

The United States 1985 Food Security Act intensified dramatically the competition for international markets and has led to decreases in international prices for Canadian exports of grains and oilseeds. The implementation by the USA of the Export Enhancement Program made it more difficult for Canadian farmers to make an honest living. We all know and understand that the USA adopted that legislation partly because it perceived that excessive subsidization by the EC had, over a period of years, eroded the United States' market share. The EC, when it adopted the Common Agricultural Policy three decades ago, aimed to achieve greater self-sufficiency ratios. The EC's policies have been "successful" beyond the wildest dreams of their originators. One of the major changes on world markets over the past ten years has been the transformation of the EC from a net importer of most major agricultural products to a net exporter of those products. Whether it be wheat, beef, sugar or dairy products, the EC now has accumulated massive surplus stocks and has moved into foreign markets acquired through its export subsidies.

The result of these USA and EC policies for Canada has been the unwelcome spread of the subsidy war to our traditional markets in the Middle East, Eastern Europe and China.

For other agricultural producers, of course, the fall in grain prices is seen as helpful relief in the constant struggle to survive. Livestock producers, for instance, are benefitting from low feed prices. As a result, surplus beef stocks are expanding, for example, in the EC.

The new USA aggressiveness has also manifested itself in negotiations with the European Communities over compensation due to the United States from expansion of the EC to include Spain and Portugal. The threats of retaliation and counter-retaliation which were publicly exchanged during the past year did not help to inspire confidence in the capacity of the international system to maintain a reasonably secure and predictable international market. In the event, that issue was resolved at the last minute but the uncertainty and tension which resulted will take some time to dissipate. Another major dispute between the EC and a number of its trading partners is now looming over the EC Commission's proposal to impose a domestic tax on fats and oils. Such a tax, if imposed would erode the value of access negotiated with the EC in the past and could therefore lead to another major dispute.

Trading tensions, of course, are not confined to agriculture. Products such as aircraft, fish, alcoholic beverages or electronics products, and measures relating to subsidization for domestic or export production, to access to one's domestic market have all become the subject for heated