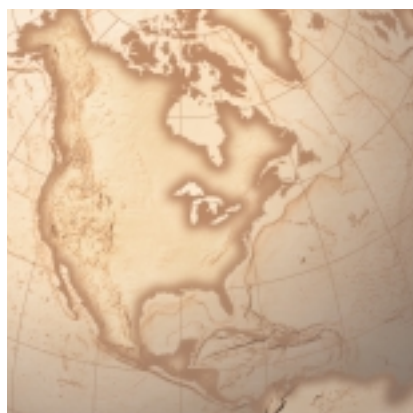




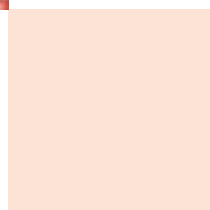
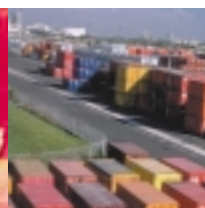
Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

Making Progress in Global Agricultural Trade



A *Further*
Update on the
WTO Agriculture
Negotiations



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Foreword

As part of the Government of Canada's commitment to inform interested Canadians of developments in the World Trade Organization (WTO) agriculture negotiations, Agriculture and Agri-Food Canada (AAFC) previously prepared a comprehensive information document entitled *Making Progress in Global Agricultural Trade: An Update on the WTO Agriculture Negotiations*. That Update was widely circulated to the full range of agri-food stakeholders during the fall of 2002 and was made available to Canadians on AAFC's Agri-Food Trade Policy Web site (www.agr.gc.ca/itpd-dpci/english/consultations/infodoc.htm).

This update supplements *Making Progress in Global Agricultural Trade* by providing current information on what is happening in the WTO agriculture negotiations. Please refer to the first update document for a glossary of trade policy terms and for a more detailed description of Canada's negotiating objectives, the objectives of other key countries, and the key agricultural results of the General Agreement on Tariffs and Trade (GATT) Uruguay Round of multilateral trade negotiations.





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Introduction

Canadian producers and processors operate in a global marketplace — exporting \$25.8 billion and importing \$20.7 billion worth of agri-food products in 2002 alone. In fact, Canada is the world's third largest exporter of agri-food products, after the United States and the European Union (EU), and the fifth largest importer. In 2001, approximately 50% of primary production was exported either as bulk or as value-added goods. Canada's largest agri-food trading partners are the United States, Japan, the European Union, Mexico, China and Brazil. For more information on Canada's agri-food exports and imports, visit <http://atn-riac.agr.ca/stats/stats-e.htm>.

Given our share of global agri-food trade, Canada has a significant interest in ensuring that the international rules governing agricultural trade are fair. Our producers and processors need a level international playing field on which they can compete. They also need a rules-based global trading system to ensure that multilaterally agreed rules, and not power politics, shape the environment in which they do business.



The World Trade Organization (WTO) agriculture negotiations offer Canada the best opportunity to make real gains for our agri-food sector. That is why Canada is pressing so hard to achieve significant agricultural trade reform in these negotiations. In particular, the negotiations provide Canada with the opportunity to seek better rules and further commitments that would effectively discipline the trading practices of some of our major trading partners, including the United States and European Union. Canada is working strategically with a wide range of countries, including developing countries, to advance our interests on all these issues.

Maximizing the Benefits of the Agricultural Policy Framework

Canada's new Agricultural Policy Framework (APF) is aimed at making Canada the world leader in food safety, innovation and environmentally responsible production. It has been designed to provide our agri-food sector with the tools it needs to prosper domestically and internationally, in the context of rapid advances in technology, changing consumer demands, and an increasingly complex and competitive global market place.

Enhancing market access opportunities is critical to the successful implementation of the APF. In short, the gains that the APF offers to Canada's agri-food sector cannot be fully realized until our producers and processors are offered improved market access opportunities and increasingly predictable terms of trade through clearer rules and reduced levels of trade-distorting support. As federal, provincial and territorial Ministers of Agriculture recognized in their *Framework for Agricultural Policy for the 21st Century*, "further trade reform is essential to maximize the benefits of the branding of Canada in foreign markets."

Agriculture and Agri-Food Canada, in close consultation with the provinces, territories and interested stakeholders, is currently implementing an integrated international strategy to build on the gains of the APF. The four key components of the international strategy are: increasing market access opportunities for Canadians; branding Canada as the world leader in food safety, innovation and environmentally responsible production; addressing technical barriers to trade; and supporting international development.

For more information on the APF, visit www.agr.gc.ca/cb/apf/.

Status of the WTO Agriculture Negotiations

Recalling the Doha Mandate for the Agriculture Negotiations

The fourth WTO Ministerial Conference was held in Doha, Qatar, in November 2001. At that time, WTO Members agreed to launch a new broad-based round of multilateral trade negotiations, incorporating the ongoing negotiations on agriculture and services that began in 2000. On agriculture, WTO Members agreed to an ambitious negotiating mandate, 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.”

WTO Members also agreed to a timetable for the agriculture negotiations, one element of which was to establish modalities by March 31, 2003. Modalities, in this context, refer to the commitments that WTO Members will undertake to reduce trade-distorting domestic support and export subsidies and to make improvements in market access.

The Doha mandate for agriculture includes a clear commitment to address the needs and concerns of developing countries, thereby making development a major theme in the negotiations. WTO Members agreed that “special and differential treatment provisions for developing countries are 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.” WTO Members also agreed to consider how to provide enhanced capacity building and trade-related technical assistance to developing countries.

Recent Developments

In keeping with the Doha mandate and timetable for agriculture, the Chairman of the WTO agriculture negotiations, Mr. Stuart Harbinson, released his first draft of a modalities text to WTO Members on February 12, 2003. (For the complete text, visit www.agr.gc.ca/itpd-dpci/english/current/modalities_e.htm.) Mr. Harbinson’s draft modalities text was designed to be controversial in the hopes of stimulating meaningful negotiations between WTO Members. The draft text set out his ideas for moving the negotiations forward in the three “pillars” of the WTO Agreement on Agriculture: market access, domestic support and export competition.

WTO Members discussed the draft in late February 2003 in Geneva, following which the Chairman released a slightly revised draft in mid-March 2003. (For the revised text, visit www.wto.org/english/tratop_e/agric_e/negoti_mod2stdraft_e.htm.) WTO Members then met in Geneva at the end of March to discuss the revised draft.

WTO Members were unable to agree on a modalities text by the Doha deadline of March 31, 2003. This was not surprising, given the large differences that remain between Members on many of the central issues in the negotiations. The most difficult issues to date have been the approach to tariff reductions and the

Canada's Views on the Chairman's Draft Modalities Texts

All Members, including Canada, raised serious concerns with the Chairman's draft modalities texts. In particular, Canada repeatedly voiced our fundamental concerns with the Chairman's proposals related to market access, exporting state-trading enterprises (STEs), and the low level of ambition on reducing trade-distorting domestic support.

On Domestic Support:

- The Chairman's proposals did not go far enough in reducing trade-distorting domestic support, particularly the high spending levels in the United States and European Union, which is a key objective for many countries, including Canada.
- Trade-distorting domestic support must be cut much more substantially so that all producers and processors from developed and developing countries alike can compete fairly, and not against the treasuries of other governments.

On Exporting STEs:

- Canada has strong, fundamental difficulties with the Chairman's proposals on exporting STEs. At Doha, WTO Ministers did not give agriculture negotiators a mandate to renegotiate the WTO rules for STEs. Furthermore, no case has been made on the need for new disciplines in this area.

On Market Access:

- The Chairman's proposals on market access do not provide flexibility on how to improve market access for sensitive products and do not provide for an equitable outcome.
- Canada is working with other countries to ensure a result that provides real and practical improvements in market access and that addresses current inequities between Members.

level of ambition on reducing trade-distorting domestic support. Canada expects that these will continue to be the most difficult issues throughout the negotiations.

The failure to establish modalities by the March 31 deadline clearly represented a setback for the agriculture negotiations. Nevertheless, all WTO Members remain committed to the negotiations and to fulfilling the mandate and overall timetable set at Doha. The Chairman has reinforced the importance of establishing modalities "as soon as possible."

Since March 31, WTO Members have been continuing their work in the agriculture negotiations toward the objectives that Ministers agreed to at Doha to see what progress can be made in narrowing differences. They have been engaging in a series of technical consultations with the Chairman in an effort to address a range of technical issues, including export credits, food aid, the creation of a new special

safeguard mechanism for developing countries, the administration of tariff quotas, and issues related to the "amber box" of trade-distorting domestic support. The Chairman's consultations have also tried to address some of the more difficult "political" issues, such as the approach to reducing tariffs and trade-distorting domestic support.

Looking Ahead to Cancun

The next major milestone in the negotiations will be the fifth WTO Ministerial Conference, scheduled for September 10–14, 2003, in Cancun, Mexico. The Conference will be a key opportunity for WTO Ministers to review the progress that has been made on the Doha Development Agenda and to provide further direction to the negotiations. Canada hopes that Ministers will be able to confirm modalities, including the approaches to preparing commitments, consistent with the scope and ambition

Canada's Delegation to the Cancun Ministerial Conference

Canada's delegation to Cancun will be headed by the Honourable Pierre Pettigrew, Minister for International Trade. He will be accompanied by the Honourable Lyle Vanclief, Minister of Agriculture and Agri-Food Canada.

Planning is under way to ensure that Canadians can participate in the briefings held by the Canadian delegation through a variety of means, including webcasting, teleconferences and regularly updated Web sites. For more information on how the Government of Canada will inform Canadians of developments during the Cancun Ministerial, visit www.dfait-maeci.gc.ca/tna-nac/WTO-MCD-en.asp.

of the Doha mandate for agriculture, and establish the timetable for the remainder of the negotiations.

Following the Cancun Ministerial, work will continue toward concluding the negotiations by the January 1, 2005, deadline.

Agriculture and the Doha Development Agenda

Agriculture lies at the heart of the Doha Development Agenda. It is the key issue in the Doha Development Agenda for Canada and for many other WTO Members as well. During their meeting in Cancun, Ministers will need to see that progress has been made in all areas of the negotiations to ensure progress in the overall Doha Development Agenda.

Some developing countries have indicated that they are not prepared to move in any of the other negotiating areas unless they see that developed countries are prepared to make real moves toward substantially reduced support and protection in the agriculture negotiations.

The Doha Development Agenda

At Doha, WTO Members agreed to launch a broad-based round of multilateral trade negotiations that would conclude by January 1, 2005. In addition to the agriculture and services negotiations that began in 2000, Members agreed to negotiate in five other areas:

- market access for non-agricultural products;
- rules (i.e. anti-dumping, subsidy and countervailing measures; fish subsidies; 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 (TRIPS);
- clarifications and improvements to the WTO's Dispute Settlement Understanding; and
- various issues related to trade and the environment.

WTO Ministers are also expected to make decisions on the launch of negotiations on the so-called "Singapore issues," which include competition policy, investment, transparency in government procurement, and trade facilitation.

A common theme in all the components of the Doha Development Agenda is the importance of responding to the needs of developing countries, including their ability to implement current and future trade obligations.

For more information on Canada's objectives for the Doha Development Agenda, visit www.dfait-maeci.gc.ca/tna-nac/2003/2-en.asp#Getting.

Other WTO Members, such as the European Union, are linking progress in the agriculture negotiations to other areas of the Doha Development Agenda. For example, in return for concessions that it may be required to make in agriculture, the European Union is seeking substantial results in the discussions related to geographical indications and to trade and the environment.

Geographical Indications

The WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS Agreement) provides for protection of geographical indications (GIs). GIs are names that link the reputation or quality of a good to a specific geographic location. For example, Fraser Valley and Niagara Peninsula are GIs of wines originating in these particular regions of Canada. Scotch Whisky is a GI for a spirit drink originating in Scotland.

At Doha, Ministers instructed TRIPS negotiators to complete the negotiation of a multilateral system of notification and registration of GIs for wines and spirits by the Cancun Ministerial Meeting. The negotiation of the registry system for wines and spirits is underway, but progress is slow. The main contentious issues are the extent of legal obligations and the financial and administrative burdens that would ensue.

Ministers also asked the TRIPS Council to consider whether the special enhanced protection provided to wines and spirits should be extended to other products, including agriculture and food products. Canada's position is that the GI protection already available in the TRIPS Agreement is adequate and there is no need to create new TRIPS obligations for products beyond wines and spirits.

Canada's Objectives for the Agriculture Negotiations

Canada's position for the WTO agriculture negotiations, announced by the Government of Canada in 1999, was developed in close consultation with the full range of agri-food stakeholders and the provinces. This position continues to serve Canada well in the negotiations.

Canada's primary objective is to level the international playing field so that our producers and processors can compete effectively and fairly with their counterparts in other countries, and not against the treasuries of foreign governments. We are seeking the complete elimination of export subsidies as quickly as possible; the elimination or substantial reduction of trade-distorting domestic support; and significant improvements in market access for all agri-food products. For Canada's negotiating position, visit www.agr.gc.ca/cb/news/1999/n90819ae.html.

It is clear that WTO Members have not yet truly engaged in finding pragmatic solutions to reconcile their differences, particularly in relation to agricultural market access. As Members search for creative solutions, the strength of Canada's negotiating position situates us well to promote our ideas to achieve fundamental reform and a practical outcome that meets the needs and interests of the entire Canadian agri-food industry.

The Dynamics in the Agriculture Negotiations

The domestic policies and negotiating positions of the United States, European Union and key developing countries will have a major impact on the pace and progress of the agriculture negotiations.

The United States remains committed to achieving an ambitious outcome in the negotiations. In particular, it is pressing very hard for large increases in market access. However, many other WTO Members are concerned that the United States should be prepared to go further in reducing trade-distorting domestic support. The U.S. Farm Bill sent a negative signal about the willingness of the United States to accept real disciplines on its agricultural spending.

The U.S. Farm Bill

The *Farm Security and Rural Investment Act* of 2002, more commonly known as the U.S. Farm Bill, is a massive piece of legislation that covers many aspects of U.S. farm policy. It includes increased support for grains, oilseeds and pulses; provisions on country-of-origin labeling (COL); and increased spending on conservation, the environment, innovation, nutrition and bio-energy programs.

For more information on the U.S. Farm Bill, visit www.usda.gov/farmbill/.

The European Union has not demonstrated a great deal of flexibility in the negotiations to date. This is in part due to its internal debate over reform of the Common Agricultural Policy (CAP). The degree of reform that can be achieved in the negotiations will remain uncertain until the European Union gives a clear signal of how it will translate its recent agreement on CAP reform into a higher level of ambition in the agriculture negotiations.

EU CAP Reform

On June 26, 2003, EU agriculture ministers reached an agreement to reform the Common Agricultural Policy (CAP). The final outcome is less ambitious than the proposals made by Agriculture Commissioner Franz Fischler in January 2003. The key elements of the new CAP include the following:

- A single farm payment for EU farmers will replace some or all of the amounts currently paid under a variety of programs. This payment, at least a portion of which is to be independent of production, will be linked to environmental, food safety, animal and plant health, and animal welfare standards. It will also be linked to the requirement to keep all farmland in good agricultural and environmental condition. A range of options is open to Member States regarding the timing of introducing the single farm payment over the next few years and the elements that are not converted;
- A revised rural development policy;
- A reduction in direct payments for larger farms to finance the new rural development policy;
- A mechanism for financial discipline to ensure that the farm budget fixed until 2013 is not exceeded; and
- Reductions in intervention prices for dairy products.

For more information on CAP reform, visit http://europa.eu.int/comm/agriculture/mtr/index_en.htm.

More than 100 of the current 146 WTO Members are developing countries. Consequently, they have a key role to play in determining the outcome of the negotiations. Many developing countries feel that they did not benefit from the Uruguay Round to the degree that developed countries did. As a result, one of the major themes of the Doha Development Agenda is to address their needs and concerns, and to assist them in raising levels of development.

Many developing countries are concerned about the current inequities in the global trading system and want developed countries to significantly reduce levels of trade-distorting domestic support. In their view, the high levels of domestic support and export subsidies offered by certain developed countries make it difficult for them to raise levels of development and gain access to foreign

Developing Countries

The majority of WTO Members are developing countries. While developing countries often present very different approaches and objectives on particular issues, they have adopted a united front on how some of their issues should be addressed. Many of these developing countries have been working together in informal, often fluid, groups and coalitions to achieve their interests on certain issues in the negotiations. These include, among others, the African Group, the Association of Southeast Asian Nations (ASEAN), the Caribbean Community (CARICOM) and the Southern Cone Common Market (MERCOSUR).

markets. They also are concerned about their ability to implement existing and new WTO commitments and have been seeking enhanced special and differential (S&D) treatment provisions, including longer implementation periods and reduced reduction commitments.

Canada recognizes many of the concerns being presented by developing countries. We are working closely with developing countries to ensure the results of the negotiations effectively provide the necessary flexibility they require while at the same time making sure that any new provisions are targeted at genuine development needs. Canada is very sympathetic to those concerns being expressed by least developed countries (LDCs) because of their extreme poverty. Canada has recently opened our markets even further to imports from LDCs and we are undertaking important increases in development assistance, with a significant percentage devoted to agriculture.

Building Strategic Alliances

Canada's strength lies in our ideas and our potential to attract support for our constructive and practical approaches to leveling the international playing field. We continue to work hard at building strategic alliances with a wide range of countries that hold very different

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 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 agriculture negotiations. It is recognized as having significant influence and has been particularly effective in keeping the need for fundamental reform of agricultural trade at the centre of the WTO's negotiating agenda.

domestic and international interests. These strategic alliances offer Canada a good opportunity to continually work to demonstrate that our negotiating position presents a practical approach to achieving a fair and equitable outcome that benefits all Members.

Canada continues to work closely with the Cairns Group, given that Cairns Group members share a common interest in achieving improved trading conditions for the export products on which their agricultural sectors rely for growth.

Canada is also working closely with a wide range of developing countries to emphasize the importance of collectively pressing for the elimination or substantial reduction of trade-distorting domestic support, as that is very much in line with their development objectives. Developing countries need to be confident that their concerns about their place in global trade are being addressed in the agriculture negotiations. In Canada's view, the best way to do this is to ensure that developed and developing countries continue to work collectively toward achieving a substantial result in the WTO agriculture negotiations that benefits all Members of the global trading system.

Consulting Canadians

WTO Members are continuing to work toward the conclusion date of January 1, 2005, for the Doha Development Agenda. The Government of Canada is consulting Canadians on all aspects of the Agenda. AAFC is working closely with other government departments throughout this process. For more information on the consultation activities outside of agriculture, visit www.dfait-maeci.gc.ca/tna-nac/consult-en.asp.



On agriculture, the Government will continue to consult the provinces as well as the full range of interested Canadians over the course of the negotiations through a variety of ways, including meetings with industry associations and provincial and industry advisory groups. The Government will continue to inform Canadians on developments in the agriculture negotiations through AAFC's Agri-Food Trade Policy Web site (www.agr.gc.ca/itpd-dpci/indexe.html).

