This workshop was designed to evaluate the progress made in agricultural trade under NAFTA since its inception. The program included sessions on development in trade flows and policy, mechanisms to resolve trade disputes and case study of trade disputes. Disputes in wheat and durum, avocado, cattle/beef, sugar, and dairy were analyzed and discussed. The attendees of the workshop filled out a report card on Trade Liberalization under NAFTA and the results were presented as a wrap-up session.

The first session analyzed the effects on trade flows. An Economic Research Service (ERS/USDA) study reported by Praveen Dixit concluded that the most striking development in the composition of U.S. agricultural exports to Canada during the CUSFTA/NAFTA era has been the rapid export growth of high value processed products. From a Mexican perspective, the largest increase in exports has been the growth in fruit and vegetables to both the United States and Canada. The greatest increase in exports to Mexico from the United States has been corn and soybeans.

A principal workshop conclusion was that NAFTA is moving the three countries in the direction of a single market. Andrés Rosenzweig, a key negotiator for SAGAR/Mexico, pointed out that the underlying hypothesis during
the NAFTA negotiations in agriculture was that Mexico, the United States and Canada are complementary to a large extent in overall agricultural production. He concluded that evidence after five years of implementation seems to confirm that. Thomas Hertel, a Purdue University trade analyst, presented results of a quantitative study that confirmed Rosenzweig's observation. He found a strong increase in the intensity of farm and food exports from the NAFTA member countries to NAFTA as a whole since the mid-1980s. This finding provides strong evidence of falling transactions costs and increasing integration within the North American market. The recent free trade agreements have most certainly played an important role in this process.

Michele Veeman, a noted trade analyst from the University of Alberta, concluded that NAFTA has been very effective as a vehicle to promote trade liberalization and has contributed to reducing trade disputes. She summed up the NAFTA report card as making good progress but requiring extra effort to keep on working for even better achievements.

A U.S.-Canadian team of government analysts, Mary Burfisher, Terry Norman and Renée Schwartz described the dispute resolution instruments that exist in the agri-food industry. They concluded that informal linkages among participants in the NAFTA countries offer the greatest opportunity to prevent misunderstandings from occurring and developing into sensitive, high-level disputes that require formal settings to be resolved. They observed that by fostering greater communication among parties engaged in trade, informal mechanisms might help prevent trade disputes from occurring. Informal discussions of the type represented by these workshops were concluded to be critically important to both preventing and settling disputes. When they work, they are more effective and less costly than formal government settlement mechanisms.

Julian Alston and Daniel Sumner from UC-Davis, and Richard Gray from the University of Saskatchewan, noted that when U.S. farmers look North, they cannot help but suspect some trade effects of the Canadian Wheat Board (CWB). They also observed a growing awareness that termination of the CWB’s monopoly position might increase, rather than reduce, grain flows into the United States. This is what happened when Canada’s western grain transportation sub-
sidy was removed in 1995; this result was predicted in the first of this workshop series six years earlier, before termination of the program. From the Canadian perspective, the authors also pointed out that when Canadian farmers look South, they cannot help but envy payments made to farmers or former farmers under various U.S. government programs.

An insightful Kansas wheat farmer, Alan States, observed that while the CWB is a trade irritant, the elimination of its monopoly powers could be “a nightmare come true” for U.S. wheat producers. His argument is that Canadian wheat farmers may be more competitive than their U.S. counterparts. States argued that U.S. farm programs which support income, in turn, drive up the price of land, and ultimately drive up production costs making the U.S. producers noncompetitive.

Turning to cattle/beef trade, Al Loyns, a consultant and farmer, Linda Young, from Montana State University, and Colin Carter from UC-Davis, concluded that the most likely winners from the R-CALF dispute in cattle in 1998-99 (live cattle exports from Canada) were Canadian packers and consumers. That was not the intended outcome of the action. The authors noted that it is difficult to identify any significant benefits to offset the considerable costs incurred by the parties to the R-CALF dispute, and Canadian producers bore the costs of the antidumping margin through reduced prices. This case supported the earlier observation by Burfisher, Norman and Schwartz that informal mechanisms may be more effective, and certainly more efficient, than formal mechanisms in settling disputes. In discussion of the R-CALF case, Ron Knutson (Texas A&M University), indicated that anti-dumping provisions of U.S. trade remedy policy might be counterproductive when applied to agriculture. He observed that because of the unstable nature of agriculture, it could readily be anticipated that sales below cost will inevitably occur on a periodic basis. In this economic environment, it is essential to develop the appropriate mechanisms for sorting out when charges of dumping really make sense.

In the case of sugar, Lynn Kennedy from LSU, indicated that significant disputes have developed between Mexico and the United States regarding sugar and HFCS trade during the NAFTA transition period. A purpose of this transition period was to gradually ease the Mexican and U.S. sugar industries
into a state of freer trade in sugar. The author expressed doubt as to whether this has been accomplished by observing that these and other disputes related to sugar and HFCA may continue well past the transition period.

Tom Cox, a dairy trade analyst from the University of Wisconsin, Danny LeRoy, from the University of Lethbridge, and Ellen Goddard, from the University of Melbourne, concluded that cross-border university collaboration is particularly well suited to providing economic benchmark analyses within which a more solid understanding of the impacts of trade disputes can be realized. They observed that given the heavy politicizing that distorts many of the cross-border disputes, multi-country third party economic analysis can do much to improve these dialogues.

Mike Gifford, a former trade negotiator with AAFC, pointed out that the NAFTA governments are clearly caught on the horns of a dilemma. They want to give their import sensitive sectors the right to have their day in court, while at the same time preventing their trading partners from using trade remedies as a legitimate form of trade protection and harassment. He went on to note that over time, domestic agricultural policies must be on a converging course if trade frictions and disputes are to be minimized.

ON OVERALL BENEFITS OF NAFTA

There was a consensus of Workshop participants that Mexico and Canada had clearly benefited from NAFTA, that processors of higher valued products in all three countries were the greatest beneficiaries, and that small Mexican producers were the biggest losers. From a U.S. perspective, feed grain and oilseed farmers, and processors of high-valued products have been the greatest beneficiaries. John Schildroth (British Columbia Agriculture, Fisheries and Food), observed that where the agri-food industry has been allowed to adjust, the adjustment has moved the industry toward the market and the consumer. Yet there was agreement that the accomplishments can easily be overstated. It was noted by Loyns that while we talk about trade liberalization under NAFTA, at the end of the day, producer subsidy equivalents in some countries are equal today to the levels of the late 1980s and early 1990s. Gifford made the point that one of the most significant accomplishments of the Canada/U.S. negotia-
tions was the path breaking agreement on sanitary and phytosanitary measures, which provided a blueprint for the Uruguay Round and NAFTA agreements on this issue.