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AGRICULTURAL PROPOSALS IN THE GATT

Prepared by Ed Rossmiller

Several proposals have been made in the GATT for agricultural trade negotiations in the Uruguay Round. This article provides an outline of the major features of these proposals.

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United States Proposal (July 1987)

- Eliminate all production and trade distorting subsidies over a 10 year period.
- Eliminate all barriers to market access over a 10 year period.
- Eliminate non tariff barrier aspects of sanitary and phytosanitary regulations through harmonization.
- Use "producer subsidy equivalent" type tool for measurement; commitments to be on actual policy measures.

European Community Proposal (October 1987)

- Short term: Stabilize markets, reduce budget costs.
 - Cereals and cereal substitutes: Minimum export prices and one-year renewable market sharing arrangements among the major exporters.
 - Sugar: Major importers freeze minimum import quantities at present (1987) levels; exporters reduce export levels below present (1987) levels.
 - Dairy: All major exporters comply with minimum price disciplines in the GATT international dairy arrangement, including nonmembers of the IDA.
 - Reduction of support from internal and external measures taken to prevent exacerbation of present trade problems.
- Long term: A balanced and significant reduction in levels of support.
 - The principles of the CAP, the two price system and community preference are not negotiable.
 - Balance of support to be achieved across commodities through policy "harmonization."
 - Significant reductions in trade distorting support on a reciprocal basis.
 - Improvement in the GATT rules and disciplines to assure that negotiated progress is sustained.
 - Harmonization of sanitary and phytosanitary regulations on an international basis.
- Use "producer subsidy equivalent" type tool for measurement adjusted for production control measures and world price and currency fluctuations.

Cairns Group Proposal (October 1987)

- Phase I: Early Relief Measures
 - When a long term GATT framework is agreed upon or by the end of 1988, whichever occurs earlier, freeze: (a) access barriers, (b) subsidies affecting trade, and (c) sanitary and phytosanitary regulations operating as non tariff barriers.
 - Exporters commit to responsive management and non-disruptive release of stocks.
 - On the basis of the freeze and to demonstrate political will, take actions to improve agricultural trade by: (a) an across the board reduction of export and production subsidies affecting agricultural trade by an agreed percentage, and (b) a commitment to increase trade access by an agreed percentage.
 - Phase I to apply from the end of 1988 until overtaken by phase II, with credit given in phase II for phase I actions.
- Phase II: Intermediate Reform Program.
 - During a period of up to 10 years, countries, on the basis of a schedule of specific and easily monitored commitments, will: (a) reach agreed targets of reduced levels of overall support, (b) give priority attention to support measures that contribute most heavily to trade distortions, (c) include as comprehensively as possible a full range of agricultural products and trade distorting policies, (d) possible policy exceptions include decoupled direct income support, consumption subsidies, promotion of structural adjustment, natural disaster relief, and non commodity specific infrastructure development aids. These aids include research, extension, education, market information, inspection and grading, pest and disease control.
 - Phase II to be overtaken by phase III within the 10-year reform period.
- Phase III: Long-Term GATT Framework
 - Prohibition of all measures not explicitly allowed in the GATT, including non-tariff barriers, variable levies, and minimum import prices.
 - Eliminate all provisions for spe-

Country Groupings

The Cairns Group consists of Argentina, Australia, Brazil, Canada, Chile, Columbia, Hungary, Indonesia, Malaysia, New Zealand, Philippines, Thailand, and Uruguay.

The Nordic Countries consist of Finland, Iceland, Norway, and Sweden.

cial treatment, including waivers (including Section 22), protocols of accession, and other derogations and exceptions.

- Bind all tariffs at low or zero levels.
- Prohibit use of all subsidies and other government support measures having an effect on agriculture trade.
- Exceptions to the general prohibition include: trade neutral measures to assist domestic consumption, and non-commodity specific infrastructure development measures (research, extension, education, market information, inspection and grading, pest and disease control) natural disaster relief and direct income support decoupled from production and marketing.
- Harmonize sanitary and phytosanitary measures to the extent possible.
- Where harmonization is not possible, minimize adverse trade effects.
- Generally applicable GATT provisions for consultation, surveillance and dispute settlement apply to agriculture.
- Use "producer subsidy equivalent" type tool for measurement.

Canadian Proposal (December 1987)

- Basically supports the Cairns Group.
- Use "trade distortion equivalent" for measurement, rather than the "producer subsidy equivalent."

Nordic Proposal (December 1987)

- Measures to correct market imbalances and to improve the competitive environment including: bindings of the trade effects of supply management programs, i.e., reducing or eliminating subsidized export volumes, bindings of reduced or eliminated, direct or indirect subsidies.
- Measures to improve market access, including reduced tariffs, import levies and quantitative restrictions.
- Measures to minimize the adverse trade effects of sanitary and phytosanitary regulations, including harmonization of regulations as far as possible, application of such measures on a nondiscriminatory basis, and avoidance of the use of such measures as nontariff barriers.
- Use "trade distortion equivalent" (as proposed by Canada) for measurement, adjusted for world price and currency fluctuations.

Japanese Proposal (February, 1988)

- Implement emergency standstill by freezing export subsidies at current levels.
- For tariffs, use traditional request-offer procedure.
- For import measures
 - Maintain principle of general elimination of quantitative restrictions.
 - Negotiate rules on quantitative restrictions permitted on the basis of waivers.
 - Make appropriate improvements in access rules, taking into account: actual trading practices, diversity of policy measures among governments, need to stabilize domestic production of "basic foodstuffs," especially in low food self-sufficiency countries, and assurance of stable market access to exporting countries.
 - Articulate rules on use of variable levy and minimum import price systems.
- For export measures
 - Review exception to general prohibition on quantitative export restrictions on basis of short supplies.
 - Phase out export subsidies over an agreed fixed time period.
 - Manage other subsidies in order

to reduce their trade distortion effects and to improve the competitive environment.

- Excluded subsidies should include those aimed at improving agriculture infrastructure, improving agriculture structure, encouraging transfer to nonsurplus crops, promoting social welfare, research and development, disaster relief and extension programs.
- Export price disciplines on commodities in structural surplus should be imposed through consultations among both exporters and importers.
- Sanitary and phytosanitary measures.
 - Transparency of quarantine procedures and conditions for import prohibition should be maintained.
 - Consultations among countries should be held to ease trade prohibitions.
- Use of a comprehensive measure of protection and support such as the "producer subsidy equivalent" is not needed.

Common to all proposals is a call for review, harmonization, and elimination of nontariff barrier elements of sanitary and phytosanitary regulations relating to agricultural products entering international commerce. All proposals except those of the United States, which is silent on the subject, and the Nordics, suggest the need for special and differential treatment, largely unspecified, for the developing countries. The Nordic proposal, while not specifically addressing special and differential treatment for developing countries, implies the need for such treatment for all importers.

For Copies of Proposals...

For copies of the specific proposals cited in this outline, send \$10.00 (to cover reproduction and postage) to the National Center for Food and Agricultural Policy, 1616 P Street, NW, Washington, DC 20036.