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NAFTA Consultations
Global Affairs Canada
Trade Negotiations — North America (TNP)
Lester B. Pearson Building
125 Sussex Drive
Ottawa, Ontario
K1A 0G2

Email: NAFTA-Consultations-ALENA@international.gc.ca

The Canadian Agri-Food Trade Alliance (CAFTA) welcomes this opportunity to share our views on the renegotiation and modernization of the North American Free Trade Agreement which Canada entered into with the United States and Mexico in 1994. CAFTA strongly believes that the fair and open trade in agri-food products enabled by NAFTA should continue, and should not be encumbered by any new tariffs or non-tariff barriers. CAFTA also believes that there are opportunities to improve NAFTA to enable more fair and open trade. The current NAFTA renegotiation provides an excellent opportunity to pursue these objectives.

CAFTA is a coalition of organizations, all of whom seek a more open and fair international trading environment for Canada's agriculture and agri-food exports. Our members represent producers, processors and exporters from the beef, pork, meat, grains, canola, soybeans, cereals, pulses, as well as the sugar and malt industries.

Canada's agriculture and agri-food exports in 2016 reached \$56 billion in value, a new record. CAFTA's members speak for 90 percent of those sales, which directly and indirectly supports 940,000 jobs across Canada.

We export over half of the agri-food products that we grow. This makes Canada's agri-food sector one of the most trade-dependent in the world.

The agri-food sector was recognized in the 2017 federal budget due to its potential for growth and was set a target of \$75 billion in exports by 2025. Competitive access to international markets is critical to achieving that figure and a key component of the continued success of Canadian agriculture lies with preserving free trade within North America.

Liberalized trade conditions ushered in by NAFTA have been an incredible success for Canadian agriculture and indeed for agriculture throughout North America. Over the 25 plus years of NAFTA and the Canada-US trade agreement, Canada's agri-food exports have grown by more than fivefold, from under \$10 billion in 1988 to \$56 billion in 2016. Together, the United States and Mexico accounted for over half of these exports.

Canada is among the top five suppliers for almost all of the United States' key agri-food import categories¹, the two exceptions being beverages and edible fruits and nuts. In recent years, imports in all of these categories have increased steadily.

Comparatively, Mexico is Canada's fifth largest export market overall, and fourth largest agri-food export market. Canada is Mexico's second most important supplier of food after the United States. This amounts to just over \$2 billion of Canada's agri-food exports, accounting for almost 7 percent of Mexican food imports. Canada is a top supplier in nine of Mexico's top ten key agri-food import commodities.

NAFTA has been very good for the US and Mexico as well. Indeed, Canada's agri-food imports from the United States have grown more than six times. Canada is overall the primary agri-food export partner for the United States. The importance of Canada to U.S. agriculture is widespread; we are the main agricultural export market for twenty-nine of the fifty states. Since the adoption of NAFTA, US agri-food exports to Canada and Mexico have more than quadrupled from \$8.9 billion in 1994 to \$38.6 billion in 2015. Our agri-food imports from Mexico have increased more than tenfold over the period NAFTA has been in place, reaching more than \$2 billion in 2015. Both the United States and Mexico have a balanced trading relationship in agri-food with Canada.

NAFTA has encouraged highly coordinated supply chains spanning all three countries. All three countries take advantage of our strengths and are more competitive. For example, Canada exports live piglets to the United States where they are fed on locally grown corn and soybeans. Fresh meat is then imported into Canada and Mexico for processing and can then go on to be consumed in North America or around the world. The Standing House Committee on Agriculture and Agri-Food in their June 2017 report on Canada-United States Cooperation in Agriculture, notes that there is potential for even further cooperation in the agriculture and agri-food sectors. In the report, Canadian and US Livestock associations are highlighted as an example of the benefits that industry-level cooperation can bring. The collaboration between these groups allows for issues and trade irritants to be quickly addressed. In particular, the cooperation between these groups helped to resolve the trade dispute over country-of-origin labelling (COOL) for meat in the United States.

NAFTA has provided strong benefits for Canadian exporters and for companies operating across the region. Any renegotiation must maintain access that currently exists and not introduce any new tariffs or non-tariff barriers. However, this is not to say that NAFTA cannot be improved.

¹ The key agri-food import commodities include: 1. Beverages; 2. Fish and crustaceans; 3. Edible fruit and nuts; 4. Vegetables; 5. Meat and edible offal; 6. Spices, coffee and tea; 7. Preserved food; 8. Baking related goods; 9. Prepared meat and fish; and 10. Cocoa and cocoa preparations.



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We have identified several areas where improvements to NAFTA could enable further growth. Following are some examples.

For all agri-food products, greater regulatory alignment for crop and animal health products would provide equal access to these products and remove barriers to trade. This includes closer cooperation for product approvals, Maximum Residues Limits, new plant breeding techniques and policies that accommodate a low level presence of biotech crops.

Canadian food products generally do not have access to the vast US government procurement programs including military procurement and school-lunch programs. These programs generally require that the government procured or sponsored food be wholly produced in the United States. Obtaining access to such purchasing would be a major benefit for Canadian agriculture and food producers and should be a Canadian objective for the NAFTA negotiations.

For meat, despite Canada and the U.S. considering each other's systems equivalent, Canadian meat exports to the U.S. still have greater barriers to entry at the U.S. border than do U.S. meat exports to Canada. For example, after clearing U.S. Customs, Canadian meat exports are sent for a second inspection. And, as United States' consumers generally do not find Canadian beef grades meaningful, it would be commercially significant for Canadian beef packers to be able to utilize US grades on beef exported to the US.

For sugar, NAFTA did not liberalize trade for Canadian exports of sugar and sugar-containing products containing over 10 percent sugar. Canada remains subject to fixed and inflexible quotas that have resulted in a deterioration of export opportunities over time. Canada's competitive position in the region has also been reduced given Mexico's duty-free access to the U.S. for these products. In fact, this has been a major factor steering sugar-using food manufacturing away from Canada.

For canola, further processed products like margarine and shortening cannot be exported to the US without having tariffs applied. This should be fixed.

For wheat and barley, significant changes to the Canadian system over the last ten years have substantially addressed long standing U.S. concerns with cross border trade. While many concerns have been addressed, there are remnants of former systems in the Canada Grain Act. Industry supports the reintroduction of legislation to amend the Canada Grain Act so that Canadian grades can be given to wheat and barley varieties registered in Canada, no matter where they have been grown.

Also critical to many of these and other agriculture and agri-food sectors is the need for regulatory coherence and alignment. It is not enough to resolve disputes related to the trade agreement, but to ensure regulatory cooperation between states and sectors. Additional tests, reviews, approvals, or inspections when accessing markets negatively affects importers and exporters alike. Different regulations across borders can lead to increased costs, disrupt regional and global supply chains, and disproportionately affect small and medium-sized enterprises.

A modernized NAFTA agreement offers the opportunity for improved communication, alignment and cooperation among North American regulatory authorities. This outcome could



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be achieved by incorporating the Canada-US Regulatory Cooperation Council under NAFTA while improving the Council's overall capacity and scope. These efforts could also build on the success of existing initiatives, such as the NAFTA Technical Working Group on Pesticides.

Alignment is increasingly important for sanitary and phytosanitary (SPS) measures. These measures must be grounded in science and NAFTA members must adhere to policies developed by international bodies including the World Organisation for Animal Health (OIE), the International Plant Protection Convention and the Codex Alimentarius Commission.

Several outcomes of the TPP can serve as a template for an updated NAFTA, especially as it relates to SPS measures. A stronger science-based SPS framework will provide greater predictability and transparency for the developers and adopters of agricultural technologies. Alongside NAFTA renegotiation, we urge the Government of Canada to ratify the TPP to demonstrate support for this agreement, and to pursue TPP 11 in the absence of the United States. This will support continued diversification and export-led growth for Canadian businesses.

A final but absolutely critical point is in regards to dispute settlement. Given the North American economy has become substantially more integrated during the time NAFTA has been in effect, it is even more important that there continue to exist dispute settlement mechanisms which are seen by all parties to operate effectively and on a timely basis. We draw particular attention to issues arising from antidumping and countervailing duty investigations and we view it as essential to retain the existing provisions of the NAFTA Chapter 19 dispute settlement chapter which have been used in all three countries to effectively address disputes arising from trade remedy proceedings.

In closing, CAFTA appreciates this opportunity to comment on a renegotiation of the North American Free Trade Agreement and we look forward to helping to achieve outcomes which will further enhance North America's ability to be a preferred source of agriculture and agri-food products to customers around the world.

Sincerely,

Brian Innes
President