



news release

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CANADIAN INTERNATIONAL TRADE TRIBUNAL TO STUDY METHODS OF ALLOCATING QUOTAS ON AGRICULTURAL PRODUCTS

The Minister of Industry, Science and Technology and Minister for International Trade, the Honourable Michael H. Wilson and the Minister of Agriculture, the Honourable Bill McKnight, announced today that the Canadian International Trade Tribunal (CITT) will begin an inquiry into current and alternative methods of allocating import quotas on agricultural products.

"We have asked the CITT to review the existing system and recommend the best method or methods of allocating quotas on agricultural products such as chicken, turkey, eggs and cheese," said Mr. Wilson. "Most global import quotas were allocated to importers of record when import controls were established in the 1970s and 1980s. We need to ensure that our system for allocating such quotas is fair and equitable and that it will contribute to the long-term competitiveness of all participants in these industries."

"This study was recommended by both the Poultry Task Force and the Task Force on National Dairy Policy as a result of extensive public consultations under the National Agri-food Policy Review," said Mr. McKnight. "Today's announcement is a clear signal to our supply-managed sectors that the federal government is committed to open policy-making in support of Canada's supply management systems."

Mr. McKnight stressed that the review will be looking at the allocation of quotas among importers, not the overall amount of quotas.

The Tribunal has been asked to consider existing methods of allocating quotas, such as traditional or historic imports, market share and the earmarking of shares to further processors of products not on the Import Control List, as well as other possible methods of allocating import quotas, such as by auction.

In the course of the inquiry, the Tribunal will consider what impact different quota allocation methods have had -- or might have -- on the marketplace and the competitive behaviour of its participants; whether the method of allocating import quotas should vary among different agricultural products; and whether such methods should apply to supplemental import permits. The CITT will also consider these methods in light of Canada's international rights and obligations under bilateral and multilateral trade agreements.

The CITT will hold public hearings and provide an opportunity for oral and written submissions by all interested parties, including but not limited to those of supply management agencies, provincial commodities boards, domestic producers, processors and further processors, importers, wholesalers, retailers and consumers.

The Tribunal has been asked to submit its report within 14 months, including recommendations respecting the best method or methods of allocating import quotas on a national basis. The Tribunal has also been directed to provide recommendations on principles which ought to guide the allocation of import quotas in general.

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BACKGROUND NOTES

In 1989, the Government of Canada launched the most comprehensive reviews of agri-food policy ever undertaken. Coupled with an increasing world demand for food and a more liberalized global trading environment as a result of the Canada-U.S Trade Agreement and the Multilateral Trade Negotiations, Canadian agriculture is faced with new opportunities for growth. This ongoing policy review provides a means of taking a fresh look at Canada's agri-food policies and programs, in order to remain competitive and to keep pace with the changes taking place.

To undertake this review, it was necessary to establish a long-term process that would continue to involve industry and government stakeholders in the development of policy options.

A foundation was laid through the creation of 11 government-industry task forces and committees involving hundreds of people from every region of Canada. In most cases, these working groups were asked to prepare reports for federal and provincial Ministers' consideration that provided a detailed analysis of a given issue and offered recommendations. The groups also received written and oral submissions to ensure the widest possible canvassing of opinions.

Both the National Poultry Task Force and the National Dairy Task Force submitted reports earlier this year, recommending a review of methods currently used to allocate import quotas on poultry and dairy products.

The Government has broad authority to control the import and export of designated products and technologies under the Export and Import Permits Act.

Under Section 5 of the Act, the Governor-in-Council has the authority to establish an Import Control List, an Export Control List and an Area Control List. Products may be added to the Import Control List for a number of reasons, including measures taken in support of an agricultural supply management program such as the Agricultural Stabilization Act, the Dairy Commission Act and the Farm Products Marketing Agencies Act.

Import quotas have been applied to certain agricultural products as part of the Government's ongoing effort to manage effectively the supply of agricultural commodities in Canada.

Quantitative controls in the form of Global Import Quotas are administered on a range of products, including chickens, turkeys, eggs, cheese, ice cream and yogurt. In brief, the purpose of quantitative controls is to limit or restrict the importation of

designated products to a predetermined level. Quantitative controls for Canada are arrived at by taking into account a variety of factors and quota amounts are usually allocated to domestic importers for a fixed period of time and subject to certain conditions.

Currently, different methods exist and are used to allocate quotas under the Export and Import Permits Act. These are: to importers in proportion to their share of imports of the products in question during a defined base period prior to the imposition of the quota; to importers based on their domestic market share; by setting aside a share of the quota; or by pro rata or equal share allocation.

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When authorized by the Governor-in-Council, the Canadian International Trade Tribunal has a mandate to inquire into and report on any matter in relation to the economic, trade or commercial interests of Canada. It is well situated to carry out an inquiry into import quota allocations.

The Tribunal is an independent quasi-judicial body that reports to Parliament through the Minister of Finance. It began operations on December 31, 1988. It settles trade and tax disputes and conducts inquiries in three areas: domestic producers' complaints of trade injury, primarily arising from dumped and subsidized imports into Canada; taxpayers' appeals of Revenue Canada customs and sales tax decisions; and special fact-finding and advisory inquiries on economic, trade and tariff issues of a general or sectoral interest.

The Tribunal carries out its statutory responsibilities in an independent and impartial manner. As a quasi-judicial body, it has rules and procedures similar to those of a court of law, but not quite as formal or strict. It may hold public hearings, which are carried out as informally and expeditiously as possible. It has the power to subpoena witnesses and require parties to submit documents, even those of a confidential nature. The legislation governing its operations contains provisions that strictly control access to confidential documents.

Since its creation, the Tribunal has completed three special inquiries and is currently working on a fourth. The three completed inquiries, all of which were referred by the Minister of Finance, related to:

- Textile Tariffs (recommendations on the level and pace of textile tariff reductions);
- Tariff Anomalies (recommendations on the phase-out schedule of tariffs specified under the Free Trade Agreement); and

- Grain Corn Public Interest (whether circumstances warranted a review of the countervailing duty).

The Tribunal is currently completing a fourth inquiry, referred by the Governor-in-Council, relating to the competitiveness of the Canadian fresh and processed fruit and vegetable industry.