

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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

SUPPLEMENT TO THE JAPANESE PROPOSAL ON
NEGOTIATIONS ON AGRICULTURE

Submitted by Japan

Set out below is the elaboration and supplementary explanation of the Japanese Proposal of December 1987.

1. Long-term objectives

The objectives of the negotiations on agriculture are as set forth in the Punta del Este Declaration: namely (1) to achieve a greater liberalization of trade in agriculture and (2) to bring all measures affecting agricultural trade under strengthened and more operationally effective GATT rules and disciplines.

It has become consensus among the participants that in formulating such new GATT rules and disciplines, market forces must be allowed to function effectively on agricultural trade, and full consideration must be given to social and other concerns of not purely economic nature such as food security, environment protection and overall employment.

On the other hand, critical opinions have been expressed by many participants concerning the assertion that total elimination of agricultural support and the resulting complete liberalization of agricultural trade be made the long-term objective.

(1) Market access

(a) In formulating the "new GATT rules and disciplines" concerning market access, the principle of general elimination of quantitative restrictions shall be maintained, and import restrictions as exceptional to the principle be allowed only with clearly defined conditions.

Further the following three factors shall be taken into account in formulating "new GATT rules and disciplines":

(1) All measures being implemented by participants, including those under the waiver, which affect market access shall be subject to negotiations and hence new disciplines.

(2) Appropriate consideration shall be given to the balance of all rights and obligations among participants.

(3) Consideration shall be given to the actual effect the measures in question have upon agricultural trade.

(b) (i) "Basic foodstuffs" which is truly essential for the maintenance of the citizens' livelihood from the viewpoint of food security, and production control which is intended to cope with temporary surplus shall be permitted special treatment under the "new GATT rules and disciplines", while taking into account the three factors described in (1)(a) above.

(ii) The concrete meaning of the concept of "basic foodstuffs", including what foodstuffs fall under this concept, and what is the exact content of the special treatment of "basic foodstuffs" will be made clear through the negotiating process. However, "basic foodstuffs" indispensable for the maintenance of a nation's livelihood of citizens could, for instance, be such foodstuffs which have traditionally been the main source of nutrition for the citizens and which will be produced and supplied on a priority basis at the time of general food shortage. Such "basic foodstuffs" could naturally vary from country to country reflecting the differences in climate, geography, dietary pattern and culture. Appropriate and special consideration shall be given to such "basic foodstuffs" when certain conditions are fulfilled.

(iii) Import restrictions at the time of the above production control shall be implemented in such a manner as to ensure transparency so that its operation may clearly be known.

(2) Subsidies

(a) In formulating the "new GATT rules and disciplines" concerning subsidies, stress should be placed on regulating subsidies which have a distorting effect upon agricultural trade. From this point of view, it is necessary to phase out and eventually abolish export subsidies which have brought about serious distortion to the current world agricultural trade and are adversely affecting both competing exporting countries and importing countries.

(b) With regard to other subsidies, when "government subsidies whose intended purpose is to support income or prices" have a trade-distorting effect in the course of administration, such distortive effect upon trade should be reduced. The manner in which such "government subsidies" should be regulated, including the reduction of their distortive effect, will be examined in the course of the negotiation. The Government of Japan, however, proposes that, as a first step towards the formulation of new GATT rules regarding "government subsidies", each government furnish the Negotiating Group on Agriculture with information on such subsidies which it has

heretofore provided. The information includes the amount and duration of subsidies being provided, and the amount of production and trade volume of the agricultural product concerned.

(3) Aggregate measurement of support

The Government of Japan intends to continue to participate actively in the work of the Negotiating Group on Agriculture to study the nature and use of aggregate measurement of support (AMS). All of the AMSs proposed in the submissions of the various participants are based on the model of PSE, which is developed in the OECD, with some modifications to it. Japan intends to study further the concrete usage of AMS. (With regard to the experimental use of AMS, refer to section 2 "Short-term measures" below.) In the study, we believe it necessary to devise an AMS which reflects the elements described in the Attachment with a view to removing the limits and problems of PSE.

(4) Sanitary and phytosanitary measures

Japan has hitherto interpreted the "sanitary and phytosanitary" as synonymous to animal and plant quarantine. However, it seems clear now that there is no common understanding as to the scope of the question. Solid common understanding must first be arrived at in order to ensure smooth deliberations at the Negotiating Group.

It is necessary to minimize adverse effects that sanitary and phytosanitary regulations and barriers have on trade in agriculture, while paying due respect to the fact that such "sanitary and phytosanitary" measures are allowed for each participant to take as long as the measures are necessary from a technical point of view to protect human, animal, or plant life or health.

With regard to the matters which are competently dealt with by other relevant international organizations, the work of such organizations must be utilized in the course of the deliberations at the Negotiating Group on Agriculture and, when necessary, the work of the Negotiating Group should be delegated to such organizations. Furthermore, consideration should be given to the possibility of improving such procedures as consultation, notification and so on, in such a manner as to exploring international harmonization, acceptance of international standards and further transparency, while recognizing the need to rely on scientific evidence and also on sanitary situations of different countries.

(5) Special and differential treatment for developing countries

It is necessary that the importance of agriculture and agricultural trade for the development of developing countries be fully recognized. Appropriate consideration should therefore be given so that special and differential treatment for the developing countries is realized in the process of attaining the long-term objectives as described above.

2. Short-term measures

(1) Significance of "short-term measures"

Japan acknowledges the significance of implementing "short-term measures" in order to prevent further deterioration of "the current problem of structural surplus of agricultural products". "Short-term measures" are defined as "actions to be taken tentatively until the conclusion of the negotiations", but they must be in line with "the long-term objectives" and must constitute a part of them.

(2) Principles concerning "short-term measures"

(a) Selection of concrete policy measures to be implemented as "short-term measures" should be left to the autonomous decision of the participants.

(b) The nature of the "commitment" to implement "short-term measures" should be the enunciation of a political will.

(c) Measures which participants have heretofore implemented, particularly those since 1986, should be given credit as forming a part of the "short-term measures".

(3) Implementation of "short-term measures" and the experimental use of AMS

Participants make commitments to implement those "short-term measures" which are feasible and practical within the existing policy framework.

In order to assure equity among participants, appropriate balance must be struck among the results of the efforts to attain the intended objectives of the implementation of "short-term measures" by the participants, including prevention of deterioration of the market situation.

Implementation of "short-term measures" by each participant shall be reviewed by the Negotiating Group on Agriculture. Each participant shall submit materials necessary for the review.

In order to ensure and verify the balance among the results of the efforts to attain such objectives as prevention of deterioration of the market situation through "short-term measures", it is useful to use AMS in an experimental manner. Such experimental AMS is calculated on individual country basis as the sum of the values of AMS for major agricultural products.

The experimental AMS to be used for this purpose shall be based on PSE with necessary modifications to take account of such problems as the fluctuation of exchange rate.

The use of experimental AMS in this manner shall be conducted with the premise that such a use shall not prejudice the future work on the AMS in its final form at the Negotiating Group. However, we expect that the experimental use will elucidate in more concrete terms the relationship between the agricultural policies and their changes, and the value of AMS, and hence facilitate our future study on AMS.

(Attachment)

Elements to be taken into account in calculating the value of AMS.

1. Trade volume

Proportion of import to total consumption in the importing country shall be taken into account.

2. Base price

It is essential to adjust the difference in domestic and international prices in a reasonable manner reflecting the reality of trade and transactions.

The influence of heteronomous factors beyond the control of the decision-making machinery of governments such as fluctuations in exchange rate, provisions of export subsidies by other countries, and fluctuations in international prices due to the harvest situation, should be excluded to the extent possible.

3. Appropriate considerations need to be given also to the following facts in order to assure fair agricultural negotiations.

(1) The fact that absolute differences exist between the size of farms and their management among the participants.

(2) The fact that the importance of the rôle of non-economic factors of agriculture such as food security becomes relatively greater in countries with a low rate of self-sufficiency.

(3) Given the current supply-demand situation of agricultural products, it is necessary to encourage the continuation of measures restricting agricultural production currently implemented by participants. In this regard, it is necessary to give appropriate credit to the effect of such restrictions of agricultural production.