

August 23, 2017

Honourable François-Philippe Champagne
Minister of International Trade
Global Affairs Canada
125 Sussex Drive
Ottawa, ON K1A 0G2

Dear Minister Champagne,

The Canadian Agri-Food Trade Alliance (CAFTA), representing farmers, ranchers, processors and agri-food exporters who want to grow the economy through better access to international markets, strongly urges Canada to join with the remaining Trans-Pacific Partnership (TPP) countries in declaring its support for, and its intent to implement the agreement without delay. There is a window of opportunity to amend the agreement to come into force without the United States; CAFTA strongly requests that Canada support implementing the agreement without changing negotiated outcomes on market access.

The TPP is the best option available for Canada to secure favourable market access to Japan and many other Pacific countries. The 'TPP-11' countries have a combined GDP of almost \$US 11 trillion and population of approximately 480 million. All intend on expanding their international trade relationships and opportunities through free trade agreements.

The Pacific region continues to experience the world's fastest economic growth. This is expected to continue well into the future. Along with growing incomes comes rapidly rising imports of agriculture and food products.

Japan, the largest of the TPP-11 economies, is a high value and reliable market for many of Canada's agri-food exports, particularly those with high value-added content. Retaining competitive access to Japan is essential for Canada to achieve the target of \$75 billion of agri-food exports in 2025 contained in the 2017 federal budget.

Canada's exporters are becoming increasingly alarmed that they will soon no longer be competitive in the Japanese market as they watch their competitors complete and implement free trade agreements with Japan; this includes Australia, Chile and most recently, the European Union. The United States has also indicated that it seeks a bilateral deal with Japan.

These circumstances remind us of Canada's situation with South Korea when many of our competitors had free trade agreements and Canada did not. Fortunately, the Canada-Korea Free Trade Agreement was completed and we are regaining our competitiveness in that market, but not without significant loss of sales during this catch-up period. The implications of Canada losing out on Japan are even more serious than they were for South Korea. Japan imports approximately \$4 billion of agri-food products annually from Canada.

Other, fast-growing, TPP-11 countries, such as Vietnam, are rapidly growing their agri-food imports. The EU's recently implemented free trade agreement with Vietnam is already eroding Canada's ability to compete in that market.



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The TPP has always been viewed as a platform from which to expand free trade relationships with other countries. Since the conclusion of the agreement, many other countries have indicated interest in joining the TPP, including Thailand, Philippines, Taiwan, South Korea and Indonesia. As a founding member of the TPP, Canada will be able to negotiate concessions from other countries seeking to join the agreement.

The Trans-Pacific Partnership is an agreement of countries committed to 21st century trading rules. This positions Canada well for future negotiations, such as the NAFTA modernization talks now underway.

It is worth noting that the Government of Canada's own analysis, performed in 2016 prior to the U.S. withdrawal, showed important economic gains for Canada to participate in the TPP. This analysis also showed that if Canada was not a member, it would suffer major losses as it became uncompetitive in Japan and other TPP countries.

If the US does not participate in the TPP, the gains from TPP will be even larger for Canada. A recent study by the Canada West Foundation¹ found that the TPP will be positive for all member countries, even if the United States does not participate. This is a conclusion that is echoed in other reports out of Japan and Singapore.

In conclusion, there is no better opportunity available to Canada than the TPP to secure market access gains to Japan and many other Pacific countries. We strongly encourage Canada, as the second largest economy in the TPP-11, to take a strong step forward and join Japan in supporting the implementation of TPP without changes to the market access provisions.

Sincerely,

Brian Innes
President

Copy: Hon Chrystia Freeland, Minister of Foreign Affairs
Hon Lawrence MacAulay, Minister of Agriculture
Hon Bill Morneau, Minister of Finance

¹ *The Art of the Trade Deal: Quantifying the Benefits of a TPP without the United States* (at <http://cwf.ca>).