



Cereals Canada

***Brief submitted to:***

**The House of Commons' Standing Committee on International Trade**

***For the study entitled:***

**A Potential Agreement Between Canada and the Pacific Alliance: Consulting Canadians**

***Prepared by: Cereals Canada***

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## Cereals Canada

### **Background:**

Cereals Canada is a national, not-for-profit organization that facilitates collaboration between partners across all sectors of the cereals value chain. Our membership encompasses leading farm organizations, grain handling, export and processing firms, as well as crop development and seed companies. These members have direct interests in expanded access to global markets and predictable rules-based trade.

We recognize that a robust trading environment supported by ambitious free trade agreements is critical to achieve greater productivity and prosperity for Canadian agriculture. With this view in mind, Cereals Canada supports Canada's efforts to advance a free trade agreement (FTA) with Pacific Alliance partners and ultimately become an associate member of the trading bloc. We believe this initiative can generate positive outcomes for Canadian cereals producers, processors and exporters – particularly by streamlining business and investment opportunities across the region.

Thanks to existing bilateral FTAs, Canadian cereals exporters already enjoy duty-free access for cereal commodities (i.e. wheat, barley and oats) and many related value-added products across the Pacific Alliance region (Chile, Colombia, Peru, Mexico). Accordingly, incremental gains associated with the Pacific Alliance will depend on outcomes that bolster the regional business environment and ensure more predictable, rules-based market access. For agri-food exporters, clear and robust provisions related to science-based regulatory decision-making and dispute settlement are critical to achieve such outcomes.

Achieving ambitious outcomes through these negotiations will also set the stage for continued gains as the Pacific Alliance expands its membership into other markets. The promise of future gains through improved access into new markets is an important aspect of the Pacific Alliance. It is expected that Canada's early participation in the Pacific Alliance will improve our position to shape the agreement's expansion and improve Canadian competitiveness across the region.

Despite our strong support for the Pacific Alliance, it is important to note that discussions are happening in parallel to the renegotiation of the North American Free Trade Agreement (NAFTA) and ongoing advancement of the Trans-Pacific Partnership Agreement (TPP-11), officially known as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). These concurrent trade agreement negotiations share several overlapping partners and objectives. Given this context, we believe that Canadian efforts must be prioritized towards the agreements offering the greatest potential gains.

Cereals Canada continues to seek the ratification of the CPTPP by the Government of Canada. Because the CPTPP offers a greater geographic scope than the Pacific Alliance (including countries with which Canada does not have existing bilateral agreements) and larger economic footprint, it must continue to be a focal point for Canada.



### **Overview of Cereals Canada's priorities:**

Cereals Canada is a strong proponent of trade liberalization and the advancement of a progressive rules-based trading system. Stronger market access and deeper cooperation with important countries across the Asia-Pacific region will set the stage for continued growth in agriculture.

Given that Canada has already established bi-lateral free trade agreements with each of the existing Pacific Alliance countries (Chile, Colombia, Peru, Mexico), we believe negotiations must focus on unlocking previously untapped opportunities. With tariffs for cereals and cereal products largely liberalized in these markets, incremental gains from the Pacific Alliance negotiation will be minimal unless improved 'behind-the-border' measures and regulatory cooperation are pursued.

Consistent with Cereals Canada's submissions to the Government of Canada for other recent FTA consultations, we believe gains can be achieved in key areas including:

- Establishing a common understanding for the interpretation of "science-based".
- Cooperating on synchronized approvals of crop inputs, new crop traits and varieties.
- Agreeing on a common framework for the regulatory approval of new plant breeding techniques (such as gene editing).
- Implementing a common low-level presence policy.
- Offering a clear science-based dispute resolution process for sanitary and phytosanitary (SPS) issues when they arise.

With respect to SPS issues, there are current challenges facing Canadian exporters that could be addressed through the Pacific Alliance agreement. Recently, Peru has provided notices of non-compliance for certain common weed seeds in Canadian crop shipments. Canadian access to the Peruvian market could be at risk if tolerances for these weed seeds are restricted.

The Pacific Alliance should provide a framework that ensures these types of SPS challenges can be quickly resolved in a science-based manner and that trade is not unnecessarily restricted during the intervening time. Establishing a common understanding of science-based could reduce the potential for disagreements at the outset and could speed the dispute settlement process if disagreements on SPS issues occur.

Participation in the Pacific Alliance also offers potential for future gains as the trading bloc continues expanding its membership and scope across the region. Accordingly, Pacific Alliance negotiations should set an ambitious precedent for unencumbered and rules-based market access in agriculture, that will encourage improvements beyond tariff liberalization by future members.



With other new partners joining the Pacific Alliance – namely Australia, Singapore and New Zealand – Canada can strengthen its competitiveness relative to other cereal exporters. Australia currently benefits from preferential treatment for cereals into Singapore through a bi-lateral trade agreement. Australia’s market access achievements for cereals and cereal products into Singapore (and any other Pacific Alliance country) must be matched.

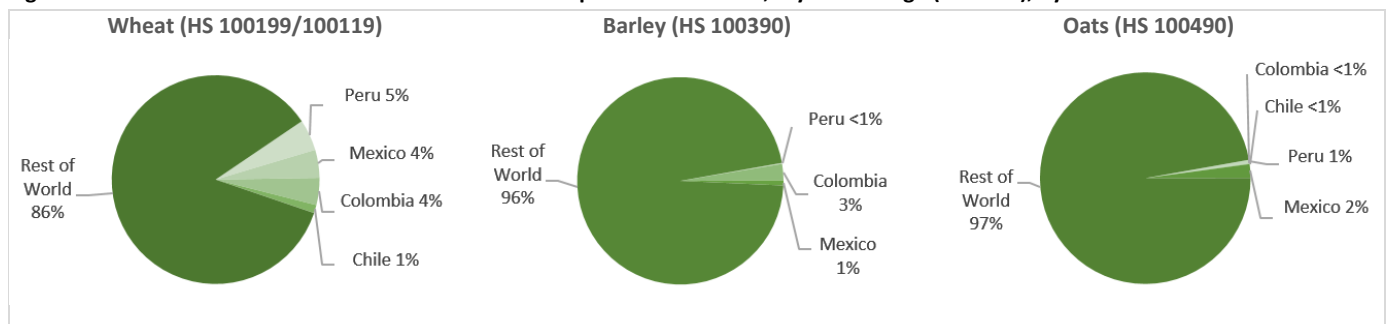
Although Australia is an important competitor for Canadian cereals, the Pacific Alliance also promises to improve Canada’s position relative to other competitors that are not currently participating, such as the United States and Baltic states. Extending Canadian gains against these competitors through preferential tariff treatment and a more predictable and transparent business environment will improve Canadian exporter potential. Canada’s participation in agreements such as the Pacific Alliance and TPP-11 offer important opportunities to achieve these benefits.

**Canadian Cereals Exports to the Pacific Alliance:**

Pacific Alliance members account for an important share Canadian cereals exports to the world, particularly for wheat. An overview of export shares for Canadian wheat, barley and oats to Pacific Alliance countries and the world is provided in Figure I.

As highlighted below, the average share of Pacific Alliance countries in Canada’s exports to the world was roughly 14 per cent for wheat, 4 per cent for barley and 3 per cent for oats. For perspective, the average combined dollar value of Canada’s wheat, barley and oat exports to these countries between 2012-2016 was roughly \$980 million per year.

**Figure I: Share of Pacific Alliance Countries in Canada’s Exports to the World, 5-year Average (2012-16), by Volume**



Source: Canadian International Merchandise Trade Database, August 2017



## Cereals Canada

Canadian cereals producers and exporters recognize the importance of continued growth and diversification into global markets. The Pacific Alliance can provide improved access to these markets. However, we must not lose sight of the opportunities for improved access to other key markets available through the advancement of the TPP-11 – which remains critically important for the Canadian cereals sector.

Cereals Canada looks forward to continued progress on the negotiation of the Pacific Alliance and other ongoing negotiations and we are hopeful that strong outcomes will be achieved for agriculture.