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Canada–Pacific Trade Consultations
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To whom it may concern:

The Canadian Agri-Food Trade Alliance (CAFTA) welcomes the opportunity to share our thoughts and priorities in relation to a possible free trade agreement between Canada and the remaining members of what was previously the Trans-Pacific Partnership (TPP): Australia, Brunei, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. There is a window of opportunity to amend what was previously the TPP agreement to come into force without the United States; CAFTA strongly supports the timely implementation of a TPP-11 agreement that incorporates the negotiated market access outcomes of the TPP.

CAFTA is a coalition of national organizations who have a major stake in international trade and seek a more open and fair international trading environment for Canada's agriculture and agri-food exports. Our members represent producers, processors and exporters from the beef, pork, meat, grains, cereals, pulses, soybeans, canola as well as the sugar, malt, and processed food industries. Together, CAFTA members account for over 90 per cent of Canada's agriculture and agri-food exports, which last year exceeded \$55 billion and supports over a million jobs in communities across Canada.

It is paramount that the negotiated outcomes and market access provisions of the original TPP be ratified and implemented quickly with the remaining parties in a TPP-11 country agreement. We would also wish the Sanitary and Phytosanitary (SPS) provisions of the TPP to be wholly incorporated into a TPP-11.

A TPP-11 that incorporates the market access outcomes of the TPP is the best option available for Canada to secure access to Japan's high value market and many other fast-growing Asia-Pacific countries, such as Vietnam and Malaysia. The remaining members of the TPP have a combined GDP of \$US 10.2 trillion and a population of approximately 494 million people. All intend on expanding their international trade relationship and opportunities through free trade agreements.

The Pacific region continues to experience the world's fastest economic growth and is expected to continue well into the future. With this rapid growth comes rapidly rising imports of agriculture and agri-food products. Of particular interest for CAFTA and its members is the potential market access for agriculture and agri-food to take advantage of this demand. In 2016, Canada exported nearly \$7 billion

in agri-food products to the TPP-11 region, which makes the region one of Canada's most valuable export markets.

Japan, the largest of the TPP-11 economies, is a high-value and reliable market for many of Canada's agri-food exports, particularly those with high value-added content. Japan is heavily dependent on food imports, has the lowest rate of food self-sufficiency among G8 countries, and possesses a large agri-food trade deficit. This presents tremendous opportunities for Canadian agri-food producers. Retaining competitive access to Japan is essential for Canada to achieve the target of \$75 billion of agri-food exports in 2025 contained in the 2017 federal budget. Of the \$7 billion in exports, Japan alone accounted for just under \$4 billion in agri-food exports, which makes Japan our 3rd most important market for agriculture and agri-food products.

Canada's exporters are becoming less competitive in the Asia Pacific region and the Japanese market in particular as competitors complete and implement free trade agreements in the region. To the disadvantage of Canadian exporters, Japan has implemented free trade agreements with Mexico, Australia, Chile and completed a free trade agreement with the European Union. Vietnam is also moving ahead with their own bilateral free trade agreement with the European Union. The United States is seeking a bilateral deal with Japan and other Pacific countries. To date, Canada has only one free trade agreement in Asia, the Canada-Korea Free Trade Agreement which is helping the sector regain competitive access to South Korea, a lucrative market of 50 million consumers that was lost almost overnight because Canada's competitors had access that we did not. Without a free trade agreement with Japan, Canada's agri-food exports face high tariff barriers while our competitors have their tariffs eliminated or phased out. Losing out on Japan would have even more dire consequences than the dramatic losses our sector experienced in South Korea.

Most of all, a TPP-11 that maintains market access gains of the TPP has the potential to be a better agreement for Canadian agriculture and agri-food because the sector would not need to compete with the United States in these markets.¹ As a result of the U.S. withdrawal from the TPP, there will be even greater benefits for Canada in an 11 country a TPP accord. The following are estimates from CAFTA members on the benefits of a TPP with the United States, however a TPP-11 accord is expected to provide even greater benefits for most Canadian agri-food sectors:

- **Barley:** The Barley Council of Canada states that, for Canadian barley farmers, over 50 per cent of their barley production is currently exported to TPP countries either as barley, malt, or as barley-fed beef and pork. Japan for instance is their 2nd largest malt export market, our 2nd largest pork market and our 4th largest beef market. The TPP could allow barley producers to export more than 400,000 tonnes of barley in various valued added forms worth about \$100 million.
- **Canola:** The Canola Council of Canada and the Canola Growers Association emphasize that ninety percent of Canola grown in Canada is exported as either seed or processed products such as oil and meal. Yet, many of our country's trade relationships face trade barriers in the form of tariffs on imported products. Non-tariff barriers also exist in the form of trading rules for

¹ Canada West Foundation, *Art of the Trade Deal: Quantifying Benefits of a TPP Without the US*, 2017.

biotechnology and sanitary and phytosanitary standards. If tariffs on canola oil and meal were eliminated completely in the TPP region, exports could grow by the equivalent of one million tonnes of additional oil and meal exports. In addition, the elimination of tariffs on canola oil and meal could increase exports by up to \$780 million per year, yielding benefits to communities across the country.

- **Meat:** For the Canadian Meat Council, the only avenue that will permit continued Canadian competitiveness in vital trans-Pacific markets is equivalent access. This can be achieved through participation in the TPP or TPP-11 incorporating the TPP's market access provisions. Conversely, the loss of market access parity would immediately place at risk not only more than \$1 billion of current Canadian meat exports, but also the producer revenues, the many thousands of jobs, and the local economic wealth that they create.
- **Pork:** The Canadian Pork Council released a study showing that in the event Canada is not part of the TPP agreement, pork producers would see a significant decline in the value of their pigs and the Canadian pork sector could see, in short order, a decline of almost 40% in the volume of pork exports to Japan. This is because other markets cannot make up the loss of Japan as a market: the value of Canadian pork in Japan is so much higher than most other markets that returns to Canadian pork producers and exporters would greatly decline and the economic viability of the industry would be severely impacted. Independent analysis indicated Canada's exports to Japan under the TPP could quickly climb by \$300 million.
- **Beef:** The Canadian Cattlemen's Association states that, with TPP Canada could eventually at least double or triple beef exports to Japan, which was valued at more than \$143 million of beef in 2016.
- **Sugar:** For the Canadian Sugar Institute, the TPP presents opportunities to increase capacity utilization, to diversify products and markets with significant potential commercial benefits to the sugar – food processing supply chain across Canada. The industry is analyzing the trade opportunities under TPP wide quotas for sugar-containing products into Japan as well as the potential to grow exports through tariff reductions in Malaysia and Vietnam.
- **Grains:** According to Cereals Canada and the Grain Growers of Canada, Asian-Pacific countries are top buyers of Canadian grains and oilseeds. Countries in the TPP are not just importing more, they are importing higher quality. For Canadian grain producers the TPP preserves current exports of \$2.3 billion of grains, oilseeds, pulses, and special crops to Japan, Malaysia and Singapore.
- **Wheat:** For wheat growers, the TPP levels the playing field in countries like Japan and Vietnam, which has free trade with Australia (one of our largest export competitors) but not Canada. The agreement will also help ensure Canada can compete and maintain current exports into existing TPP markets, for example 1.5 million tonnes of premium wheat to Japan. The U.S. decision to

withdraw from the original agreement also improves Canadian competitiveness, given their position as a major cereal export competitor in the Asia-Pacific region.

- **Soy:** Soybean producers and exporters who export over \$884 million to TPP countries will have new opportunities with the elimination of tariffs on soybean products and a more secure and equal trade environment free of tariffs and quotas.
- **Pulses:** For Canadian pulse growers, the agreement will maintain access into existing TPP markets and create new opportunities as Canadian pulse crops become subject to lower tariffs than pulse crops from several key competing exporting countries. Most importantly, the agreement will help ensure that pulses of U.S. origin do not achieve preferential access to the Japanese market relative to Canada, which could devastate Canada's current pulse exports to Japan.
- **Cattle Feed:** For the National Cattle Feeders Association, access to Pacific Rim markets on level playing field – and particularly the Japanese market — is of vital importance to the Canadian beef industry. This market is even more significant for Canadian agriculture than the market of the European Union.
- **Processed foods:** For Food & Consumer Products of Canada (FCPC), the TPP represents an opportunity to increase value-added food exports in one of the world's most dynamic economic regions. Market access to countries with high growth where Canada does not currently have trade deals (including Japan, Malaysia and Vietnam) are expected to present the most opportunity for Canadian food manufacturers. The TPP is expected to eliminate or reduce many existing tariffs or create tariff rate quotas on processed foods and non-alcoholic beverages, including baked goods, processed grain and pulse products, and sugar and chocolate confectionery. Top processed food exports to the TPP currently include baked goods and processed potatoes, and there is a strong interest in growing the number and types of Canadian-made, value-added products into TPP countries. The inclusion of a provision on regulatory coherence is very important, and FCPC would be strongly in support of taking this one step further to include regulatory cooperation since many non-tariff barriers to trade continue to exist, especially in food labelling.

CAFTA strongly agrees with the House Standing Committee on International Trade, which stated in their report on the TPP agreement, that the Government of Canada should “actively pursue a trade and investment agreement with Trans-Pacific Partnership signatories, as well as additional trade and investment agreements in the Asia-Pacific region.”

This is why the government and our negotiators need to continue to press for a multilateral deal, in spite of the U.S. withdrawal from the agreement. Ratifying the current TPP or a TPP-11 that maintains market access gains of the TPP would send a strong signal to the remaining 10 countries that Canada is serious about going forward with a robust, rules-based trading system that eliminates both tariff and non-tariff barriers.

CAFTA also recognizes that the TPP-11 agreement's scope and influence can grow through the accession of future members. To date, South Korea, the Philippines, Taiwan, Thailand, Indonesia have expressed interest in joining an expanded agreement. These are all important destinations for Canadian agri-food exports. That said, an expanded TPP-11 agreement offers the potential for continued growth and diversification across the Asia-Pacific region. It will also play an important role in strengthening the regional trading environment in the region. With uncertainties surrounding the renegotiation of the North American Free Trade Agreement (NAFTA), the advancement of the TPP-11 agreement can provide leverage in achieving stronger outcomes, while providing insurance in the unwanted event that NAFTA discussions fail. Against this backdrop, the value of enhanced trade policy cooperation through the TPP-11 is clearer than ever.

Canada must make every effort to achieve successful advancement and implementation of the TPP-11. However, CAFTA also supports the committee's third recommendation, as a plan B, which is to resume negotiations with Japan for an economic partnership, should the remaining TPP signatories fail to find a path forward. Japan is a premium market that buys \$4 billion per year in Canadian agri-food products. It represents the largest predictable market for Canadian canola, ranks second for Canadian malt and Canadian pork, fourth for Canadian beef and is important for Canadian wheat, soy, pulses and processed foods.

We would also wish the Sanitary and Phytosanitary (SPS) provisions of the TPP to be wholly incorporated into the TPP-11. An agreement that maintains the SPS provisions of the TPP countries will set a new Asia-Pacific framework for trade with rules to increase cooperation and transparency on non-tariff barriers related to sanitary and phytosanitary measures, biotechnology and plant health. These issues can often be the most significant barriers facing our exporters, as important even in some cases as the tariffs themselves.

We already make the high-quality agri-food products that the world demands. We're ready, willing and able to fill its needs. That's why we need our government to be bold in its negotiations, take the advice of the House Standing Committee on International Trade and Canadian agri-food exporters, and move forward on a deal with the remaining TPP-11 partners.

Respectfully,



Brian Innes
President, Canadian Agri-Food Trade Alliance