

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

RESTRICTED

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Group of Negotiations on Goods (GATT)

Negotiating Group on Agriculture:

Technical Group on Aggregate Measurement  
of Support and Related Matters

SUMMARY OF THE MAIN POINTS RAISED AT THE SECOND MEETING OF THE  
TECHNICAL GROUP ON AGGREGATE MEASUREMENT OF SUPPORT  
AND RELATED MATTERS

(22 April 1988)

Note by the Secretariat

1. The Technical Group had before it the annotated agenda (NG5/TG/W/1), the Summary of Main Points raised at its previous meeting (NG5/TG/W/2), background notes NG5/TG/W/4-6, as well as those discussion papers, statements and secretariat notes discussed at its previous meeting.
2. In discussion of the background note regarding the options for the use of an aggregate measurement of support in the negotiations (NG5/TG/W/4), many representatives indicated the usefulness of such a resumé at this stage of the Group's discussions, though the political decisions were clearly for the Negotiating Group to address. A number of delegates observed that there had been no previous discussion of the option of using the PSE as an adjunct to strengthened rules (Option 4) and indicated that they could not express views on it before some further examination, but others pointed out that such an idea had previously been presented in the secretariat's note Spec(87)37. One delegate observed that such use of the PSE would require very comprehensive country, commodity and policy coverage as GATT rules applied to all contracting parties. Several representatives reiterated their disagreement with the expression of commitments in PSE terms (Option 1) because of the technical difficulties involved, and also, according to one delegate, because such a role favoured request/offers procedures of negotiation. A number of delegates indicated that they considered use of the PSE as a unit of measurement or as a monitoring device (Options 2 and 3) as the preferred alternatives, subject to continuing examination. It was also stated that the options were not exclusive of each other and that their combined use was possible. A few countries noted that their concerns regarding the applicability of the PSE to developing countries had not been resolved, and indicated that it would be useful to have before them those PSEs which had already been calculated for others. The question of calculation of PSEs for tropical products was also raised in the developing country context.

3. With regard to the measurement of domestic supply controls (NG5/TG/W/5) several representatives noted that the different ways in which the PSE could be expressed reacted differently to supply control, and that it was best accounted for in the aggregate PSE measurement. Differing views were expressed as to whether specific "credit" should, or could, be given in calculation of the PSE for supply control programmes. Those who favoured such an approach instanced, inter alia, the "free-rider" and stabilization benefits which accrued to other producers. Others thought that as effective supply controls could be expected to have a positive influence on world prices which would result in a decrease of the aggregate PSE of the country implementing them, additional credit would amount to double-counting. One noted that logic would suggest "debits" be considered too. It was also noted that continued import access restrictions would limit any trade benefit from supply controls; depending on what effects the supply control had on internal vs. external prices, demand could still be depressed. It was noted that the most recent OECD methodology excluded from the PSE calculation those costs incurred in long-run programmes of supply control which led to resource adjustment. Costs for short-term programmes were included, as the potential to produce remained. A few representatives noted that the Canadian paper (NG5/W/46) addressed this issue but indicated the difficulties they had encountered in applying the techniques therein proposed. Several delegates recalled that the PSE was being discussed as only one potential instrument of the negotiations, and that the question of supply control effects could perhaps be addressed through another tool.

4. One delegate noted the contradiction between supply controls and the desire to open domestic agriculture to international market signals. He further observed that domestic supply controls could lead to export as well as import quantity controls, and in the current situation where oversupply was in part due to reduced effective demand, the resulting price increases would be to the detriment of importers. Furthermore, several delegates expressed concerns over the effects of supply controls on substitutable products.

5. Several delegates observed the need for further analysis of whether and how import access improvements could be reflected in the PSE. It was recalled that the PSE did not measure trade effects, and that it was difficult to separate the PSE effect of access restrictions from the other elements in the aggregate measure. Thus, while an expansion of access should affect internal prices and hence the PSE, it could be possible on the other hand, for a country to reduce its PSE while maintaining import access barriers. Some delegates suggested that the examination of consumer subsidy equivalents (CSE) might provide further information on market access. One said the question was less to do with measurement than with how the PSE was applied - e.g., in conjunction with adjustments in specific policies within an overall reduction in support.

6. In the course of the Group's discussions on the submission of PSE data and estimates it was suggested that there were one or two aspects of the secretariat guidelines that might usefully be clarified. The period for

which data would be supplied would be 1984 through 1986. It was noted that, in line with paragraph 3 of the Note by the Chairman on the previous day's meeting of the Negotiating Group on Agriculture, the submission of such data and estimates would be on a best endeavours basis and without prejudice to whether, and if so how, an aggregate measurement of support might be used in the negotiations, and that technical assistance would be available on request to countries requiring it. A number of participants indicated that they intended to submit PSE data and estimates on this basis. It was also noted that, for general informational purposes, copies of a recent USDA publication containing PSE estimates for selected countries would be available through the secretariat to interested participants.

7. The secretariat was requested to prepare a brief summary of the main points raised at the meeting and to prepare two background notes on aggregate measurement of support, one in relation to the interests of developing countries and the other on import access. Subject to consultations, the next meeting of the Technical Group would be held in the second half of June 1988.