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(CAFTA)**

***Statement to the Standing Committee on Agriculture and Agri-Food on their
study on Non-Tariff Barriers for Agricultural Products and Free Trade
Agreements***

June 1, 2017

- I am pleased to be here today and to be joined by Brian Innes, President of the Canadian Agri-Food Trade Alliance, and to be able to speak on the subject of non-tariff import barriers facing our agriculture and agri-food exports and linkages with free trade agreements.
- I would like to begin by commending the Committee for undertaking this study. It is a highly relevant topic given the current focus on trade negotiations. The existence of an agreement by itself will not ensure the desired increase in trade if the reduction in tariffs reveals technical and other non-tariff barriers which prevent exporters from taking advantage of the new opportunities that the FTA was expected to provide.
- CAFTA is a coalition of organizations who have a major stake in international trade and seek a more open and fair international trading environment for Canada's agriculture and agri-food exports. Our members represent producers, processors and exporters from the beef, pork, meat, grains, cereals, pulses, soybeans, canola as well as the sugar and malt industries.
- Together, CAFTA members account for over 80 per cent of Canada's agriculture and agri-food exports which last year exceeded \$55 billion and support hundreds of thousand jobs in communities across the country.

- As has been noted already today, the agri-food sector has been recognized, in the 2017 federal budget, for its potential for growth, being designated a ‘super cluster’ with a target of \$75 billion in exports by 2025.
- Competitive access to international markets is critical for our sector as 90 percent of Canadian farmers depend on world markets to sustain their livelihoods. We export over half of the agri-food products that we grow. This makes Canada’s one of the most trade-dependent agricultural sectors in the world.
- There is a widespread perception within the agri-food export community that over the past couple of decades, a period of significant tariff reductions through trade agreements, there has been an increased incidence of non-tariff measures.
- There is evidence to support this notion. The number of notifications under the WTO Agreement on Technical Barriers to Trade (TBT) more than doubled in the past twenty years.
- Perhaps more telling is the number of new trade concerns raised with the WTO related to the TBT which more than tripled from the years immediately following implementation of the Uruguay WTO agreement in the mid-1990s to the most recent period for which such statistics are available.
- There has been a substantial amount of economic analysis on the cost implications of non-tariff measures with estimates of the sum effect of non-tariff measures for our agri-food exporters being the equivalent of a tariff of 25 to 30 percent in Asia and 30 to 40 percent for the European market.
- The Committee has already heard from CAFTA members several examples of non-tariff barriers and their impact on export access and I won’t repeat them here but Canadian agri-food exporters have experience with virtually every category of non-tariff measures which include the following:
 - Restrictions on the use of pathogen-reduction treatments;
 - Restrictions on the importation of agricultural products benefitting from biotechnologies;
 - Differences between the exporting and importing countries in maximum residue tolerances (MRLs); and

- Lengthy import approval measures of new types of plants and animal feed ingredients.
- The increase in non-tariff measures, and how they take on importance as potential barriers to our agri-food exports, has occurred in different ways.
- One of these is the increasing importance people all around the world place on their food – not only its safety but increasingly, how it is produced – the result of which is a greater number and complexity of regulatory requirements which our agri-food exporters must adapt to in order to take advantage of the increased commercial market opportunities forthcoming from a newly implemented free trade agreement.
- A second situation we are experiencing is where non-tariff measures have been in place in the importing country for some time but whose existence or significance may not become apparent until tariffs or other border measures in that country are eliminated or reduced through a free trade agreement. An example of this would be EU meat inspection requirements, such as antibacterial treatments, that differ from those in Canada. Most countries Canada exports to recognize our *system* as being at least equivalent to their own such that a Canadian plant approved by the Canadian Food Inspection Agency is automatically accepted for imports to those countries. The EU, however, does not recognize equivalency of results of inspection systems as a basis for allowing imports; instead, the Canadian industry is expected to adjust its operating procedures to conform to EU regulatory requirements before it can take advantage of the new market opportunities created under CETA.
- A third scenario for non-tariff barriers, which can be the most disruptive for our members as well as for our government, are those which appear without warning and often with little or no scientific rationale. They are usually in response to internal pressures, such as the domestic industry seeking relief from import competition, or to non-science-based movements protesting innovations in food production. This is the category of NTBs which seems to be occurring more often as tariff protection declines following a trade agreement and where there is a domestic industry accustomed to protection from imports.
- We should point out that not all regulations and technical measures act to restrict trade. Many of them, when properly designed and implemented, address legitimate health and safety objectives which generate consumer confidence and support the growth of the markets into which we sell our products, and for which we have obtained preferential access through free trade agreements.
- In addition, Canada's internationally recognized superior plant and animal health status can provide our agri-food exporters in some export markets with competitive

advantages over other competitors, even those with their own free trade agreements, as a result of freedom in our own country from certain animal and plant diseases.

- Of the scenarios described earlier, the first – increasing public expectations and demands – exists in Canada as well as most other jurisdictions, and our main concern here is that any new regulations and standards are no more trade discriminatory than is necessary to satisfy the regulatory objective and thus do not risk provoking a trade challenge under either a free trade agreement or through the WTO.
- Those NTBs which are established with little or no consultation, or that do not have a rigorous scientific basis, are perhaps the most detrimental as they often occur *after* exporters (and their importer customers) have made substantial investments in developing new markets.
- The experience of losses from often highly perishable food products being held at the border due to the imposition of a non-tariff barrier can be severe enough that exporters lose interest in the market, viewing it as too risky, such that the expected gains from a trade agreement are foregone.
- We offer the following to the Committee for consideration in respect of non-tariff measures and free trade agreements:
 - There needs to be undertakings in the trade agreements that commit each of the parties to having in place science-based, transparent, predictable and timely regulatory approval processes.
 - Similarly, the WTO-recognized international standard-setting bodies – Codex Alimentarius, the International Plant Protection Convention and the World Organization for Animal Health (OIE) – must stick to evidence-based processes, such as those of establishing maximum residue limits, and not be allowed to become politicized in their decision-making.
 - We need to start early in a free trade negotiation to clarify the regulatory requirements for Canadian agri-food export products of interest. This requires cooperation between industry and government, involving the expertise and intelligence available from Canadian embassy staff, regulatory and trade policy officials in government and industry associations. Working groups, such as those now in place for implementation of CETA, need to be established at the earliest opportunity.
 - Opportunities for cooperation between trade partners in regulatory standards and approval processes should be encouraged within our FTAs. This can include approvals of animal health products and pest control tolerances.

- Human resource requirements of our regulatory and policy agencies increase with each new trade agreement, given differences between countries as well as the ever-increasing expectations placed on food producers in virtually all countries. As our dependence on trade increases, Canada must recognize that sufficient investment in staffing and expertise in our regulatory, policy and diplomatic personnel is essential to take advantage of trade agreements.
 - More specifically, we would stress the need of adequate funding for several different components of the federal government with key roles in achieving market access for our agri-food exports including the Market Access Secretariat, our diplomatic posts and departments and agencies including Agriculture and Agri-Food Canada, the Canadian Food Inspection Agency, Global Affairs Canada and Health Canada.
- Thank you for this opportunity and we look forward to your questions.