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: