

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

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Statement by New Zealand

I take the floor to support the formal tabling today of the Cairns Group proposal for reform of the world agriculture trading system. Listening to, and reflecting on, the presentations yesterday, I concluded that the key question in debate related to "realism". Certain proposals were described as realistic or as unrealistic. Little attempt was made to validate those judgements. I propose to examine the question further this morning.

Experienced negotiators - and I see many of them in the room today - are accustomed to defining realism in their field of expertise as to what they might be able to get their politicians to agree to next week. But there are other realities than short-term political ones - there are economic realities to do with efficiency in use of resources and limitations in national budget policies, there are realities in social policies, to do with effectiveness in reaching ascribed goals in human terms and values. In putting together the Cairns Group proposal the countries concerned have tried to be realistic throughout, not only in terms of their own political processes but also for other participants in the negotiations and in terms of economic and social realities. That may seem an unusual claim for me to make about the Cairns Group proposal. Let me try and justify it.

First, the Cairns Group has tried to be realistic about the pace of change. Let me deliberately over-simplify the issue - is there a developed country in the GATT that is prepared to say they could not achieve their overall national economic and social objectives with a market-driven world agricultural trading environment by the beginning of the next century, by the year 2000?

I deliberately cast that in terms of developed countries. In the Cairns Group it has been accepted it may be necessary to have longer time frames for developing countries. Maybe some would not consider that aspect of the Cairns Group proposal to be realistic. But if we are to have a multilateral solution, then the political position of developing countries will need to be reflected in the outcome. We think the Cairns Group proposal in that respect is realistic.

The Cairns Group proposal has, I think, been realistic in seeking to get to the heart of the cause of the problem, not simply its symptoms. The heart of the problem we face in world agriculture is the extraordinarily high level of support and the choice of policy measures used by governments to deliver that support. We have therefore embraced - and we are not the only proposal to do so - a long period of reform to phase down that level of aggregate support. At the same time we believe that it is not wholly realistic to imagine that all trade distortions can in the real world be handled by applying some type of value-free arithmetical formula. We have therefore proposed that in designing any programme to reduce aggregate support, the most heavily distortionary measures need to be targetted for priority attention. As our Ministers agreed at Punta, we have to deal both with the causes and reduce the negative effects of all subsidies. We think the Cairns Group proposal has struck a realistic balance and symmetry.

The Cairns Group has also tried to be realistic in its treatment of exceptions to the long-term framework - decoupling support from production. The fact is that governments will want to have agricultural policies. Departments of agriculture would not be swept away by anyone's hand, be it visible or invisible. Governments will want to support farmers to some extent. It would be unrealistic to base a negotiating proposal on any other premise. The Cairns Group proposal does not make that mistake. This approach provides a basis for acceptability of change by the agricultural constituencies in all our countries.

But it would be equally unrealistic to see the decoupled idea, or a safety-net, or the exceptions - call it what you will - as a soft option. It seems to us that any number of fields of international co-operation can often get misled by the sudden appearance of new and appealing political codewords. They often promise more than they can deliver. They seem to suggest that there are new solutions to old problems. It occurs to me that our counterparts in the finance world are learning right now what is really implied behind the nice phrase "macro-economic policy co-ordination". People in that field are actually going to have to change domestic policies in directions they would rather not. We shall have to do exactly the same in negotiating the coverage of the decoupled safety-net. Decoupling is not a soft option. No subsidy rich farmer will find it all that easy to squeeze through the eye of this particular needle. If the decoupled basket is too large, if the exceptions are too general, all the current distortions that are causing the problems in world agricultural markets will continue and we will not have solved the problem, which is our responsibility to solve. We believe therefore that the Cairns Group treatment of the long-term exceptions is realistic.

The Cairns Group proposal is a comprehensive one. It covers all commodities, all countries. It is, in the language of the OECD, which I think is totally consistent with the fundamental philosophy of the GATT, a proposal for a multi-commodity, multilateral trade liberalization programme. That is realistic. A proposal which merely picked out one or two commodity areas and tried to manage those problems would, we believe, fail. The economics of that approach are bad - resources simply get

switched to commodities omitted from trade liberalization. The politics of it is bad. How can any country tell one lobby that it has to accept the discipline of long-term trade liberalization if some other lobby is to be exempted from comparable treatment? In our view, proposals which are not comprehensive in commodity coverage are not realistic. Similarly, proposals which are specifically designed to throw the weight of policy adjustment onto other countries are unlikely to be realistic. The implication of the Punta language here is very important. We are looking at all subsidies that affect world agricultural markets. The politics of this will not be managed unless all heavily subsidizing countries are captured by the general approach developed in this Committee. We believe, on that count, that the Cairns Group proposal is thoroughly realistic in basing itself on a comprehensive approach.

As far as the treatment of immediate measures is concerned - we call it "early relief measures" in the Cairns Group proposal - we again consider that the Cairns Group has struck a reasonable balance between the twin dangers of going for a quick fix on the one hand and leaving all prospect of improvement for some distant future event. As you will see from the proposal, we have proposed that early relief measures be implemented immediately there is provisional agreement on long-term framework or at the end of 1988, whichever is the sooner. We are recognizing first that the development of early relief measures cannot be divorced from the development of the long-term framework. We, or at least the New Zealand delegation, do not believe that we shall have reached final agreement on the long-term package by the end of next year. We do think it is realizable to have reached agreement on the rough shape of that agreement in such a way that each of us could advise our political masters that the shape of the long-term agreement would be in this or that direction. Indeed, given our understanding of the broader political considerations, if we have not reached that point by the end of 1988, then political systems in certain key areas will decide that our efforts are far too slow and uncertain to rely on. By the end of 1988, therefore, we are hoping that wherever the calculation is made in any of our capitals all of us will be able to say, "this Round is going to produce results that will fix the problem in world agricultural markets". Because it is essential that the answer to that question everywhere is positive, and thus avoids the danger of people looking away from multilateral solutions, we believe it will be necessary to back up that agreement with concrete measures designed to improve the situation. Whatever delegations may think, therefore, of the particular proposals we have put forward for early relief measures, we consider that the Cairns Group approach is a realistic one in terms of the pressures that will bear down on this Group's efforts over the next twelve months.

#### EC proposal

New Zealand welcomes the Community's proposal. We see it as a serious negotiating proposal, we are abundantly aware of the political climate in which this proposal was developed and we are pleased that it has taken on board most of the political advances made in the last eighteen months

or so in the debate over agricultural policies. We can see that there are some important similarities in the EC proposal and those of the Cairns Group and the United States. Putting aside the nuances, some of which are very important, all three proposals envisage a reduction of aggregate support, the negotiation of a set of exemptions, the need for rules-based negotiations and the Community proposal sees the need for immediate measures. The commodity coverage of the EC proposal is similar to that of the Cairns Group, although we wonder that the language about priorities might lead the Community away from a comprehensive approach. We are pleased to see the Community's acceptance of the need for new rules on access and subsidies. Its treatment of health and sanitary regulations, although not as fully developed as in the Cairns proposal, suggests we may have a fruitful negotiation here. Looking at the United States, Cairns and EC proposals, and we appreciate there will be others, we can see the prospect of a serious negotiation next year. The shape of the playing field is established even if its level is still quite bumpy.

Looking at some of the bumps, we have real concern at the emphasis in the EC proposal on managed markets. There is excessive emphasis too on "burden sharing". We understand the politics of change demand that any one contracting party must not be seen to be taking the lead without equivalent efforts from others. But there is no way in which my country, whose agricultural sector responds to whatever the market says, can be said to have contributed to the problem. We understand the rhetoric aimed at domestic audiences, but if it is intended to pave the way for concrete policy measures to be adopted by contracting parties like New Zealand in the GATT then we shall have major problems ahead of us.

We have rather more serious difficulties with the structure of the EC proposal - in particular the relationship, or lack of relationship, between immediate measures and the long-term period of reform. One could look at this problem from two different angles. First, whether what the Community proposes is realistic in a negotiating sense. Alternatively, one could ask whether the EC proposal is realistic in terms of the economics. Taken at face value, the EC proposal suggests that one can affect real world improvements in markets, I quote, "... bringing about an easing of the strain in certain markets", simply by officials in this room agreeing on "disciplines" at an international level without reducing the distortions that have given rise to those strains. International agricultural markets will not be managed by an international equivalent of the Community's market management committees. If those market management committees function within the Community - and I would not wish to comment on that - that is because in major part the adjustments required have been forced onto world markets outside European borders. If you try and manage the world and fail, what happens then to the adjustment process? International markets will not adjust in a positive and desirable way simply because representatives of governments in Geneva agree that that is a desirable objective. Experience in multilateral agreements on coffee, cocoa, sugar and dairy products attest to this argument. Actual policy changes have to impact directly on, or be sufficiently credible as to be accepted by, markets. We will affect improvements through immediate measures only in that way.

The root problem affecting markets is not the imbalance between supply and demand. As others have said, the gross imbalance that exists is a symptom. The root problem is the high level and type of domestic support policies and access barriers being maintained by so many important contracting parties and the structural rigidities that they impose on markets. Within the EC proposal there are signs of a recognition of this point. I would note, for example, the brief but nevertheless important reference to market signals and the acceptance of a programme of reducing support. But if we are to do more than merely exchange words in Geneva we must reach agreement on concrete measures to tackle the distortions head on. Only then will we get real early relief and bring into view, as a realistic possibility, the long-term achievement of the objectives agreed by our Ministers at Punta del Este. We welcome the Community's request for flexibility in approaching the negotiating phase of our work. We also have an open mind as to the ultimate negotiating package, but let us not blur that disposition by ruling out concepts and approaches on the grounds of their "realism" or otherwise dictated in conventional terms. We will only succeed if we have the courage to go into uncharted waters and seek a new basis of understanding on these complex questions. It is vital for all of us that we succeed in that quest.