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Addendum

Statement Circulated by Mr. Dan Glickman, Secretary of Agriculture

As the World Trade Organization prepares for new negotiations on agriculture next year, it is useful to reflect on what has been accomplished for agricultural trade since the inception of the GATT/WTO trading system 50 years ago, and what remains to be done. Agriculture is often seen as unique in international trade both because of its importance and its sensitivity. Adequate food and fibre, after all, are basic determinants of human welfare.

Why We Need The World Trade Organization

International trade, however, allows us to think beyond what is "adequate". It allows us to provide consumers with year round access to a greater variety and in some cases better quality of products, as well as a more secure supply at reasonable prices. For our producers, international trade can provide new outlets for their production and, by improving incomes of consumers in those new markets, it can generate demand for new and exotic products, as well.

These facts make it all the more important that we work together to continue the effort to remove trade restrictions in this sector. The Uruguay Round Agreement and the creation of the WTO earlier this decade were necessary first steps in bringing agriculture under the rule of law and in creating a process to remove serious impediments to trade in the sector. But they were just first steps. We still have a lot of work to do, and that is why it is so important that the process of preparing for the 1999 negotiations begin promptly and the negotiations, themselves, get launched on time.

Creating and maintaining the confidence necessary for global markets to work is not easy. But it is essential. Exporting nations need assured access to the global market to sustain farm prices, and importing nations need to be able to rely on foreign supplies to ensure their food security.

That is why the new rules of the WTO - tougher and more enforceable than the old GATT rules - are so important. Producers can confidently produce for the world market when they know their exports cannot be arbitrarily denied access and when they know that there are limits on their competitors' ability to subsidize overproduction. With that greater confidence comes reliability - a key ingredient in the trade expansion mix. As importing countries gain confidence that their foreign sources of supply will, indeed, be reliable, they will feel more freedom to reduce or eliminate barriers to imports.

Now is the time to redouble our efforts to construct a more integrated world trading system - one that can face the world's demanding economic, environmental and food needs in the 21st century. To feed those who are hungry today, and the many more people who will join us in the future,

requires a trading system that allows the smooth flow of goods from one country to another and encourages producers to work efficiently for world markets.

Implementation of WTO Commitments

For the most part, the WTO is meeting the need for a strong, rules-based system that gives nations confidence in each other, and in the global marketplace. However, it is by no means perfect. The dispute settlement system has been vastly improved procedurally, but it is critical that countries respect the system by meeting their obligations. We have seen in the United States that support for the international trading system can ebb and flow depending on the confidence the business community and political establishment have in our ability to ensure that foreign countries will comply with dispute settlement rulings.

Also of concern is the effort by some countries to flout WTO rules by imposing burdensome regulatory requirements or unscientific health or safety measures aimed at blocking imports. And it is unfortunate that the Uruguay Round Agreement allows export subsidies unused in one year to "roll over" to the next. We had asked that all countries forsake the use of this provision for the remainder of the implementation period.

While these high-profile problems raise serious concerns in the United States, for the most part, we do believe the vast majority of WTO commitments are being honoured:

- tariffs are being reduced on schedule and are less burdensome to trade;
- tariff-rate quotas (TRQs) have been established and, in most cases, are not restricting trade beyond their intent;
- countries have been reducing their subsidies to meet the quantitative and monetary limits established in the Agreement;
- the Sanitary and Phytosanitary Agreement, including regionalization and equivalency, has provided the basis for more certainty in agricultural trade; and, perhaps most importantly,
- countries are adjusting their domestic policies to bring them in line with WTO principles.

Consequently, agricultural trade has increased since the Uruguay Round Agreement and can be expected to continue to grow in the years to come. Naturally, our work over the past several years has illuminated new and existing areas where we need to seek further progress, if we are to continue moving toward a truly level playing field.

Next Steps

The United States has high expectations for next year's agriculture negotiations:

- We need to make substantial further reductions in tariffs. Agricultural tariffs worldwide still average about 56 per cent, while U.S. tariffs average only about 5 per cent. High tariffs unfairly raise the price of exported commodities and can shut them out of markets.

- TRQs should be increased substantially, or effectively eliminated by cutting the level of the out-of-quota duty. Small TRQ quantities and high out-of-quota duties curtail exports, and restrictive methods of administering TRQs impede trade.
- Countries should eliminate export subsidies. The level of subsidization and remaining distortions in world agricultural trade make a very strong case for further negotiations.
- Rules on domestic support should be tightened to ensure that targeted, socially desirable support to rural communities is not used to justify production distortions or import barriers.
- The next agreement should impose rigorous disciplines on state trading enterprises (STEs). WTO Members have been seeking greater transparency in the operation of both import and export monopolies through the WTO Working Party on State Trading Enterprises. This effort will help identify practices that may need to be disciplined in the upcoming negotiations, so we can then move beyond the transparency issue and curb trade distorting practices employed by STEs.
- The negotiations should impose tighter disciplines to prevent countries from circumventing their trade commitments through disguised subsidies, non-tariff measures, or technical measures, such as unnecessarily rigid labelling requirements.
- WTO Members should reaffirm their commitment to the Sanitary and Phytosanitary Agreement to ensure fair competition. While protecting countries' rights to address legitimate health and safety concerns, we must make sure that science, not politics or protectionism, is the basis for public, animal and plant health rules.

We should avoid any loss of momentum while negotiations are underway. One possible approach to keep up the momentum and continue reaping the benefits of liberalization is for countries to continue making annual tariff and subsidy reductions until new negotiations are concluded - ensuring no pause in reform.

These objectives are ambitious, but they are necessary to encourage the level of investment, research, and infrastructure development required to meet the world's future food and fibre needs. While other countries express trepidation over the consequences of further action on trade reform, the United States is far more concerned with the consequences of inaction - rising world hunger, economic stagnation and global instability.

A far more positive outlook for our future is well within our grasp, but it will require far-reaching reforms in agricultural trade. The United States looks forward to an intensive preparatory process, beginning with the September 1998 special session of the WTO General Council, to set the table for the 1999 agriculture negotiations. We look forward to having all countries at the table, ready to discuss serious negotiating proposals that enable us to build together a more stable, prosperous and food secure world in the 21st century.
