IATRC
INTERNATIONAL AGRICULTURAL TRADE RESEARCH CONSORTIUM

Economic Transition in Central and East Europe, and the Former Soviet Union: Implications for International Agricultural Trade

Von Witzke, H. and S. Tangermann, eds.

1998

International Agricultural Trade Research Consortium
Symposium Proceedings Issue
June 12-14, 1997
Berlin, Germany

CHALLENGES OF THE WORLD TRADING SYSTEM FOR CEE COUNTRIES AND THE FSU

Ken Ash and Lars Brink
Agriculture and Agri-Food Canada, Ottawa, ON, Canada

INTRODUCTION

This paper provides a Canadian perspective on policy issues that might be expected to have a significant influence on world trade in agricultural and food products over the coming decade[1]. The aim is not to predict future policy developments; it is to identify and briefly discuss issues that could have an important impact on future trade in agricultural and food products. Particular attention is given to the implications for the countries of Central and Eastern Europe (CEE) and the Former Soviet Union (FSU).

An overview is also provided of recent trends in world trade, particularly agri-food trade, and the relationship between trade and foreign direct investment is briefly examined.

RECENT DEVELOPMENTS IN TRADE AND FOREIGN DIRECT INVESTMENT

Trade

World trade has expanded dramatically over the last ten years. The volume of world merchandise exports has increased more rapidly than world merchandise output in each year between 1986 and 1996. While the 4 percent growth in value of world merchandise exports in 1996 was lower than in 1995, it was enough to bring the value up to more than $5 trillion (WTO, 1997). The transition economies as a group also saw the value of their merchandise exports rise in 1996, despite faltering or negative economic growth in many transition economies.

Over a 30-year period the annual rate of growth of trade in agricultural products (including food) has averaged about 8 percent (Figure 1). This is lower than the rate of growth in value of merchandise trade. Consequently, the agri-food share of world trade has steadily declined. In the early 1960s agri-food products represented 25 percent of world trade, declining to around 9 percent today. Numerous factors have influenced this decline, perhaps none more significant than the relatively greater liberalization of domestic and international trade policy for merchandise goods.

Although the share of agri-food trade in total merchandise trade is declining, the total value of agri-food trade has increased, particularly in processed foods and beverages. In the early 1970s world agri-food trade was made up of 60 percent

---

[1] This paper essentially represents an updated version of that presented at the ABARE Outlook Conference in 1996, entitled Canadian Perspectives on Policy Issues of Importance for World Agricultural Trade Over the Coming Decade. Additional consideration is given to challenges that might be faced by the CEEC and FSU.

processed food and beverages, and 40 percent commodities. By the mid-1990s the share of processed food and beverages had increased to about two-thirds (Figure 1). As agri-food trade continues to liberalize, a number of factors suggest that higher-value and processed products will represent an increasing component of total agri-food trade (West and Vaughan, 1996).

Low rates of growth of population and income along with inelastic demand imply low rates of food market growth in many developed economies. Firms are responding not just by competing on a cost-price basis, but also by introducing innovative new products that help to differentiate their offerings from those of competitors. This appears to be an effective response to increasingly discriminating consumers.

The trend towards product differentiation has important implications for traditional marketing systems. Spot markets cannot always respond to buyers demanding specific product attributes. At the same time, new technologies are improving the ability of producers and processors to supply the required product characteristics. As a result, spot markets are being replaced with negotiated transactions, from contracts to joint ventures, between firms in the vertical food chain. Vertical coordination systems that improve the communication of market signals up and down the food chain increase the effectiveness, efficiency and interdependency of input suppliers, producers, processors and distributors. Over time, this might be expected to further reinforce the observed trend to increased production and trade in higher value or differentiated products.

Foreign Direct Investment

In this context, firm trade and foreign direct investment strategies take on renewed importance. While exports often remain the preferred means of entering a new market - as it is generally seen as the least risky approach - there is a marked tendency for firms to quickly progress to other approaches that offer them more control over brand management and local market development. As a result, exports might give way to international licensing arrangements, joint ventures and other forms of alliances, and eventually to establishment of foreign affiliates (Vaughan, 1995).

The flows of foreign direct investment have increased more rapidly than trade flows, with the world value of inward foreign direct investment reaching $315 billion in 1995. Investment flows to CEE countries accounted for about 4 percent of this. It is considered that the sharp increase in foreign direct investment into these countries in 1995 is a sign that they are well on the way to becoming market economies (United Nations, 1996). The world stock of foreign direct investment is estimated to have reached the order of $2,700 billion in 1995.

In the agri-food industry, the stock of inward foreign direct investment in 1994 in OECD countries amounted to $76 billion, while these countries' outward stock was one-third larger, exceeding $100 billion (OECD, 1996b). The United States was both the largest home and the largest host for the stock of foreign direct investment in the agri-food industry, accounting by itself for almost 30 percent of these stocks.

In 1990, global international commerce in food and beverage products totalled approximately US $1.5 trillion. Of this, exports accounted for about 30 percent, sales through licenses and joint ventures 10 percent, and sales of foreign affiliates (i.e., majority owned subsidiaries) accounted for 60 percent. Sales of foreign affiliates are not only larger than trade, they are also growing faster (Henderson and Handy, 1993). Decisions of multinational enterprises (MNEs) have important impacts on the location of production/processing, and they can also affect the nature and scope of trade in intermediate outputs, such as technology, know-how and trademarks. As much as one-third of world industrial output may be under the direct governance of MNEs, with their indirect influence being somewhat greater (United Nations, 1994).

A substantial portion of trade in food and beverage products is also intra-firm. For example, in the mid-1980s foreign controlled firms in Canada accounted for about 55 percent of total imports and 75 percent of these imports were received through intra-firm channels[2]. Among the top 100 transnational corporations, firms in the food industry rank second in terms of a transnationality index (accounting for foreign assets, foreign sales, and foreign employment) (United Nations, 1996).

The interdependencies between participants in the vertical food chain, and between trade, including intra-firm trade, and foreign investment strategies of multinational enterprises, are complex and dynamic. Understanding the evolution of these interdependencies is pre-requisite to understanding the likely effect of recent and future policy developments on the businesses that engage in agricultural and food products trade.

POLICY ISSUES AFFECTING TRADE PERFORMANCE

World trade in agriculture and food products will be significantly influenced by three areas of public policy: national macroeconomic and structural policies; trade and investment policies; and agriculture and food policies.

National Macroeconomic and Structural Policies

Available natural resources, stable and transparent systems of government, and widely understood and consistently enforced systems of law, order and governance are necessary but not sufficient conditions for an internationally competitive market economy. Maintaining an attractive operating environment for all businesses - getting the fundamentals right - is essential to the international competitiveness of agriculture, or any other sector of the economy.

In particular, stable macroeconomic and structural policies make it possible for countries to attract and retain the domestic and foreign investment needed for

[2] US controlled food manufacturing affiliates in Canada appear to engage in relatively more intra-firm trade. Estimates suggest that in 1989 more than three-quarters of US exports to US controlled food manufacturing affiliates in Canada were sourced from the US parent group. Similarly, over three-quarters of US imports from US manufacturing affiliates in Canada were to the parent group (Vaughan, 1995).

economic growth. Responsible fiscal and monetary policies constrain public spending, reduce government deficits and accumulated debt, moderate inflation, lower real interest rates and stabilize the exchange rate. Competition, investment and tax laws are needed to encourage individual initiative and innovation, while curbing exploitative or discriminatory business practises. At the same time, social policies, including health, welfare and education, ensure a prosperous and productive citizenry.

The macroeconomic and structural policy choices of virtually all countries will affect future world trade in agricultural, food and other products. Particularly important in this respect are those that are currently very large markets or agri-food suppliers. For example, policy developments in China - where reforms are focusing on further development of internal markets and distribution services - are widely expected to have major implications on world prices and trade patterns for livestock feeds and/or meat products. In the future, the substantial supply capability of several regions of CEE and the FSU could also have a major impact on global supply, prices and trade patterns.

Clearly, macroeconomic and structural policies that define the broad business environment within a country have a fundamental and significant impact on trade, investment and overall economic activity. Those CEE/FSU countries that have taken the most decisive steps towards creating an environment conducive to new business investment and liberal trade are likely to find it easier to exploit emerging economic opportunities.

WTO Agreement on Agriculture

Through eight rounds of multilateral trade negotiations after the Second World War, tariff barriers to trade in manufactures were reduced or eliminated. But distortions in agricultural and food products trade were not addressed in any significant way until the conclusion of the Uruguay Round in 1994.

The resulting Agreement on Agriculture was significant in that countries made commitments not only on border measures, such as provisions for market access (e. g., tariffication of non-tariff barriers, reduction of tariffs, providing minimum access quantities) and export subsidies, but also on domestic support policies. The agreement recognized that the provision of farm support through domestic policy instruments could distort production and consumption, and that the resulting distortions of trade could be addressed only through disciplines on domestic agricultural policy.

While clearly an important first step, the immediate benefits of the Agreement on Agriculture are more modest. Assessments of the agreement have identified as weaknesses such features as low reduction commitments for domestic support and export subsidies, lengthy implementation periods, high initial tariffs resulting from tariffication, and generous interpretation of the kinds of domestic support that are not subject to reduction commitments. Nevertheless, agricultural trade is at least now governed by a set of multilaterally agreed upon rules, and over time the impact of the negotiated disciplines might become substantial.

The rules governing trade in agriculture today are still different, however, from those applying to trade in other merchandise. For example, while export subsides are prohibited in other sectors, they can still be used in agriculture (albeit at reduced levels and subject to numerous conditions). Likewise, subsidies in other sectors are non-actionable only if they are not specific to that industry or if they support disadvantaged regions, research activities, or adaptation to new environmental requirements. There are even limits on how much of the cost of the research (75 percent) or environmental adaptation (20 percent) can be subsidized.

Subsidies in agriculture, on the other hand, are non-actionable if they meet different, more permissive criteria, in particular those defining the "green box" programs. While the fundamental requirement that they have no or minimal trade-distorting effects or effects on production is generally maintained, even trade-distorting domestic support is exempt from the imposition of countervailing duties, under certain conditions, if the support satisfies the reduction commitments on domestic support. In the longer term, the stipulation that the "green box" criteria provide non-actionability only during a certain period dampens the tendency for agriculture to be subject to such special provisions. Market access commitments that are "bundled" at the 3-5 percent level largely permit managed trade and, for example, enable importing countries to continue to protect domestic markets for some commodities and products.

As a result, the most significant impact of multilateral trade negotiations on world trade in agricultural and food products may not be evident until conclusion of the next round, scheduled to begin in 1999. In the interim, the World Trade Organization (WTO) and member countries will continue to be challenged by a variety of issues associated with implementing the current Agreement on Agriculture. The way in which these implementation issues are managed might imply more about the future trade environment than the Agreement itself.

For example, as traditional trade distorting policies are wound-down, domestic pressure on governments to increase other support measures, consistent with "green box" criteria, will increase. Given the very high level of support in many countries during the reference period upon which domestic policy commitments are based, even decoupled payments of the same magnitude for a prolonged period might be expected to create significant economic distortions. As well, introduction of new, "technical barriers" could more than offset whatever modest gains might immediately result from the Uruguay Round.

While Annex 2 of the Agreement attempts to establish appropriate policy criteria, it is not yet clear that interpretation and implementation will correspond to original intentions. There is even some risk, albeit perhaps not yet significant, that desirable, non-distorting domestic policies that effectively limit public support may not "fit" the technical wording of particular paragraphs in Annex 2. The whole-farm Canadian Net Income Stabilization Account is an example of one such program.

Many CEE countries are longstanding members of the WTO and thus endorse and rely on the rules and disciplines of WTO agreements, including the Agreement on Agriculture. Numerous other countries, including those of the Former Soviet Union, have sought accession to the WTO. The accession processes are moving along at different speeds, partly depending on the extent of policy adjustments each country has to carry out in order to be able to comply with the stipulations of the WTO agreements. As the economies of these countries become still more market based, they, too, will benefit from participating in world trade subject to the same rules and disciplines that apply to their partners and competitors.

Regional Trade Agreements

The international trade environment will also be significantly affected by many countries - both CEE/FSU and other countries - entering into regional economic or trade agreements. The recent past has seen the formation of the North American Free Trade Agreement (NAFTA), the establishment of the Mercosur customs union, the commitment to free and open trade and investment in the Asia-Pacific Economic Cooperation forum, and the creation of the Central European Free Trade Agreement, among others. The European Union expanded by adding three new members, and its trade with CEE countries is governed by association agreements. Further expansion of the European Union and the NAFTA with new member countries is being considered. Numerous bilateral trade agreements are also being established and existing ones are being reinforced; now, more than before, these agreements at least attempt to include the agriculture and food sector.

Whether these trends continue or begin to wane remains highly uncertain. Regional and bilateral agreements have the continued potential, however, to significantly influence agricultural and food products trade over the next decade. Perhaps most importantly, such regional initiatives might prove to be useful stepping stones towards a more liberal multilateral trade system.

International Arrangements on Foreign Direct Investment

The role of foreign direct investment in linking together national economies is growing and the interdependence of trade and foreign direct investment is attracting increased policy consideration. Moreover, interest has strengthened in finding international arrangements governing foreign direct investment, and such arrangements are being pursued bilaterally, regionally, and multilaterally. Issues to be addressed include standards of treatment of foreign investors, questions relating to entry and establishment, dispute settlement, corporate behaviour, and promotion of foreign direct investment.

Negotiations in the OECD on a Multilateral Agreement on Investment, for example, seek to eliminate discrimination between foreign and domestic investors, would set high standards for the liberalization of investment regimes, and would provide effective dispute-settlement procedures. The WTO deals with certain aspects of investment issues and has established a working group to examine the relationship between trade and investment.

Agriculture and Food Policies

Agriculture is heavily supported around the world. Within the OECD area, for example, in recent years the level of government assistance has exceeded 40 percent of the value of production, although a decline to 36 percent was observed in 1996 (OECD, 1997). This public support is not just substantial, it also takes many forms, including market price support, direct payments, and provision of services (such as research and inspection).

The level and form of support varies considerably among countries, with Australia and New Zealand being notable for their relatively low level of intervention. Support levels and types also vary among commodity sectors within countries. In Canada, for example, public support as measured by OECD Producer Subsidy Equivalents (PSE), ranges from 9-15 percent for corn, beef and pork, respectively, to 57 percent for milk. Canada is not at all unique in this regard, as many countries have equally high and low levels of support. In the European Union, milk, beef and several major crops receive support in the 40-65 percent range, while support to pork and eggs is less than 10 percent. Producers of different commodities in different countries are responding, to varying degrees, more to public policy and program criteria than to market signals.

Clearly, changes to these extensive agricultural policies, whether driven by domestic or trade policy considerations, will significantly influence future agricultural and food products trade.

In Canada, agricultural policies have been reformed dramatically in recent years. Two types of change have been made: government spending has been reduced and remaining spending is increasingly designed in a non-trade-distorting way, allowing such support to be classified in the WTO "green box". Spending by all levels of government on agriculture and food peaked in 1991 at $9 billion, or 3 percent of all government spending. Continued reductions mean that 1997 spending on agriculture and food is down to less than $4 billion, and just 1.5% of all government spending. This reduced level of support is also far below what is permitted under the commitments of the Agreement on Agriculture (Figure 2). Abolishing the longstanding grain transportation subsidies constituted the elimination of export subsidies in that sector.

To help ensure a smooth transition for producers to this new policy environment, much of today's government spending on agriculture takes the form of one-off or time-limited adjustment programs. Support provided by consumers (via regulated prices for dairy and poultry products) nevertheless remains relatively high. This divergence illustrates the predominance of domestic fiscal restraint relative to international trade policy constraints in shaping Canadian agricultural policy. Overall, agricultural policy reform remains substantial and bodes well for future agricultural trade liberalization (Figure 3).

In the United States, the 1996 farm legislation also shifted considerable amounts of spending from trade distorting forms to essentially "green box" type forms. Provisions remain for exporting with the help of export subsidies, although of course the WTO Agreement on Agriculture imposes the outer expenditure and quantity limits on such exports. Much of the dairy policy remains unchanged for the time being, but major reform is sketched out for implementation in a few years' time. As in many other countries, the need for budget discipline was invoked in the debate about the new farm legislation, but the final outcome leaves some doubt about the strength of this argument.

The European Union has for several years been taking steps to reform its Common Agricultural Policy as it applies to a few major commodity sectors, such as cereals and beef. Support prices for cereals were reduced and direct payments to cereal producers were introduced to offset the reduction in income. This move towards channelling support more through direct payments rather than through market regulations is a positive one.

However, the EU continues to rely heavily on market regulation or intervention for many important commodities and there is scope for further reforms to be made in future years. Such reforms could take the form of scaling back traditional price support measures and strengthening measures designed to encourage sustainable farming and maintain the viability of rural areas.

Policy developments in the EU will also be influenced by the anticipated enlargement of the EU to include ten of its eastern neighbours, all of whom have applied for membership. The extent to which it is desirable (or possible) to reform the CAP prior to enlargement, the role of the EU in helping to bring about change in the structure and performance of the agri-food industry in the new member countries prior to and after enlargement, and indeed the anticipated role of the agri-food industry in the economy of the new member countries, are important and complex questions.

These recent and on-going developments, in Canada, the US and the EU, generally point to gradually decreasing government intervention and freer trade in agricultural and food products. It is important that these developments, and future expectations, be kept in perspective. Much recent policy reform has been achieved in an environment of relatively high world prices; economic and market conditions have greatly eased pressures on governments to support farm incomes, protect traditional markets, and so on.

In a very few years, the public debate has begun to swing from concern with excess supply and low prices, to issues of dwindling stocks and food security. As world output increases and prices moderate, further policy reform and resulting trade liberalization might well encounter renewed resistance.

CHALLENGES FOR CEE AND FSU COUNTRIES

The challenges associated with these recent developments are similar for all countries:

- the growing role of trade in the world economy (with trade in agricultural products growing more slowly than other merchandise trade, but with trade in processed agricultural products growing faster than commodity trade) suggests a changing, and perhaps declining, role for agriculture policy; agriculture and food might be viewed as somewhat less of a "special case", and more of an "industrial sector" much like many other parts of national economies

- the increasing importance of foreign direct investment in shaping international commerce suggests a shift in power to influence economic activities, from governments to transnational institutions and firms

- the high cost and relative ineffectiveness of many traditional agricultural policy approaches, and recent progress towards liberalizing agricultural trade, suggests more widespread recognition of the benefits of forgoing protectionist measures in favor of establishing a broad operating environment in which agri-food businesses can pursue their international competitive advantages
- efforts to reduce public spending and limit government intervention are on-going; continuing liberalization of trade and investment activities suggests further changes, and limits, to the scope of internationally acceptable public policy measures; over time, these trends might suggest policy convergence towards at least some degree of "harmonized" international norms or standards in both technical and broader public policy areas.

While these challenges may be universal, they are confronted by CEE and FSU countries from very different vantage points.

First, the immediate neighbours of the EU are already members of the WTO, some with membership dating back a considerable number of years[3]. This means that they have already carried out certain policy reforms enabling them not only to meet their WTO obligations in general but also setting them on track to meet the specific requirements and disciplines of the WTO Agreement on Agriculture. Measures of support (PSE) are available for some of these CEE countries (OECD, 1997). As in several other OECD countries, policy support has been reduced from earlier levels in the Czech Republic and Hungary, while support in Poland has increased (Figure 4). All three countries now show support well below the OECD average.

The major uncertainty faced by these CEE countries has to do with the time table for their anticipated accession to the European Union. While these countries are undertaking agricultural policy reform in an internationalizing environment, they do so with the expectation that whatever is done now will need to be compatible with (or will have to be changed such that it becomes compatible with) an as yet unknown future policy configuration of the European Union.

Second, another group of countries are also candidates for accession to the European Union, but they are not yet members of the WTO or their membership is quite recent[4]. Generally the reform process in the economy as a whole and in the agriculture and food sector is underway, but there are often strong pressures, in spite of the tight budgetary situation, to re-introduce and increase support to agriculture. Policy support in the three Baltic countries has thus increased from

---

[3] Including Poland, the Czech Republic, the Slovak Republic, Hungary, Croatia and Slovenia.

[4] Such as Bulgaria, Estonia, Latvia, and Lithuania. Romania's WTO membership dates back many years. Although not among the ten candidates for accession to the European Union, Albania is sometimes included in this group.

earlier highly negative levels into a range below the OECD average, possibly presaging the beginning of a more stable policy environment (Figure 4).

Accession of these countries to the European Union would possibly take place in a longer time perspective, given that economic reforms were embarked upon somewhat more recently than in other CEE countries. The challenges are, then, first and foremost to institutionalize a reform process to yield a policy environment that enables a self-sustaining and adaptable agriculture and food sector to develop, reflecting comparative resource costs in the overall economy. Given the recent or soon-anticipated WTO membership of these countries, it may be possible for policy makers to invoke WTO rules and disciplines when facing domestic pressures for reversal of the reform process.

Third, the Russian Federation and Ukraine have applied for WTO membership but, in spite of the considerable efforts that have gone into the accession process, including agriculture, it is not clear how imminent their accession may be. These two countries also attract particular attention as potential future agricultural exporters in the longer term, resulting from the magnitude of their resource base and the fact that their climate supports the same kinds of temperate crops that make up much of international agricultural commodity trade[5].

Policies are changing in the Russian Federation and Ukraine, but the direction sometimes seems to be away from more liberal market regimes. Revamping the policy set governing agriculture and food in conformance with the requirements for WTO accession would appear to be a task needing to be tackled with some decisiveness. This task is not limited to the agriculture and food sector, however, as many other policy areas in these countries also need attention in order to enhance trading opportunities and attract foreign investment.

Fourth, a final group of countries comprises the remaining countries of the Former Soviet Union[6]. While most of these countries have applied for WTO membership, their WTO accession processes are not far advanced. The extent of agricultural policy reform appears uneven, with pressures being exerted in several directions at once. A couple of these countries, (Armenia and Georgia), have undertaken profound reforms in agriculture and the economy as a whole. The potential for others to participate more fully in the world's trade and investment flows is to a large extent predicated on the further development of market-oriented practices and institutions domestically.

All the countries of the CEE and the FSU are going through a restructuring of their agriculture and food sectors, changing the structure of farms as well as the structure of processing and distribution. The pressures to slow down the adjustment are strong in many cases, making it a particular challenge for policy makers to design an appropriate business environment. Such an environment would not only address the legitimate needs of a sector undergoing rapid adjustment but would also lay the

[5] Some CEE countries may also have significant export potential, but each country's role in world agricultural trade would likely be smaller than those of the Russian Federation and Ukraine.

[6] Such as Belarus, Moldova, Armenia, Azerbaijan, Georgia, Kazakstan, the Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan.

groundwork for continued adaptation of the sector, to allow it to benefit from the on-going process of eroding barriers to international trade and investment.

CONCLUSION

The success of CEE and FSU countries in moving towards a well functioning market economy is of global political, social and economic importance. Developments in the agriculture and food systems in these countries are of particular interest, given their current economic significance and, in some cases, their even greater future economic potential. Progress thus far has been uneven, and the short-term prospects remain uncertain. This is in no small part due to the reality that the world trading system to which CEE and FSU countries must adapt is a dynamic one; on-going economic and policy developments will ensure that tomorrow's system will be very unlike the system in existence today.

A fundamental choice facing CEE and FSU countries is whether to emulate the practises and policies of their neighbours and principal competitors, or whether to anticipate and to implement practises and policies better suited to the freer trade environment of the future.

The former alternative would require significant public spending and consumer subsidies, with the associated macroeconomic costs. Further, the inevitable reform and adjustment costs to facilitate subsequent transition to a more liberal future trade environment would be substantial. The latter alternative would ensure an earlier start towards the rationalization necessary to establish a more efficient industry structure, better able to exploit its international competitive capabilities over the longer term.

The preferences of many existing producers and processors for continued and even increased support and protection - consistent with established policies of their neighbours and competitors - are completely understandable. However, the preferred approach of many researchers, analysts and other observers - to encourage early structural adjustment and more rapid realization of the competitive capability of CEE and FSU countries - is well-founded. Rather than entrenching expensive and highly distorting policy initiatives that will certainly require significant future adjustment, the alternative of establishing a more forward-looking policy environment that would encourage new business investment is an attractive one.

Business-led, rather than public policy-driven economic development would be expected to be both more substantive and sustainable. At the same time, provision of temporary "transition" support to enable the necessary structural adjustments to proceed in an effective manner, and to assist affected individuals and families to adjust to this new environment, would certainly warrant close consideration. Such time-limited and targeted adjustment programs could be designed to address legitimate sectoral needs without imposing harmful consequences on other sectors at home or abroad.

REFERENCES

Henderson, Dennis and Handy, Charles (1993) Globalization of the Food Industry , in D.I. Padberg (ed.), Food and Agricultural Marketing Issues for the 21st Century. FAMC, 93-1.

Organization for Economic Cooperation and Development (OECD) (1996a) Agricultural Policies, Markets and Trade in Transition Economies - Monitoring and Evaluation 1996, Paris.

_______ (1996b) International Direct Investment Statistics Yearbook 1996, Paris.

_______ (1997) Agricultural Policies in OECD Countries - Measurement of Support and Background Information 1997, Paris.

United Nations (1994) Transnational Corporations, Employment and the Work Place , World Investment Report 1994, United Nations Conference on Trade and Development, New York.

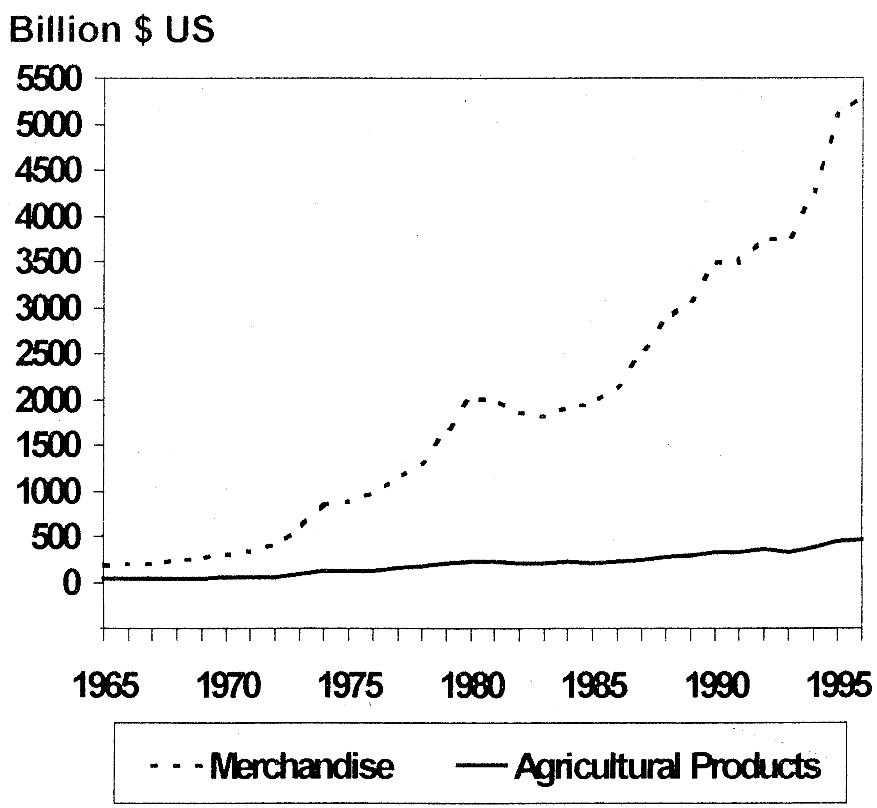
_______ (1996) Investment, Trade and International Policy Arrangements, World Investment Report 1996, United Nations Conference on Trade and Development, New York and Geneva.

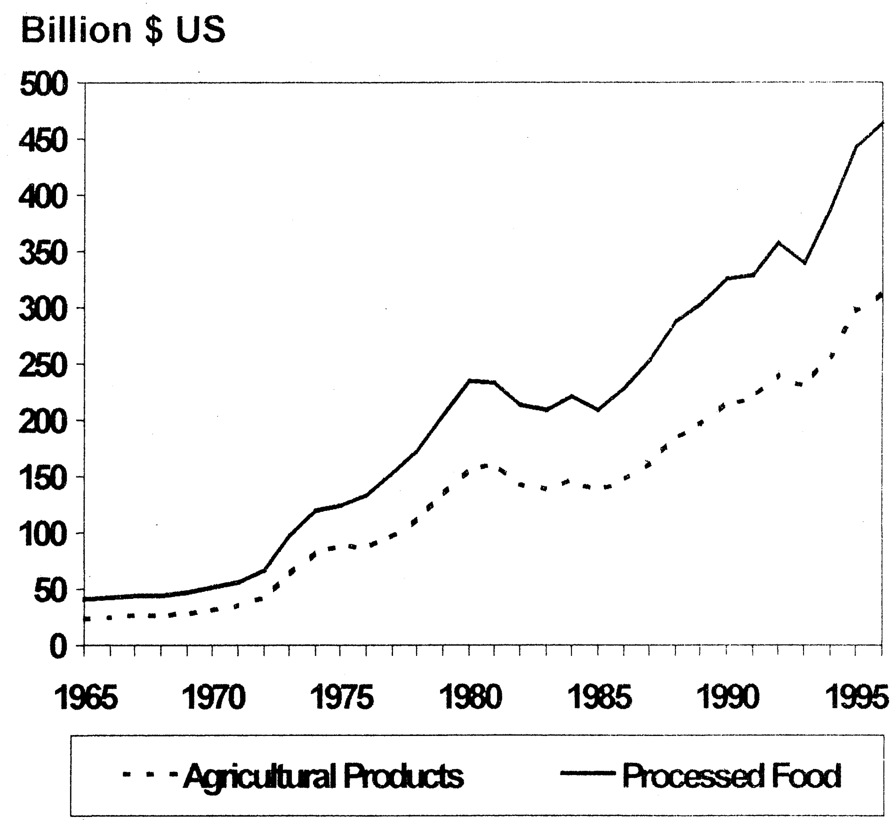
Vaughan, Odette (1995) Implications of Foreign Direct Investment for the Canadian Food and Beverage Manufacturing Industry, Working Paper #2, 1995, Policy Branch, Agriculture and Agri-Food Canada.

West, Don and Vaughan, Odette (1996) Globalization and the Food and Beverage Processing Industry, Proceedings, Annual Meeting of the Canadian Agricultural Economics and Farm Management Society, Canadian Journal of Agricultural Economics, December.

World Trade Organization (WTO) (1997) "After two outstanding years, world trade growth in 1996 returned to earlier levels", Press/71, 4 April.

Figure 1:
Growth in World Exports

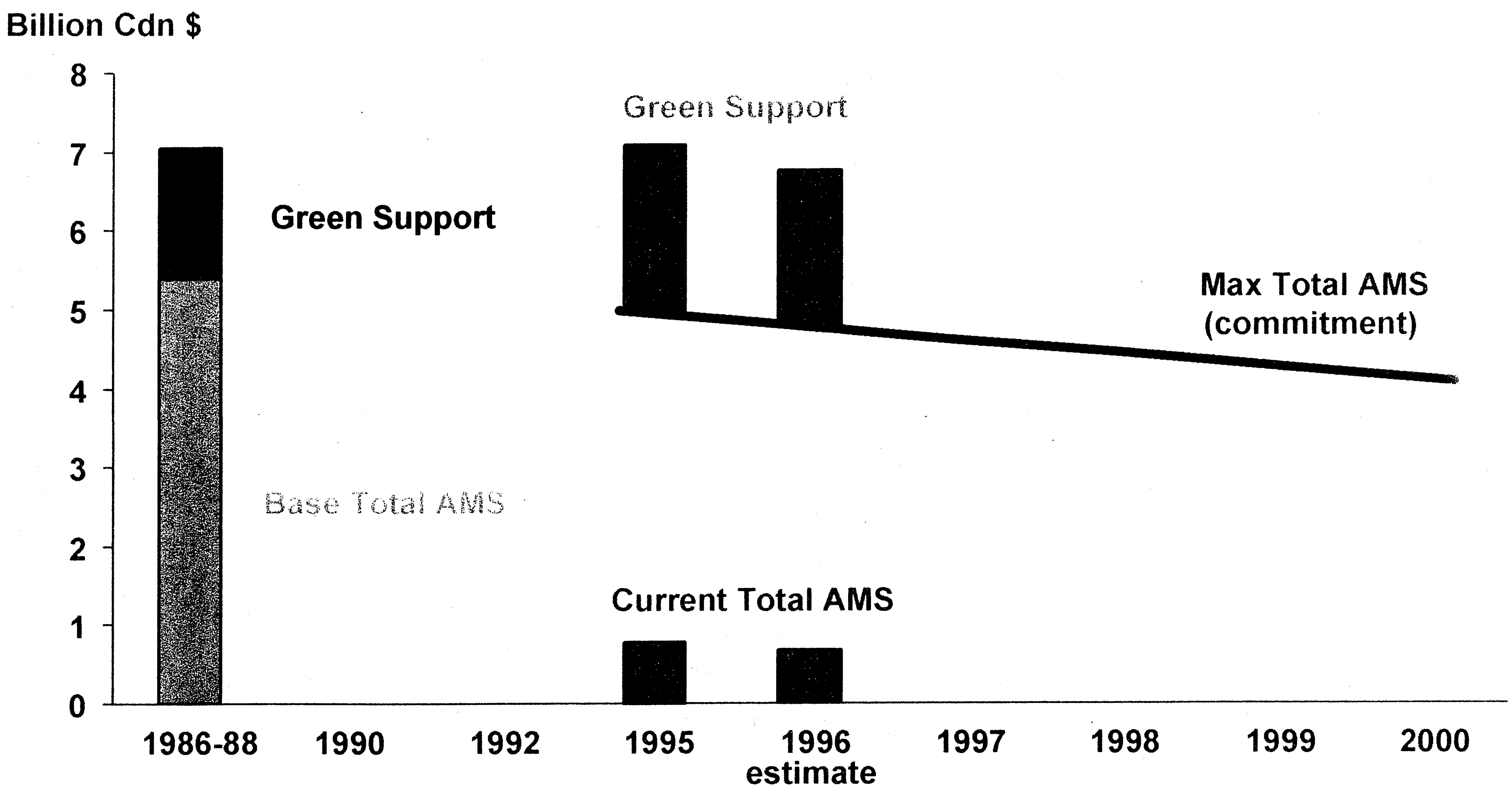




Source: FAO

Agriculture and Agri-Food Canada

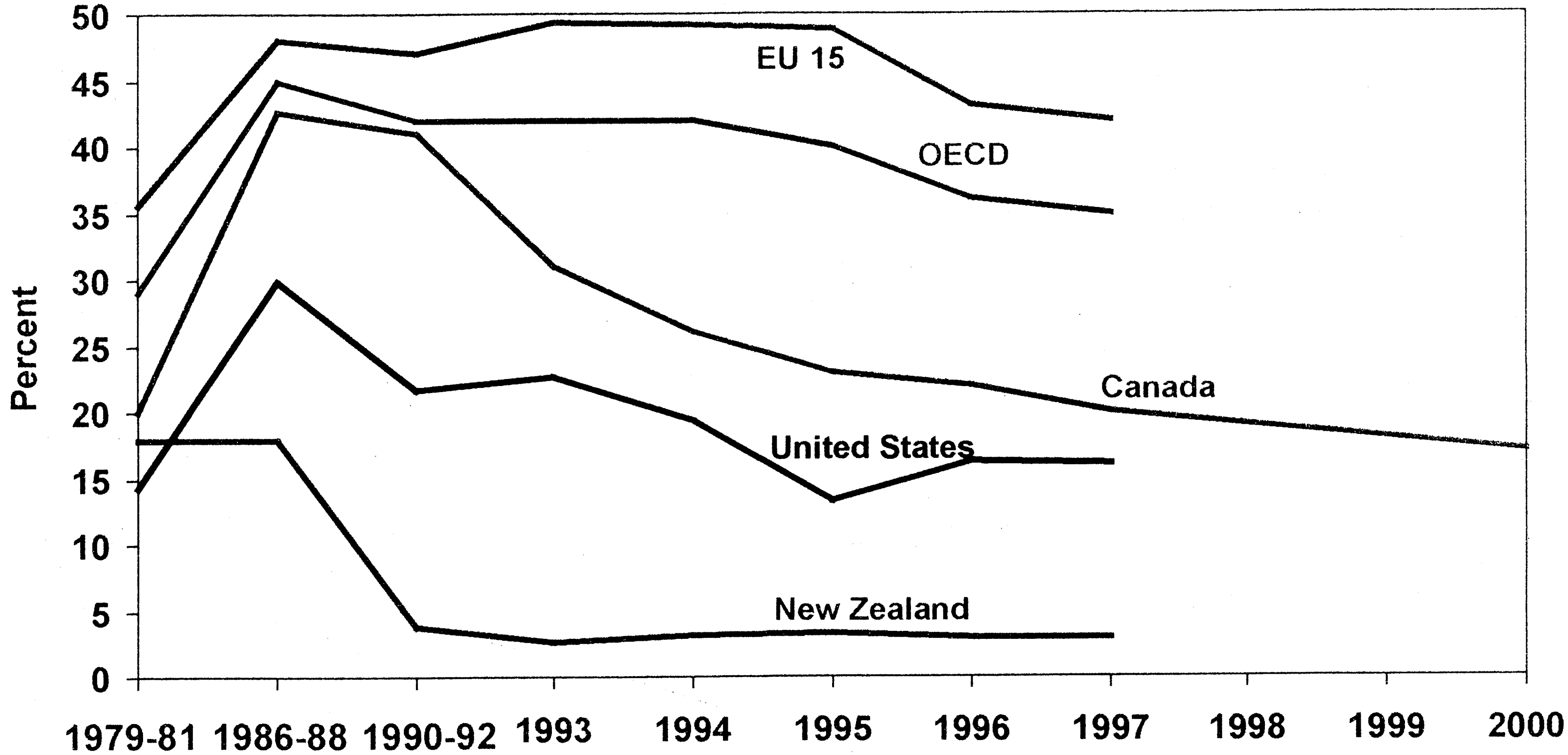
Figure 2:
WTO Domestic Support: Canada



Source: Canada's U.R. Schedule of Commitments, 1995 Domestic Support Notification and AAFC estimate.

Agriculture and Agri-Food Canada

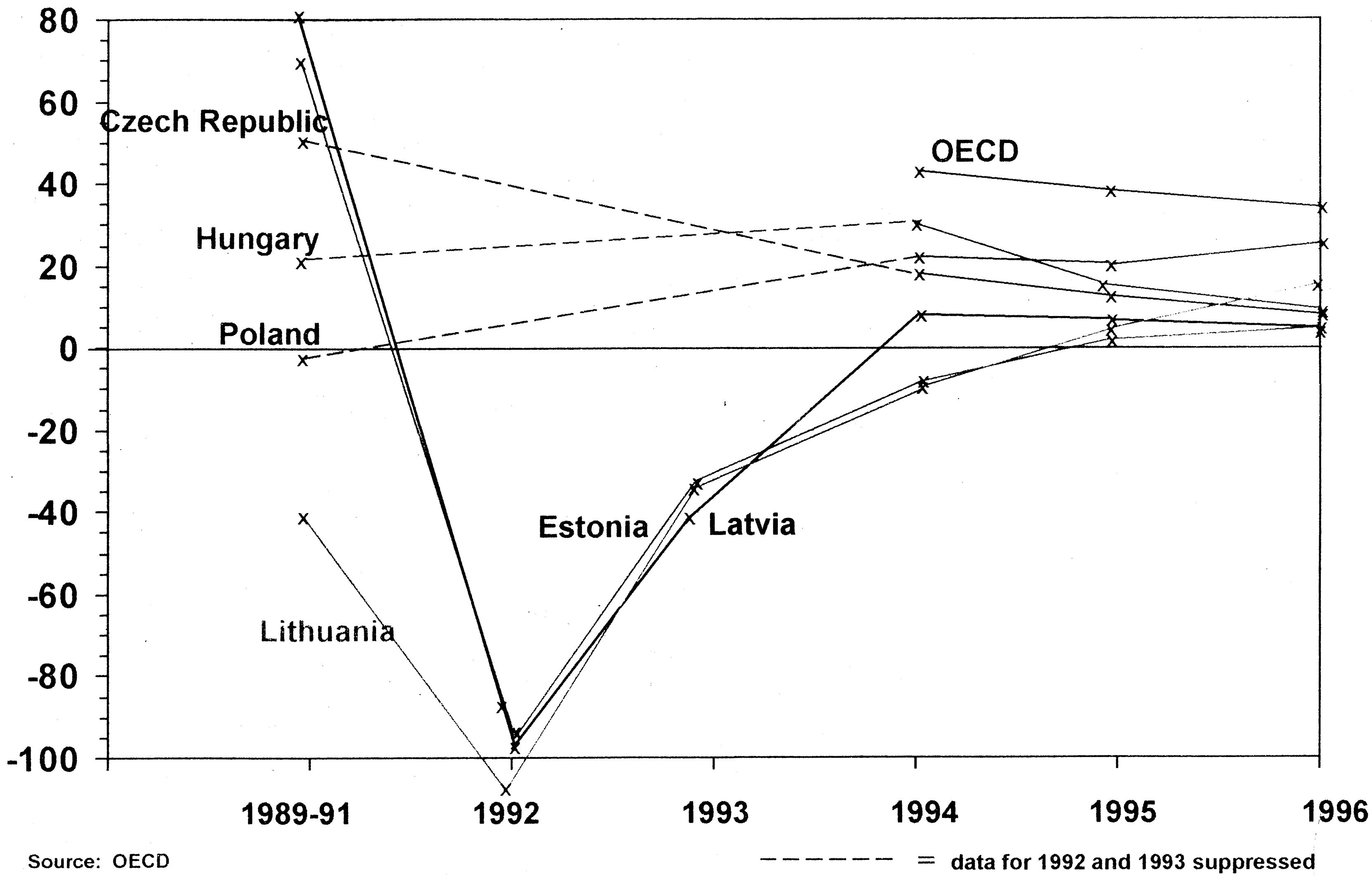
Figure 3:
Producer Subsidy Equivalents (PSE)



Source: 1979-96:OECD; 1997 - 2000: AAFC

Agriculture and Agri-Food Canada

Figure 4:
PSE in CEE Countries



Source: OECD

Agriculture and Agri-Food Canada