

TRADE

Agricultural Reform Under GATT: Parochialism Prevails

As a signatory to the General Agreement on Tariffs and Trade (GATT), as the United States' largest trading partner and as a member of the Cairns Group and the Organization for Economic Co-operation and Development (OECD), Canada is particularly well-placed — perhaps uniquely — to play a pivotal role in sorting out the tangled web that is agricultural trade today. Yet, as is the case with virtually all of the other participants in this lengthy and often acrimonious debate, parochial interests have tended to prevail over the global good.

International Trade Minister John Crosbie says talks with his counterparts from other countries at a meeting in Hakone, Japan, resulted in 'great progress' in bringing developing countries fully into the drive toward completion of the Uruguay Round. The atmosphere at Hakone prompted Mr. Crosbie to wax optimistic about the talks leading, eventually, to improved global trade and economic growth. The Round is scheduled to end with a meeting in Brussels in December, 1991, and while two more years might seem adequate, he is justifiably worried. 'We are not a world giant,' he points out. 'We have a giant exposure to the world trading system because a third of our Gross National Product comes from exports.' Apart from agricultural trade and subsidies, the outstanding issues of paramount concern to Canada include regulation of service industries, copyright and patent protection. 'The rhetoric is all good, including our own', Mr. Crosbie acknowledged. 'What remains to be seen is if there's any substance behind it.'

After Hakone, he reiterated the 'urgent need' to get on with the detailed and difficult negotiations on the unresolved concerns. He welcomes the EEC promise to release 'soon' its proposals for agricultural trade reform and an announcement by the U.S. that it would be tabling its position on farm subsidies and countervail. The farm subsidies have been a major irritant, with Canada drawn into a battle that pits the U.S. against many other countries, notably those in the EEC. He notes that at a meeting at GATT headquarters in Geneva last spring there was agreement that 'the long-term objective is to estab-

lish a fair and market-oriented agricultural trading system.' Although he concedes that 'trade distortions and restrictions cannot all be removed in this round', he insists that GATT had to 'make good on our common commitment to ... progress.'

Canada's bottom line comprises three main elements: subsidies and countervail, safeguards for its supply-management policies, and dispute-resolution. 'Results in these areas will not only determine the fate of the GATT, they will also determine our capacity to maintain a more predictable trading environment', Mr. Crosbie says. 'Canada has put forward a comprehensive proposal on subsidies and countervailing measures and we attach a high priority to achieving a major reform of the GATT rules.' The goal is universal rules that would alleviate the constant threat of countervail or unilateral determination of what constitutes fair government assistance. On the question of fairness, Mr. Crosbie said 'constraints on subsidies must be accompanied by equivalent constraints on the countervailing procedures. This must include some reasonable understandings on the conditions under which legitimate areas of government assistance for regional development and research and development, for example, should not be regarded as trade distorting.'

Mr. Crosbie went from Japan to Thailand for a meeting of the Cairns Group. The 14 countries put together a position paper that was tabled at GATT agricultural talks in Geneva. Considered a 'blueprint' for reform, the paper states that 'a competitive, efficient and market-responsive world agricultural system would serve the common long-term interest of developed and developing countries alike.' They recognized that non-trade concerns such as food security need to be considered but suggested that this need not impede reforms 'based on negotiated commitments on support and protection and through the establishment of strengthened and more operationally effective GATT rules and disciplines.' They recommended general tariff reductions and said all measures not explicitly covered by GATT should be eliminated or made to conform with

new GATT rules. These would cover non-tariff barriers, import levies, waivers and other country-specific derogations.

Mr. Crosbie said all Canadian agriculture stands to benefit from increased trade that would come from a fairer regime. 'This will provide a solid basis for the expansion of Canadian agriculture exports.' But then an estimated 5,000 Quebec and Ontario farmers marched on Parliament Hill, protesting what they see as declining government support. Predominantly dairy, poultry and pork producers, they called for withdrawal from the Cairns Group and preservation of Canadian supply-management. They are concerned that the Geneva talks could lead to an open-door policy that could flood the domestic market with cheaper imports and damage or even destroy the dairy products and poultry industries. 'The talks have thrown everything up for grabs', commented a spokesman for the powerful Ontario Federation of Agriculture. Deputy Prime Minister Don Mazankowski, in his role as Agriculture Minister, told the demonstrators that while supply-management was preserved by the Free Trade Agreement with the U.S., Canada had to adapt. 'We cannot bury our heads in the sand.'

With that ringing in its negotiators' ears, Canada then refused to lift import quotas on ice cream and yogurt, restrictions that have been condemned officially by a GATT panel. The panel had acted on a complaint by the U.S., which, having acceded bilaterally to Canada's supply-management concerns, opted for a multilateral end-run. The quotas protect Canada's \$7-billion dairy industry and Mr. Crosbie is adamant that they will remain in place until there is evidence of progress on the broader question of agricultural trade under the auspices of the GATT.

A Canadian proposal for wholesale reform of the anti-dumping rules within the GATT framework has been tabled at the current round of multilateral trade negotiations (MTN). 'Our experience with the existing GATT anti-dumping code has shown that we need clearer and more widely accepted interpretation and a more uniform application', Trade Minister John Crosbie says.

STATISTICS

International Trade

Canada had its first merchandise trade deficit in nearly 14 years in October as a surge in imports overwhelmed a marginal rise in exports. Seasonally adjusted on a balance of payments basis, it was \$420.9 million, the first red ink on the ledger since March, 1976. It left the surplus for the first 10 months of 1989 at \$3,987.5 million — down 52.3% from the same period of 1988. The value of exports in October was up 0.6% from September at \$11,398.5 million and the change was due largely to increased shipments of chemical products, plastics, metals, alloys, machinery and equipment, the effect of which was muted by declines in wheat and automotive products. October's imports rose 5.5% to \$11,819.4 million with the rise concentrated in motor vehicle parts as well as in aircraft, engines and spares, the effect of which was slightly offset by declines in beverages and truck imports. Here is a rounded breakdown in millions of dollars:

	OCTOBER			CUMULATIVE			Change from '88
	Exports	Imports	Balance	Exports	Imports	Balance	
U.S.	8,656.7	8,206.2	+450.6	87,098.6	78,016.2	+9,082.5	-2,523.1
Japan	563.0	736.1	-173.1	7,152.9	6,922.2	+230.7	+26.4
U.K.	267.8	391.6	+123.7	3,015.4	3,760.0	-744.6	+283.9
other EEC	628.6	878.7	-250.2	6,543.2	8,338.3	-1,795.1	+1,132.6
other OECD	348.6	367.3	-305.8	2,726.1	3,339.8	-613.7	-226.2
all others	933.8	1,239.5	-305.8	9,885.1	12,057.5	-2,172.4	-3,079.8
TOTALS	11,398.5	11,819.4	-420.9	116,421.3	112,433.9	+3,987.5	-4,386.2

External Affairs Budget

Finance Department figures show that the External Affairs share of the federal purse continues to shrink, even before the recent trimming by Treasury Board covered elsewhere in this issue. Total spending in the latest month for which data are available, October, amounted to \$11,355,000,000, of which 1.89% was for the Department of External Affairs and related programmes. This compared with 2.47% of the \$10,734,000,000 in overall federal spending in October, 1988. The pattern is similar in a comparison of the cumulative figures for the first seven months of the 1989-90 fiscal year. Total spending to October 31 was \$76,744,000,000, of which 1.80% was for the External envelope. The year-earlier share was 2.10% of the overall \$70,284,000,000. Here is a rounded breakdown in thousands of dollars:

*Abbreviations used refer to the following:

APF — Asia Pacific Foundation
 CCC — Canadian Commercial Corp.
 CIIPS — Canadian Institute for International Peace & Security
 CIDA — Canadian International Development Agency
 APF — Asia Pacific Foundation
 EDC — Export Development Corp.
 ICOD — International Centre for Ocean Development
 IDRC — International Development Research Centre
 IJC — International Joint Commission

	OCTOBER		F. Y. CUMULATIVE	
	1989	1988	1989/90	1988/89
Interests abroad				
Operating costs	57,230	59,302	354,899	311,403
Capital costs	5,928	11,556	33,704	27,187
Grants	6,578	5,808	60,964	55,676
Passport fund	147	1,595	448	1,926
APF*		500		500
World exhibitions	34	215	231	1,216
Sub-total	69,917	75,786	450,246	394,056
CCC*	676	3,542	7,193	7,556
CIIPS*	1,000		3,000	2,500
CIDA*				
Operating costs	10,351	7,415	51,726	49,627
Grants	110,872	177,770	806,320	960,307
Pymts to financial inst.			35,426	58,312
APF*				500
Sub-total	121,223	185,185	893,472	1,068,746
EDC*	11,466		31,188	
ICOD*	1,000	600	4,100	3,250
IDRC*	9,050		63,325	66,617
IJC*	316	837	2,635	2,462
TOTALS	214,648	265,950	1,455,159	1,545,187