



C.D. Howe Institute
Commentary

www.cdhowe.org

No. 224, December 2005

ISSN 0824-8001

The Border Papers

Agricultural Trade Disputes Between Canada and the United States:

Costly but Diminishing

Richard Barichello
Timothy Josling
Daniel A. Sumner

In this issue...

As Canada-U.S. agricultural trade flows have grown dramatically, the number of disputes between the two countries has actually remained constant. Remaining disputes for most commodities are mostly due to normal competitive frictions rather than major policy differences between the two countries.

The Study in Brief

Canada and U.S. agricultural markets have become considerably more integrated over the last two decades, particularly since 1989. Agricultural trade flows have more than doubled during that period. At the same time, there have been a number of agricultural trade disputes covering a range of commodities and dispute types. Because they have also been costly to both countries, we examine them here with a view to reducing their frequency.

Our first finding is that the absolute number of Canada-U.S. disputes per year has been constant. However, over this period the inflation-adjusted level of trade has more than doubled. So, on a per dollar of trade basis, the number of disputes has fallen by at least half.

Our second finding is that disputes for most commodities tend to be due to normal competitive frictions, with only a few commodities subject to dispute due to policy differences between Canada and the U.S. Disputes arising from competitive frictions where one country's exports have expanded quickly usually lead to anti-dumping and countervailing duty petitions. But most of these disputes do not recur often. For the small number of commodities that have had a recurring pattern of disputes, notably wheat and dairy products, there are substantial policy differences between the two countries. The recent and costly mad cow crisis in beef cattle falls into neither category; it involves animal health and food safety issues that are not at issue in the other disputes.

There are actions that the Canadian government could take to reduce these costly disputes if it wishes to do so. The priorities should be reforming anti-dumping procedures and more closely harmonizing supply management and Canadian Wheat Board policies with comparable U.S. policies. The extent of harmonization will depend on the politics of each case. But simply following the status quo means that Canada will continue to bear the costs of these disputes, lose possible domestic economic gains and maintain its relatively weak status in multilateral trade negotiations.

The Authors of This Issue

Richard Barichello is Associate Professor, Food and Resource Economics, University of British Columbia; *Timothy Josling* is Professor and Senior Fellow, Institute for International Studies, Stanford University; *Daniel A. Sumner* is Director of the University of California Agricultural Issues Center and Professor in the Department of Agricultural and Resource Economics, University of California, Davis.

* * * * *

C.D. Howe Institute Commentary® is a periodic analysis of, and commentary on, current public policy issues. Kevin Doyle edited the manuscript; Diane King prepared it for publication. As with all Institute publications, the views expressed here are those of the author and do not necessarily reflect the opinions of the Institute's members or Board of Directors. Quotation with appropriate credit is permissible.

To order this publication, please contact: Renouf Publishing Co. Ltd., 5369 Canotek Rd., Unit 1, Ottawa K1J 9J3 (tel.: 613-745-2665; fax: 613-745-7660; e-mail: order.dept@renoufbooks.com), or the C.D. Howe Institute, 67 Yonge Street, Suite 300, Toronto M5E 1J8 (tel.: 416-865-1904; fax: 416-865-1866; e-mail: cdhowe@cdhowe.org).

\$12.00; ISBN 0-88806-659-7
ISSN 0824-8001 (print); ISSN 1703-0765 (online)

Agricultural trade between the United States and Canada has been an important feature of the bilateral relationship between the two countries for over 200 years, although trade disputes have also been common over that period. The conflicted nature of this relationship is illustrated by a sustained series of bilateral trade disputes, co-existing with falling trade barriers, growing trade volumes and a generally cooperative approach to multilateral agricultural trade issues. Highly publicized disputes in agricultural trade, such as those over wheat and beef, however, may give the sense that the situation is getting worse and that trade in this sector is more prone to disputes than in other sectors.

In fact, such a conclusion would be inaccurate. The number of agricultural disputes per dollar of trade has declined by at least half since 1989. Relative to the overall value of trade, agricultural disputes have become substantially less numerous during the past decade. This is similar to findings for overall Canada-U.S. trade, for which disputes relative to volumes have fallen over the same period (Macrory 2002). As well, most agricultural disagreements arise from competitive frictions rather than from major policy or institutional differences between the two countries.

This Commentary attempts to explain the nature of agricultural trade disputes between the U.S. and Canada. We identify the causes of these frictions and place them in the context of growing agricultural trade. We also note how trade rules at these levels can improve bilateral trade relations, and suggest ways in which the trade relationship might be improved.

The History

Canada and the U.S. share one of the longest and most commercially active borders in the world. Each country is the largest trade partner of the other, and flows of investment and people take place with minimal restrictions. There also is a long history of measures to facilitate trade between the two countries (Hart 2000) and this has been enhanced in recent decades with the implementation of the Canada-U.S. Free Trade Agreement (FTA) in 1989 and subsequently of the North American Free Trade Agreement (NAFTA) in 1993. Canada has been a willing partner these agreements, though not at the expense of traditional Canadian support for the multilateral trade regime; Canada has pushed actively in the World Trade Organization (WTO) for further trade liberalization (except on supply management and state trading enterprises).

As the first two rows of Table 1 show, annual Canada-U.S. trade in agricultural products adds up to about \$45 billion.¹ This represents about 9 percent of all Canada-U.S. trade, so agricultural trade is a significant part of both countries' commerce. As the third and fourth rows show, total Canadian agricultural trade (exports and imports with all countries) was \$72 billion, and for the U.S. it was \$215 billion. Canada-U.S. agricultural trade therefore represents 63 percent of Canada's global agricultural trade, and 21 percent of the U.S.'s global total.

1 Details of the coverage of agricultural trade are found in the notes to Table 1.

Table 1: *Relative Importance of Canada's Agricultural Trade in Canada-U.S. and Global Goods Trade in 2003*

	<u>Imports</u>	<u>Exports</u>	<u>Total Trade (Imports + Exports)</u>
<i>Canada-U.S. agricultural trade (A), in \$billions</i>			
Canada	16	30	45
United States	30	16	45
<i>Global agricultural trade (B), in \$billions</i>			
Canada	25	47	72
United States	108	107	215
<i>Total Canada-U.S. trade (C), in \$billions</i>			
Canada	203	327	530
United States	327	203	530
<i>Share of country's global agricultural trade that is Canada-U.S. (A/B), in percent</i>			
Canada	62	63	63
United States	27	15	21
<i>Share of Canada-U.S. trade that is agricultural (A/C), in percent</i>			
Canada	8	9	9
United States	9	8	9

Sources: WTO and Statistics Canada. The exchange rate for 2003 (US\$0.7138 = C\$1.00) is from Statistics Canada, CANSIM, Table 176-0064.

Notes: Agricultural products are defined as: food and live animals; beverages and tobacco; animal and vegetable oils; fats and waxes; oilseeds and oleaginous fruit (SITC sections 0, 1, 4 and division 22); raw materials: hides, skins and furskins, raw; crude rubber (including synthetic and reclaimed); cork and wood; pulp and waste paper; textile fibres and their wastes, and crude animal and vegetable materials, n.e.s. (SITC divisions 21, 23, 24, 25, 26, 29).

The export figures for Canada-U.S. agricultural trade are taken from the opposite country's import statistics.

Trade policy in agriculture, in common with trade in manufactured goods, is subject to two competing pressures. There is pressure to reduce costs of movement of goods between nations, as well as pressure to protect identifiable and politically important domestic investment and jobs. The potential conflict between these two pressures is not just domestic in nature. Internationally, trade disputes can arise from friction due to an increase in trade or the existence of impediments to such an increase. Disagreements we term frictional, following a situation of rapid increases in trade in sensitive products, show up primarily as anti-dumping and countervailing duty cases brought by importers. Impediment cases, or those where there is a policy-induced absence of trade, or where additional costs are imposed on exporters, tend to relate to tariffs, quotas and import standards such as Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) measures and are brought by exporters.² Though trade disputes involving market access are brought by the exporter, these might be in response to actions by the importer seeking to slow or impede the growth of trade. Thus, trade disputes in this sector can be driven both by the expansion and the repression of trade.³

2 In agricultural trade, health and safety regulations are called SPS regulations and those not relating to health issues are usually called TBT. This distinction is now embedded in the two separate WTO agreements.

3 To distinguish the category into which a dispute falls and facilitate its analysis we examine data on the level and changes in trade volumes, in addition to other variables contributing to the trade expansion or repression.

Table 2: *Trade Disputes Between Canada and the U.S. by Type of Complaint, 2003*

	<u>Antidumping</u>	<u>Countervailing</u>	<u>Total</u>
<i>Number of total trade complaints, Canada-U.S. (A)</i>			
Canada	47	4	51
United States	35	18	53
<i>Number of agricultural trade complaints, Canada-U.S. (B)</i>			
Canada	12	3	15
United States	7	5	12
<i>Number of agricultural trade complaints, all countries (C)</i>			
Canada	24	6	30
United States	34	13	47
<i>Canada-U.S. agricultural complaints as share of global agricultural complaints (%) (B/C)</i>			
Canada	50	50	50
United States	21	38	26
<i>Canada-U.S. agricultural complaints as share of all Canada-U.S. complaints (%) (B/A)</i>			
Canada	26	75	29
United States	20	28	23

Sources: CITT and USITC websites.

Notes: Cases after 1988 are included here. Multi-country cases have been counted as a case for every country involved: The totals shown here therefore exceed the number of separate cases. Agricultural cases exclude fish, seafood and timber products, as well as highly processed or industrial products, such as butter cookies, baby food and saccharin. Cases prior to 1988 are only included if the ruling was affirmative and orders were in place after the beginning of 1988. In comparing these cases with those of Annex A, those data include actions brought at further stages of the same case, including panels, at the CUSTA/NAFTA and GATT/WTO levels. Also, those cases go back to 1979. On all counts, this raises the number of cases found in those later tables.

To put agricultural trade relations between the United States and Canada in perspective, this Commentary compares the incidence of bilateral trade disputes with the magnitude of bilateral trade flows. Table 2 shows the profile of anti-dumping and countervailing duty complaints heard by the U.S. International Trade Commission (USITC), and by the Canadian International Trade Tribunal (CITT) since 1988. The incidence of bilateral trade remedy cases was equally distributed: of 104 cases, the CITT considered 51 and the USITC considered 53. Almost all of the Canadian cases involved anti-dumping as did the majority of the U.S. cases. Of the Canadian cases, 15 involved agricultural commodities (29 percent), while 12 of the U.S. cases (23 percent) were agricultural, though only 9 percent of Canada-U.S. trade is agricultural (Table 1). Thus, there is little doubt that Canada-U.S. trade conflicts, as measured by complaints to the domestic authorities, are disproportionately high in agriculture.⁴

Within the agricultural sector, however, there appears to be no particular evidence of greater bilateral tensions relative to trade disputes with third countries. Fifty percent of the Canadian agricultural cases involved the United

⁴ The incidence of trade disputes is not uniform across sectors. If a few large and relatively disagreement-free areas, such as automobiles and automobile parts, are removed, the agricultural sector's shares of trade disputes differs little from the share of trade disputes in other sectors of the economy. Furthermore, product definitions are relatively fine in agricultural trade creating the opportunity for many relatively small-scale disputes.

Table 3: *Time Pattern of Agricultural Trade Disputes*

<u>Time Period</u>	<u>Number of Cases Initiated</u>	<u>Number of Active Cases (annual average)</u>
1980-1984	2	1.4
1985-1989	7	6.6
1990-1994	7	11.2
1995-1999	8	9.8
2000-2002	7	7.7

Source: Authors.

States and 26 percent of the U.S. cases involved trade with Canada. These proportions mirror the significance of bilateral agricultural trade flows, with 63 percent of Canadian agricultural trade being bilateral and 21 percent of U.S. agricultural trade crossing the northern border. So, while agriculture is a fertile source of trade disputes relative to other types of trade, Canada-U.S. trade is no more contentious than trade with third countries.

Trends in Disputes

Have these bilateral agricultural trade conflicts between the two countries increased in number over time? To answer this question we can count the number of disputes initiated or those that are active (Table 3). The dates of initiation of the disputes show how often trade conflicts are occurring. The table shows the number of cases being initiated over each five-year period, from 1980 to date. Using this measure, the number of cases initiated after 1985 appears to be stable over five-year periods. Prior to 1985, there were two cases initiated; in the four time periods after, seven or eight cases arose in each.

We can also measure the trend in trade disputes by looking at how many are active each year, when active is defined as those years between the initiation of the dispute and the year it ended. An indication of the longevity of the conflicts can be obtained by counting those cases initiated, though but not yet resolved, including where trade remedy measures, such as anti-dumping duties, are still being applied. Looking at the number of disputes remaining active, we find a relatively small number of such disputes in the early 1980s. However, this number then grows substantially in the early 1990s, only to decline significantly since 2000. Over the period 2000-to-2002, the number of active disputes declined to 7.7 per year.⁵

The data in Table 3 do not indicate the severity or impact of a dispute on an industry or on agricultural trade. One indication of impact could be obtained by relating the number of cases initiated or active to the value of trade affected, but that does not show the cost to the domestic industry. The difficulty of assessing

⁵ Following the Uruguay Round Agreement (on Subsidies and Countervailing Measures), the U.S. adopted a five-year review of its countervailing duty rulings. Previously no sunset clause existed to terminate an earlier order and this likely contributed to the decline in active cases observed after 1995.

this cost across all conflicts, especially those that occurred historically, leads us to limit our comments to the frequency of disputes.⁶

However, an important aspect of this frequency is the reference point it provides for the amount of trade that is occurring. During this whole period, from the 1980s to date, there has been a substantial increase in the volume and value of agricultural trade. Its real value increased by 2.4 times from 1988 to 2003. By measuring disputes either by the number of cases initiated or by the number of active cases, the number of disputes per dollar of trade has declined by at least half. Of course, the recently ended Bovine Spongiform Encephalopathy (BSE)-induced decimation of the beef trade was costly and damaging to the Canadian industry. Still, aside from that unique trade breakdown, there is no indication that disputes have become more numerous over time; indeed, relative to the value of agricultural trade, disputes have become substantially less common over the past decade.

One aspect of the improved global framework for agricultural trade has been the strengthened dispute settlement process flowing from the Dispute Settlement Understanding (DSU) of the WTO. Canada and the United States have each made full use of the DSU and have been involved in 17 cases in the WTO on agricultural issues.⁷ In a number of other cases, the United States or Canada has joined the requests for consultation and the setting up of a panel: Canada has joined in 11 requests and the United States in four. However, this does not always reflect bilateral trade tensions.

On nine of the 17 cases, the United States and Canada have found themselves to be on the same side. Canada has been the respondent to only one case where the United States has been the requesting country, and one case where the United States joined the request; the United States had to respond to three requests from Canada directly and another three where Canada joined the request. As a result, while both countries have been active litigants and frequent targets of challenges within the WTO there is no evidence of undue use of the WTO mechanism for the settlement of bilateral agricultural trade conflicts.⁸

Agricultural Policies and Trade Relations

Trade relations in agriculture are inevitably linked with domestic farm policies, without which relations would be less contentious. The search for domestic

6 One could additionally weight the disputes by the share of total cash receipts affected by active disputes in a year. This measure can be misleading if a large sector is affected by a dispute that is minor or quickly closed, while a small sector may be damaged heavily by a dispute. When we examine the number of active cases by the share of total agricultural cash receipts affected, the pattern is erratic. Taking every fifth year from 1990 to 2004, the percent of cash receipts affected is 13, 22, 11, and 20. This shows little pattern and, at best, a slight diminution of disputes over time. However, this indicator is heavily affected by whether the wheat sector is involved in a dispute in a particular year. Both high numbers (1995 and 2004) are years when there was a wheat dispute. If wheat is removed, the percentage is flat or declines slightly over time.

7 Of these 17, the United States has been the requesting (complaining) country in eight cases and Canada in four. Canada has been the respondent in two cases and the United States in six.

8 Although countries have legitimate rights to use these channels, they may be abused by industries seeking to put pressure on the negotiation and settlement of a case.

policies that intrude less on trade objectives has been underway for two decades, primarily at the Organisation for Economic Co-operation and Development (OECD) and the WTO, as governments have realised the corrosive impact of shifting the burdens of agricultural adjustment onto trading partners through high border protection and trade-distorting subsidies.

Despite a tendency for policies to become both less obtrusive and more trade-neutral, significant domestic policy impediments remain. Moreover, the use of agricultural policy instruments between Canada and the U.S. has diverged in recent years. The U.S. policy framework relies on various government subsidies that provide some farmers with insulation from price volatility. Canadian farm programs have largely abandoned this approach in favour of subsidies to individual farms based on changes in net returns, and several sectors continue to rely on supply management.

Canada's Agricultural Policies and Their Trade Implications

The 1990s marked a significant shift in agricultural policies in Canada. The sector moved to a substantially less subsidized position and a somewhat more open trade environment. The OECD monitors government support to farmers with the Producer Subsidy Equivalent (PSE), an estimate of the value of all financial support and border protection from policies that support agriculture, or the transfers farmers receive from taxpayers and consumers because of those policies.⁹ By this measure, most countries have reduced their support to agriculture between the 1986-to-1988 and 1999-to-2001 periods. However, few countries have reduced their support as significantly as Canada has.

For Canada, the PSE as a percentage of total farm receipts has fallen from about 34 percent to 18 percent over this 13-year period, a decline of almost one-half (Dewbre and Short 2002). Most of this decline was a result of cuts in government subsidy support. The major component of border protection, higher domestic prices caused by quota and tariff protection in the dairy and poultry sectors, has not changed significantly. Other elements of border protection, primarily tariffs outside dairy and poultry products, have declined and in most cases have been removed altogether.

The policy changes since the mid-to-late 1980s have created a dichotomous policy framework. Eighty percent of agriculture by sales receives modest government budget support and little border protection. The result is that the bulk of agricultural producers get world prices for their products, with a moderate level of income-safety-net support to protect farmers when world prices fall. By contrast, the dairy and poultry industries remain heavily protected through provincial commodity marketing boards that have the power to control aggregate supply through domestic and import quotas. Domestic quotas are held by individual farmers, limiting how much production each can sell into the domestic market at regulated prices. Quotas on imports are known as tariff-rate quotas

9 These estimates vary from year to year inversely with farm market prices. As well, PSEs are not designed to reflect production or trade distortion elements of policies. Therefore, if used to determine effects of potential or actual policy changes, they must be interpreted with caution.

(TRQs), with one tariff for imports within the TRQ and another for imports over the TRQ.

Protection in these industries has remained strong because of the prohibitively high over-TRQ tariffs (in the range of 100 percent-to-250 percent) and small (3 percent-to-10 percent of consumption) TRQ quantities. This system generates large economic rents. Farm level quotas are tradable and Statistics Canada estimated their value for these two industries as \$24 billion in 2003. This works out to at least \$1 million per farm, or \$20,000 per cow in the dairy industry. Although the poultry industry is smaller in aggregate, the per-farm quota values are estimated to be as high as in the dairy industry, or higher. With these values at stake, and in view of the annual net income flows that must exist to generate these quota values, there are very strong and effective lobbies defending them against any reforms, including reductions in trade barriers. These policies have weathered all major trade agreements, many changes of government, widespread public debate, and numerous legal challenges by farmers and others inside and outside the system.

The other significant element of Canadian agricultural policy that has not changed fundamentally for some years is another marketing board, the Canadian Wheat Board (CWB). The CWB has an export monopoly on wheat and most barley, and has monopsony (sole buyer) powers over the domestic procurement of those grains. There is no supply control involved in this sector, so the CWB is fundamentally different from the dairy and poultry boards. Another difference between the supply management and wheat sectors is that with large unsubsidized exports, the Canadian wheat industry is unquestionably competitive on world markets, a claim that cannot be so clearly made for the supply managed sectors.

There is no significant government subsidy to the CWB. However, because it operates as a state trading enterprise, it has generated controversy at home and abroad. Its powers do not generate the kind of rents seen in the supply management sector, although it is widely argued that the CWB uses its export monopoly to charge different prices to different buyers (Furtan 2004).¹⁰ The domestic and trading partner debate surrounding these arguments is partly fuelled by the lack of transparency in Wheat Board operations. The domestic debate over the CWB during the 1990s has largely subsided in recent years as farmers who have opposed it shifted to non-CWB crops, such as canola, specialty crops and livestock feeds; farm organizations tend to either support the CWB or avoid the topic. Opposition from trading partners has not subsided, however. Currently, some groups in the U.S. oppose the CWB on grounds of export subsidy and dumping, but various other arguments have also been used in the many disputes over the last several decades.

10 Although Canada's wheat sector is relatively large, by almost all judgments on the demand facing the CWB it does not generally possess sufficient market power to set an optimal tariff, or a monopoly price. As noted, specific market and time period price discrimination does occur but that is relatively short term and involves a small number of markets. However, recent complaints from the U.S. about the CWB are not related to monopoly pricing but to dumping, where it is argued the CWB is selling at prices that are too low.

U.S. Policy Developments and the Impact on Trade

The United States has intervened extensively in agricultural markets for seven decades. One of the most recent farm bills is the *Farm Security and Rural Investment Act* of 2002, scheduled to last until 2007. It replaced the *Food and Agriculture Improvement and Reform Act* (FAIR) of 1996, which had covered the years 1996 to 2002.¹¹ FAIR was supplemented by ad hoc legislation providing additional subsidies, starting in 1998, when farm prices fell rapidly.

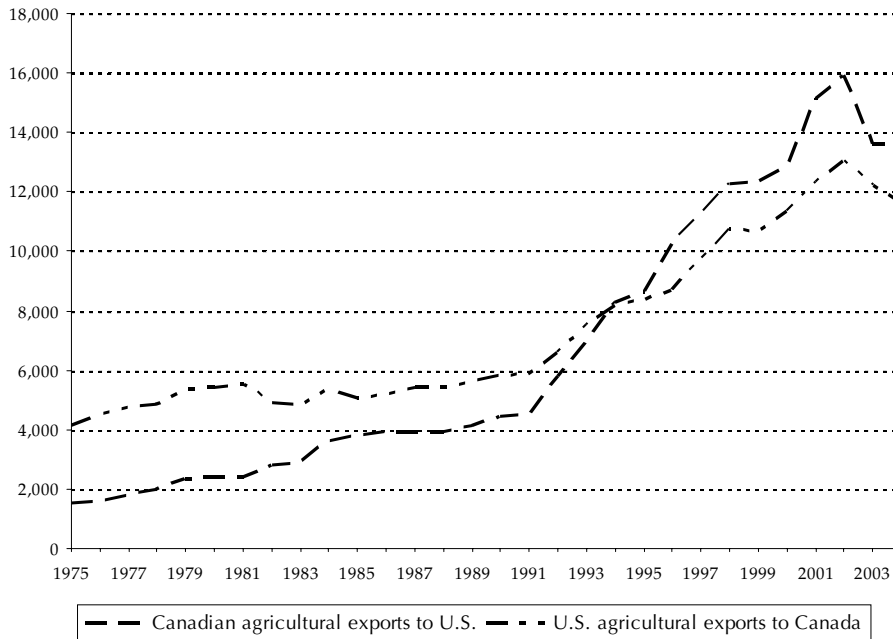
About 80 percent of all farm program payments, which are the traditional focus of farm bill attention, are provided to dairy farmers and to a relatively small group of those who raise such crops as grains, oilseeds and cotton, accounting for about 50 percent of farm cash receipts. A few other commodities, notably beef, sugar, peanuts and frozen concentrated orange juice have significant trade barriers. Still, in spite of crop insurance subsidies, disaster aids, marketing regulations and occasional ad hoc programs, government subsidy or protection for most of the rest of U.S. agriculture is quite low, and many commodities are unprotected. For example, fruits and tree nuts, vegetables and melons, ornamental and hay crops receive almost no program payments and have little support compared to the program crops and sugar. The average PSE for these commodities, which comprise more than half of U.S. agriculture, is less than 10 percent of total farm revenue, and this figure includes broad support, such as research and extension (Sumner and Brunke 2004).¹²

OECD PSEs for U.S. agriculture provide calculations for the main subsidized crops and the main livestock industries. However, these estimates are not provided for the horticultural industry, which is largely unsubsidized, and so the sector-wide averages are misleading. With some exceptions, the overall PSE for U.S. agriculture was 25 percent for the 1986-to-1988 period and 23 percent for the 1999-to-2001 period.

The evolution of U.S. farm programs has been uneven, but over the past 20 years, programs have become more compatible with open international trade. High internal price supports have been replaced with payments, and most payments have fewer production subsidy elements than they had in the past. In addition, the United States no longer leaves productive land fallow to prop up domestic prices nor stores large quantities of grains and cotton. Despite gradual reforms, U.S. farm programs are by no means free of trade distortion. But as important and as large as these subsidies are in total, the subsidy elements of the main U.S. farm programs have not been the main source of agricultural trade conflicts between the United States and Canada. Canadian complaints against the U.S. have related mostly to dumping, that is, selling exports below costs.

11 The United States Department of Agriculture Economic Research Service describes U.S. farm programs in summary and in detail. The farm policy briefing room is an excellent source of description and analysis. See www.ers.usda.gov/Briefing/FarmPolicy/.

12 Extension services involve the communication of research findings to farm producers.

Figure 1: Total Value of Canada-U.S. Agricultural Trade, 1975 – 2004, in year 2000 dollars

Sources: United States Department of Agriculture, Economic Research Service FATUS database, Bureau of Economic Analysis, and Statistics Canada.

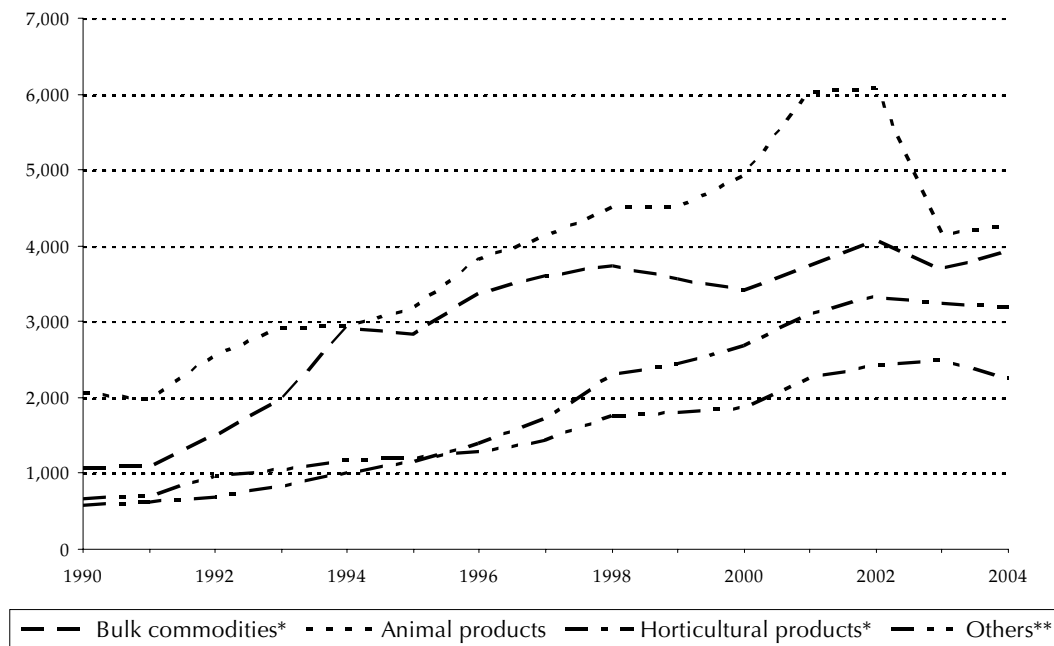
Bilateral Agricultural Trade Flows

This section provides a brief overview of bilateral agricultural trade flows, as a prelude to the discussion of the specific disputes that have occurred in recent years. Conflicts often arise from changes in trade flows, both when flows increase rapidly and when markets are lost. Commodity trade developments therefore give a reasonable view of the likely locus of the most significant trade disputes.

Real aggregate growth in agricultural trade flows has been significant (Figure 1). From 1975 to 2004, total Canada-U.S. trade, measured as the sum of each country's exports, grew at a compound rate of 5.6 percent a year. However, while U.S. exports grew by 3.8 percent per year, Canada's exports grew by 8.4 percent annually. From this fact alone, it is predictable that Canada would face a larger number of trade remedy challenges on exports to the United States.

Looking at this growth by periods, it is possible to establish the degree to which aggregate trade flows and disputes have followed from the relaxation of trade restrictions. Because the Canada-U.S. free trade agreement (CUSTA) was implemented in 1989, we can divide the data into a pre-CUSTA period from 1975 to 1988, and a post-CUSTA era from 1989 to 2004 and compare Canada-U.S. trade growth rates. The post-CUSTA period will also reveal the influence of further border opening as part of the Uruguay Round Agreement. In the first period, total Canada-U.S. real agricultural trade grew by 2.8 percent per year. After 1988, trade grew much more rapidly, by 7 percent per year. A strong case can be made that

Figure 2: *Composition of Canadian Agricultural Exports to the United States by Major Product Categories, 1990 – 2004, in year 2000 dollars*



Sources: United States Department of Agriculture Economic Research Service FATUS database, Bureau of Economic Analysis, and Statistics Canada.

*Bulk products include all farm products shipped in bulk with little processing, such as cereal grains and oilseeds, and horticultural products include all fruits and vegetables.

**Others include sugar, beverages (without fruit juices and wine), and nearly \$900 million of non-competitive shipments, such as cocoa, coffee and tea.

this result is substantially due to the opening up of the border through these trade agreements, though steady economic growth played a significant role.¹³

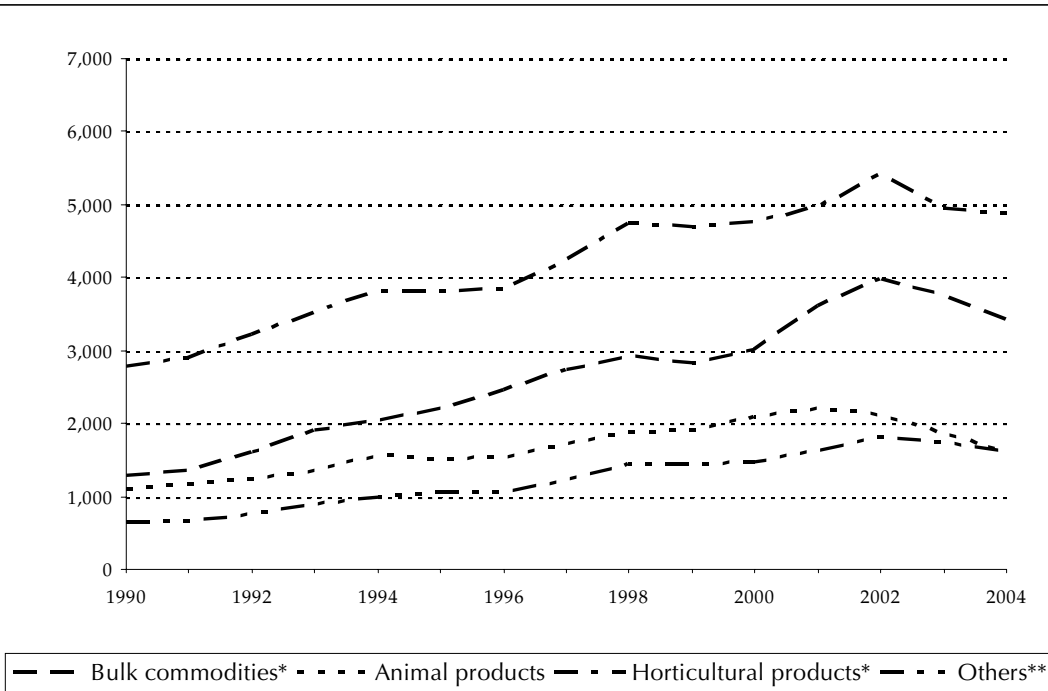
On average, exports from Canada were growing more quickly over the whole period than exports from the U.S.,¹⁴ though U.S. export growth narrowed the gap after CUSTA was signed. U.S. exports to Canada grew at 2 percent annually on average up to 1988 and at 6 percent since 1988, while real Canadian agricultural exports to the U.S. grew at 8 percent per year up to 1988, then 9 percent in the latter period. Note that both countries' exports grew more quickly after CUSTA, and that Canadian exports continued to grow more quickly than U.S. exports.

The composition of Canadian agricultural exports to the United States is shown in Figure 2. What is striking, and valuable for an understanding of bilateral trade disputes, is the rapid expansion of trade in horticultural and animal products, although the latter category fell by a quarter in 2003 because of the first case of Bovine Spongiform Encephalopathy (BSE) in Canada. The composition of

13 Any exchange rate effects on bilateral trade flows will tend to be small because the gain in exports from one country's currency depreciation will be offset by the loss in exports from the other currency's appreciation.

14 Part of the strong export performance of the Canadian agricultural sector since 1990 is, of course, caused by the depreciation of the Canadian dollar that occurred from 1990 to 2002.

Figure 3: *Composition of U.S. Agricultural Exports to Canada by Major Product Categories, 1990 – 2004, in year 2000 dollars*



Sources: United States Department of Agriculture, Economic Research Service FATUS database, Bureau of Economic Analysis, and Statistics Canada.

*Bulk products include all farm products shipped in bulk with little processing, such as cereal grains and oilseeds, and horticultural products include all fruits and vegetables.

**Others include sugar, beverages (without fruit juices and wine), and nearly \$900 million of non-competitive shipments, such as cocoa, coffee and tea.

U.S. agricultural exports to Canada (Figure 3) is somewhat similar to what we see in Figure 2, but with horticultural products and bulk commodities accounting for the major part of the trade growth.

Commodity trade patterns can contribute directly to specific trade tensions. We will touch briefly on only those patterns of most relevance to major disputes, which we discuss in the next section. In dollar terms, growth in grains and oilseeds trade has been most substantial. Canadian shipments to the U.S. increased from \$1.1 billion to over \$3.9 billion from 1990 to 2004. U.S. exports to Canada increased by almost the same amount — \$1.3 billion to \$3.4 billion. Canadian exports of animal products more than doubled from 1990 to 2004 even after BSE collapsed beef exports, and this includes substantial growth in pork and hog sales. The most dramatic percentage increase occurred in trade in fruits and vegetables. U.S. exports to Canada rose from \$2.8 billion in 1990 to \$4.9 billion in 2004, while Canadian sales to the U.S. over the period increased even more sharply, from \$588 million to \$3.2 billion. A significant part of Canada's growth was in greenhouse tomatoes while U.S. growth was spread across many horticultural products.

Agricultural Trade Disputes

Agricultural trade disputes arise from both regular commercial frictions stemming from the rapid increase in cross-border trade in a particular commodity¹⁵ and from complaints about market access impediments that result in slower trade growth than would otherwise be the case. The former are brought by the importing country on behalf of domestic companies that say they are threatened; the latter by the exporting country, usually on behalf of companies that would like to expand trade.¹⁶ In addition, trade disputes may increase during a transition period as regulations and trade policies adjust to a new trade agreement — even in the absence of any change in trade flows.

Disputes during the transition reflect either the suspicion that a trading partner, or companies within that country, have breached the new rules or they reflect the problems of adjusting to changes in the rules. These disputes over interpretation of the new rules are essentially government-to-government disputes initiated by trade policy administrations, although they will be encouraged by the affected industries. Several such issues have arisen in the context of the implementation of the CUSTA, NAFTA and the Uruguay Round Agreement on Agriculture.

More systemic problems arise from concerns about more fundamental government policies used to regulate, subsidize and market farm products. In this category are those disputes that have centred on the role of the Canadian Wheat Board in the grains market and the provincial boards that control supply in the dairy and poultry industries. These basic policy conflicts seem less tractable, but progress in improving trade relations at the least requires mechanisms for greater transparency and mutual understanding, and a gradual increase in compatibility over time. It is at times unclear whether the conflicts are really over core policy differences or if these arguments mask more basic interests in simply protecting domestic markets from imports. In other words, sometimes these two categories are blurred. We explore this more fully in the context of the wheat disputes.

The economic climate for trade relations can also influence the severity of conflicts. If the market is expanding, market shares are unlikely to change quickly and so there are likely to be few disputes, especially because trade remedies are usually not available in such cases, in part because subsidies are less likely to be the reason for sharp increases in trade. Much of the growth in Canada-U.S. trade in high-value goods has taken place with little trade conflict. Unlike dairy, a similar situation has arisen with respect to poultry, where trade has also grown substantially, even though it is also a supply managed regime. If the market is not growing, market shares can change rapidly, leading to problems. Although these changes in shares may represent the normal workings of the market, companies and industry groups will tend to look to trade remedies for relief. The discussion of dairy products provides an illustration.

15 This may be in contrast to the situation in the manufactured goods sector, in which increasing trade within the same industry seems to lessen trade tensions over time (Macrory 2002).

16 For convenience, we classify conflicts where both countries are exporters of a particular product as being similar to those where one exporter complains that market access is denied in the other's market.

Table 4: *Classification of U.S.-Canada Bilateral Trade Disputes by Commodity Groups, 1994 – 2002*

Commodity groups	Number of Cases	Brought by		Resolution	
		Canada	U.S.	Closed	Ongoing
Fruits and vegetables	15	12	3	15	0
Pigs and poultry	9	5	4	9	0
Grains	8	3	5	5	3
Cattle	5	3	2	4	1
Dairy	2	0	2	1	1
Multi-commodity	2	1	1	1	1
Others*	12	6	6	10	2
<i>Total</i>	<i>53</i>	<i>30</i>	<i>23</i>	<i>45</i>	<i>8</i>

Source: Authors.

*Others include beer, sugar, and baby food. The total of 53 cases, rather than the 30 in Annex A, reflects the fact that several disputes went through multiple stages.

Trade disputes tend to be clustered in those sectors with rapid increases in trade flows. Table 4 shows the commodity classification of 53 bilateral actions (corresponding to the 30 separate cases in Annex A) from 1994 to 2002 by commodity involved. Over one-quarter of the cases involved fruits and vegetables, and most of these were brought by Canada in response to an increase in U.S. exports. Forty percent of all the cases that Canada brought concerned trade in fruits and vegetables.

Hog and poultry trade accounted for 17 percent of all actions (and the same percentage of both Canadian and U.S. cases), reflecting concern in both countries over changes in trade patterns. Trade in grains has also been contentious, and grains account for 15 percent of all actions (10 percent of Canadian- and 22 percent of U.S.-initiated actions). Three of the eight unresolved issues affect grain. Cattle and dairy disputes are less significant in terms of the proportion of the disputes, with cattle accounting for 10 percent of Canadian conflicts, while dairy issues accounted for nine percent of those brought by the United States.

Table 5 classifies the trade actions by whether they are anti-dumping or countervail cases brought by importers, or complaints about subsidies and market access brought by exporters. Eighty-five percent of all Canada-U.S. agricultural trade actions are importer-initiated disputes, charging dumping or claiming the right to countervail against subsidies in the exporting country. Ninety-three percent of all Canadian cases against the U.S. are of this nature. The U.S. complaints also were predominantly import-related (74 percent), though more complaints involved market access (13 percent) and export- or import-displacing subsidies (9 percent). Canadian complaints about imports of products from the United States dominate any concern about access into the U.S. market or U.S. behaviour in third markets, while U.S. complaints included both objections to Canadian exports into the U.S. market and into third markets, as well as import restrictions and subsidies reducing access into the Canadian market.

Is it possible to generalize about the way in which disputes have been resolved and the institutional venue of such complaints? Table 6 classifies the anti-dumping

Table 5: *U.S.-Canada Agricultural Trade Disputes by Issue, 1994 – 2002*

Type of Case	Total	Brought by		Resolved	
		Canada	U.S.	Closed	Ongoing
Anti-dumping, countervail	45	28	17	42	3
Subsidies	2	0	2	1	1
Market access, tariffs and TRQs, SPS and TBT	5	2	3	3	2
State trading and supply management	1	0	1	0	1
<i>Total</i>	53	30	23	46	7

Source: Authors.

and countervail actions by the institution that ruled on the case (national, bilateral, trilateral, or multilateral) and the result of the action. Institutional level and outcome are most relevant for the 45 anti-dumping and countervail cases.¹⁷ A trade rule violation was found in 44 percent of all actions, with the success rate being slightly higher in those cases brought by the United States (47 percent) than in Canadian-initiated cases (43 percent). Trade violations were more readily found at the national level (the USITC and the CIIT), where 54 percent of all actions favoured the complaining country. When these actions were referred to the CUSTA or NAFTA level, only 35 percent of the actions were upheld, though 55 percent of such referrals proved either inconclusive or were terminated by the complaining party before a decision was reached. In terms of absolute numbers, Canadian actions exposed 13 violations by the United States, and U.S. actions uncovered nine trade rule violations by Canada. Twenty of the 45 cases brought by both countries found either no violation, resulted in inconclusive judgments, or were withdrawn.

Specific Trade Disputes

Over the years, conflicts have arisen between Canada and the U.S. on a number of agricultural trade matters.

Wheat

Prior to the implementation of CUSTA in 1989, there were important non-tariff barriers in wheat that effectively prevented significant trade between the two countries in this commodity. CUSTA introduced measures that lowered these barriers by the early 1990s. Since that point, there has been a rapid expansion of trade, particularly in Canadian wheat exports to the U.S. With the opening of the border came a parade of disputes. These conflicts arose initially from the growth

¹⁷ Disputes at the national level are usually handled unilaterally, often through each country's antidumping mechanisms. Disputes at higher levels, such as at the regional, often involve some resolution of a disagreement about national decisions like antidumping, or disputes about more basic issues, including complaints about export subsidies or market access barriers deemed to be in contravention of trade agreement rules. One reason why these different levels of disputes is important is that the success rates of complainants are not the same at each level.

Table 6: *Antidumping and Countervailing Cases by Institutional Level and Dispute Outcomes*

Case Outcome	Brought by				Institutional Level	
	Total	Canada	U.S.	National	Bilateral/Regional	Multilateral
Trade Violation: Found	22	13	9	15	7	0
Trade Violation: Not Found	9	6	3	7	2	0
Inconclusive/ Terminated early	11	8	3	0	11	0
Pending	3	1	2	2	0	1
Total	45	28	17	24	20	1

Source: Authors.

in Canadian exports to the United States, though disagreements have also stemmed from the longstanding distrust in the United States over the activities of the CWB, with its monopoly on wheat exports from the Canadian Prairies. There has been persistent offensive action by the U.S. and a spirited defence by Canada — and by the CWB in particular — for many years, regardless of the level of Canada-U.S. trade, in large part because the U.S. argues that Canadian wheat exports are unfair competitors in overseas markets.

The first wheat case was not directly related to the CWB. In 1989, the United States launched a claim against Canada, under CUSTA, arguing that freight subsidies under the Canadian Transportation Authority (the Crow Rates) were an export subsidy for durum wheat exports to the United States. Resolution of the case required that Canada amend its freight subsidy so that government did not pay it on shipments to the U.S. Three years later the U.S. filed another case under CUSTA against Canadian durum wheat exports, charging that they were being sold below cost with the help of subsidies. The CUSTA panel found no compelling evidence that the CWB was selling at prices below its acquisition cost.

The U.S. brought a third case to the USITC, under Section 22 of the 1933 U.S. *Agricultural Adjustment Act* in 1994. This case focused on all wheat imports. The U.S. argued that imports materially interfered with its price support and deficiency payment program for wheat. The key issue was the magnitude of the U.S. price impact of Canadian imports and the amount of additional outlay under the support programs of the time. Canada presented economic evidence that the shipments to the United States had only modest price effects, in part because they made up a small share of the U.S. wheat market. More fundamentally, they argued that with most of Canadian and U.S. wheat exported out of North America, prices were determined in the global market. Canadian wheat would still compete with U.S. wheat in other markets if it were not shipped to the United States, so the price impact of where the competition occurred must be small.

The U.S. countered that even modest supply shocks were associated with large price changes in its short-run price response models. The outcome was that the two countries came to a negotiated settlement for the 1994/1995 crop year, with Canada agreeing to limit its wheat exports to the U.S.¹⁸

18 The six commissioners in the case were split, three arguing that imports did not interfere with U.S. wheat programs, one arguing for a modest tariff and two arguing for relatively tight tariff-rate quotas.

In 2001, the United States Trade Representative (USTR) initiated a Section 301 investigation¹⁹ of the CWB. The USTR concluded that CWB practices violated General Agreement on Tariffs and Trade (GATT) articles requiring national treatment and allowing trading partners adequate opportunity to compete for sales or purchases. After this finding, the United States filed a WTO complaint and a dispute settlement proceeding was initiated early in 2003. In February 2004, a WTO dispute settlement panel ruled against the main claim that the CWB export behaviour was fundamentally in violation of the GATT. However, the panel also ruled that Canada did discriminate against imports in its grain handling system.

In 2002, the North Dakota Wheat Commission and the U.S. Durum Growers Association, also based in North Dakota, brought countervailing and anti-dumping petitions against the CWB for both durum and other spring wheat. The U.S. Department of Commerce found support for dumping and subsidy (which it does in almost every case), though the USITC found only that subsidized Canadian imports injured the U.S. hard red spring wheat industry, but not the durum industry. The CWB and the Canadian government filed an appeal in November 2003 with a NAFTA panel disputing both the magnitude of the duties and the finding of injury for hard red spring wheat. The NAFTA panel ruled in Canada's favour and the North Dakota Wheat Commission says it will appeal.

There are several factors driving these disputes. For one thing, when the North American market was opened under CUSTA, it led to increased wheat trade volumes. For another, in the early and middle 1990s, the U.S. Export Enhancement Program opened up profitable opportunities for Canadian wheat in U.S. markets, as U.S. wheat went abroad. As well, the removal of the Canadian wheat freight subsidy in 1996/1997 encouraged north-south, instead of east-west, trade.

At the same time, in an open market it may make good business sense for transportation, quality and other reasons to buy grain from anywhere on the continent. The familiar conditions for a demand for increased protection arising during periods of low prices and import surges applies to Canada-U.S. trade in wheat as it does for other commodities. However, strongly held suspicions in some parts of the U.S. wheat industry — especially in North Dakota — that the CWB somehow provides unfair competition also fuels these disputes. An even stronger view in Canadian circles is that the U.S. wheat lobby wants protection against any imports and against competing exports in third markets, whether the competition comes from the EU or Canada.²⁰ If so, the disputes over the nature of the CWB may be more opportunistic than fundamental.

What possible solutions are there to this long series of disputes? Obviously, a unilateral shift away from mandatory single-desk exporting by Canada would at

19 Section 301 provides a vehicle for the investigation of foreign trade practices that concern the United States, but do not fall under explicit provisions such as antidumping, countervail or safeguard actions.

20 One reviewer of this paper argued that Canada-U.S. wheat disputes are not really between Canada and the U.S. but involve primarily U.S.-EU politics. This argument is difficult to support. These disputes have clear foundations that are unique to the two countries and have mostly occurred in the post-CUSTA expansion of Canada-U.S. wheat trade.

least force a change in the rhetoric in the United States.²¹ If, however, opening the export trade resulted in increased exports to the United States, the North Dakota Wheat Commission would probably protest just as strongly as it does now, likely through antidumping complaints.

If the activities of the CWB were restricted by a multilateral agreement in WTO negotiations, this might remove some of the elements that bother northern wheat interests in the United States. Another solution could come from a clear and forceful ruling from a NAFTA panel or the WTO that the U.S. cases were unfounded (though the USTR currently argues that even with legal victories in the softwood lumber battle at both WTO and NAFTA the dispute will not go away). In the short- to intermediate-term, however, none of these options appears likely and continuing wheat disputes may be part of the trade landscape in agriculture between Canada and the U.S. for some time.

Dairy Disputes

Few border disputes between the two countries are as deeply-rooted as dairy. Canada's supply management regime yields high domestic farm prices and relies on tight import restrictions, provoking the U.S. to file complaints against different aspects of the import regime. Following the Uruguay Round, despite heavy import protection, Canada's milk-product exports grew rapidly in percentage terms, raising U.S. and New Zealand suspicions that the exports were subsidized. These two countries were especially persistent in pursuing the WTO export case, partly because had Canada won, the precedent might have been used by the EU to modify its policy, with much larger implications for world dairy and other commodity markets. For its part, Canada also has been aggressive in its defence of supply management throughout the whole post-CUSTA dispute period.

The bulk of the trade disputes in dairy have occurred since the Uruguay Round in 1995. Before that, there were few explicit disputes because both countries' dairy policies were left unchanged by CUSTA and NAFTA.²² One exception to this pre-1995 border peace was the ice cream and yoghurt case brought by the U.S. against Canada in 1988, in which the U.S. opposed Canada's unilateral change of tariffs into import quotas. The U.S. won the case. Canada delayed its response for some six years, until the implementation of the Uruguay Round Agreement on Agriculture (URAA), when it introduced considerably higher tariffs on these products, defended by its interpretation of the agreement's tariff-setting procedures.

21 Clearly this step would have to involve removal of single desk exporting of wheat. Removing only the export monopoly on barley would be insufficient to deal with these disputes, even though that might enhance productivity in this sector. An intermediate step that might be helpful would be to remove the CWB monopoly for wheat marketing in North America, keeping its outside-U.S. export monopoly intact.

22 Before the introduction of supply management in the mid-1970s, Canada had import restrictions on butter, skim milk powder, evaporated and condensed milk, and cheddar cheese. The government added specialty cheeses not already under import control at the same time (1988), but farm milk prices were historically similar to those in the U.S. until the early 1980s.

The U.S. brought a related case against Canada in 1996. The immediate issue was whether NAFTA or URAA had priority in the setting of import tariffs. The URAA required that import quotas be replaced by tariffs, but NAFTA required that tariffs fall to zero, following an implementation period. The U.S. argued that NAFTA prohibited tariff increases and required that the tariff reduction conform to the established time-period. However, the original CUSTA maintained pre-existing quotas (at U.S. insistence) and allowed new ones for the U.S. under its GATT waiver. Canada argued that the intention of CUSTA was to continue to provide special protection to certain sectors and the URAA simply altered the form of protection from quotas to tariffs. This dispute covered margarine and supply managed poultry products, as well as dairy products. A NAFTA panel accepted the Canadian argument.²³

In 1997, the United States (with New Zealand joining in 1998) brought a complaint against Canada for subsidizing its milk product exports. This case, through all its appeals, ran for five years. The U.S. and New Zealand argued that some of Canada's categories for pricing industrial milk, known as "special milk classes",²⁴ created following the URAA, involved an export subsidy and that this violated Canada's export subsidy commitments under the URAA. When these milk products are exported and their revenues pooled with domestic sales, as they increasingly were after 1995, such pricing practices could generate an implicit export subsidy. New agricultural export subsidies were banned in the URAA, and Canada did not notify its trading partners of any previous export subsidies on milk products. The price of milk to be paid by processors for these special export classes was below the price of milk paid for products consumed domestically, leading the U.S. and New Zealand to claim that this constituted an export subsidy. Canada argued that this was not a direct subsidy because it was neither funded nor paid directly by Ottawa. The WTO panel and appellate body both disagreed and decided in 1999 that it was a direct export subsidy, in violation of Canada's commitments.

Canada responded with a new export mechanism, designed to be WTO-legal. This, too, was challenged by the plaintiffs, who argued that Canada was still subsidizing exports by a cross-subsidy from higher domestic market prices. The panel supported this claim, Canada appealed and the compliance panel re-heard the case and maintained its decision. Canada launched a final appeal and again, the decision went against it in December 2002,²⁵ and Canada adjusted its policies accordingly.

23 A third dispute arose from a complaint brought by the U.S. in 1998; it dealt with Canada's implementation of the tariff rate quota for fluid milk. Instead of specifying a quota level and giving trading companies the right to import that quantity of fluid milk, Canada implicitly gave this right to individual consumers who were buying fluid milk in the U.S. and bringing it into Canada. The amount of milk actually imported depended on how much consumers would choose to bring back, and this quantity was calculated by consumer responses to a sample survey. The U.S. took issue with this unconventional procedure and brought this dispute to the WTO. However, the WTO decided in Canada's favour.

24 There are special milk classes due to different raw milk prices set for different end uses, a practice that is also used in U.S. milk marketing orders.

25 The economic reasoning used to arrive at the WTO decision is interesting. The panel argued that to compare export prices to costs, it was important to examine industry-wide average costs, not only costs for exporting farmers. The panel argued that if prices for exported products are ...

What possible resolutions could there be to this area of dispute? One path to resolution would be for Canada to relax key elements of its supply management policy. This would not just resolve the trade dispute over dairy products but also represent economic gains for consumers in the form of lower prices. Because there are only two critical border policy levers governing this industry, resolution would almost certainly require some degree of change in one or both. For starters, Canada could lower its over-quota tariffs. Currently, they are in the range of 200 percent-to-300 percent, but there is a significant amount of unused protection in those tariffs. In the case of butter, they could be lowered by one-third of the present level, even at a 90-cent Canadian dollar and assuming continuing strong international butter prices, without resulting in any significant increase in imports (Gifford 2005).²⁶ A second avenue would be to give the U.S. greater access to the Canadian market using an increase in Canada's TRQs for dairy products. The level of access that would be necessary to obtain an agreement is unclear, but it would probably have to be significant and also include a schedule of future TRQ increases.

Both options would leave the supply management program in place in a mechanical sense, but they ultimately would remove most of its benefits to producers. With the assumptions above regarding the value of the Canadian dollar and world market dairy product prices, the tariff reduction approach would start to lower domestic milk prices only when dairy product tariffs were reduced by more than a third. An increase in TRQ quantities would not result in much change in Canadian prices initially, though the domestic quota would be necessarily reduced as imports increased, resulting in an equivalent loss of marketing quota to Canadian farmers.

That shift would transfer part of the economic benefits of supply management from Canadian quota owners to either importers or U.S. exporters. These changes would be resisted very strongly by the Canadian dairy lobby and almost surely by the Canadian government, at least to the extent that they reflect the political significance of the sector in Quebec and Ontario.²⁷ It may be the case that the best forum for making these changes is in WTO negotiations where both tariff reductions and import quota expansion will be important components of the current Doha Round. Alternatively, a more limited reform would be to make this policy change within NAFTA where dairy trade would be liberalized only within

footnote 25 cont'd

lower than the calculated production costs for the industry average, then the loss must have been covered by profits earned on domestic sales. This constitutes a cross-subsidy and must be removed as illegal export assistance. This economic reasoning is odd on both counts: that average costs are relevant, and that individuals are choosing to cross-subsidize in a separate marginal decision to engage in exports. However, it is already being cited in other WTO cases. It seems to imply that any export sales at prices lower than average domestic prices may be subject to a charge of export subsidies.

26 Lower tariffs than this and a schedule of further reductions, which would allow imports to actually occur, would be required to completely resolve the underlying conflict.

27 On the other hand, it may be in Canada's long-term interest to move away from the supply management system because it hampers Canada's negotiating position in the WTO, the FTAA and other forums.

those three countries. In that case, Canadian milk prices would only fall to U.S. levels.

Politically, if some agreement were reached along these lines, it would have to involve elements that would benefit Canadian farmers, although the gain to consumers would in itself be significant. One element might be some guarantee of access for Canadian dairy exports into the U.S. market. A more significant benefit would be financial compensation from Ottawa to Canada's dairy industry. This could be a direct cash benefit on a per-farm, per-cow or per-litre of production basis, or it could take the form of a government buyout of some percentage of farmers' marketing quotas. The Canadian dairy industry has already stated that if there is to be any dismantling of the supply management policy, there must be compensation. There is a precedent for such compensation measures in the payments made to growers in the Prairies during and after the removal of the Crow Rate subsidy of grain freight transportation costs. As well, Ottawa compensated wine producers, who were hurt by the reduction in their border protection from CUSTA.

Fruits and Vegetables

The horticultural sector is one of the most active areas of trade between Canada and the U.S., accounting for the largest amount of agricultural imports into Canada from the United States. Canada also has growing exports of some horticultural commodities to the United States. Competition has led to several disputes, notably over apples and tomatoes, most of which related to claims of unfair subsidization or dumping.

In 1989, Canada claimed that apple growers in Washington State were dumping Red Delicious apples in Canada. For the season in question, there was a bumper crop, and apple prices in both countries fell substantially. Large quantities of apples were exported from Washington State to Canada and export prices were often below normal production costs. This met one of the tests for dumping. In addition, the trade injured Canadian apple producers because of the large production in Washington State. As a result, dumping duties were imposed even though Washington State producers were just marketing a bumper crop following normal market procedures and treating the Canadian market no differently than they treated the market in the United States. A follow-up case in 1994 renewed the anti-dumping duty which stayed in place until 2000. This case primarily illustrates the weakness of the economics used in the calculation of anti-dumping margins in agricultural industries subject to uncontrollable production and price variation.

Recently resolved cases dealing with fresh market tomatoes occurred in 2001/2002. The U.S. industry and then the Canadian industry claimed dumping on the part of the other country. The U.S. claimed that greenhouse tomatoes from Canada were dumped in the United States. In this case, a critical issue was whether only greenhouse tomatoes were involved or whether all fresh tomatoes should be included. Canadian exports had a significant share of greenhouse tomato sales, though only a small share of all fresh tomatoes sold in the United States.

The U.S. Department of Commerce found that Canadian exporters had dumped their product on the U.S. market in 2000/2001. However, USITC determined that all fresh tomatoes were the relevant product and concluded that exports of Canadian greenhouse tomatoes had not injured U.S. greenhouse growers. The Canadian case, lodged only months after the U.S. one, was against fresh field tomato exports to Canada. The Canadian authorities found that there had been dumping, though there was no material injury, as in the U.S.-initiated case. The Canadian case took an unexpected turn two months after the U.S. greenhouse tomato case was decided. The Canadian tomato industry withdrew its complaint and requested that proceedings be terminated. Clearly, the Canadian complaint against the U.S. was a case of reciprocity. Both cases were closed by these decisions and the dispute apparently has ended.

Most other horticultural cases over the last two decades also involved anti-dump or countervail.²⁸ Cases included raspberries, potatoes, onions, cherries, lettuce, cauliflower, and tomato paste. Canada initiated the majority of the cases from the mid-1980s to the early 1990s. The timing of these cases suggests that the exchange rate played a role. The number of Canada-initiated horticultural cases peaked at about the same time as did the value of the Canadian dollar relative to the U.S. dollar, an increase which makes exports relatively more expensive and imports cheaper. Only a few cases have been filed since the mid-1990s when the Canadian dollar began to weaken against the U.S. dollar before beginning a recovery in 2003. Some cases resulted in changes in marketing practices or government policies. None of the cases developed into serious or sustained conflicts, as happened in wheat and dairy markets.

A conclusion from the horticulture cases is that anti-dumping rules are pre-disposed to affirmative findings when applied to agriculture. Tightening such provisions, at least in the agricultural area, would be a fruitful topic for bilateral (or trilateral) discussions in the context of NAFTA since such cases are costly to consumers and producers, and they reduce the gains from trade. With the wider use of countervail and antidump in the last two decades, countries and industries are modifying policies and marketing strategies to reduce these types of trade restrictions and the legal costs of fighting them. These adjustments by themselves will lead to a lower incidence of similar disputes.

Live Cattle and Beef

For many years, the cattle trade was limited by animal health issues and disagreements among regulatory agencies in both countries. Expansion of seasonal feeder cattle movements in the 1990s was accompanied by shipments of slaughter cattle to the U.S. because production in Canada exceeded slaughter capacity and the rapid technical change and consolidation in the U.S. beef processing industry encouraged Canadian sales. This expanded trade led to a petition for antidumping and countervailing duty relief from a relatively small group of cattle producers, represented by the Ranchers-Cattlemen Action Legal Fund (R-CALF), in 1998.

²⁸ An exception was the closing of the U.S. border to P.E.I. potatoes due to an SPS problem.

The R-CALF case did not get the support of the mainstream organization in the industry, the National Cattlemen's Beef Association, and was driven by Western border-state cattle interests. The R-CALF rhetoric was also directed as much against the large beef packers as against the Canadian industry. Early in 1999, the case passed the preliminary injury test. The Commerce Department applied a dumping duty of about 5 percent, while declining to apply a countervailing duty. With this small dumping duty and a market share in the United States of only 3 or 4 percent, the USITC found no injury in its final decision.

Another factor in this case was that beef trade was previously dispute-free and the market for beef remained open and duty free. Economic reasoning suggests that taxing trade in cattle, while trade in beef is free, can have only minimal effects on the price of the livestock and could be of only minimal benefit to the cattle ranchers. With the beef market fully integrated, a duty on live cattle would only affect where the cattle are slaughtered and could not affect the underlying supply of or demand for beef. It is not clear that this point was influential in USITC deliberations, though it added to the sense that the case was not a winner for the U.S. industry. Although the Canadian cattle industry was completely vindicated, the case cost the industry almost \$5 million. The industry pledged to work for more reasonable rules on dumping in the NAFTA context.

No further dumping or countervail actions have occurred in the cattle industry, but exports to the U.S. were completely blocked in May 2003 by the finding of the first case of BSE in Alberta. Then in December 2003, a case of BSE was found in Washington State that was subsequently traced back to a herd also in Alberta. Both cases were identified in older cattle that had been exposed to feed prior to changes in content rules in Canada in 1997. Neither the United States nor Canada has settled on appropriate trade policy in these cases. Third countries, particularly Japan and Korea, which are major export markets for both the United States and Canada, closed their markets to both North American countries; Canada and the U.S. consider regaining this access especially important, and indications are that both the Japanese and Korean markets will be re-opened by early 2006.

Canada-U.S. beef trade was also initially blocked, but it has partly re-opened with U.S. acceptance that there is no threat from the boneless meat of younger animals. Attempts by the United States to allow additional imports from Canada were blocked, at least temporarily, by R-CALF lawsuits, both in April 2004 and March 2005. Animal health authorities in the two countries cooperated closely to resolve the issue and by late July 2005, live cattle trade resumed, with various health safeguards.

Hogs and Pork

Trade conflicts in hogs and pork extend back to 1984, involving primarily countervail claims by the U.S. against Canadian subsidies. These have occurred against a backdrop of expanding Canadian hog and pork exports during the 1980s, the introduction and modification of Canadian hog stabilization programs

during the 1980s and early 1990s, and consolidation of farm production and slaughter facilities in both countries.

In 1984, and again in 1989, the U.S. filed countervail complaints against Canadian live hogs and pork. With the large expansion of Canadian exports that preceded these complaints and the earlier introduction of important hog stabilization programs in Canada, the complaints led to findings of violations and the U.S. imposed duties. However, Canada appealed, in part on the basis of flawed injury determinations, arguing that Canadian exports were too small to have significant price effects within the U.S.

In addition to these appeals there were bi-national panels under CUSTA, two extraordinary challenges, a GATT dispute panel, 12 administrative reviews and an amendment to the U.S. Tariff Act.²⁹ The countervailing duties on fresh, chilled and frozen pork were revoked in 1991 and, following a sunset review mandated by the URAA, duties on live hogs ended on January 1, 2000. The border peace was broken by an anti-dumping and additional countervail complaint filed by the U.S. National Pork Producers in March 2004. The U.S. Department of Commerce found that countervail subsidies did not exist and the USITC found no injury, ending the case. Worries that this will balloon into another period of litigation have for now been put to rest.

These disputes appeared to have a market impact within Canada by slowing the growth of the hog industry from the mid-1980s to the 1990s. Hog processing investments and competitiveness in Canada lagged those in the U.S., apparently because of uncertainty over future duties. In addition, Canadian stabilization policies were modified in the late 1980s and early 1990s specifically to reduce the risk of future countervails. The resolution of the 2004/2005 case in Canada's favour suggests these policy changes were successful.

These disputes did not involve fundamental differences or incompatibilities in policy. Rather, they arose due to the ease of using trade remedy laws when market prices decline, when the competitor country increases its exports and, in the earlier cases, when government support programs are designed in a way that leaves them vulnerable to countervails. Further reform of antidumping and countervailing procedures to tighten injury tests and limit dumping decisions will lower further the likelihood of future disputes over hogs.

Sugar

Canada-U.S. trade difficulties in sugar take place in the context of a considerably distorted world sugar market, which is dominated by the U.S. and the EU, regions with highly protectionist policies. As a result, world sugar prices are heavily depressed while internal prices within the U.S. and EU are relatively high. This makes life difficult for all sugar producing regions, such as Australia, the Caribbean and Cuba, which sell into the world market, and heightens the

²⁹ There were two other disputes in the 1980s. Five states banned hog imports from Canada on grounds that a harmful antibiotic was being used, and Canada also banned live hog imports from the U.S. on health grounds, contending there was a risk of importing pseudo-rabies. Discussions between animal health authorities resolved these problems.

eagerness of all of them to gain access to these two large protected markets. To preserve high domestic prices, the U.S. works hard to limit that access to historic import levels, and the rigid import policies facing Canada are just one manifestation of this.

Sugar is a commodity that is not now produced in Canada at the farm level, though there have been a number of sugar trade conflicts with the United States. Canada has an open sugar market and relatively low prices, importing most of the commodity from the Caribbean. The U.S., with both cane and beet sugar cultivation, has for decades maintained a restrictive import policy and has significantly increased protection in the post-CUSTA period. However, sugar is processed into various forms and incorporated into many food products, making it difficult for the U.S. to keep the border closed to all forms of, and products with, sugar. The tensions in the sugar trade reflect attempts by the U.S. to prevent sugar from entering through Canada in its various guises.

The first sugar dispute in recent decades arose in 1979 when the U.S. complained about Canadian sugar and syrup exports. A different dispute erupted in 1995 when Canadian sugar refiners complained that the U.S. was dumping the refined product in Canada. The CITT investigated and confirmed the alleged dumping, finding as well that there was a threat of material injury to the industry. The CITT reviewed the decision in 2000 and confirmed it. Meanwhile, U.S. exporters asked a NAFTA panel to consider the action but it broadly affirmed the CITT decision.

To reduce disputes in sugar unilaterally, Canada faces the choice of maintaining the status quo or adopting U.S. sugar policies, which would impose large costs on Canadian consumers. Clearly, the status quo is preferable for Canadians. To significantly reduce Canada-U.S. sugar disputes, the U.S. would have to reform its sugar program. But with large political costs to that decision and with Canada being a small part of the sugar market, this is another example (in addition to antidumping reform) where solutions must be multilateral, rather than bilateral.

Conclusion

Agricultural trade between Canada and the U.S. has grown substantially over the last 30 years. In real terms, bilateral exports have grown at 5 percent annually, more than quadrupling, net of inflation, to \$27 billion in 2004. Many segments of agriculture have become well-integrated across the border and the benefits to producers and consumers in both countries are unquestionably significant. This trade relationship has been punctuated by a series of trade disputes that, in our view, have been costly and mostly unnecessary.

Casual impressions may suggest there has been an unusually large and growing number of agricultural trade disputes between the two countries. In fact, this is not so. The number of disputes has remained constant or fallen, while trade values have more than doubled in real terms since the late 1980s. The number of trade disputes within agriculture is proportionately more than in other industries, but no more so with the U.S. than that with other countries. Still, we believe there

are important potential net gains for both countries from reducing and resolving the few disputes that remain, while lessening the risk of future ones.

Most of the disputes have been due to normal competitive market frictions between the two countries, involving the use of trade remedy procedures, such as antidumping and countervailing duty actions. Among these, almost all arise from increases in exports and the ensuing frictions in the importing country, with the importer initiating the dispute. The few remaining disputes are exporter-initiated and arise from import impediments. Cases in this class do not recur often and are found mainly in the horticulture, beef, hogs and some cereals sectors.

A small number of cases are different in that they have persisted over a relatively long period of time and are due, at least in considerable part, to fundamental differences in agricultural policies and institutions between the two countries. It may not be that the two policy frameworks are inherently incompatible, but that they allow industry groups or companies in one jurisdiction to take advantage of those differences to impose costs on their competitors in the other country. These cases include dairy, poultry, wheat, and sugar. Most of these disputes are due to Canada-U.S. circumstances and not to international conflicts. Sugar is the notable exception.

Resolving agricultural disputes depends on which category they fall into and what is causing them. In the first category of market frictions, the main problem is the ease with which antidumping and countervail complaints are accepted. The solution is to reform those trade remedy procedures, both in the WTO and in Canadian and U.S. national legislation, to reduce the proportion of cases where violations are found. The focus should be to tighten the definition of dumping and the evidence needed for injury determinations. This may be best tackled in multilateral negotiations rather than bilateral ones. For unilateral action, Canada could ensure its support programs are designed so as not to trigger countervailing duty complaints (which it has tried to do in recent years).

In the second, smaller category of long-term policy and institutional disputes, there is no reliable method of reducing the disagreements other than by harmonizing policies between the two countries. For Canada, this would involve removing the CWB export monopoly and significantly reducing over-TRQ tariffs or increasing TRQ amounts for supply-managed commodities. For the U.S., where dairy products are also protected by tight import controls, a desirable reform would be to open up that market at least for Canadian exports. In the case of sugar, the desirable path would be for the U.S. to reform its sugar policy by opening it up by the two methods just noted for Canada's supply management system.

To have these changes take place in wheat, dairy and poultry there will be financial costs in Canada, since those who lose will need to be compensated. However, this will be expensive, so compensation almost certainly will not be a full purchase of quotas at current market values. Compensation would be essential to make such reform feasible because there are domestic benefits and international trade negotiation benefits to reducing frictions and opening up trade in these three commodity areas.

There is some question as to which forum is best for making such policy changes, the WTO or NAFTA. The former would represent a more enduring and

global resolution, though such negotiations may take many years. Some experimentation with NAFTA solutions may be appropriate in other cases, with only three countries needed to agree. For example, a NAFTA-only reform of dairy policy would bring milk prices down to U.S. levels, an intermediate solution compared to freeing world trade through the WTO.

There are actions that the Canadian government could take to reduce these costly disputes if it wishes to do so. In our view the priorities should be to reform anti-dumping procedures and more closely harmonize supply management and CWB policies with comparable U.S. ones. We recommend action on all three fronts, with compensation as needed. If WTO negotiations present limited progress, Canada should engage its NAFTA partners to pursue more serious reforms in these areas. Priorities and the extent of harmonization will depend on the politics of each case. But simply following the status quo means Canada will continue to bear the costs of these disputes, lose possible domestic economic gains and maintain its relatively weak status in multilateral trade negotiations.

Annex A: Chronology of Canada-U.S. Agricultural Trade Disputes

#	Year initiated	Commodity	Type of Case	Original Complainant	Institution	Outcome/Ruling	Status
1	1979	Sugar and syrups	Antidumping	U.S. producers	USITC	Violation found	Closed
2.1	1984	Red raspberries	Antidumping and countervailing	U.S. producers	USITC	No violation	Closed
2.2	1989	Red raspberries	Dumping review	Canadian exporters	CUSTA	Inconclusive	Closed
3.1	1984	Swine (live)	Countervailing	U.S. producers	USITC	Violation found	Closed
3.2	1991	Swine (live)	Countervailing review	Canadian federal and provincial governments, Canadian producers	CUSTA	Inconclusive	Closed
3.3	1991	Swine (live)	Countervailing review	Canadian federal and provincial governments, Canadian producers	CUSTA	Inconclusive	Closed
3.4	1993	Swine (live)	Extraordinary challenge	United States/USTR	CUSTA	Violation found	Closed
3.5	1994	Swine (live)	Countervailing duty review	Canadian producers	NAFTA	Violation found	Closed
4	1985	Whole potatoes	Antidumping	Canadian producers	CITT	Violation found	Closed
5	1986	Grain corn	Antidumping	Canadian producers	CITT	Violation found	Closed
6	1986	Yellow onions	Antidumping	Canadian producers	CITT	Violation found	Closed
7	1988	Ice cream and yoghurt	Market access, like products	United States	GATT	Violation found	Closed
8	1988	Sour cherries	Antidumping	Canadian producers	CITT	Violation found	Closed
9.1	1988	Apples	Antidumping	Canadian producers	CITT	Violation found	Closed
9.2	1994	Apples	Antidumping, injury review	Canadian producers	NAFTA	Terminated	Closed
10.1	1989	Pork	Countervailing	U.S. producers	USITC	Violation found	Closed
10.2	1989	Pork	Countervailing review	Canadian producers, Canadian federal and provincial governments	CUSTA	No Violation	Closed
10.3	1989	Pork	Countervailing, injury review	Canadian producers	CUSTA	No violation	Closed
10.4	1991	Pork	Extraordinary challenge	United States/USTR	CUSTA	Inconclusive	Closed
11.1	1991	Beer	Antidumping	Canadian producers	CITT	Violation found	Closed
11.2	1991	Beer	Dumping, like goods, normal value	U.S. producers	CUSTA	Violation found	Closed
11.3	1991	Beer	Dumping, material injury review	U.S. producers	CUSTA	Violation found	Closed
12	1992	Wheat	Export subsidies	United States	CUSTA	No violation	Closed
13	1992	Iceberg lettuce	Antidumping	Canadian producers	CITT	Violation found	Closed
14	1992	Cauliflower	Antidumping	Canadian producers	CITT	No Violation	Closed
15.1	1992	Tomato paste	Antidumping	Canadian producers	CITT	No Violation	Closed
15.2	1993	Tomato paste	Dumping review	U.S. producers	CUSTA	Terminated	Closed
16	1994	Wheat	Market access	United States	USITC	Violation found	Closed
17.1	1994	Apples	Antidumping	Canadian producers	CITT	Violation found	Closed
17.2	1995	Apples	Dumping	U.S. exporters	NAFTA	Terminated	Closed
18	1995	Malt beverages	Regional industry, injury finding	Canadian producers	NAFTA	Violation found	Closed

Annex A: Chronology of Canada-U.S. Agricultural Trade Disputes (continued)

#	Year initiated	Commodity	Type of Case	Original Complainant	Institution	Outcome/Ruling	Status
19	1995	Poultry, dairy, eggs, margarine, and barley	Tariff breaking NAFTA obligations	United States	NAFTA	No violation	Closed
20	1995	Sugar	Antidumping	Canadian producers	CITT	Violation found	Closed
21	1995	Sugar	Dumping	U.S. exporters	NAFTA	Violation found	Closed
22.1	1997	Milk	Export subsidies	United States (and New Zealand)	WTO	Violation found	Ongoing
22.2	1997	Prepared baby foods	Antidumping National revenue	United States	CITT	Violation found	Closed
22.2	1998	Prepared baby foods	Antidumping	Canadian producers	NAFTA	Violation found	Closed
23	1998	Cattle, grain, swine	Import measures	Canada	WTO	Pending	Ongoing
24.1	1998	Cattle (R-CALF)	Antidumping	United States	USITC	No violation	Closed
24.2	1998	Cattle (R-CALF)	Countervailing	United States	USITC	No violation	Closed
24.3	1999	Live cattle	Injury finding	Canadian producers	NAFTA	Terminated	Closed
24.4	1999	Live cattle	Countervailing	Canada	NAFTA	Terminated	Closed
24.5	1999	Cattle	Countervailing	Canada	WTO	Pending	Ongoing
25	1999	Sugar syrups	Reclassification	Canada	WTO	Pending	Ongoing
26.1	2000	Corn	Antidumping	Canada	WTO	No violation	Closed
26.2	2000	Corn	Countervailing	Canadian producers	CITT	No violation	Closed
27.1	2001	Tomatoes (greenhouse)	Antidumping	Canadian producers	CITT	No violation	Closed
27.2	2002	Tomatoes (greenhouse)	Sales at less than fair value	U.S. producers	USITC	No violation	Closed
27.3	2002	Tomatoes (greenhouse)	Sales at less than fair value	Canadian producers	NAFTA	Terminated	Closed
28	2001	Tomatoes (fresh)	Antidumping	Canadian producers	NAFTA	Terminated	Closed
29	2002	Wheat	Non-discrimination	United States	CITT	No violation	Closed
30.1	2002	Wheat	Countervailing	United States	WTO	Pending	Ongoing
30.2	2002	Wheat	Antidumping	U.S. producers	USITC	Violation found	Ongoing
30.3	2003	Wheat	Injury finding	U.S. producers	USITC	Violation found	Ongoing
30.4	2003	Wheat	Subsidy determination	Canadian producers	NAFTA	Pending	Ongoing
31	2004	Swine	Countervailing, antidumping	Canada	NAFTA	Pending	Ongoing
				U.S. producers	USITC	No violation	Closed

References

- Dewbre, Joe and Cameron Short. 2002. "Alternative Policy Instruments for Agriculture Support: Consequences for Trade, Farm Income and Competitiveness," *Canadian Journal of Agricultural Economics* 50(4): 443-464.
- Furtan, Hartley. 2004. *The Canadian Wheat Board and National Trade Policy*. Draft.
- Gifford, Mike. 2005. "Canada's Dairy Industry: Can Supply Management Survive an Open Trade Environment?" *Policy Options*, Vol. 26, No. 09. Montreal: Institute for Research in Public Policy. November.
- Hart, Michael. 2000. "The Road to Free Trade," in L. Ian MacDonald ed., *Free Trade: Risks & Rewards*. Montreal and Kingston: McGill-Queen's University Press.
- Macrory, Patrick, 2002. *Dispute Resolution in the NAFTA: A Surprising Record of Success*. CD Howe Commentary 168. Toronto: C.D. Howe Institute. September.
- Sumner, Daniel A. and Henrich Brunke. 2003. "Commodity Policy and California Agriculture," in Jerome B. Siebert ed., *California Agriculture: Issues and Challenges*, Davis, CA.: University of California, Giannini Foundation.
-

NOTES

NOTES

NOTES

The Border Papers

The Border Papers is a project on Canada's policy choices in the context of its place in North America.

Other Papers in this Series

- August 2005 Goldfarb, Danielle. *U.S. Bilateral Free Trade Accords: Why Canada Should Be Cautious About Going the Same Route*. 24 pp. C.D. Howe Institute Commentary 214.
- July 2005 Goldfarb, Danielle. *The Canada-Mexico Conundrum: Finding Common Ground*. 16 pp. Backgrounder 91.
- December 2004 Wright, David S. *Managing Global Crises — and the U.S. Colossus*. 20 pp. Commentary 207.
- October 2004 Robson, William B.P. *The North American Imperative: A Public-Good Framework for Canada-U.S. Economic and Security Cooperation*. 31 pp. Commentary 204.
- September 2004 Dobson, Wendy. *Taking a Giant's Measure: Canada, NAFTA and an Emergent China*. 30 pp. Commentary 202.
- August 2004 Guillemette, Yvan and Jack M. Mintz. *A Capital Story: Exploding the Myths Around Foreign Investment in Canada*. 33 pp. Commentary 201.
- January 2004 Hufbauer, Gary C. and Jeffrey J. Schott. *The Prospects for Deeper North American Economic Integration: A U.S. Perspective*. 24 pp. Commentary 195.
- January 2004 Goldfarb, Danielle. *Security Threats, Cross-Border Implications, and Canada's Long-Term Strategies*. 15 pp. Backgrounder 77.
- October 2003 Goldfarb, Danielle. *Beyond Labels: Comparing Proposals for Closer Canada-U.S. Economic Relations*. 19 pp. Backgrounder 76.
- July 2003 Alexandroff, Alan S. and Don Guy. *What Canadians Have to Say About Relations With the United States*. 13 pp. Backgrounder 73.
- June 2003 Goldfarb, Danielle. *The Road to a Canada-U.S. Customs Union: Step-by-Step or in a Single Bound?* 31 pp. Commentary 184.
- April 2003 Bradley, Paul G. and G. Campbell Watkins. *Canada and the U.S.: A Seamless Energy Border?* 35 pp. Commentary 178.
- March 2003 Dymond, Bill and Michael Hart. *Canada and the Global Challenge: Finding a Place to Stand*. 25 pp. Commentary 180.
- March 2003 Goldfarb, Danielle and William B.P. Robson. *Risky Business: U.S. Border Security and the Threat to Canadian Exports*. 37 pp. Commentary 177.
- November 2002 Ramírez de la O, Rogelio. *Mexico: NAFTA and the Prospects for North American Integration*. 25 pp. Commentary 172.
- November 2002 Re kai, Peter. *U.S. and Canadian Immigration Policies: Marching Together to Different Tunes*. 25 pp. Commentary 171.
- September 2002 Macrory, Patrick. *NAFTA Chapter 19: A Successful Experiment in International Dispute Resolution*. 24 pp. Commentary 168.
- July 2002 Robson, William B.P., and David Laidler. *No Small Change: The Awkward Economics and Politics of North American Monetary Integration*. 29 pp. Commentary 167.
- June 2002 Granatstein, J.L. *A Friendly Agreement in Advance: Canada-U.S. Defense Relations Past, Present, and Future*. 22 pp. Commentary 166.
- April 2002 Dobson, Wendy. *Shaping the Future of the North American Economic Space: A Framework for Action*. 32 pp. Commentary 162.

C.D. Howe Institute
67 Yonge Street Suite 300
Toronto, Ontario
M5E 1J8