

**REPORT ON**  
**TRADE NEGOTIATIONS IN AGRICULTURE:**  
**THE WTO, FTAA, AND A FUTURE COMMON AGENDA FOR**  
**BRAZIL AND CANADA**

**A conference sponsored by the**  
**THE CANADA VISITING RESEARCH CHAIR**  
**IN BRAZIL STUDIES**

**COMPILED BY**  
**Annette Hester**  
**LARC**

On September 23<sup>rd</sup>, 2003 a group of academics, government officials and business leaders gathered at the University of Calgary, under the auspices of the Latin American Research Centre, to discuss issues related to international trade negotiations in agriculture.

This was the opening event for the Canadian tour of the first holder of the Canada Visiting Research Chair in Brazilian Studies, Dr. Marcos Sawaya Jank. This innovative collaborative project (York University, University of Western Ontario, L'Université du Québec à Montréal and University of Calgary) was the brainchild of the former Brazilian ambassador to Canada, Henrique Valle, Ed Dosman from York and Ted Hewitt from Western Ontario.

The conference's main objective was to distill, from global and hemispheric issues in agriculture trade, those issues on which Brazil and Canada can work together. The rationale was that by determining a priori where the two countries have the same strategic interests, cooperation would be much easier to obtain, and consequently, building a coalition would follow naturally.

In order to bring this discussion to life we counted on the support, participation, and hard work from several fronts. The stage was set by a presentation given by the Alberta Minister for International and Intergovernmental Relations, the Honourable Halvar Jonson, and discussion was kept on track by the competent presence of Denise Brown, director of the Latin American Studies Program here at the U of C. In addition to the contributions of the presenters- Marcos Jank, Bill Kerr, Jim Gaisford, Grant Isaac, Eugene Beaulieu- and the commentators- Rick Barichello and James Rude- we were fortunate to have the insights and commitment of the new Brazilian ambassador to Canada, Valdemar Carneiro Leão and Canada's chief negotiator for the FTAA file and lead on the Embraer versus Bombardier file, Mr.

Claude Carrière. Adding to the success of the event was the fact that all forty participants - Brazilian and Canadian government, academia, and business - contributed equally.

As this innovative final report shows, our objectives were met and surpassed. Several issues were highlighted as strategically important for both countries and with great potential for significant contributions to the world-trading framework if Brazil and Canada choose to cooperate, particularly in anti-dumping and in sanitary and phytosanitary agreements.

The original aspect of this final report comes from the fantastic work of two special analysts: Florencia Jubany from the Canadian Foundation for the Americas (FOCAL) and May Yeung from the Estey Centre for Law and Economics in International Trade, and James Tworek, a bright student from our Latin American Studies Program. As you will see, their analysis and comments bring the conference to life and provide a road map for the way ahead.

What's to come? Let's make sure that we follow up on the suggestions to ensure that these ideas become reality, and not just spoken or written words. As for the papers presented, we are in the process of compiling all the papers discussed and will produce a special web and printed publication early next year.

I would like to thank all our sponsors, without whose support this event would have never taken place. We are particularly proud that our Brazil Chair and Conference sponsors included several federal and provincial government departments and the private sector; specifically: Government of Canada – Department of Foreign Affairs and International Trade and Agriculture and Agrifood Canada; Agrium; and Air Canada. Sponsorship was also received from Alberta Agriculture, Food and Rural Development; Alberta Executive Council; International Development Research Centre (IDRC); Kensington Riverside Inn; and Brascan do Brasil. And, if this list is not long enough, Alberta International and Intergovernmental Relations and Western Economic Diversification Canada also supported us.

Finally, I would like to express my gratitude to my boss, Dr. Stephen Randall for his trust in me, and acknowledge the hard work of his staff, Victoria Guglietti and Estela Lutero, who worked their magic to make me look good.

All the best,  
Annette



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**PREPARED BY**  
**Florencia Jubany**  
**FOCAL**

The Conference “Trade Negotiations in Agriculture” convened in Calgary on September 23, 2003, to take stock of the progress made at the WTO/DOHA Round mid-point Ministerial Meeting at Cancún (Sept. 10-14, 2003). It also sought to identify converging interests between Canada and Brazil in negotiations in agriculture. It brought together agriculture and trade experts, government and business representatives, and academics from both countries.

The meeting coincided with important shifts at both global and hemispheric trade talks. The emergence of new coalitions, and particularly of the Brazil led-Group of 22, altered the dynamics and course of multilateral trade negotiations. It also affected some regional negotiations. The impasse at the WTO further complicated prospects for the Free Trade Area of the Americas (FTAA), at a time when competing visions for the arrangement are threatening to derail major hemispheric negotiations involving 34 countries, including Canada and Brazil.

Focusing discussions on the issue of agriculture was a natural choice. Agriculture is the core of the DOHA Development Agenda, and is a key issue for Brazil, a highly efficient producer in the sector, and Canada, the world’s third largest exporter of agri-food products. In the past overlapping interests in the area have resulted in both countries pushing jointly at the Cairns Group for the elimination of agricultural export subsidies in rich nations.

The Calgary meeting was also timely as far as Canada-Brazil relations are concerned. A series of positive developments since the inauguration of President Luiz Inacio “Lula” da Silva signal a warm up in relations after years of bilateral malaise. This

rapprochement could be further bolstered by a satisfactory outcome of meetings on aircraft subsidies scheduled for late October, 2003. It was therefore opportune to take a careful look at the potential for bilateral trade relations with a view to building a common agenda for Canada and Brazil.

### **1. Post-Cancún scenario and the case of agriculture**

Launched in the Qatari capital of Doha in November 2001, the latest WTO round is premised on the understanding that real reform in agriculture is the key to unlocking growth in developing countries, as well as unlocking the overall negotiations and achieving reform in other areas.

“Agriculture has so far been consistently singled out from broad trade liberalization initiatives and exceptions have become the rule for international trade in agricultural goods”, noted Marcos Jank, a leading Brazilian trade expert. Sensitive products have been virtually excluded from trade liberalization by mechanisms deliberately constructed to prevent the markets from operating. For example, developed countries have fiddled with the different domestic support boxes – amber (trade distorting domestic subsidies, with reduction commitments), blue (production limiting programs, special exceptions of Uruguay Round) and green (not or minimally trade distorting) – in order to accommodate their trade distorting policies. This product and box shifting has resulted in a progressive “greening” of domestic supports in the US, the EU and Japan.

Broadly speaking, negotiations at Cancún took place among five coalitions of countries, organized along defensive/offensive positions regarding agricultural domestic support, export subsidies, and market access:

- 1) The United States and the European Union
- 2) The Group of 22 (13 Latin American, 6 Asian and 3 African countries led by Brazil, India and China)
- 3) The Cairns Group (Canada, Australia, New Zealand, Uruguay and Malaysia)\*
- 4) The Group of 33/Friends of special products, and
- 5) The Group of 9/Friends of multifunctionality.

\* Several members of the G-22 are also in Cairns and share their interests and concerns.

As is public knowledge, the impasse over so-called “Singapore issues” of investment, competition policy, government procurement, and trade facilitation, and also over agricultural support subsidies, led to an abrupt and sterile conclusion of the meeting. An immediate consequence of failed multilateral trade talks was the announcement by the United States and the European Union that they would favour trade liberalization through bilateral agreements.

### **2. Brazil**

For its part, Brazil announced that its post-Cancún strategy would consist of pursuing market access negotiations through bilaterals, leaving the negotiation of better disciplines in subsidies to be dealt with at the WTO, presumably through the

G-22. This sizeable coalition represents the majority of the world's population, 70% of the world's rural population, and 27.9% of agricultural exports.

Through Mercosur, Brazil is engaged in more of less advanced trade talks with the Andean countries, European Union, Mexico, South Africa, India and China, and has signaled interest in negotiating a 4+1 agreement with the US. With the exception of the US, which buys about 25% of Brazilian exports, Brazil favours trade liberalization with countries at a similar or lower level of development. The rationale for these so-called "south-south agreements" is both political and economic. Brazil exports a higher ratio of manufactures to its neighbours and other developing countries, than it does to the industrialized nations. As in most other countries it is the composition of exports that drives trade policy in Brazil.

Domestic support for Brazil's strategy was high in the weeks following Cancún, but it is slowly eroding. Support will only endure if Brazil can translate its success in building the G-22 coalition into a viable set of negotiating proposals. Only by achieving that can Brazil really hope to advance its objectives of reducing agricultural subsidies in the rich nations, and gaining access for its exports. Current skepticism within Brazil is coming mainly from economists linked to the agriculture sector, who question the future of the G-22 and worry that Brazil will be isolated in multilateral and regional negotiations. There was consensus at the meeting that Brazil's interests would be best served if the G-22 evolved in the direction of Cairns, rather than the north-south polarization of the G-77. As far as Brazil's bilateral agenda goes, and contrary to Brazil's official position, Marcos Jank argued that "Brazil is better off negotiating with the US in the FTAA, and better yet at the WTO". "While smaller countries can get by with selective trade preferences", he added "middle countries like Brazil need WTO rules in all systemic issues such as anti-dumping, subsidies and SPS, which cannot be substantially negotiated at the bilateral level".

### **3. Canada**

Canada's top priority in any area is the reduction of domestic subsidies in the US, destination of about 88% of Canadian exports, explained Canada's chief trade negotiator, Claude Carrière. While Canada has been able to address the issue of subsidies bilaterally with the US, much like Brazil it is aware that only at the multilateral level can fundamental reform be achieved. (Carrière also suggested that Brazil consider addressing subsidies with the US through a creative mechanism of incentives similar to that between the US and Canada).

Canada, third only to the US and the EU as an exporter of agri-food products, seeks the elimination of agricultural export subsidies as quickly as possible in the Doha Round. Canada also advocates the elimination or substantial reduction of trade-distorting domestic supports, and significant improvement in market access for all agriculture and food products.

Carrière expects considerable time will go by before negotiations resume, given the different levels of ambition showed at Cancún. Canada is a member of the Cairns Group, an alliance now somewhat diluted by the creation of the G-22, to which Canada does not belong. For Carrière, the G-22's declared strategy of negotiating

subsidies at the WTO while leaving market access for bilaterals lacks reciprocity and balance. This echoes a recurrent criticism that Brazil is not offering enough at the WTO negotiating table.

Prospects for the Doha Round are uncertain. Negotiations will proceed in Geneva at the technical level but without the endorsement of a ministerial declaration, and few believe the time is propitious for meaningful negotiations in any event. Some issues may need to be addressed previously, such as the efficacy of the WTO decision-making system and the expiration of the Peace Clause at the end of 2003. The future of Doha will also be affected by domestic developments, particularly presidential elections in the US in 2004 and future enlargement of the European Union, both of which will undermine chances of further concessions and liberalization.

#### **4. Synergies on specific issues**

**Anti-dumping:** “When examining the positions of Brazil and Canada at current negotiations, there appears to be little they disagree upon. There appears to be an opportunity for collaboration”, explained William Kerr and Laura Loppacher of the Estey Centre for Law and Economics in International Trade. They believe that converging views are mostly on issues of tinkering, such as raising the threshold for industry support as an anti-dumping action, transparency in proceedings, normal price determination, application and calculation of duties, de minimis standards and sunset clauses. Canada and Brazil could build on their common interests to push jointly for fundamental reform of the anti-dumping system.

Both Canada and Brazil, through the “Friends of Anti-Dumping”, want dumping reformed in ways that prevent anti-dumping actions from being used as disguised barriers to trade. Such a goal must involve changing the fundamental definitions of what constitutes dumping, through the formal incorporation of predatory pricing as the criteria upon which anti-dumping actions can be initiated, Kerr and Loppacher argued. While acknowledging that such an initiative would face resistance from the US Congress, they believe that Canada and Brazil together could exert greater pressure to achieve such an outcome, which would benefit both. Another avenue for joint action in the area could be to steer the transition from a focus on dumping towards a focus on safeguards (i.e. allowing the increased use of safeguard provisions as an alternative to anti-dumping).

**Issues in Sanitary and Phytosanitary Agreements (SPS):** As Cairns Group Exporters and trade partners, Canada and Brazil have experienced conflict associated to the use of SPS measures both by third countries and by each other (2001- Canadian BSE control measures, 2002- Brazilian measures to control seed potatoes and PRAs for imports on Plant Origin and 2003-Brazilian emergency measures for BSE). According to Grant Issac of the University of Saskatchewan, the two countries share an urgent desire to prevent the discretionary use of temporary and permanent market access barriers without any clear process for regaining market access (Canada currently finds itself in this position with BSE measures). They therefore have a common interest in clarifying the “principles” underlying the SPS Agreement’s use of Risk Analysis Framework. Moreover, Canada and Brazil both want to ensure that market access negotiations address the increasingly central role that SPS agreements have in agricultural trade.

**Services:** Eugene Beaulieu of the University of Calgary explained that a great many of the challenges related to negotiations in services at the multilateral level (GATS) derive from the linkages between services-related areas such as competition policy, investment, subsidies and government procurement. Brazil and most developing countries wish to exclude rules on domestic regulations, safeguards, subsidies and government procurement from market access negotiations. Another challenge for services negotiations is the fact that Brazil and other LDCs have directly tied the level of ambition in services to the level of ambition attained in other areas such as agriculture. That said, Beaulieu believes there is some common ground between Brazil and Canada in negotiations in services, and one area identified is the reduction of barriers and discriminatory measures such as Economic Needs Tests (ENTs) that both countries want eliminated.

## **5. FTAA negotiations**

Brazil and the US are currently co-chairs of what was meant to be the last phase of negotiations to conclude a Free Trade Area of the Americas by 2005. But rather than ironing their differences as many had expected, the two major economies of North and South America are struggling for competing visions of the FTAA. The debate boils down to whether countries want to negotiate a “comprehensive” FTAA, or a “light” FTAA. Tensions were most recently played out in Port au Spain (October, 2003) at the preparatory meeting for the FTAA Trade Ministerial to take place in Miami on November 20-21, 2003.

The United States obtained ample support for comprehensive negotiations that would include not only market access but also regional rules for government procurement, investment, services, and intellectual property. Costa Rica gathered support from 13 countries to endorse the US proposal (Mexico, Canada, Colombia, Peru, Bolivia, Chile, Panama, Honduras, Dominican Republic, Nicaragua, Guatemala and El Salvador). All of these countries either have a bilateral free trade agreement with the US or are in negotiations. As a corollary to failed WTO talks, the US officially announced at Port au Spain that it would not include agricultural subsidies and anti-dumping in hemispheric negotiations.

Brazil emerged somewhat weakened and isolated from the Port au Spain meeting, with only its Mercosur partners (further weakened when Uruguay presented its own separate proposal) and most of the Caribbean supporting its bid for a lighter agreement. Brazil is pushing for what it calls “FTAA light” or “ALCA posible” (a FTAA that is possible, realistic) by which only matters related to business facilitation and some regulatory issues would be discussed hemispherically, leaving market access for bilateral negotiations (Brazil hopes for a FTA with the US). Sensitive issues for Brazil such as government procurement, investment, services, and intellectual property would be dealt with at the WTO. Another controversial feature of Brazil’s latest proposal is the possibility of developing countries granting preferences to each other without having to extend them to the US and Canada.

Brazilian Foreign Minister Celso Amorim defended Brazil’s position by saying that “Brazil does want an FTAA but one that does not infringe on capacity to set domestic policies”. ...“On the other hand, prospects to access the largest market in the

hemisphere for products in which we have a comparative advantage were not stimulating. Discussions on priority issues for Brazil such as agricultural subsidies and anti-dumping measures were excluded from negotiations.” (Clarín/Argentina, 01/10/03) In a nutshell, if the US can simply exclude sensitive issues from hemispheric negotiations, then so can Brazil. Canada, for its part, advocates a comprehensive trade agreement but it is prepared to discuss a “re-dimensioning” of the level of ambition in all areas (Caricom proposal).

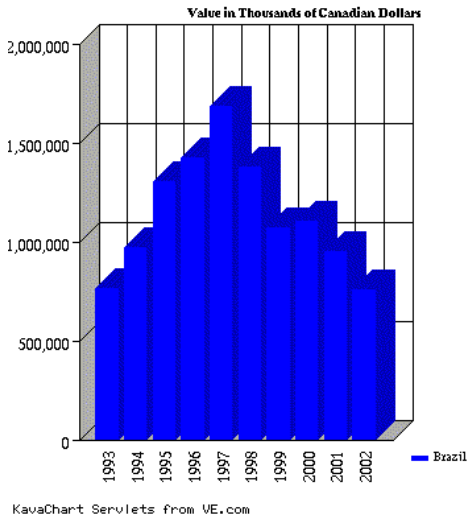
Stalemate at the Port au Spain and Cancún meetings does not bode well for the FTAA Ministerial in November or for the conclusion of negotiations by the 2005 deadline. Absent agreement on a framework for multilateral negotiations in agriculture and subsidies, little can be advanced at hemispheric discussions on these issues, so crucial to Latin American countries. Regrettably, the acrimony and finger-pointing between the US and Brazil in the days following Cancún, seem to have carried over into FTAA negotiations. To make matters worse, at least three Latin American members of the Brazil-led G-22 coalition have abandoned it since Cancún in favour of closer trade relations with the US. Parties need to be prepared to modulate their positions if FTAA negotiations are to move forward anytime soon. A gesture must come from the co-chairs, which are also the largest economies of the region and where there is most domestic resistance. The question is: can a balanced FTAA be achieved given domestic constraints and upcoming US elections?

## **6. Prospects for Canada-Brazil Relations**

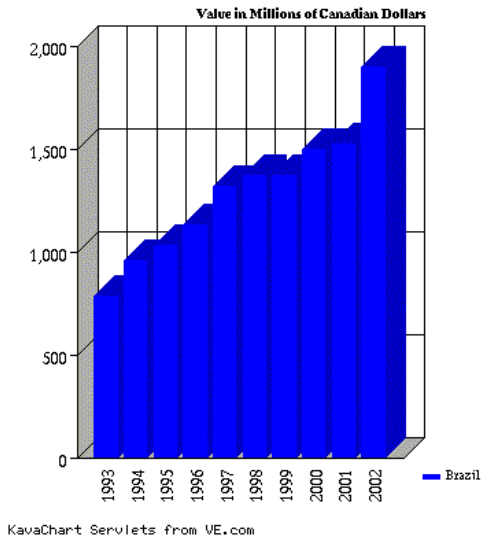
Canadian interests in Brazil have traditionally been linked to investment, which unofficial estimates put at approximately \$7 billion. In recent years, however, Brazil became relevant as a trade partner, with two-way trade peaking at C\$3.0 billion in 1997. Bilateral trade has since decreased, due to reasons related to the Brazilian economy (currency devaluation followed by an economic contraction) but also as a result of ongoing irritants, which have inhibited Canada and Brazil from realizing their considerable potential as trade partners.



**Graph 1: Canadian exports to Brazil (source: Statistics Canada)**



**Graph 2: Canadian imports from Brazil (source: Statistics Canada)**



There are many similarities between Canada and Brazil’s trade agendas, especially at the multilateral level. Both countries pursue substantial reform in agricultural trade, significant improvement in market access, and reform in the use of trade remedies. Experts at the Calgary meeting found there was scope for cooperation in the areas of anti-dumping, SPS, and services, but less so in biotechnology.

An important area of disagreement is Canada’s protection of dairy and poultry through supply management. Canadian policy on poultry, of which Brazil is a major exporter, would be particularly problematic were the two countries to sign a free or preferential trade agreement, anticipated Richard Barichelo of the University of British Columbia. There would also be competition in oil seeds (soy beans, canola)

and red meat, but that should not be an impediment to significant trade growth in areas where there are complementarities such as environmental technologies, agromachinery and fertilizers, to mention some.

Psychological factors are also holding the bilateral relationship back. Malaise lingers from bilateral irritants of past and present (i.e. Lamont-Spencer case, the ever-present aircraft dispute and the beef ban). Canada's private sector feels somewhat intimidated by the size and unfamiliarity of the Brazilian market. Canada's negotiating proximity to the U.S. both in multilateral and regional trade negotiations is also a barrier to rapprochement with the Brazilians.

## **7. The Bigger Picture**

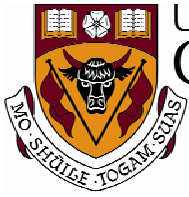
In the larger picture of Canada-Brazil relations, however, there are many positive signs, including an increase in high-level bilateral meetings since the inauguration of President Luiz Inacio da Silva in January 2003. New ambassadors have arrived at each other's capitals this fall with a mandate to revamp relations. That specifically includes revisiting the so far sterile trade and investment cooperation arrangement (TICA/1998). There is the expectation that with the arrival of Canada's new prime minister in February 2004, more concrete steps vis-à-vis Brazil, and vice versa, will be taken. Moreover, bilateral negotiations to try to settle the lingering aircraft subsidies dispute are set to take place in late October. Canadian Trade Minister Pierre Pettigrew has expressed optimism about the upcoming meeting (Valor Economico/Brazil 6-10-03). Claude Carrière said that Canada, for its part, will do its utmost to "avoid pilot error" and achieve a "soft landing".

The conventional wisdom is that settling the dispute would clear the air for a new phase of bilateral relations, after years of underperformance and mutual misgivings. However, without a breakthrough in the Embraer-Bombardier file and a will to improve relations at the highest political level, bilateral relations are bound to languish far below their potential.

In this context, the establishment of a Canadian Visiting Chair in Brazil Studies\*, launched at the Calgary meeting, is an extremely positive initiative. It holds the potential to bind both countries through multiple linkages at all levels of government, business, research, academia and civil society at large, which in time will bring Canada and Brazil to a higher level of mutual knowledge and cooperation.

\*Information on the Chair can be found at:  
<http://www.las.ucalgary.ca/las1/brasilchair/>

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**PREPARED BY**  
**May Yeung**  
**Estey Centre for Law and Economics in International Trade**

Given the stalemate at the WTO Ministerial Conference in Cancun, an analysis based upon the issues facing the WTO and subsequently, its members is useful in identifying common agenda opportunities for Canada and Brazil as members of the Cairns Group.

The University of Calgary's Latin American Research Centre was very fortunate in bringing to Calgary, Dr. Marcos Jank, as part of the Trade Negotiations in Agriculture Conference: The WTO, FTAA<sup>1</sup> and a Future Common Agenda for Brazil and Canada. Dr. Jank arrived in Calgary directly following the conclusion of the Cancun Ministerial, where he lead Brazil's agricultural negotiating team, providing conference attendees with valuable insights regarding nations' positioning in agriculture.

***'Perspectives on International Agricultural Trade Negotiations: WTO and FTAA'***

***Dr. Marcos Jank.***

The post-mortem of Cancun is one generally characterized by failure, yet Dr. Jank emphasized that the outcomes of WTO negotiations are cyclical in nature - failure and success alternate. Between the success of Doha in 2001 and the failure of Cancun in 2003, it is hoped that the next Round in Hong Kong will be successful. What is not cyclical in nature however is the importance of agriculture in any trade negotiation, from WTO Rounds to regional and bilateral agreements as well as preferential agreements. Agriculture is a key issue to economies - developing and developed, northern and southern, exporters and importers.

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<sup>1</sup> Free Trade Area of the Americas encompassing North, South and Central America

Hence, market access for agricultural goods is a key component of any trade negotiation. Sensitive agricultural products are subject to variety of market access measures, including tariff rate quotas (TRQ), ad valorem tariffs and special safeguards, particularly in the EU, Japan and Korea. While tariffs for industrial manufactures have dropped significantly to an average bound tariff of 5%, agricultural products still exhibit high average bound tariffs (62%) and are subject to tariff peaks, particularly in developed economies.

Any progress in market access will need to address the propensity of countries to use TRQ's and special safeguards to protect sensitive agricultural areas as well as the predilection towards tariff peaks for the same purposes. These will prove to be contentious issues as the EU is resistant to improving market access due to ACP<sup>2</sup> and GSP<sup>3</sup> of relationships with former colonies while the US attempts to protect its Farm Bill in any of its negotiating positions.

Subsidies, both domestic support and export competitive, are even more contentious an issue than market access measures. The WTO's 'Box' system of subsidies reduction commitments is challenged by many countries shifting policies to suit the rules, thereby inhibiting real change as the same relative value of subsidy is being distributed under new categories. As ninety percent of domestic subsidies are concentrated in roughly 20 countries, efforts to reduce subsidies should be relatively less contentious to facilitate, however, the key issue with subsidies is their distorting effect. As large portions of domestic subsidies become vested in land cost, increasing production costs for producers, motivating producers to lobby for more subsidies to meet these increased production costs. It is a cycle that is very difficult for governments to break.

The WTO Forum is characterized by the members promoting their national interests and often finding negotiating allies to increase visibility as a group sharing common interests. Prior to Cancun, agricultural interest groups were divided into several camps – liberalists (Cairns Group), the US as a liberalist country in theory, protectionists (EU, Japan, Korea), preferential trade dependence (ACP nations), large developing economies (India and China that have the power to significantly shift agricultural trade policies and patterns) and finally, non-members of the WTO.

Post Cancun, new coalitions have arisen. G22 (non-Cairns group, large developing economies such as Brazil, India and China), Cairns group (Canada, Brazil, but excluding G22), EU and the US, G-9 (Friends of Multifunctionality – Japan, Korea, Switzerland and Norway), and the G33 (Special Products - mostly African nations interested in more exceptions to reduction commitments) are the new interest groups. The key development is the cohesive approach of the developing world, capitalizing on the WTO's consensus based system.

The implications of these new groupings will greatly affect negotiating strategies and tactics. The Cairns group is taking the liberalizing offensive, with partial support from US, while supporting liberalization, still wants to protect its domestic support

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<sup>2</sup> African, Caribbean and Pacific ex-colonies and territories

<sup>3</sup> General System of Preferences organized under the auspices of the United Nations Conference of Trade and Development where developing countries enjoy specific trade privileges.

system, the Farm Bill. The EU and to some extent the US, are defensive of reduced market access and keeping its subsidies, and protecting the Farm Bill respectively. The G22 are a blend of protectionism and liberalization, while the developing world is defensive against increased market access in order to foster agribusiness development. The most impactful development at Cancun was the coming together of developing nations to form their own coalition with, for the first time, significant abilities to affect trade negotiations. Considering that the G22 (including China and India) has 22% of total global agricultural GDP and 69% of global agricultural population, such a common agenda now has the power to sway the WTO agenda.

As Canada and Brazil share common interests in many aspects of agricultural negotiations, opportunities to present a shared agenda should be fostered and encouraged to improve the negotiating strategies of both nations. Both are 'Cairns Group exporters to whom market access rules are crucial and for whom distortions created by other exporters are a nuisance at best and downright destructive at worst'.

### ***Issues in Anti-Dumping***

***Dr. W. A. Kerr and Laura Loppacher***

One area where Brazil and Canada could potentially cooperate is in addressing anti-dumping reform. Known as contingent protection measures, anti-dumping and countervail have become weapons of choice for protectionist interests enjoying the ability to cloak protectionism as fighting 'unfair trade'. Anti-dumping is a many-pronged tool as it is effective in restricting market access, harassing foreign firms and often generates revenue for either the complaining industry or the complaining government. The US is a large user and proponent of anti-dumping contingent protection, making changing the rules difficult.

The argument for reform of anti-dumping is that the existing anti-dumping regulations and rules are not connected with 'unfair trade' practices. Price discrimination and selling below full cost are the two definitions of dumping subject to countervail, yet both are common business practices at the consumer, B2B<sup>4</sup> and procurement levels in every country and market. It is not illegal to price discriminate in any situation except at the WTO level. Neither is it illegal to sell a product below full cost (also known as losing money) in any situation except under the WTO's anti-dumping regulations.

Anti-dumping regulations will likely not change until awareness is raised and the fundamental issues at its core are addressed. This is not likely as the US is a large user and proponent of current anti-dumping practices. Important US trade partners such as Canada and Brazil, in concert, could raise the issue and push the US far more effectively than individual efforts. Brazil and Canada tend to agree on the minor discussions regarding anti-dumping, working together at the fundamental reform of anti-dumping is an opportunity to gain experience at cooperating.

Cooperation on a common agenda between nations does not preclude disagreement on specific issues. While Canada and Brazil share many common platforms,

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<sup>4</sup> Business to business

concerns and priorities in agricultural trade negotiations, there are issues in agricultural trade where Canada and Brazil differ radically.

### ***Issues in Biotechnology***

***Dr. James Gaisford and Dr. Estela Tavares Lutero***

The issues surrounding trade in products of biotechnology are in a regulatory gray area across borders. Generally, nations maintain their own regulatory system regarding biotechnology, with relatively little harmonization with trade partners. Such is the case with Brazil and Canada. In virtually every aspect of trade in products of biotechnology, each country's approach differs. It remains to be seen whether efforts to cooperate on other issues will facilitate the resolution and harmonization of differences in trade of products of biotechnology.

### ***Issues in Sanitary and Phytosanitary Agreements***

***Dr. Grant Isaac***

Similarly, an area of conflict and cooperation between Canada and Brazil includes sanitary and phytosanitary (SPS) measures. Positions and concerns raised by one nation have often been opposed by the other. Yet both nations would greatly benefit from a clarification of the underlying risk-assessment principles of the SPS Agreement as well as ensuring negotiations on agricultural market access issues reflect the central role of the SPS agreement.

### ***Issues in the General Agreement on Trade in Services***

***Dr. Eugene Beaulieu***

Finally, trade in services is under serious negotiation under the General Agreement on Trade in Services (GATS) as the economic importance of services continues to grow but barriers to their trade remain high. In Doha 2001, WTO members agreed countries would submit initial requests for market access commitments in services. Negotiations continue today but are characterized by a North-South divide where developing countries are limiting areas of discussion under market access. Additionally, Brazil and other LDCs have directly linked the level of ambition in services to level of ambition attained in other areas of negotiations like agriculture. Once again, there are some areas of common ground between Canada and Brazil where both nations are seeking similar outcomes, such as the reduction of discriminatory measures like economic needs tests.



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**PREPARED BY**  
**James Tworek**  
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The conference provided a forum for insight and discussion about the potential future common economic and political agendas that Brazil and Canada could share. Along with Dr. Jank's thorough dialogue, University professors from UBC, U of C, U of S and U of M all shared their insight and research expertise regarding trade issues. For the most part, the discussion centered on the WTO and its most recent difficulties – if not failure – at Cancún. The speakers provided valuable insight regarding various issues that have arisen from the most recent WTO summits: Anti dumping, domestic subsidies, GMOs, etc.... Their detailed research and the conclusions drawn highlight some opportunities that present themselves to Brazil and Canada, providing the countries with a platform from which they can jointly spearhead global trade initiatives. As both countries could logically be considered to be in a position of transition in terms of their presence and clout in the international trade forum, these initiatives stand to bolster their image and overall international significance over time.

Going forward, there is much opportunity for accelerated growth for both countries through the synergy and coordination of production and exports, both bi- and multilaterally. Naturally, each country has its own strengths in terms of production capacity and the specialized abilities of its industry and workforce. Brazil is a large developing nation with an abundant resource base and exceptional human capital. Canada, on the other hand, is under- populated, yet developed and wealthy, with a large resource base and a favourable capacity to expand value-added manufacturing. Trade linkages between Canada and Brazil have grown substantially over the past decade, with volumes growing from \$1.7 billion in trade in 1989 to \$2.5 billion in 2000. More importantly, the variety of goods that has become traded between the two countries has diversified from its original basis in commodities to incorporating a larger component of value-added Canadian-manufactured goods

(telecommunications, information systems, aircraft parts) being exported to Brazil, and a larger amount of Brazilian car parts, coffee, fruit juices, chemicals and shoes being imported to Canada. This increase in trade, and the potential for continued future growth of the bilateral trade has understandably placed Brazil as one of Canada's most important trading partners; the EDC opened an office in São Paulo in 2000 to handle the growing volume and establish a firm Canadian presence in Brazil. (Source: DFAIT, EDC) A more in-depth coordination of each country's needs and abilities would prove to be an engine for lucrative and efficient bilateral growth.

Brazil and Canada share similar views on various international trade issues, proven through their CAIRNS group affiliations. More importantly, there are smaller issues upon which the two countries see eye-to-eye: issues that have been highlighted – but generally pushed to the periphery – in the WTO summits. As outlined by Richard Barichello, Canada and Brazil share common views on the topics of export subsidy, trade negotiation (tariffs and market access, trade volumes and service industries), and anti-dumping. It is important to note that the certain points of view are not uniform between the two countries; biotechnology - specifically GMOs - is taboo from the current Brazilian perspective, whereas it is becoming commonplace in Canada. The common ground that exists amongst these issues is general, and there is arguably much room for improvement in all of these areas. This general common ground coupled with the willingness of the two countries to adopt a leadership role on issues could result in an increase in political clout and international presence of both countries in the future.

As mentioned by Bill Kerr during the conference, Canada's and Brazil's adoption of a hard-line position to fight for the fundamental reform of international anti-dumping laws would set a precedent for future trade negotiations and place both countries at the forefront of international policy. The potential outcome would be the progressive achievement of goals and a more liberal, prosperous and fair international trade environment. This leadership position, accentuated by the combined strength of two large and powerful countries, would likely influence the opinions of international colleagues (members of the CAIRNS group, the G-8, MERCOSUL or other international trade organizations), thereby spurring global reform in the area.

As stated by Marcos Jank, although there exists some level of dissent as to the perceived benefit of pursuing a primarily bilaterally-based trade policy between Brazil and Canada as well as the WTO, initial economic predictions of trade agreements (the Uruguay Round and NAFTA) have generally been poor in accurately evaluating the future economic benefit as a final outcome. For the most part, the actual economic growth and benefit experienced through such agreements has far surpassed any predictions. As such, the conclusion is drawn that for future economic growth and increased socio-political authority in the international forum, increased and liberated bilateral and multilateral trade with Brazil would likely prove beneficial to all parties involved.

In summary, it is evidently a lengthy and arduous task to create a uniform international trade policy, as exhibited through the 'hit and miss' progression of the WTO summits over time. As with many situations, there is more than one solution to a conflict. When



WTO talks prove to be drawn out and inefficient in their progression, there is incentive for countries to forge bilateral links in order to import and export their wares.

Furthermore, although such summits such as the WTO exist for countries to create international policies, it has become apparent that the 'minor' issues – usually those that the largest parties involved would like to ignore – are pushed to the periphery, while only the 'main' issues (those of concern to the major parties) are resolved. Lucky is the case of Brazil and Canada, countries which have similar foreign policies and are willing to strengthen their present bilateral trade agreements in order to prosper, when the lethargic progression of the collective global forum presently hinders advances.

The one question stands: where do we go from here? In reality, I believe that the answer is already underway: both the Brazilian and Canadian governments have already made important investments in each other's economies, and the expectation of increased trade as well as bilateral economic growth has been all but realized. Furthermore, 'loopholes' that have presented themselves throughout the WTO talks, such as the WTO's lackadaisical approach to the issues of SPS, biotechnology, GATS, tariffs, subsidies and quotas, and international anti-dumping laws, provide opportunities for countries (specifically Brazil and Canada) to take the initiative and spearhead positions in terms of international socio-politico-economic reform.

In all, strengthened the bonds between Brazil and Canada would prove greatly beneficial for all parties involved, providing an effective level of economic, social and political growth in both the short and long run. This is not to say that the multilateral trade negotiation process is a lost cause, but to point out that multilateral processes - especially one as complex as the WTO - are lengthy and arduous developments that undeniably will benefit all parties once they are fully and completely defined, and to further emphasize that, in the meantime, countries shouldn't necessarily postpone reaching their growth goals in, but should instead seek other means of reaching them alongside the collective global good.