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# **Trade Liberalization and the WTO Negotiations after Seattle**

**A Special Report  
The George Morris Centre  
March 2000**

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# Trade Liberalization and the WTO Negotiations after Seattle

Vincent Amanor-Boadu<sup>1</sup>

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## Introduction

Trade liberalization has been received around the world with mixed emotions. The completion of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) in December 1993 brought conversations about international trade into the conversation of the general public in a significant way for the first time. What is most important, individuals against or concerned about increased global trade have successfully organized themselves into forces of recognition, taking the conversations about trade from the back rooms into the streets. This was manifest at the Third, or Seattle, Ministerial Conference which was aimed at ushering in the Next Round of Trade Negotiations under the World Trade Organization (WTO) in December 1999.

During the volatile week in Seattle in December 1999, the focus of the media was primarily on the demonstrations and riots on the streets, with little or no coverage of the activities going on in the meetings at the Ministerial Conference. The WTO was unable to make a Ministerial Declaration to launch the next round of trade negotiations, leading some to think that any international trade liberalization effort has been derailed because of the demonstrations and riots.

A number of questions emerge as a result of the events emanating from the Seattle Ministerial Conference, but three of these are of specific interest to this author:

1. What really happened at the Seattle Ministerial and why?
2. What are the implications of what happened to global trade negotiations in the future?
3. Why should Canada care?

This paper addresses the above questions, looking at the issues leading up to the Ministerial, the structure of the Ministerial agenda and the positions tabled by various countries in an attempt to understand the outcome of the Seattle Ministerial. It also looks at the changes in the membership of the WTO and the negotiation processes and how these affect future global trade negotiations. We also assess the increasing importance of trade to Canada, arguing that there is an important role for Canada in the current negotiation to ensure its successful conclusion.

The layout of the paper is as follows. The next section presents a brief summary of the built-in agenda that was agreed to at the end of the Uruguay Round, explaining the evolving nature of international trade rules and the changes that have occurred in international trade relations since the WTO came into force on January 1, 1995. The section following presents the agenda of the Seattle Ministerial, the positions on the critical subjects of negotiations – including agriculture, implementation and rules, market access – tabled by the various countries and condition that created

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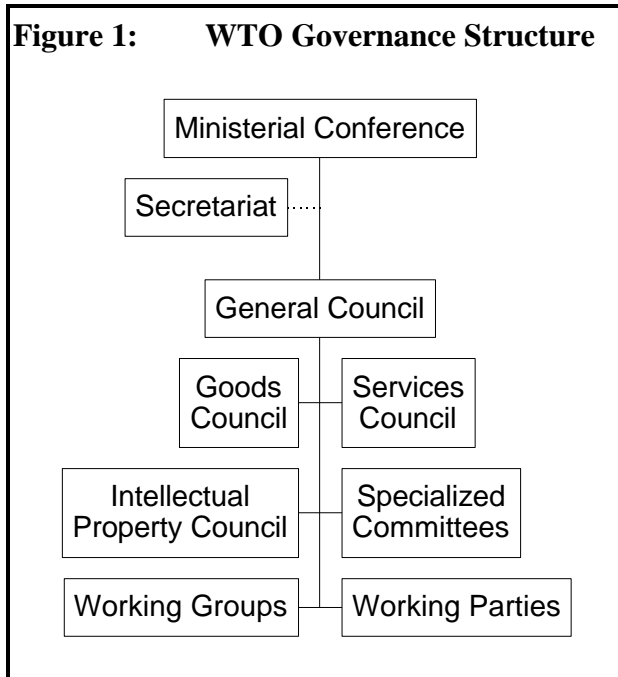
<sup>1</sup> The author is the Director of Research at the George Morris Centre. He, and not the George Morris Centre, is solely responsible for any errors and omissions that may be in this document.

for the ability of the Seattle Ministerial to achieve its objectives. The final section presents developments at the WTO since Seattle and what that means for Canada's agri-food industries.

### The Road From Marrakesh to Seattle

To understand what has been happening at the WTO since Marrakesh, it is important to understand how the WTO works. Members of the WTO, more than 130 countries, account for more than 90% of total global trade. There are currently about thirty other countries negotiating memberships into the organization. The organizational structure of the WTO is presented in Figure 1. The governing body of the WTO is the Ministerial Conference, comprising Trade and/or Foreign Affairs ministers of member countries. It is expected to meet at least once every two years. The next decision-making body is the General Council, comprising heads of delegations and ambassadors in Geneva. This body meets several times a year at the WTO headquarters in Geneva. The General Council also meets as the Trade Policy Review Body and the Dispute Settlement Body. The Goods Council, Services Council and Intellectual Property Council form the next level and report directly to the General Council. Membership of these councils comprises officials of the delegations. There are numerous specialized committees, working groups and working parties that deal with individual agreements and other specialized aspects such as environment, development, regional trade agreements and membership applications. Although membership of all the councils and the Ministerial conference is open to all member countries, the individuals sitting in these councils are not necessarily the same because of expertise and interest.

**Figure 1: WTO Governance Structure**



The secretariat, with about 500 employees and headed by the Director-General, provides technical and other support to the Ministerial Conference, General Council and other councils and committees. It also develops reports and analysis of global trade and interface with the media and the public.

Decisions at each level of the WTO are by consensus, ensuring that they are acceptable to all members.<sup>2</sup> Despite the apparent difficulty of reaching consensus decisions among so many players, the WTO has been remarkably successful in this area. It has depended on informal consultations to eliminate most thorny issues, allowing for quick decisions to be reached in formal settings. In particularly difficult situations, the WTO has used a system called Green Room meetings, which

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<sup>2</sup> Voting is allowed in some special cases. For example, admitting a new member, amend provisions of the multilateral agreement, or waive an obligation imposed on a particular member.

involves a smaller number of countries (as many as forty or as few as two) most interested in a particular issue under discussion, to break deadlocks.

### **The Built-In Agenda**

The Uruguay Round of the General Agreement on Tariffs and Trade (GATT) was successful in a number of significant areas. These included success at finally bringing agriculture under the same rules as other industries in the international trading system by converting all non-tariff barriers into tariffs, and specifying a reduction profile for the tariffs. However, at the end of the negotiations, member countries recognized a number of “unfinished businesses” that required further studies, reviews and improved understanding so that they could be brought completely under trading rules.

**Table 1: Select Examples of the Built-In Agenda of the Uruguay Round of GATT**

<b>Date</b>	<b>Agenda</b>	<b>Objectives</b>
1998	Sanitary and Phytosanitary Measure	Review operations and implementation
	Technical Barriers to Trade	Review operations & implementation
	Anti-dumping	Examine standards of review and consider application to countervail cases.
	Dispute Settlement Mechanism	Full review of rules and procedures by the end of 1998
1999	Government procurement	Improve and achieve greatest possible extent of coverage among partners on the basis of reciprocity
	Agreement on Agriculture	Initiate negotiations one year before end of implementation period
2000	Agreement on Agriculture	Negotiating for continuing the process of substantial progressive reductions in support and protection
	General Agreement on Trade in Services	Achieving higher levels of liberalization
	Trade Related Aspects of Intellectual Property Protection (TRIPS)	Review implementation of agreement after January 1
	Trade Policy Review Body (TPRB)	Appraisal of the operations of policy review mechanism
2001	Agreement on Textile and Clothing	Review implementation of agreement
2004	Agreement on Textile and Clothing	Review implementation of agreement

Therefore, signatories to the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) agreed to a “built-in agenda,” work set out in the WTO agreements encompassing further negotiations, studies, reviews and/or other work in the post 1995 period. Some of the built-in agenda activities are presented in Table 1.

Since the Uruguay Round came into effect on January 1, 1995, the General Council and other councils and committees have been working on the built-in agenda. The two principal agendas

coming out of Marrakesh that needed negotiations were financial services and telecommunication services. In February 1997, sixty-nine countries, accounting for more than 90% of the \$600 billion world market for basic telecommunications in 1996, reached an agreement on basic telecommunications services. It is believed that the onslaught of information technology during this period contributed to the speed with which the agreement was achieved. A set of regulatory principles was developed and agreed to by most of the signatories to ensure that trade liberalization initiatives were not thwarted by anti-competitive behaviour on the part of the telecommunication companies. The next round of negotiations for further liberalization of the telecommunication services was scheduled for 2000.

In December of 1997, there was a breakthrough in the other major area, financial services. Seventy countries, accounting for more than 95% of the trade in banking, securities and financial information, reached a multilateral agreement to open their financial services sectors. The Information Technology Agreement was reached in March 1997 after forty-three countries, accounting for 93% of information technology trade, committed themselves to remove all tariffs on computers, semiconductors, software and scientific instruments by 2000.<sup>3</sup> More than four hundred pharmaceutical products have been added to the duty-free list by the countries which agreed under the Uruguay Round to eliminate pharmaceutical product tariffs. Table 1 shows that the built-in agenda requires negotiations to fill in gaps in the General Agreement on Trade in Services. So far, there has been little progress in this with respect to subsidies, safeguard actions and government procurement. However, more negotiations are scheduled for 2000 to push for further liberalization in this area.

The first Ministerial Conference took place in Singapore in December 1996. That meeting resulted in the WTO investigating two important, but controversial areas or subjects: Investment and competition. The ministers agreed at the Singapore Ministerial to study the relationship between trade and these two subjects, carefully indicating that the studies should not prejudice whether negotiations will be taking place in these areas. In addition, the WTO initiated work to study transparency in, and what might go into an agreement covering, government procurement practices. The Goods Council was also charged with finding new rules that might help ease and simplify trade procedures. Finally, the built-in agenda included work on trade problems of the least-developed countries as well as the relationship between trade and the environment.<sup>4</sup> Ministers at the Singapore Ministerial agreed to initiate exchange of ideas for the built-in agenda negotiations' items of agriculture and services scheduled for 2000.<sup>5</sup>

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<sup>3</sup> It is important to note that information technology products account for 12% of total global trade, more than agriculture's share.

<sup>4</sup> The WTO established a Committee on Trade and Environment to explore the relationships between WTO rules and multilateral environmental agreements, taxes, standards, labelling and packaging requirements. It was also charged with exploring the effects of environmental measures on developing country exports.

<sup>5</sup> Although there was pressure in Singapore to bring labour standards under WTO, it did not happen. Instead, the Ministerial declaration was a support for the work being done by the International Labour Organization (ILO) of the United Nations.

The second Ministerial in Brussels in 1998 added only one new item, electronic commerce, to the work program at the WTO. The questions emerging were whether the current trade rules were capable of adequately covering electronic commerce. The work at the WTO since the second Ministerial was intense preparation for the third Ministerial in Seattle in December 1999.

It may be argued that the most incredible outcome of the Uruguay Round so far has been the dispute settlement mechanism. Unlike its predecessor whose dispute settlements were unenforceable, the WTO's dispute decisions are binding, applying across a whole range of WTO agreements on goods, services and intellectual property protection. This implies that no country can block the decisions of the Dispute Settlement Body once a case has gone through the due process laid down under the Uruguay Round. If a member government does not implement a decision made by the Dispute Settlement Body, the complainant in the dispute may be authorized to implement retaliatory trade measures.<sup>6</sup>

The dispute settlement mechanism has been used effectively by members. Between January 1995 and August 1999, there were 183 dispute settlement processes initiated by members and they involved 142 distinct matters. This contrasts with the GATT dispute procedures being invoked about three hundred times between 1948 and 1994. Many of the cases were settled through consultations, without establishing formal panels to examine the complaint. Indeed, the dispute settlement mechanism illustrates the commitment by governments to the rule of law and civilized engagement. It is being seen as a model for the way other international conflicts and potential conflicts may be resolved in the future.

### **The Seattle Ministerial**

It is important to recognize that although the WTO works very hard for inclusiveness among all its members, the major trading nations have tended to drive the major issues that often become sticking points during negotiations. For example, towards the end of the Uruguay Round, subsidies and domestic support were becoming immense bottlenecks. The Blair House Accord, between the US and the EU, led to an introduction of the "blue box" provisions. The development of the compromise position through the "blue box" measures, it is argued in many circles, led to the conclusion of the Uruguay Round. Against this background, it is important to recognize that bilateral negotiations are very important for Ministerial declarations to occur. So, how were the conditions going to Seattle and how much negotiations occurred before the Conference?

The WTO invited member countries to submit specific proposals for the third Ministerial in Seattle, Washington. More than two hundred proposals were received, covering the concerns about developing countries and a range of other issues. In this section, we present an overview of some of the proposals presented, focussing principally on those related to agriculture. We will compare these proposals to the agenda that was drawn for Seattle and analyze the points of difficulty that led to the suspension of the Ministerial.

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<sup>6</sup> This happened for the first time in 1999 against France which refused to eliminate its ban on US beef imports.



## Setting the Seattle Agenda

The agenda development process for WTO Ministerial conferences is becoming increasingly complex and there are questions whether the organization has the capacity to cope with this burden.<sup>7</sup> The complexity emanates from the number of issues confronting the organization as well as the number of players participating in the broad development of the WTO's agenda. Let us first look at the number of players and then the number of issues.

Article V of the Agreement Establishing the World Trade Organization specifically indicated that the WTO should develop "effective cooperation with other intergovernmental organizations that have *responsibilities related to those of the WTO*" and "arrangements for consultation and cooperation with non-governmental organizations concerned with *matters related to those of the WTO*."<sup>8</sup> The former Director-General of the WTO, Renato Ruggiero, implemented the foregoing Article, indicating that:

We are making progress toward improving our information exchange and consultation with civil society. The measures are the first steps in our enhanced co-operation and represent the start of an on-going collaboration with partner NGOs, which we fully expect will offer important benefits for all parties concerned.<sup>9</sup>

The scope of the NGOs covered environmental, development, consumer, business, trade union and farmer interest groups. The cooperation described by the Director-General encompassed workshops, symposia and regular briefings for these organizations and the distribution of position papers, newsletters and other documents NGOs submit to the WTO to its more than 132 members each month. It also involved inviting them to General Council meetings and Ministerial Conferences. For example, there were 108 and 128 non-governmental organizations (NGOs) at the Singapore and Geneva Ministerial Conferences in 1996 and 1998 respectively. The number of NGOs at these meetings seemed to be approaching the number of WTO members!

At the same time, various member countries were increasing their own dialogue with civil society. For example, on October 22, 1999, less than six weeks before the Seattle Ministerial, the EU Commissioner for Agriculture met with thirty-five European NGOs. Among the issues raised were trade and non-trade issues. The European Landowners Association (ELO) and the Comité des Organisations Professionnelles de l'Union (COPA) wanted health, nutrition, quality, sustainable food production and environmental protection to be taken fully into consideration at the Seattle Ministerial. It is not surprising that the EU's position on the "multifunctionality" of agriculture has become an

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<sup>7</sup> See "World Trade Organization Ministerial Conference in Seattle: Appraisal and Prospects," speech by Pascal Lamy, EU Commissioner of Trade to the European Parliament Plenary Session, Dec. 13, 1999.

<sup>8</sup> Emphasis mine.

<sup>9</sup> WTO Press Release 107, Ruggiero Announces Enhanced WTO Plan for Cooperation with NGOs. July 17, 1998.

important position in the next round of negotiations.<sup>10</sup>

Table 2 presents the principal agricultural proposals presented for negotiation by the major food net  
**Table 2: Selected Agricultural Proposals Submitted by Major Food Exporting Countries**

Canada	US	EU	Australia
Improved disciplines and remedies under the Agreement on subsidies and countervailing measures	Completely eliminate and prohibit all remaining export subsidies, clarify on other measures that can act to circumvent export subsidies and create new disciplines for practices that distort export competitions, e.g., STEs	Whether specific instruments provided in the 1994 agreement need to be adapted. Major review of specific instruments in the Agreement on Agriculture not necessary or desirable	Substantial reductions in support and protection delivered through specific bound commitments based on agreed modalities and timetables for their implementation. Major reductions in domestic support
Complete elimination of export subsidies and substantial reductions in trade-distorting domestic measures	Maximize improvements in market access opportunities and make more uniform the tariff bindings on all members.	Improvement in market access through inter alia greater clarity of rules in managing TRQs, STEs and removal of non-tariff barriers. Reductions in export subsidies and domestic support.	Immediate and total elimination and prohibition of all forms of export subsidies. Deep cuts in tariffs and removal of tariff escalation and tariff peaks which will provide expansion in market access
Establishment of a Working Party on biotechnology with a fact-finding mandate to consider adequacy and effective of existing rules as well as members' capacity to effectively implement rules	Ensure that trade in agricultural biotechnology products is based on transparent, predictable and timely processes	Non-trade concerns, e.g., multifunctional role of agriculture – food safety and quality, environmental protection and animal welfare	Develop disciplines on export restrictions and taxes
Address challenges facing developing countries in adjusting to an enhanced multilateral trading system. (Trade and development)		Special and differential treatment for developing countries	Improved access for products of interest to developing countries with specific and concrete special and differential treatment
Enhancing transparency of the WTO – civil society, dispute settlement	Substantial reductions in trade-distorting support while preserving criteria-based “green box” policies	Essential elements of the blue and green box provisions	Ensure that administration of TRQs does not diminish the size and value of market access opportunities
Enhancing market access for goods, especially for LDCs under a trade and development objective. We address the specific challenges of the section.	Current framework be supplemented by additional disciplines to the principal players at the Seattle Ministerial in the next	Special Safeguard clause	

exporting countries. The selected countries and country groups are Canada, the US, the EU, Japan and Australia. The table shows a certain degree of consistency, at least in direction, among these players but with varying degrees of emphasis on some of the specifics. For example, the EU's main areas of concern – key trade issues, market access, export subsidies, domestic support and special and differential treatment for developing countries – feature in Canada and Australia's proposals. However, the EU's position on “multifunctionality” of agriculture is clearly absent from the others' proposals. The EU specifically notes the issues arising with respect food safety and quality, proposing a stronger link between agriculture and sanitary and phytosanitary measures as well as technical barriers to trade. Additionally, the EU notes that the increasing public concerns about the conditions in which animals are kept and reared has led many members to adopt “ever more detailed provisions to meet this legitimate moral requirement.” Therefore, it proposed that the issue be addressed on a multilateral basis to ensure that trade measures taken regarding animal welfare standards are accommodated within WTO rules. So we note an emphasis on these non-trade issues by the EU which clearly separates it from the US, Canada and Australia. On the issue of special and differential treatment for developing countries, there was more consistency between Canada, the EU and Australia.

Table 3 presents a summary overview of the agriculture proposals made by a selection of food importing countries and developing countries. The selected countries are Japan and developing countries.

It is important to note that Japan is another strong supporter and proponent of the “multifunctionality of agriculture” issue. Japan argues that most aspects of multifunctionality are primarily economic externalities which present difficulties in reflecting the appropriate market prices, which makes the market mechanism alone incapable of leading to the realization of an agricultural production system that can accurately reflect the multifunctionality of agriculture. To this end, Japan, like the EU, proposes the use of certain types of policy interventions to obtain “second best” solutions as a result of the market failure. Specifically, Japan opines that among the wide ranges of agriculture's multifunctionality, those meeting the following conditions should be examined in relation to their effect on agricultural trade:

1. Where functions are closely related and cannot be separated from agricultural production, e.g., rural development
2. Where functions play important roles in relation to agricultural production
3. Where the value of the function is commonly recognized by the people of a member country, e.g., preventing the depopulation of rural communities and regions.

The question of food security is defined with the context of its role in life and health, recognizing the responsibility of the state in ensuring that its citizens have adequate and stable supply of food. Since there is instability in global food supply, the proponents of the food security issue argue that large purchases and stockpiling of food by rich countries in times of short supply may negatively affect the international market. To this group, it is important to examine how an international policy framework may be used to achieve such an objective.

It is argued that because the international demand for primary agricultural, forestry and fisheries are

**Table 3: Principal Agriculture Proposals Presented by Net Importers of Food**

<b>Developing Countries</b>	<b>Japan</b>
A thorough assessment of the effects of the Agreement on Agriculture on developing and developed countries.	An independent group for comprehensive agricultural negotiation be set up due to agriculture's special characteristics. An appropriate forum be established to address new issues, e.g., GMOs, from a broad perspective
Immediate elimination of all export subsidies and a commitment to an unconditional prohibition of the use of export subsidies except those under the special and differential treatment for developing countries	
Effective disciplines on export credit a condition for concluding negotiations	Multifunctionality of agriculture (e.g., food security) and smooth implementation of domestic agricultural policies
Substantial reduction commitment or elimination of "blue box" support measures	Redress the imbalance in the rights and obligations between food importing and exporting nations under the WTO rules
Establishment of the "Development Box" under which developing countries can, for development and food security reasons, deviate from the Agreement of Agriculture commitment.	
Achieve more ambitious market access than under the Uruguay Round but developing countries must have flexible arrangement in scheduling their commitments, including special safeguard for the reform duration	Strengthen existing rules and disciplines on export prohibition/restriction measures, export tax, subsidies and export STEs
Consideration be given to the level of development and the degree of competitiveness of a developing country in the negotiation.	Review existing rules while maintaining the basis structure and facilitate reforms for market oriented approaches to agricultural policies
Developed countries encourage to commit the unconditional binding of all GSP schemes for agricultural tariffs	Special consideration to developing countries to achieve food security

inelastic and are exported by only a few countries while imported by some a large number of countries, it is important to have rules to ensure that the actions of these exporters do not adversely affect importers and international prices. Thus, while the disciplines of importers are clearly enforced – tariffs, TRQs, market access requirements, etc. – there are no such disciplines for export subsidies, export taxes and export prohibition and restrictions. Specifically, export state trading enterprises (STEs) are seen as having very lax rules.

In the light of the foregoing multifunctionality issues, Japan, the EU and other supporters of these issues proposed that domestic support cannot be completely eliminated. Therefore, they support the maintenance of the present framework of "Green" and "amber" boxes. Japan specifically indicates that the "Blue box" policies, as the midpoint for transforming an "amber" to "green" policy, needs to be maintained. In this sense, Japan has a similar position to the EU's.

Japan wants to revisit the issue of tariffs being the only legitimate border measure due to the whole question of multifunctionality of agriculture and the inability of tariffs to successfully deal with some

of these issues. To this end, Japan proposes the use of a “balanced approach” which involves various policy instruments. For example, Japan argues that net food importing countries should be allowed to encourage food production as a food security policy initiative and as such should be allowed to use the appropriate border measures in addition to domestic support to achieve this food security objective. In balancing the rights and obligations of importers and exporters, the argument is that since exporting countries can unilaterally restrict export quantities, importers should be allowed to restrict import quantities. While most food exporters are calling for the elimination of tariff escalation, Japan proposes “careful attention” for the sound development of the food industry because of its important role in food security.

Many new issues have emerged since the conclusion of the Uruguay Round, genetically modified organisms and electronic commerce being only two of the major ones. The question raised by the EU, Japan and some developing countries is whether the current trading rules are capable of dealing with these emerging issues. Japan, for example, argued that since the emerging issues straddle several WTO agreements, it is often difficult to deal with them in any coherent manner. Therefore, Japan suggested that they be addressed from a broader perspective and not within any single agreement.

Developing countries are the majority at the WTO and the consensus arrangements of decision-making suggest that their concerns cannot be overlooked if any agreement is going to be reached under the WTO. A communication document from various countries including Cuba, Dominican Republic, Egypt, El Salvador, Honduras, Sri Lanka, Uganda and Zimbabwe, identified issues of interest to developing countries that cover implementation issues and built-in agenda issues.<sup>11</sup>

Reference is made to the fact that so far, the Uruguay Round has not been very beneficial to developing countries. On the whole, imports of food products have surged in developing countries while exports have not changed much.<sup>12</sup> The implementation issues covered the inequities emanating from the Uruguay Round – tariff peaks and tariff escalations, unrealized minimum access opportunities, selective reduction in tariffs that really did not alter market access conditions. Others are the high levels of subsidies in developed countries and the existence of various forms of non-tariff barriers, the significant of which is sanitary and phytosanitary measures, which together constrained market access opportunities. Similarly, the Uruguay Round did not recognize export credits as export subsidies and they have been used by various developed countries as have special safeguard provisions which have only been used by developed countries in the 200 times that they have been used.

The developing countries argued that their support programs, such as de minimis supports and input and investment subsidies, have been treated on par with production limiting “blue box” subsidies while most Annex 2 subsidies used mostly by developed countries are non-actionable, completely

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<sup>11</sup> World Trade Organization General Council. Preparations for the 1999 Ministerial Conference, Agriculture, WT/GC/W/374, October 15, 1999.

<sup>12</sup> See Financial Times, “Uruguay Round Agreement: Imports Boosted, Not Exports,” September 28, 1999 and FAO/UNO, “Agriculture, Trade and Food Security: Issues and Options in the Forthcoming WTO Negotiations from the Perspective of Developing Countries,” FAO Symposium, September 23-24, 1999, Geneva.

immune from counter measures and countervailing duties. Like Japan and the EU, the developing countries proposed the issue of food security and bemoaned the fact that their policies supporting such initiatives are not covered under the “green box” measures. Therefore, as far as the developing countries are concerned, there are serious implementation issues that need to be addressed in the next round of negotiations.

With respect to the built-in agenda to be addressed in the next round of negotiations, the developing countries sought to eliminate tariff peaks and tariff escalations on all agricultural products to facilitate market access opportunities for developing countries. In addition, they proposed that tariff reductions not be aggregated so that tariffs are lowered on all products equally instead of being virtually maintained for sensitive products in developed countries. The developing countries also proposed that all domestic support programs be brought into a single box and brought down to a common level within a specified period regardless of their historical levels. They also want all export subsidies eliminated except those under the special and differential treatment for developing countries. An interesting addition to the negotiation was a proposal that there be a Development Box under which developing countries can, for development and food security reasons, deviate from their Agreement of Agriculture commitments in order to meet their development and food security needs. The Development Box provisions proposed included:

1. Domestic support and transparent import controls for the protection of domestic production
2. Protection of small and household farmers
3. Input and investment subsidies
4. Food securities
5. Measures in favour of net food importing developing countries.

They argued that the Development Box will also put all the special and differential treatment provisions in one place and will serve, among other things, to clearly distinguish between the rights of developing and developed countries, provide legal certainty and monitor and enforce implementation.

The foregoing reflect only the agriculture proposals. Recognizing the complexity of these issues and the fact that there are many other issues from other areas – intellectual property protection, dispute settlement, trade in services, trade in goods, etc. – it is not difficult to understand the difficulty that confronted Ministers at the Seattle Ministerial.

The effect of the complexity of the issues was that the WTO secretariat was unable to organize the issues into a cohesive structure to facilitate the necessary pre-Ministerial negotiations that were necessary for reaching agreements at such meetings. As the meeting day drew near, it became increasingly clear that pulling the interests of all these players together into a cohesive, concise and executable agenda was going to be a nightmare. Many keen observers of the WTO process could have predicted the results of the Seattle Ministerial conference before it even began as a result of these situations.

## **The Seattle Agenda**

The agenda for the three days of the Ministerial Conference was very comprehensive. According to Pascal Lamay, the EU Commissioner for Trade, there was simply “too little time to reach an agreement . . . [due] to the fact that negotiations on the actual text could only take place on the last two days” of the conference. From this perspective, the general consensus is that the WTO was too ambitious in the agenda it put forward for the Ministerial. At the same time, a significant proportion of the WTO’s membership – the developing and less developed countries – felt that their concerns and proposals had been sidelined in the development of the Ministerial Conference’s agenda. The implication of this for arriving at a Ministerial declaration of an organization whose decisions are made by consensus is apparent to all who cared to look beyond the surface. We turn our attention to the working groups and their agendas for the conference.

Day One (December 1, 1999) saw the opening of the conference by Ms. Charlene Barshefsky, the US Trade Representative and Chair of the Ministerial Conference. She asked delegations to ensure that they sent people with decision-making authority to the various Working Groups so that a Ministerial Declaration could be produced at the end of the conference. To this end, Ms. Barshefsky admonished delegations “not to spend their time in the Working Groups going over the same ground covered in Geneva [in General Council].”<sup>13</sup>

Four working groups were established to discuss the four principal groups of issues:

1. Agriculture (chaired by George Yeo of Singapore)
2. Implementation and rules (chaired by Pierre Pettigrew of Canada)
3. Market access (chaired Mopho Malie of Lesotho)
4. Singapore agenda and other issues (chaired by Lockwood Smith of New Zealand)

We focus on the Agriculture Working Group and the Implementation and Rules Working Group as an illustration of the situation that confronted the WTO during the Seattle Ministerial.

### **Agriculture Working Group**

The agriculture working group focussed on new paragraphs on agriculture for the draft ministerial declaration that dealt with the following:

1. Whether agricultural products should be treated the same as industrial products, i.e., the objectives of the negotiation of the new agreement on agriculture.
2. Provisions for developing countries.
3. Further reductions in subsidies and protection
4. How to deal with non-trade objectives (the “multifunctionality agenda”) – environmental

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<sup>13</sup> WTO Briefing Note, “Ministers start negotiating Seattle Declaration,” December 1, 1999.

protection, food security, health and quality – and other issues

5. Develop a proposed timetable for the negotiations.

The delegations in the agriculture working group quickly degenerated into two broad groups. The first group believed that:

- a. The ultimate goal of the negotiation is to completely integrate agriculture into the same rules as other products
- b. The total elimination of all subsidies, providing support for non-trade objectives only through non-trade distorting policies
- c. Provide substantial increases in market access

The other group's focus was on:

- a. The fact that agriculture is very different from other sectors and therefore should not be treated like other industries under trade rules
- b. The elimination of all export subsidies was not an option
- c. The importance of taking specific account of "multifunctionality."

As a result of lengthy negotiations throughout the night and morning of December 2, 1999, the Agriculture Working Group Chair, Brigadier-General George Yeo, presented a new one-page draft on agriculture. The draft aimed at striking a balance between different views on the key issues. With about sixty countries commenting, they largely confirmed their existing positions on the key issues that had formed:

- ▶ Integrating agriculture into the mainstream of the WTO rules
- ▶ The final objective for reducing export subsidies or whether to eliminate them or not
- ▶ Market access
- ▶ Domestic support
- ▶ Non-trade concerns and multifunctionality
- ▶ Developing country issues

The Chairman's draft document was sent again to the drawing bench for re-work, with the Chairman warning delegations not to raise their expectation too high due to the difficulty of pleasing the various players in the agriculture negotiations. "The Round is where the real battle will begin," declared Brigadier-General George Yeo, as he indicated that the text of the draft document will be inserted in the Ministerial Declaration as delegations prepared for the launching of the Round.

Throughout the night of December 2 and into the morning of December 3, 1999, informal meetings continued with the main discussions occurring in meetings with twenty to forty ministers depending on the subject. While progress was reported in certain areas, it was clear by late afternoon on the 3<sup>rd</sup> that the Ministerial had ran out of time to complete the work of narrowing the gaps, bringing draft



declarations back to the plenary working groups and approving the declaration by consensus.

### **Implementation and Rules Working Group**

This situation was not unique to the Agriculture Working Group. For example, the Working Group on Implementation and Rules, chaired by Canada's Trade Minister, Pierre Pedigree, quickly ran into strong position on the first day of the meeting. Many developing countries expressed concern and called for action regarding a number of issues including anti-dumping, subsidies and textile agreements. The African-Caribbean-Pacific (ACP) group called for turning the special and differential treatment provisions into hard commitments and asked for a waiver for that the preferential trade treatment given them must be extended to allow them time to become integrated into the global economy. The EU pointed out that it had unilaterally imposed a duty-free regime on less developed country exports and asked the US, Japan and Canada to do the same. However, the US responded that it would work with the other Quad (EU, Canada, Japan) members to improve market access for these countries. The US indicated it could be more flexible on Trade Related Investment Measures (TRIMS), Custom Valuation, Agriculture, Rules of Origin, Sanitary and Phytosanitary (SPS) measures and other issues of interest to developing and less developed countries. Iceland wanted subsidies on fisheries removed and gained support from the US, Peru, Indonesia, Norway, Chile and Ecuador, position not supported by some of the major fish exporting countries.

In the end, a new draft text on implementation was circulated by several delegations, focussing principally on issues that required immediate decisions and those that needed to be left for consideration by the General Council after the Ministerial Conference. The subjects for immediate decisions included extension of deadlines for implementation of certain provisions of the Trade Related Intellectual Property Rights (TRIPS), Customs Valuation Agreement and providing for greater participation of developing countries in the formulation of international product standards. All other items were deferred to the General Council.

Mr. Pettigrew consulted with various delegations throughout the evening and the next day in the hope of developing a new draft. The meeting the next day started at 7:00 p.m. and was very brief. The Anti-dumping, Subsidies and Textile paragraphs in Mr. Pettigrew's new draft were strongly objected to by one delegation which responded by presenting its own draft text. There was a significant gap between this delegation's proposal and the position of the others.

Also on the second day of the conference, a working group on trade and labour standards was established to discuss proposals for creating a labour standards' working group within the WTO or a body operated jointly by a number of international organizations to look at the issues.<sup>14</sup> There were strong and divergent opinions among the delegations, with a number of developing countries opposing the working group or the joint body.

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<sup>14</sup> Recall that this issue had been brought to the Singapore Ministerial and there was no agreement to bring labour standards into the WTO.

## **Suspending the Seattle Ministerial**

Charlene Barshefsky, the chair of the Ministerial, is quoted in her concluding plenary session as saying:

We found as time passed that the divergences of opinion remained that would not be overcome rapidly. Our collective judgement, shared by the Director-General, the Working Group Chairs and Co-Chairs, and the membership generally, was that it would be best to take a time out, consult one another, and find creative means to finish the job.<sup>15</sup>

She charged the Director-General with consulting with delegations and discussing creative ways to bridge the areas where a consensus has not yet been achieved, develop an improved process which is “both efficient and fully inclusive” and prepare the way for successfully concluding the third Ministerial Conference.

## **The Post Mortem**

We have indicated that the ambitious agenda set by the WTO for Seattle was probably the single-most important contributor to the inability of the Seattle Ministerial to accomplish its agenda. However, a number of important mishaps by the host country cannot be overlooked as important contributors to making a consensus agreement impossible or at least difficult in Seattle. For example, the President of the United States in his welcome address called for the inclusion of labour standards with sanctions to be inserted into the WTO. Anyone seeking an agreement would have known that a significant number of developing countries were against the inclusion of labour standards being included in the WTO and WTO decisions are by consensus. Yet, it is believed that the US President’s statements were aimed at appealing to labour unions and other NGOs supporting that position with the view of increasing the Democratic Party’s chances in the upcoming US Presidential elections. Henry Kissinger, former Secretary of State under President Nixon and commentator on foreign policy, is quoted as chastising the US President about his opening address to the delegations to the Seattle Ministerial:

Instead of assuming President Truman’s leadership role in inspiring the structure of the post-World War II world, Mr. Clinton decided to play to the gallery. Mr Clinton’s welcoming the prospects of demonstrations in advance of the conference was equal to encouraging tactics of intimidation towards a group of Ministers who were America’s guests.<sup>16</sup>

Jagdish Bhagwati, an eminent trade economist also lambasted the President in an article he wrote for the Washington Post:

The US President Bill Clinton deliberately scuttled the new trade by announcing the agreement to include China into the WTO before the new round and bowing to domestic lobby of labour unions on issue of labour standards. The Sino-US accord was timed just two weeks before Seattle. If there

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<sup>15</sup> WTO Briefing Note, 3 December – The Final Day and what Happens Next, [http://www.wto.org/wto/seattle/english/about\\_e/summary\\_03.htm](http://www.wto.org/wto/seattle/english/about_e/summary_03.htm)

<sup>16</sup> Quoted in Pradeep S. Mehta, “What Next After Seattle?” CUTS-CITEE Communique, Vol 1, No 2, January 2000.

is any country which arouses ire among the anti-globalization groups, it is China. So Clinton was waving the red flag, pun intended, before the raging NGO bulls, making success even more problematic.<sup>17</sup>

Pascal Lamy, the EU Commissioner for Trade, states in his address to the European Parliament after the suspension of the Seattle Ministerial Conference:

There are two circumstantial explanations and one explanation of substance . . . firstly, the conference ran out of time. We were left on Friday afternoon simply with too little time to reach an agreement. This can be put down to the way the conference was organized, more precisely to the fact that negotiation on the actual text could only take place on the last two days. Secondly, some of the players were manifestly unable to engage in any genuine negotiation of the agenda . . . As for the reason of substance, the failure of the conference can be explained by the gap between the ambitions of the WTO and its means.<sup>18</sup>

The Agreement establishing the WTO extended the work of the WTO beyond trade liberalization and changed the way negotiations have been conducted thus far. For example, the fact the trade was linked to sustainable development in the Agreement in and of itself implies that other issues such as environment enter the trade frays. This is what has flamed the multifunctionality argument that is spearheaded by the EU and Japan and a number of NGOs.

In the past, negotiations were often between the EU, the US and the Cairns Group. The third Ministerial Conference brought into focus the new players, the major third-world countries – India, Egypt, South Africa and Brazil, as well as important country groupings such as the Africa Group, Southeast Asian countries and the ACP countries. Prior to Seattle, it seemed most developing countries were passive participants in the WTO process, going along with decisions that were made. However, something changed in Seattle and these new players could no longer be taken for granted.

“Green Room” negotiations are used to generate a consensus when the issue at hand involves only a few players. Statements by many third world delegations after Seattle was that “Green Room” negotiations were abused by developed countries as they tried to keep them from participating fully in the negotiations. So, although India, Brazil and Malaysia were the countries typically included, it seems leadership at the WTO overlooked the fact that a Declaration could not be made without agreement from all players. The Latin American and Caribbean delegations released separate statements on the penultimate day of the Seattle conference charging the US of utter lack of transparency in the processes at the Ministerial conference, and what is more important, threatening to withhold consensus from any final outcome. Trade Ministers of the member-states of the Organization of African Unity/African Economic Community (OAU/EAC) made similar statements, stating inter alia:

We wish to express our disappointment and disagreement with the way in which negotiations are being conducted at the Third Ministerial Conference. There is no transparency in the proceedings and African countries are being marginalised and generally excluded on issues of vital importance to our peoples and their future. We are particularly concerned over the stated intentions to produce

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<sup>17</sup> Jagdish Bhagwati. Did Clinton Take a Dive in Seattle? *Washington Post*, December 7, 1999, p A31.

<sup>18</sup> Pascal Lamy. “World Trade Organization Ministerial Conference in Seattle: Appraisal and Prospects,” speech to the European Parliament Plenary Session, Dec. 13, 1999.

a ministerial text at any cost . . . We reject the approach that is being employed and we must point out that under the present circumstances, we will not be able to join the consensus required to meet the objectives of the Ministerial Conference.<sup>19</sup>

The developing countries argued that their proposals to have a review of the Uruguay Round agreements – implementation problems – did not even get on the agenda, accusing the US and the EU of sidelining them. They pointed to the emergence on the agenda of only the issues of concern to the major powers – investment, competition, government procurement, labour and environmental standards. It seems the very structure of the agenda spelled the doom of the Third Ministerial and leaders underrated that changes in the developing countries passivity.

Finally, the US has not fast track negotiation authority. Fast track authority allows the US President to enter into trade agreements with the understanding that Congress will simply vote “yes” or “no” on such agreements within a specific period without unilaterally amending them. Fast track assures foreign governments that agreements reached with the US government will be honoured if the US Congress approves them. Thus, fast track may be considered a partnership between the President and Congress. Without fast track, the US Ministerial delegation could not *realistically* enter into faithful negotiations in Seattle. All the members of the WTO understood this and recognized the fact that the US could not seriously participate in the negotiations until it secured a fast track. Given the current political environment in the US, it is expected that fast track will not be secured until after the US Presidential elections in November 2000.<sup>20</sup>

So, what “killed” Seattle? In summary, delegations’ positions were too far apart to yield any common ground for a declaration to be made. There wasn’t even agreement on the fundamental issue of whether another round of negotiation should be launched! In addition, the number of issues on the table coming to Seattle was just too many. Although the agenda was drawn to cover the critical issues – agriculture, implementation rules and a few others – the linkages to other issues were prominent. For example, agricultural negotiations could not progress without considerations for developing country concerns, the environment and other so-called multifunctionality issues. There just wasn’t enough time for all these issues to be negotiated in the two-and-a-half days that were available for delegations to work in Seattle. In this sense, the agenda was myopically ambitious and organizers may be accused of not recognizing the immensity of what they had to deal with. The final but not the least contributor to the “failure” of Seattle was the fact that the major developed countries, principally the EU and the US, did not recognize the change that had occurred in the WTO with respect to the developing countries. For the first time, they wanted to be part of the process, the only condition under which they were going to join the consensus. It is believed that the technical assistance programs provided by the WTO for these countries helped prepare them more effectively for Seattle than for any other meeting of the WTO or its GATT predecessor. The developing

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<sup>19</sup> In Chandrasekhar, C.P. and J. Ghosh. “Seattle and the Smaller Countries,” *The Hindu Business Line*, December 14, 1999.

<sup>20</sup> It is for this reason that some members called for a postponement of the Seattle Ministerial to sometime after the US Presidential elections. In fact, it would also have afforded members the time to conduct the necessary informal negotiations before commencing the formal negotiations, increasing the change of success of the Ministerial.

countries form the single-most largest group in the WTO. Without them, there is little chance for an agreement. Thus, while the demonstrations in the streets of Seattle made great headlines in the media, they cannot be *given the credit* for Seattle's failure. There were things that were embedded in the system that made failure almost inevitable.

## Next Steps

On December 7, 1999, the Director-General pointed out that despite the "temporary setback in Seattle," the WTO's objectives remain unchanged, i.e.:

- to continue to negotiate the progressive liberalization of international trade
- to put trade to work more effectively for economic development and poverty alleviation
- to confirm the central role that the rules-based trading system plays for member countries in managing their economic affairs cooperatively
- to organize the WTO on lines that more truly represent the needs of all members

The Director-General indicated that his urgent duties are "to consult with delegations and discuss creative ways in which we might bridge the remaining areas in which consensus does not yet exist . . . [and] reconvene the Ministerial Conference and conclude it successfully." Ten days later, on December 17, 1999, the General Council met on December 17, 1999 in Geneva to review the outstanding issues. It didn't take long to observe that things haven't changed much in the two weeks since Seattle. The General Council ended inconclusively with the objective to reconvene early in January 2000. Members made it clear that informal consultations are necessary for a whole variety of issues – delays in end-of-year deadlines for Agreements such as TRIPS and TRIMS.<sup>21</sup>

At the same time that the General Council was meeting in Geneva, the US and the EU were holding a summit meeting in Washington on the WTO. Both countries indicated their readiness to move forward, pledging to work with the WTO to "launch an **inclusive** new Round *as soon as possible*." The new Round, the US and the EU agreed, should encompass the built-in agenda of agriculture and services, further and effective market access liberalization and strengthening and extending WTO rules. The summit press statement noted that:

We need to take full account of the lessons of Seattle. In particular, work should be directed towards a set of measures that will: provide for wider participation by all members (including developing countries) in the decision-making processes of the WTO; offer greater transparency (both within the organization and vis-a-vis the outside world); and improve public access, including through broader access to WTO documents and enhanced consultation with civil society.<sup>22</sup>

The US and the EU noted that changes in the global economy have brought new challenges to the

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<sup>21</sup> The next formal General Council meeting is scheduled for February 7 to 9, 2000.

<sup>22</sup> Office of the Press Secretary, The White House. U.S.-EU Summit Statement on the WTO, December 17, 1999.

trading system, something they should have been aware of before going to Seattle. Unfortunately, the focus is still on the relationship between labour and trade, an issue that most third world countries see as smacking of attempts to ability to participate fully in the benefits of trade. It is important that the major players understand the new realities of the WTO and develop issues that facilitate a consensus. The Japanese are proposing that WTO members focus on six areas in need of improvement before proceeding with any sectoral liberalizations talks. These areas include the internal WTO consultation process, dispute settlement process, increased transparency, capacity building for developing countries and increased market-access for least developed countries.<sup>23</sup> Japan is also expected to propose the establishment of an advisory group comprising twenty to thirty members from both developing and developed countries as an alternative to the “Green Room.”<sup>24</sup>

Since the General Council meeting, there has been an increase in the general skepticism among member countries about the future of the talks. But the Director-General, Mr. Mike Moore of New Zealand, is optimistic. In a press statement on January 26, 2000, he stated that:

I've now spoken to several dozen Ministers since Seattle and can clearly see how we can get momentum in Geneva. The WTO will in a business-like way, make constructive efforts to produce realistic steps aimed at building confidence among Member governments and the public at large. We are committed to negotiations in agriculture and services, sectors which cover over half the world's economy. We should address the market access problems of the poorest nations and seek to build their capacity to engage and contribute.<sup>25</sup>

I share the Director-General's optimism and believe current skepticism will abate sooner or later because, despite the concerns of the developing countries about the uneven distribution of trade, the potential benefits for them are real and they would like to fix the problems with the WTO so the trade dividend for development can be achieved. The EU recognizes the importance of trade to its continued economic success and will find a way to continue seeking “creative ways” to reach an agreement. However, since there is the possibility that the US President will not get a fast track authority from the current US Congress before the next Presidential elections, my expectation is that the next Ministerial may not occur until somewhere after November 2000. This “time out” allows the WTO to, in the words of its Director-General, “adopt the posture of a swan, serene on top of the water and paddling furiously under the water.”

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<sup>23</sup> Kyodo News International. “Uncertainty lingers over new Round despite efforts to break impasse,” January 20, 2000.

<sup>24</sup> Many developing countries, both during the Uruguay Round and again at the Seattle Ministerial, expressed discontent over being left out of Green Room discussions that were of interest to them.

<sup>25</sup> WTO Press Release. “DG Moore Embarks on Consultations On Future WTO Work,” January 26, 2000.

## Importance of the Next Round for Canada

There are a number of reasons why the next Round of WTO talks is very important for Canada. However, the two critical ones for Canada's agri-food industries are the following:

1. Increased market access resulting from further reductions in tariffs and non-tariff barriers
2. Eliminations and/or reductions in export subsidies and other trade distorting policies and programs

Other reasons worth considering are the thorny non-trade issues such as development, multifunctionality of agriculture, environment and labour which pose significant threats to freer trade if they are not resolved. However, we cannot do justice to them in this document, and therefore, focus entirely on the market access and support programs.

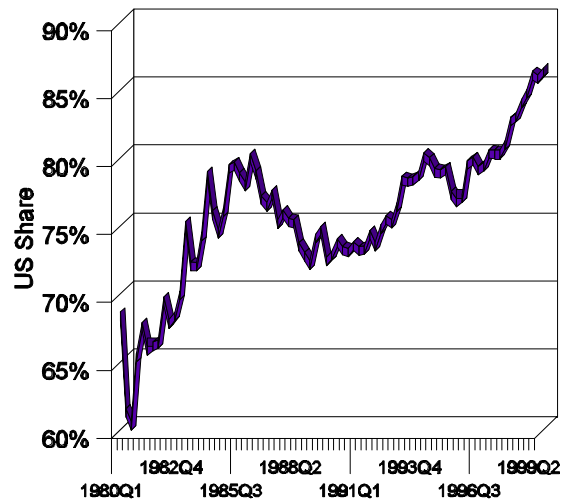
## Increased Market Access

Although the Uruguay Round succeeded in bringing agriculture under international trade rules, the tariffication process resulted in such high levels of tariffs in certain products that trade was practically impossible. Additionally, the tariff escalation that was adopted for higher value-added products virtually ensured that trade occurred only in commodities.

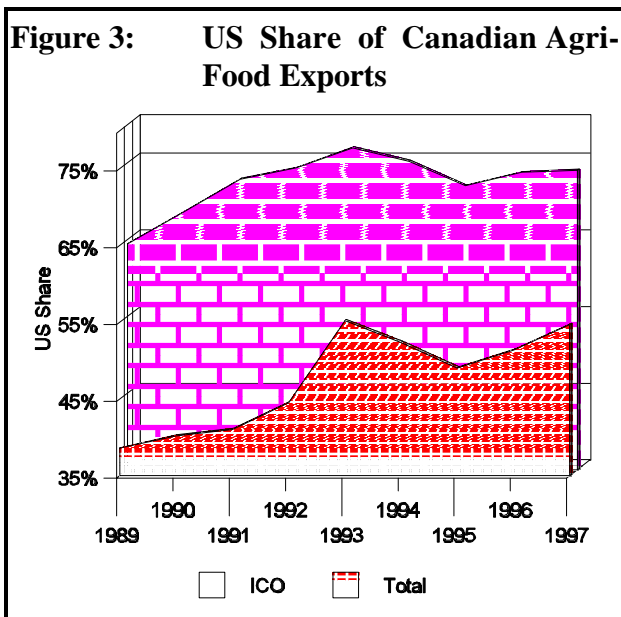
To disengage its agri-food economy from the vicissitudes of commodity markets, Canada has been actively promoting value-adding activities in processing and further processing. If a more rapid rate tariff reductions can be achieved for all products, and the escalated tariffs on value-added products eliminated, then the benefits of these value-adding activities can be achieved for Canada's agri-food stakeholders. This does not only benefit Canada, but paves the way for developing countries increasing their investments in agri-food value-adding activities.

Due to the relatively low market access in other countries, Canada has over the years become too dependent on the US as an export market. Figure 2 shows that the US accounted for 60% of Canada's total exports in 1981 and more than 86% in 1999. We observe that the trend between 1980 and 1999 can be divided into two segments, pre- and post-Canada-US Free Trade Agreement (CUSTA). The data show that the coefficient of variation of the US share of Canadian exports was 14.03 for the

**Figure 2: US Share of Total Canadian Exports**



period prior to the CUSTA and 20.10 for the post-CUSTA period.<sup>26</sup> Thus, the free trade agreement offered a more stable and growing market for Canadian exports to the US. However, in doing so, Canada's exports have virtually become a single-destination activity. As a trading nation, the virtual dependence of the Canadian economy on the US exposes Canada to all the risks associated with holding only a single stock portfolio. Prudence advises that regardless of the stellar performance of that stock, it is sensible to diversify.



The dependence of Canada's agri-food industries on the US market shows a similar trend to that of the general economy (Figure 3). The data shows that the US accounted for about 55% of the value of total agri-food exports in 1997 up from 39% in 1989. However, a closer look at the composition of the exports shows the importance of tariff escalation in the higher-value product exports. For example, the US accounted for about 75% of total intermediate and consumer-oriented (ICO) agri-food product exports, up from 65% in 1989. This implies that by the end of the tariff sunset on most agri-food products between Canada and the US under the terms of the CUSTA, non-US exports of higher-value products contributed less than a quarter of revenues in that category of products. Contrarily, the value of non-US exports

of commodities accounted for almost 80% of total Canadian commodity exports. It is hypothesized that if better market access can be achieved for all agri-food products, Canada will reduce its exports of commodities, choosing instead to add value to these commodities before exporting them.

### Export Subsidies

The behaviour of the US and the EU with respect to agricultural export subsidies has been a constant irritant in most smaller agriculture exporting countries, such as Canada, Australia and New Zealand. These subsidies are in various forms – direct support for producers and exporters of agri-food products as well as indirect subsidies in the form of export credits for importing countries and export promotions. While export promotions may be funded by government and industry together, export subsidies are funded wholly by government and involves direct expenditure to provide price competitive advantage for products produced in the country providing the subsidy in another country.

Table 4 illustrates the export subsidy and export promotion expenditures for selected countries and regions for the 1997 fiscal year by source of funds. Export promotion is defined to encompass advertising, trade shows, public relations, national branding, in-store and menu promotions and

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Coefficient of variation is the ratio of the mean to the standard deviation.



**Table 4: Agricultural Export Promotion and Export Subsidy Expenditures for Selected Countries (1997) in US Dollars**

Country	Export Promotion		Export Subsidy	Total
	Government Funding	Industry Funding		
US	135,020	175,663	121,462	432,145
EU	148,203	216,384	7,158,000	7,522,587
Canada	11,300	13,000	115,600	139,900
Australia	56,800	120,135	0	176,935
New Zealand	5,200	217,570	0	222,770

Source: Foreign Agricultural Service of the USDA, June 30, 1998.

tasting, trade missions and reverse trade missions and technical assistance. Export subsidies, on the other hand, The table shows that EU spent a total of US\$7.5 billion on agri-food export promotion and export subsidies, compared to US\$140 million for Canada, US\$177 million for Australia, US\$223 million for New Zealand and US\$432 million for the US. The breakdown shows that about 95% of the EU's total expenditure was on direct export subsidies compared to 82% for Canada and 28% for the US. On the other hand, Australia and New Zealand's expenditures were on all on export promotion. It is also observed that the government's share of total expenditures on export promotion and subsidy was much lower in Australia and New Zealand than in other places. For example, the government share of total expenditures in Canada was 90% compared to 97% in the EU, 59% in the US, 32% for Australia and 2.3% in New Zealand.

The EU's export subsidies benefited its meat and poultry industries (US\$2.3 billion), dairy (US\$1.9 billion), and grains (US\$466 million). US export subsidies benefited such products as pork, frozen chicken, dairy products as well as wheat, wheat flour, rice, barley, barley malt, table eggs, feed grains and vegetable oil.<sup>27</sup>

Table 5 presents the total producer subsidy equivalent measures for selected countries as estimated by the OECD (1998). The producer subsidy equivalent (PSE) indicator developed by the OECD measures the value of the monetary transfers to agriculture from agricultural policies in a given year. It includes market price support (regulatory), direct payments (direct) and general services (indirect) (OECD, 1998). As a proportion of total value of production, Canada's PSE decreased from 42% in the 1986-88 period to about 20% in 1997 compared to 30% to 16% in the US and 48% to only 42% in the EU. Thus, the EU's rate of reduction is much slower than most other OECD countries.

Looking at these PSEs from the perspective of number of full time farmers sheds some interesting light on the relative degree of domestic subsidies accruing to producers in Canada and competing countries. Table 5 shows that PSE per full time farmer equivalent (FTFE) in Canada decreased from

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Dairy is under a special program, Dairy Export Incentive Program.

**Table 5: Producer Subsidy Equivalent Per Full Time Farmer Equivalent for Selected Countries in US Dollars**

Country	1986-1988	1992-1994	1995	1996p	1997e
Australia	3,000	4,000	5,000	4,000	4,000
Canada	15,000	12,000	11,000	10,000	8,000
EU	12,000	19,000	22,000	21,000	18,000
Japan	16,000	28,000	34,000	29,000	24,000
New Zealand	5,000	1,000	1,000	1,000	1,000
US	20,000	15,000	10,000	13,000	13,000

Source: OECD Secretariat, 1998.

P: provisional; e: estimate; EU-12 (1986-1994), EU-15 from 1995.

US\$15,000 to US\$8,000 between 1986-88 and 1997. This compares with the US PSE per Full Time Farmer Equivalent of US\$20,000 in 1986-88 and decreasing to \$13,000 in 1997. This contrasts with an upward trend in the EU from US\$12,000 to US\$18,000. Also, the EU's PSE per hectare of agricultural land was US\$526 in 1997 compared to about US\$60 in Canada.

The international trade effects of these export and domestic programs are exacerbated when commodity prices are low, manifesting themselves in the loss of markets for smaller exporters such as Canada. Since the Fall of 1999, Canadian farmers who have experienced tremendous losses due to poor market conditions have been clamouring for government support, "just as the US and the EU," they say. Unfortunately, subsidy wars have always worked to the advantage of the US and the EU and the disadvantage of the smaller countries. To that end, it seems Canada stands to benefit if it can negotiate the elimination of such market distortionary subsidies and programs. In the long run, ability to achieve this will be a more sustainable approach to ensuring the competitiveness of Canada's agri-food industries.

### **Moving Forward**

It is important that every effort is made to bring this Round of Trade Negotiations to a successful conclusion. Any delay in achieving that objective is a loss of opportunities for many small firms and organizations, including many in developing countries who are the jewels most anti-WTO protesters profess to protect. For Canada, the numbers indicate that addressing the market access issues – tariffication, tariff escalation, tariff rate quotas, etc. – can only accelerate the performance of Canada's agri-food organizations. For example, elimination of tariff escalation could lead to significant value adding occurring in Canada which will provide some insulation of its primary agricultural production from the vicissitudes of global commodity markets. This way, farmers may more fully participate in the benefits of trade. Furthermore, it allows the full capture of the multiplier effect of the market access opportunities – higher value adding, increased employment, higher standard of living, etc.

Canada's agri-food industries employed about 1.8 million people, and accounted for about \$83 billion

in total sales in 1998, \$22 billion or 26.5% of which was from exports. The Canadian Agri-Food Marketing Council (CAMC), an industry coalition advising the Minister of Agriculture and Agri-Food, has established the goal that Canada should seize 4% of the total global agri-food market by 2005. It assumes that this is equivalent to between \$30 billion and \$40 billion in export sales. It will be tantamount to increasing export sales by between 36.4% and 81.8% from 1998 levels. As correctly pointed out by CAMC, this objective cannot be achieved with current distribution of export mix. There is a need to shift from bulk and intermediate product exports to consumer-ready product exports. It is for these products that most countries have escalated tariffs. Therefore, it is imperative that Canada works with other agri-food exporting nations such as the US and Australia to eliminate this barrier in the next Round.

There are some within Canada who still see the negotiations at the WTO as depending solely on the whims and caprices of the EU and the US. This author believes that the changes in the politics of trade, driven by the Agreement establishing the WTO itself, are changing the powers of the US and the EU in global trade negotiations. Herein lies the opportunity for Canada to provide some leadership and also ensure that it benefits under the new environment of trade negotiations. Canada can provide leadership by focussing on the principal issues of trade liberalization while recognizing the barriers to achieving a movement on these issues and developing sound solutions to them. The philosophy should be developing trade rules that offer incentives for all participants to “do the right thing.”

Mr. Mike Moore, the Director-General of the WTO, has been optimistic in the last few weeks of February 2000 because there are signs of a breakthrough for the Third Ministerial to resume its work. Canada should not relent in its efforts at participating in the bilateral negotiations, securing for its agri-food industries as much market access as possible to ensure that its trade-driven growth is maintained or accelerated. It must engage other members in developing implementation rules that contribute to the objectives of trade while minimizing its negative outcomes. If newly industrialized countries are going to be the emerging markets for Canada’s agri-food industries, then developing trade rules that promote development (income, standard of living, life expectancy, etc.) ultimately support the Canadian economy. Finally, it is imperative that Canada contributes constructively to the debate on responsibilities of the WTO with respect to non-trade issues. If the WTO should take on more and more non-trade issues, it will ultimately lose its focus and create an environment that has the potential to return the trading world to pre-Uruguay Round period, at least for agriculture and food.