

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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Group of Negotiations on Goods (GATT)
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NEGOTIATING GROUP ON AGRICULTURE

(25-26 September 1989)

Statement by Japan

I. Introduction

1. At the April meeting of the Trade Negotiations Committee, it was agreed that the long-term objective of the agricultural negotiations is to establish a fair and market-oriented agricultural trading system, and that a reform process should be initiated through the negotiation of commitments on support and protection and through the establishment of new GATT rules and disciplines. At the meeting, participants were invited to advance detailed proposals by December 1989. Proposals and statements were already advanced by some participants on such issues as tariffication, non-trade concerns, and the Aggregate Measurement of Support (AMS). We are following such recent development with keen interest. On our part, we are now engaged in an intensive effort to draft our proposal with a view to its submission. My statement today is thus aimed at presenting our current line of thinking on some principal issues. As for those issues not covered in my statement, we will state our views in the course of future deliberations.

2. It is our view that there are two important points in conducting the negotiations in line with the long-term objective agreed to at the April TNC meeting:

first, the negotiation aimed at establishing new GATT rules and disciplines should cover all measures affecting trade in agriculture; and

second, the negotiation on the commitments regarding support and protection should be pursued together with the negotiation on GATT rules and disciplines.

As agreed in the April TNC, the objective of the negotiations is "substantial progressive reductions in agricultural support and protection". In this process, it is necessary to recognize and take into account the difficulty in eliminating support and protection in agriculture particularly for importing countries. This is because special nature of agriculture conditioned by such factors as land and climatic constraints, and the rôle played by agriculture such as food security, have significant meaning for these countries.

It is also our view that credit should be accorded to measures implemented by participants after the PDE Declaration in reducing their agricultural support and protection.

3. As is agreed to at the April TNC meeting, participants recognize that factors other than trade policy are taken into account in the conduct of their agricultural policies. In countries where reliance on importation of food is high, the need for non-trade concerns, inter alia, food security is also strong. We consider the inclusion of non-trade concerns such as food security in the agreement significant as it reflects the interests of importing countries. We are of the view that such concerns should be taken into consideration in the negotiations on both rule making and commitments regarding support and protection.

Among the non-trade concerns, our position on food security will be explained in this statement. It is our earnest hope that the concept of non-trade concerns would be further clarified through the efforts of participants to express their views on this matter in the future negotiations.

4. Appropriate considerations should be given to the special and differential treatment of the developing countries as an indispensable element of the negotiations in achieving the long-term objective.

II. Non-trade concerns

1. Non-trade concerns on agriculture consist of social and other concerns such as food security, preservation of land and environment, overall employment, and maintenance of local communities, which are not purely economic. Some participants have already expressed similar views. These non-trade concerns, however, could vary for respective countries, reflecting their political, economic, social, cultural and other conditions. We believe, however, that in order to maintain coherence with the general thrust of the agricultural negotiations, this concept of non-trade concerns should not be left unqualified.

2. Global supply and demand situation of agricultural products depends on such precarious factors as changing global environment as exemplified by population increase, increased demand for feed grains as the result of the increase in consumption of livestock products, soil erosion, abnormal climate, and decertification. It is also susceptible to unstable political and economic situation. Therefore, Japan, as the world's largest net importer of agricultural products, and as a country whose food self-sufficiency rate went below 50 per cent as a result of its continued decline over the years, holds the view that we cannot be optimistic about future world supply and demand situation of agricultural products.

As a result, we have serious concern, from the viewpoint of food security, with regard to securing stable supply of basic foodstuffs which are indispensable to people's livelihood.

In advancing the following argument, we would like to have full understanding of participants regarding the fact that the already low-levelled food self-sufficiency rate of Japan has recently become even lower to go below 50 per cent level as a result of a series of market-opening measures. We would also like to point out particularly to the exporting countries that Japan, as a stable importer, has functioned as a predictable market, and that this fact should be duly appreciated as a salient contribution to the steady development of international trade in agriculture.

3. There are two approaches to take account of food security as a non-trade concern in the process of realizing "substantial progressive reductions of agricultural support and protection":

first approach is to maintain certain level of agricultural production as a whole without specifying product category; and

second approach is to maintain the level of production for respective specified categories.

Here, we would like to advance the latter approach.

4. In general, there are four ways to ensure food security:

- (1) to maintain domestic production;
- (2) to maintain potential production capability without actual production;
- (3) to maintain food stockpile; and
- (4) to secure stable import.

5. (1) Basically, these measures are all effective means to attain stable supply of food, and many countries including Japan have responded to the food security needs through an appropriate combination of these measures.

As for food stockpiling, however, it could be a means to cope with short-term fluctuations in the supply and demand situation of food. It could also be a temporary and emergency relief before overall measures are worked out to cope with mid to long-term food shortage. But, because agricultural products can only be preserved for a limited period, this can hardly be a measure to secure stable supply of food in the mid to long term.

(2) As for a product on which one country can hardly achieve self-sufficiency and for whose stable supply that country has to rely on the imports, bilateral agreements or diversification of suppliers would be extremely important measures for that country to secure stable imports. In

the country which relies most of its food supply on the imports, however, there exists a wide and deep-rooted national sentiment that it is not conceivable to rely on importation as a means to secure stable supply of the basic foodstuffs for which it can be self-sufficient. Such sentiment is especially strong under the circumstances where concerns still exist over the international supply and demand situation of such commodities as cereals in the mid to long term. People's desire for self-sufficiency should be duly respected as a policy choice.

(3) There could be an argument that in order to prepare for an unexpected situation, it would be enough to maintain potential production capability without engaging in actual production. However, it is difficult to take this option as a means to ensure stable supply of the basic foodstuffs. Because actual production only can maintain the sound conditions for production such as production skills, labour force, land for cultivation, water resources, and production facilities. Without actual production, it would become difficult to maintain production capability to achieve steady supply of the basic foodstuffs at the time of an unforeseeable situation. Once the production capability starts to decline, its restoration and increase within a short period of time would be highly difficult.

(4) Some exporting participants have made reference to their commitments to stable supply of food. It is encouraging to see exporting countries actually take measures along this line. However, there could be a situation in exporting countries in which food shortages become so critical as to affect the supply to their own people.

In such an instance, I wonder if such commitments made by exporting countries could be adhered to.

6. For the reasons I have just mentioned, reliance on stockpiling, stable importation, or maintenance of potential production capability without engaging in actual production would hardly be a policy choice of fundamental measures in the mid to long term to secure food security of the basic foodstuffs. Therefore, it is necessary to maintain the required domestic production level of such foodstuffs. In countries whose food dependency on foreign supply is high, national consensus seeking to attach the highest priority to the maintenance of such domestic production level, from the viewpoint of food security, should be fully respected. Needless to add, it is essential to work towards the improvement of productivity of basic foodstuffs.

7. In the pursuit of agricultural policy, it is recognized that factors other than food security such as preservation of land and environment, overall employment, and maintenance of local communities also play an important rôle. We would like to examine ways to reflect these concerns in the negotiations.

III. Negotiation on GATT rules and disciplines

We are of the view that, based on the foregoing, measures necessary from the viewpoint of non-trade concerns should be placed properly in new GATT rules and disciplines. Such matters as definition of products to be covered and conditions for employing relevant provisions should also be provided for in GATT rules. We would like to elaborate these ideas at a later stage.

As for matters other than the treatment of non-trade concerns in future GATT rules, we consider that the current GATT rules require improvement on the following points.

1. Measures on import

(1) Quantitative import restrictions which are permitted as exceptions to the GATT rules by such measures as waiver should be brought under new GATT rules on import restrictions, because actual impacts of those exceptions on trade are quite similar to those quantitative restrictions which do not have such legal basis under the GATT.

With regard to variable levy and minimum import price system, rules and disciplines should be articulated in GATT, taking into account the possible restrictive effects on trade of those measures.

(2) In establishing new GATT rules and disciplines on import access, the principle of general elimination of quantitative restrictions (GATT Article XI:1) needs to be maintained.

(3) Agriculture and fishery, due to their intrinsic character, cannot avoid the fluctuation and unpredictability of production and harvest. Therefore, GATT Article XI:2(c)(i) anticipates circumstances under which one country has to introduce measures to restrict imports while being forced to conduct production control to cope with surplus situation. Accordingly, this Article should be maintained. However, we believe it necessary to improve that Article so that it functions more effectively. We believe that the Article should be more clearly defined for improvement, taking into account the actual trading and transaction practices of agricultural products, and diversity of measures of each government.

2. Measures on export restriction

As for Article XI:2(a) which permits export ban or restriction at the time of critical shortage of food in the exporting countries, we are of the view that it is necessary to review it, including the need for clearer definition of the term "critical shortage".

3. Export subsidy

In establishing a fair and market-oriented agricultural trading system which is the object of the current round of negotiations, it is necessary first of all to correct the subsidized export competition which constitutes the major source of distortion of international trade in agriculture. Accordingly, such export subsidy should be progressively reduced, so that it leads to abolition. In this light, GATT Article XVI:B and the Agreement on Subsidies and Countervailing Measures should be amended for that purpose.

4. Government subsidy other than export subsidy

Among those government subsidies other than export subsidies, there are those which, depending on how they are managed, could have adverse effects upon agricultural trade. With a view to reducing such adverse effects, these subsidies should be placed under the appropriate GATT disciplines such as the Agreement on Subsidies and Countervailing Measures. Subsidies to be subsumed under this category shall be defined clearly through negotiations, but those subsidies aimed at improving infrastructure of agriculture, improving agricultural structure, promoting production control of agricultural surplus product and expanding its consumption, stockpiling, promoting social welfare as one of the objectives, research and development, disaster relief, dissemination programme, and subsidies related to preservation of land and environment are to be excluded from this category.

IV. Aggregate measurement of support

With regard to AMS, there are still points to be further examined. Japan, therefore, reserves the right to submit its views after examining further deliberations on AMS in the Agriculture Negotiating Group.

1. Use of AMS

(1) Government policy measures providing support and protection to domestic farmers take various forms. In order to negotiate commitments on support and protection with regard to these varied measures, it would be necessary first to measure the levels of agricultural support and protection of respective countries with common criterion. In this very sense, the meaningfulness of using AMS in some way or other can be generally recognized. It should be stressed, however, that in view of the diversified rôles of agriculture, it would be difficult to eliminate agricultural support and protection.

(2) We recognize the existence of large differences in views among participating countries concerning the method of using AMS. Since AMS comprehensively covers domestic and border measures that largely affect international trade, we consider it desirable to take an approach to make commitments on AMS itself in the negotiations. In other words, commitments on the specific policies and measures should not be sought in the

negotiation of commitments on support and protection, in addition to the commitments on AMS itself.

2. Scope of measures covered under AMS

Subsidies to be covered under the AMS shall be defined clearly through negotiations, but those subsidies aimed at improving infrastructure of agriculture, improving agriculture structure, promoting production control of the agricultural surplus product and expanding its consumption, stockpiling, promoting social welfare as one of the objectives, research and development, disaster relief, dissemination programme, and subsidies related to preservation of land and environment are to be excluded from AMS.

3. Product coverage

Major agricultural products having a certain volume of international trade should be covered. In view of the substitutable nature of products, it would be more appropriate to adopt product-sector approach rather than product-by-product approach.

4. Country coverage

As the AMS is to be used as a measuring tool in the negotiation, all participating countries should be covered. From this point of view, the secretariat should continue its efforts to develop AMS in countries whose PSE has not been calculated.

5. Elements to be considered in the calculation of AMS and in the negotiations using the AMS

(1) Amount of import

Appropriate consideration should be given to the proportion of import to a total consumption of a product in an importing country. For example, when a share of an imported product as a portion of total consumption is considerably high, influence to international trade of support and protection to the product must be small. Therefore, the product should either be excluded from the negotiation, or some kind of formula should be developed to take account of the proportion of the imported product to the total consumption of the product in the negotiation on support and protection. We would like to further study on this point.

(2) Element to be excluded

External reference price - in determining external reference price, influence on the AMS of elements beyond government control should be excluded. Those elements are: fluctuation of foreign exchange, external price fluctuations reflecting production excess or shortage. Fixing the external reference price may be one of the effective methods to overcome the problem.

Amount of domestic production - under the influence of likewise uncontrollable elements of government such as climatic change, the amount of domestic production fluctuates. Accordingly, consideration should be given to the way of determining domestic production such as taking the average of domestic production over certain years.

(3) With regard to a view that effects of the production control measure should be duly appreciated, further examination, including an examination of a specific method of evaluation, should be made.

(4) Negotiation on support and protection is generally considered to have close bearing with the negotiation on GATT rules and disciplines. Certain consideration should be given to non-trade concerns in the negotiation on support and protection which uses the AMS, according to how the said concerns will be reflected in newly established GATT rules and disciplines.