Bilateral Efforts to Liberalize Trade: A Canadian Perspective

Overview
- Background to Canadian Trade: A Focus on Wine
- Bilateral Agreements
  - Canada-US Free Trade Agreement
  - Canada-EU Wine and Spirits Agreement
- Benefits
- Conclusion

Canadian Wine Trade
- Wine is the number one bebivable agricultural export value in Canada.
- Total annual wine sales of 137 million litres valued at $1.6 billion (2010)
- Local production equaled 15 litres (L) per capita
- Exported 31 million litres (23%) of total production
- The Eastern United States is the primary wine market for Canadian wine, with New York (27%) & Virginia (13%) leading into increased exports.
- Canada also exported wine to the UK, Germany & Japan.

Emerging Markets for Canadian Wine
- The United States remains Canada’s largest export market, representing 94% of export volume and 35% of export value.
- Wine exports to Asia increased strongly in 2010, up 60% in volume sales.
- Asia represents only 3% of Canada’s total wine exports but 55% of export value (largely due to Australia & New Zealand).
- China up 26% by volume and 83% by value.
- Hong Kong, China up 46% by volume and 243% by value.

Free Trade Agreements
- The facilitation of trade and removal of obstacles to trade provide an opportunity for economies to overcome mutual vulnerabilities and overcome mutual weaknesses through concerted efforts.
- Geographical distance is no longer a barrier to trade, ideas, etc.
- While there remains a focus on multilateral WTO negotiations, many economies are reaching out to the world through various bilateral and regional free trade agreements.
- Signing bilateral free trade agreements are not only creating the foundation for closer relations among nations but are also providing a common platform to act in a united fashion in other multilateral forums such as the World Trade Organization (WTO), APEC, WTO-WTOC, etc.

Bilateral Wine Trade
- Bilateral agreements such as the Canada-US Free Trade Agreement and the Canada-EU Wine and Spirits Agreement provide an important alternative avenue for improving market access.
  - Faster outcomes
  - Increased cooperation and relationship building
  - Tariff reduction
  - Opportunities to remove or limit non-tariff barriers
Canada-US Free Trade Agreement (CUFTA)

- The Agreement came into effect on January 1, 1989
- CUFTA was incorporated into the North American Free Trade Agreement (NAFTA), on January 1, 1994, expanding the free trade area to include Mexico
- CUFTA general agricultural provisions include:
  - Prohibition of import surpluses on bilateral trade
  - Phased elimination of all tariffs over a period of ten years
  - Maintenance of WTO rights and obligations

CUFTA and Wine

- Provides for the reduction of barriers to trade in wine which arise from measures related to their internal (domestic) sale and distribution
- Specific measures covered include listing, pricing and distribution practices
- The main objective was to provide equal treatment for Canadian and US wine across both markets

Canada-EU Wine and Spirits Agreement (CEWSA)

- The Agreement came into force on June 1, 2004
- The main goals of CEWSA were to:
  - Maintain stability in Canada's domestic marketing and distribution practices
  - Ensure an open market for wine products
  - Specify and protect Canadian and European geographical indications
  - Mutually agree on oenological practices

CEWSA: Oenological Practices and Approved Terms

- Elimination of the costs and frustrations of barriers to trade based on mutual recognition of knowledge of viticulture, oenological processes and product specifications in support of enhanced access to markets
- Recognition for protected geographical indications:
  - Cava, Rioja, Porto, Tokay, Penedes, Fino, Sherry, Cognac, Oloroso, Malmsey, Madeira, Port, Grappa
- Transitional period to align the Canadian use of common terms:
  - The term 'sherry' shall be used in Canada only as the descriptor for wines produced in Jerez-Xeres-Sherry in Spain

CEWSA: Certification and Management Provisions

- Simplified certification provisions under EU rules for wine produced under the supervision and control of an approved competent body (VQA Ontario or the BC Wine Authority)
- Ensured that wines would not face a more restrictive system of certification, analysis or testing
- Established a bilateral Canada-EU Wine and Spirits Management Committee to regularly (annually) review and address outstanding issues and concerns

CUFTA AND CEWSA: Wine Listing, Pricing and Distribution

- Listing:
  - Countries are listed according to an agreed upon order and are separated by a line.
  - Pricing:
    - CUFTA地区/自由贸易协定/地区
    - Canada-US Free Trade Agreement
    - Other terms:
      - January 1, 1989: small and low-priced WFS (wine tax relief)
      - January 1, 2004: small and low-priced 750 ml bottle pricing
      - January 1, 2010: small and low-priced 375 ml bottle pricing
      - January 1, 2014: small and low-priced 750 ml bottle pricing
- Distribution:
  - Measures were implemented to allow wine to be sold and distributed on the same property.
Benefits of Bilateral Agreements

- Improved predictability of access
- Reduced market entry barriers (both, subsidies, non-tariff barriers)
- Promoted greater trade and reduced costs among partners
- Facilitated access to stronger and more sophisticated industry and government expertise, as new agreements and initiatives are developed
- Provided opportunities for more direct engagement and industry gains
- Helped to promote and enhance sector competitiveness on a global scale
- Facilitated the exchange of best practices and other valuable information
- Established opportunities for a simplified certification process for imported wines
- Improved market transparency

The Canadian Wine Experience

Canada’s bilateral experiences have led to significant implications:

1. Facilitated long-term trade for the Canadian wine industry and new approaches
2. Reduced market access barriers
   - Increased acceptance and greater understanding, made possible by high-quality, transparent, and timely information sharing
   - Development of a wine-protection mechanism
   - Creation of specific standards and opportunities for Canadian wine
3. Increased investment in the wine industry, leading to significant increases in wine production
4. Improved overall knowledge of import and domestic competition, which increased foreign commerce for Canadian producers
5. Enhanced long-term bilateral relations and helped foster ongoing dialogue and increased cooperation

Conclusion

- Bilateral agreements have played an important and positive role in the Canadian wine industry, contributing to increased trade
- Trade forums such as the World Wine Trade Group (WWTG) and APEC continue to provide valuable opportunities to:
  - Increase international trade and investment in the wine industry
  - Foster cooperation and sharing of best practices
  - Support harmonized environments for the wine industry
- The APEC Regional Forum, through its knowledge of best practices, can be a powerful tool in shaping greater regulatory coherence and cooperation in terms of addressing challenges facing regulatory bodies in the region
- RIVIGO, a comprehensive and inclusive database of regulations and requirements for the wine industry, is set to be available soon for both industry and regulators to facilitate opportunities for improving wine trade and regulatory coherence