MULTILATERAL TRADE NEGOTIATIONS THE URUGUAY ROUND

RESTRICTED

MTN.GNG/NG5/W/100
21 July 1989

Special Distribution

Original: English

Group of Negotiations on Goods (GATT)

Negotiating Group on Agriculture

NEGOTIATING GROUP ON AGRICULTURE

(10-12 July 1989)

Statement by Finland on behalf of the Nordic Countries

Initial Thoughts about GATT Rules and Disciplines

1. At the Mid-term Review it was agreed that participants should advance detailed proposals for the achievement of the long-term objective of the negotiations on agriculture by December 1989. This invitation concerns, inter alia, the ideas about the strengthened and more operationally effective GATT rules and disciplines. At this meeting it is our intention to put forth certain initial thoughts in this particular area. Before doing so, we wish to thank the secretariat for the useful description of the current GATT régime for agriculture (W/95). This inventory will no doubt be of great help to us as our work on rules and disciplines moves ahead.

2. The long-term objective of these negotiations is laid down in the Punta del Este Declaration, and more specifically, in the relevant conclusions of the Mid-term Review. All proposals concerning the rules and disciplines should be in tune with this general framework. This includes particular proposals to accommodate the different national constraints and basic outlines for participation in the negotiations to achieve the overall long-term objective; substantial progressive reductions in support and protection. A concrete drafting exercise around specific texts should not be commenced prematurely, however, since the outcome of the negotiations under this chapter in respect of specific policy measures will be greatly affected by the extent to which a special treatment of agriculture in the GATT is recognized as something to be accommodated when drafting GATT rules and disciplines for the future. The particular position of food-processing industries should also be kept in mind in this context.

3. When getting down to drafting, it is important that we do not ignore the political and socio-economic realities of the outside world.

4. Food is the foremost of man's basic necessities, and securing its steady supply belongs to the priorities of every responsible government. This fundamental objective has led many countries, including the Nordic countries, to adopt agricultural policies which aim at often even high rates of self-sufficiency. The Nordic countries made - in connection with

the debate on food security - a statement in July 1988 which explained in some detail our views on this issue. The underlying causes for this general approach are not today necessarily the same as in the past and the relative emphasis we put on it has changed over time and even among the individual Nordic countries, but it still remains a sort of basic parameter which we cannot ignore, for example here in the Uruguay Round.

5. Regional, social and environmental concerns have also played a rôle when the objectives of agricultural policies have been set. The maintenance of viable conditions for the rural population continues to be a predominant objective in governments' agricultural policy. Regional support programmes, of which agricultural programmes often make an important part, will continue to be necessary to even out social and economic differences between regions. The underlying motives for this objective vary from country to country, but they include a number of valid considerations ranging from general egalitarian aspirations to national security interests.

6. A non-trade concern which is constantly gaining in importance is the protection of environment. The United Nations-nominated World Commission on Environment and Development (the Brundtland Commission) has in its report presented some challenges which should be taken into account also in the GATT. The future GATT rules and disciplines on agriculture must be compatible with and contribute to sustainable development in all parts of the world. As the Commission's report points out, in many parts of the world agricultural resources have been over-exploited and cultivation has been extended to marginal lands. These resources must be conserved and enhanced to meet the needs of growing populations. Comparative advantage in the field of agriculture should not be sought with means which deplete the natural environment.

7. Factors and concerns such as these are of relevance for the conduct of agricultural policies, while the relative importance of some of them may have shifted over the years. We are, however, all actively exploring new ways and means to accomplish the objectives of our agricultural policies at a lower cost to the economy as a whole. We will work constructively to develop available means to meet our food security, regional and environmental objectives in a manner consistent with the long-term objective of these negotiations.

8. These general considerations lead us to draw certain initial conclusions concerning the work to be done around the strengthened and more operationally effective GATT rules and disciplines on agriculture.

(i) Before drafting new or improved GATT rules and disciplines we certainly need to have a clearer picture of what the totality of GATT reforms in agriculture will look like in terms of targets for drawing down support, country and policy specific implementation plans subject to scrutiny and surveillance in the GATT, incentives to change over to less distorting support forms, etc. The Nordic countries are actively preparing their position on these elements.

(ii) The GATT rules and disciplines on agriculture need to be more strict and written in a less ambiguous fashion than has been the case up till now. Rights and obligations must be spelled out so clearly that we all know what is expected from us and from the others. GATT's dispute settlement mechanisms must be able to distinguish, better than hitherto, between what is GATT-consistent and what is not. The rules must take into account the interests of both the exporters and the importers. They must be fair, in the sense that they are equally applicable to all contracting parties, and will encompass all measures affecting directly or indirectly market access and export competition.

(iii) As a result of factors such as those explained above, the theory of comparative economic advantage, alone, cannot realistically be expected to decide the future allocations of food production among countries, but that should not prevent us from pursuing a more liberalized trade in agriculture.

(iv) If we wish to write more operationally effective and credible GATT rules and disciplines, it is, in our view, realistic to recognize that a great number of countries will need some border protection also in the future. The modalities and the extent of that protection can be discussed, and the end result will obviously be influenced by the outcome of our discussions on inter alia tariffication and decoupling. That will also help us assess the extent to which the rights and obligations embodied in the current Article XI:2(c) will need to be reflected in the new rules and disciplines. As indicated in our original Nordic proposal in December 1987, we are prepared to engage in negotiations about the clarification of this provision. The clarification would, inter alia, relate to such aspects as production restraints and market access obligations.

(v) We also see an obvious need to clarify and tighten the GATT provisions on export subsidies. Since it is our declared intention to cut down and, eventually, phase out most such subsidies, we expect others to join us in an effort to make GATT disciplines on such subsidies more stringent. Other forms of subsidies may indirectly produce the same results as clear-cut export subsidies and will have to be dealt with in a corresponding manner.

(vi) Internal support and other policy measures will also in the future play a rôle in some governments' efforts to secure a basis for domestic food production. New and more decoupled forms of support and their consequences in GATT terms need to be thoroughly discussed. While particularly the internal

support measures may be difficult to tackle in the GATT, their trade distorting effects need to be minimized through the new GATT rules and disciplines. We should arrive at a common understanding about the forms that such measures should preferably have, as well as about the forms that should be avoided. Here in particular, but also in other respects, we should provide for more adequate rules on transparency, notification, surveillance and dispute settlement.

(vii) The sanitary and phytosanitary field is another area where we look for improved GATT provisions. The Nordic countries have made a contribution in writing to this meeting which we hope will be helpful in organizing our thoughts on some basic issues involved here.

(viii) The future rules must also allow for the continuation, and if necessary, expansion of food aid and concessional sales to food-deficit developing countries. A clear line must be drawn here between genuine food relief and disguised export competition - with subsidies - of the markets of developing countries.

(ix) Export prohibitions and restrictions need also to be brought under more stringent GATT rules and disciplines. The use of food as a means of political pressure should be effectively proscribed.

9. The Nordic countries reiterate that the above observations represent only their initial thoughts about some of the issues at hand. We will obviously have to come back with additional inputs, and eventually, concrete proposals as we move ahead in our work.