

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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CAIRNS GROUP MINISTERIAL STATEMENT OF
SUNDAY, 19 MARCH 1989

Ministers and representatives of members of the Cairns Group (Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, the Philippines, New Zealand, Thailand and Uruguay) met in Waitangi 17-19 March 1989.

Representatives from the Commission of the European Communities, Sweden and the United States attended as observers at the opening session of the meeting.

The purpose of the meeting was to assess developments in the negotiations on agriculture since the Group last met at Ministerial level in Budapest in November 1988 and the mid-term review meeting in Montreal in December, and to determine the Group's position for negotiations leading to the meeting of the Trade Negotiations Committee to be held in Geneva in early April. That meeting will review the entire package of Uruguay Round topics, including agriculture and the three other issues which could not be resolved at Montreal.

Ministers reiterated their deep disappointment at the failure of the Montreal meeting to contribute to a satisfactory agreement on agriculture. They regretted also the serious loss of momentum of the Uruguay Round negotiations in the first quarter of this year. This had resulted from a lack of flexibility on the part of the United States and the European Community and their failure to demonstrate the political commitment needed to bridge fundamental differences over objectives for long-term reform of agricultural trade.

Ministers regretted that the impasse between the United States and the European Community at Montreal had prevented detailed consideration of the Group's own proposals. In particular no serious consideration had been given at Montreal to proposals for short term action in the form of a freeze and cutback in trade distorting support and protection to the end of the Round.

Against this background, Ministers considered it vital that negotiations over the coming weeks succeed in establishing the framework for long-term reform resulting in substantial, progressive and sustained reductions in agricultural support and protection. This framework, to be

elaborated during the subsequent process of the negotiations, should be based on the objective of full liberalization of agriculture and its complete integration into the general rules and disciplines of the GATT. It should encompass, as outlined in proposals by the Cairns Group, the elaboration of new GATT rules and disciplines, including the elimination of country specific exceptions and the determination of the measures and actions to be taken for implementing the reform process.

Ministers considered that adoption of target dates for developing new GATT rules, for examining the rôle in the negotiations of aggregate measures of support, and for indicating how national policies would be modified to conform with new rules, would help focus negotiations on the reform process.

Ministers reaffirmed the importance of securing agreement to both a freeze and cutback in support and protection. Such short term commitments were necessary to demonstrate the willingness of the major industrialized countries to arrest and reverse a major cause of tension in world trade. A freeze capturing the status quo in agricultural support would prevent backsliding and would be a necessary pre-condition for embarking on long-term agricultural reform. Cutback would be the start of this process.

Ministers agreed that, to be effective, the freeze and cutback would need to be specifically applied to administered support prices, export subsidy expenditures, both overall and commodity specific, and production control arrangements. In this context Ministers also agreed that market access levels be maintained and improved.

In this regard Ministers reaffirmed their view that the basic ingredients for progress on both the short and long-term elements remained as outlined in the Group's own comprehensive negotiating proposal.

Ministers noted that there had been some changes in the negotiating environment since Montreal. In particular, the United States and European Community had recently commenced a dialogue aimed at narrowing differences.

Ministers welcomed indications of flexibility on the part of the United States. They considered, however, that more evidence was required of United States' preparedness to negotiate fundamental adjustments to its farm policy in both the short and long-term, including commitments on export subsidization, market access and supply controls. Moreover they were disturbed to note recent reports suggesting that the United States was prepared to intensify competitive export subsidization aimed at exercising leverage in the negotiations.

Ministers expressed regret however, that this changed atmosphere had yet to result in substantive progress in the consultations convened by Mr. Arthur Dunkel.

Ministers expressed their particular concern at the stance of the European Community. The Community has given no clear indication of its commitment to comprehensive long-term agricultural reform. The Community continues to advocate use of an overall measure of support as the basic tool for reform in both the long-term and short-term and has been reluctant to consider commitments bearing directly on fundamental elements of the Common Agricultural Policy, such as administered support prices, export subsidies, and market access barriers.

The Community has been insisting on credit for reforms of the Common Agricultural Policy undertaken since 1984. While recognizing that some steps had been taken by the Community, Ministers noted that measures had been adopted unilaterally by a number of countries, among them many developing countries, which have also had a positive effect on agricultural trade. They considered however, that any incorporation of credit into the long-term reform programme should be based on the demonstrated positive impact of measures instituted since the beginning of the Uruguay Round, balanced against actions that have had a negative effect. Ministers believe that, in any case, the question of credit should not be addressed in relation to short-term commitments.

Ministers noted that the Community has been seeking to rebalance protection and support amongst agricultural sectors in a manner which would allow some commodities to receive increased protection. They firmly rejected this approach which was contrary to the trade liberalization objectives of the Uruguay Round.

Ministers urged the European Community to modify its negotiating position in a way which would contribute constructively towards a negotiating framework that would provide for the establishment of an open, fair and market-oriented agricultural trading system and to bring agriculture fully within strengthened GATT rules and disciplines. This framework would be effected through negotiation of a reform process driven by progressive and sustained action to reduce agricultural support and protection across the full range of trade distorting policies.

The Cairns Group would continue to analyse carefully the implications for the treatment of access barriers of the "tariffication" concept introduced into the negotiations last year. Ministers consider it to be a constructive contribution to the debate on reform mechanisms and one that should be analysed in depth in post-April negotiations.

Ministers urged Japan to play a more active rôle in the process of agricultural reform. Japan's proposal to insulate certain "basic foodstuffs" from the full force of the liberalization process was also examined. Ministers considered that product-specific exemptions were inconsistent with the comprehensive nature of the reform effort and would threaten to perpetuate existing distortions in agricultural trade. In this context Ministers stressed that food security cannot serve as a disguised form of protectionism.

At the same time, Ministers noted 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 commitment to the principle of differential and more favourable treatment for developing countries. They expressed the need for participants in the consultations to reach consensus on the Group's approach to this issue, noting at the same time that a considerable number of countries have already expressed their support for it. They referred, in particular, to the part of the proposal that developing countries be exempted from contributing to short term undertakings.

Ministers indicated that in negotiating the long-term framework the modalities of application of differential and more favourable treatment for developing countries should be specified.

Ministers noted the concerns expressed by some food importing developing countries over the possible adverse impact on their economies of agricultural trade reform. Ministers acknowledged the importance of continued dialogue with those countries with a view to identifying the problems associated with the process of reform and to what extent they could be addressed within the GATT framework and in cooperation with other institutions. At the same time Ministers confirmed their view that all participants would benefit from liberalization of trade in agriculture and other areas of interest to developing countries covered by the Uruguay Round.

Ministers noted that there appeared to be emerging consensus among participants on the broad objectives for the negotiations on sanitary and phytosanitary measures, including greater transparency and harmonization of regulations, the basing of measures on sound scientific evidence and the need to recognize the principle of equivalence, technical assistance for developing countries and the establishment of consultative and dispute settlement mechanisms.

As a result of their discussions, Cairns Group Ministers stressed that the consultative process in Geneva would not be successfully concluded if the views of the Cairns Group were not taken fully into account.

Ministers expressed their commitment to securing a positive result on agriculture at the TNC meeting in April. This would be essential to restore momentum to the Uruguay Round. On the other hand, Ministers cautioned that a lack of political will to secure a satisfactory agriculture agreement would mean failure in the TNC meeting in April. this would seriously jeopardize overall prospects for the Uruguay Round and represent a serious setback to efforts to strengthen the multilateral trading system.

Ministers welcomed the kind offer of the Government of Thailand to host the next Ministerial meeting of the Cairns Group at a time to be determined.

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