

EDITORIAL COMMENTS

Agriculture – The final round?

In a Declaration adopted at the conclusion of the Rhodes meeting, held on 2 and 3 December 1988, the European Council said:

“The internal market will be a decisive factor contributing to greater liberalization in international trade on the basis of the GATT principles of reciprocal and mutually advantageous arrangements. The Community will continue to participate actively in the GATT Uruguay Round, committed as it is to strengthen the multilateral trading system. It will also continue to pursue, with the United States, Japan and the other OECD partners, policies designed to promote sustainable non-inflationary growth in the world economy.”¹

That meeting was followed almost immediately by the difficult and dispiriting mid-term review of the Uruguay Round negotiations, which was completed between 5 and 9 December in Montreal and which foundered upon a failure to resolve a fundamental dispute on conditions for trade in agricultural products. The Montreal talks were deadlocked because of the diametrically opposed positions adopted by the Community and the United States. After a four-months’ “cooling-off” period, whilst bilateral negotiations proceeded between the two sides with the Cairns Group countries² playing the role of intermediaries, a compromise was

1. Bull. EC 12-1988, point 1.1.10.

2. The Cairns Group takes its name from the Australian city where the member countries met in 1986 to call for the reduction of agricultural subsidies; its members include

arrived at between the two sides which led, via a Declaration made at Geneva on 8 April 1989, to the resumption of the Uruguay Round negotiations themselves.

The Geneva Declaration expressed an undertaking by the parties to impose an immediate standstill on support payments at existing levels and to embark on longer-term reform of the subsidies problem. The Community has, of course, been very actively involved with the progressive reform of the Common Agricultural Policy (CAP) since the revised long-term guidelines were drawn up in 1985, and, especially, since the so-called "Delors package" of February 1988, which paved the way for significant progress with respect to prices and markets policy, and in socio-structural policy. The price restraints policy has been strengthened, the flexibility of intervention improved, and new measures introduced to stabilise production and expenditure in most of the market organisations. The Geneva Declaration indicated that some "credits" had been obtained by the Community side for CAP reforms carried out since the inception of the Uruguay Round in 1986; however, here, as in several other of the fourteen topics dealt with in it, the Declaration was imprecise and essentially only an agreement to agree.

Nevertheless, the Geneva Declaration led not only to a resumption of the Uruguay Round negotiations but also to the establishment of a timetable for the three phases of their final eighteen months. An invitation was accepted, from the Community and from Belgium, to hold the final ministerial meetings of the Round in Brussels between 3 and 7 December 1990.³ The first of the three final stages lasted from September 1989 until the end of 1989; delegations completed their definition of national positions and tabled them in each of the issue-specific negotiating groups. Certain initial compromise proposals were also tabled. The second phase, from January until July or August 1990, is the period within which broad agreement has to be reached in each negotiating group. The third and final phase, from August 1990, until the eventual ministerial

Argentina, Australia, Brazil, Canada, Chile, Colombia, Hungary, Indonesia, Malaysia, New Zealand, The Philippines, Thailand and Uruguay.

3. GATT, Press Release No. 030, 3 Aug. 1989, at 5, and Press Release No. 033, 11 Jan. 1990, at 1.

meetings in Brussels, will be devoted to drafting the agreements and preparing the legal instruments for adoption.

For this timetable, which was discussed at the informal trade ministerial meetings which were held in Tokyo between 15 and 17 November 1989, to be successfully implemented will certainly require a renewal of political momentum. As ever, the debate over the regulation of trade in agricultural products continues to be intense and divisive.

The Uruguay Round negotiations began with the Community supporting the worldwide progressive reduction of agricultural subsidies and the United States' suspicious of this approach as indicative of a further extension of the role of government in agricultural pricing and production – and as leading to the legitimisation of subsidies for processed products. Instead the United States sought a broad liberalisation of trade in agriculture, with a phased diminution of all agricultural subsidies by the year 2000 and greatly strengthened GATT rules and disciplines in this sector. The two sides disagreed fundamentally over the justification for the treatment of trade in agriculture entirely differently and separately from that of trade in manufactured products.

Following upon the resumption of the negotiations in July 1989, both sides advanced ideas for new forms of negotiating techniques for the reduction of agricultural trade barriers. The Community put forward a scheme for the establishment of an aggregate measurement of support and the United States a scheme for the conversion of non-tariff barriers into tariffs – the concept of tariffication.⁴ The Community's proposal took as its starting point the current supply/demand imbalances in the agricultural sector and re-affirmed its belief in a system of dual pricing. In its view the aim of the negotiations should be progressively to reduce government support to the extent necessary to re-establish balanced markets and a more market-oriented agricultural trading system. Steady and balanced reductions in support should extend to frontier measures, market intervention, deficiency payments and other government aids. Commitments to reduce support should be made in terms of an aggregate measurement of support – the Support Measurement Unit (SMU) would be applied to a priority list of products in surplus where serious

4. USITC, *International Economic Review*, Sept. 1989, at 5-6; *idem*, Dec. 1989, at 7-8.

disruptions in trade were likely. The Community proposed reductions in government support for an initial period of five years measured against the reference indicators of the year 1986; it expressed doubts over the concept of tariffication but was prepared to consider this approach if the problem of rebalancing could be resolved in the same context.

The current United States proposals on market access, export-based subsidies, internal support and on sanitary and phytosanitary standards, which would lead to a five-year phasing out of export subsidies, have been rejected by the Community as contrary to the agreement reached in the Uruguay Round mid-term review. They have been criticised by Japan as drastic and impractical; Japan, although denouncing the continued use of export subsidies, wishes to maintain the use of import barriers on national security grounds and in this has support from Switzerland and the Nordic countries. The Cairns Group has put forward in its turn proposals which closely follow those of the United States but with a phasing out of internal supports and market access barriers over a period of ten years.

Clearly, grounds for a further compromise will have to be found and time is running out. The same, of course, may be said of the present position in a number of the other issue-specific negotiating groups of the Uruguay Round. The final year of the negotiations has opened with a failure to reach consensus on, *inter alia*, (i) the proposed draft comprehensive agreement on safeguards, (ii) basic principles on Trade Related Investment Measures (TRIMS), (iii) trade-related aspects of intellectual property rights, (iv) the integration of the Multi-Fibre Arrangement (MFA) into the GATT, (v) the modalities of strengthening the disputes settlement procedure, (vi) the preparation of a draft framework text on trade in services, and (vii) the choice of tariff-cutting methods.

Nevertheless, the progress of the negotiations on trade in agricultural products may serve as a rough guide to the health of the Uruguay Round as a whole. The re-orientation of the CAP in recent years still rests upon the unity of the market and Community preference. Whatever view one may take of the merits of those concepts for the internal evolution of the Community in the 1990s, they are clearly, and increasingly, unattractive to the majority of its world trading partners.