

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

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Group of Negotiations on Goods (GATT)

Negotiating Group on Agriculture

CLARIFICATION OF AUSTRIA'S POSITION WITH REGARD TO  
THE GATT NEGOTIATIONS ON AGRICULTURE

Austria wishes to take advantage of the clarification process in order to spell out its position and supplement its proposals (MTN.GNG/NG5/W/107 and 144), taking into account its agricultural policy and the proposals submitted so far.

**I. Objectives of Austrian agricultural policy**

The fundamental objective pursued by Austrian agricultural policy is the maintenance both of the various functions of the agriculture and forestry sector and also of farming in all regions of the country. Emphasis is placed on economic, regional, social, structural and ecological objectives. As far as the ecological character of agricultural production is concerned, the aim is to protect the soil and groundwater, maintain population settlement throughout Austrian territory, and prevent avalanches and disaster caused by flooding. This ecological orientation of production is also an essential condition for the conservation of the countryside and hence plays a key rôle for the Austrian tourism sector. These objectives are broadly defined in the Organic Agriculture Act, and they have involved a limitation of production, taxation of the factors of production and various subsidy measures.

Furthermore, the maintenance of production of high-quality foodstuffs, even in times of crisis, and the constitution of strategic food stocks are of particular importance.

The non-trade objectives of agricultural policy must in future, too, continue to be a matter for sovereign decision-making. In accordance with paragraph 9 of the Mid-Term Decision, the new commitments entered into in the GATT must enable these objectives to be achieved.

**II. Aggregate measurement of support (AMS)**

The AMS, which is preferred by a number of contracting parties, should be defined in such a way as to include the elements of agricultural policy relating to market access, internal measures and export competition which have a trade-distorting effect. An AMS defined in this way would not only allow broad freedom of action for domestic agricultural policy with regard to progressive and sustained liberalization but would also adequately take into account production limitation measures, the level of self-sufficiency and non-trade objectives.

A number of negotiating proposals bear out the need for precise definition of an instrument for evaluating support and protection. Austria has drawn attention to this on several occasions in its contributions. Nevertheless, it has not been possible so far to reach agreement on the definition of the parameters and rôle of the support indicator. A consolidated draft text taking account of proposals by participants in the negotiations would provide clarification and help to speed up the negotiations.

Commitments should be made with regard to an overall AMS which would include the most important products in world trade. In Austria's view, these are in particular cereals, sugar, dairy products, bovine meat, pigmeat, poultry and eggs. An aggregate indicator would make it possible to establish a balance among products and to adapt the production structure to food security requirements. A surveillance mechanism should be established to ensure that commitments are fulfilled.

Commitments made under an AMS would imply that measures are taken with regard to market access, internal compensatory payments and export competition. If the AMS approach is not adopted, special rules should be established for these three areas. This approach would restrict national freedom of action with respect both to products and to measures that may be adopted.

## II.1 Market access

Better market access could be achieved by a reduction in quantitative restrictions on imports, levies and tariffs. However, improved market access should not jeopardize the sector's non-agricultural functions.

In recent years effective production limitation measures have led to an adjustment in world market prices for certain products and an improved relationship between supply and demand. This has brought a considerable reduction both in the gap between domestic market prices and import prices and in the share of domestic production in world output as well as in the value of the AMS.

Countries which adopt production limitation measures should have the right to resort to quantitative restrictions on imports so as to ensure that their measures are effective. Austria supports the new draft of Article XIX contained in the Canadian proposal.

Tariffication is the most thoroughgoing approach for a reform of agricultural trade but is rather inflexible. A fundamental element of uncertainty lies in the lack of experience as to the determination of the equivalency between non-tariff measures and the new tariffs advocated by this proposal. Consequently, the tariffication proposal does not yet seem to have been sufficiently clearly defined and consequently does not appear applicable to the Austrian situation.

A new system could include a fixed element and a variable element. The fixed element would be defined as a bound tariff, which contracting

parties should reduce at the same rate, by an annual percentage to be negotiated, over a period of time also to be defined.

The variable element would not be subject to reduction and would act as a correction factor for fluctuations in world market prices and their distortions resulting from exchange-rate fluctuations.

In the event of a surge in imports of a product, contracting parties should have the possibility of invoking the safeguard clause under Article XIX. More precise details concerning the actual application of this Article should be put forward during the negotiations.

Bilateral tariff quotas established under Articles XXIV or XXVIII of the General Agreement should not be the subject of negotiations. Other tariff quotas should also be authorized. The rules for the latter would have to be determined.

## II.2 Internal support measures

Internal compensatory payments that have a trade-distorting effect should be modified in the same way as the AMS so as to reduce the level of support. They include measures having a decisive influence on the volume of production (such as product-related compensatory payments and subsidies for fertilizers).

On the other hand, some charges imposed on producers should be deducted from the compensatory payments (for example, in Austria, taxes on fertilizers, producers' contributions towards the promotion of milk and cereal sales and price reductions for non-quota (contract) deliveries.

Payments connected with the achievement of non-trade objectives should be excluded from the liberalization process. Their essential characteristic is that they do not directly influence the volume of production and therefore do not distort trade. Direct payments made for this purpose include:

- direct income transfers for farmers in mountain areas;
- regional programmes;
- environmental protection programmes;
- stockpiling for strategic reasons.

Every country should be free to decide on the promotion and adoption of non-trade measures. Under an aggregate measurement of support system, such measures should either be excluded or not subject to the reduction obligation.

Austria recalls the notification it submitted on this subject.

### II.3 Export competition

Austria is in favour of a reduction of export subsidies that have a trade-distorting effect and of other measures having an equivalent effect. Price stability on world markets would be a prior condition. More account should be taken of the price level in the importing country in determining the level of export subsidies.

An internal price above the world price level will also be necessary in future for Austrian agriculture to be able to meet social needs in present production conditions, and given the costs involved. Export subsidies are a consequence of this.

Austria advocates that the premises for greater discipline in the grant of export subsidies be defined. One of the obligations resulting from these negotiations, which implies a reduction in AMS, would in any event affect the volume of export subsidies.

Hitherto Austria has always applied import levies which are smaller than export subsidies for a given product. This is due to the fact that Austria is a land-locked country and also to its levy system. Consequently, Austria would not be in a position to subscribe to a commitment whereby the amount of export subsidies should not exceed the amount of import levies for a given product.

### III. Sanitary and phytosanitary regulations

In this area, measures have often been used as unjustified barriers to trade. This abuse must be checked. Nevertheless, harmonization in this area should not lead to a lowering of national standards to the lowest common denominator, but rather to guaranteeing existing high standards. Thus, the possibility of adopting preventive measures should be maintained.

States whose high standards are also applied to domestic production should be able to maintain them notwithstanding the lack of scientific consensus concerning the safety of threshold values.

### IV. Final remark

In 1989, Austrian agricultural exports amounted to a value of S 16.7 billion, while agricultural imports for the same period amounted to S 31.8 billion. Traditionally, the value of imports has been roughly double that of exports. According to an OECD study, 75 per cent of Austrian agricultural exports (Chapters 1 to 24) are covered by duties bound under GATT. Since well before the start of these negotiations Austria has made a contribution thanks to its production limitation measures. Austria expects this contribution to be taken into account in future commitments.