

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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Agriculture

1. The assessment of the state of international trade in agricultural products clearly shows that there is a need to remedy, within the framework of the Uruguay Round, the weaknesses of the multilateral system and the negative effects of the way that trade is currently operating. To attain that end will require the co-operation of all participants in the negotiations in order to devise and implement a system that is better adapted to current realities in that field. It is in this spirit that Switzerland is ready to take part in the search for a solution that is satisfactory for all participants and to make its contribution, in so far as its partners do the same.

2. Obviously, this search for a satisfactory solution is a complex matter. The diversity of the participants' agriculture and consequently the diversity of the agricultural policies each of them has established must be recognized. To define a single simple system that did not take these differences into account would be doomed to failure from the outset.

3. There is virtually no country that does not have some agricultural production. For every country is necessarily concerned to ensure all or some of its supply through domestic production, since a country that depends on the exterior for a substantial part of its food needs could become politically vulnerable. Furthermore, in every country agriculture has important functions with respect to demographic and ecological equilibrium.

Geographical and climatic conditions vary considerably from one country to another, and therefore so does agricultural productivity. Furthermore, specific historical developments in each country have created widely differing production structures. While these also have a by no means negligible influence on productivity, it is often impossible to alter them abruptly in the short-term.

4. For roughly half-a-century, agriculture has been transformed by technical progress. New, more productive and/or more rational production methods have been developed. In addition, methods of selection (breeds, varieties, species) have brought a considerable increase in yields. These innovations, which are known and accessible to all countries in the world,

have been used especially by those whose agriculture produces in good conditions, and whose yields have therefore been further improved. Hence, these innovations, while beneficial in themselves, have not narrowed the productivity gap between countries but on the contrary further accentuated the differences.

Technical progress has thus led to a sharp rise in agricultural production in many countries and to the accumulation of surpluses in some parts of the world while other regions continue to suffer from a food shortage.

5. The social progress achieved by economic development has long led countries to adopt measures of all kinds to limit the imbalance in standards of living between agriculture and industry. This action has often taken the form of producer price supports so as to improve agricultural incomes.

6. Finally, international trade in agricultural products, while relatively modest in overall terms in comparison with production, is a major factor for all countries, whether exporters or importers: for the former because their agricultural income and foreign-exchange earnings depend on it; and for the latter because imports are essential to ensure a steady and differentiated supply. National policies, initially designed essentially for their domestic effects, have repercussions at the international level through their trade facet.

7. Support for domestic agriculture thus tends to take precedence over traditional commercial concerns, and the seller's market has become a buyer's market. As a result, today naturally competitive products are caught up in an undercutting battle among surplus producers. What is worse, this battle may have negative effects on agriculture itself, in particular in developing countries.

8. In short, domestic agricultural support policies were originally designed in a context different from today's. Their application has not developed at the same pace as production and marketing methods. Today, the result of these policies and of technical progress in agriculture weighs heavily on international trade and tends to accentuate the restrictive nature of domestic policies. Thus, because of the manner in which it is utilized, a production potential that is more efficient than ever and that can meet the world's present and future food needs may become a burden affecting all countries in the world in one way or another. How is this vicious circle to be broken?

9. The multilateral system should be able to reconcile two objectives:

- to ensure that international agricultural markets function better;
- to ensure for each country the possibility of maintaining its agriculture within reasonable proportions, in keeping with the legitimate objectives of national policy.

10. The Negotiating Group could theoretically envisage one of the four following approaches:

- (1) A system that would eliminate all import controls and all subsidies affecting the international market
- (2) A system that would permit total regulation of agricultural markets
- (3) A system that would completely de-link the two spheres of domestic agricultural policy and international trade in agricultural products so as to eliminate the negative effects of the one upon the other.
- (4) A system that would combine the maintenance of national agricultural policies based on support for agriculture and the minimization of the effects of such policies on international trade in agricultural products, in order to achieve a better functioning of international agricultural markets.

It follows from the above that only the last two approaches could provide a solution that would meet the objectives of the Punta del Este Declaration while respecting national agricultural diversity.

11. From this viewpoint, the Swiss delegation suggests that the following elements be submitted for evaluation by the Negotiating Group:

(1) Emergency action

As a first stage, participants in the negotiations could undertake not to increase exports of subsidized agricultural products for which there is a surplus world supply. They would also undertake to make an effort to reduce output of such products and maintain access to their markets at current levels.

(2) Negotiations

In a second stage, the negotiations should address the rules by which to minimize the international effects of national agricultural policies.

These rules should above all ensure as far as possible that subsidized products of which there is a surplus world supply are not exported, while for the same products there is virtually no access to the exporter's domestic market. Furthermore, the export possibilities of export-oriented countries, including in particular developing countries, should be enhanced.

12. The Swiss delegation is continuing to work on spelling out approach No. 4 in paragraph 10, without excluding approach No. 3.