

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG5/W/113  
23 October 1989

Special Distribution

---

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

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

(25-26 September 1989)

Note by the Secretariat

1. The following summary, which has been prepared by the secretariat in accordance with paragraph 7 of MTN.GNG/NG5/15, should be read in conjunction with documents NG5/W/104 and NG5/W/106-112, which contain statements and discussion papers by Japan, by the European Community concerning improving the GATT rules and disciplines, by Austria concerning the Aggregate Measurement of Support, by Brazil and by Colombia concerning special and differential treatment, by Indonesia on behalf of ASEAN countries, by Korea concerning rules and disciplines and a communication from the Cairns Group concerning sanitary and phytosanitary issues. Also available was a submission by Canada, made in several negotiating groups, concerning market access (MTN.GNG/NG5/W/105).

2. A representative of Japan presented a statement (NG5/W/104) outlining Japan's current thinking on some principal issues, such as non-trade concerns (e.g. food security, preservation of land and environment, overall employment, and maintenance of local communities), negotiation on GATT rules and disciplines (import and export measures, subsidies), and the Aggregate Measurement of Support (use, scope, coverage, etc.). In answering some questions concerning his statement, the representative of Japan considered that domestic subsidies which might have trade-distortive effects should be placed under the appropriate GATT disciplines for the purpose of reducing such effects; such subsidies should therefore be included in the AMS calculations. Also, the scope of the measures covered should be defined through negotiations. As concerned product coverage, his country advocated a product sector approach which would provide greater flexibility for selecting policy measures. In a product sector approach the similarity, substitutability and reversibility between agricultural products would be taken into account. Furthermore, he was of the view that the proportion of imports to domestic consumption should be taken into account because the commitments should focus on reducing the trade-distorting effects of support and protection. These effects were very small when the share of a domestic product in total consumption was very small.

3. A technical discussion paper concerning the Aggregate Measurement of Support (NG5/W/107) was introduced by a representative of Austria, saying that the purpose of the paper was to deepen the examination of the subject. The AMS, he said should include market price support, product specific payments, input costs, and measures impeding production (for instance, restrictions or payments necessary for the pursuance of non-trade related goals). On the other hand, the AMS should not include measures that covered general services provided by governments or regional administrations. Nor would it include measures for the improvement of the infrastructure in whole regions, or services concerning market information, product inspection, etc. The market price support (which accounted for 80-90 per cent of the AMS) would be calculated as the difference between the adjusted domestic price and the world market price, the latter being a reference price established by an independent source. This price should be a fixed price over a period of years and be a multiannual average, calculated in national currencies. As concerned credits for measures introduced since the beginning of the Uruguay Round, these should be given for successful supply control measures (e.g. production quotas), as agreed at the April TNC. The credit would be equal to the reduction in the AMS since 1986. Non-trade concerns should also not be included in the AMS calculations. These non-trade concerns fell into three categories, namely: (1) decoupled payments; (2) regional payments going beyond agriculture; and (3) payment for services rendered by the agricultural sector to the society as a whole, i.e. by maintaining the land cultivated and open. Decoupled payments were those that were decoupled from a specific commodity, although he recognized that no measure could be said to be perfectly production neutral.

4. The AMS, he suggested, would be one of total aggregate value which would allow greater policy flexibility while respecting commitments taken in the course of the Round. He also suggested that the AMS could be given both an operational role and a monitoring one and raised the question whether the AMS should not be reflected in the new rules that the Group would be developing. As concerned product coverage, those products which had a major relevance in world agricultural trade should initially be included with the possibility of expanding the product coverage subsequently. The country coverage should be comprehensive, i.e., all contracting parties should be included.

5. A number of participants welcomed the contributions by Japan and Austria. It was said that these were important in the search for solutions which would take into account all decisions taken at the April TNC. Several participants supported the inclusion of non-trade elements as an integral part of any approach. One participant thought it very important that ways and means of taking into consideration non-economic factors in a system of rules and disciplines be found as the Japanese paper had suggested. In this respect the importance of food security was stressed by a number of participants; on the other hand, it was also said that food security did not and should not mean self-sufficiency since there were other ways of securing an adequate level of food security. The importance of the non-commercial elements in the negotiations, such as employment, food aid and special and differential treatment was also mentioned. Some

participants expressed agreement with the Japanese suggestion to express market access on a product basis while others favoured a global definition which would in their view be closer to the April decisions and more market oriented. Concerns were expressed regarding the suggestion that countries would be able to choose policy measures to meet AMS based targets, in order to ensure flexibility. It was also pointed out that the AMS should cover all agricultural products, and not only those of major importance in world trade, so as to take into account the export interests of net food-importing developing countries.

6. Clarifying some of the ideas and notions contained in its paper tabled in July (NG5/W/96) the representative of the European Community said that the final decision on which measures to include in the AMS should be taken when the other questions under discussion had been resolved. At this stage it should be sufficient for practical reasons to discuss the inclusion in the AMS of the measures which have the greatest influence on the position of the producer. In this regard he favoured, for the time being, the exclusion from the AMS of decoupled measures while concentrating on those which were giving direct support to the farmer. As concerned the suggested external reference price he said that this could be reexamined, after the first consolidation period, according to the movements on the world market. The fixed period would start as soon as the commitments taken entered into force, taking into account, however, the credit to be recuperated.

7. Discussion on strengthened and more operationally effective GATT rules and disciplines continued on the basis of the previous statements by Switzerland (NG5/W/99) and the Nordic countries (NG5/W/100). Concerning the Swiss declaration a number of participants queried what they saw as its emphasis on maintaining a special status for agriculture at the expense of other elements in the Mid-Term Review agreement, in particular the objective of a progressive and substantial reduction in support. Non-trade concerns were to be taken into account, but these were not an over-riding concern. Likewise while food security was a legitimate concern, self-sufficiency was not a sensible way to pursue it. Less trade-distorting ways to achieve the same objectives included the management of time-frames for adjustment, diversification of import sources, stockpiling, and, most importantly, through the benefits of a market-oriented world trading system. Border measures, on the other hand, shifted the cost of domestic support programme to other countries. Concerning market access, it was noted that minimum access expressed in product terms would freeze the existing composition of production.

8. The suggestion concerning sale of surplus stocks to finance development assistance was questioned by a number of participants. One asked whether expanded trade was not better than aid. Others noted the value of development assistance but stated that the Swiss idea would still have depressing effects on prices and markets.

9. A participant stated his agreement with Switzerland (and with Austria) concerning the need to maintain a minimum level of agriculture. Another participant expressed particular appreciation of the emphasis given to

non-trade factors and objectives in the Swiss paper. Another group of countries said there was much in the Swiss ideas that they could share, for example the central importance of the trade effects of policies. On the other hand, their own approach concerning minimum levels of agriculture was different from the Swiss, and this question needed to be assessed in greater depth. It was clear that the paper illustrated points which had to be addressed in order to bring some countries on board in a comprehensive result. Other participants welcomed the coverage given to developing countries, especially the net food importers among them. The question of how these aspects of the Swiss ideas might be put into practice was raised. It was also queried whether the revised GATT rules could apply to all, regardless of their level of development, given the agreement that special and differential treatment for developing countries was integral to the negotiations.

10. Clarifying some of the points raised, the representative of Switzerland noted that his country was not trying to avoid reform, but the starting-point was the right of all contracting parties to maintain a minimum level of agriculture - which was not the same as self-sufficiency - to meet their non-economic policy concerns. These concerns did qualify agriculture for special treatment in comparison to other sectors. He agreed that there was a need to move the implementation of agricultural policy away from price support and border measures in the direction of direct income payments. He said that Switzerland was not suggesting replacing trade with aid where developing countries were concerned. The aim was to make the best use of involuntary surpluses in the least trade-distorting way. This should provide developing countries, including net importers, with the means of developing their agriculture. Further, he envisaged that higher permitted thresholds for food self-sufficiency would be permitted for these countries compared, for example, to Switzerland.

11. Introducing the Community's paper on "Improving the GATT Rules and Disciplines" (NG5/W/106) the representative of the European Community noted that this submission did not detract from the basic EC approach, which involved use of the SMU even for border measures. Discussion of new rules must be based on acceptance of continued support, albeit at reduced levels. The elimination of special rules for primary products could not be envisaged although these should be rationalized and improved. More specifically, the SMU should be incorporated in GATT rules - either in the General Agreement itself or through a "Code". Concerning market access, he noted that the Community was not a defender of Article XI and did not want to extend its scope. However, certain elements in it, e.g. production controls and minimum access, should be maintained. Thus, the EC thought it was worth considering a global approach to access using Article XI principles adjusted as necessary. Areas such as state trading and voluntary restraint agreements should be brought under GATT disciplines. The EC would not eliminate variable levies or end the dual-price system, but it was prepared to discuss the calculation of entry prices. The EC representative stated that a ban on export subsidies was not realistic given existing systems of support, but that the GATT disciplines could nonetheless be reformed.

12. Several participants stated their differences with the EC paper, which reinforced the impression that in focusing on the SMU the Community was relegating trade-distorting border measures to a relatively minor role. In preserving the two-price system, the paper essentially sought to re-interpret the status quo. One participant took issue with the Community approach's reliance on so-called specific characteristics of agriculture in what was supposed to be a global negotiation. Another, however, expressed sympathy with the concept of agricultural specificity as a starting-point. On market access, it was noted that the EC's offer to negotiate on the margin of Community preference would preserve the variable levy system intact, and with it the EC's ability to insulate its agricultural sector from the world. The suggested treatment of production control under Article XI would weaken the existing criteria and remove the proportionality obligation. These ideas did not fulfil the agreed aim of a substantial and progressive reduction in protection. One participant, however, stated that the EC paper contained a number of concepts which should find a place in the improved GATT rules on access.

13. The section dealing with export subsidies was described by some participants as the weakest part of the paper. The EC's ideas would not provide for the substantial and progressive reduction agreed in April, it was claimed; nor did these recognize that the very existence of export subsidies had a depressing effect on prices and the export trade of other countries. The Community's suggested improvements amounted to market sharing.

14. Responding to various questions and requests for clarification the representative of the EC stated that the Community had never indicated it would eliminate the dual-price system; it favoured using the SMU as the major tool to reduce support and protection, but reforms must be based on rules. Article XI could perhaps be kept in its present form, if it was applied universally. The alternative was to make it more flexible, e.g. by finding better ways to incorporate production control. The EC could not be expected to abandon the use of variable levies, an integral part of their system, but they proposed the negotiation of a methodology for determining the import price. Concerning export subsidies, the Community's ideas would make Article XVI effective, instead of the dead letter it was now.

15. The Group discussed tariffication, on which the United States had presented a discussion paper in July (NG5/W/97). One participant stated that tariffication, was the optimal way to provide protection just as decoupling was the optimal way to provide support. Tariffication involved two steps; agreement on methodology and implementation. Agreement would have to be reached on which non-tariff measures were to be included and whether to consider "equivalent" or "replacement" tariffs. (The former were, in his view, not practicable, due to the difficulty of establishing the effects of non-tariff barriers). The basic need at this stage however, was to accept the principle and accelerate the work in this area. Another participant added that measures which participants did not wish to bring into conformity with GATT rules could be converted into tariffs. But tariffication alone was not sufficient - improved rules and reductions in support were needed too.

16. Participants raised a number of specific questions arising from the US paper and the discussion. One noted that there were a number of technical issues to be addressed which were similar to those surrounding the AMS - e.g., base period, reference price, product coverage. Was the conversion to be made by tariff line or by product group? What would be the level of processed product coverage? What would be the relationship between the new tariffs and existing bound ones? Would there be a ceiling or maximum tariff? Clarification was also sought regarding the GATT legal status of any tariffication agreement as well as on treatment of measures which were not currently GATT-consistent.

17. The representative of the United States agreed that tariffication alone was not a universal solution - it dealt only with non-tariff barriers. There would need to be a conversion for each tariff line where there was a non-tariff barrier, but exact precision was not necessary, since the aim was not to replicate NTB protection. A tariff ceiling might be one way to start the reduction exercise, but safeguards would need to apply for cases where the removal of an NTB, whose effect was equivalent to a tariff much higher than the ceiling caused a flood of imports. Article XXVIII rights in relation to existing bindings would not be infringed unless access was reduced; tariff rate quotas at existing bound levels could perhaps be used. Lastly, GATT inconsistent measures would, if tariffication were adopted, have to be incorporated in the process at some stage.

18. The representative of Brazil presented a statement on special and differential treatment for developing countries (NG5/W/108). Statements by Colombia and Indonesia, on behalf of ASEAN, on the same item were also circulated (NG5/W/110 and NG5/W/109, respectively). Numerous participants expressed their general support for the themes of the Brazilian paper. The point was made that other submissions to the Group, and its discussions, had paid insufficient attention to special and differential treatment. Several participants indicated areas which needed further development or where they would place a particular emphasis, such as the position of net food-importing developing countries. The importance of agricultural development programmes was underlined; support directed to such efforts could not be considered in the same way as developed-country subsidies. In this context, the intended scope of the term "trade-distorting" as used in the Brazilian paper was queried, as well as the policy coverage of longer time-frames. One participant stated a preference for reform of specific policies rather than through an AMS, but noted that both in any use of the AMS, and in general, product coverage was an important question for developing countries. The importance of improving market access for developing-country exports was also emphasized. The Brazilian paper's approach to sanitary and phytosanitary restrictions was also endorsed by a number of participants. In this area also account needed to be taken of developing country infrastructures. The point was also made that disease-free areas should be recognized. A participant added that trade liberalization would also benefit the developing countries; protectionism had turned countries which had been food exporters into net importers. One participant wondered whether the fixing of priorities envisaged in the Brazilian paper would be done by developing countries individually or as a

group. She asked what level of flexibility developing countries should have in the use of trade-restricting measures, and what measures constituted integral parts of development programmes.

19. The representative of Australia introduced the Cairns Group communication on sanitary and phytosanitary issues which was circulated as NG5/W/112. He noted that the paper was an initial overview which the group would further develop. In line with the work programme, the Cairns Group had sought to develop a broad framework comprising a series of principles and the institutional mechanisms through which these principles would be made operational. He outlined the thinking behind the principles, which the Cairns Group proposed that participants accept as the basis for an understanding on SPS, without prejudging how they would be legally implemented. The principles included elements on control regimes and decision-making, harmonized methodology, procedures and test methods. The proposed institutional mechanisms included the development of an informal consultation procedure and more effective dispute settlement procedures. He added that the Cairns Group's experience in preparing this paper had underlined the importance of close collaboration between participants and their technical experts as well as between the GATT secretariat and the relevant international scientific organizations.