

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

TN.64/23

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Committee on Agriculture

NOTE BY THE SECRETARIAT

1. According to its terms of reference, the Committee on Agriculture was to consider and submit to the Trade Negotiations Committee recommendations in regard to the rules to govern, and the methods to be employed in, the creation of acceptable conditions of access to world markets for agricultural products in furtherance of a significant development and expansion of world trade in such products.
2. During its meeting on 8 to 10 April 1964, the Trade Negotiations Committee agreed that the Committee on Agriculture should submit, by the end of April at the latest, recommendations on how negotiations should be conducted on each category of agricultural products.
3. The Committee on Agriculture agreed that the objectives of the negotiations as regards agriculture were those set out in the Ministerial Resolution adopted on 21 May 1963. The Committee has taken up the question of the coverage and a more precise determination of the list of products in the agricultural sector to be considered by the Committee will be necessary.
4. The Committee was not, at the present stage, in a position to submit agreed recommendations. The present position of several delegations is outlined in Annex I, that of the European Economic Community in Annex II to this note.

ANNEX I

DRAFT REPORT OF THE TRADE NEGOTIATIONS COMMITTEE ON AGRICULTURE  
TO THE TRADE NEGOTIATIONS COMMITTEE, PROPOSED BY SEVERAL DELEGATIONS

The objectives of the negotiations in the field of agriculture were established by the GATT Ministers at their meeting in May 1963:

"That the trade negotiations shall cover all classes of products ... including agricultural ... products ... and that ... the trade negotiations shall provide for acceptable conditions of access to world markets for agricultural products."

The Ministers further directed the Trade Negotiations Committee and its committees (including the special groups for cereals, meats and dairy products) to elaborate "the rules to govern, and the methods to be employed in, the creation of acceptable conditions of access to world markets for agricultural products in furtherance of a significant development and expansion of world trade in such products ..."

The Agriculture Committee and the special groups for cereals, meats and dairy products have held numerous meetings for the purpose of carrying out the Ministers' directive. The work of these groups, the problems confronting them and the solutions under consideration are summarized in separate reports. This report, therefore, is confined to agricultural commodities other than cereals, meats, and dairy products.

The Agriculture Committee, in the course of its deliberations, has been presented with two general proposals for dealing with agricultural products.<sup>1</sup>

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<sup>1</sup>The Committee discussed the possibility that in due course other commodities might be considered suitable for treatment under general arrangements.

The first was a United States proposal that agricultural products be given a treatment comparable to that of industrial products, utilizing where possible the across-the-board linear cut agreed upon for these products. Where measures other than fixed tariffs which affect trade are utilized, the objective should be to negotiate reductions comparable to the linear cut applied to other products. This proposal was not adopted as a general negotiating plan.

The European Economic Community has proposed a negotiating plan generally applicable to all agricultural products in all countries. Under this plan it was stated that a maximum margin of support - referred to as the montant de soutien - would be bound for each agricultural product in each country. The margin of support would be calculated in each case in relation to "reference prices" to be established. It was not possible to see how it could be implemented and contribute to the achievement of the objectives laid down by the Ministers. Indeed, in many cases, where fixed tariff bindings now exist, the plan was considered to hold the possibility of increasing levels of protection. This plan also was not adopted as a general negotiating plan.

The suggestion was then made that a pragmatic approach be tried. The Committee agreed that an examination be made of the flows of trade, the nature of products, and the various forms of protection used, as a basis for the formulation of methods of negotiating reductions in trade barriers appropriate to the particular needs and circumstances of groups of products.

A Technical Sub-Committee was established to undertake to group products showing trade flows on the basis of the nature of the product and the methods of protection. The Technical Sub-Committee produced tables showing trade flows and trade control measures by commodities for twenty-seven countries, and more detailed data for four major countries - EEC, Japan, United Kingdom and United States, Spec(64)58, Spec(64)79 and Spec(64)80.

These tables show that:

1. A large volume of agricultural trade (on a value basis) in a wide variety of products moves over zero duties or fixed tariffs only. The import duty remains the single most important means of protection for the products falling outside the scope of the commodities assigned to special groups (cereals, meats and dairy products).
2. For a significant volume of trade various other forms of import controls and various internal governmental measures which affect trade are used, either in connexion with, or as a substitute for, fixed tariffs.
3. The pattern of trade controls differs greatly among countries and, within each country, among the various agricultural commodities.

#### Considerations and conclusions

This study led to the following considerations and conclusions, which received wide support:

- A. It would not be feasible to conduct the agricultural negotiations on the basis of a rule of general application. A pragmatic approach is required that deals effectively with all barriers to trade, whatever form they take.
- B. For the greater part of the agricultural trade under consideration, tariffs are the sole or major form of restriction affecting trade. Where the bulk of trade in a commodity is accounted for by countries using tariffs only, the objectives can be carried out by negotiating reductions and binding of tariffs. For these commodities, countries should offer substantial tariff cuts, not excluding the possibility of a 50 per cent cut where appropriate. Remaining countries utilizing other kinds of restrictions in combination with, or in lieu of, fixed tariffs should make equivalent reductions and bindings of their trade restrictive measures.
- C. In cases where tariffs generally are supplemented by other frontier controls, where tariffs are not the major barriers to trade, or where internal policies are also important factors affecting access to markets, negotiations should also deal with these other measures, the objective being a significant reduction in trade barriers.

D. Offers for reductions and bindings of trade barriers should be such as to give effect to the objectives laid down by the Ministers.

#### Procedures

The following procedures have been suggested for consideration:

1. The basis for negotiations would be the existing tariffs and tariff bindings (including zero bindings) and other barriers to trade in accordance with A above.
2. Each country should formulate offers appropriate to the nature of the protective or support measures maintained by it for particular products or groups of products. Such offers would be tabled on 10 September 1964, concurrently with the tabling of the exceptions lists.
3. Offers should be made in respect of all products with the exception of products which are included in the exceptions lists. Such exceptions would be subject to confrontation and justification.
4. Every endeavour should be made to bring about the elimination of restrictions which are inconsistent with the provisions of the General Agreement.
5. The Committee on Agriculture should supervise and facilitate the negotiations with a view to ensuring the fullest possible multilateral effort to achieve the agreed objectives. Accordingly, the results of the individual negotiations should be reported to the Committee on Agriculture.
6. The results of the negotiations should ultimately be generalized to all contracting parties in accordance with standing GATT practices.

ANNEX II

CONTRIBUTION OF THE EUROPEAN ECONOMIC COMMUNITY TO THE REPORT  
OF THE COMMITTEE ON AGRICULTURE CONCERNING THE STATUS OF THE  
PREPARATORY WORK OF THE AGRICULTURAL PART OF THE KENNEDY ROUND

1. The European Economic Community gave its approval to the Conclusions of the GATT Ministerial Resolution of May 1963 concerning the inclusion of agricultural products in the trade negotiations, the creation of acceptable conditions of access to import markets in furtherance of an expansion of international trade in agricultural products, the determination of methods and rules of negotiation adapted to the particular nature of the agricultural products and of the objectives pursued.
2. During that same ministerial meeting the Representative of the European Economic Community also declared that none of the factors likely to affect the equilibrium of world agricultural markets should be excluded, a priori from the negotiation.
  - I. The positions of the EEC concerning the agricultural part of the Kennedy Round
3. The statement of the Representative of the EEC to the Committee on Agriculture on the 18 February 1964 (TN.64/AGR/1) enabled the contracting parties to examine the negotiating plan of the Community:
4. Convinced that a negotiation conducted according to traditional methods cannot yield satisfactory results, the Community wishes to bring out the one factor which is common to all the contracting parties namely the support given directly to agricultural products, with a view to proposing to its partners to proceed to the negotiation and binding of a margin of support.

5. The negotiation extends not only to protection at the frontier but to the agricultural and trade policies of the contracting parties as well, since the margin of support is equal to the difference between the reference price on the international market and the remuneration obtained by the producer.
6. From this view point, reciprocity of commitments becomes a matter of fundamental importance.
7. The bound margin of support expresses the aggregate effect of the various support instruments used (customs duties, quantitative restrictions, direct subsidies, monopolies, etc.) on the conditions of production and of exchanges and is not to be confused with these instruments.
8. The contracting parties remain, in principle, free in their choice of instruments which they mean to use to support their agriculture. Some contracting parties have seemed to fear, quite wrongly, that the margin of support is designed to replace existing instruments whereas in reality it only expresses their aggregate effect in a form common to all the contracting parties. The binding of the margin of support may, however, require a change in the application of these instruments, so that their aggregate effect would be consistent with the commitment.
9. When, for a given product, the customs duty is the only instrument used, this customs duty provides a certain support to this product in the importing country and the margin of support then corresponds to the incidence of the customs duty on the reference price.

10. The European Economic Community makes the binding of the margin of support the fundamental element of the negotiation in agricultural products.
11. Certain contracting parties, taking into account the situation of some products or groups of products, expressed their preference for particular commitments. The European Economic Community does not preclude the possibility that such commitments may be assumed in certain cases but these should always involve commitments in addition to the binding of a margin of support.
12. The existence of bound customs duties may possibly result in some flexibility in the margin of support method.
13. The margin of support method does not automatically affect a customs duty which was bound during a previous negotiation ~~if~~ apart from this bound customs duty there exist other instruments of support, for example, quantitative restrictions or subsidies. In such an event the bound customs duty continues to be applied within the framework of the binding of the margin of support.
14. However, if the bound customs duty is the only instrument of support, it is possible, in order not to affect the previously granted concession, to undertake the binding of a margin of support corresponding to the incidence of the bound customs duty on the reference price.
15. In any event, if a contracting party decides to unbind a former tariff binding, such action remains possible as in the past, subject to the customary rules of compensation of GATT.



16. The European Economic Community considers that the support margin method must be applied to almost all products of the agricultural sector
17. During the preparatory work for the negotiations, several tendencies have emerged among the members of the Committee on Agriculture. Some countries would like to apply a different method and different negotiating rules according to the products concerned or the support mechanisms used by contracting parties. Others would, in fact, like to revert to the traditional selective method under which each of the contracting parties is responsible for making known its list of offers as well as the modalities for negotiating the products concerned.
18. The EEC divides agricultural products into two groups of unequal size: on the one hand, the group of products to which the support margin method applies, comprising the majority of products; on the other hand, the residual group of products for which it is envisaged that the support margin method should be abandoned.  
  
II. The support margin method must apply to practically the entire agricultural sector
19. Agreement must be reached as quickly as possible on the content of the agricultural sector.
20. The Committee on Agriculture is already broadly in agreement on adopting as a working basis, at the present juncture of the work, the products contained in the first 24 chapters of the Brussels Nomenclature. Certain contracting Parties, however, have expressed a provisional reservation on this point. So far as the European Economic Community is concerned, more detailed examination is still necessary in order to be able to specify the list of products at present envisaged as falling within the agricultural sector.

21. In the majority of cases, the computation of the support margin will be a far simpler matter than it might seem at first sight.
22. A number of adjustments will have to be made to the reference price as well as to the remuneration obtained by the producer in order to take account of differences in the quality of products or again to bring the products to comparable levels of trade. Furthermore, in the case of products obtained after processing of primary products, agreement will be required on sufficiently representative processing co-efficients. During the negotiations, a great many of these elements could be settled on a flat rate basis.
23. The European Economic Community does not, however, exclude the possibility that in certain cases the support margin method may have to be adjusted.
24. Indeed, it may sometimes be difficult and risky to determine the reference price and the remuneration obtained by the producer because of the inadequacy of available statistics or for some other reason. In order, however, to retain certain essential principles and mechanisms of the support margin method which are particularly well suited to the objectives of the negotiations, it would be possible merely to fix a reference price determined on a flat rate basis according to the data which appeared most appropriate.
25. The existence of the reference price might induce contracting parties to apply only support mechanisms consistent with the GATT rules. In addition, respect for the reference price would make it possible to remedy excessive fluctuations in commodity prices which are without economic justification but result solely from transactions of a speculative nature.

III. The European Economic Community acknowledges the existence of a residual group of products for which the support margin method might be abandoned

26. First of all, this might be the case for products in which international trade is negligible. The same might apply if, in certain cases, technical difficulties relating to the implementation of the method proved insuperable.
27. For these products, the support margin method would be abandoned in favour of the traditional method of tariff negotiations. The negotiating rules applicable to the particular case of the products concerned will be determined at a later date.