

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG5/W/40

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Group of Negotiations on Goods (GATT)

Negotiating Group on Agriculture

SUMMARY OF MAIN POINTS RAISED AT THE FIFTH MEETING
OF THE NEGOTIATING GROUP ON AGRICULTURE

(7-8 December 1987)

Note by the Secretariat

1. The following summary, which has been prepared by the secretariat in accordance with paragraph 7 of MTN.GNG/NG5/5, should be read in conjunction with documents NG5/W/35-38 (inclusive), which contain the full texts of proposals and statements made by the Nordic countries, Mexico, India and Egypt, respectively. These texts are not summarized here.
2. The representative of the Nordic countries introduced their negotiating proposal (NG5/W/35), stating that it was timely to intensify the negotiations to achieve early and substantive results, and that the Nordic proposal had been drafted in this light. It sought to bring together the need for urgent action and for long-term agreement, noting that different delegations legitimately placed different priorities on these two elements. The Nordic countries proposed that the short-term measures should be decided by the end of 1988 and progress made towards the longer term, in agreeing on the quantitative measuring device (PSE or TDE). There could even be preliminary agreement on the target for the reduction of support by the end of 1988, when participants would be in a better position to assess the time-table for the rest of the negotiations.
3. The Nordic spokesman noted that the proposal did not contain a specific chapter on special and differential treatment for developing countries. Instead the proposal applied equally to all countries while giving ample room for the special and differential principle - to which the Nordics were committed, as document NG5/W/16 made plain - to be invoked where necessary.
4. The submission of the Nordic proposal was welcomed, with delegates viewing it as a serious and constructive contribution to the Group's work. In their preliminary comments on the proposal, delegations noted with approval a number of points, such as its acknowledgment of the gravity and urgency of the problems and its faithfulness to the Punta del Este Ministerial Declaration and the conclusions of the OECD Ministerial and Venice Summit. Representatives of a group of countries which had already submitted a proposal saw a convergence of views between the Nordics and

themselves on the urgent need for short-term action and the importance of the link between such action and the longer-term reform framework which was equally necessary. The two phases should be related and complementary. Another delegation suggested that the time-table for short-term action could be even shorter than the Nordic countries proposed.

5. The proposal's call for the reduction of all import protection (Chapter III) was generally welcomed, as was its statement of the need for more operationally effective GATT rules and disciplines. Two delegations said that they shared the Nordic views on market access and in particular on the need for clarification of Article XI. One of these representatives also endorsed the Nordics' proposal that the GATT's treatment of health and sanitary regulations should not prejudice the operation of other international agreements and organizations.

6. Delegations also marked their differences with the Nordic proposal on a first reading. Some representatives disagreed with the underlying philosophy as they saw it - i.e., that supply/demand imbalance was the main cause of problems in agricultural trade - which assigned different levels of responsibility to importers and exporters. One participant claimed the cause was the plethora of incentives offered by governments, whereas another noted the demand constraints which low income imposed on developing countries. Several representatives expressed concern over the disparity in treatment and expectations between net importers and net exporters and disappointment at the relative absence of proposals for action to improve market access. The entire onus for action here was on exporters, some said, and this weakened the conclusions of the OECD Ministerial meeting and indeed the Nordics' own NG5/W/15, which was clear about the need for progressive reduction of assistance on a multi-commodity, multi-country basis. Similar points were made concerning the proposal's treatment of subsidies - a number of representatives saw a disproportionate focus on export subsidies, whereas following the Punta del Este mandate all subsidies with a trade-distorting effect should be tackled. Net importers therefore also had an important role to play and had to make some commitments.

7. Reservations were expressed about the prominence the proposal gave to production control and supply management. Clarification was sought as to whether quantitative production controls were seen as part of the long-term commitments. The logic of the link which the proposal made between supply management and export subsidies was questioned. One delegation queried the absolute flexibility which the proposal appeared to give to participants to determine their own commitments for short-term action, subject only to the requirement to notify the NGA. Several representatives thought that the distinction, and the transition, between short- and long-term measures was not clear enough. One commented that the negotiations could not move too far on the short-term measures before there was some idea of the long-term framework. The proposal was seen to lack a clear statement of final objectives and time-frames for their achievement. The view was also expressed that it did not go far enough on improving GATT rules in the long-term. It was deemed insufficient in that it referred specifically only to Article XI of the General Agreement.

8. The allowance of "credits" for unilateral policy actions was questioned by one participant, who asked whether "debits" would also be envisaged and what might be the "particular reasons" for allowing credit for action taken before the reference period. This participant also asked how the "effects of measures" were to be determined in dealing with import access. Another delegation disagreed with the emphasis they thought the proposal placed on frontier measures; they saw a general reduction of support as more consistent with the Punta del Este Declaration. One representative opposed the proposal's implication of dealing with market access questions on a request-and-offer basis.

9. Many representatives agreed with the principle of using an aggregate measurement of support to assist in the negotiations. One agreed with the Nordic countries that the Trade Distortion Equivalent (TDE) would be a more suitable instrument than the PSE. However, several representatives expressed reservations concerning the proposal's suggested use of it in the negotiations. One delegation was of the opinion that the question of its possible use should be left open and that a more direct role in the negotiation should not be excluded at this stage. Another representative recalled his government's opposition to the use of the PSE as a negotiating tool and in this light reserved his position on the TDE. One delegation urged early clarification of which support policies would be taken into account by a PSE/TDE measure. While some representatives endorsed the suggestion of a 1982-86 base period, there was also a call for more study of the period to be used, as 1982-86 took in very high levels of protection.

10. The Nordic representative's comments on special and differential treatment for developing countries, particularly his reaffirmation of the views set out in document NG5/W/16, were welcomed by a number of delegations. On the other hand, the proposal's lack of specific provision for special and differential treatment was criticized by other delegations, who asked for clarification.

11. In replying to the comments noted above, the Nordic representative made clear the Nordic countries' view that all countries, irrespective of their supply position, should make balanced contributions at all stages of the negotiation. In this light the last paragraph of Chapter II should be given a broad interpretation. The Nordics did not intend to emphasize frontier measures rather than support as a whole; it was important to take effective action against problems arising from domestic measures. Chapter V included the concept of reducing the overall level of support and protection. The Nordic proposal referred to strengthened and more operationally effective GATT rules and hence did not exclude the possibility of addressing various GATT articles - such as Article XVI - as appropriate.

12. The Nordic countries were prepared to consider the best use of a quantitative measurement device (such as TDE) in the light of further study of the method. Their initial thought was that it was better to use it as a target and monitoring device and express commitments in policy terms. They did not intend that request-and-offer should be the only procedure for

negotiating on market access. On the contrary, long-term commitments, on import access as well as support, would be based on an overall PSE/TDE target. Requests for revision of implementation programmes would be a later, complementary element.

13. With regard to the choice of short-term measures, the Nordic spokesman replied that all participants would have the chance to react to each other's notifications. The key issue was that immediate measures should have measurable trade effects. He confirmed that production restraints were envisaged as part of the long-term package. While it would be impractical to bind these in the GATT, their trade effects could be bound, together with those of export and access measures. The Nordic representative agreed that efficient supply management should remove the need to subsidize exports, but the effectiveness of supply management should be judged in terms of its effect on exports. Lastly, to the question whether credits for unilateral actions would be matched by debits, the reply was that if a measurement device could be agreed along the lines suggested by the Nordics, it would automatically register credits and debits equally.

14. Speaking more generally, a number of countries noted the need to be specific with regard to the treatment of developing countries. In their view, the provision of special and differential treatment should not be considered as an exception to any negotiated new rules for agriculture, but should rather be an integral part of the negotiating process and the new framework. They recalled the importance of agriculture to many developing countries in terms of their exports, as well as the high dependence of some as net importers. One representative stressed that for many developing countries, agriculture was the only development solution. Increased investment and development in these countries would help to absorb surpluses of agricultural products and there was a need to develop approaches which linked agriculture and development in all the proposals submitted so far. Another delegate noted that shipping and freight structures often had direct implications for countries' decisions to export raw materials rather than processed products, and also expressed concern regarding the overlap between some of the issues addressed in this Negotiating Group and in the Negotiating Groups on Tropical Products and on Natural Resource-Based Products.

15. It was observed that subsequent to the last meeting of the Negotiating Group, a number of countries, primarily net food importers with similar concerns, had been meeting informally and actively discussing the presentation of a joint, or various individual, negotiating proposals. Efforts in this regard, however, had not yet been completed. Nonetheless various delegations made statements (including those contained in documents NG5/W/36 through W/38 inclusive) indicating that developing countries should be expected to make concessions only to the extent compatible with their domestic situations and that negotiated new rules for agriculture should reflect the interests of both exporters and importers, including those developing countries heavily dependent on food imports. Developing countries needed to be allowed to operate incentive programs to develop

their agriculture, to increase production to meet increased consumption, and to bridge their food shortage gap. Account also had to be taken of non-economic goals of agricultural policies, including food security, regional development, employment, and environmental concerns.

16. One delegate agreed that developing countries had the right to develop their agriculture and to address certain non-economic concerns, but expressed the hope that in so doing they might avoid some of the mistakes made by various other countries in terms of their agricultural policies. Another delegate observed that all countries were both importers and exporters at the same time, and that their development problems were not due to their position as a net importer or exporter but to much more complex factors linked with their financial situation.

17. Several delegations indicated that their countries were still examining the various proposals in light of their effects on their terms of trade. In this regard one delegate considered the Nordic proposal as very pragmatic, and further observed that many smaller countries might find the necessity to subsidize their exports greatly reduced if market access were improved. The representative of another country stated that her country believed that the Cairns Group proposal (NG5/W/21) was the most comprehensive and took account of the interests of all countries. Another delegate indicated his country's agreement with the need for some extraordinary short term measures which were not necessarily the first chapter of a sequential solution. Rather, the emergency action might encompass international market management whereas the long-term goal was to make agriculture more sensitive to market signals through the disciplined management of measures affecting trade. However, if a policy measure were an integral part of domestic agricultural policy, then neither its existence nor justification could be questioned, but the minimization of any trade-distorting effects of such measures should be negotiated. With regard to decoupled support, the representative noted its possible use as an interim measure, but expressed concern over its possible institutionalization. In respect of the Swiss communication (NG5/W/22), another delegate questioned how markets could be insulated from world influences without this having negative trade effects. Concern was also expressed regarding the different levels of commitment expected from exporters and from importers.

18. Various countries expressed their general concern that the PSE or TDE concept did not adequately take account of the non-economic objectives of agricultural policies, nor the differing situations of countries, including the development dimension. It failed to differentiate between those measures which did and did not have effects on trade, particularly internal measures of developing countries. It further failed to take proper account of production-restricting policies. The difficulties regarding its calculation arising from the use of artificial world prices and fluctuating exchange rates were also raised. The point was also made that the PSE was too static a concept to have relevance in a dynamic negotiation process.