Views on WTO Domestic Policy Obligations: Issues & Prospects

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OBSERVATIONS/LESSONS FROM THE URUGUAY ROUND
The Uruguay Round: Most Comprehensive Reform to Date

◆ Eight years – starting in Punta del Esta in 1986, ending at Marrakesh in 1994

◆ Established the World Trade Organization

◆ Comprehensive agreement with 123 Members – agriculture brought into the rules based system

◆ Dispute resolution – provides for binding resolution
Uruguay Round Agreement on Agriculture (URAA)

- Market Access: reduced and bound all agriculture tariffs
- Domestic Support: established rules for support policies; defined trade distorting and non-trade distorting support
- Export subsidies: defined and reduced
BUT

THE RESULTS OF THE URUGUAY ROUND WERE OVER SOLD
U.S. Exports of Goods, Services, and Income

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<th>Billion dollars</th>
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<td>1400</td>
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<td>400</td>
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- Non agricultural goods
- Agrcultural goods

As a share of total = 12%
10%
10%
7%
7%
6%
6%
5%
6%
4%
4%

The Doha Round of WTO
US Agriculture Exports

Rest of the World

NAFTA

17.2%

29.6%
Where do U.S. Agri-food Exports go?

Top 5 markets for year 2004

Canadians purchase the most U.S. agricultural exports per capita.

- per Canadian: $303
- per Mexican: $80
- per Japanese: $64
- per European: $15
- per Chinese: $4
OBSERVATION

◆ DOMESTIC SUPPORT COMMITMENTS: DO NOT NECESSARILY MEAN THAT GOVERNMENTS WILL SPEND LESS MONEY ON AGRICULTURE
Farm Income and Government Payments

Net Farm Cash Income

Net farm cash income less direct gov’t payments

Direct government payments (emergency/miscellaneous is red area)
Source: Statistics Canada
OBSERVATION

◆ URUGUAY ROUND EXPORT SUBSIDY AND DOMESTIC SUPPORT COMMITMENTS PROVIDED DIRECTION WHERE POLICIES SHOULD GO.

◆ COUNTRIES COULD GO FURTHER:

For example, Canada eliminated its grain transportation subsidy
Evolution of Prairie Farm Market Receipts by Commodity, 1988 and 2003

- **Wheat & Coarse Grains**: 36.9% (1988) vs. 20.9% (2003)
- **Red Meats**: 34.5% (1988) vs. 39.9% (2003)
- **Other Commodities**: 14.0% (1988) vs. 18.3% (2003)
- **Oilseeds**: 12.8% (1988) vs. 15.0% (2003)
- **Special Crops**: 1.8% (1988) vs. 5.9% (2003)

Source: Statistics Canada and AAFC calculations.
Other Factors Influence Agricultural Trade/Policy

- Globalization
- Global Supply Chain
- New Global Competitors:
  - Brazil has become a significant force in global agriculture in just five years
Other Factors Influence Agricultural Trade/Policy

- **Innovation**
  - Developed country agriculture production by 1-2% of the population
- **Consumer Wants**
- **Sanitary and Phytosanitary Issues**
  - BSE, Avian Flu, etc
Doha Round and Canadian Agriculture Programs

- Framework Agreement – July 2004
- Domestic Support-changes to programs not likely required
- Canadian Wheat Board
- Supply Management
Why Trade Matters

- People who trade more live better
  - Productivity and Specialization
  - Variety / Quality
  - Competition and Innovation
- Stimulates long-run growth
- Fosters the “rule of law” and democracy