

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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COMMUNICATION FROM ISRAEL EXPRESSING VIEWS ON
CERTAIN ELEMENTS IN THE NEGOTIATION ON AGRICULTURE

I. Introduction

Israel believes that it can contribute productively to the Agricultural Group discussion by raising specific points regarding GATT rules and disciplines in the areas of market access, export subsidies, internal subsidies, special concerns of developing countries, and plant and animal health regulation. Certain of our ideas stem from the specific circumstances of Israeli agriculture. Many of them, however, speak to concerns that we believe are shared by many other countries, particularly smaller developing nations which are geographically removed from major world markets.

The privileges and the responsibility of the GATT system have been healthy for the agricultural development of Israel and of many other developing countries. We have in the past used government planning and subsidy programmes to develop agricultural production and exports in an effort to exploit our comparative advantage in trade and most efficiently allocate our limited resources of land and water. Article XI of GATT has allowed Israel and other countries to administer responsibly agricultural planning programmes which have contributed to stabilizing our small domestic market and avoiding major surpluses of crops. While we never ignored the economic consequences of agricultural policy, Israel has also consciously supported agriculture for non-economic concerns, in particular, the need to provide for food security and the needs of regional development.

Thus we have an overriding concern that in the process of reform toward a market-oriented trade system, developing countries will not be deprived of the opportunity to use the tools necessary for a successful agricultural policy, and that countries which have gone a long way in the process of agricultural development will not be deprived of their hard-won gains.

II. Market access

In our endeavour to develop new rules for improved market access for all countries' agricultural products, including processed agricultural products, we should concentrate our energies on the serious cases of market restrictions, where markets that can be commercially exploited are in fact closed to imports. Usually, these cases occur as a result of GATT waivers or as a result of disregard for existing GATT rules. At the same time, we must be careful to avoid ambitious overall schemes which may have little

benefit for international trade and yet may cause considerable damage to domestic production and market stability.

Of particular concern to Israel is the case of small domestic economies efficiently producing large quantities of produce for export. In Israel and in other countries where domestic production and/or marketing quotas are restricted in order to avoid market surpluses either domestically or in export markets, these production restrictions must be maintained. In such cases, non-tariff restrictions on imports are essential, in order to maintain the integrity of domestic production quota and surplus removal programmes.

These concerns were the original impetus for GATT Article XI:2(c). They are as essential today as they were in 1956; and with the increased logistical capability for world trade, even more important. Many contracting parties have expressed their needs for some clear means for restricting market access - beyond tariffs alone - whether for the economic concerns of agricultural market planning, or for the non-economic concerns of rural preservation and food security.

There are two different avenues proposed today for enshrining these concerns in GATT. One is the proposal to extend the scope of Article XI discipline by making it applicable to "grey-area" measures such as reference prices, minimum market entry prices, variable levies, in addition to its applicability to quantitative restrictions. In such a case, the link between Article XI:2(c) import restrictions and domestic restrictions should be redrawn to be clear and to be practicable. In the past two years, several panel decisions have so limited the scope for Article XI:2(c) restrictions as to make it essentially unusable in most political and economic circumstances.

Israel believes that Article XI:2(c) should be retained, and that measures having equivalent effect to quantitative restrictions should be brought under its discipline. The rules for the use of the Article should be sufficiently flexible to allow its use in actual cases of domestic planning and production or marketing restrictions. Article XI should return to its original intent as a "national treatment" clause that would not give the marketing of imports an advantage over domestic production, and would allow countries to maintain certain domestic price supports without artificially drawing increased imports.

The second proposal for answering the concerns of many countries is the Swiss proposal for a minimum market access system, expressing a minimum level of imports as a percentage of domestic consumption. This system would leave each country a considerable margin for flexibility for domestic controls to avoid surpluses and for supporting "non-economic agriculture". Such a system would be indifferent to the means of border measures applied, as long as they were transparent and as long as minimum access was maintained in practice. Coupled with an overall reduction of support

levels and strengthened discipline on trade-distorting export subsidies, such a system could boost total world trade in agriculture, with particular benefit to developing countries. Further, it would speak to the special concerns of food importing developing countries by enabling them to maintain development programmes to spur domestic production.

Either of the market access proposals suggested would require these steps:

1. Extend the scope of Article XI discipline by making it applicable to grey-area measures such as variable levies, VRAs, fees, and minimum import price measures, in addition to quantitative measures.
2. Insure that "grey-area" measures such as variable levies or minimum import prices do not in practice bar imports by pricing them above domestic prices.
3. Specifically enable the use of "new Article XI" import restrictions, tying them either to equivalent domestic control programmes or to specific minimum access commitments.

III. Export subsidies

Israel accepts the distinction that has been made in GATT between domestic subsidies and export subsidies. Further, Israel believes that the intentions of limiting export subsidies and particularly limiting their effects, as intended in the Subsidies Code, are necessary elements of a fair world trading system in agriculture. Yet the imprecision of the GATT Article XVI:3 and of the Code has not brought the intended discipline or clarity to the system. In improving GATT rules, we believe basic premises should be drawn to disallow export subsidies, and maintain their use only according to a specific list of purposes or measures.

1. Export subsidies should not be used to export surpluses of products produced under domestic subsidy or support programmes. This is in effect "price-dumping" and undermines the notion that if a nation chooses to support its agriculture for "non-economic" reasons of its own, that country should bear the full cost of the support system. A limited exception to this principle should be made for clear food-aid programmes.
2. Export subsidies should not be used to undermine price systems of importing countries or other third country producers.
3. A clear list should be drawn of certain non-trade-distorting export measures which are permissible: programmes to assure consistent supply to markets; limited programmes to compensate for non-agricultural factors of the local economy which are not amenable to macro-economic solution; "safety net" income programmes to guarantee farmer incomes in case of market disturbances. The value of these export subsidy programmes could be limited by negotiation; or by reference to a floating world price; or by a fixed, low percentage ceiling.

4. Multilateral discipline and dispute settlement mechanisms should be encouraged to see that the above principles are met. Equally, multilateral discipline should ensure that minimal permissible export measures are not the cause for countervailing measures, in cases where there is not material injury.

IV. Domestic subsidies

Domestic subsidies clearly are the cause of the major portion of the existing imbalances felt today in world agricultural trade. It is reasonable that the main focus of the contracting parties should be to reduce the level of subsidies in those product sectors which today are in surplus. Yet it would be a mistake, and a great injustice to those countries which do not produce today's surpluses, to limit our concerns only to problems that are apparent today, without accepting an overall discipline on subsidy levels. As a developing country, Israel strongly believes that in the long run, undisciplined subsidy levels put poorer developing countries at an extreme disadvantage - their pressed treasuries are simply unable to compete with wealthier nations in the subsidy race.

Thus Israel supports a balanced overall reduction in subsidy levels, on all agricultural products. The intention should not be to remove domestic subsidy programmes for national or regional development purposes, but to level the playing field to an agreed ceiling, based on an aggregate measure of support. Different agreed levels may be necessary for different agricultural sectors, yet no product sector should be exempted from the discipline.

Finally, in order to take into account the distortions that appear in domestic exchange rate policy, taxation, and capital costs and other macro-economic factors, particularly in developing economies, the level of domestic subsidies should be geared to an international cost or price level, and domestic subsidies granted to compensate for non-agricultural domestic or regional costs should be treated separately or excluded from the measure of subsidy calculation.

V. Developing countries

The international trading system cannot be, and has not been, indifferent to the basic human needs of food supply, and to the obligation of governments to do all in their power to spur agricultural and economic development. Alongside the continuing cry for greater international funding for agricultural development programmes, the GATT system must allow for developing countries to use international and domestic funds for their essential development purposes.

Developing countries must be allowed greater flexibility in restricting imports, either as part of production development programmes or under a minimum import access scheme. Furthermore, developing countries must be allowed higher levels of domestic subsidies in order to develop

their own sources for providing their food needs. Finally, developing countries which are net food importers should receive compensation in their terms of trade with developed countries in light of their increased expenditure on less-subsidized imports. If these steps are taken, developing countries will have less need for extensive export subsidy programmes, and after a transition period should be able to accept overall GATT discipline on export subsidies.

VI. Phytosanitary and veterinary measures

Israel encourages the proposal to develop GATT disciplines which will ensure that phytosanitary and veterinary measures are based on sound scientific basis. The advisory rôle of the international professional bodies FAO Codex Alimentarius, the International Office of Epizootics, and the International Plant Protection Convention, and their regional constituents, should be strengthened in GATT. Standards developed in those bodies should be the guidelines for an effective surveillance and dispute settlement procedure in GATT. We hope to participate in the professional development of these disciplines.