

GETTING AMBITIOUS AND UNLEASHING AGRI-FOOD TRADE TO POWER CANADA'S ECONOMIC RECOVERY



CAFTA'S IDEAS ON THE ROLE INTERNATIONAL TRADE CAN PLAY IN DRIVING JOB CREATION, FOOD SECURITY AND ECONOMIC GROWTH.

Throughout the global COVID-19 crisis, the agri-food sector has proven to be more than simply an essential industry; agri-food trade has demonstrated clearly that it is foundational to modern life in every corner of the globe. From providing a variety of plentiful, high-quality food to retailers and citizens, to providing feed and inputs to farmers and food manufacturers, agri-food trade has helped ensure grocery store shelves have remained stocked, food prices have not spiked and vital supply chains that underpin the production and transport of food have remained functioning. This has also protected jobs and helped keep economic activity flourishing at a time that has seen large segments of the economy shuttered for health and safety reasons. Simply put, the agri-food sector has helped provide stability to a world in chaos.

However, our sector has not been spared from the difficulties that have affected the economy in terms of additional costs, workforce availability, logistics, and disturbances in market performance. Above all, the biggest worry that remains is that governments around the world seize on the pandemic for political posturing or to impose an inward, nationalist and protectionist agenda. And agri-food is a sector that is often one of the most vulnerable to protectionism. According to the WTO, more than 97 governments around the world have introduced over 200 trade restrictions in recent months that have impacted global trade including agri-food. The proliferation of protectionism will exacerbate food insecurity, lead to price spikes, job losses and other negative economic consequences.

That is why it is crucial that Canada and its trading partners continue to recognize the need to keep borders open to agri-food and to strongly oppose protectionism. This includes ensuring efforts to modernize the World Trade Organization are successful, as the need for an effective rules-based global trading system has never been greater. It will also be important for Canada to have effective trade implementation and enforcement capacity so that agri-food exporters are able to truly take advantage of the agreements Canada has signed. Trade diversification and strengthening competitiveness must also continue to be a focus of Canadian lawmakers as our competitors

are constantly pursuing new market opportunities. Finally, in addition to drawing lessons from the current crisis and continuing to make reforms to various trade and customs procedures and processes permanent, we must recognize that Canada is an agriculture and agri-food powerhouse that can drive forward economic recovery.

In 2017, the Advisory Council on Economic Growth (also known as the Barton Report) recommended that Canada focus on a few core, high-potential sectors to move the Canadian economy forward. The Council urged the federal government to pilot this approach using the agri-food sector noting Canada already had a competitive advantage in producing, manufacturing and exporting a variety of high-quality agri-food products that were in demand around the world.

Setting ambitious targets would generate billions of dollars in benefits according to the Barton Report. However, the report also noted that global competition is increasingly fierce as "countries across Africa, Asia, Eastern Europe, and South America could emerge as new sources of agricultural exports". The report states bluntly that "Canada's agfood century will have to be earned." To do so, we must implement policies and pursue opportunities that will unleash the full potential of our sector which will benefit farmers, workers, businesses and families in every region of the country.

We believe the recommendations we're proposing will help Canada seize the global opportunity before us at a time when finding ways to create and protect jobs and grow the economy has never been more important. Agri-food exporters stand ready to work with the federal government to earn Canada's agfood century. It is time to get ambitious and unleash the prosperity generating power of Canada's world-class agriculture and agri-food sector.



Canadian Agri-Food
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MAXIMIZE CANADA'S TRADE ARCHITECTURE

Canada should maximize its existing trade infrastructure and leverage free trade agreements ratified in recent years and solidify access in key export markets. Canada is currently the only G7 country to have free trade agreements with all other G7 countries. There is an opportunity to re-orient focus of Canada's FTAs concluded in recent years to focus more on the implementation and "after care" of free trade agreements.

1. Conduct Strategic Review to Preserve and Enhance Access in Key Export Markets

Parliament should conduct a competitiveness study of the implementation of Canada's recent FTAs to identify opportunities to maximize benefits of trade agreements for agri-food and where implementation work remains.

- Work closely with industry to carefully monitor the full implementation of CUSMA to ensure North American supply chains remain competitive, including ways to maximize the benefits of the CUSMA for Canada's sugar and sugar-containing products sector.
- Expedite discussions with Europe to remove non-tariff barriers affecting beef, pork, durum wheat, canola, grains, sugar and processed foods so the CETA can deliver the commercially viable access for Canadian exporters the agri-food sector was promised.
- Promote the proper implementation of the CPTPP to ensure that rules are respected and address issues blocking access to the Vietnam market for Canadian grains
- Look at implementation and enforcement actions to take to help the sector regain competitive access to South Korea through the CKFTA, notably as technical issues affect Canadian beef exports.

2. Create a Chief of Trade Implementation (CTI) at Global Affairs Canada

Canada needs to be proactive, innovative, assertive and nimble in its response to the growing use of non-tariff barriers being used to block agriculture exports around the world, especially in markets where Canada has existing FTAs. With the world moving towards the enforcement of rules, Canada too should step up its response and work with industry to ensure agreements are implemented and enforced effectively.

- Global Affairs Canada should create the senior position of Chief of Trade Implementation (CTI) to ensure focus on implementation and better accountability and enforcement of Canada's FTAs for Canadian agri-food exporters.
- "FTA aftercare" must become more of a post-negotiations priority for government and industry stakeholders to ensure more accountability when it comes to ensuring trade commitments are respected. In turn, this will create increased transparency and better two-way dialogue between government and industry.
- Ultimately, the role of the CTI is to supervise and report

on the implementation and enforcement of Canada's FTAs for agri-food and strengthen our capacity to monitor and mobilize resources when commitments in FTAs are not respected.

- Our major trading partners (e.g. US and EU) have created similar proactive trade implementation and enforcement capacity precisely to ensure issues are addressed before they hinder trade and so that industry voices are better reflected in government policy- and decision-making. Canada must do the same.

3. Prioritize and accelerate trade diversification efforts in priority markets

Canada needs to take every opportunity to secure favorable terms of access to foreign markets including through new or expanding existing trade agreements. Resources are finite and must be allocated to the highest priorities and markets/regions that present the best opportunities for Canadian exporters, including:

- European Union
 - After almost 4 years of provisional implementation, call on France, Germany, Italy and other members' states that have not yet ratified the trade deal to do so at the earliest opportunity.
- United Kingdom
 - Ratify swiftly and implement the interim Canada – U.K Trade Continuity Agreement to provide predictability and stability.
 - Immediately launch negotiations of an ambitious, comprehensive and permanent bilateral pact that removes tariffs and non-tariff barriers, provides liberal rules of origin and creates a level playing that will enable increased trade and deliver commercially viable growth for agri-food.
- Asia Pacific and South Asia
 - Call on CPTPP signatories who have not yet ratified the trade deal to do so at the earliest opportunity.
 - Grow the CPTPP by bringing countries such as South Korea, Thailand, Indonesia, the Philippines and launch talks with the UK to join into the pact.
 - Launch FTA talks with ASEAN to help grow Canada's export footprint in the fast-growing Asia-Pacific region.
 - Launch FTA exploratory talks with Indonesia and other key trading partners in the region as a gateway to the ASEAN
 - Modernize the CKFTA to level the playing field for beef and seek same access than the US and Australia.
- Latin America
 - Conclude the Pacific Alliance FTA talks to level the playing field in Colombia for exports such as canola and pork and encourage the development of supply chains with the region

REINFORCE TRADE RELATIONSHIPS AND INCREASE CANADA'S INFLUENCE GLOBALLY

4. Uphold rules-based trade and safeguard the global trading system

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. Now more than ever, Canadian exporters need rules-based trade and a return to predictability, certainty and enforcement back in the WTO.

- Through the Ottawa group and other fora, accelerate efforts to reform and modernize the WTO so that it remains an effective organization at the forefront of the global trading system, notably:
 - Urgently step up work to fix the dispute resolution processes to ensure ongoing functionality
 - In parallel, encourage more WTO members to join the MPIA (interim appellate mechanism), notably large trading partners globally (Japan, G20 members, others)
 - Revitalize the multilateral negotiation process that have been stalled since Doha
 - Restructure the overall governance of the WTO
 - Set a work plan ahead of MC12 so the ministerial conference is a driving force and delivers real progress on agri-food trade liberalization, increase timeliness and transparency of notifications, tackle disciplining trade-distorting agriculture domestic support and advance a SPS Declaration to enhance the adherence to science based trade principles
 - Develop constructive and proactive engagement with agri-food exporters', notably through the Ottawa Group

5. Enhance trade engagements and solidify trade relationships

International relations have been tested. Rebuilding confidence require Canada to reinforce trade relations, reaffirm commitments to rules with trading partners and foster positive, long-term and mutually beneficial relationships with all key trading partners including China.

- Reinvigorate the Team Canada approach by bringing all key players and Cabinet Ministers to the table including the Ministers of International Trade, Foreign Affairs, Agriculture and Agri-Food Canada and Finance in a strategically coordinated manner. This group should work assertively to promote and defend Canada's trade interests for agri-food businesses and workers.
- Enhance advocacy capacity within the diplomatic network and Trade Commissioner Service to ensure officials have the tools, focus, strategy and information to proactively advance the interests of agri-food exporters in global priority markets. This is especially important in markets where significant challenges remain due to the persistence of technical barriers to trade or where the reputation of Canadian agri-food

sector and regulatory system is being undermined including in Asia and priority markets.

- In addition to the Ottawa Group and Cairns Group, build new coalitions and strategic alliances of agri-food exporters around the world to convene in serious discussions on WTO reforms, resolve to deliver concrete progress on stalled agriculture trade negotiations, and strengthen a more viable, durable multilateral trading system overall.

6. Encourage greater harmonization, adherence to international standards and better processes for global agri-food trade

- As global trade becomes increasingly interconnected through supply chains, free trade agreements and other linkages, the need for common rules and standards is vital to ensure a level playing field. For example, pushing for adherence to the sanitary and phytosanitary rules of trade under the World Trade Organization should be a priority. Canada should also seek fairer standards in the areas of food safety, animal welfare and protection of the environment, and continue to engage at the international level, through Codex Alimentarius, World Organization for Animal Health (OIE) and other agencies.
- The same standards must also be pursued to increase regulatory cooperation and harmonization across the board.
 - i. As an example: this spring as the EU 'Farm to Fork Strategy' was unveiled under the umbrella of the European Green Deal, it as included 2030 targets such as a mandatory front-of-pack labeling, origin for certain products and targets to cut the use of pesticides, fertilizers, antimicrobials among others. While we share the broad objectives underpinning these initiatives, we must work together to ensure implementing these policies do not further exacerbate existing barriers or create new ones that are not based on internationally agreed upon protocols and do not diverge from international guidelines.

7. Effectively remove rampant non-tariff barriers

- Over the past two decades, governments have introduced non-tariff measures at an alarming rate. While many of these regulations and technical measures are properly designed to address legitimate health and safety objectives, many others are deliberately imposed to thwart competition and protect domestic producers. The worst and most disruptive are the barriers thrown up without warning and often with little or no scientific rationale.
- Key examples include India, Peru and Vietnam not abiding by their WTO commitments which is harming Canadian grains and pulses exports to these markets.
 - o Both government and industry need to work closer together to become more proactive and effective in dealing with these issues. This will require a solid mechanism for constant monitoring and reporting of emerging trends on the ground as well as a regular government-industry dialogue and coordinated

action to prevent emerging challenges from becoming issues

8. Holding the line against protectionism

- We must be acknowledge and prepare for the fact that countries around the world have and will continued to use the current crisis to introduce new protectionist measures in the name of "security" that will harm and slow economic recovery. New barriers to trade will only set back food security, economic growth and exacerbate global trade challenges.
- The agri-food sector should be at the centre of Canada's economic recovery by taking concrete policy actions that demonstrate a clear commitment to free and open trade.
- Senior officials of all parties and policy- and decision-makers at all levels of government need to assertively resist and oppose protectionism in all its forms.

While outside of the traditional scope of CAFTA priorities, CAFTA members have commented on opportunities to strengthen the competitiveness of the agri-food sector at home directly impacting trade. These include:

- Work by federal and provincial governments to intensify efforts toward regulatory modernization and removing red tape. Various advisory bodies have made concrete recommendations to update domestic regulations and bring them in line with other jurisdictions and this work must be done.
- Setting new aspirations and growth targets for the sector by 2025: Canada is already well under way to reach the target of \$75 billion in export by 2025. Canada needs new and bold ambition. There is an opportunity to set more ambitious objectives including making Canada the world's second largest exporter of agri-food products by 2025. The government should work with industry to put words into action and deliver a plan to achieve targets.
- As the FAO, WTO and OECD joined forces to declare that international trade is central to the future of global agriculture and food. At home too, we must recognize international trade as essential to the future of agri-food and resilient supply chains and that the most important trade lesson to be drawn from COVID-19 is not that global supply chains need to be dismantled; it's that they need to be strengthened.

As such, government policies and actions should also reinforce a fundamental belief in unfettered and predictable trade now and for the future of agriculture and food.

CONCLUSION

It's time to recognize the agriculture and agri-food sector as the innovative, cutting-edge 21st sector it has become. Here in Canada, agri-food is not simply a means to feed ourselves and the world, but also a sector that fuels prosperity and the success of the Canadian economy across urban and rural areas. And the best way for Canada to succeed is to embrace the agri-food sector's role as a key driver of Canadian prosperity. But do to so, the sector needs to be supported by free and open trade and provided certainty and predictability that global trade will be rooted in science and rules. As economies here in Canada and around the world continued to combat

the spread of COVID-19 while also looking to support the economy, Canada should put agri-food at the centre of Canada's pandemic response and post-pandemic recovery. Despite our challenges, over the next 20 to 30 years, the global demand for agri-food products will continue to grow rapidly. Driven by population growth and rising incomes around the world, it is projected that agricultural demand in 2050 will be 50 per cent higher than it was in 2013. As the world's fifth largest agri-food exporter, this presents an immense global growth opportunity for Canada. Competition will be fierce, and we must recognize that unless we are leading the pack we are doomed to be left behind.

We have become an agri-food powerhouse precisely because we have specialized in making products that the world wants and needs. Harnessing the power of our sector to support Canadians now and into the future is one of the best ways to ensure we build a more prosperous and inclusive Canada. Our sector stands ready to work with the federal government to unleash its full potential. Doing so will ensure Canada emerges from this unprecedented crisis stronger than ever.

AGRICULTURE AND AGRI-FOOD: A KEY DRIVER OF JOBS AND PROSPERITY ACROSS URBAN AND RURAL CANADA

Last year, Canadian agri-food exports reached a record high of \$67 billion. **Driven by exports, the agri-food sector is growing faster than the rest of the Canadian economy.**

**\$95,5
BILLION**

In terms of GDP, Canadian agri-food exporters generate a direct and indirect economic impact of \$30 billion for agriculture and \$65.5 billion for food manufacturing annually.

According to the Government of Canada's own statistics, one in five Canadian jobs depends on exports. In agri-food, one in two jobs in the crop sector and one in four jobs in food manufacturing respectively depend on exports.



The food manufacturing industry alone is the largest manufacturing employer in Canada, responsible for more jobs than the automotive and aerospace industries combined.

Canadian agri-food exports support about a

MILLION JOBS

in agriculture and in food manufacturing
in every region of the country.