

## CAFTA Trade Insights

### CAFTA, the voice for Canada's Agriculture and Agri-Food Trade

Due to recent timely developments, this issue will focus specifically on the **TransPacific Partnership** and the ramifications of the historic deal. Check back next month for the latest information on the Canada-European Union Free Trade Agreement and other CAFTA news.

### TRANSPACIFIC PARTNERSHIP

Just over one month ago, Ministers from 12 Pacific Rim countries concluded the TransPacific Partnership (TPP) trade and investment deal following several days of intense negotiations in the U.S. city of Atlanta.

The 12 countries involved represent nearly 40 percent of the global economy, making the TPP the largest agreement of its kind outside the WTO's multilateral system. The TPP will provide significant market access openings, eliminating or reducing tariffs on approximately 18,000 tariff lines across the TPP region.

For Canada, the TPP will give exporters of all sizes access to a new trading block, an opportunity to maintain an integrated North American market and the chance to obtain more value from high value markets such as Japan and rapidly growing Asian-Pacific markets like Vietnam and Malaysia. Most importantly, the fact that Canada is founding member of the deal helps ensure that we are not disadvantaged vis-à-vis our global competitors. The TPP is also an opportunity to negotiate the entry of potential future TPP countries such as South Korea.

#### CAFTA in Atlanta

CAFTA's executive director, Claire Citeau, was in Atlanta on behalf of members along with several CAFTA directors to reiterate that Canadian agri-food exporters were holding firm in seeking a high level of ambition for market access, the level playing field, and commercially meaningful access. CAFTA representatives met on a regular basis with the negotiators. CAFTA also engaged with former Minister Fast and chiefs of staff for former Ministers Ritz and Fast.



From Left to Right: Jim Laws (Canadian Meat Council), Claire Citeau (Canadian Agri-Food Trade Alliance), Brian Innes (Canola Council of Canada) John Masswohl (Canadian Cattlemen's Association), Phil de Kemp (Barley Council of Canada), Dan Darling (Canadian Cattlemen's Association), Rick White (Canadian Canola Growers), Sandra Marsden (Canadian Sugar Institute), Dave Solverson (Canadian Cattlemen's Association), Martin Rice (Canadian Pork Council).

#### CAFTA in the news

Leading up to Atlanta round of negotiations, CAFTA issued an open letter to all federal party leaders on the importance of the TPP. The responses were received during the round and posted on the CAFTA site.

CAFTA issued a statement prior to the round, an op-ed and a joint statement with Canadian like-minded groups regarding the economic benefits of participating in the TPP. CAFTA and its members ensured their interests were known by media, answering questions on the ground.

## **Agriculture Outcomes**

On Oct. 5, CAFTA welcomed the conclusion of the TPP talks, noting that the new trade deal across the Asian-Pacific will increase agri-food exports while reserving judgement on the TPP's terms until the final text is available for review. Outcomes for agri-food exports appear significant at first glance. Tariffs will be eliminated or reduced on a wide variety of agriculture and agri-food products.

- In Japan, close to 32 per cent of tariff lines on agriculture and agri-food products will be duty-free upon entry into force.
- Vietnam will eliminate tariffs on close to 31 per cent of its tariff lines upon entry into force, and a further 67 per cent within 15 years.
- Malaysia will eliminate tariffs on nearly 92 per cent of its tariff lines upon entry into force.

On Nov. 5, 2015, a nearly final version of the TPP agreement was published – which included a preamble, 30 chapters, market access schedules and 58 side letters between the U.S. and other TPP nations.

The unprecedented nature of the TPP is not only represented through its wide-ranging and ambitious nature, it is also because of the rules and disciplines it contains. The TPP should set new rules in areas ranging from environmental and labour protections to the treatment of state-owned enterprises and e-commerce.

## **Non-Tariff Barriers and New Disciplines**

The TPP includes provisions to ensure that sanitary and phytosanitary (SPS) measures are to be transparent, non-discriminatory and science-based. The parties also agreed to improve information exchanges related to equivalency of regulations and timely approval of biotechnology traits.

The TPP also attempts to limit the extent to which governments can favour state-owned enterprises by ensuring that their SOEs make purchases and sales based on commercial considerations and shall not discriminate against enterprises or goods from other TPP states.

The real scope of the additional access and the rules will only be known once details are fully assessed.

## **Next Steps**

With the talks on the TPP now complete, participating countries are gearing up to face the next challenge: building public support and ratifying the deal in their domestic legislatures.

The full terms of the agreement must undergo a legal review, verification, and translation before it can be released and considered for signature then ratification.

Under the Trade Promotion Authority (TPA) law enacted earlier this year, the White House is required to make the final legal text of a trade deal public at least 60 calendar days before a deal is signed and it's required to notify Congress a full 90 calendar days before signing a deal. Congress must approve or reject the TPP by majority vote and within 90 legislative days once it is formally submitted. Now that President Obama has given notice to Congress of his intend to sign the deal, the earliest the TPP can be signed is February 2016.

## Implementation

Within two years of signing the agreement, the TPP deal can be implemented provided that all 12 TPP members ratified the agreement. Additionally, two years after of signing the agreement, the TPP deal can be implemented if: at least 6 of the original 12 signatories ratified it and; if they represent at least 85% of the combined GDP of the (current) TPP region. This threshold is to include the US (65 per cent of the GDP in the region) and most likely Japan (16.6 per cent of the GDP in the region).

This ratification process should be straightforward in TPP countries where the ruling parties have commanding majorities and where TPP partners already have FTAs with countries within the TPP region.

In Canada, the ratification process will be twofold and include a period of at least 21 sitting days of debate on the TPP bill and the introduction of the necessary implementing legislation (to amend/modify customs tariffs related to the TPP).

Once the agreement is signed, the ratification process in the 12 countries will take time. It is not known whether everything can be done in 2016 in all 12 countries.

## CAFTA LOOKING FORWARD TO 2015-16

### New Government

The political landscape in Canada may have changed following the election but CAFTA will continue to work hard to represent the interests of those in the agriculture sector that depends on trade.

CAFTA will work to build a relationship with the Government of Canada and to advocate on the issues and policies that are important to its members, starting with the CETA and the TPP.

The positions that the Liberal Party of Canada communicated to CAFTA in response to our open letter to all party leaders are posted on the CAFTA.org website and reiterate that the new government is supportive of trade.

The Minister for International Trade is Chrystia Freeland. Originally from Peace River Alberta, she has lived in New York, Russia, Ukraine as an internationally renowned journalist.

### CAFTA Welcomes New Member



We are very pleased to announce that **Soy Canada** has joined CAFTA as our newest member. Soy Canada is a national association representing every group involved in the development, production, handling, processing and transport of Canadian soybeans.

We welcome the voice of Soy Canada to the cause as we continue to pursue our mandate of a more open and fair international trading environment for agriculture and agri-food.