
WHAT ABOUT AGRICULTURE?

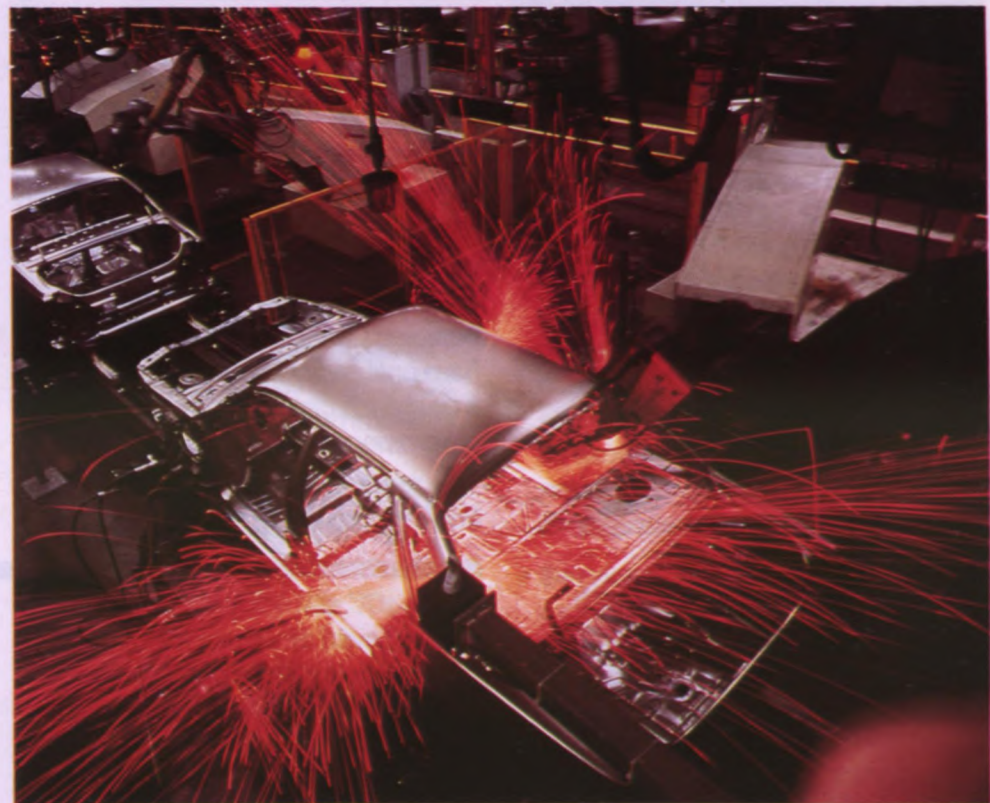
The major problems in this sector flow from the excess of production over demand and the subsidy war between the European Community and the U.S. The side effects are seriously impairing our export markets. The task of bringing agricultural subsidies and other sector issues under GATT discipline is a priority in the GATT negotiations. To the extent we can make progress in the Canada-U.S. negotiations in defining allowable subsidies or reducing other non-tariff barriers such as health and technical regulations, it will contribute to the resolution of these problems in the multilateral negotiations. In the bilateral context we are not negotiating the status of farm marketing boards. Both Canada and the U.S. have their own unique systems for marketing farm products in a manner that is responsive to their domestic constituencies. Essentially, agricultural trade issues are global in nature.

WON'T THERE BE LOSERS?

There are weak firms and strong firms within every industry. Expanded trade opportunities would help both. Protectionism and declining external markets ultimately would harm both. The object of negotiating free trade is to benefit the stronger firms and to encourage the weaker to strengthen their competitive position.

TIME TO ADJUST?

An essential element of all trade agreements is a transition period which allows time for adjustment to the operational requirements of particular sectors before the new trading rules are implemented. That will be the case in any agreement



reached with the U.S. Historically trade liberalization is phased in over a period of 10 years or so.

ARE THE AMERICANS INTERESTED?

The U.S. has a profound foreign policy interest in its relations with its northern neighbour and ally. Trans-border trade is the daily ingredient

of the relationship. Canada is the largest market for American exports – Ontario alone imports more from the U.S. than does Japan – and the only one in which their share of market has been rising recently. They also count on successful negotiations with us to send a signal for international trade liberalization in the GATT – if good