



## Americans and Canadians need Congress to fix label mess quickly

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Canada may soon impose billions of dollars in tariffs on a broad range of American products. The move is a retaliation authorized by the World Trade Organization against protectionist country-of-origin labeling regulations the U.S. government uses to disadvantage Canadian cattle ranchers. Unless Congress repeals its odious law very soon, both Americans and Canadians will suffer needlessly.

Under current U.S. regulations, meat produced in the United States and sold in American grocery stores must carry a label indicating in which country or countries the animal was born, raised, and slaughtered. In order to comply with this law, American meat processors have to keep track of where each animal was born or raised and segregate any border-crossing cattle to ensure accurate labels. The requirement imposes a significant cost on processors, which they can avoid if the only cattle they purchase are born and raised in the United States.

The WTO ruled against the labeling law because much of what the law requires burdens processors who buy Canadian cattle without conferring any benefit on consumers. But Canadian ranchers are not the only victims. The inefficiencies imposed on U.S. meat processors hurt the U.S. beef industry and ultimately American consumers, who are forced to pay more for food.

The new Canadian government has made clear that it intends to continue its predecessor's plans for retaliation. In December, a WTO panel is expected to set a dollar amount for authorized retaliation from both Canada and Mexico.

The retaliation will come in the form of higher tariffs on numerous American products. These include agricultural goods like beef, pork, wine, and cheese as well manufactured goods like furniture, steel pipe, and machine parts. The severity of the tariffs will depend on the panel's decision but Americans stands to lose as much as \$3 billion per year in lost export trade.

The most unfortunate consequence of Canada's retaliation will be the effect of higher tariffs on Canadian consumers. With less access to American products, Canadians will have to deal with

higher prices and lower variety, particularly at the grocery store. Canadian consumers, through no fault of their own, will be denied the full benefits of open trade with the United States until Congress repeals the law.

The intended victims of the tariffs are American businesses that export to Canada. These businesses are also innocent of wrongdoing, but unlike Canadian consumers, they have political power in Washington. The threat of retaliation has mobilized the U.S. Chamber of Commerce, the National Association of Manufacturers, and numerous agricultural trade associations to coordinate lobbying efforts toward repeal of the labeling law. These groups are not arguing against the labeling law on its merits but solely on the consequences of retaliation.

That's just how WTO dispute settlement is supposed to work. By changing the political dynamic, the threat of retaliation makes it easier for the offending government to change its policy. Canada's list of products they will raise tariffs on is designed to put pressure on members of Congress who would otherwise not care about meat labels and Canadian cattle ranchers. They do that by threatening to harm local business interests in a member's district.

And the strategy seems to be working. Already, the House has voted for full repeal of the labeling law. Some senators, however, are nevertheless hoping to salvage the law's protectionist impact through a "voluntary" labeling scheme that won't prevent retaliation and would embroil the United States in more trade litigation. With the threat of retaliation looming, there's just no more time for these sorts of games.

Congress started this trade conflict. They drew first blood by harming American consumers and Canadian businesses with protectionist labeling laws. Now they have the power to end it. Thanks to the WTO process and the threat of retaliation, they have the incentive to do so, too. The question is whether they will do it in time to rescue the American businesses and Canadian consumers who may now suffer for Congress's misdeeds.

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