



## CAFTA Trade Insights

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

### CAFTA joins Minister of International Trade Diversification on Trade Mission

CAFTA President Brian Innes joined Minister of International Trade Diversification Jim Carr on his trade diversification mission to Japan and South Korea. The mission promoted Canadian agri-food products, which also coincided with the G20 Ministerial Meeting in Tsukuba, Japan where WTO reform discussions also occurred.

In a statement on the conclusion of the trip, CAFTA President Brian Innes stated, "I've seen first-hand how our exporters are reaping the benefits of trade agreements in both Japan and South Korea."



(L to R) Brian Innes (CAFTA), Charlene Bradley (Canola Council of Canada), Andre Harpe (Alberta Canola Producers Commission), Cam Dahl (Cereals Canada), Minister Jim Carr, Barry Senft (Soy Canada), Rick White (Canadian Canola Growers Association), Allison Ammeter (Pulse Canada)

Since the implementation of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, agri-food exports to Japan are already up 12 per cent over the same period last year. Since 2015 when Canada's free trade agreement with South Korea entered into force, agri-food exports have increase by over 20 per cent. In speaking on WTO reform discussions, Brian Innes went on to say, "We are also pleased that Canada continue to play a leadership role in WTO reform discussions that continued this week on the margins of G20 meetings. We fully support efforts to keep the world's trading system fair, predictable and rules-based."

- Read CAFTA's statement on Minister Carr's trade diversification mission [here](#).

### Trade Updates

- **United States Lifts Steel and Aluminum Tariffs on Canada**

On May 17, 2019, the United States announced the removal of tariffs on imports of aluminum and steel products from Canada. Canada subsequently announced it would remove the retaliatory tariff it had imposed in response. Additionally, the U.S. and Canada agreed to terminate all pending litigation between them at the World Trade Organization (WTO) regarding the Section 232 action. In a [statement](#), CAFTA President Brian Innes congratulated both sides for the positive development calling it good news for free trade in North America. The removal of these tariffs – which were an obvious irritant in the bilateral relationship – paves the way for the ratification of CUSMA.



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- **Canada-United States-Mexico Agreement (CUSMA)**

On May 29, Prime Minister Justin Trudeau tabled [Bill C-100 “An Act to implement the Agreement between Canada, the United States of America, and the United Mexican States,”](#) which is the enabling legislation to implement CUSMA. In his speech introducing the bill, Prime Minister Trudeau stated that, [“With trade between NAFTA members valued at nearly \\$1.5 trillion in 2018, we cannot overstate how vital it is to maintain free and fair trade between our three countries.”](#) The new agreement will come into force on the 1<sup>st</sup> day of the third month once all three countries have notified each other that they have ratified the agreement. Until the new agreement officially becomes law, the current NAFTA will remain in force.

### **Road to Ratification**

In Canada, now that Bill C-100 has been tabled to implement CUSMA, the bill must now pass through various stages in both the House of Commons and Senate: first and second reading, consideration in committee, and third reading. Once the bill passes both chambers, it must receive Royal Assent to become law and then a few other small steps to officially ratify the treaty. With Parliament entering its final weeks, both the House and Senate may be recalled to pass the bill before the 43<sup>rd</sup> federal general election.

In the United States, what’s known as Trade Promotion Authority (TPA), governs the ratification process and establishes certain prerequisites for the approval of a trade agreement. At least 30 days prior to the introduction of implementing legislation, the U.S. Administration must provide Congress with the final legal text of the agreement. A vote is held in the House of Representatives following 45 days of hearings held by the House Ways and Means Committee. All votes are up-or-down (yea or nay) and if it passes by a simple majority, the bill moves on to the Senate Finance Committee for consideration. The Senate then has 15 days to vote on the bill, with a majority needed to pass. These days are the maximum allowed time under TPA but can be completed sooner. While each chamber can conduct similar hearings simultaneously, the bill must be officially referred to the Senate by the House before it can be voted on there.

In Mexico, only the Senate needs to vote on the agreement as international treaties are under its responsibility. If the Senate approves the agreement with a simple majority, it becomes once a decree by Mexico’s president is signed.

### **CUSMA is a good deal for Canadian agri-food exporters**

Following careful study, CAFTA supports the CUSMA and has publicly advocated for its swift ratification. Preserving duty-free access to the North American market is crucial for Canada’s export-based agri-food industry. We are pleased the agreement contains no new tariff or trade-restricting measures and that all agricultural products without tariffs under NAFTA will remain duty-free under the new CUSMA.

Another key benefit is the preservation of dispute settlement provisions that resolve issues fairly when disagreements arise. Preserving Chapter 19 in its entirety and much of Chapter 20 from the previous NAFTA are major wins for Canada. Furthermore, improved processes that help remove remaining technical barriers will be established.

- Read CAFTA statement on CUSMA [here](#).

On May 29, CAFTA also joined the Business Council of Canada, Canadian Chamber of Commerce, Canadian Federation of Independent Business, and Canadian Manufacturers & Exporters to support the ratification of CUSMA. A joint letter stated that when implemented, CUSMA will “generate significant new benefits for

the Canadian economy, spurring new investments while encouraging the creation of new high-value jobs.”

- Read the joint statement [here](#).

## WTO reform meetings

The WTO Reform Initiative, also known as the Ottawa Group, was started by former International Trade Minister Champagne. Along with the WTO secretariat, the Ottawa Group includes Australia, Brazil, Chile, the European Union, Japan, Kenya, Mexico, New Zealand, Norway, Singapore, South Korea, and Switzerland. The group was formed by like-minded countries that are concerned by the rise of protectionism and growing antagonism towards multilateralism and rules-based trade.

For example, the blocking of appointments to the Appellate body has severely hindered the WTO’s ability to resolve disputes and the group is working to find ways to improve the efficiency and effectiveness of the Organization over the short, medium and long term.

Minister Jim Carr hosted the third and most recent meeting of the Ottawa Group on WTO Reform on the margins of the Organization for Economic Co-operation and Development Ministerial Council meeting in Paris, France. Discussions focused on three pillars: the dispute settlement system, the negotiating functions, and transparency and notifications. The meeting also included a review of the group’s progress on advancing reforms to date.

In addition to looking at overall improvements in the functions and operations of the WTO, the Ottawa Group has identified four areas to improve and reform. Brazil is leading the review of the sanitary and phytosanitary committee; Singapore is leading the review of the technical barriers to trade committee; Switzerland is leading the review of the rules of origin committee; and Australia is leading the review of the trade in services committee.

## WTO Appellate Body

Currently, there are only three of seven members on the WTO Appellate Body as the United States has blocked vacant seats from being filled. Three is the minimum number of members required to review a case and with the terms of two additional judges set to end on December 10, 2019, they need to be replaced or reappointed to ensure the Appellate Body can function. The inability of the WTO to resolve trade conflicts between Member States has the potential to lead to more bilateral trade disputes as individual states may take it upon themselves to resolve conflicts through retaliation.

In a statement following the meeting of the Ottawa Group, CAFTA President Brian Innes stated, “On behalf of our members, we are pleased to see Minister Carr leading important discussions to maintain and modernize our multilateral trading system. It’s critical to Canada’s agri-food sector that we maintain rules-based trade.”

The WTO remains the best forum for creating a trading system that is fair to all. CAFTA supports reforming dispute resolution to ensure ongoing functionality; restructuring overall governance of the WTO; and revitalizing the multi-lateral negotiation process.

- Read CAFTA’s full statement in support of WTO Reforms and predictable trade [here](#).



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## CAFTA Outreach

CAFTA Directors met recently in Ottawa to review priorities and issues ahead of the 43<sup>rd</sup> federal general election scheduled to be held on or before October 21. During this time, Agriculture and Agri-food Minister Marie-Claude Bibeau met with the board to discuss Canada's trade diversification agenda, efforts to address non-tariff barriers in key markets where they persist despite FTA's being in place and other issues of common interest.

In early June, CAFTA president Brian Innes will join Trade Diversification Minister Jim Carr on a trade mission to Japan and South Korea to advance CAFTA priorities.

CAFTA Executive Director Claire Citeau was a recent panelist at the APEX Symposium to talk trade diversification and Asia with Johnathan Fried, G20 Sherpa for Canada, Don Stephenson, former Ambassador and Canada-India Chief Negotiator and Mark Agnew with the Canadian Chamber of Commerce. Key discuss topics included the need for prioritizing trade initiatives, continuing to deepen Canada's footprint in Asian markets, building on the CPTPP platform, addressing NTBs in FTAs and using our FTAs more effectively to generate economic benefits at home.

## In Other News

### Potential EU-New Zealand free trade agreement

Media reports indicate that free trade talks between the EU and New Zealand are making progress. Negotiations began last June and aim to conclude before the end of 2019. Despite the optimism, it is reported that agriculture remains a sensitive issue on both sides.

### Canada-Israel Free Trade Agreement

The modernized Canada-Israel Free Trade Agreement (CIFTA) received royal assent on May 27. CIFTA improves upon the previous agreement by reducing tariffs, easing border restrictions, and by adding new chapters to address non-tariff barriers, facilitating trade, sanitary and phytosanitary measures, and more. Since the introduction of CIFTA in 1997, bilateral trade between Canada and Israel has more than tripled and Canada's agri-food exports have also more than tripled over the same period. Read more about CIFTA [here](#).

## Further Reading

[CAFTA and other business groups urge passage of new NAFTA](#)

[Canada to align itself very much with Americans on ratifying USMCA](#)

[Canadian meat council receives more than \\$1 million to help with growing demand](#)

[Canadian pork exports to Japan catching up to the US under CPTPP](#)

[Countering new trade protectionism](#)

[Farmers may expect more help soon](#)

[Growing food exports a bright spot for Canada](#)

[How tariffs work and why they've always mattered to Canada: Don Pittis](#)

[New NAFTA will ratify when U.S. is ready](#)

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