alert, please contact:

- Fernand Rutten (Belgium and EU), frutten@deloitte.com
- Daniel Kiselbach (Canada), dkiselbach@deloittetaxlaw.ca

For general inquiries, please contact:
bedeloittetax@deloitte.com, + 32 2 600 60 00

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