

## **Agriculture in the Canada-EU Trade Agreement**

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# **Agriculture in the Canada-EU Trade Agreement**

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# **Comprehensive Economic and Trade Agreement (CETA)**

- ❖ **Canada and the EU negotiated for almost 5 years (Oct 2009–Sept 2014)**
- ❖ **Negotiated in strict secrecy**
- ❖ **Agreement announced Sept 26, 2014 – text posted (500+ pages)**
- ❖ **Still must be ratified by Canadian Parliament, EU Council, EU Parliament and individual Member States of the EU**

# Agriculture in the CETA: A Protectionist “Grand Bargain”

- ❖ “Everything is on the table”
- ❖ **but**
- ❖ Sensitive areas in agri-food trade on both sides
  - Canada – supply management
  - EU – biotechnology, beef produced using hormones, markets for beef and pork
- ❖ Speculation on a “Grand Bargain in Agriculture” – Canada keeps supply management while EU retains contentious SPS barriers
- ❖ Special interests of the EU – market access for specialty cheeses, recognition of geographical indications, pricing of wine

# Agriculture in the CETA: Direct and Indirect Implications

## ❖ Direct implications for agricultural trade

- Tariff Reduction
- Expansion of TRQ quotas
- Special Safeguard
- Rules of Origin
- SPS Import Regulations

## ❖ Indirect affects on agri-food trade

- Pricing of wines and spirits
- Geographical Indications
- Trade and the Environment
- Anti-dumping
- Trade in the products of agricultural biotechnology

# Agriculture in CETA: Tariffs

- ❖ There are 5 tariff schedules applied to goods: A immediate; B 4 years; C 6 years; D 8 years; S 3 years but start delayed 5 years; E no reduction
- ❖ Ag products with current low levels of protection on schedule A
- ❖ All of Canada's supply managed product's above quota tariffs on schedule E – no reduction
- ❖ Both Canadian and EU within quota tariffs on schedule A (curious)

## **Agriculture in the CETA: TRQ quota increases - EU**

- ❖ **EU quota on wheat (current 39,000 tonnes - mt), CETA adds 100,000 mt**
  - **Canadian global exports 12 million mt**
  - **EU wheat production 140 million mt**
- ❖ **Bison in the beef TRQ – 3000 mt**
- ❖ **Beef – high quality 31000 mt, frozen 15000 mt**
  - **Must be produced without hormones**
  - **Annual allocation by EU**
- ❖ **Pork – 75000 mt (10% increase) but SPS**

# Agriculture in the CETA: TRQ quota increases - Canada

- ❖ Canadian domestic policy for dairy, chicken, turkey and eggs is “supply management”
- ❖ Supply management requires restrictions on imports – Canadian TRQs
- ❖ EU particularly interested in market access for specialty cheeses
  - Increase in quota of 16000 mt – more than double current allocation
  - Total will be only 7 percent of Canadian cheese consumption
  - Are these cheeses substitutes for Canadian cheese?
- ❖ No mention in CETA of other Canadian TRQs

# **Agriculture in the CETA: Rules on TRQ quota “underfill”**

- ❖ In an attempt to ensure that increased market access agreed in the CETA will actually happen strict rules on within-year quota reallocation are included**
- ❖ There is a provision to review the operation of TRQ allocation**

# Agriculture in the CETA: “Special Safeguard”

- ❖ There is a provision for Canada (and not the EU) to use a “special safeguard” for some agricultural products
- ❖ This is consistent with Canada’s WTO arrangements
- ❖ Basically provides an extra layer of protection for Canada’s “supply managed” products in case imports can be profitable after high above quota TRQ tariffs are paid
- ❖ Will return to this later

# Agriculture in the CETA: Rules of Origin

- ❖ To qualify for **wholly obtained** status whereby the complex rules of origin do not apply animals and their products such as beef or pork must be “born and raised in Canada”
- ❖ Integrated NAFTA market for beef and pork means animals may be born in the US and either sent to Canada to be raised or for slaughter
- ❖ Means complex tracing and segregation to comply with Rules of Origin (similar costs to COOL)
- ❖ Some activities – slaughtering, basic processing of crops, vegetables, fruits, nuts are deemed not sufficient to qualify as domestic products

# Agriculture in the CETA: SPS Rules



## **CETA Provisions Affecting Agri-food Trade: Pricing of Wines**

- ❖ Long running EU complaint**
- ❖ In Canada regulation of sales of wines and spirits is constitutional authority of provincial governments**
- ❖ In most Canadian provinces wine is sold through liquor commissions or directly in government owned stores**
- ❖ High markups are applied – historically to discourage consumption, latterly as a lucrative source of revenue**

# **CETA Provisions Affecting Agri-food Trade: Pricing of Wines**

- ❖ **Canadian wine consumption has been rising rapidly**
- ❖ **EU complains that markups discriminate against its higher quality wines – reducing imports**
- ❖ **Canadian governments had to obtain support of provincial governments**
- ❖ **A number of provisions in the CETA meant to ensure that markups are flat rate and don't disadvantage EU wines**
- ❖ **The number of stores (BC and Ontario) selling only domestic wine capped**

# **CETA Provisions Affecting Agri-food Trade: Geographical Indications**

- ❖ **EU has made geographical indicators a centrepiece of agricultural policy**
- ❖ **Gives groups of farmers and artisans monopoly – extend the remit of the monopoly through trade agreements**
- ❖ **EU made it clear this was a priority in CETA**
- ❖ **In Canada (and US) this intellectual property is protected by trademarks – conflict of laws**
- ❖ **Bigger problem – generics in Canada have EU geographical indicators (e.g. feta)**
- ❖ **Canadian firms currently produce some of these products**

# **CETA Provisions Affecting Agri-food Trade: Geographical Indications**

- ❖ **Very difficult negotiations**
- ❖ **Ended in a “classic” compromise**
- ❖ **Approximately 175 EU geographical indicators recognized by Canada (cheeses, processed meats, olives, olive oil, beer, baked goods, spices, vinegars, processed fruits and nuts)**
- ❖ **Current Canadian producers of generics “grandfathered” (Asiago, Feta, Fontina, Gorgonzola, Munster, Nürnberger Bratwürste, Jambon de Bayonne and Beaufort)**
- ❖ **No new Canadian producers of these products**
- ❖ **Cheese imports restricted by TRQ and “special safeguard”**
- ❖ **Canadian list empty**

# **CETA Provisions Affecting Agri-food Trade: Anti-dumping**

- ❖ **CETA anti-dumping provisions have added a “Public Interest” clause**
- ❖ **Public Interest should be taken into account when determining if anti-dumping duties should be applied and in determining the size of anti-dumping duties**
- ❖ **If food prices for consumers would be expected rise as a result of anti-dumping duties, it may not be considered in the Public Interest**

## **CETA Provisions Affecting Agri-food Trade: Trade in the Products of Biotechnology**

- ❖ **Canada is a major developer and exporter of agricultural biotechnology and its products**
- ❖ **Biotechnology in the EU is a very difficult and complex political problem – regulatory regime is in flux**
- ❖ **Canadian exports suffer (GM canola; flax) and biotech development stifled (wheat)**
- ❖ **Canada wants EU to apply science-based SPS rules; EU Commission needs greater flexibility**
- ❖ **CETA provides classic compromise liked by negotiators – set up a venue to *talk and talk and talk* – a clear “win” for the EU**

## **Conclusion: A Protectionist Grand Bargain?**

- ❖ **Where protectionism existed prior to the negotiations they continue to exist in the CETA**
  - **Supply managed products in Canada**
  - **EU SPS measures and biotech plus markets for wheat and beef**
- ❖ **Significant liberalization only where protectionism not manifest**
- ❖ **Secret negotiations lead to the types of compromises liked by negotiators**



## **Conclusion: Any Insights for T-TIP?**

- ❖ **An inventive compromise over geographical indicators**
- ❖ **Biotechnology is probably too difficult to deal with**
- ❖ **Does the US have policies that allow the construction of a “Protectionist Grand Bargain” in the T-TIP?**
- ❖ **The “Devil” will be in the details**
- ❖ **The EU does not have a “fast track” for ratification**



# Thank you

**If you are interested:**

- **Viju, C. and W.A. Kerr (2011) Agriculture in the Canada-EU Economic and Trade Agreement, *International Journal*, 76 (3), 677-694.**