

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG5/W/16

24 July 1987

Special Distribution

Original: English

Group of Negotiations on Goods (GATT)

Negotiating Group on Agriculture

NEGOTIATING GROUP ON AGRICULTURE 6-7 JULY 1987

Statement by Nordic Countries

It is my intention to concentrate on the first items under the initial phase of our work programme, namely the identification of major problems and their causes, including the elaboration of an indicative list of issues considered relevant to achieving the negotiating objective, and the basic principles to govern international trade in agriculture. These items are largely interrelated, and their artificial separation leads to a certain risk of duplication, but I shall, nevertheless, follow this order.

The Nordic delegations have, like so many others around this table, made a considerable effort in order to identify the major problems and their causes, and we have had the opportunity of putting forward our ideas during the two previous meetings of the negotiating group. I do not wish to repeat, what we have already stated. Instead I shall try to produce a concise list of issues, which the Nordic countries consider relevant to achieving the negotiating objective. As far as the problems are concerned, it consists of the following three points:

1. Imbalance of supply and demand in several major commodities;
2. Its implications on international trade in terms of record low world market prices, excessive subsidized exports and increasing trade barriers;
3. Its implications at the national level: increasing budgetary expenditure and/or declining returns to farmers.

The causes behind these problems have been discussed extensively at previous meetings of this negotiating group, and - although a certain progress has been made - it still seems difficult to reconcile the spectre of various views presented. Again, in order to summarize the Nordic view on "the causes" of the present imbalances, I would list the following points:

On the demand side, international demand of most agricultural products has stagnated - in some cases decreased - due to factors such as:

- the stabilization of population levels in industrialized countries;
- the "shrinking" of important markets that previously constituted a significant part of the overall international demand;

- improvements in the domestic food supply situation in many developing countries.

On the supply side, global supply has by far outstripped effective demand in international markets due to factors such as:

- technological development, which has in practically all countries contributed to higher production volumes than foreseen;
- open-ended support systems tied to production volumes;
- structural rigidities making it difficult to withdraw resources from agricultural production in line with the developments in market requirements.

The Nordic countries would find it appropriate to have these "problems and causes" included in any forthcoming compilation that the secretariat might be requested to draft at some stage of our work. I shall also revert to some of the aspects mentioned above, when I come to the Nordic remarks on the basic principles to govern international trade in agriculture.

I would also recall that the Nordic countries expressed an interest to exchange notifications on the production policies of the participating countries, and that we made a concrete proposal to that effect at the May meeting of the group. We would very much welcome any reactions to our proposal and especially contributions from other delegations either in the form of separate notifications or as supplementary notes to their AG/FOR-notifications. We do not find it sufficient simply to list items, on which a supply management scheme exists, if no information on the intent, methods and possible effects of the schemes is made available.

At our last meeting we stated that production policies must constitute an important element in our work in this negotiating group. I should therefore wish to draw the attention of the group to a couple of issues, which the Nordic countries would wish to have included in the indicative list of issues relevant to reaching the negotiating objective. These should be considered in the context of the remarks, which I am going to make on the "basic principles" later in this statement.

1. Firstly: it is hardly conceivable to make any real progress in substantive negotiations, if at the same time the serious market imbalances in the real world just continue to further deteriorate. The utterly serious nature of the present surplus problems has been amply illustrated in the various presentations to this negotiating group, and the extensive analysis of the OECD confirms the same conclusion: it is necessary to prevent a further increase in excess supply. If this immediate problem cannot be resolved, the international community loses much of the credibility that it would need in order to make the GATT rules and disciplines more operationally effective on agriculture.

For all practical purposes the most effective way to address this problem is to take immediate, concrete measures in the sphere of production policy. Such measures may take different forms, depending on the national policy régimes in each case. The OECD communiqué calls for measures, which - and I quote - by reducing guaranteed prices and other types of production incentives, by imposing quantitative production restrictions, or by other means, will prevent an increase in excess supply. The crucial point is that measures in the right direction are taken without delay, and that these efforts can be made to pave the way for further successful negotiations. The Nordic countries are considering various possibilities of making this - in our view immensely crucial - issue also an operative part of the negotiations on more operationally effective GATT rules and disciplines, and we expect to be able to revert to such a prospect in the form of a concrete proposal later in the year.

2. Secondly: I think there is also an ever broader understanding that every penny given to a farmer need not be detrimental to international trade, but that it is precisely the effect of these pennies that we ought to concentrate upon. It would be valuable, if the processes of converting support systems so that they would provide less production incentives could be enhanced and speeded up already during the negotiations.

At the May meeting of the group we had the pleasure of listening to a number of statements on the basic principles to govern international trade in agriculture. I then promised that the Nordic countries would revert to this item at this meeting. Since the May meeting of this group a number of countries around this table have participated at the OECD ministerial meeting, and certain conclusions relating to the principles governing agricultural trade have been accepted, inter alia, by the Nordic Ministers in that context. Of course that was not a GATT context, and evidently issues extraneous to these negotiations may have affected the conclusions of the OECD Ministers. Nevertheless, I find in the OECD communiqué a number of elements, which should be useful in these negotiations, too.

The basic principles to govern international agricultural trade could, as we see them, be summarized as follows:

1. Agricultural trade should, to the extent possible, follow normal overall economic principles. The objective should be a more liberal régime of international agricultural trade, and an improved market access. Market signals should be allowed to play a larger rôle in determining the allocation of resources in agriculture. Negative effects of export assistance to agriculture should be minimized.

2. The applicability of the above principle is conditioned by the specific characteristics of agriculture, notably food security and other aspects relating to the biological nature of the production process. Agriculture differs from manufacturing and service industries with respect

to these factors, the differences are objective and common to all countries in the world. The fact that these factors limit the applicability of comparative advantage in agricultural trade shall not imply their use as a general escape clause from international trade disciplines and shall not jeopardize the attainment of the negotiating objectives. It only requires that they shall be taken into account in formulating rules on international agricultural trade.

3. Agriculture is practically without exceptions subject to special national policy régimes. It is vital from the point of view of international trade that these policies are conducted with a view to minimizing their distortive effects on international trade. One of the central principles to govern international trade in agriculture should be that of responsible national policies. Government support to agriculture should thus be so formulated that incentives to surplus production are avoided.

4. Sanitary and phytosanitary measures should be applied on a non-discriminatory basis, avoiding their application in a manner that might lead to the creation of barriers to international trade. Standards and technical regulations should be harmonized to the extent possible.

5. Methods and mechanisms of national agricultural policies vary widely among the contracting parties. The autonomy of national agricultural policies should be respected and governments should thus retain flexibility in the choice of means necessary for the fulfilment of their commitments. The multilateral rules and disciplines should concentrate on the effects of national policies on international trade.

6. Trade policy aspects of the above principles should be subject to operationally effective GATT rules and disciplines. Agricultural trade policy concessions must be seen as an integral element in the overall balance of rights and obligations under the General Agreement.

7. All contracting parties should assume a shared responsibility of correcting the presently prevailing or eventually emerging imbalances in the international agricultural markets, and they should contribute to multilateral efforts to improve the situation according to their abilities and on the basis of their respective points of departure.

8. The principle of special and differential treatment of developing countries should apply to international trade in agriculture.

The principles outlined above should be applicable both in the long term and in the more immediate future. When it comes to the present situation, it is crucial - as I pointed out earlier in this intervention - to bear in mind one of the key points in the OECD communiqué, namely the need to avoid further deterioration of present market imbalances. I am convinced that any progress that could be made in this respect in the near future would also have a major confidence-building impact on our ongoing negotiations.