

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Agriculture Committee

MEETING OF THE COMMITTEE, 20-21 SEPTEMBER 1972

Note by the Secretariat

1. The Agriculture Committee met on 20 and 21 September 1972. It had before it the Report of the Working Group on Techniques and Modalities (COM.AG/W/88) and a note by the secretariat headed Preliminary Examination of Implications for Developing Countries of Various Suggested Techniques and Modalities for Negotiations on Agriculture (COM.AG/W/86).
2. The Committee expressed its appreciation to the Working Group on Techniques and Modalities for the thorough work it had done, and considered that the Group's report should provide a useful basis for further progress. It noted with satisfaction that developing countries, including those not members of GATT, had responded to its call and had actively participated in the work of the Group.
3. Several members expressed the view that the Working Group had brought the Committee's work as far forward as was possible under present circumstances. At the same time it was noted that the list of measures examined by the Group was not exhaustive and that the fact that certain measures or combinations of measures had not been examined did not mean that they should or would be excluded from future negotiations.
4. The Committee noted that the Group's work had essentially been of an exploratory nature and that it did not imply any commitment by delegations to conform to any particular technique in the negotiations. Some members considered that while this was a reason that the work had been done largely on a theoretical level, the non-committal basis had in fact enabled the examination to be carried out with frankness and objectivity. Some of these members added that some points might possibly need to be analyzed in greater depth, but that this would involve negotiations or prenegotiations which represented a subsequent stage, distinct from the one in which the Committee was presently engaged.
5. The Committee addressed itself to the question of possible objectives for future negotiations on agriculture, referred to in paragraph 5 of the Working Group's report. A number of suggestions were made in this respect. Some members stressed that it was particularly important for developing countries to know the objectives and scope of the future multilateral negotiations, which should not be regarded as an effort to solve the trade problems of the developed countries alone. One of their main objectives should be the enlarged participation of developing countries in world trade, not only because these countries accounted for the majority of the world's population but also because of the contribution which such a participation might make to the overall balance

of world trade flows. Consideration should therefore be given to such questions as the inclusion in the negotiations of products of actual or potential export interest to developing countries, and of the trade restrictions and distortions these products face. Another basic aim should be that of ensuring access to developed markets for export products from developing countries. To treat the specific problems of developing countries adequately, it might not be sufficient to adapt the techniques and modalities already suggested, and the possibility of devising new techniques should not be excluded. Proper emphasis should be placed on primary commodities, while a further aim should be to ensure that the reduction or elimination of barriers on primary commodities be accompanied by corresponding measures on processed or semi-processed products so as to reduce or eliminate escalation effects.

6. A further member suggested that the objectives of the negotiations should be the assurance of expanding markets for primary, semi-processed and processed products, and of stable and remunerative prices for these products, especially with regard to those of interest to developing countries. He agreed that close co-operation should be established between importing and exporting countries, through negotiation or consultation, in order to secure a better understanding between them. The multilateral negotiations should aim to stop the growth of, and reduce, the trade gap between developed and developing countries. Another member pointed out that the basic objectives for developing countries were contained in paragraph 4 of Article XXXVI of the General Agreement; they should be spelled out and defined clearly in relation to the techniques and modalities for the negotiations. He also referred to the joint declaration of the contracting parties, which included the aim of raising standards of living. A further member, observing that it was difficult for the Agriculture Committee to give an orientation as to techniques until the question of objectives was settled, suggested that any formulation should include as an aim the promotion of the trade of developing countries so as to enlarge their share in world trade. If the aim was to raise the standards of living of peoples, the export opportunities of developing countries must be improved.

7. Another member said that if common objectives acceptable to participating countries could be found, this would make a substantial contribution to the future negotiations in agriculture. He suggested that such common objectives would be to ensure a stable and steady expansion of agricultural trade in line with the general objectives of the negotiations, which should among others include the expansion and liberalization of world trade, and improvement in the international framework for the conduct of commercial relations; in this connexion he referred to the joint statement signed by his country and another contracting party in February 1972. He reiterated his delegation's hope that as many developing countries as possible, including those not members of GATT, would participate in the future negotiations and expressed his Government's willingness to co-operate to the fullest extent possible in the preparations for the participation of these countries in the negotiation.

8. Other members stated that the objectives and targets for the negotiations should be made as specific as possible in respect of what should be achieved in the reduction or elimination of barriers. Further members said that the list of possible techniques was fairly comprehensive, and that a sense of direction was needed to see where and how they could be used in the future negotiations; at some stage objectives would thus need to be formulated. Various possible formulations existed, for instance in the joint declaration referred to earlier, in the report of the Working Group, or those which applied in the Kennedy Round. These and others might be considered at a fairly early opportunity.

9. Some members considered that the term "objectives" was not the best description of what was needed. The general objectives were already known from the present discussions as well as from the joint declaration and from the Kennedy Round. What was needed was to specify the aims with greater precision, and to know more about the general framework of the negotiations. The CONTRACTING PARTIES would no doubt examine the framework at the coming session, and the necessary indications as to further work would emerge from this. At the present stage these members were ready to work in this spirit, would not refuse to consider any suggestions, and might themselves be prepared to make suggestions at future meetings. In particular, they were always ready to examine what could be done for developing countries, either directly or through agreements between developed countries themselves. Other members expressed agreement with the view that it might be desirable to await more general decisions to be taken by the CONTRACTING PARTIES at their forthcoming session before embarking on the necessary task of specifying the aims of the agricultural negotiations more precisely.

10. Some members considered that the work on techniques and modalities could be carried beyond the theoretical level by attempting to link particular techniques to particular products or to particular countries. They therefore suggested that pilot studies, referred to in paragraph 8 of the report, might be undertaken. The point was also made that a clearer knowledge of the barriers or particular products would make it easier, especially for developing countries, to assess which techniques were most appropriate and how they might be used. A member suggested that the commodity selected for any such study should be one of particular interest to developing countries.

11. Some members said they were open-minded as to the possibility of undertaking pilot studies. However, if such studies were to be undertaken, it must be clear that they should contain some investigation of alternative techniques used and of their effects. The terms of reference should be neutral, in the sense of not pointing to any particular technique.

12. Some members said that while pilot studies might be useful, one would first need to know more about the objectives and scope of the future negotiations. They therefore suggested that any decisions as to further action should be based on the decisions to be made at the forthcoming session of the CONTRACTING PARTIES.

13. Several members made detailed comments on the substance of the Working Group's report. A member said that the report as well as the secretariat note showed that export aids could not effectively be dealt with by individual countries or even groups of countries, but only through co-ordinated co-operation of a larger number of contracting parties. The section of the report dealing with production measures represented a pioneering effort in a significant field; future work might however also bear on measures of adjustment and adjustment assistance. As regards the section on common criteria, he said that the value of contributions by participants in a negotiation must be assessed by each and every participant, but the task might be facilitated if common criteria could be worked out; he himself was not advocating any particular technique. He regretted that the section on combination of techniques contained only one suggestion, that made by his delegation.
14. A member pointed to the balance-of-payments difficulties and low productivity in his country, and expressed a preoccupation at making commitments on production measures when the aim was to increase production. He suggested that the chapter on production measures might be examined in greater depth.
15. A member drew attention to the work done in other bodies, and referred to a recent study on agricultural adjustment prepared by the FAO, which gave much attention to the export problems of developing countries and the possibilities of solving them.
16. Some members said the problem of access was even more important than that of remunerative prices. One of these members said that this was why he found it difficult to accept the view that price stabilization agreements were the most appropriate negotiating technique inasmuch as such agreements did not try to solve the basic question of access in terms of dismantling tariffs and non-tariff barriers on a preferential and non-reciprocal basis.
17. Some members said they were very much aware of the vulnerability of duty-free access for developing countries' exports of manufactures as provided under the General System of Preferences. Not all developed countries had put their respective schemes into force, and those already in force contained important exceptions and limitations, besides being considered by donor countries as not formally binding.
18. A member expressed the hope that in translating the theory of the report into practice, attention would focus on generating increased benefits to developing countries. Referring to paragraph 222 of the report, he felt that the disadvantages of stabilization agreements had been overstated. He also called attention to the increased import outlays by developing countries for manufactured products the prices of which were rising rapidly.
19. A member considered that among the various techniques listed in the report, priority should be given to those dealing with export subsidies. He suggested that analyses might be undertaken on some products subject to export subsidies and of interest to developing countries.

20. Some members pointed out that, similar to the Working Group's report and for the same reasons, the note prepared by the secretariat (COM.AC/W/86) was largely theoretical, in that it did not make reference to particular commodities or particular countries. The hope was expressed that the examination of the problem of the implications for developing countries of the various techniques would be further pursued and supplemented as work progresses.

21. Commenting on the substance of the note, a member expressed interest in the suggestion, referred to in Section III, to apply the criterion of "share of trade of developing countries" as an alternative to the "principal supplier" and "substantial interest" rules. He felt that this suggestion should be considered not only in respect of an item-by-item technique on tariffs, but as a rule which might apply also in relation to possible linear tariff reductions and to action on non-tariff barriers.

22. A member, recalling that, as in the case of the Working Group's report, the techniques listed in the note were not to be regarded as exhaustive, said that account might also be taken of other factors, such as agricultural protection, protection of processing industries, and substitution, which acted against the expansion of exports from developing countries.

23. A member expressed the hope that the suggestion, referred to at the end of paragraph 20, of a complete abolition of non-tariff barriers and their replacement by customs duties at moderate levels might be explored further.

24. A member recalled his suggestions regarding priority elimination of export subsidies on products of interest to developing countries, and the criteria for the identification of such products. He agreed that the trade effects of any such abolition would depend on certain conditions, as was pointed out in paragraph 6 and notably that all developed countries would have to participate. He felt, however, that undue emphasis should not be placed on problems of possible substitution or of shrinkage of demand. He considered that the gradual removal or elimination of export subsidies would lead to changes in support policies which, if accompanied by improvements in access, could be beneficial to efficient developing exporters, whose share in the import markets could increase. The difficulties importing developing countries might have to face, discussed in paragraph 9, should not be exaggerated. He appreciated the past rôle of surpluses in providing food aid, but this should not justify the continued production of uneconomic surpluses which limit the export opportunities of developing countries.

25. As regards Section III, he considered that a number of different criteria, or combinations of these, might need to be used for the identification of products of interest to developing countries. He agreed with the observation in paragraph 19 that as agricultural products had largely been excluded from the Generalized System of Preferences, a most-favoured-nation reduction of duties was not likely to affect the interests of developing countries in that sector. One should however not exaggerate the difficulties of including agricultural products, especially processed products, in the Generalized System of Preferences; complexities might also arise if liberalization were undertaken on a most-favoured-nation basis.

In order to dispel any misapprehensions as regards requests for preferential treatment in the field of non-tariff barriers, he stressed that it was not envisaged that exports from developing countries should, for instance, be exempted from health and sanitary regulations. In this area he agreed with Section VI that these countries might need technical assistance to be able to comply with the regulations, some of which might however be modified so as to take account of the special problems faced by developing countries.

26. As regards levies, he felt that, theoretically at least, if levy-free quotas or quotas at reduced levies could be established in general, they could also be established on a preferential basis. He also considered that for certain products a reduction of levies might be linked to the observance of minimum prices, as discussed in paragraph 24 of the note. Turning to international stabilization arrangements, he considered that it was now generally accepted that they might be useful in helping to secure remunerative equitable and stable prices for products in which developing countries had a predominant interest. His delegation entirely agreed with the view that if developing countries participated in such a negotiation they would have to accept certain obligations; they could not, however, accept the same obligations as developed countries, and account would have to be taken of their special problems.

27. Some members said that the secretariat note was still being studied by their authorities, who might wish to make comments at a later stage.

28. The Committee approved the report of the Working Group on Techniques and Modalities (COM.AG/W/88), and agreed to the text of a note by the Chairman transmitting it to the Council. The note has been issued as document COM.AG/25.