

The Canadian Broiler Hatching Egg Marketing Agency

Trade Policy Statement

July 1998

Introduction:

The Government of Canada, with the support and advice of provincial and territorial governments, will enter into negotiations in the year 2000 towards a new World Trade Organization Agreement.

Canadian hatching egg producers believe the following principles should guide Canada, the provinces and territories as preparations are made for the next round of negotiations:

1. Negotiators be mandated to seek advantage for Canada

A level playing field should be the minimal acceptable result. Negotiators should be charged with the goal of seeking advantage for Canada and Canadian producers.

Much is made of seeking a level playing field. However, when it is the ultimate goal established, it should be fully expected that the final result will fall short. In this round, the goal posts must be set higher and the interests of all Canadian agricultural producers advanced and protected.

2. Hatching egg access must be based on WTO 1994

Hatching egg producers were extremely disappointed that the Government of Canada chose not to implement the results of the Uruguay Round in respect of access to the Canadian market. While those results should be implemented immediately, we are willing to await the outcome of the built-in agenda negotiations.

Access commitments for broiler hatching eggs and chicks, currently notified to the World Trade Organization at 7,949,000 dozen in egg equivalents, should be implemented. The July 1990 agreement made with the USA, pursuant to Article XXIII of the 1947 GATT, should be terminated in a manner provided for in that Agreement. This will result in access at WTO levels as opposed to 21.1% of production.

As it is based on a fixed percentage of domestic production, the 1990 bilateral agreement with the Americans is detrimental to the promotion and development of export markets. In the current policy environment, even if Canada were to succeed in developing export markets, American producers benefit by more than 20% from Canadian efforts.

The major countries, or blocks, have had difficulty achieving the agreed 5% minimum access level, let alone going beyond it. Canada is fully within its WTO rights to fix access at 7,949,000 dozen. Even with the adoption by Canada of its full WTO rights, access to the Canadian hatching egg market will remain above 17% of production; a level matched by few, if any, commodities in the WTO world.

3. The free flow of supplemental imports must be stopped

With the introduction of the WTO implementing legislation in 1994, CBHEMA was advised by various ministries that it is possible to charge a mid-level tariff on supplemental imports or that legislation would be introduced to that effect. Regrettably, nothing has been done to stop the free flow of supplemental imports.

Hatching eggs are unique in that the buyer, the hatchery sector, has been granted exclusive franchise to in-quota imports by the federal government. Eligibility for supplemental imports is also restricted to the buyer who has inordinate influence over the level of Canadian production. This influence is exerted by controlling the placement of breeder birds and by determining their length of lay.

Government must act to right this wrong. It must immediately bring amendments to the *Import and Export Permits Act*. At the very least, WTO implementing legislation following the next negotiating round must include provision for the charging of a mid-level tariff on supplemental imports.

4. TRO implementation must be a priority

Minimum access commitments in all commodities in all countries should be at a tariff level of *zero*.

Canada should not entertain any concessions on tariff rate quotas until all countries bring their tariff levels on minimum access to the zero level. Canada has been one of the few WTO countries to ensure access. In keeping with the principle of seeking advantage for Canadian producers, Canada should entertain no TRQ adjustments until the results of Uruguay Round are fully and equitably implemented.

Additionally, Canada should grant *no* concessions on TRQ's on commodities where the current access exceeds minimum WTO requirements. To do so is to simply abandon future negotiating leverage which is contrary to Principle 1

5. Joint cost/benefit analysis must be performed

Such analysis was lacking in the last round. Detailed cost/benefit analysis of every proposed concession and demand will allow all Canadians to judge the results of the negotiations.

While governments did attempt some analysis, the results will demonstrate that such efforts were lacking. Canadians should have the benefit of defensible cost/benefit analysis so that it can be readily determined if Principle 1 is being met.

6. Adjustment programs must be part of the final package

Canadian producers who are displaced by an eventual trade agreement must receive fair and reasonable treatment, such as that provided those in sensitive sectors and industries in other countries.

Canada's history in this regard is unacceptable. Where the United States has *NAFTA* adjustment funds in the hundreds of millions of dollars, Canadians are left with no on-going government support.

The current WTO agreement calls for compensation packages for displaced producers. Many countries have already implemented such measures. Japan, for example, spent 555.5 billion yen in 1995 alone to implement post-Uruguay round package of measures.

Japan, at the time, projected that the Ministry of Agriculture will spend 2.8 trillion yen by the year 2000. Canadian governments must adhere to Principle 1 to achieve results acceptable to Canadian producers.

Canada, one of the northern most countries in the world, is at a distinct competitive disadvantage relative to some commodities. That is why, first, Article XI and now tariffs are in place.

CBHEMA's benchmarking study provides irrefutable evidence that Canadian producers are just as efficient as their American counterparts *inside the barn*. External factors, over which producers have no control, render the industry uncompetitive. Those factors include the climate, geography, domestic taxation levels, feed costs, and the absence of a large domestic breeder flock program.

Continual tariff reductions will spell the end of the Canadian industry and will severely reduce the value of producers' investments in land, buildings, equipment and quotas. Reducing tariffs in hatching eggs is not a matter of forcing competitiveness. It is a matter of government policy dictating the end of a \$150,000,000 primary industry.

There must be adjustment and compensation programs to provide for the retraining of producers and to provide for compensation for losses caused by government policy changes.

7. Fiscal and trade policy are inherently linked

It must be recognized that fiscal and trade policy are interdependent. It is foolhardy, to say the least, to negotiate a trade agreement without being cognizant of every country's fiscal policies, including Canada's.

In the Uruguay Round, Canada created, then promoted, the concept of "green" programming. Having allowed Europe and the USA to classify much of their farm expenditures in that category, Canada then proceeded to cut its green expenditures by hundreds of millions of dollars while the program dollars of our major competitors actually increased.

In this round, to prevent Canadian producers from again being placed at a competitive disadvantage, Canadian negotiators must be made aware of the Canadian fiscal reality. Trade policy must reflect fiscal policy, to meet Principle 1.

8. There must be no trade-offs

Canada successfully acted on this principle in the Uruguay Round and must do so again in the next round.

9. Collective marketing rights must be supported

Collective marketing instruments are effective tools which provide farmers with some influence in a highly imbalanced marketplace. They must be not only supported, but should be encouraged and strengthened by international agreements.

When cooperatives and marketing boards first surfaced, they were in response to a need created by highly integrated large national corporations. The situation intensified in ensuing years to the point where some agri-food multi-national corporations, with which producers must now deal, have more employees than do national governments.

As experience in the U.S. has demonstrated, producers who are forced to deal independently with such conglomerates are quickly reduced to serf-like roles. Sovereign governments will have to place much more emphasis on orderly and collective marketing tools, if they want to have broad-based agricultural production in the future.

10. WTO must be the only venue for hatching egg negotiations

With the proliferation of trade agreements on the books and in the discussion phase, the World Trade Organization must be the only venue in which the Government of Canada takes on trade commitments with respect to hatching eggs. Government must be careful not to inadvertently take on commitments which have a direct or indirect impact on hatching egg producers. This caution extends not only to such areas as market access but also to such things as competition and investment policy.

To ensure that there is full knowledge and dialogue on potential impacts, the WTO must be the only venue in which such topics are negotiated.