

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## Committee on Trade in Agriculture

### MINUTES OF THE MEETING OF THE COMMITTEE AT SENIOR POLICY LEVEL ON 15 NOVEMBER 1984

Chairman: Mr. Aert de Zeeuw (Netherlands)

1. The Committee on Trade in Agriculture met at Senior Policy Level on 15 November 1984 with a view to conclude the consideration of recommendations to be made to the Council and the CONTRACTING PARTIES.
2. In opening the meeting, the Chairman recalled that the Committee had, for some time, had two texts of draft recommendations on the table; AG/W/8/Rev.1, on which the Committee had begun its discussion in September, and Spec(84)53, a proposal by the European Communities which had been circulated shortly after the last meeting.
3. Following the Chairman's consultations with delegations, he felt that neither of these texts was acceptable to the whole Committee. He had therefore prepared a new text which he submitted to the Committee for consideration. He subsequently invited members to comment on the new text of draft recommendations, stressing that the only difference from AG/W/8/Rev.1, was regarding the draft text of paragraph 1(b).
4. The representative of Canada recalled that a similar exercise undertaken in the early 1970's had been a dialogue of the deaf, in which doctrinaire positions had been taken and no willingness to understand the problems of other participants had been shown. In contrast, the work of the Committee on Trade in Agriculture had been characterized by a complete lack of doctrinaire positions. Delegations had attempted to come to grips with the problems of agricultural trade, in the realisation that these problems were deep seated, highly political and were not going to be easily solved. The work of the Committee had, however, been characterized by a real search for improving the agricultural trade environment. As had been noted by the Chairman, the new text was a small but important step forward, which would provide contracting parties involved in the work of the Committee with an instruction to undertake an elaboration exercise. It was hoped that by the end of 1985, the Committee would be able to report back to governments that some approaches appeared to have promise. Delegations would then have to make recommendations to their respective governments as to whether or not the elaboration exercise justified the initiation of negotiations. The elaboration exercise on subsidies affecting exports, especially export subsidies, would involve two approaches. One approach would be to elaborate somewhat more on the present institutional framework and rules. The other would involve the elaboration of a rather novel concept which, on the surface at least, appeared to offer the possibility of getting meaningful disciplines on subsidies affecting exports, blended credits and all direct export subsidies.

5. The representative of Canada indicated that, while not perfect, the text put forward initially as AG/W/8 and then as AG/W/8/Rev.1, nevertheless appeared to reflect the consensus that had emerged over the work of the last two years. In supporting the new text, the representative of Canada pointed out that it was identical in substance to the earlier AG/W/8/Rev.1 text which had been accepted by the Canadian delegation. The new text, however, made it crystal clear that, as regards export subsidies and similar measures, there would be two approaches. Both were equally important and both would be elaborated next year. It was expected that all delegations would approach the work of next year in the same spirit that had characterized the work of the Committee over the last two years. At the end of the elaboration exercise, all participants would have to make their respective judgements and make recommendations to their respective ministers as to which of the two approaches offered the best possibility for a meaningful negotiation.

6. The representative of New Zealand shared the views expressed by Canada and pointed out that the work undertaken by the Committee over the last two years had encompassed much more than the drafting of the two page document under consideration. A great deal of information had been received from participants and had been analysed and evaluated in the Committee. Some very significant and indeed landmark material had been received from the secretariat which had extended the understanding of the issues considered in the course of the Committee's two years of work. In many respects, a great deal of progress had been accomplished. It would be a judgment on all participants if finally it were not possible to bridge the gap. It had been a major disappointment that it had been necessary to reopen discussion on what was believed to have been a broadly acceptable text. New Zealand had nevertheless accepted the challenge offered by the Chairman at the last meeting to assess the work and to try and reach some finality. The new text of paragraph 1(b) contained one or two nuances that differed from the AG/W/8/Rev.1 text which New Zealand had preferred. It was recognized, however, that the new text was intended to be more broadly acceptable and the hope was expressed that the major participants would examine very carefully whether the way in which the issues were now addressed was in fact markedly different from what they had anticipated might be achieved.

7. The representative of New Zealand urged that the necessary effort should be made to reach agreement. He noted, however, that it was not enough simply to concur in the proposed text. What was needed was an affirmation from participants regarding their participation in the work of the Committee next year. There could be no suggestion of any participant deciding at some point next year that one part of the recommendations deserved more preference than another, or that some aspect of the work should be proceeded with but not other aspects. It was therefore important that contracting parties involved should reaffirm that their participation in the Committee next year was for a deliberate and common purpose, and that they should not allow themselves to be sidetracked from that purpose. The representative of New Zealand appealed to all participants to confirm their willingness, as New Zealand did, to work evenly and equitably on all elements of the

programme, and to make the resources available to advance the work of the Committee. Proceeding from this basis it was believed that if participants were to address openly the issues that might still be regarded as difficult, it might be possible to close the gap and conclude an effective period of work.

8. The representative of Brazil expressed his appreciation for the eloquent statements made by Canada and New Zealand and he appreciated the efforts of the Chairman in producing the new proposal. He would have preferred to stand by the original text in AG/W/8/Rev.1, but in a spirit of compromise, he could go along with the new text, which provided a good basis for the continuation of the task next year, and he could support the new proposal as it was.

9. The representative of Australia noted that many of the points had already been made by Canada and New Zealand. The Australian perspective had been to attempt, within the Ministerial Mandate, to come forward with recommendations with a view to achieving greater liberalization in the trade in agricultural products. Australia's objective was to endeavour to develop a balanced framework that might, after appropriate elaboration, provide the basis for negotiations. How this balance was perceived would differ slightly depending on the country and the interests involved. For its part, Australia had emphasized the need to highlight such matters as comparative advantage. Throughout the work of the Committee over the last two years, the Australian approach had been to participate constructively in the process of creating a platform for further work. Thus despite some misgivings which others had also shared, Australia had been prepared to endorse AG/W/8/Rev.1 as a basis for continuing work in the Committee on Trade in Agriculture. The new text, to all intents and purposes, reflected the thrust of the work encompassed in AG/W/8/Rev.1, although the wording of paragraph 1(b) could be taken to imply that the two approaches would be elaborated in sequence. The new text would provide a very good basis for the Committee's work provided it was understood that both approaches were to be elaborated in order to see how they might contribute to finding ways for a basis for trade liberalization in agriculture. Australia's strong preference was that this work should be carried forward in a multilateral environment, and that participants should work together constructively and deliberately in elaborating both approaches and in developing recommendations to submit to Ministers after the next phase. It was on this basis that Australia could endorse the new text presented by the Chairman.

10. The representative of Argentina felt that the opening statements by Australia and Brazil had set the proper perspective. Argentina was deeply interested in the problems of trade in agriculture and wanted to encourage a mutual understanding of the matter. He felt the new text to be an excellent one, which he supported, and it was the intention of his delegation to continue to support this work in the year ahead.

11. The representative of Finland, speaking on behalf of the Nordic countries, said that he might have problems with some of the formulations in the text. He noted that one element mentioned in paragraph 2 of the Ministerial Declaration was not retained in the chapeau of paragraph 1 of the new text, something which might detract from the balance of the Ministerial Declaration. He also felt that the

text of paragraph 1(a) still left some questions of a rather complex nature open. In his view, the new text of paragraph 1(b) was an improvement, and he concluded that although the new text did not provide complete answers to all the preoccupations of the Nordic delegations, it seemed possible to make further efforts on this basis.

12. The representative of Hungary expressed his support for the new text, stressing the great importance his delegation attached to this work. He wanted to place on record that he regarded the recommendations in paragraphs 1(a) and 1(b) as fundamental and giving a main direction for further work with regard to access to markets and export competition. The work on these two basic issues should be pursued in parallel, retaining the balance between the objectives expressed in paragraphs 1(a) and 1(b). As to the two approaches in paragraph 1(b), he shared the views that both these approaches should be pursued in parallel.

13. The representative of Japan expressed his appreciation for the Chairman's new text which he felt constituted a reasonable compromise of certain conceptual differences. He recalled that his delegation had, at previous meetings, stressed the importance of specificity with respect to both agriculture and agricultural trade. His delegation continued to attach great importance to the recognition of specific characteristics of this sector and might have preferred to have this illustrated by referring to examples, such as food security objectives. He would, nevertheless, refrain from suggesting amendments to the text. He inquired whether the word "approach" in paragraph 3 referred to both paragraphs 1 and 2 of the text. The Chairman confirmed that this was the case.

14. The representative of Uruguay shared, to a very large extent, what had already been said, in particular the comments made by Australia and New Zealand, and stressed that every effort should be made to liberalize trade in agriculture. He would therefore support the adoption of the new text. Uruguay would like to be associated with the future work of the Committee, and would participate on a constructive basis in any initiative undertaken to liberalize agricultural trade, since agriculture was of great importance to Uruguay.

15. The representative of Chile shared the exhortations of Canada and New Zealand which had a very important political content. He felt that the new text was not very different in its substance from the previous draft which he preferred and had been lead to believe that there was widespread agreement on in the Committee. In general, the new text which had been presented seemed to be a reasonable basis for carrying out the work of the Committee if this was accepted by the CONTRACTING PARTIES. Referring to paragraph 1(a), he reiterated the concerns expressed previously by his delegation; namely, that he would have liked paragraph 1(a) to be somewhat more explicit with respect to its orientation, and that its fundamental objective was the strengthening of Article XI concerning the prohibition of quantitative restrictions. At the same time, more flexibility should be given to the conditions permitting the invocation of exceptions foreseen for agriculture under the same provision and to strengthen the discipline which linked national agricultural policies to their effects on international trade,

and which was to be found in paragraph 2(c) of Article XI. Furthermore, it seemed to him that the allusion in the recommendations to voluntary export restraints was rather delicate. This allusion could not imply in any way a recognition that this type of measure could be taken under the GATT or could be legitimized, and therefore it had to be made very clear that in no way were the rights and obligations or the positions of contracting parties prejudged. In his view, these types of measures fell outside the GATT and were contrary to GATT disciplines. He also reiterated that agricultural trade had not achieved the same degree of liberalization as had other sectors of processed or semi-manufactured goods. It was disappointing to observe that the recommendations did not address this imbalance directly and that no liberalizing approach was envisaged in this respect. It should be ensured that levels of tariffs, para-tariff measures or other types of barriers were dealt with in future negotiations in order to reach a better degree of certainty, liberalization and stability in trade in agricultural products. He felt that these three fundamental elements did not seem to have been sufficiently explicitly dealt with in paragraph 1(a) but supported the draft recommendations on the understanding that these concerns could be examined and elaborated upon during the work in the coming year. He also shared the views that the work would have to be carried out on a basis of equality on the approaches suggested for subsidies and that the work concerning paragraphs 1(a) and 1(b) would have to be balanced and progressed on a parallel basis. He finally stressed that the political will was fundamental to the future work of the Committee, without which these recommendations and ensuing work would be rendered meaningless.

16. The representative of Egypt expressed his appreciation for the constructive statements of Canada, New Zealand and Australia and shared the views expressed with regard to the support for further efforts to liberalize trade in agriculture. He asked the Chair for some clarification as to the use of the term "approach" in the text. The Chairman agreed that the word "approach" should be replaced by "approaches" in the plural in paragraphs 1 and 3.

17. The representative of Switzerland observed that like document AG/W/8/Rev.1, the new text still posed some problems, although he recognized that the balance had been improved on the two major aspects. He would have liked to see the aspect of specificity of agriculture to be given more attention by taking account of agricultural policy aspects. However, he fully recognized the importance of reaching a compromise and of being able to pursue the dialogue, and felt that the new text, to a very large degree, met the needs in that respect.

18. The representative of India expressed his appreciation for the Chairman's efforts to improve further the text of the draft recommendations. Having listened to the interventions made by other members, he could support the new text.

19. The representative of Austria recalled the views expressed earlier with regard to document AG/W/8/Rev.1 in light of which, the new text marked some progress. He shared the concerns expressed by the Nordic countries as to the absence of a clear reference to paragraph 2 of the Ministerial Declaration in the chapeau of paragraph 1 of the new text. He furthermore expressed some doubts as to whether paragraph 1(a) of the new text was entirely covered by the Ministerial Declaration. With respect to the new text of paragraph 1(b), he felt this to be an improvement and he could support the new text.

20. The representative of Romania could support the new text and expressed the readiness of his delegation to take part in further efforts towards achieving a greater liberalization of agricultural trade.

21. The representative of the United States stated that, in common with other members of the Committee, it believed very strongly that the agricultural trade rules had to be changed, that there were too many subsidies and too many limitations on access, and that as a result there was a great deal of inefficiency and unnecessary expense for all governments. Starting from this proposition, the United States and others had made substantial compromises regarding the Committee's proposed agenda. With much difficulty, the United States had concluded that it could support AG/W/8/Rev.1 as a compromise but was now faced with a new text. While the crucial paragraphs had been described as being the same in substance, the fact that it had been necessary to propose the changes indicated that there were some who considered that the difference between the two texts was in fact a matter of substance. Having reviewed the matter the United States had concluded that the new text made it possible to have differing opinions about what was intended. The new text of paragraph 1(b) was unclear. It could mean that both approaches were to be fully elaborated in parallel and in a meaningful way. It could also mean that while there are two approaches, it remained to be decided at some future date which one of these approaches would be elaborated in a meaningful way. For the United States it was essential that the approach based on a general prohibition subject to carefully defined exceptions should be meaningfully elaborated, and that this should not be papered over. At the same time the United States was willing to work at the same pace and in the same meaningful way on the approach based on improving the existing rules. However, it would be unacceptable to the United States that anyone should be able to say, after the document had been agreed, that they were only prepared to work on one approach. Another point on which the texts differed was that whereas the AG/W/8/Rev.1 text referred to "improvements in the existing framework of rules and disciplines", the new text referred merely to improvements in their "application". Taken together these two changes of substance made the proposed text unacceptable to the United States. The United States appreciated the importance of the endeavour and was fully committed to it, and hoped that in the course of the meeting it would be possible to come to an agreement.

22. A representative of the secretariat explained that the expression "improvement in the application" was a mere translation of what was said in the Ministerial Declaration (L/5424 paragraph 1, subparagraph 2).

23. The representative of the European Communities said that it was most regrettable that the United States was not able to accept a text which appeared to have virtually unanimous support, and which the Communities could accept subject to a drafting change in the last paragraph. It was recalled that if changes had been made in paragraph 1(b) it was because, in the Communities' view, the AG/W/8/Rev.1 version had completely distorted the ideas of the Ministerial Conference in this respect. In the work of the Committee and elsewhere, the Communities had consistently argued in favour of

studying two approaches on subsidies, one of which was the improved operation of the rules as required by the Ministerial Declaration. The Ministerial Declaration, it was recalled, had never mentioned a new approach or a complete change. Accordingly, if the Committee wished to remain faithful to the Ministerial Declaration only the first indent of the new text should be adopted. However, in a spirit of conciliation, the Communities had, at earlier meetings, accepted the second approach. Referring to paragraph 23 of AG/W/7, the representative of the Communities noted that the Communities, in a spirit of conciliation, had always been in favour of this twin approach or study. Furthermore, the Communities shared the views expressed by others that the examination of these two approaches should be undertaken in parallel, and that in a year's time there should be a report to Ministers on which of the two approaches was the most operational.

24. The representative of the European Communities drew attention to the fact that, while a great deal had been said about paragraph 1(b), paragraphs 1(a) and (c) of the recommendations had also to be considered. This meant that if the Ministerial Declaration were to be complied with, the Committee had to work on an overall package and not just "pick the raisins out of the pudding". It had to be quite clear that the pudding was to be eaten in its entirety or not at all. Thus, as the Communities saw it, the future work of the Committee would necessitate an effort to elaborate approaches or studies in order to get to the heart of the matter on all fronts; on 1(a), on the two approaches in 1(b), and on 1(c). In this regard, the representative of the Communities stressed that what was involved was not the establishment of a basis for negotiations, but a basis for the work of the Committee, which would have to come up with a certain number of options to put before Ministers so that they could decide, as the representative of Canada had said, which of the options they wished to negotiate. For the moment, it was not a question of negotiation since no basis for negotiation had been established, but rather to define the direction of the Committee's future work. The representative of the European Communities recalled that the secretariat explanatory note, AG/W/9, had begun the process of putting flesh on the bare bones of the recommendations. The task of the Committee next year, about which all participants should be clear, should first be to put flesh on the bones, in order to be able to decide whether the overall approach embodied in the recommendations and AG/W/9 was acceptable or not acceptable.

25. The representative of the Communities proposed that paragraph 4 of the new text should be amended to read as follows, in order that it should be clear that it was the Communities intention that all the approaches would be studied together, with the same willingness, and without any mental reservations:

"The Committee on Trade in Agriculture should continue in existence in order to go deeper in the framework of a global solution covering all sectors defined in the Ministerial Declaration, all the approaches above and to report to the 41st Session on the results of such studies."

26. The representative stated that this amendment was inspired by the same concerns that other delegations had mentioned regarding the various approaches to which reference was made in the text, and to make it clear that it was necessary to cover all aspects in an overall solution, and to study and report on all the approaches.

27. The representative of the Communities stated that, like Japan, the Nordic countries and Switzerland, the Communities also upheld the specificity of agriculture referred to in paragraph 3 of the text. While not proposing that the text in this respect should be amended, the representative of the Communities pointed out that the specificity of agriculture was no less important because reference to it appeared in paragraph 3 rather than in the chapeau to the text.

28. The representative of the Communities also stated that the 1982 Ministerial Declaration covered a certain number of areas in addition to agriculture, and stressed that the forthcoming Session of the CONTRACTING PARTIES would have to assess the results achieved in all of those areas. Should it appear that there were no results in these other areas, the Communities, even though in agreement with the substance of the Committee's recommendations, might not give their final endorsement because the Ministerial Declaration was a package, the various elements of which, including agriculture, were linked one with another. If it were only in agriculture that progress was to be made, it would be necessary and simpler to re-name the GATT as the GATA, the General Agreement on Trade in Agriculture. The Communities would therefore make a judgment at the session of the CONTRACTING PARTIES on the basis of the overall results. The representative of the Communities requested that the foregoing statement be recorded in the minutes of the Committee's meeting.

29. The Committee then adopted the draft recommendations as amended during the meeting<sup>1</sup>. Furthermore, the Committee agreed that the Chairman should submit to the Council a factual report made on his own responsibility<sup>2</sup>.

30. The representative of Finland, speaking on behalf of the Nordic countries, reserved the right to come back to the matter in the Council.