

REALIZING CANADA'S EXPORT POTENTIAL IN AN UNPREDICTABLE AND FIERCELY COMPETITIVE WORLD

The Priorities of Canada's
Agri-Food Exporters for
Canada's 43rd General Election



CAFTA ACCA

Canadian Agri-Food
Trade Alliance

Alliance canadienne
du commerce
agroalimentaire





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TABLES OF CONTENTS AND SUMMARY OF RECOMMENDATIONS

SETTING THE STAGE

PRESERVING AND ENHANCING ACCESS IN KEY EXPORT MARKETS

- CAFTA calls on the Canadian government to ensure the stability of trade in North America by ratifying and bringing CUSMA into force as quickly as possible.
- CAFTA calls on the government to monitor and proactively promote the proper implementation of the CPTPP to ensure that parties abide by their commitments and that rules agreed to under the agreement are respected in practice.
- CAFTA calls on the government to expedite discussions at the technical and political levels on CETA so the stated benefits of the agreement will deliver commercially viable access for Canadian agri-food exporters by addressing barriers affecting meat, durum wheat and biotech exports for example.

CREATING NEW EXPORT OPPORTUNITIES

- CAFTA calls on the government to foster positive, long-term and mutually beneficial relationships with China.
- CAFTA urges the Canadian government to encourage other countries to agree to the CPTPP's high standards by joining the pact. This includes the accession of the ASEAN members who are not yet members of the CPTPP, while launching free trade agreement (FTA) talks with the region.
- CAFTA recommends that Canada engage in formal discussions toward an ambitious and comprehensive FTA with the UK as soon as possible.

SUPPORTING RULES-BASED TRADE AND THE GLOBAL TRADING SYSTEM

- CAFTA calls on the federal government to work with trading partners to ensure existing and new regulatory measures avoid impeding trade. More needs to be done including greater harmonization or mutual recognition of standards, greater transparency, clearer timeframes and better processes for the agri-food trade.
- CAFTA calls on lawmakers to support the continued convergence of standards, certification requirements and mutual recognition agreements.
- CAFTA calls on the federal government and all parliamentarians to support the WTO as crucial to the global trading system and support modernization and other reform efforts.

PRIORITIZING CANADA'S TRADE OBJECTIVES

- CAFTA recommends the Canadian government set clear priorities based on the agreements that hold the greatest promise for Canadian businesses.

APPENDIX 1 – AGRI-FOOD EXPORTS AS A KEY DRIVER OF THE CANADIAN ECONOMY

SETTING THE STAGE

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, positioning Canada's agri-food sector with an immense global growth opportunity¹.

Canada is the world fifth largest agri-food exporter². In 2018, Canadian agri-food exports reached a record high of \$59.3 billion³. Despite this strong performance, there is still room for further growth. In 2017, the Government's Advisory Council on Economic Growth highlighted the sector's potential setting an ambitious target to grow Canada's agri-food exports to at least \$75 billion annually by 2025.

However, given the unprecedented uncertainty and aggressive protectionism that has put the global trading system at risk, the need for Canada to intensify its trade diversification efforts and reduce its reliance on the U.S. market has never been greater.

The purpose of releasing a 2019 federal election platform is so CAFTA can engage with candidates from all parties across Canada to highlight priorities and issues of importance for Canada's agri-food sector. Our goal is also to raise awareness of the positive role that Canadian agri-food exports play in the Canadian economy while also informing candidates, policy- and decision-makers and others about some of the challenges agri-food exporters continue to face. Ultimately, our goal is to create a lasting dialogue that helps our sector live up to its full promise, which will create significant benefits in every region of Canada.

PRESERVING AND ENHANCING ACCESS IN KEY EXPORT MARKETS

Canada's agriculture and agri-food sector is one of the most export-dependent in the world. Over 90 per cent of Canadian farmers rely on exports for a significant portion of their farm income, and nearly 1 in 2 jobs in crop production and 1 in 4 food manufacturing jobs depend on exports. Overall, over half of all Canadian agricultural production is exported. That is why we must preserve duty-free access to many of our key export markets. The best way for the Government of Canada to help ensure Canadian farmers, food manufacturers and agri-food exporters maintain competitive access to global markets is to:

1. Ratify the Canada-US-Mexico Agreement (CUSMA)

In the past three decades, due in large part to the success of NAFTA (and the Canada-US FTA before it), Canadian-agri-food exports have grown from \$10 billion annually to nearly \$60 billion – a whopping 480 per cent⁴. Retaining duty-free access to the US and Mexico as well as preserving the highly coordinated supply chains spanning all three countries is of the utmost importance to Canadian agriculture and agri-food exporters. Today, the U.S. and Mexico are the first and fourth largest exports markets for Canadian food and agricultural products respectively, making up well over half of total Canadian food and agricultural exports last year.

The Canada-US-Mexico Agreement (CUSMA) represents a meaningful upgrade from NAFTA for our members by keeping trade tariff-free, providing new (albeit limited) access for processed products, establishing processes to help remove remaining technical barriers to trade and maintaining vital provisions to deal with disputes.

CAFTA calls on the Canadian government to ensure the stability of trade in North America by ratifying and bringing CUSMA into force as quickly as possible.

¹ Food and Agriculture Organization of the United Nations. The future of food and agriculture: Trends and challenges. 2017.

² In 2018, Canadian agri-food exports reached a record high \$59.3 billion.

³ Top export markets in 2018 are: the United States (\$31.1 billion), China (\$9.3 billion), Japan (\$4.3 billion), Mexico (\$1.9 billion), and Indonesia (\$744 million) – although as a region, the EU 28 is Canada's 4th top export market absorbing \$2.6 billion annually.

⁴ Statistics Canada, CATSNET Analytics, 2019.



2. Fully implement the CPTPP

CAFTA applauded the federal government's swift ratification of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and its entry into force in December 2018. The CPTPP has the potential to increase Canadian agri-food exports by nearly \$2 billion annually for a variety of agriculture products including beef, pork, grains, canola, pulses, soybeans, barley, sugar and processed foods⁵. Trade statistics indicate early positive uptake with agri-food exports for January and February up 12.7 per cent compared to the year before⁶. However, vigilance must be maintained to ensure non-tariff barriers do not prevent agri-food exporters from gaining meaningful access to these new markets. The CPTPP includes mechanisms to assess and report on the implementation of the CPTPP as well as guide its evolution and consider potential areas for additional cooperation. It will be important to ensure these mechanisms, including the Ministers-led CPTPP Committee and other sub-committees and dialogues at the technical level are up and working expeditiously.

CAFTA calls on the government to monitor and proactively promote the proper implementation of the CPTPP to ensure that parties abide by their commitments and that rules agreed under the agreement are respected in practice.

3. Help ensure commercially viable access to the European Union is achieved

CAFTA has long been a champion of the Canada-European Union Comprehensive Economic and Trade Agreement (CETA). With a market of 500 million people, the opportunities for agriculture and agri-food exporters are immense in the EU. However, despite being in force for more than a year-and-a-half, viable commercial access to the EU remains elusive. In fact, for a variety of reasons, total Canadian agri-food exports have dropped by nearly 10 per cent including the persistence of many tariff and non-tariff barriers on grains and oilseeds and meat products⁷. Outstanding issues on meat processing protocols, crop input products, biotech approvals have effectively shut out a large proportion of Canadian exports. CAFTA members are also very concerned with protectionist measures from Member States under the guise of country of origin labelling provisions.

CAFTA calls on the government to expedite discussions at the technical and political levels so that the stated benefits of the agreement can be realized in the form of commercially viable access for Canadian agri-food exporters.

⁵ "Caught in the Crossfire", CAFTA May 2018

⁶ Statistics Canada, CATSNET Analytics, 2019.

⁷ Statistics Canada, CATSNET Analytics, 2019.

CREATING NEW EXPORT OPPORTUNITIES

Maintaining competitive access to global markets is vital for Canadian agri-food exporters. Canada has successfully negotiated significant bilateral and plurilateral agreements and is now the only G7 country to have a trade agreement with every other G7 country. Nevertheless, the global economy is fiercely competitive and staying ahead of the curve must be a constant focus of policymakers. In order to maintain our competitive edge, CAFTA urges the Government of Canada to continue to pursue deeper trade ties around the world. CAFTA recommends the following trade negotiations be pursued:

1. Ensure rules-based trade with China

Despite the current bilateral tensions, China is Canada's second largest trading partner and a vital export market for agri-food exporters. With China projected to be the largest food importing nation in the world by 2025⁸, the opportunities for Canadian agri-food exporters are enormous⁹. That is why we must engage with China bilaterally as well as in multilateral fora to ensure we continue to deepen the Canada-China relationship through rules-based, mutually beneficial trade.

Agri-food exporters will benefit greatly from continuing to remove tariff and non-tariff barriers including inconsistent application of regulations and testing and encouraging greater adherence to internationally recognized standards and science-based decision making. Ensuring rules-based bilateral trade would provide greater predictability and certainty for Canadian agri-food exporters and would help grow Canada's exports to the ever-growing Chinese market.

CAFTA calls on the government to foster positive, long-term and mutually beneficial relationships with China.

2. Expand the CPTPP Platform to other Asian markets

For Canadian agri-food exporters, the future lies in the fast-growing Asia-Pacific region – home to 3.9 billion people where middle-class consumer spending is expected to more than double to nearly \$40 trillion in the next decade¹⁰. As an agreement designed to expand, the CPTPP is open to all economies which accept its principles and rules and are willing to meet the high standards of what has been negotiated. Countries that would provide value to agri-food exports include Thailand, South Korea, and Indonesia.

Beyond tariff reduction and elimination, the high standards set in the TPP include a new Asia-Pacific framework for trade with rules to increase cooperation and transparency on non-tariff barriers related to sanitary and phytosanitary measures, biotechnology and plant health. These issues are often the most significant barriers facing our exporters, more restrictive than tariffs themselves.

Additionally, there is good reason for Canada to encourage the Association of Southeast Asian Nations (ASEAN) to formally join the CPTPP¹¹. Canada is already undertaking exploratory discussions on a potential FTA with the ASEAN group. ASEAN is the sixth largest economy in the world and one of the largest drivers of growth in the Asia-Pacific region. Inclusion of the ASEAN bloc within the CPTPP pact would help secure access to dynamic Asian export markets, reduce the risk of unforeseen market disruption and establish common and high-standard rules for trade throughout the Asia-Pacific.

⁸ "Chasing China", CAFTA February 2017

⁹ Canada's agri-food exports to China have grown tremendously, exceeding \$9 billion in 2018 and now accounting for more than a third of total Canadian exports to that country.

¹⁰ Kharas, Homi. The unprecedented expansion of the global middle class: An update. Brookings Institution. 2017.

¹¹ ASEAN is comprised of Indonesia, Malaysia, the Philippines, Singapore and Thailand, Brunei, Cambodia, Lao People's Democratic Republic, Myanmar and Vietnam. Four of these countries are also members of the CPTPP.

CAFTA urges the Canadian government to encourage other countries to agree to the CPTPP's high standards by joining the pact. This includes the accession of the ASEAN members who are not yet members of the CPTPP, while launching free trade agreement (FTA) talks with the region.

3. Initiate FTA negotiations with the United Kingdom (UK)

As the UK Parliament grapples with what Brexit should look like and what the terms of withdrawal should be, Canadian exporters are eager to maintain duty-free access to the UK market. In 2018, Canada exported \$2.6 billion of agri-food products to the EU, 17 per cent of which went to the UK including wheat, beans, bakery products, lentils and meats¹².

While the UK's trading future remains unknown, both Canada and the UK have expressed interest in maintaining free trade. Both sides should negotiate a deep and comprehensive trade agreement that includes zero tariff duties for agricultural and food products and no quantitative restrictions. The agreement should also contain a strong regulatory chapter including sanitary and phytosanitary aspects, liberal rules of origin and customs facilitation measures.

CAFTA recommends that Canada engage in formal discussions toward an ambitious and comprehensive FTA with the UK as soon as possible.

SUPPORTING RULES-BASED TRADE AND THE GLOBAL TRADING SYSTEM

Now more than ever, Canadian exporters need rules-based trade and a return to predictability and certainty in the global trading system. However, we also need to ensure the same is true in Canada's bilateral trade relationships. Across the trading spectrum, CAFTA encourages policymakers to take these issues seriously and work with our trading partners to achieve win-win outcomes in a variety of ways:

1. Effectively Remove 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.

Since the beginning of 2017, protectionist measures disguised as technical and regulatory "requirements" have seen a six-fold increase¹³ – with agri-food and related products the hardest hit compared to other sectors. With over half of Canadian agriculture and agri-food products destined for export, new protectionist measures are particularly punishing for farmers, processors and exporters. Non-Tariff Barriers can be more problematic than tariffs themselves and typically appear once trade agreements conclude¹⁴.

CAFTA calls on the federal government to work with trading partners to ensure existing and new regulatory measures avoid impeding trade. More needs to be done including greater harmonization or mutual recognition of standards, greater transparency, clearer timeframes and better processes for the agri-food trade.

¹² Statistics Canada, CATSNET Analytics, 2019.

¹³ Six-fold increase includes steel and aluminum tariffs. Total global non-tariff measures, excluding trade protective or price control measures, have nearly doubled in the past decade. Over the past 7 years there has been a near five-fold increase of total new measures over the rate of new measures in 2012. UNCTAD & WTO, TRAINS, 2019.

¹⁴ Economic analysis estimates the cost implications of non-tariff measures for our agri-food exporters to be the equivalent of a tariff of 25 to 30 percent in Asia and 30 to 40 percent for the European market.



2. Promote adherence to international standards

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 through its bilateral free trade agreements to increase regulatory cooperation and harmonization across the board.

CAFTA calls on lawmakers to support the continued convergence of standards, certification requirements and mutual recognition agreements.

3. WTO Reform

As the long impasse of the Doha round of negotiations makes clear, we recognize that advancing trade liberalization in agriculture at the WTO is difficult. Despite this, the WTO remains the best forum for achieving fair, global and reciprocal gains in international trade. The WTO has been an effective forum for addressing trade disputes such as Country of Origin Labeling (COOL) and is the only forum to effectively address domestic agricultural subsidies.

Furthermore, the WTO continues to set the rules for the global trading system and CAFTA members have a vested interest in the WTO being an effective organization. That is why we share the concerns Canada and other like-minded countries are expressing with respect to the governance of the WTO due to the U.S. blocking the appointment of Appellate Judges. This puts the entire WTO dispute resolution process at risk and may well reach a crisis point if not resolved in the next few months. This is of significant concern to Canadian exporters and we wholeheartedly support the Government of Canada's reform efforts. Like-minded countries and stakeholders alike must work together to ensure the WTO remains at the forefront of a rules-based global trading system.

CAFTA calls on the federal government and all parliamentarians to support the WTO as crucial to the global trading system and support specific reforms including:

- › Reforming the dispute resolution processes to ensure ongoing functionality;***
- › Restructuring the overall governance of the WTO; and***
- › Revitalizing the multilateral negotiation process.***

PRIORITIZING CANADA'S TRADE OBJECTIVES

As a country that has been at the forefront of global trade liberalization, Canada's trade negotiators, trade commissioners, diplomatic network and other supports and services are amongst the most experienced and knowledgeable in the world. Indeed, Canadian negotiators have been involved in some of the most ambitious, comprehensive and significant agreements ever negotiated including NAFTA (and its modernization), CETA and the CPTPP. Nevertheless, resources are finite and must be allocated to the highest priorities. At the same time, government representatives (elected and officials alike) need to work closely with industry to better explain the benefits of trade to Canadians, show why Canada's prosperity is directly linked to the business we do with the world and demonstrate why free, open and rules-based trade is vital to Canada's long-term success.

CAFTA recommends that prioritization of trade negotiations and related issues be as follows:

- › Ratification of the new USMCA***
- › Resolve non-tariff barriers in the EU to ensure CETA delivers on its promise for agri-food exporters***
- › Advance WTO reforms***
- › Expand the CPTPP***
- › Foster long-term and mutually beneficial relationships with China***
- › Negotiate of a Canada-ASEAN FTA***
- › Launch Canada-UK FTA negotiations***
- › Achieve gains through negotiations with other countries where opportunities exist***



APPENDIX 1

AGRI-FOOD EXPORTS AS A KEY DRIVER OF THE CANADIAN ECONOMY

- *Agri-food exports account for 12 per cent (\$62.5 billion) of Canada's total exports¹⁵*
- *In terms of GDP, Canadian agri-food exporters generate a direct and indirect GDP of \$30 billion for agriculture and \$65.5 billion for food manufacturing¹⁶*
- *In terms of employment, Canadian agri-food exporters represent 352,000 direct and indirect jobs in agriculture, along with 588,000 direct and indirect jobs in food manufacturing¹⁷*
- *The food manufacturing industry alone is the largest manufacturing employer in Canada, responsible for nearly 300,000 jobs, more than the automotive and aerospace industries combined¹⁸*
- *Driven by exports, the agri-food sector is growing faster than the rest of the Canadian economy¹⁹*
- *90% of Canadian farmers rely on exports for a significant portion of their farm income²⁰*
- *Nearly 1 in 2 jobs in crop production is dependent on exports, 1 in 4 for food manufacturing²¹*
- *Trade is critical to the growth of the sector as 60 per cent of its value is generated by exports*
- *Canadian agri-food exports have grown from \$10 billion to \$60 billion over the past 30 years²²*

¹⁵ Statistics Canada, Canadian International Merchandise Trade Database

¹⁶ CAFTA commissioned research by CERESSYS

¹⁷ CAFTA commissioned research by CERESSYS

¹⁸ FCPC, FCPC welcomes a modern food guide for Canadians: processed food has a place in a healthy diet, 2019.

¹⁹ AAFC, 2017

²⁰ CAFTA commissioned research by CERESSYS

²¹ CAFTA commissioned research by CERESSYS

²² Statistics Canada, CATSNET Analytics, 2018.



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ABOUT CAFTA

The Canadian Agri-Food Trade Alliance (CAFTA) is the voice of Canadian agri-food exporters.

CAFTA is a coalition of national agri-food associations that work together to support a more open and fair international trading environment for agriculture and agri-food. CAFTA is the only industry association in Canada that has trade as its sole mandate. CAFTA advocates for the elimination of tariffs and non-tariff barriers, primarily through free trade agreements (FTAs). We represent the 90 per cent of farmers who depend on trade as well as the producers, food processors and agri-food exporters who want to grow the economy through better access to foreign markets.

Our members include the beef, pork, grains, cereals, pulses, soybeans, canola as well as the malt, sugar, and processed food industries. Collectively, CAFTA members account for over 90 per cent of Canada's agri-food exports, which in 2018 reached a record \$59.7 billion. We also support and sustain over one million jobs in urban and rural communities across Canada.

A significant portion of these sales and jobs would not exist without competitive access to world markets.

Conseil de
l'orge du
Canada



Barley
Council of
Canada



CANADIAN
CANOLA GROWERS
ASSOCIATION



canolacouncil
OF CANADA



CANADIAN
CATTLEMEN'S
ASSOCIATION

National Voice Of Cattle Producers



Canadian Pork Council
Conseil canadien du porc



CANADIAN MEAT COUNCIL
CONSEIL DES VIANDES DU CANADA



CANADIAN
SUGAR
INSTITUTE



Cereals Canada



NATIONAL
CATTLE FEEDERS'
ASSOCIATION
ASSOCIATION
NATIONALE DES
ENGRAISSEURS DE BOVINS

FCPC
Food & Consumer
Products of Canada

PACC

Produits alimentaires et de
consommation du Canada

Grain
Growers
of Canada



Les
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de grains
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