

Eyeing Europe

Newfoundland-and-Labrador business and government anticipate EU-Canada trade liberalization

By Kerri Breen

As the world economy falters, online retailer Mark Battcock is looking to Europe to recover lost revenue, and he hopes the EU-Canada trade deal will help him.

Battcock is the export developer for Mount Pearl, Newfoundland and Labrador-based AbbyShot Clothiers, a company that sells designer-grade reproductions of clothing from movies, video games and television.

As a small, luxury product-based business, AbbyShot is very sensitive to the changing tides of the world market, Battcock says.

AbbyShot sells online because there isn't much of a local market for their niche fan fare.

"This you couldn't really get away with on [party district] George Street," Battcock said, pointing to an intimidating *Matrix*-esque trench coat. "Not quite a big enough city here."

The company sold about 65 per cent of its goods to the U.S. in 2007. Battcock says because of the economic slump that number was reduced to less than 50 per cent in 2008.

The company is hoping to cover its U.S. losses through increased European sales, but there are significant challenges to breaking into that market, Battcock says. On the wall to his left, an oversized world map peppered with coloured stickpins reveals where he has made sales.

A lot of those sales were made directly to European consumers, who pay customs fees on top of the EU's Value Added Tax (VAT), which ranges from 15 to 25 per cent.

For AbbyShot's \$499 *Mad Max* leather coat to enter the U.K. for example, the import tariff is five per cent after 17.5 percent in VAT plus AbbyShot's \$89 shipping charge.

"It is a pretty high rate of tax," said Battcock. "It does make people a bit more wary of bringing in goods from Canada,"

In October of last year, Canada and the EU released a study that concluded that a trade liberalization deal could mean an extra \$11.1 billion coming into to Canada by 2014.

Over 45 per cent of this money would be due to the removal of barriers to services. The EU's 27 countries would gain more money, at \$15.7 billion, but the gain is much less significant as a percentage of the union's gross domestic product.

The 192-page study was written with input from the business communities of both Canada and the EU. Canadian businesses leaders were clear in their support for a comprehensive trade and investment deal.

The report says the EU is generally free-trade friendly, but tariffs on imports of food and textiles are relatively high.

Battcock's business is counting on the removal of those textile tariffs. But because the deal is concentrating on removing non-tariff barriers, he's concerned that businesses like AbbyShot won't reap any benefits.

"It may turn into lip service more than anything, you know? We got rid of some regulations. It's hard to know."

The Czech Republic, which took over the EU's rotating leadership in January, would like formal trade negotiations to start during its six-month-long term. Right now, officials are trying to see what sectors can be opened up to freer trade.

Trade talks between Canada and the EU have been happening since 2004, when the EU-Canada Partnership Agenda was adopted.

Shawn Skinner, Newfoundland and Labrador's minister of Innovation, Trade and Rural Development (ITRD) is optimistic about the partnership.

"We... look upon this Canada-European economic union as being a very positive thing for the province, a very positive thing for the country, and we're looking forward to it because we think there's going to be significant opportunities for our province," he said.

Skinner, who became ITRD minister in an Oct. 31 cabinet shuffle, isn't entirely familiar with the EU-Canada deal, but he says it should work in the province's favour.

The province currently has trade pacts with Iceland, Ireland and New England. Skinner figures this agreement will have similar effects to the other deals, but on a larger scale.

"[Trade agreements] tend to be good opportunities for us to be able to provide export opportunities and opportunities for our companies to expand their base to provide for niche markets that may exist in the European Union in this case."

Europe is the province's third largest trading partner, accounting for almost 13 per cent of the province's total exports in 2006, the latest year data was available.

Recognizing the opportunities the trade pact could present, Battcock hopes ITRD will educate local companies about trade with the EU.

The department currently supports programs like the Ireland Business Partnership, which has a mandate to identify, foster and promote trade and partnership opportunities in business, education and culture between the province and Ireland.

But it offers no resources to help businesses trade with the rest of Europe. Skinner says the province could stand to beef up its trade resources in light of the agreement.

“Maybe we might be able to enhance or do more,” he said. “I’m not suggesting to you that we’re doing everything that can be done.”

Back at AbbyShot it’s business as usual for now. A quote from Thomas Fuller is neatly taped onto Battcock’s door: “He that will not sail until all dangers pass will never leave port.”