Agriculture in the EU-Canada Comprehensive Economic and Trade Agreement (CETA)

The Comprehensive Economic and Trade Agreement (CETA) is a preferential trade and investment agreement, negotiated between the European Union (EU) and Canada but not yet in force, which aims at increasing the bilateral flow of goods, services and investments. CETA includes several elements which are directly related to agriculture, notably tariff cuts, tariff rate quotas and Geographical Indications, while the sections on subsidies, rules of origin and sanitary and phytosanitary rules also have implications for the sector.

Tariff reductions and tariff rate quotas

Under the terms of the agreement, the EU and Canada have agreed to eliminate or reduce their bilateral **tariffs** on the imports of goods, either directly when CETA enters into force or gradually over a transition period. Tariffs are essentially taxes on imported or exported goods levied by governments at the borders, in order to generate revenue or protect their domestic industries from global competition. The aim of these tariff reductions is to reduce the costs for exporters and improve competitiveness, while lowering prices and increasing choice for consumers.

When the agreement enters into force, the EU and Canada will immediately eliminate 92.2% and 90.9% of their agricultural tariffs respectively, which will rise to 93.8% and 91.7% after a seven-year transition period. Tariff reductions will be more limited for agri-food products than for other goods, as both parties will remove nearly all tariffs on their industrial goods and services. According to the European Commission, these cuts would save EU companies exporting agricultural goods to Canada around €42 million per year.

Access for EU exports to the Canadian market will particularly improve for wines and spirits, processed agricultural products (especially bread and pastry), vegetables, fruits, nuts, sugar and meat; while Canadian exports to the EU are expected to increase significantly for cereals, oilseeds, vegetables, fruits and spirits.

The remaining products will continue to receive market protection, as these are considered to be politically sensitive agricultural sectors. Both sides will completely exclude their **poultry** and **egg** sectors from tariff liberalisation, while only limited market access will be granted for other products in the form of **Tariff Rate Quotas (TRQs)**. TRQs are a combination of tariffs and quotas, in which imports below a specific quantity are subject to a low (or zero) tariff rate, while imports above that quantity face a higher tariff rate. Specifically, the EU will increase the tariff-free quota for low and medium-quality **wheat** (from 38 853 to 100 000 tonnes during a seven-year transition period), **sweet corn** (from 1 333 to 8 000 tonnes during a six-year period), **beef** (from 7 640 to 45 840 tonnes over a six-year period) and **pork** (from 12 500 to 75 000 tonnes within a six-year period). A tariff-rate quota will also be created for **bison** meat, which will involve an immediate tariff-free quantity of 3 000 tonnes, while the in-quota tariff will be removed in the existing WTO TRQ for 11 500 tonnes of high-quality Hilton beef.

Meanwhile, Canada will gradually increase its quota for EU **cheese** from 2 667 to 17 700 tonnes over a six-year period (of which 16 000 tonnes for high-quality cheese and 1 700 tonnes for industrial cheese), while Canadian tariffs on milk proteins will also be phased out. Market access for EU products will not be improved for the other Canadian sectors regulated by supply management measures, namely dairy, poultry and egg products, which will continue to be protected through a system of tariffs, tariff rate quotas, export subsidies, and production quotas that can be traded between the Canadian provinces.

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Geographical Indications

CETA recognises and offers protection on the Canadian market to 145 EU Geographical Indications (GIs), which are names that identify agri-food products originating from a specific European area with certain qualities or a reputation linked to that location. The names of these GIs can thus only be applied in Canada to products imported from the European locations where they have traditionally been made. The majority of these products involve cheese, meat and beer, but also include fruits, nuts, olives, spices and vinegars. The agreement includes the possibility to add additional Geographical Indications to this list in the future.

For 21 other Geographical Indications, CETA includes specific provisions on their use in Canada:

- 5 GIs (*Canards à foie gras du Sud-Ouest (Périgord), Szegedi téliszalámi/Szegedi szalámi, Prosciutto di Parma, Prosciutto di S. Daniele, Prosciutto Toscano*) will coexist with the existing Canadian products;
- 8 GIs (*Black Forest Ham, Tiroler Bacon, Parmesan, Bavarian Beer, Munich Beer, St George, Valencia orange, and Comté*) will be protected, although their names can be translated into French or English if this does not mislead the consumer about the true origin of the product;
- For 3 GIs (*Nürnberger Bratwürste, Jambon de Bayonne and Beaufort*), some existing products can stay on the market while others will need to be phased out during a transition period, depending on the number of years the Canadian firms have been producing these products;
- The names of 5 cheeses (*Asiago, Gorgonzola, Feta, Fontina, and Munster*) will be protected in Canada, except for products that are already sold on the Canadian market, while new producers can only use these names if they include indications such as 'style', 'type' or 'kind'.

The text does not include any Canadian Geographical Indications which need to be recognised by the EU.

Subsidies

The agreement states that the EU and Canada cannot grant any export subsidies to compensate for the removal of tariffs on their (agricultural) products. However, the parties remain free to decide on domestic subsidies for their agricultural sector, on condition that they continue to follow the rules and commitments of the WTO Agreement on Agriculture. Nevertheless, the parties have the possibility to request consultations if they are concerned that a policy or subsidy imposed by the other party could have a negative impact on their agricultural sector.

Rules of Origin

The Rules of Origin Protocol in CETA determines the conditions for products to qualify as 'European' and 'Canadian', in order to avoid products from other countries obtaining preferential market access as a result of the agreement. While most Canadian agricultural products meet the EU Rules of Origin, there are some products on the Canadian market containing a higher proportion of inputs imported from third countries. For this reason, specific derogations have been made for the export of a small number of Canadian agricultural products to the EU, including chocolate, sugar confectionary and processed foods.

Sanitary and phytosanitary rules

The agreement sets procedures to simplify and facilitate the approval process for exports, and to ensure that sanitary and phytosanitary (SPS) measures do not create unlawful trade-restrictive measures. The European Commission also stresses that EU and Canadian sanitary and phytosanitary standards, food safety and environmental regulations will not be changed by CETA, meaning that exported products will have to comply with domestic rules. For instance, Canadian beef and pork exported to the EU still needs to be free of growth hormones, as their use is banned by EU regulations. Nevertheless, critics fear that the regulatory cooperation fora introduced by CETA could undermine the precautionary principle of the EU, which allows public authorities to adopt restrictive measures to counter potential health or environmental risks.

Next steps at EU level

After the text of CETA was legally reviewed and translated into all official EU languages, the Commission submitted it for approval to the Council on 5 July 2016. If the Council approves the agreement, the European Parliament will be asked to give consent to its conclusion (Artis Pabriks (EPP, Latvia) was appointed rapporteur on 13 July 2016). The Commission has proposed CETA as a mixed agreement involving both EU and national competences, which means that the national (and certain regional parliaments) of the EU Member States will also need to ratify the agreement before it can fully enter into force. Nevertheless, CETA could be applied provisionally after receiving the approval of the Council and the consent of Parliament.