



The Estey Centre Journal of **International Law and Trade Policy**

Abstract

Trade Friction, Dispute Settlement and Structural Adjustment, Or, Why *Canada–Wheat* Doesn't Matter in North American Trade Relations

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This article examines the substance of the WTO panel decision for *Canada–Wheat* as it relates to trade friction in North American agricultural markets. I provide an overview of recent economic literature on state trading enterprises (STEs) and examine the WTO's approach to regulating the behaviour of STEs. The *Canada–Wheat* panel was the first WTO panel to consider Canada's single-desk marketing system for Western Canadian wheat and barley and was the first test of the WTO's regulation of STEs under GATT Article XVII. The panel rejected the American argument, opting for a line of reasoning that highlights the rules of non-discrimination while maintaining some of the ambiguity of Article XVII. I conclude by examining the competitive pressures that exacerbate trade frictions between North American wheat producers. From a legal perspective, this panel decision is significant because it clarifies the WTO's position on STEs, to a certain extent. In the context of continental politics, however, the ruling will likely have little impact on Canada/U.S. trade relations because it must be analyzed in relation to the domestic demands that arise from ongoing structural adjustment in both nations' agricultural sectors.

Keywords: agricultural exports, Canadian Wheat Board, dispute settlement, state trading enterprises, World Trade Organization