

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*⁷⁷⁷

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.⁷⁷⁸ 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.⁷⁷⁹

On 1 August 2004, WTO members adopted a General Council decision on the Doha Work Programme, informally known as the Framework, which established a framework for placing the Doha Development Agenda (DDA) back on track for completion by 2006. Under the 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 significant 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 Singapore Issues (foreign investment, competition policy, and government procurement) were dropped from the DDA with the fourth (trade facilitation) kept on in the understanding that it would only result in a clarification and simplifying of current agreements. 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.⁷⁸⁰

The recent 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) Conferences.⁷⁸¹

The conclusion of the Hong Kong Conference made progress in establishing a credible commitment and end date of 2013 for full compliance.⁷⁸² 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, and substantial reductions in trade-distorting domestic support by the date set out in the Hong Kong Ministerial.⁷⁸³

Team Leader: James Meers

⁷⁷⁷ 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.

⁷⁷⁸ Trade: WTO Doha Development Agenda, 2004 Final Compliance Report, University of Toronto G8 Research Group (Toronto), June 2004. Date of Access: 15 January 2007. www.g8.utoronto.ca/evaluations/2004seaisland_final/04_2004_seaisland_final.pdf.

⁷⁷⁹ Ibid.

⁷⁸⁰ Trade: WTO Doha Development Agenda, 2004 Final Compliance Report, University of Toronto G8 Research Group (Toronto), June 2004. Accessed: 20 May 2006. www.g8.utoronto.ca/evaluations/2004seaisland_final/04_2004_seaisland_final.pdf.

⁷⁸¹ Ibid.

⁷⁸² Trade: 2006 Final Compliance Report, University of Toronto G8 Research Group, (Toronto), June 2006. Accessed: 20 December 2006. www.g8.utoronto.ca/evaluations/2005compliance_final/2005-g8compliance-final.pdf.

⁷⁸³ Trade, St. Petersburg Summit Documents, U of T G8 Information Centre, (Toronto), 16 July 2006. Accessed: 16 January 16, 2007. www.g8.utoronto.ca/summit/2006stpetersburg/trade.html.

Assessment

Interim Compliance Score			
	Lack of Compliance	Work in Progress	Full Compliance
Canada			+1
France	-1		
Germany			+1
Italy	-1		
Japan			+1
Russia		0	
United Kingdom			+1
United States		0	
European Union		0	
Overall			+0.22

Canada: +1

In 2006, the Canadian government reaffirmed its earlier commitment to "continue to support an ambitious outcome in the Doha negotiation"⁷⁸⁴ in the upcoming WTO meeting. Despite its disappointment in the suspension of negotiations on 24 July 2006, soon after the St. Petersburg Summit, the government stated that it "welcomes the steps being taken to re-engage and move the Doha Round of WTO negotiations forward."⁷⁸⁵ In particular, the Minister of International Trade, David Emerson, stated that "Canadian agricultural producers and processors, as well as other manufacturers and service providers, would benefit from the expanded market access that the Doha Round was aiming to achieve."⁷⁸⁶ However, the Minister of Agriculture and Agri-food Canada, Chuck Strahl, also added that Canadian interest would still include its support for the domestic protection for dairy, poultry and egg sectors through the supply management system.⁷⁸⁷

On 22 September 2006, Canada as one of the 18 agricultural exporting countries of the Cairns Group, issued a joint statement urging major players including the U.S., EU and other countries to "take the necessary steps to resume negotiations no later than November."⁷⁸⁸ In response to the results of the Cairns Group meeting, Strahl reiterated Canada's support for renewed Doha talks, measuring the suspension as "a setback for Canada." He also indicated Canada's willingness to cooperate with the Cairns Group and other WTO members to achieve "strong results for our agricultural sector" which would be required to "include both export oriented and supply managed industries."⁷⁸⁹ In December 2006, Emerson and Strahl issued a joint statement reaffirming Canada's position: "[the] supply management system is not on the negotiating table. This government has consistently defended our supply managed sector at the WTO."⁷⁹⁰

Although Canada has demonstrated an unyielding position on its supply management system, it has instituted major changes in the area of grain marketing. The present Canadian government led by Prime Minister Stephen Harper, is currently acting upon its platform promise made in January 2006 to

⁷⁸⁴ Ministers Disappointed By Lack of Progress in WTO Talks, Department of Foreign Affairs and International Trade Canada, (Ottawa), 1 July 2006. Date of Access: 4 January 2006.

w01.international.gc.ca/minpub/Publication.aspx?isRedirect=True&publication_id=384163&Language=E&docnumber=73.

⁷⁸⁵ Resumption of technical discussion in the WTO Doha Development Agenda Negotiations, Department of Foreign Affairs and International Trade Canada, (Ottawa), 16 November 2006. Date of Access: 4 January 2006. www.dfait-maeci.gc.ca/tna-nac/WTO/resumption-en.asp.

⁷⁸⁶ Government of Canada Expresses Disappointment at the Suspension of WTO Doha Development Round Negotiations. Department of Foreign Affairs and International Trade Canada, (Ottawa), 24 July 2006. Date of Access: 17 January 2006.

w01.international.gc.ca/minpub/Publication.aspx?isRedirect=True&publication_id=384244&Language=E&docnumber=84.

⁷⁸⁷ Ibid.

⁷⁸⁸ Cairns Group urges U.S., EU to compromise on Doha, The Journal of Commerce, (New York), 22 September 2006, p.1.

⁷⁸⁹ AAFC/Canada Participates at 20th Anniversary Meeting of Cairns Group, CCNMathews Newswire, (Toronto), 22 September, 2006, p.1.

⁷⁹⁰ Canada's New Government Has Proven Track Record on Supply Management, Department of Foreign Affairs and International Trade Canada, (Ottawa), 21 December 2006. Date of Access: 4 January 2007.

w01.international.gc.ca/minpub/Publication.aspx?isRedirect=True&publication_id=384705&language=E&docnumber=163.

eliminate the Canadian Wheat Board's (CWB) monopoly over the sale of wheat and barley.⁷⁹¹ 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.⁷⁹² While the existence of CWB did not violate the GATT agreement, it has recently been the subject of various WTO disputes due to its monopolistic structure.⁷⁹³ Canada's efforts to dismantle the CWB signal a significant effort on the part of government to respond to such disputes. In September 2006, Strahl established a task force to "recommend options on the way forward in implementing marketing choice for western wheat and barley."⁷⁹⁴ The task force published a report in December recommending the Canadian Wheat Board Act be repealed in conjunction with a timed phase-out program aimed to dismantle the CWB monopoly, beginning with barley in January 31, 2008 and wheat in July 31, 2008.⁷⁹⁵

The federal government's plan to dismantle the CWB monopolistic structure to open up Canada's wheat market has attracted strong domestic opposition. As a federal election looms in the coming spring, it remains unclear whether the federal government could follow through with the elimination of the CWB. While no changes will be made to the supply-management system in the near future, the Canadian government has taken a first step in reducing domestic trade-distortion in agricultural products. As a result of its proposal to eliminate the CWB's monopoly, and its commitment to the Doha negotiations, Canada receives a +1 score, indicating full compliance.

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. President Chirac's government remains committed to the 2003 reforms in the Common Agricultural Policy (CAP) of which France is a major beneficiary.⁷⁹⁶ Describing the agricultural sector as "Europe's vocation," Chirac is endorsing 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.⁷⁹⁷ Government inducements are provided for farmers to convert crops as well as research and development in expanding a non-food agricultural industry.⁷⁹⁸

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.⁷⁹⁹ Australian Federal Agriculture Minister Peter McGauran offered advice drawn upon his country's successful experience in eliminating agricultural support measures. In response, Bussereau defended France's domestic subsidies insisting that its agricultural sector is part of a regional social framework and ultimately contributes to French culture.⁸⁰⁰

In 2006 France made no major cuts nor implemented any policy initiatives aimed at reducing agricultural subsidies. In light of this, France has registered a compliance score of -1.

Analyst: Kathryn Kotris

⁷⁹¹ Hall, Angela. "Tory Win Might See Canadian Wheat Board Blow in Different Direction." *CanWest News* 25 Jan. 2006.

⁷⁹² Libin, Kevin. "Canadian Wheat Board in the Fight of its Life: End of Monopoly?" *National Post* 11 December 2006: A5.

⁷⁹³ Canada- Measures Relating to Export of Wheat and Treatment of Imported Grain, World Trade Organization, (Geneva). Date of Access: 4 January 2007. www.wto.org/english/tratop_e/dispu_e/cases_e/ds276_e.htm.

⁷⁹⁴ Minister Strahl Announces Task Force on Implementing Marketing Choice for Wheat and Barley, Agriculture and Agri-Food Canada, (Ottawa), 19 September 2006. Date of Access: 4 January 2006. www.agr.gc.ca/cb/index_e.php?s1=n&s2=2006&page=n60919c.

⁷⁹⁵ Marketing choice- the way forward: Report of Technical Task Force on Implementing Market choice for Wheat and Barley, Agriculture and Agri-Food Canada, (Ottawa), 25 October 2006. Date of Access: 4 January 2007.

www.agr.gc.ca/cb/index_e.php?s1=ip&page=ip61030a. Canada's New Government to Listen to Farmers with Plebiscite on Barley, Agriculture and Agri-Food Canada, (Ottawa), 31 October 2006. Date of Access: 4 January 2007.

www.agr.gc.ca/cb/index_e.php?s1=n&s2=2006&page=n61031. Paul Samyn, Larry Kusch, Wheat board fast track urged, Winnipeg Free Press, (Winnipeg), 31 October 2006, p. A1.

⁷⁹⁶ Meeting between M. Dominique de Villepin, Prime Minister, and Mr. Peter Mandelson, European Commissioner for Trade, Portail Du Gouvernement (Paris), 24 April 2006. Accessed: 5 January 2007. www.premier-ministre.gouv.fr/en/acteurs/press_releases_184/meeting_between_m.d.

⁷⁹⁷ Chirac Pushes for Bio-fuel farming, BBC News Online (London), 6 October 2006. Accessed: 24 November 2006. news.bbc.co.uk/2/hi/europe/5412528.stm.

⁷⁹⁸ Agriculture: Revitalising rural areas, Portail du Gouvernement (Paris) 29 September 2006. Accessed: 4 January 2007. www.premier-ministre.gouv.fr/en/chantiers/major_projects_94/agriculture_revitalisin.

⁷⁹⁹ French agricultural subsidies, ABC Rural Online (Sydney), 31 August 2006. Accessed: 24 November 2006. www.abc.net.au/rural/content/2006/s1729547.htm.

⁸⁰⁰ French agricultural subsidies, ABC Rural Online (Sydney), 31 August 2006. Accessed: 24 November 2006. www.abc.net.au/rural/content/2006/s1729547.htm.

Germany: +1

In 2006 Germany has taken significant steps to reduce export subsidies and trade-distorting domestic supports. In September 2006, Germany agreed to full transparency of expenditures in its agricultural sector under the Common Agricultural Policy (CAP).⁸⁰¹ 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.⁸⁰² 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."⁸⁰³

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."⁸⁰⁴ 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."⁸⁰⁵

On the international stage, Germany has made attempts to provide low-income countries with a donation of EUR1 million to compensate for the continued existence of protectionist policies in the multilateral trading system.⁸⁰⁶ On 2 October 2006, the German Chancellor Angela Merkel issued an announcement that Germany is "open to the idea of forming a trans-Atlantic free-trade zone between Europe and the United States."⁸⁰⁷ In 2006, Germany's stated efforts to increase CAP transparency, direct cuts in domestic subsidies, and efforts to support multilateral trade liberalization justify a full compliance score of +1.

Analyst: Mila Khodskaya and Igor Churkin

Italy: -1

Italy has not complied with its St. Petersburg commitment to reduce 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.

Italian elections held in April 2006 resulted in a new majority for a coalition government led by Prime Minister Romano Prodi.⁸⁰⁸ Although the new centre-left administration has committed to large-scale policy reform, reductions in domestic supports and export tariffs on agricultural products have been excluded from the reform agenda. Furthermore, no major effort has been carried out in 2006 to address this issue. Italy has therefore, been unable to fulfill its commitments agreed to at the St. Petersburg Summit and receives a score of -1, indicating non-compliance.

Analyst: Kathryn Kotris

⁸⁰¹ Who Gets What from the Common Agricultural Policy. (Germany), 13 September 2006. Date of Access: 16 January 2007 www.farmsubsidy.org/germany/Transparency_campaign_gaining_ground_in_Germany/130906.

⁸⁰² 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.

⁸⁰³ 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.

⁸⁰⁴ Organic Farming in Germany, Federal Ministry of Food, Agriculture, and Consumer Protection, (Berlin), September 2006. Date of Access: 2 December 2006. www.bmelv.de/cln_044/nn_757134/SharedDocs/downloads/_EN/04-Agriculture/KeyElementsCommonAgriculturalPolicy,templateId=raw,property=publicationFile.pdf/KeyElementsCommonAgriculturalPolicy.pdf.

⁸⁰⁵ Organic Farming in Germany, Federal Ministry of Food, Agriculture, and Consumer Protection, (Berlin), September 2006. Date of Access: 2 December 2006. www.bmelv.de/cln_044/nn_757134/EN/05-Agriculture/OrganicFarming2006.html__nnn=true#doc912842bodyText8.

⁸⁰⁶ Technical Assistance, World Trade Organization, (Geneva), 29 November 2006. Date of Access: 30 November 2006. www.wto.org/english/news_e/pres06_e/pr459_e.htm.

⁸⁰⁷ Spiegel Online. "Merkel for EU Agreement with US", (Germany), 2 October 2006. Date of Access: 26 December 2006. www.spiegel.de/international/0,1518,440335,00.html.

⁸⁰⁸ The Italian election: Hopelessly Split?, CBC News Online, (Toronto), 12 May 2006. Accessed: 27 November 2006. www.cbc.ca/news/background/italy.

Japan: +1

The Japanese government has exerted a noticeable 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.⁸⁰⁹

As of April 2007, Japan's Ministry of Agriculture has announced it will 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.⁸¹⁰ The new system marks Japan's first change major change in pricing policy in 59 years. The move to link wheat prices to market movements will change that status of grain to that of an "ordinary commodity," such as rice.⁸¹¹

Japan has also recently 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.⁸¹² 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.⁸¹³ Apart from this recent setback in negotiations, in 2006 Japan has worked hard to revive trade talks and has implemented important initiatives to dismantle domestic trade distorting mechanisms. Japan thus receives a score of +1 for full compliance.

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. 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. However, in 2006, the Russian government unilaterally reduced total agricultural subsidies by 44 percent from 16 billion rubles to 9 billion rubles per year.⁸¹⁴ According to the Russian Minister of Agriculture, Aleksei Gordeev, it is necessary for the government to invest at least 1 trillion rubles to re-equip the agricultural industry.⁸¹⁵ Gordeev has stated: "It is time for us to reach with our partners conclusions about how we will build a common agricultural balance in order to ensure fair competition in Russian markets."⁸¹⁶

The Russian government has consistently confirmed the necessity of providing equal competitive conditions for trade in agricultural products.⁸¹⁷ At present, Russian farmers are "...less reliant on government decisions because they realize that their success depends on their own actions..."⁸¹⁸ 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 reduction will be placed on the import tariffs of manufactured goods."⁸¹⁹

Analyst: Elena Bylina and Adrianna Kardynal

⁸⁰⁹ Matsuoka, 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.

⁸¹⁰ 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.

⁸¹¹ Ibid.

⁸¹² US, Japan Cut Farm Subsidies, The Australian, (Australia), 20 November 2006. Date of Access: 3 January 2007. global.factiva.com/ha/default.aspx.

⁸¹³ From Selling Protection Worldwide to Leaning on Free-trading Aussies, The Australian, (Australia), 20 December 2006. Date of Access: 3 January 2007. global.factiva.com/ha/default.aspx.

⁸¹⁴ Aleksey Portanskiy: Russian Agriculture Producers Will Have More Opportunities to Export Since We Are In the WTO, WTO, (Geneva), 24 November 2006. Accessed: 26 December 2006. www.wto.ru/ru/press.asp?msg_id=18483.

⁸¹⁵ Ibid.

⁸¹⁶ Russian National Projects' Portal, Internet Conference of Aleksei Gordeev Minister of Agriculture, (Moscow), 20 November 2006. Accessed: 29 December 2006. www.rost.ru/news/2006/11/202109_6488.shtml.

⁸¹⁷ Kudrin: Equal Competitive Conditions Are In Need In Agricultural Area, WTO, (Moscow), 21 November 2006. Accessed: 26 December 2006. www.wto.ru/ru/opinion.asp?msg_id=18427.

⁸¹⁸ Interview with Aleksey Gordeev on the Radio "Mayak", Ministry of Agriculture, (Moscow), 16 August 2006. Accessed: 22 December 2006. mcx.ru/index.html?he_id=981&news_id=2877&n_page=1.

⁸¹⁹ Russian Export's Potential. Ministry of Economic Development and Trade of Russian Federation, (Ottawa), 20 November 2006. Date of Access: 22 December 2006. [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).

United Kingdom: +1

The UK registered full compliance with its St. Petersburg commitment to reduce trade-distorting domestic supports in agricultural products.

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."⁸²⁰ 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.⁸²¹ The effect of this policy is to establish stricter conditions for agricultural subsidies introducing a shift that promotes sustainable methods of farming with an objective to simultaneously invest in production and the environment: "The word subsidy carries a negative connotation; it reeks of charity at best and protectionism at worst; but the payment on contract to farmers of public funds to deliver public goods, notably environmental goods of landscape, biodiversity, carbon storage, flood prevention, should carry a positive value not a negative one."⁸²²

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."⁸²³ 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.⁸²⁴ The UK is hoping that the Trade Minister Meeting at the World Economic Forum at Davos in July 2007 will be a turning point in negotiations.⁸²⁵

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.

Analyst: Loretta Yau

United States: 0

The United States has partially complied with its St. Petersburg agricultural subsidies commitment. Although the United States has recently held talks with trade representatives from Brazil, the European Union, and Japan since the collapse of Doha in July 2006, 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 future.⁸²⁶ 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."⁸²⁷ The probability

⁸²⁰ Speech by Right Hon David Miliband MP Secretary of State for Environment, Food and Rural Affairs 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.

⁸²¹ Speech by Right Hon David Miliband MP Secretary of State for Environment, Food and Rural Affairs 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.

⁸²² Speech by Right Hon David Miliband MP Secretary of State for Environment, Food and Rural Affairs at the Oxford Farming Conference, Department of Environment, Food and Rural Affairs, (London), 3 January 2007. Date of Access: 16 January 2007. www.defra.gov.uk/corporate/ministers/speeches/david-miliband/dm070103.htm.

⁸²³ Ibid.

⁸²⁴ Gordon Brown and Hank Paulson, The Case for Free Trade, Wall Street Journal, (Brussels), 27 November 2006. Date of Access: 4 January 2007. global.factiva.com.myaccess.library.utoronto.ca/ha/default.aspx. Mark Milner, Brown, the free trade evangelist, The Guardian, 29 November 2006. Date of Access: 17 January 2007. business.guardian.co.uk/story/0,,1959336,00.html.

⁸²⁵ Britain Joins International Efforts to Give a 'Kiss of Life' to Stalled Doha Trade Talks, The Guardian, (London), 1 January 2007. Date of Access: 4 January 2007. politics.guardian.co.uk/economics/story/0,,1980950,00.html.

⁸²⁶ Trade Representative Optimistic on Future Doha Talks, US Fed News, (United States), 13 January 2007. Date of Access: 16 January 2007. global.factiva.com.myaccess.library.utoronto.ca/ha/default.aspx.

⁸²⁷ Trade Representative Optimistic on Future Doha Talks, US Fed News, (United States), 13 January 2007. Date of Access: 16 January 2007. global.factiva.com.myaccess.library.utoronto.ca/ha/default.aspx.

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 2007.⁸²⁸

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.⁸²⁹ The United States has demonstrated reluctance to adhere to such concessions unless other members, particularly the EU, reciprocate by reconciling issues of agricultural protectionism.⁸³⁰ 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."⁸³¹ 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 hasn't happened yet."⁸³² Although the United States has continued to show optimism and political will in working with other trade partners and the WTO to revive the discussions on agriculture, the U.S. yet to make any significant reductions in domestic trade supports and agricultural export subsidies and thus it warrants a score of 0 for partial compliance.

Analyst: Ryan Fang

European Union: 0

Since Doha talks were suspended 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.⁸³³ The EU, however, has demonstrated reluctance in making such trade concessions unless other members, particularly the United States, and the Cairns Group, can reciprocate by reconciling issues of market protectionism for agricultural and industrial goods and services. In a recent statement in December 2006, Mandelson has stated that the EU offer to eliminate export refunds in agriculture must be matched by a phasing out of all forms of export subsidization by other members: "We have received no matching offer from Australia, New Zealand, Canada and the U.S. We shall proceed in parallel or not at all."⁸³⁴ In 2007, EU efforts to revive trade talks have gained some momentum with scheduled talks arranged in Washington on 8 January 2007 between Mandelson, EU Commission President Jose Manuel Barroso, and Schwab.⁸³⁵ Mandelson and Schwab will also meet with other leading WTO ministers at the World Economic Forum in Davos on 24 January 2007, in a bid to revive the negotiations.⁸³⁶

In October 2006, the EU made some progress in addressing its St. Petersburg commitment with an approval by the EC to improve transparency in farm subsidy payments by introducing a central database of all individual recipients of EU agricultural, regional and cohesion funds beginning in

⁸²⁸ Doha Trade Negotiations Collapse, USInfo, (Washington), 24 July 2006. Date of Access: 16 January 2007.

usinfo.state.gov/xarchives/display.html?p=washfile-english&y=2006&m=July&x=20060724145101ebyeessedo3.396243e-02.

⁸²⁹ Doha Round : Slim Hopes for Getting Talks Back Off the Ground, Europolitics, (Brussels), 17 January 2007. Date of Access: 17 January 2007. global.factiva.com.myaccess.library.utoronto.ca/ha/default.aspx.

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2008.⁸³⁷ Despite the EU's recent efforts at negotiation and 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 2006-2007.⁸³⁸ 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...".⁸³⁹ 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 exacerbating hopes for immediate reform.⁸⁴⁰

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 has achieved only partial compliance, thus warranting a score of 0.

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