

of this policy involve the abolition of barriers to intra-Community trade, the provision of internal support for market prices and the establishment of common border regulations for imports and exports.

Through intervention agencies, which buy up agricultural commodities at predetermined price levels, the European Community has supported domestic market prices for most agricultural commodities at levels generally well above world market prices. It protects its domestic market from foreign competition by using variable import levies which prevent foreign goods from being sold at prices below those charged locally, and which ensure that imports only fill gaps which cannot be covered by Community production.

High domestic prices have stimulated agricultural production in the Community and surpluses have been accumulated for a variety of products including beef, milk powder and butter. To enable Community exporters to sell competitively on world markets, a "restitution" (subsidy) is paid to bridge the gap between high Community price levels and lower world prices. In some instances, this has given European Community agricultural exports a competitive advantage in third markets over those from other countries.

The Common Agricultural Policy (CAP) is financed through the European Agricultural Guidance and Guarantee Fund which derives about two-thirds of its revenue from customs duties and agricultural import levies and the remaining one-third from contributions assessed on the member states.

Although the European Community is Canada's largest export market for agricultural products, the CAP of the Community makes it a difficult one.