

Measures to open markets further should include applying the existing GATT Agreement on Government Procurement to other government entities which are main purchasers of products not now subject to international competition. These include urban transit, telecommunications and power-generating and transmission equipment, and certain services purchased by governments.

In recent years, world farm production, much of it stimulated by excessive subsidization, has increasingly outstripped world demand. Since 1981, world wheat prices have fallen by almost one-half. Meanwhile, stocks have increased by 85 per cent and are now equivalent to two years' world trade volume.

The international community is in general agreement on the underlying causes of this crisis: the incentive to over-produce that farm support programs give to farmers.

Over the past decade the problems have been exacerbated by a slowdown of demand and by increases in supply stemming from the use of advanced farming technology and resulting expanded production in some developing countries.

Farmers exposed to artificially low world prices have suffered financially. As a result, the costs of farm support programs have increased sharply and now constitute a major drain on many national treasuries. The impact on many developing country exporters is particularly severe.

All industrialized countries have contributed to the current world agricultural crisis. The European Economic Community (EEC), under the impetus of various subsidies in its Common Agricultural Policy, has been transformed from a cereals-deficit region into a significant exporter of cereals. Similarly, the U.S. in response to EEC export subsidies, stepped up its use of export subsidies, an approach which tends to drive world prices down still further. In the name of "Food Security", the Japanese have been reluctant to open their high cost market. Consequently, Canada and other efficient producers have been drawn into a costly agricultural war.

Over the past two years there has been growing agreement by the world community on the need for collective reform in this area. Canada has been influential in shaping this consensus by seeking:

- the inclusion of agriculture on the agenda of the Economic Summits of 1986 and 1987;
- consultations among the major wheat exporting countries;
- with Australia, meetings of the "Cairns Group" of developed and developing agricultural exporting countries;
- the inclusion in the Uruguay Round, for the first time in GATT negotiations, of all agricultural policies affecting trade; and
- the publication of a major OECD study on agricultural policies and trade, and the adoption by OECD Ministers of a set of principles for international reform.

The Venice Summit of June 1987 reaffirmed the OECD agreement and gave impetus to the new GATT Round as the framework for achieving fundamental change.

In the Uruguay Round, Canada will push for trade liberalization and the development of fair, predictable and effective rules on export and domestic subsidies, as well as on measures such as variable levies, quantitative restrictions, export restraints and technical barriers.

## Developing new rules for agricultural trade