

# WHAT IF DOHA FAILS? IMPLICATIONS FOR CANADIAN AGRICULTURE

CATPRN

Gatineau, January 24, 2008

# Real or Artificial Scenario?

- In reality Doha still inching forward – but make or break in early 2008
- CATPRN told to assume lengthy suspension or outright failure in order to explore “what if” scenario
- To-days presentation is a report of work in progress – but paper nearly complete
- Target audience is producer/processor leadership and staffs, not academia

# Paper explores worst case scenario – pessimists correct

Paper examines:

- (1) If Doha fails, does it matter?
- (2) Why would negotiations fail (examined in Appendix)
- (3) Implications for global trading system
  - what would be foregone?
  - what if status quo not sustainable?
- (4) Consequences for Canadian agriculture
  - export sectors
  - Import sensitive sectors
- (5) Options and Conclusions

# If Doha fails, does it matter?

- Strong demand: rapidly growing emerging markets, biofuel pressure on grains/oilseeds, government support declining
- However, eventual price downturns and escalating energy and fertilizer costs could precipitate increased support/protection, livestock now more vulnerable
- Developing country import growth smaller as compared to Doha result

# Why would Doha fail?

- Gap between applied and bound tariffs in most developing countries
- Limited pressure from non-agricultural interests
- Weaker internal US agricultural support
- Increased leverage of developing countries - interests not homogeneous
- Larger number of participants make negotiations more complex/difficult

# What happens to trading system if Doha fails?

Two scenarios:

- (1) Progressive deterioration precipitates new round
- (2) Multilateral System implodes

First scenario more likely but second cannot be ruled-out

# Doha failure impacts on trading system

- More preferential trade agreements
- Increased litigation and trade remedies
- Increased use of health and sanitary and other technical measures as disguised trade barriers
- Policy reform backsliding/reduction of reform pressure

# What is at risk? Not free trade but demonstrable reform

- Export subsidies eliminated
- Tiered 60-80% reduction in trade distorting domestic support (sets stage for elimination in next round)
- Tiered 50-70% reduction for most developed country tariffs
  - special treatment for “sensitive”
- Developing country reductions roughly 1/3 lower than developed
  - special treatment for “sensitive” and “special”



# Managing the politics of agriculture

- Sensitive tariffs reduced by minimum of one-third of formula – about 25% cut for high tariffs
- Sensitive limited to 5-8% of tariff lines
- Must expand tariff quotas by 5-9% of consumption
- Overall reduction in developed country tariffs could still be close to 50% (36% in Uruguay Round)

# Consequences for Canadian agri-food system

- What is on table in 2008 at risk
- More preferential FTA's, but no substitute for healthy and growing multilateral system
- Litigation/trade remedies increase
- Increased abuse of SPS and other technical regulations
- Domestic policy reform challenges increase

# Consequences for Canadian export interests

- Loss of improved market access
- Missed opportunity to reduce and cap trade distorting support/eliminate export subsidies
- Adverse impact on investment and competitiveness as trading system regresses

# Consequences for Canadian import sensitive sectors

- Delays need to adjust to global trend to lower tariffs/declining reliance on price supports
- Limited short term impact – mainly lower international prices than otherwise
- Greater medium term impact - competitiveness continues to deteriorate/quota values continue to increase
- Pressure to limit imports continue (cheese standards/Article XXVIII's)
- Older verses younger producer concerns

# Options for Canada

- (1) Status quo – rely on domestic market/NAFTA/limited number of PTA's
  
- (2) Deepen and broaden NAFTA – phase-out all remaining tariffs
  - unlikely, means phase-out of supply management
  - more likely, limit thickening of US border, increased harmonization of technical regulations

# Options not mutually exclusive

(3) Aggressive pursuit of preferential FTA's

- China, India, Asia/Pacific
- Why FTA with Canada?
- Access to resources/implications for foreign investment

(4) Aggressively pursue re-engagement of WTO negotiations

- Credibility requires reconciliation of trade liberalization goals with SM political realities

# CONCLUSIONS

- Most probable scenario – Doha failure leads to trade system regression – but ultimately resumption of multilateral negotiations
- Canadian agriculture needs strengthened, not weakened WTO system
- Canada should aggressively encourage re-launch of WTO negotiations

# However international leadership requires credibility

- Doha-like results would not mean end of supply management (Appendix explains why)
- Federal/provincial governments have responsibility to explore with stakeholders how SM can coexist with Doha-like results - status quo not sustainable - already under strain
- Alternative is to continue in reaction mode/muddle through and ultimately accept what others have negotiated