

**Committee on Agriculture
Special Session**

**SUMMARY REPORT ON THE FIFTH MEETING OF THE SPECIAL SESSION
HELD ON 5-7 FEBRUARY 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 3.28 refers). The fifth such meeting took place on 5-7 February 2001 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/5, copy attached). Unless otherwise stated, all references to documents refer to the G/AG/NG/- series.
3. The agenda as contained in WTO/AIR/1471 was adopted.

NEGOTIATING PROPOSALS

(a) European Communities Comprehensive Negotiating Proposal (NG/W/90)

4. The representative of the European Communities noted that many of the positions put forward so far in the negotiations were aimed at exporters exporting more and importers importing less. Such positions were irreconcilable and would not lead to results which would benefit all countries. The EC's proposal suggested that a broad general round of trade negotiations was necessary to facilitate solutions on agriculture, and secondly that the agriculture negotiations had to be based on the principles outlined in Article 20 of the Agreement on Agriculture. On market access the EC proposed using the same type of formula as had been used in the Uruguay Round for tariff reductions, improving the rules for tariff quota administration and that tariff reductions should result in real access opportunities for products whose reputation was linked to their origin. On export competition he pointed out that the EC was prepared to negotiate reductions in export subsidies only if other measures affecting export competition were also subjected to equivalent disciplines. The current structure of domestic support classifications should be maintained although further reductions in Amber Box commitments were possible. Non-trade concerns would have to be addressed for a successful reform process such as those linked to the multifunctional role of agriculture and concerns related to food safety and the reasonable treatment of animals. Regarding special and differential treatment he pointed out that all Members, particularly developing country Members, should be able to benefit from participation in world trade and the EC was committed to providing tariff free access for essentially all products from least-developed countries. In addition, the EC was prepared to consider ways to give greater security to preferences to developing countries and for flexibility in the rules on internal support and, in some cases, to greater time to adapt to freer trade. However, he warned against the idea that developing countries should opt out of further agricultural trade liberalization as trade, both imports and exports, increased wealth. Increasing trade restrictions between developing countries or between developed and developing countries would only limit this potential.

5. MERCOSUR and its associated states along with Pakistan, Australia, South Africa, Canada, New Zealand, Malaysia, Indonesia, Thailand, Colombia, the United States, Cost Rica, the Dominican Republic, Honduras, Guatemala, India, Sri Lanka and Namibia stated they had hoped to see more progress although some of them noted that the proposal showed the EC were taking the negotiations seriously. In particular, they stated that the tariff reduction method proposed would not reduce tariff peaks or escalation. Along with Mexico, they noted that some of the concerns raised in the proposal, such as food safety, food quality, geographical indications and animal welfare, were not for the agriculture negotiations. MERCOSUR noted that these measures often resulted in more restricted market access and Canada stated that it could not agree to measures that would result in reducing consumer choice. MERCOSUR and its associated states along with New Zealand noted that the objective set out in Article 20 was a fair and market orientated agricultural trading system which the EC seemed to want to change by suggesting a balance was needed between trade and non-trade concerns. Canada and New Zealand stated that the negotiations should concentrate on the effects of state trading enterprises and that it did not want to see any increase in notifications, especially ones that required confidential commercial information.

6. On behalf of MERCOSUR and its associated states (Chile and Bolivia) the representative of Paraguay pointed out that MERCOSUR and the Cairns Group had proposed the elimination of all forms of export subsidies. It also suggested that the EC's conditions concerning negotiations on the Green Box and Blue Box were not acceptable. Paraguay also felt that non-trade concerns applied to all types of human activity, with the exception of animal welfare. As for the Peace Clause, he stated that this was not for negotiations as it was due to expire at the end of 2003.

7. Argentina (NG/W/108) asked the EC to clarify the suggested formula for tariff reductions as it was not clear if the formula was the same as that used in the Uruguay Round or a formula of the same kind. Argentina agreed that the rules on tariff quotas should be examined but it also wanted to phase out tariff quotas by increasing their volume and reducing tariff rates. The special safeguard had been part of tariffication and was no longer needed, especially as it had been abused as seen in the Committee on Agriculture. It noted that the EC was not suggesting the elimination of export subsidies all forms of which Argentina wanted eliminated. On domestic support Argentina pointed out that the OECD had shown that over half of subsidies in developed countries were exempt from reduction commitments. This could mean that preserving the concept of the Green, Blue and Amber Boxes meant reductions would apply to less than half the value of subsidies although it was noted that the EC was proposing to address non-trade concerns in targeted, transparent and minimally trade-distorting ways which could give a basis for negotiation. However, it also noted that the proposal sought to keep the right to use export subsidies and the Amber and Blue Boxes all of which were trade-distorting.

8. Pakistan noted the EC proposal stated that it needed a level playing field in export competition and contrasted this with the proposals on domestic support which would continue to allow some countries to have very high levels of subsidies. Pakistan stated that the Green Box should not be expanded to cater for animal welfare or other issues raised in the EC's proposal. In fact the debate in the November Special Session on the Note on Non-Trade Concerns (NG/W/36/Rev.1) had shown that the non-trade concerns of developed and developing countries were very different. Pakistan was also concerned by the mention in the proposal of the precautionary principle which it felt could be used to implement very strict SPS measures. It was also concerned by the section in the proposal that dealt with special and differential treatment as the preferential access suggestions seemed to be an attempt to create sub-groups of developing countries. Such preferences should apply to all developing countries and should be made more stable and predictable by incorporating them into Members' schedules. Developing countries also had to be given sufficient flexibility in the Green Box to address their food security and rural development needs.

9. Australia (NG/W/109), supported by Guatemala, noted the distortions caused by the Blue Box which it wanted abolished. It, too, wanted better disciplines agreed in the WTO on all forms of export

supports and to see that food aid met the needs of recipient countries but it did not accept that reductions in export subsidies had to be linked to these issues. The Cairns Group had proposed the elimination of all forms of export subsidies. On non-trade concerns it agreed that such concerns needed to be taken into account in the negotiations but they should be addressed in ways that were compatible with liberalization and Australia noted the EC had said that non-trade concerns should be addressed in transparent, targeted and minimally trade-distorting ways. Australia supported the recognition given in the proposal to the specific needs of developing countries especially food security and rural development and pointed out that the Cairns Group proposal had also suggested a review of the Green Box and improved market access.

10. Guatemala (NG/W/113) added that Article 20 was the basis for the negotiations. It also noted the EC's proposal stated that non-trade concerns should be addressed in minimally trade-distorting ways but wanted to know what was the definition of minimally trade distorting. While the proposals concerning special and differential treatment were welcomed, Guatemala stated that other elements of the proposal, particularly only reducing export subsidies, could cause problems and it pointed out that special and differential treatment should give real market access. Tariff reductions would help to achieve this but it also required tackling tariff peaks and escalation and eliminating export subsidies and other subsidies that assisted production.

11. South Africa noted that there appeared to be a contradiction in the proposal which stated that the concept of the Blue Box had to be maintained but stressed the use of non trade-distorting methods of support to address non-trade concerns. South Africa viewed the concept of multifunctionality with some scepticism as it seemed to be only an excuse for protectionism although it welcomed the statement that targeted, transparent and minimally trade-distorting methods of supports should be used. However, it also believed that if the total value of transfers to agriculture was not reduced the objective of a fair and market oriented agriculture trading system would not be achieved.

12. Canada felt that market access reforms should benefit all by allowing more efficient producers to participate but the Uruguay Round formula for tariff reductions would not achieve this as it would not do reduce inequities in market access across different products and different countries. Market access improvement for products subject to tariff quotas would depend on the size of these quotas and in-quota tariffs but the EC proposal addressed only administration while Canada believed that quotas also needed to be expanded and in-quota tariffs eliminated. While Canada agreed that rules were needed on export credits and that food aid should meet the needs of recipients rather than be used to dispose of surpluses it did not agree with the proposals concerning single desk exporters and noted that no justification had been given. The EC proposal would do little to reduce support. Canada wanted trade-distorting supports reduced to *de minimis* levels and the Green Box reviewed and did not want to see it used to circumvent the rules on domestic support. The goals listed under non-trade concerns were shared by a number of Members and should be addressed using targeted, transparent and minimally trade-distorting supports.

13. New Zealand noted that the EC had proposed that non-trade concerns should be addressed in a targeted and transparent manner with minimal trade distortion. Higher tariffs required greater reductions and tariff quotas needed to be increased but neither issue was addressed in the proposal. The special safeguard should also be removed particularly because it did not require any test of substantial injury. The EC had proposed that export subsidies could be reduced but New Zealand stated that all forms should be eliminated and prohibited, that food aid should be in grant form and should meet the needs of the recipients and not damage producers in the receiving country and that export credits should be disciplined. Domestic subsidies in agriculture remained excessive and so New Zealand agreed that AMS levels had to be reduced although it also wanted to see an elaboration of the proposal to rules and disciplines on the Amber Box and wanted the Blue Box abolished as it was trade distorting. On special and differential treatment New Zealand agreed with some of the proposals such as increased market access and suggested that the idea of policy flexibility could be explored in the negotiations.

14. The Philippines (NG/W/122) stated that the proposal would allow distortions to continue in agricultural trade and would not lead to the establishment of a fair and market oriented agricultural trading system. While the Philippines agreed that export competition should cover all forms of export supports and discussion was needed on export credits, food aid and single desk exporters, it pointed out that the EC proposal would not deliver a level playing field in agricultural trade, in particular, because of its suggestions concerning domestic support. The proposal appeared to give the Green Box and the Blue Box the same status but one was clearly trade distorting while the other needed to be reviewed to ensure it permitted only non-distorting supports. It was noted that the proposal did say that non-trade concerns should be addressed in transparent, targeted and minimally trade-distorting ways. While the proposal did suggest that trade preferences should be made stable and predictable, the Philippines believed that they should be non-discriminatory and non-reciprocal as set out in the enabling clause and as suggested in the ASEAN proposal. It was also noted that the non-trade concerns of developed and developing countries were very different and some issues like food security and rural development could not be addressed using the Green Box alone and additional mechanisms may be needed.

15. Malaysia (NG/W/118), supported by Indonesia, noted that the EC wanted to keep the Blue Box but Malaysia believed this to be the most trade-distorting form of domestic support, furthermore, the reduction of the AMS should be on a commodity basis. While the Green Box could be revisited it was concerned that some proposals to meet societal goals, such as animal welfare, could lead to abuse. In fact the review should be only to meet the concerns of developing countries and the criteria should be to avoid any distortion of production or trade. Malaysia agreed with the EC that export credits needed to be disciplined and stated that the commitments set out in Article 10.2 of the Agreement on Agriculture should be met by the WTO and not negotiated elsewhere and then imposed on all WTO Members. Malaysia was concerned with the conditionality in the EC proposal between reductions in export subsidies and other forms of export support. Export subsidies had to be eliminated and rules applied to export credits. Finally, Malaysia noted that the EC was committed to negotiations on agriculture by Article 20 of the Agreement on Agriculture which did not mention a general round of trade negotiations and so Malaysia did not accept that there could only be a substantive outcome in such a round.

16. Indonesia (NG/W/115) added that it supported the proposal that measures taken by developing countries for rural areas, poverty alleviation and food security should be exempt from reductions. However, it was concerned that countries giving preferences should not impose conditions on other countries and concerning the proposal to give least-developed countries duty-free access for essentially all products it asked the EC to consider ASEAN's proposal on special and differential treatment.

17. Thailand (NG/W/126) stated that it was disappointed that the proposal did not take account of the need for substantive reform. Agriculture trade was still protected and distorted and a lot of progress was needed to achieve the long-term objective. Thailand stated that while it agreed on the need to develop rules on export credits in the WTO, and that food aid should be given only in grant form, this should not be a precondition for negotiations on export subsidies all forms of which should be eliminated and prohibited. Blue Box measures are trade distorting but exempt from reform which was one reason why trade-distorting subsidies had not been reduced by as much as had been expected. The special safeguard should only be available to developing countries to assist them in their reform efforts. Overall, the aim of the reform process was to liberalize trade in agriculture which meant non-trade concerns should be addressed through targeted, transparent and non trade-distorting measures. For developing countries, special and differential treatment should exempt measures needed to address food security and poverty alleviation and Thailand supported the "Everything but Arms" initiative of the European Commission but it did not want to see developing countries divided into different classes. The Peace Clause should be allowed to expire as it could not exist while markets were still very distorted. Finally, Thailand hoped to see the EC become not only one of the world's biggest exporters of agriculture products but also one of the world's biggest unsubsidized exporters.

18. Colombia did not accept that Article 20 of the Agreement on Agriculture required a broad round of trade negotiations to achieve reform. While it accepted that the administration of tariff quotas was important, this was not enough to guarantee improvements in market access opportunities and tariff quotas needed to be increased and in-quota tariff rates reduced. The special safeguard should be kept only under special and differential treatment for developing countries. Export subsidies should be eliminated and could not be compared to export credits although Colombia agreed that disciplines were needed but these disciplines should be developed in WTO and not in another forum. Colombia also agreed with the proposals for food aid as this should not affect domestic production in the recipient countries. The structure for domestic support in the Agreement on Agriculture reflected developed countries' concerns and maintaining it would only perpetuate the existing inequalities by leaving the Blue Box in existence and not reforming the Green Box. Similarly, the Peace Clause should not be extended as it restricted the right to retaliate against trade-distorting subsidies. Colombia noted that the EC was the biggest market in the world for products from developing countries but pointed out that this market was not growing which contradicted the Uruguay Round objective of improving market access, especially for tropical products. Finally, special and differential treatment should be reflected in measures that were really useful for developing countries which meant increasing the *de minimis* limits was not essential as most developing countries did not have the resources to use this measure.

19. In making his preliminary comments, the representative of Mexico noted that it had already stated its position concerning export competition and it did not agree to any conditionality being attached to reductions. The Green Box however, should be maintained as it provided a direction for reform towards less trade distorting supports and it believed that developing countries should be able to use measures that were exempt from reduction commitments in order to address their development needs. Mexico did not consider some of the issues outlined in the proposal as non-trade concerns to be positive, particularly environmental measures as these were already covered by Annex 2, while poverty alleviation and rural development corresponded to issues that should be covered by special and differential treatment. Mexico agreed with others' statements that non-trade concerns should be addressed in ways that did not undermine trade liberalization. Like special and differential treatment, preferential market access should be granted by developed countries to all developing countries without discrimination.

20. The United States had hoped to see the EC propose the elimination of export subsidies and substantial reductions in tariffs and protection. It also felt that there was no need to duplicate work by including issues dealt with elsewhere in the WTO or in other institutions such as the Food Aid Convention. In keeping with progressive reform it was necessary to move beyond transitional measures such as the Blue Box. The United States agreed with the proposals on state trading enterprises.

21. Costa Rica agreed with the statements made by other members of the Cairns Group and noted in particular that export subsidies and the Blue Box should be eliminated, that the Peace Clause should not be renewed and the Green Box examined to ensure that it covered only non or minimally trade-distorting subsidies.

22. On behalf of the Dominican Republic and Honduras, the representative of Honduras (NG/W/129) stated that developing countries should not have to reduce tariffs unless trade distortions were removed. While agreeing that tariff quota administration had to be addressed it was also suggested that tariffs, both within and outside tariff quotas, had to be reduced and tariff quotas should be based on specific products. The special safeguard should be reserved for developing countries. The objective of the negotiations should be the elimination of export subsidies although it was agreed that disciplines were needed on export credits although these should be negotiated in the WTO. The existing disciplines on domestic support were not sufficient and all domestic supports should be brought under a single heading which would improve the structure and lessen the administrative burden on developing countries while developed countries would have to reduce their levels of

support. While non-trade concerns were legitimate for all countries they should not be used by developed countries as an excuse for avoiding reform. While the proposals on special and differential treatment were noted it was felt that they did not offer enough scope for developing countries to participate fully in international trade. The concentration on preferences was considered to be positive but it was felt that these should be broadened into commitments and reserved for developing countries. While developing and least-developed countries required real market access, developing countries also needed the flexibility to protect themselves from subsidized exports and to recover from natural disasters.

23. India (NG/W/114) stated that it was pleased to note those elements of the EC's proposal concerning improvements in market access for developing countries while giving time to the most vulnerable to adapt but was curious concerning the proposed categorization of developing countries. India noted that in many areas the EC appeared to be trying to maintain the status quo or was offering, for developing countries, only minimal improvements on the Uruguay Round. It pointed out that the proposals on *de minimis* were not useful when compared with the very high levels of support provided by developed countries that would continue to be exempt from *de minimis* limits under the proposal. While India accepted that the Green Box should be reviewed, this review should be aimed at preventing circumvention or abuse of other domestic support commitments or allowing countries to transfer their support from other categories. The Blue Box should be eliminated. While tariff quota administration did need to be examined, and such an examination should ensure that small developing country exporters were able to avail of tariff quotas, this was not enough. India stated that the non-trade concerns of developing countries could not be compared to those of developed countries and the concept of multifunctionality and referred to its earlier comments on the paper on non-trade concerns (see NG//R/4 paragraph 38 and NG/W/70).

24. Sri Lanka (NG/W/124) noted that it was partly due to preferences that it was the biggest market for exports from developing countries and for all developing countries to benefit better market access was needed. However, time to adapt alone was not sufficient and definite and operational special and differential treatment was also needed. While Sri Lanka accepted that each country had specific non-trade concerns it felt that developing country concerns on issues such as subsistence farming, rural development and rural employment, which required special flexibility, and the EC proposal in this regard was welcome. However, overall, the proposal would not create a level playing field. Sri Lanka suggested that the EC consider the development box idea put forward in the proposal by the group of developing countries (NG/W/13) in addition to its suggestions on special and differential treatment. In stating that developing countries with low tariffs should not be required to reduce their tariffs further, Sri Lanka stated that such a situation was permitted under Article XXVIII *bis* on tariff negotiations. Sri Lanka agreed that food aid should be given in grant form and should not damage local production while the Marrakesh Decision on Least-Developed and Net Food-Importing Developing Countries should be made operational by creating a fund for productivity and infrastructure improvements. In developing rules on export credits, special treatment should be given for least developed and net food-importing developing countries as envisaged under paragraph 4 of the NFIDC Decision. Although Sri Lanka agreed that geographical indicators should be developed, it felt that the special agricultural safeguard should be available only to developing countries.

25. Namibia noted that the proposal offered to reduce tariffs, improve tariff quota administration and reduce export subsidies but that it had some negative aspects as well as it would also allow some of the inequities of the existing system to continue. Namibia agreed that food aid should be given in grant form and in ways that benefited the recipient countries but it felt that the criteria for such aid should be drawn up before a list of recipient countries was drawn up. On domestic support it noted that the Amber and Blue Boxes were trade and production distorting and should be abolished, especially as they were of no use to developing countries that could not afford to use them anyway. For Namibia, non-trade concerns were food insecurity, unemployment and poverty and it contrasted these with the list included in the proposal. Measures should be developed that addressed these different sets of concerns in different ways.

26. A number of delegations welcomed and largely supported the EC's proposal including Hungary (on behalf of Albania, Bulgaria, the Czech Republic, Croatia, Estonia, Georgia, Hungary, the Kyrgyz Republic, Lithuania, Latvia, Romania, Slovakia and Slovenia), Cyprus, Korea, Japan, Poland, Switzerland and Liechtenstein, Norway, CARICOM, Swaziland, Fiji and Mauritius that stated that all Members should benefit from the reform process and that a balance was needed between trade and non-trade concerns.

27. On behalf of Albania, Bulgaria, the Czech Republic, Croatia, Estonia, Georgia, Hungary, the Kyrgyz Republic, Lithuania, Latvia, Romania, Slovakia and Slovenia, the representative of Hungary (NG/W/131) referred to the proposals by this group of countries (NG/W/56 and 57) and welcomed the recognition for the unique challenges facing economies in transition and indicated the willingness to take them into account when new disciplines and commitments were being worked out. These countries agreed that the starting-point for reductions in support and protection should be the bound levels established in the Uruguay Round and with the tariff reduction method proposed by the EC and the review of rules on tariff quota administration. However, they also felt that flexibility should be given to those countries that already had high levels of market opening or displayed extreme vulnerability as a result of economic transformation. They also wanted the right to use the special safeguard especially as tariff reductions were being proposed. The negotiations needed to address the issues of geographical indications. A comprehensive approach was needed for export competition as proposed by the EC. The Green Box should be revised to give all Members feasible options to move away from trade-distorting support. However, to adequately address concerns related to economic transition affected Members had no choice but to rely on support measures which were more than minimally trade distorting. Therefore, for certain types of support these Members wanted specific temporary exemptions from reduction commitments and the *de minimis* thresholds increased. Thus they were able to accept the EC proposal provided it did not apply to economies in transition. Rural development was a very important non-trade concern to these countries although the measures used to address this issue should be targeted, transparent and non-trade distorting. Finally the Peace Clause should remain in force.

28. Cyprus stated that it was well balanced and took account of both special and differential treatment and the need to preserve the multifunctional character of agriculture, particularly environmental degradation that resulted from land abandonment.

29. Mauritius (NG/W/119) stated that no country should be damaged as a result of the negotiations. This meant that the most fragile developing countries, especially small island developing states, might need special treatment and time to adapt as they had limited scope for adjustment. It agreed that the Uruguay Round approach to tariff reductions should be used again and that higher protection may be needed to protect production in certain areas. Similarly, Mauritius supported the proposal that all forms of export support should be disciplined in a progressive manner and food aid given in grant form and it stated that specific rules developed to cater for least-developed and net food-importing developing countries. Mauritius stated that trade instruments were needed to address the non-trade concerns, in particular the environment and rural development. Food safety was especially important for net food-importing developing countries with limited means for inspection. In addition to the precautionary principle, Mauritius wanted minimum levels of food safety agreed through the active participation of all countries in the standard setting organizations. Preferences were needed for agriculture in Mauritius and to continue to be of benefit development they needed to be stable and predictable. The special safeguard should be continued and rules needed for tariff quota administration. While Mauritius could agree that the Green Box should be maintained it pointed out that it was of little use as it did not have the funds to pay subsidies.

30. Korea (NG/W/117) stated that a review of the Green Box should ensure that it permitted certain goals to be pursued. Its views on non-trade concerns had already been expressed in November and on special and differential treatment Korea shared the idea that flexibility should be provided to enable developing countries to address non-trade concerns, food security, rural vitality and poverty

alleviation. The special characteristics of agriculture should be recognized and the Peace Clause continued.

31. Japan also agreed that the agriculture negotiations should take place in the context of a broad round. Fair and equitable rules were needed for agriculture that would permit the co-existence of different forms of agriculture. Japan felt that flexibility was needed on setting tariffs on specific products and tariff quota administration and stated that the special safeguard had been part of the tariffication process which meant it should be retained. All forms of export support needed to be disciplines as did export restraints and taxes. However, such disciplines on export credits should not hinder food aid while a distinction had to be made between exporting and importing state trading enterprises with exporting ones providing more data than at present. The current framework for domestic support should be maintained and multifunctionality should not be undermined. Japan agreed with the suggestions on special and differential treatment concerning food security and the *de minimis* limits.

32. Poland (NG/W/128) supported the statements in the proposal that the negotiations should be based on Article 20 of the Agreement on Agriculture. Poland agreed with the EC on its formula approach to tariff reductions, and looked forward to a discussion on how to improve the operation of tariff quotas. It also agreed that all forms of export competition should be covered in the negotiations, that the special safeguard should be maintained, that AMS commitments should be reduced from bound levels and that the Green and Blue Boxes should remain as these were vital for maintaining the viability of rural areas. Poland also stressed the importance of non-trade concerns should be included in the negotiating process and included the environment, food safety, rural poverty, conservation and animal welfare under this heading. Under special and differential treatment the special needs of fragile economies needed to be addressed. The Peace Clause should be continued.

33. On behalf of the customs union of Switzerland and Liechtenstein, the representative of Switzerland stated that the proposal showed that the EC was prepared to make steps itself in the direction of reform and offered a framework for the next stage of negotiations. He noted that the EC had similar views to Switzerland on agriculture. The negotiations needed to take account of developments since the conclusion of the Uruguay Round. On market access Switzerland was still undecided on the appropriate approach although modalities would be discussed in the next phase. In welcoming the discussion of non-trade concerns he noted the concerns expressed by some Members but pointed out that political considerations had to be taken into account. The question was really how the Green Box could be used to address measures that would have no trade effect. As for geographical indicators and labelling, he stated that these issues would have to be addressed as they concerned agricultural products. It was pointed out that the Blue Box could help the process of reform away from trade distorting supports and getting rid of it would only make the process harder. More information was sought from the EC concerning the suggestions on consolidation of trade preferences.

34. Norway (NG/W/120) agreed that the negotiations on agriculture would be helped by taking place in the context of a broader round. Participation by developing countries and least-developed countries in the multilateral trading system should be promoted through better market access as this was a vehicle for economic growth and helped poverty alleviation. Flexibility in tariff reductions were needed that allowed Members to take account of their specific situations. In addition, the special safeguard was also needed for protection from import surges or price falls. On export competition, Norway agreed that export credits should be covered by specific WTO rules and a discussion was needed to consider how food aid could be provided without restricting those in need and to take account of the specific needs of net food-importing developing countries. Norway also supported the suggestion that variable aid for products destined for export required specific disciplines and the need to preserve the Blue and Green Boxes. The multifunctional role of agriculture needed to be recognized. Market access for products from least-developed countries had to be improved both in

terms of its predictability and in terms of product coverage, as a first step, by providing duty and quota free access for essentially all products from such countries.

35. On behalf of CARICOM the representative of Jamaica stated the proposal appeared to address the imbalances that existed in the existing Agreement on Agriculture. Market access opportunities were needed for all countries, including SIDS and small developing economies, and was pleased to see the emphasis given to the need for time to adapt and the importance of trade preferences. He noted the recognition by international institutions to the need to take the specific situations of small economies into account. While market access had to be improved this had to be done without reducing market access for small countries. CARICOM was concerned about the coherence in the proposals concerning special and differential treatment and other elements of the proposal. The specific situation of some smaller countries required specific measures that could be catered for by general rules. CARICOM noted that high tariffs and tariff escalation needed to be addressed and developing countries needed assistance to produce high quality products. While geographical indications were important caution was needed in the way they would be treated. The special safeguard was proposed as being continued for developed countries but no mention was made of making a similar mechanism available to developing countries. CARICOM supported the proposal that export subsidy rules should be extended to cover export credits but suggested that some flexibility should be given to developing countries. In addition, food aid should be given in grant form and a mechanism developed to enable net food-importing developing countries to use grants to buy food from other developing countries. On domestic support he stated that the EC's proposal gave too much flexibility for circumvention of commitments. Therefore, stricter rules were needed which took account of the needs of developing countries. For non-trade concerns it was necessary to see what instruments were being proposed. CARICOM believed that some issues raised, such as animal welfare, could in fact lead to reduced market access for developing countries.

36. Swaziland (NG/W/125) stated that it was particularly interested in the proposals on market access as this affected the integration of developing countries into the global economy. It was pleased to see the proposals concerning least-developed countries but added that the results should not result in any developing country being made worse off and noted the importance of ensuring stable and predictable preferences given their importance to fragile developing countries' economies. Swaziland supported the proposal to exempt poverty alleviation measures and the other proposals to give flexibility to developing countries and that non-trade concerns should be addressed in transparent, targeted and minimally trade-distorting ways.

37. Fiji supported the statements made by Mauritius, CARICOM and Swaziland and felt that the proposal would help Fiji along with other small island developing states. However, the flexibility proposed would be difficult for these countries to use, furthermore, it was difficult to separate production and trade from non-trade concerns and ways should be found to take them into account.

38. Malta agreed that a broad round was needed to achieve balanced results and it stressed the importance of non-trade concerns to Maltese agriculture. Malta supported the EC's approach to tariff reductions, tariff quota administration and maintaining the special safeguard and the Peace Clause. Agricultural production in specific areas needed protection and aid decoupled from price and production was needed to maintain agriculture in some less-favoured areas. The Amber Box should also be retained as it was needed to avoid production and price instability and maintain trade flows with traditional trading partners. For Malta, non-trade concerns were a central part of the negotiations and many non-marketed benefits provided by farmers had to be safeguarded.

39. The representative of the European Communities noted that many Members had accepted that the EC was trying to make progress with the negotiations. In trying to clarify some issues he noted that although a broad round was not part of Article 20 the agriculture negotiations would be more likely to make progress in that context. Similarly, the negotiations needed to address issues of concern to Members in order to make progress. Although some Members had said the proposal

lacked ambition he pointed out that in negotiations neither the greatest ambitions nor the worst anxieties would be realized. In fact, it appeared from the statements that the proposal was not far from the centre of Members' positions. In commenting on some specific points he pointed out in suggesting a repeat of the same type of formula for tariff reductions as that used in the Uruguay Round had been an attempt to avoid making a proposal that others could not do and which had the advantage of having been accepted in the past. He also pointed out that the EC's earlier submissions on the Blue Box had referred to work which showed it was less trade distorting than other forms of production related support and that there were effectively limits to the subsidies that could be provided as the Peace Clause only applied to Amber and Blue Box subsidies below the 1992 levels. Furthermore, the proposal had said the EC wanted to retain the concept of the Blue Box which left some flexibility for the negotiations. He suggested that the effect of the abolition of export subsidies on world trade would not be as great as some countries appeared to believe. On animal welfare he pointed out that in the context of trade liberalization it was important that progress in this area was not lost. He noted that tariffs were already very low on most products of exclusive interest to developing countries which meant further reductions would have little effect while reducing other tariffs would reduce tariff preferences. The negotiations should ensure that tariffs were not increased for those countries than currently benefited from preferences although general tariff reductions would reduce the margin of preference.

(b) Japan: Negotiation Proposal by Japan on WTO Agriculture Negotiations (NG/W/91)

40. In introducing its proposal, Japan (NG/W/116) noted it was the result of a long process involving various stakeholders in Japan and consultations with a number of developing countries. The basic principle underlying the proposal was the need to allow various types of agriculture to co-exist. In Japan's view, the first step in the negotiations should be an examination of the implementation of the Agreement on Agriculture based on Article 20(a) and (b). Japan had implemented its Uruguay Round agriculture commitments faithfully and was in the process of domestic agricultural policy reform, including changes in price policy to better align supply and demand for agricultural products. It also believed that institutional issues should be addressed in the negotiations before considering commitments on specific products. Japan also stated that the agricultural negotiations should be conducted and concluded as part of a single undertaking in a sufficiently broad-based Round.

41. A number of countries supported some aspects of Japan's proposal including the Czech Republic, Korea, Mauritius, Norway, Hungary, Poland, the Slovak Republic and Switzerland. The Czech Republic, Hungary and Norway agreed that the agricultural negotiations should be part of a broader Round of trade negotiations. Hungary noted that although there was no linkage in a strictly legal sense between the agricultural negotiations and a new Round, in practice the depth of agricultural reform depended on the scope for cross-sectoral trade-offs. The Czech Republic, Korea, Mauritius, Norway, Poland, and the Slovak Republic supported the suggestion in the proposal that the various types of agricultural systems found in different countries should be allowed to continue to co-exist. Poland endorsed the main elements of the proposal and expressed an interest in further discussions of the proposed new safeguard for perishable products. The Slovak Republic supported maintaining the current domestic support framework and negotiations towards well-balanced results between importing and exporting countries. Hungary (NG/W/132) highlighted the point made by Japan concerning the diversity of agricultural production which should be better reflected in any new reduction commitments and disciplines that was the case at present. This did not mean fragmented rules, which should be avoided, but that the rules should not reflect the needs of only a relatively small number of Members.

42. The Czech Republic (NG/W/134) endorsed the notion that the continuation of the reform process in agriculture required support by the general public to produce meaningful and acceptable results. It was important that the role of non-trade concerns was recognized and concrete results were needed in this regard. The Czech Republic also supported, as reflected in the proposal by a number

of countries with economies in transition (NG/W/57), the call for flexibility in the treatment of sensitive products depending on countries' situations. The idea of a new safeguard for seasonal and perishable products could also be pursued. While further reductions of subsidized exports were required, the Czech Republic considered that the rules on subsidized export credits, state trading export enterprises and food aid also needed to be strengthened.

43. The representative of Korea (NG/W/117) expressed support for many aspects of Japan's proposal. It, too, believed that developing countries should have a considerable degree of flexibility in applying border protection and domestic supports and to develop measures to address food security. In addition, the domestic support framework set out in the Agreement on Agriculture should be maintained, with further reductions to be taken from the final bound AMS commitment levels. Japan's suggestions regarding disciplines on export restraints should be further pursued and he agreed with the view that involvement of the civil society was needed to attract public support for the negotiations.

44. Mauritius (NG/W/119) stated that, like Japan, it also pursued the objectives of achieving food security and ensuring that agriculture was able to play its multifunctional role. Mauritius did not favour sector-specific reductions in tariff levels, including zero for zero. Mauritius welcomed the suggestions concerning income safety net programmes and payments for relief from natural disasters given its particular vulnerability in this respect. However, it, like many developing countries, was currently unable to use Annex 2 measures because of budgetary constraints which meant creative solutions to find possible alternative instruments were needed. Mauritius endorsed the idea of a framework for international food stockholding as a complement to existing bilateral and multilateral food aid schemes and added that existing food aid schemes needed to be strengthened in the short term.

45. Norway (NG/W/120) agreed with Japan that countries with comparative disadvantages in agriculture needed flexibility to supporting agriculture, including the possibility of production-based measures, in order to be able to safeguard domestic non-trade concerns. However, Norway did not believe that export competition measures should be part of a long-term strategy to address non-trade concerns. Norway noted the sensitivity associated with increases in minimum access for key agricultural products.

46. Israel's position was to support moderate reform steps. In the view of Israel, improved market access opportunities by the developed countries, special and differential treatment and regard to non-trade concerns, were important elements to ensure a future for small scale agriculture.

47. Switzerland expressed appreciation for Japan's efforts in preparing this proposal and contributing to a better understanding of Japan's position. A number of elements in the proposal, for instance concerning a new safeguard or export restraints, could usefully be pursued in the negotiations.

48. The EC stated that Japan's proposal was an important contribution to the negotiations. The proposal pointed to a number of critical issues, including multifunctionality, which needed to be addressed in order to allow the process of liberalization to continue. Although the EC felt that some of the criticism of the proposal was unjustified, it had sympathy for the concerns of some Members about Japan's efforts to increase self-sufficiency. The EC could agree with the proposals concerning the Blue Box, food safety and export subsidies but considered that, in addition, disciplines regarding the abuse of food aid were required.

49. On behalf of CARICOM, the representative of St. Lucia welcomed Japan's proposal and expressed sympathy for Japan's concerns. A number of elements in the proposal merited further elaboration, including the concept of multifunctionality, although the CARICOM Members were unwilling to adopt concepts or agreements developed in the OECD. While CARICOM was pleased

to note Japan's consideration for predictable tariffs of processed products, it had concerns regarding the proposed new safeguard and the existing framework of domestic support.

50. Australia, Canada, Guatemala, MERCOSUR and its associated countries (Bolivia and Chile), New Zealand, Malaysia, the United States, Colombia, Honduras, the Dominican Republic, India, Indonesia, Pakistan, the Philippines, South Africa, Ecuador, Thailand and Uruguay had serious reservations regarding the proposal. They pointed out that the agricultural negotiations were mandated under the Uruguay Round Agreements and did not require a broad based round. Furthermore, Brazil noted that Japan had not indicated in its proposal what it was prepared to offer in exchange for linking the agricultural negotiations to a new Round. Many of these countries also stated that the proposal did not comply with the objective set out in Article 20 of the Agreement on Agriculture of substantial and progressive reductions in support and protection. Ecuador expressed concern about the trade-distorting policy proposals, measures which had resulted and would further enhance the disarray in world agriculture.

51. Guatemala, along with South Africa, the Philippines, Pakistan and Indonesia noted that that concept of multifunctionality had been strongly supported in the proposal and were concerned that this could be used to justify protectionism. The Philippines added that there was a risk that multifunctionality would become a permanent and global feature taking the form of arbitrary measures and thereby nullifying the advantages of special and differential treatment for developing countries. Guatemala stated that it was discouraged by the lack of commitment to reform in Japan's proposal and believed that, given its economic strength, Japan's arguments concerning food security were not convincing. The Philippines suggested that Japan reconsider its proposal, taking into account its role as an industrial power, as well as the commitments in Article 20 of the Agreement on Agriculture.

52. Australia (NG/W/109) stated that Japan's proposal was a disappointing response to the call for long-term reform in agriculture and raised questions concerning Japan's commitment to a new round of trade negotiations. It was felt that Japan was trying to block, or in some cases reverse, reform in agriculture even though liberalization would improve global welfare. Australia stated that other Members with less interest in reform than the Cairns Group had submitted constructive proposals recognizing that while agricultural trade reform might be politically difficult it was of such importance to many other Members that progress was essential and inevitable. Australia expressed the hope that Japan would show leadership in the WTO and engage seriously in the negotiations on agriculture.

53. The representative of Canada stated that the proposal did not go far enough and more progress was required to live up to the Uruguay Round commitment to continue the reform process. Japan's proposal for a selective product-by-product approach in negotiating tariffs and market access commitments did not correspond to the objectives in Article 20. With respect to domestic support, Canada was open to discussing how countries could achieve their policy objectives in non trade-distorting ways, while working towards reducing trade-distorting domestic support to *de minimis* levels. Canada reminded Japan of the APEC leaders' unanimous call for the elimination of agricultural export subsidies, not merely their reduction as proposed by Japan. Canada disagreed with the suggestion in Japan's proposal that exporting state trading enterprises had greater market impacts than those that importing state trading enterprises and pointed out that this argument ignored the role and mandate of particular state trading enterprises or the market in which they operated.

54. On behalf of MERCOSUR and its associated countries (Chile and Bolivia) the representative of Paraguay, supported by Argentina (NG/W/108), Brazil, Chile and Uruguay, stated that certain elements of the proposal were a step backwards from the Uruguay Round results. These elements included the new safeguard on perishable products, the apparent suggestion that Amber Box support should increase and the defense of tariff escalation. They disagreed with the suggestion that agricultural trade liberalization meant that exporters gained while importers lost. Furthermore, the

suggestions by Japan that tariffs should reflect the differences in natural and economic conditions among Members and that subsidies should bridge the gap between agricultural and industrial production were contrary to the basic principles of the multilateral trading system. It appeared that the proposal ignored the interests of consumers. It was disappointing that Japan, with its large balance-of-trade surplus, should wish to increase self-sufficiency in agriculture by reducing imports. Developing countries in particular depended on better market access to Japan and elsewhere to reduce rural poverty and to halt migration into overcrowded cities. It was suggested that Japan could adopt a more constructive attitude to help improve market access opportunities in these negotiations.

55. The representative of New Zealand stated that it appeared as though Japan had yet to engage in the negotiations in the spirit of Article 20 because the proposal did not aim at substantial progressive reductions in support and protection. It was disappointing that the proposal failed to specify measures deemed necessary by Japan to take into account multifunctionality and non-trade concerns and pointed out that there was no common understanding in the OECD on multifunctionality as suggested in the proposal. On food security, New Zealand noted that better access to the Japanese market would encourage production elsewhere and thereby significantly increase potential sources of supply for Japan and stabilize world markets. New Zealand wondered how Japan could claim to be treated unfairly by the rules *vis-à-vis* exporters, with tariffs on some products greater than 500 per cent and in addition use special safeguard protection. On the other hand, the suggestions concerning strengthened disciplines on measures such as roll-over and per unit export subsidies, and export restraints were useful. New Zealand did not support the suggestion that consumer concerns (labelling and food safety) should be part of the negotiations since they were covered by other WTO provisions, nor did it support the proposal for a notification requirement for export state trading enterprises.

56. Malaysia (NG/W/118) noted that, while the proposal contained a number of interesting suggestions including ways to make the concept of multifunctionality operational, overall it did not contribute to agricultural reform and liberalization. Malaysia noted the suggestions concerning export competition but considered that disciplines on export credits must also be agreed within the WTO.

57. The United States welcomed Japan's efforts to participate in the negotiations but was disappointed that the proposal did not cover reductions of tariffs and trade-distorting support. In fact the proposal suggested higher barriers to trade in some cases, such as the suggestion that tariff quota quantities be reduced and the application of the special agricultural safeguard be expanded. Article 20 of the Agreement on Agriculture called for significant reductions in support and protection and the negotiations could not result in increased barriers to trade. The United States suggested that Japan might reconsider its proposal in the direction of the objectives set out in Article 20 for the core areas of market access, export competition, and domestic support. The United States supported the proposals to address the issues of disciplines on export restrictions, exporting state trading enterprises, and trade in biotechnology products.

58. The representative of Colombia stated that he had serious concerns about the proposed new safeguard for perishable products which would have particularly adverse effects on Colombia. The special safeguard, as a matter of principle, should be an element of special and differential treatment for developing countries

59. On behalf of the Dominican Republic and Honduras the representative of the Dominican Republic (NG/W/129) welcomed the elements in the proposal in favour of developing countries. However, while food security was a legitimate concern, it should not serve as a pretext for developed countries to use trade-distorting measures. She stated that developing countries had not been able to benefit from the Uruguay Round as expected and one of the most important steps to ensure real market access was the elimination of export subsidies. The special safeguard should only be available to developing countries as long as markets were distorted by developed countries. With respect to export restraints, the Dominican Republic and Honduras considered that the special and differential treatment available to developing countries under Article 12.2 of the Agreement should be preserved.

60. The representative of India (NG/W/114) agreed with Japan's proposition that it was important to ensure a certain degree of self-sufficiency in domestic food production and that the negotiations would need to provide adequate flexibility to developing countries to enable them to address their specific problems. However, in India's view the non-trade concerns of developing countries, especially food security, were very different to those of developed countries. India was also concerned about the suggestion that the work in the OECD on disciplines on export credits should be incorporated into the WTO as it was not acceptable that decisions taken in that forum could be imposed on WTO Members without consensus. Concerning the suggestion on participation of civil society he stated that it was up to Members to take into account their views in developing their positions. Therefore, India did not support the proposal for giving opportunities to NGOs to express their views in the WTO negotiating forum.

61. Indonesia (NG/W/115) welcomed those aspects of the proposal that concerning flexibility for developing countries to address their food security needs, but it was disappointed that the proposal did not offer better access opportunities for products of interest to developing countries. Although Indonesia recognized the need to discipline export restraints, it did not support the suggestion to bind all exports taxes or to exempt certain export quotas from taxation. Indonesia had applied export taxes in the past and considered Article 12 of the Agreement to be satisfactory in this respect. While Indonesia shared the view that biotechnology promised to help solve the food problem in developing countries, there were risks involved which were generally not recognized by the public. Indonesia's position was that labelling requirements should not be restricted by WTO rules.

62. Mexico considered the proposal for a new safeguard on seasonal and perishable products to be inappropriate since Article XIX of GATT 1994 was available and noted that a similar proposal in the Uruguay Round had not resulted in any specific provision. Other issues, such as those concerning food safety, should not form part of the agricultural negotiations. Mexico stated that it hoped that Japan's position would evolve in the course of the negotiations.

63. Pakistan welcomed those aspects of the proposal that sought to give flexibility for developing countries to achieve a certain degree of self-sufficiency but it was difficult to accept this argument for developed countries. Concerning export credits and the work in the OECD on developing disciplines on export credits for agricultural products, Pakistan stated that it was not acceptable that the results should be directly incorporated into the WTO. Pakistan was also opposed to the continuation of the special safeguard clause in its present form as long as it was unavailable to most developing countries. It was also stated that maintaining the current framework of domestic support, as suggested by Japan, could only be supported if it resulted in a levelling of the playing field. Pakistan was also concerned with the suggestion that the Green Box criteria should be relaxed as it believed that support in developed countries should be limited.

64. While South Africa appreciated certain elements and shared Japan's concerns regarding food security, it considered that the best way to improve global food security was by increasing production in developing countries through less domestic subsidies in, and subsidized competition from, developed countries. South Africa expressed the hope that Japan would be able to make a major contribution towards a level playing field in the agricultural trading system.

65. Thailand (NG/W/126) welcomed the suggestions in the proposal concerning export restraints but pointed out that any disciplines in this area would have to be based on reductions in tariff peaks and the elimination of tariff escalation as these prevented developing countries from establishing food processing industries. Thailand saw no need for an additional safeguard mechanism for certain products and was of the view that consumer concerns on food safety should be addressed under the SPS and TBT Agreements.

66. Uruguay stated that the proposal was seriously flawed and suggested that it should be reconsidered by Japan. It was also noted that Japan had benefited from the liberalization of trade in

industrial products where it had comparative advantage but seemed unwilling to extend this principle to agricultural products. It was unfair not to offer better access to the Japanese market so that other countries, in particular developing countries, could reap the benefits of their comparative advantage in agriculture.

67. Japan (NG/W/116) thanked delegations that had shown an interest in its negotiating proposal but it was disturbed to note that the comments of some delegations were based on misunderstandings or distortions of their situation and overlooked the constructive elements in the proposal that were aimed at achieving a fruitful outcome of the agricultural negotiations. Japan's proposal was based on the long-term objective of substantial and progressive reductions of support and protection as set out in Article 20 of the Agreement on Agriculture. While Japan remained firmly committed to the mandate in Article 20, it had refrained from making reference to the issue of reductions since, in its view, institutional issues should be dealt with before the discussion regarding modalities started.

(c) Canada: WTO Negotiations on Agriculture – Domestic Support (NG/W/92)

68. Canada (NG/W/112) noted that the proposal set out two additional ideas to those already contained in the Cairns Group proposal on domestic support (NG/W/35). First, Canada proposed an overall limit on all types of domestic support. This limitation, together with a formula that delivered major reductions in trade-distorting support, was aimed at ensuring that the reform programme reduced inequities. Second, Canada proposed that support meeting the criteria of Annex 2 of the Agreement on Agriculture should be permanently recognized as non-countervailable. Canada stated that if programmes in the Green Box did not cause material distortions to production, it followed that they would not cause material injury to producers in importing countries. In these cases, the current rules of GATT Article VI and the Agreement on Subsidies and Countervailing Measures would prevent such programmes from being subject to countervailing duties and the Agreement on Agriculture should recognize this by making non-distorting policies non-countervailable.

69. The representative of Colombia noted that the Canadian proposal addressed the design of a formula that would eliminate disparities in the levels of support provided by different countries, an idea that needed to be further developed. While it agreed that Annex 2 measures which did not distort trade should be non-countervailable it also stated that there was a need to revise the specific measures in the Green Box. Colombia did not agree that only support above *de minimis* levels should be eliminated but that *de minimis* support should only be available as part of special and differential treatment. Establishing a general limit for all types of support seemed to be a way of extending the *de minimis* concept both to other distorting support measures, such as the Blue Box and to some trade-distorting measures in the Green Box. In Colombia's view, an essential objective of agricultural reform was to eliminate all forms of support that distorted production and trade.

70. The representative of Switzerland expressed some reservations for a proposal which appeared to make the domestic support structure established in the Uruguay Round more rigid. Fixing an upper limit to total support could discourage governments from shifting support in the direction of reform which could block the reform process. Taking into account the different natures of agriculture in different countries, such an approach would not work. However, Switzerland stated that it appeared as though Canada accepted that the Blue Box should be maintained. Switzerland supported the non-countervailability of Green Box measures.

71. The representative of New Zealand believed the causes of distortions in agricultural trade and production had to be addressed. In many ways the Canadian proposal complemented the Cairns Group proposals which sought to eliminate all forms of trade-distorting subsidies. One of New Zealand's objectives in the negotiations was to ensure that eventually all domestic support measures met the fundamental requirement of no, or at most minimal, trade-distorting effects or effects on production. New Zealand was interested in the proposal to maintain the non-countervailable status of Annex 2 on the assumption that the Green Box contained at most minimally trade-distorting

measures. Such a move would give Members the confidence to pursue non-trade concerns in a non-trade distorting manner.

72. The representative of the European Communities noted that the proposal to remove disparities in support among Members would mean some Members would have to reduce their supports by greater amounts than others. He noted that even if the same percentage reductions were imposed, this would mean a greater adjustment in those countries that had higher levels of support. In respect of the Blue Box, he stated that measures that were linked to production restraints should continue to be treated separately from Amber Box supports. If not, there was a danger that similar measures would be introduced under the Green Box. The European Communities also believed that the Peace Clause was a necessary part of any Agreement on Agriculture. However, it believed that the purpose of the Peace Clause was not to deprive any country of its rights, but to avoid a situation where the results of negotiations, as approved and ratified by all Members, were put into question by the dispute settlement process. The only cases that should be subject to dispute settlement procedures were those cases where one Member believed that it was being hurt by the application of measures which purported to fall within the rules of Agreement on Agriculture, but did not.

73. Mauritius (NG/W/119) noted that Japan had stated earlier that there did not appear to be consensus on the concept of non-trade distortion. Therefore, it was difficult to determine what "non-trade distorting" measures could be included under Annex 2. Furthermore, it could not be said that certain measures, such as research, had absolutely no impact on trade. He reiterated that, like many other developing countries, Mauritius did not have the resources to use Annex 2 measures and it was necessary to find alternative support measures to address his country's concerns. Discussions on the issue non-countervailability of Green Box support could not benefit only those countries which had the necessary financial resources to use such measures.

74. The representative of India (NG/W/114) supported the objective to remove disparities in support levels between countries by using a harmonising formula. India also supported a review of the Green Box aimed at removing trade-distorting measures and, furthermore, the approach put forward by Canada of an overall cap on domestic support would help check the practice of shifting support from prohibited to permissible categories. India did not, however, support any extension of Peace Clause beyond its expiry date at the end of 2003.

75. The Czech Republic (NG/W/134) stated that it would be more appropriate to focus on developing the existing rules on domestic support to take into account the specific needs and situations of different Members and to maintain the current framework of rules on domestic support. To establish an overall limit for all types of support would undermine the reform process as well as the structural adjustment currently under way in a number of countries, including the Czech Republic. On the other hand, the Czech Republic had some sympathy for the idea of reducing inequities and disparities in support levels between countries. The Czech Republic was also prepared to consider the permanent non-countervailability of Green Box support, but was not prepared to go along with any limitation on the scope of the Peace Clause.

76. The representative of Korea (NG/W/117) supported the proposal that domestic support meeting Annex 2 criteria should be non-countervailable. Korea could also go along with the proposal to review the Green Box criteria if such a review was undertaken in a way which took into account the needs of different Members, as well as the obligation that the measures covered in the Box did not distort production or trade. However, Korea noted that each category of domestic support had its own legitimacy and limits were not applied to the Green Box because they had no more than minimal effects on trade and production. Furthermore, he did not accept the proposal that Amber Box supports should be harmonized between different Members. He stated that the best way to ensure a smooth reform process would be to encourage Members to continue their on-going reforms, keeping in mind the long-term objective set out in Article 20, rather than to develop rigid rules which gave no scope for flexibility.

77. The representative of Norway (NG/W/120) supported the Canadian proposal that Green Box policies should be permanently recognized as non-countervailable. However, he could not accept that limits should be placed on Green Box support because such support was non-trade distorting. Similarly, limits could not be accepted for Blue Box as this covered production-limiting programmes which had only limited effects on trade. Nevertheless, Norway was prepared to consider further reductions in Amber Box domestic support, and suggested that support for products aimed at the domestic market should be subject to less stringent reduction commitments than support for products destined for export.

78. The representative of Japan, like Korea, stressed the need to keep the current framework of rules on domestic support. The Blue Box was needed because it was a useful instrument for policy conversion from Amber to Green. Japan could not accept a cap on Green Box support. Furthermore, since the multifunctional role of agriculture was closely linked with production, it was very difficult to make all the supports, which address the multifunctional role, de-coupled from production. Japan was concerned that because there was no definition of the word "trade-distorting" the idea of eliminating trade-distorting measures was arbitrary. It believed that Members should first focus on the appropriateness of policy objectives instead of whether certain measures were trade-distorting or not. Finally, Japan stressed the need to maintain the Peace Clause.

79. On behalf of Cuba, El Salvador, Honduras and the Dominican Republic, the representative of Cuba (NG/W/129) stated that the current structure of rules on domestic support in the Agreement on Agriculture had to be modified. He pointed out that in proposal G/AG/NG/W/14 these countries, along with some other developing countries, had suggested that a single general support box should be created and disciplines developed for measures within this category. This approach was needed because the current Green Box had been developed to address the non-trade concerns of developed countries.

80. The United States did not agree with Canada's proposal to include Green Box support in an overall limit on domestic support. Since programmes in the Green category were no more than minimally trade-distorting, capping them should not be the focus of work in the WTO. Instead, the United States recommended addressing the further development of Green Box criteria in a way that would ensure it covered only measures that had at most a minimal trade and production distorting effect. Nor did it accept that limits should be placed on governments' rights to provide certain types of support such as technical assistance, research and development and domestic food aid especially when the current negotiations would result in significant reductions in support to farmers through border measures and trade-distorting subsidies.

81. The representative of Hungary (NG/W/132) did not accept the rationale to limit the use of the Green Box support although it did support the suggestion that Green Box measures should be non-countervailable. However, he noted that his country's approach was broader than that of Canada's as it wanted the existing Peace Clause extended because it played an important role in terms of providing legal security for agricultural policy reform.

82. Venezuela (NG/W/133) supported the suggestion that there should be an overall limit to domestic support which would encourage reform away from trade-distorting measures and eliminate disparities between countries. However, it noted that there were no specific proposals on special and differential treatment. Furthermore, it reserved its position on permanently recognizing Green Box measures as non-countervailable as this would only serve to further aggravate current imbalances in the Agreement. Such protection as offered by the Peace Clause was more appropriate for developing country programmes directed at non-trade concerns such as poverty alleviation, rural development and food security.

83. The representative of Mexico did not believe that it was appropriate to establish a maximum limit for all countries on domestic support. He needed to consider the implications of making support

non-countervailable which in some countries covered very substantial policy programmes. Like Venezuela, Mexico noted that the proposal did not cover special and differential treatment.

84. The representative of Canada clarified, in respect of the Swiss intervention, that Canada was aiming at a major reduction of trade-distorting Amber and Blue Box support, leading finally to the elimination of trade-distorting support above *de minimis* levels. Furthermore, Canada was not proposing a continuation of the existing Peace Clause, it wanted it recognized that if the Green Box only contained non-trade distorting subsidies, then these non-distorting policies should be non-countervailable.

(d) Cairns Group: WTO Negotiations on Agriculture – Cairns Group Negotiating Proposal – Export Restrictions and Taxes (NG/W/93)

85. On behalf of the Cairns Group, the representative of Australia introduced the proposal on export restrictions and taxes. The proposal called for effective disciplines in this area to be developed which took account of the special and differential needs of developing countries. It addressed related concerns about food security as well as concerns that food importing countries had expressed about the use of export restrictions and taxes, either for political reasons, or to meet short-term supply shortages in producing countries. The proposal also highlighted the link between export restrictions and taxes and another major market concern, tariff escalation, which discouraged exporting countries from developing their food processing industries. According to the Cairns Group, targeting and tightening the disciplines on export restrictions and taxes would contribute to creating a fairer and more equal trading system as part of the larger package of substantial liberalization of agricultural trade.

86. Several Members welcomed the Cairns Group proposal as a useful contribution and recognized the truth of much of the analysis underlying an area in much need of reform. Cuba, the Dominican Republic, El Salvador, the European Communities, Honduras, Hungary, Japan, Kenya, Korea and the United States generally agreed that uncertainty surrounding the application of export restrictions and taxes exacerbated countries' food security concerns. Therefore, WTO disciplines needed to be strengthened in order to increase the reliability of global food supply. Some Members also agreed that, when designing stricter disciplines on export restrictions and taxes, Article 12.2 of the Agreement on Agriculture should be maintained, as proposed by the Cairns Group, and that its special and differential treatment provisions should be strengthened or extended, with particular consideration to least-developed countries and net food-importing developing countries.

87. The delegation of Japan welcomed the Cairns' Group initiative to address an area which, in its view, was inadequately covered in the existing WTO agreements, especially when compared with disciplines on imports. On the other hand, Japan maintained reservations concerning the correlation between the elimination of tariff escalation and the elimination of export taxes as presented in the Cairns Group proposal. The representative of Japan believed that this matter needed further discussions.

88. This view was supported by the representative of Korea (NG/W/117) who stressed that the biggest problem with export restrictions was the existing imbalance of rights and obligations between net-exporters and net-importers. In this context, Korea expressed the hope that this point would not be overlooked in the discussions. The delegate of New Zealand expressed appreciation for the acknowledgement made by Japan and noted that the Cairns Group proposal responded to the issues raised by some Members in their respective proposals, particularly Japan and Korea.

89. The representative of Hungary (NG/W/132) stated that he understood the concerns of certain importing countries but felt that this exercise should not be one-sided and ignore the responsibilities of governments of exporting countries for ensuring food security for their own populations.

90. While agreeing that export embargoes should be prohibited, the representative of the European Communities stated that further consideration might be needed on the question of whether mechanisms to reduce price variability inside the exporting countries should be allowed. The EC did not accept that prices would stabilize if all trade distortions were removed. On rare occasions, the EC had imposed export taxes in order to prevent internal prices from increasing to very high levels which had kept prices inside the Communities below world levels. As a result EC production had not increased and so the EC had not contributed to subsequent price falls. As far as developing countries were concerned, he stated that the approach described by the Cairns Group could help to deal with food security, but only as part of other measures designed to address the poverty situation. Even with no export taxes, fluctuations in world markets could be expected and, in certain circumstances, developing countries might require more foreign exchange reserves to satisfy their import needs.

91. Colombia responded to the EC's statement on the effects of export restrictions on domestic and world markets. While internal prices might be stabilized by such measures instability on world markets would increase as supply was withdrawn in times of high prices thus pushing up prices even further. Such a situation only served to further distort world price signals and prolonged cycles of world price instability.

92. The United States supported the proposal and noted that some countries used export taxes for supply management reasons, which disrupted markets and undermined food security in other countries. The United States wanted export taxes eliminated, especially when applied for competitive advantages such as differential export taxes, while retaining the option, for certain developing countries, to use export taxes as a legitimate method to obtain much needed revenue. The United States also noted that export taxes and restrictions were sometimes justified as being needed to overcome tariff escalation, which in its view had to be eliminated.

93. On behalf of Cuba, Honduras, El Salvador and the Dominican Republic the representative of the Dominican Republic (NG/W/129) pointed to the similarities between the market access proposal from the group of developing countries (NG/W/37) and the Cairns Group's proposal. She stressed that trade in agricultural products was increasingly moving towards processed products and tariff escalation had become a major obstacle for developing countries that were trying to move away from the export of primary commodities and into more processed products while, at the same time, trying to counter the progressive reduction of farmers' incomes. In this respect, a harmonizing formula designed to remove tariff escalation and tariff peaks was needed along with an undertaking from developed countries to fully liberalize market access for processed tropical agricultural products.

94. Argentina stated that there were two categories of export taxes and restrictions. One was linked to international prices and, in a way, could be seen as the complement to export subsidies in trying to stabilize domestic prices. However, in doing so international price fluctuations were increased. When international prices were low, export subsidies were used, thereby increasing world supply and further depressing international prices. When international prices increased, export restrictions and taxes were used, which reduced world supply and further increased international prices. The second category of export restrictions was not related to international prices, but to tariff escalation. When a developing country faced tariffs which increased as the value added of its agricultural exports increased, and when no financial means were available to subsidize its domestic processing industry, the only recourse it had was to tax its commodity exports. Export taxes effectively, albeit artificially, had an expansionary effect on domestic supply, and lowered the domestic price of raw materials inputs. This enabled the domestic processing industry to compete and compensated it for the high tariffs it had to pay in its export markets due to the tariff escalation. From a developing country's perspective, therefore, addressing the link between tariff escalation and export restrictions and taxes was crucial in these negotiations.

95. In thanking those delegations that had commented on the proposal, the representative of New Zealand, on behalf of the Cairns Group, supported the points made by Colombia and Argentina. In

his opinion, the EC would have to agree that its export taxes increased the world price instability. Furthermore, by insulating domestic farmers from world price changes the EC reduced any incentive to change production patterns in the face of changing market conditions.

(e) Switzerland: WTO: Negotiations on Agriculture (NG/W/94)

96. Switzerland noted that it was effectively submitting two proposals. The first dealt with the various issues in the negotiations and the second outlined Switzerland's programme of negotiations. Article 20 of the Agreement on Agriculture required that the reform process took account of non-trade concerns, including multifunctionality, and the specific concerns of developing and transition economies. Furthermore, an equitable trading system also meant certain elements had to be included such as geographical indications, labelling (particularly in relation to production methods), food safety (including the precautionary principle) and measures promoting animal welfare and sustainable development. On market access, it proposed that tariffs should be subject to request and offer negotiations along with an average percentage reduction on bound tariffs. For tariff quotas, no allocation method should be ruled out in advance, but the rules and disciplines required to ensure that the administration guaranteed market access should be developed, and the special safeguard clause would continue to be needed. Domestic support as needed to allow agriculture to provide the non-trade services required by society and agreement was needed on the instruments that could be used before reduction commitments were made. The Green Box should cover most non-trade concerns although the criteria might need to be examined so it could be used to address developing countries' concerns. All export competition instruments needed to be covered in the negotiations. The Peace Clause had to be maintained. Finally, Switzerland stated that there was no legal or formal link between the agricultural negotiations and the start of a new round of negotiations a round that addressed all Members' concerns would favour a more rapid and substantial conclusion of the negotiations. The programme of negotiations put forward in the proposal covered three main elements: consolidation and broadening of the rules, negotiation of the reduction of the different forms of support which had a negative effect on trade, and recognition of the new challenges of agriculture.

97. Australia, Paraguay, (on behalf of MERCOSUR and the associated states of Chile and Bolivia), the Philippines, Indonesia, Malaysia, Thailand, Colombia, Mexico, the United States, Guatemala, South Africa, Venezuela and Canada stated that they were disappointed with the Swiss proposal.

98. Many of these countries, including Australia (NG/W/109), MERCOSUR, Chile, Bolivia, the Philippines, Indonesia, Malaysia, Thailand, Colombia, Guatemala, felt that the proposal put forward reasons why reform could not take place and to advance a range of modalities that would limit reform. They, stated that the suggestion that rules for non-trade concerns should be developed first before the question of reduction commitments could be examined was not acceptable. Article 20 required substantial reductions in support and protection while taking account of certain factors, one of which was non-trade concerns. Along with South Africa, Venezuela, Canada and New Zealand they felt that some issues raised in the proposal such as geographical indications, environmental costs and problems with production methods would only frustrate the negotiations and would not contribute to achieving the objective set out in Article 20. The proposal to negotiate tariff reductions through a request and offer method was considered time consuming and laborious and Australia pointed out that the average reduction method suggested could be used to avoid improving market access for some products. In addition, the suggestion that an unlimited range of tariff quota administration methods should be allowed was not acceptable. However, it was noted that Switzerland had stated that non-trade concerns should be addressed in transparent, targeted and specific ways.

99. A number of these countries, including Colombia, Chile, Canada, New Zealand along with India stated that although they agreed with Switzerland that all forms of export subsidies should be

subject to reductions they wanted all forms of export subsidies eliminated and could not agree to any increase for any product.

100. MERCOSUR, Chile and Bolivia added that they did not accept that the Peace Clause should be extended or that the special safeguard should be retained in a general way. They pointed out that the needs of developing countries had to be taken into account in the negotiations which should ensure their integration into the world trading system through improved access to markets and increased flexibility, as suggested in the Cairns Group's proposals.

101. Chile added that it recognized the efforts made by Switzerland to reform and it recognized that each country had the right to establish its own objectives and that disciplines were needed to ensure that measures used to achieve social objectives should not harm other countries. Chile also felt that the Peace Clause effectively restricted the rights to protection from subsidized production and exports especially for the weakest and smallest countries and that it should be eliminated. It was noted that the list of different categories of countries given in the proposal did not include one particular category to which Chile belonged, that of developing countries that did not subsidize their agricultural sectors.

102. On behalf of the Philippines, Indonesia, Malaysia and Thailand the representative of the Philippines stated that special and differential treatment should concentrate on the development objectives of developing countries. This meant it was not just about specific provisions but that the negotiations should also pursue development objectives, for example, by developed countries giving market access opportunities. While they agreed that such treatment was transitional she stated that it should continue while developed countries continued to use trade-distorting measures that damaged the development goals of developing countries. In this respect she stated that promoting the objectives related to non-trade concerns of developed countries should not be pursued at the expense of special and differential treatment for developing countries.

103. Thailand (NG/W/126) added that progress was needed towards achieving a market based agricultural trading system. The non-trade concerns of developed and developing countries were quite different. Developing countries had to address issues such as survival and development of subsistence farmers while developed countries concentrate on relative luxuries such as food safety and landscape. These types of concerns should be addressed at their own expense and the Green Box already gave room to address them. Multifunctionality should not be used as an excuse for protectionism, especially as this, unlike special and differential treatment was not linked to development. It could examine the idea that Article XXVIII of GATT could be used as a basis for developing a formula to convert from tariff quotas to tariff only situations.

104. Colombia stated that the proposal on export subsidies did not reflect the continuation of the reform process. Colombia pointed out the difference in the methodologies for calculating the AMS and the PSE and stated that the AMS was not a measure of reform or of its evolution. Colombia supported the statement by the Philippines on special and differential treatment and pointed out that the measures taken by developed countries to address their non-trade concerns should not affect the non-trade concerns of developing countries. Colombia believed that the Peace Clause should cover only the Green Box and measure for special and differential treatment and that the special safeguard should not be available to developed countries.

105. Mexico expressed some concern about any conditionality in the proposal such as on non-trade concerns and reductions in domestic support. Non-trade concerns were to be taken into account according to Article 20(c).

106. The United States noted that some elements of the proposal could contribute to the reform process. However, it shared concerns about the level of ambition although it did note that Switzerland had stated in the proposal that measures to address non-trade concerns should not be at the expense of

other countries. The United States also agreed that the Green Box enabled most Members to address their non-trade concerns.

107. Guatemala noted that Article 20 required that non-trade concerns were taken into account but not that rules and disciplines be developed for them or that domestic support should be negotiated after them. It stated that the current criteria in the Green Box should cover all non-trade concerns and not just the majority and that the Peace Clause expired in 2003. It did not want to see it continued beyond then.

108. South African stated that it noted that Switzerland had emphasized non-trade concerns but gave much less emphasis in its proposal to substantial progressive reductions in support and protection. Maintaining the status quo would not help integrate developing countries into the global economy. The emphasis on non-trade concerns could allow those countries that had the resources to address their non-trade concerns to the detriment of those that did not have resources.

109. In making its preliminary comments Venezuela (NG/W/133) stated that the Agreement on Agriculture had allowed many developed countries to maintain their trade-distorting policies and that the reform should lead to a fair and equitable system. It noted that Switzerland's proposal sought to improve special and differential treatment and to assist the integration of developing countries into the world trading system but it also suggested that such measures should be transitional and applied on a case-by-case basis. These limitations were contrasted with the broad view given to its agricultural policy concerns and the addition of new issues such as geographical indications and other new issues.

110. Canada noted that Article 20 gave clear guidance for reform in the direction of substantial progressive reductions in support and protection. However, the increase in support by some Members since the conclusion of the Uruguay Round contradicted this direction which was why Canada wanted to have an overall limit to support. In addition, to seeking the abolition of all forms of export subsidies Canada also wanted to see better disciplines established to cover food aid. The Food Aid Convention however, covered only a limited number of products and countries and, therefore, such disciplines should be developed in the WTO. Canada noted that Switzerland had not presented any justification to support its claims concerning state-trading enterprises.

111. India noted that there were many similarities between the Swiss and the EC proposals and stated that it would not repeat the comments it had already made. In addition to stating that export subsidies should be eliminated and not increased for any product India asked Switzerland to elaborate on its suggestion that Article XXVIII of GATT could be used as a basis for transition from tariff quotas to tariff only arrangements. India pointed out that it, along with Switzerland and some other countries, had given to the TRIPs Council a proposal on extending protection to geographical indications to products other than wines and spirits.

112. New Zealand noted that it shared some positions with Switzerland. It noted especially that non-trade concerns should be addressed through the Green Box and suggested that leaving Green Box spending uncapped could be an incentive to policy reform provided the fundamental criteria of no, or at most minimal, trade distortion was kept. Although New Zealand was pleased to see the commitment to tariff reductions it stated that the method of request and offer going product by product and case by case would not achieve significant reductions. It agreed that the difference between in- and out-of-quota tariffs was important and pointed out that this was why the Cairns Group had proposed reductions in tariffs and increases in tariff quota volumes, which would also help the shift to tariff only situations. In the meantime however, tariff quota administration had to be examined to ensure the methods used did not impede access. New Zealand agreed that special and differential treatment should address the development objectives of developing countries and it was prepared to negotiate such treatment in the areas of domestic support, market access and export competition.

113. A number of countries agreed with many of the points it made, including Poland, the Czech Republic, Slovenia, Hungary, Bulgaria, the Slovak Republic, Korea, Mauritius, the EC, Norway and Japan. Poland, the Czech Republic, Slovenia, Hungary, Bulgaria and the Slovak Republic noted, in particular, the flexible approach proposed for developing countries and countries in transition to market orientated economies. The Czech Republic, Slovenia, Hungary, Bulgaria, Mauritius and the EC agreed that the extension of geographical indications should be part of the negotiations. Hungary noted that there was a certain link between progress in the market access negotiations and the treatment of geographical indications. The EC pointed out that this meant access for EC products in other markets and was not about increasing barriers to the EC market. Slovenia (NG/W/123) also supported the suggestions made concerning production and processing methods, and environmental costs and stated that results in these areas would affect progress in other areas.

114. Poland noted that the proposal tried to make progress while taking account of the experience in implementation of the Uruguay Round. However, Poland felt that in market access it would be better to have a basic formula for reduction of tariffs supplemented by a request and offer procedure rather than the reverse as proposed by Switzerland. Poland agreed that tariff quota administration needed clarification and supported the open-minded approach proposed. It also supported the retention of the special safeguard, the Blue and Green Boxes and the proposal on export competition.

115. The Czech Republic (NG/W/134) felt that the proposal put agriculture into the correct perspective in terms of the non-trade concerns it addressed, although the measures that dealt with such non-trade concerns should not harm other countries. However, other countries needed to consider the continuation of the reform programme in terms of Members' commitments. The Czech Republic was sympathetic to the suggestion that modalities should be defined to allow negotiations for the abolition of tariff quotas and that the special safeguard should be examined to see how its operation could be improved. It also found merit in the proposal that the rules on measures to address non-trade concerns should be first addressed before the Amber Box and stated that the specific needs of transition economies had to be taken into account which excluded a ceiling to the Green Box. Although the Czech Republic's position on export competition was known it felt that any doubts about existing procedures under Article XXVIII of GATT should be clarified.

116. Slovenia supported the approach taken in the proposal to non-trade concerns, especially measures to address sustainability of rural areas and the need to discuss instruments to address these concerns. It shared the Swiss position concerning tariff reductions and stated that it was important for small economies that tariff negotiations proceeded product by product and case by case while taking account of non-trade concerns.

117. Hungary (NG/W/132) agreed that the diversity of country situations required flexibility in multilateral disciplines and claimed that the "one size fits all approach" would be detrimental to the majority of Members regardless of "size". Hungary supported several ideas and proposals made by Switzerland including the statement that measures taken to address non-trade concerns should not harm other countries. Its views concerning tariff quota administration, the special safeguard, export competition, a review of the Green Box and the Peace Clause were similar. In light of recent developments, and measures taken in response, Hungary suggested the time might have come to examine the modalities and scope of the precautionary principle. However, care was needed to find the right balance between food safety and to avoid it being used for protectionism.

118. The representative of Bulgaria (NG/W/111) stated that a broad round of negotiations was needed to help agriculture and to allow all Members to address their interests. Bulgaria supported the proposal that reductions should be from bound levels with flexibility to specific needs of Members, including those with economies in transition, as reflected in the proposal from the group of such countries in NG/W/56 and 57. Bulgaria supported the proposals on tariff quota administration, which stated that all forms of export support should be treated in similar ways and wanted the consideration of non-trade concerns to accommodate the multifunctional role of agriculture.

119. The Slovak Republic noted that it had already made its position clear and concentrated on a few points. It noted in particular that all countries had the right to set their own objectives for non-trade concerns and the proposal on the special safeguard as such a measure was needed in the future.

120. Korea (NG/W/117) shared many of the views expressed in the proposal, including those concerning the impact of the Agreement on Agriculture on agricultural trade. In its view increased liberalization would not automatically lead to achievement of all objectives. Tariff reduction required a flexible approach for developing countries, net food-importers and transition economies. No method of tariff administration should be excluded in advance and Korea was interested in the ideas on how to address non-trade concerns through the Amber, Blue and Green Boxes.

121. Mauritius (NG/W/119) also shared many of the views put forward by Switzerland especially that Article 20 was the basis for negotiations and that each Member had the right to fix its own objectives and decide on its own non-trade concerns and the instruments to achieve these should be transparent, targeted and specific. Mauritius agreed that non-trade concerns were not linked to particular stages of development and were of concern to all countries both developed and developing, although developing countries might require different instruments. The reform process had to give solutions that would favour the economy, social conditions and the environment in particular. Special and differential treatment should aid developing countries to integrate into the global trading system this would only be possible if such treatment was linked to the specific needs of countries' diverse situations. While it might need periodic reviews, special and differential treatment needed to be permanent. The negotiations needed to find appropriate instruments to assist specific needs, including small island states which faced the erosion of margins.

122. The representative of the European Communities noted that it was possible to argue about what should be negotiated first but in the end everything had to be agreed and examining non-trade concerns first could make room for progress on market access, domestic support and export competition. The EC agreed with most points raised by Switzerland including the importance of special and differential treatment, the need for tariff concessions, initiatives in favour of least-developed countries and geographical indications. The need to address all issues related to export competition, that attention was needed concerning the transition from tariff quotas to tariff only systems, that the special safeguard should be retained, although modalities could be discussed, and that a Peace Clause was needed to ensure that those that abided by the Agreement were not subject to litigation. The EC sympathized with the view that a request and offer approach to market access might be cumbersome and believed its own proposal of an overall average reduction backed by a minimum reduction per tariff line would be faster and would allow Members to address their specific needs. While the EC felt that detailed discussion of tariff quota administration could deal with what methods were allowed, it believed that the key was first that administration should not prevent quota fill which would determine what methods were permissible.

123. Norway (NG/W/120) endorsed a number of elements of the Swiss proposal. In particular, it believed that reform should not just avoid harming the environment, but should favour it and improve economic and social conditions. Therefore, the promotion of sustainable development and environmental concerns had to be taken into account in the negotiations when designing the future rules and disciplines for agricultural trade as was put forward in Norway's proposal. Norway agreed with Switzerland that a flexible approach to tariff reductions was needed and that tariff quotas should be administered in ways that were transparent and equitable. Also, there should be no absolute multilateral ceiling on the Green Box and disciplines should be developed for all forms of export assistance. Finally, Norway supported Switzerland's suggestion that the negotiations adopt a coordinated and consensual approach with due consideration to the interests of all parties.

124. Japan welcomed the proposal as it was aimed at meeting the demands of those countries whose agriculture policies were in the process of change in domestic policies. Japan agreed that in considering tariff rate quota allocation methods no method should be excluded in advance, but rather

Members should examine the rules and disciplines required to guarantee market access. It also agreed with the need for flexibility for individual products when deciding tariff quotas and tariff levels. Green Box spending should not be capped as this would restrict opportunities for those countries currently implementing agricultural policy reform under the framework of the existing rules. Commitment levels under the aggregate measurement of support had to be carefully set so as not to undermine the benefits gained from the multifunctionality of agriculture. Japan agreed that the total aggregate measurement of support levels should be negotiated from bound levels. The existing rules and disciplines on export competition needed to be strengthened in order to redress the imbalance in the rules and disciplines applied to agricultural exporting and importing countries. Japan had yet to develop a clear position on geographical indications or on production or processing methods.

125. Croatia noted the difference in views and background between different countries and felt that the proposal could be the basis for negotiations. For non-trade concerns and market access, Croatia emphasized that the request offer procedure was supplemented by formula although, as Poland, he suggested it could be reversed. Tariff quota administration was of concern to Croatia which had commitments to open tariff quotas. Croatia was struck by the size of subsidies paid in Switzerland to agriculture and felt that the ability of countries to support agriculture had to be taken into account in the negotiations.

126. Switzerland pointed out that flexibility in negotiations was needed to make progress and to take account of the different situations facing different Members. While some Members wanted complete reform through the negotiations others, including Switzerland, believed this was the second stage of the reform process which had to be agreed and implemented before a third phase could begin. Switzerland believed that it was necessary to first negotiate the rules and then the commitments so that Members knew the context of those commitments. On special and differential treatment Switzerland noted that country categories existed and it felt that a single solution could lead to a disappointing outcome, therefore, it was necessary to consider and develop ideas on how this issue should be dealt with. Concerning non-trade concerns, it noted that some were common to all countries while some were specific to certain countries. The Green Box should make it possible for Switzerland to address most of its non-trade concerns provided that there was no absolute ceiling. Specific modalities would need to be defined for countries without sufficient financial resources to use the Green Box instruments in order to also address their non-trade concerns. Topics such as the protection of geographical indications, the problems relating to production methods, and the internalization of environmental costs would need progress here or in other fora to allow significant progress in the agricultural negotiations. On market access, Switzerland noted that the proposal to shift to a tariff-only system was in line with the objectives of the multilateral trading system. On export subsidies, Switzerland's proposal for a procedure to be developed whereby a greater reduction in one product could be compensated by an increase in another product would depend on the size of the reductions and on other issues in other areas although Switzerland believed that all forms of export restrictions should be eliminated. Finally, the Peace Clause would have to be extended at least for the duration of the negotiations so as to provide a safety net.

(f) Swaziland: Market Access under Special and Differential Treatment for Small Developing Countries (NG/W/95)

127. Swaziland highlighted the main points in its proposal which was based on the basic principle that no developing country should be made worse off by the process of liberalization. Developing countries' welfare often depended on the performance of a small number of products, especially in rural areas. This dependence meant they were vulnerable to both supply and demand changes and to competition on the domestic markets with substitutable products while the scope for improvement was restricted due to limited land area and distance from export markets. Agricultural exports helped the economy through employment, incomes and associated services and delivered positive externalities such as soil conservation and contributions to tourism. While economic theory of competition might be correct to say inefficient industries should close and resources allowed to shift

to more productive areas, this ignored equity and poor mobility of some resources such as labour. Many developing countries relied on preferential schemes and radical and rapid liberalization would disrupt this by lowering investment and export earnings. Swaziland recommended that current preferential arrangements should be protected long enough to enable developing countries to develop. Applying preferences to all developing countries would mean some would become better-off at the expense of others. Technical assistance should be provided and tariff escalation reduced to enable small developing countries to develop agriculture processing industries and to exploit development opportunities.

128. A number of developing countries, including Barbados, St Lucia, Trinidad and Tobago, Jamaica, Fiji, Namibia and Mauritius broadly supported the proposal by Swaziland and agreed that transition arrangements were needed and enough time given for adjustment as preference margins were eroded.

129. On behalf of Barbados, St Lucia and Trinidad and Tobago the representative of Barbados focussed on special and differential treatment and the integration of developing countries into the global economy. These countries felt that no group should be marginalize by the process of reform. Flexibility in the negotiations was needed to take account of the needs of small developing countries, especially those that depended on preferences. Jamaica supported the statement by Barbados and agreed that all concerns expressed by Members needed to be taken into account in the negotiations. It also shared the assessment of the need for preferences to overcome the constraints that faced small developing countries and the need to achieve equity and fairness in the reform process.

130. Mauritius (NG/W/119) stated that it had already noted the vulnerability of small developing countries and noted that the proposal by Swaziland brought out many of the difficulties they faced. Their small land surfaces mean they had no real advantages in agricultural production while the distance to export markets added to their difficulties. It was the cost of transport that explained why the exemptions for developing countries under Article 9.4 of the Agreement on Agriculture were needed. A level playing field would not answer the problems facing these countries and their concerns had to be taken into account.

131. Fiji supported the proposal and noted the similarities between it and those from other small developing countries that depended on a small number of exports under preferential arrangements. Agriculture was a key activity for the development of small developing countries and it took time to create alternatives and time to adapt to trading on an open market. The multilateral agriculture negotiations needed to find an appropriate compromise between the different positions to minimize any negative impacts. Fiji suggested that treatment similar to that given to least-developed countries was needed for small developing countries.

132. The representative of Namibia stated that he agreed with most of the points made in the proposal and that Namibia also wanted to see the negotiations result in improved welfare for developing countries. Like Swaziland, Namibia's rural population depended on agriculture. It, too, benefited from preferences and the export earnings that resulted from these preferences helped rural communities and small scale producers. Namibia felt that existing special and differential treatment provisions were not really effective and additional measures were needed, such as tackling tariff peaks and escalation, to allow for development. While supporting the proposal Namibia highlighted two areas which it felt needed more attention: food security, which for Namibia was a crucial concern for developing countries, and productivity as some countries had large surface areas but low productivity.

133. Kenya also pointed out that many of the problems highlighted in the proposal applied to other African countries that were not defined as small. Kenya's applied tariffs were well below its ceiling bindings but it had experienced problems with substandard and subsidized products being dumped on its markets. These imports of subsidized products were damaging domestic production and Kenya referred to its submission WT/GC/W/233 to the General Council in the preparations for the 1999

Ministerial Conference. Export credit, guarantee and insurance schemes had a similar effect to direct export subsidies and companies with market power could also distort markets. For its exports, Kenya found they continued to face high tariffs and tariff escalation in its export markets in addition to problems associated with SPS measures. Kenya did benefit from preferential access but substantial reductions in MFN rates could erode this advantage. It believed that all countries had to participate in liberalization for developing countries to benefit. Furthermore, a fundamental review of special and differential treatment was needed as it was more than just longer time-frames or lower commitments and should target shortcomings in terms of supply capacity, economic development and financial resources as well as issues like food insecurity and rural poverty. The proposal by the group of developing countries on the development box (NG/W/13) should be taken into account. Kenya suggested that a number of issues could be added to Swaziland's proposal including better market access for products of interest to developing countries, elimination of all trade-distorting measures used by developed countries, establishment of a food security or development box which could include policy flexibility to address different concerns, technical co-operation to meet SPS standards, the end of the Peace Clause in 2003 and products that did not comply with national standards should not be sold for export. Finally Kenya suggested that the negotiations should take account of the three proposals by the group of developing countries of which it was a member (NG/W/13, 14 and 37).

134. Other delegations recognized the difficulties facing small developing countries and suggested ways in which their concerns could be incorporated into the negotiations. These countries included MERCOSUR and associated countries (Bolivia and Chile), New Zealand, Canada, Japan, the EC, Hungary and the United States. MERCOSUR and its associated states, New Zealand and Canada, stressed the need to improve market access. New Zealand and Canada also noted that some developing countries might need some time to adapt to changes in the agricultural trading environment. Hungary (NG/W/132) stated that the proposal argued rather convincingly for special treatment of small developing countries which should be taken into account in the negotiations. The United States stated that it would examine the proposal carefully and noted that it would continue to provide preferences itself. In the long run however, these would be eroded but it was prepared to work with other Members to prepare for this eventuality.

135. On behalf of MERCOSUR, Bolivia and Chile the representative of Paraguay agreed with some of the suggestions in the proposal especially the need to concentrate on improving market access and some of the references to special and differential treatment. He pointed out that some of the countries on whose behalf he was speaking were familiar with some of the other problems raised by Swaziland, such as those associated with being a landlocked state. However, he pointed out that although non-reciprocal agreements did give better market access, experience had shown that this was sometimes at the expense of other developing countries. Bolivia supported the statement by the representative of Paraguay and agreed with Swaziland concerning the disadvantages of being a landlocked country. Bolivia stated that the negotiations should not introduce new categories of countries but the special characteristics of countries should be taken into account in the negotiations, including how to mitigate any negative effects that might arise.

136. New Zealand agreed on the need to integrate developing countries into the world trading system and suggested that the key lay in improved market access. This was prevented by high levels of protection, export subsidies and other practices in some developed countries and, like Swaziland, New Zealand hoped these would be brought to an end.

137. Canada agreed that transition measures might be needed and noted the concerns expressed by some developing countries that special and differential treatment for one group of countries should not harm other developing countries. In both developed and developing countries investment was based on existing trade patterns which meant change would not happen quickly but it was important to move in the right direction towards a more level playing field.

138. South Africa agreed that no developing country should be made worse off as a result of the negotiations but pointed out that if reform was not achieved in the direction set out in Article 20 most developing countries would be worse off. Special provisions were needed to ensure that those countries that currently enjoyed preferential arrangements also benefited but a level playing field was the key to agricultural development in many developing countries. South Africa looked forward to working with its partners in the Southern African Development Community in the negotiations.

139. The representative of the European Communities stated that the proposal from Swaziland was constructive and practical. The analysis in the proposal underlined the need for the negotiations to take account of the situation of developing countries and to work towards the goals of ensuring that special and differential treatment provisions were accessible to low and middle income countries and towards a recognition of their non-trade concerns.

140. Norway (NG/W/120) noted that the proposal showed the challenges facing many developing countries. The reform process should support the development needs of developing countries and Members should bear in mind the differences between different developing countries some of which faced many constraints and which needed flexibility in national policy design. Norway supported the suggestion that the right to use the special safeguard should be extended to all developing countries.

141. The representative of Japan noted that the proposal showed the importance of non-trade concerns to both developed and developing countries. He stated that the negotiations should take account of non-trade concerns and special and differential treatment as required by Article 20 and supported the idea that flexibility was needed to allow different agriculture systems to co-exist. In this regard Japan felt that uniform special and differential treatment would be limited in addressing the needs of developing countries. He suggested that Members should consider carefully whether putting small developing countries in a separate category was an effective way to address their needs. Japan recognised that the implementation of the Uruguay Round suggested that improved market access would not benefit many developing countries.

142. Swaziland noted that it was now necessary to work on concrete proposals on how special and differential treatment could be applied to the small developing group of countries. He noted that food security was particularly important for net food-importers. While export earnings could improve the capacity to import food, food security especially for net food-importing countries remained a concern. Swaziland hoped that as the negotiations went forward more attention would be given to issues of relevance to small developing countries.

(g) Mauritius: WTO Negotiations on Agriculture (NG/W/96)

143. Mauritius (NG/W/119) introduced its proposal pointing out that it had been developed from the perspective of a small island developing state that was a single commodity exporter and a net food-importer. It was seeking a balance between trade and non-trade concerns as a result was needed that addressed all concerns. Mauritius pointed out that the constraints facing SIDS were structural and permanent and they would never be able to be competitive despite their best efforts. Therefore, a market only approach was not suitable and non-trade concerns had to be emphasized. Mauritius noted that developing countries' share of exports remained at about 30 per cent, SIDS share was only 2.5 per cent and declining. The outcome of the negotiations should include solutions for SIDS that had to earn foreign exchange in order to import their food needs.

144. A number of other small island developing states agreed with some elements of the proposal. Fiji stated that some of the suggestions in the proposal would allow small developing countries, including SIDS, to avoid marginalization. Fiji also noted that the EC proposal and statements by the United States would reaffirm their preferences. Fiji faced many obstacles to development and it found it hard to develop sufficient economies of scale while, in addition, it was prone to natural disasters and other problems.

145. On behalf of CARICOM the representative of Grenada agreed that food security for SIDS required export earnings and some exemptions from liberalization and access to technology. He reiterated that non-trade concerns should be addressed in ways that minimized trade distortion and stated that special and differential treatment should be in the general rules and then addressed by specific targeted measures such as assistance for marketing. While CARICOM recognized the basis for the suggestion that some sensitive products should be exempt from market access concessions, he pointed out such exemptions should be limited in time as they could have long run implications for competitiveness. On market access he noted that trade preferences should be predictable although non-tariff measures, such as rules of origin, could make market access difficult. Some other suggestions in the proposal could be elaborated such as the special safeguard, and suggestions on domestic support. Finally, he noted that the paper raised some important cross-linkages between different areas such as export taxes and food security.

146. A number of developing countries gave some support to the proposal but felt that many of the issues applied to more countries than SIDS. These countries included Swaziland, Sri Lanka, Namibia, India (NG/W/114) and Korea. India empathised with the proposal but noted that it sought a broader dispensation to cover countries that had large numbers of small vulnerable farms.

147. Swaziland (NG/W/125) noted that most of the issues raised in the proposal applied to small developing states generally and he highlighted a few:

- Flexibility was needed to enable developing countries to address their non-trade concerns.
- Effective instruments were needed under special and differential treatment and technical co-operation to enable developing countries to become more competitive.
- Predictable market access opportunities and guaranteed prices were needed for exports although developing countries should be able to exclude sensitive products from commitments on market access and domestic supports.

148. Sri Lanka (NG/W/124) stated that most developing countries had not benefited from the Uruguay Round and therefore needed better special and differential treatment. In particular, food security could be improved through the combination of measures in the proposal such as ensuring stable export earnings and creating food reserves.

149. In making some preliminary comments the representative of Namibia stated that he agreed that on non-trade concerns each country had different concerns and so the instruments available should differ. However, in other areas Namibia expressed some doubts such as the idea of having international food reserves, excluding some products from commitments (especially from commitments on export subsidies). Namibia wanted to see market access opportunities improved to allow increased market share and to allow greater diversity of exports; technical co-operation to meet sanitary and phytosanitary standards was needed to help countries achieve these goals.

150. Korea (NG/W/117) noted that the proposal covered many issues it found important. It stated that Members needed to allow the co-existence of different patterns of farming by allowing Members flexibility to address their concerns. Special and differential treatment was needed to enable developing countries to improve their competitiveness and to alleviate rural poverty. Korea shared some of the suggestions including exemption of certain products from commitments and the Peace Clause.

151. Some developed countries also supported many elements of the proposal, including Poland, Norway, Hungary, the Czech Republic and Japan. Poland supported some elements especially the idea that different agriculture systems should be able to co-exist and that different countries needed to be able to use different mechanisms to address their specific non-trade concerns. Poland also shared

the idea that further liberalization would have to take account of the needs of fragile economies. Hungary (NG/W/132) agreed that the shift to minimally trade-distorting support is not only the question of will, but also of financial resources available, since very often these types of support are relatively more costly to implement. Hungary and the Czech Republic also noted that other issues would also affect the negotiations such as geographical indications. The Czech Republic noted that non-trade concerns were important to both developed and developing countries and a differentiated approach was needed. He stated that countries with economies in transition to market orientation also needed to be able to exclude sensitive products from further liberalization and agreed that the Peace Clause should be retained.

152. Norway (NG/W/120) noted the similarities between the proposal made by the group of small island developing states (NG/W/97) and that by Mauritius. It appreciated the need to find solutions to non-trade concerns based on the agreed rules that would enable agriculture to play its multifunctional role. The negotiations needed to take account of food security concerns. Under market access Norway noted that most small island developing states depended on a small number of export products. While efforts should be made to diversify, market access for their traditional key commodities should not be eroded. Norway agreed that SIDS needed to be able to develop the right policy combination based on their special needs and conditions and that the Peace Clause should be retained.

153. Japan stated that many of the issues raised, such as food security, rural development and the environment, were of concern to many countries although the instruments used to address them would differ from one country to another. Different types of agricultural systems should be allowed to continue and Japan noted the difficulties facing SIDS in addressing their non-trade concerns, especially food security. It also stated that it understood why Mauritius preferred to keep preferential access arrangements rather than general tariff reductions as these would benefit only a few countries. Japan also understood the problems facing Mauritius under domestic support and export competition and agreed that exporting state trading enterprises needed more disciplines.

154. Liechtenstein also understood the position of small developing countries and noted their vulnerability and the insecurity of the trading environment and its impact on food security. It was essential that the negotiations achieve results acceptable to all which meant all views had to be taken into account.

155. On behalf of MERCOSUR and its associated states the representative of Paraguay stated that they shared much of the analysis but did not accept many of the suggestions made in the proposal. Measures that distorted trade should not be needed to solve problems. It was impossible for Mauritius to meet its non-trade concerns with measures that cost money but it would help if developed countries stopped supporting production. Furthermore, liberalization would improve certainty of supply and food security. It appeared inconsistent to argue for both improved market access for exports and for restricting imports for some products. All forms of export subsidies should be eliminated and not just reduced and the Peace Clause had helped in the transition process but should be left to expire in 2004 with no continuation.

156. Brazil supported the statement by Paraguay and noted the similarity between the views expressed in the proposal by Mauritius and the ideas on multifunctionality put forward by some developed countries. Brazil understood the basis for Mauritius' call for balance and the desire to defend the specificity of agriculture through non-trade concerns. The Agreement on Agriculture already included a number of special and differential treatment measures which could be used to address developing countries' concerns. Brazil was not opposed to preferential arrangements but it pointed out that when they meant discrimination between developing countries they caused trade diversion which should be avoided in the negotiations.

157. Colombia, the Philippines, Indonesia, Malaysia and Thailand stated that special and differential treatment should be more than just longer implementation periods. Colombia also noted the proposals put forward by the Cairns Group in this regard. However, it did not believe that some of the issues raised, such as geographical indications and SPS measures, were for the agriculture negotiations.

158. On behalf of the Philippines, Indonesia, Malaysia and Thailand the representative of the Philippines stated that they supported the suggestion that the negotiations should deliver meaningful special and differential treatment but such treatment should be for all developing countries. While developing countries should be able to use the Green Box to address their non-trade concerns, such as poverty alleviation, the fundamental criteria should not be relaxed. Other forms of flexibility should be covered by special and differential treatment.

159. New Zealand agreed that the modalities that would be negotiated should be flexible to address the needs of developing countries but did not accept that excluding some products from the process would help. However, through trade, developed countries should give a stable supply of foreign exchange which was often restricted at the moment by high market access barriers in some developed countries. It was surprised to see the suggestions concerning export competition as these were clearly not in the interests of developing countries.

160. The European Communities noted the proposal complimented those by the EC and Swaziland and raised the issue of how non-trade concerns affected small island developing states. The EC suggested that the appropriate response to non-trade concerns may come from policies that were targeted, transparent and minimally trade distorting. Food security was, of course, very important and the issue would have to be examined in depth in the next phase of the negotiations. On market access he pointed out that the particular problems facing developing countries in general, and SIDS in particular, would have to be addressed and that the EC proposal had suggested that preferences should be made stable and predictable to assist in development of the agriculture and food sectors. The proposal by Mauritius showed the importance of progressive reductions in MFN tariff rates.

161. The representative of Canada agreed on the importance of some non-trade concerns but expressed some concern about the methods Mauritius to use to address them as they would not lead to fundamental reform which was the objective of the negotiations. She also felt that there were some inconsistencies in the proposal and pointed out that Mauritius had stated that it could not afford minimally trade distorting ways of addressing non-trade concerns but Canada had found these to be cheaper and more effective. Similarly, Canada queried the extent to which food security would be improved by the suggestions in the proposal. She noted that a number of developing countries had already argued that dumping undermined local production and leaving existing distortions in place would not contribute to their development. Similarly, Canada could not agree to the proposal to maintain privileged access to developed country markets at the expense of other countries. It accepted that the situation would change gradually but felt that the negotiations should result in improved access for all products to all countries to permit development in areas where each country had a real advantage rather than development reflecting decisions by bureaucrats or colonial history.

162. The United States agreed on some of the broader objectives in the proposal relating to non-trade concerns and food security. However, it had a different approach to reform which it stated needed to be substantial and maintaining distortionary measures was not the way forward. The United States would consider how to take account of the views in the proposal while moving in the direction of market orientated reform.

163. Mauritius (NG/W/119) pointed out that it was a small island state that really only produced a single commodity. While it hoped to produce a greater variety in the future it hoped that someday it would be able to do so, but this was not likely in the short term. It noted that non-trade concerns were

not the prerogative of any single country or group of countries and that a market only approach was not suitable. A balance between trade and non-trade concerns was needed and different measures were needed in different circumstances. Mauritius could not use measures that came under Annex 2 of the Agreement on Agriculture but was not opposed to a re-examination of Annex 2 on the understanding that creative solutions could be found for those that unable to avail themselves of the Green Box. A cautious approach to reform of export credit rules was needed taking account of both Article 10.4 of the Agreement on Agriculture and the Decision on Least-Developed and Net Food-Importing Developing countries. Although some of the issues raised in the proposal were also being dealt with in parallel for a some were not being dealt with elsewhere, such as technology, which Mauritius stated was an important part of the agriculture negotiations. Finally it pointed out that equity was not the same as sameness and the negotiations should allow a set of instruments to be used that would allow flexibility to address different situations.

(h) Barbados, Cuba, Dominica, Jamaica, Mauritius, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines and Trinidad and Tobago: WTO Negotiations on Agriculture: Proposals by Small Island Developing States (SIDS) (NG/W/97 and Corr.1)

164. In introducing the proposal, the representative of St. Lucia highlighted the structural weakness small island developing states (SIDS) faced in their efforts to retain and improve their small share of international trade. These constraints included, weak agricultural production, difficult topography, scarcity of resources, vulnerability to disasters and remoteness from major export markets. The result was high unit costs of production and transportation which made it difficult for them to achieve the levels of competitiveness needed to benefit from new opportunities or even to retain their presence on international markets. Furthermore, technical and financial assistance alone would not suffice. SIDS needed secure market access for the limited range of commodities they exported. In addition, they should not have to provide reciprocal market access to developed countries in preferential trading arrangements. Finally it was emphasized that SIDS sought appropriate special and differential treatment for all developing countries.

165. Some of the other sponsors to the paper supported St. Lucia's paper. Barbados had emphasized the economic vulnerability of SIDS. A number of studies had shown that small economies suffered high economic volatility compared to OECD countries. While the cause had many reasons one major contributor was changes in terms of trade. Barbados believed that some method should be developed to give credit to developing country Members that had adopted relatively less trade-distorting measures and for those that had undertaken unilateral reforms ahead of, or in some instances in preparation for, deeper multilateral integration.

166. The representative of Cuba stated that the economies of SIDS, in particular their agricultural sectors, were fragile due to their vulnerability to natural disasters and because of their limited number of basic agricultural commodities. It was Cuba's hope that appropriate flexibility afforded to these countries would enable them to reach a higher level of competitiveness resulting in more effective participation in international trade.

167. The representative of Mauritius (NG/W/119) stated that the structural weaknesses of SIDS made it very difficult for them to achieve higher levels of competitiveness. A recent United Nations Environment Programme report had indicated that global warming would bring significant losses due to more frequent hurricanes, loss of land, damage to fishing stock, agriculture and water supplies which could exceed 10 per cent of national wealth for SIDS. It was important that SIDS get security of access for the small number of commodities they were able to produce on a commercial basis. Stable and predictable export earnings would allow them to build up foreign exchange reserves to purchase food on reasonable terms and to invest in other sectors.

168. The representative of Fiji fully supported the proposal. He strongly submitted that the non-reciprocal preferential tariff rates provided to developing countries in the agriculture agreement had to be improved and bound with a view of ensuring that existing access commitments were not undermined by the continuation of the reform process.

169. Some other developing countries, including Swaziland, Kenya and Pakistan, noted the similarities between the problems outlined in the proposal and the difficulties they faced. Swaziland pointed at the similarities in the problems it faced compared with those of SIDS. Swaziland had first hand experience with the vulnerability associated with dependence on a few agricultural exports and therefore supported the proposal that SIDS should be provided with security of market access for the one or two commodities. Swaziland also supported the proposal that non-reciprocal preferential tariff rates be provided to developing countries and bound for the duration of the reform process. It was clear from the SIDS proposal that preferential market access arrangements were not meant to be permanent but stated that they should not lead to a reduction of the welfare in other developing countries.

170. Kenya stated that the difficulties facing SIDS were similar to those facing other low-income developing countries like Kenya. Complex rules of origin, sanitary and phytosanitary measures and technical regulations all made market access to other countries difficult. These constraints were emerging as some of the most serious barriers to trade for his country. On the issue of vulnerability, it noted that it, too, suffered frequent disasters and was currently experiencing a severe drought which had put millions of people in a precarious situation. He agreed on the need to maintain preferential arrangements and the need to protect domestic producers from import surges, especially where these threatened domestic food production in rural areas.

171. Pakistan also supported the general thrust of the proposal but noted that some of the more specific suggestions should take into account the interests of the low-income developing countries that were net food-importers, like Pakistan. For example, the proposal for specific duty-free tariff rate quotas outside minimum access quotas should be provided to low-income, net food-importing developing countries as well as SIDS. Pakistan agreed that developing countries should be able to use special safeguards and that the NFIDC Decision should be made operational. It also supported the idea of giving credit to countries that had undertaken unilateral liberalization under structural adjustment programmes. These countries could be given the flexibility not to lower their tariff or other forms of protection even further.

172. Colombia stated that the proposal highlighted the importance of special and differential treatment and noted that it agreed with some elements of the proposal, such as improved market access for products of interest to developing countries. Colombia also supported the proposal to bind the unilateral preferences granted to developing countries. On food security and its relation to domestic production, Colombia noted that most developing country Members did not have the financial resources to benefit from a higher *de minimis* level, therefore, technical assistance to enhance agricultural productivity was essential to enable them to take advantage of improvements in market access.

173. On behalf of MERCOSUR and associated states the representative of Paraguay stated that the proposal showed that SIDS faced many non-tariff barriers, including difficult administrative procedures. However, the rules had to be applied equally to all countries without creating sub-categories. Dependency on a limited number of basic agricultural commodities was a problem that needed to be addressed by improving the value added of exported products and reducing tariff escalation which would help. In addition, the elimination of export subsidies and the reduction of domestic support in developed countries would also help improve the performance of the agriculture sectors.

174. The representative of New Zealand noted that it was sympathetic towards developing country concerns. Agriculture was the basis for sound economic growth and development for many developing countries including SIDS. New Zealand recognized that no Member's market access conditions should be undermined in the transition to freer agricultural trade but, in the context of substantial progressive reductions in support and protection, it was not possible to freeze the margin of preference. Overall many of the suggestion in the proposal, including those relating to food security, were in line with Cairns Group proposals on special and differential treatment for developing countries. Technical assistance to the SIDS was also essential and New Zealand was undertaking a significant amount of such assistance in the Pacific region, particularly with respect to meeting sanitary and phytosanitary requirements.

175. The representative of Hungary stated that he shared the view that countries which had gone through extensive unilateral deregulation and liberalization, and which exhibited a high degree of openness to the world market, should receive credit for this when new commitments were being negotiated.

176. On behalf of ASEAN the representative of the Philippines agreed that the SIDS proposal clearly showed the importance of agriculture in the economies of developing and least-developed countries. ASEAN shared the view that the Uruguay Round's benefits, in particular better access to markets of developed countries, had not been substantial. Difficulties in exporting agricultural products to developed markets persisted and in some cases had become worse as disguised barriers to trade, such as sanitary or phytosanitary measures, were introduced. ASEAN supported the proposal for a framework that would ensure the provision of technical assistance related to meeting such requirements, in particular the transfer of technology for improved competitiveness, which would also enhance food security. The general thrust of the proposal on non-reciprocal preferential trading arrangements was in line with ASEAN's own proposal (NG/W/55), however, the increasing concessionary nature of preferences was of concern as it eroded the fundamental principles of non-discrimination and non-reciprocity, and resulted in unpredictable market access conditions for developing countries. ASEAN's position was that the negotiations had to result in explicit commitments by developed countries to conform to the principles of non-discrimination and non-reciprocity so as to ensure that improving the welfare of some would not be at the expense of others.

177. Switzerland noted that the proposal showed there were serious concerns that could not be solved by trade measures alone. In accommodating these concerns, Members faced an economic and legal problem. The economic problem lay in the competition from some developing countries and the potential exports from SIDS. The legal problem was the coherence of the proposal with the overall principle of non-discrimination. For Switzerland the problem had to be approached pragmatically and all countries had to make an effort to integrate SIDS into the international trading system. A broad discussion on non-trade concerns could provide some key instruments to the solution.

178. The representative of Japan stressed that due consideration had to be given to the disadvantages inherent in the SIDS agricultural sectors. This idea was reflected in Japan's own proposal which pointed at the need to take into account the differing nature of agricultural systems in different countries. However, Japan did not support a uniform tariff reduction that would only enable a small number of competitive exporting countries to benefit on international agricultural markets. The preservation of preferences would be more beneficial for many developing countries. On food security, Japan recalled that it had proposed the idea of creating a framework for international food stockholding to strengthen food aid schemes for developing countries. Japan was of the view that the SIDS proposal on the improvement of the Green Box provisions regarding the payments for natural disasters was particularly worthy of further consideration in light of their vulnerability.

179. The representative from the European Communities drew the Committee's attention to the dilemma posed by the current SIDS proposal, as well as the proposals by Swaziland and Mauritius. On one hand, Members were committed to a general liberalization of trade, but on the other hand, by

doing so they were eroding trade preferences which were important to some vulnerable countries. The EC faced increasing difficulties reconciling the preferences it had given to ACP countries (many of which were SIDS) with its WTO obligations, particularly in relation to certain commodities. The EC had come to the conclusion that the best way forward was via free-trade agreements with the double objective of giving greater security to preferential tariffs and, at the same time, further encouraging the integration of these countries into world trade. Although the EC could not guarantee preferential margins, because it was also committed to general tariff reductions, it did realize that the adjustment process was difficult. Although technical assistance might help, adjustment time was also needed and this had been one of the key ingredients in the Cotonou Agreement. In its comprehensive proposal (NG/W/90) the EC had recognized that extra time might be needed for the most vulnerable countries to dismantle tariffs and this along with technical assistance would be better than permanently different rules.

180. The representative of Poland noted that his country fully shared the assessments of Switzerland and the European Communities. Poland considered that the proposal on market access in particular deserved further exploration and was ready to work on special and differential treatment for developing countries.

181. The representative of Venezuela noted that the majority of the Members making the proposal were Caribbean countries like her own. While she stressed that many of the concerns raised in the proposal were shared by the majority of developing countries, she understood that special consideration had to be given to these islands. Venezuela noted that SIDS barely held a very small portion of world exports, and the proposal to consolidate preferential access was valuable. Also, increased technical assistance and the transfer of technology, particularly on sanitary and phytosanitary measures as well as other technical standards, was important.

182. The United States stated that it would study with interest some the suggestions in the SIDS proposal. However, although the United States believed that the agricultural negotiations had to take into account the needs of developing countries with respect to food security and non-trade concerns, it feared that some of the suggestions were not market oriented. With respect to concerns regarding sanitary and phytosanitary issues, the United States noted that it had provided a great deal of technical assistance to developing countries regarding SPS requirements and would continue to do so.

183. Commenting on the intervention by the European Communities, the representative of Brazil emphasized her country's position *vis-à-vis* preferential arrangements. Whilst Brazil was in favour of preferential agreements they should not discriminate between developing countries. Greater market access had to be available for all. The challenge of the reform process lay in the exposure of domestic production to competition, not in the selective opening of markets or choice of products to import. In this context Brazil noted the difficulties the EC was experiencing with some agricultural products in giving duty and tariff free access to essentially all products.

184. In response, the representative of St. Lucia, noted that what was important was the development of an understanding of the unique problems facing SIDS. Jamaica as well as Trinidad and Tobago emphasized that SIDS were open to trade and did not oppose liberalization. In fact, they had to engage in trade and they had a very high level of imports but a small range of exports upon which they could rely. This was the reason for their income volatility. When conditions changed on the external market it had a significant and disproportional impact on the economies that were involved. Hence the importance of security, predictability, and stability of access for some certain critical products. Furthermore, their very small share of world trade meant that measures that enhanced their participation in world trade would have very little effect on other countries.

(i) Korea: Proposal for WTO Negotiations on Agriculture (NG/W/98)

185. The representative of Korea (NG/W/117) introduced its negotiating proposal and highlighted the main elements. He stressed that the country was a net food-importer with a negative balance of trade in agricultural products. Korea's experience of the implementation of the Uruguay Round had caused a deterioration in the terms of trade for farm households and widened the income gap between urban and rural sectors, largely due to the sharp increase in agricultural imports.

186. A number of countries stated that they were disappointed with the proposal from Korea, including MERCOSUR, Chile, Bolivia, Colombia, New Zealand, Mexico, Australia, United States, Guatemala and Pakistan. They noted that Korea wanted increased flexibility and pointed out that this would increase distortions in the international market and obstacles to trade and many of them felt that the proposal was not in the direction set out by Article 20 and could be a backward step. MERCOSUR, Colombia, New Zealand, and Guatemala were concerned by some of the issues raised by Korea, such as food safety and biotechnology, the precautionary principle and food quality which some felt were covered by other Agreements. Australia, Canada and Chile noted that as part of APEC Korea had stated that export subsidies should be eliminated and they contrasted this with the proposal that called only for reductions and New Zealand pointed out that Korea did not use export subsidies and suggested that it should agree to their abolition.

187. On behalf of MERCOSUR and the associated states of Bolivia and Chile the representative of Paraguay noted that the proposal claimed that there were imbalances in the Agreement on Agriculture between developed and developing countries and stated that the results would have been much better if support and protection had been reduced more. He pointed out that increased imports were not a problem, nor were sectoral imbalances, in fact, the problem was distortions in international markets. While he noted that the proposal included some interesting elements it contained very little that was acceptable; lax management of tariff quotas, a special safeguard for perishable goods, maintaining the Blue Box and the exemptions from commitments for certain products were all backward steps. He pointed out that the Green Box already gave sufficient flexibility to deal with non-trade concerns and this should prevent distortions or new obstacles to trade. Finally he pointed out that Korea was a relatively well developed country and asked if it really belonged in the categories of net food-importing developing countries or developing countries.

188. Colombia noted that the proposal concentrated on multifunctionality and pointed out that Article 20 referred to non-trade concerns which, it believed, should be addressed in ways that did not distort trade. There should be no exemptions for tariff reductions in wealthy countries and Annex 5, that Korea had used in the past, should be eliminated. Article 20 called for substantial reductions in support and protection and Colombia contrasted with Korea's suggestion that tariff reductions should be gradual and minimal. Nor could tariffs be reduced in isolation as reform also required substantial reductions in domestic support. Maintaining the Blue Box and giving greater flexibility under the Green Box while continuing *de minimis* limits would only perpetuate distortions in world trade. The special safeguard should be available only to developing countries. Colombia did agree with Korea that all forms of export support should be disciplined and believed it was particularly important that clear rules and disciplines on both importing and exporting state trading enterprises should be established. It also felt that the proposals on special and differential treatment could be analysed.

189. The representative of New Zealand agreed with Korea that a broad round of trade negotiations was desirable but pointed out that Article 20 required progress in agriculture anyway. While she noted that non-trade concerns were to be taken into account in the negotiations she pointed out that this should not be at the expense of liberalization and was not convinced that distortionary measures were needed to address them. She also noted that Korea had stated that it needed the flexibility of the Blue Box but did not use it. On export restrictions and taxes she stated that New Zealand could work on new disciplines and on special and differential treatment. She agreed that the

special needs of developing countries should be addressed especially given the growing level of trade between developing countries.

190. Mexico pointed out that a special safeguard for seasonal or perishable products was not in the direction of reform set out by Article 20 and anyway Article XIX of GATT already provided for safeguards. Mexico was also concerned by the approach in the proposal to multifunctionality and to new themes such as food safety and the precautionary principle and food quality. Such issues should not form part of the agriculture negotiations.

191. The representative of Australia felt that the proposal argued for maintaining trade-distorting mechanisms and even introducing new ones. He noted that Korea said it was importing more and pointed out that this was a positive outcome as the objective of the WTO was to increase trade. As countries exported more to Korea they were able to afford importing more industrial goods from Korea.

192. Canada noted the call for a flexible and gradual approach to reform and pointed out that commitments were usually phased-in over several years which gave time for adjustment. This phasing in of commitments suggested that Members should be ambitious concerning the end result although they could be flexible of the time-frame. Korea's call for flexibility in terms of market access for certain products would not result in improved market access. Canada wanted better market access for all agriculture and food products to all countries and it wanted the inequities in access reduced by Members. Korea's approach could increase inequities in market access. In domestic support Canada agreed that reform was a long-term process and that some Members had shifted support to the Green Box but the negotiations should continue this process. While the Green Box could be examined the basic criteria of no, or at most minimal, trade distortion had to remain.

193. Chile supported the statement made on its behalf by the representative of Paraguay and added that it was well aware of the agricultural situation in Korea. It noted that although agriculture was only a relatively small part of Korea's economy it had important social and economic impact. However, Chile pointed out that imports of agricultural products had actually declined as a percentage of total imports since 1990 and the absolute value of imports had also fallen. Therefore, it could not accept Korea's analysis of the impact of the Uruguay Round. Chile was concerned by the proposal that tariff reductions should be minimal and pointed out that tariffs in Korea for products of interest to Chile were very high. It noted that Korea wanted to satisfy its non-trade concerns and the specificity of agriculture and stated that in addressing such issues Korea should not transfer the cost to another country.

194. Bolivia (NG/W/110) supported the statements by Australia and Paraguay and added that it was a developing country that was a net importer of services and industrial goods but did not have any protectionist policies in these areas or in agriculture. It pointed out that its exports to Korea had declined in recent years while its imports from Korea, and its trade deficit with Korea, had increased. So, when Korea suggested special treatment for agriculture and a gradual approach to reform, Bolivia noted the lack of progress over the past fifty years. For Bolivia, to address its non-trade concerns required reductions in support and protection for its exports and an end to imports of products that received export subsidies or were of low quality.

195. The United States noted that it shared common goals with Korea in some areas such as food security and non-trade concerns and it agreed with it on the role of food aid in food security and the need to address biotechnology. However, overall it was disappointed that Korea, a relatively wealthy country, sought to exempt some sectors from reform which would prevent a fair and comprehensive agreement on market access. The United States noted that many countries shared the same sensitivities and wanted the negotiations to address trade, non-trade concerns and special and differential treatment and this should be done through active reform and non-trade concerns should be addressed in ways that did not distort trade.

196. The representative of Guatemala supported that statements by other Cairns Group members and noted that market access could not be granted in a conditional manner as suggested in the proposal. Instead, market access should be open to all and should be accompanied by the elimination of trade-distorting subsidies so that developing countries could participate fully in the negotiations.

197. Pakistan noted that there were some interesting elements in the proposal but it did not accept any link between the agriculture negotiations and a broad round. Korea's proposal suggested that the existing domestic support framework should be retained but Pakistan could see no rational basis for the Blue Box which it felt should be eliminated. It was also concerned by the increasing level of support provided through the Green Box some of which could be more than minimally trade distorting, furthermore, support under the heading of multifunctionality and the exemptions proposed by Korea could cause greater distortions to trade. The reform process was supposed to remove inequalities and distortions. Pakistan welcomed the suggestions concerning special and differential treatment especially that provisions should be more practical and operational and suggested that they were also made binding.

198. Turkey noted that there were some similarities between its positions and Korea's. It agreed that tariffs should be reduced in a gradual and flexible manner based on the final bound rates in Members' schedules and added that developing countries should do so only if domestic support and export subsidies were reduced. He added that Turkey also wanted to see tariff structures simplified with all tariffs on an *ad valorem* basis. Tariff quota administration also needed to be addressed to ensure it was transparent and predictable. The special safeguard had been introduced as a transitional instrument which should be abolished in the negotiations or extended to other Members. While the Green Box was supported Turkey stated that it should be subject to clear rules and definitions. Finally, he hoped that the issue of inflation on domestic support commitments would be addressed as this issue was very important to Turkey.

199. A number of countries supported the many elements of Korea's proposal or stated that it was a basis on which they could negotiate, these countries included Japan, Norway, Poland, the EC, Hungary, the Czech Republic, Mauritius and Switzerland. Poland agreed, in particular, with the need for a balanced outcome. Hungary, Japan, the Czech Republic and Mauritius agreed that for all Members to participate in the reform process a flexible and gradual approach was needed. Hungary (NG/W/132) added that it agreed that the scope of the Green Box should be examined and the effect of inflation on domestic support reduction commitments. The Czech Republic also agreed that that the negotiations should be part of a broad round.

200. Japan agreed with most of the proposal, in particular, that the agriculture negotiations should be part of a general round and that non-trade concerns, including multifunctionality and special and differential treatment, required a flexible approach. Japan also agreed that the scope and criteria for the Green Box should be examined to increase its flexibility and the reduction commitments on domestic support should be applied on an aggregated basis. The balance of rights and obligations between importing and exporting countries also needed to be addressed, in part by strengthening the rules on export restraints. Flexibility should be given to developing countries for market access, domestic support and export competition. Finally, Japan also agreed that it was important to respond to consumer concerns on new issues and that they should be taken into account in the context of trade rules.

201. Norway (NG/W/120) agreed with Korea that the experience and effects of the Agreement on Agriculture had to be analysed as required by Article 20 of the Agreement on Agriculture. Norway supported the suggestion that tariff reductions should be from bound rates, that the special safeguard should be retained, that the framework of Green, Blue and Amber Boxes for domestic support should be kept, that all forms of export support should be addressed and that further measures for special and differential treatment were needed for developing countries. The multifunctionality of agriculture and

its provision of public goods, such as food security, protection of the environment and rural development, had to be safeguarded.

202. The representative of the European Communities noted that there was a big difference between agriculture in the EC and in Korea but that they shared many of the views expressed in the proposal. In particular, the EC agreed that the negotiations had to take account of special and differential treatment and non-trade concerns and that the Green Box should be re-examined to ensure that it covered goals such as environmental protection and poverty alleviation. The EC also suggested that these should be addressed in targeted and minimally trade distorting ways. The framework of the Blue and Green Boxes should be retained to allow transition away from trade-distorting supports. Export competition was more than export subsidies and included state trading enterprises, export credits and food aid when used for market promotion. The special safeguard should be retained. Some other issues, such as tariff reductions, were for a later stage of the negotiations.

203. Mauritius also shared most of the suggestions by Korea and stated that the Uruguay Round had not reflected the views of all Members in a balanced manner. Different forms of agriculture should be allowed to co-exist which required the concerns of all Members to be reflected in an equitable manner. Public goods, such as food security, the environment, rural viability and cultural heritage needed support. Mauritius also agreed that reduction commitments on domestic support should be on a disaggregated basis and that subsidies exempt from reduction should be extended to include income safety net and other income based payments. Many of the suggestions were relevant to small island developing states, including the exemptions for export subsidies.

204. In responding to the statements made on its proposal Korea (NG/W/117) pointed to the statement by Israel on Japan's proposal on the wide diversity of farming. Korea had joined the reform process in the WTO but pointed out that, while a realistic approach acceptable to all was needed, Korea was still in the process of development in all areas, including economic, political, social and other ones. Korea also stressed that the agricultural sector in particular remained the most under-developed in society and would retain its status as a developing country in the WTO. The special safeguard for perishable products was needed as the current special safeguard, although useful, was too restricted as it applied only to products that had undergone tariffication. Similarly, the general safeguard was not useful as it took too long to apply. Korea claimed that the low level of agricultural self-sufficiency was causing serious social and economic problems which justified the need for flexibility in making commitments.

(j) Mali: Malian Proposals for Future Negotiations on Agriculture (NG/W/99)

205. Discussion of Mali's proposal was postponed until the next Special Session.

(k) Caribbean Community (CARICOM): WTO Negotiations on Agriculture – Market Access (NG/W/100)

206. Grenada stated on behalf of CARICOM that CARICOM remained committed to the long-term objective of establishing a fair and market-oriented trading system. CARICOM countries were among the most liberal in their hemisphere and had used the least trade-distorting instruments but regrettably had not benefited proportionally from the increase in world trade. CARICOM's proposal focused on market access opportunities including further work on tariff preferences; financial and technical assistance in the process of economic adjustment and diversification, and a prudent safeguard regime.

207. Namibia and Sri Lanka welcomed the proposal and noted that they were faced with similar challenges as CARICOM.

208. In commenting on the CARICOM and the SIDS proposals Sri Lanka (NG/W/124) noted that it, too, was disadvantaged by the limited size of the domestic market reducing the scope for economies of scale, dependence on a few export crops and a narrow industrial base. Sri Lanka supported, in particular, the proposed tariff reductions and binding of tariff preferences, as well as proposals to protect small farmers in least-developed and net food-importing developing countries from import surges of sensitive products.

209. Namibia expressed strong support for the proposal. Namibia, like CARICOM, had undertaken autonomous liberalization by eliminating export subsidies and reforming marketing boards and hoped that other countries would follow suit. On the other hand, Namibia faced resource constraints which made it difficult to introduce new technology and to develop the infrastructure and institutional capacity necessary to participate meaningfully in international trade.

210. Paraguay, on behalf of MERCOSUR including the associated members of Bolivia and Chile, welcomed the proposal as a constructive contribution to the negotiations. MERCOSUR could support a number of elements in the proposals, in particular the call for improved market access for products of interest to developing countries which should be accompanied by measures to ensure that labelling, SPS and other measures did not undermine access opportunities. While MERCOSUR agreed that tariff preferences should be stable, transparent and predictable, such preferences must not be prejudicial to the interests of other developing countries.

211. Cuba welcomed the proposal and endorsed its main elements. Together with similar proposals from other developing countries, CARICOM's proposal might serve as a common basis of the interests of the developing countries.

212. Hungary (NG/W/132) welcomed the proposal and endorsed the notion that the benefits of freer trade should reach all countries. To facilitate the adjustment to a liberalized trading environment, sufficiently long transition periods were required.

213. New Zealand was pleased to note that CARICOM recognized that a freer and market-oriented international market place for agricultural products would go a long way to helping small developing economies. In this regard, market access improvements were essential and New Zealand supported the focus on reducing or eliminating tariff escalation and tariff peaks, as well as simpler and clearer market access opportunities. Moreover, New Zealand recognized that countries needed sufficient time to adjust to the erosion of the margin of preference as multilateral liberalization continued. New Zealand was open to examining ways to ease the speed of adjustment as part of an ambitious outcome on market access. New Zealand also agreed that technical assistance and capacity building were needed to allow full integration into the world economy and more needed to be done to improve the implementation of the Marrakesh Net Food-Importing Developing Country Decision.

214. The EC complemented CARICOM for the clear exposition of the difficulties that its members were facing. The EC was acutely aware of the difficult task of CARICOM's transition to two-way trade in an open trading environment and time for adjustment and assistance would be necessary to achieve this objective. On the issue of non-trade concerns, these should be well-targeted, transparent and not more than minimally trade-distorting. The EC considered this to be part of a process where the gains from trade were realized without losing the non-trade benefits that agriculture could provide. The EC recognized that for the negotiations to succeed they had to benefit all countries.

215. The United States welcomed the active participation by CARICOM in these negotiations. The United States shared their concerns that trade barriers continued to inhibit market access opportunities, as reflected in the US proposal (NG/W/58). The United States believed that all countries would benefit from the reform process and therefore all countries had to contribute to it. Special and differential treatment should be afforded to developing countries, particularly the least-developed countries. The United States supported the need for technical assistance and capacity-

building in developing countries since this assistance would enhance the capability to more actively participate in the international markets.

216. Norway welcomed the proposal and noted its emphasis on the need to balance trade and non-trade concerns (NG/W/120). The proposals by CARICOM, the small island developing countries, Mauritius and Swaziland, exemplified the diversity of developing country situations and highlighted the need to find effective solutions for their problems. Norway recognized the vital importance of stable and predictable market access, as well as technical and financial assistance to overcome supply side constraints. In the view of Norway, trade-related technical assistance should be increased considerably and the Marrakesh Net Food-Importing Developing Country Decision should be reviewed to ensure effective implementation.

217. Canada welcomed CARICOM's focus on continuing the reform process. In the view of Canada, to remove the imbalance in the trading system it was necessary to continue reforms, while adapting the pace of adjustment to the specific circumstances of countries. Canada was thus open to allowing different levels and phasing of market access commitments to developing countries, while taking into account that developing countries were important markets for other developing countries. Canada had also proposed improved tariff quota access and administration and was open to an examination of measures limiting access to non-substantial suppliers. Tariff quotas had the advantage of providing immediate access whereas even reduced tariffs did not guarantee real access in the short term.

218. Japan supported CARICOM's efforts in engaging in structural reforms through capacity building and Japan would provide various forms of necessary assistance to these countries according to their individual needs. He also expressed his further disagreement with further liberalization without taking account of the specific circumstances of each country.

219. Grenada, on behalf of CARICOM, thanked delegations for their positive response, particularly concerning tariff preferences and the possibility of providing assistance. In response to comments by a number of developing countries facing similar challenges as CARICOM, it was noted that the proposal was intended to be inclusive and not to preclude other Members which might be similarly disadvantaged.

(l) Norway: WTO Agriculture Negotiations (NG/W/101)

220. Discussion of Norway's proposal was postponed until the next Special Session.

(m) India: Negotiations on WTO Agreement on Agriculture; Proposals by India in the Areas of: (i) Food Security (ii) Market Access (iii) Domestic Support and (iv) Export Competition (NG/W/102)

221. The representative of India noted that the inequities in the Agreement on Agriculture had made the imbalances between rich and poor countries worse (NG/W/114). The negotiations would have to ensure that measures which contributed to distortions in international trade were eliminated so that trade could be fair and market oriented. Greater equity was needed in the rules and disciplines between those Members that created distortions and those who suffered from them. India could consider further liberalization only after those developed countries that contributed to distortions in international trade had shown what commitments in export competition and domestic support they were going to make. The broad objectives of India's proposal fell into two categories. The first, to ensure the food security and livelihood of the many people in India that depended on agriculture. The second, to create opportunities for agricultural exports by securing market access in developed country markets. Agriculture in India and many developing countries was characterized by subsistence farming and the constraints to production were elaborated in detail in the proposal. The negotiations had to find a way to deal with this model of agriculture and the intensive industrial type

of agriculture found in other countries. He stressed that the issues of special and differential treatment and food security had to be built into the negotiations as an integral part of the three main pillars of market access, domestic support and export competition to ensure they resulted in meaningful results.

222. A number of countries, including Pakistan, Indonesia, Nigeria and Sri Lanka, supported most of the points made in the proposal by India, in particular, the creation of a Food Security Box. Pakistan and Sri Lanka (NG/W/124) pointed out that the Food Security Box was similar to the proposal they had made along with other developing countries on a Development Box. Pakistan noted that the title given to the Box was not important although the term "development" could take into account a broader range of developmental concerns. In addition to the idea of a Development Box, Sri Lanka (NG/W/124) stated that it could support several of the proposals in the Indian paper regarding domestic support, market access, export subsidies and the coverage of the Agreement on Agriculture.

223. Indonesia (NG/W/115) stated that it shared many of the ideas in the proposal which, it felt, were similar to those put forward by the Cairns Group and also provided concrete and operational special and differential treatment to developing countries. In particular, Indonesia agreed that imports of subsidized products could jeopardize the livelihood of farmers in large agrarian economies and that a minimum level of self-sufficiency was needed in developing countries. On domestic support, Indonesia endorsed the Indian proposal that product specific support to low-income resource poor farmers should be excluded from the AMS calculations and that domestic support measures taken by developing countries for poverty alleviation, rural development and employment as well as diversification of agriculture be exempted from any reduction commitments.

224. The representative of Nigeria noted that food security was a common concern for both India and Nigeria and agriculture in both countries was labour intensive and characterized by small landholdings that received no support and used few inputs. He stated that the proposal could help to improve market access and create a more level playing field in agricultural trade. Nigeria welcomed the consideration of special and differential treatment as well as food security as an integral part of any future Agreement on Agriculture.

225. On behalf of Malaysia and Singapore the representative of Malaysia (NG/W/118) stated that the proposal shared many common elements with those from the Cairns Group. These common elements included the following: ensuring the Green Box covered only non trade-distorting measures, the distinction between the non-trade concerns of developing countries and the multifunctionality of agriculture put forward by some developed countries, the need to address tariff peaks and escalation, down payments by developed countries, the exemptions for developing countries for certain measures and the flexibility for developing countries in maintaining tariffs.

226. The representative of Venezuela (NG/W/133) agreed on the importance of food security for developing countries, and the role of agriculture in the political, social and economic life of these countries. Venezuela argued that on market access and domestic support, developing countries needed sufficient flexibility to address food security, rural development and the alleviation of poverty. Improved market access for products of interest to developing countries should not be weakened by non-tariff barriers, tariff peaks or escalation. On domestic support it was important to take into consideration the financial and institutional limitations that affected developing countries and made it difficult to use programmes contained in Annex 2. Venezuela argued that export competition had to be dealt with in a comprehensive manner, addressing reductions on all types of subsidies and keeping in mind the mandate contained in Article 10.2 of the Agreement.

227. Colombia shared the analysis on developing country problems set out in the Indian proposal, in particular, with respect to the effects of direct payments on trade, particularly payments that affected production although technically decoupled. Tariff reduction in developing countries had to be done in co-ordination with the elimination of domestic support and export subsidies in the

developed countries. Colombia also agreed with India on the importance of food security and stated that this was a developing country concern.

228. A number of delegations, including Hungary, Mauritius and Norway stated that the proposal showed that market forces alone could not address all agriculture issues. Hungary (NG/W/132) stated that there were situations when government intervention was needed for the recovery of agricultural productions, such as in countries in transition to market orientated economies. The agricultural reform process would only be fair if every Member had the opportunity to use measures necessary for development and structural adjustment in order to take advantage of comparative advantages, although these measures had to be the least trade distorting as possible.

229. Mauritius (NG/W/119) stated that the agricultural situation in India showed the diversity of agricultural situations around the world and demonstrated the need to move away from a "one-size-fits-all" approach. Developing countries in general, and net food-importing countries in particular, needed to pursue policies aimed at increasing agricultural production and productivity. However, not all net food-importing developing countries could become self-sufficient and not all were able to use Annex 2 measures or other subsidies aimed at maintaining rural employment. The process of trade liberalization would even further marginalize small producers and there was therefore a need to maintain an appropriate mechanism to safeguard their livelihood. It was for these reasons that the SIDS had proposed that they be provided with secure access to their historical markets. The removal or erosion of trade preferences would further marginalize small producers.

230. The representative of Norway (NG/W/120) appreciated the key role agriculture played in agrarian developing economies where it was essential in addressing poverty and food security concerns. He stated that agriculture in developed countries contributed to the viability of rural communities, protecting the environment and obtaining long-term food security even if it appeared to be a minor part of the economy. In countries that faced difficult production conditions it was not possible to address non-trade concerns without government intervention. In this regard, the extent that such policy measures might have a negative spill-over effect on other countries was an important issue that needed to be addressed in the negotiations. Norway recognized that improved market access for agricultural products was of vital importance to many developing countries and Norway would give special attention to products of particular interest to developing countries when considering further MFN tariff reductions. Norway also recognized the need for stricter disciplines on export competition measures and on Amber Box support to export-oriented production. However, every Member, developing as well as developed, should have flexibility in national policy design to foster production necessary to address domestic non-trade concerns.

231. In making some preliminary comments on the proposal Mexico stated that it could not go along with the proposal that the Green Box should be revised as suggested by India by removing the criteria for certain forms of direct payments to farmers.

232. On behalf of Mercosur and its associate states, the representative of Paraguay noted that India had referred to the FAO's definition of food security which stressed the physical and economic access to food. This helped to clarify the distinction between food security concerns of poor countries and those of rich countries. He noted that India had put forward a number of legitimate proposals in respect of food security, in particular those referring to Annex 2, which were intended to alleviate poverty as well as ensure agricultural development in poor areas. He noted the similarities with the Cairns Group's proposals and shared much of the justification on market access. The expansion of the product coverage of the Agreement was also an interesting proposal. Export subsidies would have to be reduced to zero if poor countries were to be expected to open up their markets.

233. A number of Members agreed with certain aspects of the proposal but were concerned that it did not offer new market access opportunities. These Members included Thailand, the Philippines, the EC, New Zealand and the United States. Thailand (NG/W/126) and the Philippines felt that

developing countries should not be able to exempt themselves from offering a minimum market access as this would send the wrong signal to other developing countries to take agricultural trade reforms as well. Nor did Thailand support the proposal to delete negative product specific supports from the AMS calculation as this would increase distortions. It stated that at present there was no level playing field in agricultural trade as many developed countries continued to heavily subsidize their farmers.

234. The Philippines (NG/W/122) noted that many of the elements in the proposal were aimed at correcting inequities in the current Agreement on Agriculture which allowed many developed countries to use production and trade-distorting policies. While, the Philippines supported many of the suggestions on domestic support it also wanted policies that encouraged increased production eliminated from the Green Box and the *de minimis* to cease to apply to developed countries. On market access, the Philippines supported Thailand on market access by developing countries and added that minimum access opportunities opened by developing countries should not be for products from developed countries that received trade-distorting domestic support and export subsidies. The Philippines stated that commitments by developing countries on market access should depend on commitments by developed countries on domestic support and export subsidies.

235. The representative of the European Communities noted that many of India's non-trade concerns, such as poverty alleviation and rural development, would have to be taken into account in the negotiations. He also stated that that special and differential treatment would justify several of the specific measures in the proposal. Some issues needed more elaboration including the proposal to extend the product coverage of the Agreement on Agriculture. However, the EC was also concerned with the proposals on market access. While it might be necessary to improve gradually market access opportunities, restricting trade in the way proposed would reduce its wealth creation potential. A country the size of India, with a population greater than the EC, the United States and Japan combined, would benefit from more liberal exchange of goods along with its trading partners.

236. The United States noted the ambitious reforms proposed by India. It, too, had called for substantial reductions or elimination of trade-distorting measures using many of the same approaches proposed by India. The United States recognized that many countries, in particular developing countries, had been disappointed by the results of the Uruguay Round Agreement and it was unfortunate that many countries, developed and developing, still had high levels of trade-distorting support and protection. However, for all countries to benefit from the negotiations, all needed to engage in the reform process. The United States appreciated India's offer to consider reducing tariffs, but noted the importance of moving forward without requiring preconditions or one-sided down payments.

237. The representative of New Zealand acknowledged that trade distortions, especially from some of the richer developed countries, could be argued to create the need for compensatory measures which were sometimes trade distorting. However, New Zealand believed that all countries had to contribute to trade liberalization and this would be to everyone's advantage in the long term. On market access, New Zealand noted that the Cairns Group had also identified high tariffs, tariff peaks and tariff escalation as restricting development. On domestic support, New Zealand noted that without substantial progress an ambitious outcome would not be possible and noted that the proposal also provided good arguments for the abolition of all forms of export subsidies over a very short period.

238. The Chairman suspended the discussion of the Indian proposal due to time constraints and noted that it would be the first to be considered at the next Special Session in March 2001. The following countries had indicated their intention to make statements: Australia, Honduras, Czech Republic, Korea, Canada, Japan, Cuba and Chile.

OTHER BUSINESS

239. Bolivia referred to a note that had been submitted to the Chairman for the General Council in January 2001 concerning the meetings on the negotiations on services and agriculture. It pointed out that small delegations had difficulties in participating effectively when these were scheduled for the same time, even if such meetings were informal. In drawing attention to this situation Bolivia asked that these concerns be taken into account in organising meetings and noted that similar concerns had been expressed by other Members.

ANNEX

FIFTH SPECIAL SESSION OF THE COMMITTEE ON AGRICULTURE (G/AG/NG/5)

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 fifth meeting on 5-7 February 2001.
2. The agenda as set out in WTO/AIR/1471 was adopted.
3. The following new or additional proposals for continuing the reform process were presented and examined at the meeting: (i) a comprehensive negotiating proposal by the European Communities (NG/W/90); (ii) a negotiating proposal by Japan on WTO negotiations (NG/W/91); (iii) a proposal by Canada on "Domestic Support" (NG/W/92); (iv) a Cairns Group proposal on "Export Restrictions and Taxes" (NG/W/93); (v) a proposal by Switzerland on "WTO: Negotiations on Agriculture" (NG/W/94); (vi) a proposal by Swaziland on "Market Access Under Special and Differential Treatment for Small Developing Countries" (NG/W/95); (vii) a proposal by Mauritius on "WTO Negotiations on Agriculture" (NG/W/96); (viii) "Proposals by Small Island Developing Countries (SIDS)" from Cuba, Barbados, Dominica, Jamaica, Mauritius, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago (NG/W/97); (ix) "Proposal for WTO Negotiations on Agriculture" by the Republic of Korea (NG/W/98); (x) a proposal on behalf of Members of the Caribbean Community (CARICOM) "WTO Negotiations on Agriculture – Market Access" (NG/W/100). Consideration of the proposal presented at the meeting by India, on "Negotiations on WTO Agreement on Agriculture" (NG/W/102), is to be completed at the additional meeting referred to in paragraph 4 below.
4. The time available for this meeting did not allow for the presentation and consideration of the following proposals: (i) proposals by Mali for the "Future Negotiations on Agriculture" (NG/W/99); (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 on "State Trading Enterprises" by Argentina, Brazil, Paraguay and Uruguay (MERCOSUR), Bolivia, Chile and Colombia (NG/W/104); (v) a proposal by Morocco (NG/W/105); (vi) a proposal by Turkey on "WTO Negotiations on Agriculture" (NG/W/106); and (vii) a comprehensive proposal by the Arab Republic of Egypt (NG/W/107). These proposals, plus any new proposals that may be submitted, as well as the technical submission by Argentina (NG/W/88), will be for presentation and consideration at an additional Special Session meeting which it was agreed will be held for this purpose on 22-23 March 2001.

Note: "NG/W/-" refers to documents in the series: "G/AG/NG/W/-".

5. As requested by the participants concerned, the following statements made at the meeting are being circulated: Argentina (NG/W/108); Australia (NG/W/109); Bolivia (NG/W/110); Bulgaria (NG/W/111); Canada (NG/W/112); Guatemala (NG/W/113); India (NG/W/114); Indonesia (NG/W/115); Japan (NG/W/116); Korea (NG/W/117); Malaysia (NG/W/118); Mauritius (NG/W/119); Norway (NG/W/120); Pakistan (NG/W/121); Philippines (NG/W/122); Slovenia (NG/W/123); Sri Lanka (NG/W/124); Swaziland (NG/W/125); Thailand (NG/W/126) and United States (NG/W/127). (Statements made at the fourth Special Session but circulated after the appearance of the Chairman's report on that meeting (G/AG/NG/4) are: Hungary on behalf of Albania, Bulgaria, Croatia, the Czech Republic, Georgia, Hungary, the Kyrgyz Republic, Latvia, Lithuania, Mongolia, the Slovak Republic and Slovenia (NG/W/85); Jamaica (NG/W/86); and the Czech Republic (NG/W/87).)

6. In the course of the meeting the opportunity was taken to hold open-ended informal consultations on the work of the end-March stock-taking meeting and on the programme and arrangements for the second phase of the negotiations under Article 20 of the Agreement on Agriculture. It was noted that the Chairman would continue his informal consultations and contacts and that it was his intention to convene another open-ended informal meeting in advance of the end-March stock-taking meeting to discuss a draft text which sketches out possible elements for the second phase programme and arrangements.

7. It was agreed that the end-March stock-taking meeting would be held on 26–28 March 2001, with the aim being to conclude that meeting at the morning session on Wednesday 28 March. (It was noted that the regular, back-to-back meeting of the Committee on Agriculture would accordingly take place on 29–30 March 2001.)
