



the **Levelling
International
Playing Field
for Canadians**

Reaching a Milestone
in the WTO
Agriculture Negotiations



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

Canada 

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Aussi offert en français sous le titre *Règles du jeu équitables pour les Canadiens sur la scène internationale : Franchir une nouvelle étape dans les négociations de l'Organisation mondiale du commerce (OMC) en agriculture.*

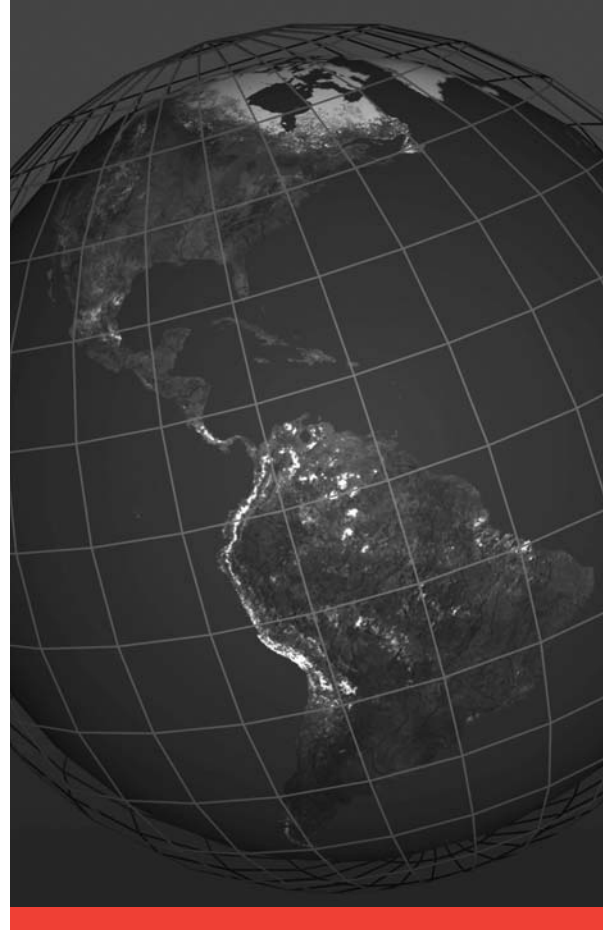


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Foreword

As part of the Government of Canada's commitment to inform Canadians of developments in the World Trade Organization (WTO) agriculture negotiations, Agriculture and Agri-Food Canada (AAFC) previously prepared two information documents entitled *Making Progress in Global Agricultural Trade: An Update on the WTO Agriculture Negotiations* and *Making Progress in Global Agricultural Trade: A Further Update on the WTO Agriculture Negotiations*. These documents were widely circulated to the full range of agri-food stakeholders during the fall of 2002 and the spring of 2003 and are available on AAFC's Agri-Food Trade Policy Web site (www.agr.gc.ca/itpd-dpci/english/consultations/).

This document builds on these previous documents by providing current information on recent developments in the WTO agriculture negotiations. It focusses on the framework on agriculture that all WTO Members agreed to in July 2004 and that will guide negotiators in the next stage of the negotiations.



Please refer to *Making Progress in Global Agricultural Trade: An Update on the WTO Agriculture Negotiations* for a glossary of trade policy terms as well as a more detailed description of Canada's negotiating objectives, the objectives of other key countries in the negotiations, and the key agricultural results of the General Agreement on Tariffs and Trade (GATT) Uruguay Round of multilateral trade negotiations, particularly the current WTO Agreement on Agriculture.

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Letter of Introduction from the Minister

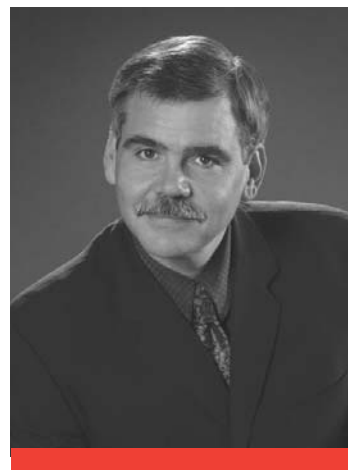
The prosperity of Canada's agri-food sector relies on our ability to trade agri-food products around the world. Our agri-food products compete successfully in foreign markets the world over, bolstered by Canada's reputation as a world leader in food safety, food quality, innovation and environmentally responsible production. Likewise, Canadian consumers benefit from the many choices that imports from all over the world bring to our tables.

Our producers and processors compete with the world's best, and it is critical that they have the greatest possible opportunities to prosper in global markets. They need a level international playing field on which to compete effectively and equitably so that they are not disadvantaged by the high levels of support and protection that certain foreign governments offer. The current World Trade Organization (WTO) agriculture negotiations offer us the best forum in which to address foreign subsidies and tariff barriers that hinder our ability to compete fairly in foreign markets.

Just after becoming Minister of Agriculture and Agri-Food in July, I travelled to Geneva to take part in a very critical stage of the WTO agriculture negotiations. Along with the Honourable Jim Peterson, Minister of International Trade, I worked with my counterparts from many different countries to bridge differences and to advance Canada's interests in the negotiations, as WTO Members worked intensely to agree on a framework to guide the next stages of the negotiations.

At the same time, Minister Peterson and I had the opportunity to meet with the provincial representatives and many Canadian agri-food stakeholders that were in Geneva to follow developments in the negotiations. We also spoke with our provincial colleagues and stakeholders still in Canada to keep them as up to date as possible on what was happening in Geneva. Canada was the only country that

The Honourable
Andy Mitchell



had that kind of industry representation. It spoke volumes to our international trading partners about the importance and commitment that the Government of Canada and its agriculture and agri-food partners have placed on our rules based trading agreement.

After many long, hard hours of negotiating, the 147 Members of the WTO unanimously agreed on a framework on agriculture on July 31, 2004. The framework provides a road map for the remainder of the negotiations, as WTO Members now turn their attention to working out specific rules and commitments that will be included in an eventual Agreement on Agriculture. While the framework on agriculture goes further on a few issues than Canada would have liked, it contains a number of Canada's ideas, points toward a more level international playing field and provides Canada with the scope to continue to advance our negotiating objectives.

As the negotiations progress, the Government of Canada will continue to consult closely with the provincial and territorial governments and Canadians to promote and defend Canada's vital agricultural trade interests. Canada will remain active and vigilant in the next stages of the negotiations to ensure that the outcome meets the needs of the entire agri-food sector.

Sincerely,

The Honourable Andy Mitchell
Minister of Agriculture and Agri-Food
and Minister Co-ordinating Rural Affairs

Section 1

Introduction – Importance of Trade to Canada’s Agri-Food Sector

Trade is Vital to Canada’s Agriculture and Agri-Food Sector

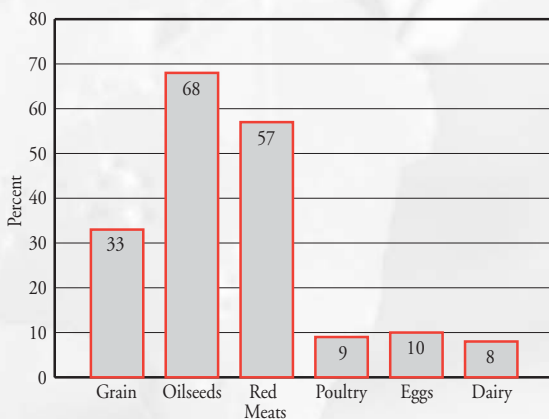
One of the overarching themes of Canadian trade policy has been the recognition that Canadians require clear, transparent international trade rules to make the terms of global trade more open, equitable and predictable. This is particularly true for Canada’s agricultural trade policy. The Government of Canada and Canadian producers and processors share the view that a more level international playing field is of paramount importance to our agri-food sector.



Farm Cash Receipts as a Percentage of Exports

Nearly one half of Canada’s primary production is exported either as bulk or as value-added goods.

Portion of Farm Market Receipts from the Export Sale of Raw Commodities and their Value Added Products, 2002



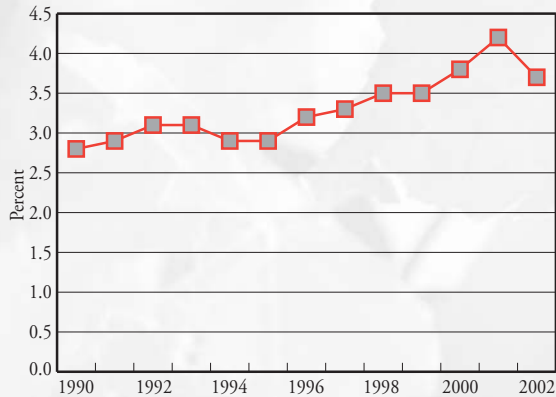
Source: AAFC calculations based on Statistics Canada and AAFC data.

Snapshot of Canada’s Agri-Food Sector and International Trade

Canada’s agri-food sector is becoming more and more internationally focussed and export-oriented. Our agriculture and agri-food exports have more than doubled since the early 1990s, with exports of consumer-oriented products more than quadrupling over this period.

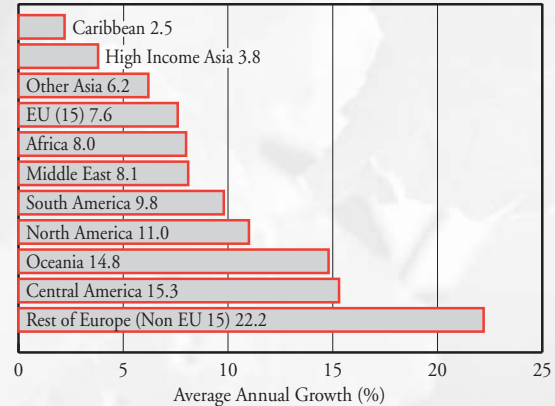
Our share of global agri-food trade has grown over the last decade. In 2003, Canada exported \$24.4 billion in agriculture and agri-food products, making us the fourth largest exporter after the United States (U.S.), the European Union (EU) and Brazil.

Canada's Export Share of World Agriculture and Agri-Food Trade, 1990-2002



Source: Statistics Canada, retrieved from AAFC Trade Data Retrieval System.

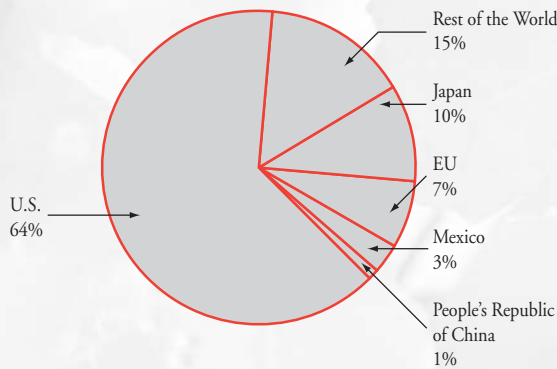
Growth in Canadian Agriculture and Agri-Food Exports by Country Group, 1991-2003



Source: Statistics Canada, retrieved from AAFC Trade Data Retrieval System.

Our exports are primarily destined to the U.S., Japan, Mexico, the EU and China.

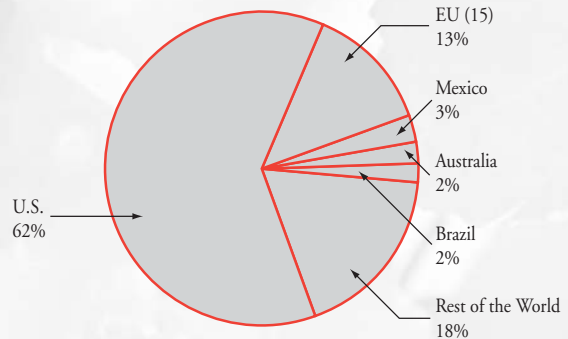
Destinations of Canadian Agriculture and Agri-Food Exports, 2003



Source: Statistics Canada, retrieved from AAFC Trade Data Retrieval System.

Canada's agriculture and agri-food imports have been steadily increasing as well. Canada is the fifth largest importer in the world, importing \$20.6 billion in 2003. Our imports originate primarily in the U.S., the EU, Mexico, Australia and Brazil.

Sources of Canadian Agriculture and Agri-Food Imports, 2003



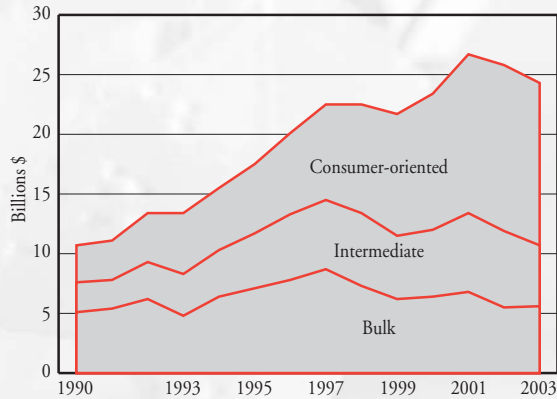
Source: Statistics Canada, retrieved from AAFC Trade Data Retrieval System.

However, agriculture and agri-food export sales to other countries are also rapidly growing, and there is strong growth potential in emerging developing country markets. Since the early 1990s, our exports to Asian, African and Central American countries have had average annual growth rates ranging from 5 to 15%.

Increases in Value-Added Agri-Food Exports

Today, value-added consumer-oriented products account for around 55% of all Canada's agri-food exports, compared with 30% in 1991.

Canada's Agriculture and Agri-Food Export Sales, 1990-2003



Source: Statistics Canada, retrieved from AAFC Trade Data Retrieval System.

Given Canada's share of global agri-food trade, we have a significant interest in ensuring that our producers and processors can compete on a level international playing field. We need to ensure that they can obtain fair and predictable access to foreign markets and that they are not disadvantaged by high subsidy levels offered by certain countries. For that reason, international trade negotiations — including the World Trade Organization (WTO) agriculture negotiations and regional and various bilateral negotiations — are very important to Canada's agri-food sector.

Capitalizing on the Gains of the Agricultural Policy Framework

Enhancing market access opportunities is critical to the successful implementation of Canada's Agricultural Policy Framework (APF). In short, the advantages the APF offers to Canada's agri-food sector will only be fully realized as our producers and processors are offered improved opportunities for market access and increasingly predictable terms of trade through clearer rules, and the global reduction of levels of trade-distorting domestic support and the elimination of export subsidies. 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, working with the provincial and territorial governments, and in close consultation with 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 international development.

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

Reaching Agreement on a Framework on Agriculture



Recalling the Doha Mandate for Agriculture

In November 2001, WTO Members agreed to launch a new broad-based round of multilateral trade negotiations called the Doha Development Agenda. This Agenda incorporated the ongoing agriculture negotiations that had begun in 2000. WTO Members agreed to an ambitious mandate and timetable for agriculture. They committed 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.”

One element of the Doha timetable was the March 31, 2003 deadline for establishing modalities. Modalities in this context refer to the specific rules and formulas for commitments that WTO Members would undertake to reduce trade-distorting domestic support and export subsidies and to improve market access. For example, over the next stage of the

negotiations, WTO Members will work out, among other things, percentages by which domestic support levels and tariffs will eventually be reduced; an end date for the elimination of export subsidies; detailed rules on tariff quota administration; and specific criteria for identifying support measures as “green” (i.e. non-trade distorting). For the full text of the Doha Ministerial Declaration, visit www.wto.org/english/trarop_e/dohaexplained_e.htm.

Because of the large differences that remained between them on many of the central issues in the negotiations, WTO Members were unable to agree on modalities by the March 31 deadline. Negotiations continued through the spring and summer in an attempt to establish modalities by the fifth WTO Ministerial Conference, held in Cancun in September 2003.

Working Towards a Framework

During the lead-up to the Cancun Ministerial Conference, it became apparent that it would not be possible to develop negotiating modalities without first developing a structure of fundamental approaches and concepts — a framework — upon which to build modalities later in the negotiations. A draft framework on agriculture was developed and discussed at Cancun. The Conference ended, however, before Ministers had the opportunity to engage in detailed discussions on the draft framework.

In the months following Cancun, WTO Members instructed their officials to continue to work on resolving the outstanding issues. The Chairman of the WTO General Council was instructed to coordinate this work in close cooperation with the WTO’s Director General. The resulting series of consultations allowed Members to clearly define the key areas where progress was needed.

In the winter of 2004, WTO Members became increasingly engaged in discussing these key areas. In March 2004, agriculture negotiators held their first negotiating session since Cancun, under the chairmanship of New Zealand's Ambassador, Tim Groser.

Achieving Success in July 2004

During the spring of 2004, work progressed in a series of negotiating sessions aimed at concluding a framework on agriculture in time for the WTO

General Council meeting at the end of July. Negotiations became very intense during July as Members worked to bridge differences on key issues.

On July 31, WTO Members unanimously adopted the framework on agriculture as part of a broader package setting out the way forward for the Doha Development Agenda. The framework on agriculture identifies concepts and approaches to guide negotiators in the next stage of the agriculture negotiations.

Overview of the Framework on Agriculture

Domestic Support

- harmonizing reductions in overall trade-distorting domestic support, which will ensure that those countries that provide the highest levels of trade-distorting support make the largest reductions, with an initial down payment of 20%;
- harmonizing reductions in the amber category of trade-distorting domestic support;
- new constraints on support by product with the methodology to be negotiated;
- reductions in de minimis levels, which currently exempt support that is less than 5% of the value of production from spending limits;
- further disciplines on the blue box, including a new effective and defined limit of 5% of the value of production on spending;
- review of all blue box criteria;
- review and clarification of green box criteria to ensure that spending in this category has no, or at most, minimal, effects on trade and/or production; and
- establishment of an effective monitoring and surveillance mechanism.

Export Competition

- elimination of export subsidies on all agricultural products by a credible end date to be negotiated;
- elimination of all export credits with repayment periods of over 180 days;
- additional disciplines to be negotiated to cover export credit programs within 180 days;
- development of new rules to prohibit the misuse of international food aid for commercial advantage;
- elimination of export subsidies provided to, or by, export state-trading enterprises (STEs), including government financing, and the underwriting of losses;
- issue of the future use of monopoly powers of exporting STEs to be subject to future negotiation; and
- establishment of effective transparency provisions for all export competition disciplines, in accordance with WTO practice and consistent with commercial confidentiality considerations.

Market Access

- substantial improvements in market access for all agricultural products in all markets;
- deeper cuts in higher tariffs, with flexibility for sensitive products;
- flexibility for how improvements will be offered for sensitive products through a combination of tariff quota expansion and tariff reductions on a limited number of sensitive tariff lines, to be negotiated;
- expansion of tariff quotas, with a base to be established in light of coherent and equitable criteria;
- rules and disciplines on tariff quota administration, to be negotiated;
- issue of tariff escalation to be addressed; and
- question of the special agricultural safeguard to remain under negotiation.

For the full text of the framework on agriculture, visit www.wto.org/english/tratop_e/dda_e/draft_text_gc_dg_31july04_e.htm.

What is in the Framework for Developing Countries?

While the framework on agriculture applies to all WTO Members, it includes special provisions for developing countries in view of their developmental challenges. For example, the framework gives developing countries greater flexibility in providing access to their markets through the ability to designate as “special products” a number of products that are key to food security, livelihood security and rural development needs. The framework also reflects the acceptance of the establishment of a “special safeguard mechanism” to allow developing countries to respond to import fluctuations or import surges for a specific set of products.

The framework exempts least-developed countries (LDCs) from reduction commitments and provides that developed and developing countries “in a position to do so” should provide duty-free and quota-free market access for products originating in LDCs.

Canada and many other WTO Members recognized the hardship suffered by African cotton producers because of the unfair, trade-distorting subsidies that other countries (e.g. the U.S.) offered to their cotton producers. The so-called “cotton” issue came to light after a group of West African countries tabled a proposal that sought to mitigate or eliminate the effects that trade-distorting cotton subsidies had on African producers. The framework provides that the cotton issue will be dealt with “ambitiously, expeditiously, and specifically,” in the WTO agriculture negotiations through mechanisms such as a sub-committee on cotton.

Looking Ahead to the Next Stage of the Negotiations

The WTO agriculture negotiations will continue over the coming months, as Members begin to develop specific rules on “technical” issues (e.g. tariff quota administration, green box criteria). More difficult, politically sensitive issues (e.g. the percentages by which domestic support levels and tariffs will be reduced; an end date for the elimination of export subsidies) are likely to be negotiated in 2005 after changes to the U.S. administration are completed and the leadership changes in the European Commission are in place. The next major milestone in the negotiations will be the sixth WTO Ministerial Conference, scheduled for Hong Kong in December 2005.

Opportunities and Challenges the Framework Presents to Canadians

The framework on agriculture clearly points in the direction of a more level international playing field and continues to offer Canada the scope to continue advancing our negotiating objectives. Canada is seeking the complete elimination of export subsidies, substantial reductions in trade-distorting domestic support, and significant improvements in market access for all agriculture and agri-food products. Canada will continue to defend the right of producers to choose how to market their products through orderly marketing systems such as supply management and the Canadian Wheat Board (CWB).

While the framework went further on a few issues than Canada would have liked, it reflects a number of ideas that Canada has put forward over the course of the negotiations. Notably, the framework includes:

- Canada's proposal for a harmonizing approach to reducing trade-distorting domestic support (i.e. the idea that those countries that subsidize the most make the largest reductions);
- Canada's suggestion that the methodology for product-specific caps be negotiated in a way that allows us the opportunity to press for an equitable approach;
- Canada's proposal that the green box be reviewed with the objective of ensuring that green box measures have no, or at most minimal, distorting effects on trade or production; and
- Canada's proposal that improvements in market access for sensitive products should be made through a combination of tariff reductions and tariff quota expansion, with no mandatory tariff reductions in the framework, and that a base for tariff quota expansion be established through coherent and equitable criteria.



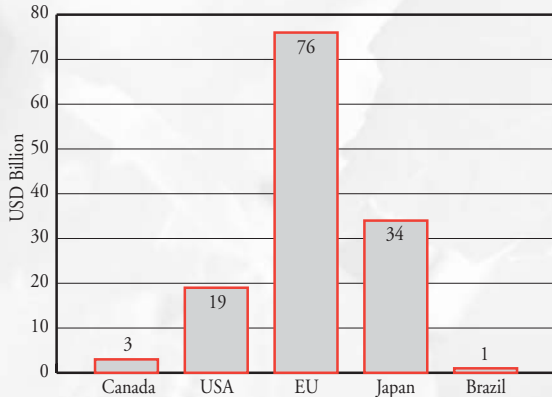
There is, however, more work to be done on all the issues important to Canada. We will continue to press hard for a positive outcome for the entire agri-food sector.

Opportunities

In the area of domestic support, Canadian producers stand to gain from the framework in that it offers the prospect of meaningful and harmonizing reductions in trade-distorting domestic support, new disciplines on blue box measures, and a review and clarification of green box criteria to ensure these measures are truly non-trade-distorting. These disciplines should go a long way toward levelling the international playing field for Canadian producers who have been

competing against unfair levels of support offered by a handful of other WTO Members, such as the U.S. and the EU.

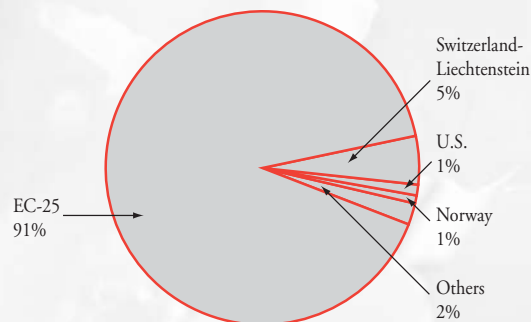
Final Bound Total AMS



Source: Commitment of WTO Members on final bound total AMS domestic support levels.

The elimination of export subsidies will enable Canadian exporters to compete more fairly and effectively in international markets. It is also expected to provide higher returns through fairer prices. In particular, the EU, which accounts for 91% of all export subsidies, totalling approximately US\$2.5 billion each year, will lose its ability to distort international markets by providing this type of support to its producers.

91% of all export subsidy expenditures can be ascribed to the EC-25 (average for 1995-1999)



Source: WTO member notifications.

The framework's proposals on export credits should also prove to be effective in controlling trade-distorting U.S. export credit sales, which account for the vast majority of long-term export credit programs in the world, totalling up to US\$5.5 billion annually. Canadian exporters will benefit from new rules that will bring all export credit programs closer to commercial practices and ensure that export credits cannot be used to unfairly gain market advantages.

Likewise, the framework's proposals for clearer rules on food aid should ensure that food aid is used to assist those in genuine need and prevent countries from displacing commercial sales or from using food aid as a tool for market development. Canada is working with other WTO Members towards rules that would prevent the abuse of food aid as a means to gain unfair advantage in commercial markets, disrupt local production, or as a means of simply disposing of surplus production.

In the area of market access, Canadian exporters stand to gain from real and substantial improvements in market access for all agricultural and agri-food products in foreign markets. An ambitious harmonizing, tiered formula approach will help Canadian exporters create improved opportunities in some of their major non-preferential markets in key developed and developing countries.

The framework on agriculture balances a high level of ambition on market access with flexibility for sensitive products, a key Canadian objective. Flexibility will be provided by allowing for improvements in market access for sensitive products through a combination of tariff reductions and tariff quota expansion for a limited number of sensitive tariff lines to be negotiated. In addition, equitable rules on tariff quota expansion, a long-standing Canadian objective, will be negotiated. Addressing the issue of tariff escalation through a formula to be negotiated will benefit certain sectors that continue to face higher tariffs for processed products relative to primary products in several markets.

Challenges

Canada will continue to face pressure on a number of issues, including some aspects of domestic support, new disciplines to be negotiated on exporting STEs such as the CWB, and some aspects of the approaches on market access.

In the area of domestic support, Canada is very pleased that the framework will result in significant reductions of trade-distorting support offered by the U.S. and EU. We will, however, be required to cut some of our trade-distorting support as well. The framework also calls for constraints on how WTO Members provide “product-specific” support, which may put pressure on the approach Canada takes to market price support to the dairy sector. It will also put pressure on how certain provinces offer certain types of product-specific support.

In the area of STEs, some provisions in the framework went further than Canada would have liked. In particular, the framework calls for the elimination of “trade-distorting” practices of STEs, including the elimination of government financing, and the underwriting of losses. The framework also calls for future negotiation on the issue of the use of STE monopoly powers.

During the framework negotiations in July, Canada faced significant pressure from the U.S. and EU on the issue of new disciplines for STEs. While most WTO Members are not concerned about this issue, Canada will continue to face a tough fight with the U.S. and EU, particularly on the future use of monopoly powers in the next stage of negotiations. We will continue to strongly promote the view that the CWB is a fair-trader, as was clearly demonstrated by a WTO panel and appellate body decision in a recent dispute over the CWB with the U.S. (See page 17 for more information on this dispute.) Canada will make every effort to minimize any impact of a final agreement on the CWB.

In the area of market access, much work remains on determining an ambitious harmonizing formula for tariff reductions that will ensure real gains for all agriculture and food products by cutting higher tariffs the most. Sensitive products are to be treated separately. Negotiations over the selection and treatment of sensitive products will be particularly difficult. We will be arguing for an approach that provides real and useable improvements in market access for all products while allowing flexibility between tariff reductions and tariff quota improvements.

While the framework on agriculture does not include a requirement to reduce over-quota tariffs — a key concern of Canada’s five supply-managed industries — Canada will continue to face strong pressure on this issue, as all other WTO Members are calling for tariff reductions on all tariff lines. As the negotiations progress, Canada will continue to defend the right of producers to choose how to market their products through orderly marketing systems such as the CWB and supply management

The Dynamics of the Negotiations

Negotiating Groups and Key Players

WTO Members are increasingly negotiating in informal groups to promote their views and objectives. These groups form around particular issues or common traits such as economic structure, size or geographic proximity. Negotiating effectively with all the WTO's 148 Members at the same time is clearly impossible, so negotiating groups have been formed to allow WTO Members to be represented in smaller, more productive discussions. It remains unclear, however, how these negotiating groups, most of which do not have formal decision-making structures, will be able to deal with the detailed negotiations necessary to develop specific rules and commitments in the next stage of the negotiations. This section gives an overview of some of the groups currently at work in the agriculture negotiations.

The G-20

The G-20 emerged as a key player in the negotiations vis-à-vis the U.S. and the EU in the summer of 2003. It underscores the major role that developing countries are playing in the negotiations. This is particularly true of the leadership role played by Brazil as the effective head of the Group. The G-20 includes Argentina, Bolivia, Chile, China, Cuba, Ecuador, Egypt, El Salvador, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, the Philippines, Thailand, South Africa, Tanzania, Venezuela and Zimbabwe.



The Cairns Group

Led by Australia since it was formed in 1986, the Cairns Group is a coalition of agricultural exporting countries that are committed to achieving a fair and market-oriented agricultural trading system. It has consistently called for an ambitious result in the negotiations. Members of the Cairns Group include Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, South Africa, Thailand and Uruguay. Many Members of the Cairns Group are also members of the G-20.

The Group of 10 (G-10)

The G-10 is led by Switzerland and includes Bulgaria, Chinese Taipei, Liechtenstein, Iceland, Israel, Japan, Norway, Mauritius and South Korea. The group opposes the imposition of maximum tariff levels (tariff caps). It calls for limited market access improvements for sensitive products and presses for non-trade concerns to be reflected in all parts of the negotiations.

The ACP (Africa, Caribbean and Pacific) Group of Countries

The ACP Group includes 79 members, 40 of which are least-developed countries (LDCs). One of the group's primary concerns is the erosion of trade preferences in agricultural and non-agricultural products as a result of the negotiations. Key commodities of concern include sugar and bananas. For a full list of the ACP countries, visit www.acp.int.

The Group of 90 (G-90)

The G-90 is made up of ACP countries, members of the African Union and the LDCs. The G-90 puts forward a common position on a range of issues across the Doha Development Agenda negotiations and stresses the importance of offering special and differential treatment to developing countries in the WTO agriculture negotiations.

The Group of 33 (G-33)

The G-33 calls for additional flexibility in the area of market access for developing countries through two mechanisms: the ability to designate a certain number of products as "special" and thus eligible for more flexible treatment; and the establishment of a special safeguard mechanism that would allow developing countries to respond to import price fluctuations or import surges for a specific set of products. Led by Indonesia, the group's membership fluctuates and includes countries from Asia, Africa, the Caribbean and Latin America.

The African Union

The African Union is a group of African countries working together in support of their interests in the agriculture negotiations. They share common interests in the areas of cotton, erosion of trade preferences in agricultural and non-agricultural products, and special and differential treatment provisions for developing countries.

LDCs

As defined by the United Nations (UN), LDCs are countries that are characterized by low national income, weak human assets and high economic vulnerability. They are in need of the highest degree of consideration from the international community in support of their development efforts. The UN currently classifies 50 countries as LDCs, 32 of which are members of the WTO.

The Five Parties

The U.S., the EU, Brazil, India and Australia met at both the Ministerial and officials levels on a number of occasions as the framework on agriculture was being negotiated. Meetings of these WTO Members became known as meetings of "the five parties." While Canada was not part of these meetings, Canadian ideas were frequently discussed by these five countries.

Canada's Influence in the Negotiations

Canada has found that its most effective approach is to work to influence the negotiations by building bridges between divergent positions in ways that address our objectives. We will continue to work with a wide range of countries (including the Cairns Group) to put forward practical and constructive ideas that can help move the negotiations forward in a manner consistent with our interests.

In particular, Canada continues to work 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. 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 negotiations that benefits all Members of the global trading system.

Canada's strength lies in our ideas and our potential to attract support for constructive and practical approaches to levelling the international playing field. As a medium-sized developed country with strong export interests and some import sensitivities, Canada is well-positioned to play a "broker" role between divergent points of view. This role has been positive for Canada. It has allowed us to continually put forward ideas that both meet our negotiating objectives and attract support from other WTO Members on a possible way forward.

Our ability to successfully influence the negotiations was clearly demonstrated during the framework negotiations in July 2004. Many of Canada's ideas and approaches were reflected in the framework on agriculture.

Canada's Negotiating Objectives

Canada's initial negotiating position for the WTO agriculture negotiations was announced in August 1999, following two years of extensive consultations with the provincial governments and Canada's agriculture and agri-food stakeholders. An intense consultative process was key to ensuring that Canada's negotiating position was strong and credible by being representative of the trade interests of the entire agriculture and agri-food sector.

Canada's primary negotiating objective is to level the international playing field. Canada is seeking the elimination of all export subsidies as quickly as possible, the elimination or maximum possible reduction of trade-distorting domestic support, and real and substantial improvements in market access for all agriculture and agri-food products. Canada will continue to defend the right of producers to choose how to market their products through orderly marketing systems such as supply management and the Canadian Wheat Board. For Canada's negotiating position, visit www.agr.gc.ca/cb/index_e.php?page=newsroom-salle_de_presse.

Canada continues to aggressively promote our objectives by working with a wide range of countries to put forward constructive and practical approaches in the negotiations. The Government will continue to consult closely with the provincial governments and the full range of agriculture and agri-food stakeholders as the negotiations progress.

Section 6

Linkages Between the Agriculture Negotiations and WTO Disputes

Canada has always been vigilant about the trade practices of other WTO Members. We have defended and promoted our interests through formal dispute settlement cases when warranted. Canada has initiated WTO dispute settlement proceedings regarding the U.S. finding of injury on imports of Canadian wheat. We also successfully defended the practices of the CWB in the U.S.-initiated WTO Wheat Panel.

We are participating, either as a co-complainant or a third party, in several WTO cases related to agriculture, some of which could have significant implications for the WTO agriculture negotiations. These include:

- the Brazilian challenge against U.S. cotton subsidies and related export credit practices, which could affect key components of the U.S. Farm Bill;
- the Brazilian and Australian challenge against the EU sugar policies;
- the challenge against the EU's moratorium on approvals of genetically modified organisms by a number of countries;
- the EU's challenge against Australia's quarantine import regime; and
- the challenge against the EU's regulations for geographical indications by a number of countries.

The WTO Panel on U.S. Cotton Subsidies

Earlier this year, a WTO dispute settlement panel concluded its examination of Brazil's allegations that U.S. export credits for cotton violate U.S. export subsidy obligations under the WTO Agreement on Agriculture and that its trade-distorting domestic support for cotton causes injury to other cotton exporters. On June 18, 2004, the panel ruled in favour of Brazil on many issues and gave the U.S. a July 1, 2005, deadline to withdraw payments that contravene WTO regulations. The U.S. has announced that it will appeal the panel's finding.

The WTO Wheat Panel

At the request of the U.S., a WTO dispute panel was formed in March 2003 to examine the practices of the Canadian Wheat Board, as well as the way that Canada treats imported grain. The panel delivered its findings in April 2004; the U.S. then took the panel's findings on the CWB issues to the WTO appellate body.

On August 30, 2004, the appellate body upheld the original panel's ruling that the CWB's mandate, structure and activities are consistent with Canada's international trade obligations. This clear and decisive finding supports Canada's long-standing view that the CWB is a fair trader and that there is no need for negotiating new rules on STEs in the WTO agriculture negotiations.

Regarding the original panel's ruling on the treatment of imported grain, the Government is confident that Canada can comply with its WTO obligations while fully maintaining the integrity of its grain quality assurance system. The Government is working with industry on this issue to finalize its approach to implementing the panel's decision.

The WTO Panel on EU Sugar

A WTO dispute settlement panel examining a challenge to the EU sugar regime ruled in favour of Brazil, Australia and Thailand. The three co-complainants argued that export subsidies for refined sugar provided by the EU are in excess of the EU's reduction commitment levels for sugar under the WTO Agreement on Agriculture. More than 20 WTO Members, including Canada, participated in the panel proceedings as third parties. The ruling against the EU was based in part on earlier WTO rulings against Canada on certain aspects of our approach to dairy exports.

Consulting Canadians

The Government of Canada will continue to work closely with the entire sector as the WTO agriculture negotiations progress. In particular, the Government will continue to consult Canadians and the provincial governments through a variety of ways, including meetings with industry associations, and provincial and industry advisory groups. The Government will also continue to inform Canadians on developments in the WTO and other trade negotiations through Agriculture and Agri-Food Canada's trade policy Web site, www.agr.gc.ca/itpd-dpci/indexe.html.

