



CANADIAN AGRI-FOOD TRADE ALLIANCE

CAFTA TRADE POLICY UPDATE

Issue 2007-1

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Following is the latest edition of the Canadian Agri-Food Trade Alliance (CAFTA) Trade Policy Update. You are receiving this update either because you expressed an interest in receiving a weekly update on WTO and other trade negotiations, or because your name was suggested to CAFTA. Should you wish to discontinue receiving the Trade Policy Update, simply send an email to office@cafta.org requesting that your contact information be removed from the distribution list.

The Canadian Agri-Food Trade Alliance represents producers, processors and exporters of agriculture and agri-food products. Accounting for over 80% of Canada's agriculture and food exports, and more than 50% of farm cash receipts, CAFTA's members are united in their dependence on trade, and in their need for a liberated international trading environment.

What's CAFTA been up to?

You may not have heard from CAFTA in a while but we are still here and are active. While the position of CAFTA Executive Director has been vacant for some time, we intend to be fully staffed in the next few months. In the meantime, CAFTA has hired an interim Executive Director, Mr. Terry Norman, who many of you will recall from his past work on international trade with the federal government.

CAFTA's voice has not been silent. For example, we have raised concerns about the implications of invoking Article XVIII of the GATT. CAFTA has met with Ministers to push for a more open approach to Canada's negotiating position in the Doha round. CAFTA has also made comments on the ongoing bilateral negotiations, with a clear objective of ensuring that agriculture is not left behind in any bilateral discussions.

CAFTA continues to maintain that bilateral negotiations are complementary, but not a replacement for, a comprehensive multilateral agreement. Canadian agriculture and agri-food will continue to be disadvantaged in world markets until all three pillars of the negotiation - market access, domestic support, and export subsidies - are addressed. This is not possible to accomplish through bilateral arrangements.

CAP Reform and the Doha Round

In a speech on the subject of CAP reform at the Agra Europe Outlook Conference on March 27, EU Commissioner for Agriculture and Rural Development, Mariann Fischer Boel, included the following comments on the relationship between CAP reform and the Doha Round: "Finally, a few words about the external context within which we take our domestic policy decisions - especially the Doha Round of WTO talks.

Let me consider the Doha Round from the perspective of the title of this conference: "Prospects for CAP reform". Essentially, we will not allow the Doha Round to be the main driver of our domestic policy for farms and rural areas in the years ahead. Some of our trade partners seem to think the European Union should agree to swallow just about anything in these negotiations in terms of agricultural concessions, even if that means remodeling the CAP all over again. They are wrong. The CAP reforms which are

already underway have enabled us to table a very valuable agricultural offer in the Doha Round. We have some further flexibility - but it's limited. So although we will continue to push hard for success, the onus is now on others. There must be balance within the agricultural talks. In particular the US must make a greater effort to discipline its trade-distorting domestic farm support, and there must be balance between agriculture, industrial tariffs and services. So far, the silence about these last two areas has been deafening. To summarize, ladies and gentlemen: the CAP is still moving forwards. The European Union continues to change, as it has been changing since 1957; the outside world is also constantly changing; the CAP must keep up. My goal is to keep the ship on a steady course - not sailing too quickly or too slowly, and always with a clear idea of where we want to be in the next few years."

WTO: Canadian Trade Policy Review

Following is an excerpt from the remarks by the Chairperson at the end of the WTO Trade Policy Review of Canada: "While Members commended Canada's efforts to promote agricultural reform in the DDA, concern was expressed about protection afforded to certain, mainly supply managed products. Disappointment was also expressed concerning proposed changes to Canada's dairy import regime, which would further distance parts of the agri-food sector from the market-based solutions that had worked so well in other areas. In this respect, Canada indicated that the supply management system had served its interests well and that it had no plans to put time limits on it. On the other hand, Members appreciated recent reform proposals for the Canadian Wheat Board and encouraged Canada to proceed with such reform. In conclusion, this eighth Trade Policy Review of Canada provided an opportunity to revisit issues considered in earlier reviews, and discuss the evolution of Canadian trade policies and practices since 2003. This review has confirmed Canada's steadfast commitment to the TPRM and, more generally, to the multilateral trading system. Canada's sound economic policies and outward-oriented trade regime have allowed its economy to adapt and prosper in the face of various external shocks. However, there remain a number of areas where reforms would both be beneficial for Canada and help to strengthen international trade, which Canada acknowledged is integral to its continued prosperity. I would thus encourage Canada, and all Members, to take further political risks in the DDA in order to achieve a mutually beneficial outcome to these negotiations."

Standing Committee Report

The report of the Standing Committee on International Trade was released last week after completing a series of hearings on Canada's trade policy. There are 22 recommendations; the WTO is mentioned in recommendation #12. The report is reflective of the current priority of the government to focus on bilateral trade agreements. There is no background or rationale provided in the report; it's expected this will come later.

U.S. Reaches FTA with South Korea

The U.S. and South Korea reached a free trade agreement reported to be worth as much as \$29 billion if ratified. The accord would be the largest for the U.S. since the NAFTA was signed in 1994.

Cairns Group Proposals

The Cairns Group recently submitted proposals for the WTO negotiations covering sensitive products and tropical and alternative products. The Canadian Government does not support the proposal for sensitive products. These proposals are available on the Cairns Group website at:

<http://cairnsgroup.org/index.html>

Cairns Group Ministers

The 31st Ministerial of the Cairns Group will meet April 15-18 in Lahore, Pakistan.

Cairns Group Farm Leaders

The CGFL is meeting on April 16 in conjunction with the Ministerial meeting in Pakistan. The Farm Leaders will discuss the state of play in the WTO agricultural negotiations. CAFTA will be represented by President Alanna Koch, and Vice-President Darcy Davis. They will be holding a conference call with Canadian media following the conclusion of the meetings on April 18. The call will be at 10:30 a.m. EST; those who are interested can participate in the conference call update by calling 306-584-1000 on or before April 17 to reserve a phone line.

Canada Requests WTO Consultations on U.S. Agricultural Subsidies

On January 8, 2007, Canada requested consultations with the United States under the WTO Dispute Settlement procedures on subsidies provided to U.S. corn producers, as well as on the total level of U.S. trade-distorting agricultural support. This is the first step toward the establishment of a WTO Panel which could rule on whether U.S. corn subsidies are causing "serious prejudice" to the interests of Canadian corn growers and also on whether the U.S. has exceeded its overall limit of US\$19.1 billion for trade-distorting domestic farm subsidies.

Article XVIII

On February 7, Ministers Emerson and Strahl announced the initiation of an Article XVIII process aimed at restricting the importation of milk protein concentrates. Article XVIII gives a country the right to renegotiate its tariff concessions in the WTO, allowing for increasing tariffs and setting new tariff rate quotas, and by providing other WTO members with equivalent compensation.

C.D. Howe Institute Questions Canada's WTO Approach

An April 5 e-brief from the C.D. Howe Institute by Lawrence L. Herman points out apparent contradictions in the approach that Canada is taking in the WTO. This e-brief notes that in contrast with the initiation of discussions and possible dispute settlement proceedings with the U.S. over their agricultural subsidies, claims that Canada wants a market liberalizing Doha Round result, and recent moves to open up the Canadian Wheat Board's grain marketing monopoly, there has also recently been Canada's decision to re-negotiate upward certain dairy product tariffs, statements that supply management and over-quota tariffs are not on the table, and the resulting increased isolation of Canada in the Doha Round negotiations. Herman concludes that Canada is taking one step forward and two back.

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