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MINISTERS WILSON AND CARNEY NOTE PROGRESS ON
AGRICULTURAL TRADE FRONT AT CONCLUSION OF
OECD MINISTERIAL MEETING

Finance Minister Michael Wilson and International Trade Minister Pat Carney called the successful conclusion of the OECD Ministerial Meeting the first step toward the goal of agricultural trade reform.

The OECD ministers reaffirmed the commitments made at Punta del Este to deal with agriculture in the Uruguay Round and pledged concrete action to end the escalation of the agricultural trade wars.

The final OECD communiqué incorporated the essential elements of a Canadian proposal for reform of international agricultural trade contained in a letter sent to Secretary-General Paye on March 11, 1987 and advanced by Canadian ministers at international meetings.

Agricultural reform was first placed on the world agenda by Prime Minister Brian Mulroney at last year's Tokyo Economic Summit. Since then, ministers have pushed for reform at a variety of international meetings including Cairns, Australia; Sintra, Portugal; Punta del Este, Uruguay; San Diego, California; Lake Taupo, New Zealand; and Kashikojima, Japan.

The Canadian principles state that agricultural policies should be designed so as not to adversely affect international trade. To this end and progressively over time:

1. Agriculture policies must become more price responsive.
2. Support for agriculture should avoid production incentives, i.e. support should be for farmers not farming.
3. Countries should freeze and seek to reduce governmental assistance measures that artificially distort world prices.
4. Countries should not introduce new import barriers not mandated by existing legislation.
5. These basic principles must be implemented collectively.

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With the adoption of the communiqué, OECD Ministers have pledged to use the Uruguay Round of multilateral trade negotiations to reduce progressively "assistance to and protection of agriculture on a multi-country and multi-commodity basis". The negotiations will be vigorously pursued and comprehensive negotiating proposals are to be tabled over the coming months. Ministers also agreed that their governments will "refrain from actions which would worsen the negotiating climate", for example, isolating domestic markets further from international markets and engaging in confrontational and destabilizing trade practices.

Minister Carney welcomed the communiqué, stating that "The communiqué shows a clear commitment on the part of the major industrialized countries to tackle the agricultural trade crisis as quickly and effectively as possible". She expressed confidence that the OECD communiqué will make a major contribution to the discussion at next week's ministerial meeting of the Cairns Group of Agricultural Exporters.

As one of the lead speakers for the meeting, Mr. Wilson urged his colleagues from the USA, Japan and Germany to take prompt action in implementing the recent G-7 agreements in Paris and Washington. This was essential to restore stability in financial markets. He called on the USA to pursue vigorously its budget deficit reduction policies. He noted that while the thrust of deficit reduction has been appropriately centered on cutting government expenditures, it may not have gone far enough and "additional revenue raising measures may be required". At the same time, special responsibility for maintaining the momentum of world economic activity must fall on Germany and Japan. Mr. Wilson pointed out that the savings-investment and trade imbalances at the root of the problems were being corrected, albeit slowly. In the meantime, there has been volatility in money and exchange markets and a dangerous rise in protectionist practices by impatient policy-makers. This impatience in policies and markets was creating more obstacles to the required underlying adjustments both macro-economic and structural.

He warned his colleagues from the 24 member countries of the OECD that while giving-in to protectionist pressures may seem to be good short-term politics, in the end "bad economics soon becomes bad politics". In this context he urged ministers to "chart a course to place agriculture on a sounder economic footing", by restoring market forces. "The current situation is hurting all our efforts at deficit reduction and job creation."