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COVER NOTE

from: General Secretariat
to: Council

Subject: EU-Canada Free Trade Agreement negotiations
WTO negotiations
= information from the Commission

Delegations will find in Annex the information document submitted by the Commission to be presented under "Any other business" at the Council ("Agriculture and Fisheries") at its session on 28 January 2013.

Negotiations on a EU-Canada Free Trade Agreement

The EU is currently negotiating the Comprehensive Economic and Trade Agreement (CETA) with Canada, covering the key issues relevant to the modern trade and investment environment. The CETA cover:

- access to each other's markets, for goods (including agriculture), services and to public procurement contracts;
- the framework for investment;
- the rules that frame trade, such as competition and intellectual property (including geographical indications);
- the movement of professionals between the EU and Canada;
- sustainable development, making sure that growth in trade does not come at the expense of the environment or social and labour rights.

Negotiations were launched in May 2009 and are now in their final phase. Commissioners de Gucht and Ciolos and their Canadian counterparts Trade Minister Fast and Agriculture Minister Ritz met on 22 November 2012 in Brussels to take stock of the remaining open points. The aim is to conclude the CETA negotiations shortly, with a Ministerial meeting due to be held in Ottawa on 7 February 2013.

In agriculture, both sides have agreed to liberalise most trade, except for products considered sensitive: beef, pork and sweet corn for the EU; and products under the supply management regime, i.e. dairy, poultry and eggs, for Canada. An understanding has been reached that these products will not be liberalised but that new market access will be granted in the form of tariff quotas, with Canada asking for the exclusion of poultry and eggs.

A major stumbling block in this end-game is the establishment of tariff quota volumes which would be acceptable to both sides. Canada is asking important volumes of beef, in particular fresh and chilled, as well as of pork, while offering very modest dairy volumes in exchange.

The Commission is well aware that the EU capacity to open its meat markets is limited, and any market opening needs to take into consideration the interaction between the different free-trade agreements, on-going and forthcoming ones.

Positive results can be expected in the wine and spirits sector, with disciplines on discriminatory practices applied by Canadian provinces. The EU has also made clear that a satisfactory result is necessary on geographical indications, i.e. enhanced protection of EU geographical indications in Canada.

Key trade figures

- In 2011 Canada was the EU's 12th most important trading partner, accounting for 1.6% of the EU's total external trade. In the same year the EU was Canada's second most important trading partner, after the U.S., with around 10% share of Canada's total external trade.

As regards agricultural trade, including processed agricultural products, in 2011 Canada was the 11th most important origin for EU imports (2.2 bn €, or 2.2% of EU total agricultural imports) and equally the 11th most important destination for EU exports (2.5 bn €, or 2.4% of EU total agricultural exports).

WTO Negotiations

The 9th WTO Ministerial Conference is scheduled to take place in Bali, Indonesia, in December 2013.

The context of the meeting is the failure to reach an agreement on the full Doha Development Agenda (DDA) package in 2008 and the subsequent statement of Chair of the 8th Ministerial Conference held in Geneva in December 2011, notably that "Ministers commit to advance negotiations, where progress can be achieved, including focusing on the elements of the Doha Declaration that allow Members to reach provisional or definitive agreements based on consensus earlier than the full conclusion of the single undertaking".

Thus, there is momentum to seek an "Early Harvest" mini-package at the 9th Ministerial Conference covering a limited number of subjects on which agreement is possible.

The essential element of the mini-package is an agreement on "Trade Facilitation", which is a non-agricultural matter, aimed at simplifying and modernising customs and other import and export procedures. Negotiations on this matter have been on-going for some time.

However, a number of WTO Members, including Brazil and Australia, have stated that in order to have an agreement at Bali, progress needs to be made on agriculture. To this end, two documents have already been presented to the WTO Committee on Agriculture Special Session:

- A non-paper presented on 5 October 2012 by Brazil on behalf of the G-20¹ as a draft "Understanding on tariff rate quota administration provisions of agricultural products, as defined in Article 2 of the Agreement on Agriculture" (WTO document JOB/AG/21)

¹ G-20: Argentina, Bolivia, Brazil, Chile, China, Cuba, Ecuador, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Tanzania, Thailand, Uruguay, Venezuela, Zimbabwe.

- A non-paper presented on 13 November 2012 by Indonesia on behalf of the G-33¹ as a draft "proposal on some elements of TH/AG/W/4/REV.4 for early agreement to address food security issues" (WTO document JOB/AG/22)

These two documents extract parts of the Chair's revised draft modalities for Agriculture of 6 December 2008 (WTO document TN/AG/W/4/Rev.4).

Other subjects have been mentioned by WTO Members as potential candidates for a mini-package at Bali, although no documents have yet been tabled on these matters. They are:

- Export competition (covering export subsidies; export credits, export credit guarantees and insurance programmes; food aid; and agricultural state trading enterprises)
- Export restrictions
- Cotton
- Matters of interest to least developed countries and net-food importing developing countries

It seems very unlikely that the topics of domestic support or market access in agriculture would be appropriate for the Bali Ministerial.

¹ G-33: Antigua and Barbuda, Barbados, Belize, Benin, Bolivia, Botswana, Côte d'Ivoire, China, Congo, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Korea, Republic of, Madagascar, Mauritius, Mongolia, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, Peru, Philippines, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sri Lanka, Suriname, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela, Zambia, Zimbabwe.

The Chair of the WTO Committee on Agriculture Special Session stated at the informal meeting of the Committee of 18 January 2013 that a deeper examination of the topics already tabled should begin from mid-February. To this end, in December 2012, the WTO Secretariat issued a factual background paper on tariff quota administration and fill rates, and also sent out a questionnaire on public stockholding and food security programmes and a questionnaire on export credits, export credit guarantees and insurance programmes, the latter with a view to producing a factual background paper on all four aspects of export competition. It is also preparing a factual background paper on export restrictions.

The Chair also asked that any other topics for consideration for the 9th Ministerial should be tabled soon.

At this early stage, even the contours of a potential Early Harvest mini-package are not clear. Nevertheless, on the basis of information currently available, it would seem possible to reach agreement on mini-package that is balanced, both overall and within agriculture. The Commission will naturally continue to carry out discussions in close collaboration with the Member States in the appropriate forums.

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