Canadian agri-food exporters welcome efforts to build trade with China

Ottawa, ON – December 4, 2017 – Today Prime Minister Trudeau met with Premier Li Keqiang in Beijing to discuss improved trade relations between Canada and China. The Canadian Agri-Food Trade Alliance (CAFTA) sees Canada's high-level engagement with China as helpful for the farmers, processors and agri-food exporters who are focused on growth.

"Canada needs to be more engaged with China, not less," says CAFTA President Brian Innes. "We're encouraged that discussions on a free trade agreement with China are continuing."

Exploratory discussions on a potential agreement began in September, 2016 and Ottawa recently wrapped up public consultations. CAFTA provided a detailed submission about how better access to world's second largest economy will help grow agri-food exports, representing members that account for over 90 per cent of Canada's agriculture and agri-food exports which in 2016 exceeded $55 billion.

"A better trade relationship with China will help us achieve the government's target of $75 billion in agri-food exports," says Innes. "It's hard to see how we can achieve this goal without eliminating the tariffs and other barriers facing our exports to China."

China is Canada's second largest two-way trading partner after the U.S., and Canadian agri-food exports are among the highest in value at $6 billion annually. This trade occurs despite tariffs on agri-food products that are nearly double those applied to other goods.

While China has a strong focus on food self-sufficiency in some areas, it has become a dominant buyer in others and its increasing wealth will grow demand in the future. An agreement that eliminates tariffs and addresses non-tariff barriers would help Canadian exporters be competitive and grow exports.

"Our success in China depends in large part on how well Canada opens doors in this market," says Innes.

China has already shown its willingness to embrace freer trade in agri-food with countries like New Zealand and Chile, and the rewards have proven substantial. New Zealand tripled its agri-food exports after concluding an FTA with China in 2008. China also concluded a free trade agreement with the Association of Southeast Asian Nations (ASEAN) that includes Vietnam, Malaysia and Indonesia. China is currently in active negotiations with Japan and the Republic of Korea for a trilateral free trade agreement and is part of the Regional Comprehensive Economic Partnership (RCEP), a massive regional economic agreement being negotiated between ASEAN and Australia, China, India, Japan, New Zealand and South Korea.

CAFTA is concerned that Canada will be left behind if it doesn't step up the pace of its negotiations. While Ottawa is currently engaged in a number of trade negotiations, including NAFTA and the TPP11, Australia concluded three free trade deals in one year, including its deal with China.

"China is poised to become the world's largest agri-food importer by 2020, that's something we should be paying attention to," says Innes. "We're in a perfect position to help meet China's needs, which will be a real boon to jobs and the economy here at home."

Innes cautioned that discussions with China are not a substitute for reaching an agreement on the Progressive and Comprehensive Trans-Pacific Partnership, and that Canada should be leading the charge to conclude that agreement, particularly in light of Japan's involvement. Japan is Canada's third-largest overseas market and competitors like Australia and Chile already have free trade deals there. The Japanese-EU Economic Partnership Agreement was also recently concluded – it will slash 85 per cent of Japanese tariffs on European agriculture and food products when it comes into force.

For further information, contact:
Claire Citeau
Executive Director, CAFTA
cciteau@cafta.org 613-560-0500

About CAFTA

CAFTA is the voice of Canadian agriculture and agri-food exporters. CAFTA members represent over 90 per cent of Canada's agriculture and agri-food exports, more than $55 billion in exports annually. The economic activity created by CAFTA members supports about a million jobs in agriculture and food manufacturing. A significant portion of these jobs would not exist without competitive access to world markets. CAFTA members represent farmers, producers, processors and exporters from the trade dependent sectors including the beef, pork, grains, oilseeds, sugar, pulse, soy and malt, sugar and processed food sectors. www.cafta.org

BACKGROUND:

In its submission to the federal government, CAFTA sought the elimination of Chinese tariffs on agri-food products, tariffs that 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.

In February 2017, CAFTA released a policy paper entitled 'Chasing China'. Some of the highlights are:

- In 2015, Canada's agri-food and seafood exports to China represented 10 per cent of our total agri-food exports. These grew 10 per cent between 2013 and 2014 and have averaged 13 per cent annual growth over the last decade – as compared to the three per cent annual average overall growth in this category.

- In many commodities, such as oilseeds and sugar, Chinese production can't keep up with demand. Tariff elimination and/or tariff quota expansion would provide an opportunity for the Canadian industry to meet that demand.

- In the case of wheat, which is subject to a Tariff Rate Quota (TRQ), any steps to encourage China to increase its TRQ fill rate (which is currently at just nine per cent), could increase Canada's exports of that product.

- Addressing non-tariff barriers, like inconsistent regulations and testing, and encouraging the Chinese to meet internationally recognized standards, could reduce export costs and expand trade for some sectors, especially pork and beef.

- Improving the customs administration process could greatly reduce costs and improve predictability for exporters.

Suite 1207, 350 Sparks Street Ottawa, Ontario K1R 7S8 T 613.560.0500 F 613.233.2860 CAFTA.ORG