

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG5/W/139

14 December 1989

Special Distribution

Group of Negotiations on Goods (GATT)

Negotiating Group on Agriculture

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

(27-28 November 1989)

Note by the Secretariat

1. The following summary, which has been prepared by the secretariat in accordance with paragraph 6 of MTN.GNG/NG5/17), should be read in conjunction with documents NG5/W/126, 128, 130, 131, 132 and 133, which contain negotiating proposals and/or statements by Bangladesh, the Cairns Group, Japan, Korea, Brazil and Colombia, and Thailand.

2. The representative of Australia introduced a comprehensive proposal on behalf of the Cairns Group (MTN.GNG/NG5/W/128). This proposal, taken in conjunction with the Group's proposal on sanitary and phytosanitary measures (NG5/W/112) would lead, over a period of ten years or less, to substantial progressive reductions in agricultural support and protection. There were many similarities in the reform process envisaged in both the Cairns Group and the United States proposals, he noted; however the Cairns Group proposal provided important flexibility in the negotiating process. It also reflected the strong interlinkages between import access, export competition and internal support. The Cairns Group believed that achieving the goals agreed by the TNC in April required action on all support and protection policies.

3. Members of the Cairns Group spoke in support of the proposal and underlined various aspects of it. The importance of a satisfactory outcome on agriculture to progress in the Uruguay Round as a whole was stressed. GATT law on agriculture must be universal, it was stated; there could be no more country-specific exceptions or so-called grey area measures. One Cairns Group member saw a need to improve Article XI in order to clarify what import measures would be permitted when there were effective production controls. This participant was satisfied that the Cairns Group proposal did not prejudice the question of how Article XI was to be revised in order to meet the objectives agreed at the Mid-Term Review. Another member of the Group expressed his view that Article XI:2(c) was an exception he would be pleased to see eliminated. A third noted that on this, as on other individual issues, some members could perhaps go further than others, but the proposal to which they all subscribed was a negotiated document and a realistic basis for further negotiation.

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UR-89-0456

4. The provision in the proposal for special and differential treatment for developing countries was underlined by several members of the Cairns Group, within the context of the overall objective of liberalization. In this connection one member recalled his earlier statement circulated as document NG5/W/110. He also noted that the proposal's reference to Article XX in connection with export restrictions was of primordial importance, particularly concerning restrictions under Article XX(h) (intergovernmental commodity agreements). Others agreed that nothing in the proposal detracted from the rights of developing countries under the General Agreement. This view was detailed in the statement of Thailand circulated as document NG5/W/133. Support was expressed for Thailand's position that the reform process should not detract from efforts to substitute other crops for the growing of illegal narcotics.

5. There was wide agreement among other participants that the proposal offered some useful approaches for negotiation and various participants identified aspects of particular interest to them. The proposal's comprehensive coverage in terms of countries, policies and products found favour with some. However, one questioned which products might be excluded under the proposed definition. Others agreed that reform would benefit developed and developing countries alike, that a primary role should be given to binding commitments on trade-distorting policies; and that non-economic factors were no reason to maintain trade distortions. Another participant agreed with the elimination of provisions for exceptions to the GATT rules. However, with others, he considered the proposal overall took insufficient account of certain important issues such as non-trade objectives.

6. Concerning internal support, some participants agreed with the proposals for reduction rather than elimination, flexibility in the reform process, and the use of a global measurement of support. Concerns were expressed on the Cairns Group's emphasis on specific policy commitments in addition to the use of an AMS, the policy coverage of the AMS, and the proposal's classification of policies according to their trade effects. With respect to market access, one participant welcomed the Cairns Group's endorsement of tariffication, whereas another stated his opposition to tariffication and said that border measures were an integral part of domestic support which should not be treated separately. It was noted that flexibility was lacking here, and that the proposal was silent concerning credit for access improvements since Punta del Este. Some participants emphasized the importance to them of maintaining dual-price systems with production controls and accompanying quantitative restrictions on imports. On export subsidies, some participants expressed support for the Group's line, one stating that he would prefer these subsidies to be phased out over a shorter time than the rest of the reform process. Another participant repeated his opposition to the suppression of export subsidies.

7. The proposal's section relating to developing countries received considerable attention. The long-term goal of the negotiations must be a common one, one participant noted, while recognizing the need for more flexible commitments and timing for developing countries. One participant endorsed the Cairns Group's approach subject to the principle that special

and differential treatment should be applied on an individual rather than an across-the-board basis. Others emphasized the need for developing countries' domestic assistance and development programmes not to be subject to reduction commitments. One participant expressed concern that any developing country internal support measure could be considered trade-distorting and subject to reduction. There were different views as to the applicability of an AMS commitment to developing countries; some participants saw it as not appropriate, while others found the Cairns Group line broadly acceptable, given the wide product coverage proposed for the measure. Some participants expressed difficulty with the tariffication proposal given the very low levels of tariffs practised by their countries and the need for developing countries to continue with non-tariff measures. The future of preferential import arrangements based on quotas (e.g. the EEC/ACP agreements) under the Cairns Group proposal was also queried.

8. Concerning food aid a participant said that it was not realistic to envisage food aid being restricted to grant form only, although stricter rules governing food aid were needed. Another added that recipients could not afford to see concessional food aid eliminated unless this was compensated by an increased volume of grant aid and eligibility for it. In his opinion food aid of both types would become more, not less, important in a liberalized trade environment. The proposal's attention to the particular interests of net food-importing developing countries was welcomed. Some noted that the question of definition raised by the Cairns Group needed further examination. Critical food shortage was not necessarily a satisfactory criterion.

9. Regarding non-trade factors, a participant observed that the proposal might constitute a beginning for useful further dialogue. Others indicated that the proposal did not take account of the multi-functional role of agriculture, which made the preservation of a minimum level of agricultural production and support essential. One participant pointed out that food security was part of the long-term concerns of the negotiation. Another participant saw a possible avenue of progress in the categorization of internal support measures proposed, particularly as some of his country's essential non-trade concerns were listed in the "permitted" category.

10. Replying to comments and questions, the Cairns Group spokesman said that "harmonization" of internal support meant that as support levels were higher in some countries than others, these should be reduced by more. It did not mean any support levels should increase; downward harmonization only was intended. With regard to the proposal's categorization of support measures, the spokesman underlined the need for specific commitments, of which reduction in producer prices was a fundamental element. In tandem with this, AMS disciplines could provide complementary restraints on the quantity of production receiving support. On countervailing measures, the Group's main point was that disciplines on these needed strengthening along with the disciplines on subsidies; they recognized that negotiations going on in another negotiating group were relevant. Concerning tariff reductions he reaffirmed that where non-tariff protection was converted to tariffs a formula yielding higher reductions than the one agreed in the Mid-Term Review might need to be negotiated in order to harmonize tariff

levels. For the phasing of existing country-specific preferential access arrangements into generally improved access through tariff quotas, the starting point should be to maintain and build on existing access levels.

11. On Article XI, the Cairns Group spokesman drew participants' attention to paragraphs 11 (2nd tiret) and 16(b) of the proposal, which called for the elimination of all provisions for exceptional treatment. The proposal encompassed the possibility of eliminating Article XI:2(c) contingent on the readiness of other contracting parties to phase out specific exceptions such as waivers and other derogations and to convert all non-tariff measures, including variable import levies, MIPs and VRAs to tariffs.

12. Concerning food aid, the Cairns Group wished to avoid export subsidies, once prohibited, shifting to become an element in concessional food aid. The question of what constituted a critical balance of payments or foreign exchange situation needed further study; the Group was trying to establish a class of applications which would meet the criterion of specific need. If this were made too wide, the universality of the reform measures would suffer.

13. The representative of Japan introduced his country's proposal (NG5/W/131) noting that although it emphasized food security concerns, its coverage was comprehensive. He reiterated his country's basic position that the negotiations on the reduction of support and protection should proceed in parallel with those on rules, and that in view of the special nature of agriculture the elimination of support and protection was not acceptable. The representative further indicated that Japan understood the special needs of net food importing developing countries, although this issue was not addressed in its proposal.

14. Some representatives indicated that the Japanese proposals addressed many of the issues of interest to them with respect to non-trade objectives. A number of other representatives expressed concern that the Japanese proposal did not fulfil the commitment to move towards freer and more market-oriented agriculture. Instead importing countries would be permitted to resort to protectionism because of non-trade objectives. Such objectives, it was indicated, should be addressed in non-trade distorting ways. Concern was also expressed about the definition and lack of discipline on basic foodstuffs, the proposed elements to be included or excluded in the calculation of an aggregate measurement of support, and the amount of discretion permitted in national sanitary and phytosanitary regulations. Whereas a number of representatives noted their agreement with the proposed eventual elimination of export subsidies, one participant observed that the right to use export subsidies would be necessary as long as dual-price systems were maintained. With respect to the proposed modification of Article XI:2(c)(i), many delegates agreed with the need to clarify its provisions but others observed that the changes proposed by Japan would weaken its disciplines and permit greater protectionism.

15. In response to questions and comments regarding the proposal, the representative of Japan indicated that the number of basic foodstuffs would vary from country to country, and the target level of production for such

foodstuffs could be 100 per cent self-sufficiency, with production planned through such measures as acreage reduction programmes. He indicated that it was not Japan's intention to weaken Article XI:2(c)(i) but to clarify it. It was envisaged that domestic support policies which were essential for meeting non-trade objectives would be permitted, but their negative trade effects should be minimized. He also observed that calculation of an AMS on a product sector basis allowed for more flexibility, to take account of the substitutability and reversibility of products. With regard to sanitary and phytosanitary measures, countries which chose to use unique measures would have to make clear the sound scientific basis of such policies.

16. The representative of Korea introduced his country's proposal for negotiation (NG5/W/130) indicating that its aim was to clarify the rights and responsibilities of developing importing countries. In particular, considering the importance of non-economic factors, a balanced and successful result could not be achieved without giving such factors due consideration. In his country's view, the most reasonable alternative to ensure non-trade objectives, including food security, was to maintain potential agricultural production capabilities by introducing the concept of minimum market access or minimum self-sufficiency levels. Quantitative restrictions and internal support measures required for non-trade objectives should be permitted under strengthened GATT rules and disciplines. In implementing long-term reforms, developing countries should be given longer time frames and flexibility in selecting policies and products.

17. Several countries agreed with the proposal's focus on addressing non-trade objectives whereas others viewed such objectives as subsidiary to the overall goal of reducing support and protection levels. The latter expressed concerns that the Korean proposal could result in increased protection for inefficient producers, and legitimize additional types of protectionist measures. Whereas they agreed with the eventual elimination of export subsidies, permitting concessional food aid could result in a loophole to this ban. One delegate also requested further clarification with regard to special and differential treatment and noted the proposal's failure to address the issue of negative effects on net food importing developing countries.

18. Responding to comments and questions, the representative of Korea indicated that the negotiation should aim at minimizing the difficulties countries would have in making the agreed reforms. Developing countries such as his own could not subject their farm sector to competition with developed countries; maintenance of a certain level of domestic production was necessary. Non-trade concerns were of greater importance for countries whose agricultural development was at an infant stage, although the concept of a minimum level of domestic production should be recognized for both developed and developing countries. Article XI:2 needed to be improved in this respect and made more realistic. Korea proposed the use of an AMS calculated on a per farmer basis because the main objective of all agricultural policies was to maintain a certain standard of living for

farmers. An aggregate AMS disregarded problems faced by developing countries with a large farm population.

19. The representatives of Brazil and Colombia presented their proposal on special, differential and more favourable treatment for developing countries (NG5/W/132) indicating that it was a further elaboration of the provisions to this effect in the Cairns Group proposal (NG5/W/128). They proposed a grace period after which developing countries would have a longer time frame for implementing new rules and the flexibility to select which measures would initially be subject to the rules. Furthermore, developing countries would be permitted to maintain quantitative import restrictions under specific disciplines, and their internal developmental policies would not be subject to limitations or included in an AMS. Discriminatory sanitary and phytosanitary barriers would need to be eliminated, longer time frames and technical assistance provided, and compensation paid to developing countries negatively affected by unjustified sanitary and phytosanitary barriers.

20. Many delegates expressed agreement with the longer time frames and flexibility in the application of commitments provided in the proposal, but some suggested also the need for flexibility in the commitments themselves, including the right to use export subsidies. Clarification was sought of the conditions under which developing countries would be able to impose quantitative import restrictions, and the time period after which compliance with the new rules would be expected. One delegate suggested that this time frame should be linked to a country's achievement of certain relevant, well-defined economic indicators. It was also observed that developmental measures were implemented to correct structural deficiencies and had no trade-distorting effects. Agricultural development was crucial for economic development, and in many countries policies had to be geared to self-sufficiency to avoid the shortcomings of import dependency. Although some delegates agreed that tariffication could be beneficial because of its transparency, the question was raised as to how this would be consistent with the proposed right to maintain quantitative restrictions. Further elaboration regarding the needs of the net food importing developing countries was requested, and concern was expressed that the proposed definition of this group was too restrictive. It was also observed that developing countries were not a homogeneous group and that the least developed should be given more flexibility.

21. The representative of Bangladesh presented the proposals on behalf of the least developed countries (NG5/W/126) stressing the problems of agriculture in these countries and its major economic role. The least developed countries needed not only guaranteed market access for their exports, but also price certainty. He observed that the least developed countries were not equal to others, and should not be treated in an equal manner but given more favourable consideration.