

SPEAKING NOTES

Hon. Shirley McClellan

Minister

International and Intergovernmental Relations

12:30 - 2:30 p.m.

Tuesday, October 10, 2000

Luncheon Event

Canadian Alliance of Agri-Food Exporters and Agri-Industry

Trade Group Conference

Rimrock Resort Hotel

100 Mountain Ave.

Banff, Alberta

approximate speaking time: 8 minutes

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It's a great honour to have this opportunity to speak to you about Alberta's outlook on international trade.

My Cabinet colleague, Ty Lund, has told you how important the World Trade Organization agriculture negotiations are to Alberta and how our province is highly dependent on trade.

Last weekend, I returned from meetings in Europe on international trade policy. At these meetings, I had the opportunity to discuss current activities and prospects for the World Trade Organization negotiations.

These meetings confirmed for me that it's time for the agriculture sector to fully join the world economy.

Since our domestic market is limited, we must look beyond our borders to remain competitive.

But barriers such as high tariffs continue to block access to key markets for many of our agri-food industries.

The production and trade distorting effects of subsidies provided by our major competitors limit the ability of these industries to adjust and prosper in a global environment.

This situation is not unique to Alberta. I am sure many of you have your own concerns about how other countries' actions have hurt your farmers, and how much better it would be if your farmers could compete on a level playing field.

We began to make progress in the Uruguay round of World Trade Organization negotiations, but as Mr. Lund has indicated, it was only the beginning.

We cut some tariffs, reduced some subsidies, and agreed to make our systems more transparent.

However, tariffs are still too high and mandated subsidy cuts were not deep enough.

Incremental steps are no longer adequate. We have to consider how we approach agriculture trade negotiations.

In the past, the standard approach in agriculture negotiations has been to push aggressively for increased market access for those products we export, but be far less aggressive in those areas where our producers wanted protection.

In short, we tried to have it both ways. We wanted to get as much as we could without giving as much in return.

But, there were problems with this approach, problems which still exist today.

Consumers and processing industries pay higher prices for imports. Lower income families are hit hard, and processors become non-competitive in world markets because of high input costs.

In addition, not only do producers in developing countries have problems selling to developed countries' markets they also have to compete with exports dumped on international markets by a few rich industrialized countries.

Subsidies also encourage inefficient agricultural practices that often damage the environment, and the money that is spent on subsidies can be put to better use.

Trade negotiations are not only about making compromises, but also **about developing a vision** of how we want things to be.

We have to identify what will be best in the overall, long-term, interests of producers and consumers in developed and developing, exporting and importing countries.

We need to create a **level playing field** for everyone by establishing a consistent, integrated and liberalized approach to agricultural trade .

And, we need **international agreements** with binding commitments.

In political and economic circles, we value the consistent application of rules.

Fair rules provide equal opportunities for everyone, reward risk and innovation, and ensure that when people work hard they can succeed.

There is no reason why agricultural trade cannot follow the same principles.

Our farmers deserve a system where they can succeed on the basis of hard work, without worrying about losing their livelihoods because their competitors are protected or subsidized.

We also need to respect the fact that agriculture is a unique sector, and we may need special programs to deal with unexpected events such as natural disasters or huge price swings.

I have spoken of the need to reduce distorting domestic subsidies. Some other types of domestic income support are still acceptable.

You may have noticed in the media in Calgary Friday and Saturday that the government of the province of Alberta announced a \$230 million (in Canadian dollars) income support program for Alberta farms.

I'm not going to apologize for this support. We have had a severe drought or flood and record low grain prices, caused mainly by the distortions of other governments.

When I met with European Union agriculture officials in Brussels ten days ago, I told them that Canada, for a number of domestic reasons including finances, had dropped agriculture support too far and too fast compared to the European Union and the U.S.

Our support levels for grains were 1/8th of the European Union.

It's been five years since the end of the Uruguay Round and our farmers could not be expected to continue this situation and survive.

I warned them that we and others would be forced to react.

Well, we have done so, as much as we can afford to.

We are not happy about being forced into more support programs, we'd rather get rid of the subsidies in all countries but under the circumstances, we have to support our farmers.

I should add that this is all provincial money. Although the Canadian federal government was encouraged to work with us, they declined.

We still encourage them to participate.

But, it is not fair to implement programs that harm producers in other countries.

I get worried when people talk about “multifunctionality” and agricultural trade. It’s hard to say -- it’s even harder to spell. And I don’t have any idea what it **really** means.

Vague, unclear concepts like that will only open the door to disguised protectionism.

They have no place in trade negotiations.

That is why Alberta supports an aggressive approach aimed at reducing trade and production-distorting subsidies and market access barriers for **all** products – not just some of them.

Canada cannot successfully fight subsidy or protection wars with either the U.S. or the European Union. Most countries can't.

We can no longer afford to pick and choose among the industries we want to protect and those that have to compete.

Last July, the Alberta government announced our agriculture trade positions after extensive consultations with industry.

We called for:

- the **elimination of agricultural export subsidies** on **all** products in all markets, and tough rules to prevent circumvention of export subsidy commitments;
- the substantial reduction and eventual elimination of **market access barriers**, including **all** tariffs on products;

- the substantial reduction of trade and production-distorting domestic supports;
- the development of **rules to ensure that state-trading enterprises do not distort markets** or nullify World Trade Organization commitments; and,
- we urged that **measures to protect plant, animal, and human health** should only be based on sound science.

Market access, export subsidies, and domestic support issues are interrelated. Progress in any one of these areas must also be accompanied by progress in all the others.

We all have seen examples of how domestic subsidies can cause overproduction and distort market signals and trade.

And we have seen countries unload these surpluses on world markets, often with the use of export subsidies.

The result is depressed prices, demands for protection from imports, and calls for even more subsidies.

To break the cycle, we have to address all these issues, and be prepared to make concessions if we hope to achieve a sustainable trading system that promotes our overall interests.

We have to ensure that the progress we make in dismantling visible trade barriers is not undermined by new types of protectionism in the form of unwarranted health, safety or consumer protection restrictions.

Alberta's agriculture products are world quality, tested, recognized, and completely safe.

We don't want other countries imposing restrictions based on unjustified fears. We are willing to proceed on the basis of sound science and expect other countries to do the same.

Finally, we have to address the role of trade remedy laws and agricultural trade.

The WTO negotiations will consider the extent to which agricultural support programs should be subject to countervail.

However, we must also consider reforms to anti-dumping rules, particularly for products in cyclical markets where all producers may be forced to sell at below-cost.

At my meetings in Europe, I shared a number of proposals covering a range of options, from broad policy changes to specific changes in how anti-dumping investigations should be conducted. I have brought some copies with me for those who would like to read them.

Our proposals have a common theme. Agricultural trade rules should encourage competition, not restrict it.

Market forces should determine the allocation of resources, not government policy.

These goals are ambitious, but they are achievable. We will all have to make adjustments, but the costs of half-hearted reforms are much greater.

The livelihood of our agricultural industries is at stake here.

Thank you.