

The EU-Canada Comprehensive Economic and Trade Agreement (CETA)

Opening up a wealth of opportunities
for people in Germany



CETA will benefit people across Germany

It'll do so by:



Scrapping **customs tariffs** for German exporters and importers



Creating new opportunities for German **farmers** and **agri-food** producers



Opening up the Canadian **services** market to German firms



Enabling German firms to bid for more **public contracts** in Canada



Protecting Germany's **research and creativity**



Making it easier for German **professionals** to work in Canada



Encouraging more **investment** between Germany and Canada



Helping Germany's **small businesses** export more to Canada

Germany's economy is open to trade

Around 6.2 million German jobs – one in six –
rely on exports outside Europe

**And Germany and Canada already have a close
trading and investment relationship**

2nd

Germany's ranking in the list of
economies that most depend on exports

47%

The share of Germany's economy
that depends on exports

15th

When it comes to goods, Canada is
Germany's 15th biggest trade partner outside the EU

5th

When it comes to services, Canada is
Germany's 5th biggest trade partner outside the EU



Scrapping customs tariffs on German exports of goods

German goods exports to Canada: €10 bn (2015)

CETA will bring big **savings on customs duties** by eliminating duties on 99% of all tariff lines, of which 98% will already be scrapped at entry into force.

Germany will **benefit from tariffs being removed on virtually all of its exports**, in particular:

- **Machinery and electrical equipment**

German exports to Canada: €3 bn (2015)

Machinery and electrical equipment face low average tariffs but some products face tariff peaks of 9%.

Apart from savings on customs duties, CETA will enable German companies to do away with costs of double testing thanks to the provisions on **recognition of conformity assessment certificates** in sectors such as:

- machinery
- electrical goods
- electronic equipment

These sectors will also benefit from CETA's provisions on public procurement and movement of professionals (*see below*).

- **Motor vehicles and parts**

German exports to Canada: €3 bn (2015)

Germany is the EU's largest exporter of motor vehicles to Canada, accounting for two thirds of EU motor vehicles exports to Canada.

Canadian tariffs are up to 9.5%.

- **Pharmaceuticals**

German exports to Canada: €885 m (2015)

The pharmaceutical industry faces very low tariffs but will particularly benefit from CETA's intellectual property provisions (*see below*).

The protocol on mutual recognition of **Good Manufacturing Practices (GMP)** will make it easier to trade in this sector, by allowing one party's authorities to accept GMP compliance certificates issued by the other party.

- **Chemicals**

German exports to Canada: €154 m (2015)

Tariffs are in general low with a peak of 6.5%.



Creating new opportunities for German farmers and food producers

CETA also offers **big opportunities for German farmers and the agri-food industry**. Canada agreed to eliminate duties for 90.9% of all its agricultural tariff lines when CETA enters into force.

German exports to Canada: €268 m (2015)

Germany is the EU's 4th largest exporter of processed foods to Canada, accounting for 8% of total EU exports to Canada.

Exports include:

- **Alcoholic beverages (beer, wine and spirits)**

German exports to Canada: €52 m (2015)

Wines face specific tariffs of 1.87-4.68 CAN cents per litre (depending on the alcohol strength). Spirits faced specific duties ranging from 4.92 CAN cents per litre of pure alcohol (for gin) to 35.2 CAN cents per litre of pure alcohol (for spirituous fruit juices). There are no tariffs on beer.

Tariff elimination is complemented by **the removal of other relevant trade barriers**, including several 'behind the border' barriers that make it difficult for German exporters to access the Canadian market.

The cost-of-service-differential fee imposed by the Provincial Liquor Boards on imported wines and spirits will for instance be:

- applied based on volume and not value
- calculated more transparently

This lowers the costs for EU producers to sell their products in Canada.

CETA will ensure that EU wine and spirit producers can compete on the Canadian market, for example by:

- freezing the number of shops selling only Canadian products, and
- preventing businesses with a local monopoly from expanding into neighbouring provinces.

Regarding wine and spirits CETA also:

- abolishes the Canadian requirement to blend imported bulk spirits with local spirits before bottling – a requirement that made it impossible for EU makers of products classified as Geographical Indications from labelling them as such.
- incorporates the 2004 EU-Canada Wines and Spirits Agreement. This will be made subject to CETA's general rules, notably dispute settlement, so the legal guarantees become stronger.
- provides a forum for further discussions in the future on any other issue of concern for the EU and Canada related to wines and spirits.

The EU expects that the combined effect of these measures will be to further **increase the EU market share** of the Canadian wine and spirit sector.

- **Confectionery products made of chocolate**

German exports to Canada: **€34 m** (2015)

Canadian tariffs are around 6%.

- **Cheese**

German exports to Canada: **€3.1 m** (2015)

EU cheese exports to Canada are limited by the EU's portion of an existing World Trade Organization duty free quota; outside this quota, exports face prohibitive tariffs of on average 227% which makes them uncompetitive.

CETA offers two new annual duty free quotas, or permanent Tariff Rate Quotas, for EU cheese:

- 16,800 tons of high-quality cheese (16,000 tons in CETA, and 800 tons that will be added to the EU portion of the existing World Trade Organization quota thanks to CETA)
- 1,700 tons of industrial cheese

These quantities will be phased in progressively over a period of 5 years.

- **Beef**

German exports to Canada: **€11 m** (2015)

Germany is **the EU's largest exporter** of beef to Canada.

Canadian tariffs face a peak of 26.5%

Geographical Indications

CETA also provides a **high level of protection for 143 distinctive EU food and drink products** that hold a geographical indication (GI) – a sign to show they have a specific geographical origin and possess qualities or enjoy a reputation because of it.

With CETA, Canadian producers won't be able to sell local or foreign products as European GIs if they are not the real thing.

So, for example, they won't be able to market ham as **Schwarzwälder Schinken** unless it actually comes from the Schwarzwald in Germany.

The prioritised list of 143 products concerns the most traded European food products and **includes 12 German products** (see annex).

These were priority GIs requested by Germany, either because they are already exported to Canada, or because of their future export potential.

Thanks to the incorporation of the 2004 Wines and Spirits Agreement into CETA, names of specific German wines such as **Mosel, Rhein and Marc d'Alsace Gewürztraminer** will continue to enjoy full protection.

Choice and quality

The EU will also open its market to Canadian agricultural products. This will **give consumers more choice**.

For sensitive products such as **beef and pork**, CETA limits liberalisation **to duty-free quotas**. Above these agreed quotas, the EU's high tariffs continue to apply. CETA excludes certain sensitive products like **poultry and eggs** from any tariff cuts.

The EU will still be able to use its traditional tools to protect EU farmers, including the entry price system for fruits and vegetables which prevents imports from undercutting EU seasonal products. This is of particular relevance for German fruit and vegetable producers. All Canadian exports **will also need to comply with the EU's food safety standards**, including:

- EU legislation on Genetically Modified Organisms
- EU legislation on the use of hormones and antibiotics in food production
- providing proof of such compliance wherever this is required by EU legislation.



Opening up the Canadian services market to German firms

German services exports to Canada:
€2.7 bn (2015)

Canada is Germany's 5th largest services export market outside the EU.

Germany's main services exports to Canada are:

- transport services
- information and communication technology services
- maintenance and repair services
- architectural services
- engineering services
- scientific services
- professional and management consulting services

CETA will improve and secure German companies' access to the Canadian services market.

For example in the professional services sector, Canada has removed a number of limitations on citizenship and residency conditions for German professionals to practice in Canada, who are:

- lawyers
- accountants
- architects
- engineers

CETA also brings legal certainty for EU services exporters: Canada has locked in its current level of openness towards EU companies, for example in:

- financial services
- telecoms
- postal and courier services



Enabling German firms to bid for more public contracts in Canada

With CETA, **German companies will get access to Canada's large public procurement market.**

Germany has many major companies specialising in infrastructure and transport but also has many competitive small firms operating in this field.

German companies will have the opportunity to bid to supply goods and services for tenders at all levels of government in Canada (federal, provincial and municipal).

Canada has also agreed to make the tendering process more transparent by publishing its federal and provincial public tenders on a single procurement website.

Canada's government procurement commitments in CETA are **the most ambitious Canada has ever granted.**



Protecting Germany's research and creativity

CETA gives German innovations, copyrights and trademarks a **similar level of protection** in Canada to that they enjoy in Europe.

In particular, Canada will **bring its copyright protection in line with international standards.**

This is important because it will protect the intellectual property of EU's creative industries (artworks, publications, music and software), including its dissemination through online distribution channels.

CETA also covers **intellectual property rights for pharmaceuticals.**

The agreement includes:

- the possibility of **up to two years of additional patent protection to compensate for undue delays** in granting the marketing authorisation that reduce the useful life of the patent
- a commitment to ensure that all litigants have an **effective right of appeal** under Canada's patent linkage regime (the link between the marketing authorisation for a generic drug and the patent status of the originator drug)
- a commitment to maintain Canada's current practice of offering eight years of data protection.

This is good news for Germany, given the importance of pharmaceuticals in Germany's exports to Canada.



Making it easier for German professionals to work in Canada

CETA includes provisions to make it easier for German professionals to work in Canada (and vice versa) and to have their qualifications recognised.

This is a big plus for companies that:

- provide services such as after sales services for exported machines or information and communication technologies software
- make complex products that require after sales services such as installation or maintenance of machinery

This can be particularly beneficial for smaller and medium-sized firms, as they may not be able to provide permanent staff on the ground to directly supply the service.

CETA establishes legal certainty and significantly **improves mobility for services suppliers** because it:

- makes it easier to transfer key personnel across the Atlantic
- allows companies to send staff for after sales services for machinery, software and equipment
- creates a framework for the recognition of professional qualifications for regulated sectors like architects and accountants



Encouraging investment between Germany and Canada

German Foreign Direct Investment in Canada: **€12.8 bn** (2015)

Canada is the 7th most important destination of German Foreign Direct Investment outside the EU.

German investors have interests in fields such as:

- life sciences
- engineering
- advanced manufacturing

CETA will **make it easier for German firms to invest** in Canada, as Canada has agreed to **substantially increase the threshold for reviewing the acquisition** of Canadian companies by non-Canadians from CAN \$354 million (€247.26 million) to CAN \$1.5 billion (€1.4 billion).

Canadian firms hold **€1.6 billion in assets in Germany**, with important investors including:

- Rio Tinto Alcan
- Research in Motion
- CAE Electronics
- Bombardier

Germany does not have a bilateral investment treaty with Canada.

This makes the investment protection and the dispute settlement provisions in CETA all the more relevant to German investors in Canada and Canadian investors in Germany.

Once CETA enters into force definitively, these provisions will provide German and Canadian investors with **greater predictability, transparency, and protection** for their investments in Canada and in Germany respectively.



Helping Germany's small businesses export more to Canada

German small businesses are very export oriented and make up nearly three quarters of the total number of German exporters.

They will be able to take full advantage of CETA.

Reduced trade barriers, tariff elimination, simplified customs procedures and more compatible technical requirements all make it easier and cheaper to export. This allows smaller firms to:

- compete more easily with large companies
- sell the same product (or with fewer modifications) into both markets
- participate more in supply chains and e-commerce.

Specific provisions reinforce the CETA benefits for small companies, such as:

- taking into account their needs in electronic commerce
- improved access to information on public procurement tenders
- the use of the Investment Court System.

The Investment Court System provisions in CETA allow for faster proceedings and reduced costs for smaller firms that bring a case.

Distinctive German food products (Geographical Indications) protected in CETA

Hops:

- Hopfen aus der Hallertau
- Tettlinger Hopfen

Meat products:

- Nürnberger Bratwürste
- Nürnberger Rostbratwürste
- Schwarzwälder Schinken

Confectionery and Baked Products:

- Aachener Printen
- Nürnberger Lebkuchen
- Lübecker Marzipan
- Bremer Klagen

Cheese:

- Hessischer Handkäse

Fresh and processed vegetable products:

- Spreewälder Gurken