

# Reducing Barriers to Bilateral Trade in Agriculture

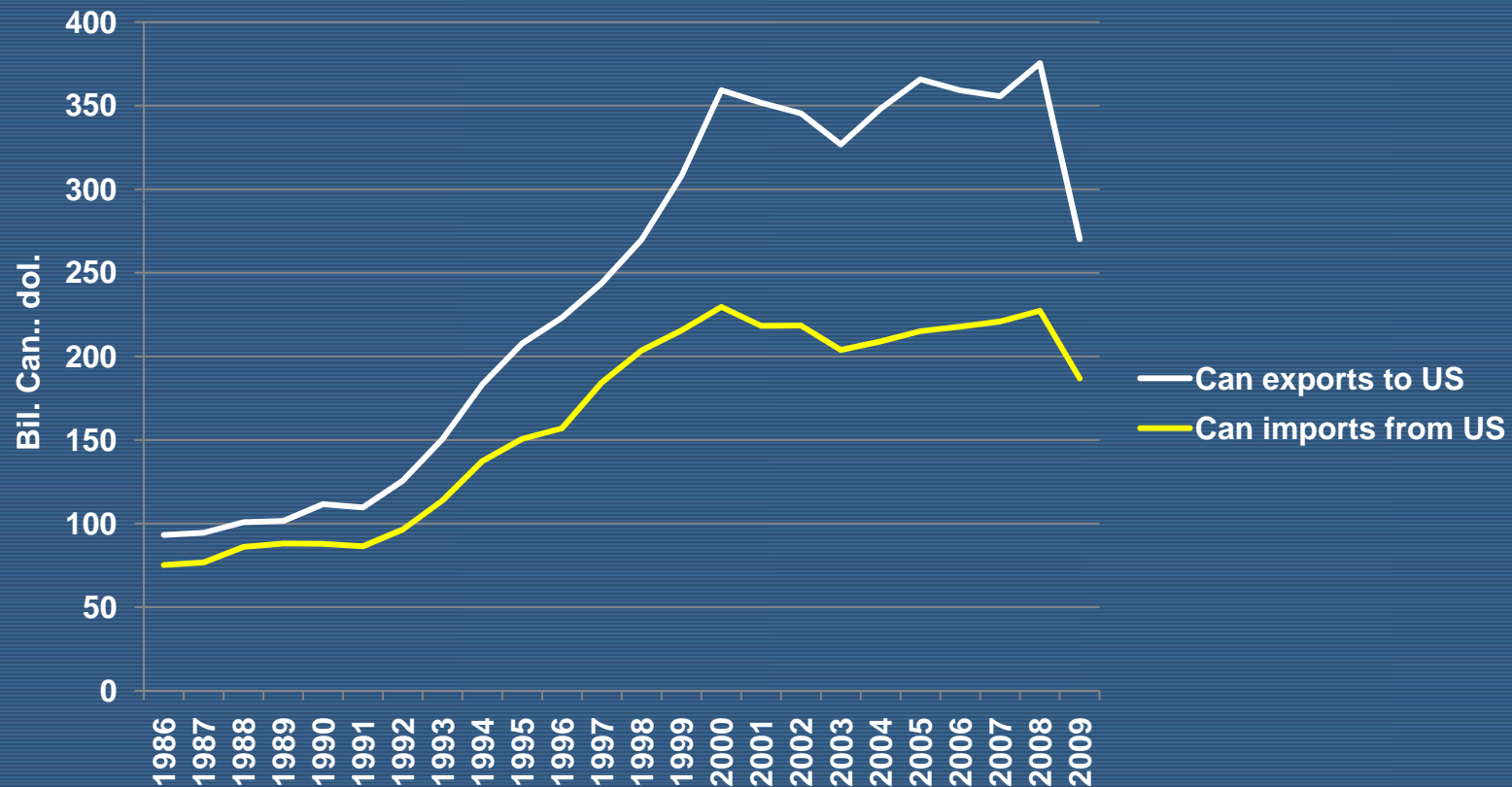
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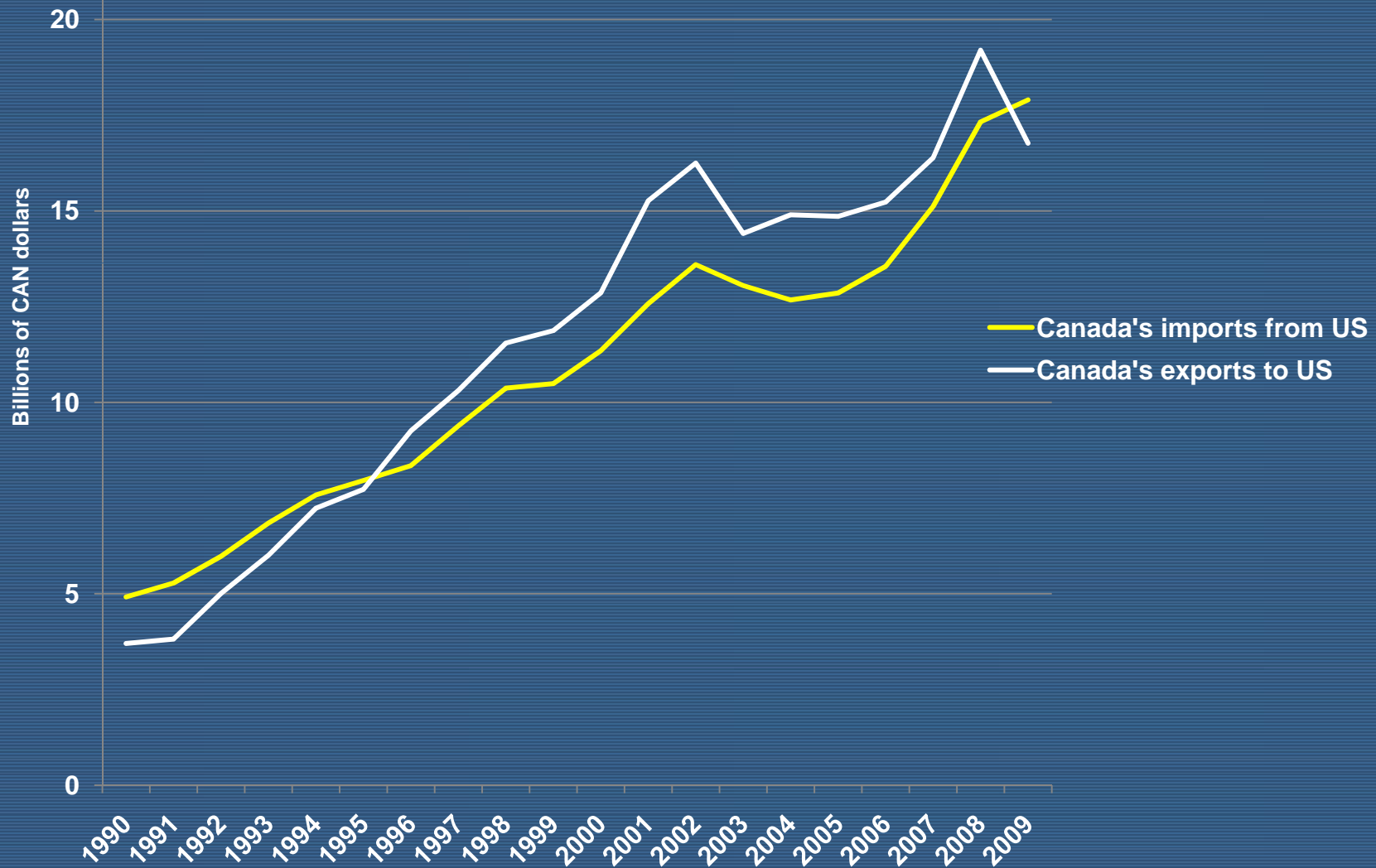
# NAFTA

- **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

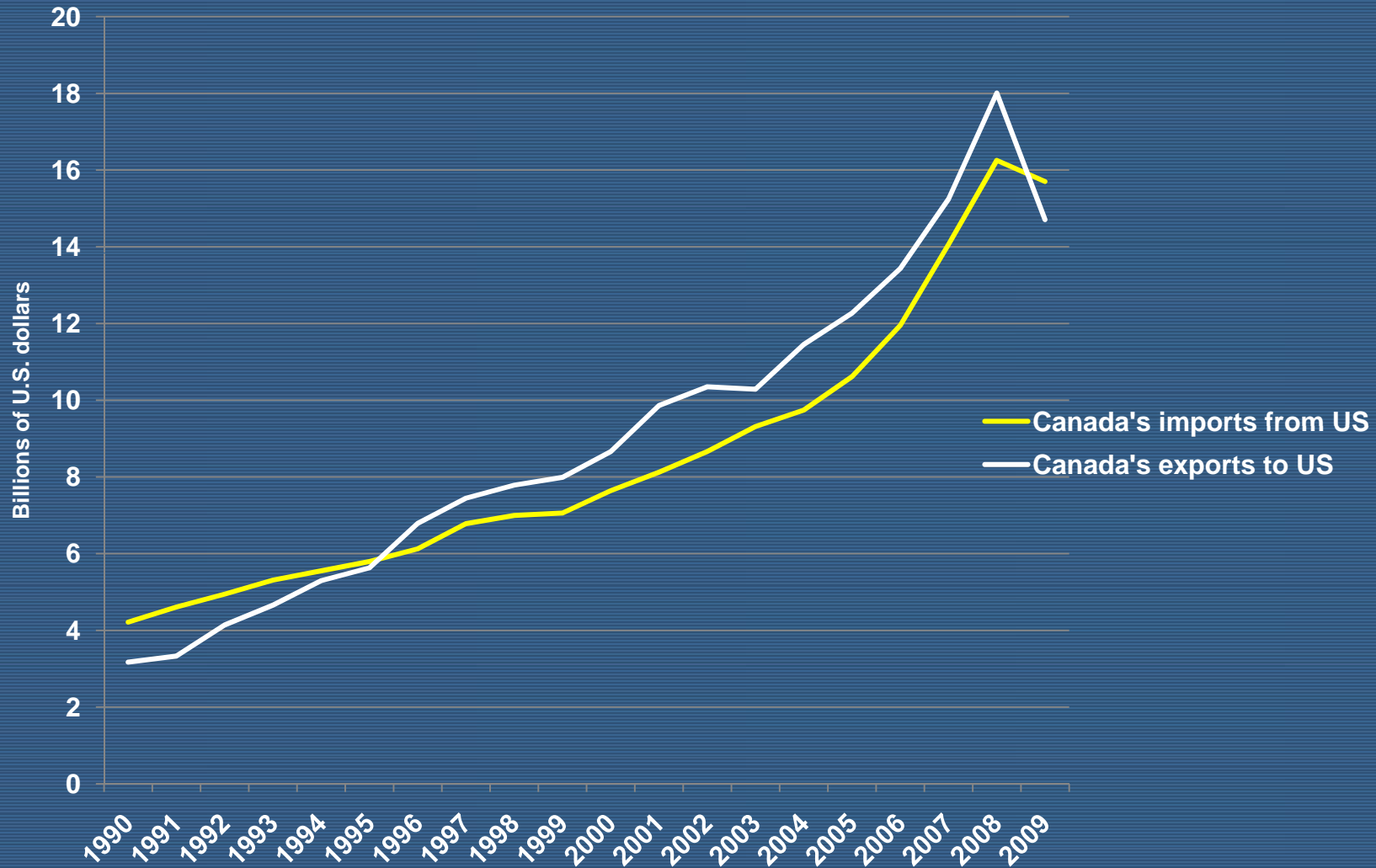
# Is US/Can Trade Growth Slowing?



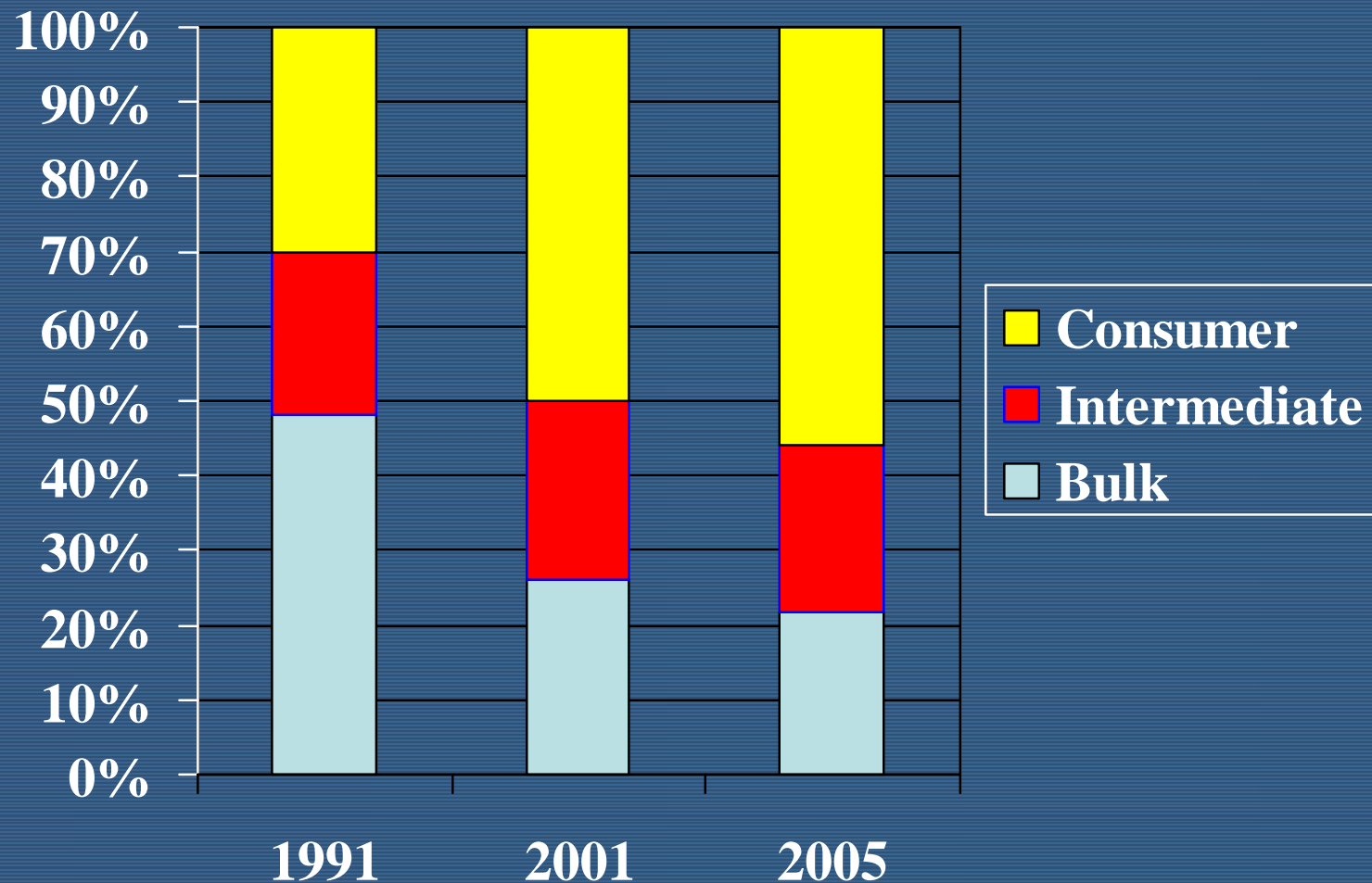
# Can/US Agrifood Trade



# Can/US Agrifood Trade



# What do we Trade in Agrifood: Canada



# Who Does Canada Trade With?

Country	Canada's Merchandise Exports		Canada's Agrifood Exports	
<b>US</b>	<b>\$348</b>	<b>84.5%</b>	<b>\$16.0</b>	<b>60.4%</b>
Japan	\$8.5	2.1%	\$2.5	9.4%
China	\$6.7	1.6%	\$1.2	4.5%
Mexico	\$3.0	0.7%	\$1.2	4.5%
Germany	\$2.7	0.7%		
Italy			\$0.3	1.0%
Belgium			\$0.3	1.0%
Korea	\$2.3	0.5%	\$0.3	1.0%
India	\$0.9	0.2%	\$0.1	0.4%
<b>Top 2-6</b>	<b>\$28.6</b>	<b>6.9%</b>	<b>\$5.5</b>	<b>20.7%</b>
<b>Total</b>	<b>\$411.8</b>	<b>100.0%</b>	<b>26.5</b>	<b>100.0%</b>

# 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

$$- 0.35 * 0.85 = 30\% \quad * (-0.05) = 1.5\%$$

- US/Canada

$$- 0.13 * 0.20 = 2.6\% \quad * (-0.05) = 0.13\%$$

# 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

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