



## Statement to the Standing House Committee on International Trade on a Potential Canada-Mercosur Free Trade Agreement

April 19<sup>th</sup>, 2018

- Thank you for inviting me to speak on behalf of CAFTA, voice of Canadian agriculture and agri-food exporters regarding a Potential Canada-Mercosur Free Trade Agreement.
- CAFTA represents the 90% of farmers who depend on trade and producers, processors and agri-food exporters who want to grow the economy through better and competitive access to international markets. This includes the beef, pork, meat, grains, cereals, pulses, soybeans, canola as well as the sugar, malt, and processed food industries. Together, CAFTA members account for over 90 per cent of Canada's agri-food exports which in 2017 exceeded \$57 billion and support over a 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.
- A significant portion of these sales and jobs would not exist without competitive access to world markets. CAFTA is an enthusiastic supporter of negotiating new trade agreement which create growth opportunities for Canada's agri-food exporters.
- Trade is one of our main economic drivers as 60% of the value of the sector is generated through exports. Over half of everything we produce is exported, that is over half of our beef, 65% of our soybean, 70% of our pork, 75% of our wheat, 90% of our canola, 95% of our pulses, and 40% of our processed food products. Over the last 10 years in Canada, Canadian agriculture and agri-food exports have grown by 103%, from \$27 billion to over \$61 billion – boosting farm cash receipts by 61% over the same period.
- Canada's agri-food sector has been highlighted for its significant contributions to the Canadian economy, recognized by the Advisory Council on Economic Growth as a key sector for growth due in part to the sector's focus on exports. This is further represented by the ambitious goal to grow Canada's agri-food exports to \$75 billion annually by 2025.
- Canadian agri-food exporters generate a GDP of \$ 95.5 billion for agriculture and food manufacturing. Food and beverage manufacturing alone is the largest manufacturing employer in Canada (60% of it is concentrated in Ontario and Quebec) with close to a quarter of a million jobs, more than the automotive and aerospace sectors combined

Today, our priorities are:

- **First, it is paramount that Canada ratifies the CPTPP quickly and we urge the government to implement it without delay.**

- CAFTA has been a strong supporter of the CPTP and applauded the fantastic news that Canada concluded the negotiations of the CPTPP and signed the text of the agreement in Chile last February.
  - The CPTPP will not only provide the sector with unprecedented access to the high-value Japanese market and rapidly growing Asian markets like Vietnam and Malaysia, it will also provide Canada with a competitive advantage over the U.S., since the U.S. is not part of the agreement.
  - The CPTPP will enter into force after at least six members ratify it. It is very likely that 7 members (Japan, Australia, New Zealand, Malaysia, Singapore, Brunei and Mexico) ratify and implement before the end of June, if not sooner.
  - Canada may lose the “first mover advantage” if it is not in the first tranche of countries ratifying the deal.
  - With uncertainties surrounding NAFTA, it’s essential for our globally competitive agriculture and agri-food sector to have improved access to markets in the dynamic Asia Pacific region.
  - The best chance to implement the agreement quickly is to ratify quickly.
- **Second, due to the importance of NAFTA to Canadian agriculture and agri-food trade, CAFTA urges the government to continue working to reach a modernized agreement that will strengthen the access and competitiveness of the nation’s farm and food products.** In short, maintain what’s working and modernize the deal where possible.
    - Specifically, the renegotiation should not allow include new tariffs, new non-tariff barriers, or any other provisions that could be used to limit trade.
    - In its submission, CAFTA has identified several areas where improvements to NAFTA could enable further growth for specific products such for canola, grains, meats, sugar and sugar-containing products among others and in areas such greater regulatory alignment and dispute settlement mechanisms.
- We offer the following views on a potential Canada-Mercosur Free Trade Agreement:
    - The agri-food industry is a major economic driver in Mercosur and is one of the largest agri-food exporting blocs in the world. Major agri-food competitors in the Mercosur region include the United States, Chile, China, EU, and the Mercosur partners themselves, especially Brazil.
    - Canada exported \$143 million in agri-food in 2017, \$117 of which was to Brazil. The total has been higher in some years, for example it was \$245 million in 2013, but this still is well below a half of one percent of our total annual agri-food exports.
    - Mercosur exported \$1.3 billion in agri-food to Canada in 2017 and the trade surplus has grown substantially over the past 5 years.
    - Canada competes on world markets with Mercosur members in many of our major exporting sectors – grains, oilseeds, beef and pork.
    - Canada’s share of agri-food exports to Mercosur countries is comparatively small, Canada is the 17<sup>th</sup>-largest supplier to Brazil.
    - Our members see limited potential for increased sales to those countries.
    - A free trade agreement with Mercosur, when viewed beside other FTAs either currently in progress or new ones we see as offering important prospects for increased trade, does not in our view provide sufficient export growth potential to justify allocating the resources which would be required to negotiate an agreement.
    - There are considerable demands on Canadian negotiators. These demands include

the impending renegotiation of the North American Free Trade Agreement, practical completion of the Comprehensive Economic and Trade Agreement with the European Union, the ratification and implementation of the CPTPP and the initialization of free trade discussions with China.

- CAFTA recommends that the resources of the Government of Canada be put into the successful completion of these other negotiations and that a Canada-Mercosur agreement be considered again at a later date.
  
- Thank you.