



## CAFTA Trade Insights

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

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### Trade Updates

#### United Kingdom-Brexit and CETA

Following the June 2016 referendum in the United Kingdom (UK) to leave the European Union (EU), the original Brexit departure date was scheduled to be on March 29, 2019. However, this date has now come and gone as the UK Parliament grapples with what Brexit should look like and what the terms of withdrawal should be. Various options have been proposed and rejected by UK lawmakers leaving neither hardened Brexiteers nor staunch Remainers happy. This week, at an emergency summit, European Union leaders will debate a second delay to Brexit, perhaps including a longer extension. Any extension to the deadline will need unanimous approval from the 27 remaining EU nations. In the days and weeks ahead, UK Prime Minister Theresa May will face the difficult task of convincing UK lawmakers and EU leaders to find a path forward.

While it remains uncertain when and how the UK will leave the EU, people are rightly wondering about the possible implications for Canadian agri-food exporters. We are watching Brexit-related issue closely. Below is our understanding of some of the possible scenarios:

- Bilateral trade between Canada and the UK will remain under the provisions of CETA so long as the UK remains an EU Member State.
- Should a withdrawal agreement be approved by the UK parliament, it will likely allow Britain to continue to tap into the EU's free trade network for a period of up to two years while it negotiates its own trade pacts. Under this scenario, Canadian exporters would continue to trade with the UK under the terms of CETA throughout the transition period.
- Even as negotiations continue between the UK and their EU 27 counterparts, the possibility of the UK leaving the EU without a withdrawal agreement (also referred to as a "hard Brexit") is real. In the event of a hard Brexit, Canada's trade with the UK would continue to be governed by WTO rules. The UK is an original member of the WTO, and post-Brexit, will have a WTO schedule of bound commitments separate from that of the EU. The UK's draft WTO schedule is currently being reviewed by Canada and other WTO Members. In the meantime, the UK has published its proposed list of applied tariffs that would apply to its trade with other WTO members in the event of a hard Brexit. That list can be found [here](#). At first glance, it appears that a number of Canadian agri-food exports would enter the UK duty- and quota-free with limited tariffs and autonomous tariff rate quotas for the remainder.



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- The UK has also released information on how it intends to deal with border issues between Ireland and Northern Ireland in the event of a hard Brexit. More information can be found [here](#).
- Canada and the UK have indicated that free trade talks will be a priority for both countries once the UK formally leaves the UK. However, formal negotiations cannot commence until Brexit happens.

The bottom line is that Brexit may continue to be an ever-changing situation for the foreseeable future and uncertainty may persist for exporters. CAFTA will continue to monitor events in Europe as they unfold. We also remain in close contact with Government of Canada officials regarding implications for agri-food exporters.

### **Canada-United States-Mexico Agreement (CUSMA)**

Legislation to ratify CUSMA can be introduced anytime in Canada now that treaty has gone through the 21-day tabling requirement. In the U.S., the ratification process appears more complex with obstacles including demands by Democrat Speaker of the House Nancy Pelosi that Mexico pass its labour reform provisions before the pact is considered by U.S. lawmakers. As reported by media, other obstacles to ratification may include the persistence of the steel and aluminum tariffs that have not yet been lifted on Canadian and Mexican products. Despite the desire of all three countries to bring the updated agreement into force before the summer, these latest developments threaten that timeline.

### **Canada-Mercosur FTA Negotiations**

The fifth round of negotiations toward a potential FTA between Canada and Mercosur countries took place from March 21 to 29. Negotiations began just over a year ago with the South American trading bloc which consists of Brazil, Argentina, Paraguay and Uruguay. While the negotiations have been highlighted as a key part of Canada's trade diversification agenda, CAFTA members have long viewed the opportunities in the Mercosur bloc as more limited than those in other markets around the world. Read CAFTA's statement to the Standing House on International Trade on a potential Canada-Mercosur FTA [here](#).

### **On the Hill**

- Prime Minister Justin Trudeau shuffled his cabinet in early March. Previous Minister of International Development Marie-Claude Bibeau has taken over as Minister of Agriculture and Agri-food. CAFTA looks forward to working with Minister Marie-Claude Bibeau on removing tariffs and non-tariff barriers for Canadian agri-food exporters.
- The Government of Canada tabled Budget 2019 this month. In the budget, the Government of Canada renewed its commitment to free and progressive trade as well as to its trade diversification agenda.

## CAFTA Outreach



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In March, CAFTA engaged with Ted McKinney, Under Secretary from the US Department of Agriculture (USDA). Various topics were raised including CUSMA ratification, WTO reform, the US-China talks and the need to continue to remove technical barriers to trade in agriculture among other issues.

CAFTA and members also met with a delegation of Members of Parliament from France to discuss the opportunities and the huge potential created by the Canada-European Union Comprehensive Economic and Trade Agreement (CETA). The discussion also included the need to address the outstanding non-tariff barriers to make trade commercially viable in Europe for Canadian agri-food exporters. While much work remains to be done between Canada and the EU on agriculture trade, both partners should also continue to work together on and in multilateral fora such as the WTO to ensure that trade is rooted in science.

## Update on WTO Reform

### New supplementary WTO working groups to advance agriculture talks

The WTO agriculture committee's new supplementary working group on domestic support and six other working groups have been meeting since February to complement and support the existing negotiations in the Committee on Agriculture. Domestic support for agriculture remains a top priority due to its role in trade distortion. Topics discussed included the sensitivities some countries have for certain agriculture exports as well as differentiating between subsidies to products that are exported versus products for domestic consumption.

At the meeting, Canada presented its database on domestic support, which contains data submitted by members from 2001 to 2014. Canada created the database to encourage an evidence-based approach to discussions. The database serves as an analytical tool to help undertake an analysis of the different categories of domestic support across WTO members. The Chair of the domestic support working group encouraged members to use and make suggestions for improvement of Canada's new tool.

- Further information about the supplementary groups can be read [here](#).
- Find Canada's domestic support database [here](#).

## In case you missed it

[Canada open to seamless transition in trade with Britain after Brexit](#)

[Tariffs raise 'serious questions' about NAFTA ratification, Freeland says](#)

[WTO DDG Wolff: Eight reasons for optimism about the future of the multilateral trading system](#)

[WTO DG Azevêdo: Open trade policies are vital to boost competitiveness](#)

[WTO Members start implementing 2019-2021 work plan on Technical Barriers to Trade](#)

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