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CANADA

PRIME MINISTER · PREMIER MINISTRE

OTTAWA K1A 0A2

June 1, 1987

Dear Margaret,

The Cairns Group of agricultural exporters which first met at Ministerial level last August in Australia has played a major role in highlighting the problems facing agricultural trade and in promoting fundamental reform through the Uruguay Round. Representing, as it does, the interests of North and South, East and West, the Cairns Group is a valuable reflection of the interdependence that is the mark of our world today. This past weekend (May 21-23), Canada hosted a second Ministerial meeting of the Cairns Group in Ottawa. I am writing to inform you of the results of that meeting. The Ministerial Statement which was issued at the conclusion of the meeting is attached.

You will recall that last year in Tokyo I raised the critical situation facing our farm sectors and the problems created by our domestic agricultural policies. We agreed then on the need to redirect policies and to adjust the structure of agricultural production in light of world demand.

Since that time there has been growing recognition of the need for fundamental reform in the agricultural sector. The Uruguay Round was launched with far-reaching objectives for a more liberal, a more disciplined (notably in relation to direct and indirect subsidies) and a more predictable world agricultural trade environment. The OECD Ministerial Council meeting recently reached agreement on a set of principles for agricultural policy reform, on proposals to give impetus to the MTN and on commitments to improve the negotiating climate.

The Right Honourable Margaret Thatcher
Prime Minister of the United Kingdom
10 Downing Street
London
England

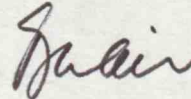
Not surprisingly, Cairns Group members agreed that it was vital that Summit leaders accord agriculture high priority on their agenda in Venice in order to reinforce the OECD policy commitments and to provide impetus to comprehensive negotiations on agriculture in the Uruguay Round. These are objectives for the Summit which I fully share.

Canada was pleased with the outcome of the OECD Ministerial Council meeting. Cairns Ministers have agreed that the Communiqué contains an important set of principles on which agricultural reform in all countries could be based and that early action is needed to de-escalate global tensions in agriculture. I believe that we, as Summit leaders, must signal our personal commitment to these undertakings. We must, moreover, demonstrate the political will to translate our commitments into actual reform.

We must expedite the negotiations on agriculture in the Uruguay Round, while giving due heed to the other MTN issues which have priority for us. Cairns Ministers have agreed on a set of basic objectives for fundamental reform of agriculture in the negotiations. One means of giving impetus to those negotiations, as OECD and Cairns Ministers have suggested, will be the early tabling of negotiating proposals. I understand the USA will be tabling its proposal in Geneva in early July. Canada is undertaking to submit its own proposal by the fall and I welcome commitments on your part to addressing concrete proposals at an early date.

I continue to attach priority to the agriculture issue and look forward to our discussions in Venice.

Yours sincerely,





Ministerial Meeting
Cairns Group
Ottawa Canada 21-23 May 1987

Réunion Ministérielle
Groupe de Cairns
Ottawa Canada 21-23 mai 1987

MINISTERIAL MEETING OF THE CAIRNS GROUP

MINISTERIAL STATEMENT

MINISTERS AND REPRESENTATIVES OF THE MEMBERS OF THE CAIRNS GROUP (ARGENTINA, AUSTRALIA, BRAZIL, CANADA, CHILE, COLOMBIA, HUNGARY, INDONESIA, MALAYSIA, PHILIPPINES, NEW ZEALAND, THAILAND, AND URUGUAY) MET IN OTTAWA 21-23 MAY, 1987. REPRESENTATIVES FROM THE USA, JAPAN AND THE EUROPEAN COMMUNITIES WERE PRESENT AS OBSERVERS AT THE MEETING.

THE KEYNOTE SPEECH WAS DELIVERED BY THE RIGHT HONOURABLE BRIAN MULRONEY, PRIME MINISTER OF CANADA.

MINISTERS REVIEWED INTERNATIONAL DEVELOPMENTS AFFECTING AGRICULTURE, IN PARTICULAR THE LAUNCHING OF A NEW ROUND OF TRADE NEGOTIATIONS UNDER THE GATT AND THE OUTCOME OF THE RECENT MEETING OF MINISTERS OF OECD COUNTRIES, AND DISCUSSED OPTIONS FOR FUTURE ACTION BY THE GROUP.

MINISTERS WELCOMED THE INITIATIVE OF CANADA IN OFFERING TO HOST THE MEETING AND NOTED THAT THIS WAS CONSISTENT WITH THE STRONG SUPPORT GIVEN BY CANADA TO THE GROUP'S ACTIVITIES SINCE ITS INCEPTION AND CANADA'S COMMITMENT TO AGRICULTURAL TRADE REFORM.

MINISTERS NOTED THAT THE CAIRNS GROUP HAS ACHIEVED NOTABLE SUCCESSES IN THE NINE MONTHS SINCE THEY FIRST MET IN CAIRNS, AUSTRALIA.

THE GROUP HAD PLAYED A CRUCIAL ROLE AT THE GATT MINISTERIAL MEETING AT PUNTA DEL ESTE, URUGUAY, IN SEPTEMBER 1986, IN ENSURING THAT FOR THE FIRST TIME AGRICULTURE WOULD BE PLACED AT THE CENTRE OF THE STAGE AND COMPREHENSIVELY DEALT WITH IN A ROUND OF MULTILATERAL TRADE NEGOTIATIONS.

THIS HAD BEEN FOLLOWED IN JANUARY 1987 BY SUCCESS AT THE GATT IN GENEVA IN ACHIEVING A WORKABLE NEGOTIATING STRUCTURE WHICH CLEARED THE WAY FOR ESSENTIAL BACKGROUND WORK TO BE COMPLETED AND PROPOSALS FOR AGRICULTURE TRADE REFORM TO BE LODGED BY END OF 1987.

MINISTERS NOTED THAT GROUP COOPERATION AND THE CONCERTING OF POSITIONS HAD BEEN CONSOLIDATED AND ENHANCED FOLLOWING A MEETING OF SENIOR OFFICIALS IN BANGKOK, THAILAND IN FEBRUARY 1987.

SINCE THAT TIME THERE HAVE BEEN SEVERAL PRODUCTIVE MEETINGS OF EMBASSY REPRESENTATIVES IN KEY CAPITALS TO DISCUSS TRADE AND AGRICULTURAL POLICY DEVELOPMENTS IN HOST COUNTRIES.

ADDITIONALLY, A SYSTEM OF CONTACT POINTS IN EACH CAIRNS MEMBER COUNTRY HAS BEEN ESTABLISHED TO ALLOW FOR TIMELY COMMUNICATION ON MATTERS OF MUTUAL CONCERN.

MINISTERS WELCOMED THE FACT THAT CLOSE GROUP COOPERATION HAD BEEN PARTICULARLY EVIDENT IN THE CRITICAL PREPARATORY PHASE OF NEGOTIATIONS IN GENEVA.

AS AGREED IN BANGKOK, THE GROUP HAS WORKED CLOSELY ON ISOLATING THE BASIC PROBLEMS IN AGRICULTURAL TRADE AND THEIR CAUSES AND IN IDENTIFYING BASIC PRINCIPLES WHICH SHOULD UNDERPIN THE NEGOTIATION OF REFORMS IN THE GATT ROUND. THIS COLLABORATION WAS INFLUENTIAL DURING DISCUSSIONS ON AGRICULTURE IN GENEVA IN FEBRUARY.

MINISTERS NOTED THAT THERE HAVE BEEN ENCOURAGING PARALLEL DEVELOPMENTS IN OTHER INTERNATIONAL MEETINGS.

THEY WELCOMED THE PROPOSALS AND ANALYSIS WHICH WERE PROVIDED BY AUSTRALIA'S PRIME MINISTER AT DAVOS, SWITZERLAND, IN JANUARY AND BY CANADA'S MINISTER FOR INTERNATIONAL TRADE AT THE MEETING HOSTED BY THE NEW ZEALAND GOVERNMENT AT LAKE TAUPO IN MARCH. THESE INITIATIVES HAVE GIVEN CONSIDERABLE IMPETUS TO THE TRADE REFORM DEBATE.

MINISTERS WELCOMED THE WIDE AND GROWING ACCEPTANCE OF THE URGENT NEED FOR REFORM AND IN THIS CONTEXT, WELCOMED THE FAR-REACHING OUTCOME OF THE RECENT OECD MINISTERIAL COUNCIL MEETING IN PARIS IN WHICH AGRICULTURE FEATURED PROMINENTLY. THEY NOTED THAT THE OECD COMMUNIQUÉ CONTAINED AN IMPORTANT SET OF PRINCIPLES ON WHICH AGRICULTURAL REFORM IN ALL COUNTRIES COULD BE BASED. MINISTERS AGREED THAT EARLY ACTION WAS NEEDED TO DE-ESCALATE GLOBAL TENSIONS IN AGRICULTURE.

THEY WELCOMED THE EXPLICIT RECOGNITION BY OECD MINISTERS THAT EXCESSIVE SUPPORT POLICIES ARE AT THE ROOT OF THE DISTORTIONS WHICH PLAGUE AGRICULTURAL TRADE. THEY SAW THIS RECOGNITION AS A MAJOR STEP IN THE DEVELOPMENT OF POLITICAL WILL ESPECIALLY AMONG KEY OECD COUNTRIES, WHICH IS NECESSARY IF THE RHETORIC OF AGRICULTURAL REFORM IS TO BE TRANSLATED INTO CONCRETE COMMITMENTS TO IMPROVE ACCESS AND PROGRESSIVELY PHASE-OUT ALL FORMS OF SUBSIDIES WHICH ADVERSELY AFFECT TRADE.

MINISTERS WELCOMED IN PARTICULAR RECOGNITION BY THE OECD OF THE IMPACT OF AGRICULTURAL TRADE DISTORTIONS ON DEVELOPING COUNTRIES. ACTION TO REMOVE MEASURES DISTORTING TRADE IN COMMODITIES WILL MAKE AN IMPORTANT CONTRIBUTION TO EXPORT PROSPECTS FOR COMMODITY-DEPENDENT DEVELOPING COUNTRIES. THEY NOTED THE SPECIAL IMPORTANCE OF THESE MEASURES FOR THOSE FACING ONEROUS DEBT BURDENS.

MINISTERS NOTED, HOWEVER, THAT EXISTING POLITICAL WILL NEEDS TO BE TRANSLATED INTO ACTUAL REFORM IN THE URUGUAY ROUND CONTEXT. IN THIS REGARD THEY WELCOMED AGREEMENT BY OECD MINISTERS TO PURSUE NEGOTIATIONS VIGOROUSLY AND THE CALL FOR COMPREHENSIVE NEGOTIATING PROPOSALS TO BE TABLED PROMPTLY.

THEY ALSO NOTED THAT ATTENTION HAD BEEN DRAWN IN PARIS TO THE FACT THAT THE PUNTA DEL ESTE DECLARATION PROVIDES FOR AGREEMENTS REACHED AT AN EARLY STAGE TO BE IMPLEMENTED ON A PROVISIONAL OR DEFINITIVE BASIS BY AGREEMENT PRIOR TO CONCLUSION OF THE NEGOTIATIONS. THEY CONSIDERED THAT SUGGESTIONS OF AN "EARLY HARVEST" OR MID-TERM PACKAGE IN THE GATT ROUND SHOULD INCLUDE INTER ALIA, BOTH AGRICULTURE AND TROPICAL PRODUCTS. THEY RECOGNIZED THE PARTICULAR IMPORTANCE OF TRADE IN TROPICAL PRODUCTS FOR A LARGE NUMBER OF DEVELOPING COUNTRIES.

FINALLY, MINISTERS WELCOMED THE COMMITMENT OF OECD COUNTRIES TO REFRAIN FROM INITIATING ACTIONS WHICH WOULD STIMULATE PRODUCTION OF COMMODITIES IN SURPLUS, OR ISOLATE DOMESTIC MARKETS FURTHER FROM INTERNATIONAL MARKETS TO ACT RESPONSIBLY IN DISPOSING OF SURPLUS STOCKS AND REFRAIN FROM CONFRONTATIONAL AND DESTABILIZING TRADE PRACTICES.

MINISTERS AGREED THAT IT WAS VITAL THAT HEADS OF GOVERNMENTS OF ECONOMIC SUMMIT COUNTRIES, AT THEIR MEETING IN VENICE, ITALY IN JUNE, GIVE AGRICULTURE HIGH PRIORITY ON THEIR AGENDA IN ORDER TO REINFORCE THE OECD POLICY COMMITMENTS AND TO PROVIDE IMPETUS TO COMPREHENSIVE NEGOTIATIONS ON AGRICULTURE IN THE GATT ROUND. MINISTERS NOTED, HOWEVER, THAT IN SPITE OF INTENSE ACTIVITY INTERNATIONALLY ON AGRICULTURE OVER THE PAST YEAR, THE PROBLEMS OF LOW PRICES AND SURPLUS PRODUCTION HAD WORSENERD. THEY THEREFORE EMPHASIZED THE IMPORTANCE OF KEEPING UP THE POLITICAL MOMENTUM FOR REMEDIAL ACTION TO BE TAKEN IN THE SHORT TO MEDIUM TERM WHILE THE GATT NEGOTIATIONS ARE IN PROGRESS.

MINISTERS EXHORTED THE EUROPEAN COMMUNITY, THE UNITED STATES AND JAPAN TO LIVE UP TO THE SPIRIT AND THE LETTER OF THE COMMITMENTS WHICH WERE EMBODIED IN THE GATT PUNTA DEL ESTE DECLARATION AND IN THE OECD COMMUNIQUÉ OF MAY 13.

WHILE WELCOMING COMMITMENTS TO NEGOTIATE REFORM OF AGRICULTURAL TRADE, MINISTERS NOTED THAT THERE WERE NEVERTHELESS DISTURBING SIGNS THAT FURTHER TRADE DISTORTING MEASURES WERE BEING CONTEMPLATED IN CERTAIN MAJOR TRADING COUNTRIES.

FOR EXAMPLE, WHILE THERE HAVE BEEN POSITIVE SIGNS OF PRICE SUPPORT RESTRAINT IN THE EC WHICH ARE TO BE COMMENDED, MINISTERS EXPRESSED SERIOUS CONCERN OVER PROPOSALS BY THE EUROPEAN COMMISSION TO INTRODUCE A CONSUMER TAX ON VEGETABLE AND MARINE OILS AND FATS. THE MINISTERS WERE OF THE VIEW THAT SUCH A MEASURE WOULD BE INCONSISTENT WITH THE COMMITMENT TO A STANDSTILL WHICH WAS ADOPTED AT PUNTA DEL ESTE. THEY AFFIRMED THAT IT WOULD ADVERSELY AFFECT THE TRADE OF SEVERAL FAIR TRADING COUNTRIES AND WOULD RISK A SERIOUS AND DESTABILIZING TRADE DISPUTE.

IN THE UNITED STATES, MINISTERS NOTED, THE SITUATION POTENTIALLY IS EVEN MORE SERIOUS. DESPITE EFFORTS BY THE ADMINISTRATION DESIGNED TO SUBSTANTIALLY CUT NET EXPENDITURE ON AGRICULTURE, PROTECTIONIST TRADE LEGISLATION CURRENTLY BEFORE THE CONGRESS COULD, IF PASSED, DAMAGE INNOCENT TRADING PARTNERS, BREACH USA GATT OBLIGATIONS AND SEVERELY IMPACT UPON THE INTERNATIONAL CLIMATE FOR REFORM.

NOTABLE AMONGST THESE PROPOSED MEASURES IS THE EXTENSION OF AND INCREASED FUNDING FOR THE EXPORT ENHANCEMENT PROGRAM WHICH HAS ALREADY SO ADVERSELY AFFECTED WORLD GRAIN PRICES.

MINISTERS CALLED UPON ALL COUNTRIES TO RESIST PROTECTIONIST PRESSURES AND URGED AN EARLY COMMITMENT TO INSTITUTING A TRUCE.

AGAINST THIS BACKGROUND, MINISTERS DISCUSSED HOW THE URUGUAY ROUND NEGOTIATIONS ON AGRICULTURE SHOULD PROCEED.

THEY AGREED THAT BASIC PROPOSALS FOR THE NEGOTIATIONS SHOULD BE TABLED IN GENEVA BEFORE THE END OF THE YEAR AND THAT OFFICIALS SHOULD CONTINUE TO WORK ON DEVELOPING PROPOSALS IN A COORDINATED FASHION FOR CONSIDERATION BY THEIR RESPECTIVE MINISTERS, AND WHICH COULD BE SUBMITTED IN GENEVA BY SEPTEMBER.

IN THIS CONTEXT THEY WELCOMED THE INTENTION OF THE UNITED STATES TO TABLE A PROPOSAL FOR THE NEGOTIATIONS AT THE JULY MEETING OF THE URUGUAY ROUND NEGOTIATING GROUP ON AGRICULTURE.

MINISTERS AGREED THAT NEGOTIATIONS SHOULD PROCEED IN GENEVA AT SUCH A PACE THAT, BY THE END OF 1988, AGREEMENT IS REACHED ON AN INTERNATIONAL PROGRAM TO REFORM AND LIBERALISE INTERNATIONAL TRADE IN AGRICULTURE. IN THE INTERIM, MINISTERS URGED THAT ALL GOVERNMENTS FREEZE AND REDUCE SUBSIDY PROGRAMS THAT DISTORT WORLD TRADE, AND THAT THEY SHOULD DO SO AS SOON AS POSSIBLE IN ORDER TO IMPROVE THE NEGOTIATING CLIMATE.

MINISTERS AGREED THAT TO BE SUCCESSFUL, THE NEGOTIATIONS SHOULD INCLUDE THE FOLLOWING BASIC OBJECTIVES:

- INCLUSION OF ALL MEASURES WHICH ADVERSELY AFFECT TRADE IN AGRICULTURE
- A RAPID AND SUBSTANTIAL REDUCTION IN THOSE LEVELS OF SUPPORT FOR AGRICULTURE WHICH DISTORT THE INTERNATIONAL MARKET PLACE.
- ESTABLISHMENT OF NEW GATT RULES OR DISCIPLINES TO ENSURE THE LIBERALISATION OF AGRICULTURAL TRADE.
- AGREEMENT ON SPECIFIC MEASURES FOR THE PHASE-DOWN OF MARKET ACCESS BARRIERS TO TRADE IN AGRICULTURE, AND SUBSIDIZATION AND ALL OTHER MEASURES WHICH HAVE A NEGATIVE EFFECT ON WORLD AGRICULTURAL TRADE.
- AGREEMENT ON PRINCIPLES TO PREVENT DISRUPTION OF WORLD MARKETS IN THE COURSE OF CONTAINMENT OR REDUCTION OF STRUCTURAL SURPLUS STOCKS.

MINISTERS RE-AFFIRMED THAT THE PRINCIPLE OF DIFFERENTIAL AND MORE FAVOURABLE TREATMENT FOR DEVELOPING COUNTRIES AS EMBODIED IN THE GATT AND RELATED INSTRUMENTS AS WELL AS IN THE PUNTA DEL ESTE MINISTERIAL DECLARATION APPLIED TO NEGOTIATIONS ON AGRICULTURE.

MINISTERS AGREED THAT THE VENICE ECONOMIC SUMMIT PROVIDED A SIGNIFICANT OPPORTUNITY FOR THE LEADING ECONOMIC POWERS TO COMMIT THEMSELVES TO REDUCING ALL SUBSIDIZATION AND OTHER

MEASURES WHICH HAVE A NEGATIVE EFFECT ON WORLD AGRICULTURAL TRADE AND TO ADVANCING NEGOTIATIONS TO LIBERALIZE AGRICULTURAL TRADE IN THE URUGUAY ROUND.

MINISTERS COMMENDED THE PRIME MINISTER OF CANADA, THE RIGHT HONOURABLE BRIAN MULRONEY, FOR PLAYING A KEY ROLE IN HAVING AGRICULTURE ADDRESSED AS A MAJOR ITEM OF IMPORTANCE AT THE TOKYO ECONOMIC SUMMIT IN 1986.

MINISTERS HOPED THAT PRIME MINISTER MULRONEY WOULD BE PREPARED TO PLAY A SIMILAR ROLE AT THE VENICE ECONOMIC SUMMIT BY CONVEYING THE IMPORTANCE ATTACHED BY THE GROUP TO A COMMITMENT BY SUMMIT PARTICIPANTS TO ADDRESS URGENTLY THE NEED FOR EARLY AGRICULTURAL TRADE REFORM.

MINISTERS CONGRATULATED THE GOVERNMENT OF CANADA FOR ITS INITIATIVE IN CONVENING THIS MEETING AND EXPRESSED THEIR GRATITUDE FOR ITS HOSPITALITY.

THE NEXT MINISTERIAL MEETING WILL BE HELD IN ARGENTINA AT A TIME TO BE AGREED, IN THE LIGHT OF DEVELOPMENTS.

OTTAWA, 23 MAY 1987

SUBJECT
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CCB/CDP

Canadian High Commission



Haut Commissariat du Canada

London, 2 June 1987

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 110/87

"Dear Margaret,

The Cairns Group of Agricultural Exporters which first met at ministerial level last August in Australia has played a major role in highlighting the problems facing agricultural trade and in promoting fundamental reform through the Uruguay round. Representing, as it does, the interests of North and South, East and West, the Cairns Group is a valuable reflection of the interdependence that is the mark of our world today. This past week-end (May 21-23), Canada hosted a second ministerial meeting of the Cairns Group in Ottawa. I am writing to inform you of the results of that meeting. The ministerial statement which was issued at the conclusion of the meeting is attached.

You will recall that last year in Tokyo I raised the critical situation facing our farm sectors and the problems created by our domestic agricultural policies. We agreed then on the need to redirect policies and to adjust the structure of agricultural production in light of world demand.

Since that time there has been growing recognition of the need for fundamental reform in the agricultural sector. The Uruguay round was launched with far-reaching objectives for a more liberal, a more disciplined (notably in relation to direct and indirect subsidies) and a more predictable world agricultural trade environment. The OECD Ministerial Council meeting recently reached agreement on a set of principles for agricultural policy reform, on proposals to give impetus to the MTN and on commitments to improve the negotiating climate.

Not surprisingly, Cairns Group members agreed that it was vital that summit leaders accord agriculture high priority on their agenda in Venice in order to reinforce the OECD policy commitments and to provide impetus to comprehensive negotiations on agriculture in the Uruguay round. These are objectives for the summit which I fully share.

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The Rt Hon Margaret Thatcher MP,
Prime Minister of United Kingdom
and Northern Ireland,
No 10 Downing Street,
London SW1

Canada was pleased with the outcome of the OECD Ministerial Council meeting. Cairns ministers have agreed that the communique contains an important set of principles on which agricultural reform in all countries could be based and that early action is needed to de-escalate global tensions in agriculture. I believe that we, as summit leaders, must signal our personal commitment to these under-takings. We must, moreover, demonstrate the political will to translate our commitments into actual reform.

We must expedite the negotiations on agriculture in the Uruguay round, while giving due heed to the other MTN issues which have priority for us. Cairns ministers have agreed on a set of basic objectives for fundamental reform of agriculture in the negotiations. One means of giving impetus to those negotiations, as OECD and Cairns ministers have suggested, will be the early tabling of negotiating proposals. I understand the USA will be tabling its proposal in Geneva in early July. Canada is undertaking to submit its own proposal by the fall and concrete proposals at an early date.

I continue to attach priority to the agriculture issue and look forward to our discussions in Venice.

Yours sincerely,

Brian Mulroney"

Text of Statement

Cairns Group Ministerial Meeting

Ottawa, 23 May 1987

Ministers and Representatives of the members of the Cairns Group (Argentina, Australia, Brazil, Canada, Chile, Colombia, Hungary, Indonesia, Malaysia, Philippines, New Zealand, Thailand and Uruguay) met in Ottawa 21-23 May, 1987. Representatives from the USA, Japan and The European Communities were present as observers at the meeting. The key note speech was delivered by The Right Honourable Brian Mulroney, Prime Minister of Canada.

Ministers reviewed international developments affecting agriculture, in particular the launching of a new round of trade negotiations under the GATT and the outcome of the recent meeting of ministers of OECD countries, and discussed options for future action by the Group.

Ministers welcomed the initiative of Canada in offering to host the meeting and noted that this was consistent with the strong support given by Canada to the Group's activities since its inception and Canada's commitment to agricultural trade reform.

Ministers noted that the Cairns Group has achieved notable successes in the nine months since they first met in Cairns, Australia.

The Group had played a crucial role at the GATT Ministerial Meeting at Punta Del Este, Uruguay, in September 1986, in ensuring that for the first time agriculture would be placed at the centre of the stage and comprehensively dealt with in a round of multilateral trade negotiations.

This had been followed in January 1987 by success at the GATT in Geneva in achieving a workable negotiating structure which cleared the way for essential background work to be completed and proposals for agriculture trade reform to be lodged by end of 1987.

Ministers noted that group cooperation and the concerting of positions had been consolidated and enhanced following a meeting of senior officials in Bangkok, Thailand in February 1987.

Since that time there have been several productive meetings of Embassy representatives in key capitals to discuss trade and agricultural policy developments in host countries. Additionally, a system of contact points in each Cairns member country has been established to allow for timely communication on matters of mutual concern.

Ministers welcomed the fact that close group cooperation had been particularly evident in the critical preparatory phase of negotiations in Geneva.

As agreed in Bangkok, the Group has worked closely on isolating the basic problems in agricultural trade and their causes and in identifying basic principles which should underpin the negotiation of reforms in the GATT round. This collaboration was influential during discussions on agriculture in Geneva in February.

Ministers noted that there have been encouraging parallel developments in other international meetings.

They welcomed the proposals and analysis which were provided by Australia's Prime Minister at Davos, Switzerland, in January and by Canada's Minister for International Trade at the meeting hosted by the New Zealand Government at Lake Taupo in March. These initiatives have given considerable impetus to the trade reform debate.

Ministers welcomed the wide and growing acceptance of the urgent need for reform and in this context, welcomed the far-reaching outcome of the recent OECD Ministerial Council Meeting in Paris in which agriculture featured prominently. They noted that the OECD communique contained an important set of principles on which agricultural reform in all countries could be based. Ministers agreed that early action was needed to de-escalate global tensions in agriculture.

They welcomed the explicit recognition by OECD Ministers that excessive support policies are at the root of the distortions which plague agricultural trade. They saw this recognition as a major step in the development of political will especially among key OECD countries, which is necessary if the rhetoric of agricultural reform is to be translated into concrete commitments to improve access and progressively phase-out all forms of subsidies which adversely affect trade.

Ministers welcomed in particular recognition by the OECD of the impact of agricultural trade distortions on developing countries. Action to remove measures distorting trade in commodities will make an important contribution to export prospects for commodity-dependent developing countries. They noted the special importance of these measures for those facing onerous debt burdens.

Ministers noted, however, that existing political will needs to be translated into actual reform in the Uruguay round context. In this regard they welcomed agreement by OECD Ministers to pursue negotiations vigorously and the call for comprehensive negotiating proposals to be tabled promptly.

They also noted that attention had been drawn in Paris to the fact that the Punta Del Este Declaration provides for agreements reached at an early stage to be implemented on a provisional or definitive basis by agreement prior to conclusion of the negotiations. They considered that suggestions of an "early harvest" or mid-term package in the GATT round should include inter alia, both agriculture and tropical products. They recognized the particular importance of trade in tropical products for a large number of developing countries.

Finally, ministers welcomed the commitment of OECD countries to refrain from initiating action which would stimulate production of commodities in surplus, or isolate domestic markets further from international markets, to act responsibly in disposing of surplus stocks and refrain from confrontational and destabilizing trade practices.

Ministers agreed that it was vital that heads of governments of economic summit countries, at their meeting in Venice, Italy in June, give agriculture high priority on their agenda in order to reinforce the OECD policy commitments and to provide impetus to comprehensive negotiations on agriculture in the GATT round. Ministers noted, however, that in spite of intense activity internationally on agriculture over the past year, the problems of low prices and surplus production had worsened. They therefore emphasized the importance of keeping up the political momentum for remedial action to be taken in the short to medium term while the GATT negotiations are in progress.

Ministers exhorted the European Community, the United States and Japan to live up to the spirit and the letter of the commitments which were embodied in the GATT Punta Del Este Declaration and in the OECD Communique on 13 May.

While welcoming commitments to negotiate reform of agricultural trade, ministers noted that there were nevertheless disturbing signs that further trade distorting measures were being contemplated in certain major trading countries.

For example, while there have been positive signs of price support restraint in the EC which are to be commended, ministers expressed serious concern over proposals by the European Commission to introduce a consumer tax on vegetable and marine oils and fats. The ministers were of the view that such a measure would be inconsistent with the commitment to a standstill which was adopted at Punta Del Este. They affirmed that it would adversely affect the trade of several fair trading countries and would risk a serious and destabilizing trade dispute.

In the United States, ministers noted, the situation potentially is even more serious. Despite efforts by the Administration designed to substantially cut net expenditure on agriculture, protectionist trade legislation currently before the congress could, if passed, damage innocent trading partners, breach USA GATT obligations and severely impact upon the international climate for reform.

Notable amongst these proposed measures is the extension of and increased funding for the export enhancement program which has already so adversely affected world grain prices.

Ministers called upon all countries to resist protectionist pressures and urged an early commitment to instituting a truce. Against this background, ministers discussed how the Uruguay round negotiations on agriculture should proceed.

They agreed that basic proposals for the negotiations should be tabled in Geneva before the end of the year and that officials should continue to work on developing proposals in a coordinated fashion for consideration by their respective ministers, and which could be submitted in Geneva by September.

In this context they welcomed the intention of the United States to table a proposal for the negotiations at the July meeting of the Uruguay round negotiating group on agriculture.

Ministers agreed that negotiations should proceed in Geneva at such a pace that, by the end of 1988, agreement is reached on an international program to reform and liberalise international trade in agriculture. In the interim, ministers urged that all governments freeze and reduce subsidy programs that distort world trade, and that they should do so as soon as possible in order to improve the negotiating climate.

Ministers agreed that to be successful, the negotiations should include the following basic objectives:

- Inclusion of all measures which adversely affect trade in agriculture.
- A rapid and substantial reduction in those levels of support for agriculture which distort the international market place.
- Establishment of new GATT rules or disciplines to ensure the liberalisation of agricultural trade.
- Agreement on specific measures for the phase-down of market access barriers to trade in agriculture, and world agricultural trade.
- Agreement on principles to prevent disruption of world markets in the course of containment or reduction of structural surplus stocks.

Ministers re-affirmed that the principle of differential and more favourable treatment for developing countries as embodied in the GATT and related instruments as well as in the Punta Del Este Ministerial Declaration applied to negotiations on agriculture.

Ministers agreed that Venice Economic Summit provided a significant opportunity for the leading economic powers to commit themselves to reducing all subsidization and other measures which have a negative effect on world agricultural trade and to advancing negotiations to liberalize agricultural trade in the Uruguay round.

Ministers commended the Prime Minister Mulroney of Canada, for playing a key role in having agriculture addressed as a major item of importance at the Tokyo Economic Summit in 1986.

Ministers hoped that Prime Minister Mulroney would be prepared to play a similar role at the Venice Economic Summit by conveying the importance attached by the group to a commitment by summit participants to address urgently the need for early agricultural trade reform.

Ministers congratulated the Government of Canada for its initiative in convening this meeting and expressed their gratitude for its hospitality.

The next ministerial meeting will be held in Argentina at a time to be agreed, in the light of developments.

Ottawa,
23 May 1987