



July 2015

## **CANADA-JAPAN ECONOMIC PARTNERSHIP AGREEMENT**

In 2012, Canada and Japan launched negotiations towards an Economic Partnership Agreement (EPA). The Canadian Agri-food Trade Alliance (CAFTA) supports the Canadian government's efforts to expand trade and economic ties with Japan. However, to be successful, the Canada-Japan EPA must include a solid agriculture package.

### **Japan is an important and stable customer for Canada's agriculture and food products.**

Japan is Canada's third-largest export market after the United States and China — representing \$3.8 billion in agri-food shipments in 2014.

Japan is the largest predictable market for Canadian canola seed; the second-largest market for Canadian malt, Canadian pork and Canadian wheat; the fourth-largest for Canadian beef; and an important high-value market for Canadian pulses. In turn, Canada is Japan's largest supplier of malt, seeds (canola, canary, mustard, flax), oils (canola, flax), peas, kidney beans, and durum wheat; its second-largest supplier of frozen and preserved potatoes; and Japan's third-largest supplier of pork.

### **A substantive free trade deal with Japan could help expand trade and improve export opportunities for Canadian farmers and food manufacturers.**

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. Quite simply, Japan must import to maintain adequate food supplies. This presents tremendous opportunities for Canadian agri-food producers — provided Canada can negotiate better access for our food products.

### **As with any trade initiative, negotiations with Japan will not be without challenges.**

Significant questions remain about Japan's readiness to negotiate a comprehensive trade deal that includes agriculture.

While Japan relies heavily on food imports, it also protects its own farmers and food processors through tariffs and non-tariff measures that add substantial costs to trade.

In its 2010 Basic Policy on Comprehensive Economic Partnerships, Japan suggested it would introduce domestic reforms to its primary sectors — as part of a strategy to aggressively pursue bilateral trade.



This approach, however, has proven controversial among Japan's agriculture, forestry and fisheries sectors.

How Japan manages its agriculture sensitivities is a matter of domestic policy but the Canada-Japan EPA must address primary-sector reforms. Given the importance of agri-food trade to Canada, any trade deal with Japan must include a solid agriculture and food component.

**While pressing for an ambitious deal, Canada must also move quickly.**

In vying for Japan's attention, Canada has some tough competition. Japan has already started negotiating trade agreements with some of our key competitors, including Australia and the European Union. A multilateral trade negotiation is the best means of achieving a level playing field for agriculture and food exports around the world. However, with little progress at the World Trade Organization (WTO), exporting countries like Canada must prove their mettle in the bilateral trade arena — aggressively staking their claim to key markets ahead of their competition. Canada learned a tough lesson in the case of South Korea, when it lost half of Canadian agri-food exports in the wake of the U.S.-Korea Free Trade Agreement of 2012. Canada cannot afford a similar outcome with Japan.

**Japan's membership in the Trans-Pacific Partnership (TPP) is an interesting twist.**

It is unclear how Japan's membership in the TPP will affect its bilateral negotiations with Canada. However, the TPP's ambitious mandate will place even more pressure on Japan to address domestic sensitivities. Leaders in the TPP are advocating for a comprehensive and ambitious, next-generation, regional trade agreement — one that liberalizes trade in goods, services and investment, and that addresses existing and emerging trade issues in a way that meets 21<sup>st</sup> century objectives. If Japan can subscribe to these goals, its membership in the TPP would be a welcome development for agri-food exporters in Canada. However, there is also a risk that Japan may lead all TPP countries to pursue less ambitious trade objectives.

Japan is a critical market for Canada and many other countries. Canada must ensure that Japan continues to be held to a high standard in any trade deal — whether a bilateral agreement with Canada or a regional deal such as the TPP. To do otherwise would sell Canadian interests short.

*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.*