



Cereals Canada

October 15, 2018

Hon. A. Raynell Andreychuk
Chair, Senate Standing Committee on Foreign Affairs
and International Trade

Senate of Canada
Ottawa, Ontario
K1A 0A4

Hon. Paul J. Massicotte
Vice-Chair, Senate Standing Committee on Foreign Affairs
and International Trade

Senate of Canada
Ottawa, Ontario
K1A 0A4

Re: Supporting Prompt Ratification of the CPTPP

Dear Senators:

Cereals Canada is a member-based organization representing the value-chain for Canadian cereal crops, including wheat, barley and oats. Our members include leading farm groups, research and seed development companies, grain handlers, value-added processors and exporters. These members recognize the value of new opportunities for trade and diversification promised by the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Cereals Canada is a member of the Canadian Agri-Food Trade Alliance (CAFTA). We fully endorse the positions expressed by CAFTA related to the CPTPP, including in their letter to Senators on this matter submitted on October 4, 2018. Should the Standing Senate Committee on Foreign Affairs want to hear the views of Canada's agri-food exporters, CAFTA can provide a voice on behalf of all its members, including Cereals Canada, in order to streamline testimony on CPTPP at the Committee stage.

Consistent with CAFTA, we urge Senators to review and swiftly approve C-79, the legislation to implement the CPTPP, on a timeline that will enable Canada to be one of the first six nations to ratify the agreement and bring the agreement into force before December 31, 2018.

Canada's participation among the first six nations is necessary to allow Canadian companies to maintain and strengthen competitiveness while taking full advantage of the benefits of this agreement. We believe there is no better opportunity available to Canada than the CPTPP to secure market access gains to the lucrative Japanese market and many fast-growing Pacific countries such as Vietnam and Malaysia. More fundamentally, the CPTPP represents a much-needed opportunity to strengthen trade liberalization on the global stage while providing a tangible counterweight against rising incidences of protectionism facing Canadian agriculture exporters globally.

Cereals Canada's strong support for the advancement of the CPTPP has been made clear through multiple representations and consultations with stakeholders across government. For your reference, on May 24, 2018, Cereals Canada provided testimony to the Senate Standing Committee on Agriculture and Forestry expressing our ongoing support for the CPTPP.



Cereals Canada

I have attached a detailed briefing note from Cereals Canada that outlines the benefits of the CPTPP. I ask that you share this brief with your colleagues on the Foreign Affairs and international Trade Committee.

By advancing the CPTPP, Canada has a unique opportunity to demonstrate our position as a champion for international trade and multilateral cooperation on the global stage. The Canadian cereals sector and agricultural industry are counting on ratification of this important agreement to begin taking advantage of its full benefits.

Sincerely,

Cam Dahl
President

cc: Marie-Eve Belzile, Clerk, Senate Standing Committee on Foreign Affairs and International Trade



Cereals Canada

Brief on the Comprehensive and Progressive Trans-Pacific Partnership

**Prepared For the
Senate Standing Committee on Foreign Affairs and
International Trade**

Prepared By Cereals Canada

October 15, 2018



Cereals Canada

Key Ask:

Cereals Canada strongly encourages the Government of Canada to move forward with the implementation of Comprehensive and Progressive Trans-Pacific Partnership (CPTPP).

To this end we encourage the Senate of Canada to review and pass C-79 as quickly as possible.

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.

Our organization has been a strong advocate for the CPTPP given its important potential to unlock new access and improve the trading environment across the Asia-Pacific region. We recognize that a strong trading environment backed by ambitious multilateral trade agreements, including CPTPP, is necessary for the long-term productivity and prosperity of Canadian agriculture.

Improved trade through CPTPP will generate valuable gains for the Canadian cereals sector and agriculture industry. The agreement's partners encompass significant markets, such as Japan, that are key destinations for Canadian cereals and other agriculture exports. There is also the potential for new members to join and several countries have already expressed interest (including Indonesia, one of the world's largest wheat importer and the top Canadian wheat customer outside of North America). By improving the trade regime between these important partners, the CPTPP will put Canadian exporters at the front of the line in supplying Asia-Pacific nations.

The agreement is also viewed as an opportunity to provide leadership in promoting multilateral trade policy cooperation, while raising the bar with respect to modern trading rules in Asia-Pacific and beyond. In the wake of withdrawal and rising protectionism by traditional trading partners, the importance of achieving these outcomes is clearer than ever. Implementation of CPTPP is a concrete opportunity for Canada and like-minded partners to cooperate and defend the benefits of trade on the global stage.

Summary of Cereals Canada's Priorities:

Cereals Canada strongly encourages the Government of Canada to move forward with the implementation of CPTPP. We believe CPTPP represents Canada's best option for pursuing access to new markets and driving trade liberalization in the Asia-Pacific region. Our support for this agreement is based on its potential to deliver positive outcomes across the following priority areas:

Improving Canadian export competitiveness:

- Achieving tariff improvements in key Asia-Pacific markets leading to direct gains for Canadian agriculture exporters – improved access to Japan is particularly important for Canadian cereals exporters;
- Improving the trade system by enhancing transparency and predictability for agriculture trade, particularly to reduce the incidence and impact of non-tariff trade barriers (e.g. improved science-based sanitary and phytosanitary rules and dispute settlement);
- Amplifying the agreement's gains by encouraging continued accession by new members including leading global cereal importers (e.g., Association of Southeast Asian Nations, or ASEAN).

Defending trade liberalization:

- Supporting continued trade liberalization and multilateral trade policy cooperation on the global stage;
- Generating positive spill-overs across the region and raising the bar in terms of ambitious outcomes for ongoing and future trade negotiations;
- Providing leverage in the NAFTA negotiations and insurance in the event that these negotiations fail.

In order to secure the benefits described above, Canada must participate in the agreement and undertake active efforts to expand the agreement's scope and influence. Failure to move forward with this agreement will have a direct cost for Canadian farmers and exporters, who depend on improved market access to support continued export diversification, competitiveness and growth. It should also be noted that failure to advance in this agreement by any current member is likely to cause the entire initiative to unravel. This outcome would represent a major setback to continued multilateral trade policy cooperation and advancement of the international trading system.

Improving Canadian Export Competitiveness:

Tariff Improvements

As the world's economic centre of gravity shifts towards Asia, Canada must take advantage of opportunities to increase our access and competitiveness across the region. Although the Canadian cereals sector is already a leading supplier of wheat, barley and oats to many Asia-Pacific countries, this position can be enhanced through the gains unlocked by CPTPP. Indeed, the agreement promises to improve prospects for diversification and expansion of Canada's agricultural export markets, all while strengthening trading conditions across this important region.

With CPTPP, Canadian farmers and companies stand to benefit directly from the reduction of tariffs, which will improve export competitiveness into key markets such as Japan. These outcomes are considerable, particularly given the nature of the competitive landscape for cereals exports into the Asia-Pacific region. As highlighted in Annex I, the U.S. and Australia are among Canada's largest export competitors for cereal grains into most CPTPP markets.

Interestingly, U.S. withdrawal from the original agreement actually increases Canada's expected gains and relative competitiveness from CPTPP. This is because U.S. withdrawal allows Canada to capture gains that would have been shared with U.S. competitors under TPP-12. From the perspective of the Canadian cereals sector, this reality is perhaps most important with respect to access to Japan, where the U.S. is currently the world's leading supplier, but is not covered under a preferential agreement. With preferential access to Japan thanks to CPTPP (and an improved competitive position relative to the U.S.), Canada stands to benefit.

The agreement will also put Canada on equal footing to Australia, which has enjoyed preferential access to several CPTPP markets (including Japan and Vietnam) thanks to its existing bilateral deals. Australia has achieved significant benefits by actively forging preferential agreements across the Asia-Pacific region. Canada's participation in CPTPP will allow us to compete on a level playing field by matching these outcomes in several key markets.

The Canada-West Foundation has estimated the growth in exports for Canadian wheat and cereals to CPTPP countries at 1.28 percent (or \$29 million). More broadly, the export competitiveness of Canadian value-added cereal products will also improve, with exports of Canadian value-added food products to CPTPP countries estimated to grow by 14 percent (or \$241 million).¹

Non-Tariff Barriers

Beyond tariff improvements, the CPTPP agreement also offers notable contributions toward building a more transparent and predictable trading system. As tariff barriers are removed through negotiations, governments sometimes turn to other means of protectionism, such as hiding behind unscientific health or safety rules. Accordingly, it is critical that sanitary and phytosanitary rules be included in trade negotiations.

It is unacceptable to our industry to see tariff walls come down only to be faced with unscientific restrictions that are just as impermeable. Also required is a robust dispute-resolution process that will ensure rapid and independent resolution of any trade dispute resulting from different interpretations of the sanitary and phytosanitary rules of trade. Along those lines, the CPTPP agreement will play a key role in improving the regional trading system by addressing non-tariff barriers and promoting the adoption of high-quality standards across participating markets, including in areas such as science-based sanitary and phytosanitary (SPS) rules and dispute resolution processes.

¹ Dade, Ciuriak et. Al, The Art of the Trade Deal, CanadaWest Foundation, June 2017, http://cwf.ca/wp-content/uploads/2017/06/TIC_ArtTradeDeal_TPP11_Report_JUNE2017.pdf

Benefits agreed to under the CPTPP include requirements to justify SPS regulation with science-based risk assessments, improved processes for fast and transparent resolution of disagreements on SPS matters, notification and consultation requirements and mechanisms for information sharing and cooperation for greater transparency. These outcomes create a strong framework that promotes plant and animal health, while preventing unwarranted protectionist SPS measures. These outcomes also build on the World Trade Organization's Sanitary and Phyto-Sanitary and Technical Barriers to Trade Agreements.

The CPTPP also addresses modern biotechnology and emphasizes the importance of transparency in each member's science-based approval process for biotechnology products to minimize adverse trade impacts. Stronger cooperation between countries is necessary to prevent obstacles to trade for these products. Greater transparency also supports a stronger environment for investment in innovation and adoption of new technologies that are crucial to the continued growth and productivity of our industry.

CPTPP commitments related to SPS rules, dispute settlement and transparency are critical safeguards for Canadian agriculture and essential to ensure uninterrupted market access between trading partners. These outcomes largely reflect the progressive and ambitious mind-set Canadian agriculture is seeking from modern trade agreements.

Defending Trade Liberalization:

Since its inception, the CPTPP has been viewed as an opportunity for participating countries to demonstrate global leadership in driving a more modern and progressive rules-based trading system. Given the circumstances that have led to U.S. withdrawal from the original agreement, this goal has become even more relevant. We believe that as an export-oriented nation, Canada must be proactive in defending the benefits of trade by taking a leadership position in the CPTPP.

Beyond its direct benefits, a successful CPTPP agreement can generate positive spill-overs by encouraging greater liberalization and the adoption of higher standards by non-members throughout the region. A successful CPTPP agreement will create clear incentives for non-members to adopt higher standards to maintain competitiveness with member countries. Positive outcomes will also emerge as new partners join and expand the agreement's scope. Accession of new members to this agreement will expand its regional influence, and amplify its benefits for Canadian exporters.

To date, five countries have already expressed serious interest in joining an expanded CPTPP including Indonesia, Philippines, South Korea, Taiwan and Thailand. These countries include key cereals importers. As highlighted in Figure II, the CPTPP -16 region encompasses roughly 32 percent of Canadian wheat exports to the world (compared to 20 percent for CPTPP). The promise of improving Canadian market access across this region under the umbrella of a single agreement is substantial. Indeed, the total gains

of the CPTPP -16 for participating members would rival those of the original TPP-12 agreement.² That said, the continued expansion of CPTPP should be viewed by Canada as a clear path for enhanced economic integration across the Asia-Pacific region.

A successful CPTPP also raises the bar for the achievement of high quality outcomes in negotiations with and between other regional partners (e.g. ASEAN). The CPTPP template can set a positive example for trade policy cooperation on the global stage, while its impacts can encourage competitive liberalization across the Asia-Pacific region. These outcomes will ultimately play an important role in improving the trading environment for Canadian exporters.

We believe the agreement can also provide leverage that improves Canada's position in ongoing and future bilateral and multilateral negotiations. By creating concrete opportunities for diversification and export competitiveness, CPTPP will help reduce potential Canadian exposure to international volatility, including. CPTPP offers a crucial outlet for Canadian exports into markets other than the United States. The saga of the re-negotiation of the North American Free Trade Agreement has highlighted the importance of this diversification.

Simply put, CPTPP offers a clear path for Canada to lead the continued advancement of multilateral cooperation and liberalization, benefiting Canadian exporters and setting an example on the world stage.

Canadian Cereals Exports to CPTPP Countries and the Asia-Pacific Region:

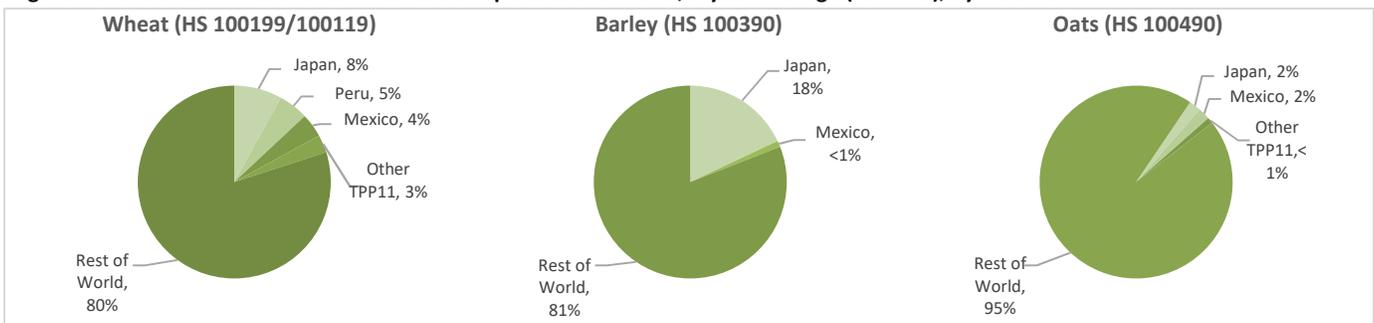
CPTPP encompasses several important export destinations for Canadian cereals. Canada has existing bilateral agreements with many (but not all) CPTPP partners. The agreement will build on Canada's existing agreements with Chile, Mexico and Peru. It will also open the door to new ties with Australia, Brunei, Japan, Malaysia, Singapore, Vietnam and New Zealand.

² Petri, Plummer et. Al, Going it Alone in the Asia-Pacific: Regional Trade Agreements without the US, Peterson Institute, October 2017, <https://piie.com/system/files/documents/wp17-10.pdf>

Figure I, below, highlights the average share of CPTPP countries in Canada’s exports to world between 2012-2016. Japan stands out as the largest export destination for wheat and barley, accounting for 8 percent of Canada’s global wheat exports and 18 percent of our global barley exports. Mexico and Peru are also notable export destinations.

Together, the CPTPP region accounts for roughly 20 percent of Canadian wheat exports to the world. For barley, CPTPP countries account for roughly 19 percent of Canada’s exports to the world. Although Canadian oat exports are primarily concentrated into the U.S., CPTPP countries (mostly Japan and Mexico) account for almost 5 percent of Canadian exports.

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



Source: Canadian International Merchandise Trade Database, October 2017

Average overall export volumes and values for wheat, barley and oats into CPTPP countries are outlined in Table I below. Wheat is by far the largest cereals export with volumes averaging 4.1 million tonnes, and valued at over 1.3 billion dollars. The volume of barley and oats into CPTPP markets averaged 257 thousand tonnes (or 77 million dollars) and 74 thousand tonnes (or 25 million dollars), respectively.

Table I: Average Annual Canadian Export Volumes and Values to CPTPP Markets between 2012-2016

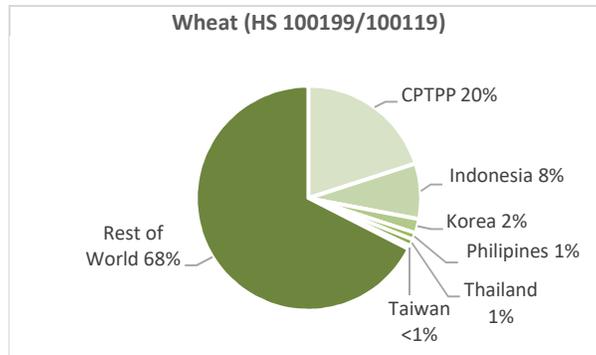
	Average Export Volume (Tonnes)	Average Export Value (\$CAD)
Wheat (HS100199/100119)	4,147,826	\$1,323,030,215
Barley (HS100390)	256,939	\$76,714,222
Oats (HS100490)	74,959	\$25,136,282
TOTAL	4,479,724	\$1,424,880,719

Source: Canadian International Merchandise Trade Database, October 2017

As mentioned in the section above, there is also interest among other countries seeking to join the agreement, potentially expanding its overall scope to 16 members. Canada’s average exports over the past five years into these additional markets is outlined for wheat in Figure II below.

Canadian exports of oats and barley are not highlighted in Figure II because exports into other CPTPP -16 markets are currently limited. That said, it is hoped that greater opportunities for diversification and export growth will emerge for barley and oats with improved market access under this agreement.

Figure II: Share of CPTPP -16 Countries in Canada’s Wheat Exports to the World, 5-year Average (2012-16), by Volume



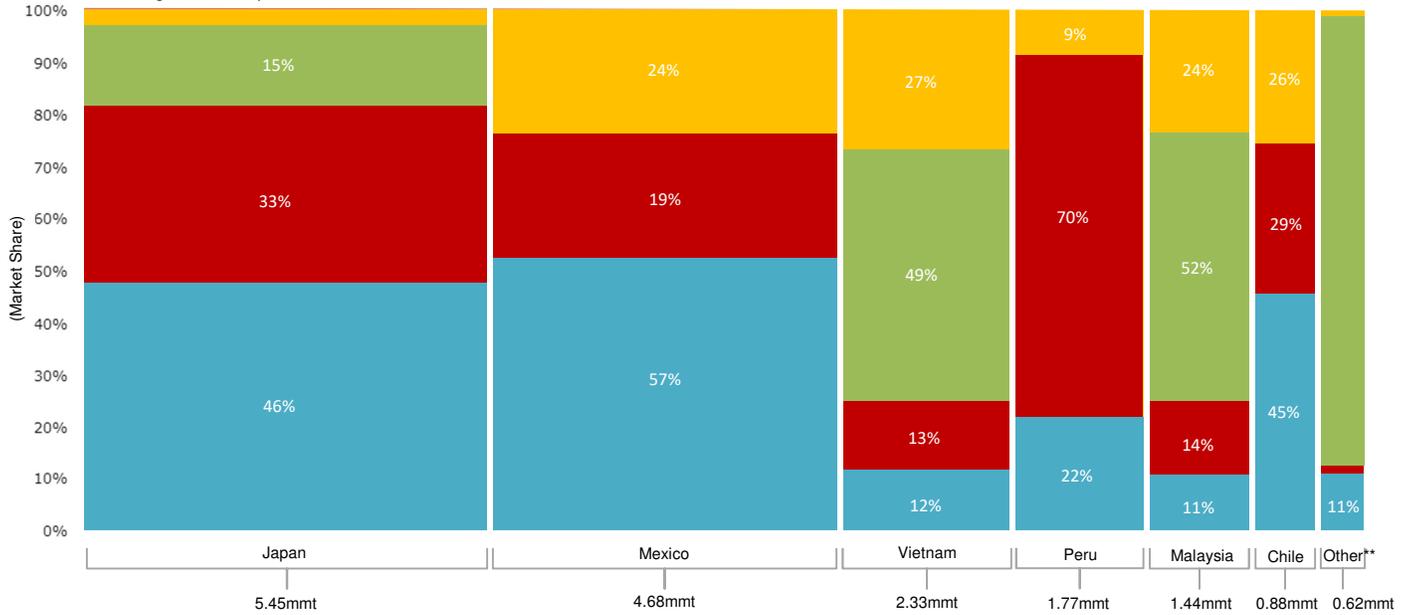
The impact from an expanded CPTPP -16 agreement is particularly relevant for wheat, where exports into other possible markets are already substantial. On average, CPTPP -16 countries combined accounted for roughly 32 percent of Canada’s global wheat exports over the past five years. Among CPTPP -16 countries, Indonesia stands out as a key export destination for Canadian wheat, accounting for 8 percent of our exports to the world. The importance of Indonesia is further underscored by its position as the world’s largest importer of wheat. South Korea, the Philippines and Thailand are also currently important mid-sized markets for Canadian wheat, with strong potential for growth.

Against this backdrop, Canada’s leadership in advancing the CPTPP (and its continued expansion) will play a fundamental role in improving our position in the Asia-Pacific region while achieving positive outcomes for farmers and exporters. The potential outcomes from CPTPP are considerable, particularly given the nature of the competitive landscape for cereals exports into the Asia-pacific region. Further details on the competitive landscape are highlighted in Annex I, below, which compares leading suppliers into CPTPP markets and respective market shares of different import sources (across wheat, barley and oats).

Annex I

Comparison of CPTPP * Import Volumes from World and Supplier Market Share, Wheat (HS1001), 2016

* Excluding Canada's Imports from World



Export Suppliers:

■ Canada
 ■ United States
 ■ Australia
 ■ Rest of World

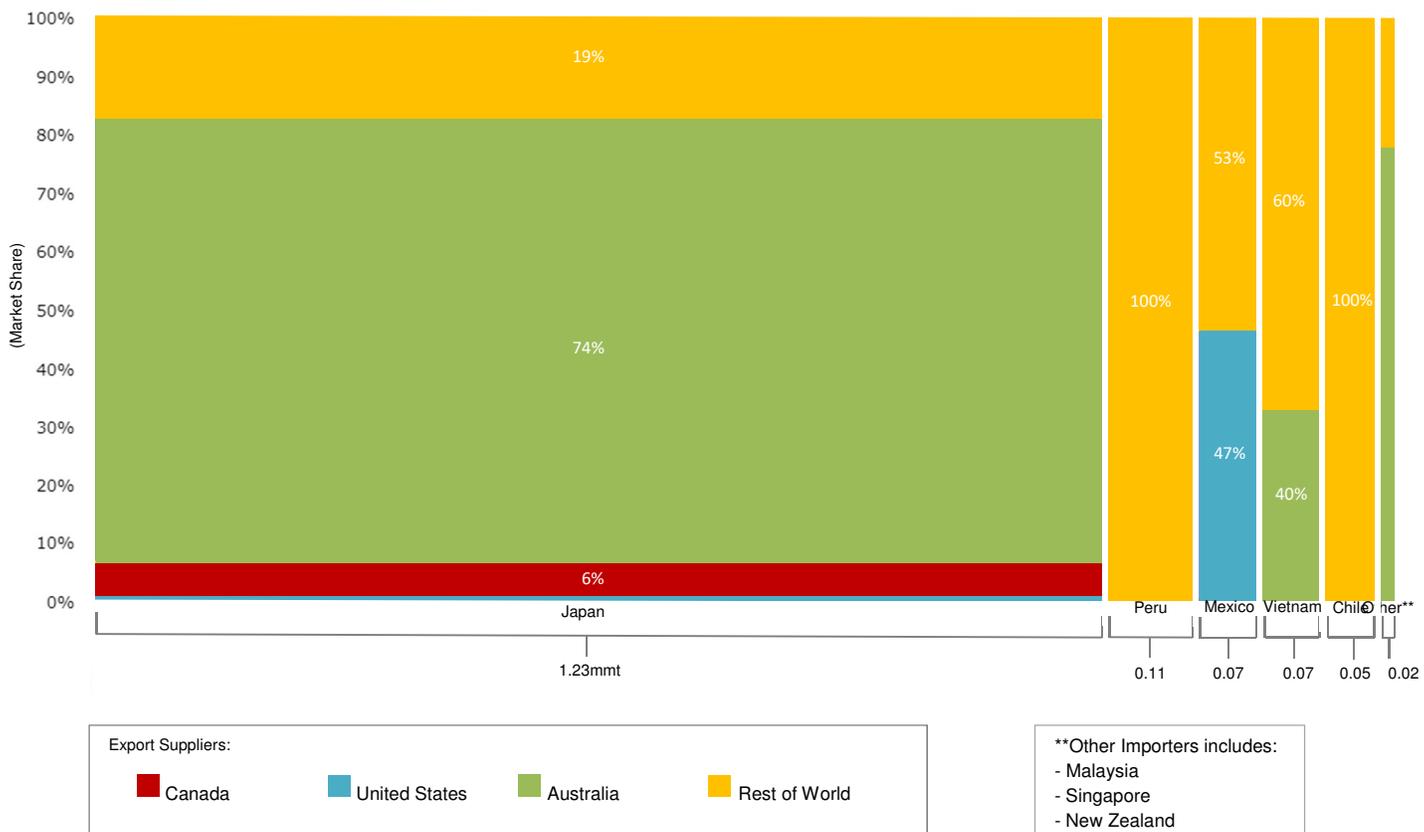
**Other Importers includes:

- Australia
- Brunei
- Singapore
- New Zealand

Source: ITC TradeMap, based on UN COMTRADE statistics, October 2017

Comparison of CPTPP * Import Volumes from World and Supplier Market Share, Barley (HS1003), 2016

* Excluding Canada's Imports from World



Export Suppliers:

- Canada
- United States
- Australia
- Rest of World

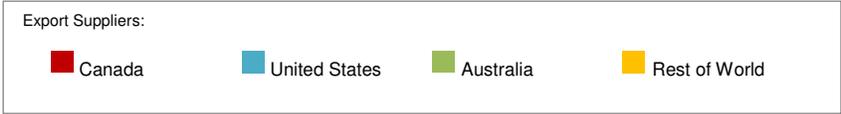
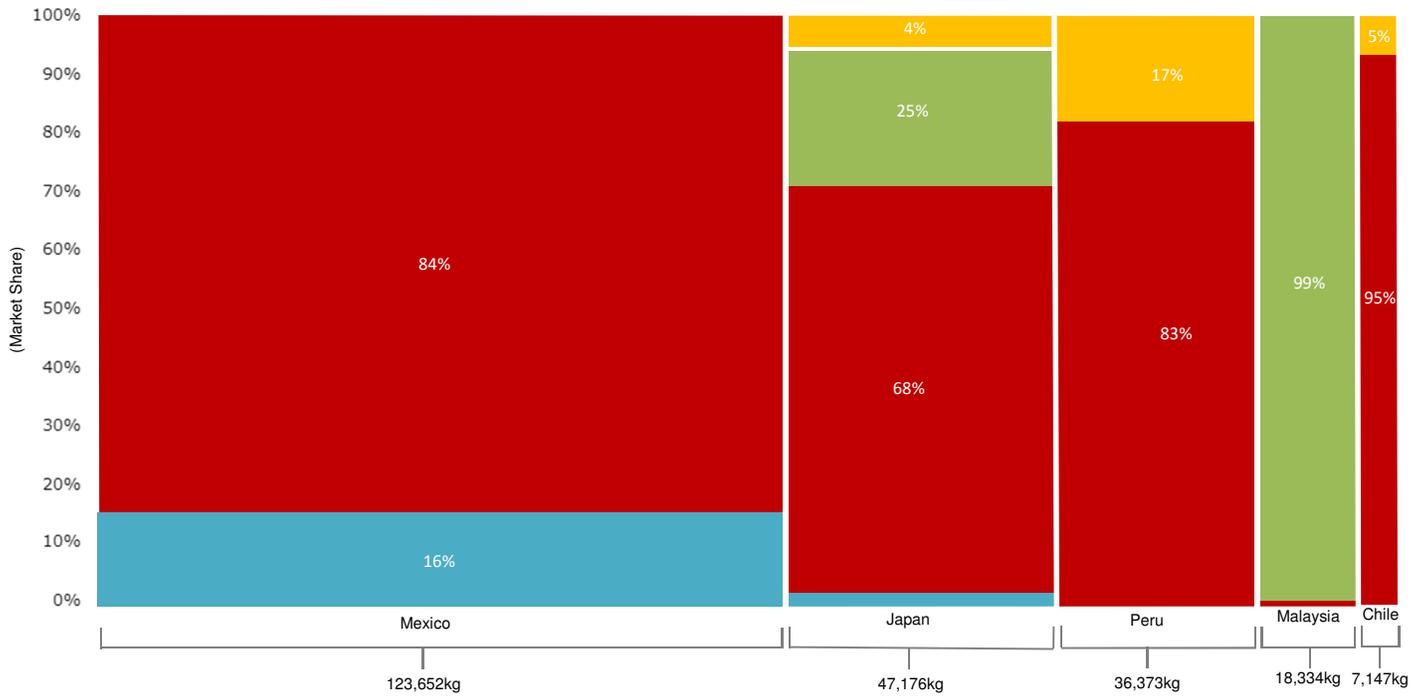
**Other Importers includes:

- Malaysia
- Singapore
- New Zealand

Source: ITC TradeMap, based on UN COMTRADE statistics, October 2017

Comparison of CPTPP * Import Volumes from World and Supplier Market Share, Oats (HS1004), 2016

* Excluding Canada's Imports from World



Note: Oat imports in other CPTPP markets were negligible, <1,000 tons combined

Source: ITC TradeMap, based on UN COMTRADE statistics, October 2017

Members of Cereals Canada



Affiliated Member:

