

Background Note

THE EUROPEAN COMMUNITY TABLES ITS AGRICULTURAL REFORM PLAN IN GATT:  
REDUCE SUPPORT AND RESTORE BALANCE TO WORLD MARKETS

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The European Community has proposed a two-stage plan for reforming world agricultural trade by progressively reducing government support which distorts world markets. The proposals are designed to address the root of the problem afflicting agricultural trade: the imbalance between supply and demand.

The European Community's proposals call for short term action, internationally coordinated, to stabilize those markets suffering from the most serious imbalances. These would be followed by longer term measures to stabilize markets on a lasting basis. The EC plan, approved by the Council of Ministers in Luxembourg on October 20, 1987, represents the Community's opening negotiating position on agriculture in the Uruguay Round of trade talks under the General Agreement on Tariffs and Trade.

Mr. Willy De Clercq, EC Commissioner for External Relations and Trade Policy, emphasized that the agricultural negotiations cannot be isolated from negotiations in other sectors. "The concept of globality is essential to the success of the new round," he said.

"Agriculture is without doubt one of the central themes of these trade negotiations. However, it is also true that the scope of the negotiations extends far beyond agriculture. From the outset we have insisted on the global nature of the negotiations. The Punta del Este declaration clearly states that the various elements of the negotiations "shall be treated as part of a single undertaking". For this reason the Community has consistently opposed all "fast track" or "early harvest" moves," Mr. De Clercq said.

"The global nature of the Uruguay Round negotiations is essential for their success. They have often been described as a real challenge, and rightly so, since the work program is extensive, far more extensive than

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in the preceding rounds of negotiations. We are therefore dealing not only with the knotty problem of agriculture, but also with the whole range of other extremely ambitious objectives:

- 1) greater liberalization in international trade, for example by reducing tariffs and non-tariff barriers, traditional GATT topics;
- 2) extending GATT to cover new areas: services, intellectual property and investment;
- 3) strengthening GATT disciplines, particularly concerning safeguard measures and subsidies, and improving the dispute settlement procedure."

"More particularly, the Community has respected the only priority set at Punta del Este, which was to help the developing countries by liberalizing trade in tropical products. We are proposing a concrete offer in this sector. As far as I know, we will be the first to do so," said Mr. De Clercq.

Details of the European Community plan are as follows:

Stage One: The Short Term

The major farm exporters would take coordinated emergency measures to ease the strain on the worst-affected world markets: grain, sugar and milk. These measures would involve:

- introducing some discipline in world market prices and other aspects of the grain market, while regulating trade in grain substitutes;
- reducing the amount of sugar put on the world market, and at the very least maintaining the present access to traditional import markets;
- ensuring compliance with the GATT International Dairy Agreement, even by non-members. (The agreement sets minimum export prices with the overall aim of expanding trade and stabilizing markets for dairy products.)

The measures would be valid for one marketing year, renewable by common agreement.

The contracting parties would also take other short term internal measures to reduce government support in sectors with large surpluses, including grain, rice, sugar, oilseeds, dairy products, beef and veal. The measures would have to be equivalent in scope.

The parties would, however, take into account measures already taken to control production, beginning with the 1984-85 marketing year. The

Community has already implemented a variety of such measures, including production quotas, reduced price support, and stricter requirements for government purchases of farm products.

#### Stage Two: The Longer Term

The parties would cooperate to make significant reductions in government support which encourage overproduction and contribute to imbalances on world markets. At the same time, they would adjust external protection, such as tariffs or quotas, which also distort agricultural trade.

Greater stability of agricultural markets is also in the interest of the developing countries. In this regard, the Community is in favour of improving the rules governing food aid.

Farmers could receive income support, as long as it did not encourage overproduction. Farm income support must be unrelated to production.

#### GATT Rules

Implementation of the above plan would allow the GATT rules covering agriculture to be applied more effectively. They would need to be supplemented, however, with more detailed rules on:

- subsidies, including those for farm products that are incorporated in processed products;
- measures to increase demand for agricultural products;
- state agencies and marketing boards, and their impact on competition;
- surveillance of the measures to reduce market imbalances that the parties agree to take.

#### Animal and Plant Health Regulations

Rules should be drafted to reduce the negative effects of such regulations on agricultural trade. They would set out basic principles, criteria for harmonizing regulations internationally, and procedures for dealing with questions on production methods and processes.

#### Measuring Aid

To implement the above plan, the parties would have to agree on how to measure the various forms of aid to agriculture. The measurement devised by the Organization for Economic Cooperation and Development - the producer subsidy equivalent (PSE) - could be used, with certain

adjustments. These would involve (a) covering only measures that significantly affect trade, (b) including a method of quantifying production restraints, and (c) accommodating problems related to world price and currency fluctuations.

Developing Countries

GATT members should be involved in the efforts to reform world agricultural trade according to their level of development. The developing countries, therefore, should be granted "special and differential treatment."

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