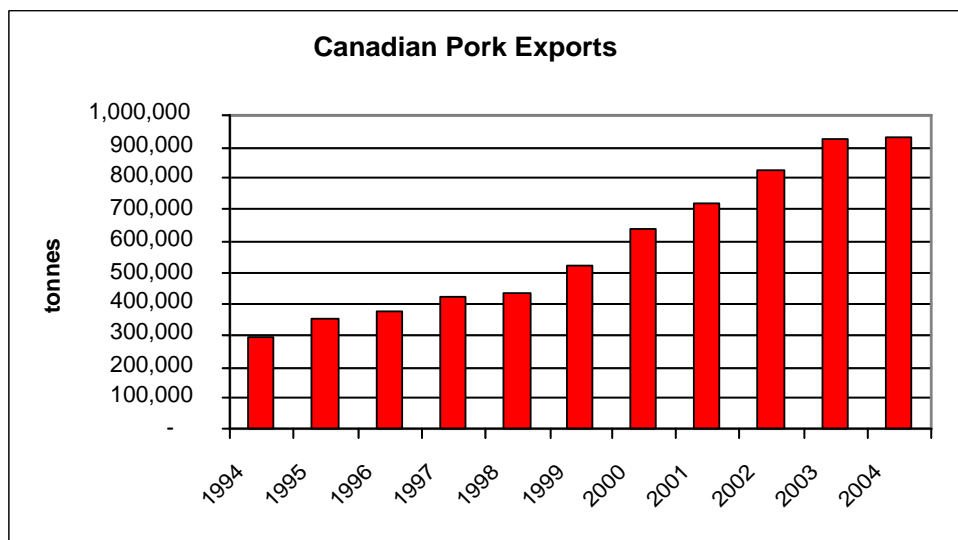


World Trade Negotiating Objectives of the Canadian Hog/Pork Industry

This document represents the collective views of the Canadian hog and pork sectors regarding the Doha Round of multilateral trade negotiations, through the involvement of: the Canadian Meat Council, the association of meat packers and processors; the Canadian Pork Council, representing commercial hog producers; and Canada Pork International, the export market development arm of the Canadian pork industry.

Canada has seen a very rapid growth in its pork exports since the completion of the Uruguay Round in 1994 when the World Trade Organization (WTO) was created. Canadian exports of pork and pork products more than tripled during the ten-year period following that agreement, from approximately \$800 million in 1994 to over 2.65 billion dollars in 2004.



The WTO has played a vitally important role, allowing Canada to expand sales to many countries to which we shipped little or no pork prior to the Uruguay Agreement being signed. Exports to South Korea have increased by more than 1700% while those to the Philippines are 140 times greater than in 1994. Costa Rica and Bulgaria are just two of many examples of what today are important markets for Canadian pork that a decade ago imported nothing from us.

Canada enjoys many advantages in the raising of hogs and production of pork, including abundant feed supplies, excellent animal health status, and very high standards of food safety and quality. Exports are the vehicle for growth in the Canadian pork industry given the modest potential for expansion in domestic consumption. Great opportunities exist in the long-term for increased sales of pork in the Asia-Pacific region and the European Union, as well as in Latin American and Eastern Europe.

Canadian hog producers, pork processors and meat traders - and the many other companies in Canada that provide inputs and services to our industry - have a very strong interest in Canada

aggressively pursuing further progress toward reducing agri-food trade barriers and trade-distorting subsidies, and achieving effective additional market access, in the current 'Doha' round of multilateral trade negotiations that are scheduled to be completed in 2006.

Our recommendations for Canada's negotiating objectives specifically for pork are as follows:

Market Access

- ★ Pork is one of the world's most important agri-food industries. It is the meat commodity most consumed in regions that have been experiencing rapid economic growth, including Asia and Latin America. It is the preferred meat throughout most of Europe. There are still serious problems, however, with access for pork into many of these countries due to such constraints as tariffs, tariff rate quotas, import permits and licensing requirements. In addition, we are seeing enlargement of the European Union with the unfortunate extension of its protectionist agricultural import regime to many countries we have traditionally traded with, such as Hungary and Poland. Reduction of such impediments will translate into higher returns and growth for our hog and pork production, creating many jobs in this important value-adding industry.
- ★ An important accomplishment in the Uruguay Round was the conversion to 'tariff rate quotas' of quantitative import restrictions such as import quotas. However, in several cases, the resulting (TRQs) fell far short of what should reasonably have been expected; the most notable example being the tariff rate quotas for pork established by the European Union. As is indicated in Agriculture and Agri-Food Canada's December 12, 1997, discussion papers: "Members were left with a great deal of discretion in deciding how to administer and implement the resulting TRQs." The Canadian pork industry strongly recommends the establishment of binding rules on TRQ administration that would make access commitments more consistent and available to exporting countries.
- ★ Another important development from the last multilateral negotiating round was the introduction of 'minimum access commitments' which were intended to permit imports to begin at 3 percent, and by the end of the implementation period, reach 5 percent of the domestic disappearance of that commodity in the importing country. The EU was permitted to express its commitments in terms of total meat, which drastically reduced the amount of pork access they would have been required to provide had the minimum access been broken into the individual meat tariff categories (beef, chicken, pork, lamb, etc.). The European Union thus negotiated minimum access into their market for pork of only 75,000 tonnes, far below the 600,000 tonnes originally expected as the access quantity that would have been achieved by the end of the Uruguay Round implementation period if based on pigmeat alone. Growth in European per capita pork consumption as well as expansion of the EU have caused the problem to grow further. The Canadian pork industry sees no meaningful rationale for this aggregation, as these different meat groups are not interchangeable and are traded in channels that are as separate from each other as, for example, grain is from meat. TRQ administration rules should be established such that minimum access and tariff rate quotas are defined on the

basis of the actual historic consumption of the disaggregated items following the 4-digit HS tariff classification approach (e.g., 02.03 for pork – fresh, chilled or frozen).

- ★ Tariffs on imports within tariff rate quotas should be eliminated to allow the intended truly liberalized minimum access commitments to be realized.
- ★ Other TRQ administration issues that need to be addressed through better, and WTO enforceable, rules include onerous performance bond requirements for importers and unreasonably short time validity of tariff rate quota permits.
- ★ The Canadian pork industry wishes that it be a condition of entry of Russia into the WTO that any TRQs and import licensing systems for pork not be country specific.
- ★ There should be a reduction of tariff escalation; that tariffs on processed products are no more discriminating against imports than those on primary products. This will favour increased value-added processing in Canada.
- ★ We support the approach taken by Canada regarding *geographical indications*; that GI protection already provided under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement is adequate and that further extension could impose unnecessary costs and not, in the end, benefit consumers.
- ★ In agreeing to lower their Standard Import Price (SIP) in the Uruguay Round, Japan used its right to impose a safeguard mechanism to protect against surges in imports. However, the results have been disappointing for both exporters and Japanese importers because the intended stabilizing effect has been precisely the opposite. The expectation of the safeguard being put into effect (triggering a major increase in the import price) encourages speculative inventory purchases by importers, creating the surges in imports that are the actual cause of the safeguard being triggered. The Canadian hog/pork industry asks for a review of the SIP or look for another, less trade disruptive, mechanism to replace it. Other potential modifications in the administration of the Japanese pork safeguard that would cause it to be less disruptive and less restrictive of imports include: raising the trigger percentage beyond the current 19 percent; re-examining the situation in quarters subsequent to a quarter in which it has triggered such that the safeguard could be withdrawn sooner; and have it operate such that on an annual basis, total imports are permitted to be as close as possible to the trigger percentage.
- ★ To conclude on market access, we strongly urge the Government of Canada to pursue the elimination of tariffs on imports within Tariff Rate Quotas. There should be reduction of all other tariffs on imports as well as establishment of conditions for greater minimum access commitment (above 5 percent of internal consumption).

Export Subsidies and Food Aid

- ★ Government subsidies which directly lower the sale price of products to export customers should be eliminated entirely. Such subsidization is the most disruptive and trade-distorting form of government assistance as it directly affects what importers expect to have to pay, and can totally eliminate the market-driven competitors, like Canada, who do not provide export subsidies.
- ★ Export taxes on inputs to the production of another agri-food product should be considered a variation of export subsidization and be banned as well.
- ★ Payment terms of government supported export credit should be limited to a period of no more than 180 days.
- ★ Food aid should be more clearly defined, including what criteria and situations must exist to permit it to occur, and to prevent its use for disposal of surpluses by countries wanting to maintain domestic prices.

Domestic Support

- ★ The Canadian hog/pork industry strongly supports efforts to achieve further, progressive reductions in trade distorting domestic support while still permitting governments to respond rapidly and effectively to disaster situations such as disease outbreaks.

Sanitary and Phytosanitary (SPS)

- ★ The Canadian hog/pork industry views the Agreement on Sanitary and Phytosanitary Measures as an enormous accomplishment from the last WTO round. It establishes scientific credibility as an absolute requisite of any technical import trade barrier. We strongly recommend against any renegotiation of the SPS accord that would permit any deterioration of this as the single most important criterion for judging the legitimacy of technical trade-limiting measures.
- ★ The Canadian hog/pork industry urges extreme caution in accommodating within WTO rules and agreements, 'non-trade' (or what some call 'non-traditional trade') concerns, such as environmental issues and animal husbandry preferences. We are concerned that an accommodation of non-trade concerns could seriously erode the improvements in access from tariff reductions and the establishment of parameters on what measures countries can take to limit imports that have been achieved only after many rounds of negotiations (not to mention trade dispute proceedings). Allowing countries to apply measures that address considerations other than those of traditional health and safety is seen as potentially moving away from scientific and objective approaches to dealing with trade and more toward situations of subjective interpretation of guidelines where trade disputes will be much more difficult to settle. This could even provide some incentive for import sensitive industries to ask their governments to impose such standards. In

short, non-trade concerns could become protectionism under another guise and should be addressed in other forums.

- ★ Any government programs providing assistance to producers to conform with policies or regulations addressing non-trade concerns must be made through existing domestic support categories and be subject to WTO expenditure caps and reduction commitments.

Trade Remedy Measures

- ★ The Canadian hog/pork industry has had to endure a number of trade remedy actions over the past twenty years, including several countervailing and antidumping duty investigations.
- ★ In the interest of reducing the potential for countervailing duty actions, we wish to see it made permanent that government programs that are ‘green box’ (e.g., generally available research and technology transfer information) be considered non-countervailable.
- ★ We propose the following improvements to antidumping administration with the intent of obtaining greater discipline on its use as a trade protectionist instrument:

(a) excluding cost of production as a benchmark in calculating dumping margins where there is an economically integrated market (i.e., where prices in the export and home markets are highly correlated and where price differences are limited by market arbitrage to transportation and border transaction costs); and

(b) imposing a longer investigation period to more closely match the economic cycles characteristic of agricultural and other commodity sectors.

We also recommend that the time period used for comparison between export and home market prices should be as short as practically possible; for example, not greater than monthly.

Conclusion

The Canadian hog/pork industry looks forward to responding to any questions raised in this position statement. We also continue as active participants in consultations with governments and other industry organizations in arriving at a successful outcome for Canada from the Doha round of WTO trade negotiations.

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