

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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Group of Negotiations on Goods (GATT)

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Negotiating Group on Agriculture

**PROPOSAL FOR NEGOTIATIONS ON AGRICULTURE
SUBMITTED BY THE REPUBLIC OF KOREA**

I. Introduction

A. Objectives of the Negotiations

- 1) Agriculture is a basic economic sector of each country, whose policy targets are to meet the country's vital economic and other concerns such as stable food supply, expansion of rural employment and protection of the environment. Agricultural policy varies from one country to another due to their differing stages of development and characteristics of production and consumption structures.

In pursuing the negotiating objectives, it is most important for the participants to give due consideration to the specific characteristics of agriculture such as those mentioned above.

- 2) Thus, negotiations should proceed with a view to achieving the following objectives, bearing in mind each nation's specific circumstances :
 - i) to improve the competitive environment in agricultural trade through reducing the structural imbalances between supply and demand in world agricultural markets and through improving market predictability.
 - ii) to improve market access gradually, taking into consideration the balance between rights and obligations of both exporting and importing countries.
 - iii) to bring all measures affecting trade in agriculture under strengthened GATT rules and disciplines, giving due consideration to the need for improving present rules and disciplines of GATT, particularly those related to quantitative import restrictions and the prohibition of exports.
 - iv) to harmonize the national sanitary and phytosanitary measures for the protection of human, plant and animal health and life with the standards adopted by relevant international organizations.

B. The Issues to be Considered in Agricultural Trade Negotiations :

- 1) Methods to improve market access should differ according to each country's agricultural situation in terms of implementation period and scope. In developed countries, higher efficiencies in agriculture have been attained through structural adjustment policies and extensive support programmes during the last several decades, thereby satisfying these countries' national welfare demands.

On the other hand, in developing countries, the agricultural sector still remains in the infant stage, with a large farm population and low productivity due to insufficient financial resources and underdeveloped technology. Therefore, developing countries need to have time to enable their agricultural sector to achieve balanced development with other industrial sectors through enhancing productivity.

- 2) Uncertainty is inherent in the nature of agricultural production since it is greatly influenced by uncontrollable elements. Focusing on the disposal of the agricultural surpluses is one important aspect for the negotiation group. Equally important, however, is to give due heed to trade disciplines in time of food shortages. It is therefore necessary for the food importing countries to maintain a minimum level of production. For this reason, the maintenance of a minimum rate of self-sufficiency for national food security in the food importing countries has a significance equal in importance to that of the expansion of trade.
- 3) In terms of predictability of agricultural trade, the importing countries exercise far less impact than the exporting countries because world demand for agricultural products tends to be stable. Attempts to strengthen the predictability with a view to stabilizing supply and demand, must therefore take into consideration the disciplines regarding such export restrictions as were evident at the time of food crises in the past.
- 4) For developing countries which are heavily dependent on imports of agricultural products, a considerably longer time-frame is required to achieve the needed structural adjustment in agriculture in the light of its large number of small-scale farmers, low productivity and relatively high domestic agricultural prices due to labour-intensive production.

Furthermore, as the proportion of agricultural output to GNP is substantially high in such developing countries, the effects of rapid agricultural trade liberalization on their overall national economies could be disastrous.

Agricultural trade liberalization will almost certainly cause a higher rate of unemployment in the rural areas and a tremendous migration of the farm population to the urban area, which inevitably will tend to fuel social unrest and serious political problems.

II. Proposals

A. Elements of negotiations.

In the light of the above, emphasis must be laid on the discussion of such elements as subsidies, improvement of market access, food security, sanitary and phytosanitary rules, special and differential treatment for developing countries and the possible role of aggregate measurement of support in the negotiations.

B. Short-term Measures and Long-term Reform

- 1) There exists a consensus that world agricultural trade and competition have been distorted by the production surpluses arising from various supports in particular by the export subsidies to dispose of the surpluses on the international market. Therefore, there is a need to address such situations as an urgent matter.
- 2) Short-term measures should be linked to the long-term measures to be agreed upon, and should be limited to the measures needed for immediate relief action. Long-term reform aims to achieve a greater liberalization of trade in agriculture and to bring all measures affecting import access and export competition under strengthened and more operationally effective GATT rules and discipline.

In pursuing such objectives by participants, the specific nature of agriculture must be taken into account. At the same time, exceptions from the obligations imposed by the final long-term agreement should be permitted to the developing countries as special and differential treatment

(i) Market Access

- a) Considering the specific characteristics and the different level of agricultural development of each country, the improvements of market access must be achieved gradually through the harmonization between the internal policies aiming at securing an adequate rate of self-sufficiency for basic foods and the objectives of increasing the predictability in world agricultural trade.
- b) As for the net importing developing countries, flexibility in meeting their obligation to liberalize should be permitted on some agricultural products and during the period of structural adjustment, while import restrictions on basic foodstuff items must be recognized in view of food security.
- c) Since the majority of importing countries relying for the great part of their supply on foreign sources have contributed to the expansion of world agricultural trade as well as to the economies of countries exporting agricultural products, due recognition should be given by this negotiating group to such contributions.
- d) Measures already implemented by each country since the Ministerial Declaration, such as reduction of tariffs, removal of non-tariff measures and the expansion of market access, must be reflected as a credit in the results of the negotiations.
- e) The negotiations on market access should deal not only with such exceptions as waivers permitted in the GATT but also with other derogations affecting agricultural trade and not covered by GATT rules.
- f) It is necessary to improve the rules on quantitative import restrictions under Article XI:2(c), according to which quantitative import restrictions are permitted to ensure the effectiveness of measures taken by governments to control the over-production of agricultural products, taking into consideration the various factors such as the need to stabilize domestic production.

(ii) Subsidies

- a) Based on the recognition that agricultural export subsidies and production subsidies have direct effects on agricultural

trade, each country should agree on improving the conditions of agricultural trade competition by gradually phasing out such subsidies.

- b) Recognizing the fact that agricultural policies on supports have varying effects on trade according to each policy objective and implementing measures, and also the fact that the level of government support required in each country differs in accordance with the respective levels of agricultural development, subsidies aimed at improving the agricultural infrastructure for development, as well as subsidies which have no direct trade distorting effects, should not be included in the category of trade-distorting subsidies.

(iii) Food security

- a) Every country has its own traditional basic foodstuffs which are necessary for maintaining the livelihood and food of the people. It is difficult for a nation to rely for the supply of basic foodstuffs solely on foreign sources, due to the uncertainties in securing stable supplies and in price fluctuations.
- b) The possibility of food shortages always remains, as agricultural production and trade are influenced by elements beyond control. Especially for developing countries with insufficient purchasing power, the increase in agricultural prices has a great impact on their efforts to secure stable food supplies and economic stability. Such a situation is certainly undesirable. It is therefore vital to maintain a certain level of domestic production.

(iv) Sanitary and Phytosanitary Regulations

- a) In order to minimize the adverse effects of sanitary and phytosanitary regulations on agricultural trade, such regulations should be harmonized with relevant international agreements, and transparency should be secured in the application of these regulations.
- b) The fact that natural and ecological conditions and the level of technologies protecting human, animal and plant life or health might differ from country to country should be recognized in the negotiations on sanitary and phytosanitary regulations.

- c) In order to examine both technical and trade aspects of sanitary and phytosanitary regulations simultaneously, Korea supports the establishment of a working group on sanitary and phytosanitary regulations. Technical support to developing countries should be provided by the GATT Secretariat.

(v) Special and Differential Treatment for Developing Countries

- a) Considering their special situations such as low productivity in agriculture and the large number of small-scale farms, the developing countries should be allowed a longer time-frame for the liberalization of their markets, and more flexibility in selecting product items to be liberalized.

In particular, such special and differential treatment should be accorded to the importing developing countries when they are in need of structural adjustment and increase of productivity, in order to minimize the adverse repercussions which might result from the rapid process of liberalization.

Such treatment would be allowed when those countries desiring to benefit from such treatment submit a concrete timetable for trade liberalization based on relevant feasibility studies on agricultural adjustments.

- b) Subsidies by the developing countries for the production and improvement of productivity of some basic food items, together with income support for farmers, should be permitted during the adjustment period.
- c) To achieve balanced benefits to all participating countries, improved access to the markets of developed countries for the products of developing countries, especially those of the new entrants in the world market, should be considered on a priority basis.

III. The Means and Methods of Negotiations

A. Aggregate measurement of support.

- 1) Such tools for aggregate measurement of support as PSE and TDE cannot effectively distinguish trade-distorting measures from non-trade distorting measures, and are vulnerable to fluctuations in exchange rates which are not directly related to domestic farm policy. Moreover, such tools do not fully

take into account the multifaceted purposes of agricultural policy such as food security, conservation of land, protection of the environment and balanced regional development.

- 2) Therefore, in order to ensure the most efficient utilization of the aggregate measures as a possible negotiating tool, it is necessary for the participating countries to agree on the issues identified in the Technical Group and to fully examine their possible applicability as a tool of negotiation.

B. The Methods of Negotiations.

- 1) In accordance with the general principles of the Ministerial Declaration of the UR stating that "Negotiations shall be conducted in a transparent manner, consistent with the objectives and commitments agreed upon in this declaration and with the principles of the General Agreement in order to ensure mutual advantage and increased benefits to all participants", the agricultural negotiations must proceed in such a manner that the benefits to each participating country, and different levels of agricultural development of participating countries, are fully taken into consideration.
- 2) At the same time, the Negotiating Group on Agriculture, as a part of the UR, should maintain a balance with the overall negotiations of the UR.