

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG5/W/70/Rev.1
13 July 1988

Special Distribution

Original: English

Group of Negotiations on Goods (GATT)
Negotiating Group on Agriculture

ILLUSTRATIVE ELEMENTS
OF COMMITMENTS TO REDUCE SUPPORT AS PART OF
FIRST STEPS TO LONG-TERM REFORM

Submission by Australia

Revision

This communication draws on background analyses prepared and considered in the Cairns Group.

Section IV of the Cairns Group proposal for the Mid-Term Review (MTN.GNG/NG5/W/69) sets out the first steps for long-term reform.

The second of two steps proposed is to reduce aggregate monetary levels of output-based support by 10 per cent in each of 1989 and 1990, to be formulated in terms of specific commitments.

In paragraph 20 of the Cairns Group proposal, those specific commitments which should be focused on are set out. The Group has given detailed consideration to how these commitments might be elaborated. It is clear that they will have to be developed in negotiations over the outcome on Agriculture at the Mid-Term Review.

To facilitate this process of negotiation, illustrative elements of the precise form of commitments are set out below:

- (i) total export subsidy payments for each commodity would be reduced by a minimum of 10 per cent in each of 1989 and 1990 in nominal domestic currency terms;
- (ii) where quantitative import restrictions of any kind apply, access levels should be increased by at least 10 per cent in each of 1989 and 1990. Such additional access opportunities would be established on a global basis. Accelerated liberalization would apply where negotiated either bilaterally or in the GATT context. Where existing policies and measures, whether made effective through quantitative restrictions of any kind, State trading, variable levies, or restrictions maintained under waivers and other derogations or exceptions, have had the effect of prohibiting or severely inhibiting imports, then there could be a provision for additional minimum access opportunities of say 3 per cent of internal consumption;

./.

- (iii) reductions in administered prices in nominal domestic currency terms in each of 1989 and 1990. The magnitude of the reductions should be related to the level of per unit output support (per unit output PSEs) for each commodity:
 - (a) with a minimum reduction of 3 per cent for all products with per unit output PSEs above a threshold level;
 - (b) no reduction would be required where per unit output PSEs are below 10 per cent;
- (iv) all committed supply and acreage control programmes would be required to be implemented. Existing programmes could not be relaxed from the levels pertaining at the time of the Mid-Term Review, at least until the end of 1990;
- (v) disciplines for stock disposal should ensure that stocks are not regenerated and that they be gradually reduced to acceptable commercial levels. Therefore, countries would limit the absolute reduction in stocks in each of 1989 and 1990 by an amount comprising:
 - (a) any reduction in national production when compared with a representative base period; and
 - (b) an established percentage (say 10 per cent) of the average export sales of the country in a representative base period.

If, however, world production is forecast to fall by 5 per cent or more in either year, the above discipline on stocks would be reviewed.

For countries with relatively high inflation rates, in determining the extent of minimum policy adjustments, suitable hard currencies should be chosen as a basis.