Canadian Trade Positions and Considerations: Political and Economic Drivers

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Outline

- Internal Drivers
- External Drivers
- Positions

Internal Factors

- Substantial differences in regional interests within Canada
- Cattle, hogs, grain, oilseeds in western Canada, all export oriented, (exports represent 50% of gross farm sales) want market access (BSE is devastating agriculture and the economy)
- Dairy, poultry, horticulture in eastern Canada, import oriented (changing rapidly for hort)
- Eastern Canada essentially elects the federal government, dairy producers have, likely, the most effective lobby in the country – poultry producers make it more so.

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Internal Factors

- Dairy and poultry have "supply management"
  - Production/marketing quotas
  - Border protection
  - Internal price management
  - Recent quota values in Ont
    - Dairy $25,000/cow
    - Eggs $140/hen
    - Broilers $46/space
    - Turkey $?/space

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Internal Factors

- Two years of drought in western Canada
- BSE ban
- Poor markets for grains, oilseeds and hogs
- Plus the external factors are causing some people to question a free trade strategy

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External Factors

- Trade disputes with the US
- Wheat Board
- Hogs and pigs
- Wheat Board
- Softwood
- Wheat Board
- Beef and cattle
- Wheat Board
- Dairy pricing
- Wheat Board
- Green house tomatoes
- Wheat Board +4

External Factors

- Failure of previous round of WTO to make a material difference in subsidies
- Therefore, continued injury to Canadian grains and oilseeds
- 1996 Farm Bill

Producer Support Estimates by Country (Percentage)

	1986-1988	1999-2001
Australia	9	5
Canada	34	18
European Union	42	36
New Zealand	11	1
United States	25	23

Source: OECD 2001

Producer Support Estimates by Country by Commodity (Percentage)

	AUS		CAN		EU		NZ		US	
	86-88	99-01	86-88	99-01	86-88	99-01	86-88	99-01	86-88	99-01
Wheat	9	5	45	15	52	48	7	0	49	46
Maize	n.c.	n.c.	24	18	52	40	2	0	38	31
Oilseeds	5	3	26	14	59	39	n.c.	n.c.	8	26
Milk	33	10	61	54	57	44	9	0	60	51
Beef & Veal	7	4	10	8	59	84	7	1	6	4
Sheepmeat	5	4	n.c.	n.c.	70	61	24	0	6	16
Wool	4	5	n.c.	n.c.	n.c.	n.c.	6	0	49	5
Pigmeat	3	4	5	8	7	25	5	3	4	4
Poultry	4	4	18	2	14	43	57	18	13	4
Eggs	18	4	22	19	14	11	45	35	9	4

Source: OECD 2001

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External Factors

- 2002 US Farm Bill Subsidies
- COOL
- Issues re: developing countries

Canada's Position at WTO - Export Subsidies

- Eliminate all export sub. in ag. asap
- Count
  - gov. funded export credit
  - export credit guarantees
  - export market promotion and development
  - certain types of food aid
- As export subsidies

Canada's Position – Domestic Support

- Maximum possible reduction or elimination of production and trade distorting support, including "blue-box" programs

Domestic Support (Cont'd)

- Amber and Blue Box
  - Reduce AMS commitment to zero over 5 years for developed countries and 9 years for developing countries
  - Reduce blue box payments from the av. level over 1995-2001 to zero over 5 years for developed and 9 years for developing countries

Domestic Support (Cont'd)

- Reduction by 50% in the 1st year of implementation, followed by equal cuts over the following years to reach zero
- Strengthen disciplines to avoid product-specific support being improperly classified as non-product specific support

Domestic Support (Cont'd)

- Green Box
  - Revise Annex 2 to ensure green box criteria are clear and precise and that green support does not distort production and trade

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Domestic Support Cont'd

- Special and differential treatment for developing countries
- Least developed countries to remain exempt from reduction commitments

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Canada’s Position - Market Access

- Substantially reduce and harmonize ordinary ordinary tariffs, and where appropriate, the elimination of all tariffs on a sector or sub-sector basis
- Eliminate tariffs on oilseeds and oilseed products, barley and malt

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Market Access Cont'd

- State Trading Enterprises
  - Ensure existing disciplines on import monopolies for ag. products are enforced

Market Access Cont'd

- Export STE's
- Willing to discuss any practical trade concerns identified by trading partners about the activities of single-desk exporters of ag. products
- Ensure that any new disciplines to deal with the perceived market power of such enterprises apply equally to all entities, public or private, with similar market power

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Tariff Rate Quotas

- For TRQs, increase access through a combination of tariff reduction, increase in % within TRQ, and improve administration
- ie - require that any tariff over a specified level be accompanied by a minimum increase in access

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Tariff Rate Quotas Cont'd

- Remove all tariffs within TRQ's
- Eliminate country-specific allocation of TRQ's
- Administration of TRQ's
  - *Transparency*
  - *Predictability*

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