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Canada – Indonesia Trade Consultations
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Thank you for the opportunity to comment on a potential Canada-Indonesia Comprehensive Economic Partnership Agreement (CEPA). Trade is of paramount importance to the Canadian canola sector with 90 per cent of canola exported annually as seed, oil, and meal. A partnership agreement would provide the opportunity to diversify our exports and boost our sector's overall competitiveness.

The Canadian Canola Growers Association (CCGA) represents Canada's 43,000 canola farmers on issues, programs and policies that enhance their success. The Canola Council of Canada includes farmers who run small and medium enterprises, along with seed developers, processors who turn canola seed into oil and meal and exporters. Open and stable trade is the foundation for the \$29.9 billion our industry contributes to the economy annually and the 207,000 full time jobs it supports across the country.

Indonesia – A growing opportunity

A Canada-Indonesia CEPA would enhance Canada's role in South-East Asia and create new opportunities for Canadian agriculture. While Indonesia is currently not a large market for Canadian canola, an agreement would be an important building block to both the Government of Canada and the canola sector's efforts to diversify our exports and strengthen trade worldwide. Tariff elimination and rules-based trade could generate new opportunities for canola and could create a more competitive environment in Indonesia. Indonesia is the 4th largest country globally, and an anchor economy in South East Asia. With increasing levels of education and disposable income, market opportunities for Canadian canola seed, oil and meal could increase in the future.

Priority #1 – Elimination of tariffs on canola seed, oil (refined and crude) and meal.

The canola sector supports the elimination of applied and bound tariffs on canola seed, oil and meal. Canola seed is processed into oil for human consumption or renewable fuels, and meal (feed) for animal and aquaculture. Tariffs increase the cost of canola exports to Indonesia vis-à-vis other countries and substitutable oilseeds such as soybeans. Figure one illustrates the applied and bound tariffs Canadian canola faces and contrasts them with those faced by Australian producers and other vegetable oilseeds.

Figure 1. Indonesia Canola Tariffs

		Canada - Canola		Australia - Canola	MFN - Vegetable oils			
		Applied	Bound		Canola	Soybean	Palm	Sunflower
Indonesia	Seed	5%	40%	0%	5%	0%	n/a	5%
	Oil, crude	5%	40%	0%	5%	5%	0%	5%
	Oil, refined	5%	40%	0%	5%	5%	5%	0%
	Meal	5%	40%	0%	5%	0%	5%	5%

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Achieving parity in market access fosters a level-playing field with Australian and U.S. soybean producers. Canadian canola competes with canola from Australia, the Black Sea region and the United States as well as other oilseeds for global markets. Australia's strategy has focused its trade agenda on the Asia-Pacific, where it plays a leadership role geopolitically and has a comparative advantage with distance. In 2010, the ASEAN-Australia-New Zealand FTA (AANZFTA) went into effect cementing trade ties in the region.

Priority #2 – Secure rules to facilitate canola trade between Canada and Indonesia.

Parallel to tariff elimination, specific rules to facilitate the trade of commodities grown from seed varieties developed through biotechnology and with plant protection products need to be included in any partnership agreement. In addition to tariffs, implementation of a strict zero tolerance approach to low-level presence of biotech varieties (i.e., approved in Canada and not Indonesia) and missing or misaligned maximum residue limits (MRLs) for plant protection products impede market access and create significant risk and uncertainty in growing a new market.

The U.S. Gain Report¹ describes Indonesia's agriculture biotechnology regulatory framework to use the precautionary principle when approving a new trait and to use science to assess food, feed and environment safety. To date, no biotech canola varieties have been approved. Canola farmers have embraced herbicide-tolerant (HT) canola varieties with most Canadian acres seeded to biotech varieties. HT canola provides an effective system to managing weeds and to enabling more sustainable farming practices.

To this end, the canola sector supports the inclusion of language in the Agreement to address trade of products of agricultural biotechnology and to recognize both genetically modified and gene edited plant breeding techniques. Both CPTPP² and CUSMA³ contain language recognizing the importance of agricultural biotechnology and the need to facilitate trade of these products among parties to the Agreement. The text aims to increase cooperation and transparency, to move towards regulatory alignment, and to provide a common approach for instances of low-level presence. These rules are required to ensure that the elements of modern

1 USDA Foreign Agricultural Service, *Agricultural Biotechnology Annual – Indonesia*, November 2020

2 Comprehensive and Progressive Trans-Pacific Partnership, Chapter 2 Article 2.27: *Trade of Products of Modern Biotechnology*.

3 Canada United States Mexico Agreement, Chapter 3 -Agriculture, *Section B: Agricultural Biotechnology*

agriculture are not treated as trade barriers and are required to create an enabling environment for the canola sector to capitalize on any Agreement.

As with biotechnology, plant protection products to control weeds, insects and diseases are integral to agriculture productivity and, prior to being used on canola for export, require approvals and related tolerance levels to be set by the importing country authorities. Incorporating commitments on international standards is key to assuring trade predictability once any Agreement is implemented. This should involve a process by which the importing country, when there is not an established MRL, recognizes and applies the relevant CODEX MRL. Appropriate commitments to the use of internationally accepted risk assessment principles when establishing national MRLs or import tolerances should also be included. Such an approach would provide predictability to exporters, in cases where the importing country MRL setting process lacks transparency, timeliness and scientific basis.

Priority #3 – Strengthen Canada’s position in South East Asia and globally.

More largely, a CEPA could provide greater transparency when doing business in Indonesia. A clear understanding of the business and regulatory environment increases predictability and mitigates risk when building a new market. An agreement could enhance cooperation between Canada and Indonesia and could be leveraged to promote trade facilitative approaches bilaterally or through regional and multilateral associations, such as APEC or the World Trade Organization.

With significant overlap, the canola sector supports continued government efforts towards the launch of free trade negotiations with the larger Association of South East Asian Nations (ASEAN) and views a Canada - Indonesia CEPA as a gateway to a larger agreement. Indonesia is the most populous and largest economy within ASEAN and plays an influential role with the Association. Based on a five-year average, Canada exported \$60 million in canola to ASEAN including \$4.9 million in seed, \$41.8 million in oil and \$13.5 million in meal. An FTA with ASEAN would enhance Canada’s role in Asia and expand Canada’s network of free trade agreements.

In conclusion, the canola sector supports negotiations towards a Comprehensive Economic Partnership Agreement with Indonesia to diversify market opportunities and to enhance canola’s competitiveness.

Sincerely,

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