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THE URUGUAY ROUND**

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STATEMENT BY THE NORDIC COUNTRIES

The following statement which was made at the 5-6 May meeting of the Negotiating Group on Agriculture is being circulated at the request of the Nordic countries.

At the first meeting of this negotiating group in February I already had the opportunity of putting forward some ideas that the Nordic countries consider relevant for the identification process we have entered. I will now continue from where we came in those discussions.

I pointed out, like a number of spokesmen of other delegations, that the basic problem affecting international trade in agriculture and creating constraints for national agricultural policies is the persistent imbalance between supply and demand of most agricultural products. Production has, for a number of reasons, reached levels, which are not in any reasonable relation to present or foreseeable effective demand. This basic conclusion is supported by data supplied by various international organizations as well.

The reasons behind this alarming trend are manifold. At our last meeting I already referred to technological development and improved productivity as important factors contributing to the drastic increases in production volumes. In addition it is quite obvious that there are important social and structural factors limiting the movement of labour from agriculture to manufacturing or service industries.

In many countries agricultural production is based on family farms, on which it is difficult to reduce the labour inputs. This is true especially in regions with few, if any, employment alternatives. This fundamental structural fact also makes it difficult to count on price policies as the single method to reduce agricultural production.

In many countries it has been an intentional and consistent part of the national agricultural policy to increase the self-sufficiency ratio. While one may criticize such tendencies from the point of view of international trade, there are undoubtedly valid national reasons behind such policies. For example, the food crisis in 1974 is certainly still

present in the minds of a number of those, who are responsible for the food supplies of those nations. But for the purposes of these negotiations it must be noted that a number of previous importers of agricultural products have become self-sufficient food producers, if not net exporters in the international market. At the same time many countries that might be potential importers are lacking financial means to buy food, and their demand is thus not reflected in the normal commercial markets.

The international markets of many agricultural products differ from the markets of manufactures also with respect to the relative volumes of goods traded internationally, as compared to the total world output. A relatively modest change in production in the major producing countries can have major implications for the international market in question. It is thus evident that national agricultural policies, notably those of the major producers and traders, tend to affect the international market situation in a disproportionate manner. The fact that national agricultural policies have such effects has been overlooked for years, and it has been only quite recently that a general recognition of this phenomenon has been emerging. Today, even if the problem as such seems to be recognized, we are still far from the necessary conclusions to be drawn on this basis. In the following I will make an effort to highlight some of the Nordic thinking in this respect.

Against the background of the present alarming market situation it was indeed timely that the Ministerial meeting in Punta del Este reached an agreement on the urgent need to bring more discipline and predictability to world agricultural trade. The Ministerial Declaration further specifies that this ought to be done by correcting and preventing restrictions and distortions including those relating to structural surpluses so as to reduce the uncertainty, imbalances and instability in world agricultural markets. The basic problem, as we see it, has thus been duly recognized by the Contracting Parties at ministerial level. Since the Ministerial meeting the market situation of a number of key commodities has continued to deteriorate, the prices have continued to fall, and the overall situation in the international agricultural markets is also threatening to create negative implications on other sectors of international trade.

Since it is so evident that the basic problem lies in surplus production, we would find it logical to address it primarily and in the first instance. Concrete progress towards resolving this fundamental problem is in our opinion a necessary step in order to reach the negotiating objectives set out in the Ministerial Declaration with respect to market access and export competition.

I think we must also recognize that the possibilities to increase the demand of various agricultural products in the world market are relatively limited, and it is also from this perspective most productive to concentrate ourselves on what might be achieved in terms of controlling the supply side. There are, in principle, two alternative approaches:

Firstly: Production can be made less profitable by reducing prices paid to farmers for their products. Such a policy may lead to decreasing production and exports and thereby to an increasing international price level.

Secondly: Production can be regulated by administrative measures. Various supply-management policies would be conducive to lower production, lower exports and increasing prices in the world market.

These alternatives can be combined, depending on the specific national circumstances in each participating country. The intended positive effect on the world markets can probably be attained by widely differing methods, the main requirement being that concrete results can be quantified and measured.

If we look at past experience in the use of the two basic alternatives outlined above, it becomes immediately evident that price policy as the only and exclusive method has not been used practically anywhere. There have always been strong policy reasons, related to social or regional policies or other important national considerations, which have made it impossible to base any far-reaching supply-management programmes on this variable only.

In the last few years the scope of various administrative supply-management measures has been steadily increasing (soil bank programmes, two-price systems, etc.). These measures have proved to be politically more palatable than clear-cut price policy measures, and they have undoubtedly had a certain impact in the market situation, although it has often been too limited.

Quite often the measures have been combined, so that production over certain ceilings has been possible for a considerably reduced price. It is also usual that administrative supply-management measures have been used in the most important and politically sensitive product sectors, while it has been easier to tackle the less sensitive ones with more direct price measures.

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Given the various political and economic constraints relating to agricultural production it does not seem realistic to pursue price policy as the sole variable in adjusting agricultural production. The Nordic countries have so far chosen to apply mainly various types of administrative supply control measures either in isolation or combined with price policy. We have chosen to implement a responsible production policy several years before it became topical at the international level, and we have been at least partly successful in these efforts.

The Nordic countries find it essential for the purposes of these negotiations to clarify the point of departure of each participating country, when it comes to their production policies. It would also be useful to develop a clear perception of the situation at the global aggregate level for the main products traded internationally. The papers tabled by the EC are in our opinion a positive contribution in the identification process, and we are willing to pursue their examination in this negotiating group. In addition we have the following concrete proposal regarding the continuation of the identification phase:

As I have indicated, the Nordic countries would find it essential to have as part of the identification phase an extensive and in-depth exchange of views of the experiences of all participants in these negotiations, regarding their respective production policies, and notably supply-management programmes, if any. To enable the negotiating group to manage such an exercise properly, it would seem necessary to have a complete round of notifications on production policies and especially supply management measures maintained by all participants. Our proposal is to invite participants to provide their notifications before the next meeting of the negotiating group. In order to illustrate what kind of contributions we would expect from other delegations, we are circulating at this meeting our own papers on production policy. We would be interested to hear the views of other delegations both with regard to our proposal and the papers we have prepared. We are for our part willing to give additional information as required.