

**CAFTA ACCA**Canadian Agri-Food
Trade Alliance | Alliance canadienne
du commerce
agroalimentaire

CAFTA Trade Insights

CAFTA: The Voice of Canada's Agri-Food Exporters

CAFTA meets with Minister Ng

In May, CAFTA members met virtually with the Minister to discuss the impact the pandemic on agri-food trade, the importance of safeguarding global rules-based trade and the need to ensure trade remains free and open. The meeting took place ahead of Minister Ng's bilateral engagement with her EU counterpart, Phil Hogan, and provided an opportunity to have a frank discussion with the Minister about how non-tariff barriers continue to block the market access agri-food exporters were promised under CETA. In a [statement](#) following the meeting, CAFTA urged the government to secure the promise of CETA from EU Leaders.

A [readout](#) following the Canada-EU bilateral meeting made clear that more work needed to be done to improve real access to the EU market for Canadian agri-food products. In fact, the readout explicitly stated that Minister Ng "underscored the importance of improving EU market access for Canadian agricultural products through the removal of technical barriers to trade" which marks the first time the federal government has publicly acknowledged CETA is not living up to its promise. CETA was implemented in 2017 and will be in force three years in September 2020. We know there are solutions to these persisting barriers. CAFTA will continue to engage with Ministers Ng and Bibeau to secure the market access CETA is supposed to provide.

Exporters continue to face strong headwinds

2020 was supposed to be a big year for trade, with the ratification of CUSMA, the need to focus on CETA implementation and proliferating non-tariff barriers, continuing to grow Canada's export footprint in the Asia-Pacific and creating a new post-Brexit trade relationship with the United Kingdom among others.

Yet in an instant, COVID-19 upended the predictability and stability exporters need. The last few months have shown us just how foundational agri-food trade is for our economy and way of life. And while we're proud of the role our members have helped play in feeding Canadians and the world while also protecting jobs, clear worries remain. Chief among them is the fear that this crisis will bring about new trade barriers and other forms of protectionism, and that trade commitments will be undermined. In response to the outbreak, 93 governments around the world adopted more than 200 restrictions impacting the trade of key products including agri-food.

As world trade fell sharply in the first half of the year, the steepest decline on record, rapid government responses helped soften the blow to trade. Despite signs of strong recovery ahead, don't expect international trade to return to normal levels in 2020, perhaps not even before mid-2021 according to Export Development Canada (EDC). In its June forecast, [EDC](#) singles out agriculture and consumer goods exports among the sectors weathering the storm best: overall agri-food exports are expected to fall by 8% in 2020 while exports of other goods and services will fall by 20%.

For now, global trade is slowly showing signs of rebound in Canada and around the world as countries shift attention to reopening economies. According to WTO economists, the worst-case scenario may have been avoided: trade would only need to grow by 2.5% per quarter from now on to meet the optimistic projection of a 13% decline for the entire year. Looking ahead to 2021, the outlook for the global economy remains uncertain and while most expect a less negative trade response than during the 2008-09 financial crisis, adverse developments, including a second wave of outbreaks, weak growth, or widespread recourse to trade



CAFTA ACCA

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

restrictions, could change optimistic projections. The implications for Canada as a trading nation remain clear: more trade is needed. Economic recovery will be dictated by the reopening of countries around the globe.

One big worry is that increased protectionism becomes the norm. The world is potentially awakening to a new trade threat: one that sees governments seizing on the pandemic for political posturing or to push a nationalist and protectionist agenda forward. We should fully expect that many countries will be tempted to use the current crisis to restrict trade even further which is precisely why we need solid trading relationships and a robust, functioning WTO that can deliver stable, predictable open, rules-based trade. Also, a number of countries have taken measures to encourage more domestic production, which at times, may present risks for exporters as these measures have the potential to displace markets and disrupt global supply chains. We will need to watch for protectionism in all its forms closely which is yet another reason why we need Canada dedicated to monitoring our trading partners' adherence to global trade rules as well as focused on trade implementation and diversification just as much as promotion.

Agri-Food Trade as a key driver of economic recovery

One certainty is that agri-food trade can be a powerful post-pandemic recovery tool for the Canadian economy. According to EDC's most recent forecast, Canada's overall agriculture exports could increase by about 8% next year as a baseline. At the same time, a recent study published in the Canadian Journal of Agricultural Economics by Richard Barichello, estimates that global trade in agriculture could decline between 12 %and 20% in 2020. This underscores why it is so vitally important to work extra hard to keep trade free and open around the world.

CAFTA [welcomed](#) the pledge by Canada and 42 other WTO members to safeguard and strengthen global trade of agri-food and to commit to keep agri-food supply chains open and functioning. Maintaining this pledge will be especially important as governments begin economic recovery efforts. CAFTA president Dan Darling stated "keeping agri-food trade free and open has been instrumental in avoiding food shortages and preserving supply chains. The WTO has an essential role to play in this regard. We must now work extra hard to ensure we do not slide backward by allowing trade barriers and other forms of protectionism to seep into the global trading system. Doing so will lead to trade disruptions, less growth, fewer jobs, food insecurity and higher prices." In fact, embracing unfettered trade in agri-food should be central in the plan to reboot Canada's economy. To this end, we will continue to urge the government to open markets and grow Canada's export footprint.

Trade Updates

CUSMA enters into force

CUSMA entered into force on July 1, 2020, following the completion of domestic ratification processes in the US. In a [statement](#), Deputy Prime Minister Freeland hailed CUSMA as an essential pillar in preserving free and fair trade while also returning stability and certainty to business in North America. In a [statement](#), CAFTA president Dan Darling praised the coming-into-force of the successor to NAFTA: "Free and predictable trade of agriculture and food across North America has been incredibly successful at providing abundant, safe and high quality food. The CUSMA will help restore competitiveness of the North American free trade platform and enable a globally competitive sector that drives the economy in all three countries." CAFTA will continue to work with officials on the proper implementation of the agreement to ensure Canadian exporters can realize the full benefits of the CUSMA.

US-Canada border

Canada has no more important trading partner than the U.S., which is why it is important for both countries to work together to ensure essential travel and trade continues across the border. And while it is expected the current border measures will remain in place for the foreseeable future, it will be important for both



CAFTA ACCA

Canadian Agri-Food
Trade Alliance

Alliance canadienne
du commerce
agroalimentaire

governments to establish a pathway back to the normalization of Canada-U.S. border operations. We will continue to track these developments.

Brexit

While the UK has now left the EU in a political sense, negotiations are ongoing to establish the economic and security relationship that will be required when the UK leaves the EU's customs union at the end of this calendar year. This will include a new agreement on trade, based on the mandate agreed by the UK and EU. Although the agreement to leave the customs union can be extended, both sides hope to finalize next steps before the deadline and have instructed negotiators to meet regularly throughout the summer to reach a deal.

The future of the UK-Canada trade relationship remains unclear. While bilateral talks are not currently underway (the UK is currently negotiating FTAs with the United States, Japan, Australia and New Zealand), the UK recently announced [interest](#) in joining the CPTPP. In its appearance before the House Standing Committee on Trade, CAFTA stated "as it pertains to the UK, one of our largest trading partners in Europe, with under six months until the UK's full separation from the EU, some of our competitors already deeply engaged in full blown negotiations, preliminary work done to lay the ground work for a possible deal with the UK, Canada should formally engage and seek to conclude negotiations of an ambitious Canada-UK agreement that removes tariffs and non-tariff barriers, provides liberal rules of origin, secures the level playing field at the earliest time."

CAFTA will continue to monitor, engage with officials and advocate for the launch of FTA talks with the UK.

Pushing for WTO Reform through the Ottawa Group

As we have told before, the current crisis has shown clearly why we need a rules-based global trading system. In June, Prime Minister Trudeau participated in a virtual meeting of the Canada-led Ottawa Group on WTO reform in the context of COVID-19. Prior to the meeting, CAFTA's Executive Director attended a business roundtable hosted by Minister Ng and John Hannaford, Deputy Minister of International Trade. The Ottawa Group released its first iteration of an Action Plan which singled out agri-food trade and the need to unwind export restrictions as well as a [Joint Statement of the Ottawa Group: Focusing Action on COVID-19](#). Alongside the meeting, CAFTA [joined](#) like-minded business leaders to call for acceleration of WTO reform talks and modernization efforts. It is imperative that this work continues. CAFTA will continue to monitor closely.

WTO Interim Appellate Arrangement

The Ottawa Group also continues its broader WTO reform agenda, including efforts to build on an interim multi-party [dispute settlement arrangement](#) that will replicate the Appellate Body as close as possible amid the paralysis of the WTO's Appellate Body. Members joined the initiative bringing the number of signatories to 22.

WTO Agriculture Committee

WTO Ag Committee officials met in June and shared views on COVID-19's impact on the WTO's agriculture negotiations. Members reaffirmed the importance of upholding WTO rules during the crisis and warned about the prolonged negative effect of export restrictions on food by some governments during the crisis on global markets. Members took note of new aid packages being provided to farmers by governments in response to the crisis, and their potential trade distorting impact on markets. Other issues include transparency, notification, in-transit tariff changes, export competition and domestic support.

WTO Sanitary and Phytosanitary (SPS) Declaration for WTO Ministerial Conference

WTO SPS meetings also took place recently where members stressed the importance of ensuring coordinated responses to global crises so that trade in agri-food is not unduly restricted. Building on an initial proposal advanced by Canada, the US, Brazil and Argentina earlier this year, WTO members have discussed a possible SPS Declaration for the WTO's 12th Ministerial Conference next year which would address the growing pressures on international agri-food production and trade, underline the importance of coordinated responses to global crises



CAFTA ACCA

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

and of leveraging available regulatory tools in a science-based manner. The list of SPS measures implemented since the start of the pandemic is available [here](#).

Cairns Group

Cairns Group Members have launched a “COVID-19 Initiative: Protecting Global Food Security Through Open Trade” to limit the impact of emergency measures on food security. A industry [statement](#) was issued under the umbrella of the Cairns Farms Leaders Group, signed by Australia, Argentina, Brazil, New Zealand and Uruguay.

In other news

The OECD says that policies providing more than USD 500 billion to farmers every year distort markets: in its annual [Agricultural Policy Monitoring and Evaluation](#), the OECD points to “half of this support coming from policies that kept domestic prices above international levels” and urges “governments to phase out distortive policies, including price supports, and redirect the funds into improving productivity and sustainability.”

The EU Farm to Fork Strategy was unveiled, under the umbrella of the European Green Deal. It aims at creating a more ‘robust, secure, and sustainable food system’ and lists 27 measures to drive sustainable consumption and production in the EU. It includes 2030 targets such as a mandatory front-of-pack labelling, origin for certain products and targets to cut the use of pesticides, fertilizers, antimicrobials among others.

On the Hill

- CAFTA remains active engaging with Ministers, Parliamentary Secretaries, Members of Parliament and Senators, including participating in virtual committee meetings. Discussions have included holding the line against protectionism, safeguarding rules-based trade, and the implementation of CETA, CPTPP and CUSMA.
- In May, CAFTA [appeared](#) before the Special Committee on the COVID-19 Pandemic as well as the Standing Committee on Agriculture and Agri-Food on the Canadian response to the crisis.
- In recent weeks, the House of Commons held a mix of in-person and virtual meetings. The central focus of the virtual sittings was obviously the Government of Canada’s responses to the pandemic which included all Members of Parliament. The House will sit on July 8, July 22, Aug. 12 and Aug. 26 as is expected to return on Sept. 21, for three straight weeks. The Senate will return on Sept 22.

In case you missed it

CAFTA Opinion Piece: [Free trade lets us feed ourselves and the world: “To sole-source food and shut down borders is, almost literally, to sow the seeds of famine and economic ruin”](#)

[S. Korea calls for EU to minimize trade barriers amid pandemic](#)

[Thailand should join Asia-Pacific trade pact talks, business leaders say](#)

[UK seeks swift Japan trade deal and TPP membership](#)

[China renews interest in CPTPP trans-Pacific trade pact amid escalating US tensions](#)

[Japan presses UK on speedy trade talks for end-of-year deal](#)

[EU reports on trade barriers: EU continues to open up markets outside Europe in midst of rising protectionism](#)

[WTO acceding governments reconfirm value of multilateral trading system](#)

[DDG Wolff: COVID-19 crisis underlines need for more multilateralism, not less](#)

[Readout: Agriculture and Agri-Food Minister Marie-Claude Bibeau speaks with EU Counterpart](#)

[Japan and 10 other TPP nations considering ministerial videoconference](#)

[FAO Food Outlook – Report on Global Food Markets: From a global health crisis to a global food crisis?](#)

[The Indonesia-Australia FTA enters into force](#)

Contact us: www.cafta.org or info@cafta.org **Follow us:** [@CAFTA_ACCA](#) 