



CAFTA Trade Insights

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

CAFTA Attends Leader Luncheon Highlighting Canada-Japan Ties

CAFTA was among those invited to attend an exclusive luncheon hosted by Prime Minister Trudeau in honour of Japanese Prime Minister Shinzo Abe's visit to Canada last month. CAFTA was represented at the event by its Executive Director Claire Citeau.

Both leaders praised the ratification of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and spoke of the need to preserve a robust and rules-based global trading system.

Prime Minister Abe noted the CPTPP now allows Japanese consumers to benefit from "high-quality Canadian products in Japan," and "[a]s such we are happy to see the development of our bilateral relationship as well as partnership in various areas, including economic co-operation..."

Japan is currently the third largest agri-food market for Canadian exporters and the largest and most important in the CPTPP. Canada and Japan, along with Australia, Mexico, New Zealand, and Singapore, were among the first six countries to ratify the agreement.

Canadian Agri-Food Exports Soar to Record Levels in 2018

New data show that Canada's total agri-food exports reached a record high \$59.3 billion last year, a nearly 3 per cent gain over 2017 figures. The gains are being fueled by ever-increasing global demand for world-class Canadian products including in key markets such as the United States (a 3.5 per cent increase) and in China (a whopping 32 per cent increase).

Including the European Union (as a single market of 28-countries), Canada's top export markets for agri-food products are:

- ✓ United States (\$31.1 billion)
- ✓ China (\$9.3 billion)





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- ✓ Japan (\$4.3 billion)
- ✓ European Union (\$2.6 billion)
- ✓ Mexico (\$1.9 billion)
- ✓ Indonesia (\$744 million)

Leading exports include canola seeds (\$5.7 billion), Red spring wheat (\$3.7 billion), bread, pastry, cakes and similar baked products (\$2.3 billion), refined canola oil (\$1.8 billion), and soy beans (\$1.7 billion).

It's important to note that Canada's trade diversification agenda continues to be led by agri-food exporters. In the 4 months since the CPTPP entered into force, exports to Japan alone and across the wider CPTPP region are up by 13.5 per cent and 12.7 per cent respectively. Specific agri-food products leading the charge include oilseed products, (\$363 million), grain products (\$318 million), wheat (\$278 million), pork, (\$263 million), beef (\$66 million), pulses (\$28 million) and sugar containing products (\$9.5 million). CAFTA will continue to closely monitor exports to the CPTPP region.

Trade Updates

Canada-United States-Mexico Agreement (CUSMA)

The United States (US) International Trade Commission (ITC) released its economic impact report on CUSMA on April 18, 2019, as mandated by U.S. law. The release of the ITC report is part of the domestic processes in the US required to ratify and implement the agreement. The full ITC economic impact report can be read [here](#).

The CUSMA as it's called in Canada, was signed by the three parties on Nov. 30, 2018 and is intended to replace and modernize the original North American Free Trade Agreement (NAFTA).

However, all three countries still need to ratify and implement the agreement which will come into force the first day of the third month of all countries completing their respective ratification process.

In Mexico, where the pact is known as T-MEC, the process is straight forward and requires a simple majority vote in the Mexican Senate.

However, in the U.S., approving the agreement in Congress may prove difficult now that the Democratic party is in control of the House of Representatives. [Speaker of the House Nancy Pelosi has voiced concerns over the deal](#) making swift passage of the deal a potential challenge should it get caught up in political infighting.



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In Canada, legislation to ratify the agreement has yet to be tabled.

[Media reports](#) have stated Minister of Foreign Affairs Chrystia Freeland is linking Canada's ratification of the agreement to the lifting of the US-imposed tariffs that remain against Canadian steel and aluminum products. However, to prepare for ratification, the federal government has sought input from stakeholders concerning the tariff and related impacts of bringing the deal into force. Additional information about the public consultation can be found [here](#).

Once legislation has passed, a few other small steps will be required to officially ratify the deal. However, with Parliament expected to rise for the summer break in June, time is running out for legislation to be tabled and approved. While it is possible to reconvene the House during the recess, the timeline for ratification is complicated further by the looming federal election scheduled for October.

United Kingdom-Brexit and CETA Update

Following up on last month's Brexit and CETA update, the United Kingdom (UK) and European Union (EU) have agreed to extend the Brexit deal deadline to October 31, 2019. Flexibility remains on the extension should more time be required, as most UK and EU lawmakers share the desire to avoid the instability inherent in a "No Deal Brexit" scenario.

CETA will apply to the UK while it remains a member of the EU. CAFTA will continue to monitor events in Europe as they unfold. We remain in close contact with Government of Canada officials regarding implications for agri-food exporters.

Canada-Pacific Alliance FTA Negotiations

Global Affairs Canada recently unveiled its [Canada-Pacific Alliance website](#), amid current negotiations toward a potential FTA. In 2018, Canada exported \$3.2 billion in agri-food exports to the Pacific Alliance, a 4 per cent increase over 2017 – and could increase further with an FTA in place.

The House Standing Committee on International Trade [adopted its report](#) on a potential agreement between Canada and the Pacific Alliance on April 11, 2019 which will be presented to the House of Commons very soon.

- CAFTA's statement before the Committee on International Trade as part of the study of a Potential Agreement between Canada and the Pacific Alliance can be read [here](#).

On Parliament Hill

- Minister of Foreign Affairs Chrystia Freeland recently appeared before the Standing Senate Committee on Foreign Affairs and International Trade to speak on issues facing Canada. In her remarks, Minister Freeland stressed the importance of rules-based trade as a

motivating driver of peace – which she said was among the reasons why Canada is fighting for free and fair trade.

- The full transcript of Minister Freeland’s remarks can be read [here](#).



CAFTA Outreach

- CAFTA Executive Director Claire Citeau presented at the Conference Board of Canada’s Members Meeting on [Trade Diversification: Broadening Canada’s Reach](#). Citeau spoke on a panel about trade in Asia, with a special emphasis on the CPTPP, noting that for many Canadian agri-food exporters, the future of agri-food trade is in Asia.
- In May, Citeau will be speaking at Export Development Canada’s annual industry stakeholder meeting and APEX Leadership Symposium.

In Other News

United States and Japan begin Bilateral Trade Talks

The United States and Japan recently commenced the first round of negotiations toward a bilateral trade deal. [Reuters reports](#) that while no agreement was reached on individual issues, both countries discussed a range of topics including agriculture. The September 2018 [Joint Statement of the United States and Japan](#) stated the two countries would be negotiating towards a trade agreement on goods. [Media reports](#) indicate that Prime Minister Shinzo Abe has stressed such an agreement is not a free trade agreement and excludes investments and services.

United States wins WTO ruling against China

The United States won its second ruling in recent months against China on agricultural issues. The United States lodged the complaint against China in 2016 accusing China of incorrectly administering Tariff Rate Quotas (TRQ’s) on wheat, rice, and corn. The WTO dispute panel determined these TRQ’s violated its obligation to administer them in a “[transparent, predictable, and fair basis](#).” Canada was a third-party intervenor in both complaints against China, which allowed it to comment on the proceedings.

Further Reading

[Brexit delay give Canada, Britain more time to craft new trade deal](#)
[European companies quick to seize opportunities of new trade deal with Canada](#)
[Free Trade Agreement Canada and Mercosur – Part One: An Overview](#)
[Global trade growth loses momentum as trade tensions persist](#)
[Marrakesh milestone — 25th anniversary of the WTO’s founding agreements](#)

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