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Statement by Canada

Domestic Support (G/AG/NG/W/35)

One of the main concerns of the Canadian agriculture and food industry is the very high levels, and very inequitable distribution, of support to agriculture among WTO Members.

Canada has both significantly reduced its support levels and moved toward non-distorting forms of support in the 1990s. Canadian producers feel strongly that it is time for other countries to do likewise.

Our producers, like those in the majority of other countries, find themselves competing in an international marketplace with European and US producers that continue to receive unreasonably high levels of government support. Based on OECD Producer Support Estimates, US wheat producers received 8 times more government support per tonne than Canadian wheat producers, while EU wheat producers received 13 times more support in 1999. Much of that support is trade distorting. This inequity in nature and level of support is a major issue for Canadian producers, as it is for producers in other countries including developing countries, who often receive no support at all.

One of Canada's key objectives in these negotiations is to level that playing field by reducing the levels of support and ultimately eliminating the disparities among producers in different countries.

We recognise that governments have legitimate policy objectives which require them to spend on their agricultural and rural sectors. But, we strongly believe that any such spending should be done in non-distorting ways so that it focuses on solving problems within a country, rather than exporting the problems to be dealt with by other countries.

Canada's initial negotiating position on domestic support for these negotiations calls for:

- maximum possible reduction or elimination of production and trade distorting support, including support under so called production limiting or Blue Box programmes;
- an overall limit on the amount of domestic support of all types (green blue, amber);
- a review of the criteria of the green category to ensure that green support does not distort production and trade;
- permanent international recognition that such support should not be countervailable;
and

- the elimination of those elements of the "peace clause" that restrict Canada's rights to pursue dispute settlement in cases where trade-distorting domestic support and export subsidies cause nullification and impairment of access or disrupt sales in third country or import markets.

Canada supports the Cairns Group proposal on domestic support because it addresses a number of these objectives, and goes a good part of the way towards our goal.

We, together with our Cairns Group colleagues, propose a reduction formula for trade-distorting amber and blue support that will result in major reductions in the levels of such support and remove disparities in support levels between countries. We envisage a harmonizing formula. In Canada's view, such a formula would be one that would bring trade-distorting support in the highest-support countries down quickly, starting from each Member's final bound commitments, leading finally to the elimination of entitlements to provide trade distorting support above *de minimis* levels. Obviously a lot of details remain to be worked out, including parameters of the reduction formula, such as the time period and the degree of aggregation or disaggregation. We will all have opportunities to come forward with ideas on these details at a later time.

In some respects, this idea is similar to the one proposed by the United States, under which a reduction formula would lead to a common level of trade-distorting support in all countries, but not its elimination. If the US were proposing a common end point of zero with only *de minimis* maintained, the two proposals would lead to very similar outcomes with respect to distorting supports.

The Cairns Group proposal also calls for the elimination of trade-distorting support to take place within the context of declining level of support to agriculture. This reflects a deep concern about the tendency for overall support levels to rise, even as the reduction commitments of the Uruguay Round have been implemented. This is also a concern raised by the group of developing countries that sponsored a proposal on the Green Box (G/AG/NG/W/14.) Of course, a reduction programme that leads to increases in overall support levels is something that's hard to explain to producers, in Canada no less than in developing countries.

In Canada's view, the best way to ensure that overall support levels move in the right direction is to negotiate an overall limit on support of all types. We envisage that this would work together with major reductions in trade-distorting Amber and Blue-Box support. Countries would be encouraged to move towards green programmes, without increasing their overall levels of support to agriculture. We intend to elaborate on the mechanics of this concept as these negotiations progress.

Together with Cairns Group countries, we also propose that the criteria for Green Box measures be reviewed to ensure that they genuinely have no, or at most minimal, distorting effects on production or trade. We believe that this is the best way to deal with the very real concerns about the Green Box that have been raised by the developing countries that submitted document W/14.

Canada considers it an important achievement that the Uruguay Round began identifying the difference between support policies that have distorting impacts and those with no, or at most minimal, impacts on production or trade. We would not want to lose this distinction, which has encouraged some Members to move away from some of the worst policies of the past. However, there are problems in the criteria of Annex 2. We believe it is only reasonable to undertake a review of the criteria in light of experience and taking into account the needs of Members, including developing country Members, to deal with domestic policy issues in ways that do not distort production or trade.

In Canada's view, if we can successfully ensure that programmes in the green category do not cause material distortions in production, then it follows logically that they will not cause material injury to producers in importing countries. In that case, the current rules of GATT Article VI and the

Agreement on Subsidies and Countervailing Measures would prevent such programmes from being subject to countervailing duties. Canada will pursue a clear understanding on the non-countervailability of green programmes as these negotiations progress.

In summary, Canada's over-riding objective in these negotiations is to "level the playing field" for our producers. We believe this is an objective that is shared by the vast majority of WTO Members that do not provide high levels of trade-distorting support. We are happy to join with the Cairns Group in calling for an effective reduction formula that will bring trade- and production-distorting support down. We will look forward to working with others on the details of such a formula. We will also be very happy to work with others in looking at the criteria of Annex 2 to ensure that green-type support is genuinely non-distorting and non-injurious.

Canada will also seek to pursue and develop the idea of an overall limit on the amount of support provided to agriculture, so as to ensure that our reform programme reduces inequities and does not lead to increasing levels of support.

Canada is interested in practical, realistic solutions to reduce inequities and distortions in market access, domestic support and export competition. We have noted some themes that Canada supports in the proposals that have been presented by a number of Members. We are very interested in working with others to develop the outcomes that we need to level the playing field for the agriculture and food industry.
