

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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Group of Negotiations on Goods (GATT)

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SANTIAGO MEETING OF CAIRNS GROUP MINISTERS: 4-6 JULY 1990

PRESS COMMUNIQUE AND CONCLUSIONS

Submitted by Australia on Behalf of the Cairns Group

Communiqué

1. Ministers and representatives of the Cairns Group (Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, the Philippines, New Zealand, Thailand and Uruguay) met in Santiago de Chile from 4-6 July 1990. Poland attended the meeting and participated in all the working sessions as an observer. Observers from the European Community and the United States also attended the public sessions.
2. The Ministers were honoured by the presence of the President of Chile, Don Patricio Aylwin A., who addressed the meeting.
3. Ministers expressed deep concern at the slow progress in the agriculture negotiations, and, with only five months of the Uruguay Round remaining, Ministers stressed the danger of a crisis developing from the failure of others to move the negotiations forward. They urged the major industrial countries to commit themselves to an ambitious and comprehensive agricultural reform package so as to allow an acceptable framework to be agreed at the meeting of the Trade Negotiations Committee in Geneva in the week beginning 23 July.
4. Ministers noted the major economic restructuring efforts and trade liberalizing programmes being implemented by many countries in Latin America, Central and Eastern Europe, and the Asia/Pacific region. Ministers called upon the industrialized countries to recognize that a successful outcome to the Uruguay Round, including significant agricultural reform and trade liberalization, is critical to the continuation of this trend.
5. Ministers stressed that participants at the Summit of major industrialized countries meeting in Houston from 9-11 July would need to ensure that the Uruguay Round, especially agriculture, was given top priority.
6. In this regard, Ministers welcomed the overall thrust of the proposal for an agriculture "profile" put forward recently by the Chairman of the Uruguay Round Agriculture Negotiating Group. In particular they

welcomed the fact that his text called for specific commitments on the four essential elements; namely internal support, border protection, export competition and sanitary and phytosanitary provisions. Ministers agreed on the importance of strengthening GATT rules and disciplines and making them operationally effective.

7. Ministers welcomed the emphasis in the Chairman's text on market access liberalization being provided through the conversion of non-tariff measures to tariffs and the subsequent reduction of existing and converted tariff barriers. In this context Ministers reiterated that the concept of re-balancing involving sustained or increased levels of protection and trade distortion for any product was totally unacceptable.

8. Ministers welcomed the provision for export subsidies to be submitted to disciplines which would ensure they were driven down at a faster rate than other elements of the reform package. Indeed, Ministers emphasized that they continued to regard the progressive elimination of export subsidies as a key objective for the Round.

9. Ministers were disappointed that the Chairman's text confined reductions in internal support to use of an aggregate measure rather than specific policy commitments.

10. Ministers, while welcoming the recognition given in the Chairman's text to the legitimate needs of developing countries consider that in several respects it falls short of the Cairns Group proposal. Ministers agreed that special consideration should be given to rural poverty alleviation and environmental protection programmes.

11. Ministers reiterated, in the context of the war against drugs, the need for support to be given to producers in areas in some developing countries to encourage diversification away from illicit narcotic crops, as noted in the Chiang Mai Ministerial Statement. Accommodation of these matters would need to be found in the course of the negotiations.

12. Despite the misgivings noted above, Cairns Ministers recognized the effort the Chairman had made to provide a way forward in the limited time available. They were therefore prepared to accept his text as a minimum basis for negotiations post July, on the understanding that the four major elements earlier mentioned are jointly negotiated.

13. In this same light, Cairns Ministers urged all other participants to accept the text as the basis for on-going negotiations. They commended this view to the Houston Summit of industrial nations. In this regard, they particularly called on the European Community, the United States and Japan, as major trading powers, to meet their responsibilities and to make the contributions required of them in these negotiations.

14. Finally, Ministers renewed their determination that the Round cannot and will not conclude, in whole or in part, without a substantial outcome on agriculture. They agreed that if necessary they would meet again in advance of the Brussels Trade Negotiations Committee meeting to

reach a final determination on the agricultural package. In the interim, Ministers will maintain close co-ordination in order to ensure that Cairns' objectives would be achieved.

Conclusions

1. Ministers and representatives of the Cairns Group (Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, the Philippines, New Zealand, Thailand and Uruguay) met in Santiago de Chile from 4-6 July 1990. Poland attended the meeting and participated in all the working sessions as an observer. Observers from the European Community and the United States also attended the public sessions.
2. The meeting provided an opportunity for Cairns Group Ministers to assess the current state of the agriculture negotiations in the Uruguay Round, and to consider the Group's approach over the last months of the Round.
3. Ministers reviewed the contribution of the Cairns Group to the evolution of the negotiations in Geneva since their last meeting in Chiang Mai, Thailand. Ministers noted the positive impact of the Cairns Group comprehensive negotiating proposal of November 1989 on the negotiations and the contribution that Cairns Group countries had since made to the elaboration of trade liberalization objectives in the Geneva negotiations. These efforts had maintained a central rôle for the Cairns Group - a rôle that Ministers were adamant must continue over the remaining months of the Round given the importance of world agricultural trade reform to their economies.
4. Ministers also welcomed the contribution which the Cairns Group had made towards achieving a draft text on the trade related aspects of sanitary and phytosanitary measures. Ministers underlined that effective multilateral disciplines in this area, aimed at reducing the use of such measures as unjustified barriers to trade, are a necessary condition for an agricultural package. They urged other participants to make maximum progress by demonstrating greater readiness to accept GATT disciplines over their actions in this field.
5. Ministers expressed deep concern that the rate of progress in the agriculture negotiations generally remained dangerously slow, despite the insistence of Cairns Group countries that work should be accelerated. With less than five months of the negotiating period remaining there was not yet agreement on the modalities needed to meet the Ministerial mandate of substantial and progressive reductions in support and protection and the correction and prevention of trade distortions.

6. Ministers noted the major economic restructuring efforts and trade liberalizing programmes being implemented by many countries in Latin America, Central and Eastern Europe, and the Asia/Pacific region. Restructuring must be accompanied by growth and agriculture trade reform is a key ingredient in this. Ministers called upon the industrialized countries to recognize that a successful outcome to the Uruguay Round, including major agricultural reform and trade liberalization, is critical to the continuation of this trend. Continued political support for open trade policies in these countries would be severely prejudiced if the Uruguay Round did not result in substantial trading opportunities in areas where they enjoyed comparative advantage.

7. Ministers also recognized that the shrinking of markets of interest to developing countries due to protectionist measures can cause serious damage to the environment. Low income for farmers, and limited access to markets and new technologies, can lead to inadequate use of land and over-exploitation of forestry resources with a negative impact on the environment.

8. Ministers found unacceptable the lack of recognition by some other participants in the negotiations of the need for, and urgency of, substantial progress in the negotiations. They pointed out that despite temporarily improved commodity prices in 1989, total support for agriculture in industrialized countries in that year amounted to US\$245 billion. They noted that without substantial reform in the Uruguay Round the full burden of a renewed agricultural crisis would once again fall unfairly on Cairns Group and other efficient agricultural producing countries, particularly developing countries.

9. In this connection Ministers stressed the danger of a crisis developing from the failure of others to move the agriculture negotiations forward. They urged the major industrial countries, meeting in Houston from 9-11 July, to commit themselves to an ambitious and comprehensive agricultural reform package so as to allow an acceptable framework to be agreed at the meeting of the Trade Negotiations Committee in Geneva in the week beginning 23 July. Failure to reach such an agreement by that time, given the task of negotiating the details of all elements of a trade liberalizing package over the remainder of this year, would seriously jeopardize the outcome of the Round as a whole.

10. Ministers emphasized that for this time-table to be met, Summit participants would need to ensure that the Uruguay Round, especially agriculture, was given top priority at the Houston meeting. They reiterated that the Summit countries must focus on the need for the outcome on agriculture to encompass specific commitments to substantial reductions or elimination of trade distortions in the following areas: internal support, border protection, export subsidies and sanitary and phytosanitary measures.

11. Ministers stated that a comprehensive package of agriculture reforms, encompassing specific commitments in each of the above key areas and

covering the full range of agricultural products, was a necessary condition for the successful conclusion of the Uruguay Round negotiations as a whole. Commitments should reflect the relative degrees of distortion between countries' support and protection levels.

12. Ministers stressed the need for transparent, secure and predictable commitments on agricultural reform, pointing out that this was what was being asked of Cairns countries in other areas of the Round. They stressed, furthermore, that without a concrete result on agriculture there would not be results in other areas of the Round. Ministers agreed on the importance of strengthening GATT rules and disciplines and making them operationally effective.

13. In this regard, Ministers welcomed the overall thrust of the proposal for an agriculture "profile" put forward recently by the Chairman of the Uruguay Round Agriculture Negotiating Group. In particular they welcomed the fact that his text called for specific commitments on each of the necessary reform elements, thus serving as a minimum basis for future negotiation.

14. Ministers welcomed the emphasis in the Chairman's text on market access liberalization being provided through the conversion of non-tariff measures to tariffs and the subsequent reduction of existing and converted tariff barriers. They noted in this regard that the price gap methodology was not suitable for countries whose border measures did not support domestic two-price systems. They noted also that a safeguards mechanism should allow scope for countries to handle adverse situations of import surges.

15. Cairns Group Ministers in this context also reiterated that the concept of re-balancing involving sustained or increased levels or protection and trade distortion for any product was totally unacceptable.

16. Ministers welcomed the provision for export subsidies to be submitted to disciplines which would ensure they were driven down at a faster rate than other elements of the reform package. This provision gave partial recognition to the particularly trade distorting effect that subsidized exports have on world markets. However, Cairns Ministers emphasized that they continued to regard the progressive elimination of export subsidies as a key objective of the Round.

17. Ministers considered that in a number of areas the proposed profile falls short of what is necessary to fulfil the Ministerial mandates of Punta del Este and the Mid-Term Review.

18. Ministers while welcoming the recognition given in the de Zeeuw paper to the legitimate needs of developing countries consider that in several respects it falls short of the Cairns Group proposal which, for example, calls for a clearer commitment to longer timeframes for adjustment and provides greater scope and flexibility for the use of direct and indirect government measures to encourage agricultural and rural development. Ministers agreed that special consideration should be given to rural poverty alleviation and environmental protection programmes.

19. Ministers reiterated, in the context of the war against drugs, the need for support to be given to producers in areas in some developing countries to encourage diversification away from illicit narcotic crops, as noted in the Chiang Mai Ministerial Statement. Accommodation of these matters would need to be found in the course of the negotiations.

20. Ministers were disappointed that the Chairman's text envisaged commitments on internal support reductions being confined to aggregate measures of support (AMS) and noted that this approach seemed similar to that preferred by the European Community. They contrasted this with the Cairns position that internal support reductions should be agreed upon in terms of commitments to adjust specific policies, with an AMS performing complementary rôles including that of ensuring a substantial reduction of overall support levels.

21. Ministers noted that the Chairman's text neglected the issue of product coverage. They recalled that the Cairns Group sought commitment on all agricultural products. Recognizing that uncertainty on the coverage of various market access groups was impeding effective negotiations they called for this issue to be clarified by the time of the July TNC.

22. Despite these misgivings and the improvements to the Chairman's proposal that they desired, Cairns Ministers recognized the effort he had made to provide a way forward in the limited time available. They were therefore prepared to accept his text as a minimum basis for negotiations post July, on the understanding that the four major elements earlier mentioned are jointly negotiated. In this same light, Cairns Ministers urged all other participants to accept the text as the basis for ongoing negotiations. They commended this view to the Houston Summit of industrial nations.

23. Ministers also accepted the 1 October deadlines proposed by the Chairman for the submission of necessary data and country lists to be tabled by participants so as to allow negotiations to proceed on the amount and duration of reductions in support and protection. Given the short period remaining, there must be no slippage in these deadlines and Cairns Ministers will ensure that the necessary work is done by their countries.

24. Agreement on framework for agricultural reform at the TNC meeting this month will still leave progress on agriculture well behind that achieved in other negotiating areas in the Round. This is further reason why all participants will need to make their substantive contribution to the agricultural negotiation without delay, respecting fully the letter and the spirit of their commitments under the Punta del Este and Mid-Term Review Agreements.

25. Ministers expressed their expectation that reason would prevail amongst all the major participants in the Round and that this opportunity to reform world agricultural trade and ensure that the multilateral trading system was effectively strengthened would not be lost. They particularly called on the European Community, the United States and Japan, as major

trading powers, to meet their responsibilities and to make the contributions required of them in these negotiations.

26. Ministers renewed their determination that the Round cannot and will not conclude, in whole or in part, without a substantial outcome on agriculture. They agreed that if necessary they would meet again in advance of the Brussels Trade Negotiations Committee meeting to reach a final determination on the agriculture package. In the interim, Ministers will maintain close co-ordination in order to ensure that Cairns' objectives would be achieved.

27. Ministers welcomed the participation in this meeting of the Polish Secretary of State for Foreign Economic Relations as a welcome indication of Poland's commitment to the objectives of the Cairns Group, and expressed their wish to maintain and strengthen contact with the Polish Government in the months ahead.

28. Ministers welcomed the generous offer by Brazil to host the next Ministerial Meeting of the Cairns Group.

29. Ministers concluded by thanking the Government of Chile for its initiative in calling the meeting and expressed their sincere thanks for its generous hospitality. They expressed their particular appreciation to the President of Chile for his attendance at the meeting and for the encouragement and guidance he provided.