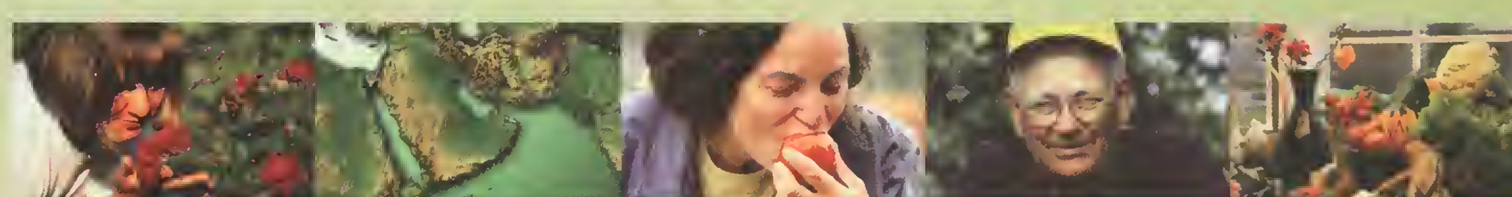
Agriculture and Agri-Food Canada
Agriculture et Agroalimentaire Canada

Making Progress in Global Agricultural Trade

An Update on the WTO Agriculture Negotiations



Canada

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An Update on the WTO Agriculture Negotiations

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Letter from the Minister

In November 2001, Members of the World Trade Organization (WTO) launched a broad round of multilateral trade negotiations in Doha, Qatar. They agreed to an ambitious reform-oriented mandate for the WTO agriculture negotiations in the areas of market access, domestic support and export competition. I was proud to have been part of an excellent Canadian delegation that was made up of representatives from Parliament, the federal government, the provinces and the industry, including many from the agri-food sector.

Achieving significant agricultural trade reform in the WTO is critical for our sector. Canada's primary goal in the negotiations is to ensure that our producers and processors are able to compete effectively with their foreign competitors on a level international playing field.

This booklet has been designed to provide a snapshot of the WTO agriculture negotiations. It sets out why these negotiations are so important for Canada, how they have progressed to date, what the negotiating dynamics are, what key issues are being discussed, and how negotiators are working to complete the negotiations within the timeframes set out in Doha.

Canada is well equipped for the WTO agriculture negotiations. We have a strong and credible negotiating position that has been serving us well since it was developed in close consultation with the provinces and agri-food stakeholders in 1999. The Government is fully committed to maintaining a constructive dialogue with stakeholders to ensure that they are informed of developments in Geneva as the negotiations progress.

I am pleased to announce that my Department, in partnership with the provinces, is holding regional information sessions to provide the full range of agri-food stakeholders with an update on the WTO agriculture negotiations as they progress. My officials will also continue to work with industry through participating in ongoing agri-food industry association meetings over the course of the negotiations.

I trust that you will find this document interesting and informative.

Lyle Vanclief
Minister of Agriculture and Agri-Food
and Minister Coordinating Rural Affairs

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Introduction

Canada is a trading nation. In 2001, Canada exported $468 billion in goods and services, amounting to approximately $15,586 for every single Canadian. As Canada is a nation with a relatively small population, trade is important for economic growth and to enhance the quality of Canadian life. Success in the international marketplace helps give Canadians the economic energy we need to sustain economic growth.

Canada's agriculture and agri-food sector is fully reflective of this reality. Continuing to achieve success in international markets is key to the future of Canada's agriculture and agri-food sector, which is itself vital to a prosperous Canada. Canadian farmers and processors operate in a global marketplace — exporting fully $26.6 billion and importing $19.2 billion worth of agri-food products in 2001 alone.

Ensuring future success in international markets is an underlying objective of the proposed new Canadian Agricultural Policy Framework. This new Framework is currently being collaboratively developed by the Government of Canada, provincial and territorial governments, and agriculture and agri-food stakeholders. It is designed to enhance Canada's reputation as the world leader in food safety, innovation and environmentally responsible production to ensure that Canada continues to be successful in international markets.

Capitalizing on Canada's reputation as a world leader will only provide returns insofar as we continue to open up new markets for our agri-food exports and to ensure that our farmers and processors are not at a competitive disadvantage vis-à-vis their foreign competitors. On this basis, the Government of Canada is dedicated to pursuing the agri-food sector's interests in all international fora where discussions and negotiations are relevant to the livelihood of our farmers and processors. The federal government, in consultation with the provinces, territories and agri-food stakeholders, is working hard to make progress in many of these important international discussions.

There is no international discussion of greater significance to the agri-food sector than the current round of WTO agriculture negotiations. Canada's primary objective in these negotiations is to level the international playing field, thus allowing our farmers and processors the opportunity to successfully compete on an equal footing within international markets. A successful result in the WTO agriculture negotiations will address some of the challenges currently facing the agriculture sector and provide opportunities for continued growth and prosperity in the future.

Addressing the needs and concerns of developing countries is another important aspect of Canada's international trade policy efforts within the WTO agriculture negotiations. At the WTO Ministerial Conference in Doha, Qatar, in November 2001, WTO Members made a commitment to address the concerns of developing countries when launching a broad new round of WTO negotiations. In fact, the mandate given for this broad new round is referred to as the Doha Development Agenda.

Canada has been, and will remain, a leader in pursuing this important objective. Addressing the concerns of developing countries is of benefit to all WTO Members, developed and developing countries alike. Markets in developing countries are expected to be the major source of growth in demand for agri-food products in the coming years. Therefore, we need to ensure that developing countries are confident that their concerns regarding their place in global trade are being addressed in the agriculture negotiations. It is in Canada's interest to ensure that developed and developing countries continue to work collectively toward achieving a substantial result in the WTO agriculture negotiations. Exporters in both developed and developing countries need to be certain that all markets (and especially those with the highest growth potential) are fully part of the global trading system.

This document is designed to provide information to agriculture and agri-food stakeholders about the WTO agriculture negotiations and to raise awareness of the important issues being discussed as the negotiations progress over the coming year. It provides an overview of the negotiations, in terms of the process for completing the negotiations by January 1, 2005, the dynamics of the negotiations, and the range of issues that are being discussed. It also contains a number of annexes and links to other sources of relevant information.

It is anticipated that this document will serve as a good reference piece for stakeholders. This document is also intended to complement the ongoing consultation effort that the Government of Canada will be undertaking in partnership with the provinces as the WTO agriculture negotiations progress over the coming year.

Toward a Level International Playing Field

Canada is a major agricultural producer with a relatively small population. We export almost half of our farm production, either directly as primary products or indirectly as value-added processed products. Canada's agri-food sector contributes $5 billion to $7 billion to Canada's trade balance each year.

In recent years, Canada's agri-food exports have increased rapidly. Between 1990 and 2001, they more than doubled, reaching $26.6 billion a year in 2001. Much of this growth occurred in value-added products, which now account for the majority of agri-food exports. In 1999, Canada was the world's third largest exporter of agri-food products, after the United States and the European Communities, and accounted for fully 3.5% of the world's agri-food exports.

Canada is also one of the world's major agri-food importers. We imported $17.4 billion worth of agri-food products in 2000 and $19.2 billion in 2001. Imports add to the well-being of Canadians by expanding their access to, and choices of, a wide variety of agri-food products from around the world. They also generate employment and contribute to the health of our agri-food sector, especially the processed foods industry.

Given our share of global agri-food trade, Canada has a significant interest in ensuring that the international trade rules governing agriculture are fair. We need to ensure that our producers and processors can obtain access to foreign markets and that they are not disadvantaged by high subsidy levels offered by other countries. In short, our producers and processors need a level playing field on which they can compete. This is vital to the health and sustainability of our agri-food sector.

WTO Members have been involved in new agriculture negotiations since 2000 to build on the gains that were made during the Uruguay Round. Canada is working hard in these negotiations to achieve a level playing field. For Canada, this means developing and implementing clear, enforceable trade rules and commitments that apply equally to all countries. This will ensure that we reduce or eliminate trade-distorting subsidies and that we improve market access for all products in all markets.

At home, we are developing a new Agricultural Policy Framework aimed at ensuring that Canada is an international leader in food safety and food quality, environmental protection, renewal and science, and risk management. In tandem with this new Framework's vision of putting Canada's agri-food sector first, making real progress in the WTO agriculture negotiations will further enhance the sector's ability to thrive in the changing international marketplace.

Canada's New Agricultural Policy Framework

The Government of Canada and the provincial and territorial governments are working with Canadian stakeholders to develop a new direction for Canada's agricultural policy. The objective is to make Canada the world leader in food safety, innovation and environmentally responsible production. This proposed policy direction recognizes the increased challenges that Canadian producers face as they work to adapt to rapid advances in technology and to compete against other countries in an increasingly complex global food market. For more information, see **www.agr.gc.ca/puttingcanadafirst**.

The Uruguay Round Agreement on Agriculture — A Good Start

The Uruguay Round of multilateral trade negotiations (1986–1993) marked the first time that agriculture was brought under a rules-based regime with binding commitments to reduce support and protection.

The Uruguay Round Agreement on Agriculture made a good first step in setting out agricultural trade rules and commitments in the areas of market access, domestic support and export competition. Annex A provides a summary of the Agreement on Agriculture. For example, the market access disciplines of the Agreement on Agriculture made major progress by converting non-tariff barriers into tariffs. Global domestic support levels started to decline once the Agreement on Agriculture came into effect in January 1995, and some Members have shifted part of their domestic support into less trade-distorting programs.

To meet the needs and concerns of developing countries in the global trading system, special and differential treatment provisions for developing countries were also incorporated into a wide range of WTO Agreements, including the Agreement on Agriculture. The Agreement on Agriculture offered special and differential treatment provisions to developing countries in the areas of market access, domestic support and export competition through a variety of ways, such as lower reduction commitments and longer implementation periods for developing countries, and no reduction commitments for least-developed countries.

The Three Pillars of the Agreement on Agriculture

The Agreement on Agriculture sets out rules for international agricultural trade under three key headings. These three headings have become known as the "pillars" of the Agreement. They include:

- Market access, e.g. tariffs;
- Domestic support, e.g. subsidies; and
- Export competition, e.g. export subsidies.

Special and differential treatment provisions for developing countries were also included within each pillar. Each WTO Member agreed to specific binding commitments within each pillar. These binding commitments are included in Members' schedules.

However, more work is needed to advance the trade-reform process that began in the Uruguay Round, so that agricultural producers and processors can compete on a fair and level playing field. Tariff levels among WTO Members and across agricultural commodities still have substantial disparities. Tariffs on agricultural products are still higher than those on industrial products. They are also more dispersed. In many cases, tariffs increase with the level of processing (known as "tariff escalation"). For example, Japan offers duty-free access on canola seed and applies a tariff of 13.2 yen/kg on canola oil.

Similarly, support levels in certain countries have increased in response to low commodity prices since 1998. Consequently, the disparities in total support levels among countries and across commodities have widened to a level not seen since the mid-1980s. Furthermore, while the Agreement on Agriculture introduced effective disciplines on export subsidies, it left scope for certain countries to continue providing significant amounts of export subsidies. Many WTO Members are calling for the elimination of export subsidies during the WTO agriculture negotiations.

Finally, developing countries are calling for enhanced special and differential treatment provisions that are operationally effective and that enable them to effectively take account of their development needs. In addition, they are also calling for capacity building and trade-related technical assistance.

Making Progress in the WTO Agriculture Negotiations

Under the Uruguay Round Agreement on Agriculture, WTO Members committed to continue the process of agricultural trade reform by entering into new negotiations in 2000. This process has been under way since March 2000 at the WTO in Geneva, Switzerland.

Canada's Negotiating Objectives

Canada is well prepared for the current WTO agriculture negotiations. Canada's negotiating position, announced by the Government of Canada in August 1999, was developed in close consultation with agri-food stakeholders and the provinces. Canada's primary objective for the negotiations is to level the international playing field by reducing inequities among countries in the provision of subsidies and access to markets. We are seeking significant further reforms in the core areas of market access, domestic support and export competition.

Specifically, we are seeking:

- the complete elimination of export subsidies;
- maximum reductions in production- and trade-distorting domestic support, including an overall limit on domestic support of all types; and
- real and substantial market access improvements for all agriculture and food products.

Marketing and production decisions will continue to be made in Canada.

For more detailed information on Canada's negotiating position, see Annex C.

Between March 2000 and March 2001, Members submitted proposals outlining their ideas and objectives for the agriculture negotiations. A wide range of WTO Members, including both developed and developing countries, put forward proposals that covered issues such as market access, domestic support, export competition, food security, and special and differential treatment provisions for developing countries. Canada put forward all of our negotiating objectives through proposals and submissions, either on our own or jointly with the Cairns Group. From March 2001 to February 2002, Members discussed the issues raised in the proposals in more detail. For the actual proposals, visit the WTO Web site at **www.wto.org.** See Annex B for a more detailed discussion of the range of views that were put forward by Members.

Changing Dynamics of the Negotiations

The dynamics of the current WTO agriculture negotiations have been much different than during the Uruguay Round. There are currently 144 Members of the WTO, all of whom participate in the negotiations (see Annex D for a list of current WTO Members). Traditional leaders in multilateral trade negotiations such as the United States, the European Communities, Japan and Canada have now been joined by a host of other WTO Members, including China. This has led to a much more complex, politically charged negotiating environment, as developed and developing countries have been working to achieve both their collective interest in agricultural trade reform and their own national objectives.

Canada's Alliances

Canada has been actively promoting our negotiating objectives in the agriculture negotiations, both by ourselves and with other countries that share some, or all, of our objectives. When working with other countries, such as those in the Cairns Group or the United States, we have found a great deal of agreement on many broad goals and objectives. However, we have also found a wide variation in the details of how to achieve them. Nevertheless, Canada has sought to work with broad coalitions to maintain pressure for agricultural trade reform, while continuing to promote and explain our own approach to the details.

To ensure transparent decision-making within the WTO, meetings are generally open to all Members. In the case of the agriculture negotiations, a great number of countries may intervene on any given issue. For example, sometimes there are up to 60 countries participating on specific issues. This means that Members with similar views on specific issues often find it effective to group themselves with others to obtain more negotiating leverage. In the WTO agriculture negotiations, there has been a significant increase in the number of informal, often fluid, groups and coalitions that are active on particular issues. These include, among others, the African Group, the Association of Southeast Asian Nations (ASEAN), the Cairns Group, the Caribbean Community (CARICOM) and the Southern Cone Common Market (MERCOSUR). Least developed countries and "net food importing developing countries" have also been working together on selected issues.

The Cairns Group

The Cairns Group was established in 1986 by a group of small- and medium-sized agricultural exporting countries to pursue common agricultural trade objectives in the Uruguay Round. The members of the group share a common interest in achieving improved trading conditions for the export products that their agricultural sectors rely on for growth.

The members of the Cairns Group are: Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, South Africa, Thailand and Uruguay.

The Cairns Group is a significant player in the WTO. It is recognized as an important, if not key, interlocutor vis-à-vis the United States and the European Communities. The Cairns Group has been particularly effective in keeping the need for fundamental reform of agricultural trade at the centre of the WTO's negotiating agenda.

Notes

The Impact of Doha

Doha — Moving Forward

The fourth WTO Ministerial Conference was held in Doha, Qatar, in November 2001. WTO Members agreed to launch a new broad-based round of multilateral trade negotiations, incorporating the ongoing comprehensive agriculture and services negotiations. The timeframe for the negotiations is three years; they are to conclude by January 1, 2005.

The Agriculture Mandate

WTO Members set out a clear, ambitious mandate for agriculture by committing themselves to "comprehensive negotiations aimed at: substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support." They agreed that special and differential treatment provisions for developing countries are an integral part of all elements of the negotiations, and confirmed that non-trade concerns will be taken into account in the negotiations as provided for in the Agreement on Agriculture.

The Doha mandate for agriculture is good news for Canada. It represents the first time that all WTO Members, including the European Communities, have agreed to work toward the elimination of export subsidies. Achieving this ambitious mandate would go a long way towards addressing the fundamental issues underlying a number of the difficulties that Canadian farmers currently face.

The Doha Mandate for the Agriculture Negotiations

Paragraphs 13 and 14 of the Doha Ministerial Declaration, adopted on November 14, 2001, contain the mandate for the WTO Agriculture Negotiations.

13. We recognize the work already undertaken in the negotiations initiated in early 2000 under Article 20 of the Agreement on Agriculture, including the large number of negotiating proposals submitted on behalf of a total of 121 Members. We recall the long-term objective referred to in the Agreement to establish a fair and market-oriented trading system through a programme of fundamental reform encompassing strengthened rules and specific commitments on support and protection in order to correct and prevent restrictions and distortions in world agricultural markets. We reconfirm our commitment to this programme. Building on the work carried out to date and without prejudging the outcome of the negotiations we commit ourselves to comprehensive negotiations aimed at: substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support. We agree that special and differential treatment for developing countries shall be an integral part of all elements of the negotiations and shall be embodied in the Schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated, so as to be operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural development. We take note of the non-trade concerns reflected in the negotiating proposals submitted by Members and confirm that non-trade concerns will be taken into account in the negotiations as provided for in the Agreement on Agriculture.

14. Modalities for the further commitments, including provisions for special and differential treatment, shall be established no later than 31 March 2003. Participants shall submit their comprehensive draft Schedules based on these modalities no later than the date of the Fifth Session of the Ministerial Conference. The negotiations, including with respect to rules and disciplines and related legal texts, shall be concluded as part and at the date of the conclusion of the negotiating agenda as a whole.

The Negotiating Process

At Doha, WTO Members agreed that the overall conduct of the round would be supervised by a Trade Negotiations Committee (TNC). During the first meeting of the TNC in late January 2002, WTO Members agreed that the Committee would be chaired by the Director General of the WTO (currently Mike Moore of New Zealand, and Supachai Panitchpakdi of Thailand as of September 2002).

Furthermore, the TNC agreed that the agriculture negotiations will continue to be undertaken by Special Sessions of the WTO Committee on Agriculture, as has been the case since the negotiations began in March 2000. Hong Kong's Ambassador to the WTO, Mr. Stuart Harbinson, was selected by WTO Members to chair the agriculture negotiations until the fifth WTO Ministerial Conference in late 2003. Canada's ambassador to the WTO, Mr. Sergio Marchi, was selected to replace Ambassador Harbinson as chair of the General Council.

Doha's Broader Agenda

In addition to the agriculture and services negotiations that began in March 2000, WTO Members launched new multilateral trade negotiations in Doha. Members agreed to negotiate on:

- market access for non-agricultural products;
- clarifications and improvements to the disciplines on anti-dumping and subsidy and countervailing measures, and the disciplines and procedures respecting regional trade agreements;
- establishment of a multilateral system of notification and registration of geographical indications for wines and spirits under the Agreement on Trade-Related Aspects of Intellectual Property Rights;
- clarifications and improvements to the Dispute Settlement Understanding; and
- the relationship between WTO rules and multilateral environmental agreements (MEAs), with the understanding that these negotiations will not alter Members' rights and obligations under the WTO; procedures for information exchange between the MEA Secretariat and relevant WTO bodies; and market access for environmental goods and services.

Some of these areas are particularly relevant to agriculture. They include the negotiations on anti-dumping, subsidy and countervailing measures, the environment, and trade-related aspects of intellectual property (i.e. geographical indications for wines and spirits).

These negotiations are complemented by a full work program in diverse areas, including the Singapore issues — investment, competition policy, trade facilitation, and transparency in government procurement; small economies; the relationship between trade and technology transfer; and the relationship among trade, debt and finance.

At the fifth WTO Ministerial Conference in Mexico in late 2003, Members will also make a decision on negotiation of the Singapore issues.

For more information on the broader agenda, see **www.dfait-maeci.gc.ca/tna-nac/wto-e.asp**.

Mr. Stuart Harbinson — Chair of the WTO Agriculture Negotiations

Mr. Stuart Harbinson was posted to Geneva as Hong Kong's Ambassador to the WTO in September 1994. Between 1995 and 2002, he chaired various WTO bodies, including the WTO General Council. As Chair of the General Council, Mr. Harbinson played an instrumental role in the development of the Doha Ministerial Declaration and clearly demonstrated his ability to successfully reconcile divergent views on difficult and sensitive issues.

The Doha mandate and timetable will intensify the level of discussions that have been taking place since March 2000. This will allow the negotiations to advance more quickly. WTO Members will now move beyond simply proposing and discussing ideas and negotiating objectives.

Over the coming year, WTO Members will be negotiating "modalities." These are rules and commitments for agricultural trade. Modalities will be negotiated in the areas of market access, domestic support and export competition. For example, Canada and many other Members have called for the elimination of all forms of export subsidies. Through the modalities, Members will have to identify and define what they mean by "wanting to eliminate export subsidies," how they should calculate their existing subsidies, and what formula they should apply in reducing them or phasing them out. Similarly, the modalities would deal with reductions in domestic support and improvements in market access.

The Negotiating Timetable

The Doha Declaration requires that Members establish these modalities by March 2003. Following this, Members are required to put forward offers, or draft schedules of commitments. For example, in the area of domestic support, an offer would include a breakdown of how Members would reduce trade-distorting support over a set period of time. Members are to submit offers by the time of the fifth WTO Ministerial Conference in Mexico in late 2003.

Members will review the progress of the agriculture negotiations at the fifth Ministerial Conference in Mexico. It is also possible that they may provide further direction to the work of the agriculture negotiators, and/or to make political decisions to enable the negotiators to continue moving forward in the negotiations.

Negotiations in 2004 would finalize both the text of the Agreement on Agriculture and the country schedules. As noted earlier, the target for concluding the entire Doha round of negotiations, including agriculture, is January 1, 2005.

Accessions to the WTO

A total of 44 governments have applied to join the WTO. Sixteen of these governments, including China, Ecuador, Panama and Taiwan, have completed the accession process and are now WTO Members. Russia, Ukraine and Saudi Arabia are some of the larger countries that are currently working within the accession process.

The Doha Development Agenda

Developing countries have become major participants in this round of multilateral trade negotiations. Indeed, the Doha Declaration is being referred to as the "Doha Development Agenda" in recognition of the need for all Members to benefit from the increased opportunities and gains that multilateral trade generates. This marks an important collective political commitment, one that places the needs and interests of developing countries at the heart of all the negotiations. It also acknowledges the importance of technical assistance and capacity building to help developing countries realize their full potential in the global trading system. Achieving significant reform in agriculture — generally one of the areas where developing countries have important comparative advantages — will be a key part of delivering on the Doha development agenda.

Many developing countries are seeking a level playing field — through real and meaningful agricultural trade reform — to address development and food security goals. High levels of support and protection have prevented many developing countries from achieving their true agricultural potential and have limited their ability to alleviate poverty. Achieving significant trade reform in the current agriculture negotiations would go a long way toward removing these impediments.

Canada is working closely with developing countries that share a commitment to significant agricultural trade reform such as the developing countries in the Cairns Group. This has been a very valuable means of advancing our common trade policy interests. By offering Canada a chance to understand the concerns of developing countries more fully, these alliances have put us in a better position to work toward concluding an agreement that reflects the needs of all WTO Members.

China's Accession

China officially became a Member of the WTO at the Doha Ministerial Conference in 2001. As part of the accession protocol, China will significantly improve access to its market for a wide range of priority Canadian agricultural products, including grains and oilseeds. China is Canada's fifth largest trading partner for agricultural exports and imports, and has one fifth of the world's population. Its accession will allow Canada to take full advantage of new market opportunities while ensuring that China's trade regulations are consistent with WTO rules, transparent, predictable and non-discriminatory.

China's membership in the WTO may influence the dynamics of this round of negotiations, including agriculture. China has been quietly supportive of a broad round and is beginning to assert its leadership. It is expected that China will play a pragmatic role, aligning with or leading other developing countries to achieve its interests.

Success in the agriculture negotiations will require that all Members, developed and developing, engage in the process of agricultural trade reform. Frustrated with high levels of support and the lack of opportunities to access markets, a few developing countries are demanding that developed countries undertake significant agricultural trade reform, while developing countries maintain or increase their flexibility to subsidize and protect their agricultural sectors.

For Canada, this approach does not hold promise for a successful result in agriculture. We agree that the major problems in agricultural markets are the result of high support and protection in a few rich markets, and that those distortions must be addressed. However, a fair and market-oriented agricultural trading system covering all countries can contribute significantly to development. It is recognized that international trade can play a major role in the promotion of economic development and the alleviation of poverty. Furthermore, markets in developing countries are expected to be the major source of growth in demand for agri-food products in the coming years. In order for WTO Members to negotiate a result that is beneficial to all, therefore, exporters in both developed and developing countries need to be assured that those growing markets will be fully part of the global trading system.

More importantly, however, success in the agriculture negotiations will also require developed countries to address the concerns of developing countries and to demonstrate that they are willing to deliver on the commitments made in Doha.

Consulting With Canadians

Canada is one of the world's largest agricultural exporters and importers. We have a fundamental interest in further strengthening the international rules that govern global agricultural trade and in levelling the international playing field on which our producers and processors compete.

This is why the current WTO agriculture negotiations are so important. Canada is working hard to ensure that real progress is made. We are working with other Members who share our commitment to agricultural trade reform. We are also working to address the concerns of developing countries within the context of trade reform to ensure a successful resolution to the negotiations.

A lot of hard work needs to be undertaken in the coming year to deliver on the ambitious mandate set out at the Doha Ministerial Conference. Canada is well equipped with our negotiating position, which was developed in close consultation with agri-food stakeholders and the provinces, and announced by the Government in August 1999.

The Government of Canada will continue to consult the full range of Canadians over the course of the agriculture negotiations. We are committed to maintaining a constructive dialogue with stakeholders in a variety of ways, including ongoing government participation in agri-food industry association meetings, as well as a series of regional information sessions that are being undertaken in partnership with provincial governments. The Government will also be concurrently consulting Canadians on other aspects of the Doha Round of multilateral trade negotiations beyond agriculture.

Notes

Key Results of the Uruguay Round

By providing a framework for long-term trade reform, the Uruguay Round Agreement on Agriculture represented an important first step toward increasing the market orientation of agricultural trade. Rules governing agricultural trade were strengthened, and this has led to increased predictability and stability in international trade for importing and exporting countries alike.

The Three Pillars of the Agreement on Agriculture

The Agreement on Agriculture sets out rules for international agricultural trade under three key headings. These three headings have become known as the "pillars" of the Agreement: market access, domestic support and export competition. Special and differential treatment provisions for developing countries were also included within each pillar. Each WTO Member agreed to specific binding commitments within each pillar in order to implement their legal obligations. These binding commitments are included in Members' schedules.

Market Access

The Agreement on Agriculture sought to reduce barriers to market access for agricultural trade and to make them more transparent. All tariffs were reduced according to a formula and bound. In a process known as tariffication, WTO Members committed themselves to converting their non-tariff border measures (e.g. import quotas, quantitative restrictions) into tariffs, with tariff rate quotas (TRQs) to preserve access. TRQs allowed for a certain amount (or quota) of imports to enter a market at a low tariff rate. Any imports over and above the quota amount were then subjected to a much higher, and often prohibitive, tariff rate.

WTO Members were required to bind all tariffs, meaning that they would not increase tariffs above a certain fixed (or bound) level unless compensation was negotiated with other WTO Members. Tariff levels were reduced over an implementation period by a set average, with minimum reductions for each tariff line (15% for developed countries, 10% for developing countries). Developed countries reduced bound tariffs by an average of 36% over 6 years, and developing countries reduced bound tariffs by an average of 24% over 10 years.

The special safeguard (SSG) was included in the Agreement on Agriculture to allow Members to respond to import price fluctuations or import surges. It may be used only by those Members who tariffied non-tariff measures and only for those products designated in their schedules. In practice, the SSG has been used sparingly by only a handful of Members, including the European Communities (EC), Japan, Poland and the United States.

Domestic Support

The Agreement on Agriculture subjects all support in favour of agricultural producers to a ceiling commitment, except certain support that is exempt from commitment. The exemptions are based on the extent to which support measures are considered not to distort production or trade. Some of the categories of domestic support are often given colour labels (green, blue, amber) and the categories of support are often called boxes.

"Amber box" support is considered to distort production or trade and is subject to commitment under the Agreement. About 30 WTO Members, including Canada, the United States, the European Communities and Japan, have commitments to keep their amber support below a certain country-specific amount. Members without commitment must keep their amber box support to minimal, or "*de minimis*," levels (i.e. within 5% of the value of agricultural production for developed countries and 10% for developing countries). Commitments on amber support are taken in terms of the Total Aggregate Measurement of Support (Total AMS). The total AMS covers all amber support provided on either a product-specific or non-product-specific basis other than amber support that is exempt from commitment (blue box, *de minimis* or certain support in developing countries).

"Green box" support is considered to distort trade or production no more than minimally. Green box support is therefore exempt from commitment. The support has to be government-funded and must not have the effect of price support. Green box support must also meet criteria that are specific for each policy type. These policy types include general government services, such as research, disease control, marketing and promotion, and infrastructure. They also include direct payments to producers, such as certain forms of "decoupled" income support, structural adjustment assistance, and payments under environmental programs and regional assistance programs.

"Blue box" support is considered to distort trade or production less than many other forms of support. Blue box support does not meet the criteria of the green box, but because it does meet certain other criteria, it is considered to distort less than amber support and is exempt from commitment. Blue box support are payments made under production-limiting programs. Moreover, the payments must be made on fixed areas and yields, on fixed numbers of livestock, or on no more than 85% of a base level of production.

Certain investment and input subsidies provided by developing countries are exempt from commitment even though these subsidies can distort trade. This exemption is one of the special and differential treatment provisions of the Agreement. Least developed countries (LDCs) are completely exempt from all AMS commitments.

Relatively small amounts of support in favour of agricultural producers are also exempt from commitment under the *de minimis* provisions of the Agreement. If support that is not exempt on grounds of meeting the criteria of the green box or the blue box, or certain input subsidies in developing countries, does not amount to more than 5% of the value of production (10% for developing countries), this *de minimis* support need not be subject to commitment. The *de minimis* exemptions apply separately to product-specific support and to support to agriculture as a whole.

Developed countries with reduction commitments were required to reduce Total AMS by 20% over 6 years (1995–2000). Developing countries with reduction commitments were required to reduce Total AMS by 13% over 10 years (1995–2004).

Export Competition

The Agreement on Agriculture disciplined export subsidies by placing both the value and volume of subsidized exports under broad limits that decline over the implementation period. A total of 25 Members, including Canada, have commitments to reduce export subsidies based on their use of export subsidies in 1986–1990. For all other Members, the use of export subsidies is prohibited (with the exception of certain defined subsidies for developing countries). For those developed countries with reduction commitments, they were required to reduce their expenditures on export subsidies by 36% from the 1986–1990 average annual level over a 6-year implementation period and the quantity of subsidized exports by 21% over the same period. In the case of developing countries with reduction commitments, the reductions are two-thirds those of developed countries over a 10-year period.

The Agreement also included provisions aimed at preventing Members from getting around their commitments to prohibit and reduce export subsidies. The Agreement also set out criteria for food aid donations and committed Members to negotiate internationally agreed disciplines on the use of export credit for agricultural products.

Negotiating Objectives of Other Key Countries in the Negotiations

The following summarizes the range of proposals, from various countries, submitted during the first two years of the agriculture negotiations, in the areas of market access, domestic support and export assistance.

Market Access

Under the Uruguay Round Agreement on Agriculture, non-tariff measures — including import quotas and prohibitions, variable import levies and minimum import price systems — were eliminated and replaced by tariff equivalents. All tariffs were reduced according to a formula and bound against increase. Tariff reductions were 36% on average, with a minimum of 15% by tariff line, over 6 years for developed countries. Two thirds of these reductions are required of developing countries over 10 years.

Existing levels of base-period imports were to be preserved where imports were above 5% of consumption in the 1986–1988 base period. Minimum access commitments in the form of tariff rate quotas (TRQs) were established for other products under which imports were to be brought to the level of 5% of 1986–1988 consumption.

A special safeguard provision allows countries to increase out-of-quota tariffs where import volumes exceed certain trigger levels or where import prices fall below reference prices.

Issues in the negotiations related to market access will focus on five specific areas: tariffs, including the issue of tariff dispersion (i.e. concerns about tariff peaks and escalation); the size of access under TRQs; the administration of TRQs; zero for zero agreements; and the special safeguard. There will also be overarching issues related to the need for special and differential treatment for developing countries.

Tariffs

A variety of methods for cutting tariffs have been used in earlier rounds, although recent negotiations have used formula approaches rather than a request–offer approach. Different formula approaches have been used, including simple across-the-board reductions; average cuts, with a minimum per tariff line; and arithmetic formulas that result in deeper percentage cuts on higher tariffs. Over-quota tariffs on products subject to TRQs are expected to be a focus of tariff reduction efforts by many Members. Real improvements in market access can also be achieved through in-quota tariff reductions since in-quota rates for some products and Members are substantial and create a barrier in themselves.

Many Members want reductions in all tariffs and want to avoid a result that allows Members to shelter some products from average cuts. Some favour reductions in all tariffs but using a formula that would allow Members to cut tariffs on some products by lower than the required average. Others are calling for a variety of negotiating approaches that would include a "cocktail formula" approach (with many different views as to what this might encompass) combined with non-formula approaches. Several Members are seeking the reduction or elimination of tariff peaks and tariff escalation. In terms of tariff reduction approaches, Canada is making a distinction between single-stage tariffs and two-stage tariffs.

For ordinary tariffs, Canada is seeking the maximum negotiable reduction in tariffs through approaches that substantially reduce both the disparity in final bound rates for similar competing products and tariff escalation between primary and processed forms of the same product. Canada is also seeking binding rules to require the elimination of tariffs within TRQs where over-quota tariffs are maintained at levels that limit access to the size of the within-quota volume.

Size of TRQ Access

TRQs were established as a result of the Uruguay Round's (UR) tariffication process. Members agreed to convert existing quotas into TRQs as part of their UR commitments. In 2000, 38 Members, including Canada, listed a total of 1,376 TRQs in their schedules. The volume of imports that are eligible for the lower tariff (i.e. the within-access volume) will be a key negotiating issue. Some Members are seeking an enlargement of the within-access volumes, calling for substantial increases in TRQ volumes. Others are seeking the elimination of TRQs through significant reductions of over-quota tariffs. Still others are seeking greater equity in the size and methods of calculating within-access volumes to ensure a more level playing field. These Members are calling for a common base period for calculating domestic consumption and determining access according to a specific product basis. Some Members are remaining silent on TRQ expansion, preferring to address TRQ administration before discussing any expansion in TRQs. One Member is seeking to reduce the size of some of their TRQs.

Canada is seeking binding rules to require that any tariff over a specified level be accompanied by a minimum access commitment equal to at least 5% of current consumption of the product concerned. The tariff quotas must be on a specific product basis (e.g. pork, not meat; barley, not feed grains) so as to reduce the disparity in effective market access across WTO Members and across products.

TRQ Administration

TRQ administration was not discussed as part of the UR agriculture negotiations. Members had broad flexibility to determine how to administer their TRQ commitments. In cases where Members replaced existing quotas with TRQs, the methods of administration were frequently similar to those that had been used for the quotas they replaced. The current WTO rules relevant to TRQ administration include, among others, the provisions of the General Agreement on Tariffs and Trade (GATT) 1994 and the UR's Agreement on Import Licensing Procedures (AILP).

Many WTO Members have argued that TRQ administration practices must be examined to ensure greater transparency. Some have focussed mainly on achieving high levels of tariff quota "fill"(i.e. the extent to which a tariff quota is utilized or filled), seeing chronic underfill of any TRQ as a problem to be addressed. Others are seeking legal certainty that particular methods of administration or allocation are acceptable. Others have proposed that each Member be allowed to administer TRQs in a manner that reflects their individual needs and circumstances, subject to broad guidelines on transparency and equity. Most agree that Members should have some flexibility and discretion to choose which administration method(s) they can use for agricultural TRQs, but that an agreed set of rules or principles is needed to create the framework within which each Member could implement their TRQ commitments.

Canada is seeking binding rules regarding the administration of TRQs, including the possible elimination of country-specific allocations, to ensure that administrative practices do not frustrate the agreed-upon access.

Zero for Zero Agreements

Canada and the United States have been the two main proponents of sectoral initiatives as a complement to comprehensive approaches to tariff reductions covering all products. Some Members see some merit in pursing sectoral initiatives for certain specific sectors. Other Members have expressed concerns that sectoral initiatives would detract from the ability of comprehensive approaches to addressing sensitive sectors or tariff peaks.

Canada is seeking the elimination of tariffs (as well as export subsidies and export taxes) on oilseeds and oilseed products, barley and malt, and any other sectors where this approach is supported by Canadian industry and can be agreed on by a critical mass of major trading countries.

The Special Safeguard

The special safeguard (SSG) was included in the Agreement on Agriculture to allow Members to temporarily impose additional duties on imports if certain conditions were met. The purpose of this was to enable Members to respond to import price fluctuations or volume surges on certain products.

Proposals regarding the SSG range from abolishing it completely, to retaining it in its current form, to revising it to prevent its use on products from developing countries. Some developing countries have proposed that the SSG should be available only for them to use, not for developed countries. Two Members have proposed that an additional safeguard be included in the Agreement on Agriculture for perishable and seasonable products.

Special and Differential Treatment for Developing Countries

In the area of market access, developing countries are seeking substantially improved access for their products of export interest. Many Members are calling for duty-free quota-free access for products from least-developed countries. Those who have benefited from trade preferences want to maintain meaningful preferences; they also want to minimize any adjustment costs and be given appropriate time to adjust. Most want to be given flexibility in their tariff reductions, particularly on sensitive products. Some want to exempt key products or basic food security crops from reduction commitments and renegotiate low tariff bindings on these products. Others are seeking flexibility to rationalize and rebalance tariff bindings on some or all agricultural products. A few developing countries have tied any further tariff reductions on their part to the substantial reduction or elimination of export subsidies and domestic support by developed countries.

Canada agrees that there is an important role for special and differential treatment to facilitate the transition by developing countries to a more market-oriented agricultural trading system. We recognize the need to adapt the pace of trade reform to the circumstances of different countries appropriate to different levels of development. We do not, however, support the creation of two classes of rules and commitments — one for developed countries and one for developing ones. Instead, Canada is looking for a fair and market-oriented trading system for all WTO Members, one that offers developing countries flexibility in the pace of getting there. This could include longer implementation periods and smaller reductions to levels of support and protection.

Canada presently offers duty-free access to virtually all agricultural products (i.e. more than 99% of imports) originating from least-developed countries. We are currently consulting on options for eliminating all remaining tariffs on imports from least-developed countries, with the exception of tariffs on products under supply management.

Domestic Support

The Agreement on Agriculture categorized domestic support in favour of agricultural producers based on the degree to which it distorts production or trade. Some of the categories have been labelled by colour (green, blue, amber). Some domestic support is subject to commitment (reduction commitment through 2000 for developed countries, now continuing as a ceiling commitment, and reduction commitment through 2004 for developing countries, to be followed by a ceiling commitment).

The Agreement on Agriculture contains a peace clause that provides some protection for Members who provide support in compliance with their commitment from being challenged under other WTO agreements, such as the Agreement on Subsidies and Countervailing Measures. The peace clause will expire at the end of 2003 unless it is renewed or extended.

Green Box

A wide range of Members has proposed that the green box criteria be reviewed to ensure that only support that truly does not distort production or trade can be included in the green box. This is based on concerns that some support now qualifying for the green box influences production and/or prices, and therefore distorts production or trade. Other Members disagree and argue that the current green box criteria should not be changed because they are satisfactory. Still other Members have proposed that the green box itself should be expanded to allow other categories of support to be exempt from commitment because the support meets non-trade concerns (e.g. programs for improving animal welfare).

Some developing countries have argued that the green box does not give them enough flexibility to support agriculture. Some claim that measures designed to meet the green box criteria require too much administrative structure and cost too much. For countries with large rural populations that lack basic services, it can be challenging to provide direct payments to all producers. For example, transfers to farmers through price-mechanisms may be more effective than through payment-based measures if government administration is inefficient. Therefore, some developing countries have proposed that an additional "development" box is needed, one that includes a range of measures that they say will allow them to address their development needs, including food security, poverty alleviation and rural development.

Canada is seeking a review of the green box category to ensure that green support does not distort production and trade. Canada would also like to achieve permanent international recognition that green box measures should be exempt from countervailing actions under the WTO Agreement on Subsidies and Countervailing Measures.

Blue Box

Some Members have proposed that because blue box subsidies have a distorting effect on trade and production, they should be subject to reduction commitments in the same way as amber box support. Other Members have argued that the blue box is an important tool for supporting and reforming agriculture. They have proposed that blue box support not be subject to reduction commitments because it is less distorting than some other categories of support. The European Communities, the most significant user of the blue box exemption, has indicated that they are prepared to negotiate blue box measures but oppose its complete elimination.

Canada is seeking the maximum possible reduction or elimination of production and trade-distorting support, including support under so-called production-limiting or blue box programs.

Amber Box

Members generally agree that trade-distorting support should be reduced. However, Members have different ideas about how they should achieve this objective and how deep the reductions should be. They also have different perspectives about the definition of trade-distorting support.

Various proposals deal with how much further distorting support should be reduced, and set out different approaches and formulas for how this could be achieved. Some Members have proposed that reduction commitments on amber box support be taken on a product-specific or disaggregated basis rather than on the present sector-wide, aggregate basis.

Certain Members, especially developing countries, have called for special and differential treatment to apply to amber box reductions (e.g. lower cuts and longer time periods). They argue that WTO rules on domestic support should be more flexible for developing countries so that they can support and protect agriculture and foster rural development, and ensure the livelihoods of large agrarian populations whose farming is different in scale and method from developed country farming. Such Members argue that support and protection are needed to ensure food security, to support small-scale farming, to make up for a lack of capital, or to prevent the rural poor from migrating into urban areas. At the same time, some developing countries have made a clear distinction between their needs and what they consider to be the desire of much richer countries to spend large amounts subsidizing their agriculture while harming agriculture in poor countries.

Canada is seeking the maximum possible reduction or elimination of production and trade-distorting support. We are also seeking an overall limit on the amount of domestic support of all types (green, blue and amber).

The Peace Clause

Some Members want to extend the duration of the peace clause so that they can enjoy some degree of security and freedom from trade remedies under the Agreement on Subsidies and Countervailing Measures and dispute settlement actions while supporting their producers in accordance with their commitments under the Agreement on Agriculture. Other Members want the peace clause to expire, as part of their overall objective to subject agriculture to ordinary WTO disciplines that enable governments to take action against subsidies.

Export Competition

The Agreement on Agriculture disciplined export subsidies by placing both the value of subsidies and the volume of subsidized exports under bound limits that decline over the implementation period of the Uruguay Round (1995–2000 for developed countries, 1995–2004 for developing countries). For Members who did not use export subsidies, the Agreement prohibited them from using them. It also included provisions aimed at preventing Members from getting around their commitments to reduce export subsidies, and set out criteria for food aid. Finally, it committed Members to work toward the development of internationally agreed disciplines on the use of export credits for agricultural products.

Export Subsidies

Some Members are proposing the total elimination of all forms of export subsidies, in some cases with deep reductions right at the start of the next implementation period as a "down payment." Other Members are prepared to negotiate further progressive reductions without going so far as the complete elimination of export subsidies and without any "down payment."

In addition, some Members would like to extend and improve the rules for preventing Members from circumventing their commitments to reduce export subsidies, including the use of state trading enterprises (STEs), food aid and subsidized export credits.

Some developing countries have argued for the elimination of export subsidies, noting that such subsidies harm local production in their domestic markets, impede their ability to compete in export markets, and foster a climate of food insecurity. Some developing countries have sought continuation of their exemption to provide export subsidies for marketing and transport costs, as provided by the Agreement on Agriculture. They have sought greater flexibility to use export subsidies, either on a permanent basis or until export subsidies are eliminated by developed country Members.

Canada is seeking the elimination of all export subsidies in agriculture as quickly as possible. We are also seeking rules to ensure that other forms of assistance — such as government-funded export credit and export credit guarantee programs, export market promotion and development activities, and certain types of food aid — do not become a substitute for export subsidies.

Export Restrictions and Taxes

A number of net food importing countries have argued that their food supplies could be disrupted if exporting countries restrict exports. Some have proposed disciplines on export restrictions such as the conversion of export restrictions to export taxes that would then be reduced over a new implementation period.

One Member has proposed the complete elimination of export restrictions for all Members, but has called for flexibility for developing countries when they implement their reduction commitments. A group of Members submitted a similar proposal, but linked the elimination of export restrictions to reductions in tariff escalation; specifically, higher duties on processed products that hamper the development of processing industries in countries that produce raw materials. This group also proposed flexibility for developing countries.

Canada is seeking improved disciplines on export restrictions and taxes, as they distort world agricultural markets. Specifically, Canada is seeking a ban on the inclusion of food and feedstuffs in national security trade embargoes and a ban on export restrictions that would reduce the proportion of the total supply of an agricultural product permitted to be exported compared with the proportion prevailing in a previous representative period.

State Trading Enterprises

A number of Members have identified STEs as an issue in the agriculture negotiations. They have argued that STEs engage in unfair trading practices, such as cross-subsidization and price-pooling, and that their activities are difficult to monitor. They have also argued that the special governmental privileges afforded to STEs give them the ability to effectively provide, and to disguise, export subsidies. These Members are pressing for an end to exclusive export rights, increased transparency in the operations of STEs (e.g. requirements for notifying acquisition costs, export pricing, other sales information for single desk exporters, etc.) and new disciplines governing their operations.

Canada is seeking to ensure that the existing disciplines on the activities of import monopolies for agricultural products are appropriately enforced to ensure that such entities do not nullify market access commitments. Canada remains willing to discuss any practical trade concerns identified by our trading partners about the activities of single-desk exporters of agricultural products. Canada will seek to ensure that any new disciplines proposed to deal with the perceived market power of such enterprises apply equally to all entities, public or private, with similar market power.

For Canada, the right of a Member to establish or maintain STEs is clearly provided for in the WTO, and their existence does not automatically indicate the presence of trade distortions. Any new disciplines on STEs should be aimed at preventing trade-distorting government policies, in whatever way they are delivered, and not at the entities themselves. In other words, WTO disciplines should be aimed at trade-distorting policies, not at certain types of institutions or entities such as STEs.

Non-Trade Concerns

Non-trade concerns (NTCs) have attracted interest in the agriculture negotiations. The types of concerns and the attention given to NTCs vary from country to country. Some NTCs, including food security and the protection of the environment, are explicitly identified in the Agreement on Agriculture. Some Members have also been widening the range of NTCs they want to discuss in the agriculture negotiations to include the maintenance of the rural landscape, the viability of rural communities, food safety, animal welfare, the protection of biodiversity, and the protection of traditional cultural practices (e.g. rice paddies).

Some high support Members are arguing for continued flexibility to provide production and price-based support, which they argue is necessary to meet their food security and environmental objectives. One Member has indicated that policy measures should be tailored to meet specific goals in the "least" trade-distorting way.

Other Members, including Canada, argue that Members should address NTCs in ways that meet the green box criteria, ensuring that their non-trade objectives are met in ways that do not distort production or trade, or shift the burden to producers in other countries.

Notes

Canada's Negotiating Position

In order to achieve a level international playing field, Canada is seeking significant trade reform in the areas of market access, domestic support and export competition. The following sets out Canada's detailed negotiating position in each of these areas, as announced by the Government of Canada in August 1999. For more information on Canada's position, visit **www.agr.ca/cb/news/1999/n90819ae.html**.

Public Statement

A new round of multilateral negotiations on agriculture will be launched at the WTO Ministerial meeting in Seattle, from November 30 to December 3, 1999.

This new negotiation results from a commitment in the Uruguay Round Agreement on Agriculture to continue the agricultural trade reform process with a view to making further "substantial progressive reductions in support and protection."

Given its role as a major agricultural exporter and importer, Canada has a fundamental interest in further strengthening the international rules governing agricultural trade, eliminating trade distorting subsidies, and significantly improving market access opportunities.

Whether Canadian farmers and processors produce mainly for export or the domestic market, their production and investment decisions are heavily influenced by the international environment within which the Canadian agricultural economy operates. Further growth in the agriculture sector is dependent on new markets, and both Canadian farmers and processors benefit significantly from increases in exports.

Over the past two years, the federal government has been consulting closely with the industry and the provinces to determine how Canada's initial negotiating position could best reflect the interests of the entire Canadian agri-food sector. In addition to Minister Vanclief meeting personally with numerous industry organizations to hear directly from them, these consultations have included "take note" hearings held by the Standing Committee on Agriculture and Agri-Food, as well as hearings held by the Standing Committee on Foreign Affairs and International Trade and the Standing Senate Committee on Agriculture and Forestry. The following key themes emerged from those consultations.

- The major message from stakeholders is the need to "level the playing field." This reflects the fact that there are major differences between countries and between commodities in the provision of market access opportunities, the level and type of domestic support, and the use and magnitude of export assistance. Global trade distortions have had, and continue to have, a major impact on Canadian farm incomes and the profitability of the food processing sector.
- Another theme raised by many stakeholders is the need to maintain Canada's ability to continue orderly marketing systems, such as supply management and the Canadian Wheat Board. The federal government is committed to preserving the ability of Canadians to operate the orderly marketing systems necessary for stability and profitability. Decisions regarding marketing system choices will continue to be made in Canada. If other countries have concerns regarding alleged trade effects of orderly marketing systems, Canada is prepared to discuss any

factual concerns. But, Canada will not engage in sterile debates over alternative marketing philosophies.

- A third theme was the recognition that trade in processed foods was expanding at a far greater rate than trade in bulk commodities and that Canada should build on its NAFTA successes by seeking to capture a greater share of multilateral trade in value-added products. As a result, stakeholders have indicated that a key objective should be to secure greater market access for value-added products.
- Finally, stakeholders emphasized the importance of developing and implementing clear, enforceable trade rules applying equally to all countries.

Consistent with these themes, in the upcoming negotiations Canada will continue to seek fundamental improvements in the international trading system to help give Canadian farmers and food processors better and fairer opportunities for profitable trade. To achieve these goals, Canada will be pursuing the initial negotiating objectives detailed in the following pages. During the course of the actual negotiations, the government will keep Canadian industry fully informed about the positions being advanced by others and about developments in the negotiations. As negotiations proceed, it may be necessary to fine tune Canada's approach to deal with issues raised by other participants and to pursue Canada's interests. The federal government will continue to consult closely with industry and the provinces in making any such adjustments.

Objectives

Canada's objectives are to achieve significant further trade reforms in the core areas of market access, domestic support and export competition. These core issues are closely interrelated. For example, many barriers to market access were originally imposed in response to the pervasive use of export subsidies. Thus, progress toward eliminating export subsidies will have implications for the lowering of tariff barriers. Similarly, certain forms of domestic support can stimulate production, leading to import replacement or increased export competition. Hence, progress in reducing trade distorting domestic support will also have an influence on the market access and export subsidy negotiations.

Canada's initial negotiating position will be based on the following elements.

Export Subsidies

Canada will seek:

- Agreement to eliminate all export subsidies in agriculture as quickly as possible.
- Rules to ensure that government-funded export credit and export credit guarantee programs, export market promotion and development activities, certain types of food aid, or other forms of export assistance do not become a substitute for export subsidies.

Domestic Support

Canada will seek:

- The maximum possible reduction or elimination of production-distorting and trade-distorting support, including support under so called "production-limiting" or "blue-box" programs.

- An overall limit on the amount of domestic support of all types (green, blue and amber). (Domestic support is currently divided into three categories: 1) green support, which has little or no production and trade effects, is not countervailable, and is not subject to reduction commitments; 2) amber support, which is subject to reduction commitments; and 3) blue support, which is not subject to reduction commitments but which is liable to countervailing duties.)
- A review of the criteria of the green category to ensure that green support does not distort production and trade, and permanent international recognition that such support should not be countervailable.
- The elimination of those elements of the "peace clause" that restrict Canada's rights to pursue dispute settlement in cases where trade-distorting domestic support and export subsidies cause nullification and impairment of access or disrupt sales in third country or import markets.

Market Access

Canada will seek real and substantial improvements to market access for all agricultural and food products through a variety of negotiating techniques. These will include approaches that substantially reduce and harmonize ordinary tariffs and, where appropriate, the elimination of all tariffs on a sector or sub-sector basis (the "zero for zero" approach). Where tariff rate (TRQs) quotas remain, effective liberalization will depend largely on the size of minimum access commitments, the level of the in-quota tariffs, and how the TRQs are administered.

Accordingly, Canada's approaches to market access will include:

Zero for zero

- Canada will seek the elimination of tariffs (as well export subsidies and export taxes) on oilseeds and oilseed products, barley and malt, and any other sector where this approach is supported by Canadian industry and can be agreed on by a critical mass of major trading countries.

Ordinary tariffs

- Canada will seek the maximum negotiable reduction in tariffs through approaches that substantially reduce both the disparity in final bound rates for similar competing products and tariff escalation between primary and processed forms of the same product.

Tariff Rate Quotas

Canada will seek:

- Binding rules to require that any tariff over a specified level be accompanied by a minimum access commitment equal to at least 5% of current consumption of the product concerned. The tariff quotas must be on a product basis (e.g. pork, not meat; barley, not feed grains) such that the disparity in effective market access across WTO Members and across products is reduced.
- Binding rules regarding the administration of TRQs, including possible elimination of country-specific allocations, to ensure that administrative practices do not frustrate the agreed access.
- Binding rules to require elimination of tariffs within TRQs where over-quota tariffs are maintained at levels that limit access to the size of the within quota volume.

Export Restrictions and Taxes

- Recognizing the legitimate food security concerns of net food importing countries, Canada will seek agreement on rules to effectively discipline export taxes and export restrictions on agricultural products. Specifically, Canada will seek a ban on the inclusion of food and feedstuffs in national security trade embargoes and a ban on export restrictions that would reduce the proportion of the total supply of an agricultural product permitted to be exported compared with the proportion prevailing in a previous representative period.

State Trading Enterprises

- Canada will seek to ensure that the existing disciplines on the activities of import monopolies for agricultural products are appropriately enforced to ensure that such entities do not nullify commitments to market access.

- Canada remains willing to discuss any practical trade concerns identified by our trading partners about the activities of single-desk exporters of agricultural products. Canada will seek to ensure that any new disciplines proposed to deal with the perceived market power of such enterprises apply equally to all entities, public or private, with similar market power.

List of Current WTO Members

As of January 1, 2002, 144 countries are Members of the WTO. These include:

Albania
Angola
Antigua and Barbuda
Argentina
Australia
Austria
Bahrain, Kingdom of
Bangladesh
Barbados
Belgium
Belize
Benin
Bolivia
Botswana
Brazil
Brunei Darussalam
Bulgaria
Burkina Faso
Burundi
Cameroon
Canada
Central African Republic
Chad
Chile
China
Colombia
Congo
Costa Rica
Croatia
Cuba
Cyprus
Czech Republic
Democratic Republic of the Congo
Denmark
Djibouti
Dominica
Dominican Republic
Ecuador
Egypt
El Salvador
Estonia
European Community
Fiji
Finland
France
Gabon
The Gambia
Georgia
Germany
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Greece
Grenada
Guatemala
Guinea Bissau
Guinea
Guyana
Haiti
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Lesotho
Liechtenstein
Lithuania
Luxembourg
Macao, China
Madagascar
Malawi
Malaysia
Maldives
Mali
Malta
Mauritania
Mauritius
Mexico
Moldova
Mongolia
Morocco
Mozambique
Myanmar
Namibia
Netherlands
New Zealand
Nicaragua
Niger
Nigeria
Norway
Oman
Pakistan
Panama
Papua New Guinea
Paraguay
Peru
Philippines
Poland
Portugal
Qatar
Romania
Rwanda
Saint Kitts and Nevis
Saint Lucia
Saint Vincent & the Grenadines
Senegal
Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu
Sierra Leone
Singapore
Slovak Republic
Slovenia
Solomon Islands
South Africa
Spain
Sri Lanka
Suriname
Swaziland
Sweden
Switzerland
Tanzania
Thailand
Togo
Trinidad and Tobago
Tunisia
Turkey
Uganda
United Arab Emirates
United Kingdom
United States of America
Uruguay
Venezuela
Zambia
Zimbabwe

Glossary

accession: The act of becoming a Member of the WTO. Accession requires negotiations between the existing Members and the applicant to ensure that its trade regime will be in harmony with WTO rules.

African Group: An informal grouping of WTO Members that has presented a proposal in the WTO agriculture negotiations. The group includes: Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo, Congo (Democratic Republic), Djibouti, Egypt, Gabon, The Gambia, Ghana, Guinea, Guinea Bissau, Ivory Coast, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia and Zimbabwe.

ad valorem tariff: A tariff expressed as a percentage of the value of the imported good.

Aggregate Measurement of Support (AMS): The annual level of support, expressed in monetary terms, provided in favour of the producers of a basic agricultural product, or non-product-specific support provided in favour of agricultural producers in general, except support that is considered to have no, or at most, minimal, trade- or production-distorting effects (green box).

Agreement on Agriculture: The outcome of the Uruguay Round, adopted on January 1, 1995. It contains rules and commitments in the areas of market access, domestic support and export subsidies, as well as general provisions such as due restraint and continuation of the reform process.

Agreement on the Application of Sanitary and Phytosanitary Measures (SPS): A separate agreement from the Agreement on Agriculture, it came into effect on January 1, 1995. The Agreement calls for measures aimed at food safety, animal health and plant protection to be based on scientific principles and not to be used as a disguised restriction on international trade.

amber box: Domestic support for agriculture that is considered to distort production or trade, and is therefore subject to a ceiling commitment. It includes market price support, many kinds of payments, and input subsidies, but not support that meets the green box criteria of Annex 2 of the Agreement on Agriculture. Support is measured according to methods laid out in Annex 3 of the Agreement on Agriculture. That part of amber box support that is not exempt from reduction commitments is included in Total AMS (exemptions include the blue box, *de minimis*, and certain investment and input subsidies provided by developing countries).

anti-dumping duty: An additional duty imposed on imported goods to offset the threat or cause of injury to the domestic industry of the importing country when an exporter sells a good at a lower price in the importing market than in the exporting (home) market.

applied tariff: The tariff actually levied on an imported good.

Association of Southeast Asian Nations (ASEAN): ASEAN's purpose is to accelerate economic growth, social progress and cultural development and to promote regional peace and stability in the region. It includes Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

base period: In the Uruguay Round, 1986–1988 was the base period for calculating domestic support and market access commitments while 1986–1990 was the base period for export subsidy commitments.

blue box: Rules that exempt certain domestic support from the commitment on Total AMS. Blue box exempt support consists of direct payments under production-limiting programs, which also meet certain criteria. Blue box payments must be based on a fixed area and yields, on 85% or less of the base production, or on a fixed number of head of livestock.

bound tariff: The maximum tariff that a country can apply to a particular product, agreed as a legal obligation. The "bound" tariff cannot be increased above this level without compensation being given to other countries.

Cairns Group: A group of like-minded agricultural exporting countries, named after the city where the Group first met (Cairns, Australia, in 1986). Its members are: Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, South Africa, Thailand and Uruguay.

Caribbean Community (CARICOM): CARICOM's purpose is to foster economic cooperation through the Caribbean single market and economy, coordinate foreign policy among independent member states, and provide common services and cooperation in functional matters such as health, education, culture and industrial relations. It includes Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Lucia, St. Vincent and the Grenadines, Suriname, St. Kitts and Nevis, and Trinidad and Tobago.

countervailing duty: An additional duty imposed on imported goods to offset government subsidies in the exporting country when those subsidies cause or threaten injury to the domestic industry of the importing country.

decoupled: A term that describes payments or other incentives to producers that are not linked in any year after a fixed and defined base period, to the quantity of production or factors of production or to domestic or international prices.

***de minimis*:** A provision in the Agreement on Agriculture that exempts relatively small amounts of AMS (or amber support) from the Total AMS commitment. A developed country can exempt a product-specific AMS that is less than 5% of the value of production of the product. It can also exempt a non-product-specific AMS that is less than 5% of the value of total agricultural production. For developing countries, the percentages are 10%.

development box: A term used to refer to a range of proposals in the WTO agriculture negotiations for additional measures and flexibility for developing countries intended to assist them to meet their development needs.

European Union (EU): A customs union formed by the 1957 Treaty of Rome. Its current members are Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom.

export competition: Term used to describe all forms of government measures related to exports, including export subsidies, export credits, export market promotion and food aid.

export credits: A guarantee, insurance, financing, refinancing or interest-rate support arrangement that allows an overseas buyer of exported goods and/or services to defer payments over a period of time and protects exporters against losses resulting if an overseas buyer fails to pay. Officially sponsored export credits occur when a government undertakes some or all of the credit risk or the cost of providing credit.

export market promotion: Includes a wide range of services, such as advertising, trade shows, public relations, national branding, in-store promotions, trade missions and technical assistance.

export subsidies: Subsidies given to producers or exporters that are contingent, in law or in fact, on the export of their goods or services.

green box: Rules that exempt certain domestic support from being included in the AMS and thereby from the commitment on total AMS. Exempt support consists of measures that are considered to have no, or at most minimal, trade- or production-distorting effects. They must meet the criteria of Annex 2 of the Agreement on Agriculture. Support under policies such as the following examples can be exempt if it meets the specific criteria applying to the policy type: research, inspection and classification, extension, and marketing and promotion; domestic food aid; decoupled income support; income insurance; disaster relief; structural adjustment; environment; and regional assistance.

in-quota tariff: The tariff applied on the volume of within-access imports of a tariff rate quota, generally lower than the over-access quota tariff.

least developed countries (LDC): As defined by the United Nations, these are states that are deemed structurally handicapped in their development process and in need of the highest degree of consideration from the international community in support of their development efforts. The UN currently classifies 49 countries as LDCs. Of these, 30 are WTO Members, including Angola, Bangladesh, Benin, Burkina Faso, Burundi, Central African Republic, Chad, Democratic Republic of Congo (Zaire), Djibouti, Gambia, Guinea, Guinea Bissau, Haiti, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Niger, Rwanda, Senegal, Sierra Leone, Solomon Islands, United Republic of Tanzania, Togo, Uganda, and Zambia.

Member schedule: Under the WTO Agreements, the list of tariff and other market access concessions and commitments limiting subsidization undertaken by each WTO Member. These are binding and legal obligations for the Member concerned.

MERCOSUR (Common Market of the Southern Cone): A multilateral agreement on trade among Argentina, Brazil, Paraguay and Uruguay. The agreement was signed in 1991 and came into effect on January 1, 1995. Its main goal is to create a customs union among the four countries by 2006.

modalities: A framework of rules and commitments that are being negotiated in the current WTO agriculture negotiations in the areas of market access, domestic support and export competition. The modalities will form the basis for the development of country schedules or offers.

most favoured nation treatment (MFN): Article I of the GATT, under which all WTO Members must extend to one another the lowest tariff rates applied on imports from other WTO Members. Customs unions, such as the European Union, and free trade agreements, such as NAFTA, are exempt from the MFN principle under Article XXIV of GATT 1994.

multifunctionality: Refers to the many functions that agriculture has, other than supplying food and fibre. It includes the broader contributions that the sector can make to the overall economy and well-being of society, such as food security; protection of the environment (biodiversity); maintenance of the rural landscape; viability of rural communities; food safety; animal welfare; and the protection of traditional cultural practices (e.g. rice paddies).

Net Food Importing Developing Countries (NFIDCs): During the Uruguay Round, WTO Members recognized that agricultural trade liberalization could have negative effects on the availability of adequate supplies of basic foodstuffs from external sources. WTO Members agreed to establish appropriate mechanisms to ensure that the implementation of the Agreement on Agriculture would not have adverse effects on food security in, and food aid to, least developed countries and NFIDCs. Developing countries may self-identify themselves as NFIDCs. NFIDCs include Barbados, Botswana, Côte d'Ivoire, Cuba, Dominica, Dominican Republic, Egypt, Honduras, Jamaica, Jordan, Kenya, Mauritius, Morocco, Pakistan, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sri Lanka, Trinidad and Tobago, Tunisia and Venezuela.

non-tariff barriers (NTBs) (Non-tariff measures): Government measures other than tariffs that restrict trade flows. Examples include quantitative restrictions, import licensing, voluntary restraint arrangements and variable levies. One of the outcomes of the Uruguay Round was an obligation to convert non-tariff measures on agricultural products into tariffs.

non-trade concerns (NTCs): Typically include food security, protection of the environment, maintenance of the rural landscape, and the viability of rural communities. Some WTO Members have also been widening the range of NTCs they want to discuss in the negotiations to include food safety, animal welfare, protection of biodiversity, and the protection of traditional cultural practices (e.g. rice paddies).

notification: The process by which Members provide information to the WTO Committee on Agriculture on their implementation of commitments under the Agreement on Agriculture. Notifications are required under other WTO agreements.

over-quota tariff: The tariff applied on the volume of over-access imports of a tariff rate quota, generally greater than the in-quota tariff.

peace clause: Provision in Article 13 of the Agreement on Agriculture in effect for a 9-year period (expires 2003). It offers a degree of security and freedom from countervailing measures under the Agreement on Subsidies and Countervailing Measures when Members provide support within their commitments.

quota: A specific quantitative limit on the amount of a particular product that can be imported or exported during a specific time period.

sanitary and phytosanitary measures (SPS): See the Agreement on the Application of Sanitary and Phytosanitary Measures.

special and differential (S&D) treatment provisions: Specific legal provisions aimed at increasing trade opportunities for developing countries and least developed countries as reflected in the preamble to the Agreement on Agriculture, and that require WTO Members to safeguard the interests of developing country Members. They give developing countries flexibility in the use of economic and policy instruments in the areas of market access, domestic support and export competition (e.g. longer periods to implement rules and commitments), and the provision of technical assistance.

special safeguard (SSG): A provision in Article 5 of the Agreement on Agriculture that allows certain Members to respond to import price fluctuations or import surges for specific products designated in their schedules.

specific-rate tariff: A fee or charge levied on imports, defined in terms of a specific charge per unit.

state trading enterprises (STEs): Government and non-government enterprises, including marketing agencies, that have been granted exclusive or special rights or privileges, including legal or constitutional powers, in the exercise of which they influence the level or direction of imports or exports through their purchases or sales.

subsidy: A financial contribution by a government or public body (e.g. direct transfer of funds, potential direct transfers of funds, revenue foregone) that confers a benefit by being provided on terms more advantageous than those that would be available to the recipient in the market.

tariff: A fee or charge applied at the border on imported products. This may take the form of a specific-rate tariff (fixed levy per unit of imported product) or of an ad valorem tariff (fixed percentage of the value of an imported product).

tariff escalation: The application of progressively higher import fees or charges from the raw to the processed form of products within the same product categories (e.g. oilseed to vegetable oil).

tariffication: The process of converting non-tariff barriers to tariffs as an outcome of the Uruguay Round.

tariff rate quota (TRQ): Provide a certain level of access (within-access) at a tariff rate that is usually lower than that charged on imports in excess of the quota volume (over-access). TRQs were established for many products for which non-tariff barriers had been replaced by tariffs through tariffication.

Total AMS: The sum of all product-specific AMS and the non-product-specific AMS, except AMS support that is exempt from reduction commitments (*de minimis*, blue box, and certain investment and input subsidies by developing countries).

TRQ administration: Practices and methods by which a country determines how imports subject to tariff rate quotas enter the market, and are assessed at the appropriate tariff rate. These methods include applied tariffs, first-come first-served, licenses on demand, auctioning, historical imports, imports undertaken by state-trading entities, producer groups or association, and a variety of other, non-specified import allocation methods.

Uruguay Round: The eighth round of multilateral trade negotiations conducted within the framework of the GATT. It led to a final Agreement signed in Marrakesh, Morocco, in April 1994. The Agreement on Agriculture is one of 29 legal texts contained in the final Agreement, which led to the creation of the WTO on January 1, 1995.

World Trade Organization (WTO): Established on January 1, 1995, as part of the final agreement of the Uruguay Round, the WTO currently has 144 Members and is the legal and institutional foundation of the multilateral trading system. Its main objective is to ensure that trade flows as smoothly, predictably and freely as possible. Its main functions include administering WTO trade agreements; creating a forum for trade negotiations; resolving trade disputes; monitoring national trade policies; providing trade policy assistance for developing countries; and cooperating with other international organizations.

zero for zero: Sectoral liberalization of trade applying to a specific range of products within a specific sector (e.g. oilseeds and their products). Operates as a request/offer system for the achievement of tariff elimination in which the participants eliminate tariffs on an most favoured nation basis in agreed sectors, in addition to what is required by comprehensive formula approaches.

Notes

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www.cairnsgroup.org

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