

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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URUGUAY ROUND - NEGOTIATING GROUP ON AGRICULTURE

Communication from Switzerland

I. Context and purpose of this submission

1. Switzerland 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 contracting parties defined several methods for attaining that goal: the negotiation of commitments on support and protection and the establishment of strengthened and more operationally effective GATT rules and disciplines.

2. The Geneva decision likewise lays down the principle that in the negotiations account shall be taken of the non-commercial concerns of participants, and proposes the definition of "rules equally applicable" to all. These should enable countries currently maintaining measures by virtue of contractual and inalienable waivers to submit their agriculture to GATT disciplines that are applicable by and for all.

3. Switzerland considers that these rules should take account of the fundamental objectives and diversity of national agricultural sectors. They should ensure that each contracting party contributes fairly and verifiably to the attainment of the agreed objective, while taking account of contributions already made. To that end, each participant should have some flexibility in the choice of the means to be used, and be able to employ the reform instruments it considers economically most effective and politically most feasible. The aim is therefore to seek equivalence of effects rather than equivalence of means to improve world agricultural markets.

4. Along these lines, Switzerland proposes rules and disciplines which take account of the diversity of the objectives of national agricultural policies, and which recognize that:

- some countries pursue or wish to pursue an agricultural policy that has essentially commercial objectives and thus wish to benefit as far as possible from their comparative advantage on world agricultural markets;
- other countries pursue or wish to pursue an agricultural policy that includes non-commercial objectives and are prepared to limit this sector to what is required to achieve such objectives and thus to guarantee a minimum market access.

5. This differentiated approach seeks to reconcile the objective of rules that are equally applicable to all and the recognition of the non-commercial objectives of national agricultural policies. Amidst the diversity of national policies, the unity of the system of rules is ensured because:

- the two categories of countries will be constrained by and subjected to rules and disciplines which will have an effect that is judged to be equivalent as regards the negotiating objectives;
- each country will have the choice of adopting either of the two proposed strategies. The same options are thus open to every country, regardless of its present situation, provided it is prepared to fulfil the obligations stemming from its choice.

6. The purpose of this submission is to propose rules and disciplines for the countries which pursue an agricultural policy having essentially non-commercial objectives and hence to contribute to the improvement of world markets.

The discipline to be imposed on countries pursuing an essentially non-commercial agricultural policy must have equivalent effects with regard to the objectives defined last April. Switzerland reserves the right to submit proposals in this connection at a later stage.

II. The concept of the right to agriculture and to minimum market access

The non-commercial objectives of national agricultural policies vary from country to country. Their definition must remain a matter of national sovereignty. Owing to their diversity, it would be difficult to define these objectives multilaterally.

Switzerland therefore bases its approach on the concept of the fundamental right to an agriculture that is in keeping with national particularities and necessary to attain the non-commercial objectives of the various agricultural policies. Translated into terms of guaranteed market access, this concept is a quantitative one and thus open to surveillance.

The right to agriculture and to minimum market access may be expressed in a number of ways:

- by restricting protection to a number of basic commodities and liberalizing the remainder of trade in agricultural products. This approach is worth going into in greater detail;
- by fixing an overall maximum rate of self-sufficiency in terms of calories. Besides quantification difficulties, this method has the disadvantage of basing national agricultural policies solely on the nutritional value of agricultural products;
- by defining an overall minimum market access. This method, based on the share of agricultural imports in domestic consumption of foodstuffs, makes it possible to adjust domestic production to

changes in the relative prices of the various agricultural products. The idea of overall minimum market access has the advantage (i) of being relatively easy to measure; (ii) of taking account of the relative comparative advantages of the various domestic products; (iii) and thus of enabling domestic production to be more responsive to market signals.

III. Description of the proposed approach

1. General Principles

1. The participants recognize each country's right to maintain an agriculture that is considered essential for non-commercial reasons and in particular for food security. This agriculture should be expressed as a rate of minimum market access.

2. Countries which formally undertake to grant an overall minimum access to their agricultural market will benefit, in return, from greater flexibility in the choice of support and protection instruments, within the framework of strengthened GATT rules which would ensure:

- (i) that they bear the bulk of the cost of their agricultural policy and do not pass it on to their trading partners;
- (ii) that their system of support for domestic production does not freeze the composition of agricultural output and takes into account the internal comparative advantages of the various products;
- (iii) and that their agricultural policies thus also take account of market signals.

2. Definition of overall minimum market access

1. Overall minimum market access¹ could be defined as a percentage ratio between agricultural imports and domestic consumption of foodstuffs.

2. The overall minimum market access should be negotiated at a level enabling each country to attain the non-commercial objectives of its agricultural policy.

3. A sufficient transitional period should be fixed for countries which choose to guarantee an overall minimum market access, but whose current level of access is below that minimum.

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

3. Support for agriculture

1. Countries which choose to guarantee minimum market access also agree to submit to strengthened discipline as regards domestic support for agriculture. This discipline remains to be defined. It could, for example, take the form of a commitment to transform a part of price support into direct payments and pursue further structural adjustment.

2. Switzerland considers that direct payments are one of the effective means that should be implemented to attain the non-commercial objectives of agricultural policies. Direct payments have different objectives to fulfil and should be designed accordingly. They are a means of remunerating a service of public interest (food security, ecological production, maintenance of the countryside, decentralized territorial settlement). Direct payments should therefore be linked to the provision of such services; this means that they should be granted so as to encourage specific methods and take account of particular production conditions. Recourse to such means should not lead to higher production than that which would exist in the absence of direct payments nor hinder the structural adjustment of agriculture.

3. Agricultural subsidies will be subject to enhanced discipline based on the negotiating framework adopted by ministers at Montreal and spelled out in the Swiss proposal in the Negotiating Group on Subsidies (document MTN.GNG/NG10/W/26) (see IV, 3).

4. Surveillance and sanctions

1. Non-compliance with the undertakings relating to minimum access or the interim targets would lead to sanctions. To avoid these, every 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 production infrastructure of developing countries, in particular net food-importing ones.

2. The reform programme would be subject to multilateral surveillance to ensure full compliance with the undertakings entered into in the negotiations.

IV. Improvement of the GATT rules

To take account of the non-commercial factors of agricultural policies, only articles XI (quantitative restrictions) and XVI (subsidies) would need to be amended. Articles XIX (safeguards), as amended in the course of the Uruguay Round, XX (general exceptions, including environmental concerns) and XXI (national security) do not need to be amended in this context, but rather to be better taken into consideration.

1. Disciplines relating to market access

Article XI:2 (a) concerning export prohibitions to prevent critical shortages should be revised so as to take better account of the needs of importing countries, in particular developing countries.

Article XI:2 (c) (i) should be revised so as to subject the quantitative restrictions thus adopted to compliance with undertakings relating to overall minimum access. Furthermore, the domestic supply limitation measures should actually maintain domestic production below the level it would otherwise have reached in the absence of restrictions.

Article XI:2(c)(ii) should be strengthened. The contracting party invoking the exception on the grounds of a temporary surplus should notify its intention of resorting to restrictions and consult the contracting parties concerning the measures it plans to take to avoid any recurrence of the situation.

State-trading enterprises and other similar enterprises should be explicitly subjected to the provisions of Article XI, thus ensuring that governments do not avoid their obligations through the activities of such enterprises. Within the Negotiating Group on GATT Articles, Switzerland will also work for an improvement of the disciplines of Article XVII, in particular through a better definition of State enterprises.

2. Disciplines concerning agricultural support

Switzerland reserves the right to make specific proposals on this subject in accordance with the principles described above.

3. Disciplines concerning subsidies

Switzerland proposes that agricultural subsidies should be divided into three categories:

Prohibited subsidies

Recourse to subsidies falling in this category constitutes a breach of the undertakings stemming from the General Agreement. This category should include:

1. export subsidies having the effect of lowering the price of the subsidized product below the price normally prevailing for like products on the market of the importing country;
2. export subsidies for processed agricultural products of which the incidence is greater than the difference between the domestic market price and the world market prices for the agricultural products incorporated in the processed product.

A contracting party injured by the use of such a subsidy is entitled to request a multilateral determination as to whether the subsidy belongs to the category of prohibited subsidy or not. If it is decided that it does, the infringing country should eliminate the subsidy or bring it into line with the GATT rules. If such elimination or modification does not take place within a reasonable period, the injured party should be authorized to take effective countermeasures.

Actionable subsidies

For such subsidies to give to rise to countervailing measures, the injury they cause or threaten to cause to the industry of the injured country should be established by the authority responsible for an investigation on the basis of a procedure laid down in the GATT instruments. This refers to all subsidies granted to agriculture that are not explicitly classified in either of the two other categories of subsidies.

Permitted subsidies

These subsidies are not actionable. This category contains only domestic subsidies to which it is necessary to resort in order to attain the non-commercial objectives of agricultural policies. It would comprise the following measures:

- domestic subsidies that are not specific to an agricultural enterprise or branch of production and thus do not give them an advantage, e.g. general public services (research, infrastructure, advisory services);
- domestic subsidies granted by countries agreeing to guarantee minimum market access, provided the products thus subsidized are not exported and the market access undertakings are duly fulfilled;
- direct payments and food aid contributions.

For such measures to be authorized under GATT, they must be notified to it. If one or more contracting parties so request, the country applying such a subsidy should furnish evidence that it complies with the above-mentioned criteria.

V. 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 developed countries. They would be among the main beneficiaries of a strengthened multilateral system;
- (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 to be defined. That minimum would be determined taking into account development needs and a given country's limited financial ability to ensure its food security through imports. For the least-developed countries, this market access rate might be set at 0 per cent.

VI. Notification and surveillance procedures

Each contracting party would report periodically to the CONTRACTING PARTIES on: (i) developments in its agricultural policy as regards market access and agricultural support; (ii) measures taken to fulfil the specific commitments made in these negotiations; and (iii) measures planned to attain the mutually agreed objectives.

Contracting parties would undertake to notify any new measure or any modification of an existing measure having the effect of restricting market access or increasing the level of support. At the request of the contracting parties, the latter would hold consultations with such a contracting party concerning such measures.

Every three years the contracting parties would conduct an in-depth review of the implementation of the provisions of this agreement.