

# What you should know about the WTO

## AGRICULTURE

### What's at stake?

The stated goal of the WTO's Agreement on Agriculture (AoA) is to establish a market-based system where food is traded the same way as other goods, from tires to shoes. This approach favours large-scale operations and factory farms, at the expense of small family and peasant farms.

Agriculture is a potential "dealmaker" or "deal breaker" at the WTO. If negotiators come to an agreement on agriculture, it will facilitate deals in other areas like services and industrial tariffs. If they don't, negotiations will continue to stagnate.

### What is contentious?

#### The "three pillars"

The agriculture negotiations will focus on three pillars: market access, export competition and domestic support. These terms refer to the ways that countries encourage or discourage local production and exports, by implementing incentives such as subsidies, tariffs, and non-tariff trade barriers.

#### Subsidies and dumping

Many Third World countries want the U.S. and the EU to stop "dumping" heavily subsidized agricultural products onto world markets. By flooding the markets with cheap products, American and European multinationals push down the price of commodities and force small farms out of business.

At the Doha ministerial conference in 2001, the EU and U.S. governments promised to reduce and eventually eliminate these subsidies. They then broke their promise and actually increased them. The majority of these subsidies go to the powerful agribusiness sector, not to the small family farms that really need them.

#### Cotton crimes

In 2004, Prime Minister Martin described cotton subsidies as "criminal." He was right. Heavily subsidized European and U.S. cotton competes directly and illegally with some of the poorest countries in the world. A WTO dispute settlement panel ruled that U.S. cotton subsidies were illegal and should have been eliminated by July 1, 2005. The U.S. refused to comply and offered to negotiate a settlement. However, the cotton question was completely ignored in the lead-up to the Hong Kong ministerial. A recent U.S. proposal on agriculture does not even mention anything specific about cotton, which probably means the subsidies will remain in place.

#### Attacking alternatives

In July 2004, WTO countries signed a "framework deal" to structure further negotiations. The U.S. used this document to mount an attack on state trading enterprises (STEs) and supply management systems. STEs – like the Canadian Wheat Board – allow farmers to sell and market their products as a group. In doing so, they increase their ability to compete in world markets. Supply management systems guarantee a decent price for farmers by limiting domestic production and protecting local producers against foreign competitors.

Both of these systems are at work in Canada and are compatible with WTO rules. But the U.S. prefers systems based on the free market and corporate competition. Proposed tariff limits in market access negotiations could affect Canada's supply management system for poultry, eggs and milk. Supply management requires high tariffs to protect the domestic market or it simply doesn't work.

Canadian farmers have already paid dearly for free trade. While agri-food exports have tripled since 1988, farmers' incomes have gone down 24 per cent. Farm debt doubled in the same period. This has forced 11 per cent of family farmers off of their land in the past five years alone. Both marketing boards and supply management systems are compatible with the rules of the rules of the WTO. There is no reason to dismantle them.

For more information about the WTO and world trade, check out [www.canadians.org](http://www.canadians.org), or call 1-800-387-7177.