

## **CAFTA Trade Insights**

**CAFTA: The Voice of Canada's Agriculture and Agri-Food Exporters**

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### **Brexit – Implications for the CETA**

We start this month's edition with the U.K.'s historic referendum outcome, supporting an exit from the European Union (EU) last week, shortened from "British exit" to Brexit. Withdrawal from the European Union has been a right of EU member states since 2007 under Article 50 of the Treaty on European Union. With 52 percent of voters electing to 'Leave,' the implications of this decision are expected to have consequences across the EU and world markets which remain unknown.

The exact process for the UK's withdrawal is uncertain under EU law, although it is generally expected to take longer than two years. While technically nothing changes immediately, the referendum provides the UK government with the mandate to initiate the formal negotiating process required for a "Member State" to leave the EU. The formal process starts with the notification of an intent to invoke Article 50 of the Lisbon Treaty. This triggers a two-year negotiation timeframe for the UK and the EU to agree on the terms of the UK withdrawal. However, the specifics regarding when and who will initiate this process, as well as how long it will take, are not known at this time.

Regarding the trade impact, prior to the Brexit vote, the expectation had been that the Comprehensive Economic Trade Agreement (CETA) between Canada and the EU was to be signed this fall and implemented by early 2017.

In 2015, Canada exported \$2.84 billion of agriculture and agri-food products to the EU's 28 member countries, 13 percent of which went to the UK. By entering into the CETA, Canadian agriculture and agri-food exporters were counting on a market of 500 million people that included the UK's 70 million residents. What we do know the loss of the UK at the EU treaty table is the loss of an ally for Canadian agricultural exporters. The UK is practical and pragmatic when it comes to science-based approaches and is generally supportive of science-based regulations, which are of particular relevance to the two remaining concerns of the agriculture industry on biotech and meat issues in the CETA.

- Regarding elected officials' perspectives on this development's impact to the CETA, in a recent [interview](#) Canada's Minister of International Trade Chrystia Freeland offered the following sentiments, "The case for CETA is now stronger than ever. It is important for Europe to show the world that they continue to function and demonstrate that they can sign trade deals."
- [EU Trade Commissioner Cecilia Malmström added that](#), notwithstanding this "unprecedented situation," they will push ahead with the EU's trade agenda and reiterated that the EU Commission will soon make a proposal for the ratification of the CETA.

On July 5, the EU Commission will be giving its proposal for signature of the CETA to the EU Council and the EU Parliament. The Council is expected to vote on the CETA late September. Besides the implications of the Brexit, the main question right now is whether the CETA is a "mixed agreement" – one which has provisions that also fall under member state responsibility, rather than just the Union's exclusive competencies. From a political perspective, this is important because mixed agreements require

ratification not only by the EU institutions (European Parliament and Council) but also by the national parliaments of the 28 member states. This question has become more prominent and recently revived public concerns about trade deals, member states' sovereignty and linkages to TTIP.

Follow @CAFTA\_ACCA for the updates on the CETA.

## On Parliament Hill

### Three Amigos Summit

June 29, Prime Minister Justin Trudeau hosted the leaders of Mexico and the United States at the Three Amigos Summit in Ottawa. Ahead of this summit, CAFTA president Brian Innes penned an op-ed entitled [“Is Canada’s bread on the menu for the Three Amigos?”](#)

In the op-ed, Innes indicated the importance of the Trans-Pacific Partnership (TPP) being on the menu for the leaders during their period of discussion.

“... [We] urge our Prime Minister to make sure Canada’s bread is on the menu at the Three Amigos Summit,” Innes said. “The TPP is an incredible opportunity for the future of hundreds of thousands of people who work every day to put food on plates both here and around the world.

CAFTA will continue to urge our elected officials to prioritize the TPP in order to secure the future for Canada’s agri-food industry.

Join the dialogue on Twitter and use #TPP, #cdnag #cdntrade #cdnecon, #cdnpoli

### Parliament has adjourned for the summer

The House adjourned for summer as of Friday, June 17. Members of Parliament will return from their constituencies when Parliament resumes on September 19, 2016.

## TPP consultation in Toronto

At the TPP public consultation in Toronto on June 17 CAFTA was pleased to contribute to a more thorough public understanding of the TPP and share why 90 percent of farmers need the agreement to be implemented. The TPP region represents a market of 800 million people, absorbs 65% of Canada’s agri-food exports, includes some of our largest trading partners (the US, Mexico, Japan) as well as some of our largest competitors (the US, Mexico and Australia) – and some signatories already have FTAs with countries that are important to Canadian agri-food exports.



Note that if your organization is planning to make a TPP submission that the deadlines have been extended until Oct. 31, 2016.

## In case you missed it...



### **Bill C-13, the Trade Facilitation Act, is now at Second Reading**

The Trade Facilitation Act (TFA) is the first multilateral agreement concluded since the creation of the WTO in 1994. The TFA will help to enhance global trade by putting measures in place to expedite the movement, release and clearance of goods across international borders. The WTO estimates that the TFA will lower trade costs by more than 14 percent for lower income countries and by more than 13 percent for upper middle income countries. The bill is now at Second Reading in the House and we will keep CAFTA members up-to-date as new developments surface.

### **Canada and the European Union have undertaken to provide new or expanded market access in specific sectors in the CETA**

These initiatives would be achieved by way of Tariff Rate Quotas for European Union cheese exports into Canada, and Origin Quotas for Canadian exports of high-sugar containing products, sugar confectionary and chocolate preparations, processed foods, dog and cat food, fish and seafood, textiles and apparel, and vehicles into the European Union. The Government of Canada would like to hear from interested parties on how these quotas should be administered. Deadline for comments is July 21, 2016. You may submit comments [here](#).

## In other news

### **European Parliament Trade committee chair to trade parliamentarians: WTO process needs to change**

European Parliament's Trade committee chair [Bernd Lange has stated](#) that the WTO needs to revise its working method in order to ensure more transparency and inclusiveness in the negotiation process; as well as achieve more far-reaching deals than the one concluded at the last WTO Ministerial meeting in Nairobi.

### **Minister Freeland signs a Joint-Declaration on a partnership between Canada and the Pacific Alliance**

On June 8, Minister Freeland signed an agreement with Pacific Alliance countries – Chile, Colombia, Mexico and Peru. The four countries account for more than 70 percent of Canada's two-way trade with the whole Latin American region.

In 2014 alone, Canada exported over \$2.3 billion of agricultural and agri-food products to members of the Pacific Alliance.

## Contact us

Do you have any questions or comments? Let us know by sending an email to [info@cafta.org](mailto:info@cafta.org).

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