



CAFTA Trade Insights

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

The bumpy road ahead for Canadian agri-food exporters

If last year was mixed for Canadian agri-food exporters, signs point to a bumpy road in 2020. While overall Canadian agri-food exports increased and reached over \$60 billion last year, our members remain negatively impacted by ongoing geopolitical issues, uncertainty and increased protectionism around the world. Words our members used to describe the year included: *volatile, unprecedented, uncertain (and) frustrated*. Followed by a less than ideal harvest, the year ended with the same uncertainty that characterized feelings throughout the year. Key challenges that are expected to continue into 2020 include:

An unstable global environment

OECD chief economist Laurence Boone summed up the global context best: "What looked like temporary trade tensions are turning into a long-lasting new state of trade relationships...The global order that regulated trade is gone and we are in a new era of less certain, more bilateral and sometimes assertive trade relations."

Trade wars and ongoing geopolitical tensions

Export Development Canada's released its biannual survey of Canadian exporters, which shows that trade confidence is down to 69.3%, the lowest it has been since 2012. Among the cited reasons for this decline includes "Trade barriers which are now the No. 1 challenge" as well as escalating trade tensions and the U.S. trade dispute with China. Protectionism and concern about the global economy are key issues weighing on the minds of Canadian exporters.

Non-tariff barriers

With over half of Canadian agri-food destined for export, trade barriers are particularly punishing for farmers, producers and the consequences are real. The list of agri-food products affected by trade barriers seems to grow every week as governments introduce non-tariff measures at an alarming rate. While many of these regulations are designed to address legitimate health and safety objectives, many are not and are disguised as legitimate. The worst is when they come up with no warning and no scientific rationale. It's affecting farmers and the value chains for canola, pulses, cereals, beef and pork, in addition to food manufacturers.

Loss of WTO Appellate Body

Perhaps the most devastating trade policy development in 2019 was the loss of functionality of the WTO's Appellate Body on December 11, 2019 – the day after the terms of two of its three remaining Members expired without replacement. Given the vital role the dispute settlement system plays in ensuring the rights of Canadian exporters are protected, this attack on the WTO is yet another blow to the rules-based global trading system.

In early December, [CAFTA joined like-minded business groups and urged the federal government](#) to intensify efforts to reform the WTO. Finding a way forward for this vital WTO function will be one of the main trade policy issues to watch in 2020.

CAFTA's 2020 Priorities



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Ahead of the 43rd Canadian general election, CAFTA released [Realizing Canada's Export Potential in an Unpredictable and Fiercely Competitive World: The Priorities of Canada's Agri-food Exporters](#). The document highlights priorities and issues of importance for Canada's agri-food exporters, demonstrates the important contribution that agri-food exports make to the economy and informs policy makers about the challenges agri-food exporters continue to face. These priorities will remain much of our focus throughout 2020 and are part of CAFTA's discussions with new and returning Parliamentarians in Ottawa. They are summarized below.

Ratifying and bringing CUSMA into force quickly

On Dec 10, Canada, the United States and Mexico agreed to final changes to the new NAFTA. Thankfully, agri-food market access and agriculture chapters remain unchanged. All CUSMA parties must now complete their respective ratification processes to implement both the CUSMA and the Amending Protocol.

In late January, following its passage in the House of Representatives and Senate, President Trump signed the USMCA (as it is called in the U.S.) into law calling it a "cutting edge state of the art agreement."

In early December here in Canada, Deputy PM Freeland tabled the treaty entitled "Protocol of Amendment to the Agreement between Canada, the United States of America and the United Mexican States", which is essentially an addendum to the treaty tabled last year. On January 29, Deputy PM Freeland introduced [Bill C-4 to implement CUSMA](#). The Bloc was the only party to vote against it. The bill passed second reading and was referred to committee to be studied. Once the committee has reviewed Bill C-4, it will be referred back to the House of Commons for a third reading before moving to the Senate to repeat the process. The Senate Trade committee tabled a motion asking for approval to do a pre-study on C-4 before it reaches the Senate.

On the day of its introduction, CAFTA joined other business groups to urge parliamentarians to support swift efforts to ratify and implement CUSMA. [In the statement](#), CAFTA and the other groups called on Members of Parliament and Senators alike to make ratification and implementation of CUSMA a top priority stating "after three years of uncertainty, it's time to restore long-term predictability and stability to highly integrated North American supply chains. Above all else, the agreement restores much needed certainty to our most important trade and investment relationship." If there are no significant delays during Canada's legislative process, CUSMA is expected to enter into force this spring.

Continued implementation and possible expansion of the CPTPP

Canada needs to take every opportunity to secure favourable terms of access to foreign markets that present meaningful opportunities including through new or expanding existing trade agreements. From the beginning, CAFTA was at the forefront of supporting the TPP, then the CPTPP negotiations which have given Canada its first major duty-free access to fast growing Asia-Pacific markets. Now that the pact has been in force for over a year, initial data on exports looks promising, apart from outstanding grains issues in Vietnam. It is encouraging to see that developing rules-based trade is a driving force behind continued CPTPP implementation and we will continue to monitor the CPTPP implementation closely in 2020.

Building on the CPTPP is an important opportunity to further diversify and broaden Canada's export markets, improve rules to enable the further development of supply chains throughout the region and enhance Canada's competitive position in the region and globally. We support bringing South Korea, Thailand and Indonesia joining the CPTPP, as well as ASEAN countries ready to abide by the CPTPP rules and standards.

Working to deliver CETA's promise

On the other side of the Atlantic ocean, the Canada-EU Comprehensive Economic and Trade Agreement (CETA) has been provisionally in force for over two years. However, significant barriers remain that are



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preventing Canadian agri-food exporters from taking advantage of opportunities in the EU market. We remain supportive of the overall promise of CETA, but we are disappointed with the lack of progress on removing technical constraints and other non-tariff barriers which are taking considerable time to be adequately resolved. Additionally, we are very concerned about the surprising lack of EU control over protectionist measures in Italy, where new non-tariff trade barriers have been implemented in the form of country-of-origin-labeling on durum wheat, which could continue to depress exports to Italy.

We have raised our concerns to the highest levels of the Canadian government, including directly to Prime Minister Trudeau, and to EU officials themselves. We remain in close contact with the office of Minister Ng, Minister of Small Business, Export Promotion and International Trade on CETA implementation issues. Working to secure the promise of CETA will remain one of our top priorities in 2020.

Improving the Canada-China bilateral relationship

Despite current tensions in bilateral relations between Canada and China, China is Canada's second largest trading partner and a vital market for agri-food exporters. China is projected to be the largest importer of food worldwide by 2025, which means the opportunities for Canada's agri-food exporters are enormous. That is why we must engage with China bilaterally as well as in multilateral fora to ensure we continue to deepen the Canada-China relationship through rules-based, mutually beneficial trade.

Prior to adjourning in 2019, the House of Commons adopted a motion to appoint a special Committee on Canada-China relations. CAFTA will be monitoring the committee closely this year. As the Special Committee on Canada-China Relations began to convene in January, the United States-China signed its trade agreement to ease trade tensions between the two countries. As part of the deal, China has agreed to purchase an additional \$200 billion in goods and services over the next two years, which includes \$32 billion in agriculture products. CAFTA will also be watching the implementation of this deal.

Supporting the World Trade Organization (WTO) Reform Initiative

The WTO's rules and agreements underpin the global trading system, which is why agri-food exporters have a major interest in the long-term health of the organization. CAFTA is pleased that Canada is leading discussions to modernize the WTO through the Ottawa Group of like-minded countries. CAFTA supports Canada's leadership in advancing specific reforms including reforming the dispute resolution processes; restructuring the overall governance of the WTO; and revitalizing the multi-lateral negotiation process.

In January, [CAFTA welcomed actions by Canada joining the EU and 15 other WTO members to develop a multi-party interim appeal arrangement as a means to preserve an appeal function](#). While this is good news, finding a permanent resolution to the current blockage of the appellate body should remain the priority.

Tackling trade distortions and intensifying WTO agriculture negotiations

The Cairns Group is a coalition of 19 agricultural exporting countries (members) which account for more than 25 per cent of the world's agricultural exports. Last month, CAFTA also joined its fellow Cairns Group Farm Leaders to voice concern for the current loss of functionality of the WTO's Appellate Body and call for countries to commit to intensifying efforts for modernizing rules-based trade in the lead up to the 12th WTO Ministerial Meeting in June. In addition, CAFTA and Cairns Group Farm Leaders stress the need to address disparities in domestic and export supports that distort global agri-food trade. Read the full by statement from the Cairns Group Farm Leaders [here](#). We will continue to offer input and track modernization efforts in 2020.

2020 Negotiations to Watch



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CAFTA remains engaged in ongoing FTA talks to seek improved and meaningful access to global markets and will monitor Canada's ongoing trade talks including agriculture negotiations ahead of the WTO's 12th Ministerial Conference, bilateral talks with the Pacific Alliance and Mercosur as well as potential talks with the Association of Southeast Asian Nations (ASEAN).

On January 31, the United Kingdom (UK) officially left the European Union. This means that the UK is now in a transition period until at least December 31, 2020, which may be extended. During this transition, [trade between the UK and Canada will still be governed by CETA](#). The UK may now enter into trade negotiations with other countries.

CAFTA On the lobby trail

CAFTA members were on the Hill to meet with new and returning Members of Parliament including the Leader of the House, Parliamentary Secretaries to the Trade and Agriculture Ministers, and critics of trade, agri-food of all parties to impress upon them the importance of ratifying the CUSMA quickly and encouraging the completion of the technical and political processes related to the CETA so that the stated benefits of the deal can be realized in the form of commercially viable access for all Canadian exporters.

On the Hill

- [Bill C-4, an Act to implement the Agreement between Canada, the United States of America and the United Mexican States](#): the House Standing Committee on International Trade (CIIT) has begun a pre-study of Bill C-4 and intends to hear witnesses Feb 18-20. The committee also welcomes written [briefs](#). The Senate Trade committee tabled a motion asking to do a pre-study on C-4.
- CAFTA issued a [statement](#) expressing its disappointment with of the mandate letters for cabinet ministers, which were [published](#) in mid-December
- Andrew Scheer has resigned as leader of the Conservative Party of Canada. He will remain leader until a successor is chosen on June 27, 2020.
- Minister Ng undertook her first trip abroad as Minister of Small Business, Export Promotion and International Trade to chair a meeting of the Ottawa Group, attend a meeting of the Cairns Group, and met with EU Trade Commissioner Phil Hogan. CAFTA President Dan Darling stated, "[We are pleased that Minister Ng is robustly defending the global trading system so early on in her mandate.](#)"

In case you missed it

[Brussels on edge : Canadians revolt against EU trade deal as businesses unearth true costs](#)

[Is Canada on losing end of CETA free trade agreement with EU?](#)

[Trade deals are not saving Canadian exporters from 'death by a thousand regulations'](#)

[Addressing food safety concerns through trade and cooperation](#)

[As U.S. disables one forum for trade fights under WTO, it strengthens another under USMCA](#)

[China, Japan and South Korea trade chiefs vow to accelerate FTA talks](#)

[Farmers know the value of free trade; unfortunately, most Canadians don't](#)

[EU Commission reinforces tools to ensure Europe's interests in international trade](#)

[WTO chief: Spirit of the Year of the Rat is what WTO needs](#)

[Canada wants more trade with ASEAN](#)

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