Strengthening Canada–EU relations

Proposals from the business community

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Legal notice

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Strengthening Canada-EU relations

Against a backdrop of geopolitical tensions, growing economic security risks and the reorganisation of global supply chains, Canada is emerging as a strategic partner for the European Union. For several months now, there has even been discussion in Canada about joining the EU. Although Canada's accession to the EU is not foreseeable given its geographical situation, both sides should work to foster the closest possible institutional ties in all areas relevant to the economy. As a resource-rich democratic state governed by the rule of law, a close NATO partner, and a member of the G7 and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Canada offers considerable potential for expanding trade, investment, research, digitalisation and energy cooperation. The EU and Canada should therefore elevate their relations to a new strategic level. The aim should be a deeper partnership for competitiveness, economic security, innovation and more resilient supply chains. Furthermore, energy and raw materials cooperation between the EU and Canada must be comprehensively strengthened in order to improve the security of supply for the European economy in the long term.

At the same time, the remaining ten EU Member States should ratify the CETA trade agreement as a matter of priority and as soon as possible. This would send an important signal to Canada and the rest of the world and would provide businesses operating in Canada with significantly greater planning certainty. As the utilisation rate of the agreement currently stands at just 62.4 per cent, support measures need to be expanded, particularly with regard to small and medium-sized enterprises. The US-Canada-Mexico Trade Agreement (USMCA) is also of particular interest to the German economy. Any adjustments to it should not restrict market access for European companies.

Priorities:

- Remove trade barriers
- Ratify CETA
- Improve utilisation rates and implementation of CETA
- Conclude digital agreements
- Advance EU-CPTPP cooperation
- Expand cooperation on raw materials
- Deepen the energy partnership
- Advance economic security agreements

Remove trade barriers

The EU currently lists six official trade barriers in Canada.[1] The introduction of new trade restrictions runs counter to the spirit and objectives of CETA. The EU and Canada should consistently remove existing trade barriers and avoid creating new ones. Particularly burdensome are the luxury tax on vehicles introduced in 2022, the 'Buy Canada' rules in public procurement introduced at the end of 2025, and the recent tariffs on selected steel and agricultural products (tinned vegetables). These measures hinder market access for European companies despite the existence of a free trade agreement. The EU should make the removal of these trade barriers a priority in bilateral dialogue. In particular, European companies should be exempted from discriminatory procurement rules, and existing tariff measures on EU products should be withdrawn.

Differences in product standards and issues of regulatory recognition between Canada and Germany or the EU continue to pose a challenge, as technical standards, approvals, product regulations and, in some cases, testing and conformity assessment procedures are not fully harmonised. In the automotive sector in particular, greater mutual recognition and closer alignment of Canadian rules with EU standards are needed to reduce duplicate testing, additional costs and barriers to market entry.

Ratify CETA

The trade agreement between the EU and Canada (CETA) provides a sound framework for trade in goods and services, as well as for cross-border investment and public procurement. Since its provisional entry into force nine years ago, trade in goods has risen by 76 per cent to over EUR 81 billion. Trade in services has risen by 97 per cent to almost €51 billion. This demonstrates the contribution that rules-based trade agreements can make to growth, competitiveness and economic resilience.

CETA provisionally entered into force in 2017, meaning that most chapters of the agreement are now in force. The parts that are not yet in force include, in particular, portfolio investment and investment protection. CETA eliminates tariffs on 99 per cent of all tariff lines, 98 per cent of which were already abolished upon its provisional entry into force.

Currently, 17 EU Member States have completed their national ratification procedures for CETA. The remaining ten EU Member States should now ratify CETA swiftly: Belgium, Bulgaria, Cyprus, France, Greece, Hungary, Ireland, Italy, Poland and Slovenia. Full ratification would provide additional investment certainty, increase legal clarity and send an important signal in favour of open markets.

[1] Barriers results page | Access2Markets

Improve utilisation rates and implementation of CETA

The preferential utilisation rate (PUR) for Canadian imports from the EU rose gradually to 62.4 per cent by 2023, whilst the EU's preferential utilisation rate for imports from Canada peaked at 66.5 per cent in 2021 but fell slightly to 58.3 per cent in 2023. The PUR varied by EU Member State and product category, with lower rates observed in sectors where tariff preferences were below 5 per cent. The main sectors in which tariff savings remained untapped included: automotive products, ships, boats and floating structures, furniture, and clothing. For SMEs in particular, the onerous documentation requirements associated with preferences often present a barrier. In practice, the associated burden sometimes results in existing preferences not being utilised, which contributes to sub-optimal use of trade preferences under CETA. The EU and its Member States should therefore significantly expand practical support regarding rules of origin, documentation requirements and customs procedures. The aim must be to significantly increase the actual utilisation of existing market access opportunities. At the same time, it is clear that the low utilisation of preferential rights is a fundamental problem in many modern trade agreements. A general review of existing and new EU trade agreements is therefore necessary, with a view to simplifying rules of origin and proof requirements, to ensure that these agreements are better aligned with the practical needs of small and medium-sized enterprises.

The bilateral dialogue on motor vehicle regulations should be used to evaluate the impact of the Canadian luxury tax on electric vehicles and the practical application of the CETA rules of origin in the automotive sector.

Furthermore, the transparency of sub-national public tenders should be significantly improved to enable European companies to gain fairer and easier market access. Consolidated data on the volume and outcomes of public procurement at the sub-federal level in Canada remains incomplete or unavailable. This leads to inefficiencies and a lack of transparency for businesses. Canada is currently consolidating procurement data under the 'CanadaBuys' umbrella. Some provinces continue to use 'mRex' instead of 'CanadaBuys', which limits the scope for obtaining competitive procurement statistics.

Conclude digital agreements

The EU is the world's leading exporter and importer of digital services. It is therefore very much to be welcomed that the EU and Canada began negotiations on a digital agreement on 6 March 2026. These are due to be concluded by the upcoming EU-Canada Summit this year. In terms of legal certainty for businesses, it is highly significant that the agreement aims to improve paperless trade, guarantee the validity of electronic signatures, contracts and invoices, and prohibit customs duties on electronic transfers. Cooperation on digital sovereignty – for example in the areas of open source and open, interoperable standards – must also be strengthened in order to prevent strategic digital dependencies. A digital agreement of this kind is also important for strengthening the German-Canadian Digital Alliance on issues such as artificial intelligence, digital sovereignty, digital infrastructure, quantum technologies and the networking of start-ups and technology companies.

Advance EU-CPTPP cooperation

Canada is a key player in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The EU should work with Canada to promote an EU-CPTPP 'coalition of the willing' that advocates for open markets and the preservation and further development of global trade rules.[2] Together, the 27 EU Member States and the twelve CPTPP member states – Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United Kingdom and Vietnam – account for 37 per cent of world trade – more than the US and China combined. In particular, the EU and the CPTPP should focus on WTO reform, common digital and rules of origin, and cooperation on supply chain security. The EU–Canada Digital Agreement can serve as a model for future EU–CPTPP cooperation.

Expand cooperation on raw materials

The German economy is coming under increasing pressure as a result of the exploitation of economic interdependencies and dependencies. The rise in export restrictions on critical raw materials – including rare earths, hard metals, and raw materials for technology and batteries – highlights the need to make the German economy's supply of raw materials more resilient, competitive and sustainable. This makes close cooperation with Canada on critical raw materials, energy and resilient supply chains all the more important. It strengthens security of supply, safeguards Germany's industrial competitiveness and lays the foundations for the future of key sectors such as battery technology, high-tech production and industrial transformation.

Canada is a key partner for the EU in reducing strategic dependencies and diversifying critical supply chains. Canada possesses 22 of the 34 raw materials classified as critical by the European Commission and the German Federal Government. At present, however, only around 1 per cent of Canada's mineral raw material exports go to Germany. The raw materials strategy adopted by Canada in 2022 offers numerous opportunities for diversification and deeper cooperation with the German business community. Strengthening and expanding German-Canadian cooperation on raw materials requires concrete projects carried out in close collaboration with the business community.

The development of new Canadian capacities for the extraction, processing and recycling of raw materials can open up new opportunities for procurement, exports and innovation. In particular, the expansion of local processing and refining capacities for critical minerals offers considerable potential to utilise Canadian raw materials more effectively, retain value creation in Canada and, at the same time, strengthen the security of supply for key European industries. Various cooperation agreements between German and Canadian partners in the raw materials sector have already been concluded, and these need to be further supported. In addition, it should be examined whether Canada's efforts to build up raw materials reserves present further opportunities for cooperation within the business sector.

To facilitate closer cooperation in the raw materials sector, Germany's and Canada's financing instruments need to be more closely integrated. Institutional exchange and cooperation between German and Canadian organisations – such as KfW, KfW IPEX, Export Development Canada, Invest in Canada, the Canada Growth Fund, pension funds and others – should be deepened. Furthermore, consideration should be given to the extent to which 'blended finance' approaches can facilitate greater involvement of private capital in joint projects. To promote faster cooperation and investment, mutual recognition of due diligence assessments should also be considered in order to increase operational capacity.

[2] DIHK paper on EU-CPTPP cooperation 2026 https://www.dihk.de/resource/blob/184034/fbdbe441fcd648d380b01ede48a02e9c/international-impulspapier-cptpp-data.pdf

Deepen the energy partnership

The energy partnership between Canada and Germany was launched in 2021 by the governments of both countries to strategically promote bilateral cooperation in the energy sector and coordinate joint projects. The current action plan focuses on clean energy and technologies, the expansion of the Canada–Germany Hydrogen Alliance, and cooperation in the area of raw material security for the energy transition and climate protection. Canada offers considerable potential as a partner for clean hydrogen, LNG, renewable energies and climate-friendly energy technologies. Canada is therefore of strategic importance for the successful diversification of Europe's energy supply. However, in many regions, the transport and export infrastructure – particularly for the direct transport of hydrogen (or its derivatives) and LNG to the EU – would still need to be largely developed. The long-term objective should be to establish resilient transatlantic energy and hydrogen corridors that support security of supply, decarbonisation and industrial competitiveness in equal measure.

Advance economic security agreements

The EU and Canada should conclude a comprehensive economic security agreement. This should include early warning mechanisms for resilient supply chains and a deepening of the EU-Canada partnership on raw materials. It should also include an agreement to refrain from economic coercive measures, in particular export restrictions on sensitive goods in the sectors of energy, critical raw materials, medicines and food. In addition, government transparency and notification obligations regarding export controls should be agreed – for example, in the form of a code of conduct. Close cooperation on export controls, investment screening, trade defence measures and anti-coercive measures should also be institutionally agreed.

USMCA reform

At the same time, the German business community is following the talks on the future of the US-Mexico-Canada Agreement (USMCA; known as CUSMA in Canada) with great interest. The renegotiation must not lead to the North American economic area being closed off to European companies. A possible expiry of the agreement would particularly affect those German companies that rely on closely integrated supply chains in North America. Furthermore, greater alignment of Mexico's and Canada's trade policy measures with those of the US could make market access more difficult for German companies in future. For instance, the recent increases in steel tariffs by these countries, set at the same level as US external tariffs, are already restricting foreign trade – in some cases, including trade with the EU. The EU should insist on compliance with the agreed agreements in this regard.

Mobility of skilled workers

The EU and Canada should significantly facilitate the mobility of skilled workers, apprentices and young talent by simplifying visa and secondment procedures and making them faster and more predictable. At the same time, there needs to be greater mutual recognition of degrees and professional qualifications, so that qualifications are assessed on the basis of actual skills rather than administrative hurdles. In addition, both sides should expand exchange programmes for young professionals, research and professional practice in order to strengthen skills profiles, networks and innovation partnerships at an early stage.

Further forms of cooperation with Canada

The expansion of research and innovation cooperation should remain a central element of bilateral relations. Canada's participation in Horizon Europe and its accession to the Erasmus+ youth mobility programme are to be expressly welcomed. On 3 July 2024, Canada joined Pillar II of 'Horizon Europe'. Within this framework, it is important to comprehensively promote the closest possible research cooperation. There are also significant economic opportunities for cooperation between the EU, Germany and Canada in the fields of security, defence and space. The EU and Canada should also strengthen their cooperation on ports, shipping and maritime logistics, for example with a view to establishing climate-neutral shipping corridors between Europe and Canada.

In the steel and aluminium sectors, the EU and Canada should, together with like-minded partners, promote an open metals club that enables non-discriminatory trade amongst its members and strengthens the resilience of supply chains.

Negotiations on a German-Canadian Strategic Partnership Agreement should be concluded swiftly. The agreement should lead to concrete, economically tangible results. There is considerable potential for deeper cooperation in the areas of security and defence, technology, artificial intelligence and space, supply chains and critical raw materials, energy and investment. This potential should be translated into robust projects, simplified cooperation structures and better framework conditions for businesses.

Furthermore, Canada should support greater institutional involvement of the EU in cooperation in the Arctic region, as well as the EU's accession to the Arctic Council.

Conclusion

For several months now, there has been a debate in Canada about joining the EU. Even if Canadian accession to the EU is not foreseeable, given the country's situation, both sides should strive to foster the closest possible institutional links in all areas relevant to the economy. Canada is far more than just a trading partner for Germany and Europe. The country is emerging as a key partner for economic security, the supply of raw materials, the energy transition, digitalisation and the defence of an open, rules-based global economy.

The coming years offer an opportunity to take EU-Canada relations to a new strategic level. This requires the full implementation of CETA, the conclusion of new agreements in the areas of digitalisation and economic security, and significantly deeper cooperation on raw materials, energy, security and defence, as well as innovation. A stronger partnership between the EU and Canada would not only promote growth and competitiveness, but also strengthen the geopolitical resilience of both sides.

EU–Canada trade data

Accounting for almost 8 per cent of trade, the EU was Canada's second-largest trading partner. Canada ranks 12th on the list of the EU's most important trading partners. Between 2016 and 2024, trade in goods increased by around 65 per cent and trade in services by around 90 per cent. Total trade rose by around 72 per cent between 2016 and 2024.

Germany–Canada trade data

In 2025, trade in goods between Germany and Canada amounted to almost €22 billion. This comprised €9 billion in German imports from Canada and €12 billion in German exports to Canada. With a 0.7 per cent share of Germany's trade, Canada ranks 28th among its most important trading partners. The main categories of German exports are motor vehicles (24 per cent), machinery (20 per cent) and pharmaceutical products (12 per cent). Germany's main imports from Canada are ores (24 per cent), metals (11 per cent) and oil and gas (11 per cent). Between 2016 and 2025, trade in goods between Germany and Canada increased by 59 per cent. The cumulative value of Germany's foreign direct investment in Canada stood at €26 billion in 2024. 628 German companies in Canada employed more than 71,000 people. The cumulative value of Canadian investment holdings in Germany stood at €2 billion in 2024 (100 companies with 18,000 employees). The German-Canadian Chamber of Commerce (AHK Canada) has been the point of contact for German and Canadian companies for many years.

Who we are:

The German Chamber of Commerce and Industry (DIHK) is the umbrella organisation of the 79 Chambers of Commerce and Industry (IHKs) in Germany. Together, they represent the interests of more than three million companies from industry, trade and services – from small local businesses to globally active corporations. Their shared objective is to ensure the best possible conditions for successful business.

At the national level, the DIHK consolidates the positions of the IHKs through a formal, statutory-based process. It represents the overall interests of the German business community vis-à-vis policymakers, public authorities and the wider public. At both the federal and European levels, the DIHK advocates for competitive framework conditions, including reduced bureaucracy, open markets and modern infrastructure.

The DIHK serves as a platform for the diverse perspectives of its member companies. Its analyses and statements reflect a broad range of views, including minority positions, in order to provide policymakers with a comprehensive and balanced picture. In this way, the DIHK contributes to informed and credible economic policy debates in Berlin and Brussels.

Entrepreneurs play a central role in shaping the DIHK's positions through their engagement in statutory and voluntary bodies such as general assemblies and committees. Their work is supported by more than 200 staff members in Berlin and Brussels. The DIHK's Chief Executive Officer, appointed by the General Assembly, is responsible for day-to-day operations.

In addition to its national role, the DIHK coordinates a global network of more than 150 German Chambers of Commerce Abroad (AHKs), delegations and representative offices in over 90 countries, supporting German businesses worldwide.