



CANADA SEEKS BASIC REFORM OF WORLD AGRICULTURAL POLICIES

OTTAWA -- Canada will press for basic reform of trade-distorting agricultural policies among the member nations of the General Agreement on Tariffs and Trade (GATT), International Trade Minister Pat Carney announced today.

Canada, the second GATT member to table its position at the multilateral trade negotiations in Geneva, is calling for a comprehensive approach that would eliminate or reduce to the maximum negotiable extent all trade distorting measures by all GATT members for all agricultural commodities. (A backgrounder outlining the Canadian approach is attached.)

The proposal reflects the leadership role Prime Minister Mulroney played at the Tokyo and Venice economic summits, when he brought to the attention of world leaders the urgent need to reform agricultural trade. At the Venice Summit, leaders acknowledged the necessity of advancing the GATT negotiations quickly and expressed the wish that negotiating proposals would be tabled in Geneva before the end of this year.

"Agricultural subsidies and trade barriers have created a vicious circle which continues to cause problems of overproduction and low commodity prices," Miss Carney said. "It's costing Western nations tens of billions of dollars per year, and it's getting us nowhere."

"Thanks in part to Canada's efforts in international forums, there now exists a strong international political will to break out of this circle and get agriculture back on a firm economic footing," she added.

"Although we cannot predict the final outcome of the negotiations, it is vital to launch a bold initiative to ensure much-needed reform in agricultural trade."

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Agriculture Minister John Wise said "Canadian farmers are efficient producers who enjoy many advantages and produce high quality food products. To continue to develop Canadian agriculture, it is essential that all countries collectively adopt a coordinated, legally binding reform of trade and subsidy rules. Given a level playing field, Canadian farmers can compete".

Under the Canadian proposal, all countries would have to ensure that domestic policies and programs to address the specific needs of their farm sectors do not distort trade. Furthermore, in assessing the trade impact of programs, credit could be given to countries which effectively control the output of farm products.

In this context, Mr. Wise noted that Canada will be seeking credit for the fact that our system of supply management is in conformity with GATT rules.

The agriculture minister contrasted Canada's supply management programs with the open-ended support programs of other countries, which have generated massive surpluses. These surpluses have been dumped on world markets and have resulted in depressed and distorted world prices.

"In these negotiations, Canada will be pressing other countries to live up to the GATT rules or to accept new equivalent disciplines on the basis of a mutually acceptable reform of the agricultural trading system," the Minister of State (Agriculture), Pierre Blais, said.

The Canadian proposal, along with others put forth by the GATT members, will be the subject of intensive negotiations over the coming year. Canada's aim is to reach agreement by the end of 1988 on a common approach to reforming world agricultural policies affecting trade, including decisions on how trade-distorting practices will be measured and then reduced. The second stage would involve each country tabling its implementation plan. Following this, the results of the negotiations would be phased in gradually over a number of years.

Charles Mayer, Minister of State (Grains and Oilseeds), said he hoped that the negotiations and the spirit of reform behind them will hasten the introduction of short-term measures to address immediate problem areas -- grains and oilseeds in particular.

"Together with other countries, we must end the grain subsidy war", Mr. Mayer said. "Action is urgently needed. We have it in our collective power to reduce distortions in international grain markets. This would bring about a fairly rapid response in grain prices, and is urgently needed."

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October 20, 1987

BACKGROUND

CANADIAN VIEWS ON THE NEGOTIATING APPROACH  
FOR AGRICULTURE

Although, in accordance with usual GATT practice, Canada is not making public any GATT negotiating documents, this note summarizes Canada's views on the negotiating approach for agriculture in the Uruguay Round of negotiations.

BACKGROUND:

The Canadian agricultural sector has a major interest in reducing trade distortions and improving the international rules governing world agricultural trade. Less distorted and more market oriented international prices would benefit Canadian producers.

There is, among agricultural trading countries, a growing consensus on the imperatives surrounding trade reform. Canada and other agricultural trading countries agree that:

- ° agricultural trade reform can only occur if there is a parallel reform of domestic policies (in particular a shift to more market-oriented support policies);
- ° reforms will be easier to implement if they are carried out on a multi-commodity basis and are part of a generalized move to improve the agricultural trading system;
- ° adjustments should be phased-in progressively over time; and
- ° governments should retain some flexibility in the choice of policy instruments (support systems vary widely between countries and it is not necessary to achieve homogeneity in agricultural policies in order to achieve agricultural trade reform).

The three major elements of agricultural trade which the Punta del Este Declaration identifies (access to markets, subsidies and technical regulations) are inseparable; failure to deal with one element could prejudice any gains negotiated in the other areas. The value of access concessions can be impaired by domestic subsidies or by technical regulations used as disguised barriers to trade.

The links between the different instruments of national agricultural policies, the links between commodities, the diverse nature of the policy instruments and the disparate range of commodity interests of GATT members, all argue in favour of a comprehensive approach to the negotiations. Moreover, past GATT negotiations have revealed clearly the limitations of an item-by-item, request and offer approach.

The current credibility of the GATT's applicability to agricultural trade is severely strained by the large number of exceptions and waivers and by the absence of rules to deal with such important agricultural trade measures as: variable import levies, "voluntary" export restraints, minimum import price systems, and "unbound" tariffs. In addition, the effectiveness of the GATT's dispute settlement machinery has been severely jeopardized by the vague, unpredictable rules affecting both domestic and export subsidies for agricultural products.

PROPOSAL:

The conclusion Canada draws from the foregoing is that the political will necessary to fulfill the objectives set out in the Punta del Este Declaration is beginning to emerge. These objectives are "to achieve greater liberalization of trade in agriculture and bring all measures affecting import access and export competition under strengthened and more operationally effective GATT rules and disciplines". The only negotiating approach which holds any real prospect for success is one which encompasses all GATT members, all agricultural commodities and all trade distorting measures--in short, a comprehensive approach.

In Canada's view such a comprehensive approach must deal with two interrelated issues: (1) to improve and secure access to markets and reduce trade distorting subsidies, and (2) to provide national policy makers with equitable, predictable and enforceable international rules under which national agricultural policy decisions could be taken.

More specifically, Canada proposes countries collectively adopt a comprehensive approach which would result in:

- ° the provision of a more equitable balance of rights and obligations among GATT members, such that all measures affecting access to markets would be brought under more effective and enforceable GATT disciplines; and
- ° a major reduction in all trade-distorting subsidies and a major improvement in market access to be phased-in over approximately five years, with the ultimate goal of eliminating all subsidies which distort trade and all access barriers, over a period to be negotiated.

Canada proposes that agreement first be sought on the negotiating technique to be used to achieve trade liberalization. What is required is a simple yardstick which converts all access barriers and trade distorting subsidies into a single aggregate measure. This is necessary to enable the measurement of trade distortion reductions within and between countries. Such a measure would omit those elements of government support to agriculture which do not distort trade. This should assist in encouraging the development of national agricultural policies which are more market oriented. In calculating the trade distortion measure, "credit" could be given to those countries which effectively limit the output which is eligible for support.

Elements of a first stage would include agreement on:

- ° measures to be included in the trade distortion yardstick;
- ° the base period against which to measure reductions;
- ° the depth of cut and the length of the phase-in period; and, most importantly,
- ° a binding commitment not to introduce any new import barriers or trade distorting measures.

The second stage would involve each country tabling a plan indicating in detail how it proposes to implement its commitment to reduce trade distortion measures by the specified percentage.

The final stage would be gradual implementation of the agreed upon reforms.