

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NC5/W/27

5 November 1987

Special Distribution

Original: English

Group of Negotiations on Goods (GATT)
Negotiating Group on Agriculture

NEGOTIATING GROUP ON AGRICULTURE 26-27 OCTOBER

Statement by Canada

Irrespective of what may be happening in the stock market, the Canadian delegation is bullish. Following on the heels of the leadership provided by the United States by tabling a proposal last July, this week a large number of countries have risen to the challenge of drawing the blueprints necessary to build the trade environment envisaged by the Punta del Este Declaration for agriculture.

A number of countries made a commitment at the May OECD Ministerial meeting to table, as soon as possible, their ideas on how to negotiate on agriculture. Many of these same countries later reconfirmed this commitment at the Venice Economic Summit. Canada believes it augers well for our future work that this week nearly thirty countries, developed and developing, large and small, exporters and importers, have either individually or collectively mustered the necessary political and intellectual effort required to table negotiating proposals.

As we all know giving birth to a formal negotiating position can be a time-consuming and difficult process. It forces us to examine closely our existing national agricultural policies and to take a hard look at how they interact with the international trading system.

Canada went through this exercise twice and we do not regret it. First of all we developed a Canadian proposal to meet our OECD and Venice Economic Summit commitments. However, we also worked hard with the other members of the Cairns Group on the paper just introduced. We consider it an important milestone of the negotiations that a group of fairly diverse agricultural trading countries was able to develop a negotiating proposal which sets out common views on the key elements at issue. This was possible because of a shared concern about the ruinous impact of the status quo. Other countries should take careful note of this demonstration of political will. There is no doubt in our minds that the core of the Cairns proposal and the Canadian paper are consistent and, in fact, are entirely complementary. Both adopt a comprehensive approach and both make no apologies for setting what some may regard as overly ambitious goals. We need to set our sights high if at the end of the day, we are to make more than a dent on the mess governments have created in agricultural trade.

Turning to an elaboration of the Canadian views on the agricultural negotiations, I would emphasize one central fact. Forty years of governments throwing up their hands and saying agriculture is simply too politically sensitive and hence too difficult to negotiate has led us to the present crisis in world agricultural trade. We, and by we I mean the contracting parties of the GATT, are reaping the consequences of believing we could take the easy way out and continue to treat agriculture at the margin. With the benefit of hindsight it is clear that what we have done cumulatively over the years has raised serious questions as to the relevance of the GATT to agricultural trade.

I will not repeat the litany of four decades of exceptions, derogations and waivers which have contributed to the belief of many politicians and many farm groups that because there is no universal adherence to a common set of international rules, there is not much point in being boy scouts.

If we are to succeed we must persuade the cynics that the rule of law can be applied effectively to agricultural trade and no country will in effect be penalized for living up to the spirit as well as the letter of the GATT.

To repeat - the distortions in agricultural trade are so great and pervasive that a small agricultural package will not make a dent. We require and must achieve a major reform of the agricultural trading system. Nothing else will suffice. In order to do this we need a certain critical mass. By critical mass we mean a negotiation which starts off by having all countries, all commodities and all trade-distorting measures on the table. To begin by saying this issue or that commodity is too sensitive and must be removed from the table at the outset is to doom these negotiations to failure. Likewise, to rely on countries to volunteer to put chips on the table would also guarantee a small result.

We have to do what our colleagues in the industrial sector did in the Tokyo Round - develop a negotiating approach which overcomes the inherent limitations of the traditional item by item, request and offer approach. In a manner analagous to an industrial tariff formula we have to develop a negotiating technique which enables all countries, all commodities and all trade-distortion measures to be covered by a commitment to reduce the aggregate level of trade distortion by the maximum negotiable amount over a specified number of years.

In determining how to measure aggregate trade distortion we need a yardstick, slide-rule precision although desirable is not attainable, nor is it necessary. We must at all cost avoid becoming overly preoccupied and bogged-down with measuring devices, whether they be for post-negotiation monitoring purposes or even as possible negotiating instruments.

In Canada's view a single measure which converts all access barriers and trade-distorting subsidies into an aggregate trade-distortion index would accomplish the following:

- (1) It would cover all policy instruments deemed to have more than a minimal impact on trade; it would thus include certain types of income transfers as well as all forms of border protection;
- (2) it would break the somewhat artificial distinction between a domestic subsidy and an export subsidy - a so-called domestic subsidy can have significant export stimulation or import replacement effects;
- (3) a decision to exclude certain policy measures from the trade-distortion measure and hence from the obligation to reduce or eliminate would be a powerful message that recognizes that some forms of agricultural policy instruments are less trade-distorting than others and should not be discouraged. (While there is a risk that a trade neutral programme can become potentially trade distorting if sufficient resources are committed, a shift away from commodity specific, output related programmes towards generally available programmes is, we believe, desirable.);
- (4) an aggregate trade-distortion measure approach would not prevent countries from continuing to develop programmes and policies geared to their specific social and economic backgrounds. There is no reason why trade liberalization should imply the application of identical agricultural policies. Indeed this is not feasible nor necessarily desirable.

I would now like to elaborate on how Canada sees the time-frame and how other elements could be brought into negotiations at the appropriate time.

Again we do not apologize for seeking expeditious results. These negotiations will take as long as the time allocated. We should allocate the minimum amount of time required to do the job. In Canada's view, we should complete the tabling and examination of proposals phase by the end of this year. Starting early next year we should begin to develop an integrated approach which builds on and reflects the best elements of each of the proposals which have been tabled. Our objective should be to reach agreement in principle on the elements of a comprehensive agricultural package in time for the mid-term ministerial review which is expect to occur in late 1988.

What would constitute the elements of a comprehensive agricultural package? We believe there are at least four. Firstly, as just described, there needs to be agreement on the depth of cut and over what time period a maximum reduction in the aggregate trade distortion measure will be phased-in.

Secondly, there needs to be a commitment to universal application of the rule of law. At a minimum this means phasing-out waivers and those GATT inconsistent measures maintained under protocols of provisional

application. New GATT rules must ensure that all trade measures affecting access to markets would be covered by effective and enforceable GATT disciplines. We also need agreement on guidelines to govern the ensuing detailed negotiations and specification of the sorts of rules we will subsequently need to safeguard the results of the negotiations, including agreement on an appropriate surveillance and monitoring mechanism. Negotiating guidelines could include a confirmation that all tariffs, variable import levies and minimum import price systems will be subject to ceiling bindings.

Thirdly, the ministerial mid-term review must be marked by the coming into force of a contractual freeze to prevent any new trade distortions.

Fourthly, agreement could be reached by the time of the ministerial mid-term review on a set of short-term commodity specific measures aimed at re-establishing on a speeded-up basis an improved supply/demand for those commodity sectors in fundamental disequilibrium. These ad hoc commodity specific agreements would have to be consistent with the overall approach of reducing trade barriers and could involve commitments on subsidies, production, stock and possibly prices for a one or two-year period, or until such time as the final provisions of the Uruguay Round come into force. In this respect we should be aiming for 1990.

However, it must be stressed that Canada does not see any basis for a meaningful discussion on commodity specific short-term measures until such time as there is agreement by this negotiating group on the elements necessary to achieve fundamental reform. If there are to be earlier discussions on short-term measures then these should be initially confined to fora outside of the GATT and outside of this negotiating group. We must never forget to make the distinction between the symptoms of agriculture's trade problems (e.g. market imbalances and depressed prices) and the root causes (the high level of generally open-ended support to agricultural production).

These then are the four key elements which we would hope agreement in principle could be agreed by late 1988. During 1989 we envisage the tabling and verification of detailed implementation plans which have been developed in accordance with the agreement in principle on the depth of the cut in the trade-distortion measure. Canada is not suggesting that countries agree to reduce and bind an index measure which we recognize is too abstract a concept to be meaningful in a GATT binding sense. Rather we envisage a binding of very specific commitments. For example, in order to meet its obligation to reduce its aggregate trade-distortion measure by an agreed amount, a country could decide that for a particular commodity it will provide a minimum access commitment with a fixed import charge. It might also accept a ceiling binding on any remaining variable import charges, reduce the volume of product eligible for high internal price support, and/or progressively begin to limit export subsidies on a volume and/or per unit price basis. This commitment could be on a rolling three-years basis, with the possibility of entering into an Article XXVIII tariff-type renegotiation at the end of each three-year period.

We would envisage each country submitting its own detailed implementation plan as soon as possible in 1989 with the balance of the year spent in bilateral, plurilateral and multilateral cross verification. It would be at this stage of the negotiations, and only at this stage of the negotiations, that countries might want to engage in item-by-item request and offers in order to sweeten the packages. However, all countries would be obliged at the minimum to meet the agreed reduction in the aggregate trade-distortion measure. It would be at this juncture that we would envisage agreement on the nature of the special and differential treatment for the developing countries as envisaged in the Punta del Este Declaration.

In conclusion, Canada is prepared to work expeditiously towards the negotiation of a comprehensive agreement which tackles the root causes of the trade problems plaguing agriculture and thus results in genuine liberalization and reform. We are not interested in approaches which only deal with the symptoms and which believe the quick fix is a substitute for fundamental agricultural trade reform.

We are confident that it is within our grasp to reach an agreement in principle on the elements of a comprehensive agricultural package by this time next year. What is required is not so much bureaucratic expertise but a continuation of the political will that has been instrumental in propelling agricultural trade discussions from a dialogue of the deaf to a realistic and frank assessment of our collective international responsibilities and a recognition of the opportunities offered by a reformed agricultural trading system.