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Re: FTA negotiations with the United Kingdom and its possible accession to the CPTPP

The Canadian Agri-Food Trade Alliance (CAFTA) welcomes this opportunity to share its preliminary views on the future negotiations with the United Kingdom (UK) and possible accession of the UK to the Comprehensive and Progressive agreement for Trans-Pacific Partnership (CPTPP) Agreement.

About CAFTA

CAFTA represents the vast majority (90%) of farmers who depend on trade, as well as the producers, processors and agri-food exporters who want to grow the economy through better and more competitive access to international markets. Our members include the beef, pork, canola, grains, pulses, as well as the malt, sugar, and food manufacturing sectors. Collectively, CAFTA members account for over 90 per cent of Canada's agri-food exports, which in 2020 reached a record \$67.5 billion¹. Open, rules-based and predictable trade is the foundation for this, the \$95.5 billion agri-food exporters contribute to the Canadian economy annually and the one million jobs we support in urban and rural communities across Canada. A significant portion of these sales and jobs would not exist without preferential access to world markets.

Ask

- CAFTA urges the Government of Canada to immediately launch bilateral negotiations with the U.K. to enable the swift conclusion and implementation of an ambitious permanent free trade agreement (FTA).
- While the accession of a non-Pacific country like the United Kingdom into the CPTPP remains of interest, CAFTA supports Canada negotiating a new stand-alone bilateral Canada-UK FTA as a priority.

Overview

Over half of Canadian agri-food products are exported which is why our members rely on export markets to sustain their livelihoods. Given the aggressive protectionism that has put the global trading system at risk, coupled with Canada's need for strong post-COVID economic recovery, Canada needs to take every opportunity to secure access to foreign markets including through new or by expanding existing agreements.

An FTA with the UK would provide the opportunity to secure rules to facilitate trade and to address long-standing market access issues encountered with the larger European Union. In addition, as a strong advocate

¹ Statistics Canada data, AAFC, February 2021.

of further expansion of the CPTPP, CAFTA welcomes the U.K.'s interest in joining the CPTPP and would be supportive of their accession subject to them meeting the high standards of the agreement.

CAFTA members view the negotiation of deeper trade relations with the UK as critical, especially those with a large economic footprint, such as the UK, which may also create incentives for other countries to join the CPTPP. Ultimately, Canadian agriculture exporters stand to benefit from improved access and stronger trading conditions with partners like the UK, creating opportunities for diversification and export-led growth.

The UK is one of our largest and long-standing trading partners in Europe and represents an important trading relationship for the export-oriented Canadian agri-food sector. It is a high value market and the highest value market for a number of Canadian agriculture and food products.

Globally, the U.K. was Canada's 14th largest market for agriculture and agri-food exports in 2020 and Canada's 6th largest source of agriculture and agri-food imports. According to Agriculture and Agri-Food Canada, in 2020 Canadian exports of agri-food products to the UK reached \$611 million while imports reached \$637. At a regional level, the UK absorbed between a quarter and a third of Canada's total agri-food exports to the EU-28 over the last five years. The UK is the largest market in Europe for Canadian beef and wheat, the second largest for grains, the fourth market for pork and an important market for processed foods, pulses and sugar-containing products among others.

Canadian agri-food exporters continue to advocate for the conclusion of a permanent pact with the UK as they risk losing market share to competitors, many of which are actively engaged in free trade negotiations, while others have already concluded talks with the UK.

The recently implemented continuity agreement between Canada and the UK which reflects CETA's negotiated outcomes provides temporary certainty and stability following the UK's departure from the European Union. This is welcome news for *some* of our members as it preserves access and benefits in place prior to Brexit, however for *others*, it simply reinforces a situation that remains unacceptable under CETA due to the persistence of trade obstacles that continue to hinder Canadian exports.

CAFTA remains concerned with the EU's unwillingness to remove trade obstacles preventing Canada from reaching its full potential under CETA. We are equally concerned with such obstacles being carried over to both a future FTA between Canada and the UK and a deal between the UK and CPTPP.

That is why CAFTA is urging parties to return to the negotiating table as soon as possible to reach a comprehensive pact that remove 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 two-way growth.

Below are a sample of some of CAFTA members' projections of the possible opportunities provided by a bilateral deal and the accession of the UK to the CPTPP:

- **For the Canadian sugar and processing sector:** market access improvements to the UK and other export markets depend on tariff and quota liberalization as well as a flexible rule of origin for raw sugar "refined in Canada". This is essential for refined sugar, high-sugar containing products (SCPs) as well as other processed foods such as confectionery and sweetened grain-based products.
 - Under the CETA, Canada's trade deficit (\$115 million in 2020) with the UK has not improved due to EU domestic subsidies, high import tariffs, and small "origin quotas" that have not provided actual commercial opportunities for exporters. The existing origin quotas are small in relation to the UK market and not reciprocal given the quota-free, duty-free access in Canada.
 - A bilateral FTA with the UK may achieve more substantive improvements for sugar and SCPs from Canada than accession to the CPTPP, given the potential to negotiate a liberal rule of origin that

- would reflect Canada's reliance on raw sugar imports for refining near Canadian population centres and food processing facilities.
- The CPTPP provides limited market access improvements for Canadian refined sugar and SCPs in important markets such as Japan. Other trading partners, such as Australia, also have better preferential access under other bilateral and regional arrangements.
 - Negotiation to integrate the UK into the CPTPP should ensure ambitious quota-free, tariff-free access to the UK for refined sugar, SCPs, and processed foods from Canada.
- **For grains and cereals farmers:** Canada is currently among the only major global wheat suppliers outside the EU with preferential treatment.
 - Existing remaining tariffs and existing quota limits will be phased-out putting Canadian exporters on equal footing to EU competitors and at an important advantage over alternative suppliers without bilateral arrangements into the UK, such as the U.S. and Black Sea. The benefits which have been extended on an interim basis must be made permanent.
 - With respect to maximum residue limits, there should be commitments to defer to internationally accepted risk assessment principles in the development of national standards or import tolerances, and defaulting to CODEX MRLs when national standards have not been set.
 - Crop innovations resulting from biotechnology are an important driver of progress in the grain sector. Asynchronous approvals can disrupt trade when the timing and processes surrounding processes differ across jurisdictions.
 - The EU approach to gene edited crops treats them the same as GMOs resulting in onerous requirements. The U.K. now has an opportunity to follow a different path in the development of its own regulatory framework. It should be encouraged to do so in alignment with Canada, and seek to ensure clear language on gene edited crops in predictability.
 - **For the beef sector:** beef producers emphasize reciprocal beef market access with the UK. The preference is to achieve a trade liberalizing outcome where both partners have unlimited duty-free access to each other's market.
 - If Canada-UK beef trade is to continue being subject to TRQs, the duty-free amount should be the same in both directions. Members cannot support an outcome where UK beef continues to have unlimited access to the Canadian market while Canadian beef is subject to a TRQ.
 - Under CETA, quota access was managed through a burdensome licensing system. In the interim deal, the UK agreed to a simplified beef TRQ administration system that is handled on a first come, first serve basis. This may be need to be discussed should the quota be filled.
 - Canada should also seek to address sanitary and phytosanitary barriers with the U.K. Through the TCA the UK continues to apply EU regulatory policies including a ban on livestock growth promotion technology. None of the CPTPP members have such restrictions as they adhere to international guidelines on these products.
 - Members also strongly advocate for "full systems approval" between Canada and the UK, which is based on the two sides gaining confidence in each other's protocols and compliance and is recognized by most of the countries to which we export.
 - **For the canola sector:** prescriptive rules to facilitate the trade of commodities grown from seed varieties developed through biotechnology, whether genetic modification (GM) or new plant breeding techniques (i.e., gene-editing), must be included in any free trade agreement.
 - The timely and predictable approval of biotech varieties in the EU is a long-standing issue for the canola sector and has been the subject of significant outreach. Members are concerned the issue will persist with the UK and support the inclusion of language in a trade agreement to address the trade of varieties developed using genetically modified and gene edited plant breeding techniques.

- More largely, as the UK develop its regulatory approach to biotechnology and gene-editing, members encourage alignment of regulatory frameworks. The UK has an opportunity to re-examine the implementation of EU Directive 2001/18/EC and the ruling that designates all gene edited crops as genetically modified organisms.
 - Missing and misaligned maximum residue limits (MRLs) is increasingly a market access barrier for farmers. Without such an MRL, the limit is set at the level of detection which means a Canadian canola shipment could be rejected in the import market. Incorporating the use of internationally accepted risk assessment principles and ensuring international standards are met would provide trade-facilitative solutions.
 - The EU hazard-based approach to crop protection products and the lack of clarity for setting corresponding import tolerances has created unnecessary trade risks for farmers, jeopardizes farmers ability to export to the EU and the full realization of the CETA. A deferral to Codex, set by member consensus, would avoid the same issue with the U.K. and create a clear, timely and science-based solution.
- **For pork producers and exporters:** while current market conditions do not appear to make the UK a priority market for expansion, this could quickly and easily change depending on market conditions in other regions of the world.
 - To make certain Canada has a guaranteed access, the Canadian pork industry would seek to increase* or eliminate quotas altogether as well as to eliminate security deposits and abolish restrictions on who can import; (*this includes a transparent and timely process to assess quotas).
 - The sector also supports the establishment of clear dispute mechanisms to address potential non-tariff barriers to trade (sanitary, phytosanitary, animal welfare, use of antibiotics etc).
 - In a CPTPP context, pork exporters would also would want assurances that the UK be forced to abide by the same guidelines agreed upon by the current signatories of CPTPP. This would apply to prohibiting conditions such as quotas or import licences which should be removed.
 - Additionally, the pork sector would challenge the existing EU plant constraints and ask that the UK accept the same CFIA certification of product wholesomeness that other CPTPP countries do.
 - The sector would also encourage negotiations for accession to include an agreement on Zoning to mitigate market access implications of a foreign animal disease (FAAD) outbreak, systems approval for all CFIA Federally Inspected establishments as well as Trichinella free status (or clear steps for labs in Canada to be certified to test for Trichinella).
- **For the pulse sector:** in addition to tariff elimination, trade execution and prevention of non-tariff-trade barriers remain a top priority for Canadian pulses exporters as they continue to face an increasing number of unexpected and scientifically unjustified sanitary and phytosanitary (SPS) measures in key markets, ranging from technically unjustified fumigation requirements to restrictive, non-risk-based regulation of plant protection product residues and weed seeds.
 - With respect to Canada-UK trade, though the priority is securing a bilateral agreement that ensures duty free, predictable and rules-based trade with the UK, the sector is supportive of both a bilateral FTA and the accession of the UK into CPTPP.
 - A comprehensive bilateral agreements must maintain the duty free access for Canadian pulses (dry beans, lentils, peas, chickpeas) and pulse ingredients (flour, protein, bran/fibre) that currently exists within CETA and the Canada-UK TCA as well as continue on the same scheduled phase out of duties on pulse starches that was originally initiated within the CETA.
 - A Canada-UK agreement must ensure predictable, transparent, and science-based trade rules that seek to minimize technical trade disruptions. Of specific concern, is the regulation of crop protection product residues now that the UK has inherited its pesticide MRLs from the EU with Brexit. Members share the view of that incorporating commitments to utilize international standards is key to ensuring trade predictability. This should involve a process by which the

- importing country, in absence of having an established national MRL in place, recognizes and applies the relevant Codex MRL. Appropriate commitments to the use of internationally accepted risk assessment principles should also be included when establishing national MRLs or import tolerances.
- Because the EU has departed further from international standards on MRLs than any other of Canada's trading partners, a Canada-U.K. FTA must include additional assurances that the U.K. does not continue with EU pesticide policies and MRLs. In addition to more use of international standards for MRLs generally, a Canada-U.K. FTA should address cases where the U.K. is considering a domestic pesticide ban and removal of MRLs as per the approach taken when it was a member of the EU.

Beyond Tariffs

The extent to which the UK will actually move away from the influence of EU regulatory approaches in agriculture remains a major question facing Canadian agri-food exporters. Negotiations with the U.K. will need to account for the integration and influence of EU standards in the U.K. regulatory environment and position Canada to avoid the market access challenges facing agriculture exports to the EU.

Ensuring that future agreements between Canada and the UK either bilateral and/or through the CPTPP promote adherence to science-based decision making and international standards will be critical to avoid market access challenges given the proximity and level of integration with its EU neighbors.

As such, commitments on biotechnology, including processes for science-based approvals, low-level presence occurrences and transparency for plant product authorizations should form the baseline for discussions. To this end, a number of CAFTA members supports the Canada Grains Council's submission as it relates to maximum residue limits (MRLs) plant breeding innovation and biotechnology approvals.

Additionally, several members are concerned with the EU's preliminary Farm to Fork Strategy and use of precautionary principles for agriculture and overall development of policy not based on science. The Farm to Fork strategy fails to account for modern farming, to consider available recognized alternatives, and to contemplate the negative externalities. It gives the EU Commission significant latitude to act in ways inconsistent with WTO principles and agreements. Any negotiations should act as a counterbalance and address the potential market access barriers resulting from this strategy.

Conclusion

For this and other FTAs, we would expect engagement and consultations with the government and our negotiators in the design stage, throughout the negotiations process but also enforcement and implementation of the deal.

CAFTA wishes to express its willingness to continue to work with the federal government and the team of negotiators by providing more precise advice on a broader list of agri-food products as the negotiation process moves forward with any potential acceding countries.