

# Food for thought

TALKING ABOUT WHAT MATTERS IN  
INTERNATIONAL TRADE OF FOOD

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# Preface

Economic globalization and increases in international trade are causing changes in the way Canadians, and people around the world, live and work. **In recent years, there has been considerable discussion and debate about trade policy.**

Although they know trade policy affects them, many Canadians feel left out of the discussion. They hear experts debating, or watch media coverage of street protests at international meetings, and don't see where they fit in. Many Canadians would like to learn more about trade issues and consider how they relate to their lives and values, but have found few opportunities to do so in a non-polarized atmosphere.

This guide is designed to help you become involved in a fresh approach to the public discussion of trade issues. It focuses on one aspect of trade that is of interest to many Canadians – trade in food and food products. The approach we will use for the dialogue is called public deliberation.

## What is public deliberation?

**Deliberation is a way of discussing important issues and wrestling with tough choices.** A deliberation is not a debate, with opposing sides trying to win, but neither is it a casual discussion. It is a way for citizens to reason and talk together, and to work through choices about basic directions for our communities and our country.

Deliberation is not just an opportunity to express your views or try to change other people's minds. It is a way to determine what action is in the best interest of the public as a whole. It involves thinking not just about what is best for you personally, but what is best for everyone. The objective isn't for someone to win: the objective is to make sound decisions.

In a deliberation, everyone has a say and everyone listens. People explore what others think as well as their own beliefs. They don't have to come to conclusions. But they do weigh the consequences and costs of various options based on what is truly valuable to them, and to others. People who participate in deliberations say that talking together in a non-confrontational way helps them learn about and better understand complex issues, and gives them a new respect and understanding for others' points of view.

There are no easy answers to the challenges posed by complex issues like those associated with international trade. Whatever approach we decide to take, there will be trade-offs. To get one thing, we may have to give up another. **We have to decide what is most important to us, and try to find areas of common ground between us so that we can move forward together.**

## The purpose of this guide

Often people are concerned that they don't know enough about an issue to be able to contribute to a deliberation. That is where this guide comes in. It provides an overview of some of the issues associated with international trade in food and explores several "approaches" or courses of action to respond to the issue. You can participate without having read the guide, though, because the starting point for any deliberation is people's own experiences and values. The moderator of the deliberation will help you share your opinions and concerns. Nobody needs to be an expert.

**The approaches outlined in this guide are not mutually exclusive, nor are they the only ways to look at the issues related to trade and food.** They are intended as a jumping-off point for your deliberation, not as the final word on the subject.

What the different approaches do is provide a framework – a way to look at the issues of trade and food according to different values, and to consider some of the tough decisions and trade-offs associated with different perspectives on the issues. It is hoped that through deliberation, you and the other participants may find some values and principles that you have in common, even though you may disagree about other things.

## The topic: International trade in food

Trade and the international agreements that regulate it play an increasingly important role in the lives of Canadians and people around the world. Exports of goods and services now represent 45.6 percent of Canada's Gross Domestic Product (GDP), up from 25 percent in 1991.<sup>1</sup> Food is one of the things we trade, and both exports and imports of food have been growing.

Increased trade in food products has brought changes for Canadians – for example, in terms of the types of foods available to consumers and in terms of the ways food is produced and transported. Of course, trade is not the only factor behind changes in food production and consumption. Technological developments, agricultural and social policies and many other factors play an important role. But trade and the international agreements that regulate it are a very important part of the picture.

As part of the World Trade Organization (WTO) and in talks about a Free Trade Area of the Americas (FTAA), Canada has been negotiating with other countries concerning trade in food. As Canada proceeds with international trade negotiations, it is important that Canadians consider what is most important to us about food, how it is produced and distributed, and what this means for ourselves and for people in other countries. **What principles should guide our country in its approach to trading food?**

# Introduction

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In recent years, there have been many changes in the production, processing and consumption of food in Canada. There have also been changes internationally, in the rules and agreements governing trade in food.

## The changing world of food production and consumption

- On the production side, farms continue to get bigger, and the numbers of farms and farmers continue to decrease.<sup>2</sup> Today, about 3 percent of Canada's population lives on farms.<sup>3</sup> The number of farms has decreased by 18.3 percent since 1976; the rate of decrease has slowed since 1991.<sup>4</sup>
- Consumption of processed and packaged foods has been growing.<sup>5</sup> The food and beverage industry is now Canada's second-largest manufacturing sector, due to the growth of value-added products.<sup>6</sup>
- Biotechnology is playing a growing role in food production and processing.<sup>7</sup> Canada is one of the top three growers of genetically modified crops.<sup>8</sup> Between 50 and 55 percent of the canola planted in Canada in 2000 was genetically modified. Some 70 percent of processed foods in Canada may contain an ingredient of biotechnology such as genetically modified canola, soybean or corn.<sup>9</sup>
- There is growing consumer interest in organic foods. Over the last decade, demand for organic foods has risen steadily in Canada, as it has in the US, Germany, France, the UK and other countries. Over 18 percent of Canadians regularly purchase organic foods.<sup>10</sup>
- Both exports and imports of agri-food products have been increasing, resulting in a greater variety of food products in stores as well as exports of more Canadian food products to more countries.<sup>11</sup>

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*The agri-food industry, which includes primary agriculture, fisheries, food and beverage processing, food retailing and the food service industry, accounted for 8.8 percent of Canada's GDP in 1996, or \$70 billion worth of goods and services.<sup>12</sup> Primary agriculture – growing crops, raising livestock etc. – accounted for 24 percent of this total, or 2.2 percent of GDP.*

*In 1999, 410,000 people were employed in primary agriculture in Canada.<sup>13</sup> The 2,900 food processing plants in Canada provided almost 236,000 jobs.<sup>14</sup>*

*In 1996, Canadians spent 9.8 percent of their disposable income on food and (non-alcoholic) beverages bought in stores. In other industrialized countries, consumers spent from 8 to 26 percent of their income.<sup>15</sup> Low-income consumers spend a higher proportion of their incomes on food.<sup>16</sup> For people in many developing countries, the portion of income spent on food is even higher: an estimated 33 percent in Mexico<sup>17</sup> and 70 percent in Tanzania.<sup>18</sup>*

Canada is one of more than 140 countries that are members of the World Trade Organization (WTO). WTO member countries have negotiated a number of agreements, like the Agreement on Agriculture, that spell out the legal ground-rules for international trade. Member countries have both rights and obligations under these agreements. In essence, to gain greater access to world markets and create a more level playing field for trade, countries agree to open their markets to imports and accept certain constraints on their domestic policies (e.g., in the case of agriculture, to reduce certain kinds of supports to farmers.)

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## **New rules for international trade**

Internationally, things have been changing as well. Recent years have seen many important developments in the international rules and agreements that govern trade in agri-food products.

Until the last decade, regulations about food trade were not imposed internationally, although they were addressed in trade agreements between particular countries. Farm products and agricultural trade were formally brought into the internationally regulated arena in 1995 in the WTO Agreement on Agriculture.

The Agreement on Agriculture has sought to liberalize (reduce limitations on) trade in agricultural products. In general, it requires WTO member countries to take steps to open their markets to agricultural imports from other WTO member countries; reduce domestic supports and subsidies that are considered trade-distorting; and reduce export subsidies for agriculture.

The original Agreement on Agriculture was to be implemented over a six-year period (10 years for developing countries). New talks are now underway at the WTO with the aim of further liberalizing agricultural trade.<sup>19</sup>

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*About one-third of agri-food imports into Canada consist of fruits, nuts and vegetables which are not widely produced domestically nor available year-round in Canada. Another third is made up of products such as sugars, coffee, tea, spices and other products not typically available domestically.<sup>20</sup> The top five sources of food imports to Canada are the US, France, Australia, Brazil and Mexico.<sup>21</sup>*

*In 1999, agri-food exports from Canada were \$22.8 billion, or 3.52 percent of global agri-food trade.<sup>22</sup> In 2000, agri-food exports from Canada amounted to 6 percent of total exports of goods. 61 percent of these agri-food exports went to the United States, 8.7 percent to Japan, 5.3 percent to the European Union (EU), 3.3 percent to Mexico, 3 percent to China, and 18.7 percent to nearly 200 other trading partners.<sup>23</sup>*

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*“Food security” is one of the issues that often comes up in discussions of international trade in food. Different people have varying views of how to best achieve food security.*

*Canada’s Action Plan for Food Security states that “food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life.” Food security is more than freedom from hunger, although that is an important part of it. Food security also incorporates good nutrition, food safety and access to food that meets cultural and religious needs so that people can live healthy and productive lives.*

*In Canada and globally, millions of people lack enough nutritious food to live healthy lives: they are “food insecure.” Globally, an estimated 815 million people are chronically undernourished.<sup>24</sup> About one-third of the world’s population suffers from deficiencies in iron, vitamin A, iodine and folate.<sup>25</sup> In Canada, it has been estimated that about 3 million people experienced food insecurity at some point during 1998/1999; about one-fifth of these people had received help from food banks, soup kitchens or other charitable agencies.<sup>26</sup>*

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# Approaches

Outlined in the following pages are three approaches to decisions about food trade. The approaches are presented in no particular order and are not mutually exclusive, nor are they “black and white.” They are not the only approaches possible, but they do summarize three common perspectives. It is not intended that you choose one as being the answer to all questions about food trade. In fact, there will probably be elements of each approach that you like, and that you do not like.

What the different approaches do is provide a framework for dialogue – a way to look at the issues of trade and food according to different values, and to consider some of the trade-offs involved.

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## 1

**Some people say that open trade is the key to prosperity for Canada as well as for other countries, and that agricultural trade can be an important part of this prosperity.** They say open trade in food is the best way to provide Canadians and others with sufficient, affordable, nutritious food. They believe that Canada must increase our agri-food exports to stay competitive in the global economy, and take advantage of the opportunities for economic growth and job creation offered by new technologies. They say the positive potential of open trade in food is not being realized fully because there are too many barriers to trade and too many distortions of the market.

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## 2

**Some people say the push to produce food cheaply – to obtain a greater share of international markets – is reinforcing trends toward large-scale, mechanized, chemical-dependent agriculture.** They say this type of agriculture is harmful for the environment and for human health. They are concerned about the environmental and health risks of pesticides, genetically modified foods, and the long-range transport of foods. They say that current trade agreements are restricting nations’ abilities to take a precautionary approach to environmental and health risks. They believe that, where food is concerned, human health and environmental sustainability should take priority over trade and profit considerations.

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## 3

**Some people say food is more than just a commodity – it is essential for life – and the way it is produced and distributed has important societal and cultural consequences that must be given priority in decisions about trade.** They say that food production and distribution are too important to be left totally to the open market or to trade negotiations, where there is a great imbalance of economic power (e.g., between rich and poor countries, and between farmers and global agribusiness corporations). They believe that our approach to trading food should recognize the basic human right of access to food, the societal value of food production and maintenance of rural communities, and the importance of a certain level of local control over food production.

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# Encourage prosperity through open trade

**ISSUE:** More open trade offers the greatest potential to increase incomes and food supplies around the world. This potential is not being realized fully because there are too many barriers to food trade and too many distortions in the market. The agri-food industry is an important part of Canada's economy and has the potential to stimulate growth and jobs, but only if it can compete effectively in a rapidly changing and increasingly competitive world.

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*Canadian agri-food companies, large and small, are showing that they have what it takes to compete on world markets. Pearl Seaproducts, a 2000 Canada Export Award winner, uses innovative technology to produce high-quality oysters off the Sunshine Coast of British Columbia.*

*About 80 percent of the farm-raised oysters are sold in export markets including the US, Hong Kong and Singapore. Pearl Seaproducts has become a significant employer in the small community of Sechelt, with more than 40 full-time employees.<sup>27</sup>*

**BROAD REMEDY:** Continue to liberalize trade in agri-food products. Increase Canada's agri-food exports to maintain our standard of living and future prospects. Ensure that Canada is a leader in new technologies to produce high-quality, competitive agri-food products.

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*Agricultural commodity exports represent an important source of income for many developing countries. For example, coffee and cocoa account for 46 percent of total exports from Côte d'Ivoire, and the coffee and cocoa sectors provide jobs for 60 percent of the working population.<sup>28</sup> Coffee is the second-most traded commodity in the world, after petroleum products.<sup>29</sup>*

*Many agricultural exports from developing countries still face high tariffs and other barriers in various countries. Although Canada has one of the lowest tariff rates among industrialized countries,<sup>30</sup> tariffs on many agricultural products of export interest to developing countries are high.<sup>31</sup> Tariffs on products subject to quotas, such as dairy and poultry products, exceed 300 percent.<sup>32</sup> Tariffs in many other industrialized countries are even higher: European Union (EU) tariffs on meat products peak at 826 percent.<sup>33</sup>*

*It has been estimated that removing all countries' barriers to imports from developing countries (all products, not just agricultural products) would increase developing countries' earnings by \$100 billion per year: more than twice the total amount of international development aid.<sup>34</sup>*

# Examples of potential actions:

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## IN CANADA

- Provide export information and assistance to Canadian agri-food producers (small, medium and large) to encourage them to export
- Continue to build Canada's reputation and competitive advantage as a supplier of high-quality, safe food (e.g., using science to improve food safety, building on Canada's expertise in biotechnology, encouraging production of value-added products)
- Reduce/remove tariffs on food imports
- Encourage market-oriented agricultural production (e.g., encourage producers to diversify and target promising niche markets, work towards elimination of supply management systems for milk, poultry etc.)

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*Agricultural support policies in member countries of the Organization for Economic Co-operation and Development (OECD) cost consumers and taxpayers in these countries more than US \$330 billion per year. According to an OECD report, these policies "typically reduce economic efficiency and disrupt international markets – often at the expense of developing countries. The current policies also fail to target low-income farmers and in many cases do more harm than good to the environment."*

*The value of total agricultural support in OECD countries is more than five times the countries' spending on overseas development assistance, and amounts to twice the total value of agricultural exports from developing countries.<sup>35</sup>*

## INTERNATIONALLY

- Continue to negotiate at the WTO to open up new markets for Canadian agri-food products, and negotiate open agricultural trade in the Americas as part of the FTAA
- In trade agreement negotiations, press for elimination of all countries' export subsidies for food production; for elimination of trade-distorting domestic agricultural support programs; and for reduction/elimination of tariffs on food imports
- Ensure that trade rules do not prevent the import or export of foods that have been shown to be safe according to internationally recognized scientific standards (such as foods containing genetically modified ingredients)
- Provide technical assistance to developing countries to enable them to fully benefit from active participation in international agri-food trade

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- *Biotechnology (including health care and agri-food) is a \$20 billion industry worldwide and is expected to grow to \$50 billion by 2005. Canada ranks third in the world in this industry after the US and the UK.<sup>36</sup>*
  - *Higher-value (or value-added) processed products are an increasingly important part of Canadian agri-food exports: higher-value products were 52.5 percent of exports in 2000.<sup>37</sup> It has been estimated that increasing the percentage of processed products in agri-food exports to 60 percent could help to create up to 100,000 more jobs in Canada's food and beverage sector.<sup>38</sup>*

## IN SUPPORT

**1) Canada is a trading nation, and food trade** has many benefits for Canadians. Food exports make an important contribution to Canada's economic health. Canada's market for food products is saturated, and additional exports are needed to ensure continued growth in the agri-food sector. Canadians need the jobs and growth that will come from expanding exports (particularly of value-added products) and developing agri-food biotechnology industries. At the same time, food imports provide Canadian consumers with greater variety in their diets (such as fresh fruits and vegetables in the winter, which contribute to good health and nutrition). Reducing tariffs on food imports will help to reduce prices for Canadian consumers.

**2) Open trade is the best way to increase** economic growth and food supplies around the world. Comparative advantage can lead to benefits for all if each country produces the goods that it can produce most efficiently, and trades freely. Countries like Canada have comparative advantages in agriculture, including abundant land and resources and a strong research capacity. As the world's population continues to grow, open trade will help food flow most efficiently to where it is needed and wanted. Poor people in developing countries will benefit from cheaper food.

## IN OPPOSITION

**1) Open agricultural trade won't work because** there are great imbalances in economic and political power. It is unrealistic to assume that farmers in a small developing country can compete with sophisticated agricultural producers in Canada. The current trade negotiation process is skewed towards powerful countries. The US and countries in the European Union heavily subsidize their farmers and history has shown they have no interest in ending this practice, whatever is said in the letter of the trade rules. They won't change just because Canada wants them to, so Canada should not make any more concessions in the name of open trade (especially concessions that would reduce support for our farmers.)

**2) The current model of open trade does not** take into account environmental costs. Imported food from halfway around the world only appears cheaper because the environmental costs of producing and transporting it are being ignored. Production of pork, farmed fish and other products for export is creating serious environmental and health risks in Canada. We cannot keep ignoring the environmental consequences of our economic decisions.



## IN SUPPORT

**3) International competition keeps Canadian food producers innovative.** It encourages investment in state-of-the-art production that helps to ensure an affordable and safe food supply for Canadians as well as export markets. Canada has been a leader in implementing a scientific, preventive approach to controlling food safety hazards. This has helped maximize food safety for Canadian consumers as well as helping to open export markets for products such as fish and pork, because their safety can be guaranteed.

**4) Trade is the best way for developing countries to grow their way out of poverty.** Clear trade rules – and reduction of unfair export subsidies and trade-distorting domestic support measures in Europe and the US – will benefit developing countries as well as Canada. Many developing countries have difficulty finding markets for their exports because industrialized countries (including Canada) and other developing countries still have tariffs and other barriers to imports; removing these barriers will aid development. Reducing the supports provided to farmers in rich countries will ensure a more even playing field.

## IN OPPOSITION

**3) More trade is not going to solve problems of world hunger and poverty.** There is already enough food to feed everyone in the world – the problem is that many people do not have access to the resources to produce or purchase food. Current approaches to trade are not helping to deal with this core problem, and in some cases are making it worse. More than five years after the creation of the WTO, poverty and inequality have continued to grow.<sup>39</sup>

**4) More open trade in food poses potential risks to the health of Canadian consumers,** if we are obliged to import foods from countries where standards are not as high as they are here. Canada should proceed cautiously on new trade agreements to make sure that they do not threaten our ability to set high standards for food safety, or to make our own decisions about whether to allow sales of new products when there is uncertainty about health and environmental effects (such as foods containing genetically modified ingredients).

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*Over the last two decades, Brazil has developed its agricultural sector to become a major exporter. Brazil is the leading world producer of sugar cane, oranges and coffee; and the second-largest producer of soybeans, corn, beef and poultry. It has eradicated hoof and mouth disease in most beef-raising areas.*

*However, Brazil's orange juice exports still face tariffs in many countries. Its access to sugar markets is limited by quotas, and its poultry exports have difficulty competing against subsidized European poultry exports. Despite its progress against hoof and mouth disease, its beef exports still face barriers in the form of sanitary regulations.*

*According to the country's minister of agriculture, "trade liberalization is mandatory to ensure that developing countries benefit equitably from globalization."<sup>40</sup>*

# Put priority on health and environment

**ISSUE:** Current approaches to trade are favouring methods of food production and transportation that are environmentally destructive and unhealthy, because environmental costs are not being taken into account. New technologies such as genetic engineering are creating food products with unknown health and environmental impacts, which are being traded internationally without sufficient consideration of the risks.

*The WTO Agreement on the Application of Sanitary and Phytosanitary Measures covers food safety regulations and standards for animal and plant health. It allows countries to set their own standards, but says regulations must be based on science and be intended only to ensure food safety and plant and animal health. Countries may follow higher standards than the international norm if they can show scientific justification.*

*WTO members are encouraged to base food safety measures on the standards and guidelines of the Codex Alimentarius Commission. This international Commission includes experts from all WTO member countries. It has not yet been able to reach consensus on the labelling of genetically modified foods, except to agree on the need to identify the presence of substances that could cause allergens.<sup>41</sup>*

*In 1995, the Codex Commission adopted standards allowing residual levels of growth hormones in meat. The US and Canada then lodged a complaint at the WTO against the European Union (EU), which had long banned imports of meat containing growth hormone residues. The EU argued it should be able to invoke the precautionary principle because there were doubts about the health effects of the hormones. The WTO dispute panel ruled against the EU, which was subjected to more than US \$190 million in trade sanctions. Despite this, the EU has refused to lift its ban.<sup>42</sup>*

**BROAD REMEDY:** Put priority on health and environmental sustainability in all decisions about trading food, even if this means restricting trade in some cases. Use precaution in decisions about trading new agri-food products (such as genetically modified foods) when health or environmental impacts are uncertain.

*In recent years, relatively low-priced shrimp have become commonly available in Canada. Some people say these shrimp are inexpensive only because the environmental costs of their production are not reflected in the price.*

*These people point to the examples of countries like India, Thailand, Malaysia, Bangladesh and the Philippines. Seeking to boost export earnings, these countries have encouraged the construction of shrimp farms along coastlines. Mangrove forests (the rainforests of tropical coastal areas) have been clearcut to make way for shrimp farms – including an estimated two-thirds of Thailand’s mangrove forests.*

*Shrimp aquaculture requires large amounts of salt and fresh water, as well as pesticides, chemicals and antibiotics. Most shrimp farms have a limited lifespan, after which the land is unusable for any purpose, including crops, because it is too polluted and saline. Researchers estimate it would take 30 years to rehabilitate lands salinated by prawn culture in parts of India.<sup>43</sup>*

## Examples of potential actions:

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### IN CANADA

- Encourage Canadian farmers and agri-food companies to pursue low-chemical or organic production methods
  - Work to ensure that food costs reflect the full environmental costs of production and transportation (e.g., set prices of fuel, chemicals, water and other inputs to take into account environmental impacts; enforce strict environmental regulations)
  - Apply the “precautionary principle” to decisions about new food products such as genetically modified foods
  - Encourage consumers to buy locally produced, minimally packaged food where possible to reduce environmental impacts from transport and packaging
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*On November 6, 2001, Crompton Corp, a US-based chemical company, filed a notice of intent to take action against the Government of Canada for phasing out the pesticide lindane (used to treat canola seeds). The company sought damages of \$100 million.*

*Crompton alleged there was no scientific basis for banning the use of lindane, which it manufactures, and that the phase-out violates provisions of Chapter 11 of the North American Free Trade Agreement (NAFTA). Prior to ordering the lindane phase-out, the Canadian government had reviewed the health and environmental effects of the chemical for close to three years, after noting that there were unanswered questions about its effect on humans and wildlife.<sup>44</sup>*

### INTERNATIONALLY

- Encourage international efforts to develop ways to factor environmental “externalities” into the costs of traded food so the costs include the true costs of producing and transporting it; ensure that trade agreements are supportive of this
  - Work to ensure that trade agreements do not take precedence over international environmental agreements, undermine use of the precautionary principle or take precedence over Canadian environmental and health laws and standards
  - Respect other countries’ right to restrict imports of genetically modified foods or to require labels for such foods
  - Assist developing countries to improve and enforce standards governing food safety and use of agricultural chemicals, so their exports can meet higher Canadian standards; in aid projects, encourage sustainable agriculture
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*The organic agriculture sector in Canada is growing rapidly. In 2000, organic growers in Canada accounted for \$600 million, or 1.5 percent, of total farm cash receipts.*

*Nearly all of Canada’s organic products are exported. Canada is among the world’s top five producers of organic grains and oilseeds.<sup>45</sup> 80% of the organic food consumed in Canada is imported.<sup>46</sup>*

## IN SUPPORT

**1) Future prosperity and food production** depend on a sound environment, locally as well as globally. Current trade agreements are encouraging environmentally unsound agriculture and fisheries, by ignoring the environmental costs of producing and transporting food. In some cases, it may make environmental sense to trade: a drought-prone area may be better off importing food than lowering water tables through irrigation. In other cases, it may be better to encourage local food production rather than shipping food long distances, as emissions from transportation contribute to climate change. Environmental considerations need to be given a higher priority in decisions about trade. It may be complicated to figure out how to factor in environmental costs, but we have to start before we kill the planet.

**2) Less-chemical-intensive approaches to agriculture** are better for the planet and for the health of consumers and farm workers. They can also be profitable: organic foods are a growing and profitable market internationally as well as domestically. Less-chemical-intensive agriculture can save farmers money.<sup>47</sup>



## IN OPPOSITION

**1) Organic foods may be a nice luxury for** those consumers in developed countries who can afford them, but the growing world population cannot be fed using only organic methods. According to the UN, the world's population will increase by 3 billion people by 2050.<sup>48</sup> Insect and pest damage cause huge losses of food in many developing countries. Most good land for agriculture is already being used, and water is increasingly scarce in many regions. Proper use of chemical fertilizers and pesticides can help to increase yields. We must not rule out advances from genetic engineering that can increase yields with less requirement for irrigation, and reduce damage from pests.

**2) Conventional agricultural and food processing techniques** improve food safety and can be environmentally sustainable. Canadian farmers are leaders in sustainable agricultural practices, applying techniques like conservation tillage and using limited amounts of pesticides.<sup>49</sup> Careful use of chemicals controls many dangerous pests, fungi, bacteria etc. that could threaten food safety. Food in Canada is carefully regulated and inspected to ensure that it is safe. There is limited scientific evidence that genetically modified foods are dangerous for consumers. Organic food has not been proven to be safer or healthier than conventionally grown food.



## IN SUPPORT

**3) Genetic modification technologies are very** powerful and it is dangerous to rush into using them when the health and environmental risks are unknown and may be irreversible. In such situations, we should follow the precautionary principle and exercise caution even in the absence of full scientific evidence of harm. Trade agreements must respect nations' rights to move slowly or not at all in approving genetically modified crops and foods, to protect biodiversity as well as human health. The precautionary principle should also apply where there is scientific uncertainty about the long-term health impacts of residues in food of pesticides, hormones and antibiotics.

**4) Good health and a clean environment are** more important than trade. Trade agreements must not overrule environmental and health standards and agreements. In our approach to trade, we must protect Canada's ability to maintain its own high standards for food safety and environmental protection; commercial considerations must not take priority over this.

## IN OPPOSITION

**3) Including environmental costs will drive up** the cost of food. There are already millions of Canadians, and close to a billion people around the world, who don't have enough money or resources to obtain sufficient nutritious food to meet their daily needs. Our top priority should be to ensure that everyone has access to enough nutritious food for an active healthy life.

**4) Health and environmental standards must** be based on internationally agreed-upon scientific standards. Since there is no agreed-upon definition for the precautionary principle, it can be applied arbitrarily and used as an unfair trade barrier. Canadian farmers have been hurt by "precautionary" EU bans on genetically modified crops and beef from cattle treated with growth hormones. Developing countries are being hurt because their food exports are kept out of rich countries due to unscientific food sanitation or environmental rules (sometimes called "green protectionism").<sup>50</sup> The WTO rules-based trading system is the best way to ensure that unproven health and environmental claims are not used as trade barriers.

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*Farmers in developing countries are increasingly interested in organic and low-chemical approaches, whether for local production or for export.*

*More than 25,000 farmers in Bangladesh have joined the Nayakrishi Andolan ("New Agriculture") movement. The community-based movement advocates farming without pesticides or other chemicals, using mixed cropping and crop rotation, and preserving biodiversity through seed saving. According to a study by the UN, mixed cropping has proved three times more productive than monocultures. The livestock population has increased by 100 to 200 percent and cash incomes by 50 to 200 percent since Nayakrishi practices were introduced.<sup>51</sup>*

*Farmers in the eastern Caribbean's Windward Islands have been converting to organic production of bananas for export. Exports of conventionally produced bananas from the region have been falling, and are likely to fall further as the islands lose their historical preferential access to European markets. The Windward Islands hope to create new export opportunities by supplying the expanding premium market in the UK for organic bananas and other fruits.<sup>52</sup>*

# Treat food as more than a commodity

**ISSUE:** Food is more than just a commodity – it is essential for life – and the way it is produced and distributed has important societal and cultural consequences. Food production and distribution are too important to be left totally to the open market, particularly when economic power is so unevenly concentrated.

**BROAD REMEDY:** Ensure that international trade rules recognize that food is not just another commodity, and that agriculture and fisheries are not just means of industrial production. Strike a balance between domestic food production and trade that recognizes the societal importance of food production and access to food, and the value of maintaining rural communities.

*20 million people in more than 70 countries work directly in coffee production. Small farmers with less than 5 ha produce about half the world supply.<sup>53</sup> Coffee prices are extremely volatile, and most small farmers receive less than the cost of production – sometimes not even half.<sup>54</sup> The commodity market price of coffee has dropped more than 60 percent in the past three years.<sup>55</sup>*

*Four companies buy more than 70 percent of world coffee exports. Small farmers have little bargaining power in the market. The situation is similar for cocoa farmers.*

*In an effort to improve the situation of small farmers, a “fair trade” movement has been growing. Cooperatives pay coffee and cocoa farmers a fair price for their beans while keeping prices reasonable for consumers. An increasing number of outlets in Canada sell fair trade coffee and cocoa.<sup>56</sup>*

*Many developing countries are heavily indebted and required by lenders to increase exports to earn foreign currency. To gain access to export markets, countries are encouraged to sign trade agreements and open their markets to imports.*

*Mexico rapidly opened its borders to cereal imports from the US and Canada, in return for access to US and Canadian markets for its produce exports. More than half of Mexico’s maize had been cultivated by self-sufficient small farmers who sold part of their harvest to earn money for other goods. Between 1994 and 1996, maize prices dropped by 48 percent as cheap corn, primarily from the US, entered the market.*

*Small farmers could not compete with the low prices. Up to 700,000 to 800,000 Mexican farmers may have lost their livelihoods,<sup>57</sup> and rural poverty increased dramatically. Due to processing monopolies and other factors, the price drop was not passed on to Mexican consumers: a tortilla costs more today than it did before.<sup>58</sup>*

# Examples of potential actions:

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## IN CANADA

- Provide farmers with adequate income supports to offset the effects of factors (such as low commodity prices) over which they have no control
  - Maintain supply management and orderly marketing systems to help provide farmers with a reasonable living
  - Shorten links between producers and consumers to help ensure a good return to farmers as well as affordable food for consumers: e.g., through farmers' markets, bulk buying arrangements, etc.
  - Ensure that social policies recognize that access to food is a fundamental human right
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- *The price received by Canadian pork farmers decreased by 22 cents/kg between 1976 and 1998. The Canadian retail price of pork increased \$4.25/kg during the same period. In 1975, a 675 g box of "corn flakes" cereal cost 55 cents; the farmer received 7 cents for the corn. In 1997, the box of corn flakes was \$2.98; the farmer received 10 cents for the corn.*<sup>59</sup>
- *Corporate concentration has been increasing in agribusiness. Ten companies control 84 percent of the US\$30 billion global market for agricultural chemicals; two of them control 34 percent of the market.*<sup>60</sup> *Globally, 10 companies control nearly a third of the \$23 billion commercial seed market.*<sup>61</sup> *In Canada, three companies control 71 percent of nitrogen fertilizer production capacity. Two companies account for nearly three-quarters of Canada's beef packing plant capacity.*<sup>62</sup>

## INTERNATIONALLY

- Push for more flexibility in trade agreements affecting food. Support the right of less developed countries to decide whether (or how much) to open their food markets, at speeds they consider appropriate; to encourage local food production; and to promote food security for the poor. This may include exempting key staple crops from market access commitments, and allowing some trade barriers to protect local crop markets
  - Negotiate trade agreements that recognize the importance of agriculture and protect farmers' ability to earn a living (e.g., that do not interfere with Canadian supply management systems, and that allow different rules to protect agriculture in countries where it dominates the economy)
  - Push for international efforts to reduce volatility in commodity prices
  - Encourage "fair trade" arrangements that provide a reasonable return to small farmers in developing countries
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*Agriculture is the main source of employment and livelihood for people in developing countries, most of whom are small farmers. Agriculture is also the only means of access to food for many people in these countries.*

*Agriculture employs more than 70 percent of the labour force in low-income countries and 30 percent in middle-income countries, compared with about 4 percent in high-income countries.*<sup>63</sup>

## IN SUPPORT

**1) A totally open trade environment is not** supportive of the important role farmers and fishers play as producers of food and as contributors to rural communities. Farming is risky, commodity prices fluctuate, and farmers have little control over these risks or over their costs and revenues. Over the years, Canada acknowledged this by developing support, supply management and orderly marketing systems to ensure reasonable returns for farmers. But in today's increasingly open trade environment, as these supports have been reduced, many Canadian farmers cannot make a living and are being forced to leave the land, while a few agribusinesses reap big profits. Rural communities and a way of life are dying and this is a loss to us all. We should ensure that our trade arrangements are not governed only by agribusiness/exporting interests but allow countries to value the important work and contributions of those who grow and harvest food.

**2) Access to food is a basic right. All countries** should be able to retain control over essential food production, even if this means restricting trade and intervening in the market. Governments have a responsibility to ensure that their citizens have access to sufficient, safe, nutritious food. A country that is too reliant on food imports is vulnerable when prices rise or factors like conflict interfere with supplies. If food production and distribution are left entirely to the market, those without money or resources will go hungry. Commercial considerations should not take precedence over the right to food.

## IN OPPOSITION

**1) Overall more people in Canada and else-**where will benefit from more open trade. History shows that "flexibility" in trade agreements hurts more people than it helps: protectionism has held back economic growth in many countries. Agri-food exports create jobs in Canada, and imports of fresh fruits and vegetables improve health. For many developing countries, building the agricultural sector through exports offers the best hope for long-term economic development. Some other countries lack the resources to produce all the food they need and must import food. Restricting trade will not help them: they need access to lower-cost imports.

**2) Declining numbers of Canadian farmers are** not necessarily a bad thing. Changes such as larger farms and fewer farmers predate open trade agreements. Canadians should not have to pay more in taxes or food prices so people can farm as they always have regardless of industry changes. Neither does it help developing countries if Canadians have to spend more on locally-grown staples in order to subsidize farmers, and have less to spend on imported foods. Rather than clinging to farming when it doesn't make economic sense, rural communities should diversify economically through high-tech, tourism, etc.

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*"Twenty years ago, I started farming and the world said it needed more food and farmers ... In 1998, I sold 100 kg of pork for – despite huge cost of production increases – less than half what I was receiving in 1978 ... Expand trade if you must. But do not do so in the mistaken belief that this will help my wife, myself or our daughter." Perry Pearce, Ontario hog farmer<sup>64</sup>*

*"The government tells us point blank that we are signatories to the WTO and we can't stop imports and we can't put up non-trade barriers and you can't do anything to prevent these products from entering your market ... and on the other hand, we can't get our products out to those markets to earn enough money to be able to buy the food we need ... We have to produce food ... if we don't create employment and if we don't use our natural resources, we're soon all going to be citizens standing on the bread line waiting for food stamps because that's the only way we're going to be able to feed ourselves." Wendy Lee Yuen, farmer in Trinidad and Tobago<sup>65</sup>*

## IN SUPPORT

**3) There is great diversity in the forms and roles of agriculture around the world, particularly between developed and developing countries.** One size cannot fit all. Open trade agreements are based on a model of agricultural production that is specific to rich nations: large farms with high levels of inputs and mechanization. This is not the main way agriculture is carried out in many developing countries, where large numbers of people are dependent on small farms for food and jobs. In these countries, a viable agricultural sector is critical to reduce poverty and hunger. Canada developed economically by supporting domestic agriculture. Developing countries should also have this option, and not be pushed to open their markets to imports, particularly in the case of food staples.

**4) There are great imbalances in economic power – between rich and poor countries, and between multinational agribusiness companies and small producers.** Our approach to trade agreements must recognize these imbalances. Supporters of open trade agreements talk about a “level playing field,” but a level field is not fair when some players are so much larger and stronger than others. Trade rules have allowed rich countries to continue boosting their exports through unfair subsidies.<sup>66</sup> Because of their wealth, they can always “outspend” poor countries. Until this changes, developing countries need to be able to protect small farmers from being unfairly undermined by subsidized imports. All governments, including Canada’s, need to be able to support the interests of farmers and regulate the power and actions of big agribusiness.

## IN OPPOSITION

**3) Supporting people to stay in farming or fishing should not take priority over ensuring environmental sustainability.** Propping up unsustainable fishing to “protect” livelihoods and a way of life in Atlantic Canada resulted in the depletion of the resource and ultimately left fishing communities worse off. High subsidies for farmers in countries in the European Union encourage excessive use of pesticides and irrigation water.<sup>67</sup> In some cases, both in Canada and elsewhere, farming is degrading marginal environments: it would be better to focus on developing alternative employment for people. Ensuring environmental sustainability must be our top priority in decisions about food and trade.

**4) Allowing more exceptions in trade rules** for developing countries will not help the poor, and will hurt Canadians. In many developing countries, wealth and power are concentrated in a few hands and democratic institutions are weak. Tariffs and other protections against food imports will mainly end up benefitting a few wealthy landowners and businesses. Meanwhile, Canadian exporters will be hurt because export opportunities will be reduced. Making exceptions in trade agreements will lead to a vicious circle. If exceptions are made for some countries on the grounds of maintaining rural communities and supporting farmers, it will be harder to get others like the EU to agree to reduce unfair subsidies that they justify with similar arguments. Over-production by subsidized EU farmers hurts both developing countries and Canada. Overall, a market-based approach with minimal domestic supports is the best way to encourage fair and efficient food production.

## **Approach 1: Encourage prosperity through open trade**

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### **ISSUE**

Open trade offers the best potential to increase incomes and food supplies. This potential is not being realized because there are too many barriers to trade and distortions of the market.

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### **BROAD REMEDY**

Continue to liberalize trade in agri-food products. Increase Canada's exports and ensure Canada leads in new agri-food technologies.

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### **EXAMPLES OF POTENTIAL ACTIONS: IN CANADA**

- Provide export information and assistance to Canadian agri-food companies
  - Build Canada's competitive advantage as a supplier of high-quality, safe food
  - Reduce/remove tariffs on food imports
  - Encourage market-oriented production
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### **EXAMPLES OF POTENTIAL ACTIONS: INTERNATIONALLY**

- Negotiate open trade in agri-food at WTO and FTAA
  - Press for elimination of export subsidies, tariffs and trade-distorting agricultural support programs
  - Ensure rules do not prevent trade of genetically modified foods unless there is scientific evidence
  - Provide trade assistance to developing countries
- 

### **IN SUPPORT**

- Canada depends on trade for economic prosperity
  - Open trade is the best way to increase growth and provide food security around the world
  - Consumer safety benefits when international competition keeps Canadian food producers innovative
  - Trade is the best way for developing countries to grow their way out of poverty
- 

### **IN OPPOSITION**

- Open agricultural trade won't work because of imbalances in economic and political power
- The current model of open trade ignores environmental costs
- More trade will not solve world hunger and poverty, caused by lack of access to food, not lack of food
- More open trade could pose risks to the health of Canadians if we can't maintain high standards and use precaution when needed

## **Approach 2: Put priority on health and environment**

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Current approaches to trade favour unsustainable and unhealthy food production and transportation methods. New products like genetically modified foods are being traded without enough consideration of the risks.

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Put priority on health and environmental sustainability in all decisions about trading food. Use precaution in decisions about trading new agri-food products.

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- Encourage low-chemical and organic production
  - Incorporate environmental costs into food costs
  - Apply the precautionary principle to decisions about new food products (e.g., genetically modified foods)
  - Encourage purchase of locally produced, minimally packaged foods
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- Encourage factoring of environmental costs into food costs; ensure trade rules are supportive of this
  - Work to ensure trade rules do not take precedence over international environmental agreements, undermine precaution or limit health standards
  - Respect other countries' right to restrict imports of genetically modified foods
  - Assist developing countries to improve food safety and encourage sustainable agriculture
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- Future prosperity and food production depend on a sound environment and trade rules must reflect this
  - Less-chemical-intensive agriculture is better for health and the environment, and can be profitable
  - Genetic modification technologies are powerful and the risks are not clear: we must use precaution
  - Good health and a clean environment are more important than trade
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- The growing world population cannot be fed by organic methods alone
- Conventional techniques improve food safety and can be environmentally sustainable
- Including environmental costs will increase food costs and hurt the poor
- The precautionary principle is ill-defined and is likely to be used for protectionism

## **Approach 3: Treat food as more than a commodity**

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Food is not just a commodity to trade – it is essential for life. Food production and distribution are too important to be left totally to the market, where power is unevenly concentrated.

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Strike a balance between domestic food production and trade that recognizes the societal importance of food production, access to food and maintaining rural communities.

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- Provide adequate income supports to farmers
  - Maintain supply management and orderly marketing systems
  - Shorten links between producers and consumers through bulk buying, farmers' markets etc.
  - In social policies, recognize the human right to food
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- Push for more flexibility in trade agreements affecting food, to preserve food security for the poor in developing countries
  - Negotiate trade agreements that recognize the societal importance of food production, protect supply management
  - Push for international efforts to reduce volatility in commodity prices
  - Encourage fair trade arrangements
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- Totally open trade does not value the contribution of farmers and fishers to food production and rural communities
  - Access to food is a basic right: all countries should be able to retain control over essential food production
  - Agriculture has very different forms and roles in developed and developing countries: one size does not fit all and trade agreements must reflect this
  - When there are great imbalances in power, a "level playing field" is not fair
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- Open trade is the best hope for long-term economic development and will benefit the most people
- There is no benefit in propping up more farmers than are needed in Canada
- Protecting a way of life must not take precedence over environmental sustainability
- Allowing exceptions in trade rules for developing countries will not help the poor, and will hurt Canadians

# seeking common ground

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This guide offers three possible perspectives on international trade in food. The approaches are not mutually exclusive, but each is based on a different view of the problem and the solution. Each approach involves different trade-offs and emphasizes different priorities.

One of the purposes of public deliberation is to search for common ground on difficult issues. Of course, it is not realistic to think that after a few hours or even a few deliberations, everyone will agree on everything. But through deliberation, some areas of common ground do emerge.

You may find, for example, that although you and another person would choose different approaches to international trade in food, you share common values about community, nutrition or other aspects of your life. During and at the end of the deliberation, the moderator will try to highlight any aspects of common ground that your group has found. This information will be passed on to the Canadian Council for International Co-operation (CCIC) for inclusion in a final report on the deliberations being held in various parts of the country.

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**In deliberation, one submits one's best thinking, knowing that other people's reflections will help improve it rather than destroy it.**

**At the heart of deliberation is the question of whether we are willing to accept the consequences of our choices.**

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# Glossary

**Aflatoxin:** *A carcinogenic (cancer-causing) toxin produced by a fungus which sometimes occurs when crops (such as corn, peanuts, and soybeans) are stored under warm, humid conditions.*

**Agribusiness:** *Agriculturally related businesses that supply inputs (such as fertilizer or equipment) or are involved in the marketing of farm products (such as warehouses, processors, wholesalers, transporters and retailers.)*

**Agri-food:** *Agricultural and food products including primary commodities (e.g., livestock and grains), semi-processed products (e.g., flour), and processed goods (such as premade entrees, confectionery products, canned goods and beverages).*

**Agreement on the Application of Sanitary and Phytosanitary Measures:** *An agreement between WTO member countries that covers food safety regulations and agricultural standards for animal and plant health. It allows countries to set their own standards, but says regulations must be based on science and be intended only to ensure food safety and plant and animal health.*

**Biodiversity:** *The variability among living organisms from all sources; this includes diversity of genes, species and ecosystems in a region. Some definitions of biodiversity also include the diversity of human cultures.*

**Chapter 11 of NAFTA:** *Chapter 11 is the investment component of the North American Free Trade Agreement. It establishes a framework of rules intended to provide investors from NAFTA countries with a predictable investment climate. It allows private investors to use dispute-settlement tribunals to sue NAFTA governments to demand compensation for laws or other decisions that they believe negatively affect present or future business activities and profits.*

**Commodity:** *Any homogeneous item that can be freely bought and sold. Coffee, cocoa and wheat are examples of agri-food commodities. Oil and natural gas are other examples of commodities.*

**Conservation tillage:** *Agricultural techniques including low tillage and no tillage. In low tillage, most of the residue left after a crop is harvested is left on the soil surface to protect against erosion and increase the organic matter in the soil. In a no tillage system, the soil is not disturbed between harvesting one crop and planting the next; this reduces erosion and soil compaction.*

**Distortion:** *Trade is considered to be “distorted” if prices are higher or lower, and if quantities produced, bought and sold are higher or lower, than the levels that would usually exist in a competitive market.*

**Domestic support:** *Measures used by governments to encourage and support agriculture within their countries. These may include a wide range of measures, such as agricultural research and training, health inspection services, crop and income insurance for farmers, and direct payments to farmers. Some forms of domestic support, such as governments buying crops at a guaranteed price (“market price support”) are considered by the WTO to distort trade; others (such as agricultural research) are considered to not distort trade.<sup>68</sup>*

**Economic globalization:** *The trend towards increased integration of world markets for goods, services and capital: the emergence of a global economy without borders.*

**Externalities:** *By-products or side-effects of activities, which are not reflected in market prices. Externalities arise when the costs or benefits to producers or consumers of a good or service do not reflect the total social costs or benefits of its production or consumption. Externalities may be positive or negative. A homeowner who improves the external appearance of his or her property creates a positive externality for neighbours in the form of a better view and potentially higher property values. Pollution is an example of a negative externality: the cost in terms of environmental and health damage is borne by society, not by the polluter.*

**Fair Trade:** *Trade that ensures that producers are paid an equitable price for their work and have a say in the trading relationship.*

**Free Trade Area of the Americas (FTAA):** *A proposed trade agreement that would integrate the economies of North, South and Central America (except Cuba) into the largest “free trade” bloc in the world. Negotiations leading to the creation of the FTAA are scheduled to conclude in January 2005.*

**Genetic engineering:** *The process of changing the genetic makeup of one organism by transferring DNA (the substance from which genes are made) from another organism. This could also include modification of genes.*

**Genetically modified organism:** *An organism whose genetic makeup has been intentionally changed by processes such as genetic engineering, cloning or mutagenesis. (See also Transgenic.)*

**Gross Domestic Product (GDP):** *The total market value of all final goods and services produced in a country in a given year: total consumer, investment and government spending, plus the value of exports minus the value of imports.*

**Inputs:** *Material, energy and resources used to produce a product. In the case of agriculture, inputs include such things as irrigation water, fertilizers, pesticides, equipment and fuel.*

**Monoculture:** *One crop grown densely over an extensive area; repeated cultivation of a single crop on a given area of land.*

**Mutagenesis:** *The introduction of permanent, inheritable changes (mutations) into the DNA of an organism, e.g., by the use of chemicals or radiation.*

**Organic agriculture:** *Definitions of organic agriculture vary. In general, the term refers to a holistic approach to agricultural production that aims to protect the environment, minimize pollution, promote wellness and optimize biological productivity, including biodiversity and soil biological activity. Among other things, organic agriculture involves avoidance of synthetic pesticides, chemical fertilizers and seeds/crops derived through genetic engineering. It promotes the use of “soil building” crop rotations.*

**Organization for Economic Co-operation and Development (OECD):** *An international organization with membership from 30 high-income and middle-income countries. Canada is a member of the OECD.*

**Phytosanitary:** *Pertaining to the health of plants.*

**Precautionary principle:** *There is no one internationally agreed-upon definition of the precautionary principle. In general, it means that when an activity raises threats of harm to human health or the environment, precautionary measures should be taken even if some cause and effect relationships are not fully established scientifically.*

**Protectionism:** *The use of government policies to protect domestic industries from foreign competition.*

**Right to food:** *The United Nations has identified access to adequate food as both an individual right and a collective responsibility. In 1966, the International Covenant on Economic, Social and Cultural Rights stressed “the right of everyone to ... adequate food” and “the fundamental right of everyone to be free of hunger.” The right to freedom from hunger means that countries have an obligation to ensure, at the very least, that people do not starve. Nations are also obliged to do everything possible to promote access to adequate food for everyone within their territory: people should have access to food that is adequate in quantity and quality for a healthy and active life.*

**Subsidies:** *Benefits conferred on businesses by government, such as tax incentives, grants, and loans at preferential rates. An export subsidy is contingent on exports; a domestic subsidy is a benefit not directly linked to exports.*

**Supply management systems:** *Systems in which, through agencies such as provincial marketing boards and national marketing agencies, producers guarantee adequate supplies of a particular commodity (such as milk) to meet domestic demand in return for the right to set prices based on the cost of production.*

**Tariff:** *Customs duties on imported goods. The impact of tariffs is to give a price advantage to similar locally produced goods. Tariffs also raise money for the government.*

**Trade liberalization:** *Complete or partial elimination of government policies or subsidies that limit trade. The removal of trade-distorting policies may be done by one country (unilaterally), two countries (bilaterally) or many countries (multilaterally).*

**Trade Related Aspects of Intellectual Property (TRIPS) Agreement:** *An agreement requiring WTO member countries to offer patent protection for some life forms (including genes and microbiological processes) and patent or plant breeders’ rights protection for plant varieties.*

**Transgenic:** *An organism that has been modified by genetic engineering to contain one or more new genes from an external source. (See also Genetically Modified Organism).*

**Value-added products:** *Agri-food products which have received some processing and thus command a higher price. The amount of processing may vary from intermediate (e.g., production of flour from wheat) to more extensive (e.g., final baked products).*

**World Trade Organization (WTO):** *The international body dealing with the rules of trade between nations. The global trade agreements that more than 140 member nations negotiate through the WTO have three main objectives: to help trade flow as freely as possible, to achieve further trade liberalization through negotiation, and to establish impartial means of settling trade disputes.*

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