

16. Trade: Export Subsidies and Agriculture [257]

"In agriculture, we are equally committed to substantially reducing trade-distorting domestic support and to the parallel elimination by the end of 2013 of all forms of export subsidies, as well as the establishment of effective disciplines on all export measures with equivalent effect, as agreed in Hong Kong."

*Trade*¹⁰⁸¹

Background

At the Doha Ministerial Conference held in November 2001, participants implemented the Doha Declaration, launching a new trade round to establish a fair and market-oriented trading system by preventing restrictions and distortions in world agricultural markets.¹⁰⁸² The Fifth WTO Ministerial Conference was held in September 2003 in Cancun, Mexico. The Ministerial ultimately collapsed after the QUAD countries (US, EU, Japan and Canada) failed to reach an agreement with the G-20 bloc of developing countries (including Brazil, India and China). Nevertheless, the leaders of the G8 countries understand the importance of assisting less developed countries in their trade capabilities in order to promote economic growth and alleviate poverty.¹⁰⁸³

On 1 August 2004, the WTO General Council adopted the 'July Package' setting out a detailed work programme, which established a framework for placing the Doha Development Agenda (DDA) back on track for completion by 2006. Under the July Package, industrialized countries agreed to major concessions that they had previously resisted in Cancun. Wealthy states, in particular the EU, agreed to place all trade distorting agricultural subsidies on the table for discussion and committed to making "substantial" cuts; wealthy countries agreed to a 'down payment' on this deal in the form of an immediate 20% reduction in total current trade distorting agricultural subsidies beginning with the implementation period of a new WTO agreement; LDCs (including approximately 25 African states) received an agreement in principle to receive increased market access while maintaining the right to shelter their domestic industries; and three of the several Singapore Issues were dropped (foreign investment, competition policy, and government procurement) from the DDA with the fourth (trade facilitation) kept on in the understanding that it would only result in a "clarifying and improving" of current agreements in addition to the . In exchange, developing countries agreed to further open their markets to manufactured imports and agreed to continue negotiations on a deal regarding trade in services.¹⁰⁸⁴

The WTO Hong Kong Ministerial Conference (2005) set out to renew the resolve to complete the Doha Work Programme after a failure in previous efforts to achieve a viable consensus on reductions to export subsidies and domestic supports in agriculture tabled at the Doha (2001) and Cancun (2003) Ministerial conferences.¹⁰⁸⁵

The conclusion of the Hong Kong Conference made progress in establishing a credible commitment to an end date of 2013 for the elimination of export subsidies (no timeline was established for the elimination of trade-distorting domestic support).¹⁰⁸⁶ Members of the G8 recently reaffirmed this commitment at the St. Petersburg Summit (2006), in terms of specific projected results and rule-making to correct and prevent restrictions and distortions in world agricultural markets. This is to be achieved by reductions, and the ultimate elimination, of all forms of export subsidies by the date set

¹⁰⁸¹ Trade, St. Petersburg Summit Documents, U of T G8 Information Centre, (Toronto), 16 July 2006. Date of Access: 7 October 2006. www.g8.utoronto.ca/summit/2006stpetersburg/trade.html.

¹⁰⁸² Trade: WTO Doha Development Agenda, 2004 Final Compliance Report, G8 Research Group, (Toronto), June 2004. Date of Access: 15 January 2007. www.g8.utoronto.ca/evaluations/2004seaisland_final/04_2004_seaisland_final.pdf.

¹⁰⁸³ Trade: WTO Doha Development Agenda, 2004 Final Compliance Report, G8 Research Group, (Toronto), June 2004. Date of Access: 15 January 2007. www.g8.utoronto.ca/evaluations/2004seaisland_final/04_2004_seaisland_final.pdf.

¹⁰⁸⁴ Trade: WTO Doha Development Agenda, 2004 Final Compliance Report, G8 Research Group, (Toronto), June 2004. Accessed: 20 May 2006. www.g8.utoronto.ca/evaluations/2004seaisland_final/04_2004_seaisland_final.pdf.

¹⁰⁸⁵ Trade: WTO Doha Development Agenda, 2004 Final Compliance Report, G8 Research Group, (Toronto), June 2004. Accessed: 20 May 2006. www.g8.utoronto.ca/evaluations/2004seaisland_final/04_2004_seaisland_final.pdf.

¹⁰⁸⁶ Trade: 2006 Final Compliance Report, G8 Research Group, (Toronto), June 2006. Date of Access: 20 December 2006. www.g8.utoronto.ca/evaluations/2005compliance_final/2005-g8compliance-final.pdf.

out in the Hong Kong Ministerial, and, without any particular deadline, substantial reductions in trade-distorting domestic support.¹⁰⁸⁷

Team Leader: James Meers

Assessment

2006 Final Compliance Score			
	Lack of Compliance	Work in Progress	Full Compliance
Canada		0	
France	-1		
Germany			+1
Italy	-1		
Japan			+1
Russia		0	
United Kingdom			+1
United States		0	
European Union		0	
Overall			+0.11

Canada: 0

Although Canada has said that it has an interest in working towards the fulfillment of its St. Petersburg Trade commitments and has moved to break the monopoly of the Canada Wheat Board, it has introduced a major USD1 billion new agriculture subsidy program. In spite of the fact that Canada remains a highly competitive producer of agricultural commodities and is below average in terms of trade-distorting supports by comparison with other OECD members, Canada cannot receive a score better than 0 because of its new subsidies since St. Petersburg.¹⁰⁸⁸

On 26 January 2007, the WTO hosted an informal Ministerial Meeting following the suspension of Doha Round talks in July 2006 to restart the stalled trade negotiations. Although the meeting failed to achieve any significant breakthrough to resolve conflicts that arose during Doha,¹⁰⁸⁹ Canada reiterated its commitment "to more liberalized trade, to the rules-based multilateral trading system and to the objectives of the Doha Round."¹⁰⁹⁰ Canada's Agriculture and Agri-Food Minister Chuck Strahl issued the following statement at the meeting: "Canada has a fundamental interest in further strengthening the international rules governing agricultural trade...We are committed to work constructively within the WTO to achieve progress in these negotiations for our entire agriculture sector."¹⁰⁹¹ In spite of this statement, Strahl also said that Canada will, during subsequent trade negotiations, "seek the elimination of all forms of export subsidies, the substantial reduction of trade-distorting domestic support, and real and significant market access improvements *while continuing to defend our supply-managed sectors*" (emphasis added).¹⁰⁹² In fact, Canada has recently introduced some significant protectionist policies in its domestic agricultural sector.

¹⁰⁸⁷ Trade, St. Petersburg Summit Documents, G8 Research Group, (Toronto), 16 July 2006. Accessed: 16 January 16, 2007. www.g8.utoronto.ca/summit/2006stpetersburg/trade.html.

¹⁰⁸⁸ Trade Policy Review: Canada - Secretariat Report, World Trade Organization, (Geneva), 23 March 2007. Date of Access: 16 April 2007. http://www.wto.org/english/tratop_e/tpr_e/tp280_e.htm.

¹⁰⁸⁹ WTO nations not able to reach deal on trade, Guardian, (Charlottetown), 29 January 2007. Date of Access: 16 April 2007. <http://proquest.umi.com/pqdweb?did=1209320151&Fmt=3&clientId=12520&RQT=309&VName=PQD>.

¹⁰⁹⁰ Canada Welcomes Further Efforts to Advance the Doha Round, Department of Foreign Affairs and International Trade Canada, (Ottawa), 27 January 2007. Date of Access: 16 April 2007. http://w01.international.gc.ca/minpub/Publication.aspx?isRedirect=True&publication_id=384793&Language=E&docnumber=16.

¹⁰⁹¹ Canada Welcomes Further Efforts to Advance the Doha Round, Department of Foreign Affairs and International Trade Canada, (Ottawa), 27 January 2007. Date of Access: 16 April 2007. http://w01.international.gc.ca/minpub/Publication.aspx?isRedirect=True&publication_id=384793&Language=E&docnumber=16.

¹⁰⁹² Canada Welcomes Further Efforts to Advance the Doha Round, Department of Foreign Affairs and International Trade Canada, (Ottawa), 27 January 2007. Date of Access: 16 April 2007. http://w01.international.gc.ca/minpub/Publication.aspx?isRedirect=True&publication_id=384793&Language=E&docnumber=16.

On 9 March 2007, Canadian Prime Minister Stephen Harper pledged USD1 billion in federal subsidies to assist Canadian farmers with rising production costs and damage sustained from natural disasters.¹⁰⁹³ Farmers will receive USD400 million directly, while the other USD600 million will be invested in a producer saving accounts which has been justified by Harper as a step towards "replacing the Canadian Agricultural Income Stabilization Program with programming that is more predictable, bankable and better enables farmers to better respond to rising costs."¹⁰⁹⁴ On 21 March 2007, the WTO published a report expressing concern over Canada's mildly aggressive protection of its supply management industries, and also indicated that Canada's "significant trade barriers still protect certain agricultural activities."¹⁰⁹⁵

Canada, however, has had some measurable success in reducing trade-distortions of agricultural products through efforts to dismantle the Canadian Wheat Board's (CWB) monopoly over the sale of Canadian wheat and barley.¹⁰⁹⁶ The CWB is the largest grain marketer in the world, accruing an annual revenue of USD4 billion and controlling 20% of the international wheat market.¹⁰⁹⁷ The results of a plebiscite on barley was announced on 4 April 2007, with 38% of farmers voting to keep the monopoly and another 48% voting to keep the Board while having the option to sell to other buyers; 14% voted to eliminate the Board completely. Based on the results of the plebiscite, the government intends to introduce regulation changes that will allow farmers to market their own grain beginning 1 August 2007.¹⁰⁹⁸

Analyst: Loretta Yau

France: -1

France has not complied with its G8 commitment undertaken at St. Petersburg to reduce domestic agricultural support measures and simultaneously eliminate export subsidies. On 11 January 2007, French Prime Minister Dominique de Villepin met with European Commissioner for Trade Peter Mandelson and reaffirmed France's stance of maintaining its protective policies toward its agricultural sector.¹⁰⁹⁹

Former President Jacques Chirac echoed this position in 2006, supporting the 2003 reforms of the Common Agricultural Policy (CAP) to which France is a major beneficiary.¹¹⁰⁰ Describing the agricultural sector as "Europe's vocation," Chirac endorsed the conversion of large tracts of farm land to production of vegetable-based fuels and chemicals which serve to enhance the viability of the sector.¹¹⁰¹ Government inducements are provided for farmers to convert crops as well as research and development in expanding a non-food agricultural industry.¹¹⁰²

In August 2006, in an endeavour to continue trade talks after the failed Doha Round in Hong Kong (2005), French Agriculture Minister Dominique Bussereau visited non-subsidized farms in Australia.¹¹⁰³ Australian Federal Agriculture Minister Peter McGauran offered advice drawn upon his country's successful experience in eliminating agricultural support measures. In response, Bussereau defended

¹⁰⁹³ Harper Announces \$1-billion Pledge to Farmers, The Globe and Mail, (Toronto), 10 March 2007. Date of Access: 16 April 2007. <http://proquest.umi.com/pqdweb?did=1230140091&Fmt=3&clientId=12520&RQT=309&VName=PQD>.

¹⁰⁹⁴ Prime Minister Announces \$1 billion for Canadian Farmers, Office of the Prime Minister, (Ottawa), 9 March 2007. Date of Access: 16 April 2007. <http://www.pm.gc.ca/eng/media.asp?category=1&id=1566>.

¹⁰⁹⁵ PRESS RELEASE: PRESS/TPRB/280 TRADE POLICY REVIEW: CANADA, Secretariat report, World Trade Organization (Geneva), 21 and 23 March 2007. Date of Access: 16 April 2007 http://www.wto.org/english/tratop_e/tpr_e/tp280_e.htm

¹⁰⁹⁶ Tory Win Might See Canadian Wheat Board Blow in Different Direction. CanWest News, 25 Jan. 2006.

¹⁰⁹⁷ Canadian Wheat Board in the Fight of its Life: End of Monopoly?, National Post, (Ottawa), 11 December 2006: A5.

¹⁰⁹⁸ Strahl Says Barley Growers Have Spoken, Leader Post, (Regina), 5 April 2007. Date of Access: 16 April 2007. <http://proquest.umi.com/pqdweb?did=1250988461&Fmt=3&clientId=12520&RQT=309&VName=PQD>.

¹⁰⁹⁹ The Prime Minister Receives the European Commissioner for Trade, Portail Du Gouvernement, (Paris), 11 January 2007. Date of Access: 15 April 2007. http://www.premier-ministre.gouv.fr/en/acteurs/press_releases_184/the_prime_minister_receives_57540.html.

¹¹⁰⁰ Meeting Between M. Dominique de Villepin, Prime Minister, and Mr. Peter Mandelson, European Commissioner for Trade, Portail Du Gouvernement, (Paris), 24 April 2006. Date of Access: 5 January 2007. www.premier-ministre.gouv.fr/en/acteurs/press_releases_184/meeting_between_m.d.

¹¹⁰¹ Chirac Pushes for Bio-fuel farming, BBC News Online, (London), 6 October 2006. Date of Access: 24 November 2006. news.bbc.co.uk/2/hi/europe/5412528.stm.

¹¹⁰² Agriculture: Revitalising Rural Areas, Portail du Gouvernement, (Paris), 29 September 2006. Date of Access: 4 January 2007. www.premier-ministre.gouv.fr/en/chantiers/major_projects_94/agriculture_revitalisin.

¹¹⁰³ French agricultural subsidies, ABC Rural Online, (Sydney), 31 August 2006. Date of Access: 24 November 2006. www.abc.net.au/rural/content/2006/s1729547.htm.

France's domestic subsidies insisting that its agricultural sector is part of a regional social framework and ultimately contributes to French culture.¹¹⁰⁴

In 2006 and 2007 France has demonstrated no intention nor implemented any policy initiatives aimed at reducing trade-distorting supports and export subsidies. In view of these factors, France receives of score of -1 for non-compliance.

Analyst: Kathryn Kotris

Germany: +1

In 2006 and 2007, Germany has taken significant steps to reduce export subsidies and trade-distorting domestic supports and thus earns a +1 for full compliance. In September 2006, Germany agreed to full transparency of expenditures in its agricultural sector under the Common Agricultural Policy (CAP).¹¹⁰⁵ The EUR43 billion support-market related expenditure and direct payments in 2007 "will be disclosed only after the review of the EU-budget and the CAP Health Check" for transparency.¹¹⁰⁶ The movement facilitates a shift on the part of Germany and some other nations, toward greater overall transparency of EU support systems and subsidization in agricultural products: "Transparency has become even more important now that subsidies have been decoupled from production."¹¹⁰⁷

Germany's pro-active stance to reduce agricultural subsidization in Europe was recently summarized in a statement published by Germany's Federal Ministry of Food, Agriculture, and Consumer Protection: "Member States will be obliged to cut direct payments beginning in 2005 (2005: 3%, 2006: 4%, as from 2007: 5%) in favour of the development of rural areas."¹¹⁰⁸ Germany recently announced that it will be introducing a phased period for drastic reductions in federal funding for agricultural development and subsidization.¹¹⁰⁹ In the 2007 Annual Budget, the maximum investment sums planned will be reduced from EU387.6 million in 2007 to EU1 million by 2013.¹¹¹⁰ Further, the BMELV Federal Organic Farming Scheme intends to also reduce governmental supports for organic farming in the next three years: "The BMELV budget earmarked around EUR20 million for 2005. Another EUR20 million has also been earmarked for the 2006 federal budget. The scheme is to be continued until 2010 with EUR16 million in 2007 and with EUR10 million per year from 2008 to 2010."¹¹¹¹

In assuming Presidency of both the EU and G8 in 2007, Germany has reaffirmed its intention to conclude Doha Round negotiations in discussions in Heilegindamm. On 24 January 2007, Dr. Joachim Wuermeling, State Secretary in the Federal Ministry of Economics and Technology, outlined Germany's Trade Policy under Germany's Council Presidency during its EU Presidency: "As the holders of the Presidency, we will do our best to ensure that tangible results on Doha are on the table by the end of March."¹¹¹²

Analyst: Mila Khodskaya and Igor Churkin

¹¹⁰⁴ French agricultural subsidies, ABC Rural Online, (Sydney), 31 August 2006. Date of Access: 24 November 2006. www.abc.net.au/rural/content/2006/s1729547.htm.

¹¹⁰⁵ Who Gets What from the Common Agricultural Policy, Farmsubsidy, (Germany), 13 September 2006. Date of Access: 16 January 2007. www.farmsubsidy.org/germany/Transparency_campaign_gaining_ground_in_Germany/130906.

¹¹⁰⁶ German Initiative for Transparency in EU Agricultural Subsidies State of Play, (Germany), 27 November 2006. Date of Access: 28 December 2006. www.wwf.de/fileadmin/fm-wwf/pdf_neu/11_06_Vortrag_The_Distribution_of_Farm_Payments_in_Germany.pdf.

¹¹⁰⁷ GMF Hosts Discussion on Distribution of Farm Payments in Germany, The German Marshall Fund of the United States, (Germany), 27 November 2006. Date of Access: 28 December 2006. www.gmfus.org/event/detail.cfm?parent_type=E&id=332.

¹¹⁰⁸ Organic Farming in Germany, Federal Ministry of Food, Agriculture, and Consumer Protection, (Berlin), September 2006. Date of Access: 2 December 2006. www.bmeli.de/cln_044/nm_757134/SharedDocs/downloads/_EN/04-Agriculture/KeyElementsCommonAgriculturalPolicy,templateId=raw,property=publicationFile.pdf/KeyElementsCommonAgriculturalPolicy.pdf.

¹¹⁰⁹ Bundeshaushalt 2007, Ministry of Finance, (Berlin), 2 April 2007. Date of Access: 3 April 2007. <http://www.bundesfinanzministerium.de/bundeshaushalt2007/pdf/epl10/s100388290.pdf>.

¹¹¹⁰ Bundeshaushalt 2007, Ministry of Finance, (Berlin), 2 April 2007. Date of Access: 3 April 2007. <http://www.bundesfinanzministerium.de/bundeshaushalt2007/pdf/epl10/s100388290.pdf>.

¹¹¹¹ Organic Farming in Germany, Federal Ministry of Food, Agriculture, and Consumer Protection, (Berlin), September 2006. Date of Access: 2 December 2006. www.bmeli.de/cln_044/nm_757134/EN/05-Agriculture/OrganicFarming2006.html__nnn=true#doc912842bodyText8.

¹¹¹² Dr. Joachim Wuermeling - Trade Policy Under Germany's Council Presidency, European Union, (Brussels), 23 January 2007. Date of Access: 17 February 2007. http://www.eu2007.de/en/News/Speeches_Interviews/January/0124BMWiWuermelingINTA.html.

Italy: -1

Italy has not complied with its St. Petersburg commitment to reduce trade-distorting domestic support and export subsidies. As a member of the European Union, Italy is a party to all trade negotiations undertaken by the EU. Yet, despite the efforts of EU negotiators to find an acceptable framework for the reduction of subsidies, Italy has sought ways to continue to protect key commodities and sectors of the economy.

Since April 2006, the new majority of the coalition government led by Prime Minister Romano Prodi has largely excluded reductions in domestic supports and export tariffs on agricultural products from its large-scale reform agenda.¹¹¹³ During a visit to Brazil, Italy's current trade position was articulated by Italian Minister of Foreign Affairs Massimo D'Alema, defending the current Italian and EU trade policies: "We've been supporting trade agreements favouring the elimination of protectionist barriers for some time now. These agreements are made difficult today partly as a result of the protectionist agricultural policies of richer countries. I believe that, at the moment, the main obstacle is constituted more by United States' subsidy policies than by the European Union's."¹¹¹⁴ Since St. Petersburg, Italy has demonstrated little intention of actually drastically reducing its trade-distorting domestic subsidies or its export subsidies.

Analyst: Kathryn Kotris

Japan: +1

Japan has worked hard to revive trade talks and has implemented important initiatives to dismantle some domestic trade-distorting mechanisms since the St. Petersburg G8 Summit. Thus Japan receives a score of +1 for full compliance with its commitment to substantially reduce trade-distorting domestic support and eliminating export subsidies. The Japanese government has exerted a strong effort to revive stalled Doha negotiations, focused mainly on pressuring the United States and the European Union to compromise on a subsidy reduction agreement. Japan's attempts to restart Doha trade talks has most recently been demonstrated in a meeting between Japanese Agriculture Minister, Toshikatsu Matsuoka and WTO Director General, Pascal Lamy in November 2006.¹¹¹⁵

In April 2007, Japan's Ministry of Agriculture announced it intends to implement a new system for pricing wheat which will link import costs to market prices two to three times a year, in lieu of the current practice of annual price fixing.¹¹¹⁶ The new system marks Japan's first major change in pricing policy in 59 years. The move to more closely link wheat prices to market movements will change the status of grain to that of an "ordinary commodity," such as rice.¹¹¹⁷

In November 2006, Japan agreed to eliminate billions of dollars in farm subsidies, in part to stimulate suspended talks on trade by setting an example for other regions to follow. In what would be highly beneficial for Australian farmers in particular, the Asia-Pacific bloc, including the US, China and Japan, are strongly in favour of reopening trade talks by making "deeper reductions in trade-distorting farm support" in their own respective countries.¹¹¹⁸ However, Japan's new Prime Minister, Shinzo Abe, has demonstrated little political will to deliver an Australia-Japan FTA that contains substantial concessions on agriculture.¹¹¹⁹ In a recent trade review report conducted by the World Trade Organization (WTO) in March 2007, Japan's agricultural sector was described as "relatively protected from foreign competition" with high subsidies for farmers.¹¹²⁰ The report also stated that Japan's overall farm

¹¹¹³ The Italian election: Hopelessly Split?, CBC News Online, (Toronto), 12 May 2006. Access: 27 November 2006. <http://www.cbc.ca/news/background/italy>.

¹¹¹⁴ Communications: Minister Massimo D'Alema receives Comunita to speak about the Lula government and the foreign vote and to express the desire to overcome the economic obstacles between Brazil and Italy, Ministry of Foreign Affairs, (Rome), 31 January 2007. Date of Access: 16 April 2007. http://www.esteri.it/eng/6_38_90_01.asp?id=2916&mod=2&min=1.

¹¹¹⁵ WTO Head Agree On Efforts To Restart Global Trade Talks, Kyodo News, (Geneva), 7 November 2006. Date of Access: 15 January 2007. global.factiva.com.myaccess.library.utoronto.ca/ha/default.aspx.

¹¹¹⁶ Japan To Link Imported Wheat Prices To Market Trends, Dow Jones Commodity Services, (Tokyo), 24 October 2006. Date of Access: 3 January 2007. global.factiva.com/ha/default.aspx.

¹¹¹⁷ Japan To Link Imported Wheat Prices To Market Trends, Dow Jones Commodity Services, (Tokyo), 24 October 2006. Date of Access: 3 January 2007. global.factiva.com/ha/default.aspx.

¹¹¹⁸ US, Japan Cut Farm Subsidies, The Australian, (Australia), 20 November 2006. Date of Access: 3 January 2007. <http://www.theaustralian.news.com.au/story/0,20867,20786843-601,00.html>.

¹¹¹⁹ From Selling Protection Worldwide to Leaning on Free-trading Aussies, The Australian, (Sydney), 20 December 2006. Date of Access: 3 January 2007. <http://global.factiva.com/ha/default.aspx>.

¹¹²⁰ WTO Points to Japan's Domestic Farm Support, Jiji Press, (Geneva), 31 January 2007. Date of Access: 9 April 2007. <http://global.factiva.com/ha/default.aspx>.

subsidies were above the average for Organization for Economic Cooperation and Development member states, and urged Japan to further liberalize its agricultural market further.¹¹²¹

Analyst: Ryan Fang

Russia: 0

Russia registers a score of 0, indicating partial compliance with its St. Petersburg commitment to reduce trade export subsidies and improve agricultural market access. A thorough and comprehensive amount of press releases, speeches, and news coverage indicate that Russia has put a significant emphasis on agriculture issues. Russia has demonstrated an active involvement and commitment to global talks. However, Russia is the only G8 member excluded from global trade negotiations, which includes the Doha Round, since it is not a member of the WTO.

According to GKS.ru (official site of the Federal State Statistics Service) there were 7,381 thousand of people employed in agricultural industry in Russia in 2005¹¹²². Average agricultural budget accounts for \$3 billion according to Aleksei Gordeev, the Minister of agriculture. Rough calculations give figure of USD474 per farmer the level of subsidies in agriculture in Russia is far behind of those in Western countries¹¹²³. For example, in 2005 subsidies per a USA farmer accounted for USD 62 thousand=USD 23 billion of total subsidies in the USA¹¹²⁴ for 369.3 thousand of farmers in the USA¹¹²⁵. This fact let us conclude, that Russian agricultural subsidies way below those of the US and in no way trade distorting.

Russia has indicated that upon accession to the WTO, as scheduled on 1 January 2008, it intends to further reduce tariffs in accordance with Doha agreements: "The weighted average rate of Russian duties on agricultural products will decrease by about 3 percentage points. Similar reductions will be made on the import tariffs of manufactured goods."¹¹²⁶ At present, Russia is continuing to engage in bilateral and multilateral talks and completing trade protocols with partners, as required for entry into the WTO. On 24 January 2007, Russia signed bilateral protocols with El Salvador and Costa Rica.

Russia expects multilateral negotiations to be completed by the middle of 2007 with only 20 remaining issues that need to be resolved.¹¹²⁷

One of the contentious issues is agricultural subsidies, which Russia intends to increase from USD 3.5 billion to USD 9.5 billion, and efforts to bring national legislation in compliance with international standards.¹¹²⁸ However, it is important to emphasize, that the increase will only lead to a level of agricultural support in Russia amounting to less than USD 1300 per farmer, which is significantly lower than ones in the USA and in Europe. Russia has stated that import tariffs on agricultural products are to be cut from 21.5% to 18.9%, but no cuts will be made for any farm produce that is grown or produced in Russia in quantities sufficient for the saturation of the domestic market.¹¹²⁹

Russia's accession to WTO, which is scheduled to take place on 1 January 2008, the significant agreements that it has achieved, and its efforts to join the global trading community earn Russia a score of 0. Although Russia has taken significant steps to comply with its St. Petersburg commitment, a number of key issues regarding agricultural supports will remain to be resolved in 2007.

Analyst: Elena Bylina and Mila Khodskaya

¹¹²¹ WTO Points to Japan's Domestic Farm Support, Jiji Press, (Geneva), 31 January 2007. Date of Access: 9 April 2007. <http://global.factiva.com/ha/default.aspx>.

¹¹²² Average number of employees by economic activity, GKS, (Moscow). Date of Access: 17 May 2007. http://www.gks.ru/free_doc/2006/b06_13/05-06.htm

¹¹²³ "Alexey Portanskiy: Russia's agriculture to get more opportunities for goods export after WTO Accession". 24 November 2006. Date of Access: 17 May 2007. http://www.wto.ru/ru/press.asp?msg_id=18483

¹¹²⁴ "US farm subsidies, abolish". 31 March 2007. Date of Access: 17 May 2007 http://www.idebate.org/debabase/topic_details.php?topicID=613

¹¹²⁵ Sector 11 - Agriculture, Forestry, Fishing and Hunting. About May 2005 National Industry-Specific Occupational Employment and Wage Estimates. Estimates for detailed occupations do not sum to the totals because the totals include occupations not shown separately. Estimates do not include self-employed workers. Date of Access: 17 May 2007 http://www.bls.gov/oes/current/naics2_11.htm

¹¹²⁶ Russian Export's Potential, Ministry of Economic Development and Trade of the Russian Federation, (Ottawa), 20 November 2006. Date of Access: 22 December 2006. [http://www.exportsupport.ru/1:ru/BNEWS.GET\\$BNEWS?n\\$mode=3&n\\$cid=223141](http://www.exportsupport.ru/1:ru/BNEWS.GET$BNEWS?n$mode=3&n$cid=223141)

¹¹²⁷ Russian WTO Negotiator Upbeat about Geneva Talks, Russian News and Information Agency, (Moscow), 2 March 2007. Date of Access: 17 May 2007. <http://en.rian.ru/russia/20070302/61494081.html>

¹¹²⁸ Russia in No Hurry to Join WTO, , Russian News and Information Agency, (Moscow), 2 March 2007. Date of Access 17 May 2007. <http://en.rian.ru/russia/20070326/62624268.html>

¹¹²⁹ Agriculture and Russia's WTO Membership, Russian News and Information Agency, (Moscow), 27 October 2006. Date of Access: 17 May 2007. <http://en.rian.ru/analysis/20061027/55180786.html>

United Kingdom: +1

Although there have been no immediate reductions in trade distortions and domestic supports in agriculture since the St. Petersburg Summit, the UK's announcement of eliminating all agricultural subsidies by 2020 and their efforts to advocate greater trade liberalization with other nations, particularly the EU, are indicative of cooperation and compliance with its commitments. The UK thus receives a score of +1.

Between January and May 2007, the United Kingdom has continued to support efforts to reduce trade-distorting domestic supports in agricultural products. In the closing speech of the World Economic Forum in Davos in January 2007, British Prime Minister Tony Blair urged G8 participants to honor commitments made at previous G8 Summits.¹¹³⁰ In February 2007, Chancellor of the Exchequer Gordon Brown pledged a USD750 million Aid-For-Trade package in the hopes that it would encourage a new trade deal.¹¹³¹ The UK reinforced this position on 13 April 2007, announcing a plan to offer USD75 million over five years to help poor countries boost their exports.¹¹³²

In his speech on January 2007, the Secretary of State for Environment, Food and Rural Affairs David Miliband announced the UK's long-term plans for agriculture indicating that the future: "role of government is to create opportunities and contracts, not protectionism and subsidies...I see an inevitable process of trade liberalization, with huge pressure to cut subsidies and end restraints on trade."¹¹³³ In his speech, Miliband declared that all state subsidies to farmers for food production would end by 2020, and that farmers that use greener practices that protect the environment may be eligible for government assistance: "The reforms of 2003 to 2005 were substantial, but the CAP remains unsustainable in the long term. It must evolve into a framework which gives you freedom to farm and to support yourselves from the market, while being rewarded by the taxpayer only for achieving specific environmental and landscape benefits."¹¹³⁴

The UK has also demonstrated a strong political will in advocating cuts to agricultural subsidization in Europe. Following the suspension of Doha negotiations in July 2006, the UK has placed noticeable pressure on the EU to establish a timeline for reform to its Common Agricultural Policy (CAP): "Despite the useful progress made since 2003, the CAP still retains many aspects which pull down farm competitiveness and which stifle innovation and efficiency...We should address these issues in 2008."¹¹³⁵ The UK has also worked hard with other countries to revive trade negotiations on agriculture. On 28 November 2006, Chancellor Brown met with US Treasury Secretary Hank Paulson, renewing commitments to address the growth of international protectionism.¹¹³⁶

Analyst: Loretta Yau

United States: 0

Although the United States has continued to show optimism and political will in working with other trade partners and the WTO to revive discussions on agriculture, the U.S. has yet to make any significant reductions in domestic trade supports and agricultural export subsidies thus warranting a score of 0 for partial compliance.

The United States recently held talks with trade representatives from Brazil, the European Union, and Japan since the collapse of Doha in July 2006, but there are no indications that the U.S. intends to carry out dramatic reductions in its trade-distorting domestic supports and subsidies in the foreseeable

¹¹³⁰ Speech at Davos, 10 Downing Street, (London), 27 January 2007. Date of Access: 17 April 2007. <http://www.number-10.gov.uk/output/Page10858.asp>.

¹¹³¹ Brown Offers A Carrot, The Times, (London), 10 February 2007. Date of Access: 25 April 2007.

<http://proquest.umi.com/pqdweb?did=1213711321&sid=1&Fmt=3&clientId=12520&RQT=309&VName=PQD>.

¹¹³² Brown Offers \$75 million to Boost Developing Countries' Exports, The Guardian, (London), 14 April 2007. Date of Access: 3 May 2007. <http://politics.guardian.co.uk/economics/story/0,,2057137,00.html>.

¹¹³³ Speech by Right Hon David Miliband MP at the Oxford Farming Conference, Department of Environment, Food and Rural Affairs, (London), 3 January 2007. Date of Access: 4 January 2007. www.defra.gov.uk/corporate/ministers/speeches/david-miliband/dm070103.htm.

¹¹³⁴ Speech by Rt Hon David Miliband MP to the Annual Meeting of the National Farmers Union, Department for Environment, Food and Rural Affairs, (Birmingham), 26 February 2007. Date of Access: 27 February 2007. <http://www.defra.gov.uk/corporate/ministers/speeches/david-miliband/dm070226.htm>.

¹¹³⁵ Speech by Right Hon David Miliband MP at the Oxford Farming Conference, Department of Environment, Food and Rural Affairs, (London), 3 January 2007. Date of Access: 4 January 2007. www.defra.gov.uk/corporate/ministers/speeches/david-miliband/dm070103.htm.

¹¹³⁶ The free trade evangelist, The Guardian, (London), 29 November 2006. Date of Access: 17 January 2007. <http://business.guardian.co.uk/story/0,,1959336,00.html>.

future.¹¹³⁷ In a recent meeting with WTO Director-General Pascal Lamy, U.S. Trade Representative Susan Schwab expressed future expectations for a trade deal to be met as negligible: "Are we near a breakthrough? No. We've got a long way to go for a breakthrough."¹¹³⁸ The probability of establishing a major agreement that would include the United States before the summer appears bleak unless it is conceded to the existing U.S. trade negotiating authority before it expires in July 2007.¹¹³⁹

In negotiations, the United States has offered to reduce its current USD23 billion farm subsidies down to USD19 billion per annum but has faced opposition from the G20 and EU which demand a much lower subsidy cut within a range of USD12 billion and USD15 billion per annum, respectively.¹¹⁴⁰ The United States has demonstrated reluctance to adhere to such concessions unless other members, particularly the EU, reciprocate by reconciling issues of agricultural protectionism.¹¹⁴¹ The 2007 Farm Bill proposal unveiled by Agriculture Secretary Mike Johanns in February 2007, would reconfigure the USD25 billion a year the US currently pays in farm subsidies by shifting money from price supports to subsidies not tied to production, thereby reducing total subsidies allocated to farmers by 5 per cent.¹¹⁴² However, the Bush administration decided against cutting subsidies for the American dairy industry.¹¹⁴³

At the Cairns meeting in September 2006, U.S. Agriculture Secretary Mike Johanns stated: "We're willing to be at the table and negotiate our way through this...We're willing to cut our subsidies, but the EU has to be more flexible."¹¹⁴⁴ The U.S. rigidity on their position of reciprocal negotiations was further echoed by Schwab: "We are disappointed but we will not be deterred. Last October, the United States took a risk that's associated with leadership by putting on the table a major agricultural offer, expecting that it would be reciprocated by similarly bold moves by others. That has not happened yet."¹¹⁴⁵

Analyst: Ryan Fang

European Union: 0

Since the suspension of Doha negotiations in July 2006, efforts to resolve trade differences between the EU and other WTO members have proven unsuccessful. In previous multilateral meetings of trade ministers in Australia and Brazil, the EU advanced proposals to open its agricultural markets, which European Trade Commissioner Peter Mandelson says would lead to significant access to its agricultural markets.¹¹⁴⁶ During the G8 Compliance period between July 2006 and May 2007, the EU has continued to demonstrate reluctance in making such trade concessions without the reciprocation by other partners, particularly the United States, in reconciling issues of market protectionism for agricultural and industrial goods and services. During her recent visit to India in March 2007, Marian Fischer Boel, European Commissioner for Agriculture and Rural Development, echoed the EU's position on this point: "In respect of market access, we have signalled our readiness to make deep cuts, halving our average agricultural import tariff from 23 to 12 per cent. On domestic support: we have already made a huge effort. We now expect our trade partners to do the same. The US in particular must tame its

¹¹³⁷ Trade Representative Optimistic on Future Doha Talks, US Fed News, (United States), 13 January 2007. Date of Access: 16 January 2007. <http://global.factiva.com.myAccess.library.utoronto.ca/ha/default.aspx>.

¹¹³⁸ Trade Representative Optimistic on Future Doha Talks, US Fed News, (United States), 13 January 2007. Date of Access: 16 January 2007. <http://global.factiva.com.myAccess.library.utoronto.ca/ha/default.aspx>.

¹¹³⁹ Doha Trade Negotiations Collapse, USInfo, (Washington), 24 July 2006. Date of Access: 16 January 2007. <http://usinfo.state.gov/xarchives/display.html?p=washfile-english&y=2006&m=July&x=20060724145101ebyessedo3.396243e-02>.

¹¹⁴⁰ Doha Round : Slim Hopes for Getting Talks Back Off the Ground, Europolitics, (Brussels), 17 January 2007. Date of Access: 17 January 2007. <http://global.factiva.com.myAccess.library.utoronto.ca/ha/default.aspx>.

¹¹⁴¹ USTR Rules Out Cutting Farm Subsidies Unilaterally, Asia in Focus, (Australia), 28 November 2006. Date of Access: 3 January 2007. <http://global.factiva.com/ha/default.aspx>.

¹¹⁴² Wealthy Farmers to Miss Out As US Reduces Subsidies, The Age, (Sydney), 2 February 2007. Date of Access: 9 April 2007. <http://global.factiva.com.myAccess.library.utoronto.ca/ha/default.aspx>.

¹¹⁴³ World Trade: US to Continue Dairy Subsidies, 3Media Group, (New York), 1 April 2007. Date of Access: 9 April 2007. <http://global.factiva.com/ha/default.aspx>.

¹¹⁴⁴ Australia Meet Fails To Solve Trade Talks Deadlock, Hindustan Times, (India), 22 September 2006. Date of Access: 16 January 2007. <http://global.factiva.com.myAccess.library.utoronto.ca/ha/default.aspx>.

¹¹⁴⁵ U.S. Presses to Keep Ambition High, Office of the U.S. Trade Representative, (Washington), 1 August 2006. Date of Access: 17 January 2007. http://www.ustr.gov/Document_Library/Press_Releases/2006/July/Statement_of_USTR_Susan_C_Schwab_US_Agriculture_Secretary_Mike_Johanns_on_WTO_Doha_Round.html.

¹¹⁴⁶ U.S., EU Report No Substantive Progress on Doha Difference, Inside U.S. Trade, (Washington), September 2006, Date of Access: 4 January 2007. <http://global.factiva.com/ha/default.aspx>.

trade-distorting programmes."¹¹⁴⁷ Despite its rigidity on the issue of reciprocity, the EU has demonstrated more optimism in moving toward greater reductions in agricultural subsidies. In a recent speech, Boel articulated the EU's mandate for trade in agricultural products for 2007 and beyond: "The European Union's commitment to the Doha Round remains at 100 per cent...In terms of domestic support, we have been able to offer a huge cut of 70 per cent to our ceiling on trade-distorting support...With regard to export competition, we have been far out in front of everyone else: we have offered to abolish our export refunds – 100 per cent of them!"¹¹⁴⁸

Although the EU's rhetoric and effort to revive trade negotiations have gained momentum in the latter part of 2006 and the beginning of 2007, the EU has yet to introduced any real cuts nor legislation to drastically reduce trade-distorting domestic supports of agricultural products. In October 2006, the EU did make some progress in addressing its St. Petersburg commitment following the EC's approval of increasing transparency in CAP farm subsidy payments with the introduction of a central database of all individual recipients of EU agricultural, regional and cohesion funds beginning in 2008.¹¹⁴⁹ Despite the EU's recent efforts at negotiation and a shift toward greater transparency however, there are major indications that existing fault lines between pro-liberal and protectionist factions of EU members will result in an inability to achieve consensus on substantial reform of agricultural policy in 2006-2007.¹¹⁵⁰ In a statement issued on 29 September 2006, Finnish Minister of Agriculture and Forestry Juha Korkeoja succinctly summarized this fracture: "We are on the same line and same direction but we differ on speed...The northern European EU-15 group is in favour of more speedy liberalisation than the southern group...".¹¹⁵¹ The EC's announcement in September 2006 at the European Agriculture Minister's meeting that radical reform to CAP is not likely to occur until the next budget period expires in 2013, only exacerbates hopes for immediate reform.¹¹⁵²

Although the EU has exerted some effort to cooperate with other WTO members to establish new agreements in 2006, unless significant reductions in domestic trade supports and agricultural export subsidies are eliminated, the EU receives a score of 0 for partial compliance.

Analyst: James Meers

¹¹⁴⁷ Speech by Mariann Fischer Boel at Mumbai University, Globalization and Agriculture, EU Agriculture and Rural Development, (Mumbai), 9 March 2007. Date of Access: 3 May 2007. <http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/07/136&format=HTML&aged=0&language=EN&guiLanguage=en>.

¹¹⁴⁸ Speech by Mariann Fischer Boel at Mumbai University, Globalization and Agriculture, EU Agriculture and Rural Development, (Mumbai), 9 March 2007. Date of Access: 3 May 2007. <http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/07/136&format=HTML&aged=0&language=EN&guiLanguage=en>.

¹¹⁴⁹ The EU's Annual Audit Report, Economic Intelligence Unit, (Washington), 30 October 2006. Date of Access: 16 January 2007. <http://global.factiva.com.myAccess.library.utoronto.ca/ha/default.aspx>.

¹¹⁵⁰ EU Farm Ministers Divided Over Future of CAP, European Policy News, (London), 29 September 2006. Date of Access: 16 January 2007. <http://global.factiva.com.myAccess.library.utoronto.ca/ha/default.aspx>.

¹¹⁵¹ EU Farm Ministers Divided Over Future of CAP, European Policy News, (London), 29 September 2006. Date of Access: 16 January 2007. <http://global.factiva.com.myAccess.library.utoronto.ca/ha/default.aspx>.

¹¹⁵² European Commission Urges Major Farm Subsidy Reforms After 2013, Agence France Presse, (Paris), 26 September 2006. Date of Access: 16 January 2007. <http://global.factiva.com.myAccess.library.utoronto.ca/ha/default.aspx>.