Canadian Trade Agreements Fact Sheet

Updates October, 2004

A. World Trade Organization (WTO)

The WTO is the international organization that deals with the global rules of trade between nations. As a member of the WTO, Canada has certain obligations, one of those obligations, called tariff rate quotas, is to accept negotiated quantities of other WTO nations' export commodities, including beef. If Canada were to ignore its WTO obligations on imports of beef, we would lose our membership in the WTO resulting in a serious impact on our ability to trade.

Tariff Rate Quota (TRQ)

Canada is required to accept 76,409 tonnes of beef each year (January- January) without tariffs (duties) from countries that are members of the WTO, excluding countries that are covered by the North American Free Trade Agreement (NAFTA). These imports come mainly from New Zealand , Australia and some South American countries. The price of beef imported under TRQ cannot be lower than product of an equivalent type being imported into the U.S.

TRQ Process

Firms that intend to import beef from non-NAFTA countries apply to the Department of Foreign Affairs and International Trade for TRQ import certificates

B. Canadian Supplementary Import Permit

Import Permits (above and beyond Canada 's WTO TRQ commitment)

Once the TRQ for a particular firm has been substantially filled (80%), the firm may apply for a supplemental import permit so that they may import additional beef tariff-free from non-NAFTA countries provided it is not priced below the US price for equivalent products. Canada does not have a WTO obligation to permit this additional access above the TRQ.

Supplemental Import Permit Process

Supplemental certificates are issued at the discretion of the Minister of Foreign Affairs and International Trade. Supplemental TRQ is not allowed if a firm can purchase Canadian product of an equivalent type at an equivalent price. The reason supplemental TRQ is issued is because Canadian firms that use TRQ beef have successfully argued that to be competitive with US firms they need access to this beef which is generally low-priced and lean.

Current Situation

From July 18, 2003 to April 22, 2004 no applications for supplemental imports were accepted by the federal government. However, Canadian processors successfully argued for reinstatement of the supplementary import process. On April 22, 2004 the Minister of International Trade and the Minister of Agriculture announced that supplemental TRQ would again be issued to those processors that can show a need and can prove the product cannot be accessed within Canada at competitive prices. However, the current process for authorizing supplementary import permits is much more restrictive than the process that existed prior to July 18, 2003. Only under very restrictive circumstances will supplementary import permits be considered. Only one permit (0.457 metric tonnes) has been authorized since July 18, 2003.

C. North American Free Trade Agreement (NAFTA)

In January 1994, Canada , the United States and Mexico launched the North American Free Trade Agreement (NAFTA) and formed the world's largest free trade area. Following a final tariff reduction between Canada and Mexico, which took effect on January 1, 2003, virtually all trade in the NAFTA region has flowed tariff-free. Prior to May 20, 2003 beef and live cattle had traded duty-free.

The NAFTA agreement has a unique provision within Chapter 11- Investment that allows an individual investor to initiate action themselves challenging a restriction imposed by one country against another. Restrictions against trade within NAFTA are limited to those that fall within health, sanitary and other safety requirements.