1. A proposal which had the support of a number of delegations was that contracting parties adopt as a guiding principle the complete elimination of all governmental aids to exports.

2. The delegations supporting this view suggested such a policy would have the following advantages:
   - it would put agricultural trade on a commercial basis;
   - it would tend to reduce incentives for uneconomic production;
   - it would stop competition between national treasuries which can be to the detriment of all countries, especially the developing countries;
   - it would eliminate a source of contention in international relations.

3. It was recognized that this proposal would involve re-examination and possibly some restructuring of basic national agricultural policies and, since this would naturally be time consuming, this might be regarded by some as a disadvantage.

4. The delegation which had put forward this proposal noted that his country had unilaterally moved far in this direction. He noted that other countries relying even more heavily than his own on agricultural production and trade should find it practicable to abolish governmental aids to exports.

5. Other delegations considered that the withdrawal of government aids to exports in isolation would not necessarily lead to the advantages outlined in paragraph 2 above. The removal of export support above would not result in agricultural trade being conducted on a truly competitive basis since industrial countries would still be free to provide additional support through their domestic and import policies and the proposal would not, therefore, necessarily reduce incentives for uneconomic
production nor stop competition between national treasuries. Prices on the international market would tend to reflect the level of support afforded to agriculture in exporting countries. Prices in importing countries would thus, in some instances, be higher than at present but the pattern of trade then established would not reflect the most efficient production. Moreover, before any steps could be taken to proceed to their elimination it would be necessary to define exactly what measures should be considered as governmental aids to exports.

6. Another delegation expressed the view that export aid measures were not an end in themselves but the outcome of each country's domestic agricultural policies with which they were closely linked, having regard to conditions in markets that were unorganized or artificially segregated. The basic aim of those policies and therefore of export measures was the maintenance of producer incomes at a certain level. That view was shared by many other delegations. Aids to exports could influence the world market for the product concerned, in particular where the product was in a state of over-supply; where it was in balance, export aids could, by lowering prices, lead to additional effective demand. This delegation suggested that solutions should be sought in the light of the nature of the problems, and that a distinction should be drawn between solutions:

(a) that did not involve a change in existing legislation or policies; and

(b) those that did involve such changes.
The first category included solutions based in particular on price discipline, on harmonization of export aid measures and on strengthened international co-operation. The authorities which that delegation represented were disposed to act in this area - as was shown in the case of wheat and dairy products - and were ready to examine the possibility of envisaging price discipline for all products where the market situation proved this necessary. Solutions in the second category, due to the large number of elements of agricultural price and production policies involved, required the search for a common negotiating basis and a negotiating method which would allow all countries to participate meaningfully. Such a basis was particularly necessary, taking into account the fact that export aids were often an inseparable constituent of an overall agricultural policy. In that case, any criterion of purely and simply reducing aids could not be objective and equitable but other elements would have to be taken into consideration, such as the self-sufficiency ratio, for example, and other instruments that might lead to equivalent and acceptable commitments. In other words, an appropriate negotiating method would have to be found. The delegation in question considered that its proposals had the advantage of being capable of concrete implementation, unlike other proposals which, while being perhaps more ambitious, might not be accepted by many contracting parties.
7. One delegation declared itself convinced that in practice export aids in general do not contribute to the expansion of demand for products subject to such practices, but they may have adverse consequences for other contracting parties, cause unjustified disturbances to trade and constitute an obstacle to the objectives of the General Agreement.

8. Some delegations said that they could accept without hesitation the objective suggested in paragraph 1 but that consideration should also be given to solutions which could provide a substantial amelioration in the situation since it was clear from what had been said that the total elimination of export aids might not be achieved within a reasonable span of time.

9. The following proposals were put forward by one delegation as a means of limiting and hopefully eliminating export aids (as earlier made in the Annex to COM.AG/11):

   (a) limits covering, for example, overall cost ceilings of export assistance, or cost ceilings for individual products or product groups;

   (b) a maximum cost per unit of subsidization for particular products;

   (c) the establishment of a fair relationship between the price of the primary product and the processed product; and

   (d) the establishment of minimum prices on international markets.

10. One of the delegations that urged the acceptance of a guiding principle of complete elimination of export subsidies said that there was no inconsistency in seeking action on governmental export aids as such, whether or not countries simultaneously look for some more fundamental solutions based on supply management. This delegation suggested that a series of intermediate steps could be postulated that would be cumulative in their effect leading to the complete elimination of subsidies over a period of time. These intermediate measures could include, following further study, some of those suggested in paragraphs 6 and 9 including minimum price arrangements applying to products such as certain dairy products. Pending a decision to apply paragraph 4 of Article XVI to primary products there was a need to define more precisely the concept of the equitable share of world markets contained in paragraph 3, and to cover specifically the prevention of injury to those countries which could not afford, and did not have recourse to, export aids. This might be done by the introduction of an obligation not to grant export subsidies which result in prices lower than those of countries that did not grant subsidies.
11. The delegation referred to in paragraphs 1 to 4 above said that solutions which fell short of total abolition of export aids were unsatisfactory because they either left the relationship between the prices of different exporting countries the same, in which case they achieved nothing, or they altered this relationship, in which case they created an unfair advantage. This delegation, referring to the distinction made in paragraph 6, pointed out that a solution which did not involve a change in existing legislation for one country might involve such a change in another, and that this was not a theoretical problem only. So long as some countries maintain governmental aids to exports for whatever reasons, others might feel it necessary to retain the option of assisting their exports.

12. Several delegations stated that as export aids were closely linked with other elements of agricultural policies, they could not be dealt with in isolation without taking these other elements into account such as those related to production and income policies.

Concern was also expressed as to the assessment of export aid measures in the light of specified criteria laid down in advance. Experience had shown that criteria of this kind were of a rather theoretical interest and hardly of any practical value. The important thing was the damage resulting from the use of export aids and any consultations that might be agreed upon should concentrate on this issue.

13. Some delegations, expressing support for the aim of an early elimination of aids to exports, stated that priority consideration should be given to elimination of such aids to products, as tobacco and vegetable oils and oilseeds in which developing countries accounted for a significant share of world trade.

14. Certain delegations pointed out that their countries were major agricultural importers with only small exports which were not directly aided. They stated that while their interest in the matters concerning exports was thus marginal, they were nevertheless ready to consider the various proposals on their respective merits.