

CAFTA Trade Insights

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

Year in Review

In looking at 2018, Canadian agri-food exporters saw significant improvements over the course of the year towards improved market access in key international markets. These improvements are designed to retain access to important existing trade partners, such as Japan, as well as acquiring access to several new, emerging export markets. Market access and free trade agreements (FTAs) remain critical to achieving the Government of Canada's goal of \$75 billion in agri-food exports by 2025.

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

There were serious concerns at the beginning of 2018 that Canada would not be part of the new Pacific trade agreement. As a response, CAFTA undertook intensive efforts throughout the year to raise awareness of the monumental importance of the CPTPP to Canadian agri-food exporters. Such efforts included letters, statements, presentations before parliamentary committees, press conferences, and numerous meetings between CAFTA and its members with Members of Parliament and Senators. One of the key messages was the potential economic disaster of losing competitive access to the critical Japanese market and missing out on the opportunity to gain entry to Malaysia and Vietnam. Failure of Canada to join the pact would have put billions of dollars in agri-food exports at risk at a time when Canada's agri-food sector needed, and continues to need, stability and access to new markets.

The 23rd of January will be a day to remember as it was announced in Tokyo, Japan, that all 11 countries, including Canada, had successfully concluded an agreement for the CPTPP. The partnership included all tariff reductions and goods market access of the original TPP agreement, which included the United States. The CPTPP, which came about after the U.S. withdrew from the TPP in early 2017, now provides Canada with important advantages over the U.S., a top Canadian agri-food export competitor, in key agri-food export markets.

Given the concerns with which the year began, CAFTA and its members were extremely pleased when the Parliament of Canada swiftly passed legislation to ratify the CPTPP, which allowed Canada to become the fifth country to ratify the agreement on Oct. 29, 2018. Canada was followed two days later by Australia, enabling the CPTPP to come into force on Dec. 30, 2018. CAFTA estimates that the CPTPP, when fully implemented, will result in an increase in Canadian agri-food exports of up to \$2 billion.

Canada–United States–Mexico Agreement (CUSMA)

The Canada–United States–Mexico Agreement (CUSMA) was also completed in 2018. CAFTA and member representatives attended each round of NAFTA modernization talks. Advocacy efforts included roundtables, news conferences, and promotional events organized by industry of all three countries to highlight the agreement's benefits for agri-food exporters.

After more than a year of negotiations, an agreement was announced Sept. 30, 2018. CAFTA was very pleased that the CUSMA will continue the tariff-free access which existed under NAFTA, in addition to other

important provisions of the original agreement. In particular, the new agreement retains the Chapter 19 dispute settlement mechanism.

China

In November 2018, Finance Minister Bill Morneau and International Trade Diversification Minister Jim Carr travelled to China to co-chair the Canada–China Economic and Financial Strategic Dialogue. At the meeting, representatives agreed to double agricultural trade by 2025 and maintain exploration of a potential comprehensive trade agreement in the future.

CAFTA has long advocated for an FTA with China, highlighted by [Chasing China: A Policy Paper on Expanding Canada’s Agriculture and Agri-Food Exports to China](#). Although negotiations were not launched for an FTA, CAFTA supports efforts to progress the economic and trade relationship between Canada and China. China is one of the largest international markets for agri-food products. In 2017, Canada exported more than \$7 billion in agri-food products to China, which was a 20 per cent increase over 2016. China is a critical market for Canada to achieve the federal government’s goal of \$75 billion in agri-food exports by 2025. As CAFTA president Brian Innes stated, [“It’s hard to see how we can achieve this goal without eliminating the tariffs and other barriers facing our exports to China.”](#)

World Trade Organization (WTO) Reform Initiative

The WTO’s rules and agreements underpin the global trading system, which is why agri-food exporters have a major interest in the long-term health of the organization. The WTO is the basis for achieving levels of fairness and predictability that are required to build confidence in support of international trade.

Minister of International Trade Diversification Jim Carr hosted a meeting of 12 WTO members at the Ottawa Ministerial on WTO Reform in October 2018. Those who joined Canada at the meeting included Australia, Brazil, Chile, the EU, Japan, Kenya, Korea, Mexico, New Zealand, Norway, Singapore, and Switzerland. Three primary themes of the meeting were actions to improve the efficiency and effectiveness of the WTO, safeguarding and strengthening dispute settlement systems, and re-invigorating the WTO’s negotiating function.

CAFTA and its Members discussed and presented suggestions for how the WTO may operate more effectively in meetings with senior federal officials. CAFTA will stay in close contact with this initiative as it develops in 2019.

Canada–EU Comprehensive Economic and Trade Agreement (CETA)

CETA has been provisionally applied since September 2017, eliminating immediately 94 per cent of EU agricultural import tariffs. However, significant barriers remain to realize its full potential for export growth. CAFTA played a very active role in CETA negotiations by being present at rounds to liaise with public and private sector stakeholders in the European Union consult on agri-food exports and supported ratification of the deal in Canada at both provincial and federal levels in Canada.

CAFTA remains supportive of CETA but is disappointed with the emergence of technical constraints, which is taking considerable time to be addressed. In addition, CAFTA is very concerned about the surprising lack of EU control over protectionist measures in Italy, where new non-tariff trade barriers have been implemented to show country-of-origin-labeling on durum wheat. Many in Canada’s agri-food export value chain fear this will continue to depress exports to Italy. In the 2017/18 crop year, for most of which CETA was in effect,



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Canada's exports of durum wheat to Italy fell to just over one-third of what they had averaged over the previous five years.

The CETA system of specialized committees is being closely monitored by CAFTA for opportunities to address Canadian agri-food export access issues. CAFTA will look for where the new federal Export Diversification Strategy may help address outstanding technical and non-tariff trade barriers to realize the expected potential of CETA.

Canada's new Export Diversification Strategy

The Government of Canada announced the creation of its Export Diversification Strategy in the November 2018 Fall Economic Statement. The Strategy seeks to make Canada the world's most globally connected economy and specifically allocates \$25 million to enhance federal capacity to address situations constraining Canadian agri-food exports. CAFTA welcomes the initiative and the strategy to support exporters seeking to take advantage of FTAs and new markets. CAFTA will work to ensure Canadian agri-food exporters may benefit from the new funds.

What's on CAFTA's agenda for 2019?

CAFTA expects less negotiations in 2019 and an increased attention on ratification and implementation of agreements. These efforts help ensure that Canadian agri-food exports receive the attention they deserve, given the sector's \$60 billion contribution to Canada's merchandise exports, nearly triple what it was 20 years ago.

Such efforts will include the ratification of CUSMA, support for Canadian agri-food exporters to resolve ongoing CETA non-tariff trade barriers, promotion of CPTPP expansion to other countries, support for the federal government's follow-up on the economic dialogue with China to double agri-food trade by 2025, and how to achieve successful and effective WTO reform.

CAFTA remains engaged in ongoing FTA negotiations to support improved access to market. Ongoing talks include India, the Pacific Alliance, Mercosur as well as potential talks with the Association of Southeast Asian Nations.

CAFTA is closely following developments with Brexit and the potential for the United Kingdom to pursue a bilateral FTA with Canada if it leaves the EU, as expected, on March 31.

Overall, 2019 promises to be a busy year for CAFTA in its mission to support the one million-plus individuals the organization represents to pursue a more open and fair international trading environment for agri-food exporters.

Trade updates

Comprehensive and Progressive Trans-Pacific Partnership (CPTPP)

CAFTA is pleased that Canada has joined Australia, Brunei, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam, as the historic CPTPP enters into force. The CPTPP entered into force Dec. 30, 2018, which brought in the first round of tariff cuts, followed by a second round on Jan. 1, 2019. The CPTPP provides Canada significant export diversification opportunities to several fast-growing and important economies.



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CAFTA and members have strongly supported the agreement and has been many years in the making. CAFTA president Brian Innes said, “Agreements like this take many years and the leadership of many people. The CPTPP coming into force is an event built from thousands of hours of engagement by CAFTA and its Members—it’s a day for all of us to celebrate how sustained engagement can produce opportunity.”

The first CPTPP commission met in Tokyo, Japan on Jan. 19. Canada’s Minister of International Trade Diversification Jim Carr attended the meeting where he and other ministers reaffirmed the importance of promoting free trade and integration in the Asia-Pacific region. On the conclusion of the meeting, the Commission adopted a [joint statement](#) and decisions on the [administration for implementation of the CPTPP](#), [accession process of new economies joining the CPTPP](#), [procedures for dispute settlement panels](#), and [code of conduct for investor-state dispute settlement](#).

- Read CAFTA’s statement about the CPTPP coming into force [here](#)

On the Hill

- Parliament will resume sitting Jan. 28, 2019. CAFTA looks forward to the New Year and engaging with MPs and Senators on the importance of exports to Canadian farmers, ranchers, and food processors in rural and urban communities across Canada.

Other news

International Trade Diversification Minister to reconvene WTO reform initiative group at Davos

Following his trip to the inaugural meeting of the CPTPP Commission, Minister of International Trade Diversification Jim Carr will attend the World Economic Forum in Davos, Switzerland, from Jan. 22-25. The World Economic Forum is a meeting of global leaders in both the public and private sectors to collaborate on activities. At the meeting, Minister Carr will advocate for the reform of the international rules-based trading system and promote efforts to build a resilient economy through inclusivity and diversified trade.

In addition, as a follow-up to the Ottawa Ministerial on WTO Reform in October 2018, Minister Jim Carr will reconvene the countries that attended to review the progress made and discuss the next steps to strengthen and modernize the WTO.

In case you missed it

[Israel and Japan in talks to enter a free trade agreement](#)

[New Zealand signs post-Brexit recognition agreement with UK](#)

[Pacific Rim trade deal enters into force with steep tariff cuts for six nations](#)

[Preparing for the worst: Britons stockpile food in case Brexit causes shortages](#)

[USDA reopens many Farm Service Agency offices for 3 days to help farmers amid shutdown](#)

[U.S. President Donald Trump reopens door to TPP participation, Asia reset](#)

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