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87/21

Speech by the
Right Honourable Joe Clark,
Secretary of State for
External Affairs, to the
Canada Grains Council
WINNIPEG, MANITOBA
April 7, 1987

OTTAWA

April 10, 1987.

I began one week last month in Washington, with one of my quarterly meetings with George Shultz. He had just returned from Asia where, in one day, he had had breakfast in China, lunch in Korea, and dinner in Japan. That is the glamorous life of a Foreign Minister. I ended that week in my constituency in Yellowhead where, in one day, I had breakfast in Whitecourt, lunch in Swan Hills, dinner in Fort Assiniboine, then a meeting in Barrhead. That is the life of a Foreign Minister who sits in the Canadian House of Commons and intends to stay there.

The two worlds are not as far apart as they might seem. Twenty-six years ago the first long-term agreement with China brought a great boost to the grain economy of Western Canada. When the Korean Trade Minister recently visited Canada, plans were announced for Korea to increase its imports of Canadian canola seed from 11,000 tonnes per year to 15,000 per year.

Every day, political decisions in Paris, Washington, Moscow and other capitals affect the markets and the prices of Canadian farmers. Mikhael Gorbachev is an important man to Fort Assiniboine. The Common Agricultural Programme of the European community has done as much damage to the farmers of Alberta as the National Energy Programme did to our oil worker. Jimmy Gardner made his mark travelling the back roads of Manitoba. To do his job, Charlie Mayer spent a week last month in the Soviet Union, accompanied by farm industry representatives and about 20 business people, looking for trade opportunities, to help maintain Soviet interest in our grain.

Farm policy and foreign policy are tied tightly together. That might not always be the world we want but it is the world we live in, and both governments and producers have to take account of that. Obviously, domestic policy is highly important. The Mulroney Government has acted on a wide range of issues. We have delivered relief from Capital Gains Tax. We have frozen freight rate and elevator handling charges on grain handling and grain transportation. We have twice amended the Western Grain Stabilization Act, so that it is now a true instrument for stabilization. We have established a Farm Debt Review Board, and declared a moratorium on foreclosures under the Farm Credit Corporation. We have

removed federal sales and excise taxes from farm fuels. Last year, in the face of grave crisis, we committed one billion dollars to grain producers, under the Special Canadian Grains Programmes. Indeed, not counting that billion dollar expenditure, the budget for the Federal Department of Agriculture last year was 60% higher than it was in the year before the Mulroney Government took office. With all of that spending on Agriculture, our overall fiscal management has been so successful that the interest rates farmers pay are from 4 to 5% lower than they were three years ago. Our calculations are that every one per cent drop in interest rates result in approximately \$240 million dollars for Canadian farmers. These actions are important, and they are only part of the programme for agriculture of the Mulroney Government. The priority of Agriculture in this Government is high and continuing.

But, as I do not need to tell you, the sense of crisis in Canadian agriculture is deep and growing. In Barrhead, and Fort Assiniboine, the price of barley today is in real terms about what it was in the 1930's. Fifty farmers in Manitoba declared bankruptcy in the last year; in Saskatchewan there were forty-five; in Alberta 93; and in Ontario 102. Costs of production continue to climb, as prices drop. A growing number of farmers have to work out to keep their operations growing. Many individual farm families face the prospect of having to get out of agriculture. The problems are complex and no one pretends there are easy solutions, either at home, or internationally.

But there are things we can do, and I want to report to you tonight on some of Canada's international initiatives to restore the strength of Canadian agriculture. They are of four broad kinds.

First, we are seeking access to new markets for Canadian produce. Obviously that includes traditional activities, like seeking and securing an agreement with the USSR to purchase a minimum 25 million tonnes of Canadian grain over the next five years. In fact, even in the highly competitive, subsidized world grain market, our market share increased by almost two percent last year. Price of course, was way down, but it is better to be up in share and down in price than down in both.

But that market initiative also involves, for example, new sales in Egypt and Brazil and an increased potential in the Pacific Rim, through CIDA, the Canadian International Development Agency. We have food aid programs to Bangladesh, India, Pakistan, Ethiopia, Jamaica, Sri Lanka, Sudan, Tunisia, Peru, Senegal, Mozambique and Ghana. They resulted in purchases of \$163 million in Canadian wheat; \$47 million in Canadian flour; \$61 million in Canola and \$51.8 million in other commodities. I should perhaps also draw attention to the fact that the fifth largest recipient of Canadian food aid money last year was the Canadian Food Grains Bank, a Winnipeg NGO. \$16 million was given by CIDA to this Bank.

Some of those development programs involved changing the consumption and production patterns of other countries. Seventeen months ago near Mehsana, in Gujarat State in India, I opened the Jagudan Plant - a new oil seed crushing facility that was financed by the resale of Canadian oil seeds given by the Cooperative Union of Canada to the National Dairy Development Board of India. That program is creating an entirely new demand for oil seed production in India - a demand which India itself will meet completely in time, but which offers important interim markets for Canada as they put their structure in place.

Second, we are encouraging agriculture-related trade whenever possible. That takes two forms. One is the kind of visit Charlie Mayer and Canadian businessmen have just concluded to the Soviet Union. That country is our most important grain customer. Part of the reason they purchase from us is our reputation as a secure supplier. But another reason is that we are looking actively for Canadian markets for goods the Soviets produce, so there can be a better balance in our trade. Progress is slow, but the Canadian initiative is essential, if we are to maintain our access to that important market.

A related activity is the encouragement we give to Canadian agricultural service industries to expand their activities internationally. Last September, when I led a delegation to Venezuela and Argentina, we brought along officials of five Prairie companies. Among them, Prairie Microtech of Regina and Agriteam of Calgary, found new trade and joint venture opportunities in South America. That expands the web of Canadian agricultural contact with countries where new markets might develop for our crops, or our technology or our expertise.

Third, we are becoming increasingly active in international agricultural activities. The most recent example is the meeting of the Inter-American Board of Agriculture, which John Wise will host in Ottawa in early September.

And, most importantly, we are tackling head on the problems of agricultural trade and subsidy, which are as threatening to the 1980's and 1990's as the drought was in the depression. The agricultural trading system is in deep trouble, with artificially depressed international prices, subsidized export competition, and a growing proliferation of non-tariff import barriers.

We have two complementary goals. The first is to stop and break the cycle of subsidy which has led to the trade war in agriculture between Europe and the United States - a war whose casualties grow in Canada, in Australia, in Thailand, and a dozen other countries whose Treasuries are too small to compete with the European Community and the United States.

The second is to establish fair, firm, international rules of trade in agriculture, that will increase the role of efficient producers, and reduce the role of direct and indirect subsidies and protection.

Let me review the events of the last year alone, because I don't think there has ever been a single twelve-month period in which a Canadian government has given more attention to solving basic problems of agricultural trade.

A year ago, Michael Wilson and I attended the annual meeting, in Paris, of the Organization for Economic Cooperation and Development - the OECD, which draws together the twenty-four most active free economies. To our surprise, we heard the Common Agricultural Programme criticized by Ministers from European governments - mainly Finance Ministers, the people who have to balance budgets in countries where sixty-six percent of the Community budget is directed to agricultural subsidies. We reported those cracks in European solidarity to the Prime Minister, and he decided to mount a major initiative to break the crippling cycle of international subsidy.

At the Annual Economic Summit of Industrialized Nations, the practice has developed that each nation can choose one issue to push. For the Tokyo Summit, Brian Mulroney chose agriculture. That marked the first time in the history of the Economic Summits that any country made agriculture a priority. The day before we left for Tokyo, the Prime Minister, Mike Wilson and I, along with John Wise and Charlie Mayer and other Western Ministers, met with representatives of most of the Canadian producer groups. That meeting was remarkable not only because it drew together farm and political leaders, but also because farm groups as different as the Canadian Cattlemen's Association and the NFU agreed on the advice they gave the Prime Minister. We were thinking of having that described as the Eighth Wonder of the World. In fact, the atmosphere of common purpose has continued, in the frequent consultations which the Prime Minister, and other Ministers, have continued with the wide range of Canadian producer groups.

In Tokyo, Brian Mulroney put the facts on the table. He quoted the relative subsidies available to comparable farmers in Europe, the US and Canada. At that time, the Europeans were subsidizing their grain at \$94 per tonne, the Americans at \$75 per tonne and we were subsidizing our grain at \$34 per tonne. To our surprise, no one disputed his thesis. In the privacy of those meetings, every leader admitted the problem, and their role in it. One head of a European Government expressed the dilemma succinctly, in saying: "We are all hurt by this, and none of us can stop it alone."

So the challenge became to find a way to stop it together. Mr. Mulroney immediately proposed the establishment of a small group of experts who could identify the most serious of the subsidy practices carried out by each of the Summit countries, with an eye to getting agreement to roll back those several offensive practices together. The Summit stopped short of that, and instead called upon the OECD to publish studies identifying subsidy and protectionist practices.

However, Canada kept alive the idea that the best way to break the cycle of subsidy was to establish a small group of internationally respected leaders who could put together a specific action plan to place before the next Economic Summit in Venice, this June. We knew the group would have to stand apart from any single Government, if it was to have authority. We secured the promise of funding from Canadian, American and European foundations and other organizations. A prominent political leader, now retired, agreed to chair the group. We had enthusiastic agreement to participate from the United States, Argentina, finally Japan, and there was very real interest among key countries in Europe. A venture of that kind could only succeed with participation of the principal countries practicing subsidies. One of those refused, and gradually the other Europeans dropped out. We came to the reluctant conclusion that, without European participation in forming the recommendations, we would not have European cooperation in acting on them. And Agriculture reform that excluded the CAP wouldn't be worth much. So the attempt stalled to break the subsidy cycle.

At the same time, we made considerable progress towards establishing new international rules to govern trade in agriculture.

The new GATT Round was launched at Punta del Este, Uruguay, in September. I had the honour to lead the Canadian delegation, in a week of meetings that finally ended at 5:00 a.m. on a Saturday morning, with an agreement for a clean launch of negotiations. One of the differences from earlier GATT Rounds was the explicit detailed reference to trade in agriculture. It goes some distance in calling for increased discipline on the use of all direct and indirect subsidies so as to improve the competitive environment and thus achieve greater open trade.

Canadian leadership at Tokyo and afterwards helped get agriculture on the GATT agenda. Another major factor was an initiative taken by a number of agricultural countries, including Canada, to organize before the GATT, so our collective weight could begin to balance the immense power of the European Community, the United States and Japan. Those countries include Canada, Australia, New Zealand, Argentina, Brazil, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, Philippines, Thailand and Uruguay, and we all consider ourselves fair traders in agriculture. We are also all victims of the trade war giant economies mount and sustain.

Officials of several of those countries met in Thailand last July. That was followed, in late August, by a meeting at Cairns in Australia, where Charlie Mayer represented Canada. The common approach agreed at Cairns was carried into the GATT negotiations in Uruguay. Our ability to work together that week in Uruguay led to an historic breakthrough on the approach to trade in agriculture.

But getting agriculture into the GATT is only the first important step. The GATT process moves slowly, and neither farmers, nor their governments, can wait much longer. We intend to push the process forward.

Yesterday, at lunch at 24 Sussex Drive, the Prime Minister, the President of the United States and their senior Ministers, discussed preparations for the next Economic Summit. Two items dominated the agenda. One, naturally, was South Africa. The other was agriculture, where the Prime Minister sought and secured President Reagan's agreement to press the issue again at the Venice Economic Summit. That is one high level arena, in which we will continue to put pressure on the industrial powers who are fuelling the trade war.

Next month, the Cairns group will meet again. This time in Canada. My colleague, Trade Minister Pat Carney, has invited Ministers from those thirteen countries to meet to maintain our common pressure on the GATT system and, in particular, to move agriculture to a "fast track in the GATT". The Cairns approach, in fact, is in the best tradition of effective Canadian foreign policy. We have more influence than power and are always more effective when we can help organize several countries to pursue in tandem goals that are important to us. We will continue an active role of leadership within the Cairns group.

Finally, we are trying to get informal international agreement on agriculture trade practices during the period of negotiation of new GATT rules. So, we have written all members of the OECD - including almost all significant agricultural producers - suggesting certain principles that should guide us all until new rules are agreed. We have proposed the following principles:

(1) agricultural policies must become more price responsive;

(2) support for agriculture should avoid production incentives, i.e. support should be for farmers, not for farming;

(3) countries should freeze and seek to reduce governmental assistance measures that artificially depress world prices;

(4) countries should not introduce new import barriers, not mandated by existing legislation;

(5) these basic principles must be implemented collectively.

Agreement on this set of principles would be an important step towards reversing the pressures which are responsible for the agricultural crisis. We will continue to promote these initiatives as we move into the MTN negotiations.

Canada is in the grain business for the long haul. We are not prepared to stand idle and let our markets be displaced by subsidized exports of others. We are providing assistance to our grain producers, to maintain our industry during this period of crisis, and we expect to emerge from this situation with our market share intact and our industry on a sound footing.

There were times in the past when agriculture was on the margins of concern of Canadian governments. Those days are behind us. In the Government generally, trade is more important than it was; and as we pursue our priorities in trade, the Prime Minister has placed agriculture at the top. These are not easy times, nor easy problems. They require the utmost determination and, for our part, that has been our record, and is our intention.