Draft note of (name of the MS, here after the delegations) on the administration of tariff rate quota in the framework of the comprehensive economic and trade agreement between the European Union and Canada

In spite of the political agreement concluded on October 18th 2013, many systemic points remain unsettled in the framework of the negotiation of the comprehensive economic and trade agreement between the European Union and Canada. If negotiators agree on the volume of the allocated TRQ for sensitive products, the administration and the phasing-in of these TRQ are not yet set up. Regarding important parameters to evaluate the outcome of the negotiation, the delegation would like to make the following statements.

1/ The current Canadian administration of cheese TRQ limits market access for European operators. It is based on an allocation of licenses that benefits to twelve licenses holders. Four of them are Canadian exporting operators amounting to 60% of European cheese importation. If they exceed their TRQ, the 8 other holders have necessarily to deal with one of the four Canadian operators to be able to continue importing and distributing European cheese. This leads to an additional cost of 7 to 8 $CA/Kg for both import and distribution and increases the price of European cheese on Canadian market for the benefit of the main holders who take advantage of a guaranteed income.
If the 18 000 tons of cheese allocated in the framework of CETA had to be administered in this way, it would significantly reduce the economic interest for European operators in limiting market access opportunities.

2/ On the other way, an administration on a first-come/ first-served basis for the beef, pork and sweet corn TRQ would make the access to European market easier for Canadian producers.
The administration of TRQ allocated to Canada is still in discussion but it seems clear that the concerned Canadian authorities are going to plead for a fluid administration that enables them to fill the TRQ without any transaction cost with the rhythm which suits them.
In such a scenario, the European producers of meat are afraid of a massive import of products under TRQ, a concentration over a short period which would destabilize the market and in the hands of the Canadian operators at the expense of the EU operators.

This asymmetrical TRQ administration strengthens the unbalance of the deal in the livestock products sector.

3/ This unbalanced situation shall be rectified on the basis of the reciprocity principle.

The delegations are not favorable to the adoption of a TRQ administration on a "first come, first served" method (FCFS).The FCFS is not in line with the goals of the sensitive status for the beef and pork.

Moreover, if Canada maintains the current administration method for the new TRQ for cheese, the reciprocity principle shall lead to a TRQ management for meat that is based on an import license scheme.

In addition, to avoid a massive import over a short period a monthly administration of TRQ for meat would allow to spread the imports.