AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
http://ageconsearch.umn.edu
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

— DISCUSSION —
COMMODITY POLICY COMPATIBILITY WITH FREE TRADE AGREEMENTS

Tom Richardson

One of the key points in Dan Sumner's paper is that there is limited negotiating capital in any trade round, so the question is where should resources be focussed? Sumner's analysis, for the most part, leads to the conclusion that a lot of internal programs, one way or another, will be modified or will self-destruct, and will be redesigned into something that is more benign. That is an important conclusion. But if that's going to happen, one might ask why focus on it?

The paper seems to be saying that nullification and impairment should be able to take care of things. In fact, if some of the kinds of disciplines that exist in the World Trade Organization (WTO) text were there, maybe it would be better if they weren't because maybe the nullification would work better when it was needed. Your conclusion in relation to this framework was to go after the border and go after exports. I agree with that general conclusion, particularly in relation to limited negotiating capital.

Like Antonio Yunez-Naude, I want to address a specific situation that applies in Canada. My first question is on the nullification and impairment issue. I don't personally know a lot about GATT history on the use of that paragraph and how powerful it might be. It may be worthwhile to see how that section would work with some of the existing, domestic disciplines that are in the WTO like Annex II, paragraph 6, paragraph 7, paragraph 8, in combination with nullification. Is that a better combination than having nothing?

Or, what if you got rid of Annex II and you didn't worry about the colour of money and what everybody did. Would that work better? Perhaps one should analyse the options because there are paragraphs that allow certain things, some that are more benign than others, some of that may cause problems. Paragraph 7 in certain situations might be quite powerful, but you might argue should not be there. Perhaps that should be investigated in terms of whether or not that would work with or without some kind of disciplines on domestic support.

In terms of the Canadian experience, two examples come to mind, including one that was mentioned in discussion earlier in the workshop-- adjustment of the Crow subsidy. The

other program that was eliminated in Canada at the same time was actually a very small program of "feed freight" assistance. This latter program was a subsidy to livestock producers in feed deficit areas in Canada. When the federal government decided to eliminate that program for budgetary reasons, they agreed to compensate producers but the question was, what kind of compensation is appropriate?

The dairy and poultry producers that benefited from that program didn't really care about the form of compensation because, since they did not export, it didn't affect them. The hog producers and cattle producers cared a lot! They pushed very hard for a compensation package that was basically green and which was similar to the Crow payout. So with both of these subsidies, we ended up with a compensation package that basically meets the intent of paragraph 6. In the hog industry, one-third of the exports go to the United States and there has been an ongoing countervail action going on with the United States for a long period of time. Any payment that our hog industry receives will likely be examined in terms of the protection or advantage it provides Canadian hog producers. That is Sumner's point. If the compensation that hog producers receive gets reflected back into some kind of distortion in production, then does the U.S. hog industry have a chance to get at Canadian exports, or not? This is an obvious area for some empirical work to be done. From a political perspective, my sense is that giving some flexibility or some room for payments to be made for domestic adjustments where you know that those payments will not or cannot be countervailed, is a really important political issue in a country like Canada.

It's tough enough for the politicians to cut subsidies, but to also tell farmers that there will be no compensation because compensation may be countervailed if you're in an export position is a very difficult position for politicians.

There is value to having some room to manoeuvre in terms of domestic programming, and a balance must be struck between domestic and trade responsibilities. The experience that Canada has had so far is that the paragraphs in Annex II do give enough room to manoeuvre. From a U.S. perspective perhaps there is a perception of too much room to manoeuvre.

There is some interesting work that could be done here to try to take the Sumner thesis to the next step, to try to look at these disciplines and determine practically whether protection can be accommodated along with a reasonable adjustment process.