

EC 1992 WORKING GROUP ON AGRICULTURE AND FOOD PRODUCTS

REPORT

I Issue

The initiative by the European Community (EC) to introduce a unified market by the end of 1992 presents a number of uncertainties for countries exporting agricultural and food products such as Canada. It is possible that the single market could result in more rapid economic growth and fewer restrictions on imports and therefore an improved environment for Canadian farm exports. On the other hand, it has been claimed that the new regime could involve an intensification of present EC restrictions on imports from outside the Community ("fortress Europe").

In the area of agricultural and food products, the impact of EC 1992 is especially critical. At the beginning of the 1980s, the EC was the leading export market for Canadian farm products. In the intervening period, largely because of the operation of the Common Agricultural Policy (CAP), the level of exports to the Community has declined sharply and the EC currently purchases less than 10% of total farm exports (compared with over 20% ten years ago). Whereas in the early 1980s, Canada had a favourable balance in agricultural, food and beverage trade with the EC of approximately \$750 million, this has become a deficit of around \$250 million in recent years (Figure 1). This represents a deterioration in the trade balance of \$1,000 million in less than ten years. A further reduction in access to the EC market, as a result of EC 1992, would accentuate the considerable adjustment problems already faced by major sectors of the agri-food industry.

Against this background, it is important that the implications of the single market be reviewed and analyzed. It is necessary to identify areas where the sector could be placed at a disadvantage. In this way, representations can be made to the EC Commission in order to minimize any further adverse effects on the Canadian agri-food sector. In this context, the following aspects will be considered:

- a) the Community's presence in Canada's domestic markets;
- b) Canada's access to and competitiveness in EC markets;
- c) Canada's ability to compete with EC products in third country markets;
- d) the implication of 1992 integration on the implementation of the Canada/US Free Trade Agreement; and
- e) the implication of 1992 integration on Canada's Multilateral Trade Negotiations (MTN) agenda.