

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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STATEMENT BY THE DELEGATION OF SWITZERLAND AT THE MEETING
OF THE NEGOTIATING GROUP ON AGRICULTURE
OF 11 JULY 1989

I. Some basic considerations

1. Switzerland subscribes and intends to contribute to the achievement of the long-term negotiating objective for agriculture as defined in the April decision, namely: "to establish a fair and market-oriented agricultural trading system". The decision of April 1989 does not prescribe one but several methods for attaining that objective: "the negotiation of commitments on support and protection and the establishment of strengthened and more operationally effective GATT rules and disciplines".

2. There are many means for attaining the negotiating objective. What matters are not the means but the results. The feasibility of the means to be used to achieve the results varies according to each participant's political and economic realities. The negotiated solution must take into account the diversity of agricultural situations and policies of the participants in the negotiation.

3. GATT's primary rôle in these negotiations is to establish rules for agricultural trade and to assure that they are complied with and that they are observed. It is then up to each contracting party to determine the appropriate means to abide by its international obligations. That is what we understand by the rules method mentioned above.

4. The progressive reduction of support and protection by the means of an aggregate measure is another method by which the negotiating objective may be attained. However, in many countries, the possibilities of reducing agricultural support are limited by the non-commercial objectives of domestic agricultural policies. These non-commercial objectives and the degree of priority attached to them vary from country to country. For Switzerland, food security, environmental conservation, territorial settlement and social aspects play an important part in agricultural policy. Thus the ability to agree to a reduction in support depends, to a large extent, on the significance of a country's non-commercial objectives and its economic and political possibilities of reaching them by means that do not distort trade.

5. The approach consisting in an across-the-board reduction in agricultural support using an aggregate measurement of support, if feasible, would certainly contribute to achieving the objectives. However, other countries, like Switzerland, consider that the across-the-board approach is difficult to implement. Switzerland also considers that substantial work still has to be accomplished on the aggregate measurement of support before it can be used in the negotiating process.

6. The purpose of this statement is to propose an approach based on strengthened rules which should enable countries that have difficulties implementing an across-the-board reduction in support to achieve the negotiating objectives by other means. Switzerland reserves the right to develop the following ideas in an official submission.

II. Essential elements of a complementary approach

This complementary approach would be based on the fact that the attainment of the non-commercial objectives of agricultural policies implies the maintenance of a minimum level of agricultural production. Some degree of support and protection for agriculture is required to ensure that minimum. It is, however, necessary to subject this support and protection to disciplines so as to minimize the adverse affects on agricultural trade. Switzerland considers that the concept of a minimum level of access or maximum level of self-sufficiency should be the essential element for determining the disciplines to which countries whose agricultural policy is based on non-commercial concerns would be submitted. This approach would emphasize the equivalence of effects rather than the equivalence of means. Thus, participants may choose between two or even more methods to arrive at the agreed objectives.

Such an approach would include the following elements:

General rules

1. The contracting parties would recognize each country's right to maintain a minimum level of agriculture recognized as essential for non-commercial reasons and in particular for food security. This minimum agriculture could be expressed as a minimum level of market access possibilities.

2. Countries which formally commit themselves to limit their agricultural production to a minimum necessary to attain non-commercial objectives would enjoy some leeway in the choice of instruments they use to ensure that minimum production. This within a framework of strengthened GATT rules which would ensure:

- (i) that they themselves bear the bulk of the cost of their agricultural policy;
- (ii) that their system of support for domestic production does not freeze the composition of that production and takes into account the internal comparative advantages of the various products and producers.

3. Countries unable or unwilling to commit themselves to guarantee the possibility of a minimum market access by limiting their agricultural production to an agreed upon minimum would contribute to restoring market conditions for agricultural products by some other approach in accordance with the Geneva decision.

4. All participants would commit themselves to reduce progressively any export subsidy having the effect of reducing export prices below the price normally prevailing on the market of the importing country.

5. The possibility of a minimum market access¹ could be calculated either in terms of calories or on the basis of the value of agricultural imports compared with the value of domestic agricultural consumption, provided the adjustment of domestic production to changes in relative prices of the various agricultural products is ensured.

6. A transitional period would be established for countries which choose to guarantee a minimum market access rate but whose present access rate is below that minimum. This transitional period would not exceed fifteen years and would contain interim targets that would have to be met.

7. Non-compliance with the guaranteed minimum access possibilities or with the interim targets would lead to sanctions. However, each country would have the possibility of withdrawing any excess production from the market. Countries doing so would have to deliver that production free of charge to an international agency. That agency would sell the products at market prices and use the proceeds for the development of the agricultural infrastructure of developing countries.

8. The reform programme would be subject to multilateral surveillance and other necessary procedures to ensure full compliance with the commitments entered into in the negotiations.

Application of the general rules to developing countries

The general rules would be applicable to all contracting parties regardless of their level of development. However, their application would take into account the specific interests of developing countries:

- (i) developing countries that are net exporters of agricultural products would be subject to the same rules and disciplines as net exporting developed countries. They would be among the main beneficiaries of a strengthened multilateral system;

¹The minimum market access rate should be expressed as a three-year average to take account of seasonal variations in agricultural production.

- (ii) developing countries that are net importers of agricultural products would benefit from the rules applicable to countries guaranteeing the possibility of a minimum market access. That minimum would be determined taking into account the development needs and a given country's financial inability to ensure its food security through imports. For the least developed countries, this market access rate may be set at zero per cent.

III. Consequences of this proposal

This approach would have the following consequences:

- it would improve access for competitive producers to the markets of uncompetitive countries while ensuring that the latter retain a minimum level of agricultural production considered essential to attain the non-commercial objectives of agricultural policies;
- it would ensure that national policies take better account of market signals;
- it would mean that the bulk of the cost of a country's agricultural policy would be borne by that country;
- it would ensure better transparency of the costs of agricultural policy and thus contribute to the rationalization of these policies;
- it would recognize the difference in agricultures while requiring all parties to make a real contribution;
- it would respect the national sovereignty by allowing each country to choose the solution best suited to its own situation, while providing the necessary transparency.

IV. Implications of this approach for the GATT rules

Such an approach would have to be translated into the GATT rules through:

1. Incorporation in the General Agreement of the following general principles:

- recognition of the right of every country to maintain a minimum level of agriculture to attain the non-commercial objectives of its domestic agricultural policy;
- the principle that the cost of maintaining an uncompetitive minimum agriculture should be borne primarily by the country concerned;
- the definition of a discipline for border measures;
- the principle that domestic prices for agricultural products must take account of market signals;

- recognition of the legitimacy of the objective of price stability both for consumers and for producers by establishing reference prices in local currency every five years.

2. The strengthening of the rules on subsidies

In accordance with the negotiating framework adopted in the Negotiating Group on Subsidies the following disciplines will have to be set up:

Prohibited subsidies

- All export subsidies having the effect of lowering the price of the subsidized product below the price normally prevailing on the market of the importing country.
- Domestic subsidies meeting certain criteria to be defined in strengthened GATT disciplines.

Actionable subsidies

These are subsidies that may lead to countervailing measures if their trade distorting effect has been established by GATT procedures:

- all export subsidies not falling in the category of prohibited subsidies;
- domestic subsidies of countries agreeing to limit agricultural production to a minimum essential for the achievement of the non-commercial objectives of domestic agricultural policies and which are not recognized as being permitted under specific disciplines to be defined;
- domestic subsidies of countries not wishing to limit their agricultural production to a minimum, provided they are not prohibited or permitted under strengthened disciplines to be defined.

Permitted subsidies

- Subsidies such as those paid for the purpose of food aid and direct payments.
- Domestic subsidies of countries agreeing to limit agricultural production to a minimum essential for the achievement of the non-commercial objectives of domestic agricultural policies and which are recognized as being permitted under specific disciplines to be defined.