

MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND

RESTRICTED

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Negotiating Group on Agriculture

CAIRNS GROUP PROPOSAL TO THE URUGUAY ROUND
NEGOTIATING GROUP ON AGRICULTURE

1. Argentina, Australia, Brazil, Canada, Chile, Colombia, Hungary, Indonesia, Malaysia, New Zealand, Philippines, Thailand and Uruguay submit the following proposal to achieve the objectives relating to agriculture in the Punta del Este Declaration. The proposal envisages participants agreeing to a short "reform programme" to take 10 years or less at the conclusion of which a long-term framework to govern world agriculture would apply fully.

Introduction

2. The fundamental aim of the proposal is to provide the means to achieve fully liberalised trade in agriculture, to eliminate distortive agricultural policies and to bind the necessary undertakings under strengthened GATT rules and disciplines, taking into account the general principles governing the negotiations.

3. World agricultural markets are currently characterised by barriers to access, widespread government price and income support programmes, massive overproduction and stagnant demand in some parts of the world and unfulfilled demand in others.

4. Accordingly, there is a need for early action to give relief and a reform programme that will take us progressively from these massively distorted agricultural markets to a point where all subsidies and other government support measures having an effect on agricultural trade are no longer permitted and domestic markets are open to effective competition from imports.

5. At the same time, no reform programme will be capable of effecting secure liberalisation of agricultural trade unless it is devised in light of, and becomes firmly entrenched in, an effective new framework of strengthened and more operationally effective GATT rules and disciplines.

6. In light of this, the proposal involves three inter-related phases:

(a) the full application of the long-term framework of revised and strengthened rules and disciplines for agriculture;

(b) the systematic reduction of aggregate support by the removal of distorting policy measures, supported by interim rules which will govern during the reform period; and

(c) the achievement of immediate steps for early relief from the severe distortions affecting agricultural trade.

Differential and More Favourable Treatment for Developing Countries

7. The principle of differential and more favourable treatment for developing countries as embodied in the GATT and related instruments as well as in the Punta del Este Declaration applies to all elements of this proposal, including early relief measures: for example

- longer timeframes for the implementation of the measures prescribed in this proposal;
- certain support measures in relation to domestic economic programmes to promote economic and social development, which are not explicitly linked to export purposes.

I THE LONG-TERM FRAMEWORK

8. The implementation of a long-term framework is necessary to achieve the objectives of full liberalisation in, and elimination of existing exceptions for, agriculture. This framework will both underpin and drive the adjustment process during the reform phase and will come into effect at its conclusion.

9. It is also recognised that the successful conclusion of negotiations in other related groups will be crucial to the effective operation of an open and fair agricultural trading system.

(a) Market Access

10. GATT rules and disciplines should be agreed to remove restrictions to the free flow of trade in agricultural products. This would include:

- a prohibition on the introduction or continued use of all measures not explicitly provided for in the GATT, including non-tariff barriers and other measures such as variable levies and minimum import prices.
- the elimination when the long-term framework comes into force of all provisions for exceptional treatment whether maintained under waivers, protocols of accession, or other derogations and exceptions;
- a binding of all tariffs on agricultural products at low levels or zero.

(b) Agricultural Subsidies

11. GATT rules and disciplines should be agreed upon to prohibit the use of all subsidies and other government support measures, including consumer transfers, having an effect on agricultural trade.

12. In the long-term framework, measures deemed to be exceptions to the general prohibition would be strictly defined in relation to the following categories:

- structural adjustment measures which do not impact negatively on trade;
- measures to assist domestic consumption of food which do not impede trade or discriminate against imports;
- non-commodity specific aid for infrastructure development covering research, extension, education, market information, inspection, grading, pest and disease control;
- measures for specific disaster relief; and measures for humanitarian purposes which respect obligations equivalent to those applying to surplus disposal transactions;
- direct income support which is decoupled from production and marketing.

(c) Sanitary and Phytosanitary Measures

13. A long-term framework for sanitary and phytosanitary measures will be established which reflects only strict justification to protect human, animal or plant life or health. The aim shall be to harmonise sanitary and phytosanitary regulations to remove barriers to international trade: and where full harmonisation is not technically feasible adverse trade effects of differing regulations will be minimised to the maximum extent.

(d) Consultation, Surveillance, Dispute Settlement

14. With the application of the long-term framework, trade in agricultural products will be integrated fully into the generally applicable provisions and mechanisms for consultation, surveillance and dispute settlement within the GATT system, as strengthened through negotiations in the Uruguay Round.

II REFORM PROGRAMME

15. An effective reform programme must be both shaped by and capable of creating the conditions for application of, the long-term framework. The key to this is a programme that rolls back the levels of aggregate support.

The reform programme would have the following elements:

(a) Phase Down of Aggregate Support

16. As overall government support levels are the root cause of trade distortions, commitments would be undertaken by countries to reduce and eliminate trade distorting policies in the form of country schedules of reductions, implemented on a non-discriminatory unconditional MFN basis.

17. Countries would determine the most effective mechanism for translating the overall objective of the negotiations into clear, specific and easily monitored commitments in their schedules.

18. However, the development of countries' schedules of reduction would be subject to defined terms and conditions. Most importantly, it would be necessary to make those systematic and coordinated adjustments required to ensure conformity with the long-term framework that will apply at the end of the reform period. The terms and conditions would include the following:

- countries would have to reach targets of reduced levels of overall support;
- those support and policy measures which contribute most heavily to trade distortions would need to be targetted for priority attention. This would require countries to ensure their schedules manifestly contribute to early and significant reform of the most trade distorting measures;
- the range of agricultural products to be covered would be as comprehensive as possible, as would be the range of trade distorting policies.

19. This reform programme would be facilitated by establishment of a measure of aggregate support capable of capturing the diverse policies that have distorted international agricultural production, consumption and trade. A PSE-type measure should be developed in the GATT context to provide this function. Such an aggregate country PSE-type measure could play an appropriate role in specifying the

measured point of departure for, and monitoring progress towards, the targets for reduced levels of overall support. However to ensure that support for every commodity is reduced, commodity-specific PSE-type measures would be used in conjunction with the aggregate measures.

(b) Priorities for Phase Down

20. As indicated above, the precise pattern of phase down may vary from country to country, but would include priority treatment for the:

- phase out of direct export subsidies and other subsidies which operate directly or indirectly to increase exports or reduce imports and cause or threaten serious prejudice;
- systematic enlargement of import access opportunity involving tariff reductions, phase out of non-tariff measures or enlargement of minimum access arrangements as applicable.

(c) Exceptions

21. The only exceptions to be considered to the coverage of the programme of reductions of overall support levels would be certain measures with humanitarian objectives, including consumption subsidies, or for the promotion of structural adjustment. These measures would be permissible only if their effects on output and trade are negligible. They would be excepted under certain prescribed and tightly circumscribed conditions.

22. In this regard precise terms and conditions would be developed in relation to the following elements:

- direct income support which is decoupled from production and marketing;
- adjustment or resource redeployment assistance which has a negligible impact on production and trade or which acts to reduce production/export levels;
- non-commodity specific aid for infrastructure development covering research, extension, education, market information, inspection, grading, pest and disease control;
- specific, natural disaster relief measures.

(d) Sanitary and Phytosanitary Measures

23. Negotiation of agreements and undertakings oriented to fulfil the long-term framework of objectives, specifically they have to include among others:

- establishing a procedure of notification and reverse notification to achieve full transparency concerning the application of such measures, with provision for review under the relevant provisions of the General Agreement, clarified as appropriate;
- harmonising sanitary and phytosanitary regulations and standards among countries with the aim of removing barriers to international trade. Even where full harmonisation is not feasible, countries would give greater recognition to the principle of equivalency of treatment;
- developing procedures to require any Contracting Party so requested by another Contracting Party to set out the precise terms and timetable of steps required to be undertaken to achieve conformity with its sanitary or phytosanitary regulations;
- providing that, upon request, technical assistance from countries with regulations in place for exporting developing countries would be given to help them overcome the substantive and administrative problem arising from phytosanitary and sanitary measures.

(e) Consultation, Surveillance, Dispute Settlement and Transitional Rules

24. Such a programme of systematic reduction in assistance to agriculture would require effective verification procedures.

25. Pending full application of the long-term framework, agreement will also be required on supplementary rules and arrangements applicable in the transition to secure its effective operation. These would also provide a basis for any recourse to dispute settlement procedures.

26. Countries should:

- provide a binding commitment to implement agreed schedules including an undertaking not to resort to any measures to circumvent

this commitment or to offset reductions in measures undertaken as per schedules by introducing new measures or expanding the use of existing ones;

- agree to establish a surveillance mechanism to monitor countries' compliance with agreed implementation schedules which would include an obligation to notify all relevant measures affecting trade in agriculture;
- in order to monitor recourse by countries to exceptions, also subject to surveillance the total level of support, including excepted measures, during the reform period;
- define strengthened and more operationally effective rules reinforcing the reform programme, which will further limit any scope for prejudice to the trade interests of Contracting Parties, pending application of the long-term framework.

III EARLY RELIEF MEASURES

27. Given the urgent need to achieve greater liberalization and reduce distortion in world agricultural trade, early relief measures would be implemented immediately there is provisional agreement on the long-term framework or by the end of 1988, whichever is the sooner.

28. As a first step these measures would be, as an integral part of negotiations, a precise, immediate commitment on trade distorting measures distinct from - and additional to - the overall standstill and rollback commitments contained in the Ministerial Declaration instituting the Uruguay Round. In addition these measures would not be a substitute for the reform or long-term measures.

(a) Freeze

- Access: No reduction in existing levels of access through, for example, the introduction of new quantitative restrictions, the reduction in access levels of existing quantitative restrictions, the extension of variable levy coverage to new commodities, the reduction of existing levy-free or reduced levy commitments, the extension of minimum import prices to new commodities, the application to new commodities of measures not explicitly provided for in the GATT.

- Subsidies: Freeze all export and production subsidies affecting directly or indirectly world agricultural trade.
- No introduction of new sanitary or phytosanitary regulations operating as a disguised barrier to trade and inconsistent with the long-term objectives of negotiations.
- Stock Disposal: A political commitment to the responsible management and non-disruptive release of stocks built up as a consequence of government support policies. Consideration to be given to alternative methods of stock disposal including increased domestic consumption, and food aid programmes which would be managed in strict accord with FAO Principles of Surplus Disposal. Steps to be taken to promote enhanced consultative procedures for stock disposal with other interested countries.

(b) Cutback: On the basis of the above freeze there would be a concerted multilateral first step to provide relief from existing distortions. This would demonstrate political will to take urgent and positive action to improve agricultural trade. It would involve:

- an across the board reduction by X percent of all export and production subsidies affecting directly or indirectly world agricultural trade;
- a commitment to increase access opportunity.

It would apply from the end of 1988 until overtaken by the effects of implementation of the programmed reduction in agricultural support. Measures implemented will be taken into account in the programme of reduction.