Reducing Barriers to Bilateral Trade in Agriculture

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NAFTA

• 20 Year Process Which Removed Thousands of Barriers to Trade
  – CUSTA 1989
    • Watershed event in Canadian economic history
  – NAFTA 1994
    • More important to US/Mexico than in Canada

• Now Fully Implemented
  – Much Closer Integration of US/Can/Mexican Ag Sectors
    • Low hanging fruit has been harvested
Is US/Can Trade Growth Slowing?

Graph showing the trend of Canadian exports to the US and Canadian imports from the US from 1986 to 2009.
Can/US Agrifood Trade

Billions of CAN dollars

- Canada’s imports from US
- Canada’s exports to US
Can/US Agrifood Trade

Billions of U.S. dollars

Canada's imports from US
Canada's exports to US

What do we Trade in Agrifood: Canada

- Consumer
- Intermediate
- Bulk

1991: 70% Consumer, 30% Intermediate, 0% Bulk
2001: 60% Consumer, 40% Intermediate, 0% Bulk
2005: 50% Consumer, 30% Intermediate, 20% Bulk
### Who Does Canada Trade With?

<table>
<thead>
<tr>
<th>Country</th>
<th>Canada's Merchandise Exports</th>
<th>Canada's Agrifood Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>$348</td>
<td>$16.0</td>
</tr>
<tr>
<td>Japan</td>
<td>$8.5</td>
<td>$2.5</td>
</tr>
<tr>
<td>China</td>
<td>$6.7</td>
<td>$1.2</td>
</tr>
<tr>
<td>Mexico</td>
<td>$3.0</td>
<td>$1.2</td>
</tr>
<tr>
<td>Germany</td>
<td>$2.7</td>
<td>$1.2</td>
</tr>
<tr>
<td>Italy</td>
<td></td>
<td>$0.3</td>
</tr>
<tr>
<td>Belgium</td>
<td></td>
<td>$0.3</td>
</tr>
<tr>
<td>Korea</td>
<td>$2.3</td>
<td>$0.3</td>
</tr>
<tr>
<td>India</td>
<td>$0.9</td>
<td>$0.1</td>
</tr>
<tr>
<td>Top 2-6</td>
<td>$28.6</td>
<td>$5.5</td>
</tr>
<tr>
<td>Total</td>
<td>$411.8</td>
<td>26.5</td>
</tr>
</tbody>
</table>
What’s Wrong with the Status Quo?

• If You Aren’t Going Forward You Are Going Backwards
  – Protectionists never go away!!!!!!!!!!!!!!!!!!!!!!
  – No NAFTA institutions to protect the gains
    • Many of the issues flow from domestic legislation
      – mCOOL
  – Border thickening
    • Dedicated border specialists
    • Security or tax collection
Asymmetry in Costs/Benefits

• Canada/US
  \[ 0.35 \times 0.85 = 30\% \times (-0.05) = 1.5\% \]

• US/Canada
  \[ 0.13 \times 0.20 = 2.6\% \times (-0.05) = 0.13\% \]
Next Steps: Large or Small?

• **SMALL**
  – Continuation of workaday cooperation
  – NAFTA Economics Unit
    • Transparency

• **MEDIUM**
  – Strategic Bi/Tri-lateralism in the direction of a customs union
    • Developing NAFTA positions on issues, eg. Doha

• **LARGE**
  – Customs Union
Getting to a Customs Union

- Complete the FTA: Ag is the Only Sector Where Tariffs Remain
- Common External Tariffs: Elimination of Rules of Origin
  - Sharing of customs duties
  - Common customs procedures
    - Different FTAs
    - Normal trade relations
- Harmonization of Domestic Policies
• Private Sector is way Ahead of the Political Process

• Bi-lateral or Tri-lateral?
• Can We Get it on the Agenda?
• Need a High Level Push
Thank You

- For Agrifood Trade Issues and Research

Canadian Agricultural Trade Policy and Competitiveness Research Network

www.catrade.org

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