

CANADIAN AGRICULTURAL EXPORT SUPPORT IN THE WTO OBLIGATION CONTEXT



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Grigorieva E.

The author considers Canada's implementation of the WTO commitments concerning export competition for agricultural products in the context of the Decision on Export Competition adopted by the 10th Ministerial conference of the WTO. According to the results of the analysis it is concluded that Canada's policy in the area of export competition is generally in line with the WTO rules.

Keywords: *Canada, WTO, Agreement on Agriculture, export subsidies commitments, Decision on Export Competition.*

Export competition is one of the key elements of the WTO Agreement on Agriculture (hereinafter- the Agreement). In accordance with Article 9.2 b (iv) of the Agreement twenty five countries including Canada reserved the right to provide export subsidies with reduction commitments. Over 6 years, starting in 1995, the budgetary expenditure on export subsidies were to be reduced to a level below the baseline period of 1986-1990 by 36% and the quantity of subsidized exports by 21% [1]. Export subsidies were scheduled by Canada under the Agreement for 11 product groups: wheat and wheat flour, coarse grains, oilseeds, vegetable oils, oilcakes,

butter, skim milk powder, cheese, other milk products, vegetables, and incorporated products (*incorporated products - products containing elements of milk products*).

With the abolition of the Western Grain Transportation Act on 1 August 1995 and the attendant termination of transport assistance, Canada sharply reduced the level of export subsidies that prior to the entry into force of the WTO Agreement on Agriculture reached Can\$600 million [2]. After that Canada had not provided any export subsidy to the grains and oilseeds sector. While cereals had traditionally received the substantial share of Canada's export subsidies, there has been a significant reduction in the notified export subsidy budgetary outlays since 1995, which are still much lower than the commitment levels (Figure). The final bound ceiling since 2000 on export subsidy outlays is Can\$422 million per year. In 2015 sum notified export subsidy budgetary outlays as % of sum export subsidy budgetary outlay commitment level was 19%.

According to the latest data of the WTO Committee on Agriculture, this indicator for Norway corresponds to 27%, Switzerland - 22%, Israel - 3%. Most countries with the right to grant export subsidies do not have already used this trade policy method [3].

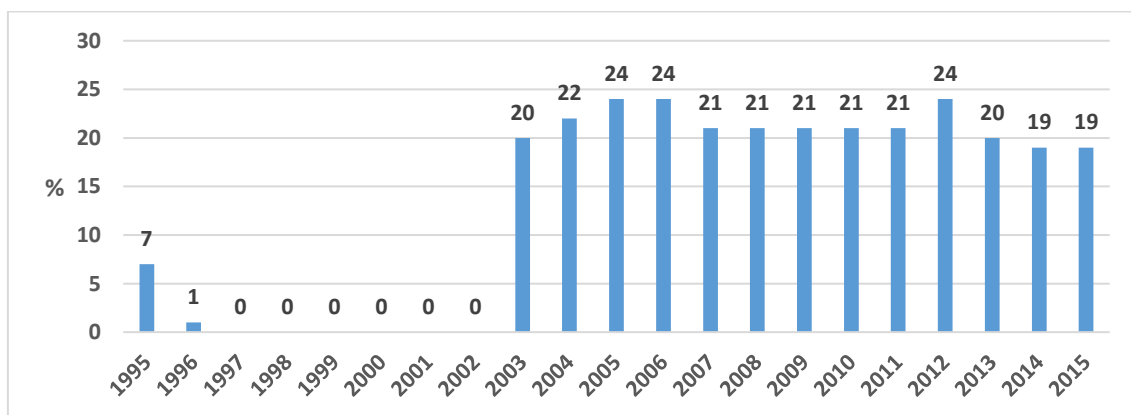


Figure. Sum notified export subsidy budgetary outlays as % of sum export subsidy budgetary outlay commitment levels

Source: Compiled on the basis of Canada's notifications to the WTO Committee on Agriculture

Since 1995 Canada has notified no subsidies for any of the scheduled products, with the exception of five groups of dairy products. The commodities that received export subsidies included butter, skim milk powder, cheese, and other milk products, incorporated products. It should be noted that the WTO limits on budgetary outlays for subsidized exports of skim milk powder and cheese and other dairy products have been virtually exhausted in recent years (Table).

Table. Export subsidies in Canadian agriculture in 2010- 2015

Product Group	Annual commitment levels, thousand CAN\$	Notified budgetary outlays, thousand CAN\$					
		2010	2011	2012	2013	2014	2015
Butter	11 025	522 (4,7%)*	0	10 364 (94,0%)	1 542 (14%)	0	0
Skim milk powder	31 149	31 149 (100%)	31 149 (100%)	31 149 (100%)	31 036 (99,6%)	30 920 (99,3%)	31 145 (100%)
Cheese	16 228	13 753 (84,7%)	14 384 (88,6%)	16 143 (99,5%)	15 430 (95,1%)	10 442 (63,4%)	8 842 (54,5%)
Other milk products	22 505	22 505 (100%)	22 473 (99,9%)	22 500 (100%)	18 063 (80,3%)	19 653 (87,3%)	21 982 (97,7%)
Incorporated products	20 276	20 275 (100%)	20 276 (100%)	20 272 (100%)	18 081 (89,1%)	20 175 (99,5%)	19 155 (94,5%)
Total		88 204	88 282	100 427	84 152	81 190	81 124

* - Notified budgetary outlays as % of budgetary outlay commitments for specified product group

Source: Compiled on the basis of Canada's notifications to the WTO Committee on Agriculture

In accordance with the Ministerial Decision on Export Competition adopted by Ministers on 19 December 2015 at the 10th WTO Ministerial Conference in Nairobi (the Nairobi Decision) developed countries committed to eliminate their remaining scheduled export subsidy entitlements as of the date of adoption of this Decision. But certain exceptions were granted to Canada, the EU, Norway, and Switzerland to export subsidies for processed products, dairy, and swine meat until 2020 [4]. Since the share of subsidized exports for milk products in total Canadian agricultural exports is insignificant (corresponding to 0.14% [5]), it can be assumed

that the complete elimination of export subsidies will not have a negative impact on the export potential of Canadian agro-industrial complex.

The Nairobi Decision on export competition, in addition to the issue of export subsidies, also contains provisions with the aim to ensure that other export policy areas cannot be used as hidden forms of subsidies. This refers to participation of state enterprises in agricultural products trade, limitation of financial support for exporters of agricultural products. Also, the Ministerial Decision prohibits the use of food aid in such a way that it affects domestic production.

Paragraph 21 of the Nairobi Decision requiring members to ensure that the use of export monopoly powers by agricultural exporting state trading enterprises are exercised in a manner that minimizes trade distortions and does not result in displacing or impeding the exports of another member [4]. At present, Canada does not have any state-owned enterprises involved in export of agricultural products. For a long time, the Canadian Wheat Board (CWB) possessed the exclusive right to export wheat and barley from the western Canadian provinces [6]. Since 1 August 2012, the CWB no longer had exclusive control over marketing of any grain (in accordance with the Marketing Freedom for Grain Farmers Act). On 30 July 2015, the CWB was commercialized and became G3 Canada Limited. It is a fully independent commercial entity.

The Nairobi Decision sets out disciplines on preventing or minimizing commercial displacement by international food aid. It contains general and specific commitments as well as provisions on local markets, production and monetization. Food aid should be driven in fully grant form to ensure that the objective of non-commercial displacement is achieved. WTO urges its members to provide food aid exclusively in the form of cash-based food assistance. This criterion is fully consistent with Canada's policy of providing food aid on untied cash-based basis, fully in grant form to support such modes of distribution as local purchases or triangular transactions in developing countries. Following the new

Food Assistance Convention entered into force on 1 January 2013. Canada's minimum annual commitment of food assistance is expressed in terms of value. In 2014, Canada exceeded its \$250million minimum annual contribution commitment under the Convention, and provided \$374.8 million in food assistance [8].

The Decision on Export Credits and Guarantees foresees a maximum repayment term of 18 months for the export financing programs. In addition, export credit guarantee, as well as insurance and reinsurance programs should be self-financing and cover their long-term operating costs and losses. This discipline shall apply from the end of 2017 for developed countries. In Canada, export support is provided by state-owned enterprise Export Development Canada. The annual financing of agricultural products export is at the level of CAN\$4 -5 billion. A large part of these resources is directed to insurance of various types of risks. In 2016 the distribution of funds was carried out between the main programs of the Corporation as follows: Short Term Insurance Program – 92,3%; Contract Insurance and Bonding Program – 2,3%; Direct Financing Program – 5,4%. Most programs have repayment terms that exceed the 18 months maximum repayment period established in the Nairobi Decision [9].

Canada's position is to eliminate all export subsidies. Nevertheless, since 1997 the issue of whether Canada provides dairy export subsidies in excess of commitment levels has been under legal challenge at the WTO. The Complainants were the United States and New Zealand. A WTO panel examined the pricing system whereby the Canadian Dairy Commission delivered permits to provincial marketing boards for the sale of milk to dairy processors and exporters at prices below the levels otherwise available in Canada[10]. In 2003, Canada, New Zealand, and the United States informed the WTO that they had reached mutually agreed solutions in the disputes concerning Canada's measures affecting exports of dairy products [11].

In conclusion, it can be noted that Canada's policy in the area of export competition is generally in line with the WTO rules.

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About the author:

Grigorieva E.,_Cand. Sci. (Biology), Assistant Professor, State Academic University for Humanities, World Politics Faculty (2/3 Khlebny per., Moscow 121069, Russian Federation), ORCID: <http://orcid.org/0000-0003-1470-7034>, grigelena@hotmail.com