Introduction

1. Group 3(e) was established by the Trade Negotiations Committee on 7 February 1974 and instructed to deal with the following Tasks of the Programme of Work (MTN/2): Tasks 3, 4 and 15; Tasks 5, 6 and 7 in conjunction with Group 3(a); and Tasks 11, 13 and 14 in conjunction with Group 3(b) or in connexion with tasks assigned to that Group.

2. The Group met in February, April and July 1974. The reports on the first two meetings (MTN/3E/2 and 3) and a secretariat note on key points made at the April meeting (MTN/3E/4) are annexed to the present report. The points of discussion and the conclusions of the Group are outlined below under the various headings of the Programme of Work.

3. As mandated by the Trade Negotiations Committee, the Group was guided in the course of its work by the Ministerial Declaration as it related to developing countries, and agreed that future work on the questions dealt with should continue to be so guided.
Task 3: Bringing up to date and completing\(^1\) the analytical and statistical documentation assembled in the context of the Programme of Work adopted by the CONTRACTING PARTIES in 1967 in respect of all agricultural products (Chapters 1-24 BTN).

4. At its meeting in February 1974, the Group decided that the documentation on import measures (i.e., quantitative restrictions; variable levies and other special charges; health and sanitary regulations notified; various non-tariff barriers notified); export measures (including export measures not covered by the earlier documents); and production measures (self-sufficiency ratios; prices received by producers; and agricultural policies) should be completed and updated so as to cover the years up to and including 1973 or the position as of 1 January 1974, as the case may be. In order to present an overall picture of the situation as regards agriculture in individual countries and its relation to the economy as a whole, the Group also decided to establish documentation in the form of a synopsis covering the last five years and giving information on area and population, production, exports and imports.

5. The Group also expressed certain wishes regarding the updating of the detailed listings of the tariff study, and the wish that in so doing, account should be taken of the need for including analytical and technical work relating to tariffs under the Generalized System of Preferences (GSP), as provided for by footnote 1 to the Programme of Work. These matters were subsequently examined by Group 3(a).

\(^1\)Including analytical and technical work relating to tariffs under the GSP.
6. At its meeting in July, the Group had before it document MTN/3E/5 (annexed hereto), giving the publication plan for the updated and completed documentation. It also had before it a progress report (MTN/3E/W/16) showing the status and contents of replies received from governments by 1 July 1974.

7. The Group noted the progress made in updating and completing the documentation, expressed satisfaction at the large number of replies received and their coverage, and expressed the hope that governments would fill any gaps in the documentation as soon as possible.

8. The Group agreed that the inventories of various measures should be open-ended, i.e., that participants should be free throughout the negotiations to request the inclusion of new notifications or the amendment or deletion of existing notifications.
Task 4: Collection of the data for each of the last few years and carrying out an analysis of recent changes in production, consumption and supply of and demand for agricultural products; identification of the problems which result for world agricultural markets and of their significance for an approach to the negotiations in the agricultural sector.

Collection of data

9. In addition to the data and information required under Task 3, and in accordance with the agreement reached in the Group, the secretariat assembled data on the following products for the specific purpose of Task 4: wheat; maize; butter and skimmed milk powder; sugar; cattle and chilled and frozen meat thereof; soya and soya oilcake; wine; and citrus fruit. The data are contained in documents MTN/32/U/3 to 10 and their addenda, respectively.

10. The Group noted that this list of products had been established for the sole purpose of the work under paragraph 4 of document MTN/2; that it remained open-ended; and that it had no significance whatever as regards the product coverage of the negotiations, i.e., that the fact that a product may not have been included in this work in no way meant that it would not be included in the negotiations.

11. While bearing this in mind, the Group agreed to recommend to the Trade Negotiations Committee that in order to throw further light on the points which had been dealt with under Task 4, work needed to be done on certain additional products. The products are: rice; tobacco; preserved meats; grapes; vegetable oils; and tomatoes.
12. The Group also noted the agreement reached in Group 3(f) that the material provided by the secretariat on tropical vegetable oilseeds, oils and oilcake, together with a summary of the comments and observations made by members, should be transmitted to Group 3(e) for consideration when the question of vegetable oilseeds, oils and oilcake was being examined on a global basis.

13. In this connexion, a member suggested that in order to enable this sector to be examined comprehensively, it should be recommended to the Trade Negotiations Committee to request the secretariat to compile documentation covering the whole fats and oils complex.

Analysis of recent changes in production, consumption, supply and demand

14. The Group proceeded to the analysis on the basis of the documents prepared by the secretariat. At its July meeting it also had before it the views submitted in writing by a number of delegations (issued as MTN/3E/W/14 and addenda and annexed to this report) and a secretariat note on the key points made at the April meeting (MTN/3E/4 annexed).

15. The Group agreed that the situation in world agricultural markets in the last 18 months or more was unusual, because it differed from that which had existed throughout most of the last twenty years. The recent situation was marked by shortages, depletion of stocks, and extremely high prices for a large number of commodities. In certain instances, export control measures had been introduced. The recent developments had affected the economy of many importing countries, both developing and developed. The Group agreed that situations of relative shortage and situations of relative abundance were both damaging to the international trading community.
16. The Group agreed that a number of short or medium term factors which had coincided in time had contributed to the present situation. These included unfavourable climatic conditions, exceptionally high demand due to rising incomes and changing dietary habits, rapid population growth, and an upsurge in import demand in certain centrally-planned countries; a widespread slowing down in the growth of agricultural output (partly linked to high prices and relative shortages of fertilizers, petroleum or other inputs, but also due to the reluctance of producers to expand production in the face of unstable prices); short-term or short-sighted governmental production, stockpiling and trade policies; inflation, monetary instability and speculation.

17. Many members stressed that the events of the past two years should not be interpreted as indicating that the growth potential of the world's agriculture had been impaired and that the world faced a period of scarcity.

18. In this connexion, several members, including in particular developing countries, pointed to the reversal of the situation as regards meat in some of the world's major import markets.

19. In the view of many members, the effects of the factors mentioned in paragraph 16 would not have been as pronounced in the absence of a number of underlying longer term causes. These stemmed from governmental policies which in the past had led to restricted or uncertain access, overproduction, high stocks, resort to export subsidies, and violent price fluctuations in international markets. The lack of adequate and assured outlets had forced a number
of major exporting countries to take deliberate and costly action to restrict output or supply through production controls or stockpiling. If these countries had been in a position to use their economic production capacity to the full, the effects of the less controllable factors would have been significantly lessened.

If producers are to expand output so as to meet world demand for food and other agricultural products, they need a more favourable and less uncertain trading climate.

20. Some delegations stated that lack of assured outlets or inadequacy of access did not seem to them to be one of the major causes of the current situation. In their various aspects (price support policy, trend in agricultural area, etc.), the policies pursued by the principal importing countries that were members of the Group were not likely to generate the uncertainty already mentioned as causing reluctance on the part of exporting producers to embark on a regular production policy that could meet demand. They pointed out, furthermore, that the import trend that had resulted from those policies confirmed that regularity; consequently, it was difficult to invoke the uncertainty of an outlet. The inference to be drawn was that the new elements that had emerged in international markets could not justify placing the problem of guaranteeing access at the centre of the discussions.
Identification of problems and of their significance to an approach to the negotiations

21. The Group agreed that, whatever the causes or their respective roles might be, the main problem affecting the world agricultural market is its instability and uncertainty. While some fluctuation in supplies and prices is inevitable, given the number of uncontrollable factors and the small proportion of production entering trade, the approach or approaches taken in the negotiations must be such as to ensure enduring conditions of stability and security for producers and consumers.

22. Some members considered in this context that the negotiations should aim to create conditions that would enable world markets to develop along lines more satisfactory to importers and exporters alike, in accordance with existing policies, their principles and mechanisms. Other members expressed doubts as to whether significantly improved conditions in world agricultural trade can be achieved without at least some adjustments to national policies.

23. The Group agreed that it is difficult to foresee future developments in the agricultural supply and demand situation, and that the negotiations should therefore aim at finding means designed to reduce the likelihood of the occurrence both of surpluses and of shortages, and to reduce the adverse effects of those that do occur.

24. The Group agreed that there is need for greater and more intensive cooperation between governments. There was in particular, need for systematic arrangements for regular exchange of information, for periodic joint analyses to enable governments to formulate their policies, and for consultation.
25. Many members were of the view that for certain commodities international arrangements might be negotiated, and that the elements to be included in an arrangement would have to be appropriate for the particular commodity concerned.

26. Several members considered that cereals, rice, sugar and certain dairy products might be covered by international arrangements which would provide for a concerted storage policy and an associated price mechanism.

27. For products not suited to international arrangements, these members suggested that joint disciplines should be negotiated which would ensure that the operations of exporting countries on world markets run smoothly.

28. Some members suggested that meat might be a product for which an international arrangement might be suitable.

29. Many members agreed that means must be found for participation in international arrangements at the appropriate time of major producers and consumers who were at present not taking part in the multilateral trade negotiations.

30. Many members stressed that the negotiations should aim at the elimination or limitation of export subsidies and other export aids.

31. Some members stated that the negotiations should seek a steady expansion of trade under stable market conditions, through cooperation of exporting and importing countries and to their mutual benefit, and should take due account of the need for security of supply. This called for an examination of concrete measures to stabilize supply and prices including fair and just international
rules concerning export control measures. With increasing international mutual
dependence in agricultural and other products, importing countries might become
reluctant to rely on the supply of agricultural products from other countries
unless they were accorded effective guarantees for their supplies.

32. Many members stressed that the key element which can lead to the creation
of enduring stability and security in world agricultural markets was that of
improved and secure access. There was need for greater predictability of pro­
duction and trade. Without a long-term assurance that markets were available,
there would not be adequate investment in productive capacity. This implied a
liberalization or dismantling of tariff and non-tariff barriers that prevented
increased, steady and secure access to markets as well as to supplies.

33. These members stated that in order to achieve a more open trading system
there was need for dealing with a broad range of governmental measures which
impeded and distorted international trade flows. Undoubtedly some degree of
international understanding on the use of trade controls relative to domestic
measures would be required. As part of such an international understanding, it
might be desirable to achieve a better coordination of those internal policies
which are undertaken to moderate extreme fluctuations in food supplies and
prices.

34. Many members pointed out that increased, steady and secure access to mark­
et at adequate and predictable prices was of utmost importance for developing
countries, not only because of their current need for foreign exchange earnings,
but also because they needed a reasonable degree of certitude as regards future
earnings, to enable them to plan ahead effectively. Unless they could invest in their economies - and especially in agriculture - with confidence, they would not be able to expand production so as to meet their own needs or those of others.

35. Some members also pointed to the need for effective measures to prevent the subsequent erosion of access undertakings.

Task 15: Continuation of the studies already begun on sanitary and phyto-sanitary regulations

36. The Group had before it a secretariat note (MTN/3E/1/2) summarizing the work already completed or begun by the Agriculture Committee prior to the establishment of the Group, and a further note, prepared at its request (MTN/3E/1/11), relating to the status of work on the Proposed Instrument for Preventing Technical Barriers to Trade (i.e., the draft code on standards), and on the concepts on which this work is based.

37. The Group recalled that it had invited the secretariat to get in touch with competent persons in bodies specialized in this field in order to discuss the work that could usefully be done if and when a sub-group of experts were established, and noted that the secretariat had, accordingly, got in touch with FAO and the FAO/WHO Codex Alimentarius Commission.

38. The Group agreed to inform the Trade Negotiations Committee that it considered that technical work still remained to be done on the question of sanitary and phyto-sanitary regulations.

39. Several members felt that because of its technical and specialized nature, the work should be entrusted to a group of experts. They suggested that one of the questions to be dealt with was to examine, on a conceptual level, whether all sanitary and phyto-sanitary regulations were covered, and adequately
covered, by the Proposed Instrument, whether it needed further elaboration in this respect or whether other solutions needed to be sought. One of these members added that the contractual commitments to notify and consult were a welcome feature of the Proposed Instrument, which might however not cover certain types of health and hygiene standards; he therefore suggested that the sanitary and phyto-sanitary regulations be grouped into categories each of which should be tested against the provisions of the Proposed Instrument to see if they applied.

40. Some members, in support of the establishment of an expert group, suggested that it be given a mandate broad enough to consider also the applicability to agricultural products of the proposed code regarding countervailing duties and of the work on packaging and labelling and on import documentation, referred to in Tasks 11, 13 and 14 of the Programme of Work. One of these members said that in this work, due account should be taken of the wide variations among countries as regards foodstuffs, consumption habits and distribution systems, and of the need not to interfere with the proper functioning of health and sanitary regulations.

41. Another member suggested that the regulations should be investigated at the technical level if it appears that they are being misused as trade barriers. He suggested that the procedures under GATT Articles XXII and XXIII should be followed, but that these might be supplemented by the establishment of a technical body or panel of experts.

42. Some members stated that the work foreseen under Task 15 should not be merged with work under other tasks, nor should an expert group be established to do it. The questions should be examined in greater depth on the basis of the inventory
of regulations notified, with a view to finding an appropriate solution, rather than being treated on a conceptual level in order to see whether or not they were covered by the Proposed Instrument.

Tasks 5, 6, 7, 11, 13 and 14: Tasks to be carried out in conjunction with other Groups

43. Tasks 5, 6 and 7, to be carried out in conjunction with Group 3(a) relate to the determination, respectively, of the customs tariffs, the base year for the collection of statistics, and of the unit of account to be used in the negotiation. Tasks 11, 13 and 14, to be carried out in conjunction with Group 3(b) relate to the study of the applicability to agricultural products of the proposed code regarding countervailing duties and of the work relating to packaging and labelling, and to the study with regard to import documentation.

44. On the basis of document MTN/32/1/15 and Addendum 1, prepared by the secretariat at its request, the Group noted the progress made in Groups 3(a) and 3(b) respectively, on the tasks which had been assigned to them in conjunction with Group 3(a). It took note in particular of the decision of Group 3(a) to establish a tariff rate information file. It also took note of the results of the discussions in that group on the tabulations to be established as regards the Generalized System of Preferences and most-favoured-nation reductions, since it was proposed that those tabulations would cover also products classified in BTN Chapters 1-24. The Group felt that further work needed to be done in order to complete the various tasks.

Final observations

45. In view of paragraphs 11, 38 and 44, the Group wishes to inform the Trade Negotiations Committee that it considers that the work assigned to the Group by the Programme of Work has not been completed in its entirety.