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