

CAFTA Trade Insights

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

"TRADE IS MY FUTURE"



As of this month, CAFTA has officially launched the "Trade is my future" campaign on cafta.org. The purpose of this campaign is to profile the trade-dependent Canadian agriculture sector through the eyes of its farmers and processors.

Margaret Hansen is the first participant. Margaret is a third generation farmer in Saskatchewan. Her farmland is suited to grow canola, barley and wheat.

Read Margaret's story here <http://cafta.org/trade-is-my-future/>.

CHASING CHINA

Canada's Prime Minister Justin Trudeau is making his first official visit to China from Aug. 30 to Sept. 6 at the invitation of Premier of the State Council of the People's Republic of China, Li Keqian. During the official visit, the Prime Minister will also participate in the G20 Leaders' Summit on Sept. 4 and 5 in Hangzhou, China. This official visit will provide an opportunity to promote trade with China, the world's second-largest economy.

Media has covered two particular areas of Canadian-Chinese trade relations:

- One area relates to exports of Canadian canola to China: the stakes were significant for Canada, the largest exporter of canola in the world, as China intended to apply new import inspection standards as of Sept. 1, which would have blocked Canadian exporters from selling canola to Chinese importers. The Chinese rule requiring that the amount of extraneous plant material, referred to as [dockage](#), in canola-seed exports make up less than 1 percent of each shipment. This week China's Premier Li Keqiang and Canada's Prime Minister Justin Trudeau have announced that Canadian canola can continue to be exported to China under the current regulatory regime while officials work to finalize a long-term solution to blackleg concerns in the days and weeks ahead.

[The Canola Council applauds recent steps towards settling trade dispute with China.](#)

- The second area revolves around free trade discussions as a way to move the Sino-Canadian economic relationship forward. Back home, many business leaders want Ottawa to proceed with free trade talks as a way to help increase and build a more stable trading relationship with China. Media report that Canada and China are exploring the possibility of launching a [feasibility study on a Canada-China FTA](#). In an [official joint release](#), Canada announced a series of initiatives to enhance economic growth by deepening their trade and investment relationship in the areas of energy, clean technology, agriculture, among others.
- In a January 2016 report, the Asia Pacific Foundation estimated that free trade with China would expand Canada's exports by about \$7.7 billion and its gross domestic product by about \$7.8 billion by 2030. More on this here: <https://www.asiapacific.ca/search/site/CHINA> .

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.

Agriculture Trade

As the world's third-largest importer of agricultural products, China's demand for Canada's agricultural exports remains strong. In 2015, our agri-food exports to the Chinese market were valued at \$5.6 billion.

China is currently Canada's second-largest export market with canola accounting for half of all shipments. Pulses, pork, meats, grains, cereals and processed foods represent strong potential areas of growth in the Chinese market.

However, a number of trade barriers remain. China's average tariff on agricultural products is 15.1 per cent, compared with 8.6 per cent for industrial goods. Improving agri-food trade with China will require addressing several barriers including the elimination of tariffs, tariff escalation, tariff rate quotas (TRQs) and non-tariff barriers, which can be bigger impediments than tariffs themselves for certain agri-food products.

China's Free Trade Agreements (FTAs)

In 2012, China and Canada began commenting on the possibility of expanding trade and economic relationships between the two countries, raising speculation as to the possibility of FTA talks. In August of that year, the two countries released the result of an economic complementarities study which identified opportunities to expand trade, including in agriculture between the two nations.

As of December 2015, China had signed 15 preferential FTAs. China has FTAs in-force with Hong Kong, Macau, Thailand, Chile, Pakistan, Peru, Costa Rica, the European Free Trade Association, New Zealand, Australia, Singapore, South Korea and the founding members of the Association of Southeast Asian Nations (ASEAN).



China's experience in recent FTAs, including those with New Zealand, Australia and Chile, suggest that it may be prepared to address tariffs and other trade barriers in some sectors. Many of Canada's agri-food interests rest in the areas of China's most sensitive areas and present significant opportunities to expand trade.

Trans-Pacific Partnership (TPP): Update

USTR drafts implementing bill

On August 12, 2016 the Office of the United States Trade Representative (USTR) sent to Congress the draft Statement of Administration Action (SAA) for the Trans-Pacific Partnership (TPP). This is a procedural step before a draft implementing bill is sent to Congress but it does not say when congressional consideration for the bill will take place.

The U.S. signed the TPP deal at the end of last year but still need to implement it, which requires Congressional action. USTR is reportedly in the process of drafting the implementation legislation for the TPP, which is expected to largely consist of language to implement tariff cuts.

The Trade Promotion Authority (TPA), which governs timelines and procedures related to the TPP, stipulates that the SAA must be sent to Congress at least 30 days before a draft implementing bill is submitted. The TPA also stipulates that once an implementing bill for a free trade agreement is submitted, congressional consideration cannot take longer than 90 legislative days. It is not known when the agreement will receive Congressional action. The U.S media has widely commented on the possibility (or lack thereof) of a vote during the lame-duck session, which runs from early November 2016 through January 20, 2017.

To date, eight of the 12 TPP signatories have introduced the treaty in the respective legislatures. The four countries that have not are the U.S., Canada, Brunei and Chile (which is also the only TPP country with bilateral FTAs with all TPP members). Japan and Mexico expected to vote on the TPP by the end of 2016.

Comprehensive Economic Trade Agreement (CETA): Update

Officials in Canada and the EU continue to work to push the CETA through the finish line with ratification expected for 2017. Canadian Trade Minister Chrystia Freeland and EU Trade Commissioner Cecilia Malmström reiterated their commitment to ratify the CETA at the G20 Trade Ministers meeting last month in Shanghai, China.

Malmström addressed the growing opposition across the EU towards free trade agreements that casts a shadow on the CETA ratification process. "The voices calling for higher walls to be erected are often louder than those making the case for tearing them down," Malmström said.

On July 5, the European Commission put forward a proposal for provisional application of the entire CETA agreement. EU member states are reportedly considering exempting almost all investment protection provisions in the CETA from provisional application. The vote by the Council is expected on Oct. 18. This would pave the way for CETA's signature on Oct. 27 at the EU-Canada summit in Brussels, Belgium.

Minister Freeland announced that the Honourable Pierre Pettigrew, P.C., will take on the role of CETA Envoy. The CETA envoy will engage with a range of partners in both Canada and Europe on the CETA and help move this deal forward for Canada. More on this here: <http://news.gc.ca/web/article-en.do?nid=1116029>



In case you missed it....

On the Hill

The Prime Minister recently announced changes to the structure and mandate of Cabinet committees.

Note that the “Cabinet Committee on Inclusive Growth, Opportunities and Innovation” has been re-named the “Cabinet Committee on Growing the Middle Class”:

http://pm.gc.ca/sites/pm/files/docs/Cab_committee-comite.pdf

Canada- ASEAN FTA – Feasibility study

Minister Freeland announced initiatives to deepen Canada’s commercial relationship with ASEAN’s fast-growing economies including the launch of an annual trade policy dialogue and the development of a feasibility study on the merits of a free trade agreement (FTA) between Canada and this dynamic and fast-growing ASEAN region of over 600 million consumers.

The ASEAN is a regional intergovernmental organization comprising 10 member states, 3 of whom are TPP members*: Indonesia, the Philippines, Singapore, Thailand, Myanmar, Laos, Cambodia, Malaysia*, Brunei* and Vietnam*.

The joint feasibility study will explore the opportunities and challenges associated with a possible FTA.

More on this here: <http://www.international.gc.ca/media/comm/news-communiques/2016/08/08a.aspx>

Press Clippings

- [New poll shows growing Canadian support for free trade and closer economic ties with Asia.](#)
- [WTO Dispute settlement panel rules in EU favour on Russia’s pig meat ban. Moscow urged to end restrictions.](#)
- [President Obama Signs into Law the Global Food Security Act of 2016](#)
- [Canadians increasingly support free trade with China, other Asian nations | CTV News](#)
- [2016 National Opinion Poll: Canadian Views on Asia | Asia Pacific Foundation of Canada](#)
- [Justin Trudeau departs for China | National Newswatch](#)
- [German Minister says EU-US TTIP trade talks have failed](#)

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