

# WORLD TRADE ORGANIZATION

RESTRICTED

**G/AG/NG/R/6**

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## **Committee on Agriculture Special Session**

### **SUMMARY REPORT ON THE SIXTH MEETING OF THE SPECIAL SESSION HELD ON 22-23 MARCH 2001**

#### Note by the Secretariat

1. As agreed by the General Council at its meeting of 7-8 February 2000 the negotiations under Article 20 of the Agreement on Agriculture on continuing the reform process of agriculture trade were conducted in a Special Session of the Committee on Agriculture (WT/GC/M/53 paragraph 39 refers). The sixth such meeting took place on 22-23 March under the Chairmanship of Ambassador Jorge Voto-Bernales of Peru.

2. The present report provides a detailed summary of the Committee's discussions on substantive matters under the relevant agenda items and should be read in conjunction with the short factual report to the General Council on the meeting as a whole by the Chairman (G/AG/NG/6, copy attached). Unless otherwise stated, all references to documents refer to the G/AG/NG/- series.

3. The agenda as contained in WTO/AIR/1502 was adopted.

#### **NEGOTIATING PROPOSALS**

**(a) India: Proposals by India in the areas of: (i) Food Security, (ii) Market Access, (iii) Domestic Support, and (iv) Export Competition (NG/W/102)**

4. The discussion of India's proposal had started during the Fifth Special Session (NG/R/5) and had been suspended due to time constraints. The discussion continued in the Sixth Special Session as follows.

5. Australia appreciated the broad approach to reform in India's proposal and noted that, while it focused on the special needs of developing countries, it highlighted the importance of trade in agricultural products for these countries. India's proposal outlined the frustration many developing countries felt with the failure of the Uruguay Round reforms to lead to increased market access for their exports and noted that this was linked to high levels of support and protection in some developed countries. Australia noted a number of similarities to the Cairns Group's positions. In particular, the clear distinction between the multifunctional concerns of Europe and Japan and the legitimate non-trade concerns of countries such as India. Australia sympathized with the reasons for linking further reform in developing countries to the continued distortions to trade caused by some developed countries high levels of subsidies for production and export. However, the majority of those employed in agriculture in developing countries were also consumers and high tariffs and other import restrictions would harm efforts to make food more accessible and affordable. International reform in agriculture offered developing countries the strongest prospects for improving the prosperity of rural societies and reducing the threat of hunger and malnutrition. Already developing countries were increasingly trading with each other with roughly half their exports going to other developing countries. Therefore, dismantling trade barriers would contribute to food security and economic development in the developing world.

6. On behalf of Cuba, Honduras and the Dominican Republic the representative of Honduras (NG/W/163), noted that India's proposal took into account many of the elements of "Development Box" (see proposal NG/W/13). Tariff reductions in developing countries had to be linked to reduced distortions on domestic and export support in developed countries and the special safeguard should be made available to all developing countries, regardless of the way tariff levels had been decided in the Uruguay Round. The idea that developing countries be exempted from the obligation to offer minimum access commitments was also supported. On tariff quota administration, the thrust of India's proposal regarding preferential tariff allocation to developing countries with a per capita income lower than US\$1,000 was appreciated but it was felt that the suggested threshold was not appropriate. Instead, it would be better to use an internationally accepted category such as the medium-low income level used by the World Bank. They also supported the general thrust of India's proposal on domestic support and export subsidies, in particular the proposals related to the initial down-payments during the year of 2001.

7. The Czech Republic noted the importance of developing country concerns. The negotiations should result in appropriate measures for special and differential treatment in order to ensure development objectives were realized. He also stated that all Members should be able to benefit from the reform process and this included countries which had recently undergone, or were still in the process of, transition to market economies.

8. In Korea's view, the difficulties faced by developing countries, and the special characteristics of agriculture, were appropriately described in the Indian proposal. Korea shared a number of the suggestions in the proposal, such as the need to take into account the impact of inflation on domestic support reduction commitments. The representative of Korea hoped that the realities facing net food-importing developing countries and food exporting developing countries would be considered simultaneously in the future process.

9. Canada stated that the existing distortions in world agricultural trade had been caused by the trade-distorting policies of some developed countries and these policies had to be reformed in order to reduce distortions and improve market access. However, reforms in developed countries should not be offset by increased protectionism and other forms of trade distortion in developing countries. While Canada supported the complete elimination of export subsidies it noted that some of India's ideas on special and differential treatment could lead to increases in export subsidies. Canada was also concerned by the suggestion that some policies could be exempted from reduction commitments, such as those aimed at the promotion of poverty alleviation, rural development, rural employment and diversification of agriculture. The focus of reform had to be on measures taken by governments to address issues and exemptions from commitments were not justified because of particular policy objectives. On market access, Canada pointed out that one of the most important objectives of the reform programme was to expand market access opportunities for all products in all markets and noted that developing countries were increasingly becoming important export markets for other developing countries. Failing to address market access barriers in developing countries would disadvantage other developing countries and would prevent them from achieving their objectives for food security, growth and prosperity. Nevertheless, Canada recognized the need for special and differential treatment to help adjust for open trade.

10. Japan stated that food security was a priority for all countries. The diverse economic, developmental and agricultural conditions in different developing countries meant it was important to focus on those countries that faced serious difficulties in ensuring food security instead of giving uniform flexibility to all developing countries. The establishment of trade rules had to recognize the co-existence of various types of agriculture and a simple division between developed and developing countries would not achieve this recognition. A substantial market access improvement in a uniform manner would only benefit a few large exporting countries therefore it might be more appropriate to maintain or increase the benefits of preferential tariffs. On export competition, Japan stated that stronger disciplines were needed for all export measures, including export restrictions and taxes, in

order to address the imbalance between the rights and obligations of food importing and exporting countries and to maintain food security of food importing countries.

11. CARICOM stated that it was a group of net food-importing developing countries that held broadly similar concerns in respect of food security to those put forward by India. On domestic support and export subsidies CARICOM supported many elements of India's proposals. However, it noted that the proposal did not refer to issues concerning special and differential treatment for developing countries, particularly small developing economies, and their need for flexibility in the negotiations. Appropriate mechanisms for export expansion, domestic market stability, continued access to food supplies were all important aspects and concerns for developing countries, particularly so for small developing economies. Furthermore, the proposal did not cover those smaller economies that currently relied on preferential trading arrangements. Yet CARICOM, among others, had proposed that these issues be taken into account in the reform process.

12. The representative of Turkey (NG/W/172) noted that there were many common points between Turkey's and India's proposals in particular the strengthening special and differential treatment provisions for developing countries. The idea of a "Food Security Box" needed to be considered in the context of reinforcing special and differential treatment. Also, in light of the wide usage of the Green Box, Turkey believed that Green Box measures deserved a detailed assessment to determine their impact on trade and production, without any prejudice to Annex 2. In general, India's proposal correctly revealed the expectations of developing countries in terms of establishing fair, world-wide competition in agricultural products and achieving a balance between the developed and developing countries.

13. The representative of India (NG/W/176) appreciated the constructive observations made by delegations, in particular with respect to their recognition of concerns related to food security and the need for flexibility. He stated that the Agreement on Agriculture originated from the problems associated with agricultural surpluses in a few developed countries but it was food deficits that most concerned developing countries. India reiterated the importance of food self-sufficiency for countries with large agrarian populations such as India. While much had been said about export subsidies and domestic support, there were other, finer elements of inequity in the Agreement. Under Article 7.2, only the major agricultural subsidizers had the flexibility of targeting high domestic support to their sensitive products, but he claimed that Members without commitments had to stay below *de minimis* limits for each product. The credibility of the reform process would hinge on how far the developed countries would be able to reduce such imbalances and inequities rather than seeking reciprocity from developing countries. On the link between market access and domestic support, India stressed that to view market access in isolation was not acceptable as it was often a function of domestic support and export competition policies pursued by other countries. It was not possible to protect farmers in India from unfair competition until it was known, clearly, what commitments were to be made by countries with high levels of subsidies. India was of the view that there was enough commonality between Members to allow progress towards a level playing field in the international agricultural trade regime.

**(b) Mali: Malian Proposals on the Future Negotiations on Agriculture (NG/W/99)**

14. The representative of Mali noted the importance of creating the right conditions for sustainable growth and poverty reduction. Agriculture was very important to Mali's economy, in terms of its share of GDP, employment and exports, and it had considerable potential for expansion if access to export markets could be improved. Mali had identified four sectors with economic potential and its proposal provided concrete ways in which this potential could be realized. It proposed duty-free admission of fruits and vegetables, livestock and meat products, hides and leather, rice and of cotton originating from least-developed countries along with the elimination of export subsidies for fruits, vegetables and rice, which were leading export items for many West African countries. He pointed out that Mali had the potential to supply the whole West African region with rice and therefore it wanted export subsidies for rice abolished over the period 2001-2010 and, at the same

time, to implement a production support programme to reduce import costs in order to encourage regional integration. At present the cotton sector was going through a crisis in the sub-region and, therefore, Mali wanted a substantial reduction of domestic supports in developed countries for cotton. Mali also proposed the maintenance of the right of state trading enterprises in least-developed countries to operate on the international market.

15. On behalf of MERCOSUR, Chile and Bolivia the representative of Paraguay, along with Japan, New Zealand and Australia, stated that they understood Mali's economic policy objective to alleviate poverty through trade and investment policies which promoted and increased the supply of goods and services for exports as well as for the domestic market. The representative of Paraguay supported Mali's call for financial support from the international community for development of the four agriculture sectors with economic potential provided other developing countries were not prejudiced as a result.

16. Mexico supported Mali's proposal for the abolition of export subsidies in the fruit and vegetables sector and noted that the abolition had been part of several other Members' proposals. New Zealand, Australia, Colombia and South Africa added that the elimination and prohibition of all forms of such trade-distorting policies should be one of the main objectives of the current agricultural negotiations.

17. New Zealand stated that in order to properly address domestic support issues commitments had to be on a product-specific basis and it noted that Mali's submission included such a proposal for cotton. Concerning market access, New Zealand had also announced that it would provide free access to all products originating from least-developed countries as of July 2001 and encouraged other Members to take similar steps.

18. Australia (NG/W/166) noted that Mali and other current and potential rice exporters would benefit from a significant reduction in market access barriers and domestic and export subsidies applied to rice. Australia also felt that Mali's approach was more consistent with the overall goals of the WTO than some other proposals, including some that sought to deepen discriminatory preferential arrangements.

19. South Africa (NG/W/168) supported Mali's proposal and noted in particular that it proposed substantially reductions in domestic support, elimination of export subsidies and improved market access. Along with Senegal and the Democratic Republic of Congo, South Africa stated that the negotiations could only be successful if the objectives set out in Article 20 were addressed allowing agriculture to fulfil its role in creating wealth in developing countries, a role which was currently obstructed by trade distortions caused by some wealthy countries.

20. Senegal added that it supported the position of other developing countries concerning the need to maintain existing preferential arrangements in favour of developing countries. Senegal also noted that despite considerable tariff reductions and duty-free access granted to products from developing countries there were still considerable non-tariff barriers in place, in particular, those linked to technical barriers to trade, sanitary and phytosanitary measures and rules of origin which would have to be readjusted in favour of developing countries in order to allow effective access.

21. The United States also supported Mali's proposal for special treatment on market-access commitments from developed and some developing countries for the least-developed countries. Along with Canada, the United States also stated that their proposals on sectoral initiatives were similar to the approach in Mali's proposal. Canada added that a comprehensive approach would also ensure that the products and sectors that Mali had identified would be addressed in the reform package. It pointed out that under Canada's existing market-access arrangements virtually all agricultural products from least-developed countries could now obtain duty-free treatment in the Canadian market in parallel with more relaxed rules of origin.

22. The representative of Japan stated that Members should take into consideration the specific situation of each developing country and establish agricultural trade rules that would allow the co-existence of various types of agriculture. He pointed out that Japan had announced last year that it would implement tariff- and quota-free treatment for essentially all products originating in least-developed countries. In addition, Japan's negotiating proposal proposed a wide range of flexibility to commitments by developing countries on market access, domestic support and export disciplines with a view to enhance their food security and contribute to the economic development of least-developed countries and their integration to the global economy.

23. The EC noted that through its "Everything But Arms" initiative, the Communities had already complied with part of Mali's proposal as the initiative included the commodities referred to in the proposal. Concerning export subsidies, it pointed out that the EC had stated that it was prepared to negotiate reductions in export subsidies provided other means of supporting exports were similarly disciplined. Finally, on domestic support for cotton, the Community did provide Amber Box support to that product although it was only a minor producer and that the issue was on the agenda for further discussions.

24. Switzerland noted that existing preferences already provided advantages and market access to developing countries and that there had been recent initiatives by a number of Members for tariff- and quota-free access and Switzerland hoped it would soon be in a position to announce a similar initiative. He also stated that progressive liberalization of agriculture which took account of measures concerning non-trade concerns would allow the negotiations to move ahead in a way that could address the specific needs of countries such as Mali.

25. The representative of Mali welcomed the statements by some Members concerning duty-free access for products from least-developed countries and suggested other industrialized countries could also take concrete measures to speed up duty free admission of products from the least-developed countries.

**(c) Norway: WTO Agriculture Negotiations (NG/W/101)**

26. In presenting its proposal, Norway pointed out that while Article 20 represented an obligation to continue the reform process, it should not necessarily be finalised by reaching the long-term objective in the ongoing negotiations (NG/W/182). In addition, under Article 20 the negotiations had to take into account a number of factors including non-trade concerns. Most of these concerns were unique to agriculture and had characteristics of public goods that could justify government intervention. Furthermore, these public goods could only be provided jointly with agricultural production. Agriculture's special and multifunctional characteristics should be recognized and they warranted continued special treatment of the agricultural sector within the multilateral trading system and Members should have flexibility in national policy design to maintain domestic production as this was necessary to address domestic non-trade concerns. For countries, such as Norway, which did not have a comparative advantage in agriculture, it was necessary to have the right to use a combination of policy measures that included the use of production-related measures. Certain measures, such as export competition measures, might not be necessary in the long term, provided non-trade concerns could be safeguarded. Norway also outlined the concrete proposals contained in its submission.

27. The EC noted that it had similar interests as Norway, in particular in the area of non-trade concerns and agreed with many elements of the proposal, especially those concerning export subsidies. However, the EC had some reservations concerning the proposal that different commitments should be applied to different types of domestic support. They pointed out that support was likely to become increasingly non-product specific and markets more open and interrelated making it difficult to distinguish between support for products for domestic consumption and support for products for export. The EC agreed with Norway that the Peace Clause should be maintained since it was the logical corollary of the specific nature of the Agreement on Agriculture. The Peace

Clause defined the conditions under which specific support measures were to be granted, and therefore contributed to the enforcement of the agreed reduction commitments.

28. Japan stated that it supported the principle of co-existence of various types of agriculture that was put forward in the proposal. It also agreed that the unique characteristics and functions of agriculture had to be taken into account in the negotiations. Japan supported many other elements in the proposal including the need for flexibility in setting tariffs on individual products, that the Blue Box should be maintained, that disciplines on export competition measures should be strengthened and that special and differential treatment provisions should be a complement to, and not a substitution of, general rules. Japan and Korea noted the proposal that AMS commitments should be different for products for domestic consumption compared to products for export. Japan stated that this proposal deserved further examination, and Korea that this would address correct imbalances between Members without generating negative trade effects.

29. On behalf of CARICOM the representative of Barbados welcomed the proposal by Norway as a meaningful contribution to the negotiating process, including its respect for the difficult circumstances of developing countries and small developing countries. CARICOM identified with Norway on the importance of non-trade concerns, although they might differ on the manner in which they wished to see these addressed in the Agreement. CARICOM supported the proposals that in considering further tariff reductions, special attention should be accorded to exports of particular interest to developing countries, and transparency in the administration of tariff quotas and stated that Members should also consider ways to make preferential arrangements stable and predictable. While CARICOM believed that the special safeguard should be used only by developing countries, they agreed that there should be stricter disciplines on all forms of export competition and welcomed the focus on special and differential treatment.

30. A number of countries with economies in transition to market orientation noted that Norway's proposal recognized the unique challenges facing their agricultural sectors. These included Estonia, Latvia, Lithuania, Slovenia, Hungary, the Czech Republic and Croatia.

31. On behalf of Estonia, Latvia, Lithuania and Slovenia the representative of Latvia (NG/W/144) supported Norway's proposals and referred to the market access proposal (NG/W/57) made by a number of countries with economies in transition to market orientation. That proposal had suggested that the special safeguard clause should be extended to economies in transition for a limited number of products during the reform process as this would help address the unique and temporary situation in their agricultural sectors. While these Members could resort to provisions of the Agreement on Safeguards, such measures were significantly more trade disruptive and longer lasting. Moreover, without access to the special safeguard they had an incentive to maintain a higher level of applied tariffs in order to reduce the effects of unforeseen fluctuations of import prices or volumes. The special safeguard, on the other hand, was transparent, predictable and was less of an obstacle to trade than other measures.

32. Slovenia (NG/W/145) added that it supported the idea that due consideration had to be given to the different types of agricultural economies and different policy objectives in Member countries, including with regard to non-trade concerns. In the view of Slovenia, non-trade concerns could only be addressed through an appropriate combination of policy measures. On market access, Slovenia supported the proposal for flexibility in allowing selective reduction commitments, which was of particular importance for small net-importers such as Slovenia with a narrow product range. Slovenia also agreed with Norway on the necessity to maintain the Blue and Green Boxes.

33. Hungary stated that recognizing the unique challenges of the economies in transition and the need to address them via negotiated commitments was necessary to ensure rapid and substantial progress in the negotiations. Hungary agreed with the position that a sufficient degree of policy flexibility was necessary since policy objectives and agricultural conditions varied considerably

among Members. It also supported a number of specific proposals, including continuation of the special safeguard, preservation of the non-product-specific nature of the AMS commitments, annual inflation-adjustment of domestic support commitments, a comprehensive approach to export competition and extension of the Peace Clause.

34. The Czech Republic (NG/W/156) stated that it supported a number of the suggestions in Norway's proposal, in particular the need to strike a balance between trade and non-trade concerns. The Czech Republic believed that if the principles regarding non-trade concerns could be clarified, Members would be more willing to consider limited tariff reductions on key agricultural products and further increases in minimum access. The Czech Republic was interested in studying the practical implications of the proposal to divide the AMS into two categories. It supported the position that domestic support commitments should be subject to annual inflation adjustment and agreed that all forms of export competition should receive the same treatment.

35. Croatia expressed support for the proposal, including its emphasis on non-trade concerns. In the view of Croatia, the principle of ensuring the co-existence of various types of agriculture was important and it should be ensured that the functions of agriculture which a Member considered vital were preserved. Croatia also endorsed the statement made by Latvia on behalf of Estonia, Lithuania and Slovenia concerning the special safeguard.

36. While welcoming Norway's proposal, a number of Members, including ASEAN, Australia, New Zealand, Canada, Colombia, Costa Rica, Mercosur, Bolivia, Chile, South Africa, India, the United States and Guatemala expressed concerns regarding Norway's position on certain elements of proposal.

37. ASEAN welcomed the proposal by Norway and its commitment to substantial progressive reductions in support and protection (NG/W/180). It also thanked Norway for the elements relating to treatment of developing countries. However, ASEAN had serious concerns regarding some of the proposals, including on non-trade concerns and multifunctionality, export competition, limited tariff reductions on key agricultural products, the division of AMS commitments into two categories, the preservation of the Blue Box and the extension of the Peace Clause.

38. Australia stated that it was disappointed with Norway's proposal (NG/W/166). Australia understood that Norway faced particular pressures domestically and that it could not be expected to be at the forefront of agricultural trade reform but it appeared to have based its proposal on the idea that, because it was not a competitive agricultural producer, the multilateral rules on agricultural trade should be ineffective. The proposal effectively suggested that any country could exempt itself from reform on the ground that its agricultural sector was different. Under this approach, wealthy countries could continue to provide support and protection to their farmers while poorer countries lost out. Australia did not accept that there was no other way for Norway to address its non-trade concerns except by subsidizing agricultural production. While many non-trade concerns were legitimate, Members should examine ways to achieve these objectives that were effective and minimized distortions to production and trade. Australia stated that Norway had not done this and it had failed to provide an objective assessment of the range of policy options available in relation to any specific non-trade concerns that Norway might have.

39. New Zealand stated that Members had the right to address non-trade concerns in agriculture and that these concerns had to be taken into account in these negotiations, but that appropriate measures should take the form of transparent and targeted Green Box measures. New Zealand was not convinced that current production patterns and levels needed to be maintained in order to address non-trade concerns, nor that non-trade concerns were as closely linked to agricultural production as set out in Norway's proposal. Non-trade concerns could not be used as an excuse to offset differences in production conditions and costs that existed between countries since comparative advantage, including climatic advantages, was what trade was all about. As in Norway, rural development was

important in New Zealand but New Zealand pursued this objective in a non trade-distorting way despite an international market distorted by measures such as those used by Norway. New Zealand did welcome Norway's proposals on export competition but its views differed on a number of other subjects, including the proposal for the different categories of AMS commitments for products for the domestic and export markets, which did not take into account that increased domestic production reduced demand for imports and could have the same price-reducing effect on the world market as subsidized exports.

40. Canada stated that it was willing to study concrete, targeted, transparent and non trade-distorting measures to address non-trade concerns in the continuation of the reform process but that it could not accept that non-trade concerns or the special characteristics of agricultural production were an excuse to maintain trade-distorting support and protection. It supported New Zealand's statement concerning the link between non-trade goals and agricultural production. Furthermore, Canada could not support the idea that support provided to products marketed domestically should be subject to less stringent reduction commitments than support provided to products destined for export markets. Canada wanted substantial reduction or elimination of all types of production and trade-distorting domestic support. With respect to the issues of concern for developing countries, a wide range of developing countries had made the point that the most important contribution that could be made to enable them to use trade as a means of development was substantial reform, elimination of export subsidies and other trade-distorting domestic support and opening markets. It was unfortunate that Norway's proposal would make only a small contribution towards the meaningful reform sought by developing countries.

41. Colombia stated that it could not accept that the reform process should be dependent on the concept of multifunctionality in a few wealthy countries (NG/W/161). It noted that the proposal for limited tariff reductions for key products showed Norway's lack of interest in advancing the reform process. The special safeguard which had only served to increase the level of protection in developed countries should be made available exclusively to developing countries. The proposals on domestic support came as a surprise for Colombia since it seemed that Norway intended to reverse the reforms started in the Uruguay Round. On the proposal to have different AMS commitments depending on the destination of the product, Colombia felt that this would result in a lack of transparency and could hurt trade in products of interest to developing countries. Colombia endorsed the proposal for stricter disciplines on export competition measures. Finally, Colombia did not support the extension of the Peace Clause.

42. Costa Rica stated that the proposal was based on the idea that, because Norway's agricultural sector was not competitive it should be excluded from multilateral disciplines. However, Members were not equally competitive in all sectors and yet they did not claim entire sectors should be excluded from multilateral disciplines. On the contrary, Costa Rica considered it fair that trade in agricultural products be finally subject to the same rules as industrial products. In the area of export competition, the proposal fell short of expectations by making stricter disciplines conditional on safeguarding non-trade concerns. Costa Rica did not interpret Article 20 in the sense that there were conditions for addressing any particular issue. Costa Rica did not support maintenance of the Blue Box and extension of the Peace Clause, and felt that Norway was using the concerns of developing countries to protect its own interests. The best help that Norway could offer to developing countries was a fundamental reform of the international trade in agricultural products which would allow developing countries to export products in which they were competitive.

43. On behalf of Mercosur, Bolivia and Chile the representative of Paraguay, stated that these countries did not agree that the reform process should not end in these negotiations. These negotiations should lead to the full integration of agriculture into the multilateral trading system although reasonable timeframe for transition could be considered. Areas other than agriculture also had non-trade concerns yet they were not given special treatment in trade rules, furthermore, if the specific situation of each country had to be taken into account then the negotiations would result in a



trading system tailor-made for each country. This would mean the end of the multilateral system based on the principles of equality, non-discrimination, national treatment and MFN treatment. On domestic support, the proposed division of the AMS into two parts was impossible to make. It was felt that there were some contradictions in the proposal. Some examples included the proposal to increase protection and safeguard domestic production while offering better market access opportunities for developing countries and the establishment of an agricultural system *sui generis* for each country while ensuring that the general rules were defined in such a way as to take into account the long-term interests of all Members. Although Norway's policy objectives might be legitimate what mattered was the measures to achieve these objectives. It was stated that the solutions to Norway's concerns could probably be found under domestic support and this could be discussed but it was hoped that Norway would reconsider its position in light of these and other arguments.

44. South Africa (NG/W/168) was concerned that the proposal fell short of making a genuine contribution towards substantial progressive reductions in protection and support (NG/W/168) and that to protect and preserve seemed to be the major objective of Norway's proposal. The proposals concerning market access would lead to the protection of products in which developing countries had a comparative advantage. On domestic support, South Africa failed to see how the needs of developing countries would be addressed if Members could decide freely for which products further reforms might be appropriate. South Africa agreed with Norway that the subsidy element of all export competition measures should be treated equally and urged Norway to join the call for the elimination of export subsidies.

45. India noted that the proposal recognized the challenges facing developing countries and the need for adequate flexibility in their policy design to foster domestic agricultural production (NG/W/176). Norway had made an attractive proposal that the AMS should be divided into two categories and India looked forward to working with Norway on the methods of operationalizing this concept. India also appreciated Norway's proposal on disciplining export competition measures. On the other hand, Norway's proposals contained some strategies for maintaining trade-distorting high domestic support within agricultural sectors. For instance, the proposed flexibility for pursuing its domestic support policies, including continuation of Blue Box and the Peace Clause, were indicative of the desire to continue and perpetuate the trade distortions which existed in the global agricultural trade. These distortions caused more problems for developing countries than could be compensated through special and differential treatment packages.

46. United States noted with interest Norway's contention that the size of the reductions in support and protection should be determined by past experience. According to statements made in the Special Sessions, some countries believed that the Agreement on Agriculture had disciplined and, in some cases reduced, trade-distorting support and protection but other countries had stated that the Agreement had not resulted in effective market access, had increased inequities between countries, had not benefited developing countries, had not taken appropriate account of non-trade concerns or the special characteristics of agriculture, had not improved food security and had not moved in the direction of a fair and more market-oriented agricultural trading system. Some countries had even stated that protection and support had increased under the Agreement. It was not readily apparent how Norway's proposal would address these concerns. The United States were concerned with what appeared to be Norway's attempt to justify trade-distorting measures in order to address non-trade concerns. This reasoning could frustrate the hopes of most Members that wanted a market-oriented trading system. The United States was concerned with Norway's proposed special treatment for certain key agricultural products because inevitably one country's key agricultural product was another country's best opportunity to export. The United States called on Norway to agree to the proposition that other countries should not be negatively affected by measures used to address non-trade concerns. The question of how to address these concerns was where Members needed to focus. This was the area where Members needed to think outside the lines of traditional border measures and production subsidies, recalling the basic obligation to reduce distortions to trade and increase the market orientation of international agriculture.

47. Guatemala considered the optimal use of world resources could not be achieved if the developed countries were privileged in the use of trade-distorting measures. Guatemala wanted to benefit from its comparative advantage in agriculture but would be unable to do so under Norway's proposal.

48. Sri Lanka (NG/W/159) broadly shared the view that Members, notably the developing countries, should have sufficient policy flexibility to encourage domestic production and address non-trade concerns. While Sri Lanka recognized that certain countries, such as Norway, were facing adverse conditions in agriculture it was evident that developing countries were at a disadvantage vis-à-vis developed countries in overcoming such difficulties. Sri Lanka welcomed the proposal that Members should be allowed to make only limited MFN tariff reductions on their key agricultural products but this flexibility should be based on objective criteria, taking into account the different measures already used by country concerned. Sri Lanka also supported that tariff quota administration should be equitable with preferential allocations for developing countries and that the special safeguard should be made available to all developing countries. Sri Lanka felt that to divide the AMS would be advantageous for developing countries which were trying to differentiate between the trade-distorting support for export purposes and non trade-distorting support often provided for enhancing domestic production. This was also in line with the situation in the goods sector.

49. Turkey (NG/W/172) stated that the negotiations were an opportunity to discuss and analyze non-trade concerns in depth, with the aim of identifying elements and instruments to address them and Norway's proposal contributed to this process. However, non-trade concerns should not impede the reform process and commitments of Members in this respect. The reform process should end with the elimination of all trade-distorting measures. Norway, by proposing to divide domestic support measures into two categories depending on the final market, did not take into account that the domestic market of one Member was the export market of another. In addition, such division would be difficult to monitor. Norway's concerns regarding inflation adjustment of domestic support commitments and the needs of developing countries in the area of domestic support were shared by Turkey.

50. Norway thanked delegations which had expressed support for Norway's position that non-trade concerns must be taken into account in these negotiations. Norway noted that some Members had stated that they did not accept the idea that agricultural production and certain non-trade objectives were jointly produced, as had been recognized by the OECD. Norway did not accept the statement by the representative of Paraguay that Norway's proposal would lead to increased protection and stated that it was committed to negotiating reduction of support and protection by all Members.

**(d) Poland: WTO Negotiations for Continuation of the Reform Process in the Agricultural Sector (NG/W/103)**

51. The representative of Poland introduced the proposal stating that Poland took the perspective of a net food-importing country with a large agricultural sector and an economy experiencing a difficult transformation period. Poland believed that the continuation of the reform process could have an adverse impact on the ability of certain countries to pursue important economic and social goals. The aim of the negotiations should be to develop a framework in which non-trade concerns as well as the diversity of agricultural systems would be recognized and preserved. Several elements contained in the proposal were highlighted by Poland, including the importance of reaching a common understanding on the experience of implementation and the need to address all forms of export supports. He also stated that agriculture in Poland was facing a difficult period with declining profitability and abandonment of farms which meant farm households needed assistance, notably through the introduction of Blue Box measures. The proposal also suggested ways to improve overall market access and the functioning of tariff quotas for the benefit of least-developed countries, net food-importing developing countries and countries with transition economies. In making the proposal

he also stated that special safeguard needed to be preserved in order to reduce disruptions in domestic markets.

52. A number of countries agreed with many of the suggestions in the proposal by Poland including that all forms of export supports had to be taken into account in the negotiations. These countries included the Czech Republic, Norway, Switzerland, the EC, Japan and Korea.

53. The Czech Republic (NG/W/156) also noted that it could agree with many of the proposals including continuation of the analysis of the implementation experience and the suggestions concerning flexibility with respect to domestic support, the preservation of the special safeguard, and the emphasis on non-trade concerns.

54. Norway (NG/W/182) stated that it agreed with Poland that all elements of Article 20 had to be taken into account and that Members needed to learn from the implementation experience. It also supported the proposals to maintain the Blue Box and that further flexibility as regards further AMS commitments should be considered. Norway pointed out that it, too, had proposed preferential allocation of tariff quotas and reiterated that the administration of tariff quotas should be transparent, equitable and not put developing countries at a disadvantage, although it noted that tariff quotas represented export opportunities, not export guarantees. Whether these access opportunities translated into increased exports depended on a number of factors including market conditions, consumer preferences and supply side constraints. Special and differential treatment was an essential element of the negotiations the aim of which should be to enable all Members to preserve the multifunctional role of agriculture.

55. Switzerland recognized the special situation of countries in transition and was prepared to consider ways in which they could be granted more flexibility. Supporting the view that agriculture was different from one country to the other, Switzerland stated that several aspects of the proposal could be further elaborated at a later stage in the negotiations.

56. The EC also agreed that further progress on reform required all elements of Article 20 to be taken into account on an equal basis. It expressed an interest in the proposal that those forms of export subsidies which had not been adequately disciplined should be subject to an initial reduction similar to that applied to subsidies under Article 9.1 of the Agreement on Agriculture. The EC agreed that further AMS reductions should be based on bound levels and that the Blue and Green Boxes should be maintained. Furthermore, domestic support disciplines should enable Members to implement farm policies which reflected their specific situation and needs although such measures should be transparent, targeted and the least trade distorting possible and they should not be applied in a protectionist manner. On market access the Communities had also proposed an instrument similar to the special safeguard, and for clearer rules and disciplines on tariff quota administration. The EC welcomed Poland's intention to introduce appropriate measures in favour of developing countries while recognizing that this entailed a particular effort for Poland. The EC hoped that such initiative would serve as a good example for other countries to follow, particularly the wealthiest among the developing countries.

57. Japan stated that the Polish proposal was similar, in many aspects, to its own and that it hoped this would contribute towards rules that would enable the co-existence of various types of agriculture and securing each Member's vital non-trade concerns. Japan also expressed support for the proposal to undertake a detailed analysis of the current situation in agricultural trade, as well as an examination of the difficulties encountered by each Member in implementing the results of the Uruguay Round. Like Poland, Japan stated that Article 20 was the basis for the negotiations. Japan also appreciated Poland's emphasis on the need to address developing countries' concerns.

58. Korea supported many elements of Poland's proposal which, it said, would contribute to the adoption of a balanced approach in the negotiations. In particular, Korea supported the idea of

flexibility regarding the scope and pace of further AMS reductions, possible instruments to mitigate the effects of declining profitability in the farming sector, the maintenance of the special safeguard, the use again of the Uruguay Round tariff reduction formula and the proposal on non-trade concerns.

59. A number of countries, including India, Colombia, Mercosur, Bolivia, Chile, New Zealand, Australia, ASEAN and the United States noted a number of the proposals made by Poland but stated that it would not achieve the overall objective of substantial progressive reductions in support and protection.

60. India stated that Poland's arguments appeared to be similar to those advanced by the EC and that these arguments were essentially protectionist. It pointed out that Poland had used the concept of multifunctionality to support its proposal for flexibility in domestic support and market access. While India understood the concerns of economies in transition, it could not support this position. India also noted that while the proposal called for improving the administration of tariff quotas it did not cover their expansion or abolition. Overall it appeared that the market access proposals were effectively about maintaining the status quo rather than continuing reform.

61. Colombia (NG/W/161) agreed that export subsidy reduction commitments were an important achievement of the Uruguay Round but the objective in the negotiations should be their elimination. Furthermore, additional disciplines were needed to ensure that domestic supports were not trade distorting and therefore, Colombia wanted the Blue Box abolished and a more significant reduction in trade-distorting domestic support than could be achieved by repeating the Uruguay Round formula. Market access opportunities had to be opened for products of export interest to developing countries and tariff quotas had to be expanded. However, improved market access was linked to eliminating trade-distorting subsidies which meant progress in both areas was needed. While non-trade concerns could be accommodated it was essential that the measures used to address them were non trade-distorting, although developing countries needed greater flexibility in all the areas under negotiation in order to be able to address rural employment and food security issues.

62. On behalf of MERCOSUR, Bolivia and Chile the representative of Paraguay pointed out that Article 20 listed a number of factors that had to be taken into account while negotiating the objective of substantial progressive reductions in support and protection. Achieving this objective meant reducing subsidies and improving market access as soon as possible. While supporting Poland's proposal that all forms of export supports should be disciplined, he stated that they should be eliminated and not merely reduced. Reducing support and protection meant that the special safeguard and the Blue Box should be eliminated and he pointed out that the current rules already gave sufficient flexibility to policy makers to develop appropriate instruments to address non-trade concerns in ways that did not distort trade. In order to address the objectives of Article 20 the proposals on market access, should have included substantial tariff reductions, including the elimination of tariff escalation and tariff peaks.

63. New Zealand considered that once substantial cuts had been applied to all tariffs, tariff quotas had been expanded and stricter disciplines on tariff quota administration had been established, Poland's proposal to cut tariffs on unused portions of minimum access quotas would be worth examining, if necessary. New Zealand agreed that all forms of export competition should be examined but stated that all forms should be eliminated and not simply reduced. Poland's opening offer to cut domestic support by 20 per cent was welcomed but deeper cuts would be necessary for all forms of trade-distorting domestic support on a product-specific basis. While non-trade concerns could be addressed it should be done with measures that were non trade distorting.

64. Australia (NG/W/166) agreed that better disciplines on-export subsidies were needed but pointed out that the Cairns Group proposal on export competition was more ambitious, calling for the elimination and prohibition of all forms of export subsidies. Although the proposal to further reduce AMS levels was appreciated Australia was opposed to the retention of the Blue Box which

perpetuated both production and trade-distorting instruments. Poland's commitment to undertake negotiations to improve access under tariff quotas and the call for further reductions of final bound tariffs was welcomed. Australia opposed the maintenance of Article 5 for developed countries although it believed that the special safeguard could be preserved for developing countries to assist them with agricultural reform and to counter the impact of subsidized competition. Australia reiterated that non-trade concerns could be pursued with measures that were non trade- and production-distorting. Poland's views on LDCs and developing countries were welcomed. In the view of Australia, the best way to improve market access was through reduced support and protection in developed countries.

65. On behalf of ASEAN, the representative of Malaysia (NG/W/180) stated that the proposal would not deliver effective reform in agricultural trade. While the negotiations should take non-trade concerns into account they also had to achieve the objective of achieving a fair and market oriented agricultural trading system and some of the proposals, such as maintaining the Blue Box, were inconsistent with that objective. ASEAN agreed that all forms of subsidized export competition should be discussed but urgent attention was needed to address them. The current disciplines were skewed in favour of those countries which were largely responsible for causing distortions and these countries should not be allocated minimum access opportunities, especially into the markets of non trade-distorting producing countries. ASEAN noted that least-developed countries and net food-importing developing countries were unable to develop their production potential due to the trade-distorting measures used by other countries and unless these measures were removed they would be unable to avail of Poland's proposal on market access for least-developed and net food-importing developing countries.

66. The United States noted that the proposal stated that the results of the Uruguay Round had led to imbalances in agricultural trade but pointed out that this was inconsistent with the proposal to repeat the Uruguay Round formulas for reducing support and protection. The Blue Box and the special safeguard were transitional measures that allowed Members to adapt to the reform process and address conditions that existed at the time when the Agreement on Agriculture was negotiated. As Members had now gained experience with the reform process, such transitional measures should be eliminated. While recognizing that agricultural systems were diverse among Members, the United States reiterated that non-trade concerns should be addressed in ways that had no, or at most a minimal, trade-distorting effect.

67. Poland thanked delegations for their comments and stated that it was prepared to discuss the specific elements of its proposal as the negotiations progressed.

**(e) Argentina, Brazil, Paraguay and Uruguay (MERCOSUR), Bolivia, Chile and Colombia: State Trading Enterprises (NG/W/104 + Corr.1)**

68. The representative of Paraguay stated that more elaborate rules and disciplines were needed to reduce and regulate the activities of governmental and non-governmental enterprises, including marketing boards with monopoly rights on specific imports and exports in particular of processed agricultural goods. The proposal did not question the legitimacy of state trading enterprises but rather sought to limit the possibility that these enterprises could be used to evade market access and export subsidies commitments.

69. A number of Member countries welcomed the proposal, including the Czech Republic, the European Communities, Peru, the United States, Korea, Japan, Hungary and Brazil. Japan and Korea added that a careful review of the differences between exporting and importing state trading enterprises was necessary in terms of objectives and direct effects on international trade. In addition the representative of Korea pointed out that unlike exporting state trading enterprises, importing state trading enterprises were currently obliged to disclose their operation details as a part of notifications

on the administration of tariff rate quotas and hoped that these types of differences would be appropriately reflected in the relevant discussions.

70. The United States and Korea stated that they were interest in working with the countries tabling the proposal, as well as other Members with similar concerns, to develop disciplines that were needed to cover state trading enterprises. Japan noted that it had proposed the establishment of disciplines obliging countries to notify the amounts and prices of exports by exporting state trading enterprises along with the procurement price of their export in the domestic market with a view of enhancing transparency and predictability. The Japanese proposal also included rules prohibiting governmental financial assistance to exporting state trading enterprises.

71. The European Communities supported the proposal and noted that it was important to ensure that state trading enterprises were not allowed to circumvent WTO rules, particularly those on tariff and export subsidy commitments.

72. The representative of Peru stated that the activities of governmental and non-governmental enterprises and marketing boards with monopoly import and export rights distorted agricultural trade and affected rural poverty, food security, unemployment and abandonment of rural land. Therefore, Peru believed that Article 9.1 of the Agreement on Agriculture should cover topics related to state trading enterprises so that these were covered by the rules of the WTO with the aim of reducing distortions and related negative effects.

73. Hungary (NG/W/174) and Brazil supported the view that the current disciplines on state trading enterprises were inadequate and did not ensure that purchases and sales of such enterprises were solely made in accordance with commercial considerations, as required by GATT Article XVII. This was of particular concern in the context of agricultural reform, since commitments in the area of market access and export competition could easily be circumvented through the activities of such enterprises. Hence, there was a need to review the current rules on state trading enterprises in general. The review should focus on enterprises which benefited from monopoly import/export rights since they did offer the greatest potential for trade distortion while the need for such privileges seemed to be rather difficult to justify.

74. CARICOM noted that there might be clear evidence, in some cases, of the trade-distorting nature of state trading enterprises but in other instances, the existence of such an enterprises did not mean markets were being distorted. In fact, the operation of state trading enterprises in some developing countries existed largely as part of the institutional infrastructure for marketing and transportation in those countries where they were often needed to address market failures, or in some smaller economies the absence of a real market. These cases had to be considered in a different way to export state trading enterprises in developed countries where the probability of market distortion was greater. CARICOM and Mauritius also pointed out that there were circumstances, particularly among small island developing states and smaller economies, where monopolies emerged on the basis of sound economic rationale. This, too, had to be considered in discussing the strengthening of disciplines in the area of state trading enterprises. A more thorough approach was needed to distinguish between operations that were genuinely trade distorting and others that might be maintained by some developing countries. Finally stricter disciplines on state trading enterprises had to be accompanied by an examination of the operation of private corporations which often resulted in equal if not greater levels of trade distortions for developing countries agricultural markets.

75. Canada, supported by Australia (NG/W/166) and New Zealand, noted that WTO rules allowed for the establishment and the maintenance of state trading enterprises and those rules already disciplined their activities. There were many different types of state trading enterprises which played a variety of roles in agricultural markets where the degree of competition varied widely. Australia and New Zealand pointed out that it was important to consider the trade effects of state trading enterprises on a case-by-case basis and any additional disciplines should target those trade effects.

Canada further noted that no WTO Member had yet made a case showing that state trading enterprises were trade distorting on the basis of their status as state trading enterprises alone. Furthermore, the proposal failed to provide any evidence of real trade problems or distortions in world markets arising from the activities of state trading enterprises. New Zealand added that the distinctions made by some Members between import and export state trading enterprises were inappropriate and inconsistent with empirical data. Finally, Canada pointed out that if the concern was the potential for monopolistic enterprises to distort trade, any new disciplines that dealt with the perceived market powers of such enterprises would logically have to apply to all entities, public or private, with similar market power.

76. The representative of Mexico stated that any negotiations that might be held on the issue of state trading enterprises should be restricted to state trading enterprises in agriculture.

**(f) Morocco: Proposal by Morocco (NG/W/105)**

77. Morocco reaffirmed its commitment to opening agricultural markets and stated that it wanted the negotiations to result in progressive liberalization and balanced results that would enable countries to use their comparative advantages. Since the Agreement on Agriculture came into effect, Morocco had seen its agricultural trade balance deteriorate. One reason for this deterioration had been the imposition in some traditional markets of barriers to Morocco's exports of horticultural products. Morocco had tried to diversify into new export markets but faced competition from products whose export or production was subsidized. Therefore, Morocco supported any attempt to reduce tariffs substantially, to reduce and eliminate AMS levels and to phase-out export subsidies. It noted that some forms of supports currently classified in the Green Box could distort trade. Therefore, while Morocco supported the concept of the Green Box, it wanted the criteria examined to ensure only supports that complied with the criteria of no, or at most minimal, trade distortion were so classified. Non-trade concerns, such as rural development, food security, the environment and biodiversity were important to developing countries, but many developing countries did not have the resources to address such concerns. Therefore, Morocco reiterated the statement it had made in Paris in December 2000 at a conference on non-trade concerns organised by the French authorities. This statement had suggested that in order to promote solidarity between developed and developing countries the developed countries should create a fund to support multifunctionality of agriculture in developing countries and Morocco stated that a working group could be set up to examine this proposal. While calling for reductions in support and protection Morocco stated that developing countries should get the opportunity to benefit from reductions in support levels before they started reducing tariffs.

78. A number of countries stated that they agreed with many elements of the Moroccan proposal. Colombia, Thailand, the United States, Australia, New Zealand, Turkey and Canada supported the proposal that export subsidies should be eliminated. Colombia, the United States, ASEAN and Australia also stated that the exemption from reduction commitments under the Blue Box should be removed and ASEAN, Australia and New Zealand stated that AMS levels should be substantially reduced and eventually eliminated. To ensure that it covered only non, or minimally, trade-distorting supports, Colombia, ASEAN, Australia, New Zealand, Turkey and Canada agreed that there should be a review of the criteria for Green Box supports.

79. Turkey (NG/W/172) stated that it supported the view that tariff reductions would be difficult while high levels of trade-distorting subsidies and export supports continued. It also noted the similarities that existed between its proposal and that of Morocco, such as the proposal by Morocco that AMS supports should be eliminated while Turkey was proposing a reduction to *de minimis* levels and that tariffs should be in *ad valorem* form.

80. India (NG/W/176) noted that the proposal showed the specificity of agriculture in developing countries and the difficulties these countries were facing. It stated that while developing countries waited for an undistorted agricultural trading system they should have access to mechanisms to compensate them for dumping.

81. Korea stated that it supported the proposal that developing countries should have flexibility to address non-trade concerns such as food security, rural development, balanced distribution of population and bio-diversity. India supported the basic principles underlying the proposal and stated that it had a number of elements in common with India's proposal. In the long term India also wanted an undistorted trading system, but in the meantime the Moroccan proposal clearly set out why special tools were needed by developing countries to compensate for the distortions caused by other countries.

82. While the United States supported some elements of the proposal and recognized developing countries' concerns it stressed that all countries had to take part in the reform process, which meant it had reservations concerning any suspension of tariff reductions or any increase in AMS levels for any group of countries.

83. Colombia (NG/W/161) stated that a formula should be developed to remove imbalances in market access with new commitments based on bound tariffs so that those Members that had unilaterally liberalized were not punished. Multifunctionality and non trade-concerns should not be used to justify protectionism and distortion by developed countries but should be addressed in ways that did not distort trade.

84. On behalf of ASEAN (NG/W/180), the representative of Thailand stated that its agricultural sector had much in common with Morocco's as both were based on small scale farmers. ASEAN agreed that developed countries should reduce their market access barriers by more than developing countries and that developing countries should have some flexibility through a type of special safeguard to deal with import surges and unfair competition from subsidized exports. While countries should be able to address legitimate non-trade concerns they should do so in non trade-distorting ways.

85. The Czech Republic (NG/W/156) noted the proposal to simplify tariff systems but pointed out that there were practical limits to simplification. It also pointed out that, while it respected the needs of developing countries under special and differential treatment, other groups of countries also had specific needs that needed attention, such as countries with economies in transition. While the Czech Republic accepted that a review of the Green Box might be needed, it pointed out that excessively rigid criteria could undermine the purpose of the Green Box.

86. As a net food-importing country Japan appreciated the importance attached to food security in the proposal and supported the role of domestic production in achieving the optimal level of food security. Japan pointed out that its proposal had included suggestions concerning developing countries' border measures, domestic supports and export subsidies. However, any special consideration for developing countries should depend on each country's level of development and the difficulties it faced in supplying food. While Japan understood the desire for better market access it stated that this would benefit only a few large efficient producers and a new approach might be needed. Japan agreed that the use of safeguards under the Agreement on Safeguards was cumbersome and should be simplified but suggested that this should apply to developed as well as developing countries. Finally, it noted that concerns related to a multifunctional agriculture applied to both developed and developing countries and stated that Members needed to consider how developing countries with few resources could address their non-trade concerns.

87. Australia (NG/W/166) noted that the proposal corresponded in many ways to those of the Cairns Group, including reductions in tariffs, simplification of tariff forms and a special safeguard for developing countries to help them in the reform process and to counter subsidized imports. In fact, the Cairns Group proposals had gone further in recommending that the special safeguard should be available only to developing countries. Australia noted that there was a need to distinguish between the legitimate non-trade concerns of developing countries and the use of the concept of multifunctionality to avoid reform.



88. The EC stated that its proposal was in the direction of meeting Morocco's concerns. However, market access improvements could not be restricted to developed countries as further trade would contribute to economic growth in all countries. All Members should reduce tariffs from their bound levels with appropriate special and differential treatment for developing countries. It pointed out that the EC's proposal had suggested a review of the *de minimis* clause for developing countries and suggested that this might be useful to assist them in addressing their non-trade concerns. However, the EC did not accept that reductions were necessary for Green Box supports as these could be no more than minimally trade distorting. The EC could accept reductions in Amber Box supports and export subsidies but only on condition that all forms of export competition were addressed, such as export credits, state trading enterprises and the abuse of food aid. Finally the EC stated that multifunctionality was not a reason to increase support and protection but stated that it was a recognition of the special characteristics of agriculture and concerned both developed and developing countries.

89. Argentina supported the need for developed countries to eliminate their trade distorting domestic supports and export subsidies and noted the relationship between these subsidies and the possibility for developing countries to continue tariff reductions. While accepting this linkage Argentina suggested that the proposed remedies could have negative consequences for other developing countries. Not reducing subsidies or using a special safeguard type of instrument would affect non-subsidizing exporters as well as other countries. An alternative was to use countervailing duties but under the Agreement on Subsidies and Countervailing Measures but this required proof of injury and a causal link between the subsidized imports and the injury. Argentina suggested that, in view of the high levels of subsidies affecting agricultural trade, developing countries should be able to use a special mechanism allowing them to impose countervailing duties on imports of products whose production or export had been subsidized without having to prove injury or a causal link to the import.

90. New Zealand agreed that ways could be examined to give developing countries flexibility while they moved in the direction of liberalization. It also suggested that domestic support commitments could be made more effective by applying AMS reductions on a product specific basis. However, New Zealand did not see the benefit of increasing AMS limits for developing countries as many did not have the financial resources to use such flexibility.

91. Canada stated that it could support some elements of the proposal particularly reductions in tariff escalation to improve export opportunities for processed food products. While tariffs should be reduced Canada also highlighted other market access issues including the size and administration of tariff quotas and in-quota tariff rates. On domestic support Canada wanted all forms of trade-distorting subsidies reduced to *de minimis* levels in all countries. Canada was also concerned with some of the elements of the special and differential treatment proposals and stated that these should not result in a reversal of reforms. However, it was prepared to examine transitional measures to address imports of products whose production or export had been subsidized.

92. Norway (NG/W/182) supported the view that it was essential to take into account the specific nature of developing economies and could accept a number of specific proposals such as the need to consider products of interest to developing countries in making market-access commitments and the need to extend the special safeguard to developing countries. Norway could also accept stricter disciplines on export subsidies, provided other forms of export support were treated equally and non-trade concerns were met, the introduction of new special and differential treatment provisions in the Green Box and an increase in *de minimis* levels for developing countries. Non-trade concerns were particularly relevant for developing countries and they needed the flexibility to support production in order to address some of these concerns, although Norway understood that many lacked the financial ability to provide such supports. However, the proposal did not fully take account of the different production systems in different developed countries some of which produced only for their home market and faced difficult production situations where agriculture was only possible with state involvement and support.

93. Morocco noted the comments made by delegations and pointed out that, in proposing a suspension of tariff reductions it was not suggesting that the reform process should not continue. Instead it was pointing out that at present supports for production and exports meant the agricultural trade balance of developing countries was being negatively affected and these countries should be able to take advantage of the dismantling of these distortions for a few years before they began reducing their tariffs.

**(g) Turkey: WTO Negotiations on Agriculture (NG/W/106)**

94. In presenting its proposal, Turkey highlighted that export subsidies should be eliminated or substantially reduced, food aid be provided in accordance with Article 10.4 of the Agreement and concrete steps be undertaken towards the development of internationally agreed disciplines on export credits (NG/W/172). On domestic support, Turkey proposed the reduction or elimination of domestic supports above *de minimis* levels, an increase of the ceiling for developing countries and application of *de minimis* ceiling on an aggregate basis rather than on a product basis. Turkey also supported the continuation of the Green Box with clear definitions and a set of rules consistent with the spirit and the letter of the Agreement. On market access, Turkey could consider further tariff reductions, provided export subsidies and domestic support measures were substantially reduced or eliminated. Turkey was also prepared to consider new disciplines on tariff quota administration, although it supported the elimination of tariff quotas through the expansion of quota volumes and reduction of in-quota and out-of-quota tariffs. The special safeguard should be either eliminated, or a similar mechanism made available to developing countries as part of strengthened special and differential treatment provisions. With fulfilment of the objectives of the reform process that would result in the elimination of export subsidies and domestic support over *de minimis* levels, the Peace Clause would be redundant. On non-trade concerns, Turkey was concerned that new measures would be introduced which might hinder further liberalization in countries highlighting this issue.

95. The Philippines, on behalf of ASEAN, (NG/W/180) welcomed the proposal, which in many respects mirrored ASEAN's proposal in NG/W/55. ASEAN shared the view that export subsidies should be eliminated and supported the call for disciplines on export credits to be developed on an urgent basis to fulfil the mandate in Article 10.2 of the Agreement. Its position on non-trade concerns resembled Turkey's approach to this issue. ASEAN was of the firm view that non-trade concerns should not be used to justify exemptions from substantive commitments in support and subsidies, nor perpetuate trade-distorting policies.

96. Sri Lanka (NG/W/159) noted that the proposal covered many of the issues addressed in the proposals submitted by a group of developing countries that included Sri Lanka (NG/W/13, 14 and 37 and Corr.1) and stated that a purely market-orientated approach would not fully address the problems and constraints of developing countries. Sri Lanka noted that the proposal addressed the problems of small land holdings in many developing countries and pointed out that tariffs were the only instrument available to protect agriculture against export subsidies and domestic support provided by developed countries. These concerns justified a cautious and flexible approach to reducing tariffs in developing countries, taking into account food security concerns and the sensitivity of key products. Sri Lanka agreed that the special safeguard should be eliminated for developed countries but stated that there should be a safety mechanism for developing countries as part of special and differential treatment. It also supported Turkey's proposals with respect to the *de minimis* provisions. While Sri Lanka agreed that the provisions of Article 10.4 of the Agreement on Agriculture set fourth the requirements for international food aid, it also stressed the importance of making operational the Marrakesh NFIDC Decision.

97. India (NG/W/176) agreed that the credibility of the reform process depended on how far developed countries were prepared to reduce existing imbalances and inequities. It noted that the market access proposal would exempt some key agricultural products from reduction commitments for developing countries and pointed out that this was similar to India's proposal on a Food Security

Box. India also agreed that for developed countries the *de minimis* clause was meaningless, in the context of their high levels of domestic support, and should therefore be eliminated. On the other hand for developing countries the *de minimis* provision should be applied on an aggregate and not on a product specific basis. On non-trade concerns, India shared the view that although multifunctionality in agriculture was important, it should not be used as an escape clause by developed countries to avoid further liberalization in export subsidies, domestic support and market access.

98. Colombia (NG/W/161) also agreed that better market access in developing countries should be linked to the elimination of export subsidies and trade-distorting domestic support. Colombia did not, however, support the proposal that only support above *de minimis* levels be reduced or eliminated since this would perpetuate certain levels of trade-distorting domestic support. The *de minimis* provision should only be available as part of special and differential treatment. Moreover, Colombia did not consider it to be helpful to raise the *de minimis* ceiling since the majority of developing countries would not be able to make use of such flexibility.

99. Canada noted that the credibility of the reform process would, to a large extent, depend on how far the negotiations would be able to reduce imbalances and inequities. However, Canada was concerned with the proposal that developing countries should be able to identify key products to be exempted from further reductions or reduced at minimal rates. Liberalization needed to apply to all products, in all markets, in order to reduce inequities and disparities in market access. Canada agreed that sectoral liberalization initiatives should not be a substitute for more comprehensive liberalization. On export competition, Canada shared Turkey's concerns about the negative impact of export subsidies and agreed that there should be WTO disciplines on export credit practices for agricultural products to eliminate the export subsidy element. On food aid, Canada was of the view that there was a need to ensure that food aid met the needs of recipients, was granted in fully grant form and did not circumvent export subsidy commitments. Canada also agreed that non-trade concerns should not be an excuse to avoid or delay liberalization.

100. The Czech Republic (NG/W/156) noted that many issues raised by Turkey were relevant to all Members and not only developing countries. The Czech Republic considered that the negotiations should address existing non-tariff measures and other practices, which made the import regimes of many countries extremely complex. While the Czech Republic could not support the proposal that the special safeguard be eliminated, it was open to discuss improvements and the possibility of making it available to all WTO Members. It agreed that all measures that distorted export competition should be disciplined and treated in the same way although complete elimination might not be possible.

101. The representative of New Zealand noted that several elements of the proposal were similar to those from the Cairns Group. While New Zealand agreed that export subsidies should be eliminated, they should be eliminated for all products and for all Members. While Members should be able to address their non-trade objectives this should not be at the expense of further liberalization. Like Turkey, New Zealand had doubts about sectoral initiatives because they might be used to evade overall tariff reductions. New Zealand also agreed that fulfilment of the objectives of the reform process would mean that the Peace Clause would become redundant and therefore it should not be left to expire. On special and differential treatment New Zealand suggested that it should be examined from the perspective of improving the export potential for all countries, all countries had to participate in further reform in order to gain greater economic opportunities and assist in development, in particular, since trade among developing countries was increasing.

102. The United States noted the similarities between its proposals and the one presented by Turkey, such as the elimination of the special safeguard and export subsidies, the improvement of tariff quota administration and substantial reductions in trade-distorting support while maintaining non trade-distorting support. However, the United States also noted that the reforms proposed for developing countries were less ambitious, for example, the suggestion that developing countries

should have the flexibility of applying no, or minimal, tariff reductions to some key products. These negotiations must result in comprehensive reform in market access, export competition, and domestic support for all products in all countries in order to be effective and beneficial. The United States believed a modest or selective approach to reform would frustrate attempts to reach an agreement and could frustrate attempts to build a market-orientated agricultural trading system.

103. Australia (NG/W/166) supported many of the elements in the proposal which highlighted the need for fundamental reform of agriculture and the importance of appropriately targeted special and differential treatment for developing countries. Australia agreed that tariff peaks and escalation had to be addressed, tariff structures simplified and subsidies for production and export reduced substantially or eliminated. However, increasing the *de minimis* level for developing countries might not be useful as many developing countries did not have the resources to apply subsidies to this level. Australia also pointed out that food self-sufficiency did not give food security. While Australia agreed that the credibility of the reform process hinged on how seriously the highly protectionist developed countries were about genuine liberalization, Australia was convinced that real progress would only be made with the full participation of the WTO membership, taking into account special and differential treatment for developing countries as an integral part of the negotiations. It was important to keep in mind that roughly half of all agricultural exports from developing countries went to other developing countries. Australia noted that the proposal stated that the negotiations should not result in measures that could be used to avoid further liberalization either by selective reductions of tariffs or measures to address non-trade concerns.

104. Japan shared the view that a purely market-oriented approach might not be fully compatible with conditions in developing countries and it stated that only a limited number of large exporting countries with favourable natural conditions had benefited from the Uruguay Round. In order to allow all Members to benefit from the outcome of the current negotiations more consideration had to be given to the needs of developing countries. On market access, Japan supported flexibility for developing countries but stated that all developing countries should not be treated in a uniform manner because of the large diversity between them. What was needed was a system which would benefit those countries that faced real difficulties in attaining food security. Japan was willing to consider with Members that did not have access to the special safeguard, ways to solve this problem. Japan also hoped that its proposed new safeguard mechanism for seasonable and perishable products would address some of the concerns of developing countries against rapid increases in imports. Both developing and developed countries had their own non-trade concerns and Japan was willing to make efforts with other Members to establish agricultural trade rules under which non-trade concerns of all Members would be duly respected.

105. Norway (NG/W/182) stated that the proposal emphasized the specificity of Turkey's agricultural sector and the challenges facing developing countries and noted that Turkey considered a purely market-oriented approach to be impracticable for agriculture in developing countries. Norway supported the extension of the special safeguard to developing countries that did not currently have the right to use it. Overall adequate flexibility for domestic policy-makers was needed, although work in the area should proceed on the principle that measures that could be taken were the least trade-distorting possible.

106. While the EC was sympathetic to concerns of Members like Turkey, they believed that these concerns could be met under Article 20, notably non-trade concerns and special and differential treatment, without creating a different set of rules for different groups of countries. Market access opportunities for developing countries were needed in order to encourage development. However, the EC disagreed with Turkey that the special safeguard should be eliminated since it was an important part of the process of tariff reductions. However, the EC had suggested in its own proposal that a revision of the *de minimis* limits for developing countries could be considered. Non-trade concerns, including multifunctionality, were important for developed, as well as developing, countries. On the Peace Clause, the EC recalled their position as set out in the discussion of Norway's proposal above.

107. Argentina supported the position put forward in the proposal linking tariff reductions in developing countries and reductions in subsidies in developed countries. While this did not imply maintaining or extending the special safeguard, Argentina was prepared to consider instruments to moderate the impact of subsidies, for example through countervailing or compensatory measures on products from countries which had not given up production-related or export-related subsidies. Argentina sought clarification with respect to the proposal by Turkey that the *de minimis* ceiling be applied on "an aggregate basis" since this was already provided for under the current non-product-specific *de minimis* provisions of the Agreement.

108. Brazil supported the statements by New Zealand, Argentina and Australia and agreed with the proposed elimination of tariff peaks and tariff escalation. Brazil also shared the view that specific and complex tariffs resulted in non-transparent tariff regimes which impaired market access opportunities.

109. Korea had views similar to Turkey's and could support a number of proposals, including those on tariff reductions, treatment of inflation and non-trade concerns. However, it did not agree with the proposals concerning the special safeguard and tariff quota administration.

110. Turkey thanked delegations for their comments and highlighted its position that tariff reductions could be negotiated depending on the progress achieved in the reduction of domestic support and export subsidies in developed countries.

**(h) Egypt: Comprehensive Proposal by the Arab Republic of Egypt to the WTO Negotiations on Agriculture (NG/W/107/Rev.1)**

111. In introducing the proposal, the representative from Egypt stressed that the time had come to integrate trade in agricultural products into the multilateral trading system. Egypt's proposal was based on a number of basic requirements: (i) all Members should benefit from the outcome of the negotiations, although this might be to varying degrees, with due consideration given to the trade and developmental needs of developing and least-developed countries; (ii) each Member had to be able to realize its comparative advantage under a system of fair competition and a level playing field; and (iii) while agriculture was part of the economic and social fabric of all Members, overly protecting the sector would only weaken it. Egypt noted that despite the fact that a large number of developing countries, least-developed countries and small island developing states were net food-importers, most of them had a forward-looking outlook focused on market access. Egypt stressed that it was important that all countries mobilize the political will to expeditiously finalize the negotiations and that delaying tactics would have far ranging negative repercussions on all.

112. A number of countries shared many of the points made by Egypt, including MERCOSUR, Bolivia, Chile, ASEAN, Venezuela, Brazil, Sri Lanka, the Dominican Republic, Cuba, Honduras and India. MERCOSUR, Bolivia, Chile, ASEAN, Venezuela, Colombia, Brazil, Dominican Republic, Honduras and Cuba stressed the importance of special and differential treatment for developing countries. MERCOSUR, Bolivia and Chile, shared the basic points and objectives set out in Egypt's proposal and they were open to discussing the proposed ideas in respect of assisting net food-importing developing countries to overcome any difficulties they might face.

113. On behalf of ASEAN, the representative of Indonesia (NG/W/180) supported a number of elements of the proposal, particularly, for developed countries to substantially reduce domestic support on a disaggregated basis and the phasing out of all export subsidization over an agreed period of time. Like Egypt, ASEAN believed that the special and differential treatment provisions of the Agreement on Agriculture had to enable developing countries to make trade reforms, promote fairness and to facilitate development goals. Therefore, ASEAN supported Egypt's initiative to operationalize the Marrakesh Decision by creating, *inter alia*, an effective mechanism to address food import concerns.

114. Venezuela (NG/W/170) agreed with many aspects of the proposal. A main objective of the negotiations should be to make operational the provisions on special and differential treatment in a way which would give developing countries more flexibility to support their own agricultural sectors and improve their competitiveness. On market access, it stated that elimination of the special safeguard for developing countries was not advisable during the reform process but that it should be kept as a form of special and differential treatment for developing countries. On export subsidies, Venezuela noted the importance of addressing the issue of export credits under Article 10.2 within the Committee on Agriculture. Venezuela emphasized the importance of technical assistance aimed at strengthening the production capacity of developing countries. This kind of technical assistance would target the difficulties many developing countries faced in improving technology and infrastructure.

115. The representative of Colombia (NG/W/161) shared Egypt's view that getting a level playing field was one of the main objectives of the negotiations. Colombia agreed to several of the basic points contained in the proposal and noted the similarity with some of the Cairns Group's proposals. Colombia noted that the idea to create an international fund was an important one that needed detailed study.

116. Brazil supported the idea that all forms of trade and production-distorting subsidies should be eliminated. Removing subsidies and the distortions they caused would help create the necessary preconditions for an increased opening of markets through reductions of tariff levels. Brazil also requested that the Green Box be reviewed in order to make the existing criteria comply with the fundamental requirement that trade measures be non, or at least minimally, trade or production distorting. On special and differential treatment, Brazil was ready to explore policies that could help attain the legitimate development needs of some Members. The objective of this was to correct the development deficit of the Agreement on Agriculture, while observing the objectives in Article 20 and of the reform process itself.

117. Sri Lanka (NG/W/159) supported the basic principles underlying the proposal, in particular that all Members should benefit from the negotiations, that agriculture should be integrated into the multilateral trading system and agreed on the need to make the NFIDC Decision operational. Net food-importing countries needed access to food and finance in times of high prices but, due to conditionalities, least-developed countries and net food-importing developing countries had been unable to use the existing facilities of multilateral agencies. Therefore, Sri Lanka supported the proposal to create a fund to support net food-importing developing countries and least-developed countries to enable them to purchase their food requirements on the open market. On market access, Sri Lanka believed that further reform was best achieved through a formula approach and agreed with Egypt's proposal that tariff reductions by developed countries should be from applied rates, while developing countries should make reductions from bound rates. Furthermore, there needed to be room for limited flexibility for those countries with low tariffs. On the special safeguard, Sri Lanka did not agree that the Agreement on Safeguards was enough to enable Members to protect their local markets from a sudden surge of imports and suggested that a simplified special agricultural safeguard was needed. Sri Lanka agreed that the special and differential treatment provisions needed to be strengthened, made more concrete and more specific, and that all such provisions should be discussed within the context of the three main pillars of agricultural trade liberalization.

118. On behalf of the Dominican Republic, Cuba and Honduras, the representative of the Dominican Republic (NG/W/163) stated that Egypt's proposal contained many elements of the "Development Box" which had been part of the proposal (NG/W/13) they had made along with a number of other developing countries. While they could agree with some of the elements proposed in the sections on market access, domestic support and export subsidies, they did not accept that the Safeguards Agreement gave enough protection against subsidized imports. While the Dominican Republic shared, in general, the arguments on special and differential treatment, it was noted that as long as trade distortions continued in developed country markets, developing countries would not be

in a position to reduce their tariffs. Furthermore, tariff reductions in developed countries should be based on applied tariffs while any reductions that developing countries made should be from bound rates.

119. India (NG/W/176) agreed that substantial reductions were needed in tariffs and other barriers such as specific duties, reference prices, minimum entry prices and variable levies in developed countries. Likewise, India agreed on the need for greater flexibility for developing countries to re-evaluate and adjust their tariff schedules to overcome negative effects of cheap subsidized agricultural imports. Consequently, India welcomed the call for substantial reduction by developed countries in their domestic support as well as a review of Annex 2 measures. India supported Egypt's proposal on the improvement of special and differential treatment for developing countries, including the provision of greater flexibility for the subsidization of agricultural exports, consistent with Article 27 and Annex 7 of the Agreement on Subsidies and Countervailing Measures. India looked forward to working with Egypt on strengthening special and differential provisions in the context of the three main pillars of trade liberalization for fuller integration of agriculture into the multilateral trading system.

120. The representative of Argentina noted that Egypt had stressed the need for developing countries to overcome the negative effects of cheap subsidized agricultural imports and suggested that instead of flexibility to adjust tariff schedules or extending the special safeguard to all agricultural products the problem itself should be targeted. To raise tariffs or extend the special safeguard to all products would affect all imports, not only those from subsidized producers or exporters. He pointed out that Morocco had proposed (NG/W/105) that developing countries should be able to use special tools and Argentina believed that these tools had to be developed during the ongoing negotiations as part of the special and differential treatment for developing countries. A possible option would be to enable developing countries to apply countervailing measures without needing to prove either injury nor the causal link between the subsidized imports and the injury. Developing countries would only need to prove the existence of a subsidy related to the production or the exportation of a given product. Argentina was willing to cooperate with Egypt, Morocco and other interested countries in developing such mechanisms.

121. Korea supported the idea that the results of the negotiations had to benefit all Members. However, it felt that certain elements of the proposal, particularly in respect of market access, presented the exporters' point of view and did not consider the concerns of net food-importing developing countries. Korea stated that some developing countries were experiencing difficulties in implementing their commitments under the current system and it did not consider it desirable to make radical changes to the basic framework of the Agreement on Agriculture. The goal of Article 20 was to continue the reform process and not necessarily to complete it in the current negotiations.

122. The United States welcomed the strong endorsement of the WTO and agricultural reform contained in Egypt's proposal and stated that the basic objectives outlined in Egypt's proposal were a good basis for the negotiations. While the United States shared many of Egypt's objectives on market access, the United States was concerned with Egypt's proposal that developing countries be given the flexibility to adjust tariff schedules as this could be understood as giving developing countries permission to go backwards on reform, something that was not in any country's interest. The United States appreciated the difficulties faced by net food-importing developing countries and looked forward to a practical discussion on possible implications of the reform process for these countries.

123. New Zealand supported the principles and objectives underlying Egypt's proposal, and, in particular, agreed with the suggestion to phase out of all forms of export subsidization over an agreed period of time. New Zealand also wanted substantial reduction in tariffs and to see them in *ad valorem* terms only. On domestic support, New Zealand was also of the view that such support should be granted on a disaggregated, product-by-product basis. New Zealand supported Egypt's proposal that developing countries should have greater flexibility to increase domestic support within

the framework of the Green Box. International co-operation to assist rural development and food security programs in developing countries should also be improved and New Zealand was prepared to look at other elements of the Marrakesh Decision.

124. The representative of Canada also supported the basic objective of a level playing field in agricultural trade. On market access, Canada supported Egypt's proposals and pointed out that it had suggested that tariff quota volumes should provide duty free access to developing countries equal to a common minimum percentage of current consumption on a product basis. While Canada noted the importance of distinguishing between distorting and non-distorting support but pointed out that excessive levels of support technically classified as non trade-distorting could affect production and trade. For this reason Canada had suggested that an overall cap be established for all types of support, including the Green Box. Canada agreed with Egypt's call for the phasing out of all forms of export subsidization as soon as possible.

125. The EC stated that demands for excessive reductions in tariffs would increase the complexity of the negotiations. While the Communities agreed with the need to improve tariff quota administration, they could not accept the elimination of the special safeguard which was less trade-distorting than the measures that could be used under the Agreement on Safeguards. Neither the Green and Blue Box measures were necessarily product specific which made it inconsistent to apply commitments on a disaggregated basis to Amber Box supports. The EC did not rule out an examination of the rules applicable to all forms of support but a distinction had to be made between measures with a significant effect on trade and production and those covered by the Green and Blue Boxes, which had a lesser impact. On export competition, the European Communities recalled its position in favour of strong disciplines on all specific forms of export competition including export credits, the abuse of food aid and state trading enterprises.

126. The representative of Australia (NG/W/166) agreed with many elements in the proposal. While Australia shared a common goal with Egypt on market access, Australia noted that Egypt was seeking reductions by developed country Members from applied rates, rather than bound rates. Australia was concerned that such a departure from the accepted practice of negotiating on the basis of bound rates would punish those countries which had unilaterally liberalized. In respect of the creation of a fund for the support of net food-importing developing countries and least developed countries, Australia was going to seek further information from Egypt on exactly what was intended. Also, Australia would be seeking further information on the proposal to increase the level of technical and financial assistance for net food-importing developing countries and least-developed countries. Australia shared Egypt's view that the special and differential provisions of the Agreement on Agriculture needed to be strengthened and expanded.

127. Although Norway (NG/W/182) agreed that trade could be a powerful engine for growth in agriculture, increasing welfare was not only about economic growth. The best way to exploit welfare-enhancing effects of agricultural trade was by recognizing the specific characteristics of the agricultural sectors in different countries. Non-trade concerns of a multifunctional agriculture had to be taken into account in the reform process; the approach could not be "one-size-fits-all", but had to be broader. In particular, proper attention had to be paid to the less favourable production conditions and narrow product range that certain countries, for climatic and other reasons, were facing.

128. The representative of Japan shared Egypt's view that any agreement reached had to benefit all Members. Although there was a need to pay special attention to developing countries, treating them all in a uniform way was not appropriate as there were wide diversities among developing countries. Japan noted that Egypt was of the view that the comparative advantage was one of the main pillars of the trading system, but Japan believed that, in view of non-trade concerns and the coexistence of various forms of agriculture in different countries, trade in agricultural products could not be discussed only from the perspective of comparative advantages. On the specifics, the special safeguard mechanism had to be maintained as it had been part of the tariffication process. Japan



stated that net food-importing developing countries and least developed countries still faced difficulties in respect of food security and noted that it had proposed that a new international stock-holding mechanism was necessary for ensuring food security of developing countries. On special and differential treatment, while Egypt proposed that greater flexibility be given to developing countries within the framework of the Green Box, Japan stated that Green Box measures in all countries should continue to be exempt from reduction commitments. Moreover, certain flexibility could be given to developing countries for Amber Box measures necessary for their development needs.

129. The representative of Turkey (NG/W/172) noted that Egypt's proposal correctly highlighted the problems facing developing countries. Turkey shared the view that market access of agricultural exports of interest to developing countries had to be improved in line with their development and growth. Elimination of specific duties, reference prices, minimum entry prices and the determination of all tariffs on an *ad valorem* basis were among the issues to which Turkey attached importance. Furthermore, Turkey supported not only the establishment of a new discipline on tariff quota administration but also the elimination of all tariff quotas over a specific period of time. Turkey supported the elimination of the special safeguard provision. Regarding export subsidies and domestic support, Turkey was of the view that fair market conditions had to be established between WTO Members.

130. In thanking delegations for their comments, the representative of Egypt reiterated his country's commitment, as a developing country and a net food-importer, to continue the reform in the agricultural trading system.

**(i) Nigeria: WTO Negotiations on Agriculture (NG/W/130)**

131. In introducing its proposal, Nigeria stated that the Agreement on Agriculture did not take into account the weaker position and specific constraints facing developing countries. The Agreement had not brought about any significant reduction in border protection or an increase in access to protected markets. The farmers in the countries of wealthy countries continued to be heavily subsidized and protected from international competition, and in the Uruguay Round negotiations with developing countries outside the Cairns Group had had a limited impact. Nigeria's expectations in the ongoing negotiations were to ensure equity and fairness in international trade in agriculture through the elimination of trade-distorting practices, while addressing the development concerns of developing countries and the existing imbalances in the Agreement. Nigeria also outlined its specific proposals in the areas of market access, domestic support, export subsidies, SPS measures, special and differential treatment, food security, as well as competition and related transparency for multinational enterprises.

132. A number of countries noted similarities between the Nigerian proposal and those that they had submitted. These countries hoped to be able to work with Nigeria in removing inequities and imbalances in the Agreement on Agriculture. These countries included India, Sri Lanka, Honduras, Cuba and the Dominican Republic,

133. India (NG/W/176) found the proposals in relation to disciplines on international market structures and competition in agriculture to ensure food security in developing countries very interesting. India shared Nigeria's concerns on food security in developing countries and fully supported its concrete suggestions for action in the new negotiations.

134. Sri Lanka (NG/W/159) expected the ongoing negotiations would ensure equity and fairness in international trade in agriculture through the elimination of trade-distorting practices, while addressing development concerns and the existing imbalances in the Agreement. Sri Lanka supported notably the specific proposals with respect to the *de minimis* provisions, special and differential treatment, and a number of proposals concerning food security.

135. On behalf of Honduras, Cuba and the Dominican Republic, the representative of Honduras endorsed, in particular, the proposals on special and differential treatment and food security (NG/W/163). These countries believed that an agreement must be reached on concrete action in favour of the net food-importing developing countries.

136. A number of other countries supported specific elements of Nigeria's proposal. Colombia (NG/W/161) agreed, in particular, with the proposal to continue to exempt measures allowed to developing countries from being challenged under the Subsidies Agreement. Otherwise special and differential treatment would be ineffective. Mauritius (NG/W/178) stated that the proposal concerning SPS measures was relevant to most developing countries and reiterated that the negotiations in agriculture would be incomplete if they were not accompanied by flexibility in the application of SPS measures, as well as improvements in respect of geographical indications. Mauritius intended to further explore the proposals concerning special and differential treatment, food security, competition, and state-trading enterprises.

137. On behalf of CARICOM the representative of Jamaica supported the general thrust of the proposal and some specific elements. CARICOM agreed that the rules contained in the Agreement did not take into account the weaker position and specific constraints faced by developing countries in the new global economy and that privileges afforded to the developed countries needed to be addressed. The rules needed to be re-balanced towards more emphasis on development issues. CARICOM was committed to working with the broad WTO membership to introduce balance and equity into the international trading system for agriculture and welcomed the proposals on market access and the need to introduce disciplines on multinational and state-trading enterprises. In addition, an Article 5 type mechanism for use by developing countries to defend against dumped and subsidized imports was important.

138. Canada welcomed Nigeria's proposal and noted that in the area of tariff quotas it had made similar proposals and looked forward to exploring these proposals in more detail in the next phase of the work programme. For Canada, it was important that these negotiations resulted in a significant improvement in real and useable market access for products subject to tariff quotas. Canada was concerned about the proposal that limitations on domestic support and export subsidies for countries with no domestic support and export subsidy commitments be removed. In the view of Canada, fairness and equity would be achieved through the removal of trade-distorting subsidies and the elimination export subsidies, as well as the improvement of market access. Developing countries most of all would be the beneficiaries of such a result.

139. The United States welcomed Nigeria's proposal. The United States considered that proposals calling for reforms in developed countries, but loopholes and exceptions for developing countries were not a tenable basis for conducting the negotiations. The objective of the United States for these negotiations was to increase the market orientation of world agricultural trade by reducing protection and support. The United States supported Nigeria's expectations that these negotiations increase equity and fairness in international agricultural trade, including by means of reforms by developed countries. To reach this goal, the United States believed that agricultural reform must address distortions in all countries for all products, taking into account the special needs of developing countries and non-trade concerns of all countries. The United States looked forward to working with Nigeria on developing an agreement that was beneficial for all countries.

140. Japan supported Nigeria's proposals concerning food security and stated that a certain degree of self-sufficiency was required for food security. Japan agreed that concrete actions with respect to the problems of net food-importing countries should be discussed. Japan also believed that giving flexibility to all developing countries in a uniform manner would not be appropriate, given the diversity among developing countries.

141. The EC agreed that domestic support measures that promoted the sustainability of rural areas and addressed the food security concerns of developing countries were of great importance. These concerns could be addressed through a revision of the *de minimis* clause for developing countries. Food aid could also help to contribute to food security, provided it was given in a way which did not displace domestic agriculture. The EC recognized the need to avoid the use of SPS measures as disguised forms of trade protection, but genuine concerns about food safety could not be ignored. In order to fully benefit from the expansion of world trade, developing countries should be given significant trade preferences by developed countries and the wealthiest developing countries. The EC also believed that the Uruguay Round formula for tariff reductions allowed for sufficient flexibility in lowering tariffs.

142. New Zealand agreed that significantly improved market access was needed to enable developing countries to realize their economic goals. New Zealand was fully in favour of providing special and differential treatment to developing countries to help them achieve their legitimate developmental goals. Nevertheless, New Zealand believed that food security had more to do with a well functioning international trading system than the illusion of self-sufficiency. On export competition, New Zealand shared Nigeria's concern about the crippling effect that export subsidies were having on developing country industries. New Zealand proposed that countries should commit to the total abolition of all forms of export subsidies which would constitute a concrete sign of Members' collective commitment to advancing the economic situation in developing countries.

143. Australia (NG/W/166) stated that Nigeria's proposal clearly showed the apparent failure of the Agreement on Agriculture to deliver the expected benefits. Australia shared Nigeria's determination that these negotiations should eliminate the highly trade-distorting practices that continued to shield so many farmers from fair market competition and, in turn, discriminated against the large portion of the world's population that depended on agriculture for its welfare. Australia strongly supported developing countries in their pursuit of growth and poverty reduction through trade and it was interested in Nigeria's proposal for transparency information on agricultural markets, in particular, the operations of international multinational companies.

144. Nigeria thanked delegations for their comments. Nigeria reiterated that it considered the Agreement on Agriculture to be unbalanced and without a development perspective, although agriculture was of paramount importance for developing countries, especially in Africa. Nigeria also appreciated the diverse nature of agriculture among Members and considered that a purely market-based approach might not be appropriate. Nigeria expressed the hope that in these negotiations the concerns and proposals of the developing countries would be taken seriously.

**(j) Democratic Republic of Congo: Negotiating Proposal (NG/W/135)**

145. The Democratic Republic of Congo was seeking improved access to markets and less competition from subsidized production in other countries in the negotiations. At present, access to different markets varied considerably and the current negotiations should result in improvements and should harmonize tariff forms. Therefore, the Democratic Republic of Congo proposed the simplification and greater transparency of tariff systems, substantial reductions in tariffs and tariff peaks by developed countries, the abolition of other border protection measures, including the special safeguard on agricultural products from developing countries, and improved technical and financial assistance for developing countries. It also suggested that, in cases of *force majeure*, such as war or natural disasters, some flexibility should be considered for implementation of commitments. In the area of domestic support, the Democratic Republic of Congo believed it was necessary to improve the criteria for the Green Box so as to give support to farmers with minimal trade distortions. The possibility for least-developed countries to provide supports above *de minimis* levels should also be considered. It stated that all forms of export subsidies should be reduced to zero in order to improve competitive positions in agricultural trade. On the issue of non-trade concerns, a particular concern of the Democratic Republic of Congo was food security.

146. A number of countries pointed to similarities between their proposals and that of the Democratic Republic of Congo. Australia (NG/W/166), New Zealand, South Africa (NG/W/168) and Colombia agreed with a number of elements in the proposal, such as the need to simplify tariffs and to address tariff peaks and escalation. On domestic support, Australia and New Zealand noted that the Cairns Group had proposed a review of the Green Box to ensure all such domestic support met the fundamental requirements of being non, or at most minimally, trade-distorting. On domestic support, Australia and Argentina pointed out that they wanted to see trade-distorting support eliminated. Australia, Canada, New Zealand, South Africa and Argentina pointed out that the Cairns Group had also proposed the elimination and prohibition of all forms of export subsidies for all agricultural product. Regarding non-trade concerns, Australia and South Africa noted that the Cairns Group believed that Members had every right to pursue their non-trade concerns through policies that had at most minimal effects on trade and production and that the difference between the non-trade concerns of developing countries and developed countries had to be reflected in the policies which were used. Finally, Australia and Colombia (NG/W/161) stated that that effective special and differential treatment provisions that addressed the concerns of developing countries were central to the negotiations.

147. Canada and New Zealand agreed that food aid should be given in fully grant form. Canada also shared an interest in improving the Green Box. Moreover, Canada had called for disciplines on the use of export restrictions and export taxes so that Members who sourced some or all of their food needs from the world market would find it to be a reliable source of supply.

148. New Zealand stated that special and differential treatment provisions were needed to enable developing countries to address their legitimate and varied needs such as agricultural and rural development and food security and poverty eradication. The Cairns Group had proposed a number of measures to address such concerns including enhanced Green Box provisions for developing countries that addressed their specific needs with regard to food security, rural development and poverty eradication. In addition a differentiated AMS formula for developing countries, including *de minimis* provisions and exceptions for investment and input subsidies had been proposed by the Cairns Group. Moreover, New Zealand had announced that it would provide free access to all products originating from least developing countries from July 2001 onwards, including fisheries and forestry products mentioned in the proposal by the Democratic Republic of Congo.

149. The United States also supported the proposals to simplify tariff systems, for the substantial reduction of tariffs and tariff peaks, the improvement of the Green Box and the elimination of export subsidies and the special safeguard. The United States and Switzerland stated that it looked forward to working with the Democratic Republic of Congo in developing ways to meet its non-trade concerns in a non trade-distorting manner.

150. Japan and the EC stated that market forces alone might not be sufficient in all cases to address non-trade concerns. Furthermore, some of the issues raised in the proposal, such as, rural development, food security and environmental protection, were important concerns for both developing and developed countries and should be taken into account in the negotiations with due consideration to the specific situation of each country. On special and differential treatment, Japan noted that it had proposed that developing countries should be given flexibility in each of the areas of the Agreement on Agriculture and, with Mauritius (NG/W/178), stated that effective special and differential treatment provisions that addressed the concerns of developing countries were central to the negotiations.

151. The EC stated that it had recently adopted the "Everything but Arms" (EBA) initiative which would extend duty-free access to its market for all agricultural products exported from least-developed countries. On export competition the European Communities noted that Congo called for a reduction in all form of export subsidization and agreed that this was the right way to proceed, although the timeframe proposed seemed ambitious.

**(k) Kenya: Negotiating Proposal (NG/W/136)**

152. Kenya stated that its proposal outlined the areas which should be addressed if a balanced agreement was to be reached. Kenya had complied with its commitments in agriculture but the results had been disappointing. Growth remained low and food security had not improved, food imports had increased and had displaced farmers from the domestic market, while the international market remained out of reach for most of Kenya's products. Poor performance of the agricultural sector had contributed to weak economic performance and debt problems. The Kenyan proposal included a number of specific recommendations:

- (i) Substantial improvements in market access for products of interest to developing countries, including a focus on reducing tariff peaks and escalation on such products;
- (ii) reducing tariffs generally would erode the value of tariff preferences which meant that the negotiations should take account of the adjustment costs some countries would face;
- (iii) all forms of trade-distorting subsidies in developed countries should be eliminated and during the implementation period developing countries should have access to a special countervailing duty when domestic production in, or exports from, developing countries were affected by subsidised production or exports from developed countries;
- (iv) a development box should be established which developing countries could use to address concerns such as high dependency on food imports, the need to increase agricultural productivity, food security, the need to protect small farmers and poverty alleviation;
- (v) a mechanism should be established for technical and financial assistance to developing countries to meet the SPS standards of developed countries;
- (vi) the Peace Clause should not be extended beyond its expiry date;
- (vii) all food exports should comply with international standards and should not be sold on the international markets; and
- (viii) finally, Kenya wanted to see the Marrakesh Decision on least-developed and net food-importing developing countries made an integral part of the Agreement on Agriculture.

153. A number of countries supported many elements of the Kenyan proposal and noted similarities with their own proposals and positions. The Dominican Republic, Honduras, Cuba, India, Sri Lanka and Nigeria noted that Kenya's proposal for a Development Box was similar to their proposals for a Development or Food Security Box. Along with Swaziland, they also supported the proposal that all forms of trade-distorting subsidies should be abolished and that developing countries should not be required to make further improvements to market access until this had been achieved. Nigeria also wanted significant improvements in market access and supported strengthened special and differential treatment.

154. On behalf of the Dominican Republic, Honduras and Cuba the representative of the Dominican Republic (NG/W/163) supported the establishment of a technical and financial assistance mechanism to help the developing countries meet international sanitary standards, as well as concrete measures to implement the Marrakesh Ministerial Decision.

155. India (NG/W/176) stated that its analysis of the implementation experience was similar to that of Kenya. The results of the Uruguay Round Agreement on Agriculture had been disappointing - neither helping agriculture nor food security in developing countries. India shared Kenya's statement that the negotiations should take account of these concerns and bring equity and fairness to

agricultural trade. In addition to the removal of all forms of trade-distorting subsidies in developed countries, India also stated that the Peace Clause should be abolished.

156. Sri Lanka (NG/W/159) supported many elements of the proposal including the definition of products of interest to developing countries and the erosion of preferences. It too wanted a mechanism established to ensure technical and financial assistance to developing countries to meet SPS standards and regulations in developed country markets. While agreeing that the Peace Clause should not be extended, Sri Lanka stated that domestic support measures by developing countries should be non-actionable when taken within the framework of a Food Security or Development Box, under Article 6.2 of the Agreement or under the Marrakesh Ministerial Decision.

157. Swaziland (NG/W/146) stated that the proposal highlighted the difficulties caused by erosion of tariff preferences as general tariffs were reduced a factor that would have to be taken into account in the negotiations. Swaziland also supported Kenya's proposal that special and differential treatment should aim at filling the gap between developed countries and developing countries in terms of supply capacity, economic development and financial resources.

158. Mauritius supported Kenya in its proposal to minimize the adjustment costs resulting from the erosion of preferential market access (NG/W/178). In this regard, Mauritius stated that large exporters should show restraint so that products originating from, and vital for, small vulnerable economies could continue to find markets. It pointed out that developing countries with limited budgetary resources could not afford to use Annex 2 measures and, for these countries, border measures and tariff preferences represented an important instrument to fulfil vital development objectives. Mauritius considered the Peace Clause to be an important part of the reform process and, rather than be left to expire, should be expanded to cover measures needed to achieve the socio-economic objectives of small island developing states, least-developed countries and net food-importing developing countries. As a net food-importing small island developing state, Mauritius supported the proposal by Kenya concerning net food-importing developing countries.

159. Japan stated that the implementation of the Agreement on Agriculture had not brought the expected benefits to most developing countries, including Kenya. Japan supported the proposal to examine possible measures to address development issues, dependency on food imports, the need to increase agricultural productivity, food security, the need to protect small farmers and poverty alleviation. However, Members should not be divided into two groups, developed and developing, with two completely different sets of rules as different countries, at different stages of development, could have similar concerns. Japan welcomed the proposal that WTO members should identify measures that were relevant to their development concerns so that appropriate special and differential treatment provisions could be developed. Concerning the difficulties that developing countries had with the SPS Agreement, Japan stated that technical assistance at bilateral and multilateral levels was essential and Japan would continue its efforts in this regard. Japan supported work on ways to enhance the effectiveness of the Marrakesh Decision but, referring to the proposal submitted by a group of developing countries including Kenya on the implementation of the Decision (G/AG/W/49), Japan stated that a distinction should be made between implementation and negotiation issues.

160. The EC agreed that the negotiations should take into account the situation of developing countries and should ensure that they would benefit from world trade. Opting out of further agricultural trade liberalization would not improve development but would only serve to limit possibilities for wealth creation, although there may be a need for some derogations for some fragile developing countries. The EC recognized that the erosion of tariffs preferences was a serious concern, but pointed out that Article 20 referred to reform as a long-term process which meant tariff protection should be reduced gradually and, therefore, the scope to grant preferences would remain.

161. Canada noted that many countries believed that the Uruguay Round Agreement on Agriculture had not gone far enough. It pointed out that the Secretariat background paper on products

and markets of interest to developing countries (NG/S/14) had shown that developing countries were interested in exporting a wide variety of products to a wide variety of developed and developing countries. In fact, the majority of the markets identified by developing countries were in other developing countries. Therefore, the negotiations should lead to improvements in market access for all agricultural and food products, in all markets. Canada recognized the difficulties which could arise from the erosion of tariff preferences and stated that the negotiations would need to address the question of transition during the implementation of reform. However, preferences by definition benefitted some countries at the expense of other countries, often those in similar circumstances. Members needed to ensure that measures designed to ease the transition for Members now benefitting from preferences did not continue to prolong the disadvantage faced by other Members who were outside preferential arrangements. Canada supported the proposal to eliminate all forms of export subsidies.

162. United States noted that the proposal highlighted Kenya's disappointing experience with the results of the Uruguay Round. The United States wanted to work towards ending the distortions that existed in the world agricultural trading system and stated that all countries should liberalize although special and differential treatment would be required for developing countries. Some of these proposals might be achievable and the United States looked forward to further discussions in this area on practical approaches that were mutually beneficial.

163. New Zealand expressed an interest in examining some of the market access proposals and the issues concerning current tariff preferences and possible mechanisms for dealing with subsidized exports. New Zealand was prepared to study Kenya's ideas concerning a development box and to discuss ways to improve the provisions and implementation of the Marrakesh Decision on least-developed and net food-importing developing countries.

164. Australia (NG/W/166) had also been disappointed with the results of the Agreement on Agriculture and stated that the negotiations had to result in reducing distortions caused by some developed countries. However, reform could not be restricted only to developed countries. Improved trade opportunities would facilitate the efforts of developing countries to achieve growth and poverty reduction although special and differential treatment for developing countries would remain important. Preferential market access arrangements were not a key to achieving the long-term objective of establishing a fair and market-oriented agricultural trading system. The main problem remained the high levels of support and protection mainly provided by some developed countries and lower levels of protection and support would significantly increase the range of opportunities for developing countries. This process would reduce the reliance of developing countries on preferential arrangements. Australia agreed that food security was of vital importance and was prepared to explore the idea of a development box.

165. Colombia agreed that one of the main objectives of these negotiations should be a substantial improvement of market access for products of interest to developing countries (NG/W/161). This should not only include currently exported products but also products with a growth potential that had been retarded due to tariff peaks and escalation. Colombia supported linking better market access to the elimination of trade-distorting subsidies. The Peace Clause should be eliminated and the Green Box adapted to include measures for pursuing development objectives. Furthermore, commitments should be negotiated with respect to food aid for net food-importing developing countries and mechanisms to ensure technical assistance.

166. Kenya thanked Members for their comments and constructive suggestions to improve its proposal. Kenya also noted that growth in agricultural productivity and competitiveness would be the prime requirement for Kenya's fuller integration into the global economy. An improvement in agricultural competitiveness would not only be critical for maintaining and enhancing agricultural exports but was also essential for improving food security.

**(I) Senegal: Agriculture Trade Negotiations in the WTO – Preliminary Positions of Senegal (NG/W/137)**

167. Senegal stated that its objective in the negotiations was to ensure that agriculture could contribute towards economic and social development and improving food security. Multilateral disciplines could play an important role in achieving these objectives provided they took into account the concerns of fragile economies. On market access, it highlighted the importance of maintaining preferential arrangements and called on developed countries to improve market access for products from least-developed countries. To enable least-developed countries to avail of these opportunities, current rules of origin might need to be improved and technical assistance was needed to meet standards in export markets. Developing countries also needed access to the special safeguard for products destined for domestic consumption. Senegal supported substantial progressive reductions of export subsidies and disciplines on all types of export assistance while access to basic foodstuffs by net food-importing developing countries should not be negatively affected. On domestic support, it required flexibility to provide supports and it also proposed the establishment of a special agricultural investment fund to assist development.

168. A number of countries, including New Zealand, Australia and Canada supported some elements of the proposal but were concerned by some other elements such as revisiting tariff commitments or the discriminatory nature of some preferential arrangements. Australia pointed out that preferences should be made available to all developing countries and New Zealand noted that consideration was needed for historical preferential arrangements in the context of reducing support and protection as set out in Article 20. New Zealand and Canada stated that they were prepared to look at issues surrounding the Marrakesh Ministerial Decision and agreed that that food aid should not negatively affect agricultural production systems of developing countries. New Zealand also expressed an interest in the idea of looking at "verifiable economic indicators".

169. Australia also noted that in some cases developing countries might require access to appropriate special safeguard measures. Australia recognized that Members had every right to pursue non-trade concerns through non trade-distorting policies including the concerns of food security, rural development and poverty alleviation raised in Senegal's proposal. Australia strongly supported developing countries in their pursuit of growth and poverty reduction through trade and the development of the agricultural sector.

170. Canada hoped that Senegal would join it and many others in calling for the complete elimination of all forms of export subsidies. It noted that the proposal highlighted the importance of improving access to knowledge and technical infrastructure and promoting long-term adjustment and reform of production and marketing systems in developing countries. This could be achieved by effective and targeted technical assistance or mechanisms that helped developing countries build the capacity for taking advantage of the opportunities provided by the multilateral trading system.

171. The United States agreed that export subsidies should be reduced and was prepared to consider the proposals for special and differential treatment. The United States also looked forward to working with Senegal and other Members on practical approaches to increase the market orientation of world agricultural trade.

172. The EC welcomed the proposal as an attempt to integrate developing countries into the liberalization process. The EC was prepared to examine the possibility of giving more security to the preferences granted to developing countries and maintaining protection for the most fragile developing countries in order to give time for adaptation. The EC supported Senegal's position that export subsidies should be reduced progressively and it was open to discuss mechanisms to avoid any negative consequences from this process for net food-importing developing countries. It noted that exporting Members appeared to feel that the Uruguay Round had failed to have a major impact on trade or prices, while net importing countries felt that their import bills had increased. The EC



considered that measures to promote the sustainable vitality of rural areas and the food security concerns of developing countries could be addressed through a revision of the *de minimis* clause for developing countries. The EC also agreed that food aid should be granted in a way which did not disrupt local markets.

173. A number of countries, including Japan, Norway and Switzerland agreed with the statement in the proposal that a trade-centred approach in the negotiations was not sufficient to address some concerns, such as food security. Switzerland also supported the proposal for substantial progressive reductions of export subsidies and expressed interest in Senegal's proposals on special and differential treatment, particularly the idea of basing transition periods on "objectively verifiable economic indicators".

174. Japan also noted the reference to the multifunctional role of agriculture and the statement that government involvement was justified in order to secure such functions. While Japan supported a detailed examination of the conditions and stages of economic development of each country in order to address individual needs of developing countries, Members could not be divided mechanically into two groups of developed and developing countries with completely different rules applying to each group. Japan also referred to the proposal by sixteen developing countries, including Senegal, to the Committee on Agriculture on the implementation of the Marrakesh Ministerial Decision (G/AG/W/49) and suggested that this proposal should be seriously considered by the Committee.

175. Norway (NG/W/182) agreed there was a need to ensure adequate flexibility for Senegal and other developing countries to address food security, rural development and poverty, and to have access to a special safeguard. Like the EC, Norway also stated that food aid should not distort production in developing countries and should be provided in fully grant form.

176. Mauritius observed that Senegal's proposal demonstrated again the variety of agricultural systems (NG/W/178) in different countries. The proposal underlined the idea of regional complementarity which should be taken into account in future work and the need for preferential trade agreements. In addition it showed that developing countries needed to safeguard their domestic production systems which underpinned the socio-economic fabric of many developing countries. Mauritius supported the view of Senegal in respect of the necessity to establish a mechanism to prevent an adverse impact of the reduction of subsidies on the availability of basic foodstuffs necessary for the food security of LDCs and net food-importing developing countries. In this context, Mauritius welcomed the cautious and pragmatic approach on export competition and the proposals on special and differential treatment.

177. Senegal thanked delegations for their comments. In its proposal Senegal had been guided by the idea of progressive trade reform aimed at achieving a fair and market-oriented agricultural trading system since, as reflected in the Marrakesh Ministerial Decision, an abrupt elimination of export subsidies could have an adverse impact on food security for some countries. Senegal also highlighted that technical and financial assistance would be required to help developing countries adjust to the future reform programme.

**(m) Mexico: Proposal for the Negotiations on Agriculture in the WTO (NG/W/138)**

178. Mexico noted that its comprehensive proposal took into account consultations held with interested sectors in the country, including non-governmental sectors. The Uruguay Round had contributed to an improvement in international trade in agriculture and the reform process had to continue in order to meet the long-term objective set out in Article 20. The proposal reflected the fact that the principle pillars of the Agreement on Agriculture were all related and, as a result, Mexico's position on market access would depend on progress in the areas of domestic support and export competition. Mexico wanted all forms of export support eliminated within a specified time-frame. On domestic support, the Green Box should be maintained in its current form while Amber Box

supports should be reduced substantial and reduction commitments applied to the Blue Box. It was proposed that the Peace Clause be a permanent obligation for developed countries vis-à-vis imports from developing countries. The tariff negotiations should depend directly on the degree of market distortion with reductions negotiated from bound rates. Mexico called for a clear definition of non-trade concerns and noted that if instruments to deal with such concerns were developed they would have to comply with the following criteria: (i) non trade-distorting; (ii) not create obstacles to trade; and (iii) not affect the balance of concessions or commitments that were bound in the WTO. Special and differential treatment was important both with respect to the negotiating procedures themselves and would have to be reflected in the results of the negotiations.

179. A number of countries supported many elements of the proposal, including Venezuela, Malaysia, Thailand, the Philippines, Colombia, the United States, Ecuador, Chile, Bolivia, Ecuador, New Zealand, Brazil and Canada. Some members of the Cairns Group noted similarities between their proposals and some aspects of Mexico's proposal. Venezuela, Malaysia, Thailand, the Philippines, Colombia and Ecuador agreed with the linkage made by Mexico between commitments on improved market access and on reductions in trade distortion caused by support levels in other countries. Along with the United States and New Zealand, they also supported the proposal to eliminate export subsidies. Venezuela and Canada supported the proposal that there should be an overall limit to the total value of domestic supports and Canada also noted that it too had suggested that there should be an overall limit on domestic support (see proposal NG/W/92). The United States, Ecuador and New Zealand agreed that geographical indications, labelling and SPS issues should be dealt with in other fora.

180. Venezuela (NG/W/170) stressed the importance of complying with Article 10:2 regarding the adoption of disciplines for export credits, guarantees and insurance schemes in order to prevent circumvention of export subsidy commitments. On domestic support, substantial reductions in support levels were needed and, in addition, it was necessary to revise the criteria in Annex 2 to ensure that only those measures that were really non, or minimally, trade-distorting, were covered. Nevertheless, such a review had to permit the inclusion of programmes and measures which were aimed at promoting the institutional capacity of developing countries in their agricultural sectors. Furthermore, Venezuela believed that special and differential treatment had to be addressed in a horizontal manner in the negotiations.

181. On behalf of Malaysia, Thailand and the Philippines, the representative of the Philippines stated that the objective of a fair and market-oriented agricultural trade system could not be achieved if trade-distorting support in developed countries persisted. They shared Mexico's approach on domestic support and attached similar importance to special and differential treatment and stressed the need for substantive progress in reduction and elimination of trade-distorting support for achieving progress on market access.

182. Colombia (NG/W/161) supported the proposal for a substantial down-payment from developed country Members and stated that disciplines for state-trading enterprises also had to be developed. On the Peace Clause, Colombia did not believe, in principle, that it should be extended beyond 2003. Amber and Blue Box support should be eliminated and not just reduced and Green Box revised to ensure only non trade-distorting support was covered. Colombia noted the proposals concerning modalities for special and differential treatment and suggested that such modalities should also incorporate *de minimis* levels and Green Box measures aimed at addressing issues of food security, rural development and poverty alleviation. Colombia pointed out that agricultural markets were already distorted and suggested that any market access improvements should depend on the elimination of, or substantial reduction in, support in developed countries. Moreover, tariff quotas had to be as transparent as possible so to avoid discrimination between suppliers.

183. The United States noted Mexico's commitment to the reform process. Overall, the United States agreed with the proposal to substantially reduce all trade-distorting support and that the

negotiations should result in a substantial reduction in differences in support between Members. However, it is disappointed with Mexico's cautious approach to tariff reductions and suggested that reductions should be based on applied rather than bound tariff rates. It pointed out that the United States had called for reductions in trade-distorting domestic support that addressed disparities in support between different countries and it had also proposed comprehensive tariff cuts to maximise market access opportunities for all Members.

184. The representative of Chile stated that it was particularly valuable to have certain modalities regarding liberalization in the proposal, as these would be considered in the second phase. On the Peace Clause, Chile stated that developing countries could not be obliged to comply with it in the same way as developed countries.

185. Bolivia stated that special and differential treatment for developing countries was an integral part of negotiations. However, any provisions in favour of developing countries could not be discriminatory by favouring some developing countries but not others. It also stated that no country should be able to distort markets as such distortions would hurt small countries, like Bolivia.

186. Ecuador noted that the proposal promoted trade liberalization for agriculture with a view to integrating developing countries into the trading system in a manner that reflected the mandate of Article 20. It was clear from Mexico's proposal that the main problem in trade and agriculture was not in market access or other types of non-trade concerns, but resulted from the existence of high levels of production and export subsidies. Ecuador agreed with Mexico's approach to domestic support but noted that a review of the Green Box should be considered in order to accommodate concerns of developing countries. On the Blue Box, there was a need for a maximum ceiling and reduction commitments.

187. The representative of New Zealand was particularly interested in the idea of starting the period leading to the elimination of export subsidies from the point of termination of the Uruguay Round reduction period. This proposal could provide a form of down-payment as had been suggested in the Cairns Group proposal. While New Zealand noted the link made by Mexico between improved market access and trade distortions caused by subsidies in some developed countries, it also pointed out that improving market access should take place at the same time as domestic subsidies were reduced.

188. Brazil noted that the proposal not only presented modalities for further negotiations but also tried to bridge differences between positions in the agriculture negotiations. On the specifics, Brazil shared Mexico's reference to the elimination of export subsidies and agreed entirely with the call for immediate implementation of Article 10.2 of the Agreement on Agriculture.

189. A number of other delegations noted some elements of Mexico's proposal but did not agree with many of the points it raised. The EC, the Czech Republic, ... stated that a Peace Clause was a necessary complement to continued reform as it helped to enable countries to comply with commitments in order to keep the protection offered by such a clause. The Slovak Republic and the Czech Republic stated that Mexico's proposal seemed to go beyond Article 20 in suggesting export subsidies should be eliminated. Article 20 referred to the long-term objective of reform through substantial, progressive reductions in support and protection. While the Slovak Republic and the Czech Republic agreed that reduction commitments on export competition might be needed, other measures, such as export credits, export guarantees and state-trading enterprises, also needed to be included. The EC and the Czech Republic supported the proposal that the Green Box should be preserved although they noted that a review of the criteria could be considered and the EC added that this should also apply to the Blue Box.

190. The representative of the EC stated that further liberalization and expansion of trade contribute to sustained economic growth. However, a request and offer type procedure could overly

complicate the process and the Uruguay Round formula was much more direct and had clear advantages, such as being comprehensive and giving Members some flexibility in applying tariff reductions. In respect of geographical indications, which formed part of the market access area, the EC pointed out that its aim was to protect products for which highly reputable names had been established did not face unfair trade practices. On food safety, the EC wanted to see an expansion of trade in agricultural products, but it was also necessary to ensure that health was not compromised in the process.

191. On domestic support, the Slovak Republic agreed on the need to maintain the Green and Blue Boxes and supported further non-discriminatory reductions in the Amber Box support. For tariffs, however, a flexible approach which took into account economic necessity was needed. The Slovak Republic stated that the Mexican proposal acknowledged non-trade concerns and referred to the Note on Non-Trade Concerns (NG/W/36/Rev.1) which developed the concept.

192. The representative of the Czech Republic (NG/W/156) stated that that rules regarding non-trade concerns had to be discussed before embarking on a discussion of modalities for further domestic support reductions. On market access, the Czech Republic was only prepared to consider the Uruguay Round approach to tariff reductions as long as it took into account the specificities of economies in transition. The Czech Republic did not agree that geographical indications fell outside of the existing mandate. This was an integral part of the objective of establishing a fair and market-oriented agricultural trading system. Finally, on non-trade concerns, the Czech Republic welcomed the readiness of Mexico to clarifying their definition and to address possible instruments for employing such measures.

193. Japan supported the proposal to strengthen disciplines on export state trading enterprises and the establishment of disciplines on export credits. On domestic support, Japan agreed that the Green Box should be preserved and reduction of support should be based on total AMS. Any tariff reductions that might be agreed should be from bound rates. Flexibility was needed in the choice of the operation mechanism for tariff quotas according to the situation of the individual importing country. Japan considered that the special and differential measures proposed in each area of commitments warranted thorough consideration and was willing to discuss these with the aim of ensuring that each developing country could address its difficulties in light of its individual stage of development and specific situation.

194. The representative of Mexico thanked Members for their comments. He confirmed that Mexico's position in respect of Article 10.2 was that export credit negotiations be conducted in the WTO. He reiterated that Mexico also considered SPS issues important but considered that that these issues should be addressed under the SPS Agreement. On the Peace Clause, Mexico was of the view that it should become a permanent obligation for exports from developed to developing countries, that is, developing countries should be able defend themselves against subsidized imports which caused injury to the domestic industry. He confirmed that Mexico's position on the elimination export subsidies was in respect of all Members, developed and developing alike.

(n) **MERCOSUR (Argentina, Brazil, Paraguay and Uruguay), Bolivia, Chile, Costa Rica, Guatemala, India and Malaysia: Export Credits for Agricultural Products (NG/W/139 and G/AG/W/50)**

195. In introducing the proposal Brazil noted that Article 10.2 of the Agreement on Agriculture required Members to undertake negotiations to develop disciplines on export credits, guarantees and insurance programmes. The sponsors of the proposal suggested that such disciplines should be developed in the WTO so that all interested parties would be able to participate. This issue concerned an undertaking given in the Uruguay Round and, therefore, it concerned implementation. On this basis the proposal was to be submitted to the Committee on Agriculture which had been entrusted by the General Council with the task of addressing a number of implementation related issues. Brazil noted

that fourteen of the proposals that had been submitted in the negotiations had raised the need for disciplines on export credits, guarantees and insurance programmes. The aim of most of these proposals, and of the one being introduced, was to remove the subsidy element from such schemes while taking account of the needs of developing countries. The proposal included a number of elements including the definition of officially supported schemes, a list of forms of export credits, the terms and conditions of use and the need for transparency. A reference had also been made concerning special and differential treatment for exporting and importing developing countries in line with the Marrakesh Decision on least-developed and net food-importing developing countries.

196. A number of countries supported the proposal including Venezuela, Guatemala, Thailand, Canada, Mexico, Philippines, Malaysia, New Zealand, the European Communities, Norway, Venezuela, Mexico, Colombia, Argentina, Australia and Hungary. Venezuela (NG/W/170), Colombia, Thailand, the Philippines and Malaysia agreed that the development of disciplines on export credits, guarantees and insurance programmes was an outstanding issue from the Uruguay Round and such disciplines should be developed within the WTO. Guatemala noted that export credits added to a country's debts particularly if foreign exchange fluctuations meant the lending currency appreciated against the domestic currency. Therefore, specific consideration should be given in the negotiations to the distortions caused by monetary or foreign exchange policies. Mexico noted some similarities between this proposal and its own and stated that it would examine the new proposal.

197. Thailand noted that the issue of disciplines on export credits, guarantees and insurance programmes had been under discussion in other fora for some time without reaching a conclusion. It was now time to bring the discussions into the WTO and to include special and differential treatment provisions.

198. New Zealand noted that a considerable amount of technical work was needed in this area and hoped that this would be undertaken in the Second Phase of the negotiations. Canada, New Zealand and Australia stated that their aim was to see the subsidy element of these programmes eliminated. Canada noted that it had been a co-sponsor to a paper that dealt with export credit programmes. The list of elements to be considered in the development of disciplines on export credit programmes that was included in the proposal was a good starting-point for developing effective disciplines. Australia hoped that negotiations on disciplines on export credits, guarantees and insurance programmes were ongoing in the OECD and hoped that these could be successfully concluded.

199. Switzerland noted the wide support for the proposal and that the issue of disciplines on export credits, guarantees and insurance programmes related to a commitment made in the Uruguay Round. It was hoped that Members could take into account as a useful input the work done in other international fora on this issue.

200. United States noted that despite the commitment in Article 10.2 of the Agreement on Agriculture disciplines on export credits, guarantees and insurance programmes had not been implemented. While negotiations had been underway for some time in the OECD these had not been successfully concluded, although it was still possible that this could still be achieved. The United States had tried to ensure that the negotiations had reflected the Marrakesh Decision on least-developed and net food-importing developing countries.

201. Mauritius noted that it too wanted a clarification of terms, such as "officially supported export credits" used in the rules affecting exports credits. While welcoming the proposal Mauritius was concerned about restrictions that might affect net food-importing developing countries.

202. The representative of Japan stated that there should be multilateral disciplines developed for export credits, guarantees and insurance programmes. However, these disciplines should not affect genuine food aid which was necessary to alleviate food shortages and improve food security. In

addition other export related measures also needed to be strengthened such as export prohibitions, taxes and other restrictions in order to have some balance between measures affecting importers and those affecting exporters.

203. Argentina noted that there were no specific disciplines on export credits and Article 10.2 remained unimplemented. However, Article 10.1 clearly showed that export credits, export guarantees, export insurance schemes or other measures could not be used to circumvent export subsidy commitments. It went on to state that until Article 10.2 had been implemented export credits and guarantees should not be used to assist exports of products not covered by the export subsidy commitments of Member countries.

204. Brazil stated that it looked forward to working with others on developing disciplines on export credits, guarantees and insurance programmes. The work done in other organisations could be used as an input to the negotiations in the WTO.

**(o) Jordan: WTO Agriculture Negotiations (NG/W/140)**

205. In introducing its proposal, Jordan (NG/W/147) stated that the policy challenge facing it, almost one year after joining the WTO, was how to help domestic producers adjust to competition from abroad. Jordan was unable to use some provisions in the Agreement on Agriculture, such as the special safeguard provision, and it noted that its applied tariffs were low and much closer to bound rates than in most other countries. Market access is a key element of reform process and it proposed a formula to achieve convergence of applied tariffs, although any tariff reduction should depend on existing applied rates and newly acceding countries should have access to the special safeguard. Jordan also proposed that all forms of export supports should be eliminated and disciplines on export credits, insurance and credit guarantees should be developed. While proposing the continuation of the Green Box, Jordan wanted the criteria to be reviewed to ensure it covered only non-distorting supports. Similarly, it stated that the Blue Box could be a useful mechanism to enable countries to shift to less distorting forms of support but should be subject to reduction commitments leading to eventual elimination. It stated that the adjustment of negative product-specific support figures against positive non product-specific AMS support figures should be allowed. All measures taken by developing countries for poverty alleviation, rural development, rural employment and desert reclamation should be exempted from any reduction commitments. Under special and differential treatment, Jordan wanted an export promotion programme established to provide technical assistance to developing countries to increase their market access capacity and capabilities. Finally, Jordan stated that its main non-trade concerns were the protection of the environment and landscape, poverty alleviation and the protection of social and cultural heritages and added that, although it shared the idea that market forces alone were insufficient to address non-trade concerns, Jordan was in favour of developing measures to address non-trade concerns in minimally trade-distorting ways.

206. A number of countries supported certain elements of the Jordanian proposal, including Switzerland, Japan, the Slovak Republic, Norway (NG/W/182), Mauritius and the EC. Switzerland supported the establishment of an export promotion programme and hoped that the negotiations would develop ways to address non-trade concerns in ways that minimized trade distortion. Japan, the Slovak Republic, Norway and Switzerland supported maintaining the Green and Blue Boxes and stated that the special safeguard should be kept, and a new safeguard mechanism established. Mauritius, supported by Norway, noted that there was a clear call for an approach which satisfied the concerns of all countries as opposed to a "one-size-fits-all" approach. However, they did not agree with the proposal to reduce tariffs from applied rates.

207. Japan pointed out that it had proposed (NG/W/91) a safeguard mechanism which corresponded to the seasonal and perishable nature of agricultural products. Japan also believed that the fact that olive tree farming in Jordan played an important role in its economy, society and environment was good example of the importance of the multifunctionality of agriculture for both

developing and developed countries. Japan, supported by Norway, noted that the negotiations had to take into account the important roles played by agriculture in different countries.

208. The representative of the Slovak Republic stated that, in some respects, Jordan's proposal went beyond Article 20 of the Agreement on Agriculture as it called for the elimination of export subsidies and the Blue Box. On the other hand, the Slovak Republic agreed that export subsidy disciplines should cover all forms of official supports for exports including food aid and state-trading enterprises. On the issue of tariff reductions, the Slovak Republic supported Jordan's proposal for a flexible approach which ought to take into account the economic necessities and already low levels of protection in some Member States.

209. Mauritius (NG/W/178) welcomed the section on special and differential treatment where issues of concern similar to those of small island developing states were listed. These issues included concern for small farmers that represented an important segment of agricultural production. Mauritius also supported the section on non-trade concerns which showed that agriculture was undertaken in high and low potential areas.

210. The EC and the Slovak Republic agreed with many of the proposals on domestic support, including the examination of the Green Box criteria and the maintenance of the Blue Box. The EC also stated that the domestic support provisions should give developing countries room to address issues such as sustainable viability of rural areas and food security. On non-trade concerns, the EC and the Slovak Republic stated that they had to be taken into account in the negotiations. However, they did not agree to the elimination of subsidies and pointed out that Article 20 referred to progressive reductions in support. On market access, the EC also supported the idea that a tariff reduction formula would be useful pointed to the merits of the Uruguay Round formula.

211. A number of other countries supported those aspects of the proposal that they felt promoted rapid liberalization. New Zealand, the United States, Mexico, Australia and Canada supported the proposal to eliminate export subsidies and New Zealand, Mexico, Australia and Canada also supported the proposal to develop disciplines on export credits. Canada stated that identifying the subsidy element of all forms of export supports would be a key element of the negotiations. On domestic support, New Zealand, the United States and Canada supported many of the specific proposals, especially treating Blue Box measures in the same manner as other trade-distorting supports. Canada, the United States and Australia stated that they too were seeking a review of Green Box criteria to ensure that it included supports that had at most a minimal production or trade-distorting effect.

212. The United States stated it was interested in market access proposals, especially as regarded the differences between applied and bound rates of duty. The United States fully supported the position of Jordan to undertake tariff reduction from applied rates.

213. New Zealand and Australia were interested in examining some of the issues raised under market access. New Zealand noted, however, that it wanted to see the special safeguard eliminated and it opposed the use of quantitative restrictions, furthermore, general safeguards and anti-dumping were already covered by other parts of the WTO system. New Zealand noted that the Cairns Group had proposed a maximum tariff rate and suggested that might be better than using weighted averages which could still permit wide range of tariff rates. Finally, New Zealand believed that Members had to consider carefully how non-trade concerns could be taken into account within the framework of substantial progressive reductions in support and protection.

214. Canada and Australia noted that Jordan had called for all measures taken by developing countries for poverty alleviation, rural development, rural employment, desert reclamation, and diversification of agriculture to be exempted from any reduction commitments. They suggested that Jordan consider non trade-distorting ways to achieve those objectives.

215. Jordan (NG/W/147) thanked delegations for their comments and stated that it had joined the WTO in order to take advantage of trade opportunities, but felt that some flexibility with some sensitive products in newly acceded countries was necessary to assist them with their reform process.

**(p) African Group: Joint Proposal on the Negotiations on Agriculture (NG/W/142)**

216. On behalf of the African Group, Zimbabwe noted the importance of agriculture in the economies of African countries. However, development prospects were poor due to a number of reasons including high levels of protection and subsidies for production and export in developed countries. Agriculture in Africa had to be modernized to facilitate development, improve food security and reduce poverty. For many African countries, tariffs were the only viable trade policy instrument to protect domestic production as fiscal constraints meant subsidies could not be used. Therefore, tariff reductions in agriculture were linked to substantial reductions in subsidies in developed countries. It pointed out that special and differential treatment was a horizontal issue affecting all areas and appropriate provisions were needed to address the concerns of developing countries generally, and least-developed countries, land-locked countries and small island developing states. It suggested that the special and differential treatment provisions of related Agreements should be made compulsory while those of the Agreement on Agriculture could be re-examined and enhanced. It went on to highlight a number of other aspects of the proposal including tariff reductions, preferences, market access for least-developed countries and reduction, with a view to elimination, of export subsidies. He also raised a number of implementation related issues including the negotiations on disciplines on export credits and the operationalization of the Marrakesh Decision.

217. A number of members of the African Group, including Swaziland, Namibia, Nigeria, Zambia, Egypt, Kenya, Senegal, Nigeria and Mauritius supported the statement by Zimbabwe and stated that the proposal was a pragmatic approach to a very complex situation. Swaziland hoped that the African Group's proposals would contribute meaningfully towards the development of a continent with the provision of meaningful market access. Kenya and Senegal noted that the proposal was similar in many ways to the proposals from a group of developing countries (NG/W/13, 14 and 37). Nigeria emphasized the elimination of tariff peaks and escalation and the special safeguard for developing countries. Mauritius (NG/W/178) highlighted a number of features in the proposal and stated that the paper highlighted the diversity and complexity of agriculture in Africa which included developing countries, least-developed countries, small island developing states, land-locked countries and net food-importing developing countries. The paper demonstrated the need for preferences for Africa and underscored the need to reinforce these preferences. Finally, the concerns of the least-developed and net food-importing developing countries, many of which were in Africa, had to be promptly and adequately addressed.

218. A number of other developing countries also welcomed and supported many elements of the proposal. Sri Lanka, India (NG/W/176) and Cuba welcomed the proposal from the African Group which reflected the difficult situation faced by agriculture in that region. They noted that the proposal put forward a series of measures that were, in many cases, in line with other proposals that had been submitted by a group of developing countries (NG/W/13, 14 and 37) mainly in the area of market access, as well as regarding the implementation of the Marrakesh Agreement for the least-developed countries and net food-importing developing countries. Sri Lanka, the Philippines and CARICOM particularly supported the proposals to reduce and eliminate tariff peaks and tariff escalation, providing credits for autonomous liberalization and developing a special agricultural safeguard mechanism for developing countries as an S&D measure. Sri Lanka and CARICOM fully endorsed the proposals on the Marrakesh Decision and others related to least-developed and net food-importing developing countries including the creation of an inter-agency revolving fund to assist the least-developed and net food-importing developing countries meet their food import needs. Sri Lanka also supported the proposals on export competition and domestic support.



219. The Philippines supported the importance of special and differential treatment in view of establishing equitable and fair competition where structural conditions across countries were different. While it shared the proposal's objectives with respect to export subsidies, the Philippines stated that export competition issues should be dealt with in a comprehensive manner. Finally, the Philippines noted its agreement with many of the proposals on domestic support issues and look forward to working with the African Group as the negotiations proceeded.

220. New Zealand, Canada and the United States agreed with the African Group that special and differential treatment was a concern that had to be addressed in the negotiations and stated that they looked forward to working towards developing operational and concrete special and differential measures. New Zealand recognized that legitimate non-trade concerns such as poverty alleviation and food security, had to be taken into account for developing countries. On market access, New Zealand and Canada stated that tariff peaks and tariff escalation should be substantially reduced and eventually eliminated. New Zealand also noted that it had announced that it would provide free access to all products from least developing countries from July 2001 and Canada pointed out that virtually all agricultural products from least-developed countries could now obtain duty free treatment in the Canadian market in parallel with more relaxed rules of origin.

221. New Zealand understood the rationale linking liberalization of market access and reductions in trade-distorting support. However, it suggested that work should proceed simultaneously in reducing both market access barriers and also export and domestic subsidies in all countries. On export competition, New Zealand and Canada supported proposal, particularly the elimination of export subsidies and the development of disciplines on export credits. New Zealand and Canada welcomed the proposal to review and tighten Green Box criteria and were also ready to look at issues surrounding the Marrakesh Decision and the need to ensure that food aid did not negatively affect agricultural systems in developing countries.

222. The EC noted that its comprehensive proposal responded to many of the concerns mentioned in the African Group proposal. However, it stated that there was an imbalance between the proposal on export subsidies and the proposal on other forms of export support. As regarded tariffs, the EC had shown its commitment to open its market totally to products originating from the least-developed countries through the "Everything but Arms" initiative. However, the erosion of tariff preferences by reductions in MFN tariffs was an issue that had been mentioned in other proposals. The EC had also suggested in its comprehensive proposal additional flexibility for developing countries through higher *de minimis* limits and the reduction in Amber Box limits. It was also prepared to consider examining the details of the Blue and the Green Boxes. However, the question of a revolving fund seemed to be outside the scope of the negotiations although the EC did recognize the need for appropriate and reliable food aid provisions.

223. Norway (NG/W/182) noted the need for rules and disciplines governing trade in agriculture to promote development and recognized the problems of the agriculture sector in Africa. On the question of developed countries giving tariff-free and quota-free market access for exports of least-developed countries, Norway pointed out that it already provided such market access for essentially all products. The representative of Norway stated the need for greater policy coherence for all partners not only international financial institutions, but also in Members own bilateral programmes. Like the EC, Norway also recognized the need for appropriate and reliable food aid provisions.

224. The United States stated that it was seeking substantial reductions in tariffs and in achieving an open free trading system. In the area of export competition, the United States noted that it too had proposed the elimination of export subsidies and asked for further elaboration regarding the provision to enhance or strengthen the exemptions for developing countries in Article 9.4 of the Agreement on Agriculture. On domestic support, the United States agreed that the criteria and rules linked to the Green Box needed to be reviewed.

**(q) Namibia: Proposal in the Areas of: (i) Market Access, (ii) Domestic Support, (iii) Export Competition, and (iv) Non-Trade Concerns (NG/W/143)**

225. Namibia stated that its agricultural sector had been substantially liberalized with few remaining trade-distorting domestic support measures. The agricultural marketing boards that had previously administered procurement and prices of sensitive products had been abolished. Although in land area Namibia was a large country, it had a small economy and population and many characteristics of a small developing country. Namibia's priorities included the reduction and eventual elimination of tariff peaks and escalation, transitional periods to adjust to the erosion of preferential access, and uniform internationally accepted SPS rules with technical assistance on SPS measures. On domestic support, it proposed the gradual elimination of trade-distorting domestic support, with some revision of *de minimis* provisions for countries whose rates were currently negative or zero, and quantification and discipline measures on Green Box expenditures. All types of export competition measures should be treated equally and food aid should be procured only from developing countries. Non-trade concerns should be addressed in a transparent manner. Furthermore, any future provisions to enhance the food security of the rural poor should allow for flexibility.

226. South Africa, Swaziland and Zimbabwe supported many elements of the proposal and noted the similarity with the African Group proposal and South Africa (NG/W/168) also noted similarities with the Cairns Group's proposals.

227. South African also noted that, as in Namibia, the development of agriculture in the rural areas of South Africa was of paramount importance for economic development and poverty alleviation. It also had to accommodate a dual structure of commercial and small-scale farming in agricultural policies. South Africa fully supported Namibia's proposal for the elimination of trade-distorting support.

228. Swaziland stated that it would prefer a reduction rather than elimination of export subsidies in the long-term and suggested that these were inter-linked with trade preferences and that therefore a reasonable time for adjustment was required. Finding appropriate solutions in this regard were a challenge to Members in these negotiations.

229. Zimbabwe specifically supported the proposals concerning tariff peaks and escalation. In relation to SPS measures, Zimbabwe stated that minimum acceptable standards should be established on which SPS standards should be based. The area of tariff preferences could be treated as part of special and differential treatment. Zimbabwe agreed with the proposal calling for substantial progressive reductions of trade-distorting domestic support and stated that the Blue Box should be reviewed. Zimbabwe also supported that food aid be provided in fully grant form.

230. On behalf of CARICOM the representative of Grenada noted that the proposal was a positive contribution to the negotiations and aimed at achieving a reduction in the general level of distortions. CARICOM also wanted to see a reduction and gradual elimination of tariff peaks and escalation and noted that this was another proposal which addressed the essential need for a period of adjustment for erosion of tariff preferences. CARICOM also supported a number of other elements of the proposal such as reductions in domestic support and export subsidies, and that addressing non-trade concerns should not increase trade distortions.

231. Canada, New Zealand, the United States and Mexico supported some elements of the proposal. Canada and New Zealand noted that, as part of the Cairns Group proposal on export competition (NG/W/11) they had proposed the abolition of all forms of export subsidies and, as part of the Cairns Group proposal on domestic support (NG/W/35), they had proposed reductions in trade-distorting domestic support, including the Blue Box. The United States noted that it too had proposed elimination of the Blue Box (NG/W/15) and stated that non-trade concerns should be addressed in a

transparent, targeted and non trade-distorting manner. Mexico also noted that its proposal (NG/W/138) had also stated that export subsidies should be abolished.

232. Canada added that it was seeking improved market access for all agricultural products. This meant a broader outlook was necessary as, in some cases, high tariffs were the issue, while for others tariff quotas applied, and the size and administration of these tariff quotas were the key constraints to address. Canada also agreed that food aid should be provided in fully grant form and, with New Zealand, stated that care should be taken to avoid undermining local markets. Canada agreed that transparent measures were needed to address non-trade concerns but sought to ensure that the measures did not distort production or trade.

233. New Zealand agreed that tariff peaks and escalation required urgent attention. New Zealand did not, however, favour a revision of AMS commitments where they were currently zero as many countries could not afford the expense of providing AMS support.

234. In the view of Mexico, it was vitally important to define the concept of non-trade concerns and to see to it that instruments addressing these concerns were non trade-distorting, did not become trade barriers and did not undermine concessions and commitments.

235. In relation to the proposal on non-trade concerns, Switzerland stated that it would be difficult to negotiate a broad definition of non-trade concerns for the purpose of binding commitments. Switzerland considered that the risk of abuse could be addressed by identifying instruments that covered non-trade concerns which were transparent and least trade-distorting.

236. The EC stated that each country should have the right to decide its appropriate level of SPS protection, as set out in the SPS Agreement itself. The EC believed that tariff reductions should be made on a progressive basis by all Members without prejudice to the possible need for greater flexibility for the most fragile members and taking account of the need for preferences for some countries. While the EC was prepared to examine the Blue and Green Boxes, it stated that they should not be eliminated. The EC welcomed Namibia's interest in non-trade concerns and agreed that measures designed to deal with non-trade concerns should be transparent and minimally trade-distorting.

237. Norway (NG/W/182) agreed that food aid should not cause distortions nor displace domestic production. In relation to non-trade concerns, it observed that the proposal appeared to limit the scope of Article 20 by suggesting a cap on domestic support. Solutions for non-trade concerns should be sought within mutually agreed rules and disciplines, and not be seen as permission to all countries to do as they want.

238. Namibia thanked Members for their comments and was ready to further discuss its proposals with interested Members.

TECHNICAL SUBMISSIONS

**(a) Argentina: Technical Submission Concerning Legitimate Non-Trade Concerns (NG/W/88)**

239. In introducing its submission, Argentina noted that the paper's focus was on identifying non-trade concerns which Argentina considered to be compatible both with the objectives of the negotiations and the principle of not adversely affecting the interests of other countries. Argentina believed that environmental protection, rural poverty and unemployment were legitimate non-trade concerns. However, trade-distorting domestic support, export competition measures and closed market policies were inappropriate ways of addressing these concerns as they damaged other countries and hindered their efforts to address the same issues.

240. Peru stated that existing distortions in agricultural trade were a major cause for the increase in rural poverty in developing countries since distorted prices hindered them to compete. Tariff escalation was another fundamental concern for developing countries which undermined efforts to diversify and create a solid industrial base and which condemned them to the status of commodity exporters. In the view of Peru, food security was another legitimate non-trade concern.

241. Japan suggested that the concept of trade distortion should be clarified in the negotiations. While Japan accepted that the rules on export subsidies might be strengthened it pointed out that they should also be improved for other export measures, such as export restrictions and prohibitions, and export taxes. This would help to redress the imbalance in the rules applied to importing and exporting countries. Since poverty in rural areas and the resulting migration to urban areas were caused by various social, economic and political factors, Japan considered it too simplistic to emphasize tariff escalation as a cause. Under certain circumstances price supports and trade-distorting subsidies could increase production and have adverse effects on the environment. However, it was also true that price support enabled disadvantaged regions to maintain agricultural production activities and this brought environmental benefits, such as preventing land erosion and preserving rural landscape. Such functions of agriculture were closely related to, and could not be separated from, agricultural production.

242. The EC stated that although the submission might be read as a critique of the concept of non-trade concerns, the EC viewed it as a demonstration that non-trade concerns were universal and applied in low support exporting countries as well as in importing countries. The EC's approach to this vital topic was to pursue trade concerns in a way which was minimally trade-distorting. In any event, there was a need to see non-trade concerns not as an obstacle, but as the key to arrive at a generally satisfactory outcome of these negotiations.

243. Mauritius observed that Argentina's submission raised fundamental issues regarding non-trade concerns. In its view, non-trade concerns had to be part of the future work of the negotiations. Mauritius also considered that the instruments to be used to address such concerns would differ from country to country in view of their specificities and diversity, and no single measure would be suitable for all countries.

244. The United States stated that it hoped that during the second phase of the negotiations, all Members would identify their non-trade concerns in agriculture and that the Committee would be able to identify the adequate instruments with which they could be addressed.

245. Venezuela welcomed Argentina's submission as a valuable contribution by putting non-trade concerns in the proper perspective for these negotiations (NG/W/170). Venezuela agreed that some of the most serious problems relating to non-trade concerns could be resolved by correcting current distortions to agricultural trade and that legitimate non-trade concerns were those which could be pursued by Members consistently with the objective of establishing a fair and market-oriented

agricultural trading system. Venezuela also supported the view that due consideration should be given to the effects of the reform process on developing countries. Rural poverty, unemployment and environmental protection were legitimate non-trade concerns and it added food security.

246. Norway (NG/W/182) recognized that agricultural policies might have spill-over effects on trading partners. However, spill-over effects might be caused not only by high-support countries but by low-support countries as well, since the latter might affect the ability to address non-trade concerns in high-support countries. There might thus be important trade-offs between trade concerns and non trade concerns within and between countries that called for careful attention. In accordance with Article 20, it was important to find a balance between different interests in the continuation of the reform process.

247. India stated that food and livelihood security were fundamental non-trade concerns in developing countries. It also observed that the strategies for addressing non-trade concerns in developed and developing countries might differ in view of the resource constraints faced by developing countries.

## ANNEX

### SIXTH SPECIAL SESSION OF THE COMMITTEE ON AGRICULTURE (G/AG/NG/6)

#### Report by the Chairman, Ambassador Jorge Voto-Bernales, to the General Council

1. The Special Session of the Committee on Agriculture, which was established by the General Council to conduct the negotiations for continuing the reform process under Article 20 of the Agreement on Agriculture (WT/GC/M/53, paragraph 39 refers), held its sixth meeting on 22-23 March 2001.
  2. The agenda as set out in WTO/AIR/1502 was adopted.
  3. The following new or additional proposals for continuing the reform process were presented and/or examined at the meeting: (i) a proposal by India on "Negotiations on WTO Agreement on Agriculture" (NG/W/102); (ii) a proposal by Norway on "WTO Agriculture Negotiations" (NG/W/101); (iii) a proposal by Poland on "WTO Negotiations for Continuation of the Reform Process in the Agricultural Sector" (NG/W/103); (iv) a proposal by MERCOSUR, Chile, Colombia and Bolivia on "State Trading Enterprises" (NG/W/104 and Corr.1); (v) "Proposal by Morocco" (NG/W/105); (vi) a proposal by Turkey on "WTO Agriculture Negotiations" (NG/W/106 and Corr.1); (vii) "Comprehensive Proposal by the Arab Republic of Egypt to the WTO Negotiations on Agriculture" (NG/W/107/Rev.1); (viii) "Malian Proposals for the Future Negotiations on Agriculture" (NG/W/99); (ix) "WTO Negotiations on Agriculture - Proposal by Nigeria" (NG/W/130); (x) "Negotiating Proposals by the Democratic Republic of the Congo" (NG/W/135); (xi) a proposal by Kenya on "WTO Negotiations on Agriculture" (NG/W/136); (xii) "Agricultural Trade Negotiations in the WTO – Preliminary Positions of Senegal" (NG/W/137); (xiii) "Proposal by Mexico for the Negotiations on Agriculture in the World Trade Organization (WTO)" (NG/W/138); (xiv) a proposal by MERCOSUR, Bolivia, Chile, Costa Rica, Guatemala, India and Malaysia on "Export Credits for Agricultural Products" (NG/W/139); (xv) a proposal by Jordan on "WTO Agriculture Negotiations" (NG/W/140); (xvi) "WTO African Group: Joint Proposal on the Negotiations on Agriculture" (NG/W/142), and (xvii) a proposal by Namibia on "WTO Negotiations on Agriculture" (NG/W/143). In addition, a technical submission by Argentina on "Legitimate Non-Trade Concerns" (NG/W/88) was considered and a submission on "WTO Negotiations on Agriculture" (NG/W/141) was made available by Croatia.
  4. It was noted that the Special Session had completed its consideration of all the proposals and technical submissions that had been tabled in the course of the first phase of the negotiations.
  5. A number of the statements made at this meeting are to be circulated in the series G/AG/NG/W/- at the request of the delegations concerned. These statements will be listed in an addendum to this report in due course. Statements made at the previous (fifth) Special Session but circulated after the appearance of the Chairman's report on that meeting (G/AG/NG/5) are: Lithuania (NG/W/127); Poland (NG/W/128); Dominican Republic, Honduras, Cuba and El Salvador (NG/W/129); Hungary on behalf of Albania, Bulgaria, Croatia, the Czech Republic, Estonia, Georgia, Hungary, the Kyrgyz Republic, Latvia, Lithuania, Romania, the Slovak Republic and Slovenia (NG/W/131); Hungary (NG/W/132); Venezuela (NG/W/133); and the Czech Republic (NG/W/134).
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