

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG5/W/158

19 March 1990

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Group of Negotiations on Goods (GATT)

Negotiating Group on Agriculture

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

(13-15 February 1990)

Note by the Secretariat

1. The following summary, prepared in accordance with paragraph 6 of MTN.GNG/NG5/19, should be read in conjunction with documents MTN.GNG/NG5/W/143, NG5/W/150 and NG5/W/153 which contain a proposal by the Nordic countries, a synoptic table by the secretariat and a communication by Israel, respectively.

2. The representative of the Nordic countries responded to questions raised in connection with the proposal submitted by them at the December 1989 meeting (NG5/W/143). Replying to questions concerning the use of an AMS, he said that the target of the negotiations - substantive, progressive reduction of support and protection - could be specified - or "operationalized" - by means of an AMS for longer (ten years) or shorter periods (five-year periods with "control stations", i.e. a step-by-step process). The starting point would be the PSE, as modified, taking into account, inter alia, the most significant trade effects of measures while not taxing unduly measures instituted for other reasons than trade, such as food security or environmental reasons.

3. As concerned export subsidies, these should be subject to strict disciplines and eliminated except for those given in connection with food aid or as compensation to processors for increased costs due to high-priced raw materials. With reference to food security, he said that this would be enhanced through the possibility of using potential resources at short notice when necessary. The cost of such preparedness might be covered through decoupled support. He saw, furthermore, an important role for tariffication, the scope of which had yet to be negotiated; however, it was not the all-encompassing solution to all access problems. As concerned variable levies, the scope of the continued use of these was subject to negotiation. He suggested that "variable levies subject to strengthened disciplines" and "tariffication accompanied by appropriate stabilizers and safeguards" were concepts which could ultimately be reconciled.

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UR-90-0144

4. The representative of Israel introduced a communication (NG5/W/153) expressing views in particular on market access, on subsidies, and on preferential treatment for developing countries. He believed that many of these concerns were shared by other smaller nations which were agricultural producers, in particular, developing ones. Israel suggested a compromise between the need for market-oriented agriculture on the one hand, and the real needs of agricultural planning and stability on the other. As concerned market access, they envisaged more discipline on, but not elimination of, restrictive measures of all sorts. With reference to subsidies, these should, as soon as possible, reach agreed and very low ceilings on a per sector basis, ceilings which should be linked to an external world market price. Specific trade advantages should be provided for developing countries and trade compensation instituted for net food importers.

5. The Israeli communication was welcomed in particular as a contribution from a developing, small agricultural nation. Several participants agreed with the need to give consideration to non-food concerns, and to permit developing countries to use all possible tools for their development, including domestic and export subsidies. There was also support expressed for the recognition of variable levies within the disciplines of an enlarged Article XI.

6. A number of other participants expressed concern that the Israeli suggestion offered only limited scope for improved market access, on a commodity specific basis. Several questioned how any export subsidy could be considered as non-trade distorting, and one warned that export subsidies should not be permitted merely because the end use of the surplus was as food aid. The proposed legitimization of variable levies and other "grey area" measures was objected to, and it was stated that measures should be legitimized only on the basis of their inherent value and not because it was difficult to get rid of them. Another participant noted that Article XI provided a symmetry between the use of quantitative controls domestically and at the border. If the only domestic disciplines were on prices, it would be more appropriate to impose price measures, such as tariffs, at the border. The justification of quantitative import restrictions on export crops was also raised.

7. In response to the questions and comments made, the representative of Israel noted that the agricultural policy currently pursued by his country was a responsible one and had not created the structural surpluses in world trade. He further observed that the problem was not the policies per se but their abuse. Israel proposed the reduction of export subsidies to very low or de minimis levels, so that domestic policies which might have spillover effects on exports could be maintained. Legitimization of variable levies and other grey area measures was necessary as tariffs alone were not sufficient to protect domestic measures from world market fluctuations. He indicated that the symmetry which should exist between domestic production controls and border controls had been eroded by recent panel decisions which placed too much emphasis on the right to open markets as opposed to the need to protect domestic measures. He reiterated his country's support for the proposal (by Switzerland) to give credit to net

food importing countries for the market access they provided, and to set minimum access commitments at or near zero for developing countries.

8. Preliminary comments were made on a paper prepared by the secretariat containing a synopsis of the written proposals made in the Negotiating Group, in particular, those made since the April 1989 Mid-Term Review meeting (NG5/W/150). A number of participants expressed their appreciation for the paper recognizing that although it was not a basis or a tool for the negotiations, it was a useful summary of a number of proposals. It was said that it highlighted the basic differences of approach between delegations.

9. Concerning the question of short-term and long-term elements, one participant drew attention to the ambiguities and lack of precision in paragraphs 14 to 18 of the April TNC text, with regard to short-term commitments. Whereas such ambiguities might have been unavoidable in the April agreement, there was sufficient time left to assure that the final text of the decision on long-term elements was precise and unambiguous. If, for example, an AMS were used, it would have to be simple, clear and agreed. All participants' agreements would have to be expressed as binding commitments and linked to formal dispute settlement procedures if they were to have any meaning.