

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

RESTRICTED

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Negotiating Group on Agriculture

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PROPOSAL OF THE NORDIC COUNTRIES  
(FINLAND, ICELAND, NORWAY, SWEDEN)

I. INTRODUCTION

The present negotiating proposal is based on the following three basic elements:

- immediate and long-term measures to reduce agricultural support most seriously distorting agricultural trade;
- increased market access through reduced import protection and strengthened GATT rules and disciplines;
- minimizing adverse trade effects of sanitary and phytosanitary regulations.

The proposal should be read in the light of the positions that the Nordic countries have taken in the course of the ongoing initial phase of the negotiating programme established for the Negotiating Group on Agriculture. The Nordic countries would particularly refer to the statement at the July meeting of the Group, which contained their summarized views regarding the identification of problems and their causes, as well as the basic principles to govern international trade in agriculture. (See document MTN.GNG/NG5/W/16)

The proposal is intended to cover in a relatively extensive manner the agricultural negotiating mandate contained in the Punta del Este Declaration. The proposal is structured basically according to the negotiating objectives, as they are spelled out in the Declaration: improving the competitive environment and market access, and minimizing the adverse trade effects that sanitary and phytosanitary regulations can have.

The Nordic countries view the present state of international agricultural markets with serious concern and are of the view that besides the negotiations on improved and more operationally effective GATT rules and disciplines there is also an urgent need to take immediate measures to prevent an increase in excess supply and to start correcting the existing market imbalances. It is also important to note that such measures will in practice not only improve the disciplines on subsidies but also contribute to improved market access.

Such measures should be related to these negotiations in an appropriate manner, and their trade effects could also be consolidated in the long term. The Nordic countries have thus made an effort to develop some ideas on how to establish links between the "immediate measures" - e.g. supply management programmes - and various types of trade policy instruments. Such commitments would also pave the way for long-term measures envisaged in the proposal. An effort would have to be made in order to bridge the gap between short-term measures and the more longstanding commitments envisaged in all the proposals presented so far.

## II. MEASURES TO CORRECT MARKET IMBALANCES AND TO IMPROVE THE COMPETITIVE ENVIRONMENT

Immediate measures to prevent an increase in excess supply and to correct market imbalances, should be taken as soon as possible, preferably by an agreed date, e.g. 31 December 1988. Such measures should be taken by all participants exporting, with the help of any direct or indirect government support, agricultural commodities being in excess supply internationally.

These measures could take the form of reductions of guaranteed prices and other types of production incentives, the imposition of quantitative production restrictions, or other means to be defined by the participants. The measures would be notified to the Negotiating Group, defining as exactly as possible their nature, objectives and duration as well as their expected effect in terms of reducing the subsidized exports of the participant concerned.

The resulting changes in subsidized exports would be registered by the secretariat, and the Negotiating Group would continue to monitor, to what extent the expected trade effects are realized.

The measures that should be taken to strengthen GATT rules and disciplines in the field of agricultural subsidies and to make them more operationally effective could imply, inter alia, the following kinds of undertakings:

- bindings of the trade effects of supply management programmes in the form of reduced volumes of subsidized exports, including the possibility of eliminating such exports in agreed individual products;
- bindings of reduced levels of direct or indirect subsidies affecting trade in individual products, including the possibility of their complete removal on agreed products;
- bindings of aggregate ceilings of direct or indirect subsidies either for the totality of a country's agricultural exports or for agreed sectors thereof.

An appropriate mechanism would also have to be developed for the possible revision of these undertakings.

In order to secure a reasonable balance between various national contributions to this process the Negotiating Group could agree on minimum targets - in relative terms - to be met by participants in their reduction of directly or indirectly subsidized exports or the respective subsidies. The target could also be expressed in terms of reduced aggregate support to agriculture, as outlined under "negotiating methods" in Chapter V below. This target could be degressive over an agreed period of time. The reference point for the relative comparison would be the average level of support and subsidized exports in the years 1982-1986. Appropriate account would be taken of actions made unilaterally throughout this reference period, as well as, for particular reasons, before the dates cited above.

Participants not subsidizing their exports or providing any production support should undertake not to introduce any production incentives that might lead to renewed imbalances in the markets of products being in excess supply. Comparable steps should be taken by countries not exporting the products in question, if their domestic production is largely based on governmental production incentives.

### III. MEASURES TO IMPROVE MARKET ACCESS

With a view to improving market access participants should take steps to reduce their level of import protection, regardless of whether the means of such protection are tariffs and/or import levies and/or quantitative restrictions. By focusing on the effects of measures maintained or actions taken by participants it would be possible to address appropriately the interlinkages that exist between the use or non-use of different forms of import protection measures. The pursuance of this objective would require a combination of various negotiating techniques: (1) negotiations based on the overall level of support or the effect of different support and protection measures (see Chapter V below), (2) traditional negotiations on market access, and (3) the elaboration of strengthened and more operationally effective GATT rules and disciplines.

In the field of tariffs and import levies the objective would be their reduction and expanded level of bindings. The overall requirement of reciprocity of tariff concessions would have to be taken duly into account. The establishment of tariff or levy quotas at reduced or zero rates could be a useful instrument. As to variable levies it might, furthermore be useful to establish agreed criteria for the application of variable levies, regarding, inter alia, their transparency, frequency of changes in their rates, and their non-discriminatory application.

In respect of quantitative restrictions the General Agreement contains provisions stipulating certain conditions that may permit the use of such restrictions on agricultural imports, cf. Article XI:2(c). These provisions will need to be further clarified in order to arrive at the

negotiating objective of strengthened and more operationally effective GATT rules and disciplines also in this field. These clarifications would, inter alia, relate to such aspects as production restraints and market access obligations.

#### IV. MINIMIZING THE ADVERSE TRADE EFFECTS THAT SANITARY AND PHYTOSANITARY REGULATIONS CAN HAVE

An agreed understanding regarding the application of sanitary and phytosanitary measures could consist of the following components:

1. Reaffirmation of the participants' commitment to apply all sanitary and phytosanitary measures on a non-discriminatory basis.
2. Their commitment to avoid using these measures as barriers to trade.
3. Recognition of the need to take steps in order to harmonize sanitary and phytosanitary regulations to the extent possible, without prejudice to the competence of the relevant international agreements and organizations in this field.

#### V. NEGOTIATING METHODS

The overall target of the negotiations could take the form of reduced overall level of agricultural support and protection affecting international trade. This would be expressed in terms of relative change compared with an agreed reference period, e.g. the average of the years 1982-86, i.e. the most recent five years preceding the launching of the Uruguay Round. For this purpose it would be necessary to develop, e.g. on the basis of the producer subsidy equivalent elaborated in the OECD, a quantitative measuring device, which would comprise factors having a significant effect on agricultural trade. In order to suit this function the PSE would have to be modified, inter alia, with respect to currency and price fluctuations and the reference prices used in its calculation. Production neutral support systems would not be counted. Furthermore, a method to translate production restraint measures and their effect into a modified PSE should be elaborated. This modified PSE could appropriately be called "trade distortion equivalent", as proposed by Canada.

The "trade distortion equivalent", TDE, could serve two purposes:

1. It would express the quantitative target, which participating countries would attempt to attain by reducing their support and protection measures. The choice of the measures to be affected would be subject to national decisions, but it would be understood that the primary attention should be given to measures most seriously distorting international agricultural trade.

2. The TDE would also be utilized in monitoring the observance of the commitments entered into, and expressed for each participant in the form of an implementation programme.

Due to the unavoidable deficiencies of any quantitative measurement device, the TDE targets are not foreseen as constituting legally binding obligations under the General Agreement. The legal GATT bindings of various components of such an implementation programme would have to be expressed in the form of precise quantitative or qualitative commitments relating to particular products, e.g. increased import quotas, tariff bindings, tariff- or levy-free quotas, reduced subsidized export volumes or reduced subsidies.