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Canadian Agri-Food Trade Alliance | Alliance canadienne du commerce agroalimentaire

Impact of COVID on Canada-EU Trade Relations & CETA - CARLETON UNIVERSITY – Dec 2, 2020

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It's a pleasure to be among so many people who share an interest for trade and the Canada-EU relationship. My name is Claire Citeau and I am the Executive Director of the Canadian Agri-food Trade Alliance or CAFTA. CAFTA is the voice of Canadian agri-food exporters, representing the major trade dependent sectors in Canada, including beef, pork, meat, grains, cereals, pulses, soybeans, canola as well as the sugar, malt, and processed food industries. We represent over 90 per cent of Canada's agri-food exports which last year reached a record \$60 billion. We are inherently dependent in trade, we export over half of everything we produce for example: 50% of our beef, 70% of our pork, 75% of our grains and up to 90% of our canola. I will begin by talking about our sector's experience during the COVID crisis from a trade perspective - which hit as our farmers were preparing for our relatively short planting season and I will talk about our experience with the CETA, pre COVID and now.

First off: it deserves to be recognized just how foundational agri-food trade is for our economy and way of life, in every corner of the globe.

It is remarkable that with most of the world on lockdown, global agri-food markets remained relatively stable.

This is in large part because a number of governments around the world have recognized that keeping borders open to agri-food is vital to prevent shortages, supply chains disruptions, price volatility and supply shocks.

Of course, the impact of the crisis varies across sectors. For our members, it is a mixed bag...

At the onset, keeping the Canada-U.S. border open to trade has been especially critical given the high level of integration of our supply chains across North America.

Let me highlight a few perspectives from our members:

- For Canadian canola and grain farmers, the concerns at first were on market volatility, farmer revenues and whether crop inputs would be in place for seeding. With our short growing season, even small seeding delays can impact farmers' production, increase their exposure to risk and have an impact on their future crop. Without borders open, things would have been different. COVID added a lot of uncertainty to existing uncertainty from the unjustified trade barriers. This is why members have been more focused than ever on ensuring that trade commitments and trade rules are respected and that all sanitary and phytosanitary measures are based on science and the least restrictive possible.
- Our food manufacturers ramped up production up to 500% at times, invested heavily to keep their workers safe, re-tooled manufacturing facilities and tried to hire more workers. There are real questions about the future of the restaurant industry. Food manufacturers are looking at secondary sources to secure essential raw materials, ingredients and packaging as they rebuild inventories. They are no longer relying on a single supplier and need the WTO to ensure that international trade is rules and science-based and allows for the predictable access and flow of ingredients, products and people.
- On the meat side: processing capacity dipped below 50% of Canada's normal capacity when one of the processing facilities was closed while others significantly reduced their capacity. The industry still needed to face the challenge of working through the backlog of cattle within the supply chain as well as the market impact and uncertainty that had developed. During this time uninterrupted trade ensured very little market disruptions for the consumer side of the supply chain. Today beef exports are almost back to normal, Covid was difficult undoubtedly, but it also showed the strength of the system both within Canada and the responsiveness and dependability of international trade.



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- The disruptions faced by pulse growers were triggered by key export markets that imposed quarantine measures, adding delays in shipment clearance and in cases imposed import bans to save foreign exchange reserves. The lack of prior warning was particularly disrupting for shipments already en route. Another challenge has been the lack of available shipping containers: the natural flow of inbound traffic of containers full of consumer goods from Asia shipped back on the backhaul has been heavily disrupted.
- COVID has meant a large need to manage new supply chain/logistics challenges, as demand shifted quickly. Another example, the shutdown of restaurants in some parts of the world drastically lowered demand of canola oil from restaurants while raising retail demand; this also diminished the supply of waste oils from restaurants impacting the biofuel market – creating more demand for vegetable oils. Fortunately, managing logistics and adapting quickly to market needs is a core strength of our members. Unfortunately, trade rules do not adapt quickly. This is all the more important to have trade rules that are predictable and based on science, respected.

Despite the crisis, those in the agri-food supply chain are a resilient bunch.

But for our members, their most serious concerns lie ahead.

We are potentially waking up in a new trade world: one where governments seize on the pandemic for political posturing or to push a nationalist and protectionist agenda forward.

The talk of self-sufficiency in food and nationalism is particularly concerning as it will lead to a new form of protectionism.

The unravelling is a big worry: look at COOL in Italy affecting our wheat exports and how easily they can spill over to other countries in the name of “food security”.

With agri-food being one of the most vulnerable to protectionism, a tide of protectionism creeping the cover of nationalism would be very difficult to roll back.

We must hold the line against protectionism in all its forms in every corner of the globe.

Today, global trade obviously isn't going to cease. However, how free and open and by what rules, remain key unknowns.

That is why it is crucial that Canada and its trading partners, including the EU, work together to keep borders open and upholding trade rules and adherence to the rules at the multilateral level, but also on a bilateral basis.

This brings me to the bilateral EU-Canada relationship and the CETA in particular.

I want to start this part with a quote: from the PM himself who made that comment on the occasion of the CETA-Canada summit last year: “Its one thing to sign FTAs, its another to implement them”.

Agri-food access was a core benefit for Canada in the deal. The EU remains, the largest importer of agricultural products in the world and a high value market for many of our high quality and safe products – so we continue to see huge potential in this large and high value market.

As many of you know, Canadian agri-food exporters remain frustrated that the EU is not respecting the spirit of the agreement and not abiding by commitments to resolve issues to truly allow two-way export growth. The removal of tariff and non-tariff barriers when CETA came into force was to increase Canada's exports by nearly \$1.5 billion annually. CETA had also included commitments to resolve issues related to technical barriers to trade, sanitary and phytosanitary provisions, regulatory cooperation, and trade distorting subsidies.

However, three plus years on, CETA has failed to deliver on expected gains in agri-food as a result of a wide range of barriers that were to be removed or reduced by the European Commission and that are not.



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Work that remains includes achieving mutual recognition of meat processing systems, developing protocols to verify livestock production practices, addressing misaligned regulation of crop protection products, more predictable and timely review of seed technologies, ensuring country of origin labeling requirements are not applied in a trade restrictive manner and addressing illegal EU sugar subsidies that make our exports uneconomic.

These barriers are directly impacting Canadian exports and the potential for growth. Our exports should be much higher. This, while EU agri-food exports to Canada continue their double digit increase. It is time to find solutions.

The bottom line, we cannot afford to let this deal sit on the shelves.

We've asked the Canadian government to take up these issues with EU political leaders in order to secure commitments and timelines to remove and address the barriers that persist. There is now a clear recognition of issues and that is important in starting to address problems.

We have seen Minister Ng's readouts following meetings with her counterpart comment on the need to remove barriers for our sector. She commented on this recently before the trade committee and we understand the Prime Minister also raised our issues.

However, I am not here to simply point out problems. Our members also have ideas and solutions to put forward.

And it boils down to better dialogue, communications, bold approaches and genuine commitment to resolving the challenges we face.

Canada and the EU share a solid longstanding trading relationship and work on bilateral and multilateral fronts.

For those following WTO matters, you may have noted that the Ministers and Vice-Ministers of the Ottawa went from meeting twice a year to meeting every two months, signaling the intensity of work on that end. Canada also has a new Ambassador in Brussels who understands business. There are lots of things that bodes well for close Canada-EU trade relations.

As Canada and the EU work closely together to support WTO reform and modernization in defence of the rules-based global trading system, it is even more important to demonstrate that our free trade agreements work by abiding by the rules we've established in our bilateral pact, an agreement that remains a shining example of the level of ambition that should be sought in 21st century trade.

As a trading nation, our road to recovery will go through trade. As a trade dependent sector, we need a robust global trading system, and ensure that trade rules are respected and that all sanitary and phytosanitary measures are based on science and the least restrictive possible.

The current crisis gives us a chance to get ambitious and secure the promise our sector holds for powering forward the post-pandemic global recovery and finally move forward on trade liberalization and this includes removing barriers in EU for our exports.

This is the opportunity we should seize.

Thank-you again for the opportunity to speak with you today.