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Agricultural Trade in a Time of Uncertainty

Free Trade Agreements and U.S. Agriculture



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Canadian Perspective

- › Brief statistical perspective
- › Access to foreign markets is vital
- › WTO as bedrock
- › NAFTA most important FTA – U.S. most important foreign market
- › New FTAs – CETA (with EU), CPTPP (successor to TPP), CKFTA (with Korea)
- › Other negotiations underway
- › Key is creating a stable planning environment and making the agreements work for farmers, ranchers and food processors
- › Evolving framework for agricultural trade



Top Canadian Agri-Food Export Markets 2017

Source: Canadian Agrifood Trade Alliance website

United States	\$30 Billion
China	\$7 Billion
Japan	\$4.2 Billion
European Union	\$2.9 Billion
Mexico	\$1.9 Billion
India	\$939 Million
UAE	\$830 Million
South Korea	\$650 Million
Indonesia	\$608 Million
Hong Kong	\$586 Million
Total Agri-Food	\$57.7 Billion



Canada is a large producer of agri-food products: About half of all Canadian production is exported

- › Fifth largest exporter of agricultural and agri-food products in the world after the EU, U.S., Brazil, and China
- › Half of everything Canada produces is exported
- › Percentage of production exported:
 - › beef/cattle 50%
 - › soybeans 70%
 - › pork 70%
 - › wheat 75%
 - › canola 90%
 - › pulses 95%



WTO and competitive trade liberalization

- › Traditionally Canada used GATT to negotiate improved access to foreign agricultural markets including the U.S.
- › That changed somewhat with the NAFTA
- › But a year later the WTO consolidated much of that and brought in substantial new reforms to the framework for agricultural trade
- › The dynamic changed as the U.S. moved to an approach based on “competitive trade liberalization”
- › Given its dependence on exports Canada had to follow suit or lose out



Canadian focus on major markets

- › After concluding NAFTA Canada gradually began to seek FTAs with other important markets notably the EU and Japan
- › Major access FTAs were achieved with:
- › South Korea – January 1, 2015 – behind U.S.
- › CETA (EU) - September 21, 2017 – ahead of U.S.
- › CPTPP – December 30, 2018 (Canada, Australia, Japan, Mexico, New Zealand, and Singapore); January 14, 2019 (Vietnam) – ahead of U.S.
- › Now negotiating with others e.g. UK, Mercosur, ASEAN

Shortcomings of FTAs vs WTO

- › Many matters important for agricultural trade cannot be addressed effectively in FTAs:
 - › Domestic support
 - › Exports subsidies
 - › Anti-dumping and countervailing duties
- › Or are rooted firmly in WTO disciplines:
 - › TBT – Technical Barriers to Trade
 - › SPS – Sanitary and Phytosanitary Measures
- › In addition WTO dispute settlement has so far proved more effective than equivalent provisions in FTAs at actually resolving disputes



Another problem with FTAs is uncertainty of the competitive environment

- › U.S. policy has transformed market access opportunities for Americans:
- › From “competitive trade liberalization” under the George W Bush administration
- › To “self-inflicted Least Favored Nation treatment” under the Trump administration
- › As a result Canadian suppliers now benefit from preferential access over their American competitors into markets of EU, and Japan and Vietnam
- › But how long will that last?



Uncertainty means investment postponed

- › Of course, Canada joined its North American partners in a bruising American led effort to “rebalance” and modernize NAFTA
- › Resulting USMCA (CUSMA) signed November 30, 2018 – ratification?
- › During the Obama years it seemed Canada’s preferential access to the EU under CETA would end when the U.S. completed the T-TIP negotiations – Trump administration backed off
- › Similarly during the Obama administration U.S. took the lead in the TPP negotiations and used its impressive leverage to pry open markets
- › And then in an act of uncharacteristic generosity the Trump administration backed off and left the spoils to the other parties



How long will Canada's preferences last?

- › This question is forefront in the minds of many as they eye Canada's prospects in agricultural trade
- › The answer lies mainly in the hands of US policy makers
- › Almost everyone wants the U.S. to be part of the system
- › How long will it take the U.S. to negotiate FTA's with the EU and Japan?
- › May be difficult in run up to 2020 election, especially with focus already on USMCA and China
- › And remember 2015 TPA negotiating authority expires July 1, 2021

Evolving framework for agricultural trade I

- › Trade agreements should be designed to reduce uncertainties for agricultural producers
- › Producers have enough uncertainties with the weather and disease
- › In a global context looking for temporary advantages through preferences doesn't make a lot of sense
- › The best approach would:
 - › Encourage the efficient allocation of resources on a global basis
 - › Contribute to sustainable agriculture, and
 - › Reduce the risk that trade tensions would undermine global security



Evolving framework for agricultural trade II

- › Better to work towards a system in which all suppliers and consumers are on the same footing
- › Bilateral deals won't get us there
- › Either open ended plurilateral agreements or multilateral ones are needed
- › Perhaps after 4 (or 8) years of Trump's trade policies the world will be ready for a new burst of multilateral cooperation





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Thank you



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