

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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

PROPOSAL FOR NEGOTIATIONS ON AGRICULTURE

Submitted by the Republic of Korea

I. The purpose of the submission

1. At the Trade Negotiations Committee held in April 1989, the participants have agreed as a long-term objective of the negotiation to establish a fair and market-oriented agricultural trade system, and to provide for substantial progressive reductions in agricultural support and protection to be sustained over an agreed period of time, resulting in correcting and preventing restrictions and distortions in world agricultural markets. Also, it was decided that strengthened and more operationally effective GATT rules and disciplines would be equally applicable to all contracting parties and the commitments should encompass all measures affecting directly or indirectly import access and export competition.

From these objectives it flows that the results of this negotiation should reflect equally each participant's rights and obligations in a balanced manner so that they are fair enough to facilitate the implementation by all contracting parties of both developed and developing ones, and exporting and importing countries without any difficulties.

This submission represents Korea's contribution to further this negotiation by better structuring rights and obligations of the developing importing countries like Korea.

2. In many countries, it is recognized that agriculture is a basic economic sector, and agricultural policies are related to the country's vital economic and other concerns such as stable food supply, expansion of rural employment, protection of the environment and in some cases socio-political stability. Thus, the nature of agricultural policy varies from one country to another due to their differing stages of development and characteristics of production and consumption patterns.

In the case of Korea, despite a relatively high level of development in the industrial sector, the agricultural sector is at a very low stage of development due to its inherent weakness, namely overpopulated farmland, small-scale farming and underdeveloped infrastructure. In such circumstances, Korea's agricultural policy cannot be effectively

implemented without giving all due consideration to non-economic factors of the agriculture sector. Hence, Korea has emphasized so often non-economic factors of the rôle played by agriculture, such as food security, balanced rural development and environmental and conservation programmes.

3. Korea understands that for the establishment of new GATT rules and disciplines, it is necessary that rational and efficient utilization of global agricultural resources is encouraged and agricultural trade barriers and inefficient support measures are progressively reduced. However, considering the socio-political implications of the agricultural policies, a balanced and successful result of the negotiations cannot be achieved without giving due consideration to the non-economic factors in agricultural trading.

II. Strengthened and more operationally effective GATT rules and disciplines

(i) Non-trade concerns

4. Each country has its own traditional basic foodstuffs which are necessary for maintaining the livelihood of the people. It is difficult for a nation to rely for the supply of basic foodstuffs solely on foreign sources, due to the uncertainties in securing stable supplies and price fluctuations. The possibility of food shortages always remains, as agricultural production and trade are influenced by elements beyond control. Especially for developing countries with insufficient purchasing power, the increase in agricultural prices has a great impact on their efforts to secure stable food supplies and economic stability. It is therefore essential to maintain a certain level of stable domestic production.

5. Korea recognizes and fully supports several statements already presented by importing countries regarding non-trade concerns such as the importance of food security, balanced rural development and environmental conservation.

Accommodation of the concept of non-trade concerns would be of ultimate benefit to both importing and exporting countries in the long run. Proper treatment of non-trade concerns would contribute to progressive implementation of the long-term agricultural trade reform programme of a country like Korea rather than posing an obstacle to it by bumpering possible adverse effects as a result of radical reforms of agricultural policies in a country.

It is imperative in this sense that the negotiation on agricultural trade should accept the special nature of agriculture, and the importance of minimum levels of agricultural production as concepts of non-trade concerns.

The most reasonable alternative to ensure non-trade concerns is to maintain potential agricultural production capabilities by introducing the concept of minimum market access or minimum rates of self-sufficiency.

Such an introduction of minimum self-sufficiency rates or minimum market access will reduce the uncertainty of exporting countries. With this concept, agriculture in importing countries could conduct non-trade functions smoothly.

To cope with the food crisis and to implement other non-trade concerns of agriculture, the minimum market access or rates of self-sufficiency on essential agricultural products required for maintaining the sound health of the people could be determined based on the size of population, consumption patterns and the volume of world food reserves.

The strengthened GATT rules and disciplines must be established to allow quantitative restrictions and internal support measures required for non-trade concerns including food security.

6. Such matters as definition of specific policy measures and product groups to be covered, and conditions for the application of the GATT provisions concerning agricultural trade should be duly considered in this context, and Korea is ready to elaborate these points at a later stage as the negotiation develops.

(ii) Market access

7. In order to achieve the long-term objectives set at the April TNC meeting, all measures affecting directly and indirectly market access should be examined. The strengthened GATT rules and disciplines on reduction of protection should be a balanced reflection of the special characteristics of agricultural trade as well as the diversities of the agricultural policies of each country.

A. Import access

(1) Quantitative restrictions

8. Article XI of the General Agreement provides for the general elimination of quantitative restrictions and exceptions. However, for developing importing countries like Korea it is necessary that certain exceptional non-tariff measures are allowed for the effective implementation of their agricultural policies in the face of the fluctuation and unpredictability of agricultural supply and demand. This would make Article XI more operationally effective.

9. Thus while Article XI:1, governing the principle of general elimination of quantitative restrictions, are to be maintained, the rules on quantitative import restrictions which are permitted as exceptions under Article XI:2 could be further improved as follows:

- the scope of the like products should be determined by the substitution effect which occurs when such products are imported;
- the conditions to be imposed on governmental measures as the means of restriction on production and distribution of agricultural products should be alleviated in accordance with import restrictions effect resulting from such governmental measures;
- the proportion of the total of imports relative to the total of domestic production in the absence of the aforementioned governmental measures could only be preliminary and the reasonable proportion between the two cannot be objectified.

In this context, the import restriction measures should also be allowed to the extent that they do not infringe the minimum market access;

- due to changes in consumption patterns of agricultural products and advances in processing and storage techniques, the import of certain processed agricultural products directly affects the supply and demand of the raw agricultural products. Therefore, the notes on Article XI:2(c) which limits the term "in any form" to "the same products when in an early stage of processing and still perishable ..." should be written to cover the processed products;
- GATT Article XI:2(c) would be revised in line with the permission of the continuation of minimum level of production of a country with notification to the contracting parties, and also in this case, it would be necessary to establish some surveillance system.

10. All non-tariff measures, whether maintained under waivers, protocols of accession, the agreement on voluntary restraints of exports or imports, the minimum import price system, variable levies or other derogations and exceptions, and all measures not explicitly provided in the General Agreement should be examined in terms of their impact on the global trading system and of their desirability with a view to progressively phasing them out or incorporating them into the new GATT Article XI:2.

(2) Tariffication

11. The conversion of all non-tariff import barriers into tariffs will help ensure the transparencies in agricultural trade. Tariffication, however, cannot cover several characteristics of the agricultural sector such as instability of supply and demand, structural differences in different countries, as well as the need for maintaining the non-tariff barriers for agricultural development of developing importing countries.

In order to achieve the long-term objective and to secure the strengthened new GATT rules and disciplines, tariffication could be applicable to those non-tariff measures to be phased out gradually over an agreed period of time under the new GATT rules. However, certain non-tariff measures relating to the non-trade concerns such as food security, Article XI:2, and agricultural structural adjustment of the developing countries are to be maintained.

(3) State trading enterprises

12. Article XI, or General Elimination of Quantitative Restrictions of the General Agreement should be observed by contracting parties who establish or maintain a State enterprise, or grant to any enterprise, formally or in effect, exclusive or special privileges.

However, the rôle of State enterprises should be fully considered as a necessary measure for the stable supply and demand of agricultural products in developing countries or countries wholly relying on imports for their food supply.

B. Subsidies and export competition

(1) Export subsidies

13. Export subsidies are significant factors distorting agricultural trade.

Furthermore, reduction of such export supports may lead to increased prices of agricultural commodities, which eventually cause undesirable effects on the stable food supply and economic development of developing importing countries.

In this regard, while such subsidies on food aid and concessional sales provided to the developing countries should be recognized as exceptions, those government measures which are aimed at increased export markets must be phased out over an agreed period of time. For this purpose, the current GATT Article XVI needs to be properly amended.

(2) Internal support measures

14. Agricultural subsidies which are becoming increasingly diversified in their forms, play various important rôles, including improvement of the infrastructure and stabilization of the demand and supply of agricultural products in production, processing, marketing and consumption. Agricultural subsidies have direct bearing not only on economic stability, but also on socio-political stability.

Korea views that the concept of decoupled income support is very important and it is difficult to apply to developing countries because of financial and government budget problems. But Korea will participate in the discussion to find out proper ways to use decoupled income support in this negotiation.

Primarily the disciplines on subsidies in agriculture should focus on achieving the optimal use of materials and human resources. The effects and the scope of subsidies to be controlled by the strengthened GATT rules and disciplines should be decided on the basis of the balance of interests of the contracting parties, not on a specific situation of a particular country.

15. The following must be allowed under the new GATT rules in agricultural subsidies:

- (i) subsidies to assist non-economic functions of the agricultural sector such as food security, which do not distort trade in agriculture;
- (ii) programmes for food reserves for the purposes of the stabilization of prices and the supply and demand situation;
- (iii) policies to restrict production and surplus;
- (iv) deficient payment for the agricultural products which are marketed below the production cost;
- (v) government support measures, not to be directly linked to the production of specific items, but related to development of infrastructure, research, inspection, consultation, education, rural development, etc.;
- (vi) subsidies for the reform of the cropping system;
- (vii) direct income payments that are not linked to production;
- (viii) disaster assistance;
- (ix) autonomous support programmes by producer organizations.

C. Export prohibition/restrictions

16. Export prohibition or restrictions, even temporarily applied to prevent or relieve critical shortages of foodstuffs or other products essential to exporting contracting parties might hamper the stable supply and demand in world trade.

Therefore, export prohibitions and restrictions should only be permitted to meet certain minimum levels of self-sufficiency of exporting countries.

III. More favourable and differential treatment for developing countries

17. The general situation of the agriculture sector in developing countries is such that there is still much scope for development or restructuring. Utilization of the world agricultural resources is not at

its optimal situation and, if the trend continues, developing countries will not be able to derive any benefits from pure competition with developed countries.

18. Present and future difficulties of developing countries should be duly reflected in both establishing GATT rules and disciplines and the implementation of long-term agricultural reform programmes in this negotiation.

1. The spirit of supply and demand treatment which is recognized as a basic principle of the GATT system, should be specified in a concrete term in GATT rules rather than declare-oriented GATT provisions. In this context, it is very useful to start examining Part IV of GATT, Decision of 28 November 1979 (L/4903) etc.
2. In implementing long-term agricultural reform programmes, developing countries should be given longer time-frames for structural readjustment of agriculture and flexibilities in selecting policies and products in developing countries. Special considerations on their exports, some favourable treatment to non-tariff measures and internal measures for structural adjustment, the recognition of concessional sales and food aid, and the financial support of international agencies for developing countries are necessary.
3. Developing countries should also contribute fully to the implementation of the results of this negotiation.

IV. Aggregate measurement of support

19. Given the fact that every country has its different policy measures to support and protect agriculture, the AMS as a means of monitoring and operating progressive reduction of support and protection would be useful.

However, the calculation methods or levels of reduction should be transparent, consistent with rights and obligations under the GATT and practical as a tool in monitoring the implementation of commitments.

20. For the AMS to be practical as a monitoring device:

First, there should be a clear understanding on technical matters in calculations such as the scope of measures under the AMS, product and country coverage, reference period and price;

Second, the technicality of AMS must be fully disseminated to all participants so that the system may be voluntarily operated without difficulty;

Third, statistics to be used in the calculation of the AMS should be available and clear for all participating countries.

21. Inasmuch as most agricultural policies focus on the support of farmers, and decisions on production are made by farmers themselves, the effect of internal support and protection must be measured per farmer.

22. The measures to be covered under the AMS should be the ones to be brought into conformity with strengthened and operationally effective GATT rules and disciplines.

Accordingly, those measures related to non-trade concerns of agriculture, and non-tariff measures or internal support permitted as exceptions under GATT, should be excluded from the application of the AMS or be granted deduction in calculation.

The measures to be excluded or deducted from calculation of the AMS are as follows:

- production restrictions under the new GATT Article XI:2 and other quantitative measures permitted as exceptions under GATT;
- those support measures not directly affecting trade distortion, and negligible in terms of monitoring and operation;
- internal support measures not in excess of the minimum level of self-sufficiency or market access necessary to meet non-trade concerns, including food security;
- proportion of self-consumption to total production;
- production and price fluctuation due to such elements as exchange rates and climatic changes.

23. Major agricultural products having a certain volume of international trade should only be covered. It would be more appropriate to take the product-group approach rather than the product-by-product approach.

24. As the AMS is to be used as a measuring tool of the implementation of commitments, all participating countries should be covered. Due consideration should be given to special and differential treatment to developing countries in the calculations of the AMS.

V. Sanitary and phytosanitary measures

25. Every participant recognizes the fundamental necessity to maintain the objective of GATT Article XX:(b) for protecting human, animal or plant life or health; on the other hand, this provision should not be used for import restrictions. In order to minimize the risk that this provision be operated to the detriment of trade liberalization, national regulations on sanitary and phytosanitary measures should be scientifically proved, transparent and be consistent with the principle of national treatment. It is important in this context to recognize the rôle of FAO/WHO, CODEX, IPPC, OIE and promote harmonization of domestic rules and standards.

26. But the fact that dietary patterns, natural and ecological conditions and the level of technologies protecting human, animal and plant life or health might differ from country to country should be recognized. Accordingly, it is necessary for regional experts to participate in improving international sanitary and phytosanitary conditions, and also in bilateral or multilateral dispute settlement procedures.