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AGGREGATE MEASUREMENT OF SUPPORT:

Statement by Jamaica at the Eighth Meeting of the  
Negotiating Group on Agriculture

My delegation has participated in the Technical Group. We appreciate the direction given by Mr. Lucq, we appreciate the report he has just given. We hope to appreciate the documents when we have the chance to read them, that is W/8 and W/9 as these have only just been out, and my delegation has not had a chance to read them nor to get comments from the capital. What I can say, however, Mr. Chairman, is that the difficulties of measurement, of policy coverage, of commodity coverage, of country coverage, equity of adjustment which is in the W/9 document continue to be issues which need to be discussed.

We believe however that there are some other fundamental issues which still have not yet been adequately dealt with in the Technical Group and I will address those briefly with the hope that if I am neither clear nor comprehensive we could come back to it tomorrow when we have had a chance to listen to others and to look at the documents. I want however to digress to quote the OECD Report on Monitoring and Outlook of Agricultural Policies, Markets and Trade because I believe once again that the developments there are very important to developments here. I had alluded in my comments at the outset that sometimes the approach seems closer to approximating an econometric modelling exercise rather than to the traditional GATT exchange of concessions and I believe the use of an aggregate measurement of support is closer to the econometric modelling exercise than to the exchange of concessions.

I would like to draw attention, Mr. Chairman, to the OECD Report in paragraph 7 where it says that "the longer-term prospects are difficult to forecast but overall in the short to medium term there appear to be few expanding markets for surplus commodities and the prospects facing the OECD area continue to point to a situation of structural over-supply and decline in real prices. This gives rise to even greater concern since the economic possibilities for the diversification of production are limited, consequently it means that overall resources in the sector must be reduced." That follows on the earlier sentence which draws attention to the rapid technological change and structural reorganization which will continue to contribute to the increases in yield and output and continue to put

downward pressure on commodity prices. We again point to this, Mr. Chairman, because we would like to repeat what we have said, that a number of the OECD proposals state explicitly and categorically that their intention is to increase prices for imports of agricultural temperate zone products. It would appear that the importing markets would be most developing countries, and that these increases would parallel the decrease in the cost to the budgets of these countries. If the PSE is used as the method for reducing the levels of support and it is to be a GATT exercise it has to be specific in terms of the product coverage and the country coverage.

Mr. Chairman, the OECD continues in its work on the PSEs and the document I am referring to - the OECD document - in paragraph 8 refers to three key results, first that the overall level of OECD assistance has increased, second that throughout the period considered market price support policies remain dominant in overall agricultural assistance, and third there has been an increase in the PSEs in some countries which previously had low levels of assistance. Then, Mr. Chairman, paragraph 9 - changes in PSEs, and I am quoting from the document, "reflect changes in domestic support prices, world prices and budgetary expenditure on agriculture. World prices when expressed in domestic currency also change due to exchange rate fluctuations".

Finally, quoting from the document, Mr. Chairman, paragraph 10 "the Council at Ministerial Level also requested the OECD Secretariat to monitor policy developments in the light of the principles". My understanding then is that there will be further work on the development of the use of the PSEs or aggregate measurement of support and in the policy coverage, because to the extent that there are certain principles which the OECD countries have apparently accepted, namely the so-called decoupling of income though not accepted in the GATT these will have implications for how these policies, flexibly applied by individual OECD countries can impact on the markets of individual developing countries.

I set that as the background, Mr. Chairman, always putting it in the context that the OECD countries are the movers and the shakers in the negotiations on agriculture but nevertheless the incremental real market demand will come from developing countries and consequently we need to be in these negotiations to ensure the balance of benefits that have been described in the Punta del Este Declaration.

I would now like to deal with just a few basic issues very briefly, Mr. Chairman. First of all the PSE as a negotiating technique. It has variably been described either as a technique to establish target levels of support, as a monitoring device, or as an evaluating device. Notwithstanding that, Mr. Chairman, there creeps into any discussion on aggregate measurements of support the notion of bindings of specific commitments, of policy changes arising from reductions in aggregate measurement. Unless there is specific and clear transparency of the product coverage, of the policy coverage it would be difficult to understand the nature of such a binding, and it would also be useful in the further discussions to discuss what could be understood to be a binding of

a policy which goes beyond trade policy. This is not a mere theoretical discussion, Mr. Chairman, because there are discussions regarding whether exchange of commitments or exchange of bindings will be limited only to countries that agree to use the PSE as a negotiating device and who undertake to reduce levels of support based on the aggregate measurement of support. If that is the accepted approach, we would have a repetition of the Tokyo Round arrangements of limited reciprocity or full reciprocity in the sense that it would be limited only to a group of countries that understand, calculate, use and have positive aggregate measurements of support. Thus concessions would not be applied to countries not party to those exchanges. I think that that is an extremely important concept for us to examine in the context of this Negotiating Group.

Secondly, Mr. Chairman, the technical work that has been done so far does not suggest that the very real problems of exchange rates have been adequately addressed in developing the econometric models of the aggregate measurements of support and there is even related to this the real problem of how to determine world market prices in terms of domestic currencies. It may be easier for the OECD countries to come to some assumptions or approximations but it would be extremely difficult if not impossible for any developing country or most developing countries to make assumptions about their exchange rates for a foreseeable period ahead. Equally we have not yet agreed upon the time frame which would constitute the base period.

A third point, Mr. Chairman, relates to the product coverage - in a number of the documents it has been suggested that it would be difficult to apply aggregate measurements of support to processed or semi-processed agricultural products. I am not yet myself convinced as I am not steeped in the intricacies of these studies. However, I am aware that the FAO has developed the product equivalents, for instance, 0.73 tons of wheat flour is given as the equivalent in grain of one ton. There may be some possibilities of overcoming the use of aggregate measurements of support for processed agricultural products, certainly temperate zone ones, if they were equivalent to the raw material.

The fourth point, Mr. Chairman, relates to the decoupled income and again if my memory is correct (it seems from a reading of the OECD Report) that further OECD study is required to understand the implications of adopting such a policy approach because of the implications for the agricultural sector and the economy at large. Mr. Chairman, these are some of the points which we have put forward not as a mere theoretical exercise but because of a genuine concern that since price is important in determining the balance between supply and demand in the markets, we will need to return to this in relation to certain key and indispensable imports of temperate zone commodities for our economy. We would like to be able to observe what impact the use of the aggregate measurement of support would have on this most important approach in international trade negotiations namely the terms of trade.