

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG5/W/83

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

A FRAMEWORK FOR AGRICULTURAL REFORM  
SUBMITTED BY THE UNITED STATES

I. Summary

1. The Mid-Term Review provides the opportunity for participants to agree on a framework for agricultural reform. The United States proposes that, at the Mid-Term Review, Ministers reach an Agreement on the objectives of agricultural reform and the process that would bring all measures directly or indirectly affecting agricultural trade under strengthened and more operationally effective GATT rules and disciplines. The Agreement would contain the following:

- a commitment to eliminate all measures that directly or indirectly affect trade and write new GATT rules and disciplines based on free trade principles;
- a commitment to undertake specific reforms that would bring all agricultural trade into compliance with these new GATT rules and disciplines within an agreed upon period of time;
- a commitment to develop schedules of specific policy adjustments necessary for the implementation of reforms.

2. Once Ministers have agreed to the reforms and the implementation of reforms as outlined in sections II and III of this framework, they would then agree to:

- freeze support, subsidies and protection during 1989 and 1990.

II. Reforms

3. This proposal is based on the United States' proposal (MTN.GNG/NG5/W/14) and subsequent elaborations submitted to the Negotiating Group on Agriculture which call for the full liberalization of agricultural trade.

4. At the Mid-Term Review, Ministers would agree, with respect to any agricultural commodity or product, food, beverage, forest product, fish or fish product, to undertake fundamental policy reforms, within an agreed upon period of time, that would bring all countries into compliance with the following free-trade principles:

- (a) Governments shall not institute or maintain any tariff or non-tariff measure which would lead to a level of imports lower

than the level which would occur in the absence of such measure. The objective is to eliminate all market access barriers and thereby provide treatment for imports no less favourable than the treatment accorded domestic commodities and products;

(b) Governments shall not provide any direct or indirect subsidy to production, processing, transportation, and/or marketing which would lead to a level of domestic production or exports higher than the level which would occur in the absence of such subsidy. The objective is to eliminate all direct and indirect subsidies that directly or indirectly affect trade; and

(c) Governments shall work together to harmonize health and sanitary measures. Health and sanitary measures necessary to protect human, animal and plant health shall be based on sound and verifiable scientific evidence.

5. In January 1989, the participants would begin to write new GATT rules and disciplines. As an integral part of this process, Ministers would agree, at the Mid-Term Review, to modify the General Agreement, with regard to agriculture, according to the free-trade principles outlined above, and specifically to:

(a) bring all policies, programmes and practices, including health and sanitary measures, which directly or indirectly affect agricultural trade, under new GATT rules and disciplines;

(b) integrate all trade in agricultural commodities and products into the generally applicable provisions and mechanisms for consultation, surveillance and dispute settlement within the GATT; and

(c) eliminate all country-specific exceptions to the General Agreement whether maintained under waivers, protocols of accession, or other derogations and exceptions.

### III. Implementation of reforms

6. At the Mid-Term Review, Ministers would commit to a process of fundamental reform that will bring all countries into compliance with these new GATT rules and disciplines. To this end, the Negotiating Group on Agriculture would agree on guidelines, in early 1989, to direct countries in the preparation of individual Country Plans which would identify specific adjustments in countries' agricultural policies. The guidelines would assure equity between Country Plans and among commodity sectors. These guidelines and, consequently, the individual Country Plans would be consistent with the provisions outlined below.

7. With regard to market access, Ministers would agree to:

(a) convert all non-tariff measures into fixed tariffs;

- (b) establish a schedule for the subsequent phased reduction and elimination of all tariffs; and
- (c) establish tariff ceilings and appropriate schedules for reductions by developing countries needing such exceptional treatment, consistent with the "Elaboration of the United States Agriculture Proposal with Respect to Developing Countries" (MTN.GNG/NG5/W/55).

8. With regard to agricultural subsidies, Ministers would agree to:

- (a) establish a schedule for the phased reduction and elimination of all direct and indirect subsidies that directly or indirectly affect trade; and
- (b) permit, for developing countries needing such exceptional treatment, the maintenance of non-commodity specific subsidies for the purpose of long-term agricultural development and establish appropriate schedules for reducing and eliminating all other subsidies, consistent with the "Elaboration of the United States Agriculture Proposal with Respect to Developing Countries" (MTN.GNG/NG5/W/55).

9. Country Plans would be submitted to the Negotiating Group on Agriculture by January 1990. The Group would review, reconcile and approve the Plans during the remainder of 1990. The Plans would become effective January 1991.

10. With regard to health and sanitary measures, Ministers would agree to:

- (a) work together to harmonize all national standards, directly or indirectly affecting trade, with appropriate international standards. Where suitable international standards do not exist, national standards should be based on verifiable scientific evidence and should recognize the principle of equivalency. The measures to be harmonized concern those which are prepared, adopted, and applied for health reasons alone; and
- (b) establish an effective, enforceable, multilateral GATT dispute settlement process, by January 1991, that relies on appropriate international scientific expertise. This process would use the Codex Alimentarius Commission for food safety, the International Office of Epizootics for animal health, and the International Plant Protection Convention for plant health issues (details of the proposed framework for health and sanitary measures elaborated by the United States are contained in MTN.GNG/NG5/W/76 and MTN.GNG/NG5/W/77).

#### Exempted measures

11. The United States' proposal and subsequent elaborations identify certain types of policies that are production and trade neutral or have such a small effect as to be inconsequential. These are:

- (a) direct income or other payments to farmers that are unrelated to production and marketing, including those that provide a safety net against natural disaster or other extraordinary circumstances; and
- (b) bona fide foreign and domestic food aid programmes.

12. Ministers would agree to hold technical meetings, beginning in January 1989, in order to identify the specific policies that would be permitted under the new GATT rules and disciplines.

#### Sanctions and safeguards

13. During the implementation of reforms, countries would be required to adhere to the specific policy adjustments outlined in their respective Country Plans. Ministers would agree to establish a surveillance mechanism to monitor and evaluate each country's adherence to their Country Plan. The Country Plans would have the status of binding GATT rules for the length of the implementation period. Failure to comply with the Country Plans would be a prima facie violation of this Agreement and would be subject to specific, transparent sanctions.

14. In order to institute emergency measures under circumstances deemed acceptable to all participants in the negotiations, a temporary safeguard régime would be established, for the length of the implementation period, to permit certain deviations (non-compliance with the Country Plans). This temporary safeguard régime would contain the following elements: transparency and notification, compensation and/or retaliation, consultation and dispute settlement, limited duration, degressivity and multilateral surveillance.

#### Credit/debit

15. In the development of Country Plans, countries would be given credit for measures adopted since the Punta del Este Ministerial Declaration which have contributed to the reduction in support, subsidies and protection, and have enhanced the objectives of the negotiations. Conversely, countries that have adopted measures which have worsened the situation since Punta del Este would be charged debits. The methodology for claiming credit or charging debits is to be negotiated.

#### IV. Freeze

16. Once Ministers have agreed to the reforms and the implementation of reforms as outlined in sections II and III of this framework, they would then agree to implement a freeze on support, subsidies and protection during 1989 and 1990. The terms and conditions of the freeze are to be negotiated.

17. Furthermore, Ministers would agree:

- (a) to establish a surveillance mechanism, in conjunction with the one established for the implementation period, to monitor and evaluate each country's adherence to the freeze;
- (b) to freeze existing measures without prejudice to challenges to measures that are allegedly GATT inconsistent; and
- (c) not to introduce or undertake any new measures nor any other measures that would circumvent the objectives of the freeze.