

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## Agriculture Committee

### SUMMARY OF THE DISCUSSIONS

#### Meeting of the Committee, 29-31 October 1968

1. In its first meeting in January 1968 the Agriculture Committee had determined its programme of work and had agreed that this programme could conveniently be undertaken in three stages:
  - (a) a preparatory stage consisting of the assembly of documentation;
  - (b) consideration by the Committee of the preparatory work in order to arrive at the identification of the principal problems;
  - (c) discussion of the means whereby mutually acceptable solutions to these problems could be achieved.
2. On the basis of a questionnaire and a list of products to which the information should relate (COM.AG/9) members of the Committee provided the documentation requested. The documentation related to agricultural products which were important in international trade and it covered all relevant elements of agricultural trade and production policies.
3. The documentation was assembled and distributed as documents COM.AG/W/2-35. The Committee noted with satisfaction that so far twenty-two members had sent in their replies to the questionnaire, and that most of the replies were very full and comprehensive; a few documents were still under preparation and would be distributed as soon as possible. The Committee agreed that the preparatory stage referred to under (a) above had been completed.
4. In its second phase the Committee should attempt, on the basis of the preparatory work, to arrive at the identification of the principal problems affecting international trade in agricultural products. The purpose of the present meeting was to seek agreement on the direction which the Committee should take and on the timing for its further work. Different ways of approach would seem possible.
5. One possible way of approach was to examine the documentation assembled on a country-by-country basis. The Committee agreed that this was not the most propitious way to proceed.

6. The Committee discussed two other ways of possible approach, namely:
- a problem-by-problem approach, whereby certain problems were singled out for discussion on the basis of the information relating to different commodities;
  - a commodity-by-commodity approach, whereby the Committee would identify all problems relating to a particular commodity or group of commodities.

7. The representative of the United States considered that a commodity-by-commodity approach would present difficulties in starting, would add large quantities of new documents, would slow down the work and tend to obscure its objectives. The Committee would, furthermore, be led into detailed commodity problems and would thus lose sight of the basic problems in agriculture. The CONTRACTING PARTIES had provided for a new interpretation of Article XXII so as to encourage countries with particular commodity problems to avail themselves of it. In his view this was an acceptable approach for pressing problems. His delegation's conclusion was, therefore, that the Committee should work on the basis of problems that were common to all or most commodities. This would enable the Committee to begin its search for solutions to the basic problems at a relatively early stage. Obviously, the discussion on problems could not be held in the abstract and would have to draw examples from particular commodity areas; the emphasis, however, should be on the problems themselves.

8. The United States representative continued by suggesting that the following categorization of problems might be useful:

- (a) the level of support prices;
- (b) uneconomic production;
- (c) export pricing practices;
- (d) import protection.

These categories were, of course, interrelated but one would have to select some area with which to begin. Taking category (c) as an example, he said that the problems here were essentially those of subsidies or of unusual pricing practices of various kinds. It would be useful to establish a Working Group which would examine export pricing practices. The discussions in the Group might bear on export subsidies; the reconciling of State-trading practices with those of the market economies; concessional sales; and pricing practices by countries with schemes which separate the domestic from the export price level. The Committee could first direct its work towards shorter-term problems and, guided by the experience acquired in the process, move towards longer-term issues and, at a subsequent stage, into the area of domestic agricultural policies. Such an approach would result in useful and concrete work in the near future.

9. The representative of the European Economic Community recalled that the terms of reference of the Agriculture Committee provided for an examination of all the elements of agricultural trade and production policies to be taken into consideration, with the object of "preparing the way for subsequent consideration of positive solutions which could be mutually accepted by all contracting parties concerned". Subject to further information which would still prove necessary, it might be considered that the Committee had reached the second stage of its work programme which basically consisted in identifying the main problems affecting international trade in agricultural products.

In the light of the Committee's terms of reference, the problems had to be placed in the context of trade and production policies.

Procedures for urgent cases had already been laid down at the twenty-fourth session.

The problems could be identified only in the light of factual data in two key areas: first, the international market of the various agricultural products, especially those which show instability and second, the production policies followed by the contracting parties.

As regards the international market, consideration should be given to the fact that, side by side with open markets, there existed markets reserved for certain suppliers and markets on which non-commercial deliveries were made. The measures put into force by the contracting parties both for imports and exports had also to be analyzed and assessed in their effects.

In this way, it would be possible to identify the economic problems arising for international markets and the measures and machinery to be considered in the endeavour to find mutually acceptable solutions to these problems.

An assessment of production policies was not possible unless an examination was made of their underlying motives, their elements and their effects on the market. A general examination necessarily had to be accompanied by an examination of the specific aspects connected with specific products.

In this way it would be possible to identify the aspects of production policies which had to be considered in the endeavour to find mutually acceptable solutions to the problems of international trade in agricultural products.

It remained to decide on the suitable procedure for the Agriculture Committee to examine the two fields at the same time.

10. The representative of Canada was also in favour of a problem-by-problem approach. He referred to the medium-term and short-term aspects of the problems to be considered. Amongst the principal problems the problem of export pricing was very pressing. He suggested that the Committee might consider the desirability of establishing some form of permanent machinery to elaborate rules relating to export pricing practices and to seek remedies to ad hoc urgent problems in this field. He suggested certain specific tasks which could be assigned to such a group.

The full text of the Canadian statement was distributed to the Committee and is annexed to this report.

11. The representative of Poland was in favour of the problem-by-problem approach. He recalled the special situation of his country in which State trading was a general system and not an exception to the rule. As regards the agricultural sector, most of the production came from private farms, which gave rise to problems similar to those which existed in the market economy countries. The centralized planning system made it possible to establish agricultural production at a reasonable level which did not lead either to over-production or to the creation of market surpluses. Accordingly, exports were effected with considerable moderation and did not lead to any disorganization of the international markets.

Poland had always shown its determination to contribute to the stability of the world markets but its contribution had to be in accordance with its economic system. The various problems were interrelated and it was difficult to define them precisely but, in view of the urgency of those problems, the Committee should examine the possibility of reaching a kind of status quo for the various policy measures applied.

12. Several other members could also accept the problem approach. In doing so however, it was emphasized that the discussion should be related to specific problems and time consuming philosophical arguments should be avoided.

13. Several other members of the Committee expressed a preference for a commodity-by-commodity approach. They foresaw the danger that in adopting a problem approach the Committee might become involved in long philosophical arguments. They felt that the way in which problems manifested themselves was different for different commodities, so that any solutions should also be tailored to the particular commodity. It would seem difficult to achieve an agreed categorization of the problems and even if the examination did not start on a commodity basis it must necessarily end up with it. These countries felt that it might be possible to avoid some of the difficulties referred to by recognizing that the work on problems should be based on the experience of particular commodities.

14. The representative of Argentina elaborated further on these arguments, with which he was in agreement. He recalled that his delegation had had favourable experiences with the commodity approach in the past and had already at the twenty-fourth session of the CONTRACTING PARTIES proposed the establishment of a Working Party on Beef. However, he could support the problem approach with the hope that in due course a framework would be established for the examination of particular problems.

15. There was some discussion on the procedure to be followed depending on whether the problem was of a short-term or of a medium- or long-term nature. The view was expressed, including in particular by the EEC, that the Committee had not yet moved into the stage in which it should seek solutions. The Committee noted that the decision of the CONTRACTING PARTIES at the twenty-fourth session regarding the availability of Article XXII procedures for dealing with immediate and urgent problems still held. It was felt that the terms of reference of the Agriculture Committee related more to longer-term problems and that their examination should go into much greater detail and, wherever necessary, lead towards more comprehensive types of solutions.

16. The representative of the United States emphasized that the Committee should not be precluded from seeking short-term solutions. It would not be too difficult in his view, to reach agreement on the categorization of a number of important problems. As a problem of an urgent character he referred to export pricing practices. This problem manifested itself in various ways, and was of equal importance to both exporters as well as importers. Unlike support policies, which were of a highly political character, and unlike import policies, which in a way were a defensive measure against export pricing practices, he felt that in the area of export pricing the time was more propitious to come to a solution. If in the course of the examination of such practices sufficient ground had been covered it would only be natural to move into a discussion with the objective of achieving some kind of solution. The Committee should not lose itself in lengthy discussions on a too wide field. He further emphasized that the Committee, in carrying out the immediate tasks before it, must not lose sight of the purpose of the examination, which was to provide the basis for finding mutually acceptable solutions to the problems facing agricultural trade. It was likely that at some point of the examination, certain principles, guidelines or rules of conduct might be developed for certain problems. Later, more fundamental negotiating techniques might be developed for reducing the levels of protection and eliminating trade-disruptive practices.

17. The Committee eventually agreed on an outline of the examination to be undertaken in the second stage of its programme of work. This outline is given hereafter:

The examination under the terms of reference for the Agriculture Committee, agreed upon by the CONTRACTING PARTIES at the twenty-fourth session, of the problems in agriculture will of necessity entail reference to specific commodity problems, but the initial approach ought to focus on general classes of problems which characterize most of agricultural trade and production. The purpose of the examination is to provide the basis for the discussion of the means whereby, in the view of the Committee, mutually acceptable solutions to these problems could be achieved.

The tasks of the Committee for the present stage are:

I. International markets

1. Examine the structure of international markets for the eight commodity sectors, to ascertain the trends in international prices, quantities traded and the relative importance of free and regulated markets and non-commercial transactions.

2. On the basis of an inventory of measures and mechanisms influencing exports and imports identify the repercussions of such measures and mechanisms upon international markets, in particular:

(a) Determine what portion of agricultural trade benefits directly or indirectly from export assistance, either governmental or otherwise, from special export pricing practices, or from other export practices.

- Examine the impact of export subsidies and determine in what commodity groups are subsidies most prominent and significant.

- Examine the impact of all export pricing practices having substantially equivalent effect as subsidies, and determine in what commodity groups these practices are most prominent and significant. This could include two price systems, certain bilateral arrangements, and exports by marketing or monopoly boards. State trading could also be similarly examined.

- Examine the problems relating to non-commercial export transactions.

(b) Determine what portion of agricultural trade is affected by import control measures, including quotas, minimum import prices and tariffs, levies or other charges.

- Review all quantitative restrictions, or other measures having equivalent effect, whether or not maintained for balance-of-payments reasons or covered by waiver, or whether or not justified under any other provision of the General Agreement or protocol of accession, and examine their effects.

- Examine the impact on trade in the various commodity groups of tariffs, levies and other charges, or minimum import price requirements.

II. Production policies

1. Examine the motivations and general orientation of production policies.

2. Examine the measures aiming at the orientation, support, limitation, stimulation, rationalization of production, including specific aspects as related to given products.

3. Examine the concept and the level of overall support.
4. Examine the impact of production policies upon markets:
  - examine supply balance sheets by country for the major products traded internationally;
  - examine prices received by producers, prices on internal markets.

All members of the Committee which have a significant influence on the situation of the markets of the products concerned shall participate in the work under the two respective main headings.

18. The Committee agreed that the secretariat should undertake the preparatory work needed for the examination of the structure of international markets (item I/1) and should make the inventory of the measures influencing exports and imports referred to in the heading of item I/2. The secretariat should also prepare the categorization of certain data relating to production policies in order to facilitate the examination of this area.

19. The preparatory work would require some time so that the Committee could not fruitfully embark on its examinations before February 1969 at a date to be determined by the Chairman in consultation with the members of the Committee. The Chairman said he had in mind to convene a working session as envisaged in the last sentence of paragraph 17, which would then start the discussion on "International markets", to be followed by a second working session, not more than two weeks thereafter, to commence the discussion on "Production policies". Both working sessions would in due course report to the full Committee. In this way the simultaneity required between the two areas would be assured.

20. The Canadian representative pointed out that the outline did not cover the proposal he had made earlier for the establishment of machinery to deal with export pricing practices. He could accept this because the proposal could stand on its own merits. It had received a certain amount of support, and no one had questioned the validity of the problem or the need to give attention to it. However, he could recognize that not all members of the Committee had yet had sufficient time to consider it carefully. The proposal remained on the table and the Canadian delegation reserved the possibility to come back to it in the Agriculture Committee or in the CONTRACTING PARTIES.

21. The United States representative expressed the view that the Canadian proposal was a separate proposal, and was not of a kind for which Article XXII procedures could be considered appropriate. The proposal deserved a substantive exploration by governments.

ANNEXStatement Made by the Canadian Delegate on 29 October 1968

My delegation, without going into details, would support proposals for the problem-by-problem approach rather than the sector-by-sector or commodity-by-commodity approach, fully recognizing the close interrelationship between them. We have in our perspective both a medium-term and a short-term preoccupation. In the medium term, being optimists, we assume that the end result of our exercise would be a real and effective solution to the problems of trade in agriculture through international negotiations of some form or another. In this context, in our view, a fundamental feature will relate to problems affecting trade in agriculture going beyond measures taken at the frontier. Accordingly, in order to lay the basis for future discussions, and hopefully success to our work, we think it important at this stage to begin to define, establish and keep up to date figures on support margins and self-sufficiency ratios for major products for each country concerned. This we can do by drawing very substantially from the documentation already provided.

With respect to the short-term problem which I have mentioned, the problems of export pricing present very real and very pressing problems. They cover inter alia problems arising out of export subsidies, concessional sales, surplus disposal practices. In our view these are leading to a disruptive situation and they are becoming more widespread both geographically and with respect to the whole range of trade in agricultural products. In Canada, we have been faced with increasing pressures on our own market from unfairly priced imports. Our domestic producers are pressing strongly for highly restrictive action at the frontier to insulate the Canadian market from such unfair pricing practices. We are similarly under pressure in third markets, and our producers are urging us to match the export subsidies and unfair pricing practices in order to maintain our position in those markets. In this kind of a situation, our view is that it is incumbent upon us to seek to come to grips quickly with this disruptive situation. In this context, we have in mind the desirability of establishing fairly quickly some form of permanent machinery designed to elaborate more precisely rules relating to export pricing practices and to seek remedies to ad hoc urgent problems on agricultural export pricing. This group should be assigned the task of ensuring the adequacy of information available on subsidies and other export pricing practices through the regular notification, already provided under Article XVI of GATT; of maintaining this information up to date; and, of seeking supplementary information as it would appear to be required. The group would have as a second task the formulation of definitions and principles with respect to subsidies. We have in mind a working definition for the purposes both of considering the adequacy of Article XVI and for the group in "conducting its own work programme". It would in addition have the responsibility of establishing criteria for measuring equitable shares of markets, as envisaged under Article XVI, paragraph 3.

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As a third general task, we would envisage that this group could be assigned responsibility for elaborating rules to limit subsidization. We recognize that there are certain limits to which we could go, at least at this stage, but we believe it should be possible to consider limits covering, for example, overall cost ceilings of export assistance, or cost ceilings for individual products or product groups; a maximum cost per unit of subsidization for particular products; establishment of a fair relationship between the price of the primary product and the processed product and the establishment of minimum prices on international markets. We recognize that at the early stage such a group would be limiting its activity to formulating recommendations without legal binding, but we would hope that it might be possible in due course to incorporate formal rules with respect possibly to standstills on export subsidies for agricultural products, possibly rollbacks from present levels of subsidization, or even, hopefully, the elimination of export subsidies on agricultural products. We may conclude that Article XVI of the GATT needs strengthening through amendment.

The fourth general task we would envisage for this group would be the establishment of consultation procedures with respect to subsidization. We have in mind that the group could consider the establishment of permanent consultative procedures designed to ensure that countries report subsidized transactions and consult with third countries whose commercial interests may be affected.

As a further area of work, we have in mind that the group could examine specific cases that may be referred to it by individual contracting parties. The function would be to establish the facts of the case, to analyze these facts in the light of the principles which we suggest might be worked out, including the concept of fair shares of markets and to consult with the contracting parties principally concerned with a view to arriving at mutually satisfactory solutions.

We recognize that the many problems affecting trade in agriculture are inter-related. We do feel, however, that the urgent problems arising in the area of export pricing deserve immediate consideration in view of the increasing dangers from disruptive pricing practices in world markets for agricultural products.