



CAFTA ACCA

Canadian Agri-Food Trade Alliance | Alliance canadienne du commerce agroalimentaire

Canada-ASEAN Free Trade Agreement

Background

The Association of Southeast Asian Nations (ASEAN) is a regional bloc in Southeast Asia comprised of Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam. ASEAN is a major economic presence in Asia with a combined GDP of US\$2.8 trillion and is projected to rank as the fourth largest economy by 2050 with a population of 643 million.

In 2017, Canada and ASEAN launched exploratory discussions to examine the potential for a Canada-ASEAN free trade agreement (FTA). Of ASEAN members, Brunei, Malaysia, Singapore, and Vietnam are also signatories of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). An FTA with ASEAN would expand upon the access and gains of the CPTPP to include such major markets as Indonesia and Philippines, both major agri-food export markets for Canada. On September 1, Canada launched a public consultation period to hear from stakeholders regarding the potential FTA with ASEAN.

Trade

Canada's total bilateral merchandise trade with ASEAN reached \$23.3 billion in 2017. Of this \$23.3 billion, \$6.5 billion were exports while \$16.8 billion were imports. As a group, ASEAN ranked as Canada's 6th largest trading partner in 2017.¹ Some estimates project that a Canada-ASEAN FTA could generate between \$4.8-10.9 billion in additional bilateral trade that would benefit a wide range of industries.²

In 2017, Canada's total agri-food exports to ASEAN reached \$1.95 billion, a significant growth from the \$400 million in 2003. This makes ASEAN Canada's 4th largest market for agri-food goods, worth more than Mexico. Further, this makes Canada one of the top ten suppliers of agri-food products to the region. Conversely, the ASEAN region was also Canada's fourth-largest supplier of farm products in 2014, valued at \$1.7 billion.

Top Canadian agri-food exports to the ASEAN region include wheat, soybeans, pork, animal feed (prepared feed, MBM, canola meal, feed peas), canola oil, potatoes (frozen fries and fresh/chilled), and seafood. Canada agri-food imports products include seafood (shrimp/prawns, tunas); cocoa butter, fat and oils; rice; cashew nuts; palm oil; coconut oil; and coffee.

The Asia Pacific Foundation identifies agriculture and agri-food as one of five promising sectors in closer economic ties between Canada and ASEAN. A 2015 study commissioned by the High Commission of Canada to Singapore noted that a growing population and ongoing urbanization in the ASEAN region is

¹ Global Affairs Canada, 2018.

² Asia Pacific Foundation, *The ASEAN Advantage*, 2017, p. 4.



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driving the consumption of more and higher value agri-foods. Its growing middle class is developing a taste for Western cuisine and foods that have higher convenience and nutritional content. ASEAN's growing demand for agri-food products is outpacing the United States and the European Union. In 2015, Canadian agri-food exports to ASEAN member states increased by 42.3%, while to the United States they grew by 10.4%, and by 9% to the European Union.³

Canada is in a strong position to supply such in-demand farm products as grains, oilseeds, pulses, dairy products, meat. Quebec and Ontario are exclusive suppliers of non-genetically modified soybeans, which the global demand for is on the rise.

An Asia Pacific Foundation of Canada study noted that widespread reforms might be needed if agricultural exports between Canada and ASEAN are to grow. The study also highlighted a regional concern for food security, which maintains a level of protectionism for fisheries, forestry, and wildlife for long-term growth.⁴ In particular, more precise definitions of overlapping responsibilities of ministries, and expanded health and safety inspections.

Competition

As a bloc, ASEAN has five FTAs, including with some of Canada's top global agri-food competitors. ASEAN has FTAs with: China; India; Japan; and the Republic of Korea; and a joint FTA with Australia and New Zealand. ASEAN and Hong Kong also signed an FTA in 2017, which is to enter into force in January 2019. In addition to negotiating with Canada, ASEAN is currently in talks with the European Union and Eurasian Economic Union.

However, ASEAN-EU negotiations were suspended in 2009 after the two blocs disagreed on what kind of FTA to pursue. Whereas the EU sought to include such issues as labor, intellectual property, and climate change, ASEAN was apprehensive to focus on topics other than goods.⁵ However, ASEAN members of the CPTPP made some concessions in these areas, which led the Asia Pacific Foundation to say that the CPTPP should be used as the basis of a Canada-ASEAN FTA. In 2017, ASEAN and the EU restarted talks, with some reports saying their intent to finish negotiations by the end of 2018.

ASEAN is participating in the Regional Comprehensive Economic Partnership (RCEP) a regional FTA that includes ASEAN's existing FTA partners. Seven members of the RCEP are also members of the CPTPP. Although still under negotiation, if entered into force, the RCEP would account for 46% of the global population and worth 24% of global GDP, but would not include labor protection, human rights, or environmental issues like the CPTPP.⁶

³ Asia Pacific Foundation, *The ASEAN Advantage*, 2017, p. 44.

⁴ Asia Pacific Foundation, *The ASEAN Advantage*, 2017, p. 44.

⁵ Elms and Harithas, *Prospective for a Canada-ASEAN Free-Trade Agreement*, Asian Trade Centre, 2017.

⁶ "6 things to know about the trans-Pacific trade pact CPTPP," *The Straits Times*, 2018.