purchases of services. Canadian exporters would benefit, in particular, from fair and open bidding procedures for urban transit, telecommunications, power-generating and transmission equipment, and other services purchased by foreign governments.

Developing New Rules for Agricultural Trade

In recent years, world farm production, much of it stimulated by excessive subsidization particularly by the European Community (EC) and the United States, has increasingly outstripped world demand. In the mid-1980s, world wheat prices for example, fell in real terms to their lowest level since the Great Depression as a result of the tendency to over-produce, although they rebounded somewhat in 1988 because of reductions in supply caused by severe drought in North America.

These problems have been exacerbated over the past decade by increases in supply stemming from the use of improved farming technology in both developed and developing countries.

Farmers facing uncertain export prospects and low prices for their products have suffered financially. As a result, the costs of government farm-support programs have increased sharply and now constitute a major drain on many national treasuries. The impact on many smaller developed and developing country exporters has been particularly severe.

Most industrialized countries have contributed in some way to the current world agricultural crisis. The EC, as a result of heavy subsidization as part of its Common Agricultural Policy, has been transformed from a food-deficit region into a significant exporter of cereals, meats, dairy products and processed foods. Similarly, the United States, in response to EC export subsidies, has greatly increased its use of export subsidies, an approach which has tended to drive world prices down even further. In the name of "food security," the Japanese have been reluctant to