



## **Presentation to the Canadian Chamber of Commerce in Japan – Japan - Canada Economic Partnership Agreement**

- Canada and Japan have a long, complementary history – a diplomatic and trade relationship spanning over 80 years. The Canada – Japan Economic Partnership Agreement (EPA) would provide a framework to further build upon and grow our relationship. The Canadian agriculture industry is excited about this prospect, and supported the launch of EPA negotiations last March 2012.
- Japan is a key economic and strategic market for Canadian agriculture producers. Canada is well suited for agriculture production, and we have the great fortune of producing a diverse-range of high-quality, safe products. Agriculture figures prominently in Canada’s trade with Japan. Canola, wheat and pork are consistently amongst Canada’s top ten exports. In turn, Canada imports high-value (i.e. automobiles), manufactured goods from Japan.
- Our trade relationship is complimentary, with limited direct competition between our producers. In 2011, Canadian agriculture exports to Japan totaled \$3.9 billion, making it Canada’s second largest export market for agriculture after the United States. Our exports included: wheat and wheat products, canola, soybeans, pork, beef, fish and seafood. Last year, Canada imported sesame, fish and seafood, cakes and pastries and value-added food products.

To highlight the importance of our relationship:

- Japan imports roughly 28 per cent of the Canadian pork exports- the second most important market after the United States.
- Japan imports between 2.1 -2.2 million tones of seed canola every year. Canadian canola oil accounts for 40 per cent of the edible oil market, worth approximately \$1.4 million to Canadian producers.
- The Japan market was valued at \$417 million in 2011 for wheat producers, and represents roughly 10 per cent of Canadian wheat exports.

- As exists in Japan, Canadian agriculture is backed by a robust quality assurance program and industry best management practices, supporting Canadian producers in consistently producing and delivering high-quality and safe food. A trait of paramount importance to both Canadian and Japan consumers.
  - For over a 100 years, the Canadian Grain Commission has served as the national, governmental entity overseeing the grain industry. It sets quality control standards for domestic and export grains, and ensures the standards are fully implemented. The recent changes to the Canadian Wheat Board (CWB) marketing structure did not affect the role and function of the Commission.
  - The quality assurance program for Canadian livestock establishes best management practices for producers and Hazard Analysis Critical Control Points (HACCP) for the food production system.

Our consumers and export customers have confidence in the food they purchase and consume.

- Furthermore, our mature economies and respective regulatory and legislative framework provide the confidence for trade to occur and investments to be made. Our systems are open and transparent, and predictable to business. All sectors of the Canadian agriculture industry have witnessed differing levels of foreign direct investment in recent years.
- The Canada – Japan Economic Partnership Agreement will benefit both our countries. Canada is well positioned to assist Japan in meeting its domestic food security needs, particularly in strategic commodities such as wheat, oilseeds and livestock. We are reliable suppliers, and our products are well suited for the Japanese market requirements. While an important supplier to Japan, Canada's market share is relatively small relative to its competitors. For example, in 2011, Japan was Canada's second largest export market for pork and its third largest for wheat but accounted for only roughly 24 per cent of pork and wheat imports. We would like to grow this partnership.
- The level of tariffs on agriculture products originating from Canada is relatively high, and the EPA provides an opportunity to reduce some key tariffs. For Agriculture, the average bound tariff rate for agriculture is 22.8 percent compared to 2.6 per cent for non-agriculture products. For example, beef products face a 38.5 per cent tariff and out-of-quota rates for wheat are 55 Yen per kilogram.
- There is also an opportunity to address and reduce non-tariff barriers. Building on recent efforts of Japan – Canada regulatory reform cooperation, further reform to import and regulatory procedures would deepen mutual understanding of our two countries systems, reduce unnecessary costs to producers and consumers and expand our trading relationship.

- Specific to agriculture, market access advantages can be made from the full removal of age restrictions in beef imports, greater harmonization of pesticide limits in grain and streamlined food safety and health standards. Industry estimates that Canadian beef sales could rise to \$160 million with full market access.
- As indicated in the Government *Report of the Joint Study on the Possibility of Canada-Japan Economic Partnership Agreement*, a balance between trade liberalization and domestic policies and a flexible approach with respect to sensitivities in agriculture is required. Both our countries have economic sensitivities, but we believe that working through them would significantly benefit our respective economies. A strong, financially viable agriculture industry is important for our respective countries and our producers.
- In conclusion, a Canada- Japan EPA has the potential to create exciting new opportunities for both Canadian and Japanese agriculture, as well as the economies of both our countries. We look forward to working with the Canadian and Japanese Government and industry to secure its successful completion.