

## Backgrounder

### WTO DISPUTE SETTLEMENT PROCESS

Under the World Trade Organization (WTO), Canada held consultations with the European Union (EU) on the grains issue on July 18, 1995. Consultations were held with Japan on the liquor tax question on July 20. These consultations have not been successful in achieving settlements. Canada has therefore requested panels into these matters.

### EUROPEAN UNION CEREALS REGULATIONS

#### Description

In the Uruguay Round of trade negotiations, the EU made certain commitments which were intended to improve access to its markets for grains. In particular, the EU agreed "to apply a duty at a level and in a manner so that the duty-paid import price for such cereals will not be greater than the effective intervention price increased by 55 per cent." (The "intervention" price is the support price in the European Union for grains.)

On July 1, the EU implemented a system of representative import prices for calculating the import duty, based on prices in U.S. markets of U.S. grades of wheat and other grains, rather than on actual transaction prices.

#### Trade Affected

The use of representative import prices as opposed to actual transaction prices to determine the level of import duties on grains will not provide Canada with the full benefits of the EU's obligations under the World Trade Organization (WTO). It will have an adverse effect on access for Canadian wheat into the EU market.

Canadian grain exports to the EU will be hindered by higher duties on wheat shipments and uncertainty over the level of duty to be paid at the time of importation. There have already been reports of disruptions to Canada's durum wheat trade with the EU. Durum shipments have been delayed and orders for certain grades of Canadian durum wheat are down.

Canada is the principal supplier of wheat to the EU. In 1995, Canada exported 1.1 million tonnes of wheat (including durum) to the EU valued at over \$250 million.