



**CAFTA ACCA**

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**CANADIAN AGRIFOOD TRADE ALLIANCE (CAFTA)  
ALLIANCE CANADIENNE DU COMMERCE AGROALIMENTAIRE (ACCA)**

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## **Removing Barriers to Agricultural Trade**



# CAFTA – ACCA

## *The voice of Canada's Agriculture and Agri-Food Exporters*

- Canola Council of Canada
- National Cattle Feeders' Association
- Cereals Canada
- Canadian Pork Council
- Canadian Canola Growers Association
- Canadian Cattlemen's Association
- Barley Council of Canada
- Canadian Meat Council
- Food & Consumer Products of Canada
- Grain Growers of Canada
- Soy Canada
- Pulse Canada
- Canadian Sugar Institute



# Inherently Dependent on Trade

- **Trade dependence:**
  - **90%** of Canadian farmers
  - 1 in 2 jobs in crop production
  - 1 in 4 jobs in food manufacturing
- Trade is one of Canada's main economic drivers:  
*60% of the value generated of the agrifood sector is generated through exports.*

# Canadian Agri-Food Exports Contribution to the Economy

- **GDP:** \$30 billion for ag; \$65.5 billion for food manufacturing
- **Jobs:** 355,000 in agriculture; 600,000 in food processing
- Greater than aerospace manufacturing
- Goal to increase exports to \$75 billion

[CAFTA.org](http://CAFTA.org)



# Canada's Place as World Leader in Agriculture

- We are the world's 5<sup>th</sup> largest exporter of agriculture and agri-food products
- Canada grows world-class food products
- We are fortunate to produce more than we can consume

[CAFTA.org](http://CAFTA.org)



# Implications for Canada

1. Being **competitive** in global markets is not a choice. It's a requirement.
2. Our success depends on **the timely negotiation and ratification** of preferential trade access to the markets that our competitors are after.

# Canada's Free Trade Agreements – Status

FTAs in force		FTAs concluded / signed	Other ongoing FTA negotiations
<ul style="list-style-type: none"> <li>• <b>WTO</b></li> <li>• Canada-U.S. (1989)</li> <li>• <b>NAFTA</b> (1994)</li> <li>• Israel (1997)</li> <li>• Chile (1997)</li> <li>• Costa Rica (2002)</li> <li>• EFTA (2009)</li> <li>• Peru (2009)</li> <li>• Colombia (2011)</li> </ul>	<ul style="list-style-type: none"> <li>• Jordan (2012)</li> <li>• Panama (2013)</li> <li>• Honduras (2014)</li> <li>• <b>South Korea (2015)</b></li> <li>• <b>CETA (2017)</b></li> </ul>	<ul style="list-style-type: none"> <li>• Ukraine (signed)</li> <li>• Israel (modernized in 2015)</li> <li>• <b>Transpacific Partnership (TPP) (signed in 2016)</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>NAFTA</b></li> <li>• <b>CPTPP (TPP11)</b></li> <li>• India</li> <li>• Japan</li> <li>• Pacific Alliance</li> <li>• ASEAN</li> <li>• Morocco</li> <li>• CARICOM</li> <li>• The Philippines</li> <li>• Costa Rica</li> <li>• Central America</li> <li>• Dominican Republic</li> <li>• Turkey</li> <li>• Mercosur</li> </ul>

# The Global Context

- **Advancing agricultural trade liberalization at the WTO is very difficult currently**
  - Doha not going anywhere fast
  - WTO remains only avenue for addressing domestic subsidies and export competition
  - 11<sup>th</sup> Ministerial Conference (MC11): prospects not encouraging
- **Agriculture remains sensitive area for trade liberalization**
- **The rise of Free Trade Agreements (FTAs)**
- **The rise of protectionism**

# Canada – EU (CETA)

- **Market of 500 Million people**
  - Huge potential
- **Sept 21, 2017: provisional implementation:**
  - Approx. 98% of the agreement entered into force
  - 94% of agriculture tariffs to be eliminated
- **Outstanding agriculture issues:**
  - Meat processing protocols
  - Crop protection products, country of origin labelling
  - Timely approval of biotechnology traits

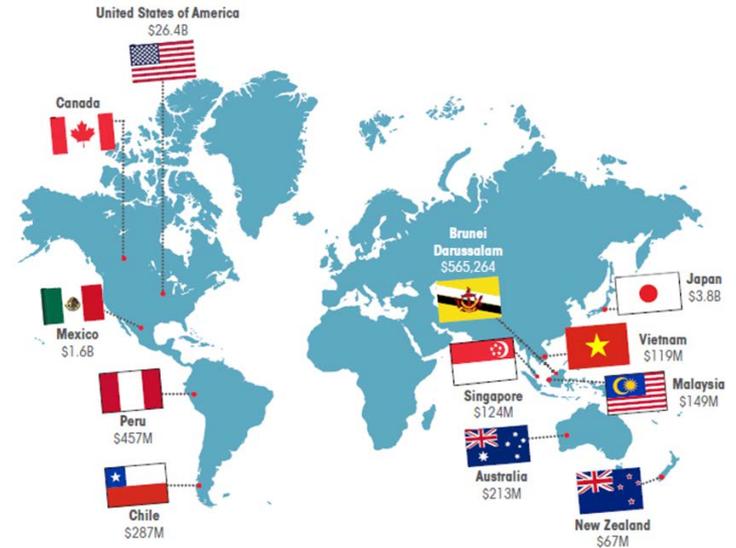
# Trans-Pacific Partnership

- **Original deal**

- Complex trade agreement
- 800 million people
- 12 Pacific Rim countries
- The US and **Japan** at its core
- Major markets **and** major competitors

- **US withdrawal raised 2 questions:**

1. Can TPP11 survive?
2. What approach on trade for the US now?



# TPP11: what now?

- **Implications for Canada**

- With the US pulling out, there will be greater benefits for Canada in TPP11
- Impact of losing out on Japan would be even more serious than for South Korea

- **Way Forward**

- Agreement on core elements: Comprehensive and Progressive Trans-Pacific Partnership
- Market Access gains maintained

- **Next Steps**

- 4 countries, 4 issues : outstanding issue for Canada is culture
- Jan 22-23: Chiefs meeting in Tokyo
- March 1: Signing in Chile

# TPP11: CAFTA Engagements

## Advocacy Efforts (Sept-Nov)

- Open letter to Trade Minister
- Open letter to Prime Minister
- Gazette Submission
- Outreach to negotiators
- CAFTA in Vietnam
- Outreach to MPs, Cabinet Ministers, PMO staffers
- Outreach to media: 3 statements, 1 opinion piece
- Call to offices of MPs on Trade and Ag Committees
- Calls to offices of Cabinet Ministers
- TPP11 Study: Caught in the Crossfire



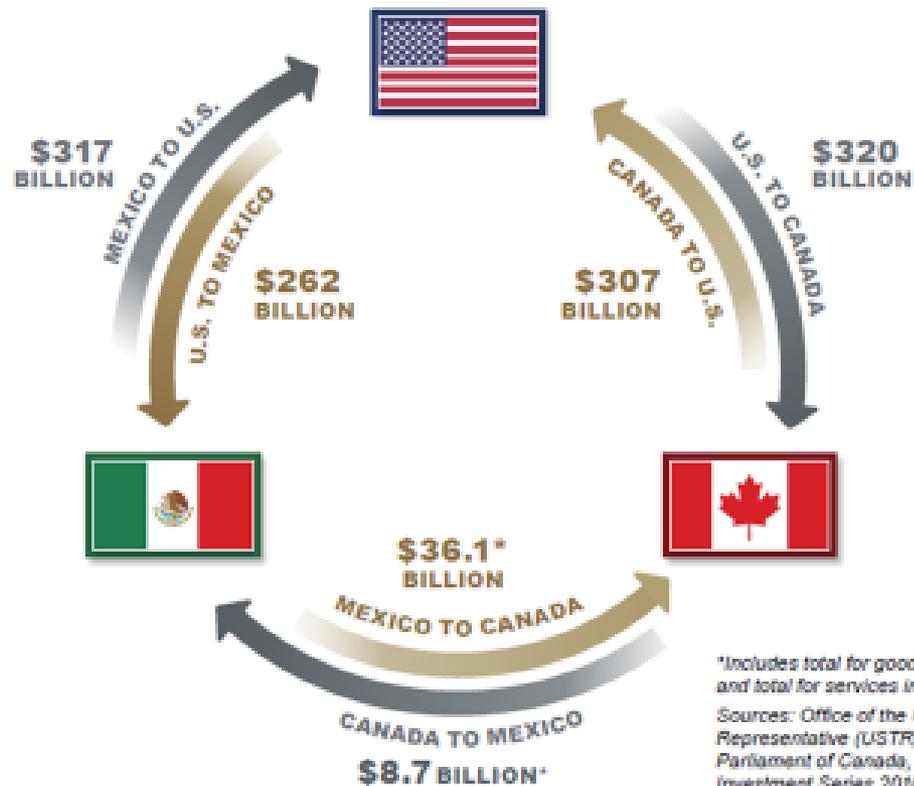
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Alliance Canadienne du Commerce Agroalimentaire  
Canadian Agri-Food Trade Alliance

# North America Free Trade Agreement

- **Behind the world's largest free trade area**
  - Canada-US Free Trade Agreement (CUSFTA) -1989
  - Superseded by NAFTA – 1994
  - NAFTA grants signatories “most-favoured nation” treatment
- **North American Market**
  - 400 million people
  - Total trade: \$ 1.3 trillion / year
  - Integrated supply chains
  - North American GDP doubled over the past 20+ years.

# THE VALUE OF NAFTA

TRADE AMONG NAFTA MEMBERS IN  
GOODS AND SERVICES IN 2016



# NAFTA & Canadian Agriculture (1)

## NAFTA has been a success for agriculture in North America

- Canada's agri-food exports have grown by more than fivefold
- Canada's agri-food imports from the US have grown more than six fold
- Agriculture trade is balanced on average
- NAFTA has encouraged highly coordinated supply chains

## US remains Canada's largest trading partner

- Today the US absorbs 52% of our exports (vs 78% in 2003)

# NAFTA RENEGOTIATIONS

- **US Trade Policy Challenges**
  - America First
  - USTR Chief “expect new approaches”
  - Preference for bilateral deals (vs multilateral)
- **NAFTA can be modified in certain conditions**
  - Once a party triggers a 90 day notification period
  - Article 2205: one of the 3 countries may withdraw from the Agreement *six months* after it provides written notice.

# NAFTA & Canadian Agriculture (2)

## Priorities of CAFTA and its members

- “Do no harm” (i.e. Not NAFTA minus): any renegotiation must maintain access that currently exists and not introduce any new tariffs or non-tariff barriers;
- Modernize where possible : greater regulatory alignment for crop and animal health products would provide equal access to products and remove barriers to trade (MRLs...)

# NAFTA – Where are we now? (1)

## Talks on three negotiating tracks:

- One is technical, making good progress
- One is at an impasse with tense discussions
- One is political with unconventional “poison pill” proposals:
  - Bilateral Trade Imbalances
  - Trade Remedies, Chapter 19 Dispute Settlement
  - Seasonal Produce Proposal
  - Dispute Settlement--ISDS
  - Rules of Origin Requirements
  - Government Procurement
  - Mandatory Sunset Review
  - Currency Manipulation

## Next Steps

- Round 6<sup>th</sup> in Montreal: January 2018

# NAFTA – Where are we now? (2)

## Possible Trajectories

1. US backs off extreme proposals: successful NAFTA modernization?
2. Negotiations halted until after the Mexican elections : nothing happens for some time
3. Withdrawal notice issued and Congress intervenes: nothing happens for some time
4. US withdraws from NAFTA (and CUSFTA): talks breakdown
  - I. Reverts to WTO MFN tariffs?
  - II. Bilateral deal with the US?
  - III. NAFTA or bilateral deal with Mexico?
  - IV. Other?

# NAFTA – Can Withdrawal Happen?

- **President’s authority to terminate NAFTA?**

- *Some commentators have argued that, even if the President has the unilateral authority to terminate Article II treaties concluded with the Senate’s advice and consent, the President lacks the unilateral authority to terminate “congressional-executive agreements” concluded with majority congressional approval, such as the North American Free Trade Agreement (NAFTA).*

- **The Constitution does not address this question of presidential authority.**

1. *1- It states in Article II that, in order to make a treaty, the President must obtain the advice and consent of two-thirds of the Senate,<sup>3</sup> but it does not specify how such “Article II treaties” are to be unmade.*
2. *2- Moreover, it says nothing at all about either the making or unmaking of “executive agreements,” even though such agreements today constitute the vast majority of international agreements entered into by the United States.*

- **The Role of Congress**

1. Legal? Political?
2. Unknown but expect Congress to want to have a say in a NAFTA withdrawal

# NAFTA Withdrawal – What Would Happen?

## All three parties would be hurt

- Trade would fall by more than US\$120 billion
- 220,000 jobs lost
- Decline in wages as productivity declines

## For Canada

- Exports would decline by approximately US\$20 billion (2.8%)
- \$15 billion decline in household income
- Beverages and food products among most vulnerable industries
- Job losses between 25-50 thousand
- For agri-food exporters: impact would differ for each sector

# NAFTA – Context & Timeline

## Harsh Political Environment

- Time-Driven Outcome
- Onerous Policy Proposals
- Fosters Uncertainty and Destabilizing Effects
- Creating Aura of Political Unpredictability

## Finding a Common Pathway

- NAFTA can strengthen trade in agriculture and agrifood
- FTAs are about win/win/win
- NA Ag and Food Industry need to coalesce efforts to foster positive direction
- Establish 21<sup>st</sup> Century Trade Template with our Closest Neighbors and Best Customers
- Hopeful signs ?

# CAFTA Engagement

## Agriculture is a “vulnerable” area

- Agriculture touched on in many areas
- Chapter 19, Goods Market Access, TBT, SPS, ROO, Sectoral Annexes etc

## CAFTA Engagements

- Statement before the House Standing Committee
- Gazette Submission
- Roundtable with Agriculture, Trade Ministers
- CAFTA member of the NAFTA Consultation Sectoral Committee
- US Congress Agriculture Committee
- CAFTA present at the five rounds of talks to date
  - Engagement with negotiators
  - Engagement with US, MX Counterparts
- Regular engagement with negotiators, chapter leads
- Meetings with MPS, letters, briefs

# Stay Engaged

- Sign up for CAFTA's Trade Insights: [www.cafta.org](http://www.cafta.org)
- Follow us on Twitter: @CAFTA\_ACCA #cdnagfood #cdnpoli
- Email: [info@cafta.org](mailto:info@cafta.org)

# China – Exploratory Discussions

- 4<sup>th</sup> round of exploratory discussions in September.
- Joint feasibility study
- Summary report of the Gazette submissions
- CAFTA supports Canada entering into FTA negotiations with China

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