Substantially Not All Trade: Agriculture in the Canada-EU Trade Agreement

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Introduction

- **Article XXIV of GATT:**
  - *"A free-trade area shall be understood to mean a group of two or more customs territories in which the duties and other restrictive regulations of commerce (…) are eliminated on substantially all the trade between the constituent territories in products originating in such territories."* (WTO, n.d.)

Outline

- CETA negotiations;
- Agricultural trade between Canada and the EU;
- Main trade barriers;
- Expectations regarding agriculture in CETA;
- Conclusions.


EU-Canada Summit
Sommet UE-Canada
Brussels/Bruxelles
05.05.2010

Negotiations

- May 6, 2009:
  - Canada-EU Summit Prague – announcement of launching negotiations for a Comprehensive Economic and Trade Agreement (CETA);
  - 5 rounds of negotiations:
    - 19-23 October 2009, Ottawa;
    - 18-22 January 2010, Brussels;
    - April, July and October 2010.
- Concept of a FTA not new:
  - Canada one of eight countries without any form of preferential agreement with the EU;

Canada-EU Agreements

- 1976:
  - Bilateral Framework Agreement for Commercial and Economic Cooperation;
- Bilateral agreements for various trade issues, sectoral agreements and bilateral “consultations” or “dialogues” for various sectors:
  - 1997: cooperation between customs administrators;
  - 1999: Veterinary Agreement;
  - 2003: Wine and Spirits Agreement;
  - 2009: Civil Aviation Safety Agreement;
  - 2009: Comprehensive Air Services Agreement;
  - 2006: negotiations on a Trade and Investment Enhancement Agreement (TIEA);
- Formal relationships between several provinces/territories and different EU member states.

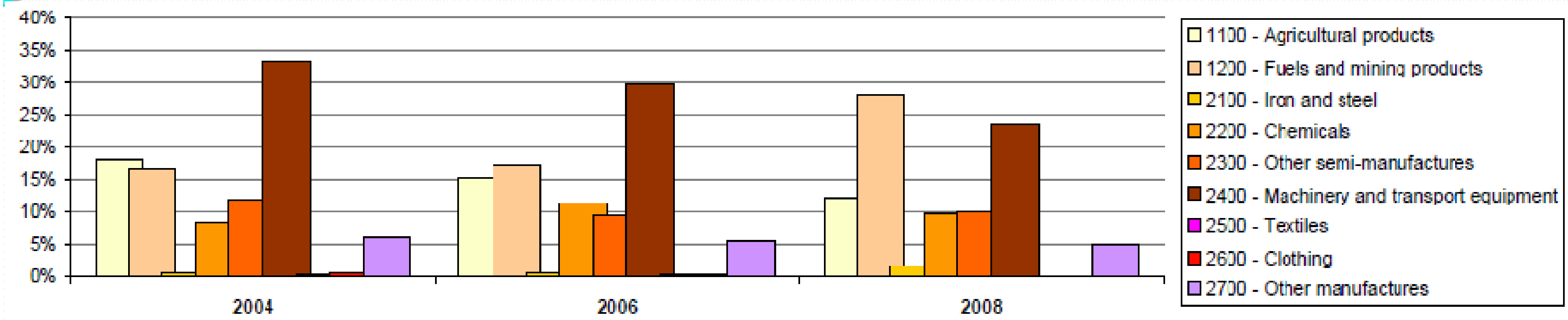
CETA

- **October 2008:**
  - Joint study: *Assessing the Costs and Benefits of a Closer EU-Canada Economic Partnership;*
  - Benefits:
    - 0.08% increase in EU GDP;
    - 0.77% increase in Canada GDP;
    - Assumption: Doha Round completed and successful.
- **March 2009:**
  - *Joint Report on the EU-Canada Scoping Exercise* – main areas of negotiations:
    - Trade in goods and services; investment; government procurement; regulatory cooperation; intellectual property; temporary entry of business people; competition policy; labour and environment.
  - Predictable sensitive issues:
    - Agriculture; ship building; alcoholic beverages; trade remedies; health and safety standards; environmental regulations; intellectual property and government procurement.

EU-Canada trade relations

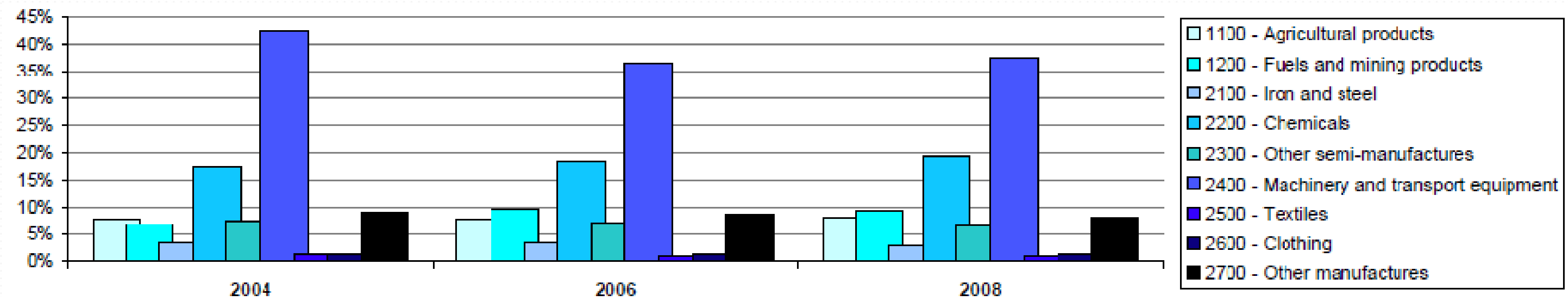
- **Strong two-way trade and investment:**
  - EU is Canada's second-largest trading partner:
    - Exports to the EU: CAD $52.2 billion (2008);
    - Imports from the EU: CAD $62.4 billion (2008);
  - EU is Canada's second-largest source of FDI:
    - CAD $133.1 billion (2008);
  - Canada is ranks only in 11th place on the EU list of trading partners;
  - Canada is the EU's fourth largest source of FDI:
    - 21.4% of Canadian FDI abroad (2007).

Figure 1: EU imports from Canada



Source: EUROSTAT

Figure 2: EU exports to Canada



Source: EUROSTAT

Agricultural trade (2009):

- Canada's exports to EU: $1.7 billion primary agricultural products; $720 million manufactured foods;
- EU's exports to Canada: $250 million primary agricultural products; $1.5 billion manufactured foods.

Barriers to agricultural trade

- **Tariffs:**
  - Canadian tariffs decreased on a trade weighted basis;
  - Access to Canadian supply managed products highly restricted:
    - TRQs with out-of-quota tariff rates in the range of 100% to 250%;
    - Small TRQ quantities: 3-10% of consumption;
  - EU tariff rates lowered, but they are still high:
    - In excess of 35% (54% for dairy products);
    - Fish, shrimp and sea food sub-sectors still heavily restricted by high tariffs and TRQs.

Table 1: Average tariffs applied on selected major agricultural products (%), 2005

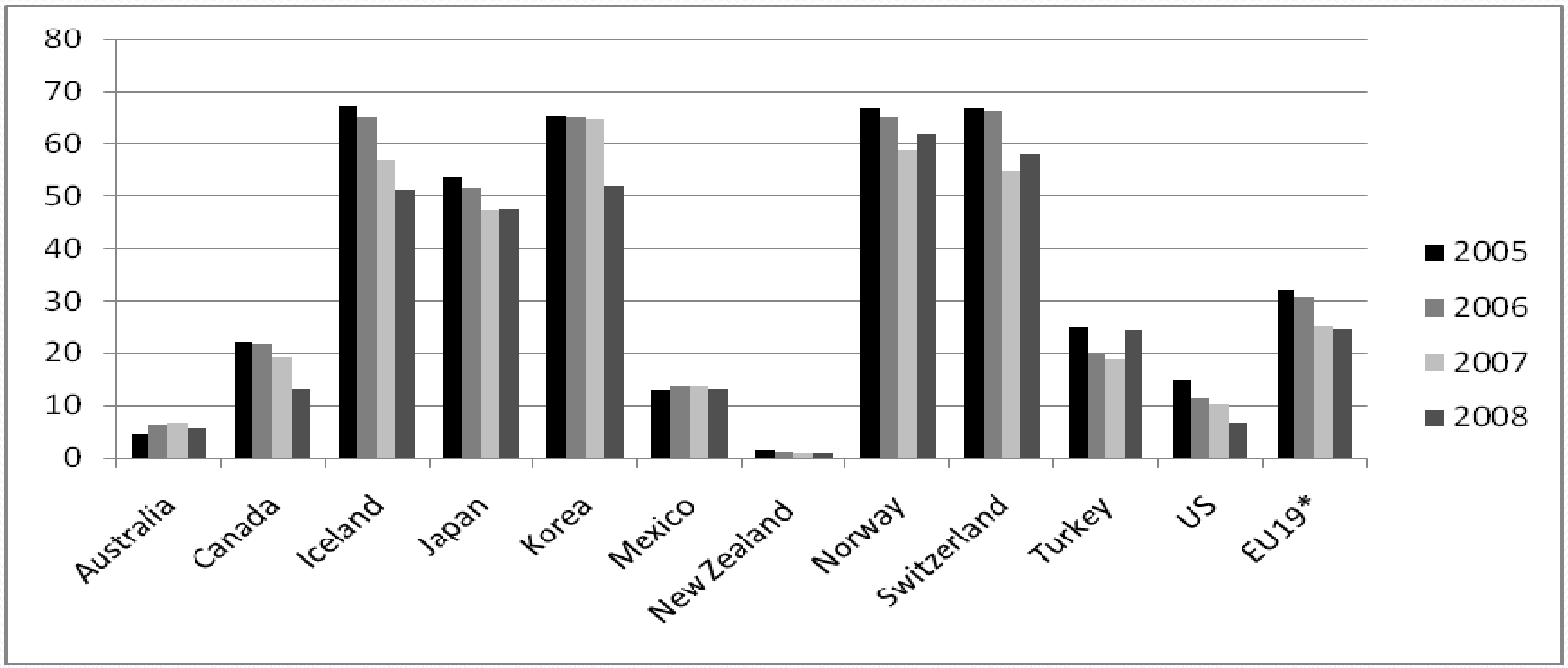
Countries/Products	Meat	Milk (processed)	Rice	Sugar	Wheat
Australia/New Zealand	0.0	0.9	0.0	2.1	0.0
Canada	7.9	103.2	0.0	3.7	1.7
EU25	39.7	47.0	138.6	128.6	0.5
USA	1.7	18.8	4.9	34.9	2.4
Argentina	8.6	16.8	12.2	17.5	5.7
Brazil	6.0	19.7	14.5	17.5	4.6
China	9.9	11.4	1.0	19.8	1.0
India	24.2	51.4	72.8	59.5	7.7

Source: Nello (2009)

Barriers to agricultural trade

- Trade distorting subsidies:
  - **Domestic support:**

Figure 3: Producer Support Estimate (%) by selected country (2005-2008)



Source: OECD (2009)

Barriers to agricultural trade

- Trade distorting subsidies:
  - **Export subsidies:**

Table 2: Use of export subsidies: Averages from 1995 to 2000 by country

	Average 1995–2000 (Million $)	%		Average 1995–2000 (Million $)	%
EU	5 503.4	88.7	Israel	6.6	0.1
Switzerland	311.5	5.0	Mexico	3.8	0.1
Norway	85.7	1.4	Cyprus	2.9	0.0
USA	83.6	1.3	Australia	0.6	0.0
Canada*	54.5	0.9	Iceland	0.0	0.0
Czech Republic	37.1	0.6	New Zealand	0.0	0.0
Turkey	28.4	0.5	Romania	0.0	0.0
Poland	21.7	0.3	Bulgaria	0	0
South Africa	18.6	0.3	Brazil	0	0
Hungary	16.9	0.3	Indonesia	0	0
Colombia	12.8	0.2	Panama	0	0
Slovak Republic	10.8	0.2	Uruguay	0	0
Venezuela	7.8	0.1			
			Total	6 206.7	100

Source: Peters, 2006

Barriers to agricultural trade

- **Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) measures:**
  - Regulations inhibit, restrict and eliminate trade in agriculture and food products;
  - **Do they have a legitimate purpose?**
    - Protect population from food safety hazards, from fraud (falsely labelled food products);
  - Uruguay Round (1994): 2 distinct WTO sub-agreements:
    - Agreement on the Application of Sanitary and Phytosanitary Measures (SPS) and the Agreement on Technical Barriers to Trade (TBT);

Barriers to agricultural trade

- **SPS:**
  - Science as justification for imposition of barriers to trade;
  - Major disagreements between Canada and the EU:
    - On science itself;
    - Science should be the sole factor in the establishment of SPS import regulations?
  - 2 high profile SPS disputes since 1995:
    - EU import ban on Genetically Modified Organisms (GMOs);
    - EU import ban on beef produced using growth hormones.

Barriers to agricultural trade

- **TBT:**
  - Major contentious area: labelling requirements for imports;
  - Increased consumers' interest regarding credence attributes: animal welfare; child labour; use of GMOs; environmentally friendly; use of pesticides;
  - TBT agreement:
    - Import labels cannot be required on the basis of how a product is produced (except when final product is discernibly different);

Barriers to agricultural trade

- **Standards:**
  - Example: EU accepts organic products in its markets only if the exporters have national standard for organic products and the standard is recognized by the EU.

Expectations for Agriculture

- **European subsidies:** domestic and for export
  - How to isolate Canadian *third market* exports?
- **Barriers to market access:** different motivations for imposition
  - Will European export-subsidy motivated tariffs be lowered?
    - Create a *fast track* mechanism for tariff anomalies, regulatory vacuums and bureaucratic inertia;
    - Example: Canadian bison meat – classified as beef;
    - Layered barriers to trade;
  - Protection of consumers, environmentalists and other social groups in EU: bilateral exceptions?
    - Principle of non-discrimination;
    - Example: import ban on seal pelts from Canada; import ban on beef produced using growth hormones and GM products; green labeling, organic standards, animal welfare etc.
  - Market access for biofuels?

Expectations for Agriculture

- **Barriers to market access:**
  - Supply management in Canada: especially dairy products;
    - Example: supply management defended in CUSTA, NAFTA, Uruguay and Doha Rounds;
  - Wines:
    - Purchasing/sale practices of monopsonistic/monopolistic provincial government liquor boards in some Canadian provinces;
- Grand bargain likely to stay within agriculture; modest gains.

Expectations for Agriculture

- **Trade and the environment:**
  - Precautionary principle and Biosafety Protocol;
  - Environmental tariffs;
    - *Environmental dumping;*
- **Geographical Indicators (GIs):**
  - A form of intellectual property;
  - Required protection from the state because value of goods is primarily derived from *credence attributes;*
    - Originally based on the idea of *terroir*;
    - EU expanded the set of characteristics: localized human capital-based knowledge;
  - Three contentious international issues:
    - Major global split in the protection mechanism of this form of intellectual property (trademarks and *sui generis)*;
    - *Generic* terms;
    - Foreign protection for less well known or new EU GIs designations.

Provided to WTO Members, 2003	Canada-EU Agreement
Beaujolais	n/a
Bordeaux	Bordeaux
Bourgogne	Bourgogne (also: Burgundy)
Chablis	Chablis
Champagne	Champagne
Chianti	Chianti
n/a	Claret
Cognac	n/a
Grappa di Barolo, del Piemonte, di Lombardia, del Trentino, del Friuli, del Veneto, dell'Alto Adige	Grappa
Graves	n/a
Liebfrau(en)milch	n/a
Malaga	Malaga
Marsala	Marsala
Madeira	Madeira
Médoc	Médoc (also: Medoc)
Moselle	Moselle (also: Mosel)
Ouzo	Ouzo
Porto	Porto (also: Port)
Rhin	Rhin (also: Rhine)
Rioja	n/a
Saint-Emilion	n/a
Sauternes	Sauternes (also: Sauterne)
n/a	Sherry
Jerez, Xerez	n/a

Non-Wine and Spirit Designation Protection Sought by the EU

Asiago - cheese
Azafrán de la Mancha - saffron
Comté - cheese
Feta - cheese
Fontina - cheese
Gorgonzola - cheese
Grana Padano - cheese
Jijona y Turrón de Alicante - confection
Manchego - cheese
Mortadella Bologna – meat product
Mozzarella di Bufala Campana - cheese
Parmigiano Reggiano - cheese
Pecorino Romano - cheese
Prosciutto di Parma – meat product
Prosciutto di San Daniele – meat product
Prosciutto Toscano – meat product
Queijo São Jorge - cheese
Reblochon - cheese
Roquefort - cheese

Conclusions

- **Original premise:** agricultural issues taken care in Doha agreement;
  - Agreed *sensitive products* lists (Canada's supply managed products removed from the *table* in CETA);
  - EU export subsidies eliminated;
  - New regimes for domestic support.
- **Doha Round suspended:**
  - *Everything is on the table* at CETA negotiations;
  - Opt for *status quo?*
    - *No go* areas for EU negotiators: market access for products facing resistance from consumers, environmentalists and other groups;
    - *No go* areas for Canadian negotiators: supply managed products;
    - Difficult negotiations on: trade and environment, environmental dumping and GIs.