

CAFTA Trade Insights

February 2nd, 2021

The Trade Road Ahead in 2021

2020 was supposed to be a big year for trade. In an instant, distrust, brinkmanship and general confusion spread throughout the global trading system while COVID exacerbated trade tensions, protectionism and disrespect of trade rules around the world. One thing is for sure: keeping borders open to trade in agri-food has proven to be foundational for modern living in every corner of the globe. To better recap the year that was, below is a snapshot of some of the key issues CAFTA advanced to support agri-food exporters.

Year in Review

Last **January** as Minister Ng undertook her first foreign visit as International Trade Minister, **CAFTA was actively engaged in working with her** office to advance core priorities including WTO reform, the persistence of barriers preventing agri-food exporters from taking full advantage of CETA and ensuring trade rules were followed. In **February**, CAFTA was on Parliament Hill beating the drum on the new NAFTA and joined like-minded business groups calling on **parliamentarians to pass CUSMA without delay**.

In **March**, CAFTA spoke at the **State of Trade conference** held by the Canadian Global Affairs Institute and joined Minister Ng later that day in a roundtable on WTO reforms with the same message: “we should not take trade for granted”. 48 hours later, borders were closed, and a number of trade files moved at warp speed: CUSMA was ratified in a matter of hours; a contingency appeal arrangement for trade disputes was established by a dozen WTO members; world leaders and global institutions (often led by Canada) vowed repeatedly to keep trade open to essential sectors including health and agri-food. Many described these efforts to keep trade flowing and protect the rules of trade as working to literally hold the global trading system together.

In **April**, CAFTA explained in a widely read Globe and Mail **op-ed** why and how free trade lets us feed ourselves and the world and that without trade, the crisis would have been very different. In the same month, CAFTA **supported** commitments by Canada and 23 WTO members to keep borders open to agri-food. In **May**, the message of resisting protectionism was specifically directed to the EU as **CAFTA worked closely with Minister Ng and her office** on issues blocking access to the EU. In the **readout** issued by the Minister’s office, the recognition of issues for the first time directly acknowledged the problem.

A key downside of the crisis to global trade became clear in **June** as the WTO released information that showed how nearly 100 countries rushed to introduce more than 200 trade-restrictive measures that affected various goods including agri-food. **CAFTA and like-minded groups urged swift action on WTO reform.** The Ottawa group was quick to call on WTO members to withdraw unnecessary trade restrictions and to ensure that measures introduced are proportionate, transparent, temporary and consistent with WTO rules. Some much needed stabilization of integrated North American supply chains came in **July** with the **implementation of CUSMA.** In **August**, in response to the U.S. re-imposition of tariffs on aluminum, CAFTA **reaffirmed** the importance of predictable trade based on rules and how trade is a win-win when it is respected. In **September**, all eyes were back on the EU, as CAFTA asked four Canadian Ministers to **finish the job with the EU and finally secure the promise of CETA** on the occasion of the 3 year anniversary of the deal – a call echoed by 5 **former premiers**

In **October**, CAFTA requested **Parliament conduct a review of recent trade agreements** with a view to working to maximize expected benefits of trade deals. In **November**, as Brexit approached, an interim trade deal between Canada and the UK was announced. While CAFTA agreed that a stop-gap measure was needed, it called for a **permanent, ambitious free trade agreement** and return to the negotiating table in 2021. CAFTA also shared **concerns with Party Leaders about Bill C-216** and the dangerous precedent of excluding any sector in trade negotiations. Safeguarding the rules-based trading system also remained at top of mind in an **op-ed on WTO reform** penned by CAFTA's executive director.

In **December**, to round out the year, **CAFTA spoke at the WTO Agriculture Symposium** amongst world trade experts and distinguished panellists. And ahead of the January 1 deadline for the UK's final departure from the EU, CAFTA **rallied Canadian business groups to call for swift action** to avoid disruptions and provide confidence in the future of the Canada-UK trading relationship.

What to expect in 2021

On one hand, a relative sense of cautious optimism is afoot as trade growth is expected to rebound with the **WTO forecasting a 7.2% increase** of trade volumes in 2021 driven by demand in the West as well as Asia. Many hope that the new U.S. administration will engage in multilateralism at the WTO, notably to re-establish the Appellate Body. In Asia, 15 countries signed the RCEP, a free trade arrangement involving one-third of the world's

population. Although not as comprehensive as the CPTPP, it signals an appetite for greater trade liberalization in a fast-growing part of the world. In Canada, CUSMA is in force, the CPTPP is generating interest from possible new entrants such as the UK and the government is looking into a possible FTA with Indonesia.

On the other hand, exporters continue to walk somewhat of a tightrope in an attempt to navigate multiple trade disruptors and the continuing rise of non-tariff barriers. Policy experts predict the status quo will prevail for the foreseeable future with respect to U.S. trade policy. At the same time, “Buy American” policies raise questions. The WTO is still rudderless at a particularly inopportune time. The global context remains volatile with a trade war between the U.S. and China, another between the U.S. and Europe and disruptions in the wake of Brexit etc. A stop-gap measure is in place between Canada and the UK, while the debate on the interim Trade Continuity Agreement legislation continues in the House. Everywhere, trade relationships have been tested and work continues to reaffirm commitments to trade based on rules agreed upon. In the current environment we must work twice as hard to address trade barriers and fight back a tide of protectionism. So, there are even more reasons to be wary now than this time last year.

Yet, in all the turmoil, there are opportunities for policymakers to put exporters’ minds at ease. One critical issue will be the restoration of the role played by the WTO when trade rules are not respected. Still in Geneva, much is needed to ensure that the global trading system is efficient, able to finally move forward on multilateral trade liberalization and equipped to address the rampant use of non-tariffs barriers. In Canada, there is an opportunity to reorient focus on getting more out of the large FTAs implemented in recent years. This will also help identify areas where implementation work remains as is the case with the CPTPP, CUSMA and CKFTA and where trading partners do not respect the rules – as is the case with the CETA and Europe. Canada should also accelerate trade diversification efforts in Asia and provide confidence in the future of the Canada-UK trading relationship.

As recovery becomes the predominant post-pandemic focus of governments worldwide, many points to global trade to help economies return to full speed and to trade agreements to empower companies to compete and generate growth. Canada’s agri-food exporters can play a huge role should policy- and decision-makers work more effectively with industry to implement policies that demonstrate a clear commitment to free and rules- based trade, more effectively reduce tariffs and non-tariff barriers, and enforce trade rules in our

existing free trade agreements. In all this, the duality of trade policy will remain: trade is about technical and political processes, which are separate but ultimately feed into each other. Genuine progress will require new habits and industry and officials at all levels committing to working closely together.

Trade Updates

Ottawa group's leadership continues

The Ottawa group met in December and **announced** a set of measures that call on WTO members to strengthen global supply chains and facilitate the flow of essential medicines and medical supplies, including vaccines. While focused on health, the same principles could apply to agri-food. Over the past several months, the pace of meetings of the Ottawa group demonstrates the critical role that politics play in trade matters and signals the intensity of work required to keeping borders open to essential and foundational sectors including agriculture and agri-food. CAFTA has supported and applauded the leadership role Canada has taken in the Ottawa group and in wider efforts to promote rules-based trade and open supply chains.

The Canada-UK interim trade agreement

A temporary stop gap measure was struck late December to ensure no new tariffs come online while the **Canada-UK TCA** makes its way through Parliament. **CAFTA joined like-minded business associations** to call for the swift ratification of Bill C-18, implementing the interim Canada-UK deal and the launch of negotiations for a permanent, ambitious FTA to provide confidence in the future of the Canada-UK trade relationship

Consultations regarding a Canada-Indonesia trade agreement

The federal government has launched consultations on a potential bilateral trade pact with **Indonesia**. CAFTA will participate in the consultation process and welcomes the potential talks as a step in the right direction toward an FTA with the wider ASEAN group of countries which would represent a significant step forward for trade diversification efforts.

EU-UK post-Brexit pact finalized

The EU-UK Brexit deal has also been finalized and more details can be found **here**. From fisheries to justice and home affairs, the agreement covers a wide range of areas that go far beyond usual free trade agreements.

On Parliament Hill

CAFTA Board discussed trade issues with Leader of the Official Opposition, Erin O'Toole.

The CAFTA board of directors virtually met on January 7 with the honorable Erin O'Toole as well as MPs Tracey Gray, Lianne Rood, and Warren Steinley, respectively critics for Trade, Agriculture and Economic Development. The meeting provided an opportunity to explain how trade drives growth for agri-food and the need for more and better trade to empower companies to compete and fuel economic recovery.

Parliament resumed on January 25. The House of Commons Trade Committee (CITT) is expected to resume discussions on the UK interim deal, continue to look at the impact the pandemic crisis has had on global trade as well as the need for WTO modernization. CAFTA will continue to urge committee members to review these and other issues of importance including WTO Reforms, the launch of FTA talks with the U.K., possible exploratory talks with Indonesia and the need to fix CETA among others.

In the early New Year, there was a mini-cabinet shuffle. Marc Garneau moves from Transport to Foreign Affairs; Jim Carr joins as special representative for the Prairies; Francois-Philippe Champagne moves from Foreign Affairs to Innovation; Omar Alghabra becomes Minister of Transport. There continues to be speculation about a spring election. We will continue to watch events closely.

In case you missed it

[Canadian agriculture industry looks to add muscle in Canada-U.K. trade talks \(CAFTA quoted\)](#)

[UK Joins ASEAN as Dialogue Partner, Looking at Joining CPTPP Asia-Pacific Free Trade Agreement](#)

[S. Korea to 'actively' consider joining CPTPP this year](#)

[USDA Analysis of EU-MERCOSUR trade deal](#)

[EU leaders have emphasized "the need to improve market access for EU traders" in sectors such as agri-food, during investment talks with China](#)

[Biden Trade Policy to Center on Workers, USTR Nominee Says WTO farm talks: from COVID-19 into 2021.](#)

[Economic study on the cumulative effects of trade agreements on the EU agricultural sector WTO in crisis mode as free trade regime unravels\(CAFTA quoted\)](#)

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