

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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Group of Negotiations on Goods (GATT)
Negotiating Group on Agriculture

COMPLIANCE REPORTS PURSUANT TO PARAGRAPH 16 OF
THE MID-TERM REVIEW DECISION ON AGRICULTURE

Report by Canada

Introduction

Paragraph 16 of the Mid-Term Agreement states that participants agree to report on their compliance with the undertakings in paragraph 14 with respect to the general levels of support and protection, and more specifically on market access barriers and the level of producer support prices. The effective date for these undertakings is the date of adoption of the Mid-Term Review Decision of 8 April 1989. In addition, the undertakings are made within the scope of existing legislation and existing GATT rights and obligations. In keeping with this commitment, Canada submits the following notification.

A. Levels of support and protection

The effect of measures taken which reduce support and protection to Canadian agriculture may be indicated either by budgetary expenditures or by an aggregate measure of support.

(i) Budgetary expenditures

In terms of budgetary expenditures, estimated federal agriculture expenditures in the fiscal year 1989-90 will decline to Can\$3.2 billion, from Can\$4.6 billion in the 1988-89 fiscal year, a reduction of some 30 per cent.

(ii) Measure of support

The effect of policy changes and reductions in budgetary expenditures has been to reduce support and protection as reflected in estimates of Canada's Producer Subsidy Equivalents (PSE). The PSE estimates considered here follow the general procedures used for PSE estimates notified by Canada to the secretariat in document MTN.GNG/NG5/TG/PSE/CAN/1, of 10 October 1988. Their provisional use in this notification is without prejudice as to how an aggregate measure of support may be negotiated in the MTN Negotiating Group on Agriculture, as a device for implementing or monitoring commitments on long-term reform, and to our position on the use of these or other estimates as an aggregate measure of support at a later date.

The aggregate net percentage PSE for all products declined to 36 per cent in 1989 from 43 per cent in 1988, a reduction of some 16 per cent, with the net percentage PSE for livestock products declining to 43 per cent in 1989 from 49 per cent in 1988, and that for crops declining to 25 per cent in 1989 from 33 per cent in 1988. Estimated PSEs for most Canadian commodities fell in 1989 relative to 1988 and earlier years. Estimated PSEs decreased for wheat, coarse grains, soybeans, sugar, milk, beef and veal, poultry and eggs. These measures indicate that the aggregate and commodity-based levels of support in 1989 have declined for the sector, in line with the commitment agreed to in April.

B. Market access barriers

Effective 1 August 1989, import licences are no longer required for oats imported into Canada.

In the poultry sector, access for imports to the Canadian market has increased. In 1989 the global import quota for chicken is 40.3 million kg., an increase of 21 per cent over the 1988 global quota. This represents growth consistent with Canada's rights and obligations under the GATT Article XI proportionality requirement as well as increased market access negotiated under the Canada-United States Trade Agreement. Global import quotas for turkey and eggs and egg products have also increased for the same reasons.

Canada notified the GATT in March 1989 of its intention to place import restrictions on broiler hatching eggs and chicks; import quotas on broiler hatching eggs and chicks were introduced on 8 May 1989. This measure was taken following completion of legal requirements necessary for the establishment of effective supply management for broiler hatching eggs and chicks under the supervision of the Canadian Broiler Hatching Eggs Marketing Agency. This import measure is consistent with Canada's GATT rights and obligations, under Article XI:2(c), establishing import access based on the historical share of imports over the preceding five years.

The treatment of foreign wines in the provincial liquor board distribution system is being liberalized. The boards will provide national treatment for foreign wines in listing and distribution practices, and will phase out discriminatory mark-ups over seven years, and in some cases ten years, beginning in 1989.

As part of the implementation of the Canada-United States Trade Agreement, tariffs on all goods in bilateral trade including agricultural products, are being phased out. Some tariffs were removed entirely on 1 January 1989, while others are being phased out in one of two time-frames: in five equal annual steps or in ten equal annual steps. A process established to examine further reductions has resulted in the announcement of acceleration in some tariff reductions. Since a large share of Canada's imports come from the United States, this represents a significant increase in access to the Canadian market.

C. Support prices to producers

The support price to producers of industrial milk was increased by Can\$0.39 per hectolitre of 3.6 kg. butterfat industrial milk on 1 August 1989 to Can\$47.45 per hectolitre. This increase was within the framework of existing legislation for the dairy programme, and followed a long period of constant prices. It is consistent with Canada's short-term measures obligation to "otherwise take actions to ensure that current levels of support for the commodity concerned are not increased".

There are no other support prices in Canada which are affected by the short-term agreement. Initial prices paid to producers by the Canadian Wheat Board are considered to be advances on market returns and are not support prices.