

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## Agriculture Committee

### MEETING OF THE COMMITTEE, 29-30 JANUARY 1973

#### Note by the Secretariat

1. The Agriculture Committee met on 29 and 30 January 1973. The Committee noted that its report (COM.AG/25) had been adopted by the CONTRACTING PARTIES at their twenty-eighth session.
2. Some members said that the Committee should establish a programme for its work, taking account of the discussions at the twenty-eighth session. They referred to the summing-up by the Chairman of the CONTRACTING PARTIES, in which the CONTRACTING PARTIES had confirmed their will to achieve the necessary conditions for undertaking new and far-reaching multilateral negotiations in 1973 under the auspices of the GATT, and had agreed to establish a Preparatory Committee which would analyse and interpret in common the essential facts of the situation, and develop methods and procedures for the negotiations with the full and active support of the three existing committees and in coordination with them. These members said that account should also be taken of the results achieved as well as the difficulties encountered by the Agriculture Committee; a major difficulty, as reflected in the report by the Working Group, had been the limitations on its work caused by the fact that it had not yet been possible to discuss the objectives of the future negotiations, and the hope had therefore been expressed in the Group that the Agriculture Committee would try to specify the objectives of the 1973 negotiations in the agricultural sector. Recalling their statement at the twenty-eighth session, these members proposed that the Committee take up the discussion of objectives for the negotiations on agriculture as its first task. The discussion should establish the fundamental components which determine the specific nature of the agricultural sector and, hence, deduce general objectives for the agricultural sector that would correspond to its specific nature.
3. In further explanation, these members stated that they were at present neither seeking nor proposing a particular formulation of the objectives, and that any such formulation must be derived from a discussion of the factors that lend the agricultural sector its specific nature, in other words from the realities of agriculture.
4. A member explained certain actions recently taken by his authorities. His government had abolished all export subsidization for agricultural products, in particular those on wheat, wheat flour, lard, poultry, rice and tobacco. Certain

special programmes for non-fat dry milk had also been terminated. Action had also been taken to change the set-aside requirements for grain production. Under the 1973 programme, 15 million acres were expected to be brought into production in addition to those brought in earlier, and could be used for production of crops including wheat, feedgrain, soybeans or forage. This showed that his country was moving towards an increasingly market-oriented agriculture.

#### Discussion of objectives

5. A member recalled his suggestion made in the Working Group that the common objectives should 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, and improvement of the standards of living of the people of the world. In his view the difficulties in agricultural trade could be attributed to two elements: instability in world markets for agricultural products, and the limitations on the increase of agricultural trade. The first element was characterized by fluctuations in volume and in price, a situation desirable neither for producers nor for consumers. The fluctuations were a major reason for protective measures in importing countries, and frequently led even major exporting countries to resort to restrictions or prohibitions against imports of products they themselves exported. Efforts are therefore needed to ensure stable markets for agricultural products through joint cooperation of exporters and importers. Exporting countries should be required not to disturb markets by releasing large surpluses but to ensure stable supplies, while importing countries should be required to endeavour to avoid instability in markets. The second element was connected with the low income elasticity of demand in high-income countries which acted as a brake on the rate of growth of agricultural trade. It would be realistic to seek to achieve a steady expansion of agricultural trade corresponding to the limited increase of demand and in line with the gradual reduction of barriers. In low-income countries, on the other hand, potential demand should be turned into effective demand. It might be argued that the free market principle might be applied thoroughly even to agriculture; however, under present circumstances where many governments maintain a variety of agricultural protective devices for various reasons, it would not be realistic to assume that such a principle would be mutually acceptable as an objective for the negotiations. A realistic and acceptable objective would be to ensure a steady expansion of agricultural trade in stable market conditions. The two parts of this objective were interconnected and should be pursued in parallel.

6. A member expressed general agreement with these objectives inasmuch as they related to the expansion of trade and the need to reduce barriers, to take practical measures and to stabilize trade. Stability should however not be viewed in isolation as "stability and growth" but as "stability with growth". He suggested that other objectives might be added e.g., an objective relating to prices at which agricultural trade should be conducted; such prices should be at levels that are reasonably remunerative to economically efficient producers and fair to consumers. A further objective would be that any arrangements to be negotiated should give greater predictability of access to world markets.
7. A member, expressing agreement with the objectives proposed in paragraph 5, added that the objective of expansion in stability should not be achieved by restricting the growth of imports from suppliers who had only a small share in a market. Developing countries such as his, which still had low productivity, needed better conditions of access.
8. A member, stressing the need also expressed by others that the Committee's further work on techniques and modalities must be practically oriented, agreed that it might be useful to examine specific objectives for agriculture. He pointed out that the general objectives were already indicated in the terms of reference of the Committee, which referred to the objectives of the General Agreement in the agricultural field; these, however, needed to be made more specific. He suggested that they might include the following: improvement of the conditions of agricultural trade, including the achievement of improved access, as well as a greater predictability and stability of access; greater stability of international prices; elimination of export subsidies; better conditions for accommodating problems of shortages and surpluses; throughout, account should be taken of the particular interests of developing countries. He agreed that consideration of the objectives needed to take into account such factors as the desirability of maintaining agricultural incomes and of permitting adequate time for restructuring; but the "realities" themselves were well-known and required no special study to be identified. He thought that when specific objectives are drawn up, the utility of various techniques for achieving them should be examined in relation to particular sectors.
9. A member said that the low income agricultural exporting countries must be the focal point of the objectives for the negotiations. As demand elasticity was low, agricultural products should be given free market interplay, but the position of these countries must be borne in mind. He suggested that the objectives might be liberalization of trade, gradual elimination of all barriers, tariff and non-tariff; and to give impetus to a gradual expansion of agricultural trade. However, specific actions may be required to meet the objectives of different components of the international trade structure with differing economies, such as in particular the developing countries.
10. A member said there seemed to be two types of objectives: long-term, covering a period of the order of twenty or thirty years, and short-term, say three or four years. Certain ideas on basic changes over a long period had been

put forward as regards the industrial sector; one should therefore also consider what were the long-term aims in the agricultural sector, as in his authorities' view the two sectors were interconnected. Was it liberalization or expansion of trade that was being sought, or were there some other long-range aims? His delegation continued to maintain that neither the industrial nor the agricultural sectors should be insulated from market forces; if the latter were separated out, this would seem contrary to the efforts for monetary reform. The objectives for industry and agriculture were interrelated, and were the same in the long run, although they could be reached by different paths. The paths which his delegation was proposing for agriculture were set out in paragraphs 252 to 259 of the Committee's report COM.AG/25. A basic underlying principle was that the costs of agricultural support should be borne internally, and should not adversely affect farmers in other countries. His authorities had for a long time urged that stability should be brought about by production management; they themselves had taken appropriate measures, but had warned that they would not be able to continue bearing the burden unless others shared in the effort. Their recent action was related to this situation (see para. 4). It was erroneous to interpret stability as meaning price stability, as fluctuations in price were a symptom and not the cause of instability.

11. A member, agreeing to the objectives referred to in paragraph 5, considered that they should include elements such as production, stability, prices and removal of impediments to trade. He also supported those who said that full account must be taken of the particular situation of developing countries, and stressed the large share of agriculture in their domestic economy and in their export structure.
12. A member pointed to the importance of price stability, as fluctuations in price prevented developing countries from estimating their revenue. These countries needed price stability, but at a reasonable level. Furthermore, any objectives relating to increase in trade should specify that developing countries must fully share in the increase so as not to lose relative ground.
13. Other members also expressed support for the objectives outlined in paragraph 5, and for the need to give special attention to the particular problems of developing countries.
14. A member, agreeing that the immediate task of the Committee was to draw up objectives, said that this should be followed by a re-examination of the procedures to be used in the negotiations. The objectives for agricultural trade had become known over the last twenty-five years and should not be difficult to define. He suggested the following: expansion of world trade in agricultural products, to be achieved through improvement of access; agreements on fair competition in export markets by removal of export subsidization and dumping practices; avoidance of new barriers; and the elimination of agricultural subsidization. His authorities recognized that these might not be achieved in full in this negotiating round, but progress must be sought at least through partial solutions. They also recognized that social and political factors were implicit in changes in agricultural production in many countries and they would readily acknowledge the need for planned and progressive action to move towards the principles of the GATT in the agricultural field. Nevertheless one could move forward by identifying those negotiating procedures that are likely to prove mutually acceptable and would lead to an expansion of trade in agricultural products.

15. A member stated that, within the framework of the general objectives for the negotiations, the objectives for agriculture should contain two principal elements: stability and continuous expansion of trade in agricultural products; and special consideration for developing countries in this sector. Stability in agricultural trade depended on stable conditions of import régimes. If the level of charges at the frontier (such as levies and compensatory taxes) varied considerably, there could be no stability, and the resulting incertitude would adversely affect exporters. Demand must be met at prices that were fair to the consumer and provided a reasonable remuneration for producers. The level of import charges should be progressively reduced. Contractual rules should be established relating to disruption of markets, but also of production and supplies. There was also a need to establish certain codes relating to health and sanitary regulations, standards and seasonal restrictions.

16. A member underlined that an understanding was needed on the policy framework within which the negotiations would be conducted, and agreed that specific objectives for agriculture must be defined. The CONTRACTING PARTIES had recognized the overall objectives of expansion and liberalization of trade, and raising the standards of living of the peoples of the world; they had also recognized, as set out in the summing-up of the twenty-eighth session, the aim to secure additional benefits for the international trade of the developing countries so as to achieve a substantial increase in their foreign exchange earnings, diversification of their exports and an acceleration of the rate of growth of their trade, taking into account their development needs. These general objectives must be borne in mind when defining specific objectives for the agricultural sector. He agreed with the suggestions that special interest on a priority basis should be given to products of developing countries, and that improved access was needed for these products to the markets of developed countries, at stable and remunerative prices. He also agreed with the suggested objective of stable markets and a progressive expansion of trade, but stressed the importance of at least maintaining the market share of developing countries. He wondered whether the benefits accruing to developing countries could not be quantified, and a quantitative target agreed upon, for instance in terms of a minimum percentage growth of exports from these countries.

17. A member said that in order to give the required direction to the Committee's work, one should recognize which were the difficulties that stood in the way of progress in international agricultural trade. These difficulties had become apparent when the exclusion of agriculture from GATT rules, be it through waivers or through particular provisions in protocols of accession, could no longer be justified. One should therefore consider whether various barriers were linked to particular characteristics of the agricultural sector, and if so, how. National objectives usually took account of various factors, such as levels of farm income, security of supplies, ecological and other socio-economic considerations, but also of balance-of-payment problems. His authorities attached great importance to supply and production control as a means of achieving healthy conditions in markets.

18. A member stated that his country's objectives could be summed up as reduction of barriers to trade. He called for a better balance between progress on industrial and on agricultural products. In his view price stability and access stability had their importance, and one might need to see which was to be preferred in a given case.

19. A member said he agreed with the various objectives put forward; and urged that they should be defined more closely so as to enable the Committee to proceed to more concrete matters of the negotiations.

Discussion relating to principles and procedures

20. Some members proposed that after the objectives have been established, the Committee should undertake an examination of the principles and procedures which are to govern the negotiations as they relate to agriculture.

21. In further explanation they suggested that the discussions, which should take place in the light of the objectives that will have been established, might bear, among others, on elements such as the definition of the agricultural sector; the particular interests of developing countries; the principles of reciprocity and of mutual advantage.

Discussion relating to the applicability of techniques

22. Some members suggested that following the discussions of objectives and principles and procedures, the Committee should examine the different techniques and modalities with a view to assessing their applicability in respect of the agreed objectives. It was also suggested that this examination might be carried out in relation to particular products or product sectors.

23. Some members recalled the summing up by the Chairman of the CONTRACTING PARTIES made in the course of the twenty-eighth session, which referred to the suggestion that high priority in this context might be given to products of particular interest to developing countries. Some of these members suggested that the examination should focus on tropical products, in particular those produced exclusively in developing countries and on which, in their view, there was no need to maintain barriers, both as regards raw or processed products.

24. Other members suggested that the examination of techniques and modalities as against the objectives might also cover meat.

25. A member, recalling that his delegation had itself earlier suggested that the Committee should study the applicability of various techniques to concrete sectors, said that the objectives, principles and techniques and modalities be examined in relation to concrete problems. He therefore proposed that the examination cover grains, animal feed and livestock. These formed an interrelated complex which included products of vital importance to developing countries. An examination of this kind would also deal with the problems of meat. The examination should be carried out without commitment and without prejudice to any particular technique, all of which could be considered.

26. Some members said they could accept this proposal. Some of these members noted in particular that meat and meat products, which were of particular interest to them, could be fitted into the proposal.

27. Some members considered that it would not be sufficient to examine the grains-livestock-meat complex, and that the coverage would have to be extended to feedstuffs, other meats such as poultry, and dairy products, because of the existing interrelationships.

28. A member expressed doubt whether an examination relating to an individual limited sector would provide guidelines for the agricultural negotiations as a whole. He therefore suggested that a more comprehensive approach be made so as to cover major sectors in agricultural trade. In this connexion he made reference, as a matter of illustrative example, to all the sectors that had been covered in the initial work of the Committee (see for example COM.AG/9). He strongly agreed that such an examination should be on a no-commitment basis and should not be regarded as constituting pre-negotiations.

29. Another member, agreeing that the work should be done on a non-committal basis, said that in examining how various techniques could apply to particular commodities or sectors, the objectives, when defined, should serve as touchstones to test the suitability of various techniques and of the modalities according to which they would be implemented. He did not think that much time should be spent on the objectives, of which some in any case might be conflicting, and that the main focus should be on the practical application of particular techniques. In supporting the proposal referred to in paragraph 25, he recognized that those products were related to others, but thought it was necessary to start somewhere, with a grouping broad enough to reflect major interrelationships and narrow enough to be manageable; consideration could then be given to the applicability of techniques in other sectors.

30. Some members pointed out that the eight sectors mentioned in paragraph 28 were not exhaustive. They referred to an earlier suggestion that priority should be given to products of particular interest to developing countries and asked that tropical products, including in particular tea coffee and cocoa, should also be covered by any such study.

31. A member wondered whether the coverage of a study could in fact be delimited, in view of the interrelationships among agricultural products. Another member suggested that the problem might be solved by starting with a nucleus, such as the beef-grain sector that had been proposed, and by then gradually broadening the coverage in the light of interrelationships that emerge.

Future work

32. The Committee noted that the discussion had borne on three main topics: objectives for the future negotiations as they related to agriculture, principles and procedures to govern these negotiations, and the examination of the applicability of the various techniques and modalities identified in the Committee's report. A number of suggestions had been made regarding the objectives of the negotiations, and the manner in which future work should be carried out. Although no final consensus was reached as to the precise way in which this should be done, the exchange of views provided members with an ample basis for further reflection in capitals on the three areas discussed and on the possibilities offered in this context by referring to particular products or product sectors. Members were urged to give these questions their full attention before the next meeting of the Committee, the date of which would be set by the Chairman in consultation with them.

33. In order to further its work, the Committee requested the secretariat to prepare before the next meeting:

- (a) a list of objectives for the negotiations as they relate to agriculture, on the basis of discussions at the present meeting; and
- (b) a list of principles and procedures which might govern the agricultural negotiations. This list would not aim to be either exhaustive or limitative; its sole aim would be to facilitate the choice which governments will be called upon to make.

34. Finally, the Committee invited governments who so desired to communicate their proposals and views to the secretariat in writing, for immediate distribution to delegations.