

## WTO Negotiations – The Facts

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### **Potential Benefits of the Current WTO-Doha Round Agriculture Draft Text**

- The World Trade Organization (WTO) Doha Round negotiations are ongoing. Several misconceptions have been raised about the potential impacts of the draft text on Canadian agriculture. In agriculture, a draft text has been produced that includes several important measures that can benefit Canada's agriculture industry.
- The draft text also includes a provision to eliminate the single desk monopolies of State Trading Enterprises such as the Canadian Wheat Board (CWB). The CWB publicly opposes this provision saying that the draft text does not offer real gains in market access or real cuts to domestic subsidies.
- Studies by the George Morris Centre and other organizations suggest that the draft text offers substantial benefits to the agriculture industry. Some of these benefits are highlighted below.

### **Market Access**

- The draft text improves market access through two mechanisms – lowering of tariffs according to a tiered formula that cuts the highest tariffs the deepest; and an expansion of minimum access quotas for products that are protected from deep tariff cuts.
- The CWB has ignored the substantial market access Canada could gain from minimum access expansion as stipulated in the WTO-agriculture negotiations text. Analysis by the Alberta Government suggests that expanded minimum access quotas alone will bring significant new export opportunities for Canada.
- For example, based on the “minimum access formula” in the WTO-agriculture negotiations text and current market shares, Canada could gain increased exports of as much as 1.1 million tonnes of wheat (463,000 tonnes of durum wheat and 671,000 tonnes of other wheat) to the European Union.
- Based on the minimum access formula in the WTO-agriculture text and current market shares, Canada could gain increased exports of 102,000 tonnes of wheat (59,000 tonnes durum and 43,000 tonnes non-durum wheat) to Japan.
- Canada could also gain minimum access for close to 25,000 tonnes of barley annually in the Japanese market.
- In processed wheat market, Canada could gain close to 57,000 tonnes of processed wheat (such as wheat flour and meals of wheat) annually, from minimum access expansion in Europe.
- In the Japanese market for processed wheat and barley, Canada could also gain close to 1000 tonnes annually for processed wheat products (such as, wheat flour and other wheat products), and 3350 tonnes of processed barley products (that include, malt roasted and non-roasted).
- Canada's other agricultural products such as beef and pork and processed food products will also gain significant new access through expanded minimum access quotas.
- All the above significant market access gains come from minimum access expansion in a new WTO agreement and are not included in the CWB's analysis.

**For further information (or to suggest topics for future information sheets), contact:**

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- The WTO-agriculture draft text also contains cuts to bound (i.e. maximum possible) tariffs. The CWB argues that these cuts will not affect the actual tariffs charged (i.e the applied tariff). This argument is true for some markets but not for others.
- The European Union's applied and bound tariffs for beef, pork, durum wheat and barley are, for example, the same, meaning that any cuts to the bound tariffs will also affect applied tariffs.
- Applied tariffs on wheat and canola seed in China, and on pork, canola oil and beef in Japan will, for example, see a significant cut from their current levels.
- It is also important to note that a country can raise applied tariffs to their bound levels at any time. Any cut to the bound tariff reduces the damage this move can create.

### **Domestic Subsidies**

- The CWB argues that the proposed cuts to domestic spending will reduce the maximum allowable level but will not affect actual levels of spending.
- This could be true for some countries in some years but will not be universally true. Spending in the United States (US) is dependent on crop prices. This means that when prices are low, US producers are shielded from this price signal and can over produce, making the price situation worse. A deal that reduces the level of spending possible will limit the ability of the US to shield its farmers from market signals.
- The overall "cap" on domestic subsidies includes restrictions on spending on specific crops or products that will place greater limits on the ability to distort markets than a single focus on the overall cut would suggest.
- It is better to capture this reduction in maximum spending levels through an agreement based on the draft text than to let the opportunity pass and attempt to negotiate such reductions in the future.
- The current proposal in the WTO-agriculture text will achieve an 80% reduction in EU's current domestic support allowance and a 70% cut on US's allowance. Without these reductions, there will be a huge potential left to distort international trade. This will hurt Canada in third markets.

### **Export Subsidies**

- Export subsidies are the most distorting form of support. Export subsidies reduce global prices for a product and severely distort trading patterns.
- The draft text contains a provision to eliminate all export subsidies by 2013. This would remove the most distorting form of support and lead to much less distorted global agriculture markets. Prices are expected to increase in the absence of export subsidies.
- While export subsidies are not commonly applied to wheat and barley the EU applied them to wheat in the recent past. Removing this distorting tool from large subsidizers, such as the US and the EU, is likely to benefit Canada's wheat producers.
- The draft text also contains new rules on the use of borrowing guarantees, export credits and food aid. These are likely to restrict the CWB's borrowing and lending activities. These measures will, of course, also limit the CWB's competitors' ability to use these tools.
- The CWB states that rules on food aid do not "go far enough". While even stronger rules would be good the draft text is a substantial improvement over the status quo.
- Among other things, the proposed new rules on "food aid" will make food aid only "need based". This could significantly reduce the displacement of commercial shipments, caused by food aid programs being used for surplus disposal. Export dependent countries such as Canada will benefit from these new WTO-trade rules.

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