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NEGOTIATIONS
THE URUGUAY ROUND

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

SUMMARY OF MAIN POINTS RAISED AT THE SIXTH MEETING
OF THE NEGOTIATING GROUP ON AGRICULTURE

(15-17 February 1988)

Note by the Secretariat

1. The following summary, which has been prepared by the secretariat in accordance with paragraph 6 of MTN.GNG/NG5/6/Rev.1, should be read in conjunction with documents NG5/W/39, and NG5/W/42-51, which contain the full texts of the proposal by Japan and of the discussion papers and statements by Jamaica, the European Communities, the United States, Canada, the Nordic countries and Argentina respectively. These texts are not summarized here.

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2. The representative of Japan introduced his country's negotiating proposal (NG5/W/39) stating, inter alia, that the Negotiating Group should not lose sight of the longer-term objective of stabilizing world agricultural production and securing a stable supply/demand situation. Also important were efforts to enable market forces to function more effectively.

3. A number of delegations commented on the Japanese proposal, expressing the conviction that the proposal was an indication of Japan's commitment to the work of the Negotiating Group and its important role in the negotiations. Several of the speakers welcomed the proposal of a freeze and subsequent elimination of export subsidies while a number of countries were of the opinion that the proposal concerning domestic subsidies was not sufficient. It was said that a rollback of these to the 1980 level would be generally ineffective since they were already too high then, and were causing considerable distortions. Several delegations said there was a lack of balance since proposals for action on the import side did not match those on the export side.

4. Many countries' representatives were concerned about the aspects of the proposal concerned with food security through self-sufficiency, which they thought were outdated, and a source of resource and trade distortions. Some maintained that the aspiration to self-sufficiency was the main reason for the trade distortions of recent years. On the contrary, it was said,

food security today could only be reached globally and was best served by diversity of supplies, letting market forces play their role. Some delegations welcomed Japan's proposal concerning special and differential treatment but wanted more details on how Japan intended to implement such treatment. As concerns product coverage, a few countries supported the inclusion of forestry and fishery products into the negotiations on agricultural trade on the grounds that all products of interest to either exporting or importing countries should be included, while others strongly resisted the inclusion of these product categories as they considered them to be outside the competence of the Group.

5. In response to the comments made, the Japanese representative said that his delegation was greatly encouraged by the positive remarks and had the impression that the negative remarks were founded on misunderstandings. Concerning food security and self-sufficiency, he explained, inter alia, that his country did not insist that the self-sufficiency level be raised irrespective of natural endowment and other conditions. Securing a stable supply of food through imports was just as important as the maintenance of the domestic supply of basic foodstuffs. As regards market access, the Japanese proposal for the amendment of the provisions of Article XI:2(c) was intended to counter shortcomings and would contribute to increase credibility of existing GATT rules on import restrictions. It would also serve the purpose of a "further liberalization of trade in agriculture" as stipulated in the Punta del Este Declaration. Discussing measures on subsidies, he reiterated the view that export subsidies were the most damaging to trade and thus had to be eliminated on a priority basis, but domestic governmental subsidies also could have adverse effects on trade and should therefore be placed under strengthened GATT rules and disciplines, as well as being rolled back.

6. The representative of Jamaica introduced its communication, the full text of which is contained, together with the introductory comments made, in documents NG5/W/42 and NG5/W/47. He stated that the communication followed on an earlier communication and a statement by Jamaica, NG5/W/32 and NG5/W/23. Some delegates noted that the Jamaican communication filled a gap left by other proposals and approaches in that it emphasizes the inadequacy of the trade liberalization approach from a development point of view. Special and differential treatment should, they believed, be looked upon as an integral part of the set of rules which should emerge from these negotiations. Another delegate stated that the points raised in the communication were very interesting and deserved consideration because they highlighted a factual situation which tended to escape the purview of the discussions between importers and exporters, net or otherwise. He said that he could fully subscribe to many of the elements raised in the paper. He noted in particular the set of "principles" in paragraph 10 of NG5/W/42, many of which had not been put forward by any other country, such as instability of exchange rates but also the practices of transnational corporations and state-trading enterprises. Furthermore, referring to the question of minimum self-sufficiency level as developed in the Jamaican paper, he said that developing countries should not be encouraged to make the same mistakes as developed countries in the recent past while at the same time the whole idea of self-sufficiency should be adapted to the specific situation in the developing countries concerned. Another group of countries supported most of these points.

7. Some delegations shared the views expressed in the Jamaican paper, the basis of which was discussions among net importing countries since last autumn. Their opinion on these matters was reflected in NG5/W/29, W/36 and W/38 in particular. The Jamaican communication was timely, they believed, since the reform options submitted in proposals so far did not reflect or take sufficiently into account the interests of developing countries, especially net importing ones. They said that agriculture was an essential element of economic growth and rural development in their countries and that import access was mainly a function of growth, i.e., as long as the economy continued to grow adequately imports rose as well. It was further said that the use of domestic public or governmental subsidies could not be judged the same way in a developing country as in a developed one as in the latter such systems more often had a trade-distorting effect.

8. In presenting its paper on short-term emergency measures (NG5/W/43), the spokesman for the European Community noted that since the EC had submitted its proposal last autumn, international prices for major products had increased, in particular for grains, wheat, sugar and dairy products. However, nobody could know if this was a passing phenomenon or a lasting trend obviating the need for emergency measures. An agreement would thus possibly be easier to reach and would constitute a safety net against a downward price trend. He also stressed that the measures proposed would only be valid for one crop year.

9. A number of delegates considered that there were problems with this EC proposal on several points. They regretted the lack of linkage between the short-term and long-term measures. Moreover, the proposal failed, in their opinion, to address the fundamental issues, and price management and market sharing arrangements would be inconsistent with the liberalization objectives of the negotiations. They also regretted that the proposal did not address questions of access opportunities or problems of surplus production and disposal. Some delegates expressed concern over the implications the proposal would have for exporting developing countries.

10. Another delegate sympathized with the Community proposal and hoped that it could be tackled without delay and in parallel with other pertinent elements in the negotiations. He said, however, that to avoid a procedural deadlock, a link between the short and the long term had to be found.

11. In response to some of the concerns expressed, the EC representative said that the EC proposal on emergency measures was not conceived to deal with either the linkage to the long-term action, or with fundamental problems or the market access aspects. It was conceived simply to deal with a crisis situation in an urgent manner and for a short period of time. He stressed that the Community was not against long-term measures, but these were dealt with elsewhere in their original proposal. He further said that account must be taken of the interests of developing countries when considering emergency measures. He stated that the suggested approach was a pragmatic one and had nothing to do with an approach to root causes of the problems of the market.

12. The representative of one country commented on the Canadian negotiation proposal (NG5/W/19) and asked for clarification on certain points. He wanted to know inter alia if the contractual freeze suggested by Canada was additional to the standstill in the Punta del Este Declaration. He also said that it would be useful to determine at some stage what was meant by "short-term actions" and whether these would tackle the effects of the problems or implement the proposal within the long-term framework.

13. The representative of Canada said that since the proposal had been made, their thinking had evolved somewhat. His country hoped to see an agreement in principle on the framework by the time of the mid-term review, which would contain four main elements: depth of cut in TDE; improvement in GATT rules and principles; contractual freeze; and commodity-specific proposal for short-term action. He explained that the standstill in the Punta del Este Declaration was, so far, political and that his country's proposal of a contractual freeze would be in addition to that. In his view the mid-term review should be used as an opportunity to pin down as many as possible of the elements of an agricultural package.

14. The United States presented its discussion paper on health and sanitary restrictions (NG5/W/44) noting its desire to harmonize health and sanitary restrictions by expanding the work of the specialized international bodies to establish standards and using the dispute settlement mechanism of the GATT to enforce such standards. Several delegates agreed that there were two approaches: one being to improve procedural requirements such as consultation; the other to undertake the difficult move towards harmonization and/or compensation obligations. Most expressed their preference for this latter approach but questioned at what level harmonization could occur. One representative expressed concern with the United States advocacy of the concept of equivalent methods, and of inclusion of labelling requirements and veterinary medicines. Attention was also drawn to the fact that double standards often prevailed for products from different countries, particularly developing countries. In recognizing the difficulty of harmonization it was noted that one possibility would be amendment of Article XX to require compensation for any new sanitary and phytosanitary restrictions which impeded trade concessions. A major drawback of this approach would be the freezing of the existing situation. One delegate, while agreeing that harmonization would be difficult, noted that the lack of technical progress on universal standards was largely due to the absence of political pressure on the specialists involved.

15. The representative of one country stressed that as the situations varied in each country, health and phytosanitary restrictions could only be dealt with on a case-by-case basis, with a view to minimize their effects on trade and maximize their transparency. He further stated that the concepts of standstill, compensation, balance of rights and obligations, or national treatment were not applicable to such measures. He thus observed the appropriateness of a bilateral consultation approach in this area. Other delegates noted the right of countries to maintain health and sanitary restrictions and one raised the question of who would judge what was a justifiable restriction. Many delegations noted the need for the involvement of technical experts.

16. With regard to aggregate measurements of support, discussion papers were submitted by the United States (NG5/W/44), the European Community (NG5/W/45) and Canada (NG5/W/46). In addition, statements made by Jamaica and the Nordic countries on this subject have been circulated as NG5/W/48 and NG5/W/49.

17. Decisions regarding product and policy coverage, including the question of decoupled measures and resolution of the problems regarding exchange rate fluctuations and determination of reference prices, were identified by many representatives as crucial issues regarding the use of an aggregate measurement of support. It was suggested that all measures and products should first be put on the table, and then decisions made regarding what to include. The representative of one country noted that as the basic technical difficulties were common to most measurement devices, the selection of a particular device should be made on a pragmatic and political basis. He further noted the need to give some flexibility to countries to determine their schedule of reductions, but this flexibility must be circumscribed to ensure coverage of border measures and improvement in the transmission of world price signals to internal markets.

18. Several delegates noted that the PSE was most useful as a monitoring device, whereas others stated that it was too early to exclude other uses of the PSE. They also stressed that the PSE was not appropriate for comparisons between countries but for use only in examining changes within one country. Other delegates noted that although such a measurement device could be a useful tool and particularly relevant to the short-term need to reduce aggregate support levels, negotiation of GATT rules was the fundamental objective of the negotiations. On the other hand, one delegate expressed concern that discussion of an aggregate support measurement could hinder the negotiation itself.

19. One delegate observed the need for an aggregate measure that encompassed the effects of domestic as well as border measures, as a commodity-by-commodity approach would not work given inter-commodity linkages. He further noted that the trade-distorting equivalent (TDE), which permitted the categorization of measures with regard to the extent of their trade effects and the exclusion of measures which had little or no trade effects, was complementary to more traditional approaches centered on GATT rules.

20. Another delegate observed the difficulty of devising an aggregate measurement covering the agricultural sector as a whole as there was no agreed definition of what products were included therein. The question was also raised whether special and differential treatment should be incorporated in the use of an aggregate support measurement, or whether such a device should be applied to the developing countries at all. Another question arose regarding any obligation of a contractual nature and its effects on the balance of rights and obligations.

21. With particular regard to the concept of decoupling, it was argued that decoupled payments, although not completely production neutral, would have much reduced impact on production and trade. Some delegates raised the concern that decoupled payments could have perverse effects in developing countries, aggravating public deficit and balance of payment

difficulties while operating as a disincentive to production. Government incentives to increase agricultural production were a major part of development plans, and developing countries did not have the resources to provide decoupled support.

22. Other delegates disagreed regarding the effects on LDCs, noting that existing subsidies in developed countries operated as disincentives to developing country farmers. One delegate made the point that the basic suggestion behind the decoupling proposal was that in the future governments should take into account and limit the trade-distorting effects of their agricultural policies. Nothing in the concept of decoupling would limit development, as research, extension and infrastructure programmes were not considered trade distorting.

23. Statements made by Argentina and Jamaica on the issue of special and differential treatment have been issued as NG5/W/50 and NG5/W/51 respectively. In addition, several delegates indicated that the principle of special and differential treatment should apply to all phases of the negotiated reforms, and should reflect the interest of both net importing and exporting countries and the special characteristics of their agriculture. One commented that the different situations and interests of a group of countries had to be recognized so that special and differential treatment became a parallel process within the same negotiation and not just food aid or an exception at some certain point. He also remarked upon the need for time frames much longer than had been proposed, and noted that aid to production could not be separated from aid to producers. A number of countries indicated their intentions to table specific papers on this issue.

24. Some delegates expressed the view that to some extent a choice had to be made between opportunities for growth versus security. Yet another observed that given the long history of support and the policies existing in other countries, many farmers did not believe they had any opportunity for success without continued intervention. On the other hand, he commented that he did not see how special and differential treatment could be applied to all things which affected trade such as disciplines on the use of export subsidies. Regarding preferential import access, it would be necessary to examine the question on a country and commodity basis. He said agricultural development would benefit from the suppression of disincentives and from improved support.

25. One delegate noted that the discussion on principles, problems and causes had not been exhausted, and stressed the importance of formulating GATT rules. He further observed that the effects of government controlled production should be examined for each commodity to determine its costs or benefits to developing countries. Another delegate noted that economic development should be the leading concern of negotiators, to avoid approaches whereby development policies, such as price support policies, were considered trade distorting. He observed that developing countries needed preferential opportunities to overcome existing inequalities, and also that liberalization had to occur in other than just the agricultural sector.