

CAFTA Trade Insights

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

Year in Review

With this special edition, CAFTA published a [month-by-month Report Card on trade for 2017](#). Below is a summary.

Trade has never been more talked about than in 2017. Much of the talk was prompted by the protectionist rhetoric coming from south of the border. The most notable effects of this on Canada have been the US withdrawal from the Trans-Pacific Partnership (TPP) and the start of North American Free Trade Agreement (NAFTA) renegotiations.

However, the protectionist speech has been met with strong resistance from the defenders of free trade. Most important for Canada, was the rise of a 'diversification imperative' to look to other markets for expansion. In the face of uncertainty, now is the time to diversify our markets to obtain better market access. 2017 was a year of both hope and concern for the prospects of agriculture and agri-food trade.

The Government of Canada acknowledged the importance of our agriculture and agri-food exports in its 2017 Budget goal to grow them to \$75 billion by 2025. In particular, agriculture and agri-food was highlighted as a key sector for future growth and job creation, built upon growth of an astonishing 103 per cent in the sector over the last 10 years. Central to achieving this goal of \$75 billion will be to expand markets for agriculture and food products and eliminating tariffs and non-tariff barriers through free trade agreements (FTA) such as the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) and a Canada-China FTA.

The year began with US President Donald Trump signing an executive order to withdraw from the original TPP. This left the remaining 11 countries (Japan, Malaysia, Vietnam, Singapore, Brunei, Australia, New Zealand, Canada, Mexico, Chile, and Peru) to ascertain if the agreement could be saved. In no small part due to Japan's insistence to continue with the TPP, it was salvaged and appears to have a future.

On the margins of the Asian-Pacific Economic Co-operation Leaders' Summit, leaders of the 11 remaining countries agreed to the core elements of the TPP, now called the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). CAFTA welcomed the progress made and urged Canada to maintain the momentum by taking a leadership role to secure a deal with the remaining 11 countries. CAFTA remains concerned regarding reports in December that Japan may push to move forward with the CPTPP without Canada.

The passage and subsequent provisional application of the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) was a landmark moment for Canada's agri-food sector. CAFTA participated in the launch event with Canada's Trade Minister marking the provisional application of the agreement. While CETA brings positive benefits, the results will not be immediate for all agri-food sectors. CAFTA urged the government to resolve the outstanding issues of the agreement including those in meat processing protocols, crop production products, and the timely approval of biotechnology traits. Recent protectionist measures from some EU Member States under the guise of country of origin labelling are especially concerning, because they go against the spirit of CETA.

NAFTA renegotiations began this year amid threats by the US to withdraw from the agreement entirely. The US has long been Canada's single largest trading partner, with 53 per cent of Canadian agriculture and food exports going south of the border in 2016. The liberalized trade conditions brought by NAFTA have been an incredible success for Canadian and North American agriculture, which has allowed all three countries to develop highlight coordinated and productive supply chains. There is an enormous potential to improve on the existing regulatory conditions and to make trade in North America easier for agri-food exporters. However, as talks became increasingly acrimonious, Canadian Minister of Foreign Affairs Chrystia Freeland said, "We have seen proposals that would turn back the clock on 23 years of predictability, openness and collaboration under NAFTA."

Consultations and exploratory discussions regarding multiple possible FTAs were conducted throughout the year. Most notable was with China. CAFTA urged the federal government to pursue a deal with China, which accounted for \$6 billion in Canadian agriculture and agri-food exports in 2016. CAFTA also released a comprehensive report entitled "Chasing China - Expanding Canada's Agri-Food Exports to China," which outlines the barriers and opportunities for supplying the growing Chinese appetite for healthy, safe Canadian food. Improving trade relations between Canada and China was a major component of Prime Minister Trudeau's visit to China in December. Canada has also begun exploratory talks with the Association of South East Asian Nations (ASEAN).

Looking forward to 2018

Canada's trade agenda is at a critical juncture. We cannot afford another situation like South Korea, in which competitors beat Canada in achieving preferential market access and cost us half a billion dollars. Amid the uncertainty, Canada must make some progress in the Asia-Pacific region to meet the federal government's \$75 billion goal in agri-food exports. Canada's first trade move in the New Year must be to finalize the CPTPP and implement it without delay.



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Trade Updates

CAFTA at NAFTA Intersessional Round

CAFTA travelled to Washington DC for the NAFTA intersessional round. While in Washington, CAFTA met with counterparts and industry stakeholders to advocate for Canadian agri-food exporters and the need to pursue a “do no harm” approach in the NAFTA negotiations. The mood during the talks was described as “flat” as negotiators largely addressed technical issues and worked to find solutions to present to ministers in January at the Montreal round of negotiations.

Threats to withdraw from the agreement by the US continue and are causing anxiety amongst exporters from all three countries.

Comprehensive and Progressive Trans-Pacific Partnership (CPTPP)

Increasing coverage has indicated that Japan has raised the possibility of a CPTPP without Canada. Reports have indicated that because of apprehensions expressed by Prime Minister Trudeau concerning certain industries, there remains a need for clarification on what is wanted. Negotiators are set to meet in January to finalize the text of the CPTPP, which is expected to be based on the articles agreed upon at the APEC Summit. Reports indicate that Japan has begun to make final arrangements to hold a signing ceremony in Chile in late February or early March.

Canada being left out of the CPTPP would be disastrous for Canadian agri-food exporters. Japan is Canada’s third largest export market for agri-food products, which amounted to just over \$3.9 billion in 2016. If competitive market access is not gained, Canada’s strength in the Japanese market can be expected to weaken with the coming European Union and Japan Economic Partnership Agreement (EPA).

World Trade Organization (WTO) Eleventh Ministerial Conference

The Eleventh Ministerial Conference (MC11) took place from December 11 to 13 in Buenos Aires, Argentina. The Cairns Group met for its 40th ministerial meeting in the lead up to the meeting and issued a statement addressing trade reform in the agricultural sector. The statement called for World Trade Organization (WTO) Member States to work towards market access reform. CAFTA’s Special Envoy attended the conference to represent CAFTA members. No substantive agreement was reached to address agriculture.

Canadian representatives joined over 40 ministers, accounting for approximately one-fourth of the total Member States of WTO, to issue a joint statement affirming support for the WTO. Other signatories of the agreement included Australia, China, Israel, and New Zealand. In the statement, ministers voiced their strong support for the WTO and reaffirmed the principles of the Marrakesh Agreement establishing the WTO. Further, the statement upholds the role of the WTO in ensuring the strength and stability of the global economy.

- Read the full Joint Ministerial Statement [here](#).



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On the Hill

CAFTA remained active meeting with Members of Parliament in December before the House adjourned for the year.

CAFTA will continue meeting with Members of Parliament and Government of Canada officials in 2018 to advocate for Canadian agriculture and agri-food exporters.

Other News

EU-Japan Economic Partnership Agreement (EPA)

The European Union and Japan announced on December 8th that discussions for the EU-Japan EPA have concluded. Due in part to Japan retaining high tariffs in certain important areas such as agriculture and processed foods, negotiations towards the EPA faced some obstacles, particularly in areas of agriculture, market access and non-tariff measures. Despite the obstacles, progress was made in addressing non-tariff measures, including in food additives. The EPA reduces tariffs on many products including agri-food products in addition to removing longstanding non-tariff measures and non-tariff barriers.

On entry into force of the EU-Japan EPA, 86 percent of Japanese tariff lines will be removed for European products, which will increase to 97 percent after 15 years. This will mean that in time, 85 percent of agri-food products from the EU will enter Japan duty-free, which corresponds to 87 percent of the current value of agricultural exports. European beef and pork exports will increase as a result of reduction of tariffs on both, with processed pork entering entirely duty free and fresh pork meat entering nearly duty free.

- Most of the concluded agreement can be read [here](#).

In case you missed it

[Japan pushes for March signing of TPP 11](#)

[Time to hit reset on Canadian trade negotiations with Asia](#)

[Canada's global trade strategy at critical juncture](#)

[Manley, CEOs urge Trudeau to join new U.S.-free Trans-Pacific Partnership](#)

[The EU has adopted increased controls on imports of certain feed and food of non-animal origin](#)

[India rejects move to include non-trade issues in WTO](#)

[Canada's trade woes set to carry into 2018](#) (CAFTA cited)

[Canada's Minister of Agriculture and Agri-Food to promote Trade and NAFTA at American Farm Bureau Federation Annual Convention in Tennessee](#)

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