

## CAFTA Trade Insights

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

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### Global trading is rebounding but for how long?

A late February notice from the WTO contained some good news in that global trade is rebounding after a disastrous year in 2020 when it fell by nearly 10%. The [WTO Barometer](#) noted that across key leading indicators, global trade is starting to come back. However, it also noted that other indicators seem to already be falling in the second quarter of 2021 meaning overall growth might be short lived. Ultimately, the WTO notes that continued uncertainty due to COVID-19 is making forecasting unclear with much of the recovery of trade dependent on the effectiveness of global vaccination efforts.

What is promising is the momentum and hopefulness that is greeting the new Director General of the WTO. In late March, Dr. Ngozi Okonjo-Iweala [called on members](#) to “deliver concrete results that promote the WTO’s founding objectives: using trade to improve the living standards of ordinary people, creating better jobs, and contributing to sustainable development.” Agri-food exporters are hoping this newfound enthusiasm and optimism translates into meaningful results across a variety of fronts in the coming months. From beating back protectionism, to continued efforts to modernize the WTO to hope for ambitious outcomes at MC12, there are a lot of global trade items to track for the rest of 2021. And with trade ready to play a pivotal role in global recovery, ambition and hope are highly desired commodities after the year that was 2020.

### CAFTA releases its top trade priorities and policy recommendations

In a newly released policy declaration, CAFTA is urging the federal government to focus more on trade implementation in order to secure the promise of Canada’s trade agenda. Entitled, “*Getting Ambitious and Unleashing Agri-food Trade Potential to Power Canada’s Economic Recovery*”, the document outlines a series of actionable priorities it is calling on the federal government to pursue that will allow the agri-food sector to help anchor Canada’s economic recovery. A summary of CAFTA’s key recommendations are:

- 1. Conduct a Parliamentary Review of FTAs to Preserve and Enhance Access in Key Export Markets.** This includes many of Canada’s most recent trade agreements including CETA, CPTPP, CUSMA and the CKFTA.
- 2. Create a Chief of Trade Implementation at Global Affairs Canada.** The position will monitor and facilitate engagement with the agri-food sector on the implementation of Canada’s FTAs and strengthen Canada’s capacity to mobilize resources when commitments in FTAs are not respected and negotiated outcomes for agri-food exporters are not achieved.
- 3. Uphold rules-based trade and safeguard the global trading system.** Intensify efforts toward WTO modernization so that the trading system is once again relevant and at the centre of international trade.
- 4. Prioritize and accelerate trade diversification efforts in priority markets.** This includes launching negotiations of a permanent ambitious trade deal with the UK, calling on CPTPP signatories who have not yet ratified the trade deal to do so and on European member states that have not yet ratified the CETA to do so.
- 5. Enhance trade engagements and solidify international relationships.** This includes reinforcing trade relations, reaffirming commitments and fostering positive, long-term and mutually beneficial relationships with all key trading partners including China.

You can read the full policy document and the two-page summary of CAFTA priorities [here](#).

The [Financial Post](#) commented on the policy document and noted: "The heroes of the crisis might be a couple of

forgotten stars of Canada's economy. [...] Farmers represent the other new/old export engine."

## Trade Updates

### CETA Joint Committee Meeting

To mark the meeting in late March of the CETA Joint Committee, the formal ministerial-level forum established as part of the Comprehensive Economic and Trade Agreement (CETA), CAFTA issued a [statement](#) urging the implementation of CETA based on science, rules and commitments.

While it was welcome that Canada specifically raised "Agriculture issues" as part of the official Joint Committee [agenda](#), we need to ensure that the words are now met with action. After all, it has been more than three years since CETA first entered into force and agri-food exporters still aren't benefitting to the degree that was promised due to the persistence of non-tariff barriers that continue to block market access. Agri-trade is strictly regulated and is subject to a myriad of bureaucratic processes and ever-changing regulations. For CETA to work, both sides need to demonstrate a willingness to resolve barriers to agri-food trade. Science and agreed-upon rules should be the main focus. For instance, for discussions on recognizing canola farmers' sustainability practices, Canada's meat approval system, EU import tolerances for crop protection inputs, sugar subsidies and the ongoing COOL issue affecting Canadian wheat in Italy, CAFTA is urging Canada and the EU to ensure science is at the core of decision-making.

And while again, we appreciate that Minister Ng "raised concerns related to Canadian market access for agricultural products" in an official [readout](#), these issues need to be resolved without delay, especially since EU agri-food exports continue to increase significantly to Canada. While these issues aren't given prominence in official joint communiqués, the Joint [Statement](#) does highlight the need to "achieve the full implementation of CETA provisions in all relevant areas." The 3<sup>rd</sup> Joint Committee meeting will take place in the fall of 2022. We will continue to pursue these issues with officials, Parliamentarians, decision-makers and Canada's diplomats.

### Canada-UK Transitional Trade Pact receives Royal Assent

On April 1, Bill C-18, an Act to implement the Agreement on Trade Continuity between Canada and the United Kingdom of Great Britain and Northern Ireland (TCA) came into force, implementing the interim trade deal between Canada and the UK. While CAFTA has supported the TCA for the stability it provides, and advocated in the [media](#) for the swift passage of the implementing legislation, we have urged both sides to immediately begin to work on a permanent and comprehensive trade agreement. Part of the TCA is a clause that binds the parties to return to the negotiation table within [one year of entering](#) into force, endeavouring to conclude a new agreement within (3) three years. CAFTA will continue to urge the Government of Canada to swiftly return to the negotiating table to work towards an ambitious FTA that will lead to greater economic prosperity and address current trade limiting factors.

On March 12, the federal Government launched public [consultations](#) to get the views of stakeholders on trade negotiations with the UK, in the context of both a new, bilateral free trade agreement and the United Kingdom's potentially joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The submission period will last 45 days and end on April 27, 2021. CAFTA will submit comments outlining the importance of achieving meaningful outcomes and greater opportunities within a more ambitious trade pact.

### CAFTA sends [brief](#) on WTO Reforms to House of Commons Trade Committee

As the House of Commons Standing Committee on International Trade (CITT) conducted a study on WTO reform efforts, CAFTA sent a brief to provide its views on fixing the dispute settlement mechanism, improving transparency and revitalizing the WTO's role in securing new trade liberalization outcomes which have been stalled for too long.

Indeed, despite clear evidence that trade has contributed to unprecedented prosperity and development, respect for the rules and the institutions that govern it has severely eroded, paving the way for further disruption and trade-

distorting policies. And while global trade in food and agriculture has doubled since the entry into force of the WTO Agreement on Agriculture in 1995, the global legal regime for agri-food remains conspicuously weak. In particular, the rules do not adequately cover trade-distorting domestic support, subsidies and export competition. Efforts to ensure science-based, rules based and predictable conditions for farmers and food manufacturers are under pressure as a greater number of complex regulatory requirements is placed on exporters for legitimate and less legitimate reasons. There is a widespread evidence of the increased incidence of non-tariff barriers and trade distorting measures in agri-food trade over the past couple of decades. Just last September, a report by the UN Food and Agriculture Organization demonstrates that international trade is absolutely central to the future of agriculture and food globally. To this end, reforms and agriculture trade negotiations at the WTO are of immense importance. In its brief, CAFTA suggested five preliminary areas of focus for WTO reforms including:

1. **Safeguard the dispute settlement system.** The dispute settlement function is crucial in ensuring members' compliance with the rules. The impasse over the Appellate Body threatens the whole system.
2. **Update, strengthen, and modernize the current WTO rules.** WTO Members should continuously update agricultural trade rules to enhance the predictability of the global food supply.
3. **Improve the monitoring function of the WTO.** It is essential that WTO reforms improve the WTO's monitoring function to increase transparency, rigor on all critical areas such as subsidies, unnecessary technical barriers and sanitary and phytosanitary measures.
4. **Improve and expand its rule-making function.** WTO reforms should address and improve the decision-making processes so the organization can deliver more effectively.
5. **Launch a structured agri-food exporter's advisory committee.** WTO members should improve the provision of more timely and relevant information to better anticipate the complex challenges of global trade policy making in the modern world.

As a reminder, the Doha Development Round of WTO trade negotiations, which began in 2001 following the failed attempt in Seattle in 1999 to launch a new round, was an important focus for the CAFTA when the organization was created. While CAFTA's mandate has since widened to include FTAs, CAFTA has remained closely engaged on WTO matters and comments on WTO reforms and negotiations on a monthly basis in its newsletter [\*Trade Insights\*](#).

### **Meeting of Ottawa Group on WTO Reform**

It was a particularly uplifting Ottawa Group meeting on March 22 for a variety of reasons. First, the Group was joined by *Dr. Ngozi Okonjo-Iweala*, the recently appointed WTO Director-General, who shared her priorities for WTO reform and collaboration with the Ottawa Group.

During the meeting, ministers discussed progress on WTO reform efforts and identified key priorities in the lead up to the 12<sup>th</sup> WTO Ministerial Conference (MC12) and beyond. Specifically, the Group expressed support for three pillars of reform including "negotiations, dispute settlement and transparency and monitoring." The Ministers also agreed that the paralysis of the Appellate Body must be fixed as quickly as possible.

The United Kingdom's Secretary of State for International Trade, Liz Truss, also participated in the meeting, the first time a minister from the U.K. has engaged in the Ottawa Group. From the outset, CAFTA has supported the Ottawa Group and has applauded Canada's continued leadership in working with like-minded partners to advance key reforms. We will continue to do so.

### **Update on WTO SPS discussions**

At a meeting of the WTO [Committee on Sanitary and Phytosanitary](#) (SPS) Measures held March 25-26, WTO members addressed a wide array of specific concerns and were updated on COVID-19 related SPS issues. Members also discussed a possible SPS Declaration for the WTO's 12th Ministerial Conference (MC12) which is scheduled to be held in Geneva at the end of the year. The SPS Declaration is now co-sponsored by 22 delegations including Argentina, Australia, Brazil, Canada, Chile, Mexico, Singapore and the United States. These members have stated that adopting a Declaration at MC12 provides an opportunity for the SPS Committee to raise awareness about the importance of its work while at the same time allowing it to set a positive way-forward agenda for the future. CAFTA will continue to support this vital work.

The WTO Secretariat also recently provided an [update](#) on SPS issues related to COVID-19. Noting that around two-thirds of notifications by WTO members (38 in total) in response to COVID-19 are related to product standards and regulations, or procedures to assess conformity with such measures, (i.e. technical barriers to trade (TBT) and sanitary and phytosanitary (SPS) measures), the measures fall into four broad categories: streamlining certification procedures; ensuring that medical goods are safe; making food available by relaxing technical regulations; and addressing COVID-19 risks from international trade in live animals. We will continue to monitor updates regarding SPS issues closely.

### **Update on WTO Agriculture Discussions**

At a meeting of the Committee on Agriculture on March 10, the chair of the agriculture negotiations, Ambassador Gloria Abraham Peralta (Costa Rica), [urged](#) WTO members to seize on the momentum being created by the recent appointment of Director-General Ngozi Okonjo-Iweala and strive for meaningful outcomes at MC 12 later this year. The Ambassador noted DG Okonjo-Iweala's strong support for agriculture reform and other members expressed optimism that under new leadership, ambitious outcomes at MC12 can be achieved.

CAFTA is hopeful for progress on a variety of issues including domestic support, market access and transparency and will be tracking updates in the lead-up to MC12 and offering advice to the Canadian government on issues of importance for agri-food exporters. The reality is that the vast majority of WTO members want to see multilateral action taken when it comes to reducing trade-distorting domestic support. And George Mirna, Ambassador and Permanent Representative of Australia to the WTO recently posted an 'info graphic' on Twitter that stated "*the scale of agricultural subsidies is staggering. Governments provide a total of over half a trillion dollars in agricultural subsidies each year. If left unchecked, global domestic support entitlements could reach an astounding 2 trillion dollars by 2030. This is why the time to reform is now.*" This is something that the [Cairns Group](#) advocates for.

## **On Parliament Hill**

### **An update on Bill C- 216**

The Private Members Bill to exclude supply management from FTA negotiations has now passed second reading (Yeas: 250 - Nays: 80). Our advocacy efforts are now focused on getting the legislation to be effectively scrutinized at the Trade Committee (CITT). CAFTA has made its significant concerns known to [Party Leaders and MPs](#) and through the [media](#) and we will continue to do so. We are monitoring this legislation's progress closely.

### **Continued Advocacy and Virtual Outreach Meetings**

As we have done for well over a year, we have been meeting virtually with key Ministers, their senior staff as well as with Members of Parliament, including the House leadership of the government and opposition, with a particular focus on MPs and Senators that are on official Parliamentary Committees that deal with Trade and Agriculture and Agri-Food. The core objective of the meetings is to discuss important policy files impacting Canadian agri-food exporters, including an opportunity to reorient focus on the implementation of trade at Global Affairs and share our views about various trade agreements and negotiations. We will continue these comprehensive and robust discussions with policy- and decision-makers in the weeks and months ahead.

## **In case you missed it**

[Katherine Tai unanimously confirmed as first Asian American US trade representative](#)

[Competitive neutrality in competition policy](#)

[Comment: Expect more on 'competitive neutrality' in WTO reform talks](#)

[Competition policy, trade and the global economy: Existing WTO elements, commitments in regional trade agreements, current challenges and issues for reflection](#)

[No Quick Fixes for WTO Dispute Settlement Reform](#)

[UK MPs and business set up commission to improve the UK's trade deals](#)

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