

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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TWENTY-THIRD SESSION OF THE NEGOTIATING GROUP ON AGRICULTURE: JULY 1990

Statement by Switzerland (12 July 1990)

I would like to thank you Mr. Chairman, for having had the courage to present a proposal on a decision profile on this very difficult negotiation. We realize the difficulty of this ungrateful task. We believe that you have made a very sincere effort to come up with a compromise which would cover the major positions in this negotiation.

Before giving you my Government's comments on your paper - some of them might sound hard to you - I would like to start by explaining in what spirit and in what context these comments are made.

Let me first state without any ambiguity that Switzerland wants an ambitious result for the Round. As a small country, but as a fairly large trader, we depend on a major breakthrough in all fifteen areas of the Round in December. This means that the agricultural negotiation will need its breakthrough too. This further means that we need major progress at the end of this month on all subjects, including agriculture.

The second thing I want to make clear is that Switzerland will respect the commitments it has made in Punta del Este in 1986 and in Geneva in 1989 as to the reform of trade in agriculture. In Bern, we are presently working very hard at reforming our agricultural policy in order to make our farmers more competitive, while taking into account the vital non-trade functions of our agriculture.

It is in this spirit of reform that we look at your paper, Mr. Chairman. What this negotiation is supposed to do, is to help us in our endeavour. So let us see how you can help us and how we can ensure that we will help you.

Let me start with my most important and fundamental point: as in the past, GATT will live and die by its rules. GATT is an agreement and will succeed in its liberalization and disciplining effort only to the extent it will have established clear and enforceable rules of the game. In this respect, Mr. Chairman, your paper constitutes a deviation from fundamental GATT philosophy. By defining a framework for liberalization before defining the rules of this liberalization it puts the wagon before the horse. It won't work, Mr. Chairman, unless you correct this deviation.

My delegation, Mr. Chairman, will accept to enter into concrete request and offer negotiations by 1 October, under the condition that by then we will have clearly and satisfactorily defined the rules of the game.

By rules, I mean three things:

1. A rule, not just an implicit understanding, that recognizes that the agricultural sector may require some border protection also in the long term. In some specified cases, that border protection will have to take the form of quantitative restrictions.
2. A rule on admissible internal support that allows to define an agricultural policy fully capable of fulfilling its non-trade objectives with the least amount of trade distortion.
3. A permanent safeguard code.

These rules are necessary to create the legal long-term security that is needed for a politically highly explosive reform effort. Mr. Chairman, what we need are permanent rules, not a deal. In the long term, a deal won't work, while rules will survive. Agricultural reform is a long-term enterprise. Let's not slide into a quick fix.

To conclude and before entering into details my Government's position can be summed up as follows: we are prepared to negotiate, but only under the condition - and this condition was already accepted in April 1989 here in Geneva - that clear and enforceable GATT rules form the background of this negotiation. The legitimacy of non-trade concerns has to be anchored in GATT. Anchoring them into a procedural framework, as you are suggesting, Mr. Chairman, would amount to submitting political objectives written into some of our constitutions to the arbitrariness of the negotiations.

Concerning your proposals on the internal support, I would like to make two basic comments:

1. Your paper very rightly recognizes the important non-trade functions of agriculture. We also agree with you that permitted internal support has to be submitted to stringent criteria. We believe, however, that the criteria mentioned in your paper are so stringent that they may no longer allow the design of support measures to achieve the legitimate non-trade goals. Mr. Chairman, we believe that it is indeed very difficult, if not impossible, to design environmental programmes without linking them in some way to products or to factors of production. We fail to see how the criteria proposed would allow us to assure that the farmers in our mountainous areas continue to maintain the countryside. The purpose of farm support is not to maintain a status, but an activity which, in our opinion, has important public interest benefits. Permitted support payments thus have to be decoupled from production, but they still have to be linked to an activity.

2. The periodic review of the classification of the permitted support is, in our opinion, problematic, as it would introduce an insecurity in law which is not conducive to the development of a rational policy. We believe that the proposal to submit any new policy to the approval of a multilateral committee is unrealistic. Mr. Chairman, you know how difficult it is for a country to adopt new and often difficult agricultural reforms. Taking the risk that such policies, after a long internal process, be refused by an international body is politically not feasible. The definition of clear rules is the task of GATT, while their implementation is and should remain the responsibility of national sovereign States.

You know the Swiss position on tariffication. While we are ready to consider tariffication as one of the tools to achieve the objectives of this negotiation, we cannot accept it as the only way towards a fair and market-oriented agricultural trading system. Your paper attempts to make tariffication acceptable to countries which have difficulties with this concept by providing temporary exemptions and some flexibility in its implementation. We have a longer-term view of the world. Switzerland maintains that any concept of tariffication which does not recognize the specificity of agriculture by putting a clear limit on the progressive liberalization of agricultural trade is unacceptable. For tariffication without such limits does not recognize the need to maintain a certain level of border protection to allow the achievement of non-trade objectives.

Your paper is silent on the amount of reduction of support and border protection as well as on the implementation period. We recognize that this is a subject which will have to be decided at the end of the negotiations and at the political level. However, we believe that it would be useful to fix some principles which should guide this important aspect of the negotiations. Switzerland considers that it would be useful and necessary to assure the equivalence of the concessions by establishing the principle that commitments to reduce agricultural support and protection will take into account the present level of access to the country concerned.

What is required, is a pragmatic approach focusing on removing trade distortions, whilst accepting differences in policies as well as in contributions.

Your proposal concerning export subsidies recognizes the particular responsibility of export subsidies in the current market disorders. It is difficult, however, to take a commitment on the subject before establishing relevant disciplines. We believe, that such a commitment can only be made once we have agreed on the disciplines and on a definition of subsidies.

Finally, I would like to assure you that the Swiss Government very much appreciates your sincere efforts which aim at reforming agricultural trade. The Swiss Government is convinced that agricultural reform lies in the common interest of all contracting parties. It is also in the

longer-term interest of the farmers. It is our task to define rules and a framework to make agriculture more responsive to market forces, which make such a reform possible.

In other words the reform framework must allow farmers to adjust and to work as entrepreneurs without putting their very existence into question.

ANNEX

ADDITIONAL COMMENTS ON THE CHAIRMAN'S REPORT

This Paper is a Clarification of the Swiss Statement Made in the NG5 on 12 July 1990, which Remains Fully Valid

General remarks:

Switzerland considers the Chairman's text as a useful contribution to intensify the negotiations. Switzerland therefore welcomes the proposed framework of country profiles as a means to start concrete negotiations. However, the wording of the principles which are supposed to guide the elaboration of these country profiles may be interpreted as pre-empting national positions. As an example, Switzerland, as other participants, has never accepted the AMS as a negotiating tool nor tariffication as a principle for all border measures, whether GATT conform or not. The paper establishes those principles and therefore, cannot be adopted as such by the TNC. The text might be adopted by the TNC as a general guideline for preparing country profiles by 1 October, if it clearly states that it does not imply endorsement by the participants of all the principles included in the text and that it does not prejudice national positions.

The text of the Chairman implies commitments in the negotiation (AMS as a negotiating tool, the principle of tariffication), without committing the participants in any way to some principles concerning the rules which will govern trade in agricultural products. The text thus seems to run contrary to the principle of linkage between the negotiations on commitments and the negotiation on rules, a principle which was agreed upon in April 1989. A possible remedy might be a commitment to make significant progress on rules before the beginning of the request/offer process.

The paper does not recognize non-trade concerns as a necessary element of rules in agricultural trade. Switzerland considers that rules and commitments in agriculture have to be based on the legitimacy of non-trade objectives of agricultural policies. The recognition of non-trade concerns both in the field of internal support and of border protection remains a major goal of Switzerland in this negotiation. The adoption of the paper in some form might be facilitated by stating that for some countries the recognition by the future GATT rules on agriculture of non-trade concerns is essential.

Internal support:

The proposed criteria for permitted support to agriculture are too narrow to allow Switzerland and for that matter many other countries to define direct payment programmes which guarantee the achievement of

non-trade objectives. These objectives require at least some direct payment that support an activity which implies a production. Therefore the achievement of non-trade objectives requires the design of support programmes which relate the support to a specific activity, (for environmental programmes even to specific production methods) that avoid, however, to stimulate production. The inclusion into the permitted category of such support is essential.

National support programmes, which, can, at any time, be put into question by a surveillance body are submitted to an unnecessary insecurity. Submitting national programmes to the verdict of a surveillance body might not be considered compatible with national sovereignty. A recognition of the countries' responsibility to assure compliance with the multilaterally agreed rules and disciplines as well as a reference to the improved dispute settlement procedures would be more in line with general GATT procedures.

The product coverage of the commitments to be made needs to be determined before one can reasonably be expected to present country lists. A reference to the priority to be given to products which have experienced market disturbances in the last few years or to the OECD product categories might be helpful.

The proposed internal support commitments do not take into account the effects of various support measures on trade. To apply the same principles to different situations (products submitted to production controls and products not submitted to such controls) is a difficult concept to agree with. The establishment of the principle that measures which have a direct impact on trade should receive priority consideration might be a useful guide for the establishment of country profiles.

The requirement that all measures of support which are not explicitly permitted are to be reduced is difficult to accept for any government. The problem could be solved by putting the residual category into a permitted, but actionable category in case of trade-distorting effects of those measures.

Commitments in nominal terms are difficult to subscribe to, as one does not know the full extent of the commitment taken. The problem might be solved by specifying that all commitments are in real terms.

Border measures:

To accept the principle of tariffication of all measures and for all products amounts to renounce to the existing legal rights to apply quantitative border restrictions under certain conditions. It seems unreasonable to request countries to give up a legal right in the absence of agreement on a new legal framework governing agricultural trade. The problem could be solved by establishing the commitment to tariffy all non-GATT conform restrictions.

Bound tariff levels which do not take into account the fluctuations of internal prices and exchange rates are difficult to implement, as the effects of the commitment are not fully known at the moment a country is asked to take the commitment. The problem might be solved by an automatic correction of deviations which exceed certain limits.

Tariffication per se requires some countries like Switzerland to fundamentally change their agricultural marketing system. It thus constitutes a major concession for some countries, which is not matched by similar concessions by other countries. The text could take this difficulty into account by establishing the principle of balance of concessions, also in the implementation of the proposed reforms.

Reduction:

To accept the principle of reduction without agreeing at the same time on some principles, which should guide the determination of the amount and implementation period, is indeed difficult. A concept of harmonization of levels of support would be unacceptable. The problem might be solved by establishing the principle that reduction levels of support would take into account the effects of the various measures on trade as well as the existing and future level of market access.

Reduction commitments of support and protection from 1991/92 might not be possible to implement, if the reductions require changes in national legislation. The recognition that the implementation of the commitments will respect procedural requirements and national implementation procedures would avoid the danger that countries may be asked to take commitments that they cannot fulfil.