

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

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Negotiating Group on Agriculture

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

(13-14 July 1988)

Note by the Secretariat

1. The following summary, which has been prepared by the secretariat in accordance with paragraph 5 of MTN.GNG/NG5/9, should be read in conjunction with documents NG5/W/68-72 which contain the full texts of the proposals submitted by Jamaica and by the Cairns Group, as well as submissions and statements by Australia and by the European Communities on short-term action, by the United States on food security, and by Jamaica. These texts are not summarized here.

2. In presenting the elements for a proposal by developing countries (NG5/W/68), the representative of Jamaica noted that the proposal was consistent with the objective of liberalizing trade and that the major distortions to trade were caused by the developed countries, not the developing. He indicated that the priority was to move towards the reflection of market signals in domestic policies, and that short-term actions should be consistent with the long-term goal of liberalization (see statement NG5/W/72). With regard to the proposal of improving the International Dairy Arrangement and the Arrangement Regarding Bovine Meat, he clarified that improvement would require that minimum prices no longer be fixed irrespective of market signals, and that the agreements be made more transparent and not limited to participants. In the absence of such improvement, consideration should be given to the phasing-out of the agreements.

3. A number of other countries supported the Jamaican paper, noting that they had been consulted during its preparation. One stressed that solutions should be found by concentrating on the sources of the problems, not through the elaboration of new theoretical approaches. Another observed that the paper recognized the importance of agriculture to developing countries and its linkage to their development efforts. He also agreed on the need to stabilize markets but not through increasing the burden of importing countries. Several delegates observed that this proposal was the most comprehensive to date with respect to the interests of developing countries. The representative of one country expressed the view that if all the measures envisaged in the Jamaican paper were implemented, agriculture would be fully integrated into the GATT.

4. The proposal of the Cairns Group (NG5/W/69) was presented by the representative of Australia (full statement in NG5/W/71), along with a submission by that country on illustrative elements of commitments (NG5/W/70/Rev.1). He stressed the need to focus on specifics for the Mid-Term Review, while advancing toward the ultimate objective of a more market-oriented agricultural system. With regard to the aggregate measurement of support, he indicated that it could have a different composition in the short- versus long-term. Other members of the Cairns Group further stressed the consistency of the proposed short-term measures with the long-term goals, and the need to obtain substantial progress on short-term actions by the December Mid-Term Review. They observed that the focus was on structural problems, and that flexibility was provided to individual countries to determine what actions were politically feasible. Several pointed out that special and differential treatment would be provided to developing countries by exempting them from short-term actions as they were not the cause of the distortions to world trade. One country stated that special and differential treatment would also need to be considered in the next phases of the proposal, and in the formulation of an aggregate measurement of support.

5. Another Cairns representative indicated that a framework agreement meant agreement at the Mid-Term Review on an agenda, timetable, parameters and principles for the negotiations. He stressed that the use of an aggregate measurement of support was the means to an end, not an end in itself, hence it should not be allowed to undermine the negotiations. Rather, it could be used at the outset to develop and evaluate proposed implementation plans, but supplemented by qualitative judgements in evaluating the actual implementation of such plans. He also proposed that implementation plans be submitted by July 1989, based on a working hypothesis of an overall X per cent reduction in support, with subsequent examination of the implications for specific measures.

6. The representative of another Cairns country clarified his view that at the Mid-Term Review Ministers should commit themselves to progressive reductions, focused on the most distortive measures, and set time limits. How deep a cut was to be made would be negotiated subsequently. Similarly, Ministers should commit themselves to the elimination of waivers and grey area measures including variable levies, but how this would be done would be the subject of negotiations in the following two years. The Mid-Term Review should also establish guidelines for transitional rules. He further observed that the Australian submission (NG5/W/70/Rev.1) provided materials for the next phase of the negotiations.

7. In reacting to the Cairns proposal, some delegates characterized the proposed short-term actions as very ambitious, and others raised the concern that the concept of full liberalization, as opposed to greater liberalization, went beyond the agreement of Punta del Este and beyond the rules applied in the industrial sector. Several delegates observed that a longer time period for implementation and the identified measures for exemption were not sufficient to meet the needs of developing countries. Concern was also expressed regarding the aim of reducing protection, as one delegate noted that in the transitional period surplus production could be used for food aid.

8. A number of countries expressed agreement with the proposed phased approach, starting with the most distortionary measures. The representative of one country noted the need to take account also of importers' concerns and to allow various types of measures to reduce surplus production. Another expressed concern that what was needed was a commitment to reach certain objectives in the long term, not just a commitment to negotiate. In his view, it was necessary to define what was meant by long-term liberalization, before commencing short-term implementation. This delegate expressed his country's preference for rewriting the rules, rather than attempting simply to modify them. One representative noted the details provided on the long-term proposals. He also questioned the utility to the negotiations in the short term of categorizing countries and requiring differing levels of actions, and observed that the agricultural sector was already fully subjected to GATT dispute settlement procedures.

9. A number of delegates posed specific questions regarding the Cairns proposal. These included questioning the distinction made between "heavily subsidizing" countries and others, and whether the latter would also be required to make 10 per cent cuts in support levels. Other questions related to the base period against which cuts were to be made, the proposed product coverage, and whether two-price systems, quantitative restrictions and other Article XI measures would be permitted under the proposal. Clarification of references to Article XX and more specificity regarding health and sanitary disciplines were also sought.

10. Clarification was also sought regarding exactly what was meant by the terms "support" and "subsidies", and "trade restrictions explicitly provided for in GATT". It was also questioned whether the desired long-term outcome was actually strengthened GATT rules and disciplines, or some other regime. Other questions included whether a distinction was being made between consumer transfers and the price adjustment gap, and whether marketing boards in developed countries would be exempted from disciplines but not marketing subsidies in developing countries. The proposals for special and differential treatment were criticized by one delegate for not being specific, and clarification was sought of how long a time period was envisaged for implementation by developing countries of the long-term agreement. The exemption of all developing countries from short-term measures was also questioned, and it was observed that most of these countries did not have administered prices, surplus stocks, export subsidies, or even positive levels of aggregate producer support. One delegate also stressed the need for more concrete indications within the proposal regarding GATT liberalization and improved market access.

11. In discussing the European Community's proposal for short-term action (NG5/W/62), a number of countries expressed their agreement with certain elements, particularly its acceptance of short-term actions as part of the long-term objectives and the reduction of aggregate support levels with a focus on the most trade distorting. One delegate saw the proposed modifications to the Producer Subsidy Equivalent (PSE) as movements in the right direction, given the effects of exogenous factors such as monetary fluctuations, on the PSEs of small, price-taking countries.

12. Several other delegates characterized the proposed modifications to the PSE as arbitrary, and questioned the need for special "credit" for supply control measures. It was also observed that the proposed freeze in support levels based on 1984 reference prices would imply that the European Community would make no further concessions in the short term. Another sought clarification of the commodity and measure coverage envisaged, and noted the need for transitional measures if quotas were to be liberalized.

13. The representative of the European Community observed that the proposal addressed the fundamental problem of excess support, and that the short-term measures envisaged would facilitate the long-term actions. He indicated the EC's willingness to consider reductions in support levels in the short term if others would do so, and expressed the belief that the need for credit for actions already undertaken was widely accepted. He further noted that the use of fixed reference prices would resolve some of the difficulties associated with the PSE while still allowing measurement of support levels. He stated that although there was not yet any agreement regarding the short term, he could for the first time see the possibility of movement towards a common ground.

14. Several countries expressed their views on the short term in general, stressing that at the Mid-Term Review agreement on both short- and long-term elements would be necessary. One delegate indicated that the basic aim of short-term measures should be to prevent an increase in excess supplies and to correct market imbalances. Flexibility in choice of actions was necessary, including as options reductions in guaranteed prices and in other production incentives, the imposition of quantitative production restrictions, or improvements in market access. Priority should be given to actions with positive trade effects. He indicated that a freeze on trade-distorting measures might provide a useful starting point, although further clarification of what was meant in operational terms was necessary. This delegate recognized that an appropriately constructed aggregate measurement device could play a useful role in the negotiations, but stressed that the legal GATT bindings would have to be expressed in the form of precise quantitative or qualitative commitments with regard to particular policy measures.

15. Another delegate stressed that all measures taken must deal with GATT jurisdiction, that is, should be directed to the liberalization of import regimes and the strengthening of rules and disciplines for subsidies and other distortions. He observed that recently there had been a spectacular rise in the prices of some temperate crops while prices for tropical products of export importance to developing countries had stagnated or declined. He noted a recent report indicating a loss of momentum in world food output, due in part to government-mandated supply controls. This delegate expressed the concern that some of the proposals made would not bring a balance of benefits to net food importing countries. Supply management would serve to increase already rising prices, and the concept of managed markets was not compatible with the rules and principles of the GATT nor the desire to increase the role of market signals. A freeze on export subsidies or output-based support would require a commodity-by-commodity approach and definition of the product coverage, time frame and

kinds of subsidies and support measures to be included. Exemptions for developing countries also required individual examination as exporters might benefit from some measures while importers could lose.

16. With respect to food security, one delegate said that safeguarding the steady supply of food was one of the priorities of every responsible government. This orientation, although costly and not helpful in terms of international trade, was dictated by genuine political concerns and realities. It thus overrode other agricultural policy objectives, such as those related to economic efficiency or to the optimal allocation of resources. He indicated that food security required a certain level of food self-sufficiency, although the necessary self-sufficiency rate would vary depending on circumstances. Other measures, such as stockholding, land reserves, and reduced dependence on imported inputs, could enhance food security, but were only complementary to sufficiently high domestic production. Although imports played an important role particularly in compensating temporary production shortfalls, he cautioned that the potential vulnerability of international trade had to be recognized. This delegate noted the difference in this approach and that of the US proposal on food security (NG5/W/61), which was based on trade economics. With regard to the latter, he noted that export embargoes could be based on several GATT provisions, and expressed doubts as to the power of the GATT to enforce any comprehensive ban on export restrictions.

17. A few other delegates agreed that reliance on the international market alone was not sufficient to assure food security, and that some capability for self-production and the maintenance of some border measures were necessary. One further stressed that it was questionable whether the GATT could control what was essentially a political problem. This delegate further stressed that the food security concept should be limited to truly basic foodstuffs. In response, the representative of the United States observed that their proposal was designed to meet concerns regarding access to supplies in certain situations only. The US proposal would enable countries to maintain farm populations and to produce their own food according to market signals, not on the basis of the government dictating what farmers should produce.

18. The Chairman of the Technical Group reported on the work of that body and noted that since its establishment the Technical Group had the same problems before it. These problems required some precise political consideration before further technical progress would be possible, as indicated in NG5/TG/W/11. One delegate suggested that a special group, with ability to discuss the political issues, should be established in lieu of the Technical Group. Another noted that the same methodology did not necessarily have to be used in the short versus long term. The representative of one country suggested that it was now necessary to develop a new measurement that would be suitable for use in the negotiation.