

U.S. Government Investigations into North Dakota Wheat Commission Petition FACT SHEET

On February 15, 2002, U.S. Trade Representative Robert B. Zoellick announced that the United States will seek relief for North Dakota and all U.S. wheat farmers from the trading practices of the Canadian Wheat Board, a Canadian government monopoly trading enterprise. This multi-faceted initiative results from a 16-month investigation of the Canadian Wheat Board requested by the North Dakota Wheat Commission under section 301 of the Trade Act of 1974. USTR concludes that for several years the monopoly CWB has taken sales from U.S. farmers, and is able to do so because it is insulated from commercial risks, benefits from special privileges, and has competitive advantages due to its monopoly control over a guaranteed supply of wheat.

North Dakota Wheat Commission Petition

In September 2000, the North Dakota Wheat Commission petitioned USTR to investigate the Canadian Wheat Board's marketing practices in the United States and around the world. In part the North Dakota Wheat Commission cited that the Board's special privileges and benefits as a government-sanctioned monopoly trading enterprise provided the Canadian Wheat Board unfair competitive advantages in the market. In addition, the North Dakota Wheat Commission highlighted that the CWB operates in a protected market with cumbersome regulatory procedures that act as a barrier to imports of U.S. wheat.

USTR 16-Month Investigation

Initiated in October 2000, USTR's investigation was unprecedented in terms of the efforts taken to examine the North Dakota Wheat Commission's allegations and USTR's efforts to fully engage all interested parties. USTR requested public views, including the methodology to be used in conducting the investigation, and for the first time ever in a section 301 investigation, USTR asked the ITC to conduct an exhaustive investigation. As part of its investigation, the ITC held a public hearing, invited public comment, and issued questionnaires, backed by the ITC's subpoena power, to wheat buyers and sellers in the United States. In addition, USTR and USDA sent questionnaires to companies outside of the United States. ITC published a public version of its report, and USTR asked for yet another round of public comment on the investigation.

Investigation Findings

The ITC report found that the CWB can unfairly benefit as a monopoly state trading enterprise through special benefits and privileges sanctioned by the Canadian government. Due to the lack of cooperation from the CWB, the investigation did not yield a useful set of data on sales of Canadian wheat in certain markets. The ITC found that:

- The CWB is insulated from commercial risk. The Canadian government guarantees the CWB financial operations, including borrowing, credit sales, and initial payments to farmers.
- The CWB benefits from subsidies, a protected domestic market and special privileges such as government-owned rail cars, government-guaranteed debt and below market borrowing costs.
- The CWB has a competitive advantage due to its monopoly control over a guaranteed supply of wheat that Canadian farmers are required to sell to the Board, and monopoly control to export western Canadian wheat. These advantages allow the CWB to enter into forward contracts without incurring commercial risks and provide other benefits.

The investigation further found that U.S. farmers have lost sales to the CWB. CWB hard red spring and durum shipments increased into the United States by 17 percent over the past five marketing years, while U.S. production of those two wheat varieties declined 18 percent and U.S. exports declined 15 percent. The CWB's aggressive wheat marketing has been a detriment to U.S. shippers in foreign markets. U.S. exports of durum and non-durum wheat to 8 targeted export markets declined 13 percent over the past five marketing years.

USTR Actions

Because USTR believes that these special benefits and privileges infringe on the integrity of a competitive trading system, USTR is undertaking a multi-faceted approach to level the playing field for American farmers.

USTR will aggressively pursue a four prong approach to fight for a level playing field for American farmers:

- First, USTR will examine taking a possible dispute settlement case against the Canadian Wheat Board in the World Trade Organization (WTO);
- Second, the Administration will work with the North Dakota Wheat Commission and the U.S. wheat industry to examine the possibilities of filing U.S. countervailing duty and antidumping petitions;
- Third, working with industry, USTR will identify specific impediments to U.S. wheat entering Canada and present these to the Canadians so as to ensure the possibility of fair, two-way trade.
- Fourth, these short-term actions are complemented with the Administration's ongoing commitment to vigorously pursue comprehensive and meaningful reform of monopoly state trading enterprises in the WTO agriculture negotiations.

The WTO negotiations gained new momentum with the launch in November of the Doha Development Agenda, set to conclude by 2005. The United States has an unprecedented opportunity to pursue comprehensive and meaningful reform of the Canadian Wheat Board through the development of new disciplines and rules on state trading enterprises that export agricultural goods. Fully sharing the goals of the North Dakota Wheat Commission to end the Canadian Wheat Board's monopoly status and enhance the transparency of this government-backed institution, the United States will aggressively seek in the WTO:

- To end exclusive export rights to ensure private sector competition in markets controlled by monopoly exporters;
- To eliminate the use of government funds or guarantees to support or ensure the financial viability of monopoly exporters; and,
- To establish WTO requirements for notifying acquisition costs, export pricing, and other sales information for monopoly exporters.

USTR is committed to aggressively pursuing this multi-faceted approach to achieve meaningful reform of the Canadian Wheat Board and to provide a fair and open global trading system.