

May 30, 2023

Standing Committee on International Trade
Sixth Floor, 131 Queen Street
House of Commons
Ottawa ON K1A 0A6
Canada

Submitted via email: CIIT@parl.gc.ca

Re: *Standing Committee on International Trade's Study Regarding Non-Tariff Barriers in Canada's Existing and Potential International Trade Agreements*

Dear Committee Members,

Cereals Canada is the national industry association for wheat, durum, barley and oats in Canada. We represent the full value chain, from farmers to crop development companies, grain handlers and exporters. Our members focus on the benefits of export-led growth, facilitated by access to diverse global markets. Canadian cereals are a staple food exported to over 80 countries. In an average year our sector exports over 70% of our production, generating \$68.8 billion in economic activity, including more than 370,000 Canadian jobs.

With Canadian cereals' global reach and long-standing place as key agricultural exports, the sector has witnessed the shift in trade barriers from tariff-based to non-tariff barriers (NTBs) as the primary means of controlling imports.

Cereals Canada recognizes that there is a genuine purpose for use of regulations and other measures to protect food safety and set environmental standards in importing countries. When these measures are implemented to discourage imports to protect domestic industry or to favour one exporter over another, they become NTBs that hinder trade, limit market access, and increase costs for exporters. Balancing the legitimate objectives of NTBs while minimizing their negative impact is crucial for promoting fair and sustainable agricultural trade.

1.0 Weed Seeds in Vietnam

The most impactful use of an NTB for wheat has been the use of Sanitary and Phytosanitary (SPS) restrictions in Vietnam. Following the implementation of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Vietnam's regulator added creeping thistle to its list of prohibited pests and thereby restricted Canadian wheat imports due to these seeds being present in Canadian cargoes. Cereals Canada's position is that this measure qualifies as an NTB due to the fact that no thistle outbreaks have occurred in Vietnam despite decades of wheat imports from Canada and the fact that thistle seeds are endemic to other northern hemisphere exporters who have not faced the same restrictions as Canada.

Since the restriction of trade in 2019, Canadian wheat shipments have only been feasible in container quantities, and as a result, instead of increased market access, Canada exporters

experienced increased logistics costs and regulatory uncertainty that saw Canadian wheat exports to Vietnam fall from 375,000 metric tonnes in 2019 to only 20,000 tonnes last year. Seeing an NTB implemented immediately following the conclusion of the CPTPP has prevented our sector from realizing any benefit from CPTPP in Vietnam. This highlights the need for future trade agreements to be fully implemented and for stronger protections against NTBs to be included as critical negotiation outcomes.

We are currently working with the Government of Canada and Vietnamese stakeholders on a path forward to return to normalized trade for Canadian wheat exports.

2.0 Mandatory Country of Origin Labelling in Italy

We have also seen the use of certification and documentation requirements, specifically the use of mandatory country of origin (MCOOL) labelling in Italy. The use of mandatory labelling regimes on food products requires additional segregation, tracking and packaging costs. Using MCOOL does not increase food safety. MCOOL does add to food supply chain costs for producers, and therefore consumers. In Italy, country of origin labelling is combined with media campaigns and other messaging raising unfounded fear about imported Canadian durum. While this measure has benefitted Italian durum producers, this also suggests that MCOOL is in place to protect Italy's durum producers and therefore qualifies as an NTB.

The European Union is currently evaluating a proposal to extend country of origin labelling for Canadian durum for all member states. Similar to the Vietnam example, the implementation of MCOOL in Italy following the provisional implementation of the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) and lack of action to resolve this irritant in the subsequent years highlight the need for stronger provisions against NTBs in future trade agreements.

3.0 Presidential Decrees in Mexico

The cereals sector is closely watching developments in Mexico, where presidential decrees have been issued that will prevent farmers there from having access to key seed and farm inputs. Additionally, products produced using these technologies will be barred from entering the Mexican market. If these measures were to extend to Canadian cereals, they would have significant impacts both on Canadian industry as well as Mexican consumers.

4.0 Resolving Non-Tariff Barriers through Joint Action

Industry and government can work together to support open, predictable and sustainable trade. Cereals Canada has seen the benefits of industry-to-industry advocacy with international customers. In the Peruvian market, Canadian cereals faced import restrictions that were similar to those Canada faces in Vietnam. In 2019, Canadian industry, working in conjunction with millers in Peru, as well as the Government of Canada, established a protocol that allows Canadian wheat to be imported with in-country control measures that satisfy Peruvian regulators.

When efforts from the Canadian government, Canadian industry, and in-market customers can be combined, it creates an ideal situation for the resolution of NTBs. This is why Cereals Canada is advocating for increased funding through programs such as the AgriMarketing Program, now offered under the Sustainable Canadian Agriculture Partnership. Our efforts have shown how critically important in-market customer and official engagement, and Cereals Canada programming drive continued market access. These activities, also funded by Cereals Canada's membership, build and support long-term relationships that benefit Canada's economy. In the



Peruvian case, a market that has averaged \$475 million in annual cereals imports from Canada remains open.

5.0 Strengthen Trade Agreements to Discourage the Use of NTBs

We applaud the government's ambitious work to grow our Free Trade Agreements (FTAs) with cereal importing countries. These agreements have worked to reduce cereal import tariffs in the relatively small number of markets where these tariffs still exist. Unfortunately, there have been instances where, despite an FTA, market access has not increased. In these cases, the use of non-tariff barriers frustrates the potential gain from the FTA. When negotiating future trade agreements, and in implementing already agreed-to FTAs, Canadian trade officials must increase their focus on including language governing the use of non-tariff barriers, risk-based scientific assessments, as well as timely and binding dispute resolution processes to reopen borders when barriers are put in place.

Canadian government and officials must continue to uphold harmonized standards and the use of scientific risk-based standards relating to Maximum Residue Limits, or MRLs. The use of MRLs recognizes that modern testing protocols can identify minute amounts of contaminants, making "zero-tolerance" policies untenable. MRLs tied to scientific risk-based assessments for human and environmental health, harmonized at levels consistent with international guidance, such as Codex Alimentarius, provide regulatory transparency and facilitate predictable trade.

6.0 Proactive Efforts on Communication and Relationship Building

We applaud the announcement of the Indo-Pacific Agriculture and Agri-food Office (IPAAO) as part of the larger Indo-Pacific strategy. Government-industry partnerships play a crucial role managing market access. Effective industry-to-industry advocacy is facilitated when government-to-government dialogue is happening at the same time. Establishing sustained, in-region relationships between Canadian regulators and their counterparts in export markets will foster trust and maintain lines of communication that can pre-empt the use of NTBs and help resolve regulatory misalignments as they arise. Such efforts support ongoing engagement in the region and create opportunities for collaborative endeavours between industry and government to achieve positive outcomes for Canada.

Cereals Canada has been actively engaged with Agriculture and Agri-Food Canada staff on the development and implementation of the IPAAO. Research, funded and conducted in collaboration with Canola Council of Canada and Pulse Canada, has demonstrated that investments in "on-the-ground" presence, deploying dedicated technical and regulatory experts to support and compliment the existing Trade Commissioner service, will result in better mutual understanding and lower the risk of unexpected NTBs. We believe that there is potential to expand the IPAAO concept into other markets, such as Europe and South America, to safeguard and enhance Canada's agriculture and agri-food opportunities.

Limiting the use of non-tariff trade barriers will foster a stronger, predictable trade environment that allows food to reach markets where it is needed. Implementing harmonized and science-based regulatory approaches will allow food producers to utilize modern agricultural tools to produce safe and affordable food, contributing to global food security. On behalf of our members, Cereals Canada expresses our gratitude to the Committee for their interest in learning about the impacts of non-tariff trade barriers in agriculture.

We trust this submission is helpful as the federal government continues to pursue its trade agenda through the implementation of existing trade agreements and the negotiation of future agreements.



Please contact Cereals Canada if you require additional information.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Walker', written in a cursive style.

Mark Walker
Vice President, Markets and Trade
Cereals Canada

