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STATEMENTS AND SPEECHES

Speech by the Right Honourable
Joe Clark, Secretary of State for
External Affairs, to the Canadian
Cattlemen's Association

Canada

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I started this week in London in meetings not very far from the buildings where, ... years ago, a group was formed calling itself the Company of Adventurers Trading into Hudson's Bay. They became one of the two organizations whose competition opened up this country -- started the movement west. And what were those Europeans competing about? -- the right to sell Canadian fur in European markets. And what has become one of the most fierce campaigns of recent years -- the campaign to stop the sale of Canadian fur in European markets. Similar ironies are everywhere.

Canadian immigration policy deliberately drew settlers from Europe to make the most of one of the world's natural bread baskets, the Canadian prairies. Our ranching industry grew because of the natural advantages of the foothills, and the Cypress Hills, and other regions ideal for cattle production. For the first half of our life as a nation, we prepared to make the most of the natural agricultural advantages of Canada. Now we are locked in vital combat with nations -- often friendly nations -- who grew strongly respecting natural advantage, but now replace the marketplace with a maze of controls and subsidies.

The dilemma for a country of only 25 million residents is that, even if our principles were flexible enough to declare natural advantage irrelevant, we can't afford to do that. We might have better farmers than Europe and the United States, but they have bigger treasuries. At the Economic Summit in Tokyo, the Prime Minister read the figures to the leaders of Japan, Britain, Germany, United States, and other proponents of the market economy. On average, a grain producer in Europe receives 94 U.S. dollars government support per tonne; in the United States 75; and in Canada 34. Those figures can't take account of all the cost of the new U.S. Bill, because those costs are literally incalculable.

It is clear that Canada can't match the U.S. and European subsidies. What is also clear is that our best friends -- when we argue our vital interest against their vital interest -- prefer themselves to us, even when that involves truck and trade with regimes they customarily condemn.

I must also mention Japan, because that country, like Europe and the U.S., has shifted some of its share of agricultural problems offshore. What is different about the Japanese is that they use import controls to impede trade and contribute to the problems we all face.

We have some allies. As we mass our forces against the United States, the European Community and Japan we have Australia on our side, and New Zealand, and Thailand, -- and Zaire which, like other less developed countries, would like to pull itself forward by its natural advantages in agriculture. So we have a strong logical case, some wonderful friends, and, in any trade war, about the same prospect of victory that we in this room might have fielding a pickup team against the Chicago Bears.

Indeed, if one wants to list the ironies in this situation, consider that nations which have been urging starving Africa to build its agricultural base are now creating artificial food surpluses which, at the very least, discourage African agricultural reform. An American Congress which sought to punish Canada for buying sugar from Cuba is now enthusiastically selling cut-rate grain to the Soviet Union. A European community which was established to encourage international cooperation and efficiency does not allow our multilateral institutions, like the GATT, to function and has created a whole new landscape of butter mountains and wine lakes.

But beyond all those ironies is the inescapable fact that everybody is being hurt - producers of food, consumers who must pay higher prices, government treasuries which must fight impossible deficits, and the framework of international order which has been the basis of international economic stability, since the last binge of protectionism, which gave us the Depression.

No one can win a trade war -- indeed Canada can't really afford to fight one. To quote a famous American, "Trade wars, like nuclear wars, shouldn't be fought and will never be won." Obviously, the Government of Canada must continue to provide financial help to our most basic industry, when it is facing its worst siege since the depression. We have committed \$5.2 billion since September 1984 to agriculture initiatives and are looking seriously now at recent proposals concerning an increase in domestic wheat prices, deficiency or stabilization payments for 1986/87 crop year, mechanisms to ensure the two price wheat policy continues to reflect historical regional market shares, mechanisms to ensure the competitive position of Canadian wheat-based product manufacturers. But there are real limits to what we can do on that side. The U.S. and the Community could outspend us easily, even if we didn't carry the burden of the Canadian deficit. If the foundation of world food policy is going to be subsidy, Canada will have real trouble; if the foundation is going to be efficiency, agriculture can become again a mainstay of the Canadian economy.

So the issue becomes: how do we move the world away from subsidy, back toward efficiency. Another essential question is what do we do in the interim, and the government is trying to deal with that in our domain, as the Canadian Cattleman's Association is in your case against Danish and Irish Beef. But the most effective interim measures are those directed toward an ultimate objective -- and our objective has to be to move trade in agriculture back along the spectrum, away from subsidy, toward natural efficiency.

Let me put that challenge in perspective.

Public policy is not always orderly or consistent. That is why it sometimes frustrates utterly logical people, like cattlemen or commentators.

I won't try today to analyse why conventional wisdom about appropriate policy changes. But as we decide how we deal with this crisis in agriculture trade, it is useful to note the changes that are occurring in world opinion and practice.

There is a change in attitudes about the role of governments. Generally, in the late 1980's, governments are getting out of economic enterprises, which generally, in the 1970's, governments were encouraged to get into. There are major privatization programmes underway in Canada, the United States, the United Kingdom, and France, to name a few. That is significant as an indication that public attitudes change across national boundaries. That new attitude relates directly to the subsidy practices that began, on this scale, with the Community's Common Agriculture Policy.

It is also significant in that the direction of the change is away from government control. There is a reduced expectation of what government is supposed to do, and that reduced expectation is a significant political factor within both the European Community and the United States -- the two principal contributors to the trade subsidy war we are worried about.

A related reality is deficit control. Michael Wilson may be more effective than other Ministers of Finance in getting his deficit down, but he is not alone in his preoccupation. Indeed for Michael and for me, the first hopeful sign that we might be able to break this cycle of international subsidy was at the OECD spring meeting this year, when individual ministers from Common Market countries complained about the cost, to their consumers and their economies of the Common Agriculture Policy.

We reported that to the Prime Minister, and he decided to mount a sustained campaign for a change in the world's attitude toward subsidies that became the basis of our approach to the Summit of Industrialized Countries in Tokyo in May.

Just before that Summit, Mr. Mulroney convened a meeting of major representatives of Canadian agriculture, here in Vancouver. Then we raised the question of agricultural trade at the Summit, and argued to other leaders the inconsistency of summit countries preaching freer trade on one hand, and practicing protectionism in agriculture. To our surprise, the debate on agriculture took hold in the Summit. Every member nation recognizes that the spiral of subsidy must be stopped and that we will have to act together to stop it.

That was the first time in the history of Economic Summits that agriculture was discussed in detail. We are continuing the initiative the Prime Minister took at Tokyo.

On the one hand, we are protesting, as strongly as we can, each new assault on our markets or interests. The Prime Minister has twice in the last ten days spoken to President Reagan about the U.S. recent grain actions, and my first call, on arriving back in Canada Wednesday, was to George Shultz. I raised the question with the Community in June. John Wise has travelled to Brussels and to Washington to urge his colleagues to cool their conflict.

On the other hand, we are playing a leading role in trying to go beyond the present sharp disputes and mobilize international action to cut back subsidy.

It's slow going.

Charlie Mayer called a meeting here, in June, of Ministers from the World's five major grain exporters, to search for an agreed way to cut back subsidy. Mr. Mayer is going to the Cairns meeting in Australia, later this month, to help build a common strategy against subsidies.

But even as those meetings occur, new protectionist measures are introduced in the United States, and the same members of the European Community have acted to prevent an agreement that would have given GATT a chance to tackle the surplus and subsidy problem. I won't take you through all the detail, but our negotiators at Geneva, working closely with others had come to the very edge of agreement on an agenda that would let us confront these basic agricultural problems at the Ministerial Meeting on GATT in September in Punta del Este, Uruguay. At the last minute France and Ireland, and Spain and Greece backed out of the agreement on the agenda.

The Punta del Este meeting remains the best chance to make progress against this crippling cycle of subsidy and surplus. But this agricultural issue is so complex and intense that it may prevent agreement on starting a new round of multilateral trade negotiations. That would be tragic for everyone. It would be an invitation, and a justification, for all nations to step back from international cooperation, and indulge the worst excesses of protectionism. The international movement toward freer trade would be reversed, and nations like Canada, which rely on trade would see our problems multiply. So failure to act on agriculture could trigger a far wider failure in international trade and economics.

The world faces three options.

The ostrich approach is to bury our head in the sand and hope the problem goes away. That would be an abdication of responsibility, and an invitation to more subsidies or surpluses from groups with massive treasuries.

The second is to let the trade war continue until the U.S. and the Community realize that neither can win. By that time, most countries with smaller treasuries, or their producers, would be bankrupt. And the protectionism which arose in agriculture would result in retaliation in other fields, gradually tearing down the system which has given the world prosperity for half a century.

The Third option is to face the music - to tackle head on the subsidy and surplus problem.

That is the only option that makes sense to Canada.

I will be leading the Canadian delegation to Punta del Este. We are making it clear that agriculture is the top item on the Canadian agenda for the new round of Multilateral Trade Negotiations. We are mobilizing all our diplomatic and negotiating resources to try to get an agreement that will make progress in GATT against agricultural subsidy and surplus. Our plan and our challenge is to ensure that world public opinion recognizes what is at stake in these discussions.

However, the world cannot afford to wait for the results of GATT negotiations. The farming community cannot be allowed to be ravaged by the current crisis while the search for long-term solutions is conducted. We need action soon to begin to move toward a more reasonable environment.

One of the ways to achieve progress could be to ask a group of prominent individuals "to provide an urgent, independent, and objective analysis of agricultural subsidies and obstacles to market access, and to report to us on their findings and on the remedies we might consider". I indicated six weeks ago in Edmonton that we were considering establishing such a group. Since then, we have developed our thinking. We would envisage such a group providing their views on the main issues in trade affecting all agricultural commodities, particularly those currently experiencing severe difficulties such as cereals and red meats.

The group could be asked to consider those government policies and programs that impact significantly on production and trade in farm products, particularly those affecting commodity trade in the short to medium term (two to three years). It could be asked to propose specific and practical actions to be undertaken together by governments within their current legislative and program frameworks. Such actions would have to yield short-term results. The group would be intended to complement the longer-term action of the GATT. It is clear that it could not substitute itself for the negotiations. What we have in mind is that the proposals from the group could go some way toward reducing the current intolerable stresses in international trade and reinforcing the confidence of producers in their own futures.

The Canadian government firmly believes that urgent international action is required to move toward a better international trading environment. The international rules must be clear and understood by all. Producers must be assured that their opportunities for growth will depend on their own efforts and initiatives and not on the policies of their national governments. We are confident that, in such an environment, Canadian producers will thrive as they have over the past century. What we are seeking is a better, more rational world where all of us will be able to prosper.