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# News Release

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## CANADA, EUROPEAN UNION SETTLE SEVERAL OUTSTANDING TRADE ISSUES

Minister for International Trade Roy MacLaren and Agriculture and Agri-Food Minister Ralph Goodale announced today that Canada and the European Union (EU) have reached a broad agreement that will benefit Canadian exporters of products ranging from grains, shrimps and cheese to snowmobiles.

The agreement deals with compensation to Canada for the expansion of the EU to include three new countries, with EU grain import regulations affecting Canadian exporters, and with a variety of other long-standing agricultural issues. The agreement has received political approval from the EU's General Affairs Council, which includes foreign ministers of member states.

"I am very pleased that we have resolved these outstanding trade issues through negotiation," said Mr. MacLaren. "It shows the common commitment on both sides of the Atlantic to build stronger transatlantic relations."

"I am pleased that Canada has been able to work out an agreement with one of our largest partners," Mr. Goodale said. "The initiatives contained in this agreement will open doors and reduce existing barriers for a number of Canadian agri-food exporters."

A key element of the agreement was compensation for higher EU import duties on a large number of products as a result of the accession of Austria, Finland and Sweden to the EU. Because of accession, trade regimes in Austria, Finland and Sweden were aligned with the EU, resulting in increased tariffs on a number of Canadian exports. As compensation, there will be significant tariff reductions on Canadian farm, fish, paper, snowmobile and other products. The new agreement also settles Canada's outstanding rights on barley stemming from earlier EU enlargements. It provides for improved access for durum wheat, pork, canary seed and oats.



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In addition, the agreement provides for an interim solution with respect to the EU's implementation of its obligations on grain under the Uruguay Round Agreement on Agriculture. Canada will withdraw its request for a World Trade Organization dispute settlement panel on the EU cereal grain import regulations. As the EU changes on grain imports apply between January 1, 1996, and June 30, 1996, Canada reserves the right to relaunch the panel request after July 1 if circumstances warrant.

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A backgrounder on the settlement is attached.

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## Backgrounder

### CANADA-EUROPEAN UNION AGREEMENT

Canada and the European Union (EU) have reached agreement on a broad range of outstanding trade issues. Many of these are agricultural matters and include problems Canada has had with the new EU grain import regulations, outstanding rights on barley access resulting from earlier expansions of the EU, and other issues. As well, the agreement provides compensation owed to Canada from the recent expansion of the EU to include Sweden, Austria and Finland. This expansion led to higher tariffs on Canadian exports to those countries of a number of products including fish and seafood, aluminum, wood and snowmobiles. Details of the agreement follow.

#### 1. Enlargement of the European Union (non-agricultural)

Among other things, the agreement provides for elimination of some tariffs and for acceleration of tariff reductions agreed to by the EU in the recent Uruguay Round negotiations. Earlier this year, the EU agreed to speed up reduction of newsprint tariffs as partial compensation. As further compensation for enlarging the community, the EU will:

- accelerate elimination of tariffs on certain paper of particular interest to Canada. This would give Canadian paper exporters duty-free access to the European market in 2000, four years earlier than originally planned under the Uruguay Round, with significant tariff reductions starting next month;
- eliminate the tariff on boiled and peeled shrimp within an annual quota of 500 tonnes;
- reduce the tariff of 8 per cent on whole frozen lobsters to 6 per cent;
- lower tariffs on other fish products including cooked lobster flesh, whitefish, hard and soft roes, fish meal and frozen freshwater crayfish;
- reduce the tariff on snowmobiles to 5 per cent from 10 per cent;
- eliminate duties on ice skates, pig iron and snowgroomers; and
- speed up Uruguay Round tariff reductions on lead, zinc and chainsaw blades.

## 2. Enlargement of the European Union (agricultural)

As compensation for the recent expansion of the EU and for barley rights stemming from earlier expansions, the EU will:

- eliminate duties on canary seed;
- provide a duty-free quota of 50 000 tonnes for durum wheat;
- open a tariff-free quota of 10 000 tonnes for worked oats, which are primarily used as feed for racehorses;
- improve access for Canada under the EU pork import quota; and
- maintain an import quota of at least 75 600 tonnes for pork on final implementation of the Uruguay Round tariff reductions.

## 3. EU grain import regulations

Under new EU grain import regulations, duties are based on import prices set by the EU rather than on the actual purchase price for imported grains. The price levels set by the EU will often lead to higher rates than if the duties are based on actual import prices.

The Canada-EU agreement provides that:

- the EU will modify its cereal grain import regulations for January 1-June 30, 1996, raising the rebate on duties on high-quality wheat and lowering the quality threshold for durum wheat. That will improve access to European markets for Canadian exporters;
- Canada and the EU will consult in early 1996 on longer-term changes to the EU import requirements for cereal grains; and
- Canada will not proceed with its case against the EU before a World Trade Organization (WTO) panel. Consultations will be held in the first quarter of 1996 to deal with long-term issues on access to the EU market. Canada retains its right to relaunch a WTO panel.

## 4. Cheese

The agreement provides that:

- Canada will increase its import reserve for EU cheese to 66 per cent of the global quota from 60 per cent. The increase for EU cheese in the Canadian market is in line with the recent EU enlargement; and

- the EU's reduced duty quota for Canadian aged cheddar cheese will rise to 4000 tonnes from 2750 tonnes.

#### 5. Beef and veal

Under the agreement:

- the EU will limit the volume of subsidized exports to Canada to 5000 tonnes annually; and
- European beef exporters may ask the Canadian International Trade Tribunal for a review of the countervailing duty that has been in place on EU beef since 1986.

#### 6. Pasta

The agreement confirms that Canada will continue to provide duty-free access for certain varieties of pasta. At present, these items are entering Canada on a duty-free basis under a duty remission order.