

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

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EUROPEAN COMMUNITIES PROPOSAL FOR MULTILATERAL  
TRADE NEGOTIATIONS ON AGRICULTURE

To achieve the objectives set out by the CONTRACTING PARTIES at Punta del Este, the negotiations on agriculture will have to tackle the root problem affecting world agricultural markets, i.e. the imbalance between supply and demand, while allowing the maintenance of agricultural activity adapted to a changing environment and taking account of the development needs of the various parties to the negotiations.

A substantial reduction of structural imbalances is fundamental to the more efficient functioning, in practice, of stronger rules and disciplines on market access and export competition. Such rules and disciplines must prevent the resurgence of these imbalances.

The reduction of the uncertainty, disequilibria and instability prevailing on world agricultural markets will entail the balanced implementation of concerted farm policy reforms including:

- better control of production by appropriate means including the phased reduction of support which directly or indirectly affects trade in agricultural products;
- an increase in the sensitivity of agriculture to market signals;
- a recourse to methods of income support for farmers making, as appropriate, greater use of direct aids not linked to output.

The return to a better balance between supply and demand for agricultural products, concerted along these lines and subject of reciprocal, equivalent undertakings, will reduce the strains on international markets, which in turn will function better and resume greater importance in guiding production decisions. This would render possible and actual a significant, balanced reduction in import barriers within a global context and the establishment of sound conditions for competition within the framework of GATT rules, which then would be reinforced and supplemented as need may be.

Naturally, this presupposes that the negotiations will be based on the legitimately acquired rights of contracting parties and aimed at concerted additional undertakings.

As regards supplementing the existing framework, the drafting of suitable rules to lessen the negative effects of animal and plant health regulations on trade in agricultural products should be put in hand immediately.

It is consequently proposed that the contracting parties negotiate in accordance with the approach outlined below.

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MULTILATERAL TRADE NEGOTIATIONS: BROAD OUTLINES OF  
NEGOTIATIONS ON AGRICULTURE

1. Scope

The negotiations will cover all agricultural products, raw and processed, giving priority to sectors in structural surplus and those where serious disruptions are foreseeable.

2. Method of negotiation

(1) In addition to exchanges of concessions (schedules of offers and requests will be lodged at a later stage of the negotiations), it is proposed that for the main agricultural commodity sectors a phased reduction be negotiated of the negative effects of support on international markets.

(2) The reduction would be in two stages:

- a first stage which would be based on existing policies and would include, in addition to efforts to ease the situation on worst-affected markets, a concerted reduction of support aimed at halting the rising trend in existing imbalances and thereby initiating the process of restoring healthy market conditions;
- a second stage which would be designed to create the conditions for a lasting reversal of the present trend towards structural disequilibria and permanent instability.

(3) Stage 1 would comprise two parallel and complementary types of short-term actions, one in the form of emergency measures to bring about an easing of the strain in certain markets, and the other in the form of other measures designed to bring about a concerted improvement in the balance between supply and demand.

(a) The emergency measures would consist of individual undertakings valid for a single marketing year, applicable from the next marketing year, but renewable by common agreement. The undertakings would relate to:

- price discipline for cereals and corresponding arrangements for cereal substitutes;
  - disciplines aimed at reducing the quantities of sugar put on the world market and at least maintaining present access to traditional import markets;
  - compliance by non-member contracting parties who are significant exporters of the products concerned with the disciplines of the International Dairy Arrangement.
- (b) The other measures would consist of undertakings concerning reduction of support resulting from internal or external measures, which the CONTRACTING PARTIES would undertake to maintain or adopt so as to prevent the exacerbation of existing imbalances. Such undertakings would have to be of equivalent scope.

Given the interest in using certain elements of work already done by international bodies and the fact that some contracting parties have already put in hand programmes designed to make an impact on production, an evaluation of support should be carried out beginning with the 1984/85 marketing year, which immediately preceded the commitment to hold multilateral trade negotiations. On that basis, action already taken unilaterally and measures resulting from subsequent concerted decisions which have a positive effect in bringing production under control would be taken into account. To ensure satisfactory progress in the negotiations, equitable burden-sharing and maximum impact, undertakings should be given in the following sectors, where the problems are particularly serious: cereals, rice, sugar, oilseeds, dairy products and beef/veal.

(4) The CONTRACTING PARTIES would undertake to carry out, in a second stage, a significant, concerted reduction in support coupled with a readjustment of their external protection in order to achieve a reduction of the distortions which are the source of, or contribute to the present world market disequilibria. Such two-fold action which would lead to an elimination of imbalances in internal production, would substantially reduce production incentives out of line with what the markets were able to absorb. It could be backed up by aid to farmers designed to offset the loss of earnings occasioned by the new arrangements; such aid would have to be framed and administered so as not to produce unwanted effects on output.

Under those conditions the stabilization of major world markets would then be possible and negotiations could take place with a view to later GATT bindings, taking into account world price and currency fluctuations, of the maximum levels of support, protection and export compensation where such measures were necessitated by the existence of a double-pricing system.

(5) Implementation of the plans set out above would allow the GATT rules and disciplines applicable to agricultural trade to become genuinely operational; however, they would need to be improved and supplemented to establish the progress made in negotiations on a lasting basis. More detailed rules should apply inter alia to:

- conditions for the application of subsidies, including those for agricultural products which are incorporated in processed products;
- treatment of measures to increase demand for agricultural products;
- conditions of access and competition resulting from the existence of State agencies and marketing boards;
- tighter surveillance of measures taken by the various parties pursuant to their undertakings.

6) In the field of animal and plant health regulations, it is proposed that an appropriate framework of rules be drafted comprising basic principles, criteria for harmonizing regulations at international level, and the necessary disciplines for dealing with production methods and processes.

### 3. Instruments

To enable GATT undertakings on support to become operational, agreement will be needed on how to measure the various forms of aid to agriculture by contracting parties. The measurement devised by the OECD for analytical purposes, the producer subsidy equivalent (PSE), could be taken as a basis for a unit of measurement, provided it was suitably adjusted for use as a negotiating instrument. The adjustments would involve essentially (a) taking account only of measures with a significant incidence on trade, (b) including a method of quantifying production restraints, and (c) considering how to accommodate problems related to world price and currency fluctuations.

### 4. Developing countries

Involvement by contracting parties in efforts to improve the conditions for international trade in agricultural products should match their level of development and development requirements. It will consequently be necessary to allow for special and differential treatment for the developing countries according to their needs.

### 5. Conduct and implementation of negotiations

Negotiations in Stage 1 and 2 are part of a single package which must be approved within an overall framework. Stage 1 should be relatively short, and the time-table for the implementation of Stage 2 should enable the changes negotiated to have an impact within a reasonable period.

It is on the basis of such an approach, which will be developed and expanded in the course of the negotiations, that the Community considers it possible to create the conditions conducive to a realistic liberalization of agricultural markets, providing a sounder framework for continuation of the agricultural activity necessary to economic stability, social cohesion and the environment.

Furthermore, the Community attaches importance to recall that the negotiations are a whole regarding the initiation of the negotiations as well as their conduct and the implementation of negotiation results. Agreement regarding the results of agricultural negotiations can therefore only occur if overall negotiations have also produced satisfactory results.