CANADA-EU COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT

Background

On September 26, 2014 Prime Minister Stephen Harper and European Commission President José Manuel Barroso announced the end of the negotiations of the Canada-EU Comprehensive Economic and Trade Agreement (CETA). It is the most significant trade agreement for Canada since the North American Free Trade Agreement was concluded in 1994 and the broadest trade negotiation Canada has ever undertaken, covering a significant range of issues including tariffs, non-tariff barriers, services and investment, financial services, government procurement, and much more. For the first time, the CETA covers issues that fall within the jurisdiction of provincial governments, leading to Canada’s 13 provinces and territories playing a significant role during the negotiation process.

The CETA offers tremendous potential for Canadian producers and food processors in the EU:

- Today, Canada ships C$2.4 billion in agriculture and food products to the EU’s 28 member states.
- Given Canada’s prowess as an agriculture power house and given the EU’s standing, with 500 million people, as one of the largest consumer markets in the world, Canada’s exports should be higher.
- Tariffs have been an issue for agriculture and food exporters. EU tariffs on agriculture and processed food products have been quite high, particularly on products such as beef, pork and wheat. Canada has also faced many non-tariff barriers in the European market.

Canadian agriculture and food exporters have individually, and collectively through the Canadian Agri-Food Trade Alliance, invested significantly more time and effort on assisting Canada in achieving a favourable outcome from CETA negotiations than on any other set of trade negotiations.

Quick Facts

- The European Union includes 28 individual countries whose combined population exceeds 500 million people.
- The EU is the world’s largest economy and Canada’s 4th largest agriculture export market. The EU is, by far, the largest importer of agricultural products in the world:
  - in 2014, the EU imported agricultural products valued at $104 billion.
  - In 2014, Canada shipped $3.2 billion in agriculture and food products to the EU, only about 6% of Canada’s total agri-food exports.
- Canada’s agricultural exports to the EU totalled an annual average of $2.5 billion between 2011 and 2013, led by wheat, soybeans and other oilseeds, canola oil, frozen fruits and maple syrup. Canadian agricultural exports to the EU currently face high tariff rates, with average EU agricultural tariffs of 13.9 percent.
The CETA

- On the day of implementation of CETA, tariffs on almost 94 percent of Canada's agri-food exports to the EU will be eliminated effective immediately. Over the course of the implementation period, virtually all other tariffs, other than for beef and pork, will also be eliminated.
- CETA offers tremendous potential for agriculture and agri-food exporters. We believe the Canada-European Union Comprehensive Economic and Trade Agreement, when fully implemented, could result in $1.5 billion in new Canadian agri-food exports to the EU.
- When the CETA is fully implemented, it is expected to drive additional agri-food exports including $600 million in beef, $400 million in pork, $100 million in grains and oilseeds, $100 million in sugar containing products, and a further $300 million in processed foods, fruits and vegetables.
- When it is implemented, the CETA will immediately eliminate EU tariffs on almost 94% of Canada’s agri-food products.
- For some grain products, where tariffs are not immediately eliminated, they will be phased out over a period of up to 7 years.
- In the case of beef, pork and bison, which are particularly sensitive to the EU, Canada will be granted duty free import quotas which will provide Canada with preferential access over its competitors.

Contributing to the CETA’s value, the negotiations have gone beyond tariffs, taking on a wide range of non-tariff issues critical to Canada's agriculture and food exporters.

- The CETA has included discussion in areas such as technical barriers to trade, sanitary and phytosanitary issues, regulatory cooperation and export subsidies. These issues can be the most significant barriers facing agriculture and food exporters today and, until now, have significantly impacted exports of Canadian agri-food products into the European market.
- The CETA has established mechanisms to promote cooperation and discussion on regulatory issues and non-tariff barriers that impede trade.
- Through the CETA, Canada and the EU have also committed to work together to advance a number of non-tariff issues, including approval of meat processing facilities and timely approval of bio-tech traits. These and other issues will need to be fully resolved before the CETA’s implementation.
- CETA has included discussion in areas such as technical barriers to trade, sanitary and phytosanitary issues, regulatory cooperation, and export subsidies. These issues can often be the most significant barriers facing our exporters, as important even in some cases as the tariffs themselves in the case of the European Union.
- CETA has established mechanisms that will promote cooperation and discussion on regulatory issues and non-tariff barriers that impede trade. Through the CETA, Canada and the EU have also committed to work together to advance a number of non-tariff issues, including approval of meat processing facilities and timely approval of biotech traits. These and other issues still need to be more fully resolved before the CETA is implemented, but we are confident that the Canadian government is committed to doing that.

CAFTA Position

- CAFTA concurs with the observation made by many international trade experts that the Canada-EU trade deal, when implemented, will be Canada's most significant trade agreement since NAFTA.
- CETA secures real and substantial access to one of the world's few multibillion-dollar export markets, and importantly, it does so ahead of our major competitors.
We firmly believe that CETA provides the net national benefit to Canada that merits this agreement being finalized and implemented and we look forward to continued support of the federal and provincial governments in achieving those outcomes.

There are many details to be sorted out before the CETA is signed. CAFTA will continue to support the federal and provincial governments in bringing this deal to a close.

**Views of the Members of The Canadian Agri-Food Trade Alliance**

- The Canola Council of Canada estimates the Canada-EU agreement will provide that sector’s exporters the opportunity to increase sales by up to $90 million per year.

- The Canadian Cattlemen’s Association points to new duty-free access for almost 65,000 tonnes of beef at a value they estimate to be nearly $600 million.

- Opportunities from CETA for the cereals and grains sector are seen to be both direct and indirect. The grain sector has identified duty-free wheat sales on top of the grain utilized in feed for livestock to meet the increased EU demand for Canadian meat. Cereals Canada

- The Canadian Meat Council, representing meat processors, has pointed out that the value of EU agricultural imports have increased by some 145% in just over a decade – from 2000 to 2012 and sees important export growth opportunities for bison, veal and prepared meats in addition to pork and beef.

- The sugar industry, through the Canadian Sugar Institute, expects CETA will secure an additional $100 million in exports of sugar-containing products to the European Union.

- The Canadian Pork Council, representing Canada’s hog producers, has projected, based on existing market intelligence and the anticipated market opportunities for specific cuts of pork, that this deal could, in a few short years, lead to annual sales from Canada to the EU of 400 million dollars per year.

**About CAFTA**

CAFTA was able to immediately, and unequivocally, voice its support of the agreement in principal on CETA when it was announced on October 18 of 2013. We are also were very pleased by the conclusion this fall of negotiations of the CETA.

*CAFTA is a coalition of national and regional organizations that support a more open and fair international trading environment for Canada’s agriculture and agrifood. CAFTA’s members include farmers, producers, processors, and exporters from the major trade-dependent sectors, including beef, pork, grains, oilseed, sugar, and malt. Together, CAFTA members account for 80% of Canada’s agriculture and agrifood exports, totalling $50 billion in exports annually, and directly employ half a million Canadians.*