Fair trade: Despite fears by cheesemakers, Quebec businesses embrace deal to lift tariffs with Europe

BY JEFF HEINRICH, THE GAZETTE
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MONTREAL — Caroline Tardif is of two minds over the world's next big free-trade deal, the one Canada and the European Union announced two weeks ago and hope to sign two years hence.

She feels the need for solidarity — but also self-interest.

"It's a dilemma for me," said Tardif, co-owner with her husband of Fromagerie Ruban bleu, a goat-cheese farm in rural Mercier on Montreal's South Shore.

"For most of my fellow cheesemakers, it will be a hard thing to swallow," she said, alluding to the new competition from all the European cheese imports the deal will allow.

"But for us, who sell most of our cheese ourselves at our boutique and in public markets, I think the clients we've managed to attract will stay loyal and continue to buy local."

She's not alone in her optimism.

Faith in customer loyalty — and the opportunity to export to Europe's 500 million consumers, the world's largest market — explain why most Quebec companies roundly endorse the free-trade deal.

With one exception — cheesemakers spooked by all that Norwegian Jarlsberg and French chèvre that's sure to come — Quebec business sees the Old World as the new frontier.

From aluminum smelters to pork farmers, chemical manufacturers to maple-syrup producers, Quebec Inc. is singing the praises of the Comprehensive Economic and Trade Agreement (CETA). With its promise to eliminate 98 per cent of the more than 9,000 tariff lines Europe now imposes on Canadian goods, the ramifications could be huge.

Thirty-five per cent of Canada's exports to Europe originates right here in Quebec — $7.4 billion last year. Under CETA, that can only get bigger. The only question is when, and how fast?

It won't be boom times overnight, the Quebec government believes. There will be "soft growth, at best" — a modest 10 per cent over 10 years — but it will be substantial, said International Relations Minister Jean-François Lisée, who included Europe in the five-year Quebec external trade plan he unveiled last Monday at a luncheon of the Conseil des relations internationales de Montréal.

"The day this accord is put in place, our businesses will benefit from an immediate elimination, in almost all cases, of (European) import duties of six to 14 per cent on a large number of products, from aluminum to maple syrup to snowmobiles," Lisée told his audience of 500 business, government and institutional leaders.

And Quebec intends to take Europe by storm.

Using a historically loaded metaphor, Lisée said Quebec Inc. will "blitz" the continent looking for opportunities, developing ones it already has and laying the groundwork for more to come. By doing so, Quebec will get a jump on much larger states that, despite their size and clout, don't yet have privileged access to Europe's $1.8-trillion import market, he said.

"This new opportunity for foreign trade will unleash the sums necessary for a blitz of Europe's commercial territory, allowing us to fully occupy this superior competitive space that neither the Americans nor the Chinese nor the Indians have occupied," the minister said.

Blaming the Harper government for selling out Quebec's flourishing cheese industry for the sake of getting more duty-free beef from Western Canada into European supermarkets, Lisée defended

Quebec's reputation for encouraging "food sovereignty" — one step in his Parti Québécois government's drive to become politically independent from the rest of Canada.

"It was never our idea to give that away," he said of the cheese part of the deal, which could double European imports to about 32,000 tonnes a year, less than one-tenth of Canadians' annual consumption. "And if we'd been sovereign we wouldn't have made that concession in exchange for sales of Alberta beef," he said. "But that's the situation we're in."

Cheese aside, the trade deal puts Quebec in a good position, industry leaders say.

"If you want to grow, you have to compete — that's our strong belief as exporters," said Simon Prévost, president of the Quebec Manufacturers and Exporters Association. The hiking of cheese quotas will happen "over a seven-year period, so they're going to have time to adjust. But it's only a small sector of the economy," he added. "Globally speaking, CETA is going to be really good for the whole economy."

Down on the farm, it's already looking that way.

"Any time you open up a market it's going to be beneficial to the producers — and, as far as cheese goes, beneficial to the state as well, because in years when the market isn't as good the state has to kick in to help stabilize the price," said Ken O'Farrell, a hog farmer in Ormstown, down by the U.S. border south of Montreal.

"If the market is opened up, it's going to create a demand and the price shouldn't fluctuate downward," said O'Farrell, whose Maple Grove Farms processes 15,000 hogs a year and sends them for slaughter to the European-accredited Lucyporc abbatoir in Yamachiche, near Trois-Rivières, which then puts the pork on the market here and abroad.

"It's very hard to feel sorry for the dairy producers, because they have a very protected market," O'Farrell said, talking about the supply-management system that shields Canada's dairy farmers with a tariff wall and production quotas.

“They don’t have downs, they just have ups. If the production price goes up, their formula is set so the price of milk goes up, and butter, and cheese. We, on the other hand, have to play by the market, and our market is influenced by world events.”

The vagaries of international finance is one. As for all exporters, Quebec companies that do business with Europe are at the whim of a variety of uncontrollables, from currency exchange-rate fluctuations (a low Canadian dollar is good for exports, a high one reduces their value) to global prices for essential commodities like oil, iron ore and gold.

But there’s something else that, for now, is beyond manufacturers’ control: the language of the trade deal itself. As former Canadian international trade minister Pierre Pettigrew pointed out this week, unlike the North American Free Trade Agreement with the U.S. and Mexico, CETA has been negotiated almost completely behind closed doors.

So still today, after four years of talks, the actual final draft document has not been released. Wednesday in the House of Commons, Prime Minister Stephen Harper tabled only a 30-page “technical summary” of the tentative deal, which he signed Oct. 18 in Brussels with European Commission president José Manuel Barroso, a Portuguese politician.

The next two years will see it fine-tuned and opened up for scrutiny by the EU’s 28 member states and Canada’s provincial governments, including Quebec, which will hold public hearings before the deal goes back to Ottawa to be tabled as legislation in the House. If Harper has his way, the deal will stand as conceived.

“My focus is to make sure that Canadians across this country and Quebecers specifically understand the value of this agreement to their livelihoods, to jobs for them and their children and grandchildren,” international trade minister Ed Fast said Oct. 24 in a swing through Montreal to promote the deal.

“Every single province and every single territory in Canada has come out in support of this agreement, as has the Federation of Canadian Municipalities — 4,000 municipalities,” the British Columbia MP told media and business leaders at Port of Montreal headquarters.

“We’re very excited about it, and we expect this agreement will be implemented.”

A who’s-who of Quebec industry and trade at the event shared the spirit. Port president Sylvie Vachon called CETA “a synonym for growth,” Montreal Chamber of Commerce CEO Michel Leblanc called it “well-conceived for Quebec and Montreal,” and Canadian Federation of Independent Business Quebec head Martine Hébert pledged her “total support.”

Others were similarly upbeat: the Conseil du patronat, the Aluminum Association of Canada, the Quebec Association for Development and Industry in Chemistry, the Quebec Federation of Pork Producers, and the country’s largest frozen-vegetable producer, French-owned Bonduelle (known for its Arctic Gardens brand).

Only one invitee, François-William Simard, strategy head at the Federation of Quebec Chambers of Commerce, raised the issue of Quebec cheese and what it stands to lose under the deal — and then, only to say he was confident Ottawa would follow through on a promise to compensate the industry for any loss of market share.

Still, the grumbling continues.

This week, Ottawa-based Dairy Farmers of Canada took out full-page ads in the daily press featuring profiles of Quebec and other cheesemakers and calling on Canadians to support compensation for them when the market gets “inundated with imports made from highly subsidized European milk.” There’s an online petition at supportcanadiancheese.ca

To add insult to injury, Canadian cheesemakers could be obliged under CETA to add qualifiers such as “-like” or “imitation” to the names of their feta, Asiago, Gorgonzola and Munster products, among other common varieties. The EU has said it wants to protect the geographic distinction of its regional cheeses.

Cheese is a big deal in Quebec, to put it mildly. Half of Canada’s cheese is made here, including over 60 per cent of the country’s fine cheese; the sector employs 83,000 Quebecers.

While the two big industrial producers — Saputo and Agropur — say they'll adapt to CETA by upping the quantity of European cheeses they already import for resale here, that's not an option for Quebec's 60 small producers of fine cheese.

Other Canadian sectors are also angling for compensation.

Across the provincial border, winemakers object to a provision specific to the Liquor Control Board of Ontario that could lead to a drop in the retail price of European wines. The LCBO now charges a 6-per-cent service fee on the bottle price, making expensive wines all the more expensive, but under CETA it could only charge a flat fee based on volume (just as the SAQ and others now do).

There have also been grumblings from the other side of the Atlantic. In France, beef producers say the arrival of Canadian beef — 50,000 tonnes when the deal goes through — will further destabilize an already fragile domestic market, forcing abbatoirs to close. And they fear American beef is next, if ever Europe does a free-trade deal with the U.S.

Will any — or all — of these issues be resolved when, as expected, CETA is finally inked in late 2015? For the Harper Conservatives, the answer is: They already have.

"When we embarked upon these negotiations, our goal was to achieve a balanced outcome across all sectors of our economy and to make sure that we had an agreement that truly served the interests of Canadians," Fast, Canada's trade minister, said in Montreal.

"Our focus wasn't a calendar date, it was the quality of this deal. We have achieved that."