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Update on EU Free Trade Agreements: The European Union and Canada reach a trade deal

On October 18, the President of the European Commission and the Canadian Prime Minister announced that a political agreement on key elements in the Comprehensive Economic and Trade Agreement (CETA), which both countries have been negotiating since 2009, was reached. Following this announcement, technical discussions will be on-going in order to finalise the agreement's legal text.

Following the Agreement's application, import duties will be eliminated on 99% of industrial goods. This FTA will also cover improved market access for services and government procurement and will increase the level of protection on investment and intellectual property rights.

This Agreement represents the first trade deal which the European Union reaches with a G8 economy. According to European Commission forecasts, trade flows on goods and services between the two economies are expected to increase by 23% or € 26 billion once the CETA becomes applicable. This gain would come as a result of the following highlights:

- Total EU exports to Canada are estimated to rise by 24.3% or € 17 billion;
- It is expected that 50% of the deal gains are related to trade in services (i.e. transport, finance, etc.);
- 25% of profit would come following the removal of tariffs;
- 25% of profit would be reached by dismantling non-tariff barriers and increased regulatory cooperation;
- Enhanced transparency and legal certainty for economic operators on both sides of the Atlantic.

What does it mean for you?

The conclusion of the on-going negotiations is the first step towards having the CETA in place. Next stages include the preparation of the final text, the signature of the agreement and the ratification according to legislative procedures in Canada and the EU. As soon as the trade deal enters into force it will bring new opportunities for EU – Canada trade operations and impact on-going and future transactions by, inter alia, duty reliefs.

What to do?

The text is not yet available and cannot be consulted. Taking into account previous EU FTAs, it may take approximately 6-9 months from now before the agreement is first published. That is when trade operators should be able to pre-assess whether their imports / exports will be eligible for the benefits of this new trade agreement.

Following this first publication, the ratification stage will start and, depending on the legislative process, it could take approximately one year before the FTA becomes effective. With the adequate preparation, trade operators will be able to enjoy the Agreement benefits from the first day of its application.

Deloitte will be able assist you in determining whether your trade operations can benefit from these new FTAs and, if so, help you in ensuring that the benefits are achieved in a compliant way.

If you have any question regarding this newsletter, please do not hesitate to contact us.

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