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GLOBE AND MAIL

Stakes are high in agriculture trade talks

GENEVA

The heads of state having departed Venice after delivering a fine-sounding communiqué, it is now up to the international bureaucrats of this city to work out how to disarm the world trading system.

The timing could not be better, or worse, depending on how optimistic, or pessimistic, you happen to be.

The Europeans are snarling about the U.S. trade bill, the Americans are snapping back about the European Community's proposed tax on oil and fats and countries like Canada, caught in the middle, wonder whether the new GATT round of trade talks can save a multilateral trading system built on rules from degenerating into a bilateral one where the big guys always win.

Nowhere are the stakes higher than in agriculture, which is being included in the four-year trade negotiating round for the first time.

Here fine sounding intentions may well be getting way ahead of what can be achieved in a reasonable time frame (not least in the way the issue has been presented in Canada).

All that talk of an early harvest in farm trade talks sounds good. But can it be reaped?

Officials and trade negotiators have their doubts. What the Venice summit came up with was an agreement that the major countries would "refrain from actions which, by further stimulating production of agricultural commodities in surplus, increasing protection or destabilizing world markets, would worsen the negotiating climate and, more general-



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ly, damage trade relations." Proposals will also be put forward to bring down subsidies and price supports over time.

That is progress of a kind. The Bonn summit broke up in disarray at the mere mention that the GATT talks should go after agriculture.

However, nothing has been agreed that would end bailouts for farmers. Yes, it is still okay for Canada and anyone else to "stabilize" the incomes of grain farmers. And when the Americans table their blockbuster proposal on reform of agriculture in Geneva next month it will suggest transferring government support to farm incomes rather than providing subsidies to support prices and exports.

That makes more sense than the current system. At present, government aid gives the biggest handouts to the richest farmers.

The aim is to roll back subsidies to the point where a free market in, say, wheat and feed grains starts to operate again.

But have the politicians really looked at how large the distortions are in international markets and

how great an economic and social revolution has to occur to get back any semblance of market discipline?

Countries with relatively efficient farm sectors may be prepared to act swiftly. But one has to have doubts about the Europeans whose agricultural policy is a cornerstone of their common market. At the moment, they are revving up to give yet more aid to farmers through an oil and fats tax that was the subject of much vilification at Venice.

It is implicit in lowering subsidies that, as they come down, nasty things will happen. One of the most unpleasant will be that the value of land everywhere, and the price of farms, will plummet.

Are governments going to stand idly by while one of their favored lobbies, the farm community, goes through a massive financial upheaval? And if they are not but intend to step in with income support programs instead, will the overproduction of farm products be much less than it is now?

In Canada, the farm issue has often been painted in black and white terms.

The ogres are the Europeans and Americans who poach our markets and keep their farmers in a style that we cannot match. Much time is devoted to comparing our subsidies with theirs to show that we are more sinned against than sinning.

That gives the impression that, if they stopped their evil ways, Canada would regain lost markets and all would be well.

Not so. The situation is more complicated. In fact, Canada's share of world wheat exports has

increased to 23 per cent in this crop year from 21 per cent in 1983-84. The problem is that we have a growing share of a rapidly shrinking world market.

Everywhere, there are food surpluses. This is partly due to the absurdities of the rich countries' subsidies; between them, the United States, Europe and Japan blow \$80-billion (U.S.) a year on their farmers.

But there are others, some of them once large customers for grain, who are in on the game. Consider the absurdity of Saudi Arabia which chooses, for security reasons, to grow wheat in the desert at 12 times the cost of importing the stuff. Or the Scandinavians who actually give more aid to their farmers than the Japanese.

The surpluses are also there because of huge changes in fertilizer use and crop yields and food production in many parts of the world. Since 1976, both China and India have pushed up wheat output by more than 70 per cent.

If the world is growing and raising too much food, and rich countries are growing and raising much too much food, it is going to be hard to negotiate those surpluses away.

For all the talk of a truce on subsidies and of early harvests, look for farm trade talks to drag on and on and on. And that means countries like Canada will have to ante up new support to stabilize farm incomes.

Once their income is stabilized, farmers will do what they are best at; produce food, add to their own food surpluses and raise their own need for more income support.