

CAFTA Trade Insights

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

Global trade shows signs of rebound, recovery highly uncertain

World trade is showing signs of rebound from a deep, COVID-19 induced slump but economists caution that any recovery could be disrupted by the ongoing pandemic effects. In its recent report, the WTO now forecasts a 9.2% decline in the volume of world merchandise trade for 2020, followed by a 7.2% rise in 2021. These estimates are subject to an unusually high degree of uncertainty since they depend on the evolution of the pandemic and government responses to it.

In recent weeks as COVID-19 cases have once again surged, governments have been juggling with economic recovery efforts and measures to stop the spread of the virus. Businesses and governments alike are hoping social distancing and other measures halt the surge and spare having to go into another lockdown. Throughout the global COVID-19 crisis, the need for goods such as personal protective equipment, food and other essentials has clearly shown why free and open trade and keeping supply chains functioning is vital.

However, our sector and other essential industries have not been spared from the difficulties that have affected the economy in terms of additional costs, workforce availability, logistics, and disturbances in market performance. Perhaps the biggest worry that remains is that governments around the world seize on the pandemic for political posturing or to push a nationalist and protectionist agenda forward.

According to the WTO, more than 93 governments around the world have introduced over 200 trade restrictions in recent months that have impacted global trade including agri-food. While notions of self-sufficiency are rooted in good intentions, the proliferation of protectionism may only exacerbate food insecurity, weaken the resilience of supply chains, lead to price spikes and other negative consequences.

As harvest is upon us, we are once again reminded just how critical global markets are for our sector. As the world's fifth largest agri-food exporter, over half of what is grown and produced in Canada is exported, making world markets absolutely critical for the success and prosperity of the wider agriculture and agri-food sector and the million people across Canada who rely on it for their livelihood. This is a message we will continue to advance with policy- and decision-makers.

Five Former Provincial Premiers send open letter on CETA to Trudeau

Former provincial premiers Jean Charest (Quebec), Brad Wall (Saskatchewan), Kathleen Wynne (Ontario), Gary Doer (Manitoba), Ed Stelmach (Alberta) recently sent an [open letter](#) to Prime Minister Trudeau to stress that the Comprehensive Economic and Trade Agreement (CETA) between Canada and the European Union has failed to deliver on its promises for Canada's agri-food exporters. As explained in a [Globe and Mail article](#), the letter echoes what CAFTA has been saying for some time about the EU and EU member states "continuing to impose a wide range of trade barriers for pork, beef, canola, sugar and grains, or failing to reduce those that were to be lowered or eliminated altogether." The letter cites Italy's country of origin labelling (COOL) regulation for pasta as an example noting it "discriminates against Canadian wheat exports, is unquestionably offside from both the EU's CETA commitments and EU law and present the danger of being replicated on other commodities and jurisdictions."



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Having played a leading role in kick starting the negotiations, [Jean Charest, former premier of Quebec, appeared on CBC's Power & Politics](#) and highlighted the role of non-tariff barriers in negatively impacting the full realization of CETA for Canadian agri-food exporters.

Later the same week, Minister of Agriculture and Agri-food Marie-Claude Bibeau agreed with the sentiment of the former premiers when she [stated that she would like to see Canada benefit from CETA, "which is not the case yet."](#) Her comments were also captured and reported by [Politico Europe](#). We will continue to press these issues with Canadian officials and political decision-makers.

Trade Updates

CUSMA

The successor pact to NAFTA entered into force on July 1, 2020 and in many areas, it is business as usual. Officials and customs agencies in all three countries remain in close contact on the implementation of the deal and are tasked with interpreting and applying the rules of origin procedures of the agreement. Implementation work remains in a few key areas including issues related to new market access for sugar and sugar containing products and processed foods. We will continue to track implementation closely.

United States Tariffs

Last month the Trump administration announced it would be placing a 10% tariff on certain types of Canadian aluminum. In response, [CAFTA released a statement](#) reaffirming the win-win outcomes created by duty-free, predictable rules-based trade. On September 15, the United States announced it would not implement the tariff after all saying they expected aluminum shipments from Canada to decline over the rest of the year. Deputy Prime Minister Chrystia Freeland called it a "day when common sense has prevailed."

Canada-European Union Comprehensive Economic and Trade Agreement (CETA) Three Years Later

To mark CETA's three years in force, CAFTA sent an open [letter](#) to Ministers Ng, Freeland, Bibeau and Champagne once again reminding them that "agri-food exporters remain gravely concerned that the EU is not respecting the spirit of the commitments it made when negotiations concluded" and that "the need to resolve these issues couldn't be more urgent, especially as the federal government remains focused on combating the spread of COVID-19 while protecting the economy." In the letter, CAFTA urges the federal government to immediately deploy the Team Canada approach, mobilizing concerted efforts to "finish the job with the EU" and resolve the lack of respect the EU is showing to abide by the spirit of the CETA.

In a joint event to mark the CETA anniversary, Canadian trade minister Mary Ng and EU official Rupert Schlegelmilch, sounded a cooperative tone. The EU official stated "economically, if you just look at the statistics it's a very good agreement. The work on CETA now is implementation, implementation, and implementation." Noting the various committees and mechanisms with the agreement to deal with these issues, Minister Ng stated "We will problem-solve together".

Coincidentally, the most recent [CETA Agriculture Committee](#) took place on Sept 21-22 and was set to address a number of trade irritants hindering Canadian exports. We will continue to work with officials at all levels to secure the market access agri-food exporters were promised in this trade agreement. CETA remains provisionally in force, as to date just 14 of the EU's 27 member states have ratified the pact.

New EU Trade Commissioner

European Commission Executive Vice President Valdis Dombrovskis is the EU's new trade commissioner. The selection of Dombrovskis, a former Latvian prime minister, is being applauded by trade watchers as he's experienced and well respected. Minister Ng will likely await his official appointment before formally meeting him ahead of the next CETA Commission Meeting between Ministers, which should take place early in 2021.



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US-EU Mini Trade Deal

Not without their own trade tensions in recent years, the US and the EU reached an agreement that would end EU tariffs on American frozen and live lobster in exchange for the US slashing duties on various EU goods.

Post-Brexit UK-EU talks continue to struggle

The long Brexit saga continues as Britain and the EU continue to argue over issues related to North Ireland and the wider withdrawal agreement. One recent issue of contention was the UK Parliament's recent passing of the controversial Internal Market Bill which creates a legal "safety net" that would allow Prime Minister Boris Johnson to override part of the EU-UK Withdrawal Agreement. European Commission President Ursula von der Leyen stated bluntly there will be no trade deal if the UK doesn't abide by the withdrawal agreement.

The Canada-UK trading future

The post-Brexit Canada-UK trading relationship remains a top priority for Canadian exporters as the UK is one of our largest trading partner in Europe. In August, Minister Ng and her UK counterpart agreed to strive toward a "transitional" agreement before the end of 2020 that would include rolling over CETA's market access commitment to the greatest extent possible while negotiating a more permanent, comprehensive FTA. The UK also expressed interest in joining the CPTPP. There isn't much time to negotiate, conclude and ratify an agreement by Jan 1, 2021 when CETA no longer applies to trade between the UK and Canada. We continue to engage with negotiators and monitor this file closely.

What's next for Canada-China Trade?

Canada's Foreign Affairs Minister recently reportedly said "a trade agreement with Beijing is no longer worth pursuing" (and) "I don't see the conditions being present now for these discussions to continue at this time". While issues remain to be resolved in the bilateral relationship, it is important to continue to foster positive long-term trade relationships with China, which remains an important market for Canadian agri-food.

WTO Updates

Trade watchers have noted nearly unanimously that these are unusual times in Geneva. The buzz word at the WTO these days is "transparency" and the need for a greater culture of transparency so the global trading system can get back on track and do its job of upholding trade rules. CAFTA remains a strong supporter of efforts to fix and modernize the WTO and we will continue to offer ideas and recommendations for how best to ensure this organization is helping to safeguard and advance global trade in these challenging times.

Ottawa Group update

The Ottawa Group continues to lead on many aspects of the WTO reform agenda and has also begun urging members to unwind pandemic related trade restrictions. A recent meeting of vice ministers of the Ottawa Group was focused on various issues related to the pandemic including ensuring no new non-tariff barriers are introduced, that any restrictions necessary provide adequate notice to members and that information sharing remains front and centre. CAFTA put forward the statement below to emphasize the importance of timeliness of notifications and transparency moving forward:

"In times of crisis, countries have demonstrated an ability to share and provide information and notifications of measures adopted in response to the pandemic in relatively timely, transparent manner. Such practices should remain in place and be made permanent to increase the transparency and timeliness of notifications for sanitary and phytosanitary as well as other technical measures that affect agricultural trade. This timeliness and cooperation should also be extended to sharing information on the justification for such measures as well as working together on other potential solutions to manage risks without blocking trade. Countries and businesses are adapting to digital working methods and the industry has shown its readiness to electronic certification and transmission of documents."



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Ahead of the meeting, CAFTA participated in a roundtable discussion with Canada's Ambassador to the WTO and other Canadian industry stakeholders. We applaud the work the Ottawa Group is undertaking to restore rules-based trade which will be critical for post-pandemic global recovery efforts.

Selection process for new Director General

The remaining candidates for a new head of the WTO are Ngozi Okonjo-Iweala (Nigeria) and Yoo Myung-hee (Republic of Korea). The new DG is expected to be in place in the next few weeks. Continuing WTO reform efforts and fixing the Appellate Body paralysis will be pressing issues for whoever is selected.

WTO Agriculture and SPS Updates

At the recent Agriculture Committee meeting, issues around transparency were discussed and Canada proactively shared lists of measures adopted during the pandemic in support of the agri-food sector. Many questions were asked about various support programs adopted in recent months, notably to the US. Many members supported a Canada-led statement about the importance of free and open trade and agreed that discussions and negotiations ahead of the 12th Ministerial Conference in 2021 must be focused on achieving ambitious outcomes.

Brazil has taken on a leadership role on agriculture discussions and has circulated a paper encouraging members to conduct a comprehensive review of the impact of the pandemic on agri-food trade, including market access, TBT, SPS, NTBs, transparency and other issues that continuously cause disputes in global trade. There are even discussions on ways to make some changes permanent including allowing for digital certifications and SPS documents and other long overdue modernization reforms.

SPS Committee

The SPS Committee met in September and members discussed a work program and an [SPS Declaration for the 12th Ministerial Conference](#), which is slowly gathering co-sponsors in addition to Brazil, Argentina, Canada and the US. The proposal emphasizes the science-based principals of the SPS Agreement, addresses the growing pressures on international agri-food production and trade and underlines the importance of coordinated responses to global crises and of leveraging available regulatory tools in a science-based manner. CAFTA was quoted in a [story](#) that related to Canada been elected chair of the important WTO SPS Committee.

On the Hill

Speech from the Throne

Governor-General Juliette Payette delivered the [Speech from the Throne](#) which officially opens the second session of the 43rd Parliament and outlines the government's agenda for this session. One bit of the speech underscored that the Government of Canada would "continue to fight for free trade, including by leading the Ottawa Group to reform the World Trade Organization."

Erin O'Toole elected new leader of the Conservative Party of Canada

In late August, Erin O'Toole became the third leader of the modern Conservative party succeeding Andrew Scheer. New shadow cabinet figures to engage from the Conservative caucus include Tracy Gray (critic for Export Promotion and International Trade); Lianne Rood (critic for Agriculture and Agri-food) and Michael Chong (critic for Foreign Affairs). Known for his "tough on China" approach, O'Toole is also reportedly a keen support of deeper trade ties with main allies around the world including the UK, Australia and New Zealand.



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In case you missed it

[A UK-Canada trade deal is now back on the table](#)

[Ag exporters call for Team Canada approach on CETA's failure to deliver on promised EU access](#)

[Canada's approach to China has hit a wall – which is the perfect time to take a new path](#)

[Canada not benefiting from CETA, Bibeau says](#)

[CETA three years on: what still remains to be done](#)

[DDG Wolff urges G20 trade ministers to step up engagement on WTO reform](#)

[DDG Wolff: Trade is the best option for ensuring supply of essential goods](#)

[DDG Wolff: The next step to reform the WTO must not be deferred](#)

[Erin O'Toole: As prime minister, I will stand up to China](#)

[Former premiers urge PM to press EU on trade barriers](#)

[Pushing Back on EU Food Policy](#)

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