

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

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

(25-26 October 1989)

Note by the Secretariat

1. The following summary, which has been prepared by the secretariat in accordance with paragraph 6 of MTN.GNG/NG5/16, should be read in conjunction with documents NG5/W/114, 118, 119 and 121 which contain negotiating proposals, discussion papers and/or statements by Switzerland, the United States, Peru and Morocco.
2. A representative of the United States introduced a proposal for comprehensive long-term agricultural reform (NG5/W/118). The proposal, he said, was aimed at the broad spectrum of policies that distort trade while recognizing the wide variety of internal and border policies employed across countries and commodities. The proposal contained four interrelated parts in which improved and strengthened GATT rules and disciplines were called for: import access, export competition, internal support and sanitary and phytosanitary measures. The key word in the proposal was reform i.e., a change for the better. As concerned import access, the objective would be to convert all non-tariff barriers to bound tariffs and then to reduce these progressively over ten years. The objective as concerned export competition would be to more effectively subject domestic production to market forces through the elimination of export subsidies and export prohibitions, the former to be phased out over five years. For internal support, it was proposed that more operationally effective GATT rules and disciplines would be developed, covering all trade-distorting subsidies and leading to the elimination of the most trade-distorting policies. As regards sanitary and phytosanitary measures, an international process for settling trade disputes would be established to promote harmonization. It should, moreover, be ensured that measures were based on sound scientific evidence and that the principle of equivalency was recognized.
3. A number of participants welcomed the United States proposal, supporting the broad thrust as well as many of the specific proposals of the paper which they considered were fully in line with the Punta del Este Declaration and the agreement reached at the April TNC. One participant believed that the United States proposal would achieve the negotiating objectives as well as help the negotiating process. It was said that the proposal, a broad blueprint, could provide much of the basis for the

negotiations, ensuring an acceptable outcome. It was essential, moreover, that all terms of access be bound. A number of participants agreed with the time-frame suggested but were prepared to be flexible on this point, since it was recognized that other participants might have problems with this suggestion. As concerned the nature of the domestic reform, it was noted that this was negotiable and flexible. The outcome of the negotiating process would decide precisely which policies would fall into each of the three proposed categories, i.e., policies to be phased out, policies to be disciplined and permitted policies. Interest was shown in the specific safety mechanisms built into the proposal, i.e., a "duty snap-back" and the concept of tariff quotas as a transitional device.

4. Several participants were concerned about the suggestions regarding special and differential treatment in the United States proposal. They indicated that these suggestions needed further elaboration and that more than just longer time-frames were needed for developing countries. Concern was also expressed regarding the suggested differentiation of developing countries according to their economic level. One participant said that many of the measures proposed by the United States were inappropriate for developing countries. He believed, moreover, that policies in developing countries were not trade distortive and should therefore be exempted. It was regretted that the negative effects of the reform process on net food-importing developing countries had not been addressed in the United States proposal.

5. One participant expressed concern that the United States proposal would return the discussion to the conceptual one held for two years prior to April 1989. He said that the proposal suggested a radical change of the agricultural system while his group of countries was only able to support a gradual reduction in support, not its total elimination. He recalled that such a radical change was not in line with what had been decided at the April TNC where it was agreed to leave some flexibility to contracting parties on how to achieve a substantial reduction in support. It was furthermore said that the proposal, although comprehensive, substantive and concrete, envisaged too drastic a reform of agriculture and was therefore not realizable. Some participants pointed out that non-trade concerns were not adequately covered in the proposal although it had been agreed in April to take such concerns into account. It was noted that the question of food security needed not only to be enhanced but rather to be secured. Food security considerations and other non-trade concerns would also make it difficult to include some products in a tariffication scheme. The United States proposal failed to recognize the important contribution of supply management programmes to reducing the trade-distorting effects of domestic policies.

6. As concerned the product coverage, some participants were heartened by the extended coverage proposed in the United States paper. Others, however, questioned the advisability of including products which were the subject of discussion in other negotiating groups.

7. The representative of the United States, responding to comments and requests for clarification on its proposal, said that the proposal was fundamentally directed towards trade liberalization in accordance with the objectives agreed at Punta del Este. He did not accept that the proposal was over-ambitious. Ambition was needed to get more than minimal results. However, he did not expect the United States proposal to be the only one on the table. He said that the new rules would apply to all participants; as concerned special and differential treatment, developing countries should accept increasing levels of obligation with growing development. The treatment of developing countries' internal subsidies and infrastructure development policies would need to be discussed. As concerned product coverage, he pointed out that the United States had from the start maintained that all agricultural products, including tropical ones, should be covered; the list in Annex I was consistent with this position. For income support, specific criteria needed to be identified. As concerned the panel referred to for sanitary and phytosanitary measures, it would only be convened at the request of a contracting party.

8. The representative of Switzerland introduced his country's submission (NG5/W/114) indicating that its premise was that different situations must be treated differently. Rules and disciplines would thus be applied to those countries which limited their agriculture to the minimum required to achieve their non-trade objectives. For this purpose, Article XI needed revision to impose operational disciplines and quantifiable minimum access commitments. This would be complemented with disciplines on internal support, including the conversion of part of their support to direct income support measures. Furthermore, disciplines on export subsidies would be increased. Excess production would be donated to an international body, which would sell the product at world market prices and channel the proceeds into agricultural development programmes for the developing countries.

9. A number of participants welcomed the Swiss focus on the non-trade objectives of many agricultural policies, and the right of countries to maintain an agricultural sector. They believed that the Swiss proposal would achieve the objective of liberalization, and stressed the importance of equivalency of effects rather than of methods. The diversity of agricultural policies was stressed, and the need for national flexibility to address particular concerns. Some participants also expressed their appreciation for the provisions regarding developing country food importers, but it was noted that although these countries permitted high import access levels, they often lacked the resources to actually make the desired imports.

10. Some other participants expressed the view that the Swiss proposal did not address the agreed objectives of the negotiations, in particular with regard to the reduction of agricultural protection and support, and the market orientation of agricultural policies. Some noted that although non-trade concerns were factors to be taken into account, particularly with regard to the transition period, they were not the underlying basis for the negotiations. Furthermore, it was noted that more efficient and less trade-distorting ways could be found to address these concerns.

Reservations were also voiced about the proposed disposal of surplus production and the consequent negative effects on exporters. The creation of different sets of GATT rules for commercially-oriented agricultural systems and those based primarily on non-trade concerns was of major concern.

11. In response to comments and questions on the proposal, the representative of Switzerland noted that although historically non-trade concerns had not been addressed in the GATT, if GATT disciplines were now to be applied not only to trade measures but also to domestic policies, non-trade concerns had to be addressed. He further noted that the Swiss proposal would indeed result in a liberalization of trade, as self-sufficiency ratios would be negotiated, and the minimum access commitment could only be achieved through reduced support and production levels. He also recalled that the agreed objective was not total liberalization, and that some countries would permanently need some level of import protection in order to maintain a minimum level of agricultural production. With regard to the proposed disposal of surplus production, the high cost of donating such surplus would force the reduction of surplus production, and its sale at world market prices would assure there was no displacement of competitive exporters. Switzerland recognized the special concerns of the developing countries, which could be addressed in determining their minimum access commitments, and in permitting them to subsidize and protect their agricultural sector.

12. The representative of Morocco read the statement presented by his country (NG5/W/121). Comments on the Moroccan statement were expected at a later date, after participants had the time to examine it.

13. Under the agenda item on Rules and Disciplines, a few participants made further comments on the EC position presented in NG5/W/106. One representative agreed with the need to maintain dual-price systems in agriculture, and stated that some countries would continue to need effective tariff protection. He also agreed that an aggregate measurement of support (AMS) could have a major role in terms of setting targets and monitoring compliance, but noted concerns about using the AMS in legal undertakings because of the way it was affected by exogenous factors beyond the control of any participant. He noted the desirability of negotiating not only the method of calculation of variable levies, but also criteria regarding their transparency and frequency of change, as well as clear rules for minimum import prices. With regard to export subsidies, the representative indicated that their virtual elimination would be acceptable, but the EC proposed disciplines with regard to allowed amounts and equitable share were steps in the right direction.

14. Another participant fully supported making commitments on an AMS itself, but was not decided whether it should be incorporated into GATT articles or in a separate agreement. He further agreed with the need to modify Article XI so that it would function more effectively, but requested clarification of the EC proposal with regard to disciplines on variable levies. He also expressed the view that export subsidies should be phased out.

15. In response to some of the comments made, the representative of the European Community observed that it was not sufficient to concentrate on export subsidies without examining internal subsidies which could have the same effect on exports, or access policies. He stressed the need for a global approach.

16. In discussing special and differential treatment for developing countries, it was stressed that this should be incorporated into the new GATT rules. One participant observed that the ideas presented in NG5/W/74 and NG5/W/84 were valid to this concern. Another participant characterized special and differential treatment as one of the core challenges of the negotiations. New approaches were needed to deal with this issue, recognizing the crucial role which agriculture played in the economic progress of developing countries. The outcome of the negotiations must give an important stimulus to the expansion of these countries' food production, and provide market access opportunities. Sufficiently long transitional periods were an obvious necessity for developing countries, along with flexibility in their application of future GATT commitments. Finally, he raised the possibility of adjusting special and differential treatment to the needs of countries, noting that some of the developing countries were experiencing dynamic economic development and were capable of taking on more GATT commitments than others.

17. The representative of Peru introduced a negotiating proposal on behalf of a group of countries* (NG5/W/119). The proposal was destined to protect net food-importing developing countries from injury, countries which would be net losers since liberalization of agricultural trade would lead to 20-30 per cent increases in the food bill. The proposal suggested measures to offset these negative effects, including enhancing of purchasing power through concessional sales which would encompass increased availability of low cost export credits and lump sum grants, growth in export earnings by enlarged market access, expanded food aid, etc. The specific measures suggested would be implemented by procedures to be developed. It was foreseen that GATT and existing international financial and development organizations would co-operate in the application of such measures.

18. A number of participants observed that the long-term consequences of trade liberalization (particularly if one looked beyond just the agricultural sector) would be beneficial to all countries, but that the short-term effects of agricultural reforms could increase balance-of-payments pressures on the net food-importing countries. One representative indicated that since the problem would be limited in time, so its solution should also be. Another stated that both quick action to alleviate the burden of increased world market prices and longer-term measures to enhance these countries' own agricultural capacities were appropriate. In this regard, he agreed with the need for increased financial and technical assistance, as well as for expanded food aid and

* Egypt, Morocco, Jamaica, Peru, Mexico

concessional sales. In addition, it was noted that improved disciplines on export prohibitions and restrictions would be in the interest of food-importing developing countries, as would improvements in market access for their export products.

19. The difficulty of measuring the potential negative effects was mentioned, particularly as the developing countries were by nature subject to fluctuations in their agricultural performance and often switched from exporting to importing positions. Furthermore, it would be difficult to identify which negative effects were the result of trade agreements as opposed to those which would have occurred in their absence. It was noted that much could be done within the GATT itself to address this problem, although one should also examine what could be done through other institutions. One representative observed that the primary objective of developing countries was to ensure their development, which required flexibility in their choosing which policies they would pursue in the agricultural sector.

20. The representative of Peru recognized the difficulty of defining and quantifying the problem, but indicated that an agreement should be possible, determined in part by which products and policies were covered in the negotiations. She also agreed with the potential for long-term benefits from liberalization, but stressed the urgent need to offset the short-term negative effects in order to achieve the Punta del Este objective of beneficial results for all participants. Strengthened special and differential treatment was necessary, but the short-term negative effects were an additional problem facing certain developing countries.