
**Committee on Agriculture
Special Session**

**SUMMARY REPORT ON THE THIRD MEETING OF THE SPECIAL SESSION
HELD ON 28–29 SEPTEMBER 2000**

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 third such meeting took place on 28–29 September 2000 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/3, copy attached). Unless otherwise stated, all references to documents refer to the G/AG/NG/- series. The following Members requested that copies of their statements be circulated: Argentina (NG/W/39), Australia (NG/W/40 and NG/W/41), Canada (NG/W/42), Colombia (NG/W/43), the Czech Republic (NG/W/44), the EC (NG/W/45), Hungary (NG/W/51), Japan (NG/W/46), Mauritius (NG/W/52), Norway (NG/W/50), Paraguay (NG/W/47), the Philippines (NG/W/48), the United States (NG/W/49), and by the delegations of Bulgaria, the Czech Republic, Estonia, Latvia, Hungary, the Slovak Republic and Slovenia (NG/W/53).
3. The agenda as contained in WTO/AIR/1382 was adopted. The Swiss delegation asked that in future the Special Session be regularly updated on the work undertaken in the Council for Trade-Related Aspects of Intellectual Property Rights (TRIPs Council) on extending the protection of indicators of geographic origin to products other than wines and spirits. The representative of Bulgaria supported this request and stated that in the previous Special Session he, supported by other delegations, had raised a methodological point concerning this issue. Sri Lanka, Slovenia, Turkey, India, Egypt, Mauritius, Pakistan, the Czech Republic, Hungary and the European Communities also supported the suggestion. India stated that it wanted the agriculture negotiations to continue smoothly and recognized that the issue belonged in the TRIPs Council but it, along with the Czech Republic and Hungary, felt that there was a close linkage between the extension of geographic indicators and the agriculture negotiations. The EC noted that they had submitted a paper that referred to food specificity (NG/W/18) that illustrated the importance they attached to indicators of origin and that the negotiations dealing with market access would have to take the issue into account.
4. Australia noted that the negotiations conducted in the Special Session concerned agriculture. While it was prepared to have the Special Session updated on progress in the TRIPs Council the negotiations on extending protection for indicators of geographic origin to products other than wines and spirits were best conducted in that Council. New Zealand noted that difficulties in having something addressed in other fora were not reasons to discuss them in the Special Sessions on agriculture. Ecuador, Bolivia, Uruguay, Argentina, Chile and Mexico considered that the most appropriate forum for talks on geographic indicators was the TRIPs Council and stated their concern that the issue should be brought into the Special Session. Following a suggestion by Uruguay and Brazil the Committee agreed that regular reports should be made to the Special Sessions on the work

of the TRIPs Council on geographical indications (G/AG/NG/R/2, paragraph 27 refers), that this matter be referred to the General Council.

ITEM A: PRESENTATION AND CONSIDERATION OF NEGOTIATING PROPOSALS FOR CONTINUING THE REFORM PROCESS UNDER ARTICLE 20 OF THE AGREEMENT ON AGRICULTURE

1. Completion of Initial Consideration of Proposals Presented at the Second Special Session

- (a) Submissions from the United States: Proposal for Comprehensive Long-Term Agricultural Trade Reform (NG/W/15) and Note on Domestic Support (NG/W/16)

5. In continuing the discussion of the proposal from the United States (see the Secretariat Summary Report of the Second Special Session in NG/R/2 paragraphs 34 and 49–55) Korea and Switzerland pointed out that different tariff rates in different countries reflected different agricultural situations and Korea added that removing disparities in tariff rates between different countries could mean agriculture activity would cease in some areas. For the same reason Korea could not accept the proposal that the special safeguard should be abolished or that the exclusive import rights of state trading enterprises should be restricted. Switzerland stated that the special safeguard was a safety mechanism which was needed for tariff reductions up until the end of the reform process. The Philippines stated that the special safeguard was needed to allow importing countries to respond quickly to imports of subsidized products coming in at low prices or in high volumes.

6. Korea, the Philippines (see NG/W/48), Mexico, Israel and Pakistan stated that negotiations on tariff reductions would have to start at the bound rates rather than applied rates. To start with applied rates would, they felt, effectively mean punishing countries for unilateral liberalization. The Philippines pointed out that while the proposal from the United States suggested starting from applied rates for tariff negotiations it wanted to start from the bound levels of domestic support. Israel stated that if negotiations were to start at the applied rates then that could encourage those Members with applied tariffs below the bound rate to increase their tariffs to the bound rate. Mexico noted that the request and offer method of negotiating tariff reductions could be used which would reduce somewhat the significance of the starting-point of negotiations.

7. Also on market access, Korea noted the suggestion that there should be a special mechanism triggered by low rates of tariff quota fill but he pointed out that governments should not be forced to import when there was no demand for the product. Mexico stated that it should be up to each country to decide how to implement these commitments. Pakistan noted that tariff peaks further distorted markets against developing countries and called for their elimination. Bolivia stated that tariffs should be the only form of protection allowed and suggested that tariff quotas should be expanded although the ultimate objective should be their abolition as tariffs were reduced to the point that market access was possible at the bound tariff rate. Zimbabwe welcomed the proposals on market access but pointed out that other aspects also had to be considered such as sanitary and phytosanitary measures, tariff peaks and tariff escalation. The suggestion in the US proposal that the negotiations could take account of sectoral initiatives was noted by Korea who suggested that more discussion was necessary.

8. A number of delegations noted the references to non-trade concerns in the proposal. The representative of Korea stated that exempt, or Green Box, supports should be based on the social aspects of agriculture and he hoped that it could be developed to allow the co-existence of different types of agriculture in different countries. On non-exempt support, Korea accepted that Members could start reductions from the final bound AMS level listed in each Member's Schedule of commitments. However, on the proposal that Members should reduce non-exempt support to a percentage of domestic production in a fixed base period he felt some clarifications were necessary

noting that new base periods may be necessary as the Uruguay Round base period was fifteen years old.

9. Other delegations, including the Philippines and Mexico stated that all trade-distorting domestic supports should be eliminated. The Philippines welcomed the objective of the US proposal which was to reduce trade-distortion but, along with Pakistan, he also noted that subsidies to the agricultural sectors of OECD countries had increased and that these affected other countries costing them US\$20 billion per year in welfare losses. Mexico noted that allowing Members to provide trade-distorting supports up to a certain percentage of the value of agricultural production would favour those countries with large producers. Mexico also stated that the Green Box should not be amended as many countries had used it as a basis for their agricultural policies.

10. Korea welcomed the proposal that better rules should be developed on export restraints but it also stated that this reinforced the view that trade alone would not give food security and that countries should be free to find the balance of policies that best suited their needs. The Philippines and Pakistan supported the US proposal that export subsidies should be abolished. The Philippines noted the proposal from the Cairns Group had called for a 50 per cent reduction in the first year of implementation and an accelerated reduction to eliminate such subsidies along with better rules to prevent circumvention.

11. Brazil, supported by Trinidad and Tobago and Zimbabwe, noted that the commitment in Article 10.2 of the Agreement on Agriculture required Members to work towards developing internationally agreed disciplines to cover the use of export credits and insurance. Despite the requirements of Article 10.2, no effort had been made in the WTO to develop such disciplines and, as a result of this lack of implementation, the Agreement on Agriculture lacked provisions covering export credits applied to exports of agricultural products. Brazil was aware of the efforts to develop disciplines that had been under way since 1994 under the OECD. However, while such efforts were to be commended, Brazil questioned whether the issue of the implementation of Article 10.2 could be resolved by an agreement reached in the OECD by a small minority of WTO Members. Finally, Brazil noted that the implementation of Article 10.2 involved important systemic matters and matters for dispute settlement. It drew attention to the ongoing trend in the WTO of resorting to outside disciplines to govern WTO related activities. Switzerland understood the concerns of Brazil but suggested that for the WTO to undertake work on export credits Members should know more about the efforts in the OECD to negotiate disciplines.

12. Korea and Zimbabwe noted that the proposal recognized the need for special and differential treatment for developing countries while the Philippines and Mexico pointed out that a longer time-frame to implement commitments was not sufficient and some differences in the rules were also required. In order to achieve a fair trading system special and differential treatment had to address the legitimate concerns of developing countries and, at the same time, trade-distortions caused by the agricultural policies of developed countries had to be abolished. The Democratic Republic of the Congo and Pakistan stated that net food-importing and least-developed countries needed protection from price rises that could follow the elimination of export subsidies. Pakistan stated that the group of developing countries, of which they were a member, had submitted a proposal on market access and it hoped that the United States and other countries would take this into account in the negotiations.

13. The representative of the United States thanked the other Members for their comments. He stated that non-trade concerns should be addressed in non-distorting, or at most minimally distorting, ways as required by the Green Box. In addition to this overall requirement, policy criteria were needed both to ensure compliance and to act as guidelines to Members in developing their agricultural policies. However, the policy criteria of the Green Box were developed over seven years ago and may need to be revisited. He suggested that a technical working group could be established at the

appropriate time to examine the policy criteria for a category of support exempt from reduction requirements.

(b) Submission from the European Communities: The Blue Box and Other Support Measures to Agriculture (NG/W/17)

14. In the discussion on the Blue Box paper Uruguay, Canada, Thailand and the United States expressed concern about the effectiveness of the production restrictions noting that they were not really a constraint on production as yields had increased and, in fact, total EC production had actually increased over the past few years. Uruguay, Colombia (see NG/W/43), Argentina (see NG/W/39), Australia (see NG/W/41), Chile, Bolivia, the United States and Pakistan stated that the Blue Box should be part of the Amber Box and subject to reduction commitments and eventual abolition. Argentina noted that supports that now qualified under the Blue Box had been included in the base period calculations for Amber Box commitments. Argentina was prepared to negotiate rates of reduction but not an exemption from reduction commitments. Canada agreed and, supported by Australia and New Zealand, pointed out that the exemption for Blue Box policies was negotiated very late in the Uruguay Round and, along with Thailand, stated that it should have been a transitional measure.

15. India stated that in its opinion the analysis referred to in the paper was faulty as direct payments of this nature affected farmers' decisions and their ability to buy inputs. Australia and the United States noted that the work by the OECD referred to in the EC proposal was still at a preliminary stage and it was too early to draw any conclusions. The US went on to note that the OECD analysis referred to by the EC referred to area based payments decoupled from production whereas the Blue Box payments used by the EC required farmers to plant in order to get the payments. Brazil expressed their disappointment with the proposal stating that progress was needed and invited the EC to come forward with concrete proposals. New Zealand noted that both the Amber and Blue Boxes received similar treatment under Article 13 of the Agreement on Agriculture and, along with Bolivia, stated that Blue Box supports might be less trade-distorting than some Amber Box supports but they were still trade-distorting.

16. Norway (see NG/W/50) welcomed the paper on the Blue Box saying that these forms of support were very useful in letting countries amend their agriculture policies in the direction of the Agreement on Agriculture. It also stated that the Blue Box was part of the outcome of the Uruguay Round and was not a transitional provision. Norway used area based payments under production limiting programmes, that were also linked to environmental and landscape objectives, and the Green Box was not sufficient as production based subsidies were needed in order to maintain production in some marginal areas. Overall, the work in the OECD on the Policy Evaluation Matrix showed that distinctions had to be made between different types of support and this needed to be taken into account in the negotiations. The Slovak Republic also supported the EC proposal.

17. The European Communities responded by stating that the conclusions from the work on the Policy Evaluation Matrix in the OECD were clear. Blue Box payments were introduced in the EC to compensate farmers for prices falling to world market levels and production had fallen as a result. Production in the Communities as a whole had only increased because of the enlargement to include three new member States. The Blue Box assisted transition of agriculture policies to less distorting supports.

(c) Submission from the European Communities: Food Quality – Improvement of Market Access Opportunities (NG/W/18)

18. Uruguay, supported by Thailand, Ecuador and Bolivia, noted that the term "food specificity" used in the EC submission introduced a new concept that was not fully understood and asked for a definition. It seemed strange that market access was being discussed in terms of food quality and

food specificity when Members were more familiar with the concepts of tariffs and non-tariff measures rather than protection of names and consumer rights. Argentina (see NG/W/39) stated that if the EC was really concerned about consumer choice they should abolish domestic supports and export subsidies and give consumers the chance to choose lower priced high quality foods. Australia, supported by Chile, suggested that the EC's submission could lead to over-regulation and denial of marketing opportunities and Ecuador felt that the submission could be interpreted as suggesting a way to discriminate between similar products. In their opinion many product names implied a certain style of end-product but not necessarily a particular method of production or processing. If any Member had difficulties with misleading labels used in other countries they could use the Agreement on Technical Barriers to Trade or the TRIPs Agreement. Brazil stated that the proposal on food quality, and that on animal welfare, did not seem to be about trade liberalization but about securing trade for EC products at EC prices in order to regulate trade and promote one specific agricultural model. The two proposals suggested an increase in support and protection for EC producers and the concept of fairness put forward was unclear but appeared to suggest increasing other Members' prices to those of the EC. Brazil noted that the issue of food quality, as it relates to indicators of geographical origin, could be pursued by the EC in the TRIPs Council.

19. Uruguay, considered that the issues raised in the submission were more relevant to services, technical barriers to trade and intellectual property rights than the agriculture negotiations because they concerned consumer protection and indicators of geographic origin. Mexico stated that the issue of food quality as covered by the EC submission was not a matter for the agriculture negotiations and New Zealand and Pakistan expressed some concern that the negotiations could be distracted by issues that were not really appropriate to the reform programme. The United States stated that the TRIPs Agreement already gave adequate protection for indicators of geographic origin, including wines and spirits, and the discussion was more appropriate for that Committee. Guatemala also felt that the TRIPs Committee was the more appropriate forum for discussing product names and that issues relating to competition could be dealt with in the Committee for Trade and Competition Policy.

20. Canada and Norway (see NG/W/50) noted that the objective given in the submission was not to raise barriers but to protect certain names that indicated certain characteristics in the product and Canada agreed with some of the premises of the proposal particularly that consumers should have a choice of products, that they should not face misleading labelling. The paper was supposed to be about market access but, just as consumers should not be misled, they should not have their choices restricted by trade barriers that kept out competing quality products. Finally, the matter should be pursued in the TRIPs Council and not in the agriculture negotiations.

21. Switzerland stated that a debate on quality was needed. The Democratic Republic of the Congo noted that some of the issues raised in the EC's submission were not limited to agricultural products and suggested it should be left to consumers to make their decisions unless the issue concerned SPS matters.

22. Hungary (see NG/W/51) and the Czech Republic welcomed the EC's proposal on food quality and stated that this area was often neglected although very important. It supported the submission as it called for market access for products that had specific characteristics that needed their name protected because it was associated with those specific characteristics. Hungary found it hard to understand why private intellectual property rights were given relatively high levels of protection compared with collective names such as geographical indicators. Poland stated that there was an important link between quality and market access which was not limited to product names. Mauritius (see NG/W/52) noted that not all countries had the same potential to be efficient producers and this had been recognized by the FAO World Food Summit's reference to high and low potential areas. Furthermore, countries with limited natural advantages, especially least-developed countries and small island developing states, were unable to benefit from economies of scale and these countries relied on preferential trade and niche markets strategies. For the latter to be effective, transparent and

predictable food quality provisions as well as an adequate system of geographical indicators were essential.

23. In response to the comments by Members on their submission on food quality the EC stated that the issue addressed in the submission was not health, and it was not, therefore, a matter under the SPS Agreement, but names that indicated the product came from a specific region and met certain production and quality criteria. The objective of the submission was not to create barriers but to ensure that products with indicative names were allowed into export markets and were not kept out by the use of misleading names in the export market. While this issue was related to the TRIPs Agreement it also concerned market access for agricultural products which was the reason the EC was raising the matter in the agriculture negotiations.

(d) Submission from the European Communities: Animal Welfare and Trade in Agriculture (NG/W/19)

24. A number of countries, including Uruguay, Thailand, Bolivia, Pakistan, Colombia, Argentina (see NG/W/39), India, Chile, New Zealand, Paraguay, Guatemala, Hungary, Canada and the United States had concerns about the EC's proposal. Uruguay stated that his country was not opposed to animal welfare but for many countries the principal problem was human poverty. These countries could not devote resources to animal welfare. He also noted that the proposal referred only to animals raised for food but not animals used for sport or pharmaceutical testing and he felt that the agriculture negotiations should not be used to discuss a matter more appropriate to technical barriers to trade. Uruguay and Thailand stated that it should be left to consumers to decide if they were willing to pay for products that complied with animal welfare standards. Bolivia stated that it was aware of the pressure from some groups for better animal welfare standards but Bolivia had a large proportion of its population living in poverty in rural areas and it was difficult to justify any priority for animal welfare. In fact the trading system should be liberalized to allow agriculture to play its role in development. Pakistan noted that it was not in a position to pursue animal welfare issues because of its pressing human welfare problems such as the high number of malnourished people. Colombia stated that it had invested heavily in improving its SPS standards and now the EC seemed to be suggesting that a new barrier was to be introduced based on animal welfare standards. The representative of Argentina stated that he could not accept any extension of the Green Box to cover the issues raised by the EC. He noted that bull fighting was prohibited in his country but permitted in parts of the EC, as were certain production methods in which animals suffered considerably. Argentina, along with India, believed it was up to each Member to deal with welfare issues within its own territory. Hungary stated that it was more concerned about market access than animal welfare.

25. Thailand and India stated that different Members were at different stages of development and, for many of them, human welfare remained the priority. Furthermore, government supports in other countries to support animal welfare would distort trade and could have a negative impact on the human welfare of other countries. India also noted that labelling requirements could become a disguised restriction to trade and should only be used in relation to SPS measures. In addition to her comments on both the animal welfare and the food quality proposals the representative of Brazil stated that while animal welfare was a legitimate concern it was not under discussion in the agriculture negotiations and, while the WTO did not prevent Members from addressing their domestic animal welfare concerns, it did protect other Members from unilateral measures and from having those standards imposed on them. Insofar as animal welfare relates to human welfare this was an SPS matter. Chile noted that trade regulations and restrictions were not appropriate means to enforce animal welfare standards and it was not for Chile to pay the cost of ensuring welfare standards in other countries.

26. Argentina, Australia, Thailand, Mexico, Chile, New Zealand, Paraguay and Guatemala stated that the WTO was not the appropriate place for discussions on animal welfare. The representative of Australia stated that his country was in the process of developing national legislation on animal

welfare but at the international level it should be left to the international standard setting organizations to consider the issue. The International Office of Epizootics (OIE) was responsible for animal health issues and their work programme included animal welfare. New Zealand stated that they would be prepared to discuss the issue of animal welfare in the appropriate forum but that this issue was really outside the scope of Article 20. While it, too, was concerned about this issue, and had animal welfare policies and legislation had been implemented following consultations with interested groups, they would not like to see an animal welfare box being created.

27. Canada noted that the proposal stated that the EC did not want to raise trade barriers. It pointed out that Canada had legislation to prevent cruelty to animals but the decisions reflected Canadian ethics and values and did not seek to impose these values on other countries. Similarly, Canada did not want to see the EC impose its views on other countries. Like Uruguay, Canada felt it should be up to consumers to decide and added that producers that met certain standards could use appropriate labelling which was permitted under current WTO rules. Furthermore, the EC could use other tools such as regulations or eligibility criteria to existing domestic supports to enforce its standards. If the current rules were felt to be inadequate Canada suggested that the EC should submit concrete proposals subject to the shared goal which was not to affect production or trade.

28. The United States noted the different views that had been expressed and while it recognized the objective set out in the EC's submission the US was concerned about the idea of developing international standards or allowing payments to farmers to meet certain standards. In the US welfare standards were operated through voluntary industry regulation.

29. Switzerland stated that, while human welfare obviously had priority over animal welfare, the governments of some countries were under pressure to introduce or improve animal welfare standards and he noted that it was not farmers nor the food industry that were pushing the issue but some non-governmental organizations. It was pointless to refuse to discuss the issue as some countries had suggested. Poland supported the EC noting that different production conditions and rules on production needed to be considered in the negotiations. He noted that this was a complex issue but the objective of the EC paper was to reduce trade barriers while allowing Members to use different production methods.

30. In response, the representative of the EC stated that the objective of the submission had been to clarify the Communities' position but it seemed that it was still unclear to many delegations. The EC did not want to impose its standards on the world and he agreed that the WTO was not the appropriate body to discuss such standards but it was necessary to consider the interaction between trade and such standards. The EC had not suggested raising trade barriers but to inform consumers, through appropriate labelling, nor was it the EC's intention to put animal welfare above human welfare but to apply certain standards to intensive livestock production in the EC. In fact few developing countries were involved in intensive production and some countries, such as Argentina that used extensive cattle rearing, could benefit from using such labelling.

2. Presentation and Consideration of Further Proposals Submitted

(a) European Communities' Proposal: Export Competition (NG/W/34)

31. In presenting its proposal on export competition the European Communities (see NG/W/45) noted that the issue was of major concern to many Members and the need to continue reform was required by Article 20. However, a more comprehensive approach was needed than that taken in the Uruguay Round when effective rules were developed for export subsidies but not for other forms of export supports. Despite the undertaking made to negotiate rules on export credits it was only very recently that some progress had been reported in the OECD, nine months after negotiations on continuing the reform in agricultural trade had started. Food aid deliveries seemed to rise when supplies are high, and there was less need and state trading enterprises were able to use profits from

one market to subsidize losses in other markets. While the EC had accepted disciplines on export subsidies these areas, along with some other types of export supports, were effectively undisciplined. In making its proposal the EC was trying to ensure that there was some balance in the obligations undertaken by Members.

32. In making its preliminary comments on the proposal Hungary (see NG/W/51) agreed with the EC that the treatment of different forms of export support was different although they all had similar effects. This different treatment had allowed a small number of Members to circumvent the disciplines set out in the Agreement on Agriculture. While Article 10 of the Agreement did recognize the danger of circumvention, and some forms of support were named, there were no rules except for those on direct export subsidies. State trading enterprises and food aid appeared to have been omitted entirely and internationally agreed disciplines on export credits had not been reached. On state trading enterprises Hungary stated that increased transparency was not sufficient and better disciplines were also needed and monopoly rights should be restricted.

33. Uruguay stated that the general direction of the proposal was satisfactory as it was a move in the direction of one of the core issues of the negotiations which was substantial reductions in support and protection. He pointed out that the Cairns Group proposal on export competition (NG/W/11) had called for the elimination of all forms of export subsidies and that included subsidies on export credits, export guarantees, export insurance and non-commercial transactions. In his country's opinion there should be no distinction between different types of export subsidies and all forms should be eliminated and existing rules strengthened or replaced.

34. Australia felt that the basic flaw in the EC's proposal was to suggest there was some equivalence between different types of subsidies. However, the scale and application of export subsidies meant they were most in need of reform. He agreed that disciplines were needed on export credits and noted that they could also cause problems for importers as they added to their debt burdens. He expressed the hope that the negotiations in the OECD could be successfully concluded but noted that this should not stop the WTO negotiations from resulting in the elimination of the subsidy element of export credits. The issue of food aid should also be examined to prevent it being used as a tool for surplus disposal although the examination would have to bear in mind the needs of the recipient countries. On state trading enterprises, he was disappointed with the proposal noting that the EC accepted that there were considerable differences between different state trading enterprises and he suggested that this meant they had to be examined on a case-by-case basis to see if any individual enterprise actually distorted trade. Australia welcomed the suggestion that more work was needed but did not accept the claims of trade-distortion and considered the references to the OECD work were somewhat selective and only highlighted potential problems rather than actual difficulties.

35. Malaysia, like Uruguay, shared the views expressed in the proposal on export credits and food aid and believed that export subsidies and export credits could be equally trade-distorting and increased competition on third markets. Negotiations on disciplines on export credits should be undertaken by the WTO as required by Article 10.2 of the Agreement on Agriculture. However, at the same time export subsidies had to be eliminated. On state trading enterprises, he felt that they could be used to circumvent disciplines but it should be recognized that they could also act to ensure reasonable prices and adequate supply in developing countries.

36. The Philippines (see NG/W/48) felt that disciplines on the use of export credits was an implementation issue under Article 10.2 of the Agreement on Agriculture rather than a negotiation issue. However, the negotiations on eliminating export subsidies also needed discussions on export credits and the increased use in such credits over the past few years was noted. Although negotiations on disciplines on the use of export credits for agriculture were under way in the OECD, the commitments would have to be made in the WTO.

37. Colombia (see NG/W/43) stated that the question of whether or not export credits or export subsidies had the greatest effect on trade should not divert attention from the need to eliminate export subsidies or the need for disciplines on export credits. Colombia stated that the negotiations on export credits should take place in the WTO rather than elsewhere.

38. Brazil agreed with the EC that all forms of export supports needed to be addressed but stated that this was not a condition for the elimination of export subsidies. However, there were instruments that were just as distorting as export subsidies and the negotiations needed to address them all. Like Malaysia, Brazil believed that, for the moment, international disciplines on export credits was an implementation issue while the elimination of export subsidies was the main issue for the negotiations and it would like to see a proposal from the EC on reduction and elimination of export subsidies.

39. New Zealand thanked the EC for a constructive contribution to the debate on export competition but noted that there was no link in the negotiations between the different issues raised in the proposal. It was pleased to see that the EC was willing to negotiate reductions and hoped that this could be followed to its conclusion of elimination. New Zealand agreed that stricter rules were needed to prevent circumvention and noted that some progress appeared to have been made recently in the negotiations under the OECD on international disciplines on export credits. On food aid it believed that this should be driven by the needs of those that needed aid and not by production patterns in the donor countries. While state trading enterprises might be a matter for discussion that discussion should concentrate not on their existence but on actual trade-distortion effects.

40. The Slovak Republic, Norway (see NG/W/50), the Czech Republic (see NG/W/44) and Poland also welcomed the proposal. Norway agreed that all forms of export supports needed to be addressed and that the current provisions had not prevented circumvention, including through the use of food aid. The negotiations would have to take into account all forms of export subsidies. Poland stated that all forms of export supports should be for discussion. In making its preliminary comments the Czech Republic stated that it supported the thrust of the proposal and noted that Part V of the Agreement on Agriculture dealt with export subsidies and some other kinds of export supports. However, it did not deal with all other kinds of such supports, and those that it did address were dealt with in less efficient manner than the treatment given to direct export subsidies. Export credits, guarantees and insurance needed disciplines but despite six years having passed since the conclusion of the Uruguay Round none had been agreed even though such measures could have a similar effect to export subsidies. The Czech Republic stated that the negotiations in the OECD should be concluded so that the agreed disciplines could be made a WTO effective instrument. Discussion was needed on state trading enterprises to prevent the trade-distortions they caused. First they should be examined to see how they operated and how they might distort trade followed by discussion on improving transparency and notification requirements. On food aid, the Czech Republic stated that it wanted a better balance between the need to prevent circumvention of export subsidy commitments and the need to have some stability in food aid. In conclusion, it stated that it wanted a discussion of all forms of export supports on a common basis and not just export subsidies.

41. While welcoming the constructive proposal from the EC, Argentina (see NG/W/39) expressed some concern about the possibility of conditional linkages between the different issues raised in the proposal. The EC claimed that export credits and state trading enterprises could be as bad as export subsidies and, while Argentina agreed and wanted all form of export subsidies eliminated, it did not want a discussion of which one was the worst. As far as developing countries were concerned there was no real difference between different forms of support when they were trying to compete with products that were subsidized in some way or another. Argentina noted that the objective of the negotiations and of the Uruguay Round was substantial progressive reductions but, instead, supports for agriculture had increased in recent years, especially among members of the OECD. Those that used subsidies hurt those that did not use them. The financial crises in Asia affected many countries and the export supports used by the EC for some products and the United States for other products had meant that prices had been suppressed. Argentina stated that it was a party in the negotiations on

international disciplines for export credits for agricultural products and noted that if by the end of 2000 no disciplines had been agreed then export credits would be subject to the general WTO disciplines on export subsidies. This meant that if a product was not listed as being subject to export subsidy reduction commitments in a Member's Schedule then it could not be given subsidized export credits or guarantees or, if it was in a Member's Schedule, then the Member had to comply with its commitments. Furthermore, with the expiry of the Peace Clause Members that now had the right to use export subsidies could be subjected to Articles 3, 5 and 7 of the Agreement on Subsidies and Countervailing Measures which stated that export subsidies were prohibited and subject to action under Article 4.

42. Canada considered that there were two problems with the current rules on export subsidies. The first problem was that export subsidies were still being used and the second problem was that export credits and food aid could be used to circumvent commitments. The negotiations needed to identify all subsidy practices and should aim to eliminate them all. Canada noted the claim in the proposal that export subsidies were declining but pointed out that they were still significant and Canada was still facing unfair competition, not only from export subsidies but also from domestic supports such as loan deficiency payments and Blue Box supports both of which gave advantages to producers in other countries. The Cairns Group solution was to eliminate all forms of trade-distorting support whether for export or for domestic production. On subsidized export credits, Canada noted the negotiations under way in the OECD on disciplines to export credits for agriculture products and that these rules were needed both in the OECD and in the WTO. Canada agreed with the EC on food aid noting that disciplines were needed to ensure that there were no impediments to real aid but that aid was often used as surplus disposal. However, on state trading enterprises Canada accepted that there was the possibility that they could act to support exports but felt that the proposal did not identify any real problems. In summary, Canada said that the proposal raised some important concerns and they would work towards the elimination of export subsidies and work on rules to prevent circumvention.

43. South Africa stated that it agreed with the principle in the proposal that there should be equal treatment of all kinds of export subsidies but, like Brazil, it could not accept the suggestion of conditionality in the proposal. The Cairns Group proposal on export competition proposed that all forms of export subsidies should be abolished and mentioned the need for rules to prevent circumvention, including the use of export credits, insurance, guarantees and food aid.

44. Thailand stressed that all forms of export subsidies should be eliminated. Thailand could not accept any trade-distortion through any form of export supports even if strict disciplines on publicly supported export credits were agreed, especially if such credits meant increased debt for importing countries. It was stressed that food aid should be for legitimate reasons only and not used for surplus disposal and should concentrate on triangular transactions. State trading enterprises, it was noted, could be used for both legal and illegal purposes. They could be useful sometimes in helping small farmers with marketing but their activities should be transparent.

45. Mauritius (see NG/W/52) stated, as both a small island developing state and a net food-importing developing country, that export credits and export subsidies could help food procurement in net food-importing developing countries. It noted that an UNCTAD note on the impact of the reform process on least-developed and net food-importing developing countries (NFIDCs) had stated that despite the fall in food prices the food import bills of NFIDCs had not fallen to the same extent due to the decline in aid and export subsidies and export credits and stated that the FAO had also reported on the negative impact of declining levels of food aid and export subsidies. Furthermore, there had been no progress in the implementation of the Marrakesh Decision on the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries. Mauritius wanted to see a cautious and pragmatic approach taken to reform so that the problems facing the NFIDCs did not get worse. It also believed, like Brazil and Trinidad and Tobago, that the negotiations on disciplines on export credits should take place in the WTO and not in the OECD. It

was noted that state trading enterprises were already subject to multilateral trade rules and transparency criteria that did not apply to other concerns that traded in international commodities. It was also stated that STEs, whether as single desk buyers or sellers, could be very important for least developed and small island developing states in helping them to mitigate the numerous constraints that applied to these countries. Mauritius also stated that it would prefer that negotiations on food aid should be held in the framework of the WTO rather than the Food Aid Convention.

46. Mexico agreed with the EC proposal insofar as other issues needed to be examined, such as state trading enterprises, but stressed that the aim of the negotiations should be the elimination of export subsidies that were being used by a small number of countries on a relatively small number of products and that there should be no linkage in the negotiations between this and disciplines on other forms of export supports.

47. Chile felt that the paper was in the right direction and, like other Members of the Cairns Group, it noted that their own proposal (NG/W/11) had called for the elimination of all forms of export supports. It suggested that if the issue of international disciplines on export credits was a matter for implementation then it could be discussed by the General Council along with other implementation issues. Chile expressed concern with the suggestion in the proposal that an OECD agreement could be simply incorporated into a future WTO agreement and asked if this could happen without any input from other WTO Members. However, Chile agreed with the EC concerning food aid and felt that the current provisions were not sufficient. On state trading enterprises it was noted that they could possibly act in ways that effectively subsidized exports and Chile suggested that the issue could be examined.

48. The United States stated that export subsidies were trade-distorting and should be eliminated and that export credits had to be addressed in the negotiations. The US agreed with the EC that work on disciplines for export credits for agricultural products should continue in the OECD and stated that they had made a substantial proposal to this effect which included differential treatment for net food-importing and least-developed countries. However, concerning deficiency payments and loan deficiency payments it was noted that the decision had already taken place in the Uruguay Round to separate the issues of domestic supports and export competition. Anyway, the United States had reduced substantially the level of these types of supports. Although not really for negotiation in the WTO, it was necessary to take account of food aid and to renew the net food-importing countries decision as progress in this area was key to enhancing food security. On state trading enterprises, the US agreed that more analysis and discussion were needed. Studies had shown the reality as well as the potential for trade-distortion from state trading enterprises. The US wanted improved transparency, an end to government supports, and in the cases where state trading enterprises had monopoly rights, opening to competition.

49. India noted that agriculture was the only sector where export subsidies were allowed and even then only by a small number of Members. While the commitments made in the Uruguay Round had been adhered to, their use in both financial and volume terms, had increased between 1995 and 1998 according to the Secretariat paper NG/S/5. India also stated that supports had shifted to different products and some use had been made of the roll-over provisions of Article 9.2. At the same time, export credits, insurance and guarantees were not subject to commitments although they could be subsidized and could lead to the circumvention of commitments by those richer countries that used them. India noted that the objective of the Food Aid Convention was the elimination of the need for aid, in other words, such aid should be temporary and only for real emergencies. On state trading enterprises India stated that they could be used in developing countries in a development role to ensure stable food supply and suggested that tighter disciplines could cause food security problems for developing countries. India concluded by saying that better rules were needed on anti-circumvention and all forms of export subsidies should be eliminated but the elimination of export subsidies was not linked to progress in other areas.

50. Bolivia commented on the unnecessary use of food aid and its effect of giving support to producers in the donor country. Bolivia felt that, while the issue of food aid was not really a matter for the WTO, it was better to give money to the recipient country rather than commodities. Donating aid in grant form would serve two purposes. First of all it would enable the recipient country to buy the food it needed and secondly it would improve production in a fair way. Bolivia, like the other Members of the Cairns Group, supported the abolition of all forms of export subsidies as they were the greatest single cause of trade-distortions. It was noted that both subsidized export credits and export subsidies distorted trade and that both were used by developed countries and both harmed the economies of developing countries making rural poverty worse and increasing migration to urban areas and causing other social problems. Bolivia wanted an end to all forms of trade-distortion.

51. On export competition Japan (see NG/W/46) stated that better rules were needed to cover both export subsidies and other export measures, such as export credits, export taxes and state trading enterprises. Japan believed that the current rules on importing state trading enterprises were more strict than those on exporting state trading enterprises and suggested this imbalance needed to be addressed by improving the transparency and predictability of exporting state trading enterprises. At the same time efforts to promote global food security or human food aid should not be discouraged through WTO rules.

52. The EC thanked delegations for their comments noting that all forms of export supports had to be addressed in the negotiations. Article 20 did not refer to export subsidies but to export competition and the Agreement on Agriculture appeared to have gone much further on export subsidies than other forms of export supports. He also stated that export subsidies, as disciplined by the Agreement on Agriculture, were not the most distorting form of support because they were limited both in terms of the value of the subsidies and the volume of exports that received subsidies and so could not be used to expand market share. Export credits on the other hand did not have limits and he suggested that this meant they could be used to expand market share and, therefore, the need to tackle this issue was more urgent.

(b) Cairns Group Proposal: Domestic Support (NG/W/35)

53. Australia introduced the proposal from the Cairns Group on domestic support (see NG/W/40). He noted that despite the commitments made in the Uruguay Round to reduce distortions the record of the past six years was disappointing. Overall levels of support to agriculture were much greater than in other industries and these supports were concentrated in a small number of countries. The ability of a country to provide supports was related to the size of its treasury and the effect of such subsidies was to unfairly reduce prices and increase competition for efficient producers. The Amber Box supports provided to agriculture by the three largest supporters were greater than the entire economies of many members of the Cairns Group. The Cairns Group's aim was to reduce trade-distortions by getting all WTO Members that used trade-distorting supports to reduce them by 50 per cent in the first phase, to apply reductions on a disaggregated basis to eliminate remaining trade-distorting supports and to examine the Green Box to ensure it covered only non-distorting supports. Special and differential treatment for developing countries was also needed, including for least-developed and net food-importing developing countries to cover issues such as rural development and food security concerns.

54. Japan (see NG/W/46) stated that a certain level of domestic support should be permitted to enable each country to maintain its specific type of agricultural production. The current framework for domestic support should be maintained with its Green, Blue and Amber Boxes. Japan believed that the Blue Box was needed to enable countries to shift their domestic supports from Amber to Blue and then to Green and supported the EC's proposal (NG/W/17). The experience of the implementation of the Uruguay Round suggested that the criteria for Green Box policies may need to be reviewed in order to allow Members to respond to the specific needs in their country and similarly

Members needed to be able to address certain non-trade concerns, such as food security and the multifunctional role of agriculture. (The full text of Japan's statement is contained in NG/W/46.)

55. The representative of Hungary, on behalf of Czech Republic, the Slovak Republic, Slovenia, Bulgaria, Hungary and Latvia, made some preliminary comments (see NG/W/53) noting especially their disappointment that the proposal ignored the special needs of transition countries and the fact that the agriculture sectors of these countries was particularly hard hit by the process of transition. They hoped that in future the Cairns Group would take account of these specific difficulties.

56. The Philippines, on behalf of ASEAN (see NG/W/48) and supported by Indonesia and Malaysia, noted that the rules established to cover domestic support in the Uruguay Round were probably the least effective as they had been weakened by the compromises of the Round and based on the agriculture policies of developed countries. Developing countries that used little supports in the past were unable to increase domestic supports above the 10 per cent de minimis while developed countries that used high levels of support were only required to reduce them by 20 per cent. The Cairns Group proposal called on developed countries to make a substantial down payment on reducing domestic support, the size of which depended on commitments on export subsidies, and anything left after the down payment would have to be reduced and eliminated, including any Blue Box subsidies. In order to prevent circumvention the Green Box criteria would have to be examined to ensure such policies had no, or at most minimal, distortion effects. The Philippines noted that even decoupled support could indirectly affect trade, especially at high levels, which meant a limit was needed to the value of overall support. The Green Box should be enhanced to address these needs such as production for domestic consumption and for assistance to subsistence farmers. Malaysia pointed out that commitments on a product specific basis and a limit on domestic support in developed countries would ensure reduction in supports for each product. The Philippines stated that, on the other hand, developing countries needed supports to pursue their development objectives and so ASEAN reserved the right to submit a proposal on domestic support. Indonesia pointed out that developed countries were the main users of domestic supports while developing countries lacked the resources to match these supports. The Cairns Group proposal sought to establish some parity by including flexibility for developing countries which would be used to assist small scale and subsistence farming, eliminate all forms of trade-distorting supports and international cooperation for assistance on rural development and food security.

57. Guatemala noted that the review of the Green Box would allow supports that did not distort trade. However, the review would need to define the term minimally trade-distorting which was included in the Green Box. It was also possible that the definition could vary between countries and could depend on the overall value of such support. Guatemala also noted that countervailing measures could not be taken on Green Box supports until the end of 2003 when the Peace Clause would expire.

58. Paraguay stated that their aim was to put trade in agriculture on the same basis as trade in other products. It was noted that senior representatives of the EC had expressed concern about the gap in wealth between different countries and that developing countries needed to get better market access. However, Paraguay could not support its agriculture and had to compete with countries that did and with countries that had preferential access to certain markets, even though such preferences were against the basic principles of the GATT. The result was higher poverty for Paraguay. The negotiations needed to ensure that domestic supports and other forms of discrimination did not distort trade away from developing countries. While such discrimination might assist some countries, it also hurt others.

59. Argentina highlighted a number of aspects of the Cairns Group proposal including the need to reduce trade-distorting supports below current de minimis levels and to have product specific limits in order to end trade-distortion. He also noted that wealthier countries could channel large sums of money into the Green Box which meant better disciplines were needed to ensure this did not cause

further problems. On least-developed countries Argentina stated that differential treatment was needed in terms of the time and depth of any commitments they would have to undertake.

60. The United States (see NG/W/49) proposed that a technical working group could be established to examine the criteria for exempt domestic supports. He noted the similarities between the Cairns Group proposal and their own submission on domestic support. Both wanted reductions in the Amber and Blue Boxes, exemptions from reduction commitments based on Annex 2 and a review of the criteria of Annex 2. On special and differential treatment, both proposals noted the need for some scope for developing countries to pursue certain objectives. Both the United States and the Cairns Group considered the Blue Box to be trade-distorting and the US stated that its exemption from reduction commitments was meant to be transitional and should be discontinued. The United States suggested that the production limiting criteria for the Blue Box may be ineffective as production of cereals and oilseeds had actually increased since 1995. It was also noted that in referring to the OECD's Policy Evaluation Matrix it was important to note the limitations of this model in replicating actual production effects. Nonetheless, an important conclusion from the work had been that area payments are only relatively less production-distorting than other forms of support, but they still resulted in higher production effects that needed to be disciplined.

61. In making some preliminary comments the representative of Korea supported the ideas on special and differential treatment included in the proposal, especially those dealing with rural development, food security and small scale farming. However, concerning other areas in the proposal Korea stated that reform under Article 20 was an ongoing process. The Agreement on Agriculture had been in force for only five years and Members were only now discussing the second stage of reform so it was not surprising that there had been no large shifts in support. While not being in favour of any dramatic change in commitments, Korea would examine the proposal carefully.

62. Brazil noted that this was the second Cairns Group proposal. It proposed real substantial reductions in the first year of implementation followed by further reductions based on a formula that required bigger reductions from those Members that used higher supports. Commitments would have to be on a product specific basis. The Green Box would also have to be revised in order to take into account factors such as the wealth effect of supports, especially as the volume of supports could cause distortion. The Cairns Group proposal did address special and differential treatment so there was room to consider the transitional situations of some east European countries and, furthermore, there was some scope in the Green Box and under de minimis for these countries to address some of their specific concerns.

63. Canada (see NG/W/42) noted that it had shifted its supports to non-distorting subsidies and that it wanted other countries to do the same. While governments did have legitimate objectives in supporting their farmers, they should do so in ways that did not distort trade. The review of the Green Box should ensure that it contained only non trade-distorting subsidies as it had to be clear that such supports could not be subject to countervailing duties. The objective of the proposal was to abolish trade-distorting supports and to remove disparities between different countries. The formula approach would start at each Member's bound level and would aim to eliminate all trade-distorting supports to below de minimis levels. While the Uruguay Round had led to a shift in supports and had reduced some bad practices, there remained some problems in the Green Box. A review was needed to ensure such subsidies did not cause prejudice as in Article 6 of the Agreement on Subsidies and Countervailing Measures and could not be subject to countervailing duties either.

64. Colombia (see NG/W/43) noted that most domestic supports were provided by developed countries. The aim of the proposal was to remove disparities in the level of supports which meant some Members would have to reduce their supports by a greater amount. The Blue Box would have to be abolished. The review of the Green Box should aim to prevent circumvention of commitments and to let the Green Box fulfil its real purpose which was to encourage rural development in ways that did not distort trade. Colombia stressed the importance of special and differential treatment for

developing countries as ways to cushion the impact of reform and especially to assist diversification away from the production of illicit narcotic products.

65. Costa Rica stated that supports in developed countries had increased in the past few years to the point where they were now above their pre-Uruguay Round levels which suggested that the commitments undertaken in the Round had been special and differential treatment for wealthier countries. A significant reduction leading to the elimination of distortionary supports was needed along with a review of the Green Box to prevent circumvention. The proposal from the Cairns Group would reduce disparities and would result in a shift in the direction of the objective of a fair market.

66. In making some preliminary comments Israel stated that it was important to maintain the agriculture sector in each country and while special and differential treatment needs varied from one country to another, the agriculture sector should be able to continue to exist in all. Israel agreed that the objective of the negotiations should be to reduce trade-distortions but also it should allow the agriculture sectors to be preserved.

67. The European Communities noted that the proposal implicitly accepted the validity of some non-trade concerns such as rural development and noted that Article 20 required that non-trade concerns and special and differential treatment had to be taken into account in the negotiations. It was pointed out that the data on the value of domestic support provided in the proposal by the Cairns Group were the OECD's producer subsidy estimates (PSE) and that the methodology for calculating these was different to that used to calculate the Aggregate Measurement of Support (AMS). The EC stated that the Blue and Amber Boxes were not the same either in fact nor in their treatment in the Agreement on Agriculture. The EC's use of the Blue Box had led to a change in production through limits and set-aside. It was noted that the shift to Green Box payments in the United States had not led to any reduction in production. The EC was prepared to negotiate a reduction in AMS based on Article 20 but that meant progressive reform which was inconsistent with the proposal that there should be a down payment.

68. The representative of South Africa stated that the implementation of the Uruguay Round occurred at the same time as domestic policy changes in South Africa and the end of sanctions against the country. The domestic policy changes had resulted in the end of the marketing boards and the export incentive scheme. Tariffication had taken place before it was required by the Uruguay Round. South Africa had gone beyond its other commitments by reducing domestic support to below 5 per cent in PSE terms. While both exports and imports had increased, it was hard to distinguish between the effects of the different factors. However, the Agreement on its own had required changes and the market access requirements had made a difference. The current Agreement on Agriculture did manage to meet many of the development needs, but possibly not all of them, and while the private sector in South Africa was not entirely happy with the Agreement they were prepared to compete based on a level playing field. However, while South Africa had about 50,000 commercial farmers it also wanted to make changes to help the development prospects of small farmers. Agriculture was the backbone of South Africa's economy and market access for South African exports was needed to enable the sector to fulfill its development potential. The domestic support commitments of the Uruguay Round were imprecise and based on the aggregate total level of support. The size of these supports was huge, with OECD countries providing US\$360 billion in PSE terms, which was more than the GNP of sub-Saharan Africa, less South Africa. Only 30 WTO Members had reduction commitments and all others had to stay at or below *de minimis* levels. While the situation was similar for export subsidies, it was noted that the reduction commitments for domestic support were lower. South Africa supported the Cairns Group formula approach to ending trade-distorting domestic supports, which included the Blue Box and it believed that the approach on development gave some scope for transition economies.

69. Switzerland felt that while the proposal was concise and clear it gave little consideration to non-trade concerns and even then only for developing countries. It felt that the proposal was based on

two errors. First, the data provided in the proposal on supports of US\$360 billion was the OECD's PSE which represented the total value of supports and could not be used to evaluate the trade effects of those supports. Secondly, there had been a clear shift from Amber Box to Green Box in many countries since the conclusion of the Uruguay Round which had not been captured by the PSE data. In Switzerland's opinion the negotiations should be based on realism, pragmatism and patience. The proposal would not work because it failed to take into account the very different agricultural situations in different countries. Nor it did it fully recognize that current Green Box criteria required subsidies to have no, or at most a minimal, trade-distorting effect. Switzerland also sought certain clarifications including whether or not special and differential treatment was only through an enhanced Green Box, whether other instruments were to be allowed for addressing non-trade concerns, and whether a different formula for calculating the AMS was being proposed.

70. Jamaica stated that it needed to strengthen its agricultural sector and that flexibility was needed under the WTO which had not been given in the Uruguay Round. It would examine the proposals under special and differential treatment to see how they met Jamaica's development needs.

71. Norway (see NG/W/50) noted that Article 20 called for substantial progressive reductions in support and protection while taking account of special and differential treatment and non-trade concerns. It welcomed the proposals on special and differential treatment, food security, rural development and small farmers but noted that for the Cairns Group it seemed that non-trade concerns applied only to developing countries. However, all countries needed ways to address these concerns. Furthermore, the proposal ignored the problems facing agriculture in low potential areas and the variations in production in different countries. It was felt that the negotiations should take account of all aspects of Article 20 and it was noted that Article 20 did not mention elimination of supports.

72. Mauritius (see NG/W/52) stated that in its opinion the negotiations should consider Article 20(a) to (c) first and only then should Article 20(d) be considered. While the Cairns Group proposal on export subsidies had contained only a token reference to special and differential treatment, this proposal seemed to recognize the need for enhanced special and differential treatment provisions to address the agricultural and rural development needs of developing and least-developed countries. Mauritius pointed out that the role of agriculture was wider than economics and this had been recognized by the International Covenant on Economic, Social and Cultural rights of 1966 and the FAO World Food Summit of 1996. These roles included the need to address agricultural and rural development, living standards, diversity in agriculture and the existence of high and low potential areas. Furthermore, the agriculture and rural development needs of many countries could not be achieved by special and differential treatment measures alone. One of the proposals by the group of developing countries (NG/W/14) had stated that the due restraint clause should be kept for developing countries. For Mauritius this legal stability was essential and it would be unable to make commitments without it. It was also noted that the Cairns Group proposal had ruled out the proposal that developing countries should be allowed to exempt certain products from commitments and that a higher de minimis should apply to them. The Cairns Group proposal had suggested an enhanced Green Box for certain concerns such as rural development and food security but many developing countries, in particular the small island developing states, did not have the resources. While the suggestions concerning technical cooperation were welcomed Mauritius stated that it was also necessary to ensure that measures to ensure agricultural and rural development and food security are maintained. Finally Mauritius noted that its comments in relation to proposals NG/W/13, NG/W/14, NG/W/15 and NG/W/16 should also be considered.

73. Mexico stated that the Green Box should be maintained as it had based its agricultural policies on the existing criteria and it would be hard to accept that they should be changed as a result of any review. Similarly the structure of the existing special and differential treatment provisions had to be preserved in terms of the longer implementation period and the lower commitment levels. Furthermore, the starting point for any future commitments should be the bound levels after implementation of the Uruguay Round commitments.

74. India suggested that there were a number of facts about the agriculture sector that should be noted:

- that the Agreement on Agriculture was very inequitable with only a few countries given reduction commitments while others had to remain below *de minimis* level;
- that most distortions in trade were caused by a small number of Members;
- that the approach taken towards special and differential treatment for developing countries had not helped them to benefit and even the longer transition period had not been targeted to address their needs; and
- that agriculture was characterized by two types of production systems. One was very intensive and orientated towards marketing but the other, in developing countries, was very different. In low income countries agriculture employed 70 per cent of the labour force while in high income countries it employed only 4 per cent. For low income countries food produced on the farm was their main source of food.

These factors had to be kept in mind in the negotiations. The section on special and differential treatment in the Cairns Group's proposal was noted but India was still concerned with their approach which suggested special and differential treatment after reductions in support.

75. Bolivia wanted to underline some aspects of the proposal. Trade-distortions caused by domestic supports had to be ended leaving only non-distorting supports. Bolivia gave no Amber Box supports which put its producers at a disadvantage.

76. New Zealand stated that the Cairns Group proposal was clear and simple and based on the principle that subsidies for domestic production lead to overproduction and then to export subsidies to dispose of the surplus and market access restrictions to encourage consumption of domestic production. This caused problems for developing countries that could not afford subsidies. New Zealand agreed with South Africa that agricultural trade reform was a global welfare issue which had impacts beyond the agriculture sector. The Uruguay Round results on domestic support for agriculture had been the weakest and many Members were already meeting their commitments. Since the conclusion of the Uruguay Round there had been a worrying rise in the level of support. The Cairns Group proposal was aimed at eliminating all trade-distorting supports by product specific reduction commitments. Non-trade concerns were to be taken into account in the negotiations according to Article 20 but the main objective of the negotiations according to Article 20 was the continuation of reform. For the economies in transition New Zealand noted that the WTO recognized two groups of countries, developed and developing, the question of creating a new category was not for the agriculture negotiations. While the proposal did call for considerable change in the policies of some countries this was a result of the relatively low achievements of the Uruguay Round.

77. Uruguay noted that the results of the Uruguay Round on domestic supports had been disappointing. Supports for agriculture remained very high in some countries and that a relatively small number of countries accounted for most supports. The EC accounted for one third, Japan a fifth and the United States a quarter of the total value of agriculture supports. This was the equivalent to fifteen times Uruguay's GDP and the distortions it caused hurt the environment, promotes inefficiency and causes injury to developing countries. Uruguay's main exports were of agricultural goods and it was impossible for it to compete with the supports given in other countries. The agriculture GDP had fallen by 8 per cent in Uruguay in 1999. It was essential to eliminate trade-distortions. The Cairns Group proposal would help achieve this and it included special and differential treatment for developing countries, especially least-developed and net food-importing developing countries, for rural development and food security. The proposal was not aimed at ending farming in some countries but at allowing the economies of developing countries to progress while the reduction programme would give time for adjustment and change. It was noted that the proposal recognized

certain non-trade concerns but concerning rural development it referred to developing countries. In response to the comments by the EC and Switzerland on the different methodologies for measuring support, Uruguay pointed out that both showed supports were increasing and trade was being distorted. Concerning Switzerland's suggestion that the negotiations should show realism, patience and pragmatism Uruguay stated that despite the Uruguay Round Agreement on Agriculture the reality was that agricultural trade was still distorted compared to other sectors, that despite over fifty years of the multilateral trading system trade in agricultural products was still not on the same basis as other products, and as for pragmatism the reality was that some countries needed to reform and allow efficient agriculture producers to fulfil their development potential.

78. Chile stated that the proposal aimed to eliminate all forms of trade-distorting support and that the concerns expressed about non-trade concerns were not supported by economic theory. Chilean farmers should not have to pay for the landscape of other countries. It was also noted that a number of central and east European countries had stated that the proposal ignored the needs of countries in transition to market economies but that several of these countries wanted to join the European Communities which did not have a market economy for agriculture. Finally, on the Swiss suggestion that the negotiations should be realistic, pragmatic and patient, he suggested that the key words should be reform, progressive and profound.

79. The representative of Hungary (see NG/W/51) noted that some Members had recognized the problems facing the transition countries but stated that what was needed was a specific reference in the proposal. He also noted that it was for Hungary, and the other countries in transition, to say if their concerns were being met and, in response to New Zealand's comments, that there were many references to transition economies in the WTO agreements.

(c) Cuba, Dominican Republic, El Salvador, Haiti, Honduras, Kenya, India, Nigeria, Pakistan, Sri Lanka, Uganda and Zimbabwe: Market Access (NG/W/37 and NG/W/37/Corr.1)

80. The proposal was introduced by the representative of the Dominican Republic who stated that developing countries had accepted the Uruguay Round Agreements in the hope that having agriculture included in the multilateral trading system would give them better market access to developed country markets. This had not happened for a number of reasons, including the very high tariffs on some products that had resulted from tariffication, selective reductions in tariffs, tariff escalation, the administration of minimum access opportunities (including distribution to traditional suppliers), the use of sanitary and phytosanitary measures and other non-tariff measures, and the high levels of domestic support and export subsidies by developed countries. The proposals set out in the submission were aimed at getting real market access for products from developing countries. The group of twelve countries proposed that tariff peaks and tariff escalation should be eliminated; that starting-point for tariff reductions should be the bound rate of tariffs; that developed countries should make their tariff structures more transparent by using only ad valorem tariffs; that tariff quota administration should be simplified and made more transparent; that a common basis should be established for calculating domestic consumption as a basis for calculating minimum access commitments; that quotas should be for specific products; and that developed countries should not be allowed to use sanitary and phytosanitary measures or technical barriers to trade for protectionism. Finally, the Dominican Republic noted that the preamble to the Agreement on Agriculture stated that in implementing market-access commitments Members would take account of the needs of developing countries, but that this had not happened.

81. Sri Lanka supported the presentation by the Dominican Republic. The experience with the Uruguay Round and the implementation of the Agreement on Agriculture showed that many barriers still remained to exports from developing countries. It also pointed out that tariff escalation hurt developing countries' efforts both to diversify their exports and to export products with higher value added. A formula approach that required higher tariffs to be reduced by a greater amount was needed to reduce the restrictions caused by tariff peaks and escalation and to reduce the disparities between

tariff rates on different products. Furthermore, Sri Lanka stated that it could not accept zero-for-zero or other sectoral proposals because of the need to reduce disparities. However, for developing countries, tariffs were the only instrument they had to protect domestic producers from price fluctuations. For this reason negotiations on tariff reductions had to start from the bound rate and not the applied rate and the special safeguard should be reserved only for developing countries to allow them to deal with import surges that threatened local producers. In other areas developing countries also needed flexibility in determining their domestic policies and support measures and to address certain non-trade concerns such as food security, rural employment and poverty alleviation.

82. Pakistan stated that the submission highlighted a number of market access problems where the Uruguay Round had been expected to yield benefits. The share of developing countries in world exports had stagnated since 1994 and the paper sought to draw attention to these issues. For Pakistan agriculture was vital to the economy. Tariff peaks meant products Pakistan would like to export were stopped. It had been suggested that a development round was needed which would take account of the development objectives for agriculture but Pakistan was frustrated by tariff escalation which meant it could not get investment needed to develop its agricultural processing industry. While trade in agriculture had increased for developing countries it had increased for only a few and issues like tariff quota administration, allocation and increases had to be addressed to improve the situation and, furthermore, the data showed that imports had increased faster than exports. Nor could Pakistan accept that the SPS Committee was the place to deal with some of these issues as agricultural products were not getting market access.

83. Other members of the group of twelve developing countries also commented on the proposal, including Nigeria, Kenya, Honduras, Zimbabwe and Haiti. Nigeria and Kenya stated that there had been a lack of implementation of the market access undertakings of the Uruguay Round. Exports from Africa had actually decreased as developing countries had not been able to pursue market access opportunities. At the same time, subsidized imports into developing countries had affected their production and food security and many were now net food-importers. The representative of Kenya stated that market access was very important for his country. Agriculture was the basis of the Kenyan economy and could be the basis of its development and could help it to integrate into the world trading system. In addition, non-tariff barriers were now becoming more important and needed to be addressed. Honduras stated that there was a need to translate the provisions of the Agreement on Agriculture into real benefits. Haiti stressed that the paper aimed to pursue the spirit of the preamble of the Marrakesh Agreement Establishing the WTO which referred to the need for positive measures to ensure developing countries, and especially least-developed countries, secured a share in the growth in world trade and also referred to improving market access for developing countries. Therefore, it was necessary to prohibit dumping and export subsidies that harmed developing countries. Zimbabwe stated the proposal had been based on its experience as exports had not increased as tariffs remained high and escalation and peaks had added to the difficulties. Cuba noted that the group of developing countries that had made the submission had not benefited from the market access opportunities of the Uruguay Round, including a number of net food-importing developing countries for which there was also the question of the Marrakesh Decision on least-developed and net food-importing developing countries.

84. A number of countries shared the concerns raised in the submission. Tanzania stated that it hoped that the problems highlighted in the paper would be addressed. Namibia welcomed the submission and stated that it also shared the concerns raised in the Cairns Group proposal on domestic support. Namibia needed to have access to export markets both for existing products and for products it had the potential to produce and to markets other than its traditional ones. SPS matters also needed to be addressed in the negotiations to ensure that they were not being used to restrict market access. Tariff peaks and tariff escalation should not prevent developing countries adding value to their agricultural production. The representative of Egypt noted that agriculture was 20 per cent of his country's GDP and accounted for a large proportion of employment. While Egypt had liberalized its economy, including the agricultural sector, this had reached the point where agriculture supports were

among the lowest. There were a number of points in the paper that Egypt found interesting such as those on tariff peaks, tariff escalation and on the administration of tariff quotas.

85. Some delegations, including Korea, Venezuela, Mauritius and Japan, noted their interest in the submission and stated that they would comment later. Japan (see NG/W/46) also said it would examine the submission but it noted that Secretariat paper NG/S/11/Add.1 showed a number of interesting developments in trade between the first and second half of the nineties. While just over 52 countries had increased net exports, 62 countries had seen net exports decline. Furthermore, of the 30 largest net exporters, 25 had increased net exports; but of the 30 smallest, only 6 had increased net exports. All countries in the top 10 net exporters had increased net exports and 6 of the top 10 were from North America or Oceania. For the 47 net food-importing developing countries, 28 had seen their agriculture trade balances decline. Japan suggested that this data meant that market access improvements did not always benefit all developing countries.

86. A number of Members supported certain aspects of the proposal. Uruguay stated that the proposal was interesting and it shared many of the views, especially on tariffs, tariff peaks and escalation. Australia supported the call for better market access to developed countries' markets and stated that this was needed as part of the reform process. It was clear that the market access provisions of the Agreement on Agriculture were not helping developing countries as trade-distorting subsidies, high tariffs, tariff peaks and tariff escalation remained. Australia and Argentina noted that this submission would be useful for the Cairns Group in developing their proposal on market access. Brazil noted, as an example of the effects of tariff peaks, how adversely its exports of orange juice had been affected. It noted that tariff escalation had meant that often only raw material exports were possible. Furthermore the tariff quota systems were not working well and non-tariff measures, such as sanitary and phytosanitary measures, were reducing market access. Many of these issues had already been raised in the SPS Committee. The Philippines agreed that special and differential treatment was needed but suggested that it should be under the general principle of fairness as the trade liberalization process was mutually beneficial. Thailand noted that its exports of rice to one particular country faced a tariff equivalent of over 1,000 per cent. In addition, while Thailand had reduced its tariffs its exports were facing market access barriers through SPS measures, such as on poultry exports. Bolivia stated that market access issues included cases where SPS measures were being used for protection and that it was mainly market access to developed countries that was causing problems. New Zealand stated that the submission was a useful contribution that addressed a number of problems with market access and called for the elimination of export subsidies and reductions in domestic supports. It also noted the objective was to achieve better market access for all Members while taking account of certain developing country concerns.

87. Canada and the United States noted that there were some similarities in the issues addressed by the group of developing countries and in their own proposals. Canada stated that its proposal on market access addressed the issues of tariff peaks and tariff escalation as well as some other issues. Canada looked forward to having a productive discussion on these and other issues. The United States stated that a number of the proposals in the submission were consistent with their own market access proposal, especially on tariff rate quotas practices. However, the United States did not accept re-negotiating commitments made in the Uruguay Round in the discussions on implementation; nor did the United States support opening the SPS Agreement in current negotiations.

88. On behalf of Caricom, Grenada said that Article 20 was about progressive liberalization but needed the input of the experience of all developing countries, especially the small island developing states. Flexible arrangements may be necessary for those countries that found themselves in a transition from preferential arrangements, although they were also interested in other issues and intended to submit their own proposal to the process of negotiations.

89. Colombia stated that the proposal reflected issues that had not been solved in the Uruguay Round. Developing countries needed to see market access distortions removed or they would be

forced to remain exporters of basic products. For tariff rate quotas Colombia wanted their elimination in three stages. First of all, allocation of tariff quotas should be improved, secondly the volume of imports permitted under tariff quotas should be increased substantially, and thirdly out-of-quota tariff rates should be reduced to the point that there was no need for the tariff quota. Special and differential treatment was needed to enable developing countries to take account of fluctuations in international prices and to provide for the total liberalisation of trade in tropical products. Colombia noted that the special agricultural safeguard was valid only for the duration of the reform programme. It was suggested that developing countries should make no commitments until developed countries had agreed to commitments to reduce their trade-distorting domestic supports and export subsidies.

90. Norway welcomed the paper and stated that the Uruguay Round had given improved market access and imposed disciplines on trade-distorting domestic support. It was noted that developing countries still had problems with market access and the needs for technical and financial assistance to overcome the negative effects of the reform programme and for addressing supply side constraints.

91. The European Communities noted that they already took 60 per cent of exports from the ACP group of countries and from North Africa and that they were important markets for ASEAN and Mercosur countries. Also, the EC were pushing for duty-free access for exports from least-developed countries into developed and richer developing country markets. The EC accepted that improvements could be made in tariff quotas, including administration, and they noted that this would benefit all. The EC also stressed that it should be remembered that both exports and imports were beneficial and Members should avoid the incorrect mercantilist view that exports were good and imports bad. On SPS measures, the EC noted that some of those countries that called on them to improve market access were preventing imports based on their SPS measures.

92. Switzerland stated that the proposal showed the variety of problems faced by different Members. However, high tariffs were a result of the negotiations in the Uruguay Round and the subject of progressive liberalization depending on the situation of each country. The analysis presented in the submission was based on UNCTAD data but according to the Secretariat paper on the developments in world trade (NG/S/11/Add.2) developing countries had increased both total agricultural trade and market share while the value-added sector had grown faster than the world average. Furthermore, trade between developing countries had grown although the problems of least-developed countries was noted. The conclusion was that more analysis was needed, including on the claim that non-tariff measures were increasing.

93. India stated that the structure of the Agreement on Agriculture along with the inequities in commitments had led to certain difficulties and it noted the developing countries were having difficulties getting market access. While the Secretariat paper NG/S/11/Add.2 suggested developing countries were increasing exports and market share the data from UNCTAD in the submission suggested otherwise. Furthermore, the FAO had shown that growth had been asymmetric between agriculture importers and exporters and India suggested that the reason was clear as developing countries were not getting full market access to certain developed country markets. It was also noted that the claims concerning better market access for developing and least-developed countries had yet to be translated into action. It was suggested that the test for the statements would be to see if some developed countries were prepared to improve market access, reduce their use of distorting domestic support and stop using export subsidies so that developing countries could export without distorted competition. India noted the suggestion that the high tariffs were the result of tariffication in the Uruguay Round but pointed out that the negotiations were an opportunity to deal with issues such as this. While SPS matters were dealt with in the SPS Committee they too affected market access and the Agreement on Agriculture included an explicit link to the SPS Agreement. Finally, India noted the comments about liberalization not having benefited developing countries but pointed out that the purpose of the paper was to overcome the difficulties that restricted real opening of market access opportunities. Agriculture was a vital part of many developing countries' economies and the issue of market access was vital for them.

94. Uganda welcomed the comments made concerning the submission and, as a least-developed country, stressed the importance of agriculture in its economy and its interest in market access. Uganda had tried to diversify its agriculture base both horizontally and vertically but it had met problems in exporting its produce. For example SPS and TBT barriers were preventing market access for horticulture exports. Therefore, SPS barriers were an important element in market access and the Agreement on Agriculture acknowledged the link between the two Agreements. Uganda wanted to see constructive proposals on how SPS rules could be made useable so that least-developed and developing countries could meet standards and increase their exports. Tariff peaks and escalation were also of concern to Uganda whose economy was predominantly based on the export of primary commodities. Efforts to diversify had been hampered by tariff peaks and tariff escalation and these issues should be addressed in the negotiations. Uganda had heard the EC's efforts to put together a proposal on tariff and quota-free access for products from least-developed countries and it looked forward to seeing the final version. However, to be meaningful the question of technical barriers to trade and sanitary and phytosanitary measures would also have to be addressed and assistance given to enable least-developed countries to meet the EC's standards. Finally, Uganda would be examining the data mentioned in Japan's comments and would revert to the issue at a later meeting.

- (d) Barbados, Burundi, Cyprus, Czech Republic, Estonia, the European Communities, Fiji, Iceland, Israel, Japan, Korea, Latvia, Liechtenstein, Malta, Mauritius, Mongolia, Norway, Poland, Romania, Saint Lucia, Slovak Republic, Slovenia, Switzerland, and Trinidad and Tobago: Note on Non-Trade Concerns (NG/W/36)
- (e) Argentina, Brazil, Paraguay, Uruguay (MERCOSUR), Chile, Bolivia and Costa Rica: Export Subsidies – Food Security or Food Dependency (NG/W/38)

95. At the request of the countries that had prepared the presentations it was agreed that presentation and discussion of the paper on non-trade concerns (NG/W/36) and the paper on export subsidies (NG/W/38) would be postponed to the next meeting of the Special Session.

ITEM B: WORK WITHIN THE FRAMEWORK OF PARAGRAPHS (A), (B), (C) AND (D) OF ARTICLE 20 OF THE AGREEMENT ON AGRICULTURE

96. Switzerland noted that it had already referred to NG/S/11/Add.2 but following India's intervention it wanted to know if the Secretariat could compare UNCTAD's statistics with those used in the Secretariat background papers and to explain why there appeared to be such a divergent view. The situation in developing countries and the net food-importing developing countries showed that not all developing countries benefited from liberalization of agriculture according to NG/S/6, page 3. Switzerland supported the view expressed by Mauritius in NG/W/28/Add.1 and referred to the submission on Non-Trade Concerns (NG/W/36) that grouping developing countries into geographic groupings and development categories makes the diversity of situations in different countries. For example, the situation in major multi-commodity exporting developing countries was very different to that in least-developed or in net food-importing developing countries and putting all into the same group could lead to the wrong conclusions. Trade liberalisation posed a double challenge to developing countries, least-developed countries and net food-importing developing countries. Lower tariffs could endanger domestic production, rising prices could threaten food security or market volatility could discourage investment. These difficulties could cause problems for food security, rural development, the environment and biodiversity. Future papers by the Secretariat should reflect the economic diversity of developing countries, especially least-developed countries and net food-importing developing countries. In referring to the effect of the commitments made under the Agreement on Agriculture, Switzerland stated that a market only approach could not take account of the non-trade concerns of most countries and that market liberalization that favoured only a few countries was not in the interests of all. Non-trade concerns had not been taken sufficiently into account in the Agreement on Agriculture. The Secretariat papers on domestic support (NG/S/1, NG/S/1/Corr.1, NG/S/2, NG/S/12 and NG/S/12/Add.1) showed that there had been an increase in the

use of the Green Box even in those countries that had no Amber Box commitments. The paper NG/S/1 underlined the importance of the Green Box in addressing the multifunctional role of agriculture. While the paper on tariff quotas (NG/S/8) showed that fill rates were not optimal no correlation could be drawn between different administration methods and fill rates. Furthermore, as improvements could be made relating to these commitments this matter was a question of implementation rather than negotiation. Concerning the paper on food aid (NG/S/3) Switzerland regretted that such aid could cause problems for least-developed and net food-importing developing countries especially when it was not targeted or not donated entirely in grant form. Programme aid could cause the wrong incentives for production in both the receiving and the donor country.

97. Canada noted that NG/S/10/Add.1 gave the various sources of tariff information available to the Secretariat plus information that would be available from the integrated data base and the consolidated loose leaf schedule. It was noted that this information would be very helpful to the Committee in its work.

98. Japan referred to the paper on the effects of the reduction commitments on world trade in agricultural products (NG/S/11/Add.2). According to the paper the value of exports from developing countries had increased in the late nineties but Japan stated that the participation by developing countries had barely changed with only Latin America substantially increasing its presence in the markets. Japan's analysis detected two trends in trade since the mid-eighties. First of all that there had been an increasing polarization of trade between the exporting countries of North America and Oceania and the import dependent Asian countries. Secondly, the trade balance of developing countries had worsened except for Latin America. Of the 121 countries listed in the paper, 52 had increased exports, but 68 net exporters had seen their surplus decline. Of the 30 largest exporters 25 had increased their net exports but only 5 of the 30 largest net food-importers had improved their trade balance and 28 out of 40 net food-importing developing countries' agricultural trade balances had worsened. The 10 largest agriculture exporters had all managed to substantially increase their net exports and of these, 6 were in the new world. These data seemed to suggest that only the large exporters of agricultural products had benefited from liberalization. In the future discussions it would be necessary to examine the situation of each country and it was noted that improving market access did not automatically mean that developing countries would benefit. In fact, reducing poverty and improving infrastructure was more important for many developing countries. The rules for agricultural trade should permit the co-existence of agriculture in each country. Finally, Japan noted that it was the largest net importer of agricultural products in the world, absorbing 10 per cent of the world's agricultural production.

99. Bolivia referred to the papers on domestic supports, export subsidies and export credits and regretted that the main trading countries had not supplied the information required. However, it was still clear that the Agreement on Agriculture effectively gave special and differential treatment to developed countries. The domestic support provided by the two most important trading partners in the WTO were much greater than the value of Bolivia's economy, while some countries, like Bolivia, gave no supports. It was very difficult for Bolivian producers to compete with farmers in other countries that were effectively employees of the state as that was the source of most of their incomes.

100. Indonesia sought clarification of a statement in NG/S/11/Add.1 on the effect of the reduction commitments on world trade in agricultural products. The statement said that the coverage of the FAO data used in the paper was different to the definition of an agricultural product in Annex 1 of the Agreement on Agriculture but that the effect of the differences was not significant for global trade although might be for individual countries. Natural rubber was included in the statistics but not covered by the Agreement on Agriculture and this meant that, for Indonesia, there could be a significant difference in the trade data.

101. Argentina referred to NG/S/11 about the effects of the reduction commitments on world trade that showed the evolution of developing countries' share of world trade of agricultural products. It

noted that while the evolution of trade did depend to some extent on the Agreement on Agriculture and market access developments it also depended on many other factors. Argentina stated that it did not agree with Japan's interpretation of the data. Some Asian countries had also increased their trade performance and that the effect of the Asian financial crises had to be taken into account. The poor performance in some other regions could also be attributed to wars and other disasters. Argentina noted that the regional categories of developing countries in the document were clear enough to show trends in trade and it did not agree with Switzerland that new categories should be added to the analysis.

102. Australia noted that the selective use of statistics was quite common. He pointed out that Table 4 of the Secretariat paper on the effects of the reduction commitments on world trade (NG/S/11/Add.1) gave a very different impression to that put forward by Japan. The Table showed that imports into the EC, Japan, Korea and Switzerland had all decreased while imports into the United States, Canada, India, the Philippines and Australia had all increased.

103. Mexico also referred to NG/S/11/Add.1 and noted that it now had a better picture of the developments in world trade and supported Argentina's statement that there was no need for further subdivisions or different categories of countries.

104. Panama referred to Table 6 of NG/S/11/Add.1 on the trade balances of different countries that showed that the United States and Australia had the largest positive balance while Japan and the EC had the largest deficits. It appeared that exports from these countries were at lower prices which could be due to export subsidies giving the appearance of more open trade. Panama asked if the Secretariat could examine this issue to see if they could provide more information.

105. The Secretariat responded to the comments by pointed out that it had chosen the data source that had a definition of agricultural products that best corresponded with the definition in the Agreement on Agriculture and that source was the FAO's. The Secretariat was working on a project to match the trade data with the Agreement on Agriculture but it would take some time before the information would be available. At the global level the data on trade using the FAO definition differed by only a small margin from the data using the definition in the Agreement on Agriculture. However, at country level the differences could be quite significant for some countries, including Indonesia. It was pointed out that the paper on the developments in world trade NG/S/11/Add.1 gave information for each country and Members could group them into different categories if they so wished. The data presented in NG/S/11/Add.1 was not an analysis of developments in world trade but, as Argentina had said, an evolution of developments before and after the Agreement on Agriculture had come into force. Finally, the issue raised by Panama concerning trade balances would be examined.

106. The Secretariat was working on a number of papers some of which would be made available in the near future. These included the following:

- tariff quota changes and tariff quota fill rates;
- a synopsis of non-trade concerns raised by Members in the process of Analysis and Information Exchange and the preparatory process for the Third Ministerial Conference;
- a compilation of studies by international intergovernmental organizations;
- an analysis of the effect of inflation and exchange rate changes on domestic support commitments; and
- data on domestic consumption, which would rely on Members to respond to the request for information sent out by the Secretariat.

107. On the issue of new papers the representative of Hungary, on behalf of the Czech Republic, Estonia, Hungary, Slovenia and the Slovak Republic asked for a compilation of issues raised in the process of Analysis and Information Exchange and the preparatory process for the Third Ministerial Conference relating to the scope of the Green Box to pursue legitimated interests. In addition to the request made by the representative of Hungary, Norway wanted to have a factual paper listing the international agreements that affected agriculture. In response, the Secretariat stated that it would examine the requests.

ITEM C: OTHER BUSINESS

3. Date of the Next Meeting and Outlined Schedule for 2001

108. The Chairman confirmed that the next Special Session would take place on 15 to 17 November. He also outlined the schedule of meetings for 2001 as follows: 28-30 March, 27-29 June, 26-28 September, 14-16 November. The actual dates of each meeting would have to be confirmed at the preceding meeting. In addition, three days had been provisionally reserved for a meeting at the end of January 2001 as envisaged at the first Special Session meeting (G/AG/NG/1, paragraph 6(d), refers). In this regard suggestions were also made to hold the additional Special Session meeting in early February 2001.

ITEM D: CHAIRMAN'S REPORT TO GENERAL COUNCIL

109. The Chairman outlined the general content of the report he would be making to the General Council (NG/3 attached).

ANNEX

THIRD SPECIAL SESSION OF THE COMMITTEE ON AGRICULTURE (G/AG/NG/3)

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 third meeting on 28-29 September 2000.
2. The agenda as set out in WTO/AIR/1382 was adopted.
3. Under the programme for the first phase of the negotiations as it relates to negotiating proposals for continuing the reform process (paragraph 6(b) of G/AG/NG/1 refers), initial examination was completed in respect of the following proposals presented at the previous Special Session: the proposal by the United States on "Comprehensive Long-Term Agricultural Trade Reform" and the related note on "Domestic Support Reform" (NG/W/15 and 16); and the proposals by the European Communities on "The Blue Box and Other Support Measures to Agriculture", on "Food Quality – Improvement of Market Access Opportunities" and on "Animal Welfare and Trade in Agriculture" (NG/W/17 to 19 respectively).
4. The following additional proposals for continuing the reform process were presented and examined at the meeting: by the European Communities on "Export Competition" (NG/W/34); by the Cairns Group on "Domestic Support" (NG/W/35); and a proposal on "Market Access" by Cuba, Dominican Republic, El Salvador, Honduras, Kenya, India, Nigeria, Pakistan, Sri Lanka, Uganda and Zimbabwe (NG/W/37).
5. Under the programme for the first phase of the negotiations as it relates to work within the framework of paragraphs (a), (b), (c) and (d) of Article 20, the following submissions were before the Special Session: a note on "Non-Trade Concerns" submitted by Barbados, Burundi, Cyprus, Czech Republic, Dominica, Estonia, the European Communities, Fiji, Iceland, Israel, Japan, Korea, Latvia, Liechtenstein, Madagascar, Malta, Mauritius, Mongolia, Norway, Poland, Romania, Saint Lucia, Slovak Republic, Slovenia, Switzerland, and Trinidad and Tobago (NG/W/36); and a discussion paper by Argentina, Brazil, Paraguay and Uruguay (Mercosur), Bolivia, Chile, and Costa Rica on "Export Subsidies – Food Security or Food Dependence?" (NG/W/38). Presentation and consideration of these submissions was deferred to the next Special Session.
6. As requested by the participants concerned, the following statements made at the meeting are being circulated: Argentina (NG/W/39); Australia (NG/W/40 and NG/W/41); Canada (NG/W/42); Colombia (NG/W/43); Czech Republic (NG/W/44); the European Communities (NG/W/45); Japan (NG/W/46); Paraguay (NG/W/47); the Philippines (NG/W/48); and the United States (NG/W/49). (Statements made at the second Special Session but circulated after the appearance of the Chairman's report on that meeting are: India (NG/W/33) and Mauritius (NG/W/28/Add.1).)
7. The Secretariat was requested to prepare additional background papers, or to follow-up as appropriate, on the following subjects:
 - (a) a compilation of issues relating to the operation of the Green Box based on relevant AIE papers and pre-Seattle submissions by Members;

- (b) a factual paper listing international agreements and declarations which Members consider relevant to the negotiations on agriculture; and
- (c) trade shares and export subsidy reductions.

8. The Committee took note of the following schedule of provisional dates for Special Session meetings to be held back-to-back with regular meetings of the Committee on Agriculture in 2001:

28-30 March 2001

27-29 June 2001

26-28 September 2001

14-16 November 2001

9. Finally, it was agreed by the Committee, following an exchange of views on a suggestion that regular reports should be made to the Special Sessions on the work of the TRIPs Council on geographical indications (G/AG/NG/R/2, paragraph 27, refers), that this matter be referred to the General Council.

10. The next Special Session is to be held on 15-17 November 2000, following on from the twenty-fifth regular meeting of the Committee on Agriculture on Tuesday 14 November.
