

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

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Group of Negotiations on Goods (GATT)
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Draft Agreement on the Interpretation and Application
of Articles XVI and XXIII of the General Agreement
on Tariffs and Trade with Regard to Agricultural
Support

The signatories¹ of this Agreement.²

Noting that,

Recognizing that,

Desiring to,

Taking into account,

Have agreed as follows:

PART I

Article 1

Application of Article XVI of the General Agreement

1. Signatories shall take all the necessary steps to ensure that policies and measures conveying directly or indirectly a subsidy, including any form of income or price support, to agricultural producers which operates to increase agricultural production or to maintain it at certain levels and thereby affects trade, are in accordance with the provisions of Article XVI of the General Agreement and the terms of this Agreement.
2. The policies and measures referred to in paragraph 1 above are indicated in the Annexes 1(A) and 1(B).

¹The term "signatories" is hereinafter used to mean parties to this Agreement.

²Wherever in this Agreement there is reference to "the terms of this Agreement" or "the articles or provisions of this Agreement" it shall be taken to mean, as the context requires, the provisions of the General Agreement as interpreted and applied by this Agreement.

Article 2

Support Measures Subject to Disciplines

1. Policies and measures which have a significant effect on production and trade as indicated in Annex 1(A) shall be subject to disciplines. Such disciplines shall be applied on the basis of overall support commitments based on Aggregate Measurements of Support (AMS) as defined Article 3 or where this is not feasible, on the basis of equivalent commitments as defined in Article 4.

2. The commitments referred to in paragraph 1 above are binding among the signatories and laid down in the country schedules annexed to this Agreement.

3. The disciplines referred to in paragraph 1 above apply to the policies and measures for wheat, barley, maize, sorghum, rye, oats, rice, sugar, soyabeans, rapeseed, sunflower seed, milk, beef and veal, pigmeat, sheepmeat, eggs and poultry. The signatories may add additional products. A signatory is only required to make a commitment on the above-mentioned products in accordance with this Article if its production of the product concerned is more than marginal. A signatory may make commitments on additional products and in particular those which are in structural surplus and where serious disruption are likely to occur.

Article 3

The Aggregate Measurement of Support - AMS

1. The AMS quantifies in a single amount the price and income effects of the various support measures which affect directly or indirectly production and trade and are referred to in Annex 1(A).

2. Price support policies are measured as the difference between the annual average producer price for the product, determined at farm gate level, and a commonly agreed fixed external reference price¹, which may differ for individual signatories according to circumstances. The difference is considered to capture the effects of border measures and all budget outlays in relation to guaranteeing the level of the producer price, e.g. public intervention purchases, export subsidies and transportation subsidies for products exported. Such budget outlays shall, consequently, not be taken into consideration.

¹The fixed external reference price should normally be equal to a three-year average of world market prices or producer prices or producer prices in specific countries.

3. Income support policies and input subsidies are measured on direct or implicit budgetary payments to the agricultural sector. Where the budgetary payments are not identified on a commodity-by-commodity basis or other products have benefited from the payments, the allocation to individual products shall be based on the product's share of the value of total agricultural production attracting such payments.

4. In cases where the average producer price is higher than the fixed external reference price but where no border measures, income support or input subsidies are applied, that difference shall not be considered as price support.

5. Effective and lasting production limitation measures are taken into account during negotiations on binding support levels in the form of a forfeitory amount. This amount is estimated on the basis of shadow prices for a [x] year period for the product and signatory concerned.

6. The AMS shall be calculated for each calendar or marketing year.

7. The AMS can be expressed as the support per weight unit of a specific product (unit AMS) or as the total support (total AMS) for the product by multiplying the unit AMS for the specific product by the production volume. The total AMS may also include several products or product sectors.

8. The fixed external reference price referred to in paragraph 2 above and the AMS amounts are expressed either in the currency of the signatory concerned or in another representative currency.

9. Social security benefits, food subsidies and other consumer subsidies which do not directly affect the price or income received by the producers shall not be included in the AMS.

10. Commitments can be made in unit and/or total AMS. The fixed external reference price referred to in paragraph 2 above as well as the production limits and the credits referred to in paragraph 5 above shall be recorded in the country schedules provided for in Article 2, paragraph 2 for each product or, where applicable, sector concerned.

Article 4

Equivalent Commitments

1. Equivalent commitments referred to in Article 2, paragraph 1, shall in their calculation be as close as possible to AMS calculations:

- (a) if price support of any kind exists, but producer and/or fixed external reference prices cannot be precisely established, these prices have to be estimated;

- (b) If an estimate of price support is not feasible, the AMS calculation is limited to direct payments.
- (c) if a distribution of certain direct payments to individual products is not feasible, commitments are made with regard to total budget outlays for the specific policy or measure.

2. All elements of such equivalent commitments have to be duly recorded in the country schedules referred to in Article 2, paragraph 2 for the product or products concerned. This implies:

- (a) in the case of paragraph 1(a) above, the selected fixed external reference price is recorded as well as the criteria or procedures for determining the producer price;
- (b) in the case of a commitment based on paragraph 1(b) above, existing price support measures cannot be increased and new ones cannot be introduced. Existing support measures are recorded.
- (c) in the case of a commitment based on paragraph 1(c) above, reference is made to it in the country schedule for every product which benefits from the payments concerned.

Article 5

Identification of Policy Measures

Signatories shall before the beginning of each marketing or, where relevant, each calendar year notify the Committee established under Article 13 the policy measures they envisage to implement in order to respect the commitments referred to in Article 2.

Article 6

Processed Agricultural Products

In cases where for basic agricultural products AMS or equivalent commitments apply, processed products which are based on these basic agricultural products or into which these basic agricultural products are incorporated are covered by the above-mentioned AMS or equivalent commitments in respect of the basic agricultural products incorporated.

Article 7

Respect of Commitments

1. AMS and equivalent commitments referred to in the preceding Article are considered to be respected if the average support level of the three most recent years for which figures are available is equal to or inferior to the level indicated in the commitments. For new bindings, for which three year averages cannot yet be calculated, signatories are also deemed to have respected their commitments if the actual support level exceeds the level indicated in the commitment but appropriate measures are taken by the signatory to compensate in the following year for this excess in support.

2. If for the chosen currency referred to in Article 3, paragraph 8 inflation, calculated on a GNP basis, exceeds in a given calendar year [x] per cent, AMS amounts of the signatory concerned are allowed to increase in accordance with the exceeding inflation rate without this being considered contrary to the commitments.

Article 8

Application of Commitments to Constituent Parts of Signatories

AMS and equivalent commitments apply to all policies and measures referred to in Article 2, paragraph 1 whether they are applied by the signatory itself or by its constituent parts.

Article 9

Support Measures Subject only to Monitoring

Notification of Support Policies and Measures

1. Policies and measures which do not fall under the disciplines referred to in Article 2, paragraph 1 are subject to monitoring in accordance with paragraph 2 below. Such policies and measures are illustrated in Annex 1(B).

2. Each signatory shall notify the Committee on Agricultural Support¹ annually for the preceding period including the preceding calendar or marketing year, the information listed in Annex 2 to this Agreement, in conformity with the guidelines established by the Committee.

¹As established in Part III of this Agreement and hereinafter referred to as "the Committee".

Article 10

Modification of Schedules

1. Until signatories decide otherwise, concessions in accordance with Article 2 on products listed in Article 2, paragraph 3, first sentence and their processed products falling under the disciplines of Article 6 can only be withdrawn or modified if equivalent compensation is offered by binding support reductions for other products referred to in the present paragraph. The Committee will decide¹ about the adequacy of the compensation offered or any other agreeable solution. Such a decision shall, in principle, be taken within three months from the date of submission of the compensation offer by the signatory.
2. Regarding products not referred to in paragraph 1 above, the following provisions apply:
 - (a) A signatory (hereafter in this paragraph referred to as the "applicant signatory") may, by negotiation and agreement with any signatory with which such concession was initially negotiated and with any other signatory determined by the Committee to have a principal interest² (which two preceding categories of signatories, together with the applicant signatory, are in this paragraph hereinafter referred to as the "signatories primarily concerned"), and subject to consultation with any other signatory determined by the Committee to have a substantial interest² in such concession, modify or withdraw a concession included in the appropriate Schedule annexed in this Agreement.
 - (b) In such negotiations and agreement, which may include provision for compensatory adjustment with respect to other products, the signatories concerned shall endeavour to maintain a general level of reciprocal and mutually advantageous concessions not less favourable than that provided for in this Agreement prior to such negotiations.
 - (c) If agreement between the signatories primarily concerned cannot be reached before the expiration of a reasonable period², the signatory which proposes to modify or withdraw the concession shall, nevertheless, be free to do so and if such action is taken any signatory with which such concession was initially negotiated, any signatory determined under sub-paragraph (a) to have a principal interest and any signatory determined under sub-paragraph (a) to have a substantial interest shall then be free not later than six months after such action is taken, to withdraw, upon the expiration of thirty days from the day on which written notice of such withdrawal is received by the Committee, substantially equivalent concessions initially negotiated with the applicant signatory.

¹The way in which the decisions are taken will have to be defined in the light of the outcome of the work in the Negotiating Group on dispute settlement.

²Details remain to be defined.

- (d) If agreement between the signatories primarily concerned is reached but any other signatory determined under sub-paragraph (a) of this paragraph to have a substantial interest is not satisfied, such other signatory shall be free, not later than six months after action under such agreement is taken, to withdraw, upon the expiration of thirty days from the day on which written notice of such withdrawal is received by the Committee, substantially equivalent concessions initially negotiated with the applicant signatory.
- (e) Compensation for the modifications of bindings under this paragraph can be offered and compensatory withdrawal of concessions can be made also with regard to concessions under the General Agreement which are not part of this Agreement.

Article 11

Temporary Suspension of Bindings

1. Under exceptional circumstances a signatory may suspend part of its commitments. In such a case Article 10 applies under the provision that compensatory concessions and compensatory withdrawals of concessions shall cease to apply at the end of the suspension of the initial commitment under this Agreement.
2. Suspensions apply normally for entire calendar or marketing years.

PART II

Article 12

Special and Differential Treatment of Developing Countries

1. Signatories recognize that subsidies are an integral part of economic development programmes of developing countries.
2. Each country's contribution to the improvement of the conditions of international trade for agricultural products should match its level of development and development requirements. Accordingly, developing countries should become signatories to this Agreement if the commitments which they are ready to undertake correspond to their individual development, financial and trade conditions.
3. Developing countries are normally expected to make commitments at least for those products or sectors listed in Article 2, paragraph 3, first sentence for which they have a particular export interest. If, in a particular country, this is not the case, commitments can also be made on either other major export products and/or products of major importance for the internal market.
4. If necessary, the implementation period for commitments can differ from normal practice for developed country signatories and commitments can be limited to a more restricted number of policies than those listed in the Annex 1(A) of this Agreement.
5. Notification procedures referred to in Article 9, paragraph 2 shall, however, apply fully to developing country signatories. Upon request by the signatory concerned, the Committee shall provide assistance in the establishment of notifications.
6. If a developing country intends to become a signatory, the Committee will examine together with this country all the aspects referred to in paragraphs 3 to 5 above with a view to enabling the applying country to become a party to this Agreement.
7. Should a developing country signatory wish to modify or suspend a commitment under this Agreement, the Committee and individual signatories concerned will take account of the specific conditions of the developing country signatory in order to facilitate a solution. The same applies should a dispute with regard to commitments by a developing country signatory arise.
8. The Committee shall examine periodically and for the first time in 1994 the special and differential treatment as laid down in this Agreement.

PART III

Article 13

The Committee on Agricultural Support

1. There shall be established under this Agreement a Committee on Agricultural Support composed of representatives from each of the signatories to this Agreement. The Committee shall elect its own Chairman and shall meet not less than twice a year and otherwise as envisaged by relevant provisions of this Agreement at the request of any signatory. The Committee shall carry out responsibilities as assigned to it under this Agreement or by the signatories and it shall afford signatories the opportunity of consulting on any matters relating to the operation of the Agreement or the furtherance of its objectives. The GATT secretariat shall act as the secretariat to the Committee.
2. The Committee may set up subsidiary bodies as appropriate.
3. In carrying out their functions, the Committee and any subsidiary bodies may consult with and seek information from any source they deem appropriate. However, before the Committee or a subsidiary body seeks such information from a source within the jurisdiction of a signatory, it shall inform the signatory involved.

Note regarding Articles 14 to 17

Regarding the core products referred to in Article 2, paragraph 3, first sentence and the processed agricultural products covered by Article 6, it is envisaged that the Committee intervenes directly if it is informed by notification or in another official manner, that a signatory applies subsidies in a way which is not in conformity with the Agreement (Article 14). The Articles 15 to 17 would only apply to bilaterally negotiated concessions until the Committee decides otherwise. The wording of the Articles 14 to 17 will be decided in the light of the outcome of work in the Negotiating Group on Dispute Settlement.

Article 14

Intervention by the Committee

p.m.

Article 15

Consultations

p.m.

Article 16

Conciliation

p.m.

Article 17

Dispute Settlement and Authorized Countermeasures

p.m.

PART IV

Article 18

Final Provisions

1. No specific action against relevant practices of another signatory can be taken except in accordance with the provisions of the General Agreement, as interpreted by this Agreement.

Acceptance and accession

2. (a) This Agreement shall be open for acceptance, by signature or otherwise, by governments contracting parties to the GATT and by the European Economic Community.
- (b) This Agreement shall be open for acceptance, by signature or otherwise, by governments having provisionally acceded to the GATT, on terms related to the effective application of rights and obligations under this Agreement, which take into account rights and obligations in the instruments providing for their provisional accession.
- (c) This Agreement shall be open to accession by any other government on terms, related to the effective application of rights and obligations under this Agreement, to be agreed between that government and the signatories, by the deposit with the Director-General to the CONTRACTING PARTIES to the GATT of an instrument of accession which states the terms so agreed.
- (d) In regard to acceptance, the provisions of Article XXVI:5(a) and (b) of the General Agreement would be applicable.

Reservations

3. Reservations may not be entered in respect of any of the provisions of this Agreement without the consent of the other signatories

Entry into force

4. This Agreement shall enter into force on 1 January 1991 for the governments¹ which have accepted or acceded to it by that date. For each other government it shall enter into force at the beginning of the following calendar or marketing year following the date of its acceptance or accession to this Agreement.

¹The term "governments" is deemed to include the competent authorities of the European Economic Community.

National legislation

5. (a) Each government accepting or acceding to this Agreement shall take all the necessary steps, of a general or particular character, to ensure, not later than the date of entry into force of this Agreement for it, the conformity of its laws, regulations and administrative procedures and the laws, regulations and administrative procedures of its constituent parts with the provisions of this Agreement as they may apply to the signatory in question.
- (b) Each signatory shall inform the Committee of any changes in its laws and regulations as well as the laws and regulations of its constituent parts relevant to this Agreement and in the administration of such laws and regulations.

Review

6. The Committee shall review annually the implementation and operation of this Agreement taking into account the objectives thereof. The Committee shall annually inform the CONTRACTING PARTIES to the GATT of developments during the period covered by such reviews.

In any case, in 1994 a systematical review will take place which will also examine the world market situation for the products listed in Article 2, paragraph 3, first sentence in order to establish whether or not further reductions in support beyond those foreseen in the attached country schedules are needed for improving the supply/demand balance. Should the signatories agree that such need exists, negotiations shall start immediately so that agreements can take effect on 1 January 1996.

Amendments

7. The signatories may amend this Agreement having regard, inter alia, to the experience gained in its implementation. Such an amendment, once the signatories have concurred in accordance with procedures established by the Committee, shall not come into force for any signatory until it has been accepted by such signatory.

Withdrawal

8. Any signatory may withdraw from this Agreement. The withdrawal shall take effect upon the expiration of sixty days from the day on which written notice of withdrawal is received by the Director-General to the CONTRACTING PARTIES to the GATT. Any signatory may upon such notification request an immediate meeting of the Committee which may decide on the collective withdrawal of GATT concessions and obligations with regard to the signatory which has withdrawn from the Agreement.

Non-application of this Agreement between particular signatories

9. This Agreement shall not apply as between any two signatories if either of the signatories, at the time either accepts or accedes to this Agreement, does not consent to such application.

Annexes

10. The annexes to this Agreement constitute an integral part thereof.

Secretariat

11. This Agreement shall be serviced by the GATT secretariat.

Deposit

12. This Agreement shall be deposited with the Director-General to the CONTRACTING PARTIES to the GATT, who shall promptly furnish to each signatory and each contracting party to the GATT a certified copy thereof and of each amendment thereto pursuant to paragraph 7, and a notification of each acceptance thereof or accession thereto pursuant to paragraph 2, and of each withdrawal therefrom pursuant to paragraph 8 to this Article.

Registration

13. This Agreement shall be registered in accordance with the provisions of Article 102 of the Charter of the United Nations.

Done at Geneva this _____ in a single copy, in the English,
French and Spanish languages, each text being authentic.

ANNEX 1

Policies Subject to Disciplines and Monitoring

A. Policies subject to disciplines in accordance with Article 2, paragraph 1:

1. Price support policies

These policies include, inter alia, administered prices such as loan rates and intervention prices, withdrawal programmes, state control, marketing boards, domestic price controls, direct and indirect import protection measures and direct and indirect export subsidies.

2. Income support policies

These policies include, inter alia, income and price stabilization payments linked to production such as deficiency payments and marketing loans, headage payments and payments per hectare.

Direct payments which represent a compensation for set-aside including premiums for the withdrawal of animals from livestock production, extensification and conversion of production to products not listed in Article 2, paragraph 3, first sentence are not falling into the category of policies to be disciplined.

Co-responsibility levies and similar penalty charges are considered to be negative payments.

3. Input subsidy policies

These policies include subsidies for means of production, subsidies for credits and crop insurance subsidies.

The first category includes, inter alia, subsidies on fertilizers, pesticides, other subsidies such as feed ingredients, packaging materials, marketing subsidies including transportation subsidies, etc. as far as these subsidies are provided to agricultural production and/or output only.

ANNEX 2

Notification of Support Policies and Measures

In Accordance with Article 9, Paragraph 2 of this Agreement

- A. Regarding policies and measures subject to disciplines in accordance with Article 2, paragraph 1 shall be provided:
1. A full description of all policies and measures every third year with a first notification in 1991.
 2. All changes in policies and measures which may affect existing AMS or equivalent commitments.
 3. All data which are relevant for the calculation of the AMS and equivalent commitments for the preceding year and corresponding estimates for the current year.
 4. If necessary, corrected data for earlier years.
 5. AMS and equivalent commitments calculated as such.
 6. If levels of commitments have been exceeded or risk being exceeded in the current year, an explanation of the causes and proposals as to how to redress the situation in the following year.
 7. Any other information which the Committee may require.
- B. Regarding policies and measures subject to monitoring in accordance with Article 9, paragraph 1 shall be provided:
1. A full description of all policies and measures every third year with a first notification in 1991.
 2. Any new policies and measures.
 3. All changes in existing policies and measures which may increase the effect of such policies and measures on agricultural production such as, inter alia, increases in the amounts paid, increases in the number of actual and potential beneficiaries, extension to new products, etc.
 4. All data which are necessary in order to make an assessment of the production effects of the policies and measures concerned.
 5. Any other information which the Committee may require.

The second category includes, inter alia, interest subsidies, subsidized credit guarantees, subsidies for the conversion of short-term credits into long-term credits, as far as these subsidies are provided to agricultural production and/or output only.

Input taxes such as taxes on fertilizers are considered to be negative input subsidies.

B. Policies subject to monitoring in accordance with Article 9, paragraph 1:

Policies subject to monitoring are those policies which do not fall under Part A of this Annex. They include:

1. Environmental and conservation programmes, including funding to assist the adoption of bona fide conservation practices, etc.
2. Disaster assistance keyed to bona fide production losses, including disaster payments, disaster relief, etc.
3. Domestic food aid based on need, including food donations, food stamps, programmes for particular consumer groups, etc., if the volume and composition of the aid etc. is not influenced by annual production fluctuations.
4. Marketing programmes that do not confer an economic benefit in the form of price discounts, cash or in-kind payments, including market development programmes meeting this criteria, market information programmes, inspection and grading programmes, etc.
5. General services, including government-funded research, extension, pest and disease control, education programmes, etc.
6. Resource retirement programmes, including direct payments to remove land or other production factors from agriculture, retraining programmes, early retirement schemes, etc.
7. Programmes for stockpiling food reserves that do not provide direct price or income support or subsidized inputs to producers, if the volume of the reserves is not linked to annual production fluctuations.