

MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND

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Negotiating Group on Agriculture

NEGOTIATING GROUP ON AGRICULTURE

The following statement has been received from the Cairns Group with the request that it be circulated to all members of the Negotiating Group on Agriculture.

MINISTERIAL MEETING OF THE CAIRNS GROUP

Ministerial Statement

Saturday 12 November 1988

Budapest

Ministers and representatives of members of the Cairns Group (Argentina, Australia, Brazil, Canada, Chile, Colombia, Hungary, Indonesia, Malaysia, Philippines, New Zealand, Thailand and Uruguay) met in Budapest 10-12 November 1988. Ministers were honoured by the presence of His Excellency Károly Grósz, Prime Minister of Hungary, who delivered the opening address.

Representatives from the European Economic Community, Japan and the United States attended as observers the opening session of the meeting.

Ministers reviewed the progress made by the Cairns Group in developing and seeking support for its negotiating position in line with undertakings given when they met in Bariloche last February. Ministers noted with satisfaction that all the major elements of the Group's work programme and strategy had been met.

Ministers at Bariloche identified the Mid-Term Review of the Uruguay Round to be held in Montreal in December as a unique opportunity to achieve substantive interim results on agriculture. In support of its Mid-Term Review objectives, the Cairns Group tabled in Geneva in July the most comprehensive set of proposals of any participant in the negotiations.

These proposals call for participants at the Mid-Term Review to register a firm commitment to negotiate a long-term framework for world

agricultural trade involving a programme of progressive reductions in trade-distorting agricultural support and protection and resulting in a reformed and strengthened GATT regime for agriculture. In addition, the proposals seek agreement at Montreal to a package of early action measures for immediate implementation, including a freeze on, and reduction in, trade-distorting agricultural support in 1989 and 1990.

Ministers also expressed satisfaction that the Cairns Group proposals for the Mid-Term Review had begun the elaboration of the Group's ideas for the application of differential and more favourable treatment for developing countries. They requested officials to further develop the Group's ideas on this aspect as the negotiating process evolves.

Ministers commended work carried out in recent months aimed at further developing the Group's ideas on the construction and use in the negotiations of an aggregate measure of support, the application of the "freeze" concept in down-payment, and approaches to negotiations on sanitary and phytosanitary measures.

Ministers noted that support for the Cairns Group's Mid-Term Review objectives had been pursued through active and effective ministerial and official representations in appropriate bilateral and plurilateral fora. Informal consultations with a range of participants in the negotiations had also provided opportunities to explain and discuss the Group's proposals and to present the case for a substantive and early outcome on agriculture.

Ministers reviewed the various political and economic influences that had shaped the negotiating environment over the course of 1988. They noted that although the Toronto Economic Summit declaration had sought to give impetus to the negotiations in calling for the establishment at Montreal of a framework approach covering short-term and long-term elements, events and developments particularly in the United States and the European Community had not been conducive to generating the momentum that had characterized the initial stages of the negotiations. Ministers regretted the fact that standstill and rollback commitments entered into at Punta del Este had not been honoured by major trading partners.

Ministers also noted that recent improvements in a number of agricultural markets had proved a mixed blessing. While providing welcome relief to farmers, some governments had seen these developments as diminishing the urgency to seriously tackle agricultural trade problems. Ministers stressed that failure to undertake a concerted effort to alter the extent and structure of agricultural support arrangements would inevitably return world markets to the depressed conditions prevailing throughout the first half of this decade.

Ministers considered the impact of the Cairns Group's proposals on the agricultural negotiations against the background of the evolving positions of other participants. Many in the negotiations had recognized the positive and constructive character of the Group's proposals and indicated that aspects could serve as a possible basis for further negotiations. Ministers regretted however that other major participants had not been prepared to enter into substantive negotiations on that basis. There

appeared to be insufficient common ground particularly between the positions of the United States and the European Community to facilitate progress in addressing key outstanding issues. Furthermore, the lack of negotiating flexibility displayed by those two participants posed a serious threat to achieving a successful outcome not only from the Mid-Term Review but also from negotiations over the remainder of the Round.

Ministers noted that the United States was seeking agreement at Montreal to the complete removal of all trade-distorting agricultural support and had effectively made this a precondition for progress on other aspects of the negotiations, including short-term actions. Ministers reconfirmed the Cairns Group's support for the long-term goal of full and comprehensive agricultural trade liberalization. They regretted that some participants had not shown a readiness to commit themselves to the attainment of this goal by the time of the Mid-Term Review and stressed that long-term reform of agriculture remains the key to a successful outcome of the Uruguay Round. Ministers were therefore convinced that political decision on long-term elements of the type contained in the Cairns Group proposal for a framework approach must be taken at the time of the Mid-Term Review to ensure that the two years that remain for negotiations are used productively.

Ministers expressed their concern that the latest elaboration of US views contained nothing meaningful on a freeze and first steps towards long-term reform. It was not sufficient to indicate a readiness to discuss the terms and conditions after the Montreal meeting was over. This US approach represented a serious threshold obstacle to the Mid-Term Review negotiating process. It was important that the United States provide a clear, unqualified undertaking to seek agreement at Montreal to a package of early-action measures to initiate multilateral agricultural reforms with the simultaneous acceptance by other trading partners of the need and objectives of long-term reform. An elaborated US response to the ideas proposed by the Cairns Group on down-payment was urgently required.

Ministers welcomed the emphasis placed by the United States on the need for agricultural reform to be based firmly on policy-specific adjustments, an approach central to Cairns Group thinking. In this respect, they noted the ideas recently advanced by the United States for a "tariffication" approach to reductions in border protection combined with a programme to address all direct and indirect subsidies. It was envisaged that these ideas would be studied closely in 1989 along with other proposals which warranted further consideration.

Ministers expressed serious disappointment at the lack of definition of the European Community's long-term position. Community proposals tabled thus far were found to be inadequate, failing to provide any clear indication on the direction and pace of longer-term agricultural reform. In addition, the reform mechanism proposed by the Community, with respect to both the long and short term, offered no guarantee of concerted action to directly address those policies that lie at the heart of agricultural trade problems. This deficiency was particularly apparent in the Community's proposals for the short term which lacked any commitment to improve access opportunities and wind back the use of subsidies. Even the

Community's notion of a freeze would provide no certainty that use of protectionist and support policies would be restricted to current levels. Accordingly Ministers called upon the European Community urgently to clarify and elaborate its proposal in order that serious negotiations can be engaged to remove distortions in agricultural trade.

Ministers welcomed recent moves by Japan to begin the liberalization of parts of its agricultural regime and the more active role it was seeking to take in the negotiations. However Japan's call for certain basic foodstuffs to be exempted from the full force of multilateral reform was considered inconsistent with the comprehensive reform objectives of the agricultural negotiations.

Ministers noted, however, that many developing countries were concerned to ensure that future agricultural and trade reform mechanisms did not prejudice their domestic food requirements in the framework of overall economic development.

Ministers reaffirmed their support for the Mid-Term Review objectives and principles set out in the Cairns Group's proposals tabled in July this year. They noted the importance at the Mid-Term Review to provide a framework which would give impetus and guidance to negotiations over the remainder of the Round. The early-action measures proposed by the Cairns Group were realistic in scope and well within the grasp of participants.

Agreement at Montreal to take immediate and initial reform steps, in the form of a freeze followed by cutbacks in trade-distorting support and protection, including increases in access opportunities and reductions in subsidies, consistent with long-term goals would help consolidate and extend recent improvements in world markets. It would also provide a much needed expression of political commitment to agricultural negotiations aimed at a long-term framework involving progressive reductions in trade-distorting support and protection and the application of appropriately strengthened GATT rules and disciplines.

Cairns Group Ministers urged other participants to enter into immediate and substantive negotiations to ensure a successful outcome on agriculture in Montreal and thereby provide a sound basis for negotiations over the remainder of the Round. They cautioned, however, that continued resistance on the part particularly of the United States and the European Community to demonstrate the requisite degree of negotiating flexibility could seriously jeopardize the Mid-Term Review.

Failure to reach positive results on agriculture in Montreal would mean failure of the Mid-Term Review. This would seriously jeopardize overall prospects for the Uruguay Round and represent a serious set-back in efforts to strengthen the international trading system.

Ministers welcomed the kind offer of the Government of New Zealand to host the next Ministerial Meeting of the Cairns Group at the time to be determined.

Finally, Ministers congratulated the Government of Hungary on its initiative in convening this meeting and expressed their gratitude for its hospitality.