



## CAFTA Trade Insights

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

### WTO says global trade still below pre-pandemic levels

While the WTO is still forecasting weaker than normal global trade activity, there are signs that partial recovery is underway after a record low in June. A recent [WTO report](#) states that “As uncertainty remains elevated, in terms of economic and trade policy as well as how the medical crisis will evolve, an L-shaped recovery is a real prospect.” In economic terms, an L-shaped recovery is defined as slower growth following a steep decline. However, overall exports are beginning to trend up and the WTO notes that some export sectors including electronic components and agricultural raw materials have held stable throughout the pandemic showing only modest declines. And while individual indicators will have to be monitored and analysed closely before definitive trends emerge, there is no doubt that challenging times are ahead that will affect global traders.

### Global Affairs Canada releases “State of Trade”

The Office of the Chief Economist at Global Affairs Canada recently released [Canada's State of Trade: The Early Impacts of COVID-19 on Trade](#).

From the outset, Minister Ng notes that “As COVID-19 swept the world, many countries responded by closing their doors to trade in an effort to protect their people. But COVID-19 should not—cannot—be used as an excuse to stop trading or to turn inward.” She adds: “trade remains crucial to the prosperity of Canadians.” These messages are most welcome given the increase in protectionism we are seeing around the world.

The report finds that the pandemic-related slowdown in global trade has mostly impacted Canada's automotive, electronics, energy, and machinery sectors. It notes that the agriculture sector continues to carry Canada's export-oriented economy with a 13 per cent increase in March alone. It also notes that recovery in China is good news given it is Canada's second largest agri-food export market.

While the report provides a brief overview of FTAs such as CPTPP and CETA, it does not adequately delve into reviewing the actual outcomes negotiated and what the promised benefits were versus the current realities now that these agreements are in force. We will continue to raise these issues with government so that we can work together to truly secure what we have been promised in our trade agreements.

### CAFTA highlighted in special feature on COVID-19 and global trade in agri-food

In a [recent special report to the Globe and Mail](#) that focused on how Canada's agri-food sector has adapted to pandemic-related challenges, CAFTA Executive Director Claire Citeau was quoted extensively saying “the pandemic has tested international relations and brought a proliferation of new export restrictions as well as demands to ‘reshore’ supply chains.”

The report also featured CAFTA messaging that one of the key ways to maintain food security around the world is to “ensure unfettered trade and to manage supply chain risks.” These core messages will continue to be central to our advocacy and communications efforts as post-pandemic recovery planning takes shape.

## Trade Updates



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### **Comprehensive and Progressive Agreement for Trans-Pacific Partnership**

On August 5, Ministers and Senior Officials representing the eleven CPTPP members met for the Third Meeting of the CPTPP Commission in Mexico. [Members reiterated](#) what CAFTA and other pro-trade groups have been saying about the need to keep the flow of essential goods moving and to adhere to trade rules.

Missing from the meeting was an announcement on accession talks for new members, as both Thailand and the UK have expressed interest in joining the pact. CAFTA will continue to advocate for growing the CPTPP trading bloc, especially as it pertains to opening up new markets throughout the dynamic Asia-Pacific region. To date, four countries (Brunei, Chile, Malaysia and Peru) have signed but not yet ratified the pact. Sanitary and Phytosanitary (SPS) discussions affecting grain exports to Vietnam continue and we are watching closely and engaging Canadian officials on these matters.

### **United States re-imposes tariffs on Canadian aluminum**

On August 6, the United States announced that it would once again be imposing tariffs on certain Canadian aluminum products due to national security concerns. The action was quickly rebuked by Deputy-Prime Minister Chrystia Freeland, who stressed that [“Canadian aluminum does not undermine US national security.”](#) Deputy Prime Minister Freeland also declared that Canada would respond with dollar-for-dollar countermeasures against the tariffs. CAFTA [responded](#) to these developments by stating the importance of predictable, rules-based, and duty-free trade as the best way to support economic recovery in North America and around the world.

### **European Commission appoints first Chief Trade Enforcement Officer**

In late July, Denis Redonnet was [appointed as the European Commission’s first Chief Trade Enforcement Officer](#). This appointment is a clear recognition that implementation and enforcement of trade agreements is increasingly as important as the negotiating of the pacts themselves. CAFTA has been saying this for a long time now, especially since the ongoing non-tariff barriers that continue to thwart Canada’s agri-food exports to the EU go to the very heart of the need to ensure implementation and enforcement match the spirit of negotiated outcomes. We will continue to raise issues related to implementation and enforcement to ensure Canada has resources dedicated to these issues as our most important trading partners do.

### **Canada-ASEAN meeting**

Last week, Mary Ng, Minister of Small Business, Export Promotion and International Trade, virtually co-chaired—along with Vietnam’s Minister of Industry and Trade, Tran Tuan Anh—the 9th annual ASEAN Economic Ministers-Canada consultations. Agri-food exporters have long urged the launch of FTA talks as part of Canada’s intensified push into Asian markets. Further expansion of the CPTPP, coupled with a deeper relationship with ASEAN will be good news for rules-based trade in one of the fastest-growing and dynamic regions of the world. We will continue to work closely with the Canadian government on advancing these opportunities.

## On the Hill

### **Chrystia Freeland named Minister of Finance**

In a dramatic shuffle rare for Ottawa, Chrystia Freeland was named the Finance Minister [following the abrupt resignation of Bill Morneau](#). It will be beneficial to have a Finance Minister that knows the importance of free and open trade and the pitfalls of protectionism, especially as recovery planning moves into high gear this fall. And as the lead in the CUSMA talks and having grown up on a farm in Alberta, Minister Freeland knows our issues well.



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### **Erin O'Toole elected Leader of the Conservative Party of Canada**

In late August, Erin O'Toole defeated Peter MacKay on the third ballot to succeed Andrew Scheer as the federal Conservative leader and as Leader of the Official Opposition. His leadership campaign platform stated that *"An O'Toole government will aggressively pursue new, dependable, export markets for Canadian producers, particularly agriculture, as global trade realigns post-COVID, while ensuring that we retain the ability to produce essential goods like PPE, pharmaceuticals and food here in Canada."*

He is known to take a harder line on China so engagement with his office will need to be strategically focused on win-win outcomes. CAFTA sent him a congratulatory letter requesting a meeting. O'Toole is expected to name a shadow cabinet shortly and we will track developments closely.

### **Prorogation dissolves Parliament until September 23**

Also in late August following the cabinet shuffle, Prime Minister Trudeau officially asked the Governor General to [dissolve Parliament](#) paving the way for a [Throne Speech on September 23](#). The government has signaled that it will be focused on so-called "build back better" priorities including greening the economy, infrastructure spending, childcare reform, health care and addressing the "she-cession" (the term coined that argues the pandemic has been particularly hard on women) among others.

We will be sure to track developments closely, continue to engage officials and government decision-makers and urge the government to recognize the valuable role our sector has been playing and will continue to play in helping Canadians during the pandemic and powering the post-pandemic economic recovery.

## **WTO Updates**

### **WTO Multi-party Interim Arrangement now fully operational**

In light of the ongoing Appellate Body impasse at the WTO, Canada and 22 other WTO members have joined a Multi-party Interim Arrangement to function as an appeals process for trade disputes to be heard by arbitrators. In a [statement](#) following the selection of the arbitrators, Minister Ng welcomed the conclusion of the process which was the last step needed for the Arrangement to be fully operational.

This breakthrough is clear proof of the effectiveness of the Ottawa Group of reform-focused WTO members that have been working diligently to preserve many of the core functions exporters need the WTO to perform. The pool of arbitrators includes Canadian Valerie Hughes. The new arrangement will remain in place until the functionality of the Appellate Body is restored. While not perfect, it does preserve a broad international commitment to rules-based trade among the group of signatories.

### **Selection process for new Director General**

The search for the new DG continues which is led by a committee made up of the Chair of the General Council together with the chairs of the Dispute Settlement Body and the Trade Policy Review Body that will then consult with all WTO members. According to the process, the new DG could be selected by early November; however, ongoing tensions over a variety of issues may impact the timeline.

### **Updates on WTO Agriculture Committee meetings**

In a late June special meeting of the Committee on Agriculture, WTO members reviewed a number of agri-food support packages and export-restrictive measures adopted in response to the COVID-19 crisis. A strong call was made for [enhanced transparency](#) of trade-related COVID-19 measures. Various groups of WTO members, such as the Cairns Group, the Ottawa Group and a Canada-led group of co-sponsors, introduced initiatives and actions to ensure food security is achieved by supporting predictability and open trade. Many members supported a Canada-led statement that supported free trade. The group called for collective actions towards open and predictable agricultural trade and for WTO members "to lead by example" and withdraw trade-restrictive COVID-19 measures as quickly as possible. Several members echoed this call and said it is high



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time for the WTO to deploy concrete actions as described in the [Ottawa action plan](#). Clearly, transparency and disciplines on export restrictions are shaping to be key elements of discussions and negotiations ahead of the 12th Ministerial Conference in 2021.

In a July meeting of the Committee, similar themes were echoed as well as the need to monitor farm supports and subsidies. In addition to seeking clarifications on export-restrictive measures, a large number of questions were raised regarding major economies' large farm support packages in response to the crisis, many targeted at the U.S. and the EU. The U.S. also discussed various aspects of "Phase 1" of the US-China deal, while the EU discussed various initiatives including its 'Farm to Fork' strategy. A reminder that the [Members' transparency toolkit](#) is the public database of WTO information on agriculture which includes all notified information and [questions and answers](#) raised in the committee.

### **WTO issues new report regarding impact of COVID-19 crisis on agricultural trade**

In late August, the WTO Secretariat published a [report](#) that looks at the impact the pandemic is having on agricultural trade. The paper notes that while agricultural trade has fared better than other sectors, supply chains, food prices and other issues related to agri-food are still unfolding. The report urges governments to keep trade free and open and supply chains operational.

### **Canada elected Chair of the WTO SPS Committee**

[Canada was recently elected as chair](#) of the Sanitary and Phytosanitary Measures Committee, a subsidiary body of the WTO Goods Council. Given the important work ahead on SPS measures and non-tariff barriers that hinder Canadian agri-food trade, this development is great news for promoting science-based SPS rules.

### **New Chair of Agriculture Trade Talks**

In July, WTO members also confirmed Ambassador Gloria Abraham Peralta of Costa Rica as the new chair of the WTO agriculture trade talks. Ambassador Peralta highlighted the importance of reform of the agricultural trading system and underlined the need for adaptation, versatility, and flexibility in response to the pandemic.

## **In case you missed it**

[First bilateral trade agreement signed between EU and China](#)

[Canada's pace in trade talks with UK raising frustration](#)

[EU Trade Commissioner Phil Hogan resigns after breaching coronavirus restrictions](#)

[Shinzo Abe: Japan's PM resigns for health reasons](#)

[WTO DDG Wolff: The future belongs to trade agreements of varying geometries](#)

[EU-Vietnam trade agreement enters into force](#)

[Farm Credit Canada optimistic about ag sector](#)

[Japan-Asean deal takes effect](#)

[US, UK to exchange first market-access offers before next talks](#)

[System to protect EU businesses from unfair trade competition functioning well, say auditors](#)

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