

CAFTA Trade Insights

CAFTA: The voice of Canada's Agriculture and Agri-Food Exporters

In Brief

- **Minister Freeland promotes the EU-Canada agreement (CETA) in Brussels**

Minister of International Trade Chrystia Freeland traveled to Brussels last week as part of promotional efforts in favour of the CETA. In an interview with Bloomberg, Freeland emphasized the important linkages between global growth and the economy and indicated that trade is essential and part of the answer to the slowdown in global growth. To see her interview, [click here](#).

Canada and the EU recently announced the conclusion of the legal review of the text and reaffirmed their shared commitment to seeing the landmark agreement signed in 2016 and brought into force in early 2017.

- **Update on the ratification of the Trans-Pacific Partnership (TPP)**

To date, Malaysia has been the only member to ratify the TPP, but Mexico, Australia, New Zealand, Vietnam and Japan among others could also do the same before the end of 2016. Some updates on the ratification status in various countries:

- In the United States, while a 2016 vote in Congress on the prospective deal remains technically possible, media report that any possible congressional approval of the TPP will have to wait until after November's election.
- After a series of public hearings in Mexico, the executive branch of Mexico's government formally submitted the text of the TPP to the Mexican Senate for its discussion and eventual ratification as announced by Mexico's Economy Secretariat on April 27. In Mexico, the TPP agreement must be approved only by the Mexican Senate for the deal to be ratified.
- Meanwhile in Japan, their parliament, known as the Diet, has started the debate on TPP. Prime Minister Shinzo Abe had expressed his determination to obtain approval for the TPP trade deal during the current session which ends on June 1, 2016. However, following strong earthquakes in northern Japan, the Diet has decided to delay ratification of the deal until the fall.
- In Canada, the substantive deliberations and consultations regarding the TPP continue. The House Agriculture Committee started hearings on the TPP in Ottawa in April. At the same time, the House Standing Committee on Trade held hearings across Western provinces last week and will continue to hold hearings in Ontario and Quebec the week of May 9th.

CAFTA reiterated the importance of not waiting in an op-ed by CAFTA president Brian Innes that appeared in this week's edition of the Hill Times ([which you can read here](#)).

Focus on Asia

- **Highlights from the G7 Agriculture Ministers' meeting in Japan**

The Group of Seven agricultural ministers met in Japan on April 23-24 for the first time in seven years. Canada's Minister of Agriculture and Agri-Food Lawrence MacAulay participated in meeting, where

participants supported the adoption of the G7 Niigata Agriculture Ministers' Meeting Declaration. The Declaration focuses on work towards revitalizing rural areas and increasing farmers' income; improving sustainable agricultural production and productivity; reducing agriculture's environmental footprint and adapting to climate change.

The Ministers news release is available by [here](#), while the official declaration can be read by [here](#).

Spotlight on Asia

As Canadian agriculture and agri-food exporters know, the Asian continent boasts some of our biggest markets, including China and Japan—the second and third-largest destinations for Canadian agri-food products respectively.

The Asia region is expected to contain two-thirds of the world's middle class by 2030. Already by 2020 over half (52%) of Asia's population is expected to be middle class, with some of the fastest emerging middle classes being from the ASEAN countries of Indonesia, the Philippines, Thailand, Malaysia, and Singapore. Trade within the Asia-Pacific countries is growing faster than any other region in the world. This bodes well for Canadian agricultural exporters, as Southeast Asia imports what Canada produces – grains, oilseeds, pulses and their products, meats, beverages, confectionary, food preparations, and animal feed, among others.

- **China**

In 2013, China increased its trade with Canada and became in 2013 Canada's second-largest export market for agriculture products and third-largest source of agri-food imports. As the world's most populous country, China has become the second largest destination for agricultural products worldwide and is expected to become the world's largest agricultural importer by 2020.

China's population has become wealthier in the past decades, and it is estimated that by 2020, 600 million Chinese will be living within the middle class standard. Coupled with growing urbanization and limits on China's ability to meet its growing agricultural and food demands through domestic production, China's importance as a destination for Canadian agricultural exports will increase exponentially. China has a number of free trade agreements with other Asian countries, including the ASEAN members (Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand and Vietnam), as well as Pakistan, India, Bangladesh, and Sri Lanka. Most recently, China signed bilateral trade agreements with New Zealand, Chile and Australia.

Fair, stable and predictable access to the Chinese market will continue to be crucial to Canada's agriculture sector.

- **Japan**

Japan's high population density and low arable land availability means Japan relies on imports to feed its population. In fact, Japan has the lowest rate of food self-sufficiency among G8 countries, boasts a large agri-food trade deficit, and imported over \$60 billion in agri-food products last year.

Japan is Canada's third export market and a premium market that demands about \$4 billion per year in Canadian agriculture and agri-food products – about 10 percent of our annual exports. Specifically, Japan is the largest predictable market for Canadian canola seed, the second-largest market for Canadian malt

and pork, the fourth-largest market for Canadian beef and a significant high-value market for Canadian wheat, pulses and sugar products.

Regarding its trade partnerships, Japan joined the TPP negotiations in 2013 and is now proceeding with the ratification debate. Japan and the EU have also begun negotiations toward a bilateral free trade agreement.

On Parliament Hill

CAFTA was on the Hill this month again meeting with several Members of Parliament and appearing before the Senate Committee on Foreign Affairs and International Trade and the Standing Committee on Agriculture and Agri-Food.

There are four committees that are currently evaluating the importance of trade and impacts of free trade agreements.

It is important to also note that the deadline for TPP submissions from Canadians has been extended to June 30, 2016.

Did you know?

Canada currently has a number of free trade agreements (FTAs) in force, two major agreements are going through the consultation and ratification processes and several more FTAs have ongoing negotiations. For a complete breakdown, see the chart below:

Canada's Free Trade Agreements – Status

FTAs in force		FTAs concluded / signed	Other ongoing FTA negotiations
Canada-U.S. (1989)	Peru (2009)	<ul style="list-style-type: none"> • CETA Canada-Europe (concluded in 2014) • Ukraine (concluded in 2015) • Israel (modernized in 2015) • Transpacific Partnership (TPP) (concluded in 2015, signed in 2016) 	India
NAFTA (1994)	Colombia (2011)		Japan
Israel (1997)	Jordan (2012)		Morocco
Chile (1997)	Panama (2013)		CARICOM
Costa Rica (2002)	Honduras (2014)		Costa Rica
EFTA (2009)	Korea (2015)		Central America 3 (El Salvador, Guatemala and Nicaragua)
			Dominican Republic
			Turkey
			The Philippines
			Mercosur



In case you missed it

The Department of Finance recently launched public consultations on the elimination of Most-Favoured-Nation (MFN) rates of customs duty on certain agri-food processing inputs. The tariff items being considered for elimination of the rate of customs duty are listed in Table 1 of the following *Canada Gazette* Notice: <http://www.canadagazette.gc.ca/rp-pr/p1/2016/2016-04-23/html/notice-avis-eng.php#ne3>. For information, contact fin.tariff-tarif.fin@canada.ca.

Contact us: info@cafta.org