

## Free Trade or Foul?

On May 4<sup>th</sup> Australian media reported comments from US President George W Bush relating to the FTA being negotiated with Australia. Sound bites reported the US President saying that the FTA negotiations will be finished by the end of the year and put before Congress in early '04.

Early predictions estimated that it would take years to negotiate this FTA, but clearly this proposed agreement is being propelled by forces other than those that would normally drive trade discussions.

*Make less haste...*

But the haste now being shown to finalise this FTA should be a warning signal, as it means that the period for debate and analysis of the likely outcomes becomes minimal or non-existent. The faster an agreement like this is negotiated the more chance there is for 'the smaller partner' to agree to conditions that, in the long term, may not be in our best economic interest.

Perhaps the haste is driven more by politics rather than economic outcomes. A completed Australia / USA – FTA being seen as a useful 'achievement' to sell to the Australian electorate come the next federal election perhaps? If this is the case, Australian negotiators need to be doubly aware of the way in which the US treats its 'partners' in NAFTA for an indication of the way the US interprets the concepts of 'free' and 'fair' in relation to the way trade agreements are implemented. The following article contains a not-so-subtle message for Australia and the probable behaviour of the US under the proposed free trade agreement with them.

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## Western Canadian farmers don't need to dump their high quality grain

Winnipeg, Manitoba - May 2, 2003

[The Canadian Wheat Board](#) (CWB) today denounced preliminary tariffs imposed by the U.S. Department of Commerce (DOC) in its ruling on American charges of dumping. **These tariffs of 6.12 per cent on spring wheat and 8.15 per cent on durum are in addition to the 3.94 per cent duties imposed by the Americans in March over subsidy allegations.**

"Western Canadian farmers do not dump their grain into the U.S. market or anywhere else," said CWB Chair and farmer-elected director Ken Ritter. "We don't need to. We produce some of the world's highest quality grain, for which our American customers have testified they are willing to pay a premium."

Ritter pointed to two previous investigations by the U.S. International Trade Commission (ITC), which found that Canadian wheat and durum sells in the U.S. market at higher prices than the equivalent American product. Over a total of 96 months, the ITC found Canadian prices were higher in all but two months.

Ritter noted that at an ITC hearing in October 2002, speakers representing 90 per cent of the U.S. milling industry and 90 per cent of the retail pasta market refuted charges that prices for Canadian wheat are lower than U.S. grain. In one instance, a buyer testified: "If they're dumping, I'm the worst pasta durum buyer in the country, because we've never seen values below Minneapolis values on a head-to-head comparison, never."

"It would make sense to look at this if the challenge was directed at industrial manufactured goods – like steel - where the costs of production are fixed," Ritter said. "However, it defies common sense to apply these same rules to farming, which is governed by many uncontrollable factors, most notably the weather, with unpredictable final price fluctuations."

Furthermore, Ritter noted the DOC established the COP by using information from 27 randomly selected farmers to represent costs for 50,000 western Canadian spring wheat farmers. "Determining the cost of production based on information from 27 farmers is far from statistically valid," Ritter said. "However, we are very grateful to these farmers for cooperating with the DOC and helping us defend our access to the American market."

<http://www.seedquest.com/News/releases/2003/may/5759.htm>

***The 2003 Agribusiness Congress features a session on NAFTA provided by the Canadian High Commission – this session will address the conduct of NAFTA from a Canadian perspective.***

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## More on Trade – One rule for Me and another for You?

Providing more evidence for the rather novel interpretation of how free and fair trade can be defined is the content of a report released earlier in the year by the Institute for Agriculture and Trade Policy (based in the US). The report points to the dumping of corn, soybeans, cotton, wheat and rice by the US and the negative impacts this has on global commodity prices. The findings of the study put the decision by the U.S. Department of Commerce relating to allegations of dumping by the Canadian Wheat Board in an interesting light.

Clearly *do as I say and not as I do* is the philosophy of the US administration, as it demonstrates that it is not willing to follow the lead of the Cairns Group in taking *genuine* steps to reform trade. It is one thing to mouth free trade platitudes, but it is another thing to follow up the words with action and it is clear that the US is the global hypocrite of trade reform.

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## Dumping of U.S. Ag Commodities Hurting Farmers in U.S. and Around the World

The report, *U.S. Dumping on World Agricultural Markets: Can Trade Rules Help Farmers?*, by Mark Ritchie, Sophia Murphy and Mary Beth Lake, looks at the cost of production of corn, soybeans, cotton, wheat and rice, and compares the cost to the price at which these commodities are sold on international markets. In all cases, the commodities were sold below the cost of production a practice known as export dumping. Moreover, the document details how the dumping begins right here at home, at the farm gate, where farmers are selling their crops for prices up to 40% below their cost of production.

"The dumping of commodities on international markets hurts farmers all over the world, including U.S. farmers, by driving down the marketplace price," said Mark Ritchie, IATP President. "There are international trade rules to address this problem. They need to be enforced."

The report analysed costs for five U.S. grown commodities using data from the U.S. Department of Agriculture (USDA) and the Organization for Economic Cooperation and Development (OECD) to compare the cost of production with farm gate and export price.

The results were shocking. Levels of dumping hover around 40% for wheat, between 25% and 30% for corn (maize) and levels have risen steadily over the past four years for soybeans, to nearly 30%. These percentages means that wheat, for example, is selling for 40% less than it costs to produce. For cotton, the level of dumping for 2001 rose to a remarkable 57%, and for rice it has stabilized at around 20%.

The report found that the structural price depression caused by agricultural dumping has two major effects on developing countries whose farmers produce competing products. First, below-cost imports drive developing country farmers out of their local markets. This is happening around the world, in places as far apart as Jamaica, Burkina Faso and the Philippines. Secondly, farmers who sell their products to exporters find their global market share undermined by the lower-cost competition.

The damage of dumping is not confined to other countries, according to the report. The nearly \$1 billion discount documented in this report for exported wheat, for example, comes out of the pockets of U.S. producers. The report found that after many years of accepting agricultural dumping, a few countries have begun to respond with investigations into whether some U.S. agricultural exports are dumped. Brazil is considering a case against U.S. cotton before the WTO. In 2001, Canada briefly imposed both countervailing and anti-dumping duties on U.S. corn imports.

[http://www.wtowatch.org/library/admin/uploadedfiles/Press\\_Release\\_Dumping\\_of\\_US\\_Ag\\_Commodities\\_Hur.htm](http://www.wtowatch.org/library/admin/uploadedfiles/Press_Release_Dumping_of_US_Ag_Commodities_Hur.htm)

### Find the report at

[http://www.wtowatch.org/wtowatch/library/admin/uploadedfiles/showfile.cfm?FileName=United\\_States\\_Dumping\\_on\\_World\\_Agricultural\\_Ma.pdf](http://www.wtowatch.org/wtowatch/library/admin/uploadedfiles/showfile.cfm?FileName=United_States_Dumping_on_World_Agricultural_Ma.pdf)

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## GM Food Survey 2002 conducted by the Food Safety Authority of Ireland

May 5, 2003

[The Food Safety Authority of Ireland](#) (FSAI) has recently completed a survey to identify foods containing GM maize and/or soya ingredients and to check for compliance with EU labelling regulations. This was the third such survey undertaken by the FSAI in recent years and was in compliance with the European Commission's coordinated programme for the Official Control of Foodstuffs for 2002. Samples used for this survey included breakfast cereals, baby foods, snack foods, dried soya products, soya and maize flours and bakery products.

The results show that 12 of the 75 samples tested (16%) contained GM ingredients. Nine samples were shown to contain Roundup Ready soya, 1 contained Bt176 maize and the remaining 2 were not identified. Both Roundup Ready soya and Bt176 maize are authorised for food use within the EU. None of the GM-positive samples contained greater than 1% GM material which meant that specific GM labelling was not required.

Six of the 12 foods containing GM material (50%) had labels indicating that they contained no GM ingredients, with one of those also having an organic label. Another food containing GM ingredients was labelled as organic even though EU legislation governing organic foods stipulates that GM material is not tolerated at any level in products certified as organic. A total of 17 of the 75 foods purchased had organic labels but 2 of those (12%) were found to contain some GM ingredients.

GM-free type labelling was carried on 19 of the foods sampled and 6 of these products (32%) were found to contain some level of GM ingredient. These labels could be considered to be in breach of the general food labelling Directive which prohibits labelling or methods of labelling that could mislead the purchaser to a material degree. The complete report in PDF format is at [http://www.fsai.ie/industry/GM\\_survey\\_2002.pdf](http://www.fsai.ie/industry/GM_survey_2002.pdf)

<http://www.seedquest.com/News/releases/2003/may/5760.htm>

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### Comment

The findings of the Irish survey indicate failings in the ability of supply chains to 'guarantee' claims food manufacturers make on food labels. Findings such as those referred to above could quickly erode consumer confidence in labelling, stir up more anti GMO feeding and should serve as a cautionary note to food manufacturers seeking to take advantage of GM Free claims.