

**GENERAL AGREEMENT ON  
TARIFFS AND TRADE**

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SENIOR OFFICIALS' MEETING OF THE NON-SUBSIDIZING  
AGRICULTURAL PRODUCING COUNTRIES

The Chairman's Summary of the Senior Officials' meeting of the Non-Subsidizing Agricultural Producing Countries, held on 23-25 July 1986, has been received from the delegation of Thailand with the request that it be circulated to contracting parties.

Chairman's Summary  
of the Senior Officials Meeting of the Non-Subsidizing  
Agricultural Producing Countries

I.

1. Representatives of the Republic of Argentina, Australia, the Federative Republic of Brazil, Canada, the Republic of Chile, the Hungarian People's Republic, the Republic of Indonesia, Malaysia, New Zealand, the Republic of the Philippines, Thailand and the Oriental Republic of Uruguay met at Pattaya, Thailand, on 23-25 July 1986 at the invitation of the Royal Thai Government to discuss the deepening crisis in world agricultural trade and to identify areas of co-operation and common strategies to alleviate this situation.

2. The meeting was opened by H.E. Air Chief Marshal Siddhi Savetsila, the Deputy Prime Minister and Minister of Foreign Affairs of Thailand. His inaugural statement highlighted the state of crisis in world agricultural trade which was largely a consequence of highly subsidized and protectionist agricultural policies of major industrialized countries. He called for a global political will to alleviate the agricultural crisis that has far too long dominated the world economy and delayed and hampered fair and equitable world economic growth.

II.

3. The senior officials reviewed recent developments which have depressed and destabilized agricultural markets and jeopardized the export earnings of all the countries represented.

4. The senior officials discussed the causes and implications of the crisis in world agricultural trade. There was agreement that a significant cause of the crisis is the massive and increasing levels of domestic agricultural protection and export subsidization by certain economies - particularly the major industrialized countries. The general malaise in world economic growth has also been a contributory factor. The domestic agricultural policies in the major industrialized countries have reduced access to markets and led to the accumulation, and dumping, of large surpluses on world markets. In turn, these consequences have depressed and destabilized world commodity prices to levels unprecedented since the Second World War, forcing efficient producers out of world markets. Producers in the major industrialized countries have remained largely insulated from world market signals because of their high and increasing protective barriers.

5. The burdens imposed on participating countries by the domestic agricultural policies of the major industrial countries was considered in some detail. Participants noted that the crisis in world agricultural trade has sharply reduced farm incomes and depressed the export earnings of participating countries; reduced their capacity to import; exacerbated their external debt servicing problems; reduced their development and growth possibilities; and caused social and, in some cases, political

tensions. These problems have the capacity to destabilize international relationships.

6. It was noted that liberalization of world agricultural trade, by increasing world trade growth, would bring substantial benefits to all countries, both the industrialized countries and agricultural exporting countries. In this context, it was noted that the findings of recent research published by the World Bank were that agricultural protectionism in rice, grains, meat, dairy products and sugar reduces the national incomes of both the developed and developing countries. In the case of the developing countries their national income could be increased by more than US\$18 billion per year by the elimination of protectionism for these products. Developed countries would gain even more, to the tune of US\$46 billion per year. Liberalization of trade in other agricultural commodities, particularly tropical products, would be expected to increase both estimates substantially. To put these gains in perspective, liberalization would generate additional foreign exchange for the most heavily indebted developing countries which would significantly help them to meet their debt servicing commitments.

7. The senior officials carefully examined the particular situation and outlook in some major temperate and tropical products.

8. In the case of rice, representatives of exporting countries expressed their concern about the negative impact of the US Food Security Act (1985) on international markets. In the case of Thailand, the Act was expected to reduce their exports of long-grain rice by about 300,000 to 400,000 tonnes in 1986 and to lower substantially returns to the Thai rice industry. In the case of Uruguay and Argentina, mainly long-grain exporters, it was highlighted that the impact of this legislation has resulted in the loss of important traditional markets and a drastic reduction in prices in the order of 30 per cent.

9. The senior officials noted that world sugar prices remain depressed at about US cents 6/lb., an unprofitable level for most sugar exporters. EC and US policies were considered to be major factors behind this weakness. Officials also noted that the EC has moved from being a net importer of sugar in 1976 to being the largest net exporter to the free market. Evidence was given that the Community's sugar support programme has reduced world prices by about 12 per cent and that US quotas have reduced import demand by over 3 million tonnes (STRU) since their introduction in 1982; this represents 15 per cent of world free market trade. Concern was also registered that the United States appears to be moving down a similar track to the EC with recent additional proposals to subsidize sugar exports using retrospective duty drawbacks.

10. The senior officials noted that world wheat prices in 1985 were at their lowest level, in real terms, since the Second World War. Although world wheat production is forecast to fall slightly in 1986, world stocks are expected to increase sharply by the end of the 1985/86 crop year to a level equivalent to some 160 per cent of annual world trade. This situation is, in large measure, attributable to support policies, particularly those of the EC and the United States. The experts observed that production growth in the EC has seen it become the world's largest producer and a large and expanding net exporter, having been a net importer as recently as 1978/79.

11. There is considerable apprehension about prospects in the world beef market. Up to the early 1970s the EC was a substantial net importer of beef, but has become the world's largest exporter due to their internal support to high-cost producers complemented by massive subsidies. In addition, EC intervention stocks of around 800,000 tonnes overhang the market and the costs of storage are such as to encourage their disposal on export markets. Finally, US dairy policies are likely to put substantial downward pressure on prices, at least in the short to medium term.

12. For many years the international dairy trade has been characterized by production well in excess of demand, large intervention stocks (in the EC and the United States), extremely restrictive import régimes (EC, United States, Japan), export subsidization, low prices and dumping (EC, Scandinavian countries). Despite the problems of chronic excess production, their cause, high levels of domestic support, has not been tackled effectively. Similarly, little progress has been made in liberalizing trade barriers maintained by the EC, the United States and Japan and export subsidization has become an entrenched feature of the trade. The crux of these problems is the huge intervention stockpiles; for instance, butter stocks in the EC exceed 1.3 million tonnes (equivalent to more than two years of EC exports) and approximately 79,000 tonnes (as at the end of January 1986) are held in the United States.

13. The situation and outlook outlined above also generally prevail in the world markets for other agricultural products which are important to the participating countries.

### III.

14. The senior officials agreed that the liberalization of world agricultural trade was urgently needed as a matter of the highest priority. This will require action to reform agricultural pricing policies and income supports for farmers so as to allow appropriate market signals to be sent to farmers and to encourage increasing convergence between world prices and domestic prices for farm products.

15. The senior officials addressed ways of achieving a strong commitment of the major industrial countries to a programme of substantial agricultural policy reform. In particular, they gave careful consideration to approaches that might maximize the individual and collective impact of participating countries in negotiations to liberalize agricultural trade.

16. The senior officials agreed that there were important rôles that participating countries could play, individually and collectively, in their relations with the major industrial countries to bring about a rapid reversal of present trends and achieve reform and liberalization of agricultural trade. The participants agreed that an important aspect of this process would be concerted efforts to convey the need for changes to the United States Farm Act and EC agricultural régimes more effectively to the domestic policy makers of those countries. This was regarded as an urgent task to achieve some immediate improvement in the current chronically depressed world agricultural markets.

17. While emphasizing the relevance and broad scope for bilateral action by governments in pressing for agricultural reform, it was agreed that the ability of participating countries to effect substantial reduction in the agricultural price support of the major industrial countries would be improved by co-ordinated approaches.

18. The most important opportunity will arise from the comprehensive and priority treatment of agriculture in the new round of multilateral trade negotiations expected to be launched in September 1986 at Punta del Este, Uruguay. In particular, the senior officials agreed that the new round should urgently address the restrictions and distortions in agricultural markets with the objectives of significantly reducing agricultural price supports and providing better disciplines on agricultural trade within the GATT. The senior officials endorsed the need for a strong commitment to this effect in the Ministerial Declaration expected to launch the MTN round. If this could not be achieved, participating countries would seriously question the value of participating in the round. Senior officials agreed to transmit this need to their respective governments with a view to its further discussion at the meeting at ministerial level of these countries in Cairns on 26-27 August 1986.

19. Discussion focused on the form and scope of the expected Ministerial Declaration to launch the MTN round, and on the possibilities for identifying points of common interest and approaches that would accelerate the liberalization of agricultural trade. Senior officials expressed support for according agriculture a high priority and comprehensive approach in the new round and for the launching declaration to contain clear and unequivocal commitments to liberalize access to markets, including both tariff and non-tariff barriers; reduce agricultural protection through the full implementation of standstill and rollback commitments; phase out subsidies on agricultural exports; provide appropriate special and differential treatment for developing countries; minimize the adverse impact of sanitary, phytosanitary and other technical

barriers to agricultural trade and devise strengthened and effective GATT rules on agriculture. The senior officials also examined other areas and disciplines that will be part of the negotiations, such as surveillance and dispute settlement, and concluded that positive results therefrom would greatly contribute to significant improvements in and substantial liberalization of trade in agriculture. It was also agreed that the modalities for negotiations on agriculture are important for the eventual success of the negotiations and that it is desirable for a common position to be reached on this matter prior to the Ministerial meeting in Punta del Este.

20. The senior officials agreed that discussions and negotiations leading to substantial reform of domestic agricultural policies of the major industrial countries should not be confined to the GATT. The senior officials agreed that useful contributions in this respect could be made in other competent international fora such as FAO, UNCTAD, ECOSOC, IMF, OECD and international commodity councils.

21. The senior officials agreed that the Pattaya meeting provided a most useful additional means for collaboration on ways to develop further approaches to tackle, in a co-operative spirit, the crisis in world agricultural trade and give greater impact to their views. The meeting provided a welcome opportunity to identify issues and approaches to be given further consideration by Ministers at a meeting of these countries in Cairns, Australia, on 26-27 August 1986. Visiting delegations congratulated the Government of the Kingdom of Thailand for their initiative in convening this meeting. They expressed their gratefulness for the warm hospitality received and the excellent arrangements made for this meeting.

Pattaya, Thailand  
25 July 1986