

## -Canadian agricultural practices on WTO block- Trade talks in Hong Kong take aim at wheat, dairy and poultry

**By David Runnalls**

This week, trade ministers from 148 countries will gather in Hong Kong at the World Trade Organization's Ministerial Conference. Their mission is to agree to a way forward in the global round of negotiations that kicked off in Doha, Qatar, in 2001—the Doha Round.

These talks are wide-ranging, covering everything from trade in goods and services, to intellectual property rights, to provisions on development for poor countries, to special negotiations on agricultural trade. A final package will involve the daunting job of getting consensus across all the issue areas from 148 countries with widely diverging interests.

It is hard to say what the Doha negotiations will mean to Canadians, since even within Canada we have such varied interests. Exporters of services and manufactured goods want an ambitious final deal that will open up foreign markets—mostly in developing countries—for their exports. But in order to achieve that, developing countries will expect meaningful action from rich nations on agriculture—a sector in which they can compete strongly, and where the majority of their people are employed. Mostly they want the U.S., the EU and countries like Canada to lower tariffs on imported agricultural products, and they want the U.S. and the EU to reduce the massive subsidies and export credits that prop up their farming sectors and make it hard for others to compete.

The U.S. and the EU are understandably reluctant to do this, and the EU has found it particularly hard to get a mandate from countries like France, where the farming lobby is strong. One of their many counter-demands is that Canada should scrap “support” like the Wheat Board and the supply management systems in the dairy, egg and poultry sectors. On this demand Canada has no allies in the WTO, and it will be a tough fight to retain these programs (despite a motion passed in Parliament that directs our negotiators not to give an inch). On the Wheat Board, the hope is that we can get away with guarantees to modify the Board's functions slightly to ensure that it is not in any way subsidizing farmers.

In the end, there is much at stake for Canada in these talks, but it's far from clear that the Hong Kong meet will actually produce what it is supposed to – a roadmap for wrapping up the Doha Round deal.

The supply-managed sectors, where supply and demand are carefully balanced by a complex set of production quotas, may be tougher to save. In order to make these work, Canada has had to build a wall to keep out imports of dairy, eggs and poultry, and in the last round of trade talks these barriers were converted to tariffs (at astronomically high levels – 200 to 350 per cent for some dairy products), in the precise hope that subsequent rounds could start to chisel them down. Canadian consumers would probably be happy to have cheaper cheese and milk,

but the supply-managed farmers are terrified at the prospective crumbling of their safe system of quotas and production limits.

Tied up in all this is a move by the EU to have rich countries grant tariff-free access to all imports from least-developed countries (the poorest of the poor). The EU already has such a system in place for most goods, and its proposal is motivated by a desire for third world development, but it's also designed to take some heat off it for its recalcitrance on agricultural issues. Canada should probably support this effort from an international development perspective. But it might mean trouble for the supply-managed sectors, as it would breach the wall of protection that keeps them safe. We might see a flood of poultry imports from poor Caribbean nations, for example.

In the end, there is much at stake for Canada in these talks, but it's far from clear that the Hong Kong meet will actually produce what it is supposed to – a road-map for wrapping up the Doha Round deal. The pressure for results is on, since the U.S. government's mandate to easily ratify such a deal expires next year, and both the U.S. and the EU will be re-writing their farm support legislation next year as well. But the differences between the U.S. and the EU, and between them and the developing countries, are still far greater than what's needed to make a deal. At this point, Hong Kong is looking like a desperate exercise in dressing up dismal failure as real progress.

Several spectacular failures in the past (WTO Ministerials at Seattle and Cancun) will haunt the negotiators as they arrive for the Hong Kong talks. One more such blow-up might be the watershed event that dooms the WTO to irrelevance, and allows it to be eclipsed by the furiously expanding web of bilateral and regional trade deals. That would be a tragedy for developing countries, who are out-muscled in such negotiations. While some Canadians would certainly rejoice at Doha's demise, it would probably be a tragedy for Canada as well. We are, after all, a middle power and a long-standing believer in multilateralism. In the end, though, the value of a deal this week will depend on the details, and for that, all eyes are on Hong Kong.

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