

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

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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

The present report describes Canada's compliance with respect to the undertakings outlined in paragraph 14 and paragraph 15 of the Mid-Term Review Decision for the period ending 7 April 1990. This notification is made in accordance with paragraph 16 of the Mid-Term Review, which stipulates that participants agree to report on their compliance with the above undertakings at six-month intervals.

This is the second compliance report submitted by Canada since the Mid-Term Review Decision came into effect on 8 April 1989. The first report was notified to the secretariat in document MTN.GNG/NG5/W/151, dated 13 February 1990.

1. Levels of support and protection

Under the provisions of paragraph 14, participants undertake to ensure that levels of support and protection prevailing in their agriculture sectors at the date of the Mid-Term Review Decision are not exceeded. Under the provisions of paragraph 15, participants state their intention to reduce support and protection levels in 1990.

Budgetary expenditures and estimates of aggregate levels of support are used as indicators of the effect of measures taken by Canada in compliance with the aforementioned commitments.

In this regard, total federal and provincial government expenditures on agriculture in Canada declined from approximately Can\$8.1 billion in fiscal year 1987-88 to Can\$5.5 billion in fiscal year 1989-90 (Table 1).

Estimates of aggregate net percentage Producer Subsidy Equivalents (PSE)¹ for Canada indicate a reduction in aggregate levels of support to agriculture in the three year period from 1987 to 1989 (Table 2).

¹The use of PSE estimates 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 Canada's position on the use of these or other estimates as an aggregate measure of support at a later date.

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2. Market access barriers

Under the provisions of paragraph 14, participants undertake to ensure that access barriers in place at the date of the Mid-Term Review Decision are not subsequently intensified nor extended to other products.

In addition to the measures identified in Canada's first compliance report (MTN.GNG/NG5/W/151, 13 February 1990), tariffs on a wide range of bilaterally-traded agricultural and other products were reduced on 1 January 1990, as part of the implementation of the Canada-United States Free Trade Agreement. Effective 1 April 1990, tariffs on selected agricultural and other products imported from the United States were eliminated, under the accelerated tariff elimination provision of the same Agreement. As a large proportion of Canada's agricultural product imports originate in the United States, these measures represent a significant increase in market access.

The phase-out of discriminatory price mark-ups on foreign wines by provincial liquor board distribution systems, begun in 1989, will continue in 1990.

3. Support prices to producers

Under the provisions of paragraph 14, participants undertake to ensure that support prices to producers are not raised above the level prevailing at the date of the Mid-Term Decision or "otherwise take actions to ensure that the current levels of support for the commodity concerned are not increased".

Apart from the support price changes for industrial milk, notified to the secretariat in document MTN.GNG/NG5/W/151, dated 13 February 1990, there are no other support prices in Canada which are affected by this element of the Mid-Term Review Decision.

Table 1

Total Federal and Provincial Government Expenditures
on Agriculture in Canada
(millions of Canadian dollars)

<u>1987-88</u>	<u>1988-89</u>	<u>1989-90</u>
8,097.6	7,550.4 ^e	5,454.3

e = estimate

Table 2

Aggregate Net Percentage Producer Subsidy Equivalents for Canada
(OECD estimates)

<u>1987</u>	<u>1988</u>	<u>1989</u>
48%	43%	35%