EUROPEAN
COMMISSION

Strasbourg, 5.7.2016
COM(2016) 444 final

ANNEX 2 – PART 1/3

ANNEX

to the

Proposal for a Council Decision

on the signing on behalf of the European Union of the Comprehensive Economic and Trade Agreement between Canada of the one part, and the European Union and its Member States, of the other part

ANNEX 2-A

TARIFF ELIMINATION

1. For the purposes of this Annex including each Party's Schedule to this Annex, Year 1 means the period of time beginning on the date of entry into force of this Agreement and ending on December 31 of the same calendar year that this Agreement enters into force. Year 2 shall begin on the January 1 following the date of entry into force of this Agreement, with each subsequent tariff reduction taking effect on January 1 of each subsequent year.

2. Except as otherwise provided in this Annex, the Parties shall eliminate all customs duties on originating goods, of Chapters 1 through 97 of the Harmonized System that provide for a most-favoured-nation ("MFN") rate of customs duty, imported from the other Party upon the date of entry into force of this Agreement.

3. For originating goods from the other Party set out in each Party's Schedule to this Annex, the following staging categories apply to the elimination of customs duties by each Party pursuant to Article 2.4:

   (a) duties on originating goods provided for in the items in staging category A in a Party's Schedule shall be eliminated on the date this Agreement enters into force;

   (b) duties on originating goods provided for in the items in staging category B in a Party's Schedule shall be removed in four equal stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year 4;

   (c) duties on originating goods provided for in the items in staging category C in a Party's Schedule shall be removed in six equal stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year 6;

(d) duties on originating goods provided for in the items in staging category D in a Party's Schedule shall be removed in eight equal stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year 8.

For greater certainty, when the European Union applies a customs duty for the items 1001 11 00, 1001 19 00, high quality common wheat of items ex 1001 91 90 and ex 1001 99 00, 1002 10 00 and 1002 90 00, at a level and in a manner so that the duty-paid import price for a specified cereal will not be greater than the effective intervention price, or if there is a modification of the current system, the effective support price, increased by 55 per cent as set out in Commission Regulation (EC) No 642/2010 of 20 July 2010 on rules of application (cereal sector import duties) of Council Regulation (EC) No 1234/2007[1], the European Union shall apply the tariff elimination staging category towards any calculated duty that would be applied as per the above regulation, as follows:

Year	Applied Duty
1	87.5 % of the duty calculated as per EC Reg. 642/2010
2	75 % of the duty calculated as per EC Reg. 642/2010
3	62.5 % of the duty calculated as per EC Reg. 642/2010
4	50 % of the duty calculated as per EC Reg. 642/2010
5	37.5 % of the duty calculated as per EC Reg. 642/2010
6	25 % of the duty calculated as per EC Reg. 642/2010
7	12.5 % of the duty calculated as per EC Reg. 642/2010
8 and each subsequent year	0 % of the duty calculated as per EC Reg. 642/2010 (duty-free)

[1] OJEU L 187, 21.7.2010, p. 5.

(e) duties on originating goods provided for in the items in staging category S in a Party's Schedule shall be removed in three equal stages beginning on the fifth anniversary of the date of entry into force of this Agreement, and these goods shall be duty-free, effective January 1 of year 8;

(f) the *ad valorem* component of the customs duties on originating goods provided for in the items in staging category "AV0+EP" in a Party's Schedule shall be eliminated upon the date of entry into force of this Agreement; the tariff elimination shall apply to the *ad valorem* duty only; the specific duty resulting from the entry price system applicable for these originating goods shall be maintained; and

(g) duties on originating goods provided for in the items in staging category E in a Party's Schedule are exempt from tariff elimination.

4. The base rate for determining the interim staged rate of customs duty for an item shall be the MFN customs duty rate applied on 9 June 2009.

5. For the purpose of the elimination of customs duties in accordance with Article 2.4, interim staged rates shall be rounded down at least to the nearest tenth of a percentage point or, if the rate of duty is expressed in monetary units, at least to the nearest 0.001 of the official monetary unit of the Party.

Tariff Rate Quotas

6. For the administration in Year 1 of each tariff rate quota established under this Agreement, the Parties shall calculate the volume of that tariff rate quota by discounting the prorated volume corresponding to the period running between January 1 and the date of entry into force of this Agreement. This calculated in-quota quantity shall be made available on the date this Agreement enters into force.

Processed shrimps transitional tariff rate quota

7. (a) Originating goods in the following aggregate quantities and provided for in items with the notation "TQShrimps" in the European Union's Schedule to this Annex and listed in subparagraph (d) shall be duty-free in the years specified below:

Year	Aggregate Annual Quantity (Metric Tonnes)[2]
1 through to 7	23,000

(b) The European Union shall:

(i) administer this tariff rate quota on a first-come first-served basis;

(ii) administer this tariff rate quota on a calendar year basis with the full in-quota quantity to be made available on January 1 of each year; and

(iii) not impose any end-use restriction on the imported good as a condition of the application for or use of this tariff rate quota.

(c) Prepared or preserved shrimps and prawns exported from Canada under Section B of Appendix 1 (Origin Quotas) to Annex 5 (Product Specific Rules of Origin) of the Protocol on rules of origin and origin procedures shall not be imported into the European Union under this tariff rate quota.

(d) Subparagraphs (a) and (b) apply to processed shrimps classified in the following tariff lines: 1605 29 00, 1605 21 90, ex 0306 16 10, ex 0306 17 10, ex 0306 26 10, and ex 0306 27 10, excluding in immediate packings of a net content not exceeding 2 kg.

[2] Expressed in net weight.

Frozen cod transitional tariff rate quota

8. (a) Originating goods in the following aggregate quantities and provided for in items with the notation "TQCod" in the European Union's Schedule to this Annex and listed in subparagraph (c) shall be duty-free in the years specified below:

Year	**Aggregate Annual Quantity (Metric Tonnes)**[3]
1 through to 7	1,000

(b) The European Union shall:

(i) administer this tariff rate quota on a first-come first-served basis;

(ii) administer this tariff rate quota on a calendar year basis with the full in-quota quantity to be made available on January 1 of each year; and

(iii) not impose any specific end-use restriction on the imported good as a condition of the application for or use of this tariff rate quota.

(c) This paragraph applies to frozen cod, classified in tariff lines 0304 71 90 and 0304 79 10.

[3] Expressed in net weight.

Low and Medium Quality Common Wheat transitional tariff rate quota

9. (a) Originating goods in the following aggregate quantities and provided for in items with the notation "TQCW" in the European Union's Schedule to this Annex and listed in subparagraph (d) shall be duty-free in the years specified below:

Year	Aggregate Annual Quantity (Metric Tonnes)
1 through to 7	100,000

(b) The European Union shall administer this tariff rate quota in accordance with the terms of Commission Regulation (EC) No. 1067/2008 of 30 October 2008.

(c) The above aggregate duty-free quantities shall include, beginning in year 1, the 38,853 tonne allocation to Canada as set out in Commission Regulation (EC) No. 1067/2008.

(d) This paragraph applies to common wheat of a quality, other than high quality, classified in tariff lines ex 1001 91 90 and ex 1001 99 00.

Sweetcorn Tariff Rate Quota

10. (a) Originating goods in the following aggregate quantities and provided for in items with the notation "TQSC" in the European Union's Schedule to this Annex and listed in subparagraph (c) shall be duty-free in the years specified below:

Year	Aggregate Annual Quantity (Metric Tonnes[4])
1	1,333
2	2,667
3	4,000
4	5,333
5	6,667
6 and each subsequent year	8,000

(b) The European Union shall:

(i) administer this tariff rate quota on a first-come first-served basis; and

(ii) administer this tariff rate quota on a calendar year basis with the full in-quota quantity to be made available on January 1 of each year.

(c) This paragraph applies to the following tariff lines: 0710 40 00 (only available during the time period leading up to the elimination of duties for such good as per the staging category applicable to this item in the European Union's Schedule to this Annex) and 2005 80 00.

[4] Expressed in net weight.

Bison Tariff Rate Quota

11. (a) Originating goods in the following aggregate quantities and provided for in items with the notation "TQB3" in the European Union's Schedule to this Annex and listed in subparagraph (d) shall be duty-free in the years specified below:

Year	Aggregate Annual Quantity (Metric Tonnes – Carcass Weight Equivalent)
1 and each subsequent year	3,000

(b) When calculating quantities imported, the conversion factors specified in paragraph 21 shall be utilized to convert Product Weight to Carcass Weight Equivalent.

(c) The European Union shall:

(i) administer this tariff rate quota on a first-come first-served basis; and

(ii) administer this tariff rate quota on a calendar year basis with the full in-quota quantity to be made available on January 1 of each year.

(d) This paragraph applies to bison classified in the following tariff lines:
ex 0201 10 00, ex 0201 20 20, ex 0201 20 30, ex 0201 20 50, ex 0201 20 90, ex 0201 30 00, ex 0202 10 00, ex 0202 20 10, ex 0202 20 30, ex 0202 20 50, ex 0202 20 90, ex 0202 30 10, ex 0202 30 50, ex 0202 30 90, ex 0206 10 95, ex 0206 29 91, ex 0210 20 10, ex 0210 20 90, ex 0210 99 51, ex 0210 99 59

Fresh or Chilled Beef and Veal Tariff Rate Quota

12. (a) Originating goods in the following aggregate quantities and provided for in items with the notation "TQB1" in the European Union's Schedule to this Annex and listed in subparagraph (f) shall be duty-free in the years specified below:

Year	Aggregate Annual Quantity (Metric Tonnes – Carcass Weight Equivalent)
1	5,140
2	10,280
3	15,420
4	20,560
5	25,700
6 and each subsequent year	30,840

(b) The aggregate annual duty-free quantities in the table above shall be increased, beginning in year 1, by 3,200 metric tonnes product weight (4,160 metric tonnes carcass weight equivalent) resulting from the application of Council Regulation (EC) No 617/2009 of 13 July 2009 opening an autonomous tariff quota for imports of high-quality beef.

(c) When calculating quantities imported, the conversion factors specified in paragraph 21 shall be utilized to convert Product Weight to Carcass Weight Equivalent.

(d) The European Union shall administer this tariff rate quota, including the additional quantities as outlined in subparagraph (b), either through an import licensing system as outlined in the Declaration on Tariff Rate Quota Administration or as otherwise agreed to between the Parties.

(e) Notwithstanding subparagraph (d), paragraphs 19 and 20 shall apply to this paragraph.

(f) This paragraph applies to beef and veal classified in the following tariff lines: ex 0201 10 00, ex 0201 20 20, ex 0201 20 30, ex 0201 20 50, ex 0201 20 90, ex 0201 30 00 and ex 0206 10 95.

Frozen or Other Beef and Veal Tariff Rate Quota

13. (a) Originating goods in the following aggregate quantities and provided for in items with the notation "TQB2" in the European Union's Schedule to this Annex and listed in subparagraph (e) shall be duty-free in the years specified below:

Year	**Aggregate Annual Quantity (Metric Tonnes – Carcass Weight Equivalent)**
1	2,500
2	5,000
3	7,500
4	10,000
5	12,500
6 and each subsequent year	15,000

(b) When calculating quantities imported, the conversion factors specified in paragraph 21 shall be utilized to convert Product Weight to Carcass Weight Equivalent.

(c) The European Union shall administer this tariff rate quota either through an import licensing system as outlined in the Declaration on Tariff Rate Quota Administration or as otherwise agreed to between the Parties.

(d) Notwithstanding subparagraph (c), paragraphs 19 and 20 shall apply to this paragraph.

(e) This paragraph applies to beef and veal classified in the following tariff lines: ex 0202 10 00, ex 0202 20 10, ex 0202 20 30, ex 0202 20 50, ex 0202 20 90, ex 0202 30 10, ex 0202 30 50, ex 0202 30 90, ex 0206 29 91, ex 0210 20 10, ex 0210 20 90, ex 0210 99 51 and ex 0210 99 59.

High Quality Fresh, Chilled and Frozen Meat of Bovine Animals Tariff Rate Quota

14. Originating goods that are exported from Canada and are imported into the European Union through the European Union's existing WTO tariff quota for high quality fresh, chilled and frozen meat of bovine animals covered by CN tariff headings ex 0201 and ex 0202 and for products covered by CN tariff lines ex 0206 10 95 and ex 0206 29 91 of 11,500 tonnes product weight, as set out in Commission Implementing Regulation (EU) No 593/2013 of 21 June 2013, shall be duty-free on the date this Agreement enters into force.

Pork Tariff Rate Quota

15. (a) Originating goods in the following aggregate quantities and provided for in items listed with the notation "TQP" in the European Union's Schedule to this Annex and listed in subparagraph (f) shall be duty-free in the years specified below:

Year	Aggregate Annual Quantity (Metric Tonnes – Carcass Weight Equivalent)
1	12,500
2	25,000
3	37,500
4	50,000
5	62,500
6 and each subsequent year	75,000

(b) The aggregate annual duty-free quantities in the table above shall be increased, beginning in year 1, by 4,624 metric tonnes product weight (5,549 metric tonnes carcass weight equivalent) pursuant to the volume established in the European Union's Canada-specific WTO tariff quota for pig-meat.

(c) When calculating quantities imported, the conversion factors specified in paragraph 21 shall be utilized to convert Product Weight to Carcass Weight Equivalent.

(d) The European Union shall administer this tariff rate quota, including the additional quantities from the European Union's Canada-specific WTO tariff quota for pig-meat as outlined in subparagraph (b), either through an import licensing system as outlined in the Declaration on Tariff Rate Quota Administration or as otherwise agreed to between the Parties.

(e) Notwithstanding subparagraph (d), paragraphs 19 and 20 shall apply to this paragraph.

(f) This paragraph applies to the following tariff lines:
0203 12 11, 0203 12 19, 0203 19 11, 0203 19 13, 0203 19 15, 0203 19 55, 0203 19 59, 0203 22 11, 0203 22 19, 0203 29 11, 0203 29 13, 0203 29 15, 0203 29 55, 0203 29 59, 0210 11 11, 0210 11 19, 0210 11 31, and 0210 11 39.

Cheese Tariff Rate Quota

16. (a) Originating goods in the following aggregate quantities and provided for in items with the notation "TRQ Cheese" in Canada's Schedule to this Annex and listed in subparagraph (d) shall be duty-free in the years specified below:

Year	**Aggregate Annual Quantity (Metric Tonnes[5])**
1	2,667
2	5,333
3	8,000
4	10,667
5	13,333
6 and each subsequent year	16,000

[5] Expressed in net weight.

(b) Canada shall administer this tariff rate quota either through an import licensing system as outlined in the Declaration on Tariff Rate Quota Administration or as otherwise agreed to between the Parties.

(c) Notwithstanding subparagraph (b), paragraphs 19 and 20 shall apply to this paragraph.

(d) This paragraph applies to the following tariff lines:
0406.10.10, 0406.20.11, 0406.20.91, 0406.30.10, 0406.40.10, 0406.90.11, 0406.90.21, 0406.90.31, 0406.90.41, 0406.90.51, 0406.90.61, 0406.90.71, 0406.90.81, 0406.90.91, 0406.90.93, 0406.90.95, and 0406.90.98.

Industrial Cheese Tariff Rate Quota

17. (a) Originating goods in the following aggregate quantities and provided for in items with the notation "TRQ Industrial Cheese" in Canada's Schedule to this Annex and listed in subparagraph (d) shall be duty-free in the years specified below:

Year	**Aggregate Annual Quantity (Metric Tonnes[6])**
1	283
2	567
3	850
4	1,133
5	1,417
6 and each subsequent year	1,700

6 Expressed in net weight.

(b) Canada shall administer this tariff rate quota either through an import licensing system as outlined in the Declaration on Tariff Rate Quota Administration or as otherwise agreed to between the Parties.

(c) Notwithstanding subparagraph (b), paragraphs 19 and 20 shall apply to this paragraph.

(d) This paragraph applies to industrial cheese, which means cheese used as ingredients for further food processing (secondary manufacturing) imported in bulk (not for retail sale), classified in the following tariff lines:
ex 0406.10.10, ex 0406.20.11, ex 0406.20.91, ex 0406.30.10, ex 0406.40.10, ex 0406.90.11, ex 0406.90.21, ex 0406.90.31, ex 0406.90.41, ex 0406.90.51, ex 0406.90.61, ex 0406.90.71, ex 0406.90.81, ex 0406.90.91, ex 0406.90.93, ex 0406.90.95, and ex 0406.90.98.

WTO Cheese Tariff Rate Quota

18. Canada shall reallocate, beginning in year 1 of this Agreement, 800 tonnes of Canada's 20,411,866 kilogram WTO Tariff Rate Quota for cheese to the European Union.

Under-fill mechanism

19. With respect to the tariff rate quotas set out in paragraphs 12, 13, 15, 16, and 17:

(a) If a tariff rate quota is under-filled, defined as less than 75 per cent of the annual aggregate quantity actually imported into the Party under the tariff rate quota in a given year, the Parties shall meet, upon the request of a Party, in the framework of the Committee on Agriculture established under Article 26.2.1 (a) (Specialised committees) in order to promptly address the underlying causes of the under-fill or any other questions affecting the smooth operation of the tariff rate quota.

(b) If a tariff rate quota is under-filled, defined as less than 75 per cent of the annual aggregate quantity actually imported into the Party under the tariff rate quota in a given year for three consecutive years, and where such under-fill is not linked to scarce supply or demand of the relevant good, the administration of the quota for the following year(s) shall be made on a first-come first-served basis. To demonstrate scarce supply or demand, a Party shall clearly demonstrate on a quantifiable basis that either adequate supply to fill the tariff rate quota is not available in the country of export or that the tariff rate quota quantity could not be consumed in the importing market. If the Parties disagree on the reasons leading to under-fill, the matter shall be subject to binding arbitration at the request of a Party.

(c) If subsequent to the under-fill referred to in subparagraph (b), there is full use of the tariff rate quota, defined as 90 per cent or more of the annual aggregate quantity actually imported into the Party under the tariff rate quota in a given year for two consecutive years, the Parties may consider returning to a licencing system following consultations between the Parties on the necessity and opportunity of such reversion and on the features of such licencing system.

Review clause

20. (a) With respect to the tariff rate quotas set out in paragraphs 12, 13, 15, 16, and 17, both at the mid-term and at the end of the phase-in period of any of these tariff rate quotas, or at any other time upon motivated request of a Party, the Parties shall review the operation of the relevant tariff rate quota administration system in light notably of its effectiveness in ensuring quota utilisation, market conditions, and administrative burdens associated with the system for the economic operators and for the Parties.

(b) With respect to the tariff rate quotas set out in paragraphs 16 and 17, the review referred to in subparagraph (a) shall also include the allocation method allowing for new entrants.

(c) With respect to the tariff rate quotas set out in paragraphs 12, 13, and 15, the review referred to in subparagraph (a) shall also include the consequences of any tariff rate quota administration modalities agreed with a third country for the same goods in the framework of other trade negotiations involving the Parties and would include the possibility of providing the option to the exporting Party of transitioning to the approach agreed to in another agreement. The conditions of competition in North America will be a necessary part of the review.

Conversion Factors

21. With respect to the tariff rate quotas set out in paragraphs 11, 12, 13, and 15, the following conversion factors shall be utilized to convert Product Weight to Carcass Weight Equivalent:

(a) Tariff Rate Quotas set out in paragraphs 11, 12 and 13:

Tariff Line	**Tariff Line Description** (for illustrative purposes only)	**Conversion Factor**
0201 10 00	Carcases or half-carcases of bovine animals, fresh or chilled	100 %
0201 20 20	"Compensated" quarters of bovine animals with bone in, fresh or chilled	100 %

Tariff Line	Tariff Line Description (for illustrative purposes only)	Conversion Factor
0201 20 30	Unseparated or separated forequarters of bovine animals, with bone in, fresh or chilled	100 %
0201 20 50	Unseparated or separated hindquarters of bovine animals, with bone in, fresh or chilled	100 %
0201 20 90	Fresh or chilled bovine cuts, with bone in (excl. carcases and half-carcases, "compensated quarters", forequarters and hindquarters)	100 %
0201 30 00	Fresh or chilled bovine meat, boneless	130 %
0206 10 95	Fresh or chilled bovine thick and thin skirt (excl. for manufacture of pharmaceutical products)	100 %
0202 10 00	Frozen bovine carcases and half-carcases	100 %
0202 20 10	Frozen "compensated" bovine quarters, with bone in	100 %
0202 20 30	Frozen unseparated or separated bovine forequarters, with bone in	100 %
0202 20 50	Frozen unseparated or separated bovine hindquarters, with bone in	100 %
0202 20 90	Frozen bovine cuts, with bone in (excl. carcases and half-carcases, "compensated" quarters, forequarters and hindquarters)	100 %

Tariff Line	Tariff Line Description (for illustrative purposes only)	Conversion Factor
0202 30 10	Frozen bovine boneless forequarters, whole or cut in max. 5 pieces, each quarter in 1 block; "compensated" quarters in 2 blocks, one containing the forequarter, whole or cut in max. 5 pieces, and the other the whole hindquarter, excl. the tenderloin, in one piece	130 %
0202 30 50	Frozen bovine boneless crop, chuck and blade and brisket cuts	130 %
0202 30 90	Frozen bovine boneless meat (excl. forequarters, whole or cut into a maximum of five pieces, each quarter being in a single block "compensated" quarters in two blocks, one of which contains the forequarter, whole or cut into a maximum of five pieces, and the other the whole hindquarter, excl. the tenderloin, in one piece)	130 %
0206 29 91	Frozen bovine thick and thin skirt (excl. for manufacture of pharmaceutical products)	100 %
0210 20 10	Meat of bovine animals, salted, in brine, dried or smoked, with bone in	100 %
0210 20 90	Boneless meat of bovine animals, salted, in brine, dried or smoked	135 %
0210 99 51	Edible thick skirt and thin skirt of bovine animals, salted, in brine, dried or smoked	100 %
0210 99 59	Edible offal of bovine animals, salted, in brine, dried or smoked (excl. thick skirt and thin skirt)	100 %

(b) Tariff Rate Quota set out in paragraph 15:

Tariff Line	**Tariff Line Description** (for illustrative purposes only)	**Conversion Factor**
0203 12 11	Fresh or chilled with bone in, domestic swine hams and cuts thereof	100 %
0203 12 19	Fresh or chilled with bone in, domestic swine shoulders and cuts thereof	100 %
0203 19 11	Fresh or chilled fore-ends and cuts thereof of domestic swine	100 %
0203 19 13	Fresh or chilled loins and cuts bone-in thereof of domestic swine	100 %
0203 19 15	Fresh or chilled bellies "streaky" and cuts thereof of domestic swine	100 %
0203 19 55	Fresh or chilled boneless meat of domestic swine (excl. bellies and cuts thereof)	120 %
0203 19 59	Fresh or chilled meat of domestic swine, with bone in (excl. carcases and half-carcases, hams, shoulders and cuts thereof, and fore-ends, loins, bellies and cuts thereof)	100 %
0203 22 11	Frozen bone-in hams and cuts thereof of domestic swine	100 %
0203 22 19	Frozen bone-in shoulders and cuts thereof of domestic swine	100 %

Tariff Line	Tariff Line Description (for illustrative purposes only)	Conversion Factor
0203 29 11	Frozen fore-ends and cuts thereof of domestic swine	100 %
0203 29 13	Frozen loins and cuts thereof of domestic swine, with bone in	100 %
0203 29 15	Frozen bellies "streaky" and cuts thereof of domestic swine	100 %
0203 29 55	Frozen boneless meat of domestic swine (excl. bellies and cuts thereof)	120 %
0203 29 59	Frozen meat of domestic swine, with bone in (excl. carcases and half-carcases, hams, shoulders and cuts thereof, and fore-ends, loins, bellies and cuts thereof)	100 %
0210 11 11	Domestic swine hams and cuts thereof, salted or in brine, with bone in	100 %
0210 11 19	Domestic swine shoulders and cuts thereof, salted or in brine, with bone in	100 %
0210 11 31	Domestic swine hams and cuts thereof, dried or smoked, with bone in	120 %
0210 11 39	Domestic swine shoulders and cuts thereof, dried or smoked, with bone in	120 %