



CAFTA Trade Insights

CAFTA is the voice of Canada's agri-food exporters

G7 to champion global trade and needs to walk the talk

Last month the G7 vowed to “cooperate on a modernised, freer and fairer rules-based multilateral trading system that reflects our values and delivers balanced growth with a reformed World Trade Organisation at its centre.” The full statement can be read [here](#). It is positive and important to see the G7 place emphasis on trade and show its support through a communiqué. Actions that follow now will need to be watched closely. The G7 consists of Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States. The European Union was first invited to attend the G7 in 1977.

The reality is that much work remains to be done for many countries in the G7 to live up to their own words. Canada and the EU remain at loggerheads over the persistence of trade-restricting barriers; many EU countries still haven't ratified the CETA and the WTO Appellate Body remains paralyzed.

Simply put, the post-pandemic global recovery is going to require more, not less, trade cooperation. Reforming the WTO has become more pressing than ever to help update rules in line with the dramatic changes brought about by COVID-19, but also by the technological innovations, economic disruptions and geopolitical confrontations at play before the pandemic. G7 countries now have a chance to lead the world in showing how reinvigorated global trade can be a powerful force in economic recovery.

Trade Updates

New DG at WTO

Dr. Ngozi Okonjo-Iweala recently made history as the first woman and the first African to be chosen as Director-General in the 25-year history of the WTO. The designation of Dr. Ngozi Okonjo-Iweala brings renewed momentum to the WTO.

In [media comments](#) following the appointment, CAFTA called the appointment “good news” while also pointing out that many issues still need to be resolved. These include ongoing efforts to modernize various aspects of the WTO, the need for meaningful outcomes from the next ministerial conference, MC12, set for next December in Geneva and true movement on advancing further trade liberalization within the WTO structure.

Indonesia exploratory consultations

Last month, CAFTA expressed [support](#) for the potential launch of exploratory trade talks between Canada and Indonesia stating the hope that the talks could serve as a building block toward a Canada-ASEAN agreement. In an [official Gazette submission](#), CAFTA outlined the many agri-food benefits that could be generated through a Canada-Indonesia pact while also making clear a Canada-ASEAN agreement should be Canada's top priority in Southeast Asia. We will continue to track these developments closely.

The Canada-UK interim trade agreement (TCA)

The ratification process for the Canada-UK Trade Continuity Agreement continues with Bill C-18 which passed third reading in the House and is moving on to the Senate. As a reminder, pending the entry into force of the



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TCA, Canada signed a memorandum of understanding with the United Kingdom on December 22 to provide reciprocal tariff preferences on a temporary basis. While the mitigation measures, by way of duty remission orders by Canada and the U.K., are in place until the end of March and can be extended, the reality is that there is no better measure than the ratification and implementation of the TCA to provide the certainty that stakeholders are currently seeking from the interim TCA deal. We are monitoring the legislation's progress through Parliament closely.

There appears to be no substantive changes to the CETA goods market access chapter text in the TCA, and the CETA tariff elimination commitments are carried forward. The TCA also builds upon the WTO TBT and SPS agreements. A handful of goods subject to tariff rate quotas under CETA were also carried over with new volumes, some to be administered on a first-come, first-served basis under the TCA. Provisions on accumulation with the EU and the origin quotas are set to expire in three years unless extended. Importantly, the TCA contains a clause that commits Canada and the U.K. to enter into new trade negotiations within one year of entering into force, and to strive to conclude a new agreement within three years. Last week, the federal government launched [public consultations](#) toward this end. The submission period for the Canada Gazette notice will last 45 days, and end on April 27, 2021.

CAFTA spoke before the committee and shared benefits for some members and concerns for others about rolling over CETA issues, and stressed that the priority should be to return to the negotiating table almost immediately to launch permanent talks with the UK. The study by the House Standing Committee on Trade and discussions in the House continue to generate discussion about CETA and issues raised by CAFTA. For example, at the [Feb 22 meeting](#), prompted by CPC MP Randy Hoback, Minister Ng stated *"We will work with CAFTA—we have been—and we worked with our agriculture producers and stakeholders, who are continuing to pursue market access into CETA. Our trade commissioner team and our missions team, as well as my officials and I, are working very hard with CAFTA and our stakeholders and producers to make sure that this agreement and the market access and the opportunities for growth are there. We're going to continue to do that. That work doesn't stop...There's no question that what we need to do is to keep pursuing the work that we are doing to help our exporters getting into those markets that are provided for, the opportunities that are provided for, utilizing the structure that exists in CETA, now bilaterally replicated with Canada-U.K. We are very committed to helping our businesses pursue those areas."*

UK officially requests to join CPTPP

Long rumoured to be interested, the UK government has [officially requested](#) to join the CPTPP. With the 11-member pact now potentially growing, other countries may also seek to join including South Korea, Taiwan, Thailand and even China. The UK will need to show that it can comply with CPTPP rules, while entering tariff negotiations on a bilateral basis with the 11 members. Once the decision-making body approves the start of the process for the UK's entry, a working-level group will be set up to proceed with accession talks. The procedure for admission is [here](#).

EU Trade Policy 2021: updated strategy for an 'Open, Sustainable and Assertive Trade Policy'

In January, the European Commission's trade directorate released its [2020-2024 'Strategic Plan'](#). The document spells out how the body will approach EU trade policy and sets out its priorities for the foreseeable future. There is a call for greater retaliation powers and an attempt to eliminate trade and investment rules that conflict with climate protection. It also seeks to make the European Green Deal the reference point of EU trade policy, with enforceable sustainable development chapters. The institution wants to achieve five key objectives:

- 1: "Lead the reform of the World Trade Organization to preserve rules-based trade;"



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- 2: “Create opportunities for European business through new trade and investment agreements and an additional effort to monitor and improve the implementation and compliance of existing trade and investment agreements;”
- 3: “Protect (...) EU companies and citizens from unfair trade and investment...;”
- 4: “Ensure trade policy is sustainable by effectively contributing to a wider set of EU policy goals, such as the Green Deal, adherence to international commitments on labour and the environment, gender and sustainable supply chains;”
- 5: “Improve the acceptance and understanding of EU trade policy, in particular, by ensuring that it is pursued in an open, inclusive and transparent manner.”

It also provides concrete numerical targets the Commission wants to achieve in the coming five years. One of them is that by 2024, 32% of EU imports and 35% of EU exports be covered by preferential bilateral or regional trade agreements. This would be an increase from 29% and 31% respectively from 2019.

In February, the European Commission also published its updated [‘Trade Policy Review - An Open, Sustainable and Assertive Trade Policy’](#), which sets out the Commission’s agenda on trade for the coming years. The document is complemented by an Annex on ‘Reforming the WTO: Towards a sustainable and effective multilateral trading system’ and underlies EU’s strong emphasis on its sustainability commitments towards the environment, climate change, deforestation, and labour rights in the context of its trade policy. The Communication refers to existing EU policies, but also discusses new elements that will be introduced in future trade negotiations, such as the intention to include a chapter on the concept of ‘sustainable food systems’ in trade agreements. The new trade policy strategy is expected to have an impact on EU trade negotiations and on how trade with the EU is conducted.

New USTR & U.S. Trade policy

On the CUSMA front, while it appears that things are back to business as usual, officials in all three countries remain in close contact on the implementation of the deal. The Free Trade Commission (FTC) and the various tri-national committees are being set up. The FTC is the central institution of the CUSMA and consists of ministerial-level representatives from the three member countries. It supervises the implementation and further elaboration of the Agreement, and helps to resolve disputes arising from its interpretation. It also oversees the work of the CUSMA Committees, Working Groups and other subsidiary bodies. The new USTR appointments include several key staffers who helped revise and pass the USMCA/CUSMA, perhaps signalling a desire to ensure CUSMA is properly implemented and functioning.

Pending a final confirmation vote in the Senate, Katherine Tai is expected to be the new U.S. Trade Representative, responsible for U.S. trade negotiations and overall policy. To date pronouncements from the Office of the USTR and proceedings as part of confirmation hearings, offer virtually no major reorientation of U.S. trade policy. As part of a recently released [US trade agenda](#), the document cites FTAs with the EU, the UK, the launch of a Phase 2 deal with Japan and talks with Kenya as priorities. On China, the status quo prevails for now with tariffs remaining in place on Chinese goods. The document also refers to a “carbon border adjustment” that would impose import duties on countries that don’t have a carbon tax which again appears aimed at China. The Biden administration says this is part of its plan to reduce greenhouse gas emissions and get to net-zero global emissions by 2050. As with any trade policy, unintended consequences are always possible which is why the proposed measure is being watched closely by many of America’s trading partners. Ensuring full implementation of U.S. trade agreements is also one of the strategic priorities of the United States. On agriculture, the documents states that the US trade agenda will seek to expand global market opportunities for American farmers, ranchers, food manufacturers, and fishers and says it will defend U.S. producers by enforcing global agricultural trade rules. It also refers to the proposal for an SPS Declaration to be adopted at the Twelfth Ministerial Conference and underscores the importance of science-based procedures to develop and implement SPS measures.



At a [WTO meeting](#) last month of the Committee on Agriculture, WTO members discussed the latest reports from “facilitators” covering seven topics: domestic support, market access, export competition, export restrictions, cotton, public stockholding and the special safeguard mechanism. The Chair of the talks, Ambassador Gloria Abraham Peralta (Costa Rica), said the facilitator-led process was an essential phase in the run-up to the 12th Ministerial Conference (MC12) and encouraged members to contribute new ideas in preparation for more comprehensive negotiations. Officials and stakeholders alike, including CAFTA, have stressed the need for meaningful agriculture outcomes at MC12 including progress on trade liberalization, domestic support and transparency. Members are also pressing for a potential SPS Declaration which would reinforce the science-based principles of the SPS Agreement. We will continue to be part of the chorus of voices demanding real action at MC12 later this year that ensure a coordinated and cooperative approach to global agri-food trade issues is taken.

CAFTA Executive Director Co-Authors Widely Read Trade Commentary

In the lead-up to International Women’s Day, CAFTA’s Claire Citeau co-wrote a commentary published in the Globe and Mail with Nadia Theodore, senior vice president from Maple Leaf Foods, entitled [Building back better requires more women in international trade](#). The commentary was widely shared on news and social media sites and drew attention to core issues related to WTO reform, the opportunity for trade to help power global recovery and the urgent need to disrupt the status quo. From senior officials, parliamentarians, to trade experts and diplomatic representatives around the world, praise was given to the authors for their well-timed opinion editorial.

On Parliament Hill

- The House of Commons Standing Committee (CITT) is undertaking a study on the Canada-UK interim trade pact and is also closely reviewing issues related to WTO reform. CAFTA will continue to reach out to the Committee to ensure the voice of agri-food exporters is heard.
- And despite the fact the much of Parliament is functioning virtually these days, CAFTA remains busy meeting with elected and non-elected officials alike as well as senior staff and other stakeholders. With so much risk and opportunity in global markets, we will continue to carry the message of why agri-food trade is the export sector best placed to help power forward Canada’s economic recovery.

In case you missed it

[Biden’s Pick for Trade Representative Promises Break With Past Policy](#)
[‘Global Britain’ woos ASEAN in fields of former empire](#)
[Commentary by Sarah Taylor, Canada’s Ambassador to Thailand](#)
[U.S. throws support behind Okonjo-Iweala to lead the WTO](#)
[UK applying to join Asia-Pacific free trade pact CPTPP](#)

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