



## **CAFTA Trade Insights**

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

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### **War in Ukraine and Impacts on Global Agri-Food Markets**

In late February, Russia began its invasion into Ukraine, creating a war in Eastern Europe while uniting many around the world against the aggression. Beyond the suffering and humanitarian crisis, the conflict deals another blow to the global economy that will impact growth and prices. In particular, the market volatility has many worried about how rising commodity prices will affect those inside and outside of the region and have ripple effects on global supply chains.

As is well known, Ukraine is a powerhouse producer and exporter of some key agricultural products including wheat, corn, barley, rye, potatoes, fertilizers, and black earth. Fears of a food security crisis grow as the conflict prolongs. Food inflation continues to rise worldwide, as transportation and inputs have become more expensive. Many report that food shortages are expected to be especially acute in the Middle East, Africa, and Southeast Asia.

More than 2 million Ukrainian refugees have fled the country, while G7 countries have imposed an array of sanctions to cripple Russia's financial system. In terms of trade, the G7 removed Russia from its Most Favored Nation (MFN) status. Canada and 13 other [WTO Members have issued a statement](#) condemning Russia's attack on Ukraine -- which calls into question its respect for the international norms on which the WTO was founded.

We will continue to work closely with government officials and decision-makers as developments unfold. With profound geopolitical uncertainty, agri-food exporters' resilience and competitiveness will continue to depend on access to global markets.

Russia's invasion of Ukraine has a profound impact on the geopolitical and geoeconomics situation. Strengthening ties with reliable partners and negotiating, implementing, and enforcing free trade agreements must remain a priority. For further insight see:

- [Prime Minister's Statement](#)
- [G7 Agriculture Ministers agreed not to tolerate artificially inflated prices](#)

### **CAFTA Board Meeting in Ottawa**

On March 3<sup>rd</sup>, the board discussed the trade agenda and rising "food protectionism" around the world, the launch of free trade agreement (FTA) talks for Canada and the value of engaging with trade negotiators, officials, parliamentarians on the Hill among others. The CAFTA Board of Directors also decided on a set of new public policy priorities. The board was pleased to meet with the Honourable Arif Virani, Parliamentary Secretary to the Minister of International Trade and Chris Forbes, Deputy Minister at Agriculture and Agri-Food Canada (AAFC).

## Trade Updates

### Canada and other like-minded partners cut Russia's and Belarus Most-Favoured Nation Tariff Treatment

As part of the economic sanctions imposed on Russia by Western countries, Canada has withdrawn Russia and Belarus' Most Favoured Nation (MFN) status. More can be read here: [The EU, the U.S., and other like-minded partners followed suit doing the same.](#)

### Minister Ng Tables Canada's UK Negotiating Objectives

At the end of last year, Minister Ng tabled notices of intent to enter trade negotiations with the United Kingdom, Indonesia, and the Association of Southeast Asian Nations (ASEAN). A reminder that FTA objectives need to be tabled 30 days before negotiations can begin. Minister Ng submitted the federal government's intent for trade negotiations with the UK on Feb. 16, which started the countdown until the first round will commence. You can read Canada's negotiating objectives for a Canada-UK FTA [here](#).

### Minister Ng Announced re-launch of trade talks with India

In 2010, Canada and India launched negotiations toward a Comprehensive Economic Partnership Agreement (CEPA). And while since then there have been several rounds of negotiations, the talks have been stalled for a number of years. However, in early March, Minister Ng [announced](#) a visit to India to meet with her counterpart minister Piyush Goyal. [Canada's and India's trade ministers agreed](#) to formally re-launch the India-Canada Comprehensive Economic Partnership Agreement (CEPA) negotiations. Both sides agreed to consider an interim agreement as a transitional step towards the CEPA. This follows commitments from the federal government "to diversify trade across the Indo-Pacific region and create more opportunities for Canadian businesses to export their innovative products and services." Rejuvenating the Canada-India trade and investment relationship is welcome news and we'll be watching next steps closely. You can read CAFTA's recent statement on the announcement [here](#).

### Round 1 of Canada-ASEAN talks to begin in March

The first round of negotiations for an ASEAN-Canada Free Trade Agreement are [set](#) to begin in March. Dan Darling, President of CAFTA, shared "We are pleased to see the federal government moving swiftly to hold the first round of talks between Canada and ASEAN. For our members, this is one of the most important export opportunity in the fast-growing Asia-Pacific region." Read CAFTA's [submission](#) to the Canada Gazette consultation process.

### EU Trade: France's Presidency

The European Union (EU) continues to reform its agricultural trade policy. Discussions around the European Green Deal, the Common Agricultural Policy and EU trade policy in relation to the sustainability of food production are at the forefront of the EU agri-food trade agenda. France holds the [Presidency](#) of the Council of the EU for the next six months and is seeking to advance progress towards "strategic autonomy" and is, according to several [policy experts](#), "on a race to set global trade standards based on fair and green objectives." Cited as an example, the "mirror clause" would require that imports be produced under the same standards as those imposed on domestic products within the EU.

### CETA Ratification in Germany?

In 2016, two separate complaints came before the German Federal Constitutional Court, asking the court to determine the legality of Canada-European Union Comprehensive Economic and Trade Agreement (CETA). Now, the German constitutional court [threw out](#) a complaint that the provisional application of the CETA is unconstitutional. Germany is one of the [14 EU Member States that has not yet ratified CETA](#) in its own legislature. Other member states that have not ratified CETA include the following: Belgium, Bulgaria, Cyprus, France, Germany, Greece, Hungary, Ireland, Italy, the Netherlands, Poland, and Slovenia.

## WTO and related updates

### Rescheduling of MC12 for June 2022

In late February, the WTO announced that the [12<sup>th</sup> Ministerial Conference \(MC12\)](#) would be held the week of June 13 in Geneva. MC12 has been postponed several times already due to the pandemic. In the lead-up to June, CAFTA will be speaking directly to Canadian officials about its desired outcomes for MC12 and the urgent need for there to be ambitious results including on transparency, notifications, domestic subsidies, market access and WTO reforms among others.

### 28<sup>th</sup> Global Trade Report: The Effect of Subsidies

A widespread but still largely unaddressed issue in global trade are subsidies. The 28<sup>th</sup> Global Trade Alert [Report](#) looked at subsidies from the EU, China, and the US, and documented that over 18,000 different corporate subsidies and approximately **62% of goods traded globally are covered by a subsidy** from those three jurisdictions. The report concludes that these subsidies have major trade-distorting effects on a major scale across the global economy. For details, the webinar can be [viewed here](#).

### USTR Releases Annual Report on China's WTO Compliance

On February 16, 2022, the Office of the United States Trade Representative (USTR), released its annual report on China's WTO compliance stating that "China has not moved to embrace the market-oriented principles on which the WTO and its rules are based." You can read the full USTR report [here](#).

## On the Hill

### Changes in the Conservative Party Leadership

Following Erin O'Toole's recent resignation as party leader, Candice Bergen became interim leader of the party as well as leader of the official opposition. The leadership race is now underway with a permanent new leader set to be named on [September 10](#).

### National Summit to Strengthen Canada's Supply Chains

Ministers Alghabra (Transport), Bibeau (Agriculture), Champagne (Industry), Ng (Trade), O'Regan (Labour) and Qualtrough (Employment) hosted a National Summit to strengthen Canada's supply chain on January 31<sup>st</sup>. The Ministers [announced](#) a series of regional and industry sessions, which CAFTA participated in.

### AGRI Committee Report on Food Processing Capacity

On February 2<sup>nd</sup> the Standing Committee on Agriculture and Agri-Food submitted their fourth [report](#) entitled "Room to Grow: Strengthening Food Processing Capacity in Canada for Food Security and Exports" The report indicates that Canada's food and beverage processing industry is the second-largest manufacturing industry in the country, accounting for \$117.8 billion of economic activity in 2019; however, it is the number-one in terms of employment, supporting over a million jobs across Canada.

### In case you missed it:

[WTO: Agricultural trade reform can deliver gains for people, planet and economy](#)

[14th Global Forum for Food and Agriculture: 68 agriculture ministers adopted a unanimous stance.](#)

[Former senior U.S., WTO officials to co-chair new climate trade center | InsideTrade.com](#)

[Minister Bibeau named co-chair of international meeting of agricultural ministers](#)

[Understanding How Free Trade Agreements are Negotiated](#)

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