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**AGRICULTURE IN THE URUGUAY ROUND:
A CANADIAN PERSPECTIVE***

by

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Agriculture in the Uruguay Round: A Canadian Perspective*

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1.0 Introduction

It will be appreciated that the views given here are "a" Canadian perspective not "the" official view. The Canadian government has not made its views known on many of the issues raised, and we suspect that negotiating positions have not yet been finalized on some of them.

This paper has six parts. After this introduction, a brief historical sketch of the development of the Uruguay Round and the negotiations on agriculture is provided in the next section. This will be useful for those who have not been following the negotiations closely. The agenda of the GATT multilateral trade negotiations (MTNs) is related to the present and prospective themes and content of Canadian agricultural policies and programs in Section 3. The fourth section provides an overview of Canada's agricultural policies and of what is known from empirical work about the possible economic impacts of multilateral agricultural policy and trade reform on the farming component of the Canadian agrifood system. A fifth section lists topics which need further research attention. In the final section the authors offer a few observations - but no predictions - about the international accord on agriculture that is being sought in the Uruguay Round.

2.0 Historical Background

The Uruguay Round of GATT negotiations and the central position of agricultural trade in it, have their immediate origins in the failure to place international disciplines on the use of

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subsidies in agriculture in the Tokyo Round of multilateral trade negotiations, and in the subsidized competition for available markets that developed soon thereafter. Agricultural trade conflicts, particularly between the United States (US) and the European Economic Community (EEC), were an important part of the malaise in the international trade system that was addressed at OECD and GATT Council meetings in 1982. The decision taken that year to initiate the Trade Mandate Study in the OECD and to form the Committee on Trade in Agriculture in the GATT can be regarded as the beginnings of the technical preparations for negotiations on agricultural policies and their trade effects. The magnitude and urgency of the problem was elevated by the passage of the 1985 US Food Security Act and the subsequent decline in commodity prices, partly as a result of growing supply/demand imbalances and partly from the intensification of the US-EEC subsidy war.

The Government of Canada took the lead in having the situation in agricultural trade placed on the agenda of the 1986 Tokyo Economic Summit. Also in that year Canada played an important role in the formation of the Cairns Group of self-styled "fair traders in agriculture". These initiatives were rewarded in September 1986 when the Punta del Este declaration that launched the Uruguay Round gave agricultural trade reform a high priority. Subsequently, Canadian authorities have been active in ensuring that this priority was reaffirmed and accorded the necessary political commitment in 1987 and 1988 in the GATT, the OECD, the Economic Summits, the Quadrilateral Group, and in other international economic fora.

This active role by Canada in supporting multilateral agricultural policy and trade reform is a reflection of three factors. First, there is a consensual view that, given its present and future dependence on export-led growth, the Canadian agrifood system as a whole can only reach its full potential if it has assured access to undistorted global markets for farm and food products. Second, the objectives of the Mulroney government that took office in 1984 to deregulate markets

and to reduce the budgetary deficit can only be achieved for agriculture in the context of mutual disarmament by the industrialized countries in their contending farm and trade policies. Thirdly, whilst much could be accomplished in the bilateral Canada-US Trade Agreement in terms of obtaining secure and improved access to our most important single export market, the problems of agricultural subsidization and trade protection can only be resolved in global negotiations.

3.0 Objectives and Proposals

Canada's objectives for agriculture in the Uruguay Round throughout the 1980s have been few, consistent and clear (Gifford 1989). They are to achieve:

- a) a substantial reduction in tariff and non-tariff import barriers;
- b) a substantial reduction in trade distorting production subsidies and the elimination of export subsidies;
- c) improved GATT rules covering trade in agriculture and their application to all countries; and
- d) a system that will minimize the adverse effects on trade of national technical regulations, starting with health and phytosanitary measures.

All these objectives are found in the Punta del Este Declaration (GATT 1986), in the mandate of the Negotiating Group on Agriculture (GATT 1987) and in the framework agreement reached by the Trade Negotiations Committee in Geneva in April of this year (GATT 1989). The only point that needs particular comment is that Canada sets greater store than some other countries in item c) which expresses the wish to see an end to all the exceptions, waivers, and "grandfathered" arrangements under which other industrialized countries have been able to escape the disciplines of the GATT in their agricultural trade, and the desire for the creation of a set

of unambiguous and enforceable rules to which appeal can be made in disputes on agricultural trade.

Canada also has a set of what might be termed second-tier objectives, which include the following. First, it has always been Canada's position that the negotiations in GATT are not concerned to terminate income transfers to agriculture; rather, they should be aimed at containing, reducing and eventually eliminating the external effects of such policies. That is, national agricultural policies should transfer income to farmers - in whatever amounts each country chooses - in ways that are trade-neutral by reason of their being "decoupled" from production and consumption decisions. Second, Canada has emphasized that account should be taken of the fact that the adverse trade effects of commodity-centred price and income support programs are attenuated where supply controls constrain the output responses of producers to incentive prices. Third, in order to protect national supply management programs, Canada seeks clarification of the provisions of Article XI of the GATT which permits the imposition of the import quotas needed to make domestic supply control programs effective. A fourth negotiating objective of Canada is to secure international acknowledgement that stabilization or economic safety net programs are not trade distorting or, at least, are well within the bounds of any reasonable de minimus standard. Finally, Canada is seeking clarification of the distinction between allowable assistance and trade distorting subsidies so as to permit the better application of clearer GATT rules to subsidy-countervail cases brought under national trade remedy laws.

All these over-arching and second-tier objectives have shaped Canada's negotiating proposals, and its responses to the proposals of other countries.

For the most part, Canadian authorities have chosen to influence the momentum and content of the negotiations on agriculture through its membership in the Cairns Group and its influence on the successive negotiating proposals of that Group (Cairns 1987, 1988a, 1988b). The

Cairns Group has proposed that the long-term objectives of the negotiations should be the eventual elimination of all trade distorting support and protection, secured through a combination of measured reductions in trade distorting production and export subsidies, the dismantling of import access barriers, and the universal application of a set of strengthened GATT rules governing trade in agriculture. The Cairns Group has supported the use of a suitable quantitative indicator of the trade distorting effects of subsidies and import barriers to establish a measure of existing support and protection, to define a target for their reduction, to evaluate proposals for national policy changes that would give effect to international obligations, and to verify that agreed target reductions in support and protection levels had been met. The Cairns Group's approach to minimizing the trade effects of technical regulations emphasizes transparency, harmonization, equivalence and the need for regulations to have a scientific basis. For the short term, the Cairns Group has advocated a standstill (cease fire) and roll-back (withdrawal) in support and protection as a prelude to long-term reform (mutual disarmament), with a view to providing immediate relief to smaller exporters, preventing the trade situation deteriorating, improving the political environment, and providing an earnest of intent to pursue long-term agricultural and trade policy reforms. Finally, through the Cairns Group, Canada has acknowledged the need to provide special and differential treatment for developing countries, to address the impacts of agricultural trade reform on food importing developing countries, and to take account of the concerns about food security of a number of both rich and poor countries.

Presumably because of uncertainties about the durability of the Cairns Group and a desire to emphasize its own particular preferences and concerns, Canada made a separate formal proposal on the objectives and modalities of the agricultural negotiations (GATT 1987b). Canadian authorities have also expressed distinctive national positions in technical groups as the negotiations have proceeded. Three of these can be identified. First, Canada proposed that the Uruguay

Round aim initially for a major reduction in all trade-distorting subsidies and a major improvement in import access over a five year period, with further reforms to be negotiated thereafter. Second, Canada proposed that the Trade Distortion Equivalent (Government of Canada) be used as the measure of the trade impacts of national farm programs and their accompanying trade arrangements. Third, alone amongst the Cairns Group, Canada has emphasized the need to take account of the attenuation of the trade effects of price support programs where effective supply controls are in place. These positions are not inconsistent with the broad positions of the Cairns Group as a whole. Indeed, only in its inability (on the eve of a federal election) to embrace the highly specific Cairns proposals of July 1988 for a 10 percent cut in support levels and improvements in import access in 1989 and 1990 has Canada been at serious odds with other members of the Group.

In the negotiations to date the Canadian position has been importantly different from those of other major countries. The Canadian proposal was less ambitious (or more realistic) than the original US "double zero" option, and saw more virtue in short term measures in themselves and as stepping stones to long term reforms. On the other hand, Canadian authorities showed no enthusiasm for the commodity "market management" at one time favoured by the EEC. Canada also differs from the Community in believing that GATT commitments to reduce support and protection must be expressed in terms of legally binding schedules of changes in specific policies rather than leaving countries flexibility to choose how they implement an agreed formula cut. Canada has, of course, rejected Japan's original suggestion that the onus for reform rested primarily on the exporters, and reacted negatively to Japan's desire to exclude "basic foodstuffs" from the negotiations.

3.1 Where We Stand

The two years spent in tabling, discussing and elaborating alternative proposals on how agriculture should be treated in the Uruguay Round culminated in the mid-term review meeting began at Montreal at the Ministerial level in December 1988 and completed by senior officials in Geneva in April 1989. The hiatus was caused by the inability of the US and the EEC to agree on whether the long-term objective of the negotiations was the "elimination" or "substantial reduction" of trade distorting subsidies and access barriers. The resolution in April involved the US abandoning its zero option proposal (though eventual elimination of subsidization and protection is not precluded) and accepting the target of "...substantial and progressive reductions in agricultural support and protection sustained over an agreed period of time...". The US also conceded that there should be a standstill on support and import access at current levels for the remaining 20 months of the negotiations and the possibility of a cut in 1990. The compromise is close to the EEC's opening negotiating position which was for "the phased reduction in support" and very close to the Cairns Group's proposal. Canada and other Cairns Group members regard the April accord as a good result insofar as it specifies an agreed objective; provides a framework and a timetable for the negotiations; includes a cap on support for the duration of the negotiation (and possibly a roll-back in 1990); extends to all measures affecting trade (including not only domestic and export subsidies but also variable import levies and voluntary export restraints); and specifies that new rules should be applied to all countries (including the US' waiver and Japan's grandfathered access barriers). The accord envisions that the final objective of the Uruguay Round - the establishment of "a fair and market-oriented agricultural trading system" - will be achieved by a combination of commitments on measured reductions in support and protection and the enactment of strengthened and more operationally effective GATT rules.

Clearly, much remains to be done in Geneva. The remaining months of 1989 will be occupied by a demanding work program to clarify all the elements which could figure in an overall accord, none of which has been agreed in the first phase of the negotiations. Countries are committed to table proposals by the end of 1989 on how the elements can be combined in an agreement that will achieve the overall objective. The final agreement on agriculture has to be reached by the end of 1990. Presumably, it will also have to draw on, and be compatible with, agreements reached in other negotiating groups which will affect agricultural trade, especially the results of the negotiating groups on subsidies and countervailing measures, non-tariff measures, safeguards, and dispute settlement. The first tranche of cuts in support and protection are to be implemented in 1991.

The elements of the work program which have to be separately explored and then combined into national negotiating proposals and a final multilateral agreement include the following:

- . Which agricultural programs are trade distorting and which are trade neutral by reason of their being decoupled from production?
- . What quantitative indicator will be used as a proxy measure of the trade distorting effects of domestic subsidies to products and inputs, export aids, and import access barriers?
- . How will the measure incorporate supply controls and variable world prices and exchange rates?
- . How would such a measure be used to define and verify obligations to change support and protection?
- . What is to be the relationship between an aggregate measure of support and protection and national commitments on changes in specific policies?

- . What depth of cut in support and protection is to be made, from what base year, and over what time period?
- . What specific changes should be made in the articles of the Agreement and the codes, particularly Articles XI and XVI and the subsidies-countervail code?
- . Is "rebalancing" of support amongst commodities permissible under the April accord's objective of "...correctingdistortions in world agricultural markets"?
- . What is the role of "tariffication" and can it embrace not only import access barriers but also domestic and export subsidies?
- . What is the relationship between the provisions of agreements reached in other relevant negotiating groups and the agreements arrived at in the negotiating group on agriculture?

If this were not enough, the negotiators have also to operationalize their commitments to minimize the trade effects of sanitary and phytosanitary regulations, to identify the special and differential treatment they will provide for developing countries, and agree on how they will take into account the possible negative effects of reforms on food importing developing countries and some countries' concerns about food security.

There is also much to be done at home in conjunction with the activity in Geneva. Of all the elements of the Geneva work program identified above, we suspect that work is far advanced in Ottawa on only two matters - the nature of aggregate measures and the harmonization of technical regulations. If so, then the first task is to arrive at negotiating positions on the remaining elements and the relationship between them. Secondly, there is an urgent need to identify the changes that will have to be made in Canada's agricultural programs to implement a multilateral agreement. Simultaneously, plans must be made for the

reinstrumentation of Canada's agricultural and food policies and programs so that national sectoral objectives can be achieved by internationally-acceptable means. This in turn implies that the objectives of our farm and food policies will have to be re-examined and precisely specified. As noted below, Canadian agricultural policies and programs are already under review for national reasons; the point made here is that the task is to integrate domestically-desired reforms with internationally-necessary commitments. Fifthly, it is important to identify the economic impacts of agricultural policy and trade reform on the Canadian agrifood system as a whole and its constituent participants, commodity sub-sectors and regional components. Parts of this task entail consideration of such matters as how best to seize expanded market opportunities, how to provide support for farmers in ways that are decoupled from their production and marketing decisions, and what adjustment assistance would be provided for those who are adversely affected by international and national policy changes for agriculture. We expect that all these matters are components of the comprehensive policy review that Agricultural Minister Mazankowski has initiated, and anticipate that the government's thinking on them will be a part of the agricultural policy framework discussion paper promised for later this summer.

An important force shaping the comprehensive negotiating proposals that are made by federal authorities in Geneva, and the parallel restructuring of national agricultural policies and programs that must be undertaken, will be the system of consultative mechanisms that are mandatory in a country with a federal structure of governance, and which are necessary to legitimize the process of change. On trade policy a three-tiered system of federal-provincial communications already exists at the levels of trade and agriculture ministers, senior trade officials (the Committee on Multilateral Trade), and agricultural officials (the Federal-Provincial Agricultural Trade Policy Committee). Paralleling this structure is the Sectoral Advisory Group on International Trade for Agriculture, Food and Beverages through which private sector persons

give their advice on trade policy to the federal Minister for International Trade. Extensive consultations on the reform of domestic agricultural policies - within an international context - will follow the publication of the promised policy review paper.

3.2 Negotiating Approaches

The three major elements of the approach to agricultural trade reform envisioned in national proposals and the April Geneva accord are: first, measured reductions in support brought about by contractual obligations to reduce trade distorting domestic and export subsidies; second, measured reductions in protection by phased reductions in barriers to imports; and third, changes in the articles of the GATT and the codes. The April agreement leaves open the question of whether commitments to reduce support and protection will use an AMS-centred, across-the-board approach, or involve commitments on specific support programs and trade arrangements, or embrace some combination of both. The third element would impose constraints on the trade effects of such national farm programs and subject all waivers and exceptions to GATT's authority and to more precise rules.

US authorities and others (Zietz 1988, Zietz and Valdes 1988, US Government 1989) have recently proposed another approach, "tariffication", which is an extension of the rules approach. Under this proposal all non-tariff barriers to trade would be converted to tariffs, which would be first bound and then progressively reduced. This proposal - which is an old idea that has been given new significance by the US' success in 1988 in negotiating changes in Japan's import and state trading policies for beef and citrus fruit - would result in import quotas and measures with like effect (such as variable import levies, minimum import prices and state trading) being replaced by bound tariffs. This approach is probably most appropriate for dealing with non-

tariff import access barriers. Internal support programs and export subsidies would be addressed in other ways.

Conceptually, these various approaches could be alternatives or used in combination in a mutually supportive manner. The April accord left this issue open too. Opinions differ on the matter. Proponents of the AMS approach maintain that it gets directly at the policies that are the source of trade problems in agriculture, whereas the rules or trade effects approach would move the trading system and national policies in the wrong directions by encouraging international market sharing and national supply controls (Josling and Tangermann 1989). Those who place priority on strengthening GATT's rules are sceptical about the use of untried, complex, controversial and manipulatable measures of support and protection such as derivatives of the Producer Subsidy Equivalent, which have uncertain links with the trade effects of farm programs. Tariffication's supporters emphasize that replacing all support and protection by transparent and GATT-compatible tariffs would recouple domestic and international prices and bring agriculture fully into the Agreement on the same terms as others sectors. Others are uncertain about how tariffication could be applied to domestic subsidies in importing countries and to the price support and export subsidies of exporters.

In practice, all of these modalities are likely to be used in a final agreement, but the relative weights to be given to the policy-centred and rules approaches is a key issue in the final phase of the negotiations. Thought on the matter does not appear to be far advanced. Clearly, if the use of an AMS results in less than complete elimination of support and protection (which is certain), or if it does not find favour as a workable tool for determining general and specific obligations to change national policies (which is possible), and if the negotiating countries are unwilling to replace all existing frontier protection and national support programs with tariffs (which is very likely), then greater weight will fall on changing the existing rules for agricultural

trade contained in the Agreement and the codes. The converse is also true; rules changes would be less important if an AMS approach cut deeply into domestic and export subsidies and import barriers.

Some thought has been given to the kind of rules changes that might be made (GATT 1985, Miner 1988 and 1989, Tangermann 1988, Government of Canada 1989, Josling and Tangermann 1989, van Duren 1989). For instance, Article XI might be changed so as to: (i) bring grandfathered and waived quantitative restrictions, variable import levies and voluntary export restraints under its disciplines; (ii) require countries using such measures to assume rising minimum access commitments favouring low cost exporters; and (iii) restrict the range of processed products that could be subject to import controls in support of supply management programs. Article XVI might be changed in ways that: (i) banned the use of export subsidies in agriculture; or (ii) required the phased down-sizing in the volume of subsidized exports or expenditure on export subsidies; and (iii) strengthened the legal precision of the constraints on the use of export subsidies on primary and processed products. The subsidies-countervail code might be strengthened in many ways having to do with: (i) the definition of trade distorting production and export subsidies; (ii) the requirements of a causality test; (iii) the standards of evidence pertaining to causation, injury and remedies; (iv) the concept of net subsidization; (v) the de minimus level of subsidy and injury; and (vi) dispute settlement mechanisms and procedures.

If neither a generic policy-centred AMS approach nor a rules approach to agricultural and trade policy reform command support, then, presumably, the international community will face the sorry prospect of making whatever progress is attainable through country and commodity-specific requests and offers. Some already see this as the most likely outcome (Sanderson 1989).

4.0 Canada's Farm Policies

It is important that Canadians understand how others see our agricultural and trade policies, and be aware of those support programs and trade arrangements which other countries expect us to change.

Today, an automatic starting point is the information revealed by producer subsidy equivalents (PSEs). The most recent data for Canada's PSEs are given in Table 1 and 2 (OECD 1989). To our negotiating partners, Canada's PSEs indicate a degree of subsidization and protection that is significantly higher than zero! We are therefore regarded as contributing to world agricultural trade problems, and are expected to make a contribution to their resolution.

The specific programs that concern other countries - described in terms that they might use - are as follows:

- . the subsidization of high cost milk production, the restriction of imports and dumping abroad of manufactured dairy products;
- . the transport subsidies that benefit the grains and oilseeds sectors;
- . the subsidy component of federal and tripartite stabilization programs;
- . the input, product and upstream and downstream subsidies of provincial governments;
- . the tariffs that protect the horticultural and food processing industries;
- . the quantitative import controls that protect producers of "feather" products;
- . those technical regulations which are not necessary to protect animal, plant and human health;
- . the practices of state trading entities such as the Canadian Wheat Board.

Table 1. Producer Subsidy Equivalents, Canada, 1984-1988, Percentages

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988 P</u>
Wheat	30	40	53	52	46
Coarse Grains	21	46	67	48	41
Soybeans	7	16	17	9	18
Other Oilseeds	20	29	40	30	23
CROPS	25	39	54	45	38
Milk	69	82	86	82	74
Beef and Veal	41	30	46	44	46
Pigmeat	7	4	6	10	14
Poultry	24	22	12	32	32
Eggs	7	5	3	25	34
LIVESTOCK PRODUCTS	40	40	45	47	47
ALL PRODUCTS	33	39	49	46	43

Source: OECD, Agricultural Policies, Markets and Trade: Monitoring and Outlook, 1989, Table 5.

P: Provisional

Table 2. Rates of Support¹, Industrialized Countries, 1984-1988

			<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988 P</u>
Canada							
	PSE	%	33	39	49	46	43
	Per Farmer	US\$	89	93	112	108	107
Australia							
	PSE	%	10	14	16	11	10
	Per Farmer	US\$	2	2	3	2	2
EEC 10/12 ²							
	PSE	%	33	43	52	51	46
	Per Farmer	US\$	369	478	701	775	685
Japan							
	PSE	%	67	69	76	77	74
	Per Farmer	US\$	5532	5641	8786	9463	9749
New Zealand							
	PSE	%	18	23	33	14	8
	Per Farmer	US\$	41	36	64	25	19
United States							
	PSE	%	28	32	43	41	34
	Per Farmer	US\$	88	97	129	134	109
All Countries							
	PSE	%	34	41	51	50	45
	Per Farmer	US\$	96	110	167	180	163

Source: OECD, loc cit, Tables IV.1 and IV.3

¹ The PSEs are net; the per farm data are total transfers in US dollars per full-time farmer equivalent.

² EEC-10 for 1984 and 1985; EEC-12 thereafter.

P: Provisional

If payments were again to be made under the Special Canada Grains Program on 1989/90 crops, and if there were further write-downs of the accumulated deficits in the fund supporting the Western Grains Stabilization Program, then these too would attract attention in the negotiations. The preferential content, procurement and margin policies that favour the Canadian grape and wine, brewing and distilling industries will likely be resolved under the 1988 GATT panel ruling and subsequent agreements.

Two key features of Canada's agricultural policy are clearly affected by this negotiating agenda, these are our supply management and stabilization programs.

In defense of supply management, Canadians argue that supply controls avoid or minimize supply-side trade distortions and, given the price elasticities involved, likely have a minimal impact on the demand side of the market too. Furthermore, exporters either have their historic shares of the regulated markets and share in the rents created by controls (feathers), or we argue that Canada has been driven out of its historic position of being a net exporter by the subsidies and trade practices of other countries (dairy). In this light, the high degree of support and protection for the milk and poultry industries (revealed by the PSE data and the rents that attach to quotas) is a political and economic problem for Canadians but not a trade problem for other countries. Accordingly, producers of the supply managed commodities would prefer that Canada's price, marketing and trade arrangements were excluded from the negotiations.

Their specific fears are that: (i) the dairy and "feather" industries will be caught up in a comprehensive formula-based, across-the-board approach to agricultural policy and trade reform and be required to accept cuts in support prices and enlargement of import quotas albeit no AMS bears a close relationship to the trade effects of Canada's programs; (ii) Article XI will be changed to require the provision of a significant and rising minimum access commitment for imports and to narrow the range of processed products and blends that can legally be placed on the Import

Control List; and (iii) that changes to Article XVI would prohibit "producer-financed export programs" (dumping) (Dairy Farmers of Canada 1988, Canadian Egg Marketing Agency 1988). Depending on the level of the permitted tariffs, proposals for "tariffication" cause even more alarm, for such a development would increase the transparency of protection; lead to its reduction; increase producer price instability in the Canadian market; and, perhaps most important of all, endanger the institutional arrangements which have been created in Canada for the production, pricing and marketing of milk and feather products. Clearly the government faces a dilemma. On the one hand it appears to want to preserve the essentials of Canada's supply management systems (Mazankowski 1989a, Blais, Mayer and Mazankowski 1989), on the other hand it is anxious that Article XI be on the negotiating table for it wishes to have the disciplines of the Article extended to other countries (particularly if more countries embrace supply controls) and to other policy instruments besides import quotas, and it needs clarification of the Article with regard to controlling imports of semi-processed, processed and blended products.

Both federal and provincial governments in Canada have made a firm commitment to the stabilization programs in agriculture under which society-at-large shares with farmers the downside-risks of production and market fluctuations. A key negotiating objective for Canada in the Uruguay Round must be to gain international acceptance for the view that safety net programs are non-trade distorting. To accomplish this two steps are necessary. First, we must persuade our trading partners (and ourselves) that publicly-funded safety net programs are justified by their contributions to allocative efficiency (by offsetting market failures attributable to dysfunctional instability with incomplete risk markets). This is a more compelling reason than arguments based on notions of distributive justice and the realities of political imperatives. Second, we must be able to assure our trading partners that our stabilization programs have features which preclude any significant production response or trade effects. These attributes include price or margin

floors that are slung well below the levels generated in competitive markets; that the levels of these low-slung safety nets are re-set in response to observed market conditions; that the producers contribute to actuarially-sound stabilization funds; that pay-outs from these funds are irregular; and that there are meaningful caps on the total amounts of the benefits that producers can receive. Safety net programs with this animation and these features might be appealing to many countries. And they might possible be sanctioned under Article XIX of the GATT by the latter's being re-written to authorize a wider range of "safeguard measures" than temporary import controls to cope with a broader set of market disturbances than those caused by a surge in imports.

4.1 Policy Context

The external challenges to Canada's existing policies and programs that are posed by the Uruguay Round negotiations on agriculture have to be seen against a background in which substantial changes in agricultural policy may be in the offing for domestic reasons.

The discontents with the status quo include the huge expense, the many failures, the unwanted perversities, and the regional inequities in what we are doing now for farmers. Furthermore, the government's pervasive intervention in the agricultural industry, and its detailed involvement in the industry's micro-management, are ideologically incompatible with the present Government's espousal of deregulation and a larger role for competitive market forces. For these reasons, the federal government has been saying for some time that it wishes to reshape Canadian agricultural policy in ways that would make the sector more market-oriented and responsive, more self-reliant, less a ward of the state, and less of a drain on the national exchequer (Task Force 1985, Mazankowski 1989b). This doesn't, of course, mean "getting government out of agriculture", but it does mean redefining the government's role to emphasize the creation of an environment

in which entrepreneurship can flourish; the enhancement of the competitiveness of the agrifood system as a whole; the supply of public goods; the creation of joint private-public risk-sharing mechanisms; the stewarding of resources and the environment; and the provision of adjustment assistance mechanisms.

There is an important relationship between the process of reforming domestic agricultural policies and the desubsidization and liberalization of global agricultural trade. And specific program changes are on the agenda in both Ottawa and Geneva.

The reshaping of domestic policies has the twin tasks of ensuring that the Canadian agrifood system can flourish in a more competitive environment and that our programs are compatible with the general and specific obligations that will be assumed in the MTNs. Conducting domestic reforms in the context of international negotiations has several advantages: there are opportunities for eliminating those interventions which were introduced to offset the subsidies, distortions and instabilities attributable to other countries' policies; concerted policy-disarmament by all countries reduces the size of the adjustments required of each; reform is more politically acceptable if the economic costs of adjustment are seen to be widely and equitably shared; and externally-specified obligations can provide the political "cover" needed to effect changes that are desired but which are too politically sensitive to be tackled solely in a national context.

The coincidence between the national and international agendas is evident in three specific programs.

First, there is a simultaneous need both to repair the major safety net programs that we have in place (the Agricultural Stabilization Act, National Tripartite Stabilization and the Western Grains Stabilization Program) and to obtain international sanction for them. Domestically, because of concerns about the resource, production and regional neutrality of these programs, and about

their financial viability, attention has to be given to the level and cross-commodity uniformity of the floors these programs provide; to clarifying the relationship between these programs and ad hoc assistance and provincial aids; to limiting the total benefits provided by national and provincial stabilization programs; and to putting the national plans on a sound financial footing. To these issues must now be added the requirement that the redesign of these programs must enable them to meet the internationally-imposed test of production and trade neutrality. Furthermore, the national willingness to consider replacing commodity-specific and price and margin-centred stabilization programs with some form of direct individual farm income insurance is powerfully reinforced by the knowledge that such income insurance programs would certainly qualify as permissible trade-neutral (i.e. "decoupled") programs.

Supply management is a second instance where the domestic and international dimensions of reform could come together. Whilst wishing to retain this policy tool for the future, for domestic reasons there is a felt-need to revamp the supply control schemes in ways which will remove their inflexibilities; recouple them to market forces; and eliminate their cost-increasing and competitiveness-reducing features. Trading partners wish to see these sectors operating in a more competitive environment and want imports from low-cost sources to have opportunities to satisfy a larger share of consumption needs. At a minimum, they want an end to their having to bear the costs of demand-side and third-market distortions caused by Canadian price policies and export practices. The reform goals of Canada's national authorities and trading partners could be made to come together through a variety of changes in national dairy and poultry policy and in pricing and trading arrangements (Meilke and Warley 1988).

Thirdly, there is the issue of "The Crow". The Minister of Finance would like to be released from its expense. Agricultural policy makers in Ottawa and some provinces would like to see the freight subsidy paid directly to grain producers rather than the railways so as to

encourage diversification of the western agrifood system into value-adding activities. And our negotiating partners want an end to a program that subsidizes the production of grains and oilseeds for export. Internal desires (and the will to act) and external demands would be brought together if the transport subsidy was eliminated as part of Canada's contribution to global agricultural policy and trade reform. Were it not for the parlous state of the federal budget, producers could be offered the capitalized value of future subsidy payments. If neither a buy-out nor a termination of the subsidy are politically feasible, then at least the direct grain trade distortion could be minimized by paying the subsidy directly to producers in the form of a payment linked to past planted acreage. Another alternative would be to use the Crow monies to provide an adequate transportation system for all Western goods.

Finally in this section it is important to emphasize that other countries are rethinking and re-instrumenting their food and agricultural policies too. In the United States, modest cuts in grain support levels are scheduled under the 1985 Food Security Act, and further reductions in support and protection for grains, oilseeds, and milk are likely under its 1990 successor. Sugar protection may be changed in response to a recent GATT panel's findings. Japan appears to have made the political decision to become a larger and more lawful importer, and to make a contribution to the better functioning of the world agricultural trading system commensurate with its stake in the stability of the international trading system as a whole (Kihl 1989). Liberalization of its import arrangements for beef, citrus and other products, and reductions in administered prices, appear to mark a radical shift in national agricultural and food policy. Important changes in the Common Agricultural Policy of the EEC have been under way for some years (Mohler 1988, Christensen 1989). They include disciplines on CAP expenditures; required reductions in support prices if production exceeds "stabilizer" limits; narrowing of intervention obligations; production quotas on milk; and a greater emphasis on a broad set of structural reform measures.

The task of the multilateral negotiations on agriculture is to enable these countries to deepen and accelerate reforms on which they have embarked primarily for national reasons. Canada too has the opportunity to fold its national desires for domestic agricultural policy reform into the external opportunities provided by, and the obligations arising from, the MTNs.

4.2 Anticipated Effects of Trade Liberalization

Since the mid-1980s there have been several major research efforts aimed at evaluating agricultural trade liberalization within a multiple-commodity multiple-region framework. The major studies were undertaken by Valdes and Zietz (1980), Parikh et al. (1986), OECD (1987), the USDA (Roningen and Dixit, 1988), and World Bank sponsored research by Tyers and Anderson (1986, 1988). Agriculture Canada has also been involved in trade liberalization work but most of its analyses have not been published (Cahill, 1988).

The various studies of trade liberalization differ with respect to commodity and country coverage, base periods, parameter estimates and the measures of agricultural protection used. Consequently, the results of the various studies differ on many details. But taken as a package they tend to tell a reasonably consistent story with respect to the most significant expected outcomes of multilateral agricultural trade liberalization. It is these broad themes that are highlighted in this section.

All countries in the industrial world provide trade-distorting subsidies to their farmers (Table 2) and it is the elimination of these subsidies that leads to the gains from trade captured in the world trade models mentioned above. The distinguishing feature of multilateral as opposed to unilateral trade liberalization is the substantial increase in world market prices that would accompany the elimination of trade distortions by the industrial market economies. As shown in Table 3, Roningen and Dixit (1988) project the largest price increases for dairy products (49.8%)

Table 3: World Price Impacts of Unilateral Trade Liberalization By Canada, the E.C. and the United States, and Multilateral Trade Liberalization by all Industrial Market Economies, 1986

Commodities	Liberalization by:			
	Canada	EC (percent change)	US	All IMEs
Ruminant Meats	0.4	9.4	4.0	18.1
Non-ruminant Meats	0.6	4.7	3.2	11.9
Dairy Products	2.4	28.1	12.6	49.8
Wheat	2.6	16.4	7.5	29.5
Coarse Grains	1.6	9.0	10.5	22.8
Rice	0.3	2.4	2.6	24.0
Oilseed Products	1.0	5.2	0.9	6.9
Sugar	0.3	11.6	19.0	38.9
Other Products	0.3	2.5	3.8	7.0
Aggregate	1.0	8.5	5.1	19.0

Source: Roningen and Dixit, 1988.

and sugar (38.9%) followed by wheat (29.5%), coarse grains (22.8%) and rice (24.0%). Smaller price increases are expected for ruminant meats (18.1%), non-ruminant meats (11.9%) and oilseed products (6.9%).

Under multilateral liberalization the global supply of agricultural products is essentially unchanged for most agricultural products, with supply increasing in the developing countries by about the same amount as it declines in the industrial market economies (Roningen and Dixit, 1988). Hence, from a global perspective the world is not producing too much agricultural product but it is producing it in the wrong places, and much of the world price increase following liberalization results from demand expansion.

Canada's farmers are understandably concerned with how they will fare economically under liberalized trade. Although world market prices increase with multilateral liberalization, for many commodities the price increases would have been insufficient to completely offset the 1986 level of government support for the Canadian farm sector (Table 4).

The impacts of multilateral trade liberalization on Canadian producer prices and production quantities are shown in Table 4. In aggregate, Canada's producer prices are projected to be 8 percent lower and production 3 percent lower with liberalized trade than under the status quo. The largest producer price declines would be for wheat, coarse grains and oilseeds. Because of the importance of these commodities in Canada it is useful to explore the sources of the price changes in more detail (Table 5). Roningen's and Dixit's world reference price for wheat in 1986 was \$160/mt, and their estimate of farm gate returns in Canada was \$164, consisting of a \$117 farm gate market price plus direct payments of \$47. However, the \$117 market price includes \$35 of indirect transfers (primarily transportation subsidies) leaving an unsubsidized return of only \$82. Under trade liberalization the world reference price of wheat increases to \$207 and Canada's unsubsidized farm gate price rises from \$82 to \$130 (a 58 percent increase). However, compared to the subsidized level of \$164, returns fall by 21 percent.

A similar story can be told for corn but the results are more encouraging. With trade liberalization world corn prices are projected to increase by \$29/mt. This is nearly enough to compensate corn producers for the loss of \$25 in direct payments and \$8 in indirect payments. Hence, returns under free trade are 108 totally unsubsidized dollars versus \$87 from the market and \$35 in subsidies under the status quo.

The continued strong support for trade liberalization by Canada's grain and oilseed producers is not easily reconciled with the adverse income implications of Roningen's and Dixit's

Table 4: Estimated Producer Price and Supply Changes Following Multilateral Trade Liberalization, Canada, 1986

Commodity	Producer Price	Production
	-- percentage change --	
Ruminant Meats	8	2
Non-ruminant Meats	6	-4
Dairy Products	-5	3
Wheat	-21	-1
Coarse Grains	-20	-7
Rice	NA	NA
Oilseeds and Products	-16	-8
Sugar	6	2
Other Crops	-12	-2
Aggregate	-8	-3

Source: Roningen and Dixit, 1988.

analysis. Their support is likely predicated on their belief that the 1986 level of government income transfers through such programs as Special Canada Grains would not be sustainable into the future but that safety net programs such as the Western Grains Stabilization Act will survive any GATT reforms.

Conventional wisdom suggests that Canada's supply managed industries have the most to fear from liberalized trade. However, if the world price increases predicted by Roningen and Dixit (1988) for dairy products were to occur (butter, cheese and skim milk powder prices predicted to increase by 71, 39 and 55 percent, respectively), then recent provisional analysis by Graham, *et*

al (1989) suggests that world prices in 1986 would not only have been well above Canada's marginal cost of production but also above the Canadian producer price level for industrial milk. Under this price scenario, which is more optimistic than some other analyses, Graham et al calculate that in the absence of quota's and with higher prices Canada's milk production would increase by 32 percent and net sector earnings (gross income less cash and feed costs) by 38 percent.

Similarly, in Graham et al's analysis, Canadian broiler, turkey and egg production are also forecast to increase by 14, 46 and 15 percent, respectively and net earnings in the poultry sector increase marginally (3 percent).

If the results of Graham et al's preliminary analysis prove correct it appears that the major impacts of trade liberalization in dairy and poultry would be on quota values, provincial production shares, institutional arrangements and most likely on the structure of these industries. Even if these figures prove to be overly optimistic, the possibility that Canadian dairy and poultry producers could compete at undistorted world market prices for these commodities should not be rejected out of hand.

One of the major justifications for domestic policy intervention is to stabilize the prices received by farmers, and yet one of the major effects of domestic price support and stabilization policy is to destabilize world market prices. Under free trade world prices would be much more stable than they have been in the past. Tyers and Anderson (1988) estimate that wheat, coarse grain and dairy product prices were 75, 13 and 136 percent more volatile in the 1980-82 time period than they would have been under free trade. A large proportion of the volatility of world prices was due to the nearly complete insulation of EEC farmers and consumers from changing conditions in world markets. Under free trade EEC producers and consumers would face greater price instability than under present policies, but many other nations, including Canada, would face a more stable environment making safety-net programs less important than under current

Table 5: Canadian Producer Price Impacts of Multilateral Trade Liberalization, 1986

Commodity	World (US\$/mt)			Canada (C\$/mt)					% Change from Unsubsidized Return	% Change from Subsidized Return
	Base Price	Free Trade Price	% Change	Producer Price Net of all Subsidies	Indirect Payments	Farm Gate Price	Direct Payments	Total Farm Gate Return	Free Trade Farm Gate Price	
Wheat	160	207	29	82	35	117	47	164	130	58
Barley	114	137	20	42	23	65	27	92	66	57
Corn	121	150	24	79	8	87	25	112	108	37
Soybeans	289	297	3	211	23	234	51	285	219	4
Beef	2905	3428	18	2566	234	2800	74	2874	3087	20
Pork	3235	3611	11	1601	192	1793	28	1821	1867	23
Poultry	1505	1744	18	1451	56	1507	0	1507	1720	19
Eggs	2980	3125	5	2980	491	3471	0	3471	3125	5
Butter	2048	3500	71	NA	NA	NA	NA	4700	4525	NA
Skim Milk Powder	1948	3070	55	NA	NA	NA	NA	2790	3683	NA
Cheese ^a	2744	3831	40	NA	NA	NA	NA	4650	4650	NA

Source: Roningen and Dixit (1988), Graham (1989).

^a Roningen and Dixit report a free trade cheese price for Canada of \$2848 while Graham uses \$4650.

conditions. In addition, Tyers and Anderson (1988) projected that if current policies were continued into the future, by 1995 variation in world agricultural commodity prices would have increased by a further 18 percent (in comparison with 1980-82), including increases in instability of 31 percent for wheat, 28 percent for coarse grains and 20-25 percent for ruminant and non-ruminant meats.

While the previous discussion has focused on producers they are not the only ones with a stake in the outcome of the MTNs. Taxpayers and consumers have much to gain from a successful conclusion to the negotiations (Table 6).

The data in Table 6 show that the industrial market economies are estimated to gain \$26.1 billion overall from multilateral liberalization, even though producer welfare declines by \$65.6 billion. With multilateral liberalization Canadian farmers lose \$2.5 billion, assuming no decoupled support payments, while consumers lose \$0.4 billion and taxpayers gain \$4.1 billion. Since, Canadian consumers and taxpayers gain \$1.20 in real income for every dollar lost by producers, they would be well able to compensate the latter for their loss in income from the removal of present support and protection. In addition, because of market price increases Canada's agricultural gross domestic product (excluding subsidies) is forecast to increase by 16 percent and its agricultural trade balance by 0.9 billion dollars.

The net benefits to the industrial market economies from liberalization, while substantial, are small in comparison to the transfers of income within countries. The estimated income gains to consumers and taxpayers in the U.S. and Japan are over five times the calculated increases in national incomes, while the comparable figures for Canada and the E.C. are four to one. As a result, the income redistributive consequences of liberalization have the potential to outweigh the efficiency considerations. To keep this from happening the trade negotiations need to identify

Table 6: The Costs and Benefits of Trade Liberalization to Producers, Consumers, and Taxpayers in Canada and the Industrial Market Economies^{a/}

	<u>Canada</u>		<u>IMEs</u>
	Unilateral Liberalization	Multilateral Liberalization	Multilateral Liberalization
Producer Welfare (b. dol.)	-4.9	-2.5	-65.6
Consumer Welfare (b. dol.)	1.8	-0.4	33.4
Taxpayer Benefits (b. dol.)	4.1	4.1	58.4
Net Economic Benefits			
. Total (bil. dol.)	1.0	1.2	26.1
. Per Capita (dol.)	37	47	34

a/ All figures are in U.S. dollars.

Source: Roningen and Dixit, 1988.

acceptable alternative ways to provide support to farms while eliminating or minimizing their trade distorting effects (IATRC 1988).

Finally, it is important to note that over one-half of the benefits Canadian producers receive from domestic agricultural policies are necessary to offset the price depressing effects of other countries' policies. Hence, there is some truth in the argument that we must subsidize because others do, at least on equity grounds, even though there is a welfare cost of doing so. In addition, about 20 percent of the total transfers from Canadian consumers and taxpayers are lost because of inefficiencies created by distorted production and consumption and through "leakages" to input suppliers and foreign consumers. Globally, in 1986, farmers only received

about 40 percent of the total direct and indirect expenditures by taxpayers and consumers on agriculture; in Canada the figure was less than 20 percent (Blandford 1989).

5.0 Research Needs

There are plentiful opportunities for agricultural economists to contribute to the process of reforming the world agricultural trading system by enlarging the knowledge base on which negotiators can draw. Four research areas that we regard as having high priority are sketched below.

First, more needs to be done to increase the quality of knowledge arising from modeling the economic impacts of desubsidizing and liberalizing agricultural trade. In global models, better information is needed, inter alia, about cross-commodity effects; about trade in heterogeneous raw and processed products; about the effects of individual policy instruments; and about the trade policies of the developing countries and the centrally planned economies (Meilke and Larue 1989). Work which used a more recent base year than 1986 and which examined the results of partial liberalization would also be useful. In assessing the results of trade liberalization on the Canadian agrifood system, we need to deepen our knowledge about the effects of liberalization on farm types, commodity subsectors, regions and agribusiness. In particular, given the economic and political importance of the dairy sector in Canada more reliable quantitative information is needed on (i) the Canadian price impacts of multilateral liberalized trade in dairy products; (ii) the marginal cost of producing milk, by region; (iii) the elasticities of regional supply response functions; (iv) the change in Canada's milk production at undistorted world market prices following the relaxation of supply controls; (v) the number of producers employed; and (vi) the net income consequences in Canada's dairy sector following trade liberalization. The results of work on adjustment assistance for those who will experience losses in incomes and asset values will also

be needed. General equilibria modelling is the only way in which macro-economic and inter-sectoral effects can be explored, and used in conjunction with micro-simulation of representative farms, general equilibrium models may also illuminate the economic effects of so-called decoupled payments programs for farmers.

Secondly, examination of the work program still facing the negotiators (Section 3.1) indicates that there are many subjects on which the research community can provide contributions. Notable work has already been initiated in Canada on aggregate measures (eg. Government of Canada), the design of decoupled farm income insurance plans (Finkle and Furtan 1988, Economic Council of Canada, 1988, Grains 2000 1988, Saskatchewan Wheat Pool 1989), and the means by which an AMS-based obligation might be translated into specific policy changes (Meilke and Warley 1988). We also need to build on the work initiated elsewhere on such matters as rules changes (Tangermann 1988, Zietz and Valdes 1988, Josling and Tangermann 1989, Government of Canada 1989); tariffication (Zietz 1988, Josling 1989); technical regulations (Bredahl 1989); rebalancing support (Koester *et al* 1988, Mahe and Tavera 1988); and the position of the developing countries (Valdes 1988, Johnson 1988, Mabbs-Zeno 1988).

Third, agricultural economists also need to become knowledgeable about other areas of the negotiations which are relevant to agricultural trade. As noted earlier, it is not conceivable that the pacts that emerge from the negotiating groups on subsidies and countervailing, non-tariff measures, safeguards and dispute settlement will have no influence on trade in farm and food products.

The work of the subsidies-countervail negotiating group is an area for study which is of particular significance, not least because it provides the link between the multilateral trade negotiations and the operation of the Canada-US Trade Agreement. The subsidies-countervailing group is trying to categorize assistance programs according to the degree of their trade distorting

effects. This is also an essential step in the attempt being made in the negotiating group on agriculture to use an AMS to define obligations to change farm assistance programs. Moreover, if (as is certain) all trade affecting agricultural interventions are not eliminated and replaced with decoupled forms of assistance programs, and if production and export subsidies are not eliminated by changes to Article XVI (which is equally certain), then great weight will fall on the interpretation of the provisions and the observance of the procedures provided in a revised subsidies - countervail code in settling bilateral and multilateral agricultural trade disputes. Herein lies the importance of work which seeks to extend the economic content of the code and national trade remedy laws. This entails developing an ability to measure the trade effects of alternative policy instruments on raw and processed products, under alternative market structures, and taking into account both bilateral and global market adjustments. This would permit the strengthening of the evidentiary basis for rulings on distortions, causation, injury and remedies (van Duren 1989).

A fourth area in which our knowledge basis is thin is our understanding of the political economy of agriculture in Canada and in other countries. This will shape the final agricultural agreement that emerges from the Uruguay Round. In Canada, as always, federal-provincial relations are crucial, not least because the provinces share jurisdiction in agriculture, have different interests in the negotiations arising from the different commodity compositions of their agricultural sectors, and will have responsibilities in complying with the terms of any agreement on agricultural policy and trade entered into by the federal government (Skogstad 1989). Additionally, the sharp divisions between commodity groups on the objectives of the negotiations, and the difficulties this causes for the general farm organizations, are influencing Canada's negotiating strategy and tactics in ways that are not well understood. Finally, as in the FTA negotiations, food processors and other agribusiness subsectors have interests in the multilateral negotiations which are not always

coincident with those of farmers. The details and effects of this phenomena have also not yet been systematically explored.

6.0 Concluding Observations

It appears that there is a real prospect of significant agricultural policy and trade reform being effected in the MTNs. Certainly the chances are better in the Uruguay Round than in any previous GATT Round by reason of: (i) the concertation of national discontents with domestic farm programs and the imperatives of improving the international trading system for farm products; (ii) the interests that other sectors have in a successful agricultural agreement; (iii) the prospects that progress on trade in services and intellectual property will be held hostage to a settlement in agriculture; and (iv) the fear that a failure on agricultural trade could jeopardize the Uruguay Round and the GATT system as a whole and poison international economic and other relationships (Warley 1989).

On the other hand, the prospect of "a big result" such as that suggested by the US' original proposal (which may never have been in the cards) does not at present seem likely. The US has indicated its willingness to accept a more modest outcome. The 1988 drought, other market developments, and changes in national farm programs, have together reduced the budgetary costs of national agricultural policies and the political frictions they generate in the international arena to levels well below the peaks reached in the 1985-1987 period. The budgetary implications of decoupling income transfers to farmers from their farming activities have little appeal to Ministers of Finance, and farmers are generally opposed to the concept. Long-standing farm programs have considerable political durability and nowhere have national legislators shown much interest in reducing assistance to farmers. And farm groups everywhere are expressing their opposition to changes in either the level or the form of the subsidies and protection they presently

enjoy. It may need the re-emergence of truly burdensome surpluses of temperate zone agricultural products in 1989 and 1990 to restore momentum to the negotiations.

Alas, the authors simply do not know how the various approaches to global agricultural policy and trade reform - the use of an AMS, the rules approach, tariffication, and requests and offers - are going to develop, separately and in concert. Nor can we predict what specific agreements will be reached in the present negotiations to make substantive policy changes over a period to be determined, what commitments will be made on future policy changes contingent upon the completion of obligations in a first phase, and what matters will be simply put aside for another GATT Round.

Finally, we would echo the observation made by others (Tangermann 1988, Josling 1989, Sanderson 1989, Schnittker and vanStolk 1989) that, whatever the ingenuity and mix of negotiating modalities which are combined in an overall accord, the outcome of the negotiations must finally meet the test of having brought changes in a short list of the developed countries' policies that most distort international agricultural production and trade, and in the GATT's mechanisms for handling the disputes to which they give rise. This list would include: (i) expenditure and quantity caps on the EEC's use of export subsidies for grains and dairy products; (ii) limits on the Community's production subsidies for oilseeds (perhaps in exchange for the right to put a modest, bound, specific tariff on imports of oilseeds and non-grain feeds); (iii) reductions in the deficiency payments to US grain producers; (iv) a cap on expenditures under the US' export enhancement program; (v) larger imports of sugar by the US from Australia and low-cost developing country suppliers; (vi) larger imports of manufactured dairy products from low-cost sources into the Canadian and US markets; (vii) termination of Canada's transport subsidies for moving grains and oilseeds to export positions; (viii) liberalization of access to the Japanese market for a range of products now subject to quantitative import restrictions (perhaps by the replacement of quotas, licences and state trading by initially-high tariffs); (ix) a formal end to the US' waiver and Japan's

grandfathered exemption from their import obligations under the GATT; (x) the addition of a minimum access commitment to all Article XI import quotas; (xi) the re-writing of Article XVI so as to limit the volume of product permitted to be exported with the aid of export subsidies and impose an obligation to reduce this by a stated percentage amount thereafter; (xii) a political agreement by all countries to revamp their commodity-centred price and income support programs so as to limit the amount of product that is eligible for support in aggregate and for individual farms.

We could add such elements as a contractual obligation not to let support (as measured by an agreed AMS) exceed some base-year or maximum level, and a re-writing of the subsidies code so as to better define trade distorting subsidies and national responses to them. But to do so would take us beyond the nice round figure of twelve, and some would claim still further into flights of fancy. Sufficient to say that without tangible results such as those we have listed, global negotiations on agriculture will have failed. Again.

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