

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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

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STATEMENT BY JAPAN IN THE NEGOTIATING GROUP ON AGRICULTURE

(12 September 1988)

1. One year and a half have passed since we began deliberations in this Negotiating Group. During this period, major proposals were submitted and positions and thinkings of the participants became known. We find that there are still differences, sometimes wide gaps among the positions of the participants. Given the fact that we have only three months until the Mid-term Review, the immediate task of this Negotiating Group is to find ways of narrowing down these differences and seek to ascertain, in as concrete a manner as possible as to what we can all agree upon as the framework for our negotiations at the Mid-term Review. The Government of Japan intends to participate actively in this endeavour.

With this objective in mind, the Government of Japan is now engaged in the efforts to elaborate the main points in the Japanese proposal of last December (MTN.GNG/NG5/W/39) as they relate to the Mid-term Review. We shall submit our elaboration as soon as possible before the October meeting, but in the meantime, I should like to explain the underlying basic thoughts on which our work of elaboration is now being conducted.

2. (1) In the agenda of our meeting, short-term actions and long-term framework are listed as separate items for consideration. It is our view, however, that in deliberating short term actions, it is necessary to have in mind the final picture of the agricultural trade rules and disciplines, and to make the short-term actions conform to this final picture.

Let me start with the short-term actions. We believe that short-term actions can most appropriately be defined, in relation to the long-term objective, as "temporary measures that should be implemented during the period leading to the final agreement of the Uruguay Round. .

(2) When we consider short-term actions in this light, we believe that participants should agree to immediately undertake the following at the Mid-term Review:

(a) First, to implement measures to prevent the deterioration of the world market situation in agriculture, and to take further measures to improve it in order to create

a favorable environment which would contribute to a successful conclusion of the agricultural negotiations. These measures should be implemented with the clear recognition that the present world trade in agriculture is besieged and suffers from structural surpluses exacerbated by export subsidies.

(b) Secondly, in addition to the measures above to initiate other necessary measures such as domestic policy reforms in order to bring the state of the world agricultural trade closer to the final discipline in agricultural trade.

Some of the participants including Japan have already begun to take steps in this direction. They are implementing measures to rationalize and reactivate stagnating production sectors, which lack competitiveness and to improve and cope with the rapidly deteriorating world market situation. At the Mid-term Review, this Negotiating Group should give due heed to the efforts of those countries and encourage them in their efforts by acknowledging to accept the improvements made as their contribution to the final achievement of the Uruguay Round negotiations in agriculture. This Negotiating

Group should, at the same time, call upon those participants who have not yet embarked upon such endeavours to immediately start making such efforts.

(3) I should like to mention here that the Government of Japan considers it important to allow each participant the flexibility to select concrete measures which are to be implemented in the context of short-term actions aimed at freezing or lowering the level of protection. Further, the agreement to implement short-term actions should be a political one rather than a legal commitment.

3. (1) In implementing the short-term actions we should never lose track of the long-term objectives. We believe that the fundamental elements of the long-term framework should be agreed upon at the same time as we agree upon the short-term actions.

(2) As to the basic long-term objective of the negotiation, Japan believes it important to achieve a greater liberalization of trade in agriculture, and bring all measures

affecting import access and export competition under strengthened and more operationally effective GATT rules and disciplines. In attaining such objectives, we believe that our efforts should first concentrate upon providing more discipline in regulating measures which distorts agricultural trade, but, at the same time, we believe it crucial that roles of agriculture which are not purely economic, such as food security and protection of environment, be recognized and reflected in the long-term discipline.

(3) Therefore, although a much greater liberalization in agricultural trade must be achieved when the final objective of the agricultural negotiations is attained, the final picture cannot be one of complete liberalization. Rather, it would be appropriate and necessary to allow exceptions to the general principle of the elimination of quantitative restrictions. However, such exceptions would be permitted only under an improved GATT Article XI:2(c) and subject to more clearly defined and rigorous conditions.

(4) In line with this thinking, the Government of Japan advocated in its proposal of last December that exceptions to GATT Article XI:1 be made for "basic foodstuffs". We intend to elaborate in details on this concept of "basic foodstuffs" in the near future, but today I should like to explain the basic thoughts underlying the concept.

4. (1) (a) First of all, I should like to stress that Japan has not intention to expand, nor reinforce the scope of import restrictions by introducing the concept of "basic foodstuffs". By "basic foodstuffs" we mean it to be agricultural products upon which a nation depends its fundamental nutritional needs. Such products will a fortiori be extremely limited per country. Stable supply of such "basic foodstuffs" is essential for every country from the viewpoint of food security. For countries whose self-sufficiency rate of foodstuffs is particularly low, the need to maintain a stable level of domestic supply is indispensable to safeguarding the livelihood of their citizens. This is a political requirement which transcends a mere logic of economy.

(b) It goes without saying, however, that even in cases where import restrictions on specific products are to be permitted for such reason, countries should endeavour to see to it that market signals be reflected in regard to the products by making domestic efforts such as productivity improvements.

(c) I should also like to remind the Negotiating Group of the fact that the Japanese proposal underlines the necessity of "the assurance of stable market access to exporting countries of agricultural products" in conjunction with the proposed amendment of Article XI:2(c) of the General Agreement. This is based upon the Japanese view that not only the position of importing countries but also the interest of exporting countries should be fully taken into account, in making such an amendment, so that an optimum balance of the interests of the two groups of countries may be achieved.

(2) (a) Now, you may ask what "basic foodstuffs" mean in more concrete terms. If I may be allowed to take Japan as an example, "rice" is, in our view, a typical product

which falls under this category. There is a solid national consensus that "basic foodstuffs", such as rice, should be treated as exceptions in respect of the general principle of trade liberalization and should be supplied domestically even if it entails a relatively higher cost.

I am sure there are products falling under this category of "basic foodstuffs" for other participants, and we are working on how this concept could be applied to other participants.

5. (Aggregate Measurement of support)

(1) The idea of aggregate measurement of support including its use needs to be examined further in the coming deliberations of the Negotiating Group and the Technical Group. The Government of Japan wishes to make its own concrete thoughts on AMS known to the Groups as soon as possible. Today, I should like to point out that treatment of factors which affect the value of AMS such as the trade volume of commodities, exchange rate, export subsidies and differing conditions of agriculture in each country should be given further thoughts before AMS can be adopted in its final form in the negotiation. In formulating AMS, it is essential to reflect the restrictive and distortive effect of protective measures in agricultural trade.

(2) The Government of Japan would like to suggest, however, that we use an experimental AMS, with an appropriate revision of PSE, while we implement the short-term actions as "temporary measures implemented during the period leading to the final agreement of the Uruguay Round." The political commitment of the short-term actions to which I referred in my earlier statement, could be measured by the experimental AMS. The details of this experimental AMS will be elaborated in the Technical Group. This suggestion is naturally without prejudice to our continuing work of defining the AMS in its final form.

6. (Special and Differential Treatment)

Japan is prepared to positively examine the concrete content of special and differential treatment to developing countries.

Japan is fully aware that there may be cases where developing countries find it difficult to fully implement the final rules and disciplines to re-agreed upon because of their economic and social development needs.

We understand, therefore, that there are situations where those countries may have to apply the final rules and disciplines only to the extent possible commensurate with the degree of their individual development.