

CAFTA Trade Insights

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

CAFTA Directors meet with EU Commissioner for Agriculture and Rural Development

CAFTA was happy to meet with the European Union's Commissioner for Agriculture and Rural Development, Phil Hogan in early May. Discussions with the Commissioner focused on opportunities for Canadian agricultural and agri-food exporters, and the need to resolve issues related to the grains and oilseeds, and meat sectors.

These meetings are part of ongoing efforts by CAFTA to ensure key influencers are aware of the significance of trade for Canadian agriculture and agri-food exporters so that they can advocate for maintaining and increasing access to foreign markets.



Trade Updates

Canada-European Union Comprehensive Economic and Trade Agreement (CETA) Receives Royal Assent

On Thursday, May 11th the Standing Senate Committee on Foreign Affairs and International Trade passed Bill C-30: Canada-European Union Comprehensive Economic and Trade Agreement, and subsequently received Royal Assent on May 16th. In the Committee's [report](#) regarding Bill C-30, despite some concerns and observations about the agreement itself, they note that "CETA is a model of more progressive FTAs and that bringing it into force is an important signal of Canada's commitment to openness in trade and investment."

Provisional application was hoped to begin no later than July 1st but now is expected to be later as officials finalize and clarify remaining issues, particularly in regards to tariff quota administration.

Bill C-31: Canada-Ukraine Free Trade Agreement (CUFTA) Receives Royal Assent

CUFTA received Royal Assent on June 1st, paving the way for greater access for the elimination of tariffs on 86 percent of Canadian exports. In 2016, Ukraine was Canada's 88th agri-food market with imports equalling \$10.2 million. Canada's top agri-food and agricultural products to Ukraine include meat, animal products, animal fodder, and oil seeds. Prior to CUFTA, Canadian suppliers incurred tariffs of 8 to 14 percent on agri-food and agricultural products. The vast majority of agricultural tariffs will be eliminated once CUFTA enters into force. Canadian agricultural exports that will benefit from the elimination, or eventual duty-free access, includes: beef, canola oil, processed foods, animal feed, fresh and chilled pork, and frozen pork will benefit from duty-free tariff rate quota.

Trans-Pacific Partnership (TPP) Goes Ahead Without United States

Since the United States announced in January that it was pulling out of the TPP, the status of the trade agreement has been a subject of discussions between the other 11 participating countries. Canada held a round of talks on May 2nd and 3rd in Toronto concerning the future of the agreement. At the Asia-Pacific Economic Partnership Meeting of Ministers Responsible for Trade, the remaining parties (Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam) all agreed to continue exploring how to move ahead without the United States. Japan and New Zealand already have ratified the agreement. However, a clause in the agreement currently would make it impossible for it to enter into force as there is a requirement of ratification by states accounting for 85 percent of the combined GDP of the 12 states involved. The United States accounts for over 60 percent. US Commerce Secretary Wilbur Ross has indicated that the US would not have an “inherent objection” to the remaining parties to the TPP being ratified without the US. The next events are a meeting of lead negotiators in Japan in July and a meeting of trade ministers in Vietnam in November at the time of the APEC forum.

- [Read CAFTA’s statement](#) on the House Standing Committee on International Trade report on the TPP

NAFTA renegotiation: where are we at right now?

In late April, it was reported that US President Donald Trump was considering an executive order to withdraw the United States from the North American Free Trade Agreement. Following heavy criticism and phone calls with Prime Minister Trudeau and Mexico President Nieto, President Trump stated that the US will “give renegotiation a good, strong shot” before terminating involvement in NAFTA. This process officially began on May 18th when the Administration notified the United States Congress of its intent to renegotiate NAFTA. This triggered a 90-day period of consultations. Negotiations are expected to begin in September or even late August.

Canada began its own public consultation process on June 3rd by calling for the views of Canadians regarding the scope of the renegotiation and modernization of NAFTA. Within a few days of Canada’s consultation period ending on July 18th, and not less than 30 days prior to the end of their 90-day consultation period, the U.S. administration will publish a detailed summary of its objectives for the negotiations. Both U.S and Mexican administrations are intent on having negotiations completed by early 2018, ahead of Mexican federal elections and in advance of U.S. midterm elections in 2018. However, some see this target as highly ambitious and that negotiations of this scale and importance cannot be expected to be completed in a few months.

- [Read CAFTA’s statement](#) for the House Standing Committee on International Trade for their Study on Bilateral and Trilateral Trade in North America

Prior to declaring that the U.S. would give renegotiation a chance, U.S. agriculture organizations released press releases indicating their support for NAFTA and opposing withdrawing. [National Corn Growers Association](#), the [American Soybean Association](#), and [US Wheat Associates and National Association of Wheat Growers](#) each released statements, which highlight that our U.S. counterparts value the Canada-U.S. relationship and NAFTA. The [National Pork Producers Council](#) (NPPC) also issued a strong statement in support of NAFTA, stating that, “[NAFTA] has been a tremendous success for the U.S. pork industry.” Following the start of the US consultation period, the NPPC released their white paper [Modernizing NAFTA and Safeguarding U.S. Interests](#), supporting NAFTA and highlighting that withdrawing from NAFTA would lead to an aggregate loss of \$1.7 billion to the pork industry.

CAFTA remains actively engaged with negotiators from Global Affairs Canada and Agriculture and Agri-Food Canada and continues to work to convey the importance of the US-Canada bilateral agriculture trading relationship.



Canadian Cattlemen’s Association and Colleagues Urge to Leave Fully in Place NAFTA Beef Terms

The Canadian Cattlemen’s Association, a CAFTA member, Confederación Nacional de Organizaciones Ganaderas, and National Cattlemen’s Beef Association released a [joint statement](#) May 18th which urges NAFTA leaders to keep current terms affecting cattle producers should not be altered. In addition, while the organizations agreed some parts of the NAFTA trade framework can be improved, all parties have enjoyed the benefits of “market-based demand for beef, live cattle and genetics.” The joint statement also specifically warns against country-of-origin labeling (COOL), which cost the United States, Mexico, and Canada millions in resources and caused massive disruptions in trade. In a positive sign against COOL, U.S. Agriculture Secretary Sonny Perdue said, “[In my opinion, COOL is a settled issue.](#)”

Cross Border Grains Concerns

Grain issues have not made the headlines when NAFTA concerns and renegotiation are in the news. However, industry, including farmers, is concerned that parts of the *Canada Grain Act* may cause problems in bilateral wheat trade. Many changes have been made to the Canadian regulatory environment for grain in the last ten years (e.g., changes that allow U.S. developed varieties to be registered in Canada, wheat and barley marketing liberalization). While the primary focus has been improving the income of Canadian farmers, these changes have also removed long-standing border irritants. But there is more that can be done.

Currently, U.S. farmers can only receive a grade of “feed” if they choose to deliver to a Canadian elevator, even if the variety they are delivering has been registered in Canada. This may not appear to be a big issue to those north of the border as companies do not need to use the Canadian grade to pay the U.S. farmer for the quality specifications they deliver. But the issue has received high level attention in the U.S. For example, the U.S. Senate has recently passed a resolution calling out the Canadian regulations as unfair treatment. There is widespread support within the industry to adjust the *Canada Grain Act* to remove this anomaly and ensure the free flow of wheat between Canada and the United States.”

Latest News

CAFTA Appears Before the House Committee on Agriculture

CAFTA Acting Executive Director Martin Rice appeared before the House of Commons Standing Committee on Agriculture and Agri-Food to provide CAFTA members’ priorities concerning non-tariff barriers for agricultural products and free trade agreements. Rice emphasized the importance of addressing technical barriers to trade, as notifications under the WTO’s Agreement on Technical Barriers to Trade (TBT) have more than tripled in the past twenty years. Rice continued by explaining the impact of non-tariff barriers on trade, with some agri-food exporters facing the equivalent of a tariff of 25-30 percent in Asia, and 30-40 percent in Europe.

CAFTA’s [statement](#) and recommendations regarding non-tariff barriers include committing parties in trade agreements to science-based, transparent, predictable and timely regulatory approval processes, begin discussions on regulatory requirements for agri-food export products early in free trade negotiations, and cooperation between trade partners in regulatory standards and approval processes should be encouraged in free trade agreements.

CAFTA and Canadian Agri-Food Exporters Advocate for Free Trade with China

The Canadian Agri-Food Trade Alliance (CAFTA) [urged](#) the federal government to pursue a free trade agreement with China to significantly boost the current \$5.6 billion in agri-food exports shipped annually to the Asian economic powerhouse. China is Canada's second largest two-way trading partner after the U.S. and Ottawa just wrapped up public consultations about the potential for a trade agreement. CAFTA President Brian Innes said, "It's hard to see how we could reach \$75 billion by 2025 in exports without an agreement with China," referring to the target for annual agri-food exports set by the federal government in Budget 2017.

In its submission to the federal government, CAFTA sought the elimination of Chinese tariffs on agri-food products, which are nearly double those applied to other goods. It also noted how including mechanisms to address non-tariff barriers such as the inconsistent application of regulations, slow customs administration and the discriminatory application of China's Value-Added Tax on imported goods.

- [Read CAFTA's policy paper](#) on China entitled "Chasing China: A Policy Paper on Expanding Canada's Agriculture and Agri-Food Exports to China."

In case you missed it

Canadian Processed Food Surplus in 2016: Canada has had a trade deficit in packaged processed foods for many years, but this was reversed in 2016. Kevin Grier Market Analysis and Consulting believes that the depreciation of the Canadian dollar played a significant role in contributing to a processed food trade surplus with the United States. The weak dollar helped Canadian exports become more competitive and made imports in Canada more expensive due to increased shipping costs.

[US President Trump signs Executive Order: Addressing Trade Agreement Violations and Abuses:](#)

Instead of signing an executive order withdrawing the United States from NAFTA, President Trump signed an executive order, which calls for a review of U.S. FTAs, including NAFTA and the World Trade Organization. In particular, it calls for the consideration of renegotiating any deal to eliminate violations and abuses. In total, the review will examine FTAs with 20 states in addition to its WTO agreement, with recommendations due in 180 days. The review will be due no later than October 26, 2017.

[US Vice President Mike Pence hints at possible US-Japan bilateral free trade agreement](#)

[US has begun preliminary trade talks with multiple countries in Asia as alternative to TPP](#)

[Canadian government have revived efforts to negotiate a free trade agreement with MERCOSUR](#)

[Agri-Food and Agriculture is identified as a promising sector in a potential Canada-ASEAN FTA](#)

[Social and environmental issues and rights are increasingly becoming included into FTA negotiations](#)

[A crackdown on bovine slaughter in India could lead to significant disruptions in the global meat trade](#)

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