

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG5/W/86

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Negotiating Group on Agriculture

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

(13-14 October 1988)

Note by the Secretariat

1. The following summary, which has been prepared by the secretariat in accordance with paragraph 8 of MTN.GNG/NG5/11, should be read in conjunction with the following documents, in particular: NG5/W/74 (proposal submitted by Egypt, Jamaica, Mexico and Peru, supported by Morocco and Nigeria); NG5/W/78 (statement by Japan); NG5/W/80 (proposal by Korea); NG5/W/81 (supplement to the proposal of Japan); NG5/W/82 (an approach for a concerted reduction of support in the long term submitted by the European Community); NG5/W/83* (paper by the United States); NG5/W/84* (statement by India on special and differential treatment); and NG5/W/85 (statement by Switzerland).

2. As agreed at the previous meeting of the Negotiating Group (MTN.GNG/NG5/W/79, paragraph 24 refers), discussion continued on the proposal submitted by Egypt, Jamaica, Mexico and Peru, supported by Morocco and Nigeria (NG5/W/74). A number of delegations expressed support for it generally or in part. Aspects singled out for endorsement included its acknowledgement of the need to minimize the adverse effects of sanitary and phytosanitary barriers; its emphasis on reduction of trade-distorting subsidies and improvement of market access; its stipulation that short- and long-term measures should be in conformity; and its call for liberalization to apply to the widest possible range of agricultural products and policies. Some other delegations who had made proposals of their own saw points of similarity between these and NG5/W/74, especially concerning special and differential treatment, e.g., the special treatment to be given to agricultural development incentives in developing countries.

3. The proposal's support for agricultural trade liberalization was welcomed but a participant regretted that it did not foresee the extent of developing country involvement therein, involvement which would be to the benefit of all. Another participant endorsed this and noted that

* To be issued

developing countries were the biggest losers from the present trade distortions. The concern that reduction in developed country support could increase imports costs to net food-importing developing countries was acknowledged. One participant said it was difficult to see how this could be avoided. Another said that this concept was superficially plausible but fundamentally illusory. The reality was that present distortions resulted in lost opportunities to developing country exporters, fluctuating commodity prices and a loss in export earnings which made it more difficult to finance food imports and worsened investment possibilities. Studies by the FAO and the World Food Council were cited in support of this view. Nonetheless this participant recognized that for some of the most heavily indebted developing countries there could be net losses in the initial stages of reform. The Negotiating Group should consider how the reforms could be framed to help mitigate these transitional effects; food aid and development assistance could also help.

4. Sponsors and supporters of the proposal noted in replying to these comments that several of them had already undertaken unilateral liberalization of their agricultural trade, that they faced a huge debt problem and that they also needed increased export opportunities if they were to service this. In this context they drew attention to the abuse of countervailing duty and anti-dumping actions by developed countries against developing, mentioned in W/74; this was a reality and was increasing. Comments, such as those reported in paragraph 3 above, concerning the possibility of import price rises for developing countries and the compensation or adjustment measures which might be adopted received particular attention in these replies. The view that trade liberalization would benefit all developing countries was queried, especially as regards the net food importers and the most indebted, in the light of the recognition that their import bill could thereby rise. This was not unrealistic opposition to liberalization, but a concern to avoid or alleviate negative impacts. The Negotiating Group should recognize that this problem did exist and look for positive solutions. It was necessary to devise specific, concrete, complementary measures to offset price increases. Options could include greater use of food aid and concessional sales, and development assistance to the agricultural sector and infrastructure in affected developing countries. Varying the period for implementation of commitments by developing countries, as had been suggested, was not sufficient. It would be difficult for developing countries to accept a time limit for implementation when they did not know how long their development process would take. The essential point was for developed country participants to take into account at each stage of the negotiations, not as an afterthought, the interests of those who could be forced to pay more for their food and could least afford to do so.

5. One of the sponsors of the proposal NG5/W/74 noted that the markets whose prices were said to have improved or stabilized recently involved temperate products. The same was not true for the products of tropical agriculture. He commented further that market stabilization for temperate products was achieved by non-economic devices, which were basically anti-market, e.g., production controls instead of market signals, and minimum price agreements such as the International Dairy Arrangement, which had led to a doubling of prices for milk powder in the past year. This

arrangement was contrary to what GATT was about, and it should be eliminated.

6. This participant also commented that the studies cited in paragraph 3 above were not scientific enough, being based on limited product coverage and partial equilibrium analysis. He said that there was a need to improve this kind of economic analysis of the effects of trade liberalization, so as to avoid generalized conclusions about how countries would be affected. Concerning the relationship between short- and long-term measures, he agreed with those who said the long-term goal should be defined before agreement was possible on short-term actions. NG5/W/74 was a proposal for the long term as well, setting out modalities for action to improve market access, to reduce trade-distorting subsidies and to achieve strengthened GATT rules and disciplines in a manner that would ensure mutual and balanced benefits.

7. Questions of food security were also important in this group of participants' responses. It was described by one as being not an end in itself but a policy aimed at development. It was not the same as self-sufficiency, though the two were clearly related. Developing countries saw a need to increase their food consumption and production. Another sponsor of NG5/W/74 also disassociated food security from self-sufficiency, noting that countries such as his own were part of the trading system. He saw the basis of food security in a wider economic security. In fact the concept of "food sovereignty" was preferable to "food security". The three elements of this concept were national self-determination of what was produced and how it was produced, a guarantee of sufficient supply at adequate prices and availability, and incentives to rural and national development on the basis of increasing production, consumption, and the income of producers. Another W/74 sponsor said his country's aim was to achieve self-sufficiency in basic commodities (grains, oils and sugar) while ensuring better use of their agricultural production possibilities and furthering rural development.

8. Introducing his country's negotiating proposal (NG5/W/80), the representative of Korea emphasized the specific characteristics and national differences of agriculture, its non-economic aspects, and its fundamental importance in development. He pointed out the weakness of Korean agricultural structures, and the important rôle that agriculture still played in the country though the Government was undertaking economic adjustment. The Uruguay Round negotiations on agriculture should, therefore, allow developing countries such as Korea a sufficient period for structural adjustment, and some autonomy in the opening of their domestic markets.

9. The representative of Japan, introducing document NG5/W/81, the supplement to his country's negotiating proposal made in December 1987, drew attention to some of its salient points. For the long term, he noted that the Negotiating Objective mentioned greater, not full, liberalization, and described the Japanese view that quantitative import restrictions on basic foodstuffs should receive special treatment. However, he noted that his Government was prepared to discuss this issue if major problems of other countries were discussed as well. Concerning short-term measures, which must be in line with and a part of the long-term objectives, he

underlined that the selection of policies to be implemented should be left to the participants' individual decisions. Credit should be given for actions already taken. The AMS could be used in an experimental manner to ensure and verify balance among the efforts of participants. This would not prejudice future work on a final form of AMS.

10. Reaction to these papers continued, inter alia, the previous debate on food security. One participant said the day's discussion on this topic had taken the wrong tilt. Food security was not just the preserve of certain food importing countries. His own country tried to make its living out of enhancing the food security of others through export trade. The fact that this issue was of universal concern was why agriculture featured prominently in the Uruguay Round. The solution also needed to be universally valid. Development and adjustment were the two key issues. The second, in particular, was a GATT matter. The need was not for new rules which would turn back the clock but for a more open trading environment in line with the principles of the Punta del Este Declaration.

11. Referring to an earlier speaker's criticism of the International Dairy Arrangement, this participant said the question was not why prices had gone up but why prices had been so low for so long. The IDA had an important rôle to play in improving this situation. There was a balance of advantages in trade which implied a need to adjust to price changes, as (e.g.,) his country did with imported tropical products. He expressed appreciation of the recent market-opening measures by Japan and others, and urged that these be further built upon.

12. A number of participants endorsed the Japanese supplement and the Korean proposal in whole or in part. One said that his delegation shared a number of objectives with the Korean proposal, such as reduction of the structural imbalance of supply and demand. He underlined Korea's recognition of the specific characteristics of agriculture as a point his authorities had also made. Another group of countries approved the attention Japan gave to the non-economic rôle of agriculture. This group found the general line on flexibility in the short term and on the experimental use of an AMS was close to their own thinking. They thought that the concept of basic foodstuffs deserved further study. Another delegation endorsed this aspect of the Korean proposal in particular, as well as its appreciation of food security. One participant welcomed Korea's and Japan's recognition that there had to be a package agreed at Montreal. With other representatives, he also saw some consistency with their own group's approach to the linkage between short- and long-term measures, and he welcomed the fact that a rôle was seen for an aggregate measurement of support.

13. A number of reservations or disagreements with one or other of these proposals were also entered by participants, in addition to the comments on food security noted above. For several, the Japanese proposal did not go far enough in the direction of trade liberalization. The possible maintenance of quantitative restrictions on imports in the long term was criticized, as was what one participant saw as the disproportionate priority given to the elimination of export subsidies. On policy coverage for short-term reform measures, several participants disagreed that it was desirable to allow flexibility. Another participant said he could not

conceive of short-term measures which did not include all policy areas - i.e., access, subsidies, sanitary and phytosanitary. Concerning product coverage, in the long term, the concept of "basic foodstuffs" was similarly questioned. A group of countries stated that any exceptions to be negotiated should cover measures and timeframe rather than specific commodities. Another participant said that the Japanese paper appeared to be saying that, in the long term, they could liberalize even sensitive areas provided all other participants did the same. This would involve the concerted ending of current exceptions, waivers, etc. On the other hand, with the "basic foodstuffs" idea, they seemed to advocate the creation of another class of waiver for the long term. His delegation clearly preferred the first line. Concerning the use of the AMS envisaged in the Japanese paper, one participant said he was not comfortable with the term "experimental", which implied use without commitment. Nonetheless he agreed that the form of AMS used in the short term need not be its final form - it could be transitional or interim.

14. The representative of Korea, in reply to the foregoing, rejected suggestions that the proposal was inappropriate to the development stage of his country. He defended the concept of food security by reference to the instability of the agricultural sector and Korea's past experience with bad rice harvests and shortages. In the long term Korea could not rely on foreign sources for its basic foodstuffs - it must be able to produce a minimum percentage itself. He said that Korea was one of the least developed countries in terms of agriculture, and must have time to prepare changes which could reduce the dependence of the rural population on agriculture. While holding to these policy essentials, Korea remained open to discussion. Another participant said that Korea would have had less difficulty supplying its needs on the international market if it had been more consistently present in that market.

15. Concerning short-term action, the representative of a group of countries defended the series of measures his authorities had recently taken to control production and said they could not keep these up if others persisted in doing the opposite. His authorities were ready to take short-term measures, such as the maintenance of current policies, if other participants were, but not alone. If no action were agreed now the long-term prospects were also at risk. On the possible use of an AMS in the short term, he reiterated that his delegation's basic position was in favour of a short-term freeze/reduction commitment based thereon which would allow participants a choice of policy measures. Direct commitments on policy measures would be difficult - for example, "administered prices" meant different things in different countries.

16. Another participant introduced an informal proposal for agreement by Ministers at the Mid-Term Review. He emphasized that this proposal concerned the process of reform, not the substance. On the substance, his country's position remained unchanged, i.e., that contracting parties should agree to eliminate by a certain date direct and indirect subsidies that impact on trade. What he offered here was a framework for the reform process, which would have three basic elements: first, a commitment to undertake specific reforms; second, a commitment to develop detailed implementation plans (taking into account the needs of developing

countries); and third, a commitment to harmonize health and sanitary measures.

17. The agreement on reform effectively equated to the long term. Agreement on this was fundamental. Assuming it was reached at Montreal, his authorities would propose a freeze on support and protection in 1989 and 1990, and, to deal with market access, agreement to convert all non-tariff barriers into tariffs. Participants would prepare by January 1990 their own schedules for the rollback of these subsidies and tariffized access measures which would be considered in the Negotiating Group during 1990. The overall aim of this framework approach was to provide a basis on which the specifics could be worked out later in the negotiations. In proposing the tariffication of access barriers, for example, he had no illusions about the difficulties involved but saw advantages in it similar to those the discussion of the AMS had offered so far concerning support measures.

18. Responding to comments and questions on the supplementary explanation (NG5/W/81) of Japan's December 1987 negotiation proposal (NG5/W/39), the representative of Japan said that his country was committed to greater liberalization of agricultural trade, to the principle of general elimination of quantitative restrictions as well as to food security, a stable level of domestic production being part of this food security. The concept of "basic foodstuffs" has been suggested to harmonize the two commitments but the objective is not to expand the scope or level of import restrictions. Short-term measures, he said, should be introduced in order to prevent further deterioration of market conditions and they must be in line with the long-term objectives. He further said that his country recognized the rôle of an experimental AMS but was not as yet committed to its use. However, his country was prepared to study the notion further. Moreover, he said that it was only a matter of course that food security and other non-economic factors in agricultural trade should be fully and seriously discussed and studied in this Negotiating Group since it was recommended in the CTA and referred to in the Punta del Este Declaration.

19. Discussing short- and long-term approaches in various proposals one delegate noted the substantial differences among the proposals made so far, and said that it was absolutely vital for the group of countries he was representing that agriculture be a fundamental part of a productive decision both at Montreal and in terms of the Round as a whole. Another delegate, referring to views expressed in NG5/W/74, saw the long-term framework as a proxy concept for a combination of improved market access, reductions and disciplines of trade-distorting support and action in the area of health and sanitary barriers, and strengthened GATT rules and disciplines. An essential and integral part of these was the attainment of, and opportunities for, benefits of less developed contracting parties. He further said that there should be, after 1990, a specific mechanism in the GATT for surveillance, and this should provide for the measurement and concrete evaluation of the specific benefits for developing countries. Moreover, as concerns short-term measures, these must also, and as a priority, confer benefits to developing countries and not additional disadvantages. For example, a freeze on export subsidies for products which were not produced by a majority of developing countries and which were imported by them would have a negative impact. It was important to

know the product coverage and to analyse carefully the possible impact of a freeze as well as of other proposed short-term measures. Several other delegates agreed with these views as well as with those set out in NG5/W/74.

20. One delegate said that it was absolutely vital for the success of the Uruguay Round that Ministers at Montreal took some clear and precise decisions which would give unambiguous directions to negotiators. Another indicated that the group of countries he was speaking for was willing to explore the possibilities of a freeze. In this group's opinion, he said, any freeze should cover a well-defined future time period and be related to a commonly-agreed reference point in the past, suggesting for the first the Mid-Term Review to the end of the negotiations, and for the second the average of 1984-1986. The freeze, he said, should focus on measures which have trade effects, especially the most trade-distorting ones. Furthermore, a certain flexibility should be allowed as concerns the policy coverage. His group could further agree that a freeze could be monitored ex-post by using an aggregate measurement of support. Another delegate referring, in agreement, to NG5/W/74, said that his country's concerns regarding the long-term framework were twofold. First, he said, it was necessary to ensure sufficient supply of foodstuffs whilst keeping imports from endangering the efforts to increase agricultural production. Secondly, the long-term framework had to help the development of the agricultural exports of developing countries.

21. Several delegates expressed their interest in the informal proposal on tariffication by the United States. In particular it was said that it was an extremely attractive idea in terms of its mechanism. Tariffication could provide a supplementary process to come to grips with measures at the border which might escape any discipline through the AMS.

22. One delegate recalled the Ministerial agreement at Toronto in June of this year concerning the objective of the Mid-Term Review. It was in the interest of all, he said, to see if concrete, immediate measures could be taken to contribute to the stabilization of the world market not only in 1988 but also in the following years. He recognized also that the long-term objectives had to be specified more clearly, but he reaffirmed his authorities' position that in the short term, commitments should be undertaken on the level of support rather than on specific measures. Later in the meeting, the representative of this group of countries introduced a paper concerning long-term measures (see NG5/W/82). She said that the text before the Negotiating Group had been prepared in response to the point in the Punta del Este Declaration which refers to the need to strengthen disciplines concerning the use of direct and indirect subsidies as well as other measures having an impact, directly or indirectly, on trade in agricultural products. This included the progressive reduction of their negative effects as well as taking care of their causes. The elements in the paper took into account, she said, all measures that may have an impact on trade whether internal measures or border measures. The paper suggested a procedure linked to the idea of binding the levels of support, an idea which would avoid lengthy, complex discussions on national policies. Thus, the binding would be on an amount of support and the reductions would take place on the basis of an agreement. It was further proposed that the validity would be five years; at the end of that period there would be a

general multilateral review. "Safeguard" and compensation as well as appropriate and specific dispute settlement procedures were also taken into account in the paper. Appropriate rules in a separate framework ought to be agreed upon to this effect. Until a clearer view was obtained, the measures covered in an AMS should be as wide as possible. The product coverage, she said, was suggested to be the same for these new long-term commitments as had already been suggested by her delegation for short-term measures. As concerns the external reference price she believed this had to be kept fixed. To come to grips with inflation, in particular in the long term, a deflator could be used.

23. Another delegate, referring to the views set out in NG5/W/74, said that short-term measures should contain special and differential treatment for developing countries. When it was decided to take short-term measures, it was said, it should be taken into account that developing countries also needed to have access to the markets of developed countries. Moreover, health and sanitary measures should be included to ensure security of access.

24. The Group discussed the aggregate measure of support following a report from the Chairman of the Technical Group on its October meeting. One delegate stated that his delegation would have difficulties in going along with any formulation regarding the acceptance of the kind of "prototype" referred to in the report by the Chairman, unless there was agreement on how the development discussion would be elaborated and how special and differential treatment would be given. Other delegations said that they shared fully this view as well as stating that a PSE or AMS would not be useful, or even used, for the developing countries. In this connection, it was stressed that the question of access was of great importance to developing countries and that this question should not depend on results of discussions in the field of a measurement tool.

25. On the agenda item "Special and Differential Treatment..." one delegate made a statement, to be issued as document NG5/W/84, which will be reverted to at the next meeting.

26. A report on the first meeting of the Working Group on Sanitary and Phytosanitary Regulations and Barriers, which was held on 12 October 1988, was made by the Chairman of that Group. He informed that the Working Group had agreed that the secretariat would chair that first meeting and that consultations would continue on finding a permanent chairman for the Working Group. The substantive discussion in the Group had concentrated on three areas. The first concerned the reinforcement of GATT rules and disciplines on sanitary and phytosanitary regulations and barriers. GATT "rules" meant essentially Article XX(b), and the criteria thereunder which contracting parties must respect when they apply sanitary and phytosanitary measures at the border. There appeared to be a certain conflictual relationship, between this provision and Article III and XIII. He observed that possibilities surely existed to improve or clarify GATT rules on these matters, but that a more profitable path to pursue would seem to be that of reinforcing GATT disciplines; namely, procedures for notification, counter-notification, public notice, and dispute settlement.

27. Secondly, it was recognized that there was an urgent need to streamline procedures in regard to notification and publication to ensure transparency. In this connection, it was noted that elaborate procedures existed already under Article 2 and other provisions of the Standards Code, to which thirty-eight countries were signatories and under which 1,800 notifications had been made over the last eight years. The possibility was raised of establishing a centralized network to which commercial operators and governments could have recourse, to find out where to get information on sanitary and phytosanitary regulations.

28. The third focus of the Working Group's discussion had concerned encouraging the harmonization of international standards, and where this was not feasible, the principle of equivalency. It appeared that there was a desire in the Group for closer contacts with relevant organizations in these matters; specifically, the Codex Alimentarius, the IPPC, and the IOE. He noted that the first two operated under the aegis of the FAO Secretariat, which was already an observer to the Negotiating Group on Agriculture. The Working Group had decided to invite representatives from these three organizations or codes as observers to their meetings. Other standards organizations might be invited to attend or otherwise collaborate as necessary, to be decided at a later stage of the Working Group's work.

29. Reference had been made in the Working Group to the terms of reference which had been proposed for it at the meeting of 12-13 September of the Negotiating Group on Agriculture (MTN.GNG/NG5/10 paragraph 3). Certain participants had expressed in the Working Group reservations on these terms of reference. The Group had agreed to take note of these comments (which were recorded in MTN.GNG/NG5/WPSP/W/1), and to leave to its parent body, namely the Negotiating Group, the task of resolving and deciding this matter.

30. A participant stated that he did not wish to repeat the specific reservations and proposed changes to the terms of reference he had made in the Working Group, which would be recorded in the summary of that meeting. He explained that his delegation basically had three concerns with the mandate that had been proposed. First, reference was made to the Working Group's considering a "common approach", whereas this could only be a possibility in his delegation's view. Secondly, the terms of reference placed undue emphasis on harmonization and the vague notion of equivalency. There could also be other ways found to achieve the goals established by the Punta del Este Declaration as regards minimizing the adverse effects of sanitary and phytosanitary measures; for example, through transparency or even through reducing unjustifiable restrictions or unreasonably high standards. The third concern of his delegation was that the Working Group not duplicate the work of other negotiating groups such as that on GATT Articles or on MTN Agreements, especially with respect to the Standards Code.

31. Another participant expressed his delegation's concern that the work programme of the Working Group (as contained in GATT/AIR/2683) did not provide for the consideration of short-term measures as contained in the first paragraph under Section II(c) of MTN.GNG/NG5/W/74. Consideration of short-term measures would be consistent with the Punta del Este Declaration

on agriculture (paragraph iii) and should be included explicitly in the Working Group's work programme. He also referred to the suggestions regarding transparency, technical and secretariat assistance, which were also contained in Section II(c) of the above proposal.

32. The Chairman stated that all the elements referring to sanitary and phytosanitary measures within the proposals, which had been submitted to the Negotiating Group, would also be on the table for consideration in the Working Group. The Chairman also stated that reference to considering the scope for a common approach in the terms of reference, did not prejudice any delegation's ultimate position on any one approach. As regards duplication of work, he also shared the view that the Working Group would be examining how to minimize "the adverse effects that sanitary and phytosanitary regulations and barriers can have on trade in agriculture, taking into account the relevant international agreements", and that the Working Group, "should as required take into account relevant aspects emerging in other groups" in accordance with the Punta del Este Declaration.

33. On the understanding that the various views expressed by delegations as well as the guidance provided by the Chairman, would be recorded, the Group agreed on the terms of reference for the Working Group (MTN.GNG/NG5/10, paragraph 3).

34. One representative expressed for the record his reservation regarding the Working Group's decision to invite the three international standards organizations mentioned as observers to its meetings, as such a decision should be taken and approved by the GNG.

35. The Working Group, in the view of one participant, was an ad hoc body, that should in its report include recommendations for procedural arrangements between the GATT and relevant international standards organizations.