

Department of Economics

**QUANTIFYING THE ECONOMIC IMPACT OF CETA ON
PORTUGAL**

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Dissertation submitted as partial requirement for the Degree of
Master in Economics

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September 2017

Abstract

The European Union and Canada recently signed a Comprehensive Economic Trade Agreement (CETA) which covers virtually all sectors and aspects of Canada-EU trade. For small open economies, like Portugal, trade is a key factor in productivity and competitiveness gains that foster economic performance and growth. Canada is among Portugal's top 10 importing countries, and wine is Portugal's main export good to Canada. The wine sector represents an important source of economic revenue for Portugal, contributing very significantly to the final value of agricultural production and exports. This dissertation studies the impact of CETA on Portugal-Canada wine trade, assessing its effects on the Portuguese wine sector. After a thorough examination of the Canadian wine sector, the Canadian consumer profile and market trends, an analysis was made to address the strengths, weaknesses, opportunities and threats related to Portugal's positioning in the Canadian market in view of CETA's entry into force.

Keywords: International Trade, Comprehensive Economic and Trade Agreement, Canada, Portuguese Wine Sector.

JEL Classification: F15, L100

Resumo

A União Europeia e o Canadá assinaram recentemente um acordo de livre comércio, conhecido por *Comprehensive Economic and Trade Agreement (CETA)*, que abrange praticamente todos os sectores e aspectos do comércio Canadá-UE. Para pequenas economias, como Portugal, o comércio é um factor-chave nos ganhos de produtividade e competitividade que fomentam o desempenho económico e crescimento. O Canadá está entre os 10 maiores mercados importadores de vinho português, sendo este o principal produto das exportações portuguesas para o Canadá. O sector do vinho representa uma importante fonte de receitas para Portugal, contribuindo significativamente para o valor final da produção agrícola e exportações nacionais. Esta dissertação estuda o impacto do CETA no comércio de vinho entre Portugal e o Canadá, avaliando os seus efeitos no sector vitivinícola português. Após uma análise ao sector do vinho no Canadá, o perfil do consumidor e as tendências de mercado, avaliaram-se os pontos fortes, fracos, oportunidades e ameaças relacionados com o posicionamento de Portugal no mercado canadiano face à entrada em vigor do CETA.

Palavras-chave: Comércio Internacional, Comprehensive Economic and Trade Agreement, Canada, Sector Vitivinícola Português.

JEL Classification: F15, L10

Acknowledgments

I would like to thank Prof. Nuno Crespo and Prof. Carlos Figueiredo for all orientation and guidance in the development of my dissertation. Their comments and suggestions were always welcomed.

I wish to express my sincere thank you to Simão Machado and Jorge Monteiro, who have given me valuable suggestions and inputs during my research.

My special acknowledgements to all of those who have willingly shared their candid views during the process of interviewing.

Finally, a warm thank you to Pedro and my parents for their love and encouragement throughout my study.

This dissertation is dedicated to my grandfather, João Ventura.

List of Contents

I.	Literature Review	1
i.	Formation of Trading Blocs	4
ii.	Stages of Economic Integration	5
iii.	Traditional Economic Integration Theories.....	6
iv.	New Economic Integration Theories	8
v.	Rules of Origin	10
II.	Methodology	12
i.	Research Strategy	12
ii.	Data Collection.....	13
a)	Questionnaire	14
b)	Interview	15
iii.	Data analysis.....	16
iv.	Limitations of the Research.....	18
III.	The Wine Sector in Portugal	19
i.	History.....	19
ii.	Regulatory Overview	21
a)	Institutions and professional bodies.....	21
b)	Appellation System - Official designations	22
iii.	Profile of the Portuguese wine industry compared to Global market.....	23
iv.	Contribution of the Wine Sector to the Portuguese economy	24
v.	Vineyard surface area.....	25
vi.	Production.....	26
vii.	Consumption.....	30
viii.	Foreign Trade	32
IV.	The Wine Sector in Canada.....	36

i.	Canada’s political economy	36
ii.	Overview of the wine industry	37
a)	Competitive landscape	37
iii.	Regulatory Environment.....	39
iv.	Import Procedures.....	40
a)	Selection process: Public and Private imports	41
b)	Labelling requirements	41
v.	Distribution Channels.....	41
vi.	Supply and Demand.....	43
vii.	Consumption.....	47
viii.	Foreign Trade	49
a)	Exports	49
b)	Imports	52
ix.	Market access and barriers to trade	56
a)	Taxes/Tariffs	56
b)	Trade Agreements	56
V.	Portugal’s positioning in the Canadian Market.....	57
i.	Overview	57
ii.	Distribution by Province	58
iii.	Exports by product type.....	61
iv.	Perception of the Portuguese Wine	62
VI.	CETA	63
i.	Key Data.....	63
ii.	Details of the Agreement/Broad Reach of CETA.....	64
a)	National Treatment and Market Access for Goods.....	64
b)	Regulatory Cooperation	66
c)	Investments, Services and Related Matters.....	66

e)	Investment protection and investment dispute settlement	67
f)	Public Procurement.....	68
g)	Intellectual Property Rights (IPR)	68
iii.	Wine & Spirits	69
a)	Discriminatory Practices in Canada.....	69
b)	CETA Protection.....	71
VII.	SWOT Analysis.....	71
i.	Strengths.....	72
ii.	Weaknesses	75
iii.	Opportunities	78
iv.	Threats	82
VIII.	Conclusion.....	86
IX.	References	92
X.	Appendix	102
i.	Definitions and Calculations	102
ii.	The Wine Sector in Portugal	102
iii.	The Wine sector in Canada.....	106
iv.	Portugal’s Position in Canada.....	112

I. Literature Review

The proposed benefits of free trade have been heavily documented in the economics literature since **Adam Smith's (1776)** pioneering inquiry into the nature and causes of the wealth of nations (Morgan & Katsikeas, 1997). Smith challenged the prevailing thinking of the seventeenth and eighteenth centuries – the so-called “Mercantilism”, which consists on the idea that a successful nation should export more than it imports and that the trade surplus should be used to expand the nation’s treasure, primarily gold and silver. Under this theory, governments should control economic activity and place restrictions on imports, if needed, to ensure the accumulation of monetary reserves through a positive trade balance¹.

Then Smith introduced the argument that each country would benefit from specialization in those commodities in which it has an “absolute advantage” (i.e. can produce at lower real cost than another country), exporting them and importing only the goods that it produces at a higher cost than does another country. This idea of free trade based on specialization and the division of labor was further developed by David Ricardo, who introduced the **Theory of Comparative Advantage** (Ricardo, 1821). This theory holds that there is mutual benefit from trade even if one country is more competitive in every area than its trading counterpart and that a nation should concentrate resources only on industries where it has a comparative advantage.

Classical trade theory dictates that the extent to which a country exports and imports relates to its trading pattern with other nations. Under this theory, trade occurs between two countries who tend to have international differences in labour productivity, or technology, failing to explain what causes differences in relative advantages. **The Heckscher-Ohlin (HO)**, or factor-proportions theory (Heckscher and Ohlin, 1933), by contrast, extends the concept of economic advantage by considering the endowment and costs of factors of production. The theory claims that countries should export the goods and services whose production requires the cheapest and most abundant factors of production. By the same token, countries should import those products whose input resources are expensive and scarcely available within country boundaries (Dunn & Ingram, 1996). It is worth emphasizing here a fundamental distinction between the HO model and the Ricardian model. While the Ricardian model

¹ Mercantilism. *Wikipedia*.

assumed the same factors of production in two countries (only labour) and different levels of technical knowledge, the HO assumes different factor endowments.

Empirically testing the HO model, **Wassily Leontief (1953)** observed an inconsistency with the theorem. Using data from the 1947 input-output (I-O) model of the United States economy, he concluded that the US was a capital-rich country and that it had a greater abundance of capital relative to labour than did its trading partners. Thus the theory predicted that the U.S. should have been exporting capital-intensive goods and importing labour intensive goods, but instead it was doing the exact opposite. Its exports were more labour intensive than its import-competing goods (Dunn & Ingram, 1996). Leontief suggested that the paradox was caused by the greater efficiency of U.S. workers, however this explanation received little support among economists (“Country Similarity Theory”, n.d.). Other model such as the **Linder (1961)** model focuses on the differences in preferences as the main trade barrier between countries. The **Preference Similarity Hypotheses**, as it is known, holds that countries with similar income levels have similar tastes and, thus, trade more with one another (Dunn & Ingram, 1996). Both theories have been shown to be deficient in explaining more recent patterns of international trade. For example, the 1960s witnessed significant technological progress and the rise of the multinational enterprise, which resulted in a call for new theories of international trade to reflect changing commercial realities (Leontief, 1966) (Morgan & Katsikeas, 1997). One early response to the failure of the HO theory was **Raymond Vernon’s product life-cycle theory**. The hypothesis is that new products pass through a series of stages in the course of their development, and their comparative advantage position changes as they move through what is known as the Vernon product cycle (Dunn & Ingram, 1996). The theory suggests that early in their life cycle, new products are produced in and later exported from the country in which they were developed. As foreign demand grows and firms, foreign firms start to undertake production themselves, beginning to export to third-country markets. Finally, as production costs fall, they begin to export the product to the country of origin, which becomes a net importer, thus completing the cycle. Therefore, the location of production depends on the stage of the cycle (Introduction, Growth, Maturity and Decline). This model can be easily adapted and modified, so there is a great number of variations. Most of these, however, concentrate on the U.S. trade experience.

Traditional theories of international trade iterated that every country had a comparative advantage over others in the form of a good or service that could be produced at a lower cost than by any other country. Comparative advantages came from inherent factors, such as natural

resources or climate. Because specialization is another factor that can lead to a comparative advantage, it then becomes in every country's best interest to specialize in certain goods and trade for others.

After the Second World War, it was observed not only that trade proportion between countries whose economic level was similar increased rapidly, but also that countries exported and imported the same kind of commodity at the same time. These phenomena cannot be explained by the H-O model, since it is based on factor endowment differences among countries – the bigger the differences, the larger the amount of trade (Krist, 2017). To explain this, Paul Krugman developed the so-called **New Trade Theory**, claiming that, although there may be no disadvantage for a country to produce a certain good, it might be in their best interest to import a good from another country to optimize specialization in other commodities and attain economies of scale.

This model considered differentiated products, incomplete competition and, most importantly, economies of scale (unit costs of production fall with increased scale of output), explaining the relationship between them and international trade. According to the theory, trade is altered if market is not perfectly competitive, or when production of specific products possesses economies of scales - internal and external. With internal economies of scale, the larger the firm the greater the scale benefits, and the lower the cost per unit. In case of external economies, when the cost per unit of output depends on the size of an industry, not the size of the individual firm, the industry of that country may produce at lower costs than the same industry that is smaller in size in other countries.

The biggest difference between Krugman's theory and H-O theory is that, the former one mainly explains intra-industry trade based on economies of scale and imperfect competition, while the latter explains inter-industry trade based on factor endowment difference and comparative advantage.

In the continuing evolution of international trade theories, in 1990, Michael Porter developed a new model to explain national competitive advantage. His theory focused on explaining why some nations are more competitive in certain industries than others. His theory stated that a nation's competitiveness in an industry depends on the capacity of the industry to innovate and upgrade. Porter used a diamond shaped diagram as the basis of framework to illustrate the determinants of national advantage consisting of factor conditions, demand conditions, related and supporting industries, and firm strategy. These determinants create the

national environment in which companies are born and learn how to compete. The more innovative firms a nation has, the stronger its competitive advantage. At the national level, productivity is a key determinant of the nation's long-run standard of living and a basic source of national per-capita income growth. Innovation also promotes productivity, which translates to efficiency. Additionally, an industry's competitiveness may be influenced by the nation's government and by chance events as well.

i. Formation of Trading Blocs

The formation of the North American Free Trade Agreement (NAFTA), the European Union (EU), the Asia-Pacific Economic Cooperation (APEC), the Association of Southeast Asian Nations (ASEAN) and other regional trading blocs have to some extent changed the pattern of world economy and trade.

Trade liberalization can take several forms. The simplest path is when a nation cuts tariffs unilaterally, but usually nations lower their import barriers at the same time as their trade partners. This can take the form of a multilateral agreement, such as under GATT/WTO, or an agreement among a subset of nations, which is often referred to as a preferential trading agreement (PTA) (Snorrason, 2012: 9). Both the WTO and PTAs allow countries to cooperate and commit to reducing trade barriers, but there is an important distinction between the two types of agreements: PTAs, by offering preferences to specific countries, go against the principle of nondiscrimination, or **Most Favoured Nation (MFN)** treatment, a pillar of the international trading system under the WTO Agreement. MFN means that every time a member of the WTO/GATT gives favorable treatment to a country, it must treat all members equally with respect to the same issue WTO (2017). The purpose of this clause is to prevent trade diversion² and the cumbersome tariff structure that would likely prevail in the absence of MFN.

Per Baldwin and Freund (Baldwin & Freund, 2011), preferential trade agreements are allowed, in part, because the MFN clause creates a free-rider problem. They argue that if only a subset of members agrees on significant tariff reduction, other members can “free ride” – they get expanded market access without new commitments. Thus, “If all members participated equally in MFN tariff reduction, PTAs might not be needed. PTAs enable countries that want to pursue deeper trade liberalization to evade the free-rider problem”.

² This term will be addressed further along.

ii. Stages of Economic Integration

Preferential trade agreements (PTAs) are agreements by which participating countries discriminatorily remove trade barriers among their countries, with protection against nonparticipants being maintained. The GATT/WTO defines three basic categories of regional trade agreements: Free Trade Area (FTA), Customs Union (CU), and interim agreements to implement FTAs or CUs. PTAs can range from low-level integration by means of Foreign Trade Agreements (FTAs), such as the North American Free Trade Agreement (NAFTA), or Custom Unions (CUs), to higher levels of integration, such as a common market, economic (and monetary) union, or even economic and political union. CUs are FTAs with a common external tariff. When this subset of nations is confined within a geographic region, PTAs are usually referred to as a regional trade agreements (RTA) (Baldwin & Freund, 2011).

Free Trade Agreements

While PTAs aim at improving quantity of trade by gradually reducing tariffs between participating countries, FTAs eliminate import tariffs as well as import quotas between member countries entirely (Holden, 2013). These can be limited to a few sectors or can encompass all aspects of international trade. Furthermore, FTA signatory countries retain independent trade policy with all countries outside the agreement and no further harmonization of regulations, standards or economic policies is required, nor is the free movement of capital and labour a necessary part of a free trade agreement (Holden, 2013).

Custom Unions

A customs union (CU) builds on a free trade area by, in addition to removing internal barriers to trade, also requiring participating nations to harmonize their external trade policy. In a CU, the parties agree to allow free trade on products within the union, and agree to a common external tariff (CET) with respect to imports from the rest of the world (OECD, 2013). The CET is what distinguishes a customs union from a free trade area. In a free trade area, trade among the member states flows tariff free, but the member states maintain their own distinct external tariff with respect to imports from the rest of the world. The EU Customs Union falls into this category, whereas NAFTA is the best known example of a free trade agreement, in which the parties do not share a common external tariff. Members of a CU also typically negotiate any multilateral trade initiative (such as the Comprehensive Economic and Trade Agreement) as a single bloc.

Common Market

In addition to containing the provisions of a customs union, a common market removes all barriers to the mobility of people, capital, goods and services. The objective of a common market is most often economic convergence and the creation of an integrated single market. It is sometimes considered as the first stage of a single market. The European Economic Community was the first example of a common market.

The principal advantage of establishing a common market is the expected gains in economic efficiency. With freed mobility, labour and capital can more easily respond to economic signals within the common market, resulting in a more efficient allocation of resources (Holden, 2013).

Economic Union

An economic union is a type of trade bloc which is composed of a common market with a customs union. Since the participant countries essentially share the same economic space, economic unions require formally coordinated monetary and fiscal policies as well as labour market, regional development, transportation and industrial policies. It frequently includes the use of a common currency and a unified monetary policy.

In practice, formal agreements rarely fall neatly into one of the categories or stages above, as countries are free to negotiate economic integration agreements. The European Union, for instance, is more than a custom union. It also includes a free trade zone, a common market, and an economic union. It has developed an internal single market through a standardized system of laws that apply in all member states. EU policies not only aim to ensure the free movement of people, goods, services, and capital within the internal market, but also enact legislation in justice and home affairs, and maintain common policies on trade, agriculture, fisheries, and regional development. 19 member states are part of a monetary union, established in 1999, which use the euro currency.

iii. Traditional Economic Integration Theories

The interest for Preferential Trading Areas came in the postwar period, especially at the time of the first steps taken to form the European Community by the Treaty of Rome in 1957, which led to a further examination of this issue by several economists at the time, including James Meade (1955), Richard Lipsey (1957; 1960) and, most notably, **Jacob Viner (1950)**, who set off the theoretical literature on the “static” welfare effects of PTAs (Bhagwati &

Panagariya, 1999). Viner introduced the concepts of **trade creation** (referring to an increase in imports displacing less efficient domestic production) and **trade diversion** (where imports shift from an efficient outside supplier to a less efficient supplier due to the preferences granted to the less efficient one), associating the former with welfare improvement and the latter with welfare reduction (Krishna, 2005). Viner's theory was important for proving that PTAs could not be considered in a straightforward way, they are not necessarily positive and could harm both a member country and world welfare (Bhagwati & Panagariya, *The Theory of Preferential Trade Agreements: Historical Evolution and Current Trends*, 1996). The preferential removal of tariffs may lead to trade diversion, in which imports shift away from the most efficient supplier to the country receiving preferential treatment. This in turn generates an inefficiency in world production that is harmful to bloc nonmembers (Freund & Ornelas, 2010).

Viner's theory of a customs union was based on three assumptions: fixed proportions in consumption (demand curves are inelastic), no economies of scale and members of customs union are small countries (have no influence on a world price). This approach was "static," concerning itself simply with the issue as to when such PTAs would be trade-diverting or trade-creating, thus diminishing or increasing welfare.

Many developments have been made to the Viner static analysis of economic integration effects. Meade (1955) argued that Viner's analysis is only true under conditions of inelastic demand and completely elastic supply. If demand was allowed to be more elastic, a customs union would actually increase the volume of trade even though there is trade diversion. This effect was coined "trade expansion" Meade. Other authors suggested that for certain countries or in certain types of preferential arrangements, such as in Customs Unions, preferential arrangements can be welfare-enhancing (Holden, 2013). Lipsey (1957, p.40; and 1960, p.504) per Hosny (2013, p.136) argued that Viner only considered the "production effect of the union" in his economic welfare analysis, and neglected the "consumption effect of the union", claiming that a welfare judgment requires the combination of the two effects. According to Hosny (2013, p.136), studies by Cooper and Massell (1965a, p.742), Johnson (1975, p.117), and Pomfret (1997, p.182) summarized the implications of the issue of production and consumption effects of a customs union. Johnson (1975, p.117), for example, contended that trade-diversion may be welfare-increasing if both production and substitution effects are taken into account, in the sense that the welfare losses resulting from the diversion to a high-cost supplier country may be more than outweighed by the welfare gains resulting from the reduced prices to consumers due to the elimination of tariff on imports. Pomfret (1997, p.182) claimed that this results in

increased consumer surplus whether the increased imports were from the least-cost supplier or not.

As per the traditional theory of preferential trading, the extent to which a potential PTA can be successful is determined by economic factors. In general, the value of trade creation and trade diversion depends on the size and extend of trade barriers. The higher number and size of tariffs, more significant is the effect from removing them (Teslya, 2010). One more important factor of effective FTA is the level of every trade partner economic importance and size of trade between partners. A hypothesis formed by Wonnacott and Lutz (1989) is that trade creation will be higher if prospective members of a PTA are “natural trading partners”. This argument is further linked with the argument that "regional" PTAs are desirable (in the sense of being more likely to create welfare gains for their members) because geographically contiguous countries have larger volumes of trade with one another than with others and there’s also less transport costs (Bhavati and Panagariya, 1996). In opposition to the argument that large volumes of initial trade decrease the likelihood of loss from PTAs, Bhavati and Panagariya (1996) contended that *this also undermines therefore the contention that regional PTAs are more desirable*. However, static effects do not cover all aspects of economic impact of FTA. In the long-time perspective, dynamic effects are probably even more important.

iv. New Economic Integration Theories

The second phase, or the “Second Regionalism” in the words of Bhagwati (1999), came when the United States turned in early 1980s to embracing PTAs as a method of reducing trade barriers when multicultural trade negotiations under GATT auspices seemed to have been foreclosed³. Disappointed by the lack of progress at the GATT negotiations, the United States decided to switch course and gone on to conclude the Canada-US Free Trade Agreement (CUFTA), and the later extension to include Mexico under the North American Free Trade Agreement (NAFTA). Alongside this, the European Community deepened and widened its integration, and other countries began to fear that their access to world markets would be curtailed if they were left out of this new reality (Panagariya, n.d.). Bhagwati (1993) noted that with the United States having embraced preferential trading, the more important question was not whether a specific PTA would improve or worsen “static” efficiency but whether the PTA path would take the world more quickly and efficiently and with greater certainty to multilateral

³ The reform of GATT Article XXIV sanctions PTAs in shape of free trade areas (FTAs) and Customs Unions (CUs).

free trade. Rather than “static” welfare questions, the subsequent debate focused instead on the political-economy considerations behind PTAs and the “dynamic” time path question (Panagariya, n.d.).

Balassa (1962), and Cooper and Massell (1965a, p.743), per Hosny (2013), pioneered the study of preferential trade agreements’ dynamic effects, demonstrating that the static analysis in terms of trade creation and trade diversion could not fully capture or analyze welfare gains from economic integration. Balassa (in Teslya) argued that regional trade agreements could influence involved countries’ welfare through economies of scale, increased competition and economic growth. In real life it’s not only countries, who are participants of regional integration, but in broader sense, companies, which may benefit from economies of scale, “learning-by-doing” effect.

When a PTA is established, sometimes, not only trade, but also investments barriers are reduced. Studies by Dunning and Robson (1988) also introduced the concepts of investment creation and investment diversion as an extension of Viner's theory (Teslya, 2010). Eliminated and reduced investment barriers, better investment climate, transparent rules and procedures are not only a good incentive for internal investment, but for Foreign Direct Investment as well, both from PTA partners and rest of the world (Teslya, 2010). The inflow of Foreign Direct Investment is investment creation (Teslya, 2010).

In his examination of the effects that regional groups have on the global trading system, J.Bhagwati (1991) coined the terms ‘building’ and ‘stumbling blocks’ in reference to whether the groups were open or closed in character (Panagariya, n.d.). In Bhagwati’s approach (1991), a regional group constitutes a building block when it favors multilateralism and a stumbling block when it acts as an obstacle to it. If PTAs, on balance, create more trade (by allowing production to shift to the more competitive producers in the agreement) than they divert (by shifting trade from lower-cost non-PTA members to higher-cost members because of tariff preferences extended to members), they are said to be a building block or complement for the world trading system. Baldwin (1995), per Limão (2005), provides a model in which the expansion of PTAs increases the benefits of further non-members to join, suggesting that PTAs are a building block. In his view, the fragmented and fast-changing regulatory environment will increase costs and thus will motivate governments to harmonize rules based on existing FTAs (Panagariya, n.d.).

An opposing view is presented by Grossman and Helpman (1995), who contend that PTAs are a stumbling block in the way of multilateral trade liberalization. They find in a lobbying model that a free trade area is most likely to be adopted when trade diversion outweighs trade creation, which is also when it is most likely to reduce aggregate welfare. Krishna (1998) arrives at a similar conclusion in a different setup and argues that these PTAs can reduce the incentive for multilateral free trade because the export rents they generate disappear when countries liberalize multilaterally, and so the producers that benefit from those rents oppose multilateral trade liberalization (Limão, 2005). Limão (2006) contends that PTAs increase the cost of multilateral tariff reductions and thus cause a stumbling block to global free trade. This occurs because multilateral tariff reductions decrease the threat that can be used in PTAs and thus the surplus that can be extracted from them.

Studies featuring both the ‘building-block’ and ‘stumbling-block’ views suggest that the underutilization or neglect of preferential trade agreements is the main obstacle to freer trade. Baldwin (2005), per Yi (2015), argues that underutilization reduces the incentives for non-members to enter new PTAs and thereby delays the expansion of FPA membership. Bhagwati et al. (1998) argue that, as PTAs proliferate, the mechanism of PTAs in liberalizing trade, which is based on the origin of product, will become more and more complex. They warned for a “movement of innumerable applicable tariff rates depending on arbitrarily-determined and often a multiplicity of sources of origin” (p. 1139), the so-called “spaghetti bowl phenomenon, coined by Bhagwati (1995) which increases the cost of cutting trade barriers and thereby stymies the full realization of freer trade under PTAs. Baldwin (2006) suggests that the ‘spaghetti bowl’ of proliferating PTAs will ultimately contribute to multilateral liberalization, and that this most likely will result in the rise of incompatible RoO within a fast-changing and fragmented production environment (Yi, 2015). The costs of complying with such rules, he contends, will motivate business to force governments to harmonize the rules based on the rules of already existing FTAs.

v. Rules of Origin

Rules of Origin designate a product’s origin to determine its eligibility for preferential tariff rates⁴. These act like a foreign subsidy to final good producers in the exportable industry

⁴ Strictly speaking, there are two common types of rules of origin depending upon application, the preferential and non-preferential rules of origin. Non-preferential rules of origin are those which apply in the absence of any trade preference — that is, when trade is conducted on a most-favored nation basis. Preferential rules of origin are those which apply in reciprocal trade preferences (i.e. regional trade agreements or customs unions) or in non-reciprocal trade preferences (i.e. preferences in favor of developing countries or least-developed countries).

and provide some protection to the domestic intermediate industry (Freund & Ornelas, 2010). In their absence, imports would enter the PTA through the lowest-tariff country, which would then collect most tariff revenue from regional imports (Holden, 2013).

Not much more work was done on rules of origin until well into the Uruguay Round negotiations. In the late 1980s developments in three important areas served to focus more attention on the problems posed by rules of origin (WTO, 2017):

- Increased number of preferential trading arrangements
- Increase in the number of origin disputes
- Increased use of anti-dumping laws

At the time, the proliferation of PTAs was already a concern, as the increased use of preferential trading arrangements, including regional arrangements, make these rules increasingly complex, with tariffs and rules varying according to a product's origin. This results in higher administrative costs, which contribute to the underutilization of PTAs (Yi, 2015). Izam (2003), Brenton and Imagawa (2005) and Estevadeordal et al. (2007), per Yi (2015), conclude that the procedures for exporters or producers to obtain the certificate often require expensive accounting and inventory systems. Krueger (1999) per Mukunoki (2005) argues that RoO result in an important protectionist bias, which stems from distortions in the intermediate-good markets, since RoO often induce producers to use a certain amount of intra-bloc intermediate goods whether prices for these goods are high or quality is low. Duttagupta and Panagariya (2003) also show that RoO can make PTAs more politically feasible agreements, although they are welfare-reducing (Mukunoki, 2005). Per Mukunoki (2005), other studies suggest RoO may increase overall welfare when transshipment costs are significant or markets for intermediates are considered (Krishna and Krueger, 1995), or that RoO could improve terms of trade of both final and intermediate goods, which increases welfare (Falvey and Reed, 2002).

The fundamental objective of RoO is often identified as the checking of free-riders who 'seek to enjoy the benefits of the FTA without paying the costs associated with FTA membership'[Boadu and Wise (1995) in Yi (2015)]. The theoretical as well as empirical examination of RoO is still in its infancy. However, the literature shows that restrictiveness, complexity, compliance costs, and uncertainty arising from the administration of RoO are factors that influence the full use of PTAs.

II. Methodology

The objective of this chapter is to describe and discuss the research strategy and data collection techniques that have been applied for this research. Furthermore, a framework for data analysis will be presented and the methods used for the analysis will be emphasized. Finally, limitations and potential problems on the research methodology are presented.

i. Research Strategy

The research strategy for this dissertation began by collecting and studying some background information regarding both the provisions of CETA and the wine sector in Portugal; thereafter the research questions were defined. Overall, analysis of information from face-to-face interviews, survey with questionnaire and literature were used to answer the research questions. Questions for the survey and interviews were structured based on the research from significant literature.

For the purpose of this dissertation both qualitative and quantitative methods have been applied in order to extract and analyze data. The reasoning for this is the enhanced accuracy of such combination. Qualitative research is especially effective in obtaining intangible elements, such as values, opinions, behaviors, and social contexts of particular populations. This approach provides complex textual descriptions of how people experience a given issue, and thus provides a deeper understanding of the characteristics of the researched area (MacDonald & Headlam, n.d.). Quantitative research, for being concerned with the collection and analysis of data in numeric form, delivers results are easy to summarize, compare, and generalize (Bryman & Bell, 2015).

This study focuses in assessing the impact of the CETA implementation on the Portuguese wine industry, but also in understanding the external and internal factors affecting the cluster's competitive advantage. As such, an in-depth exploration of a number of inter-related objectives is required, namely: what technical changes will CETA bring to the wine sector, how the sector in Portugal will be affected, what is Portugal-Canada current state of trade, stakeholder's views on the Canadian market and their expectations toward the agreement, among others. The primary focus, in terms of stakeholders, will be on representatives of the wine industry and public institutions involved in the wine sector in Portugal. As this work is not concerned with one clearly defined practical problem, but rather in drawing different scenarios for a complex reality, this research is primarily qualitative in nature, not quantitative, although a mixed strategy has been adopted.

In essence, this research consists of an exploration of relevant literature and survey research. In the words of Biggam (Succeeding with Your Master Dissertation: A step-by-step handbook, 2008), “a survey is a representative selection from the population of a particular type”. The selected population in this study consists of Portuguese wine-producing companies and wine exporters. The techniques applied to carry out the survey were personal interview and self-completion questionnaire. In-depth interviews provided qualitative data, whereas questionnaires resulted in both quantitative and qualitative data, forming the basis for further research.

Quantitative data provides a consistent device for gauging differences across companies, such as the size and number of employees, and to analyze the evolution of wine trade between Portugal and Canada over time. In its turn, qualitative data introduces the subjective experience of individuals, allowing for an in-depth exploration of the object under study (Bryman & Bell, 2015; Bryman & Bell, 2015). When used along with quantitative methods, qualitative exploration can help interpret and better understand the complex reality of a given situation and the implications of quantitative data (Mack, Woodsong, MacQueen, Guest, & Namey, 2005). One advantage of qualitative methods is that participants have the opportunity to respond more elaborately and in greater detail than is typically the case (Mack, et al., 2005 p. 4).

ii. Data Collection

According to Harrell, et al. (Data Collection Methods - Semi-Structured Interviews and Focus Groups, 2009), quality research involves collecting quality data. Without the appropriate data collection techniques one is unlikely to gather quality information and as such enhance the accuracy, validity, and reliability of research findings (Harrell & Bradley, 2009). In order to conduct a relevant research both primary and secondary data were gathered. The interview results and literature analysis are the sources of information for this data collection.

Secondary data was obtained from scientific articles, Comtrade trade statistics, national statistics, OIV databases, IWSR market data, internet sources, relevant literature and other documents provided by the companies. There is plenty of information regarding the wine sector in both Portugal and Canada, their trade relation, the Canadian consumer profile, world trends in wine consumption, etc. The time frame used for analysis is 10-15 years, medium to long-term. Concerning the specific topic of the EU-Canada agreement, there is also a great deal of data on the benefits of greater market access, but not as much about the weaknesses and negative effects of such arrangement. As the consolidated CETA text is currently undergoing legal-

review, it was imperative to keep up with the latest developments by tracking down different institutions, individuals and policy centers, other than newspaper and magazine articles. Together with a review of the past literature on the theory of free trade and FTAs, this constituted the collection method of secondary information.

In general, the main advantages of using secondary data include the enormous saving in resources, particularly time and money, involved in carrying out data collection, and the possibility to gather high-quality data and analyze far larger datasets (Bryman & Bell, 2015).

The primary data has been obtained by survey with self-completion questionnaire and face-to-face semi-structured interviews.

a) Questionnaire

According to Walonick (Everything you need to know about Questionnaires, 1993), questionnaires provide a convenient and inexpensive way of gathering information from a selected population. These are easy to analyze, cost effective when compared to face-to-face interviews, and can cover a large geographical area. They could be used to either gather quantitative or qualitative data and they are also a better way of reducing interviewer bias because there are “no verbal or visual clues” that could influence a participant (respondent) to answer in a certain way (Walonick, 1993). Therefore, this was the chosen method to collect information about the characteristics of the Portuguese wine producers and exporting companies that currently export to Canada, more specifically their export performance, capacity, constraints and potential, as well as the respondents’ perceptions and expectations towards the Canadian market. Data were gathered via a survey of 150 companies, selected from the AICEP database of Portuguese firms that export, or have in interest in exporting, wine to Canada (NC code 2204).

The survey was constructed as an anonymous self-administered online questionnaire implemented with LimeSurvey, a secure service that facilitates compilation of the results. It could be accessed under the link for a 3-month period. In this period, 150 companies from the sample were contacted per phone to request the email address of an employee responsible for the export/management activity in the company to whom the link was forwarded. In the occasional circumstance that after repeated calls there was still no contact person, the link was sent directly to the general email. X of the contacted companies gave some feedback about the

survey, but only X filled out the questionnaire, of which X responses are complete and X are partial but still usable.

A combination of yes/no, multiple-choice, rating, ranking and open-ended questions were employed in the survey. Open-end questions or free-response questions were minimized in order to reduce the probability of receiving dichotomous or ambiguous responses. This type of questions was used for the purpose of gaining insight on the respondent's opinions regarding the Canadian market. The other formats were favored as they are usually quicker and easier to answer and may improve the response rate. This format is easy to "code" and analyze. However closed questions "can introduce bias, either by forcing the respondent to choose between given alternatives or by offering alternatives that otherwise would not have come to mind" (Siniscalco, et al., 2005: 28). Open questions, by comparison, "are less likely to suggest or guide the answer (...) because they are free from the format effects associated with closed questions", thus allowing respondents to express their ideas freely (Siniscalco, et al., 2005: 26).

b) Interview

In-depth interviews, as a qualitative paradigm, include detailed key information which is unlikely to be provided by quantitative research with the same accuracy. They provide "the opportunity for the researcher to probe deeply to uncover new clues, open up dimensions of a problem and to secure vivid, accurate, inclusive accounts that are based on personal experience" (Burgess *in* Mark Easterby-Smith, 2012, p. 131). They also allow the researcher to clarify ambiguous answers and when appropriate, seek follow-up information. Furthermore, these interviews yield highest response rates in survey research ("Data Collection Methods", 2015).

To allow for a free flow of information, the interviews are semi-structured. These were conducted with representatives from major companies in the Portuguese wine industry, that currently export to Canada, trade associations and wine commissions. Companies were selected on the basis of the region in which they operate. Focus was given to the regions of Douro, Alentejo, Setúbal and Dão, due to their greater representativeness as wine-producing regions. Table II.1 lists the companies/institutions that participated in the research as well as the name and position title of the interviewees.

Table II.1. List of Interviewees

Interviewee Name	Interviewee Title	Institution
Jorge Monteiro	Chief Executive	ViniPortugal
Alberto Ribeiro de Almeida	Coordinator, Legal Department	IVDP
Ana Cristina Melo	Head of Research and Economics Department	IVDP
Carla Fonseca	Head of Marketing, Sales and Public Relations Department	IVDP
Simão Machado	Management Assistant	AEVP
António Mendonça	Export Director	Bacalhôa, Vinhos de Portugal, S.A.
António Marquez Filipe	General Manager	Symington Family Estates

The face-to-face interviews took about one hour in average and were based upon a set questionnaire, drawn up based on the review of literature. The interviews were conducted in Portuguese and the questions translated. When allowed for by the interviewee the interviews have been audio taped, and wordily typed out afterwards, to gain the most accurate data possible. All the others were typed out from notes made during the interview. Some further questions have been sent to the respondents through e-mail after conducting the interviews in order to achieve improved understanding regarding any particular issue. To ensure privacy, the names of company representatives are not identified with the quotes. For ease of comprehension, Portuguese quotes have been translated to English.

iii. Data analysis

An important part of this research is to analyze the survey data, comparing and contrasting different stakeholder perspectives, and to reflect on the literature review findings. In order to translate the data into something meaningful, primary and secondary data were combined and formed the base of a SWOT analysis.

The analysis of the on-line survey did pose some problems due to the qualitative nature of the questionnaire itself. To help focus the questionnaire in terms of reflecting the main objectives of this research and ease of analysis of the qualitative data, the data was structured according to the following topics and sub-topics:

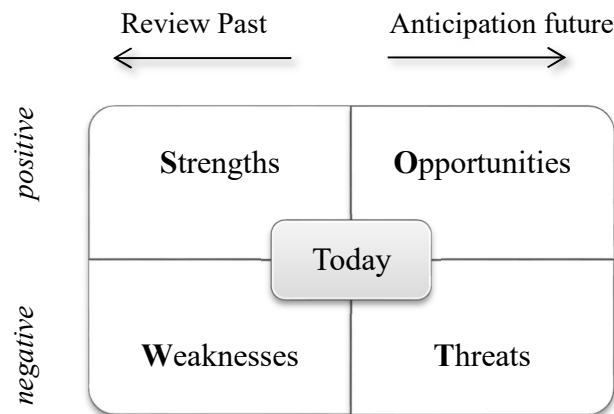
- Information about the company: year of establishment, number of employees, export sales volume, main export destinations, capacity for adaptation in response to changes in market conditions;
- Company's presence in Canada: market entry strategy, difficulties of market access, export performance, distribution channels, promotional activities;
- Future expectations towards the Canadian market: competitors, product supply, consumption trends, exchange rate (in)stability, among others.

These topics reflect the overall aim and objectives in this research and also echo key areas arising from the review of literature: production capacity, barriers to trade, market competition, consumption trends, and future outlooks, to name a few. The summarized answers of each question were then analyzed across respondents, and identical or similar concepts identified in order to allow analysis of general trends across the sample.

Once the background documents have been collected, interviews conducted and all the relevant data reviewed and analyzed, a SWOT (acronym for Strengths, Weaknesses, Opportunities and Threats) analysis was executed. This analytical technique is widely used as a tool for analyzing the internal strengths and weaknesses, as well as the external opportunities and threats of a company or industry. The underlying concept of the SWOT has been maintained but the focus of the analysis has been slightly modified for the purposes of this dissertation. Rather than assessing a company or an industry, the SWOT was used in order to identify the strengths and weaknesses of Portugal's trade position as well as the opportunities and threats that might arise from the implementation of CETA.

The SWOT analysis is based on the ability of recalling the past (review) and anticipating the future (anticipation), two steps complemented by a simple evaluation criterion (positive/negative) (Corsi, Marinelli, & Sottini, 2010). Figure II.2 illustrates this process. Operatively, SWOT analysis is a flexible and adaptable technique, and does not require extensive training or technical skills, only an understanding of the nature of the object of study (*ibid*). It allows the researcher to integrate and synthesize various types of information, which are then summarized in an easy and understandable way (European Commission, 2005-7). In this case, the aim is to provide a cohesive frame of summarizing information as retrieved from the surveys (interviews and questionnaires) and selected literature – the two main sources of information.

Figure II.1: Graphical representation of a SWOT table



Source: Elaborated from *Italian wines and Asian markets: opportunities and threats under new policy scenarios and competitive dynamics* (2010)

iv. Limitations of the Research

One of the limitations of the current study is that the survey population is limited to the wine industry in Portugal. Furthermore, there is the question of depending on a data collection technique – interview – that relies on personal opinion, and so open to bias and inaccuracy. Also, because secondary data entails the analysis of data collected by others for their own purposes, one must be cautious with commercially commissioned studies, as is the case in market research.

Finally, limitations exist for the selected data analysis tool – SWOT. A weakness of the SWOT technique is that it is highly subjective (Wheelen & Hunger, 2012). For example, the fragmentation of the wine industry could be seen as a strength, since it may enhance product diversity, or it could be seen as a weakness, as larger firms can take advantage of economies of scale in the production process, freeing capital for alternative uses. Also, the SWOT methodology may encourage oversimplification, and does not impose obvious limits as to what is and is not relevant (Newman & Bristoll).

III. The Wine Sector in Portugal

i. History

Portugal has a long history as a wine producing country. The first historical records of wine production and trade date back to around 700 BC, when the Iberian Peninsula was first held by the Celts, then the Phoenicians, Greeks and especially the Romans, who, as a result of the need to supply the Roman Empire, were responsible for major improvements in viticulture, namely the introduction of new grape varieties and modern growing techniques.

The spread of the wine business is, however, closely linked with the development of overseas trade and the strengthening of commercial ties with England followed by the signature in 1386 of the diplomatic alliance between the two countries, the Treaty of Windsor. By the 16th century wine became the main exported product, while Lisbon was the greatest wine consumption and distribution center of the empire.

In 1703 Portugal and England signed the Methuen Treaty, a milestone agreement in the history of Portuguese trade. Officially designated as the Anglo-Portuguese Commercial Treaty of 1703, it regulated trade relations between the two countries and provided a special framework for the supply of Portuguese wines to England: tariffs were reduced and preferential treatment was given to Portuguese wines over French wines. The export of wine knew then a new increase, especially in fortified wines such as Port. Faced with production fraud and price volatility as a result of the lucrative trade in fortified wines such as Port, the Portuguese prime minister, Sebastião José de Carvalho e Melo, better known as Marquis of Pombal, established total state control over wine trade by creating a monopolistic arrangement dominated by the state-owned company Companhia Geral de Agricultura das Vinhas do Alto Douro, which settled boundaries and regulations for the production of authentic Port from the Douro in 1756. The world's first Protected Designation of Origin was thus born (Pereira G. M., 2012). In 1907/1908 the producer regions of Madeira, Moscatel from Setubal, Carcavelos, Dão, Colares and Vinho Verde were also recognized as protected designations of origin.

Between 1936 and 1974, Portugal was ruled by a corporatist authoritarian regime, known as *Estado Novo*. As agricultural production was organized into corporations with strict production quotas, controlled by the National Wine Council (JNV - *Junta Nacional do Vinho*), the wine industry was negatively affected by fixed prices and limited competition and access to markets. Only after the end of the dictatorial regime and Portugal's admission into the

European Economic Community (EEC) in 1986, the sector saw a new revival. By joining the EU, Portugal was able to benefit not only from subsidies and grants to improve vineyards and winemaking facilities, but also from an upgraded appellation system in line with the communitarian legislation, which represented an important step towards the creation of value in international markets. Moreover, aiming to adjust the organization of the sector to the principles and rules of the Community Law following Portugal's accession to the European Economic Community, the JNV was replaced by the Instituto da Vinha e do Vinho, I.P. (IVV – Vine and Wine Institute). This public institute, under the purview of the Ministry of Agriculture and Sea, is nowadays responsible for the coordination and control of the wine sector organization.

In 1994, a report was conducted in Portugal – The Porter Report, in which six industries were deemed relevant by public and private organizations to be part of a cluster initiative, namely the wine sector. Porter (1994) suggested some actions to improve its competitiveness, laying emphasis on the better quality of the grapes, firms long term investment, professional management and quality certification, selection of target countries (Canada, UK, USA, Germany, Brazil, Angola, China, Nordics, Japan, Hong Kong, Singapore and Macao), study of consumer behavior, increase of super-premium wines and protection of Portuguese brands (Monitor Group, 2003).

In 2004, a deep institutional reform took place, through Decree-Law no. 212/2004, of 23rd August, of the Common Market Organization (CMO). The figure of Certifying Bodies (CB) was then created and the rules of their nature and organizational structure defined. A CB is a private association, of inter-professional character, recognized by the Minister of Agriculture to monitor the production and trade and to certify wine products entitled to the respective qualitative classification under the European Union schemes of geographical indications, created in order to ensure that only products genuinely originating in a specific region are allowed to be identified as such in commerce. That is the case of Regional Wine Commissions (*CVR - Comissões Vitivinícolas Regionais*) officially designated as CB (Wines of Portugal, 2015). As regards to the Douro Demarcated Region and the Autonomous Region of Madeira, the CB's role is played by public institutes (*Instituto dos Vinhos do Douro e do Porto, I. P.* – the Douro and Port Wines Institute – and the *Instituto do Vinho, do Bordado e do Artesanato da Madeira, I.P.* – Institute of Wine, Embroidery and Craftwork of Madeira) and not by private associations such as CVR (Leite, 2014).

ii. Regulatory Overview

a) Institutions and professional bodies

As mentioned above, the **Instituto da Vinha e do Vinho, I.P.** (Vine and Wine Institute) coordinates and controls the organization of the Portuguese wine sector. It audits the certification system of wines' quality, monitors and applies the EU policy, participates in the coordination and supervision of promotion and, among others, ensures international relations in the wine area, namely to the European Union and the International Organization of Vine and Wine (OIV).

The **International Organization of Vine and Wine (OIV)**, which replaced the International Vine and Wine Office (established in 1924) in 2001, is an intergovernmental organization that has evolved to become the scientific and technical reference entity for the entire vitivinicultural sector. Its 46 Member States, including Portugal, account for more than 85 percent of global wine production and nearly 80 percent of world consumption. The OIV sets standards for viticulture, oenological practices, definitions, labelling and methods of analysis, with decisions being taken at Annual General Assembly through the adoption of draft resolutions based on consensus of participating members. The resolutions adopted are not legally binding, but Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 stipulates that, when authorizing new oenological practices in the EU, the Commission should base itself on those recommended and published by the OIV.

European Union wine regulations are common legislation related to wine existing within the European Union. Its central document is entitled *Council Regulation on the common organisation of the market in wine* and it is supplemented by several Commission regulations. These regulations form a part of the **Common Agricultural Policy (CAP)** of the EU, and regulate such things as the maximum vineyard surface allowed to individual EU member states, permitted winemaking practices, principles for wine classification and labelling, imports from non-EU countries and duties of enforcement agencies.

ViniPortugal is the Interprofessional Association of the Portuguese Wine Industry and the entity managing the brand Wines of Portugal⁵. Created in 1997, with the aim of promoting Portuguese wines, brandies and vinegars on the domestic and target international markets, it

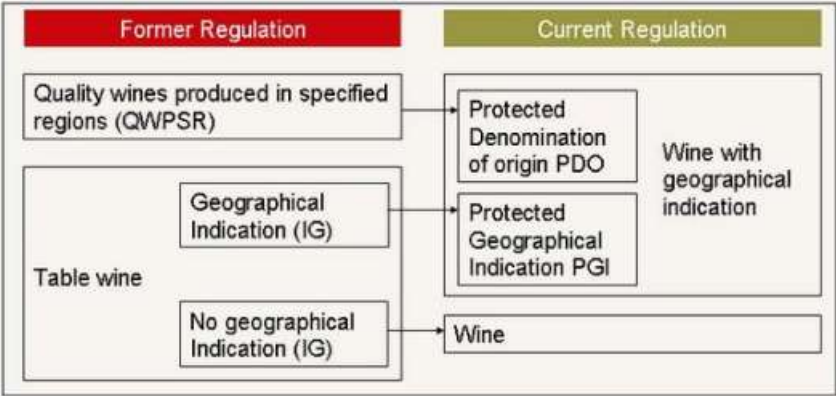
⁵ The brand Wines Of Portugal aims to be the unifying element of all quality wines produced in Portugal in order to facilitate their identification and association with the country.

groups leading associations and professional organizations representing the trade (ANCEVE and ACIBEV), production (FENAVI and FEVIPOR), cooperative wineries (FENADEGAS), distillers (AND), farmers (CAP) and demarcated regions (ANDOVI). With an annual budget of roughly €7 million, ViniPortugal has carried out hundreds of Portuguese wine promotion actions around the world. The international marketing strategy of ViniPortugal for the period of 2015-2017 allocates 70 percent of the available budget for markets outside the EU and comprises 11 priority markets, laying emphasis on market consolidation (USA, Brazil, UK, Germany, Sweden, Norway, Angola, Canada, and Japan) and market diversification (China and Singapore). As medium-term goals, it sets out to transform the image of Portugal into a global benchmark and repositioning it, in volume and value, among the 10 largest exporting countries worldwide (ViniPortugal, 2014).

b) Appellation System - Official designations

All the wines, produced in the country, are classified by the production place or appellation - wine territorial unity - based on the revised legal framework provided by the EU Regulation No 1151/2012 of the European Parliament and of the Council of 21 November 2012 on quality schemes for agricultural products and foodstuffs⁶. At the top of the European wine hierarchy is the category **Protected Denomination of Origin (PDO)**, or *Denominação de Origem Protegida (DOC)*.

Figure III.1: Appellation System in Portugal



Source: www.winesforspain.com

⁶ Regulation (EU) No 1151/2012 of the European Parliament and of the Council of 21 November 2012 on quality schemes for agricultural products and foodstuffs (2012) OJ L 343/1.

According to the EU definition, all products with PDO status must be produced exclusively with grapes from a determined geographical area with specific characteristics deriving from the local terroir (geographic environment, natural and human factors). These wines are subject to strict rules of control in order to guarantee authenticity and quality. As of May 2015 Portugal had 31 Protected Designations of Origin.

Protected geographical indication (PGI), or *Indicação de Proveniência Regulamentada (IPR)*, also labelled as *Vinho Regional (VR)* in Portugal, is used to describe or identify a viticulture product originating from grapes having at least an 85 percent provenance in respect of a particular place or region, whose reputation, specific quality or other characteristics can be attributable to that geographical origin and whose vinification occurs within that area or demarcated geographical region. Portugal currently allocates 14 Geographical Indications: Vinhos Verdes, Trás-os-Montes, Porto and Douro, Távora-Varossa, Bairrada, Dão and Lafões, Beira Interior, Tejo, Lisboa, Península de Setúbal, Alentejo, Algarve, Azores and Madeira.

Wines (*Vinhos*) are Portugal's simplest wines, subject to none of the rules stipulated for quality or regional wines. These were classified as Table Wine (*Vinho de Mesa*) until in 2011 this category was replaced by the PGI in order to remove the word "Table" and its connotations of low quality from the EU wine nomenclature. The previous category named Quality Wine Produced in a Specific Region (QWPSR) was also replaced with PDO by the EU.

iii. Profile of the Portuguese wine industry compared to Global market

Portugal is one of the greatest producers of wine in the world:

- 5th largest producer in the EU and the 11th worldwide;
- 3rd in terms of planted surface area in the EU, 8th worldwide;
- 9th global exporter both in volume and value terms (OI, 2015).

This is a sector which is extraordinarily important for Portugal, not only in terms of its economic impact, but also in social and environmental terms. Moreover, Portuguese wine plays a key role in the way Portugal portrays the image of the country abroad.

iv. Contribution of the Wine Sector to the Portuguese economy

The Portuguese wine industry makes a significant contribution to the national economy in terms of output, GDP and employment. This impact extends well beyond its direct sales and employment activities as a result of its strong links to other sectors in the economy such as tourism, retail sales and bars and restaurants. Moreover, viticulture is historically linked to Portugal as an activity of economic and social prominence, standing for approximately 50 percent of the national agricultural sector.

The Portuguese wine industry is made of, for the most part, family-owned small- to medium-sized companies, often at regional level, large economic groups operating internationally, and cooperative wineries (81 active, according to I.V.D.P.). Alentejo and Setúbal Peninsula are the two regions of Portugal where these cooperatives are more significant. Its merger and supplier activity involves a large number of producers, contributing to 39 percent of the national production (compared to 49 percent in 2005/06). With an estimated number of 1,313 active companies, the sector supports approximately 9,450 direct equivalent jobs, compared to 8,035 in 2013 (Agência Lusa, 2017). Approximately 75 percent of the wine-producing companies have less than 10 employees and only about 25 of those employ more than 50 workers (Informa D&B, 2015).

Portugal's wine industry presents high levels of turnover and added value, in addition to a very positive trade balance. In 2013, the wine industry generated €1,211.8 million in revenue, making up 11 percent of Food and Drink Manufacturing Industry Gross Value Added (GVA) and accounting for 49 percent of total sales value of the beverage industry⁷. It enjoys 4.35 times more productivity (GVA/employment) than the Agri-Food sector and represents 15 percent of total agricultural exports value⁸. Trade surplus estimated at €608 million in 2014 contributed to the reduction of the Agri-Food sector trade deficit by 13.6 percent, with total wine exports representing 0.43 percent (729 million euros) of Portugal's GDP in the same year (Statistics Portugal, 2014).

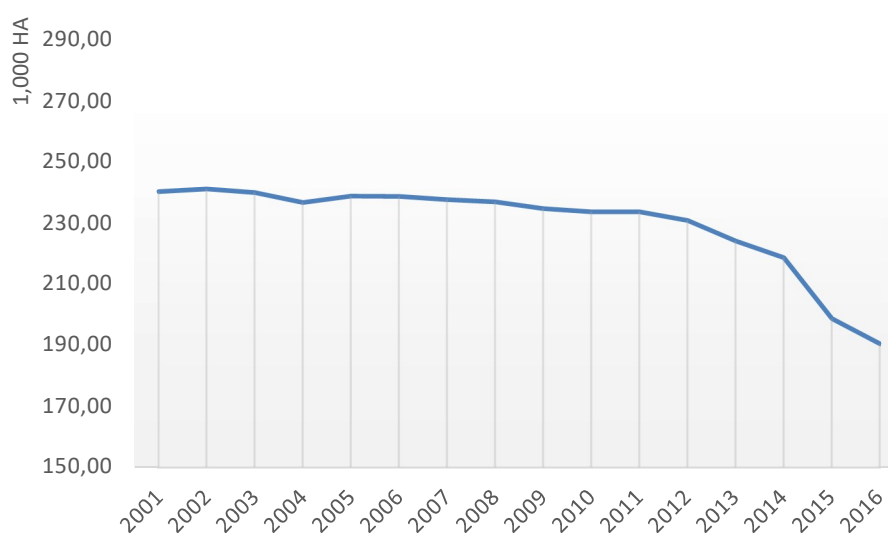
⁷ The data used was taken from Statistics Portugal, on June 11, 2015. According to the Portuguese Classification of Economic Activities, the manufacture of wine (1102) – subdivided into production of wines and liqueur wines (11021) and production of sparkling and carbonated wines (11022) – is categorized under the manufacture of beverages (110), which belongs to section C – Manufacturing.

⁸ The data used was taken from Statistics Portugal, on June 11, 2015. Combined Nomenclature codes used were 2204, 220410, 220421 and 220429.

v. Vineyard surface area

With a vineyard surface area (vines for wine grapes, table grapes or grapes for drying, in production or awaiting production) of 190,467 hectares (ha) (Instituto da Vinha e do Vinho, I.P.), Portugal is home to more than 250 native grape varieties that allow the production of unique and flavorsome wines.

Figure III.2: Evolution of surface area under vine, Portugal (2001-2016)

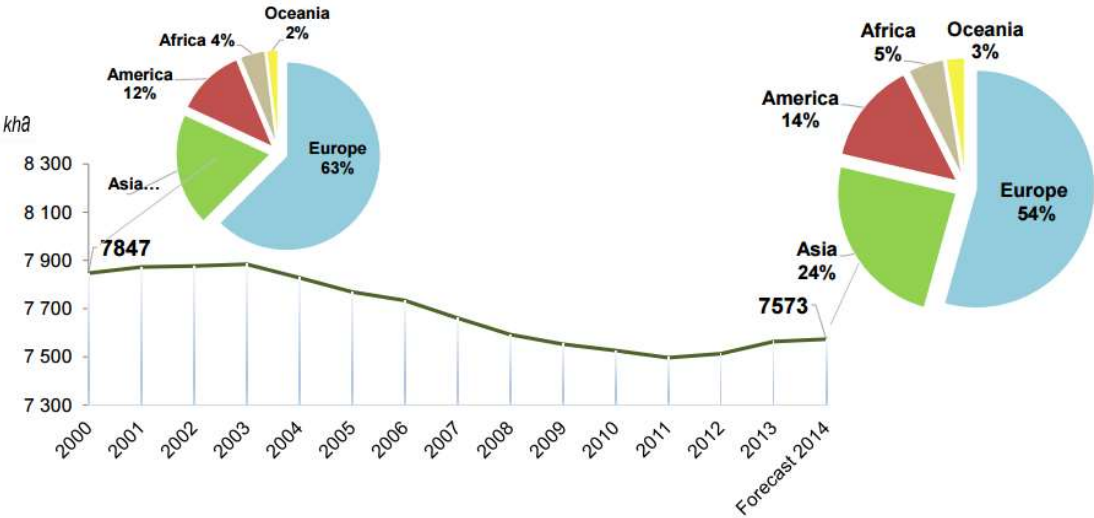


Source: (IVV - Instituto da Vinha e do Vinho, I.P)

Figure III.2 presents the evolution of area under vines in Portugal between 2001 and 2016. In the given timeframe, Portuguese vineyards shrank by an average of 3320 ha/year, making the total 20.7 percent. This period was marked by two consecutive reforms of the EU's Common Market Organization (CMO) for wine (2000 and 2007), aimed at bringing balance to the wine market, improving wine quality and competitiveness on the world market (European Court of Auditors, 2012). Measures such as the prohibition on planting of new vines intended for the production of table grapes, the allocation of financial support under the form of subsidy grants for the restructuring and conversion of vineyards, or the granting of premiums for the temporary and permanent grubbing-up and abandonment of vine-growing⁹ (Directorate General of Agriculture and Rural Development, 2012), all contributed to a decline of vineyard surface area in Portugal as well as in the total 27-European countries (Cardoso, 2014).

⁹ Effect of EU permanent abandonment premiums ended in 2011. Regulation (EU) No. 1308/2013 introduced, as of 1 January 2016, a new tool for the management of viticultural production potential at the European level, based on a system of planting authorizations that replaces the old planting-rights system.

Figure III.3 Surface Area of Vineyards Worldwide (2000-2014)



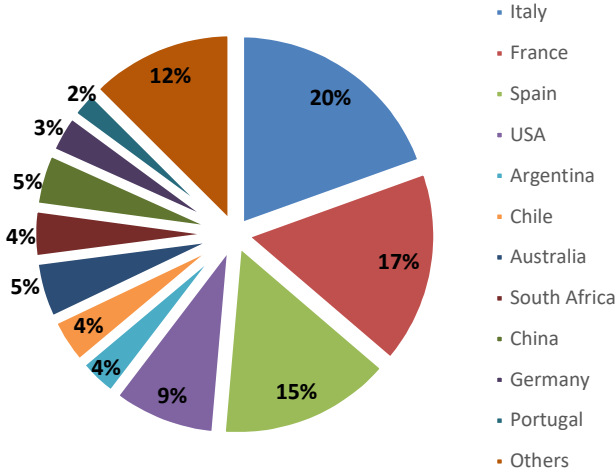
Source: OIV.

According to OIV (State of the Vitiviniculture World Market, 2015), Europe’s share of world’s vineyards has declined from 63 percent in 2000 to 54 percent in 2014, while plantations in Asia and South America have slightly overcompensated for the reduction in the EU vineyards, as shown in figure III.3. Considering the area not yet in production and regardless of the grape’s final destination, Spain, China, France, Italy and Turkey represented almost 50 percent of the world vineyard in 2014 (“World vitiviniculture situation”, 2015).

vi. Production

According to the OIV’s data, nearly two thirds of the world’s total production of wine (excluding juice and musts) provides from Europe and more than 80 percent of the world’s wine is produced by 10 countries (220,677 mhl). France, Italy and Spain alone are responsible for nearly 50 percent of the world’s total production (figure III.4). Portugal in turn is the 5th largest producer in the EU and the 11th worldwide, with estimated production at 6,009 mhl in 2016 (IVV - Instituto da Vinha e do Vinho, I.P.). In general, wine production is more volatile than area under vine due to fluctuating agricultural conditions. However, similar to the vineyard surface area, there has been a decrease in production in Europe caused, inter alia, by its vineyard re-structuring policy and adverse weather conditions (Bettini, 2015).

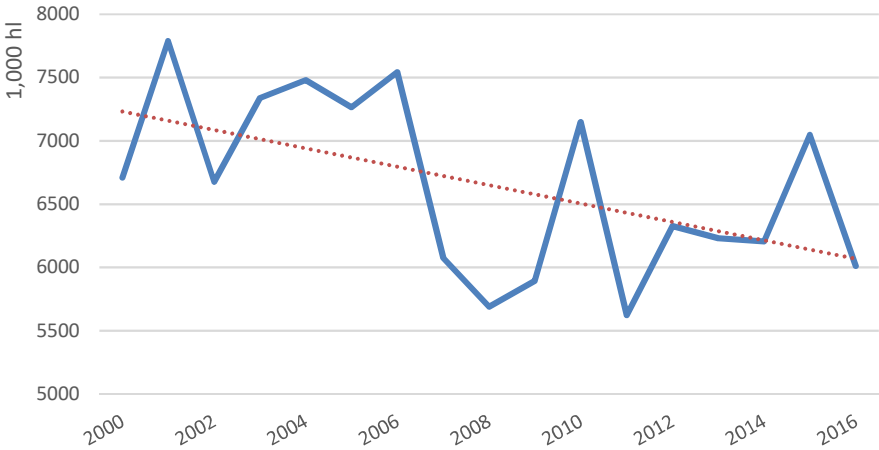
Figure III.4 World wine production, volume share (2016)



Source: OIV, database extract

Figure III.5 depicts the production in Portugal between 2000 and 2016, where one can observe not only high variability but also a downward trend in production levels, as the 2016 projection remains 23 percent lower than the 2001 peak. This is very similar to the production trends in Europe’s major producing countries for the last 15 years.

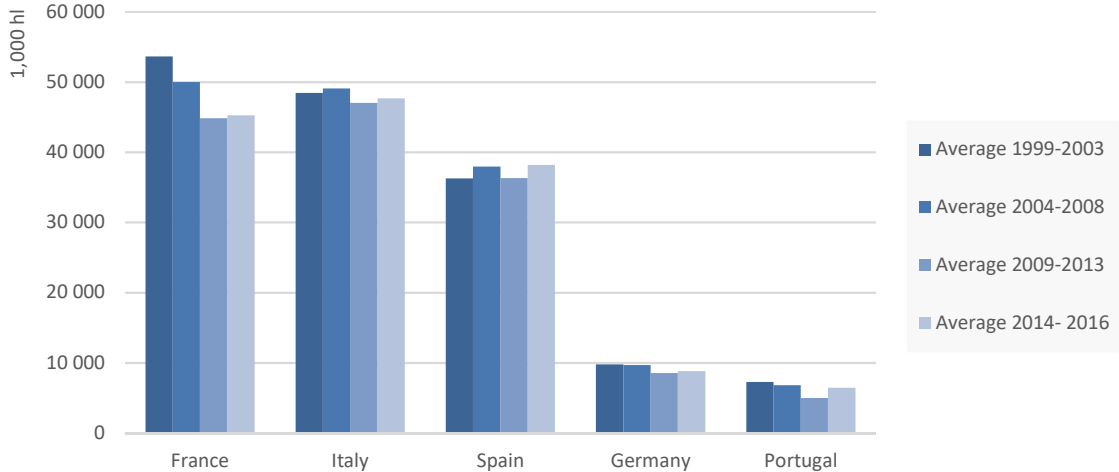
Figure III.5: Evolution of total wine production, Portugal (2000-2016)



Source: IVV – Instituto da Vinha e do Vinho, I.P.

Although year on year variability is high, as per figure III.6 below, France was the country with the major decline in wine production, whereas Portugal’s production average was higher between 2014-2016 than between the period of 2009-2013. Spain and Italy seem to recover and reverse the declining trend while Germany records more stable production levels.

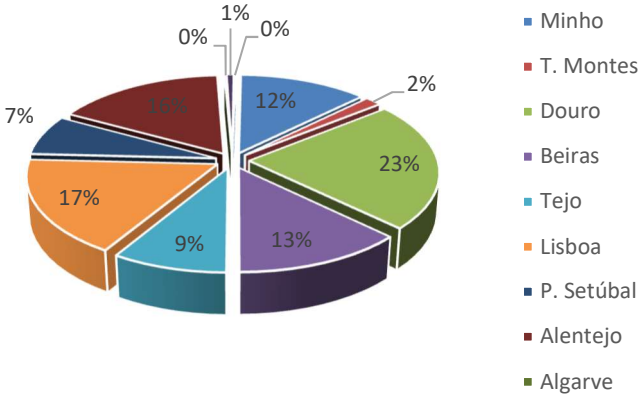
Figure III.6. Production Trends in Europe’s main producing countries



Source: IVV– Instituto da Vinha e do Vinho, I.P.

Portugal is divided into 14 main high quality wine producing regions (Beiras includes “Beiras Atlântico”, “Terras do Dão”, “Terras da Beira” and “Terras de Cister”). By analyzing the geographical distribution of wine production in Portugal in figure III.7, one easily identifies the core supply areas. Clearly the largest producers are in the regions of Douro (23 percent), Alentejo (16 percent), Lisbon (17 percent), Beiras (13 percent) and Minho (12 percent).

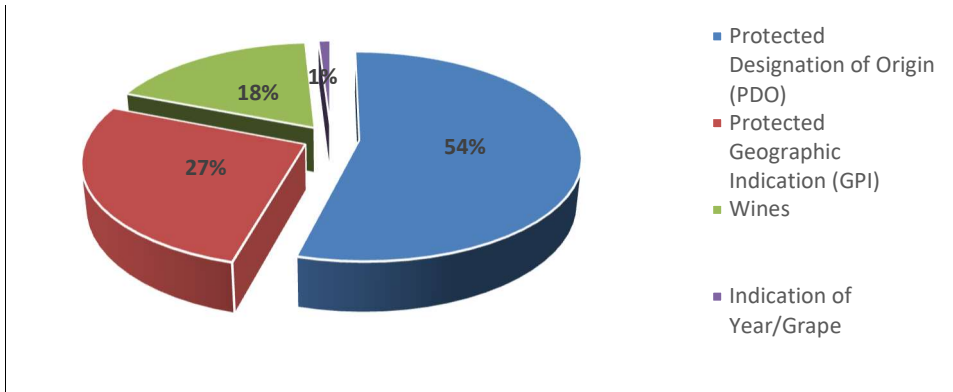
Figure III.7. Regional share in the production of wine in Portugal, 2015/2016



Source: IVV – Instituto da Vinha e do Vinho, I.P.

The majority of wines produced in Portugal are either wines with Protected Denomination of Origin (PDO), accounting for 48 percent of total production, or wines with Protected Geographic Indication, (PGI), which combined make up nearly 76 percent of the national wine production (4,868 mhl), as shown in figure III.8.

Figure III.8: Production of wine in Portugal by category, in volume (2016)



Source: IVV – Instituto da Vinha e do Vinho, I.P.

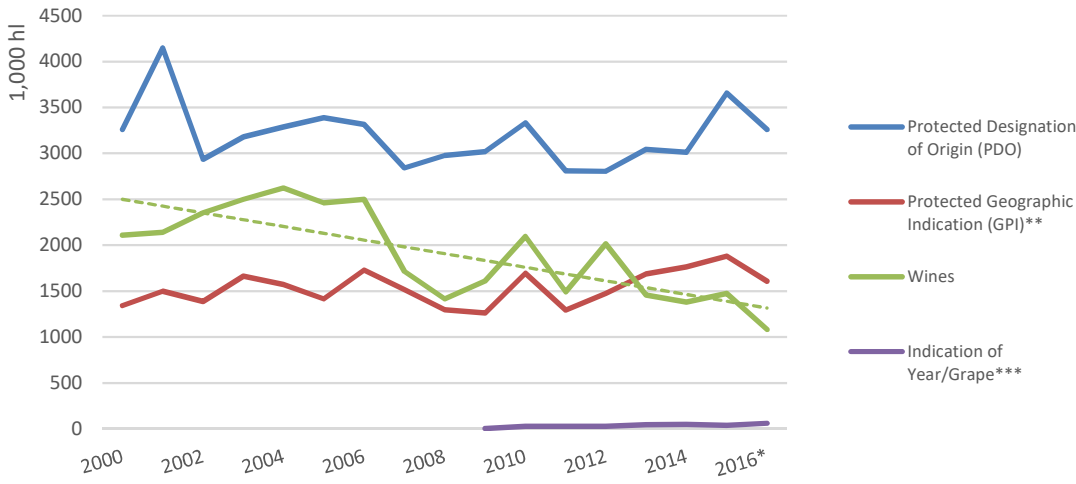
Lisbon holds the highest quota in the production of wines with PGI (43 percent), followed by Alentejo (27 percent) and the Setubal Peninsula (12 percent). In its turn, the Douro Region is leader in the category of quality wines with PDO, holding almost a 40 percent share in the production of these products, followed by the Region of Minho, with a 21.6 percent share, Alentejo, with 18 percent, and Beiras, with about 11 percent. Wines with neither PDO nor PGI represent 18 percent of the national production of wine, and its distribution is more even across the Portuguese regions. Tejo holds the largest quota, with 28.3 percent, followed by Beiras, with about 27.6 percent, Lisbon (23.8 percent). Although less representative (1 percent share), the majority of production of wines with Indication of Year/Grape comes from the Alentejo Region (45.6 percent)¹⁰.

Over the last fifteen years, the production of wine with neither PDO nor PGI has plummeted, whereas PDO and PGI remained at levels close to those recorded in previous years, figures that are in line with the fact that most of the Portuguese wine production is carried out in demarcated regions. In effect, the share of quality wines increased 20 percentage since 2000, compensated by a 49 percent decline in the production of wine with neither PDO nor PGI, as can be seen in figure III.9. As noted previously, the improvement of grape and wine quality was among the recommendations of the report conducted by Porter (1994).

In terms of product type, production of Red wine stood at 63.5 percent in 2015/2016, White wine constituted 30 percent, and the remainder 6.5 percent belonged to the category of Rosé wine (IVV - Instituto da Vinha e do Vinho, I.P., 2016).

¹⁰ As shown in appendix, by table X.1.

Figure III.9. Production of wine grouped by category, Portugal (2000-2016)



*IVV, I.P. estimate (Jan, 2017)

**Including liqueur wines, semi-sparkling wines, aerated semi-sparkling wines

***The category was included in 2008, following the adoption of the Council Regulation (EC) No 1234/2007 of 22 October 2007 establishing a common organization of agricultural Markets and on specific provisions for certain agricultural products (Single CMO Regulation)

Source: IVV – Instituto da Vinha e do Vinho, I.P.

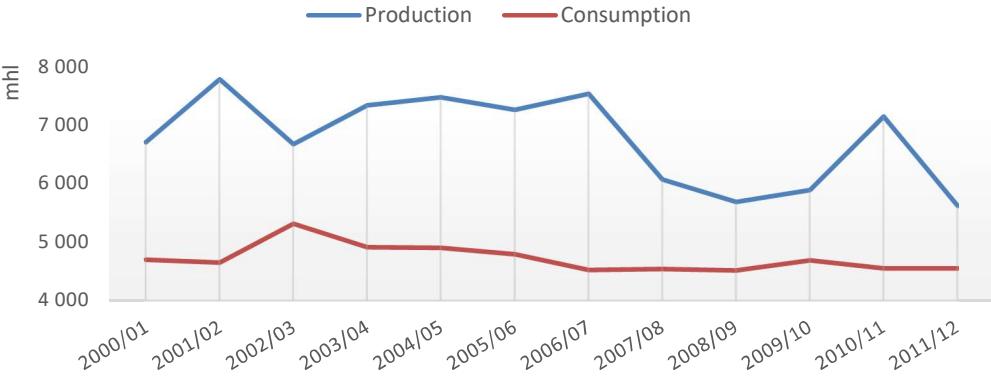
vii. Consumption

The production capacity in Portugal clearly satisfies domestic demand, as can be seen in figure III.10, wherein production is always greater than consumption, which remained relatively constant in recent years. Per capita consumption also remained reasonably stable during the first decade of the 2000s, despite showing a decreasing tendency as of 1995, when per capita consumption was around 57 liters per year, 40 percent above the last estimate for 2013/14 (40 liters/year)¹¹.

According to the OIV, worldwide wine consumption has increased by 7 percent between 2000 and 2013, from 226 Mhl to 242 Mhl. Portugal has maintained its position at 12th since 2011, while the Italy, France and Spain were the three major consumers worldwide, accounting for 15 percent of world consumption. However, observing figure III.11, which depicts the evolution of wine consumption throughout the period considered, it is possible to identify two trends: one is that consumption levels in traditional wine consumer countries (France, Italy and Spain) have progressively declined, and a rapid increase in non-European countries’ consumption levels, of which China, the U.S. and Russia stand out.

¹¹ As shown in appendix, by figure X.1.

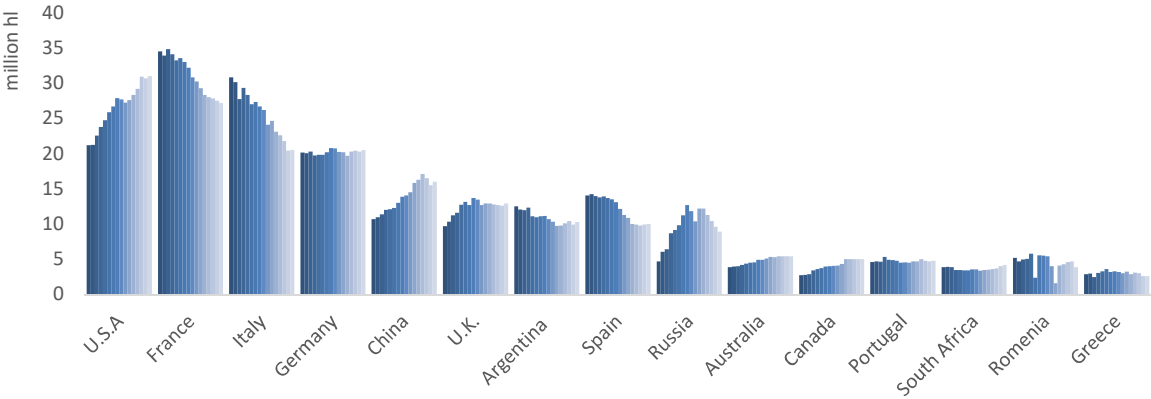
Figure III.10. Evolution of Wine Consumption and Production in Portugal, 2000-2012



Source: IVV – Instituto da Vinha e do Vinho, I.P.

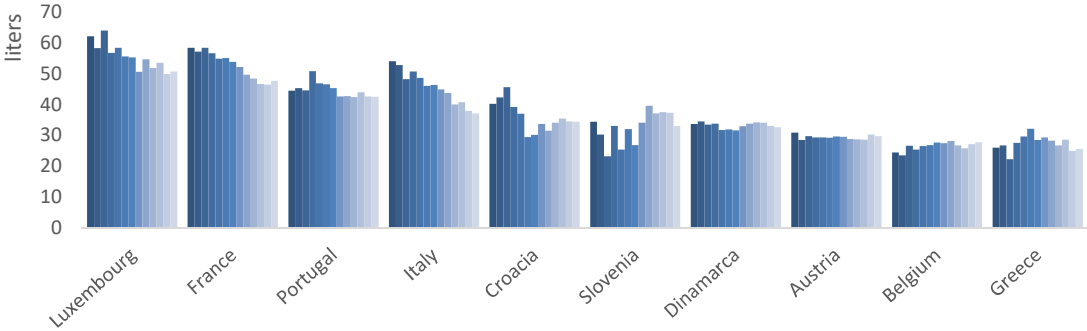
As regards per capita wine consumption, data is only available until 2012. Portugal was ranked in the 3rd place in 2012, after Luxembourg and France, which, along with Italy, have showed diminishing per capita consumption levels over the same time period, as depicted in figure III.12. The USA, which is the largest wine market in the world, comes in no more than on 29rd place at 9.2 liters per capita, followed by Russia at 7.3 l/c (IVV - Instituto da Vinha e do Vinho, I.P.).

Figure III.11. World Wine Consumption trends (2000-2015)



Source: IVV – Instituto da Vinha e do Vinho, I.P.

Figure III.12. World wine consumption per capita trends, 2000-2012



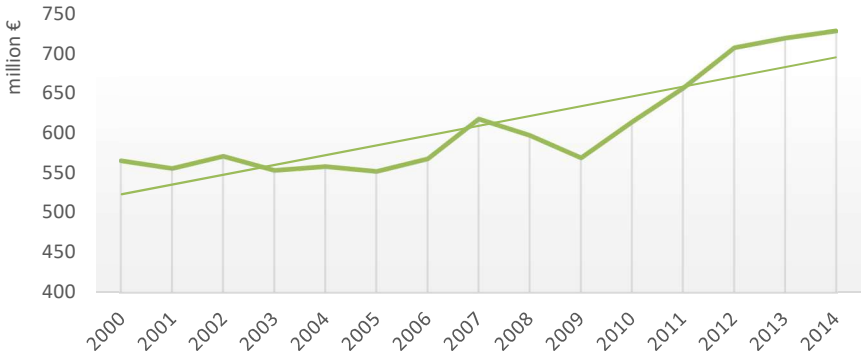
Source: IVV – Instituto da Vinha e do Vinho, I.P.

viii. Foreign Trade

Portugal has always been a net exporter in the international wine trade. It is placed in the 9th position of the world trade ranking and enjoys a 2.80 percent market share as world wine supplier (AICEP).

Per Statistics Portugal (2014), 45 percent of the national production of wine is exported, accounting for 1.5 percent of total exports of goods. By contrast to diminishing levels of production, the exporting value of Portuguese wines has increased over the last 14 years, reaching approximately €729 million (including Madeira and Port wine) in 2014. By comparison, in the year of 2000, the value of exports was estimated at €566 million (figure III.13). This uptrend in the value of wine is arguably linked to a decline in wine consumption in Portugal over the last decades which has eventually led Portuguese producers to focus on exporting and increasing the value of their sales (Euromonitor International Ltd., 2014).

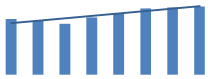
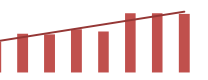

Figure III.13. Evolution of Portuguese wine exports



Source: IVV - Instituto da Vinha e do Vinho, I.P., Database Extracts

Analyzing Portugal's trade in wine balances between 2007 and 2014 (table III.1), one can observe that trade surplus increased by 15 percent, from €532.7 million to €610.5 million. Exports declined in the years of 2008 and 2009, starting to grow in consecutive years, despite registering a slowdown in growth pace between 2013 and 2014. Imports have had a rather irregular behavior, with breaks in 2009, 2011 and 2014.

Table III.1. Annual Trade Balance of Wine in Portugal from 2007 to 2014 (NC2204)

Intra + Extra EU	2007	2008	2009	2010	2011	2012	2013	2014	Annual growth 2007-2014
Exports (1)	595,987	575,966	544,011	614,380	656,918	707,458	719,895	728,763	
% change		-3.4%	-5.5%	12.9%	6.9%	7.7%	1.8%	1.2%	
Imports (2)	63,257	80,363	79,099	89,493	81,915	84,435	122,572	118,267	
% change		27.0%	-1.6%	13.1%	-8.5%	3.1%	45.2%	-3.5%	
Trade Balance [(1)-(2)]	532,730	495,603	464,913	524,887	575,004	623,023	597,323	610,496	
% change		-7.0%	-6.2%	12.9%	9.5%	8.4%	-4.1%	2.2%	

Unit: thousand euros (€)

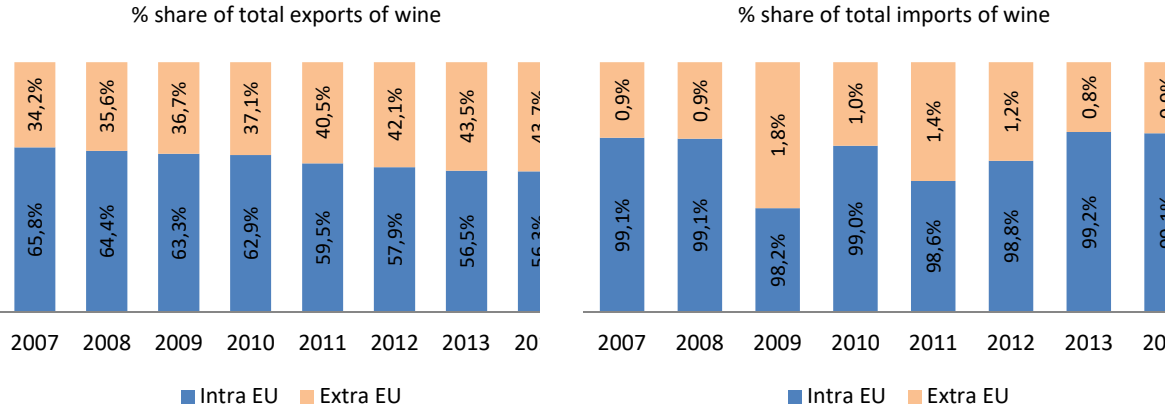
Source: Statistics Portugal

In total, Portugal exports wine to 138 different markets. The EU is the main destination of Portuguese wines, as well as the country's main wine supplier. Between 2007 and 2014, the weight of the EU in Portugal's wine exports has displayed a downward trend, declining from 65.8 percent to 56.3 percent, as depicted in figure III.14. By contrast, the market share of third countries has risen steadily, from 34.2 percent in 2007 to 43.7 percent in 2014. Regarding the origin of imports, the EU accounts for 99 percent of Portugal's wine demand, a share that has remained stable throughout the period examined.

Top 10 wine importing countries, both in value and volume terms, include France, Angola, United Kingdom (UK), United States of America, Belgium, Germany, the Netherlands, Canada, Brazil and Switzerland (figure IV.15). In value terms, France is Portugal's biggest market at 15 percent of exports, followed by Angola (13 percent) and the UK (10 percent). However, Angola surpasses France in terms of volume, which is reflected in a lower average price. At €1.5 per liter, the value per liter of exports to Angola is in fact the lowest amongst the top 10 destinations¹².

¹² As shown in table X.3 of the appendix.

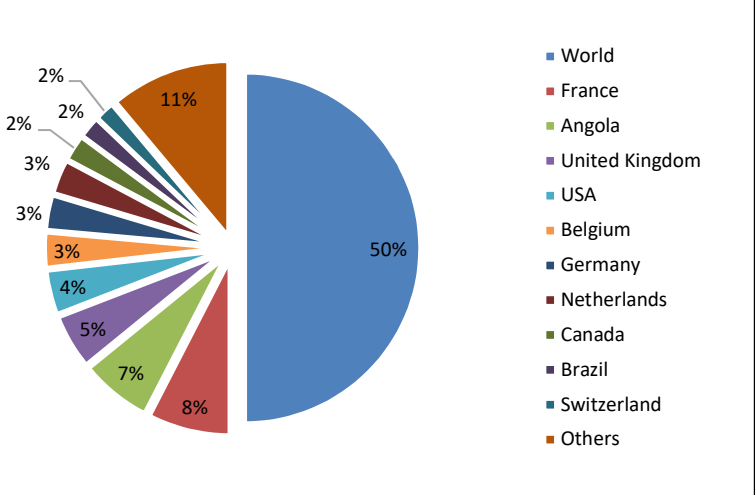
Figure III.14. Export and import shares of Intra and Extra-EU (28) countries in Portugal’s wine trade, 2007-2014 (value basis)



Source: Statistics Portugal

Spain is by far Portugal’s largest supplier of wine, with import shares of 75 percent in value and 95 percent in volume terms, followed by France, Italy and Germany with shares above 1 percent in terms of value, and by others with less than 1 percent¹³.

Figure III.15. Portugal’s main export destinations (2014)



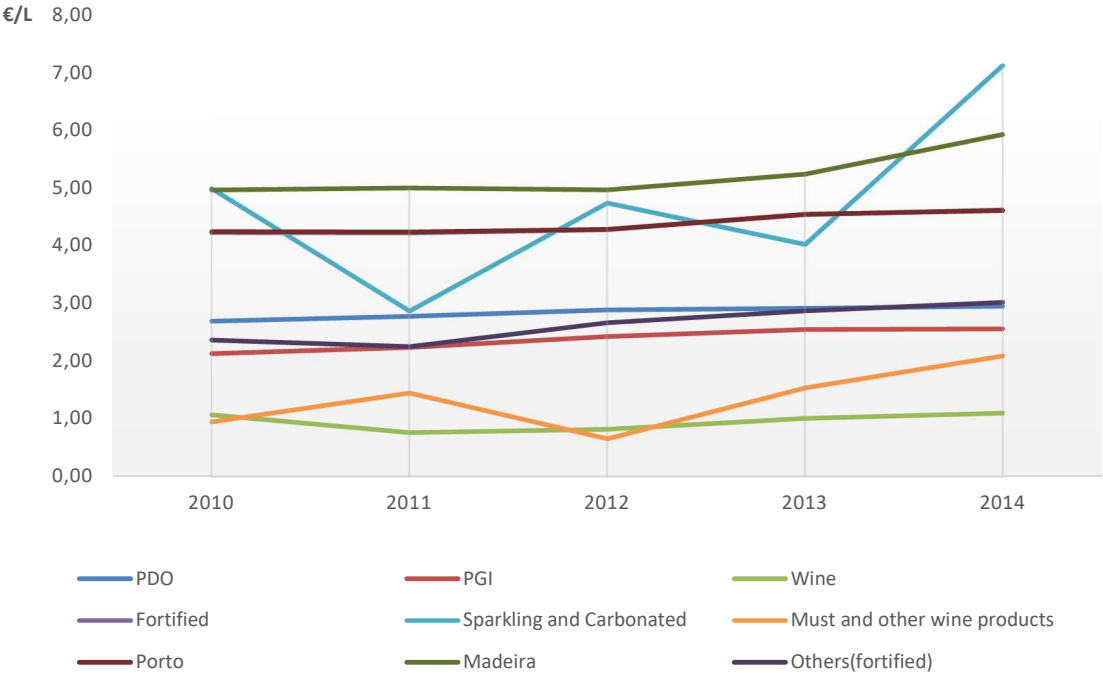
Source: AICEP database; Statistics Portugal

By product type, wines (without quality certification) were responsible for 42.2 percent of total exports volume (720,772 hl), followed by fortified wines with a 25.3 percent share (of

¹³ As shown in table X.4 of the appendix.

which 23.9 percent is Port), PDO (18 percent) and PGI (14 percent). However, in terms of value, fortified wines account for almost half of Portuguese wine exports, with Port wine accounting for 43 percent totaling € 314 million in export value, followed by wines with PDO (20.3 percent), wines (18.1 percent), PGI (13.8 percent) and Sparkling and carbonated wine (1.9 percent)¹⁴.

Figure III.16. Average export price of Portuguese wine by product type, 2010-2014



Source: IVV – Instituto da Vinha e do Vinho, I.P.

Albeit timidly, the average export price increased for all categories. Sparkling and carbonated wine was the category that most evidenced itself, with average price increasing from 4.01 to 7.12 euros per liter, but, examining figure III.16 above, one can observe that it was the group with the most price fluctuations, contrasting with nearly constant prices in the other categories.

¹⁴ As shown in table X.5 of the appendix.

IV. The Wine Sector in Canada

i. Canada's political economy

Canada is the second largest nation in the world by land mass (9,093,507 km²), and largest in the Americas. It corresponds to a little more than half of the Russian territory, the largest country in the world, and 109 times the Portuguese territory (92,000 km²). This country consists of 10 Provinces and 3 Territories:

- Provinces (to the south): Alberta, British Columbia, Prince Edward Island, Manitoba, New Brunswick, Nova Scotia, Ontario, Québec, Saskatchewan and Newfoundland and Labrador
- Territories (to the north): Nunavut, Northwest Territories and Yukon.

With nearly 36 million inhabitants (Statistics Canada), 3.5 times more than Portugal and 11 percent of the EU population, Canada is one of countries with the lowest population densities in the world, 3.87 inhabitants per km². Yet, the Canadian population has been growing in recent years due to the increase of immigrants - Canada has one the highest per capita immigration intake levels worldwide. According to the Canadian 2011 Census of Population, the working-age population (those aged 15 to 64) represented 68.5 percent of the Canadian population. This proportion was higher than any other G8 country, except Russia. However the same population is going through a similar situation to that of all developed countries, i.e. the ageing of the adult population, with more retirees and fewer people belonging to the working population. In 2011, the proportion of people aged 45 to 64 among the working-age population reached 42.4 percent, a record proportion. Similarly, seniors accounted for a record high of 14.8 percent of the population in Canada, even though this proportion was among the lowest of the G8 countries.

There are large differences in the structure of provincial and territorial populations. Essentially, the majority of the Canadian population is concentrated in the provinces of Quebec (23.1 percent) and Ontario (38.5 percent), where the capital city Ottawa and also the most populous city, Toronto, are located, followed by British Columbia (13 percent) and Alberta (11.6 percent).

Canada's GDP (expenditure-based) stood at C\$1,973,043 billion in 2014, equivalent to 1,582 billion euros and more than 7 times the Portuguese GDP¹⁵. The GDP per Capita, in

¹⁵ See table X.6 of the appendix.

Canada, was last recorded at C\$55.51 in 2014, when adjusted by purchasing power parity (PPP), equivalent to 241 percent of the world's average¹⁶. The provinces of Ontario and Quebec account for more than half the wealth generated in this country (36.6 percent and 18.8 percent, respectively), which is very uneven across provinces and territories - the 4 provinces with higher GDP represent about 86 percent of the total Canadian, in part caused by the demographic disparity. Incidentally, only Prince Edward Island has a lower GDP than the 3 territories in Canada together, indicating the little wealth created in these ones. On the other hand, GDP per capita is much higher in the territories, with the exception of the provinces of Alberta and Saskatchewan - a reduced GDP combined with a residual population density justifies the figures for GDP per capita, as for the average annual income. By comparison, neither Portugal as a whole nor Lisbon manage to have values of created wealth per capita comparable to Canadian values, but on an aggregate perspective, Portugal resembles the province of British Columbia, and Lisbon the province of Saskatchewan (AICEP, 2014).

ii. Overview of the wine industry

a) Competitive landscape

The overall competitive environment in the country is characterized by strong historical reputations of (and consumer preferences for) Old World wines, stable per capita wine consumption patterns, rapid increases in both the number of domestic wineries and land under viticulture, economies of scale and technology associated with New World wines, and a shift within production to higher quality product. However, Canada is a small player by world standards and Canadian wine producers face strong and intensifying competition within the domestic and international market. The country's adverse climate conditions limit the size and competitiveness of the industry, which is largely supported by the domestic market and the tourism sector (Agriculture and Agri-Food Canada, 2013).

At 0.04 percent of GDP, the Canadian wine-making industry¹⁷ is fairly small, but it has evolved greatly over the past two decades, becoming a niche maker of internationally-respected Icewines and Late Harvest wines due to cool-climate influences, which are suitable for growing *Vitis vinifera* varieties such as Riesling, Chardonnay and Pinot Noir grapes. Merlot, Cabernet Sauvignon and Cabernet Franc are also popular *Vitis vinifera* varieties. Such climatic influences

¹⁶ GDP from Agriculture. *Trading Economics* [online].

¹⁷ The wine-making industry in Canada, according to the North American Industrial Classification System (NAICS) 31213, consists of establishments that produce wine, brandy, and ciders from grapes or other fruit, and includes grape-growing and blending operations. Data for 2013, from CANSIM table 301-0008, Statistics Canada.

place limitations on the scale of operations and the competitiveness of wine production (Agriculture and Agri-Food Canada, n.d.).

Canada produces a small volume of wine by world standards with about 12 hectares of vineyards in 2011 (OIV Stats). By comparison, the Canadian acreage, which has remained constant over recent years, represents only 5 percent of the Portuguese (AICEP, 2014). In 2011, Canada produced 565 thousand hectoliters, accounting for 0.2 percent of the world production (OIV Stats). Producing quality wines in Canada is not cheap: Land prices are steep, labour costs are high, and cooler climates tend to result in smaller crops (VinIntell, 2014).

Canadian weather poses risks which can lead to fluctuations in year-to-year grape production, making it difficult to consistently serve markets. As a result, the industry is constrained to a few small geographic regions in the country where the growing season is long enough for grapes to reach maturity. Nearly 80 percent of the country's vineyard acreage is located in Ontario (Niagara Peninsula), with the rest concentrated in British Columbia (Okanagan Valley) and only smaller operations in other provinces. They differ in climate and the styles of wine they produce. They are united, however, in that their microclimates depend on lakes, and that many of the wines have a strong French accent. In Quebec, the wine sector is based primarily on value-added activities such as bottling and blending of imported bulk wines (Agriculture and Agri-Food Canada).

The wine-making industry consists of establishments that produce wine, brandy, and ciders from grapes or other fruit, and includes grape-growing and blending operations. Winemakers in Canada tend to be vertically integrated from growing through to bottling, with most operating their own vineyards and larger companies also obtaining grapes from outside growers.

The market is highly fragmented. On the demand side, the market is dominated by a small number of large provincial monopoly retailers, while on the supply side the market is comprised by a large number of very small wineries and a small number of firms that account for ninety percent of total wine production. According to Canadian Industry Statistics (2015), there are around 630 official winery production units, almost twice as there were in 2005, but production is largely controlled by two companies – Constellation Brands and Andrew Peller, Ltd –, which own a large portfolio of brands produced and sold across all provinces. In 2014, the majority of wineries employed less than 100 employees: small establishments (5-99 employees) representing 53.2 percent, micro establishments (less than 5) 44.9 percent, and

medium-sized establishments accounted for an additional 1.9 percent of the total number of establishments (Canadian Industry Statistics, 2015).

iii. Regulatory Environment

The wine and alcoholic beverage industry is strictly regulated by state-owned companies with monopoly power over alcoholic beverage sales. Present in all provinces, except in Alberta, each monopoly – Liquor Board or Commission – operates profit making retail outlets and coordinates all alcoholic beverage imports and transactions in its jurisdiction, which means that wine regulations vary from province to province. These provincial boards collect federal and provincial duties and taxes on alcohol products, and add their own mark-ups prior to selling the product. Any exporter who is interested in selling wines in Canadian provinces has to make contact with an agent duly licensed by the monopoly in question – it is a kind of intermediary between the exporter and monopoly. Alberta is currently the only jurisdiction to have completely privatized its retail liquor industry, where the Liquor Control Board (ALCB) retains wholesale distribution authority, but transferred retail sales of alcoholic beverages to local private sellers in mid-1994. The provinces of Ontario and BC permit wineries to sell their own wines in a limited number of establishments which they operate. In Quebec, wine sold in grocery stores must be bottled in the province. This system provides important financial benefits to the governments of the various provinces, so that no privatization plan has been proposed since the early nineties (VinIntell, 2014).

Provincial governments determine the legal drinking age, which varies from 18 to 19 years of age, depending on the province or territory. Many liquor stores across the country have a “check 25” programme where employees must ask for government issued IDs for proof of age from anyone who looks under the age of 25. Under the Criminal Code of Canada, driving with a blood alcohol concentration of 0.08 percent is a criminal offence. New legislation is always being brought forward to reduce the number of deaths related to drunk driving.

The retail price of an alcoholic beverage sold in a Canadian province is established by adding applicable federal customs duties and taxes, provincial mark-ups and taxes to the base price. The base price is defined, both for imported and domestic products, as invoice price plus standard freight to a pre-set destination plus federal charges, including customs duties. The mark-up is the percentage increase over the base price defined by each monopoly. These mark-ups are imposed, in part, for fiscal reasons and constitute an important source of revenue for provincial governments.

Canadian-made wines are often divided into two categories. The first and largest category includes the low-to-medium-priced table wines which are frequently blended wines from both Canadian and imported source, being commonly referred to as 'Cellared in Canada' wines or International Canadian Blended (ICB) wines. The amount of Canadian content in blended wines varies widely and there are circumstances where there may be little Canadian content. The second category can be described as the mid-to-premium-priced branded wines made from 100 percent Canadian grapes, where product descriptors, appellations (or geographical indications) and vintage information are important. These products are mostly, but not exclusively, Vintners Quality Alliance (VQA) designated wines, a national appellation of origin similar to the European wine regulations.

iv. Import Procedures

Beverage alcohol must be imported into Canada through a liquor board or commission in the province where the product will be sold/consumed. The monopolist acts as unique importer and distributor. Agents and brokers act as intermediaries. Agents are commissioned to buy or sell wine on behalf of a winery (winery agent) or of a commercial enterprise (buyer agent). Brokers do not conclude any transaction in the name of one party; they are in many cases specialized (fine wine brokers, auction brokers, brokers specialized in relationship with large retailers or state monopolies) (Pomarici, Boccia, & Catapano, 2012). Generally speaking, exporters must have their products "listed" by the liquor control agency in each province individually. The liquor board or commission usually serves as the importer of record and along with the registered agent coordinates the importation of the product (U.S. Department of the Treasury, 2014). The agent's duties include, but are not limited to, the following (ICEX, 2013):

- Maintain contact with Liquor Boards;
- Attend public tenders or bids convened by each Liquor Board;
- Promoting and allocating new products to various Liquor Control Boards, restaurants, hotels, and private clubs;
- Public relations, marketing and advertising.

In most provinces, it is necessary to have a registered local agent who can assist in obtaining a provincial liquor board listing. Agents also obtain label approvals and any other issues on behalf of the export.

The easiest, cheapest and most effective way to convey information and create interest, to agents, Liquor Boards and consumers is through the Internet. It is therefore very important

that wineries wishing to introduce their wines in Canada have a Web page, at least in English, to serve as a catalog of the cellar in the network (ICEX, 2013).

a) Selection process: Public and Private imports

Provincial monopolies work in two different ways regarding imported wines. There is a public import and a private import. In the public, import wines are listed and sold through the Liquor Boards retail locations (Cagnetta, 2015). Suppliers can submit their products by replying to calls for tenders published by the monopolies. If a wine is accepted, the commission orders the wine directly from the supplier. In general, wines have to reach annual sales quotas; otherwise, they are replaced by other products. The sole exception applies to beverages of superior quality or rarity that potentially represent a discovery opportunity for consumers. These specialty products are exported in smaller quantities and don't have to fill sales quotas ("Canadian monopolies: user manual – APVSA", n.d.).

Private importation of wine is made available for wines that are not included in the public wine listings. There are several specialized agencies in each province. Although it is still controlled by the monopoly, this list is only accessible to specific categories of consumers and is based on private or representative agent requests (Cagnetta, 2015).

b) Labelling requirements

Each label has to state the denomination of the product in two languages (English and French); the country of origin in both languages, the alcohol percentage, the net content in ml. or litres, the denomination of origin can appear in the original language.

v. Distribution Channels

The off-trade retail industry accounts for the majority of alcoholic drink sales in Canada, with government-controlled provincial liquor boards being the largest alcohol retailers in Canada, and the sole distributors/retailers in most provinces (Agriculture and Agri-Food Canada, 2013). Consequently, specialist retailers comprised more than 88 percent of off-trade alcoholic drink sales in 2012. Duty-free stores at borders and airport stores also exist, but have low volume sales that do not significantly impact the industry. The Liquor Control Board of Ontario (LCBO) and Société des Alcools du Québec (SAQ) are the largest players as they govern sales in the two largest provinces in Canada (VinIntell, 2014).

In Québec, beer and certain wines (those bottled in Quebec) can be sold at convenience and grocery stores with liquor licenses. As a result, the majority of grocery retailers' small share of alcoholic drink sales is from the province of Québec. In Ontario, wine can also be sold at winery stores and The Beer Store.

Table IV.1. On-Trade Versus Off-Trade Sales of Alcoholic Drinks in Canada in 2011 – % Breakdown

	Value Share	Volume Share
Off-trade	59.2	80.6
On-trade	40.8	19.4
Total	100	100

Source: Agriculture and Agri-Food Canada

In 2011, off-trade channels accounted for C\$21.8 billion or 59.2 percent of alcoholic drink value sales in Canada. In volume terms, it corresponded to 80.6 percent of the sales (table V.1). As shown in table IV.2., food, drink and tobacco specialists top the list of percentage wine sales in the off-trade industry, followed by supermarkets (8.5 percent) and hypermarkets (2.3 percent).

Table IV.2. Distribution of Wine by Format: % Off-trade Value, 2012

% off-trade	2012
Store-Based Retailing	99.9
- Grocery Retailers	99.9
-- Discounters	0.1
-- Food/drink/tobacco specialists	88.3
-- Hypermarkets	2.3
-- Small Grocery Retailers	0.7
--- Convenience Stores	0.1
--- Forecourt Retailers	0.0
--- Independent Small Grocers	0.6
-- Supermarkets	8.5
-- Other Grocery Retailers	0.0
- Non-Grocery Retailers	0.0
Non-Store Retailing	0.1
-- Direct Selling	0.0
-- Homeshopping	0.0
-- Internet Retailing	0.1
-- Vending	0.0
Total	100%

Source: VinIntell.

Internet retailing accounts for 0.1 percent of wine sales. In the same year, on-trade establishments accounted for C\$15.0 billion or 40.8 percent of alcoholic drink value sales in Canada, although this only represents 19.4 percent of volume sales, meaning that the value per liter is substantially higher for on-trade sales.

In Canada, these establishments are popular for consuming alcoholic beverages. Pubs and bars are typically the most common establishments in the country. However, as wine is growing in popularity in Canada, wine bars are also expanding across the country (Agriculture and Agri-Food Canada, 2013). Certain regulatory changes and foodservice trends are also expected to drive wine sales and increase distribution, such as the relaxing of interprovincial rules for wine shipments in certain provinces. In addition, the marketing efforts of Canadian vintners, allied with the support from the government, have helped to drive growth of local/regional wine sales (Agriculture and Agri-Food Canada, Sep 2013; VinIntell, May 2014).

vi. Supply and Demand

Canada is one of the fastest growing wine retail markets in the world, ranking seventh among the top 10 largest wine markets in 2014 (Vinexpo). According to the latest Statistics Canada (StatCan) report, liquor stores, agencies and other retail outlets sold approximately C\$6.4 billion worth of wine¹⁸ during the year ending March 31, 2014, up 67 percent from 2004/05, with average annual growth rate (AAGR) of 5.8 percent in value and 3.9 percent in volume terms, over the given period¹⁹. Although beer remained the alcoholic drink of choice for Canadians, with C\$8.7 billion worth of sales in 2014, preferences are steadily changing.

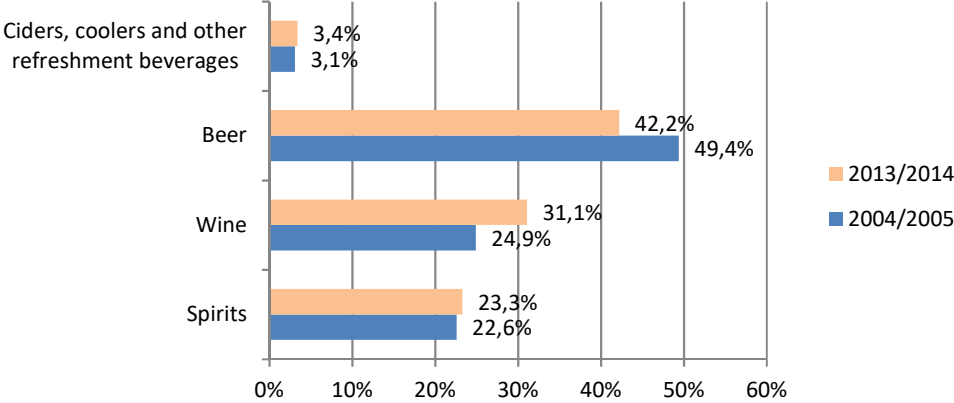
Growth in wine sales (+67 percent), in value terms, has out-performed that of beer (14 percent) and spirits (+34 percent), which translated in a reduction of the market share for beer, from 59.4 percent in 2004 to 42.2 percent in 2014. By contrast, wine increased its value share from 25 percent to 31 percent (figure IV.1), illustrating a broader market trend. In terms of volume sold, beer still accounts for 75 percent of the alcoholic beverage market, only -4.7 percentage points down from 2004, while the proportion of wine and spirits sales was virtually unchanged (+0.1percent for both), representing 15 percent and 5 percent of volume sales,

¹⁸ Sales volumes include only sales by liquor authorities and their agents, and sales by wineries and breweries and outlets that operate under license from the liquor authorities. **These statistics should not be equated with data on consumption**, which would include all these sales, plus homemade wine and beer, wine and beer manufactured through brew-on-premises operations, sales in duty-free shops, and any unrecorded transactions. Similarly sales data refer to the revenues received by liquor authorities, wineries and breweries and should not be equated with consumer spending. Thus, the increased prices charged by licensed establishments are not reflected.

¹⁹ As shown in table XI.10 of the appendix.

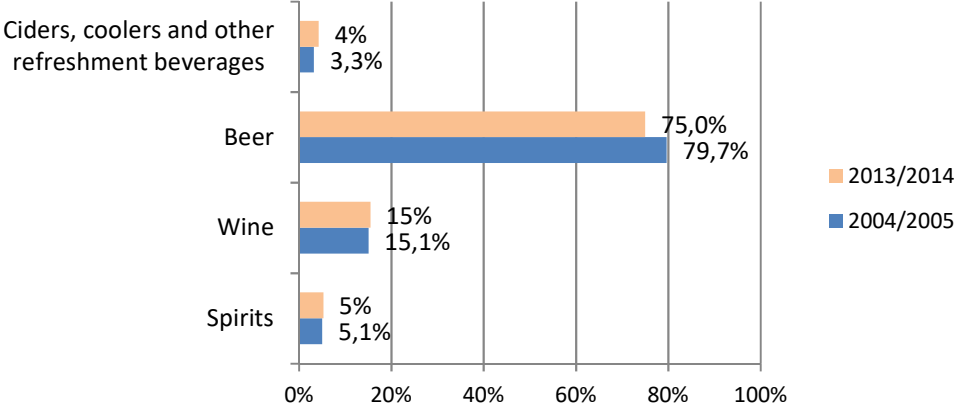
respectively (figure IV.2.). On a per capita basis, wine sales amounted to 15.7 liters, or C\$216.2 per person in 2013/2014, up C\$70.3 per person from 2004/2005²⁰.

Figure IV.1. Proportion of sales of alcoholic beverages in Canada, in value terms (%)



Source: Control and sale of alcoholic beverages 2014. Statistics Canada.

Figure IV.2. Proportion of sales of alcoholic beverages in Canada, in volume terms²¹ (%)



Source: Control and sale of alcoholic beverages 2014. Statistics Canada.

In 2014 sales of import products totaled over C\$4.5 billion, capturing more than 70 percent of the domestic market, while domestic wines amounted to roughly C\$1.9 billion,

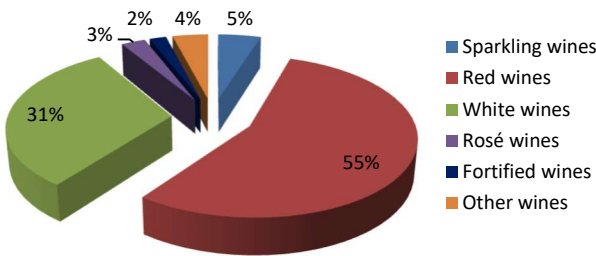
²⁰ See table X.7 of the appendix.

²¹ Sales volumes include only sales by liquor authorities and their agents, and sales by wineries and breweries and outlets that operate under license from the liquor authorities. These statistics should not be equated with data on consumption, which would include all these sales, plus homemade wine and beer, wine and beer manufactured through brew-on-premises operations, sales in duty-free shops, and any unrecorded transactions. Similarly sales data refer to the revenues received by liquor authorities, wineries and breweries and should not be equated with consumer spending.

making up 30 percent of total sales, roughly the same value share as in 2004²². In terms of volume sales, the proportion stabilized as well, at approximately 38 percent for domestic wine and 62 percent for the imported product. Despite not being dominant, the Canadian wine-making industry relies almost completely on the domestic market. However, data understates the real share that imported wines have in the Canadian market because blended wines are considered by Statistics Canada to be domestically-made products.

The wine market varies greatly across Canada’s provinces, where the authority to import and distribute alcohol remains. Four provinces — Quebec, Ontario, Alberta, and British Columbia — make up 94 percent of the wine market in terms of value. Quebec is the largest wine market, with a share of approximately 35 percent of Canada’s total wine sales, immediately followed by Ontario with 34 percent, British Columbia and Alberta, with 15 and 8 percent, respectively. Still, between 2004/5 and 2013/14, the value of wine sales increased in all provinces. Similarly, wine sales as a share of total provincial sales of alcoholic beverages also augmented in each of the provinces. In fact, it’s worth noting that in 2004/5 the share of wine sales did not surpass 20 percent of total alcoholic sales in the majority of the Canadian provinces, in three of which not even 10 percent. By contrast, in 2013/14, the share of wine sales ranged between 12 and 20 percent in six provinces, and represented more than 20 percent of alcohol sales in the rest of the provinces, most notably, Quebec with 43.4 percent, British Columbia (33 percent) and Ontario (30 percent)²³.

Figure IV.3. Share value of wine sales of liquor authorities and other retail outlets, by product type (2013)



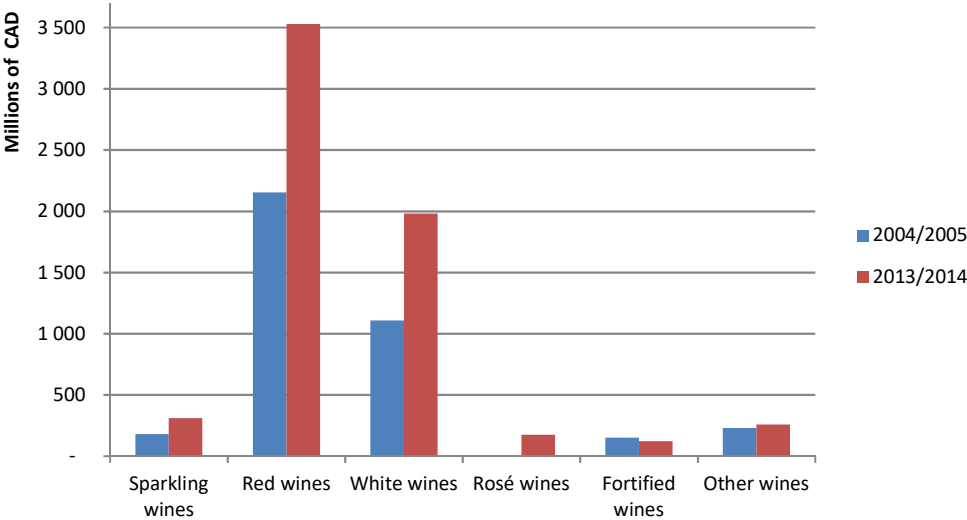
Source: Statistics Canada

In terms of product type, there is a much larger demand for red wine than white wine in Canada. According to Statistics Canada, in 2013/14, sales of red wine surpassed C\$3.5 billion,

²² As shown in table X.8 of the appendix.
²³ As shown in table X.9 of the appendix.

while sales of white wine amounted to C\$2.0 billion, making up 55 and 31 percent of the country’s total wine sales, respectively²⁴. As shown in figure IV.4, since 2004, there was a remarkable growth in the sales of red and white wines, having increased by 64 and 79 percent, correspondingly. The sales of sparkling wine and other wines increased as well, especially the former category, which saw its sales increase by 73 percent, valued at C\$310 million in 2014. On its turn, fortified wine sales dropped by 20 percent in Canada, accounting for 2 percent of the total value of wine sales, less than rosé wine (3 percent)²⁵.

Figure IV.4. Sales of wine of liquor authorities and other retail outlets, by value and product type



Source: Statistics Canada. Table 183-0024

Analyzing the data by province²⁶, one finds that the fall in fortified wine sales was most remarkable in the traditional wine drinking provinces of Quebec and Ontario, but Nova Scotia and New Brunswick seem to show a growing taste for this product. Another interesting fact is that red wine represents almost two thirds of Quebec’s wine sales, and white only 25 percent, while in Ontario red wines make up approximately half of the wine market, white 33 percent, and others 10 percent, being the province that sells the most vis-à-vis the latter category. Incidentally, the sales of red wine, registered in 2014, in Quebec, account for 22 percent of the total wine sales in Canada.

²⁴ As shown in table X.10 of the appendix.
²⁵ Data for rosé wines is only available for 2013/2014, as, prior to this, rosé wines were included in other wines.
²⁶ Table X.11 of the appendix.

The most popular varieties of red wine among consumers include Merlot, Cabernet Sauvignon, and Shiraz, while Chardonnay and Sauvignon Blanc are the most popular white wines, with Pinot Grigio and Malbec also increasing in popularity (Agriculture and Agri-Food Canada, 2013).

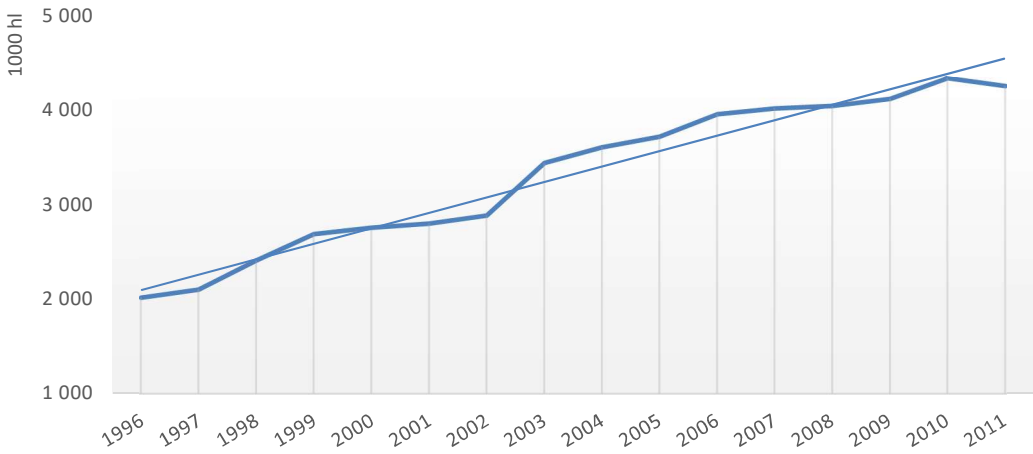
Provinces also have different appetites for Canadian-made wines. While over half of wine sales in New Brunswick are Canadian-made, only 19.6 percent of sales in wine-friendly Quebec originate from Canadian wineries²⁷. The share of Canadian-made wines is also significant in British Columbia’s wine market, representing 45.7 percent of the sales.

Sales volumes include only sales by liquor authorities and their agents, and sales by wineries and breweries and outlets that operate under license from the liquor authorities. These statistics should not be equated with data on consumption, which would include all these sales, plus homemade wine and beer, wine and beer manufactured through brew-on-premises operations, sales in duty-free shops, and any unrecorded transactions. Similarly sales data refer to the revenues received by liquor authorities, wineries and breweries and should not be equated with consumer spending. Thus, the increased prices charged by licensed establishments are not reflected.

vii. Consumption

Figure IV.5 illustrates the consumption of wine in Canada from 1996 to 2011, where one can observe that the consumption of wine in Canada more than doubled, reaching approximately 4.25 million hectoliters in 2011, up 111 percent from 1996.

Figure IV.5. Wine Consumption in Canada, in the period 1996-2011

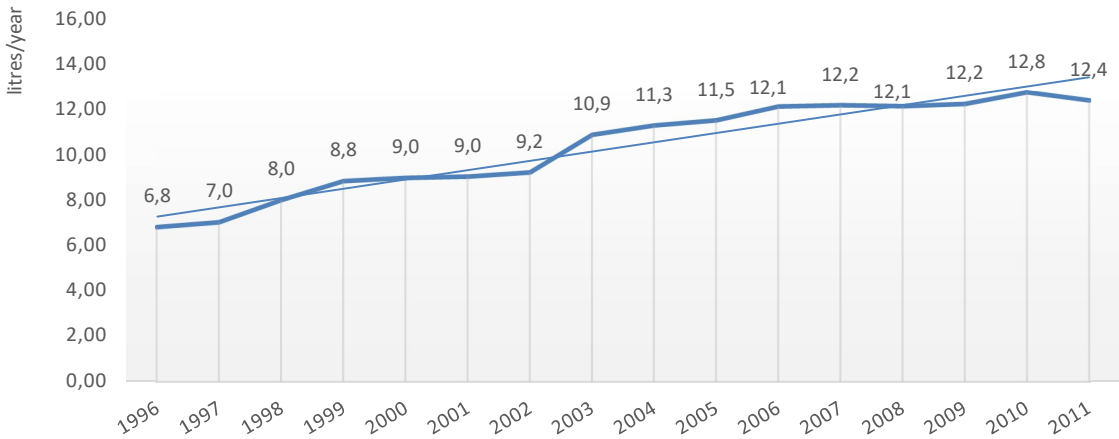


Source: Wine and Vine International Organization (OIV), Database StatOIV Extracts

²⁷ As shown in table X.12 of the appendix.

On a per capita basis, wine consumption increased by roughly 80 percent between 1996 and 2011, from 6.8 to 12.4 liters per year (figure IV.6), growing at an average annual rate of 5.7 percent. According to the Vinexpo commissioned report from the British agency International Wine and Spirit Research (IWSR), per capita consumption in Canada reached 13.5 liters per year in 2014, more than in the US (12.3 liters), despite the fact that the US market is much larger than the Canadian by volume and value. Although Canada does not rank among the 10 biggest consumer countries on the planet²⁸, the outlook to 2018 hints at a 7.8 percent increase in wine consumption. The same study also forecasts a further 4.1 percent growth in Canadian per capita consumption to 16.4 litres by 2018.

Figure IV.6. Per Capita Wine Consumption in Canada, in the period of 1996-2011



Source: Wine and Vine International Organization (OIV), Database StatOIV Extracts

But consumption is still low compared to other major wine-producing countries such as France, Italy or Spain, where per capita consumption is more than four times that of Canada. Compared to Portugal, wine consumption per Canadian in 2011 was about 3.6 times lower than the Portuguese (45 liters per capita).

As claimed by a Wine Intelligence study (Werner, 2015), 87 percent of Canada’s regular wine drinkers reside in 3 provinces – Ontario (40 percent), Quebec (28 percent) and British Columbia (19 percent). Although regular consumers in these three provinces have similar consumption frequency, consumer wine preferences in Canada vary regionally. For example, those in the French speaking Québec show preference for wines from traditional wine

²⁸ The top three countries in terms of consumption are United States, France and Italy (OIV).

producing countries, or "Old World", such as France, Italy or Spain, whereas in the two other English speaking provinces domestically produced wine dominates their drinking repertoire. This study also indicates that these consumers are more likely to earn incomes above the national average and to be of male gender. Another study by the USDA Foreign Agricultural Service states that the Canadian market is one of the fastest growing wine markets globally, with demand for red wine being greater than white wine. In value terms, 76 percent of red wine and 63 percent of white wine sales are imports.

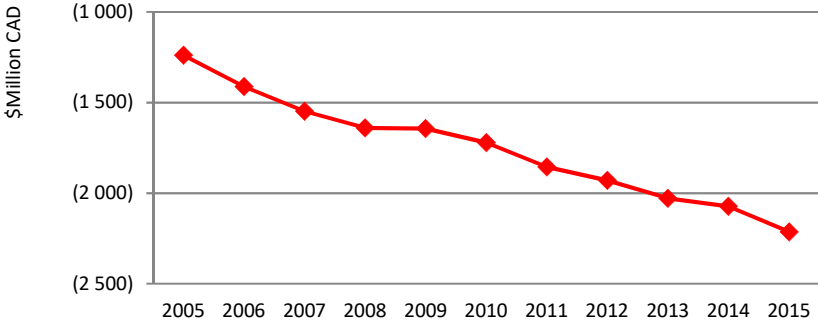
A 2014 study conducted by VinIntell (2014) also suggests a number of factors to explain the growth in Canadian wine consumption, namely: the association of wine with social prestige, supported by an “increasingly sophisticated consumer base that is showing a willingness to indulge in more premium wines; an increasing awareness of wine’s beneficial health effects; a growing and aging population, as older individuals are key consumers of wine and also tend to have the income and inclination to purchase more expensive brands; the greater accessibility to wine and marketing efforts; and the fast development of the local industry” as well (VinIntell, May 2014: 18-19).

viii. Foreign Trade

a) Exports

The small area under vine in Canada limits export production capability compared to the world's largest wine producers, suggesting that Canada will not soon become a major wine exporter. But exports are still important to Canadian wine producers and grew impressively over the last ten years, despite remaining at levels relatively low compared with domestic sales.

Figure IV.7. Canadian Trade Balances for wine (2005-2015)

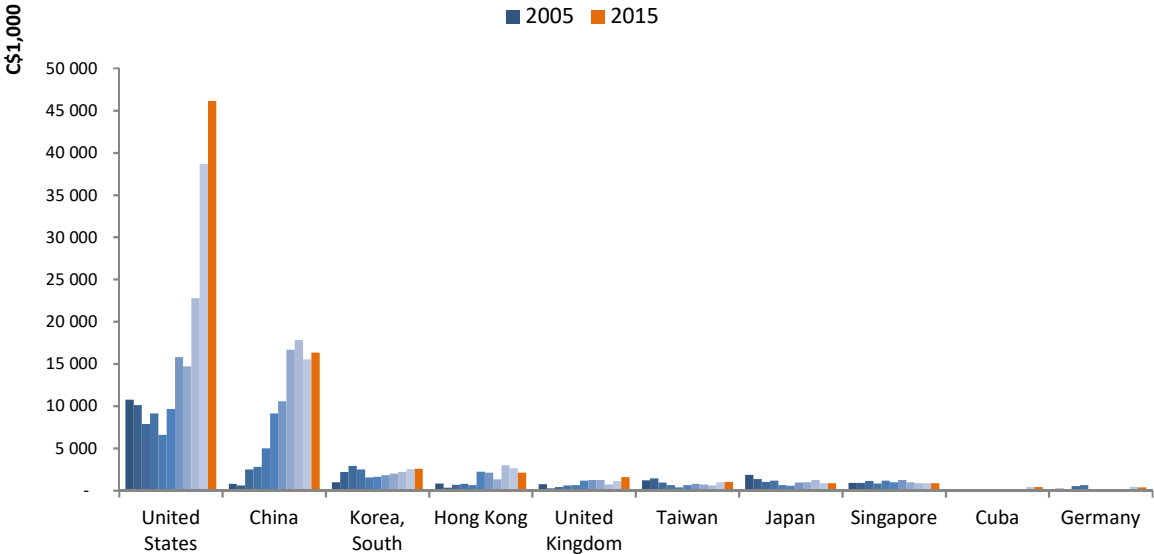


Unit: Value in Millions of Canadian Dollars (CAD)
Source: Statistics Canada and US Census Bureau

Recent figures show that Canada’s total wine exports increased by 275 percent, between 2005 and 2015, at an average annual growth rate of 15 percent, while import quantities grew by 82 percent, at a 6 percent year on year growth rate. Observing the evolution of the country’s annual trade balance of wine in figure IV.7, from 2005 to 2015, in millions of Canadian dollars, one can verify that Canada’s deficit widened throughout the period in analysis. In fact, the country faced a deficit in wine trade 79 percent higher than in 2005, amounting to C\$2,214 million²⁹. Yet, data for total exports understates the real value of Canadian wine exports, as figures for total exports include all goods leaving the country, through customs, for a foreign destination, consisting of the sum of domestic re-exports³⁰ and exports³¹. In view of that, I will consider data for domestic exports henceforth.

In the last five years, Canada has exported wine to approximately 50 different countries. In 2015, the value of Canada’s domestic wine exports reached the amount of C\$73.866 million, compared to C\$20.191 million in 2005, corresponding to a growth of 266 percent over the time period³².

Figure IV.8. Canadian domestic exports of wine, 2005-2015



Source: Statistics Canada

²⁹ See table X.14 of the appendix.
³⁰ Re-exports (called "foreign exports" in the U.S.) refer to the export of goods that have previously entered Canada and are leaving in the same condition as when first imported.
³¹ Domestic Exports consist of the exports of all goods grown, produced, extracted or manufactured in Canada, leaving the country, through customs, for a foreign destination.
³² As shown in table XI.15 of the appendix.

The United States of America and China are Canada's major export markets, each accounting for about 64 percent and 23 percent of the domestic exports value, respectively. Among the top-ten export markets for Canadian wine, but with market shares below five percent, are South Korea, Hong Kong, the United Kingdom, Taiwan, Japan, Singapore, Cuba and Germany. The U.S. imported C\$46 million worth of Canadian wine in 2015. This was a 329 percent increase from 2005, and an annual average growth rate of 21 percent. Canada's wine exports to China also improved significantly, growing at an average annual growth rate of 52 per cent between 2005 and 2015, rising from 812 thousand Canadian dollars to approximately C\$16 million. Figure IV.8 displays the evolution of Canada's domestic wine exports to these ten markets over the past 10 years, where one may notice the importance of these two markets for Canadian wines.

Until early in 2001, Canada's primary wine export, Icewine, had been barred from the EU because it fell outside their parameters for residual sugar content and, until recently, the EU also limited access of Canadian table wines to 100,000 hl. These restrictions have been dropped for those Canadian wines that meet the same winemaking standards as EU wines. Both Ontario and BC are mandated to certify table wines and Icewines for EU access. However, exports to the EU have remained minimal due to the limited supply, production and labelling entry regulations and low visibility of Canadian wines. (The Canadian Wine Industry - Agriculture and Agri-Food Canada (AAFC), 2015) (VinIntell, 2014)

Secondary markets, such as Chile and South Africa, are a growing priority for Canada's wine exports. These are markets with lower volumes, but with better pricing and greater growth prospects, representing opportunities for Canada to diversify exposure to different currencies (VinIntell, 2014).

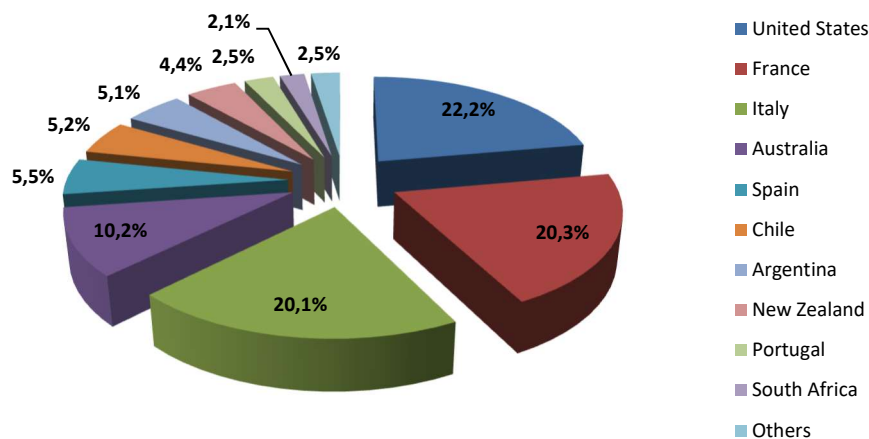
In March 2014, the Government of Canada concluded the Canada-Korea Free Trade Agreement (CKFTA), which is Canada's first free trade agreement with an Asian market. According to AAFC, Southeast Asia is showing excellent potential for Icewine exports. However, Canadian sales in Asia have been negatively affected by the proliferation of fraudulent and falsely-labelled Icewines sold at much lower prices, being sold next to genuine, higher-priced Canadian Icewine (The Canadian Wine Industry - Agriculture and Agri-Food Canada (AAFC), 2015).

b) Imports

Over the last ten years, Canadian imports increased 47 percent in volume and 82 percent in value, which in turn has driven up the average import price per liter, from approximately C\$4.5 to C\$5.6. In 2014, Canada became the sixth largest wine importing market in the world (Vinexpo), confirming the expansion in domestic demand. Canada's top-10 suppliers of wine account for nearly 98 percent of the entire market, but three alone, the United States (22 percent), France (20 percent) and Italy (20 percent), constitute 2/3 of the whole market in terms of value, as shown in figure IV.9. Below one can also observe that the value of imports from Canada's major trading partners increased dramatically during the given time period (figure IV.10). Since 2005, Australia, along with Portugal and South Africa, saw a decline in the average price per liter as well.

Canadian imports of wine from the **United States** have experienced explosive growth in terms of value, surpassing France and Italy in recent years. The United States became Canada's largest supplier of wine, with more than C\$509 million worth of wine exported in 2015. U.S. wines have received preferential tariff treatment from Canada under the Canada-U.S. Free Trade Agreement signed in 1989 (superseded by the North American Free Trade Agreement – NAFTA – in 1993). Mexico and Chile are also NAFTA members and thus enjoy access to the Canadian market as well.

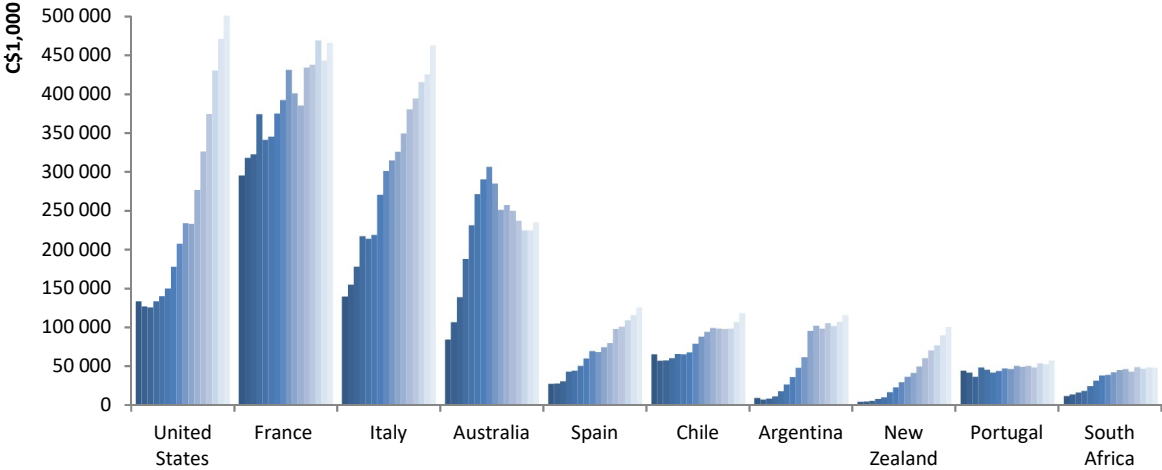
Figure IV.9. Share Value of Canada's Top 10 Suppliers, 2015 (excluding juice and musts)



Source: Statistics Canada and US Census Bureau

The influence of French culture in Canada, particularly in the French-speaking province of Québec, as in the rest of the country, is very important. The population of Canadians self-identified as of French descent (full or partial) is 5,077,215, according to the 2011 Census (Statistics Canada, 2016).

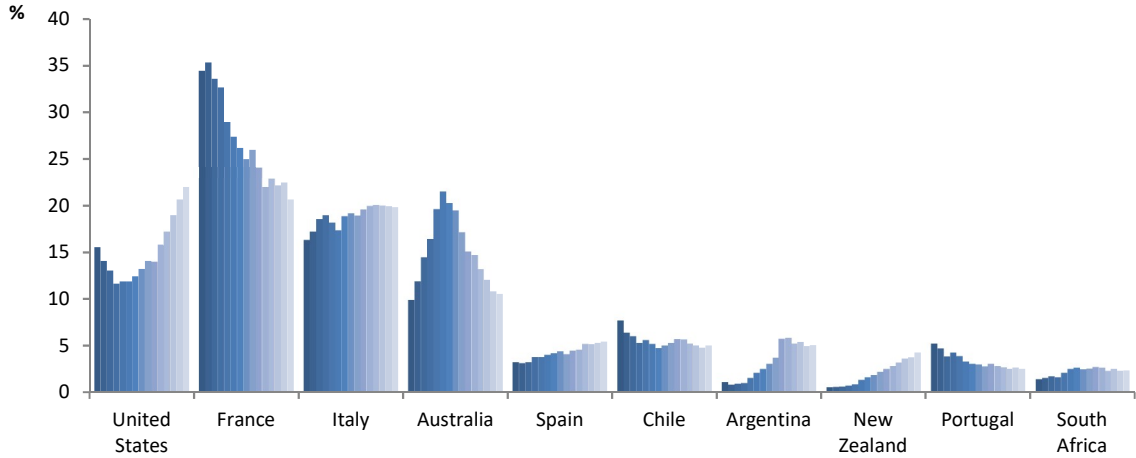
Figure IV.10. Evolution of Canada’s Top 10 wine suppliers, 2000-2015 (excluding juice and musts)



Unit: Value in Thousands of Canadian Dollars (CAD)
Source: Statistics Canada and US Census Bureau

Although in recent years **France** lost value market share primarily to the U.S., and has suffered a decline in exports volume since 2000, Canadian wine imports from France increased in value terms, which resulted in a positive evolution of the average price of French wine, from C\$5.43 in 2005 to C\$8.21 in 2015, the second highest in the market³³.

Figure IV.11. Share value of Canada’s Top-10 Suppliers, 2000-2015 (excluding juice and musts)



Source: Statistics Canada

³³ As shown in table XI.15 of the appendix.

Italy has a strong position in the Canadian market, with a 20 percent share of imports value in 2015, holding the third position in the market, very close to France. The exports of Italian wine to Canada increased both in value and, to a less extent, in volume terms, for the period in analysis, which resulted in an increase of the average value per liter, from C\$4.93 to C\$6.5³⁴. It is worth noting that Italy has been able to maintain a sustainable value market share over the last ten years, on account of a continued increase in its exports. This strength is mainly due to the large number of Canadians of Italian origin (ICEX, 2013). By contrast, France was not able to keep up with the intensifying competition and, as a result, the French wine lost market share.

The imports of **New Zealand** wine were the ones that more evolved since 2000, with the wines of Argentina and the U.S. completing the podium of wine suppliers in Canada with the biggest evolution. On a value basis, between 2005 and 2015, the wine imports from New Zealand increased from C\$17.7 million to C\$100.6 million in value, giving a compound annual growth rate of 19 percent. The average price of the New Zealand wine, in the given period, went from C\$8.73 to C\$9.08 per liter, remaining the highest in the Canadian market. In value terms, the country enjoys a market share of 3.59 percent, placing it in the eight position.

As depicted in figure IV.11, imports from **Australia** began a downward trend around 2007, after a period of strong growth. Imports volume increased by 33 percent, from 2005 to 2015, but declined in value terms, which resulted in a deterioration of the average price per liter (-35 percent). However, it remains the fourth largest wine supplier in Canada, with a 10.5 percent value market share.

Argentina and **Chile** now have the same market share of 5 percent, but evolved differently over the last 15 years. On a value basis, Chile's market share was higher in 2000 than that of Argentina or Spain, with imports totaling C\$66 million, compared with C\$27 million and C\$51 million for the latter, respectively. But in 2015 Spain's imports were worth more than Chile's, although the country exported a smaller amount than Chile (about 31.6 thousand liters, compared to 41.9). The price per liter, in turn, increased only slightly, from C\$2.51 in 2005 to C\$2.83 in 2015, remaining one of the lowest prices in the Canadian marketplace. The average price of Argentinian wine, on the contrary, increased from C\$2.16 to C\$4.91, reflecting the country's investment in higher quality wines.

³⁴ As shown in table XI.15 of the appendix.

Spain is placed in 5th, after Australia, in terms of import value. The country's wine exports to Canada had continued growth, both in value and volume terms, throughout the period in analysis, and the per liter average price also increased, standing at C\$3.98 in 2015. However, it is the fourth lowest price, below the country's average of C\$5.56.

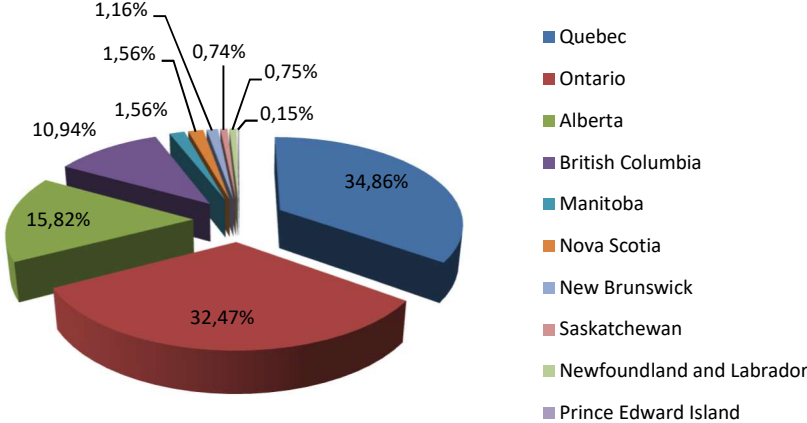
Portugal was one of the countries that lost value market share, along with France, Australia and Chile. Imports from Portugal increased in value and volume terms, but the average price decreased slightly (-2 percent), from C\$5.88 to C\$5.74 per liter. Portuguese wine imports were those which least have evolved due to the decrease in imports of Port wine and strong dependence of this segment in the Portuguese wine total imports, as will be discussed in more detail further down.

South African wine exports to Canada have increased throughout the period. In terms of volume, exports were higher than the Portuguese (almost double) for the two time periods, but not in value terms, which places South African wines in a lower price range. In fact, the average price decreased from C\$2.78 to C\$2.54 per liter, the third lowest in this ranking.

Distribution by Province

Analyzing the distribution of total wine imports by Canadian province one can conclude that the most populous provinces they are also the ones that imported more wine. In 2015, Quebec remained the largest wine import market, with more than C\$800 million of imports value, accounting for 35 percent of the import market, followed by Ontario with 32.5 percent, Alberta (15.8 percent) and British Columbia (10.9 percent). Thus, the four alone represent about 94 percent of the country's total wine imports. Of these, Alberta was the region that most evidenced itself by growing at an annual growth rate of 9.1 percent between 2000 and 2015. Despite having a lower representation in the Canadian wine market, New Brunswick also deserves mention as the province's imports increased at a 9.8 percent yearly rate (CAGR), from C\$6.5 million to C\$26.5 million worth of wine. Prince Edward Island also had an increase of wine imports by C\$2.55 million, corresponding to a compound annual growth rate of 9.2 percent between 2000 and 2015.

Figure IV.12. Percentage share of wine imports by Canadian Province, by value (2015)



Source: Statistics Canada

ix. Market access and barriers to trade

a) Taxes/Tariffs

The government of Canada levies various taxes on alcohol beverage products, including:

- Customs Duty: equivalent to excise duty, levied on alcohol imported into Canada
- Excise Tax: levied on all alcohol beverage products
- GST: Goods and Services Tax levied at 5 percent of retail price
- Provincial Sales Tax collected on behalf of the provinces

b) Trade Agreements

At present, Canada has a multitude of bilateral and multilateral agreements. It has membership of various international organizations such as NATO, World Trade Organization (WTO), International Monetary Fund (IMF), United Nations (UN), G8, and G20. Furthermore it has signed FTAs and other bilateral economic agreements with, among others, Israel, Chile and the EFTA. Canada’s most important international trade commitments lay with the NAFTA.

North American Free Trade Agreement (1994)

The North American Free Trade Agreement (NAFTA) is an agreement signed by the governments of Canada, Mexico, and the US, creating a trilateral trade bloc in North America.

The agreement came into force on 1 January 1994, and superseded the Canada – US Free Trade Agreement between the US and Canada. The NAFTA is of vital importance to Canadian interests as trade with the US comprises 70% of GDP, 80% of total exports and 50% of total imports. The EU is Canada’s second largest trading partner.

World Wine Trade Group (WWTG) Mutual Acceptance Agreement on Oenological Practices (2001)

The Agreement is the first multi-lateral Mutual Acceptance Agreement, in any field, fully compliant with the WTO’s Technical Barriers to Trade Agreement. For winemakers, exporters and importers the implications of the Agreement assure access to markets without the costs and frustrations of barriers to trade based on differences in oenological practices.

Canada EU Wine and Spirits Agreement (2004)

On September 16, 2003, the Government of Canada and the EU signed an agreement on wines and spirits to maintain stability in Canada’s domestic marketing and distribution practices and significantly open the European market to Canadian products. Negotiations began on the Canada-EC Wine and Spirits Agreement in November 2001 and were concluded in April 2003. The agreement came into force on June 1, 2004.

V. Portugal’s positioning in the Canadian Market

i. Overview

According to the 2011 Census (Statistics Canada, 2016), there were 429,850 Canadians who claimed full or partial Portuguese ancestry, an increase compared to 410,850 in 2006 (1.3% of the nation's total population). Most Portuguese Canadians live in Ontario - 282,865 (69%), followed by Quebec 57,445 (14%) and British Columbia 34,660 (8%)³⁵.

According to the latest data from the Portuguese Institute of Wine and Vine, Canada represents 5.6 percent in value and 3.6 percent in volume of the total Portuguese wine exports, but considering Portugal’s exports to countries outside the EU, Canada accounted for 12.6 percent of exports value, after Angola (22.7 percent) and the United States (22.5 percent).

³⁵ *Portuguese Canadians*. Wikipedia.

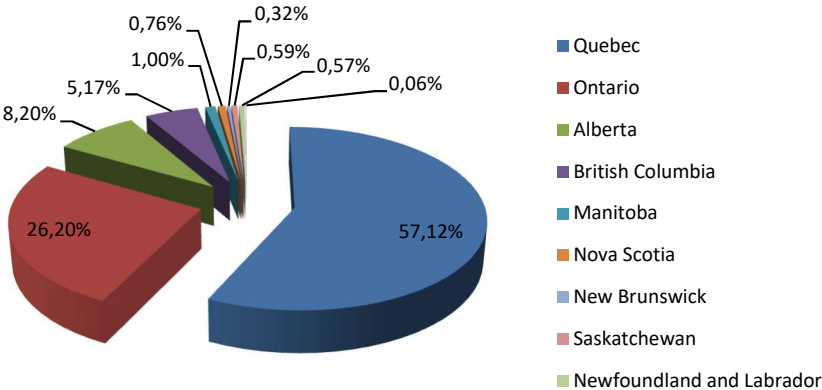
Portugal in turn is Canada’s 9th largest global supplier of wine with a market share of 2.45 percent in volume and 2.53 percent in value (table XI.22 of the appendix).

Since 2000, Portuguese wine exports have barely changed, due to the reduction of Port wine which, although offset by an increase in still wine, did not reverse the evolution of Portuguese wines in this market in the period 2000-2015. However, imports of Portuguese wine grew below those of the total market, since Portuguese wine imports as a percentage of Canada’s total imports decreased from 3.76 percent in 2000 to 2.45 percent in volume, and from 5.27 percent to 2.53 percent in value, mainly driven by the negative evolution of Port wine imports, as the remaining segments grew above the total Canadian market. But taking into account the position of Portugal as global wine supplier (2.80 percent world market share), one can say that the country’s market share in the Canadian wine market is still expressive.

The biggest advantage of Portuguese wines in this market continues to be the price, the 5th highest, despite having been the 2nd ten years ago. Since 2000, volume imports of Portuguese wine increased at a 0.87 percent compound annual growth rate (CAGR) and, in value terms, at 4.39 percent annually, which in turn has driven up the average price, from C\$3.44 to C\$5.74 per liter in 2015 (table XI.21 of the appendix) However, from 2000 the export value of Portuguese wine increased until it reached C\$6.52 per liter in 2007, the highest in this period. Afterwards, it began a downward trend, up until 2015 (except in 2010).

ii. Distribution by Province

Figure V.1. Percentage share of Portuguese wine imports, by Canadian provinces, and by value (2015)

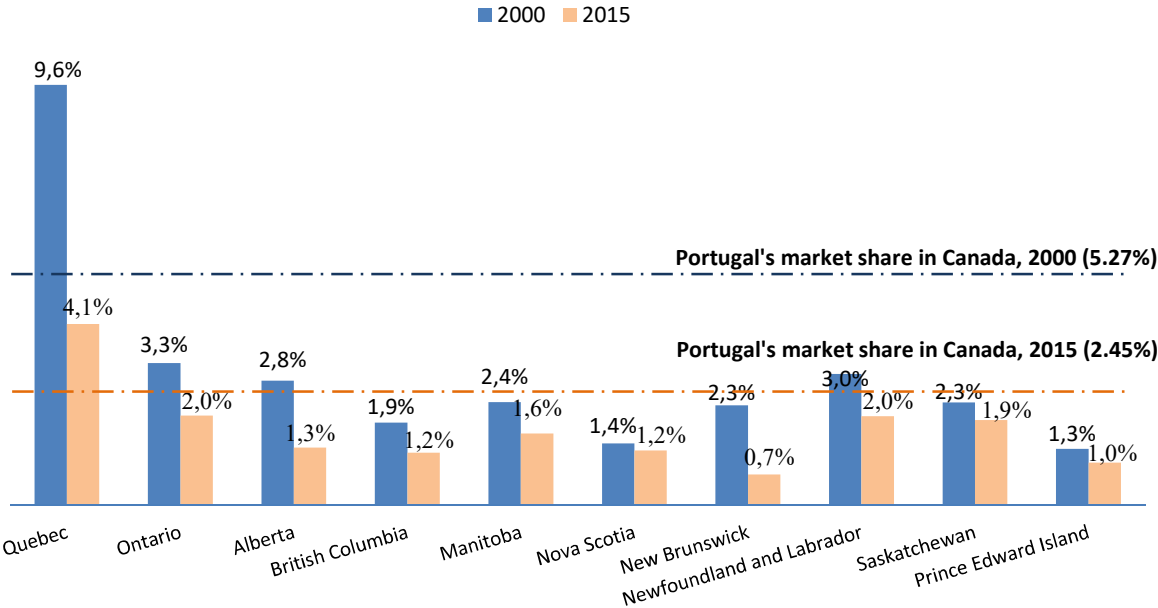


Source: Statistics Canada

The distribution of imports from Portugal is highly concentrated. As we can observe in figure V.1, more than half of the Portuguese wine imports are destined to the Province of Quebec (57.12 percent), more than one quarter (26.2 percent) to the province of Ontario, and about 8.2 percent to Alberta. With the exception of British Columbia (5.17 percent), all the other Provinces represent less than 1 percent of the Portuguese wine imports.

Figure V.2 illustrates the wines of Portugal market shares in the Canadian provinces and compared with the global market share in the country. As noted overhead, Portugal’s position in Canada has declined over the past fifteen years. Portuguese wine accounted for 5.24 percent of the Canadian imports of wine in 2000, while in 2015 they represented 2.45 percent of those. Similarly, Portugal lost market share in each of the provinces, although the value of imports increased in all of them – by more than 50 percent in Alberta, Ontario and B.C., and more than doubled for the others, with the exception of Quebec (12 percent) and New Brunswick (27 percent).

Figure V.2. Portugal’s market positioning in the provinces of Canada (percent market share)



Source: Statistics Canada

The province of Quebec is the only where Portugal has a market share above the country's average (4.14 percent), and also where Portugal has the better positioning amongst provinces - 6th place, behind France, Italy, U.S., Spain and Australia³⁶. The undisputed leader

³⁶ See table X.21 of the appendix.

of imports in this province is France with 35.4 percent, confirming once again the long-lasting ties between France and the French-speaking province of Quebec. However, France and Portugal were the only countries in this ranking watching their position deteriorate. France accounted for more than 50 percent of the province's wine imports in 2000, while Portugal was the 3rd largest supplier with a 9.6 percent market share. In fact, Quebec was the province where the Portuguese position least evolved, growing at roughly 0.8 percent per year (CAGR), the lowest compared to its growth in the other Canadian provinces, as well as the lowest growth rate among the province's top-ten suppliers. New Zealand was the country that grew the most in Quebec. Its imports, which amounted to C\$86 thousand in 2000, grew by 42.6 percent annually (CAGR), being valued at C\$17.6 million in 2015.

For its part, the wine market in Ontario is dominated by wines originating in the U.S., followed by Italy, France and Australia. Portugal occupies the 10th place of the ranking but only accounts for 2 percent of the market. By comparison, in 2000, Portugal had a 3.3 market share, above those of South Africa, Spain, New Zealand and Argentina, countries that have improved their positions in the Canadian market, surpassing Portugal in recent years³⁷. In fact, the wines from Argentina and New Zealand were the ones that most evolved in Ontario, growing more than 18 percent per year (CAGR). Nevertheless, the value of Canada's wine imports from Portugal increased by C\$5 million (50 percent), at an annual growth rate of 2.76 percent (compound). Despite evolving at a higher percent growth rate in Ontario, the value of Portuguese imports in this market (\$C15 million) is lower than in Quebec (\$C33 million), whose total imports were valued at around C\$800.6 million, slightly above those of Ontario (C\$746 million). Moreover, the average price in Quebec (C\$5.41/liter) is above the average price of total imports in the province (C\$5.25), and higher than in Ontario, where the average price of Portuguese imports (C\$5.32/liter) is inferior to that of global imports (C\$5.65).

The US is the main supply in Alberta and British Columbia, with market shares of 32.8 and 24.4 percent, respectively³⁸. Portugal lost market share in both provinces, despite increasing the value of wine exports over the last fifteen years – by 70 percent in Alberta, and by 58 percent in British Columbia. In Alberta, Portuguese wine imports occupy the 10th place in the ranking, with a market share of 1.3 percent, while in British Columbia they are positioned in the 11th place, with a 1.2 percent market share. The wines from New Zealand and Argentina were those that stood out the most in these provinces, increasing their market shares considerably between

³⁷ See table X.20 of the appendix.

³⁸ See tables X.22 and X.23 of the appendix.

2000 and 2015. However, Portuguese wine imports enjoy the 2nd highest average price in the province of Alberta (C\$14.27/liter), after France. The average price of global imports in this province is C\$10.99/liter, the highest compared to the other Canadian provinces and territories. According to ViniPortugal and the I.V.V. (2013), the province of Alberta could provide an opportunity for the Wines of Portugal brand, not only due to its weight on the total Canadian distribution (15.8 percent) but also due to its high per capita GDP (91.18 Canadian dollars).

In British Columbia, the average price of Portuguese imports is the 4th largest (C\$5.59/liter) and is above the world average (C\$3.55). It should be noted that the high price of imports of Portuguese wine, and of some other countries as well, could be greatly influenced by the high tax rates applied.

Although the imports of Portuguese wine increased at a higher percent growth rate in the provinces of the Atlantic³⁹ (with the exception of New Brunswick), these have a residual representation in the Canadian wine market, less than 1 percent. Furthermore, these are some of the least populous regions of the country, accounting for less than 7 percent of the Canadian population.

iii. Exports by product type

In this analysis, imports of wine made by Canada were partitioned into three segments, sparkling, bottled and bulk⁴⁰. Using this methodology, it is proved that it was not only bottled wine, including Port, the main responsible for the evolution of Canadian imports, but also for the remaining segments that grew as well⁴¹.

Portuguese bottled wine (including fortified) represents virtually all imports of Portuguese wine into Canada, accounting for 98 percent of those, in value terms. Between 2000 and 2015, imports of bottled wine increased 9 percent in volume and 26 percent in value, which resulted in an increase in the average price from C\$5.14 to C\$5.96 per liter⁴².

Although bulk wine was the segment that most evidenced itself, both in volume and value terms, it only represents 1.5 percent of the total Portuguese import value. In addition, as

³⁹ New Foundland and Labrador, Prince Edward Island, Nova Scotia and New Brunswick.

⁴⁰ For the analysis of imports of Portuguese wine, the data is divided into 4 segments: Sparkling, Bottled, Bulk Port; for this last segment, the data were taken from the IVV (Institute of Vine and Wine).

⁴¹ Combined Nomenclature codes used were 220410, 220421 and 220429 which, for simplicity, were renamed by Sparkling, Bottled and Bulk, respectively.

⁴² As shown in table X.24 of the appendix.

the average quality of bulk wine is lower than in the premium segment, the average price per liter is sitting at about C\$1.63.

In its turn, the Canadian imports of sparkling wine increased more than 300 percent, but still account for merely 0.3 percent of the Portuguese imports. The average price has been the highest of the three categories, reaching the value of C\$8.11/liter in 2015, an increase of 19 percent from 2000 (C\$6.80).

Considering the average price of Portuguese wine imports without Port wine, in 2015, it appears that the Portuguese price would be C\$4.87 per liter, lower than the average price of C\$5.74 with Port wine. In 2000, this difference was even more evident, as the average price per liter would be only C\$1.32.

As aforesaid, Canadian imports of Port wine declined both in volume and value terms. In 2000, this segment represented 83 percent of the total value of Portuguese wine imports, amounting to roughly C\$37.5 million. By comparison, in 2015, it accounted for only 24 percent of Portuguese wine exports to Canada, with an amount of C\$13.7 million.

iv. Perception of the Portuguese Wine

A report from Wine Intelligence (Ferfolja & Park, 2013) has identified three types of consumers whose attitudes, perceptions and behavior towards wine varies to a great extent. About half of those consumers are the so-called “aware non-drinkers”, which are more likely to be man, aged between 45 and 64. These consumers are considered to be frequent drinkers but conservative, that is, they tend to stick to what they know and what they like. Recommendation and grape variety is important to them. Although they drink wines from the Old and New World, domestic wines dominate their repertoire. This is the average consumer in terms of spend, and beer is their second favoured alcoholic beverage.

The minority “drinkers” group accounts for 14 percent of the total Portuguese wine consumers in Canada and has a strong presence in the province of Quebec. These are knowledgeable and engaged wine drinkers, typically men, older, though there is good dispersion across all age groups. They spend more and drink wine more frequently than consumers of other segments, normally 2-5 times a week. Consumers of this segment seek the best quality, are already engaged with Portuguese wines and prefer to try something new.

Typically, they prefer wines from Canada and the Old World as France, Italy and Spain, and drink more red than white wine, despite enjoying more white wines compared to other groups.

Finally, the remaining 36 percent are the so-called “non-aware” consumers. These tend to be younger wine drinkers, generally aged below 35, lower involved in the wine category, unaware of the Portuguese Wines Brand and sensitive to the price of wine. Compared to others, they care more about the alcohol content when buying wine in the off-trade, whether or not the wines are produced in an environmentally friendly way and if brands have a long tradition and heritage, regardless of grape variety, region or country of origin, which are some of the fundamental cues for the group of “drinkers”.

Although there is still lack of knowledge in Canada, especially among younger wine drinkers, Canadian consumers in general are more aware of Portuguese wines than in the USA, for instance. In addition, the historical reputations (and consumers preferences for) Old World wines remain, and the market development for Portuguese wines is positive. According to this study, there is room to reach involved consumers via printed magazines, magazine websites, tastings or wine clubs, as well as younger consumers by means of environmental credentials, bearing in mind the price array. On the down side, the lack of penetration among the average and younger consumers may require the development of a complex and difficult message as part of the communication strategy. Furthermore, lower loyalty among high involved consumers and intensifying competition in the Canadian market pose significant threats to the Portuguese position.

VI. CETA

i. Key Data

Canada is one of the EU’s oldest and closest partners. The EU is Canada’s second largest trading partner, while Canada is the EU’s eleventh largest trading partner (CEEV, 2013). Canada and the EU have been trying to deepen their economic and trade relations since the signing of the Framework Agreement for Commercial and Economic Cooperation between Canada and the European Community in 1976. However, it is only in the past 15 years that the two parties established agreements, of a limited nature, to accomplish the goals of the Framework Agreement. In 2005, Canada and the EU tried to deepen their economic and trade ties by entering negotiations for a Trade and Investment Enhancement Agreement (TIEA), but

negotiations were quickly suspended in the following year, due to the fact that the Canadian provinces and territories were not parties to the discussions (Fafard & Leblond, 2012).

On May 2009, discussions for a Comprehensive Economic and Trade Agreement (CETA) between the European Union and Canada began. This agreement is described as “comprehensive” because it covers not only tariff barriers, but also non-tariff barriers such as different standards and regulations dealing with the production and the nature (form, content, quality, etc.) of goods and services offered in Canada and in Europe (Fafard & Leblond, 2012). It aims to remove customs duties, end limitations in access to public contracts, open-up services' market, offer predictable conditions for investors and help prevent illegal copying of EU innovations and traditional products. The legal review of the agreement has been completed on February 2016.

It has not yet been decided whether CETA falls entirely within the competence of the EU or whether it includes member states' competences; nor the extent to which it covers matters of shared competence (which can be exercised by either the EU or the member states) (Webb & O'Neill, 2016).

ii. Details of the Agreement/Broad Reach of CETA

a) National Treatment and Market Access for Goods

Trade in goods is the longest and most extensive section of the Agreement. It addresses measures that have a direct impact on trade and are felt at the border, such as tariffs and customs procedures, and those that are felt “behind the border,” such as product certification and technical standards that might distort or restrict trade or otherwise add costs or uncertainty for businesses. Tariffs are essentially taxes levied at the border that have the effect of increasing the costs to consumers of imported goods. These tariffs are applied to “tariff lines,” where each line represents a specific product.

CETA would remove 99 percent of customs duties⁴³ on trade in industrial products between the EU and Canada, and more than 90 percent of the agriculture tariff lines, with some exceptions: trade in poultry and eggs would not be liberalized on either side and restrictions

⁴³ Customs duty means a duty or charge of any kind imposed on or in connection with the importation of a good, including a form of surtax or surcharge imposed on or in connection with that importation. **Source:** Consolidated CETA Text (PDF). EUROPEAN COMMISSION, Directorate-General for Trade. 2014-08-05. Retrieved 2016-06-13.

would remain on trade in some other agricultural products, such as sweetcorn on the EU side and dairy in Canada. While most of them would be removed by the time the agreement comes into force, others would be removed gradually (within 3, 5 or 7 years).

Processed agricultural products (PAPs) are among the main export interests of the EU and further market opening was one of the main EU negotiating objectives. Within the PAPs category, wines and spirits are the major export item of the EU agricultural and food industry to Canada. Tariff elimination would be complemented by the removal of other relevant trade barriers, in order to prevent “behind-the-border” discriminative practices, and the existing EU-Canada Wines and Spirits Agreement would be incorporated into CETA (“CETA - Summary of the final negotiating results”, 2016).

Export duties and other export restrictions will be generally prohibited. Canada has also accepted a general prohibition of Duty Draw Back that would be applicable three years after entry into force of the Agreement.

The Chapter on Subsidies provides that Canada and the EU would not grant any export subsidies to agricultural products fully liberalized and/or covered by a tariff rate quota in the importing Party as long as the in-quota tariff had been fully eliminated. However, as CETA contains no obligations related to the provision or the elimination of domestic agricultural or fisheries subsidies, Parties would remain free to grant such subsidies.

Aside from customs duties and other fees allowed by the World Trade Organization (WTO), no discriminatory taxes or charges would be levied against imported Canadian/EU goods. This means that each other’s goods would be given “national treatment” once they are in each other’s markets.

One important aspect of CETA as regards preferential treatment is that it includes product content rules, or “rules of origin”. The rules of origin set the conditions under which a product qualifies as ‘European’ or ‘Canadian’ and hence to be eligible for the preferential tariff rate CETA provides. The objective is to avoid products of a third country indirectly benefitting from the Agreement.

Both the horizontal and the product specific rules of origin are based on the standard EU rules wherever possible. However, for products with a higher proportion of imported inputs, a compromise in the form of rules of origin derogations (origin quotas) is provided.

CETA leaves open for the future the possibility of cumulation⁴⁴ of origin with third countries with which both the EU and Canada have a free trade agreement.

b) Regulatory Cooperation

The chapter on technical barriers to trade (TBT) builds on the key provisions of the WTO TBT Agreement on Technical Barriers to Trade and contains provisions to improve transparency and foster closer contacts between the EU and Canada in the field of technical regulations (“CETA - Summary of the final negotiating results”, 2016). A separate protocol also provides for a mechanism by which EU certification bodies would be allowed to certify for the Canadian market according to Canadian technical regulations and vice-versa. This aims at reducing the costs for testing and obtaining product certification for exporters.

CETA also foresees the creation of a Regulatory Cooperation Forum that would function as a voluntary cooperation mechanism to exchange experiences and relevant information among regulators, and to help identify areas of mutual cooperation.

c) Investments, Services and Related Matters

CETA adopts NAFTA’s “negative list” approach to the liberalization of services, which means that trade in all service sectors would therefore benefit from non-discriminatory treatment and market access, except for those expressly excluded (Dattu, Fombonne, & Pavic, 2013). This flexibility concerns, among others, public monopolies and exclusive rights for public utilities that the EU and its Member States would be able to operate at all levels of government, including the local level, and public services such as education, health, social services and water supply. Canada benefits, in particular, from commitments in areas like mining, certain services related to energy, environmental services and certain professional services.

With respect to financial services, both Canada and the EU financial service providers guarantee that the existing framework will not become more restrictive with regard to the provision of cross-border insurance, reinsurance and intermediation, as well as portfolio management services.

⁴⁴ Cumulation is a system that allows contracting parties to use originating products from each other.

The parties have also agreed to a substantive and binding mutual recognition of certain professional qualifications, which is intended to increase labour mobility. CETA will also reduce the usual barriers that hamper the ability to engage in international services trade, such as citizenship and residency requirements, barriers to temporary entry, and ownership and investment restrictions (Dattu, Fombonne, & Pavic, 2013).

e) Investment protection and investment dispute settlement

The process that investors follow to seek compensation is called “investor-to-state dispute settlement” (ISDS) and involves an independent arbitral panel hearing facts and making a decision on the merits of an investor’s claim. Under CETA, cases will be heard by an independent investment court system, consisting of a permanent tribunal (with members being appointed in advance by the Parties to the agreement – the EU and Canada), and an appeal tribunal (composed of fifteen members nominated by the Union and Canada and not by arbitrators nominated by the investor and the defending state), competent to review decisions of the permanent tribunal (European Commission, 2016). Furthermore, CETA contains a firm commitment that the Union and Canada will join efforts with other interested parties for the creation of an international multilateral investment court (European Commission, 2016). With this system it is expected that dispute settlement proceedings will be conducted in a transparent and impartial manner.

The tribunal shall only apply the agreement, in accordance with the principles of international law, when adjudicating upon claims submitted by investors. It cannot decide on matters of EU or Member State law. It will therefore not interpret EU or Member States law in a manner binding on EU courts or EU governments. In addition, to avoid double compensation or incongruent verdicts, investors cannot seek remedies in domestic courts (or other international tribunals) and before the CETA investment tribunal at the same time.

Also, only claims relating to non-discriminatory treatment (Section C of the CETA investment chapter) and investment protection (Section D) can be submitted to investment dispute settlement under CETA. For instance, refusal to admit a foreign investor, even if possibly in violation of CETA commitments, can only be challenged by the EU and Canada and not by the investors (European Commission, 2016).

The system of investment protection and investment dispute settlement included in CETA would ultimately replace the eight existing bilateral investment agreements between EU

Member States and Canada, which follow the approach common to most bilateral investment treaties in the world, and which has given rise to serious concerns as to both transparency and abusive or excessive restrictions on public authorities in their relations with foreign investors.

f) Public Procurement

Under CETA, parties would open access to each other's procurement markets. The Canadian offer would cover the procurement of federal entities, provincial and territorial ministries and most agencies of government as well as "crown corporations" (i.e., state-owned corporations that are administered "at arms length" from the government), and regional, local and municipal governments and entities. Both Canadian and European businesses would be able to tender for all levels of government public contracts across Europe and Canada, with a few exceptions, such as energy utilities and public transport, on the Canadian side, and postal services, ports and airports, on the European side. It is expected that this will eliminate a major asymmetry between the parties, as in Canada the access for foreigners is still very limited, whereas the EU is already open to Canadians, including at the sub-federal level.

g) Intellectual Property Rights (IPR)

CETA's chapter on IPR includes provisions on copyright, trademarks and patents, of which the most relevant include the reinforcement of intellectual property rights for new pharmaceuticals, and the strengthening of Canada's border measures against counterfeited trademarks, pirated copyright goods and counterfeit geographical indication goods. The former in particular creates a level of protection for IPR closer to that existing in Europe.

Geographical Indications (GI)

Subsection C of this chapter is of particular importance for the wine sector. It applies to the legal protection of geographical indications, defined as "an indication which identifies an agricultural product or foodstuff as originating in the territory of a Party, or a region or locality in that territory, where a given quality, reputation or other characteristic of the product is essentially attributable to its geographical origin" (article 20.16, pag. 156).

Canada has granted the highest level of protection to the great majority of the EU's proposed list of 145 names (e.g., *Queijo S. Jorge* and *Chouriço de Portalegre*) and accepted that additional GIs can be added in the future. Furthermore, the misleading use of flags and other symbols evoking a protected GI and the country where that GI product comes from would be prohibited, and all products would have an accurate and visible indication of their true origin.

Although Canada already recognizes certain GIs for wines and spirits, such as *Port* and *Madeira*, French *Cognac* and *Bordeaux*, it is expected that, by incorporating and improving the existing Wine and Spirits Agreement of 2004, the protection of geographical indication will be strengthened. These conditions are reinforced by the possibility for parties' rights holders to have recourse to an administrative process to uphold GI rights (the so-called ISDS) rather than only through the domestic court system.

iii. Wine & Spirits

a) Discriminatory Practices in Canada

The EU wine industry is deeply rooted in Europe through the system of GI's and strongly focused on export. Wines derive their market success from their high quality products coming from particular regions such as Port, Sicily, Mosel, Rioja, Champagne, in Europe, or Okanagan Valley and Niagara Peninsula, in Canada. Exports of wine contribute with more than € 6 billion annually to a positive effect of the EU trade balance. The Canadian market accounted for € 470m of EU wine exports in 2014, which in turn represent 50% of Canada imports. However, European wine has faced a number of trade barriers and discriminatory treatments in Canada. These discriminatory measures taken by the provincial liquor monopolies are breaching the commitments taken by Canada in the WTO on State Trading Enterprises (GATT Article III and XVII), as well as the EU-Canada Wine & Spirits Agreement from 1989 and 2004. Thus these issues were central to CETA negotiations on wine and spirits products. This study will not thoroughly examine these practices according to existing regulations. Instead, the following list provides a brief description of some of the discriminatory measures raised by the European Commission ("European Commission: Market Access database: Trade Barriers") and the CEEV (2016):

- Different application of mark-ups between domestic products sold in private outlets (exclusively accessible to domestic wines) and in monopoly stores. Though the prices in the private outlets are required to be the same as in the liquor boards, some product mark-up are not applied in the private sales outlets resulting in a more lucrative route-to-market available only to domestic wines. It should be noted that the Wine and Spirits Agreement has granted concessions to Canada, recognizing the existence of off-site private stores within limits. However, it was stated in the agreement that

mark-ups would apply to all retail sales in a non-discriminatory and transparent manner⁴⁵;

- Lack of transparency for many of the boards decisions, particularly regarding listing and delisting measures;
- Limited product listings for imported products with onerous conditions imposed on suppliers to apply for a listing (if an imported product is not listed by the provincial liquor board, it is not allowed to be sold in the province).
- The liquor boards use their position as monopolies and, in the case of Ontario and Quebec as the largest and second largest single purchasers in the world of alcoholic beverages, to practically impose additional onerous commercial conditions on suppliers, once an imported product is listed;
- Application by some liquor boards of extra cost-of-service charges on imported products which are not transparent and which are not justified by liquor board audits;
- Sales targets set by liquor boards depending on the category of products. SAQ (Société des alcools du Québec), in particular, changes the minimum target sales for general listing products a few weeks before the end of an annual period, which makes it impossible for products to fulfill such targets in such short period of time (promotional campaigns must be validated months ahead, etc.), a situation that usually leads to the delisting of products.
- Some Liquor Boards have engaged in commercial activities that go beyond their monopolistic mandate. The Newfoundland Labrador Liquor Corporation (NLC), for instance, operates its own brands through its own stores and in other provincial liquor boards. SAQ has a 50% share in a private company specializing in international distribution of alcoholic beverages. In Europe (Sweden, Finland and Norway), the monopoly retail activity is operated separately from non-monopoly commercial activities (production, brand ownership, etc.) and such practices are not permitted, as it might origin cross subsidization or abuse of monopolistic powers.

⁴⁵ Article 4a (on Pricing), paragraph 1 of the Annex VIII of the EU-Canada Wine and Spirits agreement (revised in 2004). “Canadian competent authorities shall ensure that any mark-up, cost of service, or other pricing measure is non-discriminatory, applies to all retail sales, and is in conformity with Article 2”.

b) CETA Protection

Above we addressed some of the longstanding problems associated with discriminatory practices of the Canadian provincial liquor boards. However, under CETA, claims relating to non-discriminatory treatment and investment protection would be able to be submitted to investment dispute settlement. This system provides an opportunity to benefit from clearer and specific standard of treatment, and ultimately guarantee the protection of EU wine GIs in Canada and put an end to discriminatory practices.

In sum, it is expected that under CETA:

- Canadian liquor boards will remove practices that distort competition in favour of domestic produced wines;
- Arbitrary and non-transparent levies by liquor boards on EU wines will be removed;
- Tax discrimination against European wine sold in monopolies and local wine sold through tax-free private channels will be eliminated;
- Customs duties for wines will be fully eliminated at entry into force of the agreement.

VII. SWOT Analysis

The analysis carried out so far provided a broad understanding of the Portuguese and Canadian wine sector, as well as Portugal's positioning in the Canadian market, the current trade situation, and the CETA provisions regarding wines and spirits. Building on that, this section sets out the more specific scope, focus, and approach to the research questions. Here, a SWOT analysis is carried out by means of an exploration of in-depth interviews with representatives, managers and stakeholders from different institutions, private companies and cooperatives in Portugal, and complemented with literature analysis. This method helps identify the internal (strengths and weaknesses) and external (opportunities and threats) factors relevant for the Portuguese wine industry in face of the CETA ratification, providing the main input for further research. The synthesis of these elements is contained in the SWOT matrix below.

Table VII.1. SWOT Matrix

Strengths	Weaknesses
<ul style="list-style-type: none"> • Quality, diversity and unique features of Portuguese wine • Portugal’s natural, cultural, and historical heritage, and long-tradition of winemaking • Renowned Port Wine Image • Wine as a tourism product 	<ul style="list-style-type: none"> • Scale • Lack of image internationally/ Inconsistency of promotional activities in the Canadian market • Portuguese wines and grape varieties with unpronounceable names for English/French tongues • Lack of Portuguese food-wine/vine matching tradition in Canada
Opportunities	Threats
<ul style="list-style-type: none"> • Canada is the 7th largest wine importer in the world, and 9th of Portuguese wine, in value terms • Classification • Increasing per capita income in Canada • Wine consumption trending towards higher priced wines - Strong average pricing of Portuguese wines • Growing through differentiation • Consumer taste/preference • End of discriminatory treatments in Canada • Mutual recognition and definitive protection of geographical indications and designations of origin for wine products 	<ul style="list-style-type: none"> • Aggressive competition/dominance by French, Italian and Spanish wines • Low brand loyalty to Portuguese wines • Higher costs with certification, quality standards and labelling rules • Access - Canadian wine retail system (Liquor Boards) and protection of domestic wines • Studies with negative impact in wine consumption, anti-alcohol campaigns and lobby groups • Effects of climate change on wine production • Absence of long-term marketing strategies for the Portuguese wine brand in the Canadian market

i. Strengths

Quality, diversity and unique features of Portuguese wine

All interviewees, without exception, designate the quality, variety and distinctiveness of the Portuguese wine as major strengths and necessary conditions for export success as well. According to them, the wines offered have to be of constant quality and recognizable for the consumer, particularly in mature markets, like Canada, where consumers are more involved and informed. The singularity of Portugal’s native grapes and *terroirs*, which give the wine its unique features, as well as the country’s heritage, are pointed as elements of worldwide success not only for being associated with quality and excellent value for money, but also for providing a unique and differentiating proposal in the various international markets. As stated by Jorge

Monteiro, from ViniPortugal, “First, Portugal is starting to have a consistent image. A company that today produces a good wine must continue to uninterruptedly produce good wine. This factor is fundamental for creating a brand image. Second, Portugal presents different proposals: blended wines, produced from indigenous varieties. Though we still have international grape varieties planted around the whole country, what is proposed is a different product that provides different experiences. This happens not only due to the diversity of native grapes but also due to the climatic diversity of our country”.

As previously noted, an important element of the transition from low-quality to higher quality wines was the introduction of the EU’s protected designations of origin and protected geographical indications that govern the use of geographic and varietal designations, grape types and winemaking practices, as well as the EU-funded programmes for the restructuring and reconversion of vineyards implement in the late 90s, in Portugal. Since then, producers have gradually shifted their plantings to comply with quality standards (Madill, Riding, & Haines, 2003). One interviewee mentioned that this late transition (when compared to other major wine producers such as France and Italy) was positive, as Portugal preserved its native grape varieties, instead of following long-lasting trends that steered the genetic erosion of native varietal bases, as happened in Italy, for instance (D’Agata, 2014). In his words, “The focus on the production of Protected Denomination of Origin wines has been especially important for the affirmation of the Portuguese wine internationally. Over the last 16 years, Portugal has continuously shown consistency of its wines, ranking among the most awarded participants with plenty of awards in various international competitions, which proves the recognition and notoriety achieved”. Associates and producers from the Douro Region also assumed the importance of the long-lasting international reputation of Port wine in projecting other varietals of Portuguese wines, especially those from the Douro region.

Heritage

Portugal’s long tradition of winemaking is considered a major strength. This strength is perceived as a means to enable the Portuguese brand to differentiate itself from the largest wine-producing nations of the “Old World”, and benefit from the customary association between tradition and quality. Porto, located within the Douro, is the world’s oldest regulated wine region, and other areas like Alentejo, Dão, Bairrada and Tejo have been producing wine for centuries. “Consumers resort to the use of a region of origin cue as a proxy quality indicator. In

that sense, our historical and cultural background, along with Portugal's climate and terroir, create a unique opportunity to project a positive image of Portuguese wines abroad". Another interviewee added that "the success of Portuguese wines depends on the quality offered and the ability to influence consumers' perceptions, or at least to affect the perception of some segments of potential consumers, which is more easily achievable by evoking our past, our history, classic values. France and Italy benefit from such reputation effects". As mentioned above, Canadian palates still lean towards traditional wine-producing countries, mostly due to Canada's historical and cultural ties with the EU and large numbers of Canadians of European descent, although "New World" wines, such as those from New Zealand, the U.S. and Chile, are performing well in this market.

Wine tourism

Connected to the previous identified opportunity is wine tourism. According to an article in Publituris (2014), the cluster connected to the wine culture and tourism is responsible for tourism growth in Portugal, and it is increasingly more important to regional development and to the Portuguese economy. Wine tourism, which predominantly targets a niche market of high income tourists, is considered a complementary activity to the production and marketing of wines. For instance, this segment represented approximately 2 million euros of Bacalhôa Vinhos' annual revenues, corresponding to 8% of the company's business volume. The group created a unique business unit for the segment in 2012.

According to Sérgio Marques (Barros, 2015), wine tourism still is the "poor relative" in the wine business, but it has an extraordinary potential, being "one of Portugal's greatest assets in terms of international competitiveness" and an important instrument for the export activity. Indeed, stakeholders share the view that consumers are rapidly discovering Portugal as a tourist destination, and wine tourism appears to be a huge driver of that trend. This "good phase of growth" is underlined by the president of the City Hall of Reguengos Monsaraz (European wine capital in 2015), José Calixto, who adds that producers are focusing on wine tourism and this "helps to sell" the country's "richness on high-quality wines" (Agência Lusa, 2015). The Esporão and Ervideira are two such examples. Ervideira's wine producing company, located in the Alentejo region, has received about 10 thousand visitors only in the first five months of 2015. Duarte Leal da Costa, the company's CEO, acknowledges that the increase in the number of visitors has been exponential, compared to 2014, when it was "a little over 4 thousand", but

it is a new type of tourist, one that is more knowledgeable and better informed, seeking to buy. Sought after by many Europeans, Ervideira is beginning to have visitors from Australia and Japan, something "unthinkable two or three years". As for Esporão's Wine Tourism, which welcomed nearly 30 million visitors in 2014, Brazilian, North American and northern European tourists represent "around 65%" of global visits.

ii. Weaknesses

The interviewees pointed five main weaknesses. These are: scale of production; lack of visibility of Portugal's brand image; unfamiliarity with the Portuguese cuisine and food-wine/vine matching; abundance of Portuguese wines with unpronounceable names for English/French tongues; and irregularity/inconsistency of promotional activities in the Canadian market.

Fragmentation of the wine industry

The Portuguese industry structure is highly fragmented – a perceived weakness by some of the interviewees. Consolidation through mergers and acquisitions is a tendency that has been occurring in mature markets (e.g. US, Australia, Chile) (Castaldi, Cholette, & Hussain, 2006). It allows firms to enhance profits by creating competitive advantages through economies of scale and in gaining negotiating power with distributors. As New World producers increase the scale, quality of production and branding expertise, the fragmented nature of the European wine industry hinders its ability to compete with imports from New World countries, causing it to gradually lose market share. Just as in France, Italy or Spain, the wine industry in Portugal is also very fragmented.

The Portuguese wine industry is made up of small firms and cooperatives, which lack adequate capital and knowledge for the necessary investments in new technologies, marketing and distribution strategies. The opportunities for mergers in Portugal are limited by geographic limits, regional diversity and ownership structures with scattered producers. Much of the situation also derives from historical factors, particularly the handing down of vineyards from one generation to the next, as opposed to vineyards being taken over progressively by larger enterprises. This has made it increasingly difficult for smaller producers to sell their product to wholesalers, since their profit comes from markups on products they are able to replenish quickly (Castaldi, Cholette, & Hussain, 2006). By contrast, countries where larger firms dominate the production have the advantages of scale and scope as well as improved power in

promoting and selling their wines to consumers and retailers. As an example, in the U.S., Australia and Chile, the production of wine is predominantly controlled by a few companies that have been able to project their brands, and thus the country's image, in the global wine market.

Although Portugal has begun efforts to improve the image of "made in Portugal" wine, namely with the creation of the Wines of Portugal brand, "many Portuguese firms are product-centered and do not realize the need for branding and reputation development", as stated by one interviewee.

Scale

The interviewees pointed several disadvantages regarding the production scale. "Internationally, large multinational high-volume suppliers increasingly dominate the wine business". Although bigger is not perceived to be better, this dominance raises questions on "how small Portuguese producers can export and, ultimately, survive". Australia and Chile were given as examples of wine-producing countries that profit from economies of scale in producing value-for-money wines. "Portugal, similarly to the European counterparts, faces a costlier production technology and does not profit from scale economies". Additionally, countries with scarce or high priced land and labor incur higher costs of production (Castaldi, Cholette, & Hussain, 2006).

"The quantity is very important when selling the wine". Retail liquor stores usually purchase large volumes from a licensed distributor, in order to get discounts. Also, imported wines risk to be routinely de-listed for failure to reach the quota⁴⁶. "The product is sold through a process of bidding... and small producers struggle to meet certain volume thresholds required by the operators" due to the small producing scale of most of the Portuguese wineries. "The production of wine is not large enough for any wine producer alone to be able to provision significant export sales". This suggests the need to agglomerate production across small wineries for export purposes.

Naming

According to some of the interviewees, difficult-to-pronounce wine and grape names are hindering the success of many Portuguese wines internationally. "Some truly fine wines remain undiscovered due to their rather unpronounceable names. (...) The general public feels

⁴⁶ From "European Commission: Market Access database: Trade Barriers" [online].

uncomfortable pronouncing words such as ‘Alvarinho’, ‘Quinta da Malhadinha’ and ‘Porca de Murça’, just to name a few, and if they can’t spell the wine names, there’s a good chance they won’t memorize them”.

The names of the indigenous varieties in Portugal also pose a significant barrier to their acceptance. Names such as Antão Vaz, Fernão Pires, Trincadeira, Aragonez (Tempranillo), Alicante Bouschet (of French origin), Roupeiro, Castelão, all provide a challenge to the English and French tongues and possibly prevent consumers ordering them in the on-trade, simply because they are concerned about making a mistake with the pronunciation. One interviewee mentioned that “Portugal has a myriad of native grapes. These are important to inform about the culture, gastronomy, and *terroir* of the area in which they are grown”. However, “wine brands, regions and grapes with virtually unpronounceable names for non-Portuguese speaking consumers are the ones that non-experts tend to forget first”. Additionally, “it is much easier and safer to stick with requesting a familiar bottle of Californian Chardonnay, rather than picking some unknown and hard-to-pronounce wine”. In essence, it is generally perceived by stakeholders that efforts to build strong regional brand identities abroad are affected by the difficulty of the linguist elements of the label which relate to the consumer’s perception (and decisions).

In fact, according to Wine Intelligence (Ferfolja & Park, 2013), 82 percent of knowledgeable and engaged drinkers consider grape variety an important cue when buying wine in the off-trade. This cue is also important for 67 percent of the conservative consumers and for 60 percent of the so-called non-aware drinkers, evidencing a need to develop Portugal’s brand in Canada also bearing in mind the country’s grape varieties.

Lack of image

Another weakness comes from the lack of visibility of Portugal's brand image within this demanding market. The images associated to brands constitute a powerful tool, as they have the potential to enhance reputation and status, as well as to attract and retain consumers (Loureiro, Veríssimo, & Cayolla, 2013). In 2003, Portugal’s wine cluster entered the process of developing a strategy that would unify the efforts of its members in order to achieve synergies and success in the global marketplace and thus increase international awareness (Monitor Group, 2003). Along with increasing distribution, marketers seek to advance consumer knowledge of the Portuguese wine. Organizations such as ViniPortugal are doing a good job in trying to assist Portuguese wine producers to reach wider markets. However, interviewees

pointed out several deficiencies in the National Cluster Wine Strategy, related with a number of challenges already identified in the report. First, institutions have limited budget for promotional/marketing activities, and this in turn is split among the countries to which Portugal sells, diluting the impact of such efforts.

On the words of one interviewee, “Marketing efforts need to be coherent in the long-run (...) Tastings are a great way to optimize our brand/products as you can have direct contact with the end consumer. However, these activities, organized by ViniPortugal, have no consistency, complementary and continuity...one day they take place in one city, the other somewhere else”. As another respondent said, “Tastings open up the door for communication and conversation”.

The marketing strategies of ViniPortugal as well as IVDP both reflect this perception, as the operational plans are set for a three-year basis. According to Carla Fonseca, Head of the Marketing, Sales and Public Relations Department at IVDP, “Canada is a strategic market since special categories represent the majority of our wine sales in the country. Our strategy involves three main activities: wine-tastings, training for professionals (sommeliers, monopolies’ employees, catering and tourism schools), and the press”. With regards to the results achieved, “we do not work the Canadian market on a regular basis, thus the impact can only be evaluated in the long-term”. Indeed, one manager mentioned that Australia has established 10-year strategic plans for the Brazilian marketplace, to compare with the Portuguese situation, adding that “the lack of two or three strong brands, along with the absence of a long-term integrated policy for the promotion of the country’s image is clearly hindering our success”. Second, and associated with this, is the fact that there is no joint notion of the national and regional brands that constitute the Portuguese wine. Furthermore, the lack of awareness of grape varieties and blends, which are assumed to be Portugal’s future flagship products, creates a chaotic production profile and increases the cost of the grape cultivation (Monitor Group, 2003).

iii. Opportunities

Market Potential

Canadian imports of wine steadily increased over the last decade, making it the seventh largest wine importing market in the world in 2014 (table X.26). The total wine market in Canada was valued at more than C\$6 billion in 2014 and more than 461 million liters of wine was consumed, with per capita consumption amounting to 12.4 liter in 2011 (latest available

data). Quebec, Ontario, Alberta, and British Columbia, where the majority of the Canadian population resides, accounted for 94 percent of the wine market in terms of value. Portugal is placed in 9th among the country's main suppliers and the market development for Portuguese wines is positive. Although Portuguese exports saw a decline over the given time frame, the average price per liter increased, being the 5th highest in 2015. Since the only promising strategy to improve Portugal wines competitiveness comprises the investment in high-quality, high-value products, the evolution in the Canadian market goes in line with the overall strategy. According to I.V.D.P., Canada is the export destination, among the 20 major importing countries of Port, for which the special categories of wine have the largest share in terms of value (41.4 percent). Furthermore, the historical reputations (and consumers preferences for) Old World wines are strong and constitute an opportunity to explore, despite the long-lasting French and British influences, mainly in Quebec and Ontario, respectively.

Table VII.2. Top 10 world wine importers, 2013-2014

		Volume (khl)		Value (million EUR)	
		2013	2014	2013	2014
1	Germany	15,176	15,171	2,589	2,505
		(0% variation)		(-3.2% variation)	
2	United Kingdom	11,830	13,388	3,622	3,595
		(13.2% var.)		(-0.7% var.)	
3	United States	10,966	10,739	3,947	4,032
		(2.1% var.)		(2.1% var.)	
4	France	5,250	6,453	650	620
		(22.9% var.)		(-4.6% var.)	
5	Russia	4,922	4,676	912	865
		(-5% var.)		(-5.1% var.)	
6	China	4,504	4,578	1,171	1,145
		(1.6% var.)		(-2.2% var.%)	
7	Canada	3,727	3,849	1,523	1,465
		(3.3% var.)		(-3.8% var.)	
8	Netherlands	3,669	3,620	882	901
		(-1.3% var.)		(0.4% var.)	
9	Belgium	3,160	3,118	979	984
		(-1.3% var.)		(0.4% var.)	
10	Japan	2,632	2,704	1,155	1,209
		(2.7% var.)		(4.7% var)	

Source: OIV

Classification

Major steps have been taken over the last decade in what concerns the regulation for designation, presentation and protection of Appellations of Origin for European wines. This process started in September 2003 with the signature of the Agreement between the European Community and Canada on trade in wines and spirit drinks (in OJ reference L35 of 06/02/2004, p.3) which established a phasing-out period to end the “generic” classification in Canada of 21 European wine names, among which is Port/Porto and Madeira. “After long negotiations, the registration for Port/Porto and Madeira was finally granted in 2015”, as mentioned by a respondent from I.V.D.P. Previously, as these categories were not officially registered in Canada, they were also not fully protected, giving rise to fraudulent labelling of wines. According to I.V.D.P., Canada is the export destination, among the 20 major importing countries of Port, for which the special categories of wine have the largest share in terms of value (41.4 percent). Furthermore, Port/Porto and Madeira accounted for 45.6 percent Portugal’s exports of wine in 2014, and PDO/PGI wines 34 percent in value terms.

The EU wine industry is both deeply rooted in Europe through the system of geographical indications and strongly focused on export. Canada is a priority market with more than €740 million EU wine export in 2014, about €35 million from Portugal. Wines derive their market success from their high-quality products coming from specific regions, such as Port, Champagne, Rioja, etc. However, the market development strategies adopted by some of the most aggressive EU competitors (Australia, Chile) aim to add value to the geographical indication of their wines, putting greater pressure on the EU wine sector. Portugal is no exception. The country’s export success depends on a strategy focused not only on protecting the Portuguese brand, but also on increasing the number of super-premium wines, emphasizing grape quality, firm’s long-term investment and quality certification, among others (Monitor Group, 2003). As previously mentioned, this entails the targeting of niche markets using differentiation characteristics, which in turn requires, on the demand side, the international recognition of the wine’s quality (or its image or reputation) and, on the supply side, a local synergy of appropriation that qualifies the wine, either by the modification of an intrinsic characteristic (such as taste) or an extrinsic characteristic (such as packaging or labelling information)” (Santos & Ribeiro, 2011). Thus, the importance of GIs and labelling (communication to the consumer): they allow the consumer to identify the origin of the product, and influence his purchase decisions. In the case of super and ultra-premium market segments (consumers who may not be very experienced, but are sensitive to the history, culture and image of the country of origin), the “Origin of the

product” is even more important than PDO-PGI labels (often intended for a more experienced consumer)(COGEA, 2014).

It is expected that CETA will strengthen the protection of GIs by incorporating and improving the EU-Canada Wine and Spirits Agreement from 2004 (year of entry into force). Furthermore, it foresees the possibility for other EU wines to be recognized in the future, and the dispute settlement mechanism may guarantee the protection of EU wine GIs in Canada, and put an end to the discriminatory practices against EU wines, as previously seen. If Portugal continues the investment in quality, this may represent a great opportunity to grow in the Canadian market.

Gastronomic potential of Portuguese wines

Contrary to the Italian and French cuisines, there is practically no Portuguese gastronomic representation in the country. This might happen partly because there are no signature dishes which have become favourites in Canada, in the same way that Pizza, Pasta, or Paella have. Whereas Italian restaurants create built-in opportunities to sell wines from Italy, Portuguese cuisine’s relative absence in Canada means that brands have to work harder for visibility on-premises. According to one respondent, “There aren’t many Portuguese options on wine lists. We need to get people to think beyond categories and simply focus on pairing good wines with food”.

Another representative stated, “We should encourage responsible consumption leveraged on the promotion of the Mediterranean diet”. Another interviewee mentioned “If we think of the French and the Italian, their wine and food traditions have evolved together over the years. The interest in wine often arises to match specific dishes at restaurants, which typically go hand in hand. But we have not been able to take advantage of this...Traditional Portuguese cuisine is underrated, and it has a huge potential...thus we have an opportunity here, that of promoting Portuguese wine and food pairings”. Over the last decade, some efforts have been undertaken by ViniPortugal in this field, namely with the participation in food & wine market fairs, collaboration with specialized Canadian magazines, or the occasional organization of food-wine matching events in Canada’s major cities⁴⁷. However, there remains a significant scope for improvement in order to achieve the visibility that the Italian and French enjoy in Canada.

⁴⁷ From ViniPortugal annual Management Reports, Financial Statements, and Plan Activities.

Differentiation

Economies of scale are critical in the production of low-priced wines but are less important in the production of premium-priced products. “Portuguese wineries have a lower productivity level than some larger European counterparts, although packaging and labor costs are thought to be roughly similar”.

Given the intense competition within the international (and domestic) market, the challenge for Portugal is to differentiate its product from wines marketed and sold by both domestic and foreign producers. “Due to our relatively small size, we do not have economies of scale, thus we have to build our reputation and image as a premium provider”. Differentiation is critical to firms in a monopolistically competitive industry because it is the only way they can acquire some market power to raise their prices over marginal cost and earn a positive profit. As one interviewee said, “the only possible way to grow in competitive markets, such as the Canadian market, is to create differences that are valuable to the consumer, and in turn allow the producer to introduce higher priced wines”. Also, “offering consistently premium-priced high-quality wines must be used as a strategy to build customer loyalty”.

iv. Threats

Aggressive competition both from “New World” and “Old World” wine-producing countries

The majority of the panel interviewees, including those who answered to the last question of the questionnaire (35 percent), pointed out the “New World” and the “Old World” wine-producing countries as Portugal’s main competitors considering a 10-15 year forecast. More specifically, in 9 out of the 12 complete answers to this question there was a mention to the so-called New World wine-producing countries, including the USA, Chile, Argentina, South Africa, Australia and New Zealand, and 7 out of those 9 also included France, Spain and Italy. Only one of the respondents answered “I don’t know”, and the other two (out of 12) indicated France, Spain and/or Italy alone.

All the interviewees were consistent with the view that New World producers had an impressive entrance on the international wine market, benefiting from economies of scale and trade liberalization, which allowed them to gain market share over the last years. These countries initially adopted an export strategy focused on high-volume wines at low to medium price points. However, the increased competitiveness in wine price and quality, against a backdrop of growing wine surpluses in the global market, during the 2000s, forced the New

World producers to develop new strategies in order to improve the export quality of their wines, thus moving to higher price segments, and also diversifying their offer. In other words, the market expansion approach recently adopted by EU competitors aims to take advantage of new consumption and market trends, by adding value to the geographical indication of their wines. According to Wine Intelligence (Ferfolja & Park, 2013), 67 percent of the overall consumers in Canada consider the country of origin an important cue when buying wine off-trade. However, and compared to the traditional wine-producing countries, New World producers are able to offer high quality wines produced at lower costs, making them highly competitive.

Observing figure IV.8, which depicts the evolution of Canada's top-ten suppliers in terms of value, one can notice that half of those suppliers belong to the so-called New World countries (the U.S., New Zealand, Chile, Argentina and South Africa). These countries not only have gained market share over the last fifteen years, but also had a positive evolution in terms of price per liter, with the exception of South Africa and Australia. In fact, the wine from New Zealand, which enjoys a 4.4 percent market share in value terms, was and still is the most expensive in the market, evidencing growing investment in quality rather than volume.

Nevertheless, market characteristics are different across provinces. More than half of Portugal's exports (57 percent) to Canada are destined to the province of Quebec, and about one quarter to Ontario. As pointed by Jorge Monteiro from ViniPortugal, "Certainly, in Quebec, which enjoys the strongest wine culture in Canada, we are essentially competing with French and Italian wines. The consumer in Ontario, on the other hand, looks for distinctive wines, and for them price matters more than in Quebec. In Ontario, you have a higher degree of specificity. I would say that our greatest effort in Canada is to convey notoriety to the Portuguese brand".

The European Union remains the most important wine exporter worldwide. It accounts for 45% of world wine-growing areas, 65% of production, 57% of global consumption and 70% of exports in global terms (EC - Eurostat, 2016). Canada is the fourth main destination of EU's wine exports, worth about 7 billion euros in the past year. But, in a context of extreme worldwide competition, EU countries find it difficult to maintain the export figures. In addition, as one interviewee mentioned, "competitors are going faster than the EU in negotiating trade agreements"⁴⁸.

According to CEEV, sector stakeholders in Europe call for the ratification of CETA since it is expected to increase the competitiveness of European wines by improving market

⁴⁸ As mentioned above, Canada's Free Trade Agreements include NAFTA and Canada-Chile.

access conditions and preventing discriminatory practices in particular by Liquor Boards. Portugal will still face competition from traditional wine-producing countries since the EU's regulations and law apply to all member states and thus all of them will in principle benefit from CETA. However, New World producers' competitive advantage poses a greater challenge for Portugal's growth in the Canadian market.

Low brand loyalty to Portuguese wines

Although there is good awareness of Portuguese wines in Canada, it does not always translate into purchase, as concluded by Wine Intelligence Insights (Ferfolja & Park, 2013). Brand seems to very relevant for the Canadian consumer. According to this study, half of Canada's consumers are aware non-drinkers that are open to a widespread repertoire of wines but that tend to stick to what they are familiar with. It is the group that least cares about the heritage and long tradition of wines when buying off-trade (39 percent vs. 53 percent for both "drinkers" and "non-awares"), putting more weight to grape variety, recommendation and **brand**, instead (71-73 percent). The group of "knowledgeable and engaged wine drinkers" (14 percent), despite being engaged with Portuguese wines, prefer those from Canada, France, Italy and Spain. Grape variety, country of origin and **brand** (78 to 82 percent) are the most important cues. For the remaining group of "non-awares", **brand** (71 percent), along with recommendation from a friend or family (73 percent), interestingly are the most relevant hints when choosing wine. Similarly, the average total of the sample shows that brand, after recommendation (74 percent), is the second most important indicator in the purchase of wine in Canada (72 percent).

Excess of EU regulations

One of the critics pointed by companies' representatives was the excess of regulations. One of the common thoughts is that although the appellation system established strong regional brand identities, it did so by imposing complex requirements on everything from production methods to labeling, making it more difficult to innovate. European Council and Commission Wine Regulations apply in every EU Member State and cover the whole market in wine from the harvesting of grapes to the sale of wine to the final consumer.

The latest wine reform adopted by the EU in 2008, and included in the 2013 single common market organization, was intended to make EU wine producers more competitive by enhancing the reputation of European wines and regaining market share both in the EU and outside, while

preserving the best traditions of European wine growing. However, “the EU appellation system imposed rigid local requirements on everything from production methods to labelling, creating great difficulties for small producers, as stated by an interviewee. “The degree of bureaucracy that it implies is a burden”, he recognized. Representatives from I.V.D.P acknowledged that companies complain that the wine sector should be more liberalized, in order to give them more room for innovation. None of the respondents from regulatory institutions (I.V.D.P and ViniPortugal) shared this view. Regardless of the administrative hurdles, they consider that the appellation system established strong regional brand identities. Ana Melo, from I.V.D.P., acknowledged that such regulations were responsible for the maintenance of Port coherence and quality improvement of Douro wines. Thereupon, compared it with Jerez, the Spanish equivalent of Port, which “lost market share due to sector liberalization and loosening of regional requirements that led to a significant drop in product quality. (...) Until 1995, Portugal exported Port wine in bulk and fraud was a serious issue”. Only fortified wines produced in the Douro Demarcated Region, which conform to the I.V.D.P. requirements, can be called Port wine, but not all countries in the world recognize or protect appellations of origin as an intellectual property right. This usually derives from bilateral and multilateral agreements, celebrated by Portugal and the European Union, that require the harmonization of existing practices and standards.

VIII. Conclusion

This dissertation has focused on the economic implications for the Portuguese wine sector of trade liberalization between Canada and the EU. This was accomplished by first reviewing the wine sector in both Portugal and Canada and analyzing the actual recent patterns of trade and investment, followed by an overview of the Comprehensive Economic and Trade Agreement. Then, a SWOT analysis was carried out to answer the research questions, using in-depth and survey interviews complemented with relevant literature as main inputs for the investigation. The study offers the following conclusions.

Despite strong cultural, economic and political ties to individual Member States, Canada is one of only eight WTO members without a preferential trade agreement with the EU. The lack of an agreement can be attributed to significant policy and trade barriers.

Existing barriers to trade between Canada and the EU include tariffs, which despite having been lowered under the multilateral trading system, remain sufficiently high to be a deterrent to trade as well as non-tariff barriers, such as regulatory and structural differences, technical barriers, customs procedures, rules of origin, among others. A particularly important issue is the political federal structure of Canada, which gives significant decision-making powers to provincial governments. In fact, trade between Canadian provinces and territories is more complex than it is between the Member States of the European Union.

Portugal is Canada's 9th largest global supplier of wine with a market share of 2.53 percent in value. It seems small, but if we take into account the position of Portugal as global wine supplier (2.80 percent world market share), one can say that the country's presence is expressive in the Canadian wine market. Canada is Portugal's 3rd main export destination outside the EU, 8th including European countries.

Ontario is the province with the most representative population of Portuguese Canadians (69%), followed by Quebec (14%). Together these provinces account for more than half the wealth generated in this country. This is where Portuguese wines get the better positioning in Canada as well. Consumers in Ontario seem more open to wines from the 'New World' than in Quebec. The wine market is dominated by wines originating in the U.S., followed by Italy, France, and Australia – Spain shows up in 8th and Portugal in 10th –, but in terms of price per liter, New Zealand shows up in the top. In its turn, Quebec is the main destination of Portuguese exports and Canada's largest wine importer, with per capita consumption and spending far

above the national average. However, Portugal's positioning has declined over time, with persistent discriminatory practices from the Quebec Liquor Board and consumer preferences for French and Italian wines representing a challenge for Portuguese companies.

Deregulation over the distribution of alcoholic drinks has gradually panned out, but Quebec remains a conservative province, where "finished" wine imports (bottled outside Quebec) can only be sold within the provincial liquor board (Société des Alcools due Quebec/SAQ) stores and not in grocery or convenience stores, which represents a barrier for Portuguese wine imports, as retail liquor stores usually purchase large volumes from a licensed distributor, in order to get discounts. Due to the small producing scale of Portuguese wines, imports risk to be routinely de-listed in the bidding process for failure to reach certain quotas required by the operators. Also, expanding to other provinces means higher costs for small producers. Canada is a vast territory and taking a step further to farthest provinces represents not only high transport costs, but also having the necessary human capital to study the local market and engage with local stakeholders. That is why large multinational high-volume suppliers increasingly dominate the wine business. While countries such as the U.S, Argentina and Chile profit from economies of scale in producing value-for-money wines, Portugal, similarly to the European counterparts, faces a costlier production technology and does not profit from scale economies. Furthermore, Portuguese companies lack adequate capital and knowledge for the necessary investments in new technologies, marketing and distribution strategies. The opportunities for mergers in Portugal are limited by geographic limits, regional diversity and ownership structures with scattered producers. The only promising strategy to improve Portugal wines competitiveness comprises the investment in high-quality, high-value and distinct products. Differentiation is critical because it is the only way companies can acquire some market power to raise their prices over marginal cost and earn a positive profit.

The wine market in Canada has not stopped growing in recent years and still has a great potential for growth. Although beer is still the most important beverage in the country, wine has gained importance in recent years and this trend is expected to continue. Recent studies show that the consumption of wine in Canada grows at a rate three times higher than in the rest of the world (ICEX, 2013: 72). In the next five years, the country is expected to be the fifth fastest growing market for the wine industry (ICEX, 2013: 72). Imports have reached their maximum with approximately 2.3 billion of CAD in the year of 2015, which represents a growth of 82% in the last ten years. By comparison, growth in volume was only 47%, meaning

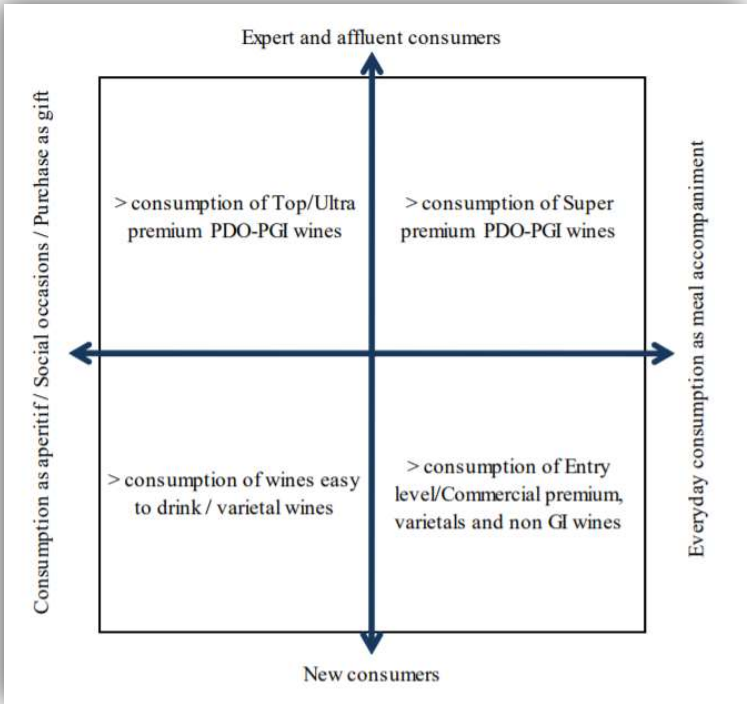
that imports grew far more in quality terms. Although Canada protects its domestic wine industry, Canadian production is very small and unable to meet increasing market demand.

Analyzing the evolution of Canadian imports since 2000, France, Italy and Spain, as well as Portugal, grew positively, despite losing market share to New World countries, mainly the U.S.A., Chile, Argentina and New Zealand. Countries of the North-American continent (U.S.A., Canada and Mexico) and Chile have between them a free trade agreement, the NAFTA, and reduced costs in international trade since 1994. This increased their competitiveness with EU countries over the years. In the same period Portuguese imports grew more in volume than in value terms, a tendency that should be reverted with a strong bet on high-quality products and marketing strategies focused on improving the reputation and status of the Portuguese brand image.

European wines in general will benefit from an already established competitive advantage in the Canadian market, where trading-up and increase of wine sales in the higher price/quality tiers of the market are expected. Intensifying ageing of the population and the shift in consumer preference towards high-quality premium products will continue to offer both opportunities and challenges in terms of category growth and disparity in volume and value sales. In addition, the historical reputations and consumers preferences for Old World wine is a further point in favour for EU wines. The Old World is inherently associated with regionality, which is synonym of a precise type of wine based on native grape varieties and clearly linked to that regionality. But it is necessary to clarify that regionality is not the same as terroir. This second term covers the potential of a particular area in terms of soil, climate, altitude, viticulture and winemaking in the production of wines which are unique in that area. Regionality, on the other hand, represents the reputation of an area, conquered for itself and for its products, by means of various factors. Portugal should push the diversity of its wines, and their richness in many regards. It should be intrinsically linked to its inner character, authentic and genuine, in respect to its terroir, in order to stand out among EU competitors. This should be assumed as the foundation of the Portuguese brand strategy. The message to reach diverse consumer groups requires different approaches however. Whereas reaching involved consumers, which are looking for the best quality even at higher prices, is more effective via printed magazines, websites, tastings or wine clubs, targeting younger consumers usually involves more complicated messages, such as an environment credentials, and attention to price tag as well.

Therefore, it is necessary to assess in which segments consumption is likely to develop in the future (i.e. towards which wine quality). In addition to the growth of GDP per capita, this will be linked to both evolution of the different consumer targets and to growth of the various uses/occasions of wine consumption. For instance, all segments except Port wine had a positive evolution in the Canadian market over the last fifteen years, of which sparkling wine stood out the most. To understand the direction in which the wine segments will develop, a combination of consumer targets (knowledgeable and engaged wine drinkers, younger consumers unaware of Portuguese wine, or conservative consumers which tend to stick to what they know) and consumption/attitude towards wine (purchased as a gift; consumed as an experience/in social occasions; daily consumption as meal accompaniment) is needed. The following map exemplifies this in four quadrants.

Figure VIII.1. Representation of types of wine consumed according to consumer targets and consumption occasions



Source: COGEA

For instance, if the number of engaged consumers who mainly drink wine in social occasions increases, demand growth will be more geared towards wines in the top range and ultra-premium segment. Consumer profiles in between the two extremes represented by the map will behave differently according to consumption occasions. Moreover, there's potential

to explore market opportunities expressed by consumer targets who, for personal ethical reasons (for example, religion), health or for specific situations (driving) cannot consume alcoholic beverages. Overall, Portugal should invest in marketing campaigns that reinforce the image of wine as a sophisticated natural product, and a fine accompaniment for gourmet food.

Development of the on-trade sector is considered to favour EU wines, chiefly Italian and French, because of widespread presence of Italian and French restaurants and because European wines are generally considered as more suitable and easier to drink than other wines as accompaniment to meals. However, because Portuguese cuisine does not enjoy the same fame as the Italian or French, Portuguese wine is also not so popular in Canadian restaurants. Nevertheless it can take advantage by encouraging responsible consumption leveraged on the promotion of the Mediterranean diet.

It remains to see if CETA will ensure that EU wine producers can compete on the Canadian market, for example by freezing the number of shops selling only Canadian products, and preventing businesses with a local monopoly from giving preferential treatment. For wine and spirits, tariff elimination is complemented by the removal of other relevant trade barriers, including several 'behind the border' barriers that make it difficult for Portuguese exporters to access the Canadian market. The cost of service differential fee (COSD) imposed by the Provincial Liquor Boards on imported wines and spirits will for instance be applied based on volume and not value and calculated more transparently, with the obligation for competent authorities to make available applied rates as well as audits conducted by independent auditors. This is expected to make the tendering process more transparent and in the meantime put an end to variable retail mark-ups. Furthermore, the introduction of a dispute settlement mechanism means that investors can be protected from discrimination or unfair treatment by governments.

The reinforcement and protection of GIs is also one of the most important components of the legal framework. By incorporating and improving the EU-Canada Wine and Spirits Agreement from 2004 (year of entry into force), CETA foresees the possibility for other EU wines to be recognized in the future. At the same time, chapter 20 of CETA on Intellectual Property Rights recognizes a list of GIs for agri-food products for which the level of protection goes beyond the one for wine and spirits. It permits: a more effective protection against bad faith use of GIs; ex-officio protection against the registration of a trademark containing the GI name; and stricter administrative control measures. For its part, Canada concerns include the

fact that access to EU markets is being restricted for quality-designated Canadian wines. For example, the EU wants Canada to require its wine producers to refrain from using certain EU-origin names, such as champagne, port and sherry.

The country's export success depends on a strategy focused not only on protecting the Portuguese brand, but also on increasing the number of super-premium wines, emphasizing grape quality, firm's long-term investment and quality certification. This involves the targeting of niche markets using differentiation characteristics, which in turn requires, on the demand side, the international recognition of the wine's quality (image or reputation) and, on the supply side, a local synergy that qualifies the wine either by the modification of an intrinsic characteristic (such as taste) or by an extrinsic characteristic (such as packaging or labelling information).

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X. Appendix

i. Definitions and Calculations

The Compound Annual Growth Rate (CAGR) is the year-over-year growth rate of value over a specified period of time, calculated as follows: $CAGR = \left[\left(\frac{\text{End value}}{\text{start value}} \right)^{\frac{1}{\text{number of years}}} - 1 \right] * 100$

Growth Rate over one year or Annual Growth Rate (AGR) is calculated with the following formula: $AGR = \left(\frac{\text{End value} - \text{start value}}{\text{start value}} \right) * 100$

This is also the formula for percent changes (%Δ).

The Average Annual Growth Rate (AAGR) is the arithmetic mean of a series of growth rates. The formula used is: $AAGR = \frac{\text{Growth Rate in Period A} + \text{Growth Rate in Period B} + \text{Growth Rate in Period C} + \dots + \text{Growth Rate in Period X}}{\text{Number of Periods}}$

ii. The Wine Sector in Portugal

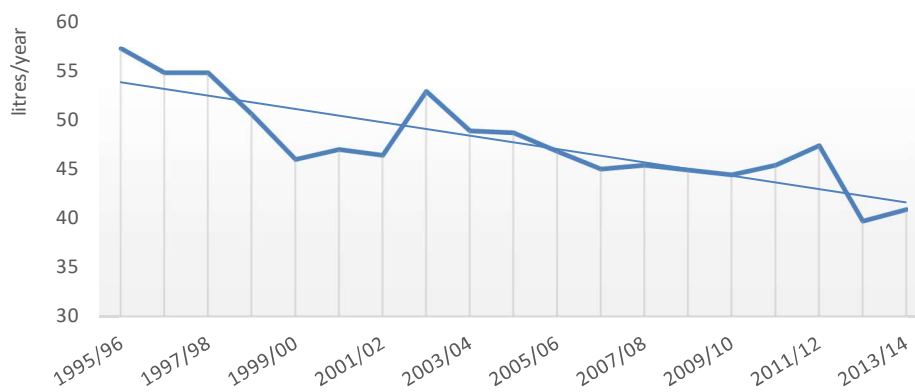
Table X.1. Production of wine in Portugal, by region and category (2015/16)

Wine Region	Total	%	PDO	%	PGI	%	Indication of Year/ Grape	%	Wine	%
Minho	730 063	12,1%	703 114	21,6%	20 355	1%	-	0,0%	6 594	0,6%
T. Montes	76 539	1,3%	9 963	0,3%	7 311	0%	2 882	4,8%	56 383	5,2%
Douro	1 336 612	22,2%	1 264 298	38,8%	7 669	0%	6	0,0%	64 641	6,0%
Beiras	758 331	12,6%	360 192	11,1%	73 287	5%	26 585	44,2%	298 267	27,6%
Tejo	555 647	9,2%	71 662	2,2%	177 359	11%	934	1,6%	305 693	28,3%
Lisbon	991 093	16,5%	46 465	1,4%	684 462	43%	2 320	3,9%	257 846	23,8%
P. Setúbal	462 473	7,7%	184 793	5,7%	200 158	12%	-	0,0%	77 522	7,2%
Alentejo	1 048 945	17,5%	585 270	18,0%	427 679	27%	27 428	45,6%	8 568	0,8%
Algarve	10 419	0,2%	451	0,0%	9 211	1%	50	0,1%	707	0,1%
Madeira	33 849	0,6%	32 591	1,0%	33	0%	-	0,0%	1 226	0,1%
Azores	5 845	0,1%	815	0,0%	809	0%	-	0,0%	4 222	0,4%
TOTAL	6 009 817	100,0%	3 259 612	100,0%	1 608 333	100%	60 203	100,0%	1 081 668	100,0%

Unit: 1 hectoliter

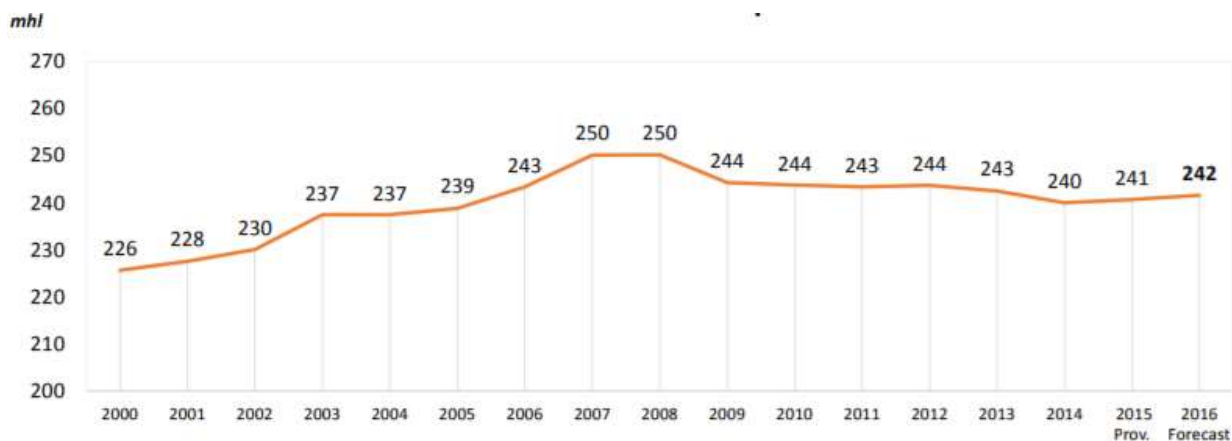
Source: IVV – Instituto da Vinha e do Vinho, I.P.

Figure X.1. Per capita wine consumption in Portugal, in the period of 1995-2014



Source: Statistics Portugal, Database Extracts

Figure X.2. World wine consumption



Source: OIV, State of the Vitiviniculture World Market, April 2017

Table X.2. Top-10 import countries of wine from Portugal, by value and volume

	Exported value (€1,000)		Share value (%)		%Δ 2014/13		Exported volume (HL)		Share volume (%)		%Δ 2014/13	
	2013	2014	2013	2014	Value	Share value	2013	2014	2013	2014	HL	Share volume
World	720,794	729,298	100%	100%	1.2%	0.0%	3,023,228	2,852,590	100%	100%	-5.6%	0.0%
France	113,357	110,446	15.7%	15.1%	-2.0%	-3.2%	501,190	366,659	16.6%	12.9%	-26.8%	-22.5%
Angola	93,751	95,554	13.0%	13.1%	2.0%	0.7%	636,859	627,136	21.1%	22.0%	-1.5%	4.4%
United Kingdom	72,394	73,178	10.0%	10.0%	1.2%	0.0%	199,335	199,288	6.6%	7.0%	0.0%	6.0%
USA	55,874	59,263	7.7%	8.1%	6.1%	4.8%	142,860	160,199	4.7%	5.6%	12.1%	18.8%
Belgium	46,462	47,184	6.5%	6.5%	1.2%	0.0%	144,484	143,284	4.8%	5.0%	-0.8%	5.1%
Germany	39,742	46,553	5.5%	6.4%	16.6%	15.2%	195,958	234,820	6.5%	8.2%	19.8%	27.0%
Netherlands	49,074	45,721	6.8%	6.3%	-7.1%	-8.2%	147,855	132,612	4.9%	4.6%	-10.3%	-4.9%
Canada	38,693	34,854	5.4%	4.8%	-9.9%	-11%	89,989	90,412	3.0%	3.2%	0.5%	6.5%
Brazil	28,212	28,735	3.9%	3.9%	1.8%	0.6%	94,874	97,386	3.1%	3.4%	2.6%	8.8%
Switzerland	24,245	26,069	3.4%	3.6%	7.5%	6.2%	84,194	95,304	2.8%	3.3%	13.2%	20.0%

Preliminary data for 2014

Source: AICEP database; Statistics Portugal

Table X.3. Average export price of wine from Portugal, by country, 2010-2014

	Average Price (€ / l)					Δ2014 /2013
	2010	2011	2012	2013	2014	%
World	2.30	2.13	2.09	2.38	2.55	7.3%
France	2.15	1.91	1.90	2.25	3.02	34.0%
Angola	1.14	1.16	1.26	1.47	1.52	3.5%
United Kingdom	3.43	3.16	3.33	3.62	3.67	1.3%
USA	3.62	3.67	3.73	3.91	3.70	-5.4%
Belgium	3.16	3.16	3.13	3.21	3.28	2.1%
Germany	1.72	1.66	1.70	2.02	1.97	-2.7%
Netherlands	3.05	3.01	3.06	3.32	3.44	3.6%
Canada	4.52	4.36	4.39	4.30	3.86	-10.3%
Brazil	2.92	3.02	2.98	2.98	2.95	-0.8%
Switzerland	2.64	2.72	2.73	2.88	2.74	-5.0%

Source: IVV – Instituto da Vinha e do Vinho, I.P.

Table X.4. Portugal's top 10 wine suppliers, by value and volume

	Imported value (€1,000)		Share Value (%)		%Δ 2014/2013	Imported volume (HL)		Share volume (%)		%Δ 2014/2013
	2013	2014	2013	2014	Value	2013	2014	2013	2014	Volume
World	122,399	120,927	100%	100%	-1.2%	1,597,792	2,212,999	100%	100%	38.5%
Espanha	94,253	90,414	77%	74.8%	-4.1%	1,512,218	2,108,626	94.6%	95.3%	39.4%
France	13,219	13,927	10.8%	11.5%	5.4%	14,781	11,227	0.9%	0.5%	-24.0%
Italy	9,477	10,106	7.7%	8.4%	6.6%	56,922	60,023	3.6%	2.7%	5.4%
Germany	2,478	2,166	2.0%	1.8%	-12.6%	7,713	5,735	0.5%	0.3%	-25.6%
Finland	0	1,028	0.0%	0.9%	§	0	22,833	0.0%	1.0%	§
United Kingdom	681	830	0.6%	0.7%	21.9%	1,063	927	0.1%	0.0%	-12.8%
The Netherlands	693	741	0.6%	0.6%	6.9%	759	352	0.0%	0.0%	-53.6%
New Zealand	405	348	0.3%	0.3%	-14.0%	603	496	0.0%	0.0%	-17.8%
Denmark	201	277	0.2%	0.2%	37.9%	824	281	0.1%	0.0%	-66.0%
Belgium	206	223	0.2%	0.2%	8.3%	83	80	0.0%	0.0%	-4.4%

Preliminary data for 2014

Source: AICEP database; Statistics Portugal

Table X.5. Portuguese Wine Exports by Product Type, 2014

Product Type	HL		Share (%)		€ 1000		Share (%)		Price/Liter (€/l)		
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	%Δ 2014/2013
PDO	462,474	501,601	15.3%	18%	134,521	147,830	18.7%	20.3%	2.91	2.95	1.3%
PGI	389,716	394,538	12.9%	14%	99,042	100,762	13.8%	13.8%	2.54	2.55	0.5%
Wine	1,395,181	1,204,974	46.1%	42%	140,070	132,104	19.5%	18.1%	1.00	1.10	9.2%
Fortified	734,953	720,772	24.3%	25%	333,301	332,557	46.3%	45.6%	4.53	4.61	1.7%
Porto	696,590	682,795	23.0%	24%	316,308	314,310	43.9%	43.1%	4.54	4.60	1.4%
Madeira	25,366	23,395	0.8%	1%	13,268	13,852	1.8%	1.9%	5.23	5.92	13.2%
Others	12,998	14,583	0.4%	1%	3,725	4,395	0.5%	0.6%	2.87	3.01	5.2%
Sparkling and Carbonated	26,960	18,087	0.9%	1%	10,823	12,878	1.5%	1.8%	4.01	7.12	77.3%
Must and other wine products	13,944	12,617	0.5%	0%	2,139	2,633	0.3%	0.4%	1.53	2.09	36.0%
Total	3,023,228	2,852,590	100%	100%	719,895	728,763	100%	100%	2.38	2.55	7.3%

Source: Análise Estatística do Comércio Internacional de Vinho – Série 2010-2014, IVV, I.P.

iii. The Wine sector in Canada

Table X.6. Canada's Gross Domestic Product (expenditure-based), GDP per capita, and Population, by province and territory, 2014

Province or Territory	GDP (million CAD\$)	% Share	Population	% Share	GDP per capita (CAD\$)
Canada	1,973,043	100.0%	35,543,700	100.0%	55.51
Ontario	721,970	36.59%	13,677,700	38.5%	52.78
Quebec	370,064	18.76%	8,214,900	23.1%	45.05
British Columbia	237,188	12.02%	4,638,400	13.0%	51.14
Alberta	375,756	19.04%	4,120,900	11.6%	91.18
Manitoba	64,077	3.25%	1,280,200	3.6%	50.05
Saskatchewan	82,780	4.20%	1,122,300	3.2%	73.76
Nova Scotia	39,077	1.98%	942,400	2.7%	41.47
New Brunswick	32,056	1.62%	754,600	2.1%	42.48
Newfoundland and Labrador	33,514	1.70%	529,100	1.5%	63.34
Prince Edward Island	6,003	0.30%	146,200	0.4%	41.06
Northwest Territories	4,731	0.24%	44,000	0.1%	107.52
Yukon	2,603	0.13%	37,000	0.1%	70.35
Nunavut	2,487	0.13%	36,100	0.1%	68.89

Source: Statistics Canada

Table X.7. Per Capita Sales of Wine in Canada, by value (CAD\$), 2004-2014

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Value (CAD\$)	145.9	157	170	180.6	187.1	190	197.4	206.5	214.2	216.2
% change		7.6%	8.3%	6.2%	3.6%	1.5%	3.9%	4.6%	3.7%	0.9%
Volume (litres)	12.5	13.1	13.7	14.2	14.5	14.8	15	15.4	15.7	15.7
% change		4.8%	4.6%	3.6%	2.1%	2.1%	1.4%	2.7%	1.9%	0.0%

Source: Statistics Canada. CANSIM table 183-0023.

Table X.8. Sales of wine in Canada, by value, and by volume 2004-2014 (data in thousands)⁴⁹

Year	Value of sales (CAD\$)			Volume of sales (litres)		
	Total products	Canadian products*	Import products**	Total products	Canadian products*	Import products**
2004/2005	3,821,636	1,159,042	2,662,594	328,495	131,988	196,507
2005/2006	4,168,599	1,254,181	2,914,418	348,450	139,751	208,699
2006/2007	4,577,406	1,354,303	3,223,103	370,195	145,610	224,585
2007/2008	4,933,184	1,434,360	3,498,824	387,978	149,551	238,427
2008/2009	5,184,088	1,559,045	3,625,043	401,928	157,434	244,494
2009/2010	5,342,666	1,595,923	3,746,743	415,277	161,112	254,165
2010/2011	5,626,399	1,672,987	3,953,412	427,772	164,155	263,617
2011/2012	5,958,716	1,746,308	4,212,408	443,510	169,377	274,133
2012/2013	6,234,625	1,832,932	4,401,693	457,192	175,210	281,982
2013/2014	6,375,342	1,855,393	4,519,949	461,690	176,678	285,012
%Δ 14/04	66.8%	60.1%	69.8%	40.5%	33.9%	45.0%
AAGR	5.8%	5.4%	6.1%	3.9%	3.3%	4.2%

*Produced in Canada or blended with Canadian alcoholic beverages.

** Imported in bottles, or in bulk for bottling by liquor authority.

Source: Control and sale of alcoholic beverages 2014. Statistics Canada (accessed: September 13, 2015)

Table X.9. Sales of wine by liquor authorities and other retail outlets, by province, and by value (CAD)

Province	Value of total wines sales					Wine sales as a % of total provincial alcoholic sales		
	2004/05	% Share	2013/14	% Share	%Δ 04-14	2004/05	2013/14	%Δ 04-14
Newfoundland and Labrador	25,129	0.7%	68,113	1.07%	171.1%	9.0%	15.9%	76.7%
Prince Edward Island	6,947	0.2%	13,616	0.21%	96.0%	14.2%	19.7%	38.7%
Nova Scotia	74,858	2.0%	127,745	2.00%	70.6%	16.4%	21.5%	31.1%
New Brunswick	43,304	1.1%	78,496	1.23%	81.3%	13.1%	20.4%	55.7%
Québec	1,341,815	35.1%	2,213,615	34.72%	65.0%	34.8%	43.4%	24.7%
Ontario	1,386,844	36.3%	2,156,829	33.83%	55.5%	24.2%	29.9%	23.6%
Manitoba	77,844	2.0%	140,697	2.21%	80.7%	16.5%	20.3%	23.0%
Saskatchewan	37,597	1.0%	83,114	1.30%	121.1%	9.5%	13.5%	42.1%
Alberta	261,416	6.8%	516,559	8.10%	97.6%	17.2%	21.5%	25.0%
British Columbia	558,078	14.6%	962,666	15.10%	72.5%	25.3%	32.7%	29.2%
Yukon	3,398	0.1%	6,750	0.11%	98.6%	15.3%	19.5%	27.5%
Northwest Territories*	4,156	0.1%	6,506	0.10%	56.5%	11.0%	14.0%	27.3%
Nunavut*	250	0.0%	636	0.01%	154.4%	7.0%	12.0%	71.4%
Total	3,821,636	100%	6,375,342	100%	66.8%			

* Sales exclude quantities derived from import permits.

Source: Statistics Canada. CANSIM Table 183-0024

⁴⁹ Sales volumes include only sales by liquor authorities and their agents, and sales by wineries and breweries and outlets that operate under license from the liquor authorities. These statistics should not be equated with data on consumption, which would include all these sales, plus homemade wine and beer, wine and beer manufactured through brew-on-premises operations, sales in duty-free shops, and any unrecorded transactions. Similarly sales data refer to the revenues received by liquor authorities, wineries and breweries and should not be equated with consumer spending.

Table X.10. Sales of alcoholic beverages in Canada, by category, by volume, and by value (data in thousands)

Type of beverage	2004/2005		2013/2014		% change in value 04-14	% change in volume 04-14
	Value (\$CAD)	Volume (litres)	Value (\$CAD)	Volume (litres)		
Spirits	3,474,229	138,495	4,791,148	157,655	38%	14%
Wines	3,821,636	328,495	6,375,342	461,690	67%	41%
Beer	7,582,749	2,177,389	8,670,681	2,237,615	14%	3%
Ciders, Coolers, and Other Refreshment Beverages	481,258	88,887	692,918	127,056	44%	43%
Total	15,359,872	2,733,266	20,530,089	2,984,016	34%	9%

*Data may not add to the total due to rounding.

Source: Control and sale of alcoholic beverages 2014. Statistics Canada.

Table X.11. Sales of alcoholic beverages of liquor authorities and other retail outlets, by value, volume (litres), and product type, annual (data in thousands Canadian dollars)

Type of beverage	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	%Δ 14/04
Total beverages	15,359,872	16,028,943	16,936,465	17,757,570	18,442,828	18,943,661	19,297,182	19,871,733	20,305,303	20,530,089	34%
Total wines	3,821,636	4,168,599	4,577,406	4,933,184	5,184,088	5,342,666	5,626,399	5,958,716	6,234,625	6,375,342	67%
Sparkling wines	180,191	193,808	209,983	228,923	236,178	247,840	262,302	345,038	312,389	310,918	73%
Red wines	2,153,167	2,371,227	2,624,679	2,835,027	2,994,305	3,081,468	3,236,178	3,408,228	3,506,678	3,528,299	64%
White wines	1,107,126	1,194,652	1,309,499	1,420,048	1,502,333	1,565,710	1,665,489	1,791,807	1,919,997	1,982,096	79%
Rosé wines*	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	174,756	N.A.
Fortified wines	151,137	157,348	164,039	160,624	150,309	134,903	140,212	135,780	131,096	120,998	-20%
Other wines	230,015	251,564	269,206	288,562	300,963	312,745	322,218	277,863	364,465	258,275	12%
Total beverages	2,733,266	2,821,495	2,887,045	2,929,685	2,970,623	3,016,675	2,966,359	3,021,225	3,003,013	2,984,016	9%
Total wines	328,495	348,450	370,195	387,978	401,928	415,277	427,772	443,510	457,192	461,690	-86%
Sparkling wines	11,493	11,812	12,210	12,608	13,364	13,304	14,042	21,492	15,947	15,134	32%
Red wines	175,533	189,097	203,449	214,519	222,875	230,564	237,200	243,564	245,534	245,254	40%
White wines	109,349	115,033	121,077	126,924	130,729	135,396	141,030	148,583	157,503	160,494	47%
Rosé wines	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	15,150	N.A.
Fortified wines	12,443	12,487	12,519	12,081	11,260	10,198	10,022	9,688	9,295	8,566	-31%
Other wines	19,677	20,021	20,940	21,846	23,700	25,815	25,478	20,183	28,913	17,092	-13%

* Prior to 2013/2014, rosé wines were included in other wines.

Source: Statistics Canada. Table 183-0024

Table X.12. Sales of wine by liquor authorities and other retail outlets, by province, by origin of product, and by value (CAD\$1,000)

	Total Products	Canadian Products*	% Share	Import Products**	% Share
Canada	6,375,342	1,855,393	29.1%	4,519,949	70.9%
Québec	2,213,615	434,436	19.6%	1,779,179	80.4%
Alberta	516,559	104,503	20.2%	412,056	79.8%
Newfoundland and Labrador	68,113	14,502	21.3%	53,611	78.7%
Nunavut	636	162	25.5%	474	74.5%
Manitoba	140,697	37,121	26.4%	103,576	73.6%
Nova Scotia	127,745	37,949	29.7%	89,796	70.3%
Northwest Territories	6,506	2,003	30.8%	4,503	69.2%
Ontario	2,156,829	704,994	32.7%	1,451,835	67.3%
Saskatchewan	83,114	31,092	37.4%	52,022	62.6%
Prince Edward Island	13,616	5,377	39.5%	8,239	60.5%
British Columbia	962,666	439,931	45.7%	522,735	54.3%
New Brunswick	78,496	39,694	50.6%	38,802	49.4%
Yukon	6,750	3,629	53.8%	3,121	46.2%

*Produced in Canada or blended with Canadian alcoholic beverages.

** Imported in bottles, or in bulk for bottling by liquor authority.

Source: Statistics Canada. CANSIM Table 183-0024

Table X.13. Evolution of Canadian Province's Wine Imports, by Value, 2000-2014 (1,000 CAD)

Province	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	AGR	AAGR
Quebec	448,174	469,189	516,520	585,495	594,861	695,468	660,082	752,137	732,159	770,257	770,277	71.9%	6.4%
Ontario	400,556	424,429	495,794	489,087	540,392	494,912	565,487	586,608	631,289	672,709	675,146	68.6%	6.2%
Alberta	146,673	164,188	193,053	236,009	233,968	210,881	242,713	265,597	292,672	315,241	336,957	129.7%	9.3%
British Columbia	124,583	138,443	162,142	189,227	216,300	172,757	178,444	179,381	197,693	202,846	230,020	84.6%	6.2%
Manitoba	16,663	18,910	10,864	4,771	4,333	24,356	26,496	30,277	31,972	33,826	37,385	124.4%	44.7%
Nova Scotia	17,112	18,548	22,483	27,253	28,265	25,544	30,008	33,385	32,869	33,275	33,202	94.0%	8.1%
New Brunswick	9,504	10,960	11,070	14,740	13,890	12,909	15,626	14,225	17,211	19,719	23,800	150.4%	9.4%
Newfoundland & Labrador	7,946	8,309	9,624	13,311	14,495	13,892	15,179	16,186	19,387	19,591	18,761	136.1%	11.1%
Saskatchewan	6,941	7,567	9,770	9,631	12,473	12,654	12,791	13,316	15,284	15,189	15,278	120.1%	9.7%
Prince Edward Island	1,425	1,300	2,021	2,222	2,140	2,224	2,941	3,612	3,372	3,131	2,929	105.5%	10.9%
Total	1,179,578	1,261,844	1,433,342	1,571,750	1,661,116	1,665,598	1,749,767	1,894,724	1,973,906	2,085,783	2,143,756	81.7%	6.6%

Source: Statistics Canada

Table X.14. Canadian Trade Balance of Wine (excluding juice and musts), 2005-2015 (Value in Millions of CAD \$)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	%Δ 2015/05	AAGR
Total Exports	22.20	20.91	24.11	21.78	21.20	29.03	39.55	44.92	56.47	70.50	83.32	275%	15%
Total Imports	1,262	1,433	1,572	1,661	1,666	1,750	1,895	1,974	2,086	2,144	2,297	82%	6%
Trade Balance	(1,240)	(1,412)	(1,548)	(1,639)	(1,644)	(1,721)	(1,855)	(1,929)	(2,029)	(2,073)	(2,214)	79%	6%

Source: Statistics Canada and US Census Bureau

Table X.15. Canadian Domestic Exports of Wine (excluding juice and musts), 2005-2015

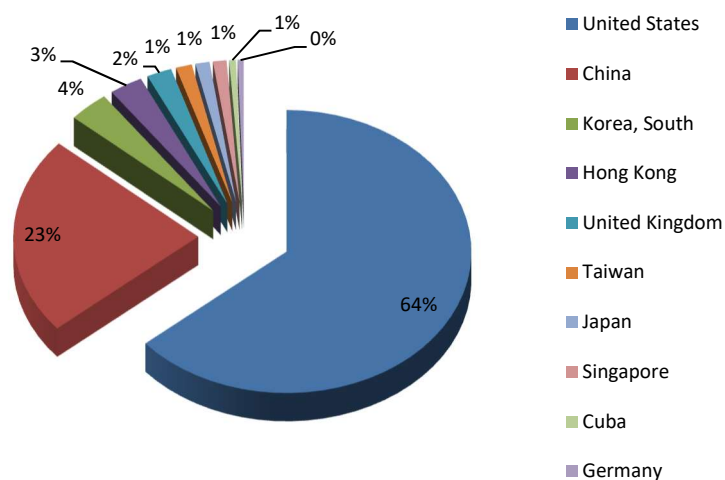
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	%Δ2015/05
United States	10,753	10,113	7,882	9,134	6,598	9,657	15,806	14,695	22,772	38,654	46,143	329%
% growth (YoY)		-6%	-22%	16%	-28%	46%	64%	-7%	55%	70%	19%	21%
China	812	620	2,495	2,794	5,007	9,148	10,581	16,675	17,823	15,547	16,353	1913%
% growth (YoY)		-24%	302%	12%	79%	83%	16%	58%	7%	-13%	5%	53%
Korea, South	978	2,213	2,939	2,501	1,563	1,618	1,823	2,002	2,196	2,559	2,563	162%
% growth (YoY)		126%	33%	-15%	-38%	4%	13%	10%	10%	17%	0%	16%
Hong Kong	848	336	672	816	654	2,241	2,123	1,328	2,989	2,661	2,117	150%
% growth (YoY)		-60%	100%	21%	-20%	243%	-5%	-37%	125%	-11%	-20%	33%
United Kingdom	769	275	418	611	629	1,159	1,269	1,263	719	1,132	1,582	106%
% growth (YoY)		-64%	52%	46%	3%	84%	9%	0%	-43%	57%	40%	18%
Taiwan	1,233	1,445	939	665	379	636	797	738	601	976	1,012	-18%
% growth (YoY)		17%	-35%	-29%	-43%	68%	25%	-7%	-19%	62%	4%	4%
Japan	1,857	1,362	1,018	1,161	651	563	954	981	1,241	864	891	-52%
% growth (YoY)		-27%	-25%	14%	-44%	-14%	70%	3%	27%	-30%	3%	-2%
Singapore	911	894	1,133	851	1,168	1,000	1,239	996	876	856	855	-6%
% growth (YoY)		-2%	27%	-25%	37%	-14%	24%	-20%	-12%	-2%	0%	1%
Cuba	§	5	6	§	§	§	§	§	180	404	430	139%*
% growth (YoY)										125%	6%	13%
Germany	219	84	530	634	79	161	72	202	107	465	380	74%
% growth (YoY)		-62%	529%	20%	-88%	105%	-55%	179%	-47%	334%	-18%	90%
Others	1,810	1,813	1,594	1,123	2,433	1,720	2,204	2,333	4,577	2,185	1,539	-15%
% growth (YoY)		0%	-12%	-29%	117%	-30%	28%	6%	96%	-52%	-29%	9%
TOTAL	20,191	19,161	19,624	20,291	19,160	27,903	36,869	41,212	54,081	66,302	73,866	266%
% growth (YoY)		-5.1%	2.4%	3.4%	-5.6%	45.6%	32.1%	11.8%	31.2%	22.6%	11.4%	15%

*Percent growth rate from 2013 to 2015.

Unit: Thousands of Canadian dollars

Source: STATCAN Database.

Figure X.3. Share Value of Canada's Top-10 Export Destinations, 2015 (Domestic exports of wine, excluding juice and musts)



Source: Statistics Canada and US Census Bureau

Table X.16. Canada's Top-10 Suppliers, by imports value, volume and price per litre (data in thousands), 2005-2015 (excluding juice and musts)

Country	2005			2015			% Var. 2015/2005		
	Volume	Value	Price/Litre	Volume	Value	Price/litre	Volume	Value	Price/litre
World	281,419	1,261,488	4.48	412,896	2,296,427	5.56	47%	82%	24%
U.S.	37,755	149,215	3.95	73,571	509,360	6.92	95%	241%	75%
France	63,704	345,876	5.43	56,644	465,319	8.21	-11%	35%	51%
Italy	44,594	219,944	4.93	71,072	462,096	6.50	59%	110%	32%
Australia	48,444	271,410	5.60	64,353	234,893	3.65	33%	-13%	-35%
Spain	18,179	51,342	2.82	31,627	125,919	3.98	74%	145%	41%
Chile	26,420	66,304	2.51	41,884	118,627	2.83	59%	79%	13%
Argentina	12,685	27,396	2.16	23,647	116,013	4.91	86%	323%	127%
New Zealand	2,026	17,685	8.73	11,085	100,616	9.08	447%	469%	4%
Portugal	5,973	35,137	5.88	10,114	58,057	5.74	69%	39%	-2%
South Africa	11,696	32,466	2.78	19,124	48,614	2.54	64%	50%	-8%

HS Codes 220410, 220421, 220429

Unit: Volume in thousands of liters; Value in thousands of Canadian dollars; Price in CAD/liter

Source: Statistics Canada and author's calculations

iv. Portugal's Position in Canada

Table X.17. Evolution of Portuguese wine imports as a percentage of Canada's total wine imports, by value and by volume, 2000-2015 (excluding juice and musts)

Year	Volume (Litres)			Value (\$1,000 CAD)		
	Canada's Total Imports	Portuguese Imports	Share of Portuguese Imports	Canada's Total Imports	Portuguese Imports	Share of Portuguese Imports
2000	235,713,270	8,852,918	3.76%	578,623,989	30,481,040	5.27%
2001	238,831,927	8,360,440	3.50%	581,872,156	27,693,676	4.76%
2002	244,503,149	7,459,398	3.05%	613,453,562	23,866,036	3.89%
2003	278,967,925	8,486,849	3.04%	819,819,528	35,339,834	4.31%
2004	266,875,214	6,853,169	2.57%	907,752,691	35,836,399	3.95%
2005	280,924,542	5,972,782	2.13%	1,041,817,085	35,137,033	3.37%
2006	304,352,251	6,315,102	2.07%	1,264,509,587	39,623,713	3.13%
2007	311,756,060	6,873,697	2.20%	1,468,996,922	44,795,547	3.05%
2008	319,858,192	7,087,857	2.22%	1,564,659,746	44,337,371	2.83%
2009	328,215,424	7,790,653	2.37%	1,464,497,590	45,219,382	3.09%
2010	350,059,518	7,645,126	2.18%	1,699,529,528	48,748,599	2.87%
2011	358,376,261	8,012,561	2.24%	1,914,565,562	51,979,958	2.71%
2012	376,807,883	8,213,023	2.18%	1,975,602,088	49,207,867	2.49%
2013	372,716,152	8,964,813	2.41%	2,025,484,462	53,250,552	2.63%
2014	384,924,772	8,951,431	2.33%	1,938,710,853	48,264,628	2.49%
2015	413,400,112	10,114,001	2.45%	2,296,842,977	58,056,599	2.53%

HS Codes 220410, 220421, 220429

Unit: Volume in Litres; Value in Thousands of Canadian Dollars

Source: Statistics Canada, Comtrade Database and author's calculations

Table X.18. Canada's Total Portuguese Wine Imports, 2000-2015 (excluding juice and musts)

Year	Volume	Absolute Var.	Relative Var. %	Value	Absolute Var.	Relative Var. %	Price	Absolute Var.	Relative Var. %
2000	8,852,918	N.D.	N.D.	30,481,040	N.D.	N.D.	3.44	N.D.	N.D.
2001	8,360,440	-492,478	-5.6%	27,693,676	-2,787,364	-9.1%	3.31	-0.13	-3.8%
2002	7,459,398	-901,042	-10.8%	23,866,036	-3,827,640	-13.8%	3.20	-0.11	-3.4%
2003	8,486,849	1,027,451	13.8%	35,339,834	11,473,798	48.1%	4.16	0.96	30.1%
2004	6,853,169	-1,633,680	-19.2%	35,836,399	496,565	1.4%	5.23	1.07	25.6%
2005	5,972,782	-880,387	-12.8%	35,137,033	-699,366	-2.0%	5.88	0.65	12.5%
2006	6,315,102	342,320	5.7%	39,623,713	4,486,680	12.8%	6.27	0.39	6.7%
2007	6,873,697	558,595	8.8%	44,795,547	5,171,834	13.1%	6.52	0.24	3.9%
2008	7,087,857	214,160	3.1%	44,337,371	-458,176	-1.0%	6.26	-0.26	-4.0%
2009	7,790,653	702,796	9.9%	45,219,382	882,011	2.0%	5.80	-0.45	-7.2%
2010	7,645,126	-145,527	-1.9%	48,748,599	3,529,217	7.8%	6.38	0.57	9.9%
2011	8,012,561	367,435	4.8%	51,979,958	3,231,359	6.6%	6.49	0.11	1.7%
2012	8,213,023	200,462	2.5%	49,207,867	-2,772,091	-5.3%	5.99	-0.50	-7.6%
2013	8,964,813	751,790	9.2%	53,250,552	4,042,685	8.2%	5.94	-0.05	-0.9%
2014	8,951,431	-13,382	-0.1%	48,264,628	-4,985,924	-9.4%	5.39	-0.55	-9.2%
2015	10,114,001	1,162,570	13.0%	58,056,599	9,791,971	20.3%	5.74	0.35	6.5%
TOTAL	125,953,820	1,261,083	20.4%	671,838,234	27,575,559	79.6%	5.33	2.30	3.9%

HS Codes 220410, 220421, 220429

Unit: Volume in Litres; Value in Canadian Dollars (CAD) and Prices in CAD/litre

Source: Statistics Canada, Comtrade Database and author's calculations

Table X.19. Canadian Imports of wine from Portugal, compared to global wine imports, by Province, 2000-2015 (value in thousands of C\$)

Province	2000			2015			% Var.		CAGR 2000-2015		GDP/ capita C\$ (2014)
	Portugal	World	Market share	Portugal	World	Market share	Portugal	World	Portugal	World	
Quebec	29,577	307,220	9.63%	33,164	800,653	4.14%	12%	161%	0.77%	6.6%	45.05
Ontario	10,118	310,873	3.25%	15,212	745,778	2.04%	50%	140%	2.76%	6.0%	52.78
Alberta	2,798	98,655	2.84%	4,760	363,400	1.31%	70%	268%	3.61%	9.1%	91.18
British Columbia	1,901	101,022	1.88%	3,003	251,346	1.19%	58%	149%	3.09%	6.3%	51.14
Manitoba	282	12,004	2.35%	583	35,788	1.63%	107%	198%	4.97%	7.6%	50.05
Nova Scotia	152	10,818	1.40%	442	35,749	1.24%	192%	230%	7.40%	8.3%	41.47
New Brunswick	149	6,534	2.28%	183	26,562	0.69%	23%	307%	1.40%	9.8%	42.48
Newfoundland & Labrador	151	5,018	3.00%	343	16,930	2.03%	128%	237%	5.64%	8.4%	73.76
Saskatchewan	135	5,756	2.34%	333	17,151	1.94%	147%	198%	6.20%	7.6%	63.34
Prince Edward Island	12	934	1.28%	34	3,487	0.96%	181%	273%	7.13%	9.2%	41.06
Northwest T.	---	---	---	---	---	---	---	---	---	---	107.52
Yukon Territory	---	5,051	---	---	---	---	---	---	---	---	70.35
Nunavut	---	---	---	---	---	---	---	---	---	---	68.89
Total	45,274	863,886	5.24%	58,057	2,296,843	2.53%	28%	166%	1.67%	6.8%	55.51

HS Codes 220410, 220421, 220429

Source: Statistics Canada

Table X.20. Portugal's Position in the province of Ontario, 2000-2015 (data in thousands)

Rank	Country	2015				2000		2000-2015
		Volume	% Share (value)	Quota	C\$/L	% Share (value)	Quota	CAGR (value)
1	United States	25,744	205,751	27.6%	7.99	50,816	16.3%	9.8%
2	Italy	25,643	160,978	21.6%	6.28	59,954	19.3%	6.8%
3	France	10,319	98,305	13.2%	9.53	92,146	29.6%	0.4%
4	Australia	19,888	83,416	11.2%	4.19	38,236	12.3%	5.3%
5	Chile	16,098	44,248	5.9%	2.75	22,845	7.3%	4.5%
6	Argentina	7,949	33,384	4.5%	4.20	2,474	0.8%	18.9%
7	New Zealand	3,535	33,325	4.5%	9.43	2,662	0.9%	18.4%
8	Spain	7,922	32,801	4.4%	4.14	8,487	2.7%	9.4%
9	South Africa	7,903	18,693	2.5%	2.37	6,314	2.0%	7.5%
10	Portugal	2,858	15,212	2.0%	5.32	10,118	3.3%	2.8%
	Sub-total	127,859	726,113	97.4%	5.68	294,052	94.6%	6.2%
	Others	4,138	19,665	2.6%	4.75	16,821	5.4%	1.0%
	Total All Countries	131,997	745,778	100.0%	5.65	310,873	100.0%	6.0%

HS Codes 220410, 220421, 220429

Source: Statistics Canada and author's calculations

Table X.21. Portugal's position in the province of Quebec, 2000-2015 (data in thousands)

Rank	Country	2015				2000		2000-2015
		Volume	Value	% Share (value)	C\$/L	Value	% Share (value)	CAGR (value)
1	France	39,275	283,038	35.4%	7.21	159,532	51.9%	3.9%
2	Italy	32,155	189,570	23.7%	5.90	50,192	16.3%	9.3%
3	United States	17,762	87,286	10.9%	4.91	21,053	6.9%	9.9%
4	Spain	15,679	63,481	7.9%	4.05	11,235	3.7%	12.2%
5	Australia	19,302	46,762	5.8%	2.42	4,368	1.4%	17.1%
6	Portugal	6,135	33,164	4.1%	5.41	29,577	9.6%	0.8%
7	Chile	6,343	26,064	3.3%	4.11	18,493	6.0%	2.3%
8	Argentina	6,264	21,394	2.7%	3.42	4,670	1.5%	10.7%
9	New Zealand	2,426	17,624	2.2%	7.26	86	0.0%	42.6%
10	South Africa	4,294	15,962	2.0%	3.72	784	0.3%	22.2%
	Sub-total	149,634	784,345	98.0%	5.24	299,990	97.6%	6.6%
	Others	2,944	16,308	2.0%	5.54	7,230	2.4%	5.6%
	Total All Countries	152,578	800,653	100.0%	5.25	307,220	100.0%	6.6%

HS Codes 220410, 220421, 220429

Source: Statistics Canada and author's calculations

Table X.22. Portugal's position in the province of Alberta, 2000-2015 (data in thousands)

Rank	Country	2015				2000		2000-2015
		Volume	Value	% Share (value)	C\$/L	Value	% Share (value)	CAGR (value)
1	United States	11,303	119,347	32.8%	10.56	25,169	25.5%	10.9%
2	Italy	4,827	59,226	16.3%	12.27	13,456	13.6%	10.4%
3	Australia	4,614	43,458	12.0%	9.42	18,628	18.9%	5.8%
4	France	2,149	38,887	10.7%	18.10	17,119	17.4%	5.6%
5	Argentina	3,175	32,251	8.9%	10.16	961	1.0%	26.4%
6	New Zealand	1,964	23,605	6.5%	12.02	1,058	1.1%	23.0%
7	Chile	1,855	14,706	4.0%	7.93	8,924	9.0%	3.4%
8	Spain	1,087	12,080	3.3%	11.11	3,008	3.0%	9.7%
9	Germany	1,141	10,031	2.8%	8.79	4,757	4.8%	5.1%
10	Portugal	334	4,760	1.3%	14.27	2,798	2.8%	3.6%
	Sub-total	32,448	358,352	98.6%	11.04	95,878	97.2%	9.2%
	Others	615	5,048	1.4%	8.21	2,777	2.8%	4.1%
	Total All Countries	33,063	363,400	100%	10.99	98,655	100%	9.1%

HS Codes 220410, 220421, 220429

Source: Statistics Canada and author's calculations

Table X.23. Portugal's position in the province of British Columbia, 2000-2015 (data in thousands)

Rank	Country	2015				2000		2000-2015	
		Volume	Value	% Share (value)	C\$/L	Value	% Share (value)	CAGR (value)	
1	United States	13,183	61,410	24.4%	4.66	27,957	27.7%	5.4%	
2	Australia	14,724	35,521	14.1%	2.41	16,774	16.6%	5.1%	
3	France	3,465	33,092	13.2%	9.55	17,168	17.0%	4.5%	
4	Italy	5,141	32,599	13.0%	6.34	11,372	11.3%	7.3%	
5	Chile	14,097	21,897	8.7%	1.55	12,776	12.6%	3.7%	
6	New Zealand	2,670	21,766	8.7%	8.15	1,382	1.4%	20.2%	
7	Argentina	4,159	17,846	7.1%	4.29	1,464	1.4%	18.1%	
8	Spain	6,249	13,276	5.3%	2.12	3,859	3.8%	8.6%	
9	South Africa	5,550	6,495	2.6%	1.17	2,442	2.4%	6.7%	
10	Germany	625	3,160	1.3%	5.06	1,982	2.0%	3.2%	
11	Portugal	537	3,003	1.2%	5.59	1,901	1.9%	3.1%	
	Sub-total	70,400	250,065	99.5%	3.55	99,078	98.1%	6.4%	
	Others	345	1,281	0.5%	3.72	1,944	1.9%	-2.7%	
	Total All Countries	70,745	251,346	100.0%	3.55	101,022	100.0%	6.3%	

HS Codes 220410, 220421, 220429

Source: Statistics Canada and author's calculations

Table X.24. Canada's Portuguese wine imports by segment, 2000-2015 (excluding juice and musts)

	Volume (litres)			Value (C\$)			Price (C\$/litre)		
	2000	2015	% Var.	2000	2015	% Var.	2000	2015	% Var.
Sparkling	6,187	22,542	264%	42,049	182,826	335%	6.80	8.11	19%
Bottled (incl. fortified)*	8,793,453	9,558,283	9%	45,157,735	57,004,266	26%	5.14	5.96	16%
Bulk (incl. fortified)	53,304	533,176	900%	73,766	869,507	1079%	1.38	1.63	18%
Total	8,852,944	10,114,001	14%	45,273,550	58,056,599	28%	5.11	5.74	12%
Port Wine	2,945,900	1,026,732	-65%	37,491,773	13,774,307	-63%	12.73	13.42	5%
% of total	33.28%	10.15%	-69%	83%	24%	-71%	249%	234%	
Total without Port	5,907,044	9,087,269	54%	7,781,777	44,282,292	469%	1.31	4.87	272%

*The analysis of bottled wine contains values of Port wine. HS Codes 220410, 220421, 220429

Volume in Litres; Value in Canadian Dollars (CAD); Price in CAD/litres

Source: Statistics Canada, UN Comtrade Database, I.V.V. and author's calculations

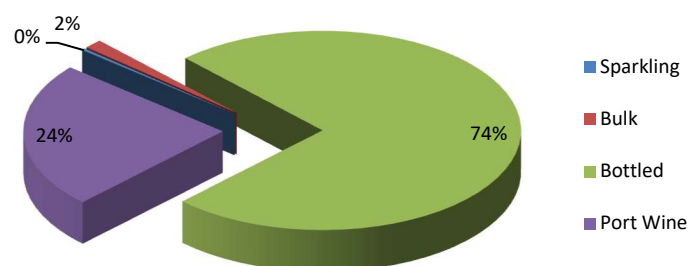
Table X.25. Canadian Imports of Wine from Portugal, by Province, and by Product type, 2000-2015

Province	Total	Sparkling	%	Bottled	%	Bulk	%	% of Total
Quebec	33,163,773	52,093	0.2%	32,279,047	97.3%	832,633	2.5%	58.47%
Ontario	15,211,883	103,793	0.7%	15,106,414	99.3%	1,676	0.0%	26.82%
Alberta	4,760,045	15,070	0.3%	4,741,877	99.6%	3,098	0.1%	8.39%
British Columbia	3,003,091	9,051	0.3%	2,993,592	99.7%	448	0.0%	5.29%
Manitoba	582,895	2,819	0.5%	580,076	99.5%	---	---	1.03%
Nova Scotia	442,285	---	---	410,633	92.8%	31,652	7.2%	0.78%
New Brunswick	183,481	---	---	183,481	100%	---	---	0.32%
Saskatchewan	343,015	---	---	343,015	100%	---	---	0.60%
Newfoundland and Labrador	332,597	---	---	332,597	100%	---	---	0.59%
Prince Edward Island	33,534	---	---	33,534	100%	---	---	0.06%
Northwest Territories	---	---	---	---	---	---	---	---
Yukon Territory	---	---	---	---	---	---	---	---
Nunavut	---	---	---	---	---	---	---	---
TOTAL	56,721,687	182,826	0.3%	55,701,006	98.2%	837,855	1.5%	100%
Total All Countries	2,296,842,977	163,065,889	7.1%	2,017,427,313	87.8%	116,349,775	5.1%	

Unit: Value in Canadian Dollars; **HS Codes** 220410, 220421, 220429

Source: Statistics Canada, UN Comtrade Database and author's calculations

Figure X.4. Share value of Canada's wine imports from Portugal, by segment (2015)



Source: Statistics Canada, UN Comtrade Database, I.V.V. and author's calculations