

# **International Trade Agreements - potential impacts on regulated agricultural products**

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# TRADE NEGOTIATIONS BACK TO THE TOP OF PRIORITY LIST

- October 2015 – Conclusion of the Transpacific Partnership
- January 2016 – US withdrawal from TPP
- August 2016 – NAFTA Renegotiation
- Canada's ambitious trade agenda
  - China
  - MERCOSUR
- WTO

# UNCERTAINTIES

- Today's trade agenda affects all of us
- All economic sectors on the defensive
  - including both export and domestically oriented agricultural sectors
  - including supply managed and non-supply managed commodities
- High level of uncertainties

# OVERVIEW OF TRADE AGREEMENTS

- CETA
- CPTPP
- NAFTA 2.0
- WTO
- Others



# CETA

Entry into force: September 21, 2017

- 98% of tariff lines became duty free
- Another 1% to become duty free after 7 years
- Some tariff will remain for a number of « sensitive products »
  - EU: Beef, pork, bison, sweetcorn
  - Canada: cheese (poultry excluded)

# CETA – MARKET ACCESS CONCESSIONS

European Union				
Beef Fresh	Beef Frozen	Pork	Bison	Sweetcorn
Carcass weight equivalent				
30,840 t	15,000 t	75,000 t	3,000 t	8,000 t

Canada	
Fine Cheeses	Industrial Cheeses
16,000 t	1,700 t

# CETA – MITIGATING THE IMPACTS

- CETA Cheese TRQ - 2 pools:
  - 2018 Volumes: 5,333 t of fine cheese and 567 t of industrial
  - 50% to cheese makers
  - 50% to distributors and retailers
  - Both pools split 30% small and medium size businesses and 20% large corporations
- Dairy Farm Investment Program - \$250 M
- Dairy Processing Investment Fund - \$100 M

# COMPREHENSIVE AND PROGRESSIVE AGREEMENT FOR TRANSPACIFIC PARTNERSHIP - CPTPP

- January 2017 – US withdrawal from TPP
- Series of Senior Officials Meeting throughout 2017
- Trade ministers and leaders meeting in Da Nang, Viet Nam in November 2017
- Principle of not reopening market access granted in the original TPP
- Agreement reached on January 23, 2018 in Tokyo
- Entry into force: 12-18 months (requires ratification by 6 countries)





# CPTPP – WHY NOW ?

- Japan was controlling the agenda
- Lack of real progress at NAFTA and the continued possibility of the US withdrawal
- Canada:
  - importance to diversify its trading relationship
  - Overall benefits to being part of CPTPP
- Confronted to the ultimatum of being left out

# CPTPP - WINNERS

- Preferential access to an additional 7 countries
- Access to Japan
  - Agriculture (beef, pork, barley, malt, beans, sugar, dairy, processed food)
- Manufacturing (natural resources, autos)
- No direct competition from the US

*Note that Canada, Japan, Malaysia, Mexico, Vietnam and the US\* all negotiated limited access for certain product*

# CPTPP - LOSERS

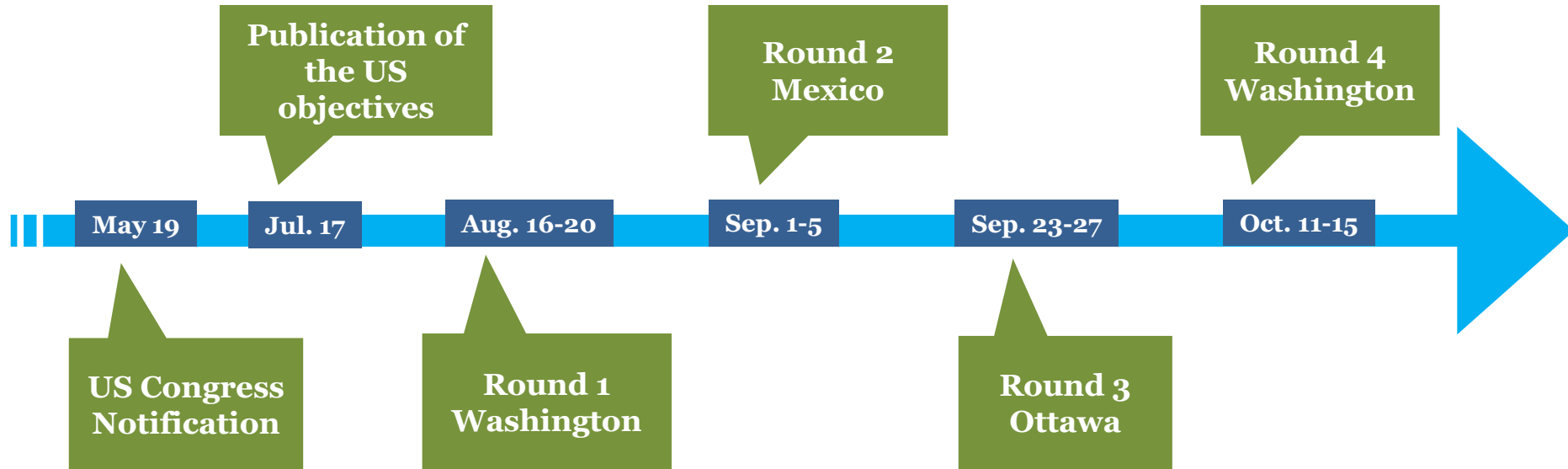
- Dairy, poultry and eggs
  - Governments trying to minimize the impact as opposed to looking at the outcome in the aggregate
  - According to GAC, access represents “a small portion of Canada’s current annual production”
  - Absence of the US isn't a guarantee the access won't be filled
  - linkage to NAFTA

# The Negotiations: CPTPP

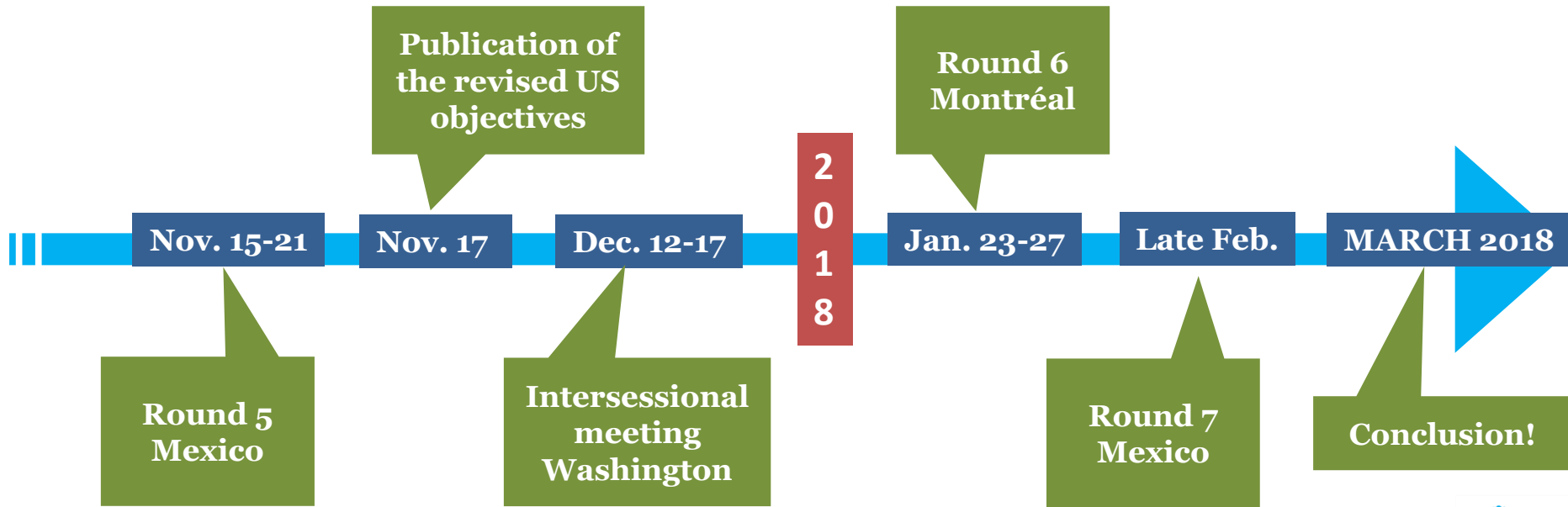
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- Market access provisions will not be changed
- In TPP Canada granted dairy access through expanded TRQ's (over 19 years) equivalent to about 3.25% of annual production
- About 60% of that access was for fluid or fresh products
  - Milk, cream, yoghurt, buttermilk, concentrated milk
- Unlikely CPTPP dairy exporters (Australia, New Zealand) will ship any of those fluid products to Canada

# NAFTA RENEGOTIATIONS TIMELINE



# NAFTA RENEGOTIATIONS TIMELINE



# NAFTA – NOT A TYPICAL NEGOTIATION

- US Administration is running the show
- President Trump: **“NAFTA Was the Worst Trade Deal the U.S. Ever Signed”**
- Lighthizer: **has “an audience of one” to please!**
- Ross: **“We're trying to do a difficult thing. We're asking two countries to give up some privileges that they have enjoyed for 22 years. And we're not in a position to offer anything in return.”**
- President Trump: **“If we did a substantially better deal, I would be open to TPP.”**

# NAFTA – POISON PILLS

- **Unreasonable** US demands in many areas:
  - Automobile/rules of origin (85% NA; 50% US)
  - Non binding trade dispute mechanism/trade remedies/Elimination of Chapter / State-to-State Dispute Settlement
  - Government procurements (\$for \$)
  - Sunset clause (after 5 Y)
  - Seasonal products
  - Elimination of preferential tariffs for textile
  - Supply management and dairy



# NAFTA - POISON PILLS

- **US Outrageous** demands during Round 4
  - Elimination of class 6/7 and special classes and 3d
  - Seek withdrawal of Canada's Cheese compositional standards
  - Increased access starting above TPP outcome and increasing by 5% on a yearly basis for 10 years
  - Gradual elimination of over-quota tariffs over ten years
  - GIs
- US demands incorporated into the US Revised Negotiating Objectives on November 17
- In other words: **end of supply management**

# NAFTA

- # 1 priority for Canada
- But already thinking about post-NAFTA
- Will the US Administration initiate the withdrawal process?



# US POST NAFTA TARIFF RATES (WTO M.F.N)

Products	Classification	Tariff Rates
<b>Autos and auto parts (Motor vehicles)</b>	Chapter 87	The range of duties are 0% (Free) to 25%.
<b>Machinery</b>	Chapters 82, 84, and 85	The range of duties are 0% to 5.1%.
<b>Pharmaceutical</b>	Chapter 30	The range of duties are 0% to 5%.
<b>Medical equipment</b>	Chapters 37, and 90	The range of duties are 0% to 3.7%. <ul style="list-style-type: none"><li>• Medical equipment under Chapter 90 is free.</li></ul>
<b>Furniture</b>	Chapter 94	Furniture is generally duty free. (This excludes mattresses, sleeping bags, pillows/cushions, quilts, and furniture lamps whose range of duties are 1.9% to 12.8%.)
<b>Plastics</b>	Chapter 39	The duties are 6.3%.

# US POST NAFTA TARIFF RATES (WTO M.F.N.)

Products	Classification	Tariff Rates
Mineral Fuel	Chapter 27	<ul style="list-style-type: none"> <li>Coal; Lignite; Peat; Coke; Coal gas, water gas, producer gas and similar gases; Tar distilled from coal, from lignite or from peat, and other mineral tars; Oils and other products of the distillation of high temperature coal tar; Picolines: Free</li> <li>Carbazole having a purity of 65 percent or more by weight: 0.9¢/kg + 3%</li> <li>Phenols: 0.9¢/kg + 3% - 2.9¢/kg + 12.5%</li> <li>Petroleum oils and oils obtained from bituminous minerals, crude testing under 25 degrees A.P.I.: 5.25 - 10.5¢/bbl</li> <li>Light oils and preparations: 10.5 - 52.5¢/bbl; 7%</li> <li>Distillate and residual fuel oils: 0.5¢/bbl - 84¢/bbl; 5.8% - 7%;</li> <li>Petroleum oils: 5.25 - 84¢/bbl; 5.8% - 7%; 1.3¢/kg + 5.7%</li> <li>Petroleum gasses and other gaseous hydrocarbons: Free</li> <li>Petroleum jelly; paraffin wax, microcrystalline petroleum wax, slack wax, ozokerite, lignite wax, peat wax, other mineral waxes and similar products obtained by synthesis or by other processes: Free</li> <li>Petroleum coke, petroleum bitumen and other residues of petroleum oils or of oils obtained from bituminous minerals: Free</li> <li>Bitumen and asphalt, natural; bituminous or oil shale and tar sands; asphaltites and asphaltic rocks: Free</li> <li>Bituminous mixtures based on natural asphalt, on natural bitumen, on petroleum bitumen, on mineral tar or on mineral tar pitch (for example, bituminous mastics, cut-backs): Free</li> <li>Electrical energy: Free</li> </ul>

# US POST NAFTA TARIFF RATES (WTO M.F.N.)

Products	Classification	Tariff Rates
Beef and beef meat	Chapter 1,2	<ul style="list-style-type: none"><li>• The range of duties are 0% to 26.4%; 0.7-17.6¢/kg.</li><li>• Live bovine animals: Free</li></ul>
Pork and pork meat	Chapters 1, and 16	<ul style="list-style-type: none"><li>• Pork meat: The range of duties are Free; 1.4-5.3 ¢/kg; 3.2-6.4%.</li><li>• Live swine: Free</li></ul>
Grains (wheat, barley and corn)	Chapter 10	<ul style="list-style-type: none"><li>• Wheat: 0.35-0.65 ¢/kg; 2.8%</li><li>• Barley: 0.1-0.15 ¢/kg</li><li>• Corn: Free - 0.25¢/kg</li></ul>
Oilseeds (soybeans and canola)	Chapters 12, and 15	<ul style="list-style-type: none"><li>• Soybeans: Free</li><li>• Canola: 6.4%. The duties for rapeseed oil is 7.7%.</li></ul>

# US POST NAFTA TARIFF RATES (WTO M.F.N.)

Products	Classification	Tariff Rates
<b>Greenhouse vegetables (tomatoes, peppers, cucumbers, etc.)</b>	Chapters 7, 12 (seeds), and 20	<ul style="list-style-type: none"><li>• Tomatoes: 1.5 - 3.9 ¢/kg;<ul style="list-style-type: none"><li>○ Preserved: 11.6 - 12.5%</li></ul></li><li>• Peppers: 4.7 ¢/kg;<ul style="list-style-type: none"><li>○ Seeds: Free</li><li>○ Preserved: 8.1% - 4.9%</li></ul></li><li>• Cucumbers: 1.5 - 5.6¢/kg<ul style="list-style-type: none"><li>○ Preserved: 7.7% - 9.6%</li><li>○ Seeds: 1.5¢/kg</li></ul></li></ul>
<b>Processing vegetables (peas, beans, broccoli, etc.)</b>	Chapter 7	<ul style="list-style-type: none"><li>• Peas: Free - 4.9 ¢/kg;</li><li>• Beans: Free - 4.9 ¢/kg; 11.2%</li><li>• Broccoli: 14.9 - 20%</li><li>• Okra: 14.9%</li><li>• Other: 11.3%</li></ul>

# US POST NAFTA TARIFF RATES (WTO M.F.N.)

Products	Classification	Tariff Rates
Storage crops (potatoes, carrots, etc.)	Chapters 7, and 20	<ul style="list-style-type: none"> <li>• Potatoes: 0.5 ¢/kg; 14%               <ul style="list-style-type: none"> <li>○ Preserved: 6.4 - 8%</li> </ul> </li> <li>• Carrots: 0.7 - 1.4 ¢/kg ; 1.3 - 14.9%               <ul style="list-style-type: none"> <li>○ Preserved: 6.4 - 11.2%</li> </ul> </li> <li>• Turnips: Free</li> <li>• Radishes: 2.7%</li> <li>• Beets: 1.9%</li> </ul>
Cranberries	Chapter 8	Free
Poultry and poultry meat	Chapters 1, and 2	<ul style="list-style-type: none"> <li>• Live: 0.9¢</li> <li>• Meat: 8.8 ¢/kg ; 2.3%</li> </ul>
Eggs and egg products	Chapters 4, and 35	<ul style="list-style-type: none"> <li>• Eggs: 2.8¢/doz.</li> <li>• Egg yolks: 9.7 - 47.6¢/kg</li> <li>• Egg albumin: 9.7 - 47.6¢/kg</li> </ul>

# US POST NAFTA TARIFF RATES (WTO M.F.N.)

Products	Classification	Tariff Rates
Milk and dairy products	Chapter 4	<ul style="list-style-type: none"> <li>• Milk and cream - not concentrated: 0.34 - 1.5 ¢/liter</li> <li>• Milk and cream powder - concentrated: 3.3 - 86.5¢/kg</li> <li>• Buttermilk, curdled milk and cream, yogurt, kephir and other fermented or acidified milk and cream: 17 - 20%; 0.34 - 87.6 ¢/liter; \$1.035 - \$1.646/kg; \$1.034/kg + 17%</li> <li>• Sour cream: 3.2 - 77.2 ¢/liter</li> <li>• Butter: 12.3¢/kg; \$1.541/kg</li> <li>• Dairy spreads: 13.1 - 15.4¢/kg; \$1.996/kg; 6.4 - 10%; 70.4¢/kg-\$1.865/kg + 8.5%;</li> <li>• Cheese: Free-25%; \$1.055-\$2.269/kg</li> </ul>



# NAFTA

- Government support for SM
  - Prime Minister Trudeau, Minister MacAulay and Freeland, Amb. MacNaughton
  - Refusal to engage into any discussion pertaining to supply management
- DFC/SM Position
  - “No more concessions”
  - “cannot continue to carve out the Canadian dairy sector”
  - Must continue to be excluded from negotiations on the so-called modernization of NAFTA

# HAS A TRADE WAR STARTED?

- United States
  - 11 investigations into Canadian exports opened in the recent years
  - aircraft, newsprint and softwood lumber, aluminum, steel and solar panels.
- Canada
  - Request for consultation regarding CERTAIN SYSTEMIC TRADE REMEDIES MEASURES
  - In other words: challenging the US trade remedies and their WTO consistency

# WORLD TRADE ORGANIZATION

- Started in 2001 and still ongoing
- Ministerial Conference – Buenos Aires, December 10-14, 2017
  - No concrete commitment/decision on any major topic, i.e. domestic support
  - Reinforcement of DFC's position to avoid conceding any new market access
- Committee on Agriculture : Canada's dairy policies heavily scrutinized
  - Ingredient class; Export competition; CETA Cheese TRQ (reallocation of 800 tonnes); Domestic support (DFIP)

# OTHERS

- China
  - Largest market in the world
  - Growing middle class
  - Difficulty to impose Canada's progressive agenda
  - SM?
- MERCOSUR
  - A sizeable market of 260 million people
  - Agriculture superpower
  - Not good news for Canada's agriculture

**Thank you**