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CAIRNS GROUP TABLES FURTHER NEGOTIATING PROPOSAL
ON AGRICULTURAL TRADE

International Trade Minister John C. Crosbie announced that the Cairns Group, of which Canada is a member, is tabling today in Geneva an elaboration of the negotiating proposal the Group brought forward last October.

Canada subscribed to this negotiating proposal as part of the government's commitment to promoting the interests of Canadian farmers and agricultural exporters. Farm leaders had the opportunity to discuss the government's approach to international agricultural issues just prior to the Toronto Economic Summit, when they met with Prime Minister Mulroney, and several Cabinet Ministers.

"It is particularly timely for the Cairns Group to come forward with more detailed negotiating suggestions," stated Mr. Crosbie. "We hope that this latest proposal from the Group will give new impetus to the GATT negotiations, and help to bridge the gaps between the various negotiating positions already on the table." Canada's International Trade Minister noted that at the recent Economic Summit, the leaders of the seven major trading nations stressed their commitment to developing a framework approach to agricultural reform by the year's end. "Today's negotiating proposal strongly reflects that same imperative," said Mr. Crosbie."

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The negotiating proposal (attached), reaffirms the Cairns Group commitment to the fundamental long-term reform of international agricultural trade. It calls for a freeze on trade-distorting support to agriculture, and a ten percent per annum reduction in that support in both 1989 and 1990. It also suggests that countries retain flexibility in how they choose to meet the 10 percent reduction objectives. The short-term measures outlined in the proposal are intended to contribute towards the longer term reform of the agricultural trading system.

In commenting on today's proposal, Agriculture Minister John Wise noted that the Government would retain flexibility on how to implement the various short-term aspects of the proposal. "There would be no requirement to change any particular measure for any particular commodity sector," he stated.

Mr. Wise also stressed that Canada's ability to operate domestic marketing and supply management programs as provided for under GATT rules would not be undermined by this latest Group initiative. He reconfirmed the commitment of federal Ministers to consult again with farm leaders prior to the Montréal Mid-Term Review in December.

The negotiating proposal put forward by the Cairns Group is being discussed by GATT negotiators in Geneva on July 13-14. They will continue their discussions throughout the Fall period, as part of the ongoing multilateral trade negotiations.

Information Contacts:

Abbie Dann
Deputy Director
Media Relations Office
Department of External Affairs
Tel.: (613) 995-1874

Terry Norman
Deputy Coordinator - Agriculture
Trade Negotiations Office
Tel.: (613) 992-1133

TIME FOR ACTION:

A PROPOSAL FOR A FRAMEWORK APPROACH FOR AGRICULTURE

I SUMMARY

1. A successful outcome of the agriculture negotiations by 1990 is critical to the future of the multilateral trading system and the direction of long-term agricultural policies. It would end needless pressure on budgets through competitive subsidization and promote sound long-term agricultural development in developing countries.

2. Cairns Group Ministers at Bariloche identified the Mid-Term Review as a unique opportunity to give political direction and impetus to those negotiations. This can be done by agreeing a framework approach, linking short and long-term elements, which will reduce support for agriculture and begin liberalization of international trade in agriculture.

Basic Elements

3. To realize the objectives set at Punta del Este, and begin the process of long-term change, the Cairns Group seeks agreement by Ministers at the Mid-Term Review of the Uruguay Round, to a framework approach for agriculture which would include:

- (i) the key long-term objectives and elements that would form the basis to achieve those objectives, including the maximum time frame for implementation;
- (ii) the nature of transitional arrangements and rules required to achieve a reformed long-term framework for the conduct of agricultural trade;
- (iii) a commitment to introduce an immediate freeze on support and subsidization which distort trade and not to introduce any trade restrictive or distorting measures not explicitly provided for in the GATT;

- (iv) a commitment to reduce aggregate monetary levels of output based support by 10 percent in each of 1989 and 1990 to be formulated in terms of specific commitments, as a downpayment consistent with long-term multilateral agricultural reform.

4. The Cairns Group stands ready to negotiate the details of all of these elements by the end of 1988, including the achievement of the long-term target outcomes.

II LONG-TERM ELEMENTS

5. This proposal is based on the Cairns Group proposal to the Uruguay Round Negotiating Group on Agriculture (MTN.GNG/NG5/W/21) envisaging full liberalization of agriculture which would encompass:

(i) Market Access

GATT rules and disciplines to remove restrictions to the free flow of trade in agricultural products, including:

- (a) a prohibition on the introduction or continued use of all measures not explicitly provided for in the GATT, including non-tariff barriers and other measures such as variable levies and minimum import prices;
- (b) the elimination of all provisions for exceptional treatment whether maintained under waivers, protocols of accession, or other derogations and exceptions;
- (c) a binding of all tariffs on agricultural products at low levels or zero.

(ii) Subsidies

GATT rules and disciplines to prohibit the use of all subsidies and other government support measures, including consumer transfers, having an effect on agricultural trade.

6. Ministers should agree to commence in 1989 negotiation of the long-term rules and disciplines for full liberalization that would govern agricultural trade after the period of transition. These rules and disciplines would continue and consolidate the progress achieved through initial measures and transitional arrangements.

7. Accordingly, guidelines should be established by Ministers to enable the desired long-term GATT regime to be achieved. Ministers should agree:

- (i) to a progressive reduction in agricultural support, focussing on the removal of trade distorting subsidies and access barriers;
- (ii) to a maximum time frame in which all countries will be expected to bring their agricultural regimes into conformity with the long-term regime;
- (iii) that all policy instruments which distort agricultural trade will be brought under effective GATT rules and disciplines. This will be achieved by:
 - (a) negotiating new and/or amended rules to govern the most trade distorting policies;
 - (b) negotiating disciplines on the use of policy measures not subject to new or amended rules, through use, for example, the use of benchmark ceilings on aggregate support levels;
 - (c) bringing into conformity with the long-term regime all waivers, protocols of accession or other derogations and measures not based on GATT rules and disciplines;
- (iv) that with the application of the long-term regime, trade in agricultural products will be integrated fully into the generally applicable provisions and mechanisms for consultation, surveillance and dispute settlement within the GATT system, as strengthened through negotiations in the Uruguay Round.

EXEMPTED MEASURES

8. The Cairns Group's initial proposal envisages that certain measures with humanitarian objectives, including consumption subsidies, for infrastructure development, or for the promotion of structural adjustment, could be

exempted from the reform process under certain prescribed and tightly circumscribed conditions. Ministers should agree that:

- (i) the extent to which, and the conditions under which, certain measures will be exempted from the reform process will be defined;
- (ii) in particular, this will include measures decoupled from production and marketing in recognition of the benefits to all participants of re-orienting agricultural support in non-trade distorting directions.

III TRANSITION TO THE LONG-TERM

9. As an integral part of an agreement leading to liberalization, there must be firm political commitments to undertake consistent and comprehensive steps to attain this goal

- (i) first, this involves concerted reductions in trade distorting support and protection, based on the use of an aggregate measure as envisaged in almost all negotiating proposals;
- (ii) second, it requires a commitment to develop complementary transitional rules.

Systematic Reduction of Aggregate Support

10. Ministers should agree:

- (i) to negotiate target annual reductions in aggregate support both across agricultural sectors and at the specific commodity level; and
- (ii) to negotiate a set of minimum annual adjustments to specific policy parameters.

11. An aggregate measure should be used as a unit of account or yardstick to gauge the value of commitments to annual reductions. The Cairns Group does not believe that levels of the aggregate measure should be subject to GATT binding.

12. Ministers should also agree that:

- (i) commitments to change policies will have to be the primary vehicle for reform;
- (ii) reductions in support will be achieved through implementing commitments to change policies;
- (iii) these commitments should be set out in schedules which will be negotiated, and apply to the transition period. They will be subjected to procedures necessary to ensure that their objectives are achieved.

Transitional Rules and Disciplines

13. The reduction of support and protection must be accompanied by complementary transitional rules to govern the reform period until the new GATT rules become fully operational.

14. Such transitional rules should be consistent with the long-term framework, be transparent, cover all trade distorting measures, and should lead to progressive reform.

IV FIRST STEPS TO LONG-TERM REFORM

15. According to OECD sources, in the heavily subsidizing countries assistance has nearly doubled in the 1980's, approaching 200 billion ECUs per year in 1984-86. This has greatly increased the level of distortions in this period. These governments should commit themselves to reduce the aggregate monetary level of output-based support by 10 percent in each of 1989 and 1990. This would constitute a downpayment for the long-term objectives and begin the process of multilateral reform.

16. Such other government which have similarly intensified distortions in their agriculture policies during this period, should contribute to the above target in a manner commensurate with their responsibility for distortion of world agricultural markets.

17. As a first step Ministers should agree, for all agricultural commodities, to an immediate freeze on support and subsidization which distort trade and not to introduce any trade restrictive or distorting measures not explicitly provided for in the GATT.

18. As a second step, to meet the commitments outlined above Ministers should agree to reduce, for the widest possible range of agricultural products, the aggregate monetary level of output-based support by 10 percent in each of 1989 and 1990. There would be an exemption from this requirement for countries in respect of commodities where the level of per unit output-based support is less than 10 percent.

19. Countries should have some flexibility in choosing how to achieve this commitment in developing early action packages. Ministers will need to consider the extent of this flexibility.

20. The packages to be agreed should encompass specific minimum adjustments to policy parameters embracing the most trade disrupting measures, focussing on:

- (i) undertakings to reduce export subsidies;
- (ii) increases in import access opportunities;
- (iii) reductions in administered prices;
- (iv) the maintenance of existing production control and acreage reduction programs; and
- (v) disciplines on stock disposals.

V DIFFERENTIAL AND MORE FAVORABLE TREATMENT FOR DEVELOPING COUNTRIES

21. The Cairns Group considers that the principle of differential and more favorable treatment, as embodied in the GATT and related instruments as well as in the Punta del Este declaration applies to all areas of its elaborated proposal. The general ideas advanced in the original Cairns group proposal should be agreed at the Mid-Term Review and elaborated, and their modalities for application defined, as the detail of transitional arrangements and the long-term framework is developed. Developing countries as a whole cannot be held responsible for the significant distortions in world markets. On this basis, and in recognition that longer time frames have been identified by the Cairns Group as one of the modalities for the application of differential and more favourable treatment, developing countries should be exempted from contributing to the first steps to long-term reform. Particular attention will need to be paid to the specific problems of the least developed among the developing countries.

VI SANITARY AND PHYTOSANITARY MEASURES

22. Ministers should agree at Montreal on the general framework for negotiations on sanitary and phytosanitary measures to be pursued in 1989 and 1990. This approach should permit the identification and elimination of sanitary and phytosanitary measures used as barriers to trade, in accordance with the terms of Article XX of the GATT. Negotiations should result in agreement to harmonize sanitary and phytosanitary measures which should encompass multilateral standards and, where not feasible, in the acceptance of suitable principles of equivalency in the application of measures. Effective procedures for notification, consultation, dispute settlement and compensation should be contemplated to reinforce the results of this negotiation.

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The detailed work which has been undertaken within the Cairns Group elaborating these concepts will be of benefit to the Negotiating Group. This material will be made available to facilitate agreement on the approaches outlined in this proposal.