



# Perspectives on trade, the global environment and their impact on Canadian agriculture and agri-food

## Grow Canada Conference

### Speaking Notes for Warren Everson

Wednesday, December 7  
3:00 – 3:25 PM

Check Against Delivery

Good afternoon.

Thank you, Jeff (Reid), for the introduction, and thank you very much to the sponsors and to the GrowCanada partners for inviting me to speak to you today. It is a pleasure to be here to talk about such an interesting and timely topic. Selfishly, it is also great for me to get a chance to see many familiar faces I don't get to see very often. Like Jim Everson over here. (I hear really good things about that guy.)

I am especially pleased to be here because I am not there. I was supposed to be in Washington today for briefings with some of our clients and with our ambassador in a day session called "Understanding the Presidential transition." And now I am thinking, "If you can understand this transition, you are probably mixing up your medications. The doctor warned you not to take the little yellow pills too soon after you took the little green pills..... Hey, now I understand what Mr. Trump is doing!" Warning sign!!

Your sector is well represented here in Ottawa. The GrowCanada partners are part of a strong network of associations and the Canadian Chamber of Commerce is proud to count some of them in our own membership: like the Canola Council (Patti Miller, President) and CropLife (Ted Menzies, CEO) - an organization that has been around for 65 years. The closer our community works together, including the larger agriculture ecosystem - scientists, marketers, food processors - the greater results we will achieve.

When preparing to do this speech I thought: Some people in this room know a hell of a lot more about trade than I do. The expertise is remarkable. I mean: more than half of everything you produce is sold overseas. 90% of our canola; 75% of our wheat.

Agriculture is a big deal. Trade is a big deal.

My being here is actually quite a big deal for the Chamber of Commerce. I hope my remarks today will be the start of a conversation between the Canadian Chamber and the agrifood community.

Now, before I go into the topic of trade, let me first take a few moments to talk about the economy generally:

- A global economic slowdown.
- Sluggish trade.
- The end of the commodity supercycle.

Those are all worrying trends on their own. Together, they are hugely destabilizing. But those are the cards that we've been dealt. Canada, as all other rich nations, is stuck in a low-growth trap.

Yet somehow, over the last couple of years, we managed to create more than a quarter million new jobs. That's great. But the devil is in the details: of all of those new jobs, how many were created outside the three largest cities?

None.

And although unemployment is not bad nationally, in rural economies, it's frustratingly high. (Please see Graph 1.) Failing to create opportunity in rural areas will spark the kind of disaffection that we are seeing everywhere in the world. The urban rural split is even more serious in the US. (Please see Graph 2.) Just look at a map of how America voted last month. (Please see Graph 3.) This sharp urban-rural divide could mean reduced opportunities for people in the hinterland - which in turn will reduce their influence in national policies.

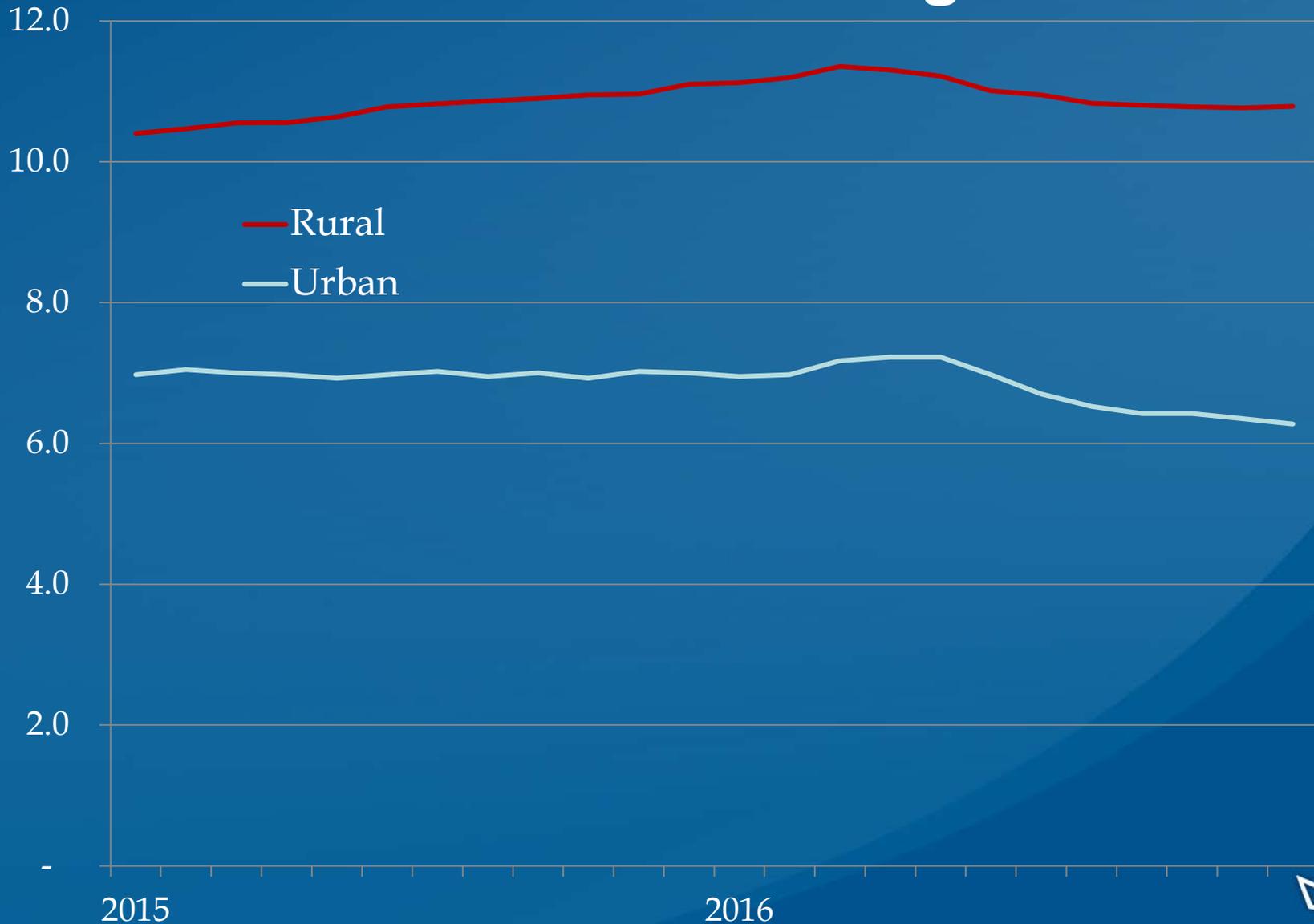
So we need a plan to address this situation. And you are it.

Dominic Barton - managing director of McKinsey - is the chair of Prime Minister Trudeau's Advisory Council on Economic Growth. Mr Barton has singled out Canadian agriculture as a sector with enormous strategic and economic potential. In his own words: "This is no small potatoes." Although I despair at the hilarity of the pun, I do agree with the message. I read something the other day: that over the next 40 years, humankind will need to produce an amount of food equivalent to everything we have produced for the last 10,000 years<sup>1</sup>. In the next federal budget, I think we will see very significant funding advanced to support "innovation." And this community is - I think - positioned to be on the receiving end of lots of that funding.

Learn to love the word "cluster." Or even "super-cluster."

An innovative economy is of course about robotics, 3D printing and even driverless cars. But more and more I am convinced that it is also going to be about supporting the technologies that address food security and human health. Canadian biotech, which has given us discoveries like the non-browning "arctic apple" or the "innate potato" for example, is a sector where Canadians are very competitive.

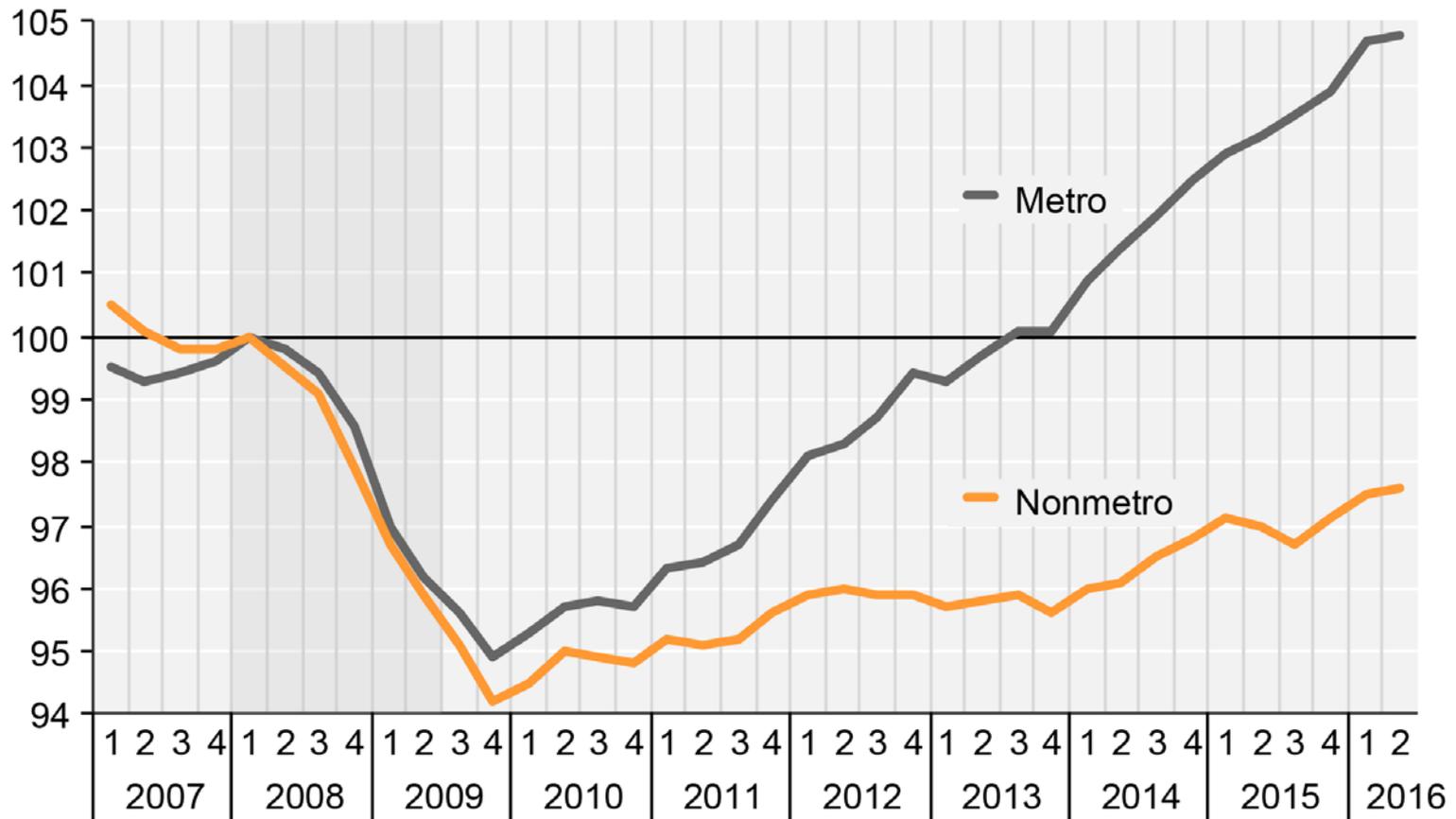
# In Canada, the gap in unemployment rate is stable but large



# Urban Rural split even worse in the US

## U.S. employment, metro and nonmetro areas, 2007-2016 (quarterly)

Employment, index (2008 Q1=100)

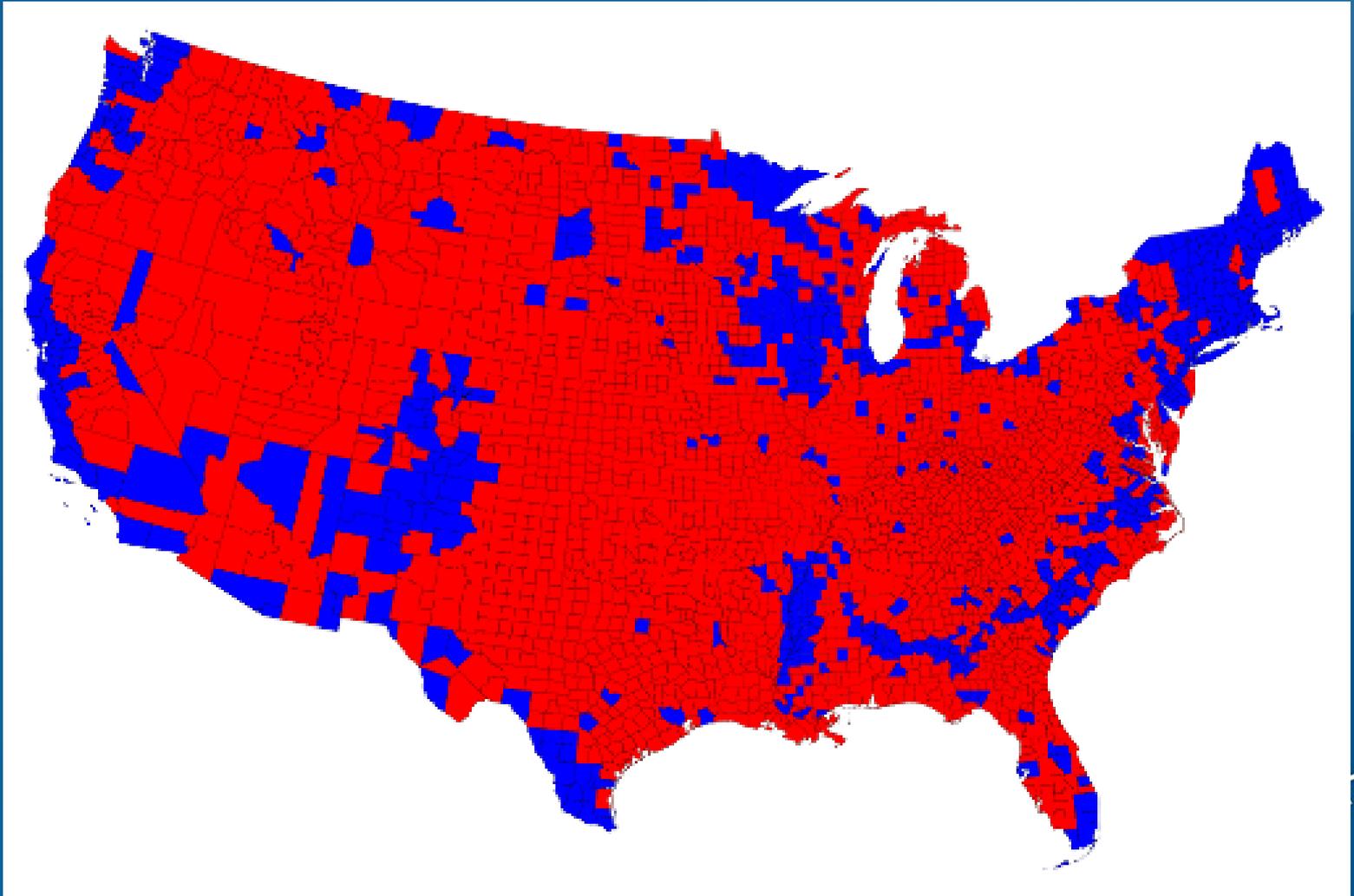


Notes: Data are seasonally adjusted. Shaded area indicates recession period.

Source: USDA, Economic Research Service using data from Bureau of Labor Statistics, Local Area Unemployment Statistics (LAUS).

# 2012 Electoral Map by County

- Obama won 332 electoral vote and 51.1% to Romney's 206 and 47.2%
- In 2016, Mrs. Clinton won 400 counties out of 3,000 (2/3 of US GDP)



But to profit from our innovation, we need to sell around the world. Which brings me - 8 minutes after I started talking - to the subject I was invited here to talk about - Trade. We've had incredible progress. Global tariffs may have reached an historical low. They are about a tenth of what they were at the end of WWII. But the costs of regulatory barriers have actually gone up, almost by equal measure. For every non-tariff barrier that you encounter in a foreign market, it is estimated it costs you the equivalent of a 45% tariff. If this was 2014, I would be telling you: Free Trade Agreements will help us fix that. The problem is, this is 2016. In fact, we may be seeing the end of an era of multilateral agreements involving rich nations. We are going to need new tactics. If you are a fan of baseball, think of it this way: we might need to think in singles and doubles rather than home runs.

The CETA has been the good news in an otherwise grim global landscape. A fully implemented trade deal with Europe will be a coup for our country. But I say this with some caution because even at this stage, the deal is not yet guaranteed. We are optimistic, but the environment in Europe suggests we will likely stumble rather than sprint to the finish line. David Plunkett, who has enormous experience on this topic, is speaking to you in a few minutes so I won't spend too much time on CETA. But I do have to say how struck I am by the attitudes that we are dealing with in Europe. Take Germany as an example: this is a global export champion with the largest trade surplus in the developed world. They are winning at trade, yet somehow Germans have become the sternest opponents to a transatlantic trade agreement. 7/10 Germans opposed the TTIP deal between Europe and the United States. (The U.S. was no better - Michigan polls from 2016 - 53% among Republicans, 56% among Democrats - said that trade "takes away U.S. jobs." In 2015, we bought \$ 48.3 billion in cars and trucks from those folks!) The European Parliament has delayed their vote on CETA from December to February. I am afraid CETA has become the whipping boy of disaffection across Europe, even more so as all other deals dissolve before our eyes.

That's depressing! So, let's talk about Asia.

For the Canadian Chamber, a Trans Pacific Partnership deal going into a deep freeze means we need to refocus our energies on key Asian markets. Japan and China need particular attention. China is already the world's third largest importer of food. Their demand for quality and traceable foods is sure to grow even more. Earlier this year, during the Prime Minister's visit to China, e-commerce giant Alibaba launched a dedicated Canada pavilion to sell Canadian foods online. I heard that on the opening day, lobsters sold out so quickly they hadn't even been caught yet in Atlantic Canada. We produce a lot of food and even then, we sometimes struggle to meet the huge demand in China.

Business with China is challenging. Good relations at the top can help – our member companies have told us that after the meetings between Prime Minister Trudeau and Chinese leaders, they are seeing more positive interactions in-country. For instance, China’s commitment to allow science-based trade of canola to 2020 is a significant achievement. A prize many others are after.

China is actually one of the Chamber projects I am most excited about. My colleague Adriana Vega is working on scoping out the top issues on our checklist as we engage in free trade talks with China. I am sure you all have views on this and we would love to steal them – so please, share them with us. At the Chamber, we are pretty active on the China file and our President visits there quite often – sometimes with small trade delegations. Over the next few months, the outline of Canada’s approach to China trade will become more clear. We hear talk of sectoral negotiations, for example, and long phase-in periods, etc. I don’t think the Chinese will encourage us to dip our toes in this pond. I think they will want a full, economy-wide negotiation. But having said that, I believe agrifood is one of the sectors best positioned to see advances in China and issues of regulatory cooperation could be an early platform to help that happen.

Japan, meanwhile, strikes me as a big opportunity.

It’s fashionable to write off Japan as yesterday’s economy. But, a few years ago, I was visiting and we drove by the port of Yokahama. And when I say we drove by, I mean we drove for 45 minutes on a fast highway and still the port stretched out beside us. And I thought...“it may be declining a little, but there is still a little flicker of life in this the 3<sup>rd</sup> largest economy in the world!” In some ways, Japan is a perfect trade match for Canada: they are one of the least food self-sufficient nations in the developed world. We make a lot more food than we can consume. We have certainly had our frustrations with Japan in the past, but the Chamber remains – sometimes stubbornly - a strong supporter of the bilateral Canada-Japan Economic Partnership Agreement.

We will be redoubling our efforts in 2017. We have an annual encounter between the Canadian Chamber and the Japanese Chamber of Commerce and Industry. This April we will convene in Sendai, and we are starting to see interest from both governments. So perhaps it will be an opportunity to build some momentum towards renewed negotiations. If anyone has an interest in this event, please get in touch with me.

And last but not least, I guess I should speak to the biggest question mark in current international affairs: what about our next door neighbour? If you are a fan of rollercoasters, I am sure the next couple of years will be great. If you’ve got a weak stomach, I suspect they will be extremely tough. Unpredictability will be the new normal. Some obvious opinions - expect a much less coherent Washington. Despite the

current bonhomie, many Republicans are not onside with their President-elect. That could easily create an environment where everyone is in it for themselves. For people like us, we won't know from behind which bush the next arrow is going to come. The good news is that your sector is among the best suited to work well with the United States. Both sides generally agree on more or less the same issues. You have powerful friends south of the border, in and outside of Washington. So my recommendation to you is: don't be shy. Send the messages. Keep your friends close and active. We have a lot more allies than enemies in the United States.

My friend Laura Dawson – executive director of the Canada Institute of the Wilson Centre – likes to say “if you're not at the table, you're probably on the menu,” so let's try not to get eaten.

Before I wrap up, I want to tell you about some items the Canadian Chamber is advocating to the federal government.

Our international competitiveness will only be as good as the infrastructure we have to get our products from “farms to forks.” Right now, we see a gap between what we need and what we have. 2014 was –maybe – an aberration, cold winter, bumper crop. Or maybe it wasn't.

In May we released a report called “The Infrastructure that Matters Most” to focus government attention on export facilities we need to allow Canadian products reliable access to world markets. I am pleased to see the government responded by announcing a new fund specifically addressing this.

1. We need to invest heavily in roads, rail, digital networks, waterways and ports.
2. Our trade promotion efforts will need to get sharper and more coordinated. For example, enabling and funding food regulatory agencies to have international market-access functions could have an immediate effect on sector exports<sup>2</sup>. As we argued in a report two years ago called “Turning it Around,” trade success is more than just new agreements. We need a whole strategy which involves all our advantages – trade commissioners, engagement of diaspora Canadians, regulatory engagement, etc.
3. Canada should look to improve and unify our brand abroad. There are a lot of elements of “brand” we can push – tourism, attractiveness for investment – but food is arguably number one. Food “Made or grown in Canada” has a great reputation, but I know we have had trouble protecting the Canada Brand. But

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<sup>2</sup> CFIA regulates food standards for domestic consumption – no mandate to collaborate with foreign agencies to promote exports

this is a crucial fight we need to continue. I am told Australia has a strong 'True Aussie' brand. We need to strengthen ours. The absence of a Canadian brand was in fact mentioned to us by Chinese importers who want to profit from distributing quality Canadian foods. We should listen.

4. And lastly, as we continue our strong focus on the innovation economy, we can focus on the importance of innovation in agriculture and biotechnology, a key ingredient to Canada's future as a global exporter. (I am clever, so I've noticed that trade works best when you are offering something people want to buy.)

Let me finish by encouraging you to remain a loud voice to the federal government - especially on trade. You have power you may sometimes take for granted.

- You are small businesses and family farms.
- But you're also the scientist designing new crops in a lab.
- You are also the marketer taking our food to the world,
- And you're the retailer, crafting those products for hundreds of different markets, different cultures and different economies.

The GrowCanada Partners have a loud voice, and a lot of people are going to be listening to that voice in the next few years.

Good luck. And thank you.