

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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Statement by European Communities

As you may recall, last July, in this very room, I told you, and indeed promised you, that the Community would table a comprehensive proposal on the agricultural aspect of the negotiations as rapidly as possible and in any event by the end of the year. We have kept our word, and today I am in a position to present the outlines of the Community's position on agriculture in the negotiations. In doing so I must make it quite clear that, as you know, this does not in any way prejudice our position, with which you are fully familiar and to which we adhere, on the global nature of the whole process launched in Punta del Este.

I think the fact that we are today in a position to table our proposal is important, for it shows first of all that we live up to our undertakings, and secondly that we are ready and able to play the essential rôle which is ours in these negotiations, and that that rôle will be played in an active, positive and efficient way. I believe that the document containing the outlines of our proposal is to be circulated now, and so you will be able to read it and reflect on it. I shall try very rapidly to introduce its contents, and then go on to make a number of comments I consider important.

First of all, what are the main features of our proposal? I should like first to deal with the substance of the proposal, and subsequently with the method we propose to adopt. As regard substance, our proposal is essentially based on four principles.

The first of them, and this can come as no surprise, is based on the fact that we started out from an analysis which I shall not go into now, as I did so in July. That analysis was carried out in the OECD, it was carried out in Venice, and it can be summarized in a word as being that the central problem with which we must deal is that of the imbalance between supply and demand. That is what must be resolved if these negotiations are to be successful.

Thus, the first principle on which we have based our proposal is to achieve control of production by a phased, significant, concerted and balanced reduction of support. Naturally, our proposal covers all agricultural products, that goes without saying; but I should like to add that it is directed first and foremost, as appears simply a matter of common sense, to the products for which the problems are greatest, in other words those for which there is a serious surplus. Of course, the measures

by which this reduction process is to be implemented will, in due course, have to be the subject of specific undertakings, but it is necessary that in future, and I repeat this because it is a fundamental point, agricultural activity must be more and more closely linked to the market.

To achieve this end, three things are required. These three things are contained in our proposal. First of all, it will be necessary to measure support accurately. The concept developed by the OECD, namely the PSE, could serve as a basis for this: I say could, subject to certain conditions which are set out in our document, but which essentially concern the fact that world market and exchange-rate variations must be better taken into account, and a means found of quantifying the effect of production limitation measures. Next, to reduce support, and this is a point which the Community considers essential, as you know, each party must remain free as regards means, provided of course that the objectives laid down are attained; but each party must remain free regarding means. There is no magic recipe: the means can vary according to the products, and as you know in the Community we have used, depending on the product, such means as action with regard to prices or to intervention régimes or measures of a more quantitative nature, and so this is an important point. We have to remain free as regards our means. Finally, thirdly, and we must have no illusions on this score, this will have repercussions on farmers' incomes. It will therefore be necessary at some point, and naturally only to the extent that it is required, to take steps to support farm incomes, provided of course this does not affect production; and here we will have a great deal of work to do, because the concept to which I already referred in July and which is present in the minds of many contracting parties, namely the principle of "decoupling", is interesting but remains ambiguous at the moment; it will have to be worked out more precisely, to make sure that what is thrown out of the window does not come back in through the door.

Our second principle is related to the fact that we consider that we must in future, in the agricultural system that results from these negotiations, retain a double-pricing system. I explained in July, and I think I was not the only one to do so, the reasons why we believe a system in which agricultural activity would be left entirely to the play of world market forces, without any kind of support or aid, does not seem viable. Therefore, we must keep a double-pricing mechanism; otherwise, if we went too far in the elimination of support and protection we would recreate situations of crisis and consequently recreate the conditions which, as history has shown, led to situations which gave rise to government intervention in the first place. This is an essential point for us, in that by trying to do too much there is a danger of doing nothing at all.

The third principle on which we have based our proposal is what I would call the re-balancing of protection. This is an important point, even an essential one for the Community, but in my opinion it does not arise solely for the Community but also for many other countries. It will be necessary, at some point, to correct the shortcomings of the present system, because the system leads to distortions both in conditions of

production and in conditions of consumption and thus in the functioning of international trade. In addition, and this is more something that concerns the Community, this lack of balance in protection has budgetary consequences which are more and more difficult to accept. It will therefore be necessary, and this will be one of the essential points of the negotiations, to correct these imbalances, and that correction will have to go hand in hand with the reduction of support.

Finally, and this is the fourth principle underlying our approach, it must be recognized that everything we do will have to take account of the situation for developing countries. Special treatment will have to be provided for those countries, and of course that treatment will have to be differentiated so as to be adapted to the many different cases presented by those various countries.

These are the four principles guiding our proposal, as it were.

I now come to a second point, concerning the method of negotiation. We propose two stages, and we do so not because we take any pleasure in complicating matters but because we consider that it is necessary to take things in the right order if these negotiations are to succeed.

The essential objective of the first stage, and this is very important, must be to restore a climate of confidence on world markets. To do so, we must do two things: first, avoid worsening the present imbalances, and to this end each of the parties represented here will have to take the necessary measures to control production. That is what the Community has already been doing for some years, and is doing this very moment, as you know; and it is what it will continue doing, but other parties must also work in the same direction and in a parallel manner, otherwise the effort we are making may well be in vain. Of course, this applies, as I have already said and I must repeat, essentially to the products which raise the greatest problems on world markets. I do not need to name them, for you know them perfectly well.

The second thing which must be done in this first stage, and must be done at once, is to take a number of emergency measures so as to restore some order in markets and ease the situation that seriously affects a number of countries. This is something we can, and I see no reason why we should not do it, and do it very rapidly. We are not proposing anything complicated, anything formal or legal, but simply taking some practical measures to improve the situation. For example, in the case of cereals, it would be perfectly feasible, and the situation of supply and demand in this crop year would allow it, to take a number of measures on prices, which would improve the situation. With regard to sugar, if all the parties principally concerned in the production and marketing of sugar were willing, and for our part we are, we could take measures to discipline the quantities placed on the international market and also measures to ensure that access to the main traditional import markets should be at least maintained, I repeat, at least maintained. Finally, with regard to milk, in this sector there are the disciplines of the International Dairy Arrangement. I think it is essential for all parties concerned in the

marketing of dairy products to respect these disciplines and participate in the Arrangement. There is no reason for some parties to respect the Arrangement while others stay out of it and derive a number of unjustified advantages from it.

I must stress the importance, in the view of the Community, of taking a rapid decision on the emergency measures I have just mentioned. We are here, and we must never lose sight of this point to which I shall return later, we are here to improve and restore healthy conditions on agricultural markets. We are not here to win victories for a number of abstract principles or ideologies. This must never be lost from view. Now, I know that some people think that it would be inopportune or even dangerous to take such measures because they would improve the situation, and if the situation were improved some parties would not be so tempted to pursue the substantive negotiating process. I wish to bring up this argument because I know that it is entertained, and I should like to say here that in my opinion it is worthless. It is not because we have some success that we will then give up the overall process in mid-stream. We are here at the negotiating table, not because we have been forced to it but because we wish to be here, and because it is in keeping with our interests. Consequently, there is no reason why this process should be interrupted because we have succeeded in putting a little order into world markets. This, then, is something I believe must be done.

With regard to the second stage, I shall not go into its contents here because it is largely covered by the principles I listed. It is in this stage that the basic reforms to which I referred earlier must be undertaken, but it is quite clear that the greater the success of the first stage, the easier it will be to go on to the second.

These are the outlines of our proposals. I should like now to make a number of comments, if you will spare me a few minutes more.

I think that some will consider that the Community's proposal I am placing before you today does not go far enough. They will think that it does not go far enough because we shun the idea that we could take as our objective the total elimination of all forms of support. It is to them that I should now like to reply, by explaining why I think the proposal of the Commission of the Community on the contrary constitutes a basis from which we may work. First of all, I think our approach is realistic. It is realistic because it sets a clear and precise objective, namely, to control production, establish balance in markets, and restore healthy world market conditions. That, and that alone, is what we have been asked to do. We were never asked to design an ideal abstract world to be imposed regardless of the different forms of agriculture. I think that this must never be lost from sight. Secondly, this proposal is realistic because, precisely, it takes account of the variety of agricultural conditions in the various contracting parties. I think this is a fundamental point. It is impossible to think up a single abstract model which would apply both to very extensive agriculture and agriculture of the kind we have in Europe. Thus, any approach must take this fact into account; it is an economic

fact, of course, but also a social and political one. And finally, I think that we must clearly understand that everything we are going to do in the course of these negotiations has a chance of success only if the results we reach are accepted in the agricultural world. I do not think that we can impose results which would be completely contrary to all the interests and all the aspirations of the agricultural world. We must impose reforms, and we are doing so; it is necessary that everyone should do so, and we will continue doing so. But to imagine that we can design an abstract world which we would then superimpose on agricultural reality would be a political error which I think we must avoid. Next, our approach is a concrete one, because we are proposing specific measures to which I have referred. Among other things, the interest of rapidly reaching agreement on emergency measures is that it will enable us to attain immediate results, and if we achieve immediate results we strengthen the process which is now being launched, we would give it strength and interest, and I repeat we will only succeed if we associate the agricultural world with us and if the latter understands that these negotiations are in its own interest. In addition, we are proposing a method of negotiation, and a precise instrument of negotiation. Finally, and I wish to say this, we are quite open-minded. The document we are now going to circulate is a framework that is quite general in character. It is general not because we have wished to remain vague; that is not at all the case: we have remained general because we wish to be flexible. We wish to leave room for the negotiations to be able to progress; all that we are asking is that everyone should display the same flexibility and not seek to impose approaches for which we do know in advance that they have no chance of rallying a consensus.

That is what I wished to say in introducing the outlines of this proposal. I think it is a serious and well-thought-out proposal. I think it required a great deal of courage from the member States which accepted it, for it is not easy in the present circumstances to go in the direction we are proposing. Having said this, we must not have any illusions, and we must not be expected to give up our principles, to deliver up our farmers without any kind of protection not so much to the laws, since there are none, but to the effects of the world market. You have here a solid basis on which we can work, and that is what I would wish us to do now.