

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

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

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NEGOTIATING GROUP ON AGRICULTURE

Submission by Austria

I) GATT background

Contracting Parties participating in the opening conference of the Uruguay Round in Punta del Este in September 1986, among them Austria, agreed in the Ministerial Declaration that there is an urgent need to bring about a higher degree of discipline and predictability in agricultural trade. Trade barriers and distortions, resulting i.a. from structural surplus production, should be corrected and avoided in the future.

To this end new and strengthened GATT rules and disciplines, as preconditions for a flexible and progressive transformation of all measures, have to be sought, thereby taking into account the special situation of agriculture. The objective would not only be the increased exchange of primary and processed agricultural goods, but also the ascertainment of a uniform application of GATT rights and obligations. Results of the Uruguay Round should contribute to a more equitable and fair world trading system of benefit to all.

Negotiations should in particular refer to:

- improved market access via i.a. a reduction of import barriers;
- improving export competition via new and adjusted disciplines concerning direct and indirect export subsidies;
- a minimising of the negative effects of unjustified sanitary and phytosanitary measures on trade in agriculture.

Only the Mid-Term Review of the Trade Negotiations Committee in April 1989 (MTN.TNC/11) succeeded in establishing a work programme for negotiations on agriculture:

Contracting Parties agreed that the long-term objective of the agricultural negotiations is to provide for "substantial progressive reductions in agricultural support and protection sustained over an agreed period of time, resulting in correcting and preventing restrictions and distortions in world agricultural markets." The implication being that the total elimination of the aforementioned measures is not subject of negotiations.

This objective should be achieved in concrete terms in the course of negotiations whereby specific policies and measures would be evaluated by using i.a. an Aggregate Measurement of Support that would determine the volume of support and protection to agriculture.

II) The Austrian Setting

Austria adheres to the objectives of the current multilateral trade negotiations included in the Ministerial Declarations of Punta del Este and Montreal, that were further endorsed by the Mid-Term Meeting in April 1989.

At the same time national policies aiming at securing food supply will have to be maintained. This is to be achieved in Austria on the basis of an agricultural system that builds solidly on private family farming evolved over centuries. This system reflects the views of a large majority of the Austrian society.

These two objectives have to be in coherence, if the results of the multilateral trade negotiations on agriculture within GATT are to be accepted by Austria.

Similar to other countries, the main task of Austria's agriculture is to produce in an economic process primary goods taking into account i.a. the absorptive capacities of markets and quality aspects. As a result of this process a major share of farm income is generated. Farmers in Austria who live and produce under disfavoured conditions, particularly in alpine regions, and who contribute significantly to the maintenance of a functioning rural area have to be accorded special consideration.

Whereas the main orientation of Austria's agriculture is based on production, processing and marketing under economically and commercially viable conditions, those scopes have become more numerable and perceptible in recent years, which cannot be seen solely under a commercial set of objectives.

These non-agricultural performances, i.e. non-trade concerns, contain social, regional and environmental aspects that the Austrian society cannot renounce of. Austria departs from the firm belief that these extra-agricultural performances and functions cannot be achieved in separation from its prime function of production.

While acknowledging fully the main goals of the MTNs in the area of agriculture and the dominating topics of negotiations such as market access and export competition, Austria underlines the importance of non-economic services rendered by farmers to the entire society.

These perceptions finally have been included as a specific negotiating element, "Non-Trade Concerns", in the work programme of the Mid-Term-Review decision of April 1989 together with other topics on the negotiating list. For these issues Austria reserves its sovereign rights of decision taking also in the future.

III: Submission to the current status of negotiations

1. Market access

As to market access, a central topic within the negotiating group on agriculture, the following elements should be taken into account:

- a) Changes with regard to rules on market access that are to be foreseen as a result of the Uruguay Round, will have to be implemented within a time-period to be negotiated. That time period should enable domestic adjustments in an orderly manner.

b) Due to the existing dual-price system it will be necessary to maintain the system of variable levies.

c) In the case of unpredictable, considerable surges of imports, Contracting Parties should be granted the possibility to implement safeguard measures, including quantitative import restrictions.

d) A total elimination of Article XI:2 does not appear possible.

However, appropriate modifications of Article XI will be necessary, i.a. in cases, where production control measures are being applied.

2. Export competition

As to export competition, it is likewise valid, that a substantial and progressive reduction of export subsidies to a certain level and over a time period, both still to be negotiated, is to be achieved. In this connection it should be indicated that the volume of support does not solely depend on internal price developments but also on international market conditions aggravated occasionally by considerable currency fluctuations.

A reduction of export subsidies will have to be implemented in a way that would allow domestic adjustments in an orderly manner.

Strengthened GATT rules according to GATT Article XVI will have to be applied by all Contracting Parties in the same way.

3. Internal Support

A classification of internal support measures will be necessary in order to determine, whether they would be subject to reductions or not.

Proposals so far presented indicate the use of a variety of domestic support measures. They differ widely and should consequently be qualified as to the effects they exert.

Supply control measures do provingly have a strong influence on the supply/demand ratio and on world market prices of a given commodity. Domestic support measures that are implemented in connection with such supply control programmes should be permitted also in the future.

Furthermore, measures such as those aiming at the improvement of infrastructure, the promotion of structural adjustments and social measures should not become subject of future commitments under GATT.

4. Developing Countries

Due account should be taken of the consequences of the results of the Uruguay Round, e.g. reduced export subsidies, on net food importers among developing countries. Consequently, measures which aim at an increase of the degree of self-sufficiency of developing countries concerned, should be intensified. The respective multilateral and bilateral fora of cooperation outside of GATT should increase their efforts in particular through an intensified technical assistance as well as by strengthening respective activities of international financial institutions.

As a clear expression of will, addressed to all Contracting Parties and international organizations, respective recommendations should be firmly embodied in the final document of the Uruguay Round.

The particular needs of other developing countries, and in particular least developed countries, should be taken fully into account within the future results of the Uruguay Round. Domestic support measures, especially those aiming at developmental objectives and targets should be viewed differently compared with those in industrialized countries.

Recognition of the particular conditions of developing countries could also be reflected in the use of an Aggregate Measurement of Support. However, reduced export subsidies and improved market access as a result of the Uruguay Round are expected to improve the overall competitiveness, particularly of exporters of agricultural goods among the developing countries.

5. Sanitary and Phytosanitary Measures

Sanitary and phytosanitary measures in principle serve the health of the population, animals and plants. This objective ranks higher than efforts to merely liberalize trade.

Austria deems it necessary that those sanitary and phytosanitary measures are to be eliminated as soon as possible, which do not serve their genuine purpose.

Justified sanitary and phytosanitary measures may vary between countries or regions due to specific requirements, climatic conditions, and the previous occurrence of diseases. Agreements in this field must duly take account of them.

On the basis of sound technical evidence, each Contracting Party should be free to take measures protecting its population, animals and plants.

The capacity existing within

- the "International Office of Epizootics"
- the "International Plant Protection Convention" and
- the "Codex Alimentarius Commission"

should be strengthened and broadened in a manner to enable these organizations to evaluate and appraise specific measures. These international institutions should be equipped with a technical dispute settlement competence within their scope of activities.

Each Contracting Party to the GATT and each member of the aforementioned organizations should be permitted to take recourse to these institutions when judgement and/or dispute settlement is required.

These international organizations would have to come forward with conclusive judgements and/or recommendations as to the implementation of their results. If the Contracting Party concerned has not taken appropriate measures in time, a trade related dispute settlement procedure can be initiated within GATT.

When judging certain measures, including analytical methods, Contracting Parties should apply the principle of equivalency.

In the light of the aforementioned considerations modifications of Art. XX:b or possibly a specific code of conduct might be envisaged.

6. Non-Trade Concerns

It should remain within each Contracting Party's sovereign rights to take measures in order to pursue via agriculture overall socio-political objectives. Agriculture represents after all an integral factor of stability, particularly in peripheral areas.

Those measures should remain outside of new and strengthened GATT rules and disciplines, that do not aim at market access or export competition and include among others:

- a) direct and production-neutral income transfer-payments;
- b) social measures;
- c) measures related to regional development needs;
- d) measures implemented by farmers in order to preserve and protect environment;
- e) measures affecting infrastructure;
- f) disaster relief;
- g) food aid;
- h) food reserves for emergencies;
- i) measures to reduce the intensity of agricultural production, e.g. in the form of land-use diversion, set-aside programmes, afforestation and land conservation.

7. Aggregate Measurement of Support

The Aggregate Measurement of Support (AMS) comprises all elements, which affect market access, export competition and domestic support.

It must be assumed that the results of the Uruguay Round will be implemented by all Contracting Parties simultaneously and in the same manner. Exemptions should be granted only to developing countries and in particular to the least developed among them.

The substantial and progressive reduction of support and protection must be based on specific obligations related to areas to be negotiated. It will therefore be necessary to monitor the compliance of obligations resulting from the Uruguay-Round. Already the Ministerial Conference of Montreal and subsequently the Mid-Term Review of April 1989 declared that the long-term reform programme will be realized through specific policies and measures, through the negotiations of commitments on an Aggregate Measurement of Support, the terms of which will be negotiated, or through a combination of these approaches.

Austria has submitted its detailed views on the Aggregate Measurement of Support in document MTN.GNG/5/W/107.

8. Credit

Austria expects that credits will be given for those measures implemented since 1986, and which have contributed positively to the reform of agricultural trade.

9. Rules and Discipline

Once negotiations on the material contents have been concluded, adaptations of the existing GATT rules and codes of conduct should be formulated, taking the results of the Uruguay Round into account.

This particularly refers to Art. XI, XVI, XVII and XX. In addition, codes of conduct may be laid down, e.g. for the terms and use of an Aggregate Measurement of Support.

To this end amendments to the GATT Articles themselves or to the related interpretations and comments will be required.

The negotiations in the Uruguay Round are expected to contribute effectively to the elimination of existing trade barriers and to the avoidance of distortions in agricultural trade in the future.

While the Uruguay Round, unlike previous MTNs, aims forcefully at corrections in agricultural trade, this round of negotiations would still be based on the existing, yet possibly substantially adjusted, GATT rules.