



Welcome to the Spring 2024 edition of CAFTA’s Trade Matters newsletter. This edition covers some of the key international trade topics so far this year, highlighting the WTO’s Ministerial Conference in Abu Dhabi, and the opening of Canada’s Indo-Pacific Agriculture and Agri-food Office.

**World Trade Organization 13<sup>th</sup> Ministerial Conference (MC13)**



The WTO's 13<sup>th</sup> Ministerial Conference (MC13) took place in Abu Dhabi from February 26 to March 2. Ministers from across the world attended to review the functioning of the multilateral trading system and to take action on the future work of the WTO.

CAFTA attended with a delegation of members (Canola Council of Canada, Canadian Canola Growers Association, Cereals Canada, Canadian Cattle Association, Grain Growers of Canada) to show our support for the global rules-based trading system and to support Canada's negotiators in their efforts to protect that system.

For organizations like CAFTA which support increased trade liberalization, the expectations heading into MC13 were quite low. A US and Indian election year, and rising geopolitical tensions, made agreements unlikely. Events of recent years have led to doubts about the WTO's capacity to lead. Senior officials, including in Canada, were not expecting liberalizing progress, setting a lower bar of "avoiding backsliding" or "holding the line" against increased protectionism. By this limited measure, MC 13 can be considered a success.

## **Agriculture**

Agriculture negotiations have been ongoing for years at the WTO without progress. As in general, expectations going into MC13 were low, and that is how the negotiations played out. Ministers were unable to reach agreement on how to proceed with negotiations on agriculture. Not only were they unable to agree on issues of substance, but they were also unable to agree on an agenda or work plan on how to advance towards MC14.

Essentially, India's insistence on a permanent solution to the public stockholding issue, which many countries oppose, made agreement impossible. The current "peace clause" agreed in 2013 shields India from any legal ramifications for breaching its limits on allowable farm subsidies used in its public stockholding program. The building of food stocks is permissible under WTO rules, but India is accused of purchasing rice from farmers at inflated levels through its Market Price Support system which leads to greater production. The rice reserves are later exported, distorting markets.

Members could not agree on whether to resolve questions about public stockholding as a standalone outcome at MC13, or instead negotiate them as part of a comprehensive package in the run-up to MC14. There was therefore no consensus before the end of the conference. Essentially, most decisions were postponed until the next Ministerial Conference.

The Cairns Group of agricultural exporting countries (including Canada) expressed its disappointment in the result, saying "this has come at a time of critical challenges to the global trading system, including in relation to food security, development and the environment." In remarks at the closing session, WTO Director-General Ngozi Okonjo-Iweala was more upbeat, urging WTO members to build on the work done so far, which she said they should now finish in Geneva.

## **Non-Agriculture Issues**

Probably the biggest "trade win" (at least in the sense of "no backsliding" and being a commercially relevant outcome) was another two-year extension of the moratorium on e-commerce taxation. Some 140 countries out of the 166 members supported the extension, but India, Indonesia and South Africa had led those opposed, maintaining that the application of such duties would boost their revenues. The pledge to keep

digital trade duty-free will come to an end at the next ministerial meeting or 31 March 2026, whichever comes first.

Disappointingly, members were unable to agree on Phase Two of the Fisheries Agreement, aimed at banning subsidies for fishery-related shipbuilding, labour, and fuel. The issues of special and differential treatment (S&DT) for developing countries and phase-in periods for the obligations remained contentious.

The dispute settlement negotiation ended with only an agreement to "conduct discussions" to produce a full dispute settlement system by the end of 2024. Proposals focussed on increased emphasis on arbitration and mediation (i.e., non-binding measures), rather than referring to the WTO's Appellate Body, which is not functional due to a US refusal to appoint judges.

123 members finalized the Investment Facilitation for Development Agreement, but efforts to incorporate it formally into the WTO rules were blocked by India and South Africa, which have regularly objected to any agreements that include less than all the WTO members. These "joint statement initiatives" (JSIs) have become more popular as consensus among all members has been elusive, and many observers think they are a way to achieve progress in trade liberalization in the absence of global consensus. India did not block another JSI on domestic regulation of services, which involved 70 members, on the condition it is not considered a precedent. This could be considered a win as it shows India slightly backing away from its strong opposition to plurilateral agreements.

### **CAFTA's VIEW**

It is a great exaggeration to talk along the lines of the "death of the WTO" as some observers are doing. The WTO system and rules are an integral part of the international trading system. 75% of world trade in goods takes place under WTO rules. Two new members joined the WTO at this MC, some 30 are in the queue, and no country has ever left. The real question is whether or not the WTO can play an important role in changes to the system. If plurilateral agreements are not negotiated inside the WTO, the real action will take place elsewhere, in regional and bilateral agreements.

### **CAFTA's Statement**

<https://cafta.org/front-page-news/canadas-agri-food-exporters-support-rules-based-trade-at-wto-ministerial-conference/>

### **WTO Closing News Release**

[https://www.wto.org/english/news\\_e/news24\\_e/mc13\\_01mar24\\_e.htm](https://www.wto.org/english/news_e/news24_e/mc13_01mar24_e.htm)

### **Media and Analysis**

<https://www.realagriculture.com/2024/03/trade-ministers-renew-commitment-to-fixing-wto-dispute-settlement-in-2024-but-few-signs-of-progress/>

<https://www.piie.com/blogs/realtime-economics/2024/wto-ministerial-conferences-qualified-success-abu-dhabi>

## Opening of Indo-Pacific Agriculture and Agri-Food Office



On February 21<sup>st</sup> in Manila, Minister Lawrence MacAulay inaugurated Canada’s Indo-Pacific Agriculture and Agri-Food Office. CAFTA’s Executive Director travelled to the Philippines along with members Pulse Canada and the Canadian Pork Council to show our support for this decision, which CAFTA had strongly promoted.

CAFTA has co-chaired with Agriculture and Agri-Food Canada (AAFC) the Industry Working Group that ensures alignment between government and stakeholders as plans for the office has progressed. The Indo-Pacific is home to some of the world’s largest and fastest growing markets and represents a significant opportunity for Canada to diversify its agri-food exports and strengthen our economic activities. The Office will help address the rise of non-tariff barriers, which have prevented Canada from achieving its full potential in the region. Priority trade negotiations in the Indo-Pacific include bilateral talks with India, Indonesia, the Association of Southeast Asian Nations (ASEAN) and the continued expansion of the Comprehensive Progressive Trans-Pacific Partnership (CPTPP).

### CAFTA Statement

<https://cafta.org/front-page-news/cafta-welcomes-opening-of-indo-pacific-agriculture-and-agri-food-office/>

### Media

<https://www.realagriculture.com/2024/02/agriculture-and-agri-food-officially-opens-indo-pacific-office-in-manila/>

## **Bill C-282**

As of late March, Bill C-282 had yet to pass Second Reading in the Senate. CAFTA has repeatedly pointed out the dangers of C-282, and we have not been alone. CAFTA has met with a large number of Senators, including almost all of the members of the Foreign Affairs and International Trade Committee. Senator Peter Harder has been named critic for C-282 and attended CAFTA's Board of Directors meeting to discuss the Bill on February 14. Though Parliamentary procedure can be unpredictable, the majority view of Senate insiders is that the Bill is unlikely to be studied in Committee before the autumn.

USTR Katherine Tai made comments March 6 at the Brookings Institute that showed some of the dangers of Bill C-282. Referring to the 2026 CUSMA Review Clause, she noted "you do not want that review to happen in a way that all three parties come to the conversation too comfortable." Tai referred specifically to dairy as an area of dispute.

[Tai Brookings March 6](#)

CAFTA is encouraging Senators to exercise their sober second thought and reject a bill that puts Canada's international trade policy at risk. Should you wish to discuss, please do not hesitate to contact us at [info@cafta.org](mailto:info@cafta.org)

<https://cafta.org/front-page-news/cafta-key-messages-on-c-282/>

### **C-282 Media**

CAFTA

<https://thefutureeconomy.ca/op-eds/agri-food-industry-michael-harvey-cafta/>

Sylvain Charlebois, senior director of the agri-food analytics lab and a professor in food distribution and policy at Dalhousie University

<https://torontosun.com/opinion/columnists/charlebois-bill-c-282-is-an-awful-idea-heres-why>

Lawrence Herman, international lawyer with Herman & Associates and a senior fellow at the C.D. Howe Institute in Toronto.

<https://www.theglobeandmail.com/business/commentary/article-supply-management-is-a-disaster-and-the-terrible-bill-c-282-will-make/>

John Weeks, Ambassador to GATT during the Uruguay Round of trade negotiations that led to the creation of the WTO and was Canada's chief negotiator for NAFTA, the original North American Free Trade Agreement.

[John Weekes CD Howe.](#)

## **United Kingdom – Canada FTA Negotiations**

On January 25, the UK surprised many observers by suspending FTA negotiations for the free trade agreement due to a standoff between the two sides on the UK maintaining market access barriers for Canada's beef industry, Canada's unwillingness to renew an interim agreement that, following Brexit, had kept tariff-free British cheese on Canadian shelves for three years.

The Canadian Cattle Association said it was "disappointed but not surprised" by the U.K.'s decision. "The Canadian beef industry is a strong advocate of free and open trade. To avoid getting a bad trade deal for Canadians, we need trade partners that want to trade fairly and not use rules and regulations to their own advantage," President Nathan Phinney said in a statement.

## **CAFTA ANALYSIS**

It is highly unlikely that negotiations will resume before one or both countries have federal elections.

## **Indonesia – Canada Trade Discussions**

On June 20, 2021, Canada and Indonesia launched negotiations towards a Comprehensive Economic Partnership Agreement (CEPA). Seven rounds of negotiations have taken place, the last one being in early March. The parties have said they intend to conclude discussions by the end of 2024, but that is looking unlikely. More positively, we are informed that Indonesia has been making the effort to send the essential human resources needed for productive meetings. Indonesia is interested in SPS capacity-building assistance and is interested in cooperation on SPS issues.

Discussions with Indonesia have been affected by the February elections in that country, which were preventing Indonesian negotiators from developing negotiating positions. Indonesia is also working to make the bilateral discussion fit into the IPEF framework being negotiated with the United States. From the Canadian perspective, a delay for an improved Indonesian offer on market access for goods, and an unwillingness from Jakarta to attach enforceability to labour and environmental provisions, as well as slow progress negotiating investment protections, are complicating negotiations.

Nonetheless, we are informed that Indonesia has been well-represented by regulatory officials, and that they are quite open to taking on obligations similar to CPTPP.

## **ASEAN - Canada FTA Discussions**

Negotiations for an ASEAN-Canada Free Trade Agreement (ACAFTA) agreement began in 2021 and is expected to be concluded by 2025. For Canada, ACAFTA presents an opportunity to access the huge Southeast Asia market of over 600 million consumers in addition to a region that is predicted to have the fourth-largest economy in the world by 2030. A growing population and ongoing urbanization in the ASEAN region are increasing regional demand for food and energy. A robust free trade agreement could prove particularly important to Canadian producers of staple goods, including food, fuel and fertilizer.

ASEAN's role as a strategic and trading partner is at the core of the Indo-Pacific Strategy, and agriculture and agri-food businesses are identified as priority sectors for development. For more than a decade, Canada's trade with ASEAN members in agriculture and agri-food has grown at an annual rate above 7%. Canada already has a free trade arrangement with several ASEAN states (Malaysia, Singapore, Vietnam, and Brunei) through their membership of the CPTPP, which was formally signed in 2018.

Canada hosted the 7th round of Canada-ASEAN FTA negotiations the first week of March in Kuala Lumpur. Discussions advanced to the point where they will soon move to detailed tariff negotiations. The first in-person meeting on SPS took place in Kuala Lumpur, where the ASEAN delegation noted that capacity building

on SPS is an important request from their side. There is agreement on the creation of an SPS Committee, but dispute settlement on SPS issues is not the preference for ASEAN, though it is important for Canada.

The mechanics of consensus-building among ASEAN members take time. Canada’s intent to include provisions on labour rights, environmental protection, and gender equality may be more difficult to find support for with some ASEAN members.

## **CAFTA ANALYSIS**

The potential Indonesia and ASEAN deals are important components of Canada’s Indo-Pacific Strategy.

## **Ecuador**

In November 2022, Canada and Ecuador announced the launch of exploratory discussions toward a potential Canada-Ecuador Free Trade Agreement. The Government of Canada also held public consultations from January 6 to February 21, 2023, where Canadians were invited to submit their views on a potential Canada-Ecuador FTA.

On December 13, 2023, the Hon. Mary Ng, Minister of Export Promotion, International Trade and Economic Development tabled in the House of Commons the Government’s Notice of Intent to initiate negotiations for a Canada-Ecuador Free Trade Agreement.

### **CAFTA’s Brief to the House Standing Committee on International Trade**

<https://cafta.org/appearances/house-of-commons-standing-committee-on-international-trade/>

## **US Country of Origin Labelling (COOL)**

USDA announced on March 11 that starting in 2026 animal products will need to be born, raised, slaughtered and processed in the U.S. to use "Product of the USA" or "Made in the USA" labeling.

Canadian Minister of Agriculture Lawrence MacAulay and International Trade Minister Mary Ng expressed concern about potential supply chain disruptions to North America’s meat and livestock industries. They said Canada intends to press Agriculture Secretary Tom Vilsack to discuss the issue in a meeting of CUSMA agriculture ministers in Colorado this month.

Mexico is threatening to challenge the USDA’s new labeling regulations, citing U.S. commitments to its North American trading partners under the CUSMA and the WTO. The Mexican Ministry of Economy blasted the rule as “discriminatory to Mexican producers” and said the measure could create barriers to their exports of cattle and beef. The statement warned the measure “contravenes” on economic integration principles central to the CUSMA. Mexico said it would prefer resolving disputes with the United States through “constructive dialogue” but said the government would consider “using the mechanisms available in both CUSMA and the WTO with the objective of guaranteeing that the United States comply with its commitments regarding Technical Barriers to Trade,” according to the statement.

## US Trade Policy

On March 1, USTR released President Biden's 2024 Trade Policy Agenda. The Agenda emphasized the following key overarching goals:

- Ensure that 'workers and their rights are at the center of trade policies.
- Accelerate decarbonization and promote environmentally sustainable practices
- Improving economic opportunities for US agriculture exports
- Strengthening supply chains resilience
- Realigning trade relations with China

### CAFTA Analysis

The Agenda underlines that US trade policy has abandoned the traditional strategy of seeking comprehensive agreements that include market access provisions. The Biden Administration has shown no interest in seeking such ambitious outcomes.

<https://bit.ly/43jdso9>

## DHL Global Connectedness Report

The DHL Global Connectedness Report was released on March 13, based on research from NYU's Stern School of Business. It concluded that while commerce between the US and China -- the world's two largest economies -- is diminishing, "there are no dramatic recent shifts by close allies of either the U.S. or China away from flows with the rival superpower and its allies."

<https://group.dhl.com/content/dam/deutschepostdhl/en/media-center/media-relations/documents/2024/dhl-global-connectedness-report-2024.pdf>

### CAFTA ANALYSIS

Though there is a great deal of nervousness in the international system, and threats to the rules-based order, globalization continues apace. Technological advances have led to advances in global supply chains that will not easily be abandoned due to political risk.

The next Trade Matters Newsletter will come out this summer. Should you wish to reach out on any topic, please write to Michael Harvey, Executive Director, at [info@cafta.org](mailto:info@cafta.org)

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