

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG5/W/33
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Group of Negotiations on Goods (GATT)

Negotiating Group on Agriculture

SUMMARY OF MAIN POINTS RAISED AT THE FOURTH MEETING
OF THE NEGOTIATING GROUP ON AGRICULTURE
(26-27 October 1987)

Note by the Secretariat

1. The following summary, which has been prepared by the secretariat in accordance with paragraph 6 of MTN.GNG/NG5/4, should be read in conjunction with documents NG5/W/19-31 (inclusive), which contain the full texts of proposals and statements made by a number of countries, i.e., Canada, the European Community, the Cairns Group, Switzerland, Jamaica, ASEAN, Argentina, New Zealand, the Nordic countries and Japan.
2. A number of delegations commented on the negotiating proposal tabled at the July meeting by the United States (W/14). Much of the comment centered on the interests of developing countries, especially the net food importers among them. The suggestion was made, and endorsed by several participants, that importing countries should group themselves to represent and defend their common interests. Such a grouping would, it was claimed, bring greater dynamism and transparency to the negotiations. Some participants urged that any phase-out of support as proposed by the United States should include appropriate distinctions between developed country subsidies which distorted trade, and developing country measures aimed at promoting growth. Registering doubt that developing countries could phase out all trade barriers, one delegation suggested such action should be voluntary for them. These considerations should not, it was maintained, be an exception but a basic principle in the negotiations. Another delegation, while agreeing that special and differential treatment for developing countries had to be a fundamental component of the negotiations, warned that food imports could be a Faustian bargain for developing countries.
3. In reply to these points, the United States representative said that their proposal did not require governments to give up the right to support their farmers, only that governments should not support farmers in a way that distorted trade, provided undue incentives to production or shielded farmers from true market signals. The proposal exempted from elimination direct payments by governments to farmers which were not linked to the type or quantity of commodity produced.

4. The communication from Switzerland (W/22) also elicited some comments from participants. These included the observation that it addressed the subject in a way which Switzerland had not done before. In another delegation's opinion its analysis was realistic. However, other participants expressed disappointment that the communication's content fell short of the aims agreed at Punta del Este in several important respects. In particular, the perceived lack of adequate provision to improve market access levels was criticised. One participant noted that it was economically pointless to attempt to deal with export subsidies unless improved transmission of market signals was ensured through improved access. Another thought the Swiss document only addressed trade-distorting subsidies in a very limited way. The measures set out in this paper would, it was claimed, lead not to liberalization of trade but to hermetically-sealed agricultural economies.

5. In answer, the Swiss representative reaffirmed that the Punta del Este declaration was the basis for the negotiation. The essential concern was to put it into practice. As to market access, it would automatically improve if the outcome of the negotiations related national policies to the principle of proportionality, which underlay the Swiss approach.

6. The tabling of the European Community's negotiating proposal (W/20) was widely welcomed. Several delegations made preliminary observations on its content while reserving their right to comment further. Aspects of the proposal which they saw as positive included its advocacy of a multilateral reduction in incentives to production, and its endorsement of the separation of production incentives from farm income support. The EC's suggestion of exploring the use of an aggregate measurement device as a tool for the reduction of support was seen as worthy of further study by a number of delegations. The proposal to undertake action on the negative trade impact of health and sanitary regulations was welcomed, as was the Community's provision for special and differential treatment for developing countries. Widespread, though qualified, support was given to the Community's assessment that short-term action was needed to tackle the urgent problems in agricultural trade.

7. Some participants disagreed with the assumption they saw in the proposal that the cause of the problems in agricultural trade was a structural imbalance between supply and demand. In their view this imbalance was just a symptom, the root of the problem was the operation of agricultural support policies. The EC proposal was deficient in not making the distinction between efficient and inefficient producers, which some delegations put forward as a fundamental concept in these negotiations. The consistency of several aspects of the proposal with the Punta del Este Declaration's aim of trade liberalization was questioned, in particular its treatment of market access.

8. The general welcome which some participants gave to the EC's espousal of short-term action was qualified by concern at the specific measures proposed. The question of the relationship envisaged in the EC proposal between short-term and long-term measures was taken up by a number of delegations. They commented on the lack of a time-frame for the

implementation of these phases. Particular concern was expressed at the implication that they were to be sequential, and that the second stage was in some way conditional on the first. Several participants affirmed that short-term and long-term issues must be considered together.

9. The Community's proposal for "re-balancing" of protection, e.g., between cereals and cereal substitutes, produced critical reactions. Clarification was sought as to what the proposal meant. On the face of it, several delegations saw it as an effective increase in protection which would be inconsistent with the liberalizing aims agreed at Punta del Este. The maintenance of two-price systems under these proposals was also queried, and several participants rejected the idea of "equitable burden-sharing" as they construed it from the Community document. Likewise, some saw it as unsatisfactory to allow measures already taken for budgetary reasons to be credited as reforms.

10. The representative of the European Communities, replying to the comments above, noted that it was difficult - even impossible - for the EC to envisage the tabula rasa approach that some other participants advocated. The Community was for a significant reduction of support to agriculture - but not its complete elimination. The aspects of agriculture not covered by PSE calculations had to be kept in mind, as did the differing situations of individual participants. It was not justified, he maintained, to claim that the EC proposal did not go to the causes of the problem. He emphasized its conformity with the OECD's analysis, and with the Punta del Este Declaration, while suggesting that the latter did not demand a radical approach as some were claiming.

11. In answer to the questions about the relationship between short-term and long-term measures, the Community representative said that if the negotiation did not start by dealing with the short term it would be extremely difficult to pass to the long term. The proposed sectoral coverage had been misunderstood. The EC intended all of agriculture to be included, but some sectors presented more urgent problems than others. The time-frame of the phases was a question for negotiation.

12. The EC acknowledged that its plan for the re-balancing of protection, which a number of participants had criticized, could be shocking to some. But, the Community representative maintained, that when the problem of support for agriculture was addressed, the inequalities in support which did exist also be should a subject for negotiation. To those who would reject this approach outright, the EC representative pointed out that it nonetheless implied a negotiation on the existing Community system, though one which the Community linked to the question of re-balancing.

13. The proposal of the Cairns Group* was introduced by one of its members. He said, inter alia, that the proposal had been deliberately designed to address the fundamental interests of all interested groups and

* The Group consists of Argentina, Australia, Brazil, Canada, Chile, Colombia, Hungary, Indonesia, Malaysia, New Zealand, Philippines, Thailand and Uruguay. The proposal is contained in MTN/GNG/NG5/W/21.

that it was both comprehensive and far-reaching. The overall objective of the proposal was, he said, to establish a long term framework within which agricultural production and trade could take place with minimum distortion and disruption. Secondly, in view of the extent of existing structural distortions, a reform programme was proposed, whereby countries would negotiate commitments to reduce trade-distorting policies using defined rules. Since fundamental agricultural reform could not be achieved overnight, he said, a third element of the proposal was an urgent need for early relief measures. Specific provision for differential and more favourable treatment for developing countries was also proposed for each part of the proposal, such as longer time-frames for the implementation of the proposed measures. The time-frame proposed was to have early relief measures implemented within a year from provisional agreement on the long-term framework. By the end of 1990 the details of the reform programme should have been negotiated and implemented whereas the long-term framework should be in place after a phase-in period of at most ten years.

14. The representative of Canada, a member of the Cairns Group, said in presenting his country's negotiating proposal (see W/19) that the core of the Cairns proposal and that of Canada were consistent and in fact complementary. Both, he stressed, adopted a comprehensive approach and both made no apologies for setting what some may regard as overly ambitious goals. In his country's view a comprehensive agricultural approach must deal with two inter-related issues: 1) improve and secure access and reduce trade distorting subsidies; and 2) provide national policy makers with equitable, predictable and enforceable international rules against which national agricultural policy decisions would be taken. Canada also proposed a negotiating technique which would use a single measure which converted all access barriers administered price systems and trade distorting subsidies into a single aggregate "Trade Distortion Equivalent" (TDE).

15. A number of countries made preliminary comments on the above-mentioned proposals. Most delegates welcomed the proposals now on the table and many said that these provided the necessary basis for going ahead with discussions although clarifications of different points in each of them were needed. Some delegations were of the opinion that these proposals, like the others, did not sufficiently recognize the interests of developing countries who were net importers of agricultural products. Therefore, consultations were to be undertaken amongst such countries in order to possibly create a "fourth position" which would take care of their concerns. One delegate said that it was noteworthy that the Cairns proposal recognized the uneven status of economic development in various countries.

16. Another delegate said that all contracting parties had to cooperate to solve the problems in agriculture but that the major trading partners had a special responsibility because of their importance. He was of the opinion that the Cairns proposal was not comprehensive and did not reflect his country's concerns nor did it provide solutions for his country's problems. Commenting on the Canadian proposal he said that the Trade Distortion

Equivalent was an interesting concept which touched upon important problems. The TDE merited careful study. Another representative said that a preliminary examination of the proposals made by the Cairns Group and Canada revealed signs of realistic elements in both of them such as treatment of tariffs and subsidies, time-frame etc. Nonetheless, he thought that these proposals stood at the far and most ambitious end of the spectrum and in this sense were very much in line with the proposal of the United States.

17. One delegate said that the Cairns and Canadian proposals were consistent with her own country's overall negotiating objectives. However, her country had, as others, some reservations regarding these proposals' emphasis on short-term or "early relief" measures. Short-term action was possible and workable, but it must be the first step in a process of lasting and fundamental reform. She believed that stop-gap measures would not result in lasting solutions unless they were an integral part of the true longer-term reform process.

18. The use envisaged in a number of proposals and statements of the PSE (Producer Subsidy Equivalent) as a negotiating instrument was questioned by several participants. Some noted that as it would be possible to lower a given PSE while maintaining or even increasing protection, new and effective GATT rules were also needed to guard against this possibility. Other delegations stated that the PSE was not an appropriate tool to use in the negotiation as it was not comparable between countries, given national differences, did not take account of the special characteristics of agriculture, and did not make provision for the needs of developing countries. It would furthermore be difficult to bind maximum levels of support given the fluctuations of exchange rates and world market prices.