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Minister of International Trade



Ministre du Commerce international

Ottawa, Canada K1A 0G2

October 16, 2013

Monsieur Nicolas Marceau
Ministre des Finances et de l'Économie
12, rue Saint-Louis
1er étage
Québec (Québec)
G1R 5L3

Dear Minister Marceau:

Further to the discussions of our officials, I wish to convey to you the following:

The federal government clearly appreciates the economic and political importance of the dairy industry to particular regions of the country, and within the Province of Quebec in particular. The CETA outcome will ensure that each of the three key pillars of Canada's domestic system of supply management remains intact: production controls; import controls; and price controls. At the same time, CETA will provide unfettered access for Canadian dairy products into the largest, most lucrative market in the world.

We recognize that the cheese outcome demanded by the EU in CETA may affect the revenues of those in our dairy industry, and we recognize there will be a concern about a potential impact on revenues. Because of the sustained rate of annual growth in Canada's cheese market it is our expectation that the access demanded by the EU would be absorbed in just a few years, and that any impact would therefore be minimal and transitory. However, we do appreciate that for many in the dairy industry, there will be a concern about the potential impact.

At the public announcement of an Agreement in Principle with the EU, the federal government will publicly commit to provide compensation to address such impacts if they materialize as a result of the CETA's increase in European cheese quotas. Our commitment would be to ensure compensation is targeted to address those who are affected. The details of how exactly that would occur will need to be determined, and of course we welcome Quebec's views on how that would be accomplished. We anticipate that the compensation approach will be determined before the formal ratification process by the National Assembly of Québec.

We have instructed our officials to examine feasible ways that would ensure a fair and appropriate geographic distribution of the rights to import the new amounts of EU cheese within Canada. This is also a policy area where we would also welcome your government's views.

Canada

We recognize your interest in ensuring the EU's access into our cheese market is phased in over the longest timeframe possible. Federal negotiators will undertake best efforts to ensure the EU's access into our cheese market is phased in over a reasonable timeframe in order to minimize any impact on the domestic market. It is recognized that phase in periods in the CETA must be determined through negotiations with the EU, so no outcome can be guaranteed in this area, however best efforts would be undertaken.

The actions the federal government would take to pursue the points above would be in addition to the actions we've pledged to undertake and which are described in the package that all PT negotiators received, including in the area of border measures to address circumvention of import controls.

In this context, we appreciate Quebec's support for the CETA outcome. We look forward to continuing to work closely on all matters related to its implementation, including those outlined above.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Ed Fast', written in a cursive style.

Honourable Ed Fast, P.C., Q.C., M.P.