

MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND

RESTRICTED

MTN.GNG/NG5/W/79
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Group of Negotiations on Goods (GATT)

Negotiating Group on Agriculture

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

(12-13 September 1988)

Note by the Secretariat

1. The following summary, which has been prepared by the secretariat in accordance with paragraph 6 of MTN.GNG/NG5/10, should be read in conjunction with documents NG5/W/74-78 which contain the full texts of the proposal submitted by Egypt, Jamaica, Mexico and Peru (supported by Morocco and Nigeria), the proposals submitted by the United States regarding the aggregate measure of support as well as health and sanitary measures, and the statement by Japan.
2. Following the above-mentioned statement of Japan (NG5/W/78), a number of delegations congratulated Japan for its recent action on liberalizing its agricultural sector. One delegation questioned the contention that there were certain areas like rice for Japan where political requirements transcended economic logic, as running counter to the direction towards agricultural trade liberalization in which the Group should be moving. The Japanese delegate responded that it was not his country's intention to make exceptions under Article XI:2(c) wider, but rather clearer as concerns intention and application.
3. A number of delegations spoke on the need for the short-term or medium-term measures to be agreed at the Mid-Term Review to be consonant with, and first steps towards fulfilling, the long-term reform of the agricultural sector that should result from the Uruguay Round negotiations. In this connection the representative of a group of countries stated that the agricultural chapter of the Punta del Este Declaration already indicated the main features of, and directions toward, the long-term reform, and should not be renegotiated. The short- and medium-term measures to be agreed to might comprise undertakings that would consolidate the current situation, as well as further steps to be implemented during the next few years to support the negotiating process and bring concrete benefits to world agricultural trade. Early action packages would have to be a concerted operation consisting of contributions from a broad range of participants, who used differing - though not sacrosanct - agricultural policy instruments to carry out their farm objectives.

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4. Another delegate stated that the distinction between short- and medium-term actions was not clear. Ministers might agree to a freeze on support levels as of the beginning of 1989 for example and agree on a mid-term package the details of which might be tabled no later than June 1989. However long-term reform could only be agreed at the end of the Uruguay Round.

5. A member of the Cairns Group explained that its recent proposal (MTN.GNG/NG5/W/69) was suggesting that a freeze would apply as from its adoption, presumably at the Mid-Term Review, until such time as the first steps on long-term action were agreed to and implemented. It was further intended that the freeze would apply to all forms of support, even though provision could be made for exempting so-called decoupled measures from the long-term reform. The term "aggregate monetary level of output-based support" (AMLOBS) represented the transfers to agricultural producers resulting from the differences between domestic producer and world prices, as well as direct budgetary outlays to producers, including deficiency and diversion payments and export subsidies, but not input subsidies like on fertilizers or research, and not tax concessions or welfare payments. It precisely did not mean the producer subsidy equivalent (PSE). The Cairns Group had selected this (AMLOBS) concept because it was easy to calculate, captured the most trade-distorting measures, and therefore for want of a better measurement that could be developed before the Mid-Term Review, could be used to measure the initial cutbacks that could be agreed to at that occasion. The representative stressed that specific minimum adjustments on all the measures mentioned in paragraph 20 of the proposal had to be included in the package agreed to at Montreal.

6. One participant commented that an immediate freeze on support would be too far-reaching if it were to encompass support whose effect was to improve efficiency of resource allocations, rather than just support which distorted trade.

7. Regarding "transitional measures to the long term" referred to in the recent Cairns proposal, one delegation commented that there must first be a reduction in the past levels of support or administered prices so as to ensure balance between supply and demand. This could subsequently be complemented by measures on import and export, taking into account the evolution of world market prices. But the Cairns Group's proposal to bind all tariffs on agricultural products at low levels or zero was considered by this delegation as not realistic.

8. There were differing views as to whether the maintenance of production control and stock disposal disciplines should be included in the list of measures to be subject to specific minimum adjustment to be decided at Montreal. The provision for exempting from initial cutbacks those countries whose support levels were less than 10 per cent, in the view of one delegation, appeared inconsistent with the desire for across-the-board coverage of all measures.

9. One delegate stated that the long-term commitment to which contracting parties should agree was the abolition over time of trade distortions

caused by governments. The importance of the Cairns Group's recent proposal was in providing some specificity to what must be done during the transitional period to achieve that outcome. Any short-term measures must encompass market access, export subsidies and harmonization of health and sanitary measures.

10. Another participant called for transparency in the agricultural policy reform package and greater clarity as to product and policy coverage in order to best assess the gains and losses to participants. The "disharmonies in EC and US Agricultural Policies" study prepared for the EC Commission had suggested that depending on the policy options implemented by major developed countries, exports from developing countries could face substantial decreases in prices in those markets; for example, reduced support by the EC on grains would have a negative impact on US feed grain exports and Asian exports of cereal substitutes. He was concerned about the particular impact on prices of his country's exports or imports as well as welfare losses to net importing countries in general as a result of higher agricultural prices, for which there should be compensation.

11. As regard the aggregate measurement of support, the Chairman of the Technical Group established to examine this matter, stated that there was little room for positions to become any closer on the technical aspects of such questions as policy coverage, product coverage, country coverage, reference price, exchange rate, base period and supply management without policy guidance from the Negotiating Group. He suggested that the latter instruct the Technical Group to examine at its next meeting the coverage of policies or measures in the PSE, fully realizing that this would depend on the option ultimately selected (MTN.GNG/NG5/TG/W/4 refers). The synoptic table contained in MTN.GNG/NG5/TG/W/13 provided a summary of the views expressed so far on the aggregate measurement of support.

12. One delegation suggested that the Technical Group analyse and articulate how the above-mentioned problems relating to coverage etc. should be treated under each option, which was characterized as more or less establishing a PSE for each separate option.

13. However another view was that this task had effectively been carried out already by the Technical Group, and what was needed now was to narrow the options. This participant suggested that there were essentially only three options that should be focused on, since nobody appeared to be supporting option IV. More technical and mathematical precision was required under options I and III, than for option II, which entailed greater leeway for qualitative judgements ("slide rule" versus "yardstick").

14. Another participant suggested that the Technical Group be instructed to elaborate an experimental AMS to measure the short-term actions to be taken up to the conclusion of the Uruguay Round, and without prejudice to agreement on the final form of the AMS.

15. There were differing views expressed as to the role and use of the AMS. One participant spoke in favour of retaining option I which entailed

a commitment to reduce overall measurement of support, rather than pursuing an approach which attempted to reach a commitment on divergent policies and marketing organizations. Several delegations supported leaving the initiative to governments to translate AMS commitments into specific policy changes.

16. However another view was that such flexibility in meeting targets provided no security of access to third countries. Given the lack of available data, the PSE concept could only apply to certain commodities, yet other commodities should receive no less favourable treatment. There should be a real improvement in opportunities for, and negotiated rules to govern, all agricultural trade.

17. The US representative, in introducing his country's elaboration of its proposal on the AMS, stressed that as trade distortions resulted from specific policies, binding commitments than could only be made in terms of those policies. The AMS could, however, facilitate the appraisal and monitoring of specific policy reforms. A number of delegations believed that the reference in the US proposal to measures which distorted production, consumption and trade, went beyond the Group's mandate as contained in the Punta del Este Declaration.

18. One participant criticized the PSE for not reflecting the contribution made by net importing countries and cautioned that such data should be interpreted prudently. Another participant emphasized the need to know the coverage of the AMS or PSE in order to assess properly its use. A 10 per cent reduction in support, he noted, would not necessarily result in increased efficiency and productivity in the domestic economy. Moreover a number of comments by participants were addressed to specific questions that had been raised in connection with the AMS such as policy and product coverage and currency fluctuations.

19. The Group agreed that the Technical Group on AMS would continue its work. It was requested to report at an early stage on options for the use of an aggregate measurement in connection with possible commitments which might be adopted at the Mid-Term Review. One participant wished it to be recorded that his government maintained its reservation on the use of the PSE, particularly as to its applicability to developing countries. Another participant reserved on the mandate given to the Technical Group, in the light of his delegation's position that the Trade Negotiations Committee had no mandate to take decisions on possible commitments relating to trade in goods.

20. The representative of Egypt introduced the proposal (MTN.GNG/NG5/W/74) made by his country, Jamaica, Mexico, Morocco and Peru (and supported by Nigeria). He said that the proposal reflected the interests of all developing countries, exporters and importers of agricultural products. He highlighted the importance attached in the proposal to improved market access for developing countries, including comprehensive action on tariffs and non-tariff measures, and to an improved competitive environment. In the latter respect, he stressed the need for differentiating between trade-distorting subsidies and incentives used by developing countries. He and other sponsors also stressed the need to protect these countries from bearing the cost of reforms in the area of subsidies.

21. Several delegations welcomed the thrust of this proposal, and were prepared to examine further its specific elements. A co-sponsor of the proposal pointed to its recognition that agricultural domestic policies be respected as an integral part of national economic policy and to its provision for special and differential treatment in accordance with the development, financial and commercial needs of developing countries. Another participant stressed the necessity for transparency in the negotiating plans and econometric models used. There should not be a separate code on agriculture. The possibility of compensatory measures by the multilateral financing agencies to assist adjustment in developing countries for welfare losses was also raised by this participant.

22. Paragraph I(e) of the proposal requested the secretariat to prepare a Note setting out the possible features for devising an appropriate measure of the value of concessions to monitor the benefits of liberalization by developed countries in favour of developing countries. The secretariat explained that what was being requested was difficult, and generally done by each delegation towards the end of negotiations, a stage not yet reached. The method used in the GATT for measuring tariff concessions was contained in Article XXVIII which was rather imperfect and based on trade volume covered and duties charged. As regards non-tariff measures, the discussions and notes relative to AMS had underlined the difficulty in assessing such import measures as well as subsidies. The secretariat would forward this request to the Technical Co-operation Division, which would see whether it could respond presently or at a later stage to the request.

23. As regards the request for a secretariat note regarding sanitary and phytosanitary measures as contained in paragraph II(c) of the proposal, The secretariat characterized the work undertaken in the GATT system on such barriers as negligible. Moreover, a note on commodity standards, codes of hygienic and technological practice, maximum residue limits for pesticides elaborated by the Codex Alimentarius and the International Atomic Energy Agency and other organizations was outside the competence of the GATT secretariat. But the Group might decide to associate these and other relevant international organizations to its further work on sanitary and phytosanitary measures, and as a result more information could be made available in this respect to participants.

24. It was agreed to continue the discussion of the proposal by Egypt, Jamaica, Mexico, Morocco and Peru at the next meeting of the Negotiating Group.

25. In introducing his delegation's two communications on health and sanitary measures which, inter alia, referred to the establishment of a working group thereon, the United States representative proposed that contracting parties accept harmonization as the basic principle which can minimize the adverse effects of these measures on agricultural trade. He further suggested that only health and sanitary measures specifically related to health be subject to harmonization; other technical matters such as marketing standards related to quality should not be considered. Contracting party participation in international standard-setting bodies should be encouraged and complemented by liaison between the Director-General of GATT and the executive heads of the Codex Alimentarius

Commission, the International Office of Epizootics, and the International Plant Protection Convention. The United States further proposed that GATT rights and obligations be strengthened by requiring that health and sanitary measures be based on verifiable, scientific evidence, greater recognition to the principle of equivalency and the creation of an early consultative mechanism. Dispute settlement on these matters should build on improved procedures being handled in the Negotiating Group on Dispute Settlement and may contain elements specific to health and sanitary matters.

26. One participant agreed that the initial focus be on measures related to health and production and process methods (PPMs), where the Standards Code was deficient. Several delegations agreed that harmonization should be encouraged where possible, and where not feasible, given different disease profiles among countries, the principle of equivalency be accepted. The GATT should not get into the business of writing technical standards, but provide transparency and a multilateral framework for bilateral technical agreements. One delegate spoke in favour of having health restrictions applicable on a regional or sub-national basis. He further noted that access to technical experts was required in the dispute settlement procedures for these matters.

27. There were divergent views as to the standards organizations whose work should be recognized as the basis for harmonization. One delegation was in favour, for example, of including the OECD, and the Economic Commission for Europe. However, another view was that there could only be harmonization of standards that were set by international bodies.

28. Two delegations questioned whether it would not be more appropriate to call the new body on sanitary and phytosanitary measures a technical group rather than a working group, just as there was a Technical Group on Aggregate Measurement of Support. The Chairman stated that both terms could be used to describe a sub-group established by the Negotiating Group, but asked that the term "working group" be retained, in light of the view that "technical" might have the erroneous connotation that the nature of the work of this sub-group would be scientific.