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Alliance Canadienne du Commerce Agroalimentaire
Canadian Agri-Food Trade Alliance

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CANADA-CHINA

Canada and China have begun to explore mechanisms for expanding trade and economic relations. In 2012, the two countries jointly released the Canada-China Economic Complementarities Study, which identified opportunities to improve trade, including in agriculture and agri-food.

China is already a large market for Canadian agri-food exports.

Canada exported $4.7 billion in agri-food products to China in 2014 — making it Canada's second-largest export market. Although Canadian agri-food exports to China are dominated by canola products, which account for over 60% of all shipments, China is also an important market for pulses, pork, wheat and barley.

There is significant potential to increase agriculture and food exports to China.

Unlike many of Canada's trading partners, China has remained a strong market for Canadian products. Agri-food exports to China have been climbing steadily and did not fall during the global economic crisis.

China is a strong and growing economy. Growing urbanization, increases in personal income, and limits on China's agriculture production will impact the country's ability to meet its growing agriculture and food demands through domestic production.

The U.S. International Trade Commission estimated that eliminating China's tariff and non-tariff barriers could increase U.S. agri-food exports by $3.9 billion — suggesting a potential increase of $690 million for Canada. Additionally, New Zealand's agri-food exports to China increased three-fold after those countries concluded their Free Trade Agreement (FTA).

Expanding trade with China will not be easy.

Many of Canada's agri-food export interests lie in the areas where China is most sensitive, thereby creating significant challenges to expanding trade. China's 12th Five-Year Plan (2011-2015) — explicitly notes the government's commitment to supporting its agriculture sectors and establishes self-sufficiency targets in key sectors that include wheat, corn, rice and sugar. In these and other sectors, China vigorously supports its producers, and manages supply and prices through an array of domestic subsidies and support programs, target prices and reserves. These are in turn re-enforced through the use of tariffs and tariff-rate quotas (TRQs).

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Enhancing agri-food trade with China will require addressing a number of issues, including: tariffs that remain high on many agri-food products; tariff escalation; TRQs; non-tariff barriers, including inconsistent application of regulations; slow customs administration; discriminatory application of China's value-added tax (VAT) on imported goods; and limitations on foreign direct investment (FDI).

Notwithstanding these challenges, opportunities to expand and/or improve trade do exist:

- China's recent FTAs (New Zealand, Chile) suggest China may be prepared to address tariffs and other trade barriers in some sectors, including malt, barley, pulses, beef and pork.
- China has a history of excluding the most sensitive sectors, including wheat and sugar, from tariff reductions in its FTAs. However, as noted in the Canada-China Economic Complementarities Study, China's production of key agricultural inputs, including sugar, have not kept pace with the country's rapidly growing demand for food products. Tariff reductions and/or tariff quota expansion for sugar and sugar-containing products — and for other sensitive agriculture inputs such as wheat — would provide an opportunity for Canada's industry to supply the growing demand for imports.
- Regular government-to-government communication around market supply and demand could improve predictability for Canadian exporters.
- In the case of wheat, which is subject to a TRQ, any steps to encourage China to increase its TRQ fill rate (currently at just 9%) could increase Canada's exports of that product.
- Addressing non-tariff barriers, including inconsistent application of regulations and testing, and encouraging greater adherence to internationally recognized standards, could expand trade for some sectors, in particular pork and beef, and reduce export costs.
- Improving the customs administration process could greatly reduce costs and improve predictability for exporters.

CAFTA is a coalition of national and regional organizations that support an open and transparent international trading environment for our agri-food sectors. Our members include Canada's major agri-food exporters including the beef, pork, grain, oilseed, sugar, and malt sectors, where we represent producers, processors and exporters. Together, these sectors produce almost 80 per cent of Canada's agriculture and agri-food exports, conduct about $50 billion in business annually and directly employ close to 500,000 Canadians.