

CAFTA Trade Insights

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

CAFTA engages with Prime Minister Trudeau on Margins of Canada-EU Summit

On July 17-18, Prime Minister Justin Trudeau hosted European Council President Donald Tusk at a two-day summit in Montreal. Jim Carr, Minister of International Trade Diversification and Cecilia Malmström, EU Trade Commissioner were also in attendance. Canadian and EU leaders spoke about the strong bilateral relationship, the importance of rules-based trade, progress to date on CETA and the need to ensure trade outcomes are mutually beneficial.

While Canadian agri-food exporters feel optimistic about the promise of CETA, early returns remain mixed. Although grain exports from eastern Canada to the EU are up, overall durum wheat exports to – one of Canada's top grain exports to the EU – have dropped significantly (from 920,000 tonnes to below 300,000 tonnes).

Similarly, Canadian beef and pork exports to the EU have grown but are starting from a very low level. Nevertheless, producers are hopeful that trade will continue to increase. That is why CAFTA is working hard to engage with Canadian and EU officials to help ensure Canadian agri-food exporters can take full advantage of the agreement. Examples where more work is needed include mutual recognition of meat processing systems, developing protocols to verify livestock production practices, addressing misaligned regulation of crop protection, more predictable and timely review of seed technologies, and ensuring country of origin labelling requirements are not applied in a trade restrictive manner.

At the summit reception hosted by Prime Minister Trudeau, CAFTA Executive Director Claire Citeau discussed issues of importance for Canadian agri-food exporters with the Prime Minister. PM Trudeau noted that growing Canada's agri-food exports was a priority and that more follow through was needed to address non-tariff issues.

The official joint declaration also acknowledged the need for more work stating, "We commit to ensure further progress towards full and effective implementation of CETA to fulfill its potential in all sectors."

Prior to the summit, CAFTA released a statement stressing the need for CETA to live up to its commitments. Read CAFTA's statement [here](#).



Canadian Prime Minister Justin Trudeau and European Council President Donald Tusk at a two-day summit in Montreal

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Ratifying the Canada-United States-Mexico Agreement (CUSMA)

The road to ratifying the deal to replace the North American Free Trade Agreement (NAFTA) is unclear.

While the agreement has passed the Mexican Senate, in Canada the implementing legislation is at the committee stage following its passage in the House of Commons at second reading. While Parliamentarians were expected to be called back for a summer session to pass Bill C-100, that is less likely to happen now that U.S. lawmakers have left Capitol Hill for a five-week break without passing their own implementing legislation.

In the U.S., both the House of Representatives and the Senate need to pass or ratify CUSMA – both of which are now in recess. Democrats, who are in control of the House, have voiced concerns about the new NAFTA and stated they want changes to provisions in labour, environment, and patent protection for drugs and enforcement. Nevertheless, many trade watchers believe enough Democrats will support the new pact once it's put to a vote. CAFTA will continue to monitor developments.

Comprehensive and Progressive Agreement for Trans-pacific Partnership (CPTPP)

The Government of Canada recently launched [public consultations](#) to seek the views of Canadians on possible expansion of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) through the accession of new economies. CAFTA supports new members joining the pact as this will increase the agreement's benefits for Canadians. Now 8 months into force, early returns are showing positive benefits for Canadian agri-food exporters. The focus of the consultations is to help define Canada's priorities and inform future decisions on possible accession negotiations.

The deadline for consultations is August 25th. Additional information can be found [here](#).

On the Hill

The Senate Committee on Agriculture and Forestry recently released a report entitled [Growing Canada's value-added food sector](#). The report dedicates an entire chapter to the role played by free trade agreements (FTAs), in the value-added agri-food sector. Canada has one of world's largest and most trade-dependent agri-food sectors and supports the federal government's continued pursuit of new and diversified export markets.

CAFTA Members and CAFTA Executive Director Claire Citeau are among those cited throughout the report. In particular, the report notes [CAFTA's statement to the committee](#) which stresses how FTAs influence competitiveness of the agri-food sector in global market in addition to market access.

The report endorses what CAFTA shared and advocates for: *"Canada should work to bolster an open and rules-based approach to international trade and address emerging non-tariff barriers to trade in export markets."*

An Update on the WTO



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What is the WTO?

The World Trade Organization (WTO) is the international organization committed to reducing barriers to trade. Its stated goal is to “help producers of goods and services, exporters and importers conduct their business.” Fundamentally, the WTO is a forum for governments to negotiate trade and trade-related agreements, establish rules for trade and deal with disputes between members. This makes the WTO critical to maintaining the international rules-based trading system that supports Canadian agri-food exporters.

The role the WTO plays in addressing and helping resolve trade disputes is vital. A member of the WTO may bring a dispute against another member if it believes that a member government is violating a commitment that it has made in the WTO agreements. The first stage of formal dispute settlement is a request for consultations. Consultations between WTO Members are the preferred avenue to resolve disputes. However, if a solution is not reached through consultations, a dispute can move to adjudication by a quasi-judicial body of experts, known as a panel. The panel examines the facts and laws in question in the case and issues a final report. After the issuance of a panel report, either party is able to appeal the findings to the Appellate Body (AB). The AB reviews the panel’s legal findings and issues its own report.

What’s going on with the Appellate Body?

The Appellate Body consists of seven appointed members that hear appeals on reports issued by panels in disputes brought by WTO Members. Three members are necessary to hear an appeal. The Appellate Body can uphold, modify or reverse the legal findings and conclusions of a panel, and Appellate Body Reports – once adopted by the Dispute Settlement Body – must be accepted by the parties to the dispute. If a Member does not comply with the recommendations, then trade compensation or retaliation may follow. Over the past two years, the U.S. has blocked vacant Appellate Body seats from being filled. Since October 2018, only three members (from the U.S., China and India) remain on the Appellate Body, and the terms of two of the remaining judges expire in December. Having fewer than three members of the Appellate Body could have the effect of rendering all active and future panel findings non-binding, as WTO Members are not entitled to seek compensation or retaliation based on panel findings while an appeal is pending.

Blocking the appointment of Appellate Body members is threatening not only to the Appellate Body itself but also the entire WTO dispute settlement system. This system plays a critical role in ensuring the rights of agri-food exporters are protected.

The Canada-EU Interim Appeal Arbitration Agreement

Due to the ongoing blockage of appointments to the Appellate Body, Canada and the EU announced an interim appeal arbitration agreement that would create a parallel system modelled on the existing Appellate Body. This bilateral arrangement would hear appeals between Canada and the EU. Other countries will be invited to opt-in to ensure mechanisms in place to deal with reviewing appeals between WTO members.



CAFTA ACCA

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WTO Reform & Ottawa group

CAFTA will continue to support the Canada-led process on WTO reform with like-minded countries known as the Ottawa Group that is addressing specific challenges which are putting the multilateral system under stress. The Ottawa Group is focusing on three of the WTO's key functions: monitoring members' trade policies, providing a forum to negotiate new trade agreements, and perhaps most important, arbitrating trade disputes. The Ottawa Group includes Australia, Brazil, Canada, Chile, the European Union, Japan, Kenya, Mexico, New Zealand, Norway, Singapore, South Korea and Switzerland and is in the process of identifying pragmatic solutions to improve the operation of the WTO over the short, medium and long term.

WTO Agriculture Negotiations

From January to June 2019, the WTO agriculture negotiations followed a three-track path with the Committee on Agriculture in special session (CoA SS) as the main negotiation forum, with seven working group meetings and the Chair of the Agriculture Negotiations' informal consultations with members.

At the July 15, 2019 meeting of the CoA SS, some members put forward new submissions to try and encourage productive discussions aimed at identifying solutions when the negotiations resume in September. The Chair appealed to members to reassess their positions in order to bridge the gaps and find convergence, and advised members to come prepared for a "more intense, proactive and results-oriented phase of negotiation" in September. Negotiators are working towards the 12th WTO Ministerial Conference scheduled in June 2020 in Nur-Sultan, Kazakhstan.

In Other News

WTO Director-General Report Paints Gloomy Picture for Free Trade

The WTO Director-General's latest mid-year report on trade-related developments was recently released which looks at the state of global trade between October 2018 and May 2019. The report details the implementation of import-restrictive measures estimated to be valued at \$339.5 billion USD. The past two periods have seen the highest total increase in trade-restrictive measures on record totaling nearly \$928 billion USD. The report also notes that most of the previous period's record level of new restrictive measures remain in place. Read more [here](#).

Further Reading

[Agri-food exporters want CETA to live up to its commitments](#)

[OECD: Governments should renew efforts to reform support to agriculture](#)

[Pushing the Politicians on Trade](#)

[PM says new NAFTA deal won't be ratified until the fall](#)

[Pushing the Politicians on Trade](#)

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