



CETA: EVOLUTION OF KEY ECONOMIC INDICATORS

Zornitsa Kutlina-Dimitrova¹

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ABSTRACT

The purpose of this note is to assess the evolution of key economic indicators pre- and post CETA provisional application. The analysis shows that in the 5 years provisional application of CETA there has been a significant expansion of bilateral goods and services trade. The employment content of EU exports to Canada has increased by 11% in two years from 624,000 in 2017 to 694,000 in 2019. The number of EU Member States exporting micro-, small and medium-sized enterprises (MSMEs) increased by 11% in the period 2017-2021. Furthermore, firms on both sides of the Atlantic are making continuous and increasing use of preferences granted by the Agreement. The evolution of the use of tariff rates quotas also shows that fears linked to the imports of sensitive products have not materialized. In fact, EU exporters are now exporting more frozen beef to Canada than vice versa.

¹ Zornitsa Kutlina-Dimitrova, PhD, (Zornitsa.KUTLINA-DIMITROVA@ec.europa.eu) is a senior economist in the Chief Economist, Trade analysis and Evaluation Unit of the Directorate-General for Trade in the European Commission. The opinions expressed in this paper are the author's own and do not necessarily reflect the views and opinions of the European Commission.



1. Introduction

The negotiations of the EU-Canada Comprehensive Economic and Trade Agreement (CETA) have been concluded in August 2014. After the European Parliament gave its consent on 15 February 2017, CETA has been provisionally applied as of 21 September 2017.

The purpose of the current paper is to outline and analyse the evolution of key economic indicators such as aggregate and disaggregate bilateral goods and services trade, strategic energy imports, number and exporting value of MSMEs, the employment content of extra-EU exports to Canada, the use of preferences on both sides of the Atlantic as well as trade in relevant (sensitive) products also in terms of import market share expansion. It is important to note that this analysis does not claim that there is a casual link between the evolution of the above outlined economic indicators and CETA. Its goal is to discuss those developments pointing to a potential impact of CETA.

This paper is structured as follows: Sub-sections 2.1 and 2.2 look into the evolution of EU-Canada goods and services trade. Sub-section 2.3 analyses the development of environmental goods trade while 2.4 looks at strategic energy imports from Canada in the context of the Russian invasion in Ukraine. Section 3 discusses the evolution of the number of European Member States micro, small and medium enterprises (MSMEs). The use of preferences under CETA by European and Canadian firms forms part of Section 4. Section 5 provides insights into the employment content of EU exports to Canada and Section 6 discusses trade in sensitive products. Finally, Section 7 summarises the obtained results and provides conclusions.

2. EU-Canada trade

2.1 Trade in goods

Since the provisional application of CETA, EU merchandise trade with Canada has been steadily increasing in 2018 and 2019 reaching EUR 59.3 billion in 2019 (Figure 1). Markedly affected by the COVID-19 pandemic total goods trade declined by EUR 5.4 bn in 2020 before it recovered and outpaced its pre-pandemic level in 2021.

In terms of providing a more stable statistical comparison metric over the period under consideration, 4 years averages have been calculated to measure the change in trade and other flows. It is also important to note that CETA entered into force on 21 September 2017 meaning that more than a quarter of 2017 has been affected by the entry into force.

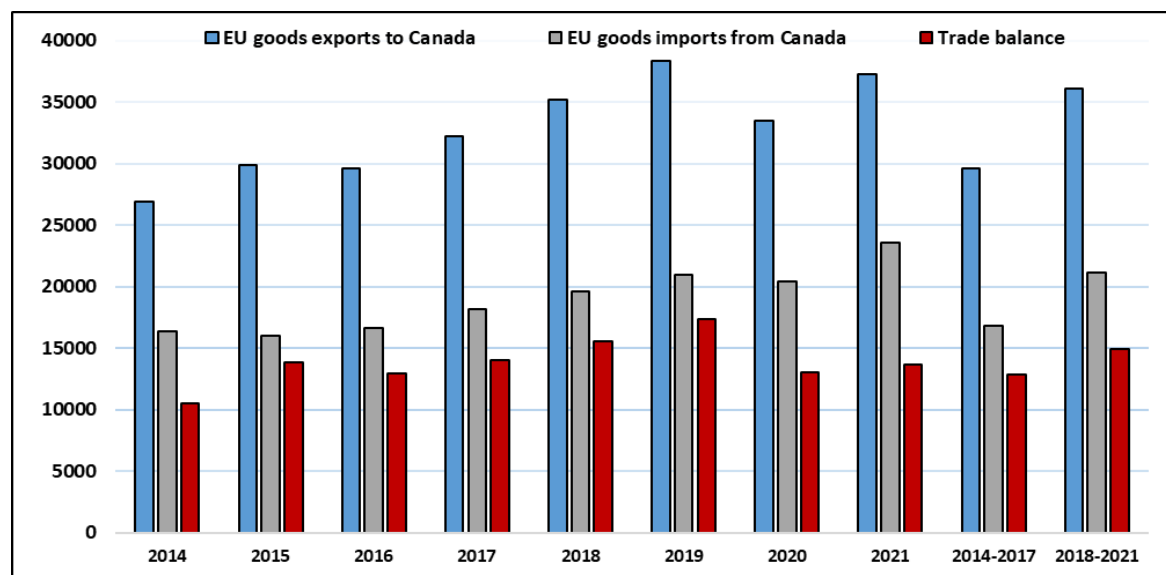


For this reason, the main comparison thereafter is provided based on a 4 years comparison between the average value of the indicator under consideration over the 2014-2017 with the average flow over 2018-2021. However, often also a simple comparison is made of the trade flow in 2016 and 2021, which is the latest year for which data is available.

As depicted in Figure 1, EU goods exports to Canada significantly outpaced EU goods imports in all years under consideration leading to a steady though relatively stable trade surplus of the EU with Canada that has reached its peak at EUR 17.3 bn in 2019. The average value of pre-CETA EU exports to Canada over the 2014-2017 period amounted to nearly EUR 30 bn and over the 2018-2021 period to EUR 36 billion. In absolute terms the increase in average exports stood at EUR 6.4 bn corresponding to a relative increase of 22%. Comparing EU exports in 2016 with those 2021 resulted in a larger boost of EUR 7.6 or 26%.

Canadian merchandise imports into the EU also increased over the period under consideration. The average amount of pre-CETA imports (2014-2017) stood at EUR nearly 17 bn compared with slightly over EUR 21 bn (2018-2021). This corresponds to an absolute increase in goods imports from Canada of EUR 4.3 bn or 26%. The trade surplus with Canada increased on average by 16%.

Figure 1: EU-Canada merchandise trade



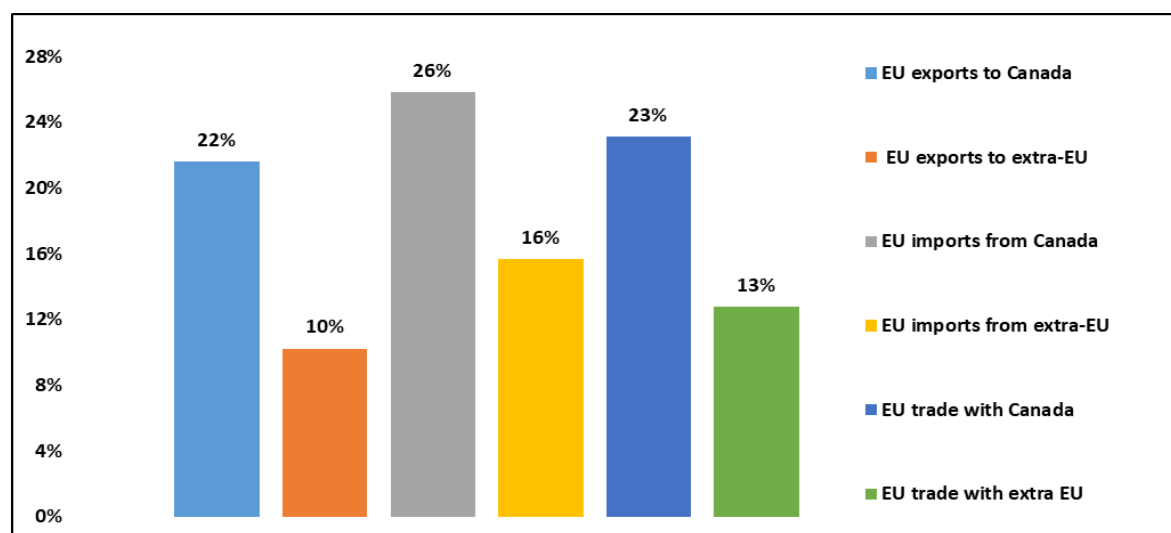
Source: Comext, own calculations, data extracted on 22 August 2022.

To gain a complementary perspective of the magnitude of the increase in merchandise trade with Canada, an additional comparison is made with the total extra-EU exports and



imports. In this respect, Figure 2 provides a comparison of EU trade with extra-EU and with Canada. The increase of EU exports to Canada was 12 percentage points higher than total extra-EU exports. Similarly, EU imports from Canada were 10 percentage points above total extra-EU imports. Finally, total merchandise trade with Canada was 10 percentage points higher than extra-EU trade. These results point to the fact that CETA has contributed to stronger trade performance for both the EU and Canada compared to total extra EU trade. If one would add 2021/2016 comparison, EU goods exports would outperform extra-EU exports by 9 p.p. which is less than the 12 p.p. difference based on the 4 years average approach.

Figure 2: EU-Canada and extra-EU merchandise trade, 4 on 4-years average*



Source: Comext, own calculations, data extracted on 22 August 2022. *Data reflects average comparison based on the period 2014-2017 with 2018-2021.

It is important to further analyse this increase in bilateral trade to be able to detect the type of goods that have been expanding e.g. shrinking since the provisional application of CETA. To this end, Table 1 provides a summary of the products at HS section level over the two periods under consideration sorted upon EU exports changes (last column). In the period under consideration, the highest relative increase in exports to Canada has been due to EU exports of “pearls and precious metals” that accounted for an average increase of 162%, followed by “animal products” of 68%, “chemicals” of 41%, “base metals” of 32% and “vegetable products” of 31%.

By looking at the highest increases in exports based on absolute values, the ranking changes with “chemicals” experiencing the highest increase of EUR 2.1 bn, followed by



“machinery and appliances” of EUR 1.3 bn, “base metals” of EUR 568 million and “transport equipment” of EUR 546 million (Table 1). However, over the same period there have been sectors exhibiting a decline in EU exports to Canada, namely, “raw hides and skins” by 27% (Table 1).

Table 1: EU-Canada trade at HS section level in millions of euros

HS section	EU imports from Canada			EU exports to Canada		
	Ave 14-17	Ave 18-21	Change	Ave 14-17	Ave 18-21	Change
XIV Pearls and precious metals	1,063	1,396	31%	132	345	162%
I Live animals; animal products	270	360	33%	287	482	68%
VI Chemical products	1,929	2,702	40%	5,170	7,277	41%
XV Base metals and articles	915	1,355	48%	1,783	2,351	32%
II Vegetable products	1,518	1,845	22%	342	448	31%
XX Miscellaneous manufactured articles	123	101	-18%	567	724	28%
IV Foodstuffs, beverages, tobacco	381	488	28%	2,062	2,595	26%
XI Textiles and textile articles	124	149	20%	672	842	25%
VII Plastics and rubber	254	294	16%	771	948	23%
XII Footwear and hats	7	10	44%	247	292	18%
XVI Machinery and appliances	2,909	3,135	8%	7,148	8,445	18%
XIII Articles of stone and glass	37	35	-5%	431	508	18%
XVIII Optical instruments	644	814	26%	1,256	1,469	17%
III Animal or vegetable fats and oils	21	23	11%	131	150	14%
V Mineral products	3,467	5,421	56%	1,882	2,141	14%
IX Wood, charcoal and cork	161	153	-5%	187	207	11%
XVII Transport equipment	2,086	2,152	3%	5,017	5,562	11%
X Pulp of wood and paper	355	341	-4%	338	371	10%
XIX Arms and ammunition	18	17	-3%	35	39	10%
XXI Works of art and antiques	25	25	3%	26	28	5%
VIII Raw hides and skins	85	53	-37%	337	245	-27%
Other	433	296	-32%	842	602	-28%
Total goods trade	16,824	21,167	26%	29,661	36,071	22%

Source: Comext, own calculations, data extracted on 22 August 2022. *Data sorted in respect to EU exports changes.

In respect to Canadian imports in the EU, the highest increases in relative terms took place in the sectors “mineral products” of 56%, “base metals” of 48%, footwear of 44% and “chemicals” of 40%. In absolute terms, imports of mineral products expanded the most by nearly EUR 2 bn, followed by imports of “chemicals” EUR 774 million, “base metals” of EUR 440 million and “pearls and precious metals” of EUR 333 million. Also in respect to imports there have been sectors experiencing a decline over the period under consideration, such as “raw hides and skins” by 37%, “other” by 32%, “miscellaneous manufactured articles” by 18% and articles of “stone, glass and ceramics” and “pulp of wood and cork” of 5% each.

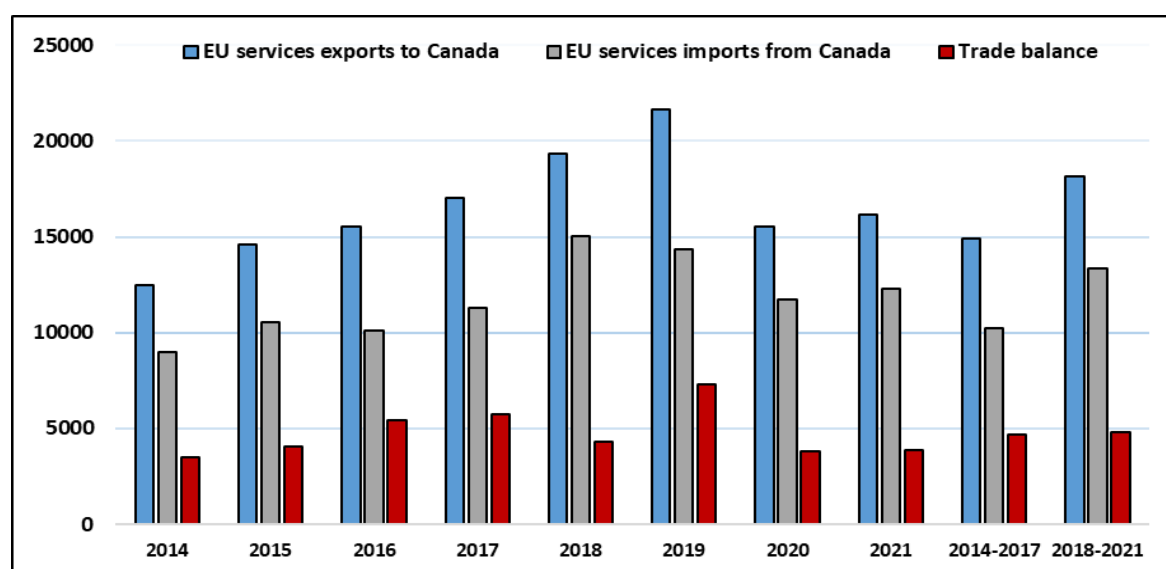


2.2 EU-Canada services trade

Since the provisional entry into force of CETA, EU services trade with Canada has been steadily increasing in 2018 and 2019 reaching EUR 34.3 billion in 2018 and nearly EUR 36 billion in 2019 (Figure 3). Markedly affected by the COVID-19 pandemic, bilateral services trade deteriorated by EUR 8.7 bn in 2020 and by 7.5 bn in 2021 compared to the pre-pandemic year 2019. Unlike merchandise trade, services trade did not recover from the pre-pandemic level.

Focusing on services exports, the data presented in Figure 3 shows that EU services exports to Canada exceeded EU services imports in all years under consideration leading to a steady though relatively stable trade surplus of the EU with Canada that has reached its peak at EUR 7.3 bn in 2019. The average value of pre-CETA EU exports to Canada over the 2014-2017 period amounted to nearly EUR 15 bn and over the 2018-2021 period to EUR 18.2 billion. In absolute terms the increase in average services exports stood at EUR 3.3 bn corresponding to a relative increase of 22%. Comparing EU services exports in 2016 with those of 2021 would amount to significantly smaller increase of EUR 624 million or 4%. Canadian services imports into the EU also augmented over the period under consideration. The average amount of pre-CETA imports (2014-2017) stood at EUR 10.2 bn compared with EUR 13.3 bn (2018-2021). This corresponds to an absolute increase in goods imports from Canada of EUR 3.1 bn or 31%. The trade surplus with Canada improved on average by 3%.

Figure 3: EU-Canada services trade

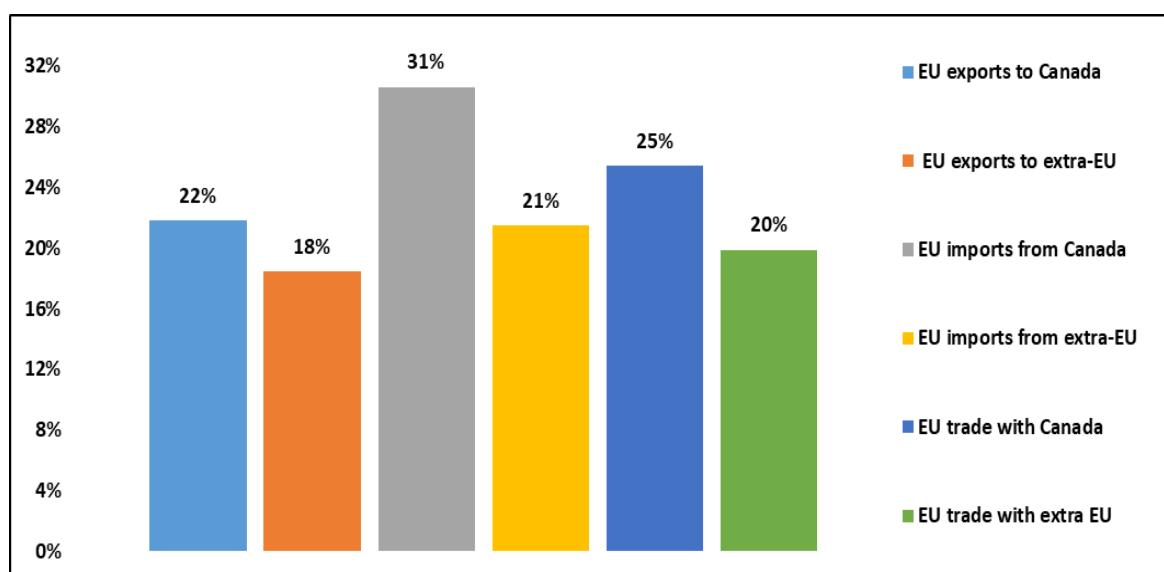


Source: Comext, own calculations, data extracted on 22 August 2022.



To gain a complementary perspective of the magnitude of the increase in services trade with Canada, an additional comparison is made with total extra-EU services exports and imports. In this respect, Figure 4 provides the increase in EU services exports to the world and the above mentioned developments in EU-Canada bilateral services trade. The data presented, makes clear that EU services exports to Canada were 4 percentage points higher than total extra-EU services exports. More noticeably, EU services imports from Canada were 10 percentage points above total extra-EU services imports. Finally, total services trade with Canada was 5 percentage points higher than extra-EU services trade. These results point to the fact that CETA has contributed to stronger services trade performance for both the EU and Canada compared to total extra EU trade although this impact is less strong compared to merchandise trade. It is important to mention that a simple two data points comparison i.e. 2021 with 2016 would lead to EU services exports to Canada underperforming compared to extra-EU services exports by 16 p.p. as EU services exports to the world increased by 20% compared with the 4% mentioned above.

Figure 4: EU-Canada services trade, 4 on 4-years average*



Source: Eurostat (BOP_its6_tot, BOP_fdi6_geo), own calculations, data extracted on 22 August 2022. *Data reflects average comparison based on the period 2014-2017 with 2018-2021.

It is important to provide additional insights into the evolution of services trade at more granular level to be able to detect the type of services that have been expanding e.g. shrinking the most since the provisional application of CETA. To this end, Table 2 provides a summary at “main categories” level over the two periods under consideration sorted upon EU exports changes (last column). The data makes clear that the highest



relative boost in services exports to Canada has been accounted for in the sector “personal, recreational and cultural services” accounting for an average increase of 467%, followed by “manufacturing services” of 182%, “IPRs charges” of 66%, “IT services” of 49% and “other business services” of 30%.

Looking at the highest surges in exports based on absolute values, the ranking changes with “other business services” (R&D, consulting and technical services) experiencing the highest increase of EUR 794 million, followed by “IT services” of EUR 739 million, “IPR charges” of EUR 720 million and “personal, recreational and cultural services” of EUR 716 million. However, there have been sectors exhibiting a decline in EU services exports to Canada, most notably “travel services” that decreased by 470 million or 13% mainly driven by the Covid-pandemic travel restrictions (Table 2).

Looking at EU services imports from Canada, the highest increases in relative terms took place in the sectors “manufacturing services” of 270%, “IT services” of 97%, “IPR charges” of 92% and “other business services” of 55%. In terms of values, imports of “other business services” increased remarkably by more than EUR 1.5 billion, followed by imports of “IT services” of EUR 795 million and “transport” of EUR 384 million. Also in respect to services imports there have been sectors experiencing a decline over the period under consideration, also here most notably “travel services” that declined by 12% corresponding to EUR 271 million.

Table 2: EU-Canada services trade, main categories

Services	EU imports from Canada			EU exports to Canada		
	Ave 2014-17	Ave 2018-21	Change	Ave 2014-17	Ave 2018-21	Change
Personal and cultural	384	388	1%	153	869	467%
Manufacturing services	125	463	270%	53	150	182%
Intellectual property charges	267	512	92%	1,089	1,809	66%
Telecommunication	822	1,617	97%	1,507	2,246	49%
Other business services	2,779	4,306	55%	2,634	3,428	30%
Services not allocated	9	11	27%	678	864	27%
Transport	2,536	2,921	15%	3,324	3,765	13%
Maintenance and repair	596	592	-1%	662	731	10%
Financial services	306	365	20%	825	879	7%
Travel	2,193	1,922	-12%	3,618	3,149	-13%
Government and services n.i.e.	37	44	17%	41	34	-19%
Construction	43	35	-19%	162	123	-24%
Insurance and pension services	118	168	42%	161	114	-29%
Total Services	10,216	13,344	31%	14,909	18,160	22%

Source: ESTAT (BOP tables), data extracted on 22 August 2022. *Data sorted in respect to EU exports.



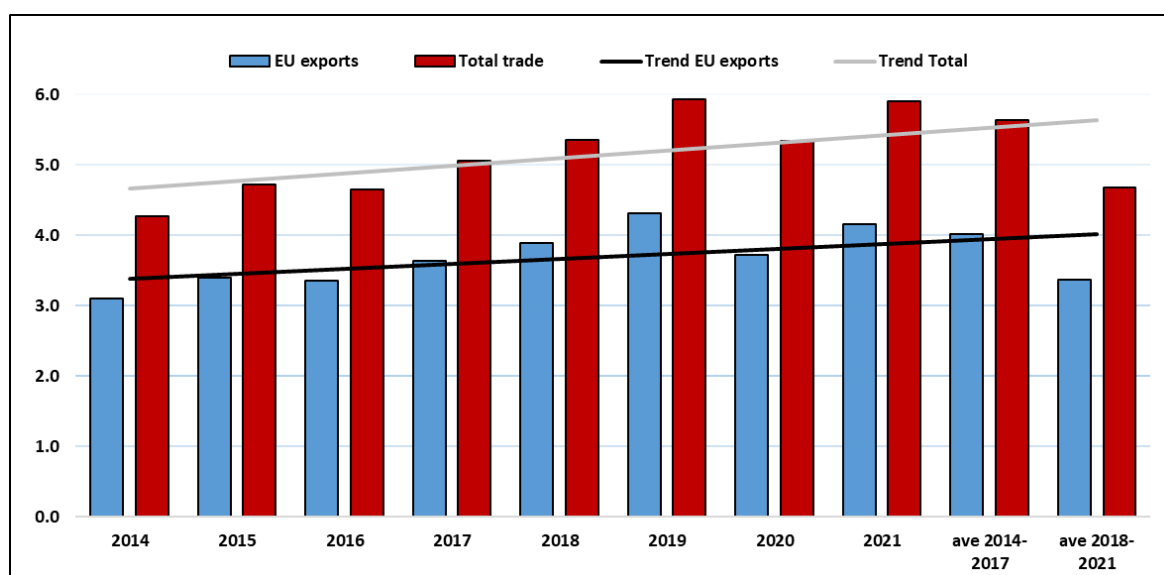
2.3 Environmental goods trade

The purpose of this section is to explore the evolution of environmental goods trade between the EU and Canada against the growing concerns about climate change and pollution. For these reasons, environmental goods are defined in line with the indicative list of over 260 green goods used in the negotiations for the WTO Environmental Goods Agreement.

In this respect, Figure 5 depicts bilateral EU-Canada trade and EU exports to Canada of environmental goods in the period 2014-2021. The trend lines in the chart make clear that both bilateral trade and EU exports to Canada of environmental goods increased in the period under consideration. In fact, the average growth rate over 2014-2021 period amounted to 3.8% for EU exports to Canada and to 4.2% for bilateral trade. The data presented in Figure 5 makes clear that environmental trade with Canada didn't yet recover from its pre-pandemic peak in 2019. A comparison based on an average of 4-years period pre- and post-CETA provisional application, points to an increase of 19% of environmental goods exports (from EUR 3.4 to 4 billion) and of 21% (from EUR 4.7 to 5.6 billion) of bilateral trade.

A simple two data points comparison, looking at the difference in values between 2021 and 2016 would lead to a larger increase of 24% for EU exports of environmental goods and of 27% of bilateral trade.

Figure 5: EU-Canada environmental goods trade



Source: Eurostat, own calculations, data extracted on 12 September 2022.

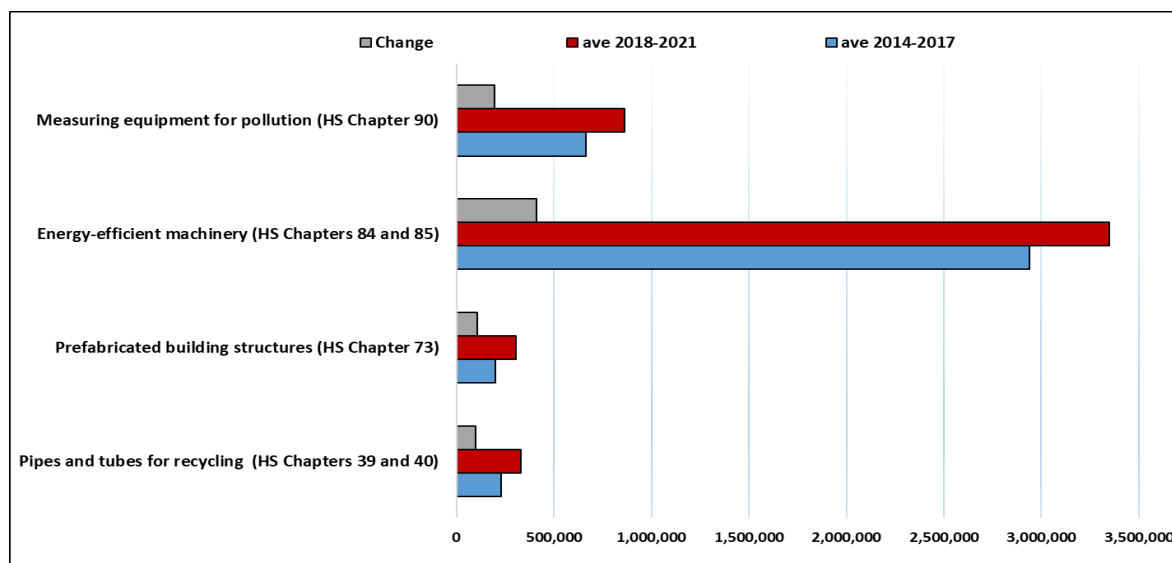


The available data, allows us to explore the evolution of trade in those goods at specific categories level. In this respect following the European Commission and Global Affairs Canada (2021), the evolution of bilateral trade in the following 4 environmental goods categories have been defined and assessed (Figure 6):

- Pipes and tubes for recycling purposes (HS Chapters 39 and 40)
- Prefabricated building structures (HS Chapter 73)
- Energy-efficient machinery (HS Chapters 84 and 85)
- Measuring equipment for pollution levels (HS Chapter 90).

Analysis the data in Figure 6, reveals that the largest category is “energy efficient machinery” with an absolute bilateral trade value of EUR 3.4 billion post-CETA provisional application. The share of this environmental goods category trade accounts on 4 years average basis for 60% of total environmental goods trade. Comparing with Pre-CETA trade, the EU-Canada trade augmented by 14% from EUR 2.9 billion. The environmental goods category that expanded the most (by 52%) in relative terms, however, is “prefabricated building structures” followed by “pipes and tubes for recycling purposes” by 43%.

Figure 6: EU-Canada environmental goods trade by type (EUR 1,000)



Source: Eurostat, own calculations, data extracted on 12 September 2022.



2.4 Imports of energy products from Canada

The Russian invasion of Ukraine has exposed the EU and likeminded partners to major vulnerabilities and strategic dependencies on Russian gas and oil. Given the current geopolitical situation, it is crucial to be able to secure imports of vital energy products from allies. In that respect, Canada is an important importer of energy products in the EU and CETA provided a framework for trade in energy products thus fostering certainty in uncertain times.

In that respect, Table 3 provides information on energy products imports from Canada based on 4 years averages using a list of products that has been deployed to determine dependency on key energy supplies from Russia. Looking at the data, imports of energy products increased significantly by 30% from EUR 1.8 billion to EUR 2.3 billion. Comparing the same energy imports on the base of 2016 versus 2021, imports would have increased by 70% as there has been a substantial boost of imports in 2017 (from 1.4 billion in 2016 to 2.3 billion in 2017) that as explained earlier has been affected by the entry into force as of 21 September 2017.

In absolute terms, the largest contributor to the total change in energy imports from Canada was crude oil where imports augmented by EUR 517 million from EUR 583 million (2014-2017) to EUR 1.1 billion (2018-2021). The second largest increase in energy products imports is the one of uranium that expanded by nearly EUR 130 million corresponding to a surge of 52% (Table 3).

Table 3: Imports from energy products* from Canada, in EUR thousands

Energy product	Ave 2014-2017	Ave 2018-2021	Change
Biofuels	44,633	81,008	36,375
Coal/Lignite	398,045	453,000	54,955
Crude oil	583,383	1,100,846	517,463
Gas	203	1,484	1,281
Refined oil products (fuels)	501,893	286,621	-215,272
Refined oil products (non-fuels)	5,176	8,557	3,381
Uranium	250,318	380,001	129,682
Total	1,783,651	2,311,516	527,865

Source: Comext, own calculations, data extracted on 22 August 2022.

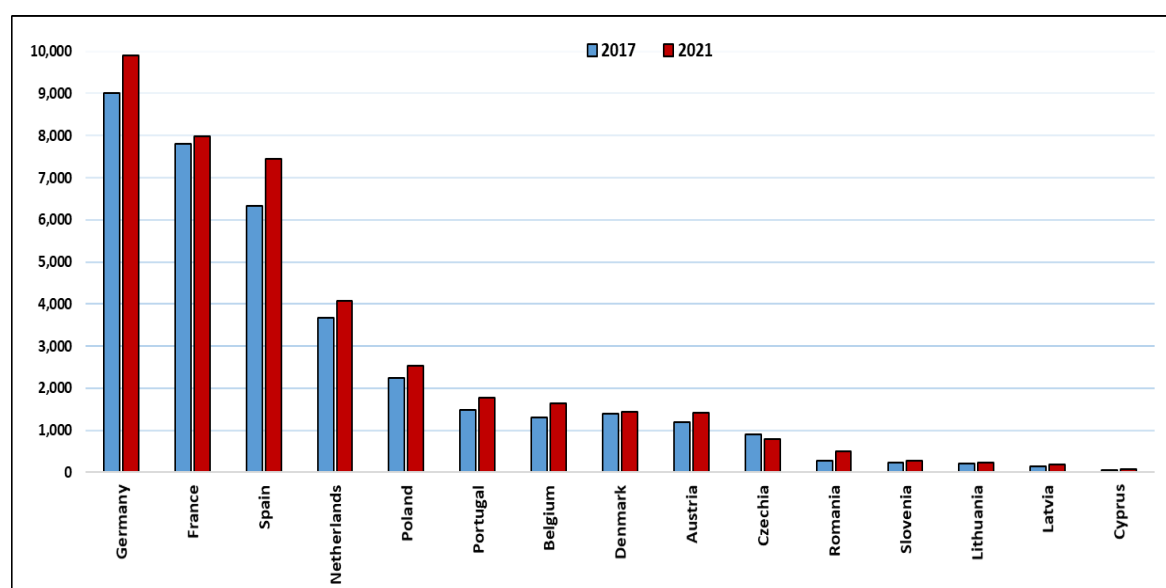


3. Evolution of the number of exporting MSMEs

CETA has taken strong commitments on sustainable and inclusive trade that foster collaboration between the two trading partners to better master the transition to greener and more sustainable economy.

In that respect, this Sub-section provides insights into the evolution of the number of exporting micro-, small and medium-sized enterprises (MSMEs). To this end, Figure 7 displays data from the Trade by Enterprise Characteristic (TEC) dataset provided by Eurostat on the number of exporting MSMEs in the 2017-2021 period.² Looking at Figure 7, the number of European Member States MSMEs exporting to Canada increased in all EU Member States but Czechia where this number slightly declined. In total (based on 15 EU Member States), the number of EU exporting MSMEs augmented from 36,245 to 40,302 corresponding to an increase of 11%.

Figure 7: Evolution of the number of exporting EU Member States MSMEs to Canada



Source: Eurostat (TEC dataset).

The highest increase in absolute terms was observed in Spain where the number of exporting MSMEs increased by 1,119 in the 2017-2021 period corresponding to a relative

² Note that the data series starts in 2017 so as to include as many EU Member States exhibiting comparable across years data series as displayed in Figure 7.



surge of 18%. In relative terms, the number of exporting MSMEs to Canada augmented the most in Romania, Cyprus and Latvia by 77%, 29% and 25% respectively.

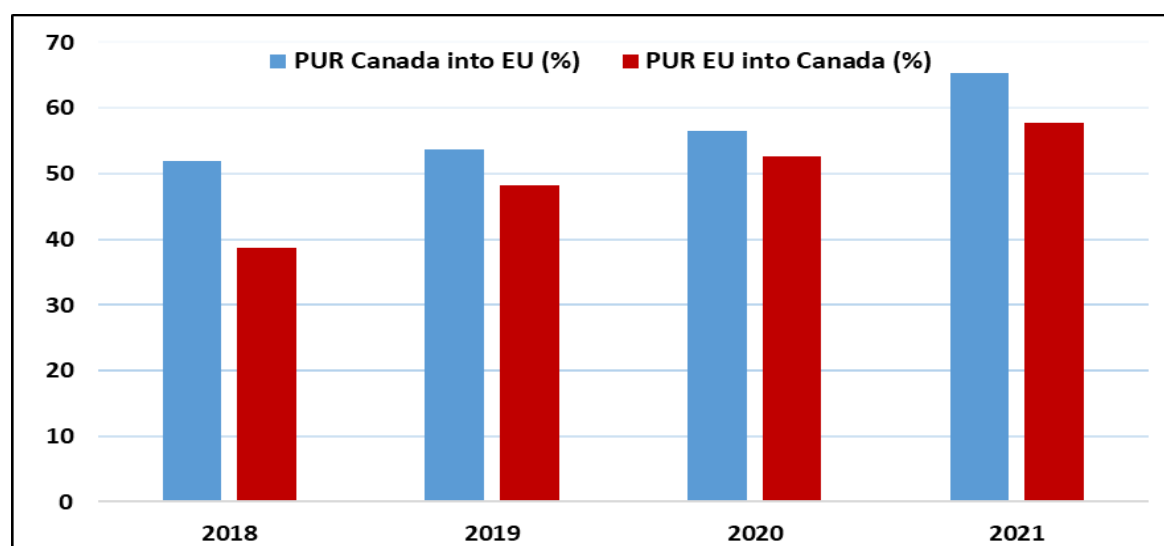
4. CETA Preference utilisation rates

Preference utilisation rates (PUR) are used to provide indication on the bilateral usage of FTA preferences by trading partners. They are an important tool to measure to what extent trading countries are obtaining the maximum benefits from a free trade agreement in term of potential duty savings. In this respect,

Figure 8 is providing information on the evolution of CETA PURs in the period 2018-2021 on exports flows from the EU to Canada and vice versa.

The data makes clear that European and Canadian firms are making increasing and continuous use of preferences granted by CETA since the provisional application of the Agreement. The PUR of EU imports from Canada stood at 65% in 2021 and has increased steadily from 52% in 2018 following the provisional application of CETA. This corresponds to an increase by 13 p.p. or 26%. EU exports to Canada have experienced a similar development, albeit from a lower starting point. The PUR of EU exports reached nearly 40% in the year following the signature of the CETA agreement and improved to 58% in 2021 representing an increase by 19 p.p. or 50%.

Figure 8: Evolution of CETA preference utilisation rates



Source: TRADE calculations based on data from national customs administrations and Madb tariffs.

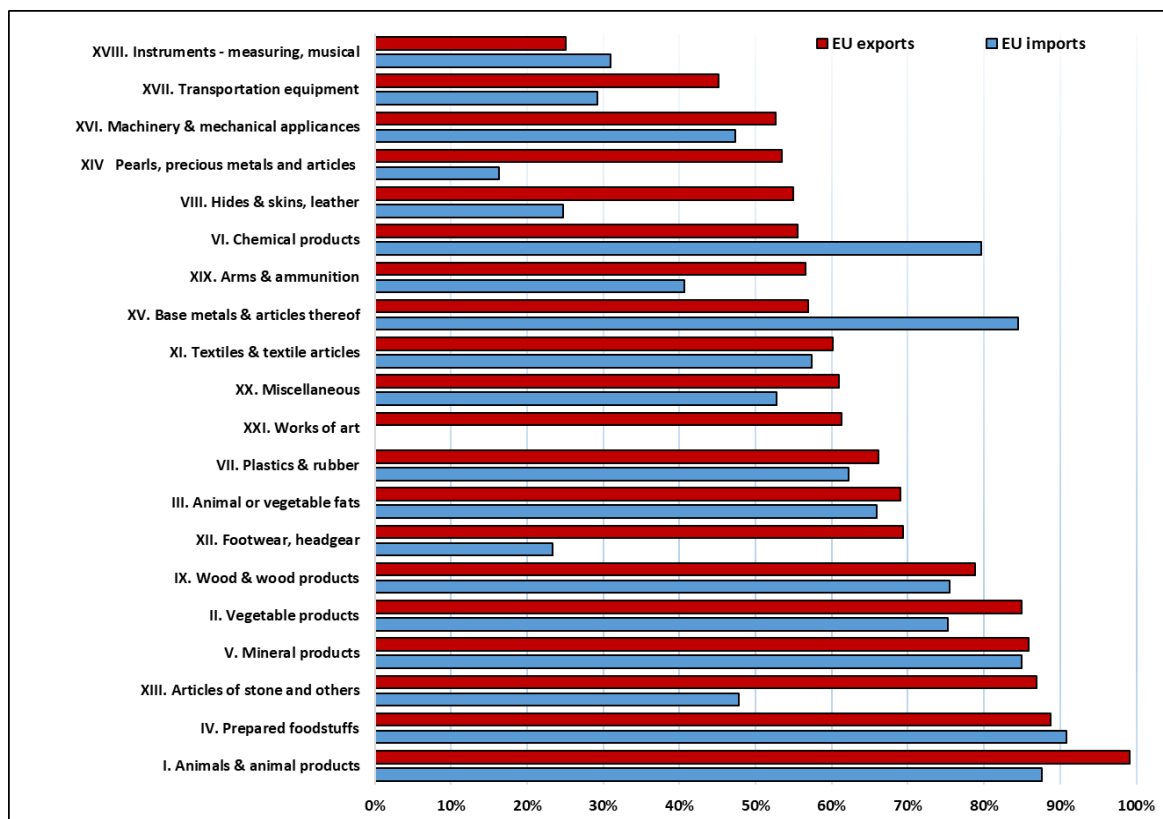


This shows that firms on both sides of the Atlantic are increasingly able to reap the benefits of CETA in terms of duty savings. Nevertheless, the fact that PURs amount to less than 60% for EU exports and to 65% for EU imports shows that there is scope for improvement.

Another important piece information is provided by looking into the sectoral display of PURs of EU-Canada trade. In that respect,

Figure 9 shows the use of preferences at HS sections level based on the latest available year i.e. 2021. In terms of EU exports to Canada, the HS section “animals & animal products” displays the highest PUR of 99%, followed by “prepared foodstuffs” of 89%, “articles of stone and others” of 87%, “mineral products” of 86% and “vegetable products” of 85%. The lowest PUR on the other hand, is observed in section “instruments” where it stands at 25%. The sector “transportation equipment” displays the second lowest PUR of 45%, followed by “machinery and mechanical appliances” of 53%, “pearls, precious metals and articles” of 54% and “hides and skins, leather” of 55%.

Figure 9: PURs of EU-Canada bilateral trade at HS section level (%)



Source: TRADE calculations based on data from national customs administrations and Madb tariffs. *Data in respect to PURs on EU exports.



In terms of EU imports, the highest use of preferences of 91% is found in “prepared foodstuff”, followed by “animals and animal products” of 88%, “mineral products of 85%, “base metals and articles thereof” of 84%, and chemical products of 80%. The sectors “pearls, precious metals and articles” (16%), “footwear, headgear” (23%), “hides and skins, leather” (25%), “transport equipment” (29%), as well as “instruments” (32%) on the other hand, display the lowest PURs of EU imports from Canada.

Interestingly, there are several HS sections exhibiting large discrepancies in the usage of PURs, such as “footwear, headgear” of 46 p.p. articles of stone and others of 39% p.p. “pearls, precious metals and articles” of 37 p.p. making obvious that EU exports are better equipped to reap the benefits of CETA in these sectors. On the other hands, the difference in PURs in sectors “base metals and articles thereof” of 28 p.p. and in “chemical products” of 24 p.p. makes clear that EU imports from Canada are making relatively better use of bilateral preferences under CETA.

To sum up the analysis of preference utilisation presented in this section shows that as intended by the European Commission and reflected in the Trade Policy Review, it is important to put an emphasis on strengthening the EU’s focus on implementation and enforcement of trade agreements.

5. Employment content of EU exports to Canada

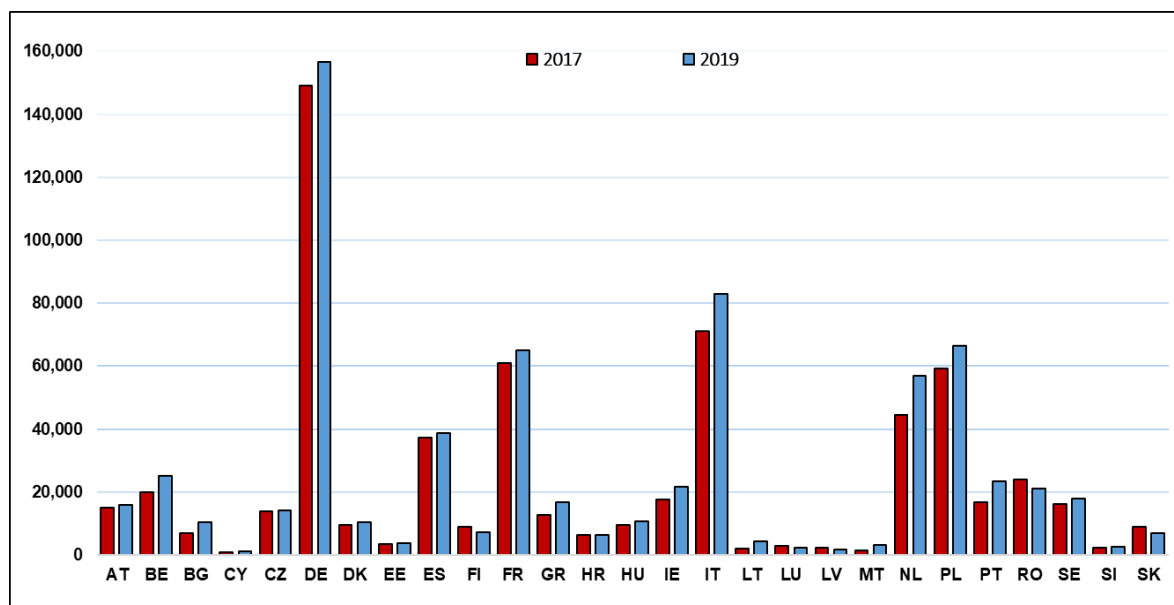
A recently published analysis shows that EU exports are more important for employment than ever supporting 38 million jobs in 2019 and accounting for a share of 18% of total EU employment.³ The analysis conducted for this study allows for an identification of the number of jobs supported by EU exports to Canada.

The data presented in Figure 10 shows the employment supported by EU exports to Canada in 2017 and 2019 by EU Member State. The total number of jobs increased by 11% from 624,000 in 2017 to 694,000 in 2019. The largest surges in exports supported jobs have been accounted for in Malta where exports supported jobs increased by 126%, followed by Lithuanian jobs that augmented by 114% and Bulgarian jobs by 51%. In absolute terms, however, the largest increase of more than 12 thousand jobs benefited the Netherlands, followed by Italy of close to 12 thousand and Germany of nearly 7.5 thousand.

³ Kutlina-Dimitrova, Z. & Rueda-Cantuche, J-M., (2021). More important than ever: Employment content of extra-EU exports, DG TRADE Chief Economist Notes 2021-2, Directorate General for Trade, European Commission.



Figure 10: Number of jobs supported by Extra-EU exports to Canada



Source: Based on Rueda-Cantuche J-M., Piñero, P. and Kutlina-Dimitrova, Z. (2021), EU exports to the world: Effects on employment, DG JRC and DG TRADE, Luxembourg.

6. Import market share analysis of pre-selected EU products in the Canadian market

This Section dedicates its attention to a product level analysis of pre-selected EU products pre- and post CETA provisional application. The main goal is to analyse at HS6 level the expansion of EU exports of specific products and to assess if this expansion is linked to an augmentation in import market shares of these products in Canada. In addition, a detailed analysis of the dynamics of the market share evolution at main competitor level in terms of geographical origin is carried out to be able to track the offsetting effects of a given market share expansion. Furthermore, this Section provides a detailed discussion of the frozen beef and cheese trade and market share trend as these were often considered the most sensitive products during the CETA negotiations and in the post-CETA signature debate.

The start of this analysis is an HS4 section exploration of the main increases in EU exports to Canada post-CETA based on a 4 years average approach. In addition, several HS4 lines were screened against the background of a political sensitivity i.e. beef and the desire to look for food products that have benefited from tariff reductions in CETA. As a next step these HS4 codes were evaluated at HS6 level to detect the lines that have accounted for the



largest increases of EU exports to Canada. Table 1 in [Annex 1](#) provides an overview of the HS6 lines that have been ultimately selected for the import market share analysis.

The import share analysis presented in the following has been carried out using Canadian import data as available in UN Comtrade. The main results of the assessment of the evolution of the HS6 lines selected for the import share analysis are provided in Table 4. EU27 exporters to Canada experienced an increase in their share post-CETA provisional application in all selected products ranging from 2 p.p. in the case of “bread, pastry, cakes and biscuits” and “motor vehicles for the transport of goods” to 12 p.p. in the case of “frozen beef”.

Table 4: Changes in EU27 exports to Canada and shares in Canada’s imports of selected HS6 level products, values in (EUR 1000)

HS6	Product	2014-2017	2018-2021	Change	Share 14-17	Share 18-21
020230	frozen, boneless bovine meat	768	26,079	25,311	0%	12%
040690	cheese (excl. fresh cheese)	101,774	164,502	62,727	57%	68%
180690	chocolate and other preparations containing cocoa	98,023	122,027	24,004	21%	24%
190590	bread, pastry, cakes, biscuits and others	37,273	66,748	29,475	4%	6%
220410	sparkling wine of fresh grapes	107,723	147,960	40,236	91%	93%
220421	wine of fresh grapes	687,892	803,636	115,744	50%	53%
870423	motor vehicles for the transport of goods	22,925	51,185	28,260	3%	5%
880230	aeroplanes of an unladen weight > 2.000 kg but <= 15.000 kg	63,153	87,244	24,090	20%	26%
880240	aeroplanes of an unladen weight > 15.000 kg	195,420	463,273	267,853	8%	24%

Source: UN Comtrade, own calculations, data extracted on 16 September 2022.

As mentioned above, the analysis in the following will focus on “cheese” and “frozen beef”, however, [Annex 2](#) provides a detailed assessment of the dynamics at main competitor level for all other HS6 lines contained in Table 4 including disaggregate results at EU Member States level.

Trade and import market share evolution of “cheese” and “frozen beef”

The negotiation of CETA and the post-signature process were particularly marked in the EU by a public debate and accompanying fears in respect to surges in imports of beef from Canada as CETA has set tariff rate quotas (TRQs) for Canadian exports of beef and



pigmeat to the EU. In parallel, CETA sets TRQs for EU exports of cheese to Canada. To this end, Table 5 provides information on TRQs utilisation under CETA to display the extent to which TRQs have been utilised by European and Canadian firms. Additionally, Table 7 and Table 8 provide statistics on EU-Canada trade in beef and cheese in the years before and after CETA has entered into force in terms of values (EUR 1000) and quantities (1000 Kg).

The TRQ on beef opened by the EU remained at a low level of utilisation of 3% in 2018, 2019 and 2021 and 4% in 2020. The data in Table 5 also shows that the utilisation of TRQ for bison meat has declined from 5% in 2018 to 3% in 2021. Furthermore, the TRQ for pork (pigmeat) has not been utilised at all as it stood at 0% in the 2018-2021 period.

In terms of cheese exports from the EU to Canada, however, the TRQ granted under CETA has been almost completely utilized with an average utilization rate of 98%. European “industrial cheese” exports have also largely filled the negotiated quota at 75% over the 2018-2020 period. In 2021, a notable increase of 22 p.p. in the utilisation of the industrial cheese quota from 71% to 93% was observed (Table 6).

Table 5: TRQ utilisation under CETA*

Sector	TRQ description	TRQ Qty in 2021	Utilisation in TRQ period ending in:			
			2018	2019	2020	2021
EU to Canada						
Beef	Beef & veal	29,860	3%	3%	4%	3%
Beef	Bison meat	3,000	5%	3%	2%	3%
Beef	Beef (Frozen)	12,500	0%	0%	0%	0%
Pigmeat	Pigmeat	68,048	0%	0%	0%	0%
Canada to the EU						
Dairy	Cheese	13,333	99%	98%	96%	98%
Dairy	Industrial cheese	1,417	71%	78%	77%	93%

Source: European Commission and Global Affairs Canada.

Furthermore, the data in Table 6 and Table 7 show that EU “frozen beef” exports to Canada have seen a significant increase in absolute terms in the period under consideration. Thanks to Canada’s cut in import tariffs on EU beef under CETA (from 26.5% to 0%), EU exports, which were almost inexistent before CETA (EUR 1 million) reached EUR 30 million in the period after the provisional application. Canadian frozen



beef exports to the EU on the other hand did not see any noticeable change. Looking at Table 7, this development is also confirmed based on trade in quantities. EU exports of frozen beef augmented from 286 tons pre-CETA to 7,030 tons after provisional application.

EU exports of fresh beef also saw a noticeable increase (albeit less important in absolute terms) from EUR 353 thousand to more than EUR 1.9 million. Canadian fresh beef exports to the EU also increased from EUR 4.3 million to more than EUR 16 million. This evolution is confirmed also based on changes in traded quantities as depicted in Table 7.

To sum up, 4 years after CETA provisional application the EU is exporting more beef to Canada than vice versa with an impressive increase in European exports of frozen beef in value and quantity terms.

Table 6: Beef and cheese trade (EUR 1000)

Product	HS	EU imports from Canada (1000 EUR)			EU exports to Canada (1000 EUR)		
		Ave 2014-17	Ave 2018-21	Change	Ave 2014-17	Ave 2018-21	Change
Fresh or chilled beef	0201	4,338	16,180	11,842	353	1,923	1,570
Frozen beef	0202	531	536	5	1,000	29,485	28,485
Cheese and curd	0406	238	486	249	115,175	182,406	67,231

Source: Comext goods trade by partner and product (CN8), own calculations, data extracted on 22 August 2022. *Data in respect to EU exports changes.

Table 7: Beef and cheese trade (1000 kg)

Product	HS	EU imports from Canada (1000 kg)			EU exports to Canada (1000 kg)		
		Ave 2014-17	Ave 2018-21	Change	Ave 2014-17	Ave 2018-21	Change
Fresh or chilled beef	0201	333	1,301	967	53	262	209
Frozen beef	0202	58	77	19	286	7,030	6,744
Cheese and curd	0406	36	60	24	14,064	22,678	8,614

Source: Comext goods trade by partner and product (CN8), own calculations, data extracted on 22 August 2022. *Data in respect to EU exports changes.

Finally, EU cheese exports increased significantly from EUR 115 million pre-CETA to EUR 182 million in the period after the provisional application. In terms of quantities, European cheese exports also expanded markedly by 8,614 tons. Canadian cheese on the other side rose only negligible in absolute terms.

Looking at Table 4, this increase in EU exports of frozen beef and cheese is occurring in conjunction with an impressive expansion in the share of the EU in Canada's import for



“frozen beef” from 0% to 12% for the EU27. Furthermore, Table 8 provides insights into the dynamics at main competitor level and information about the EU countries that have gained from this market expansion at EU27 level. EU “frozen beef” exporters from Spain and Ireland followed by those from Italy have gained the most from the market share expansion under CETA. This was done mostly at the expense of producers from Australia and Uruguay the market shares of which decreased by a 15 p.p. from 38% to 23% and by 4 p.p. from 21% to 17% respectively (Table 8).

Table 8: Market share evolution of frozen beef in Canada, values in EUR 1000

Partner	2014-2017	2018-2021	Import shares 2014-2017	Import shares 2018-2021
Australia	96,931	50,580	38%	23%
Chile	2,390	4,812	1%	2%
Mexico	2,534	6,748	1%	3%
New Zealand	69,961	59,792	28%	27%
USA	27,090	26,632	11%	12%
Uruguay	52,073	38,723	21%	17%
Germany	15	1,719	0%	1%
Ireland	246	6,056	0%	3%
Italy	366	5,382	0%	2%
Spain	0	8,153	0%	4%

Source: UN Comtrade, HS6 level, own calculations, data extracted on 16 September 2022. Note that only shares rounded at 1% or more have been included in the table so that shares do not sum up to 100%.

In respect to cheese, as shown in Table 4, EU27 exporter succeeded in expanding their market share in Canada’s imports notably from 57% to 68%. In respect to the main competitors dynamics Table 9 provides information on the gains/losses at geographical level. Comparing the pre-CETA with post-CETA provisional application period, cheese suppliers from the US, Norway and Switzerland have lost most in terms of market share corresponding to a decline from 21% to 13%, from 6% to 2% and from 12% to 9% respectively. At the same time EU cheese exporters from Italy and Ireland have experienced a significant market expansion by 4 p.p. from 23% to 27% and by 2% from 1% to 3% respectively. Also Greek, Spanish and Dutch cheese suppliers have seen in increase in their market shares in Canada by 1 p.p. each.



Table 9: Market share evolution of cheese in Canada, values in EUR 1000

Partner	2014-2017	2018-2021	Import shares 2014-2017	Import shares 2018-2021
Norway	10,757	4,575	6%	2%
Switzerland	20,907	21,936	12%	9%
USA	37,160	30,992	21%	13%
United Kingdom	8,278	14,324	5%	6%
France	33,081	44,998	18%	18%
Germany	2,121	4,863	1%	2%
Greece	4,459	6,628	2%	3%
Ireland	1,608	8,000	1%	3%
Italy	42,150	66,105	23%	27%
Netherlands	8,879	13,751	5%	6%
Spain	1,855	4,736	1%	2%

Source: UN Comtrade, HS6 level, own calculations, data extracted on 16 September 2022. Note that only share rounded at 1% or more have been included in the table so that shares do not sum to 100%.

7. Conclusions and remarks

The free trade agreement between the EU and Canada has been provisionally applied since 21 September 2021. The aim of this note was to outline and analyse the evolution of key economic indicators such as aggregate and disaggregate bilateral goods and services trade, strategic energy imports, number of exporting EU Member States MSMEs, the employment content of extra-EU exports to Canada, the use of preferences by exporting firms on both sides of the Atlantic and trade and evolution of market shares of relevant and sensitive products.

The analysis presented in this note showed that in the 5 years provisional application of CETA there has been a significant expansion of bilateral goods and services trade. EU merchandise and services exports to Canada augmented on average by 22% each. Comparing 2021 with 2016 (i.e. simple two data points comparison), would lead to a boost in merchandise exports to Canada of 26% whereas services exports would augment by 4%.

Compared with extra-EU trade the impact of CETA is noticeable as EU goods exports to the world increased by merely 10% and services exports by 18% compared with the 22% increase of bilateral trade with Canada. This means that merchandise exports to Canada have increased by more than two fold compared to extra-EU and services exports outpaced



extra-EU by 4 p.p. Also based on a simple comparison of 2021 with 2016 data, merchandise trade under CETA outperformed extra-EU trade although to a lesser extent (by 9 p.p.).

Energy imports from Canada increased by 30% on average compared to the pre-CETA provisional application period. Comparing trade values of 2021 with 2016, would lead to a higher increase of 70%. Furthermore, trade in environmental goods augmented by 21% and EU exports of environmental goods increased by 19% on average. Comparing trade values of 2021 with 2016, resulted in higher increase of 27% for bilateral trade and 24% for EU exports to Canada.

In the 4 years following CETA's provisional application the number of EU Member States exporting MSMEs augmented by 11% from 36,245 to 40,302. Out of the 15 countries for which comparable data is available, 14 exhibited an increase in number of exporting MSMEs with Romania, Cyprus and Latvia showing the highest relative increases and Spain the highest absolute increase in the number of exporting MSMEs.

Similarly, the number of jobs supported by extra-EU exports increased by 11% from 624,000 in 2017 to 694,000 in 2019. The largest increases in exports supported jobs have been accounted for in Malta, Lithuania and Bulgaria.

The analysis in this note revealed that companies are making steady and increasing use of preferences under CETA with preference utilisation rates increasing on the EU exports side by 19 p.p. from 39% in 2018 to 58% in 2021 and on the Canadian exports side by 13 p.p. from 52% in 2018 to 65% in 2021. Nevertheless, the fact that PURs stand at less than 60% for EU exports to Canada and at 65% for Canadian exports into the EU shows that there is much to be reached in reaping potential duty savings.

The detailed, at HS level, import market share analysis of selected products revealed that the pre-CETA fears in the EU linked to the imports of sensitive products, in particular beef and pigmeat, have not materialized. The TRQs utilization rate for beef and veal stands at 3% in 2021 unchanged from 2018 along with a 0% utilization rate for pigmeat (pork). In fact, EU exporters are now exporting more frozen beef to Canada than vice versa. Compared to pre-CETA levels, EU frozen beef exporters expanded their market share in Canada from 0% to 12%. A decomposition at EU Member States level reveals that Spanish and Irish beef exporters have gained the most from the market share expansion



under CETA while exporters from Australia and Uruguay have lost most in terms of market shares.

On the export side, the TRQ utilisation rate stands at 98% for cheese and at 93% for industrial cheese, the latter increased by 22 p.p. from 71% in 2018. EU cheese exporters could also significantly expand on their import market share in Canada from 57% to 68%. The analysis reveals that cheese suppliers from Italy and Ireland have experienced a significant market expansion from 23% to 27% and from 1% to 3% respectively. On the other hand, exporters from the US, Norway and Switzerland have seen their import market share shrinking.

The dedicated import market share analysis further revealed that EU exporters of wine (including sparkling), chocolates, pastry and biscuits, aeroplanes and motor vehicles for the transport of goods could also see a noticeable expansion of their import market share in Canada.



Annex 1: HS level analysis of EU exports to Canada based on 4 years average pre- and post-CETA provisional application

Table 1: Selected HS6 lines for the import market share analysis

Product	Label	Ave 2014-2017	Ave 2018-21	Absolute change
220410	sparkling wine of fresh grapes	96,950	136,401	39,451
220421	wine of fresh grapes	671,667	790,828	119,161
880230	aeroplanes and other powered aircraft of an unladen weight > 2.000 kg but <= 15.000 kg	6,571	56,746	50,175
880240	aeroplanes and other powered aircraft of an of an unladen weight > 15.000 kg	235,466	309,800	74,334
040690	cheese	98,893	153,703	54,810
870423	motor vehicles for the transport of goods, of a gross vehicle weight > 20 t	22,935	57,017	34,083
180690	chocolate and other preparations containing cocoa of <= 2 kg	84,948	112,858	27,909
190590	bread, pastry, cakes, whether or not containing cocoa;	48,067	82,780	34,712
020230	frozen, boneless meat of bovine animals	873	27,952	27,079

Source: Eurostat, own calculations, data extracted 13 September 2022



Annex 2: Evolution of import shares at main competitors' level by geographical origin

Table 1: Import share of chocolate and other preparations containing cocoa, in containers or immediate packings of ≤ 2 kg (HS 180690), values in EUR 1000

Reporter	Partner	2014-2017	2018-2021	Import shares 2014-2017	Import shares 2018-2021
Canada	Mexico	29,051	40,193	6%	8%
Canada	Switzerland	29,819	27,416	6%	5%
Canada	USA	260,759	269,627	57%	54%
Canada	United Kingdom	26,827	21,951	6%	4%
Canada	Belgium	20,758	18,323	5%	4%
Canada	France	14,712	13,813	3%	3%
Canada	Germany	25,075	32,830	5%	7%
Canada	Italy	16,118	33,491	4%	7%
Canada	Poland	11,809	13,239	3%	3%

Source: UN Comtrade, own calculations, data extracted 13 September 2022

Table 2: Import shares of “bread, pastry, cakes, and biscuits, whether or not containing cocoa” (190590), values in EUR 1000

Reporter	Partner	2014-2017	2018-2021	Import shares 2014-2017	Import shares 2018-2021
Canada	China	16,916	21,439	2%	2%
Canada	Mexico	12,872	19,864	1%	2%
Canada	USA	826,038	898,839	87%	83%
Canada	EU27	37,273	66,748	4%	6%
Canada	France	4,934	15,128	1%	1%
Canada	Germany	12,643	20,116	1%	2%
Canada	Italy	9,030	15,677	1%	1%

Source: UN Comtrade, own calculations, data extracted 13 September 2022



Table 3: Import shares of “sparkling wine of fresh grape” (220410), EUR 1000

Reporter	Partner	2014-2017	2018-2021	Import shares 2014-2017	Import shares 2018-2021
Canada	Australia	2,885	3,358	2%	2%
Canada	USA	6,609	6,558	6%	4%
Canada	France	57,165	75,246	48%	47%
Canada	Hungary	1,472	1,693	1%	1%
Canada	Italy	32,640	51,433	27%	32%
Canada	Luxembourg	1,239	1,858	1%	1%
Canada	Spain	9,892	12,278	8%	8%

Source: UN Comtrade, own calculations, data extracted 13 September 2022

Table 4: Import shares of “wine of fresh grape” (220421), values in EUR 1000

Reporter	Partner	2014-2017	2018-2021	Import shares 2014-2017	Import shares 2018-2021
Canada	Argentina	71,272	60,647	5%	4%
Canada	Australia	131,359	115,034	9%	8%
Canada	Chile	70,945	67,563	5%	4%
Canada	New Zealand	70,727	81,593	5%	5%
Canada	South Africa	28,337	24,562	2%	2%
Canada	USA	320,909	346,016	23%	23%
Canada	France	264,891	324,043	19%	22%
Canada	Italy	284,528	311,522	21%	21%
Canada	Portugal	39,989	48,184	3%	3%
Canada	Spain	73,323	92,523	5%	6%

Source: UN Comtrade, own calculations, data extracted 13 September 2022

Table 5: Import shares of “motor vehicles for the transport of goods of a gross vehicle weight > 20 t” (870423), values in EUR 1000

Reporter	Partner	2014-2017	2018-2021	Import shares 2014-2017	Import shares 2018-2021
Canada	Mexico	140,769	257,885	18%	26%
Canada	USA	608,822	689,800	79%	69%
Canada	Finland	15,902	8,187	2%	1%
Canada	France	777	38,803	0%	4%
Canada	Sweden	6,037	3,730	1%	0%

Source: UN Comtrade, own calculations, data extracted 13 September 2022



Table 6: Import shares of “aeroplanes of an unladen weight > 15.000 kg” (880240), values in EUR 1000

Reporter	Partner	2014-2017	2018-2021	Import shares 2014-2017	Import shares 2018-2021
Canada	Brazil	21,668	2,893	1%	0%
Canada	USA	2,032,416	1,408,181	88%	71%
Canada	France	195,419	462,275	8%	23%

Source: UN Comtrade, own calculations, data extracted 13 September 2022

Table 7: Import shares of “aeroplanes of an unladen weight > 2.000 kg but <= 15.000 kg” (880230), values in EUR 1000

Reporter	Partner	2014-2017	2018-2021	Import shares 2014-2017	Import shares 2018-2021
Canada	Brazil	41,202	11,857	13%	4%
Canada	Israel	8,929	16,999	3%	5%
Canada	Switzerland	13,196	22,659	4%	7%
Canada	USA	146,771	158,572	47%	47%
Canada	France	60,055	48,532	19%	14%
Canada	Spain	0	34,986	0%	10%
Canada	Sweden	957	1,694	0%	1%

Source: UN Comtrade, own calculations, data extracted 13 September 2022