

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

RESTRICTED

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Group of Negotiations on Goods (GATT)  
Negotiating Group on Agriculture

SUMMARY OF MAIN POINTS RAISED AT THE THIRD MEETING OF THE  
NEGOTIATING GROUP ON AGRICULTURE, 6-7 JULY 1987

Note by the Secretariat

1. The following summary, which has been prepared by the secretariat in accordance with paragraph 6 of MTN.GNG/NG5/3, should be read in conjunction with documents NG5/W/14, 15, 16 and 17, which contain the full texts of proposals and statements made by a number of countries.
2. Much of the attention of the meeting was given to the negotiating proposal tabled by the United States (NG5/W/14). In presenting this proposal the representative of the United States recalled the mandate given at Punta del Este to go beyond the limitations of past negotiations in order to reform the trading system for agriculture. The United States believed participants now had an opportunity to bring agriculture fully into the GATT system. The United States representative emphasized that the actions envisaged under his country's proposal - on subsidies, import barriers and the harmonization of health regulations - must proceed in parallel. On specific aspects of the proposal, he explained that the concept of an aggregate measure (e.g., PSE) would provide a common denominator to schedule and measure reductions in support, with the aim of bringing something of the transparency of tariff negotiations to agriculture. The PSE was seen by the United States as a tool for moving from one set of policies to another. The proposal would exempt "decoupled" support - e.g., that which did not distort production, trade or competition. It included a broad product coverage to discourage diversion of trade-distorting support measures to other sectors. The representative of the United States emphasized that the proposal was non-partisan in United States political terms. There was some scepticism among United States legislators as to what could be accomplished in the GATT, but they supported what the administration was trying to achieve.
3. Participants in the meeting were not able to give more than preliminary reactions to the United States proposal. Most reserved their right to comment further at a later date. The initial reaction of almost all speakers was to welcome the initiative taken by the United States in making the first negotiating proposal to the Group, a proposal which was variously described as bold, innovative and liberal. It was widely seen as marking a significant step forward in the Group's work towards substantive negotiation. Several delegations saw it as a challenging proposal which would encourage and stimulate other participants in presenting their own proposals. Some also commented that it reinforced

the comprehensive, multilateral approach which they saw as essential to the negotiation. The emphasis on comparative advantage in agricultural trade which they saw in the proposal was also welcomed by some participants.

4. The proposed use of the PSE aggregate support measurement in the negotiation attracted widespread expressions of interest, mixed with some caution and a desire on the part of several participants to explore the idea in more detail. As they pointed out, it was an idea which had mainly been developed among OECD members so far. One delegation also welcomed the attention paid in the United States proposal to revising GATT rules. Another commented that the proposal made a useful distinction between the final outcome of negotiations and the transitional phase.

5. The broad product coverage proposed by the United States attracted mixed reactions, with one delegation welcoming it while a number of others queried the inclusion of fish and forestry products.

6. Several participants, while welcoming the liberal philosophy of the United States proposal, and noting that it was built on the substantial degree of agreement that had been reached concerning the diagnosis of the problems, nonetheless expressed reservations about it. Noting that it was close to views already expressed by one group of countries, a participant commented that it would make trade in agriculture freer than in either industry or services. This participant doubted that the United States plan was in fact negotiable. The simplicity which was its strength was also its weakness. It was claimed that all the United States proposal, as presented, left for negotiation were the period and modalities of transition. A number of participants noted that many details of the proposal remained to be elaborated. When this was done it might become more realistic, but at the risk of introducing contradictions, one said.

7. Several participants observed that agriculture was not homogeneous across the world, and criticized the United States proposal for not apparently taking this into account. A number of delegations stressed the importance to them of taking due note of factors such as the specific characteristics of agriculture, the differences among national agricultural sectors, considerations of food security, and the non-economic values connected with agriculture.

8. Many of these points were seen as especially applicable to developing countries, and several participants, both developing and developed, criticized the United States proposal for its lack of specific provision for special and differential treatment for developing countries. One developing country participant commented that the effects of the changes proposed by the United States could be very different for developing and developed countries. Another suggested that the proposal implied a conditional MFN approach. A number of participants expressed doubts about the proposal from the stand-point of developing countries who were net food importers; they were concerned at the prospect that import prices could rise. Further to this last point, the delegation of a group of developed countries also questioned the desirability of moving towards a completely open world market on the grounds that it could make domestic food supplies unacceptably vulnerable to price fluctuations.

9. Other specific questions/reservations expressed included the question of determining which subsidies affected trade, and the related issue of what, if any, support measures could be classed as "decoupled". In this context it was noted that the PSE measurement was not effect-based. One participant urged that proposals on agriculture should be looked at in the context of the GATT as a whole, asking in particular how the United States proposal would translate into, or integrate with existing GATT rules - e.g., on balance-of-payments measures, treatment of LDCs, Article XX(d) and (g). The relation of these proposals to the safeguard and dispute settlement procedures, and to the standstill and rollback commitment, was also raised as a point requiring clarification. As noted above, many delegations found the proposed product coverage too broad. Likewise some expressed disquiet over the basis on which the United States proposed to include health and sanitary restrictions, i.e., by extending the principle of equivalence of national standards. And some participants saw a need to make specific reference to waivers as a subject for reform.

10. Even among those delegations who most welcomed the United States proposal, views were expressed to the effect that some more immediate actions were needed to cope with the present crisis. It was necessary, one said, to create an environment of confidence in which the negotiation could advance rapidly, as all participants wanted.

11. In reaction to these comments, the United States representative stated that special and differential treatment for developing countries was inherent in the whole proposal; it would increase consumption levels and encourage agricultural and economic growth. The United States was trying to replace the idea of "food security" with "economic security". Concerning the possibility of short-term measures, he stated that the negotiation must deal with subsidies, access and health and sanitary problems simultaneously. Likewise he did not see standstill as possible without rollback. Instead of looking for piecemeal or interim solutions, he asked, why not strive to reach a major agreement sooner - i.e. in broad terms before the end of 1988, though some details could remain to be worked out later. The United States confirmed that their proposal would include the abolition of all waivers. As to the negotiation and implementation of their proposal, the key word was flexibility. Whether the approach was global or commodity-by-commodity, it was the aggregate level of support which mattered. Countries would bring their own implementation proposals. The United States was not advocating conditional MFN but inviting a flexible approach. Lastly, on health and sanitary restrictions, the United States judged that it should not be impossible to move towards greater equivalence of rules and standards.

12. Aside from registering their preliminary reactions to the United States proposal, a number of countries contributed further views on elements of the initial phase of the Negotiating Plan which had been discussed at the Group's previous meetings, i.e. problems and their causes, and basic principles to govern world trade in agriculture. It was noted by several that there was now a fair measure of common ground concerning the problems in agricultural trade and their causes, and that these had much to do with agricultural support policies in the industrialized countries.

Recent statements on these issues by a number of international meetings were cited in support of this view. Some participants stressed the basic link between domestic and trade policies which needed to be addressed in any reform. Another commented that agriculture was in a sense the victim of its own technical success, but nonetheless noted that production-linked support measures were too much used.

13. Concerning principles to govern trade in agriculture, a number of statements were made in addition to those presented in the documents referred to above. One participant recalled his government's previous statements on this question and the position recently agreed by a group of like-minded countries, and recommended that these be taken into account. Several participants underlined the need for a comprehensive approach which would at the same time improve the situation with regard to subsidies and access and also set up new and improved rules to guide policymakers. It was stated that the treatment of access barriers in particular needed to be comprehensive, so that all waivers (for example) were included. However it was also seen by these countries as important to retain some domestic flexibility in implementation of reforms, and in policy choice.

14. A number of other participants placed emphasis on the rôle of excess supply in creating trade problems and the importance which supply control measures should therefore have in improving the situation. There was a need to reduce support measures which maintained over-supply while guarding countries' individual autonomy. Among possible means of doing so, the concept of "decoupled" support was considered at length. While the usefulness of the concept was generally admitted, several participants questioned whether in fact such a distinction would hold up in practice. What payments to producers were truly decoupled, in the sense of being production neutral? One participant also analysed various other means of controlling supply, e.g., reduction in price support and production quotas. All had disadvantages, and none seemed to be a complete answer on its own. His own government had a panoply of such measures already in place. Other countries described their own similar measures, which they saw as significant steps already taken towards improving the trading environment.

15. For many of these countries, principles which also needed to be kept in the forefront during the negotiation included:

- consideration of non-economic factors and values in agriculture;
- recognition of the specific characteristics of agriculture;
- recognition of national, and even regional, differences;
- the importance of food security.

These considerations were seen as justifying a continuing element of government intervention in agriculture. One participant also noted that the Punta del Este Declaration took such concerns into account. On this understanding his authorities could join in supporting a progressive and concerted reduction of support to agriculture, though the possibility of maintaining a dual-price system to protect against the volatility of world prices should be preserved. In achieving this reduction the PSE

measurement could be a good instrument of negotiation, with some modification to take into account supply control measures and world price/exchange rate changes. Some other delegations who emphasized the principles set out above also expressed their desire to see market forces play a greater rôle in agricultural trade and for greater scope for the action of comparative advantage. One participant pointed out that all had differing principles in mind; the aim of negotiation should be to find a modus vivendi among them. He suggested that it might be possible to negotiate base levels of agricultural self-sufficiency which would answer many of the concerns described at the head of this paragraph while opening up demand above these levels to freer trade. This participant commented that even improvements to existing rules could produce worthwhile results.

16. A principle raised by a number of countries, developed and developing alike, was special and differential treatment for less-developed countries. Document NG5/W/13, prepared by the secretariat on this subject following a request at the Group's May meeting, was noted. One participant drew attention to the interests of developing countries which were net food importers. They combined a need for trade expansion with a concern for security of food supplies at reasonable prices. He challenged some of the principles put forward at previous meetings, in particular the apparent assumption that reductions in support leading to increases in world prices would be generally beneficial. Since excess of supply over demand was the problem, this participant stated, the aim should rather be to lower prices. In general he saw a need to look more closely at such principles before accepting them, to consider whether they would really help to expand world trade. He suggested they be tested by application to specific commodities.

17. As noted above, some participants thought that, given the magnitude of the crisis in some agricultural products, it would be desirable to consider some immediate or interim measures in advance of a definitive agreement. No specific proposals were made for such measures, but it was noted that they should be such as could be incorporated into the final result. In this connection, one participant recalled with satisfaction recent high-level political agreement to refrain from measures which would worsen the situation in the short term.