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**THE AGRICULTURAL NEGOTIATIONS  
OF THE URUGUAY ROUND OF GATT  
AND THE CREATION OF WTO**

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## THE AGRICULTURAL NEGOTIATIONS OF THE URUGUAY ROUND OF GATT AND THE CREATION OF WTO

### *GATT AND THE THEORY OF INTERNATIONAL TRADE*

The Uruguay Round – the eighth GATT round since 1947 – took seven years to complete. Never before had a GATT round of negotiations reached such an impasse. The difficulties encountered by political decision-makers in reaching a conclusion on this occasion were due to all manner of reasons, some concerned with the current economic situation (serious macro-economic problems) and some of a structural nature (questioning of the very principles of GATT).

GATT was only one element in the major trade negotiations held immediately after the Second World War and leading to the signature of the Havana Charter in 1948. The Charter was never ratified by the US Congress, however. It provided for the establishment of an International Trade Organization (ITO) on the same footing as the other international institutions of the United Nations. GATT, merely a 'provisional' trade agreement, developed empirically to compensate for the absence of the ITO.

The architects of GATT – mainly English and American – based its rules on an economic and political doctrine whose principal tenets were **free trade** and **multilateralism**. Guided by these two fundamental principles, it was intended that the new world trade system should allow international trade to expand rapidly and promote the harmonious development of nations in a spirit of solidarity.

The two principles mentioned here are rooted in the economic theory, particularly concerning **comparative advantage**, developed in the early 19th century by David Ricardo, John Stuart Mill and other classical economists. According to the theory, the more different two countries are, the more likely they are to trade with each other; the maximum benefit will be derived from the situation if free trade obtains. The argument in favour of free trade for a country is based on two hypotheses. Firstly, the absence of any imperfections in the market (in particular, the absence of monopolies). Secondly, the assumption that the country concerned cannot improve its access to third-country markets by restricting its imports from them.

Convinced as they were of the validity of both these hypotheses, the classical economists played a crucial part in the adoption by England of a unilateral free-trade policy (exemplified by the repeal of the Corn Laws in 1846), followed – particularly after the Anglo-French trade agreement of 1860 – by numerous bilateral trade agreements covering the whole continent of Europe. These contained an unconditional most-favoured nation clause, so that collectively they effectively amounted to a multilateral agreement. This situation inaugurated an era of multilateral free trade and rapid growth of trade, which was brought to an end in 1914 by the First World War. In the interwar years, the liberal trade policy of the 19th century was replaced by protectionism, and bilateralism took the place of multilateralism. At the same time, hopes of political cooperation dimmed in the face of the brutal rise of National Socialism. The result was a severe contraction of trade: the volume of world trade fell by 40% between 1929 and 1932 (although world production fell by only 20% over the same period).

Thus, in the minds of the founding fathers of GATT, nostalgia for a recent past regarded as idyllic – the pre-1914 era in which free trade had briefly flourished in part of the world – and above all the desire to put behind them once and for all the disastrous experience of the interwar years, were the main factors behind the formulation of the new approach to world trade from 1947 onwards: 'liberal trade'. But although it drew its inspiration from Ricardo, GATT is not a free-trade agreement based on the doctrine that everything should simply be left to market forces.

GATT is an agreement to liberalize trade on the basis of certain rules retained from the Havana Charter because they seemed sufficient to apply the reductions conceded. There were two main aspects. Firstly, GATT laid down a framework of rules – **fundamental rules and the conditional protection code** – with which all signatories must comply. Secondly, it provided for **opening up of national markets** by means of **multilateral trade negotiations, the rounds**.

The **fundamental rules of GATT** include **non – discrimination and transparency** in the use of customs duties, which laid the foundations of a 'liberal' trade system. This is based on **two principles**. The first is the **unconditional most – favoured nation clause** whereby each contracting party undertakes to extend immediately and unconditionally to all its trading partners any advantage which it concedes to a signatory country.

The second principle concerns **external protection**. Each contracting party undertakes to protect its national economy solely by means of customs duties and to eliminate other protection measures, such as minimum prices or quantitative restrictions. It also undertakes to 'consolidate' its customs duties, i.e. to declare maximum rates which it cannot exceed without providing adequate compensation to its partners or running the risk of reprisals on their part if the compensation offered is deemed insufficient.

The **conditional protection code** lays down the conditions under which a signatory country may take protection measures **if it decides to take action**. It may do so in the event of a large rise in imports following liberalization (Article XIX), in the event of dumping by foreign exporters (Article VI) or if trading partners grant subsidies (Articles VI and XVI).

A model signatory to GATT is therefore a country which protects its economy solely by means of customs tariffs consisting of consolidated and non – discriminatory duties. However, the Agreement says nothing about the **level of protection**: this is to be decided by the signatories during the rounds.

The rounds have **two purposes**. The first, referred to very briefly in the preamble to the Agreement, is to make it possible to **reduce barriers to trade** at a pace accepted by all signatories. They are to work to ensure that protection is as uniform and as limited as possible (in particular, tariff 'peaks' are to be reduced), the ultimate objective being to afford equal market access to domestic products and imports. The second purpose is to bring the Agreement into line with the conditions obtaining in a given period, not by amending the text of the Agreement itself but by drawing up '**codes of interpretation**' concerning those articles which require this. The Uruguay Round continued this process and in addition tackled new areas of trade (**agriculture, etc.**), while dealing with common rules to be observed worldwide (harmonization of rules concerning trade – related aspects of investment measures, etc.).

The **procedure** for the rounds is as follows: each signatory country draws up a schedule of the concessions it is prepared to grant to a given signatory (in the knowledge that if the schedule is accepted, the same concessions will have to be granted to all other signatories); at the same time the country concerned draws up a schedule of the concessions it wishes to secure from its partners. By linking the fate of the two schedules, the round establishes an essentially **mercantilist** mechanism, as it focuses on exports and presents the opening of domestic markets as the price to be paid for the opportunity to export. In order for this balance – of – interests mechanism not to contradict economic analysis, the principle of reciprocity must be applied perfectly within a multilateral framework. This objective, which is more simple to achieve where relatively similar and comparable interests are to be balanced (for example between industries, such as iron and steel and chemicals) becomes very complicated where widely separated and heterogeneous interests are concerned (e.g. between different sectors, such as textiles and services). This complexity largely explains why the Uruguay Round negotiations, which considerably expanded this mechanism, took so long to complete.

The **eight rounds** of multilateral trade negotiations (Geneva 1948, Annecy, 1949, Torgay 1951, Geneva 1956, Dillon Round 1962, Kennedy Round 1967, Tokyo Round 1979, Uruguay Round 1986) resulted in a considerable reduction in levels of protection and an unprecedented increase in international trade. Whereas in 1948 customs duties (ad valorem) averaged more than 40% in the nine main sectors of trade in manufactured goods, they now average 3.5%. At the same time, between 1950 and 1990 the volume of international trade rose by an average of 6% per annum, while world production increased by only 4% per annum.

It is not easy to demonstrate GATT's impact on the world economy. The latter is influenced not only by trade but also by numerous other social, economic, technological and political factors, to name but a few. Prominent among them are the decisions taken by certain countries, outside the machinery of the rounds, to liberalize their trade (countries of Eastern Europe and certain major countries in Asia and Latin America, such as Korea, Taiwan, Indonesia, Chile, Argentina and Mexico). Moreover, the Agreement provides for exceptions to the fundamental principles (e.g. the imposition of quantitative restrictions in the event of balance – of – payments problems pursuant to Article XII for industrialized countries and Article XVII – B for developing countries), while the formulation of the articles on the conditional protection code is so ambiguous as to be a veritable recipe for relapses into protectionism.

Whatever the exact nature of the **relationship between trade and development**, most economic analyses confirm that freeing trade promotes economic growth. In 1960, the USA's exports were equivalent to 5% of its GDP; in 1990, they were equivalent to 11% of it. The corresponding figures for France were 14% and 22%, and for Belgium 35% and 90% (including exports to other EEC countries). However, some economists believe that the **development of trade policy** (whether towards freer trade or towards greater protection) has a greater impact on the development of trade and revenue than **reducing barriers**. For example, good growth rates are also achieved in relatively protected countries, provided that these countries have ample advantages to develop or are large enough to enable their domestic producers to achieve economies of scale.

At all events, even if one were to accept unconditionally that expanding trade has a beneficial effect on economic growth, a fundamental question remains: **how are the fruits of this expansion shared among trade partners with different socio – economic structures and levels of development and above all unequal social protection systems?** Very few analyses have seriously tackled this question. One thing is indisputable: as a trade agreement, GATT does not contain social protection clauses or indeed environmental protection clauses.

Despite its initial success, enthusiasm for GATT has declined over the years. Its two fundamental principles – **free trade and multilateralism** – have been called into question.

The general onset of unemployment in the industrialized countries, in parallel with rising public deficits, has encouraged debate as to the relevance of free – trade theories. Meanwhile the **classical theory of comparative advantage**, on which the free – trade approach is based, has been weakened by recent developments in the **theory of international trade**. Whereas **classical theory** assumed that economies of scale were constant and competition perfect, the **new theory** postulates the existence of **growing economies of scale and imperfect competition** (which approximates more closely to economic reality). This firstly makes it possible to explain why – contrary to the predictions of classical theory but in accordance with reality – relatively similar countries can trade with each other. Secondly, it asserts that, for a given country under conditions of imperfect competition, 'strategic intervention' by the authorities may be preferable to laissez – faire free trade. Recent studies of high – technology industries in the USA have shown that an interventionist trade policy (in the form of a high customs tariff or an export subsidy) may enhance national prosperity (the domestic

enterprise increases its share of the market and secures a growing share of industry's surplus profits, to the detriment of a foreign rival). This argument concerning strategic trade policy has received much attention, not only in the academic world but also from political decision – makers.

The new theory of international trade has not only produced analyses leading to strategic trade policies. Its proponents have also studied oligopoly situations where the existence of only a few enterprises gives rise to imperfect competition. It has been found that imposing a quota or voluntary restriction on imports (or even an anti – dumping measure) promotes collusion or even mergers between domestic and foreign enterprises operating on the market concerned, the aim being to increase profits.

Multilateralism, the second major principle of GATT, is no longer fashionable either. Instead, **regionalism** is the idea whose time has come. It is favoured by three sets of facts. The first concerns the process of integration of the European Union, which began with the customs union among the Six in 1958 and resulted in the completion of the single market among the Twelve in 1992. The second concerns the network of regional agreements established by the Community over the years with its neighbours to the north (EFTA countries), south (ACP countries, Mediterranean countries, etc.) and east (Central and Eastern European countries). The third concerns a whole series of regional agreements concluded between industrialized third countries and developing countries, or among developing countries themselves (NAFTA, MERCOSUR, CARICOM etc.). Whether in Europe, America or the Pacific, the efforts devoted to the various regional integration projects far exceed those put into multilateral negotiations.

Economists have long stressed the importance of proximity as an aspect of the geographical structure of international trade. The empirical validity of this hypothesis is confirmed by the 'gravitational' model which, despite certain theoretical weaknesses, explains the geographical structure of world trade better than any other. In practice, countries' natural tendency to trade intensively with their neighbours has been recognized as a legitimate reason for regional integration. As long ago as the 19th century, numerous European trade agreements contained a **regional clause** permitting the signatories to deviate from their commitments under the most – favoured nation clause.

Some fear that these developments could result in fragmentation of the world economy into three blocs dominated by the European Union, the United States and Japan respectively. Others even fear that commercial and even political conflicts which might arise among these blocs could even lead to armed confrontation.

Will the new World Trade Organisation (WTO) established at the end of the Uruguay Round of GATT be capable of counteracting these tendencies?

### *THE AGREEMENT*

15 December 1993 saw the successful conclusion of seven years of tough negotiations mainly between the United States and the European Union. The final outcome (BREYDEL Agreement) is better for the European Union than its predecessor BLAIR – HOUSE draft agreement which has been strongly criticized, mainly in France (see Annexes). The Final Act incorporating its results and establishing the WTO was signed in Marrakesh on 15 April 1994. On 8 December 1994 an implementing conference was held in Geneva; this conference confirmed that the WTO agreement would come into force on 1 January 1995.

With respect to trade in agricultural and food products, the accords deriving from the negotiations have four aspects: the agricultural agreement proper; the concessions and undertakings to be applied by member countries concerning market access, internal aid and export subsidies; the agreement on sanitary and phytosanitary measures; and the ministerial decision concerning the least advanced countries and developing countries which are net food importers.

The text on the agricultural agreement is supplemented by the lists annexed to the GATT agreement, containing the legal agreements relating to the various countries.

The new rules outlaw import quotas, as well as variable levies and restrict export subsidies, thus putting an end to policies isolating agricultural products from the world markets. This means that quotas and variable levies now have to be replaced by tariffs, while tariff ceilings must be first consolidated and then reduced by an average of 36% over six years. Budgetary expenditure on export subsidies has also to be reduced, by the same percentage and over the same period (1995 – 2000).

A key element in the 'new GATT agreement' is the definition of a list of approved policies or 'green box', consisting of the areas exempted from the agreements on reduction. This entails the legitimization of a wide range of instruments related to service programmes, creation of public stocks to ensure security of food supplies, internal food aid, 'unrelated' income support, aid for structural readjustment (cessation of production, investment aid, etc), environmental programs and regional aid.

As far as income support for farmers is concerned, the GATT 'green box' only permits 'unrelated' aid, that is, aid not linked to the use of production factors or production volume. Direct aid is, in addition, only permitted if it does not involve transfers from the consumer (i.e. it may only be paid from the public purse).

The measures, which relate to income support and are to be partly financed by the consumer, or will entail price support for producers or will involve quantities proportional to production, are included in a Global Support Measure (GSM), comprising the total sum of all internal aids, which are to be reduced by 20% over the period 1995 – 2000. In the case of the EU, the direct aids provided for in its 1992 reforms have been classified as 'unrelated', and are accordingly excluded from the GSM. The 'peace clause' of the agreement is constituted by the reconstitution of the reformed CAP, at least up to the commencement of the fresh negotiations which are due to begin in the year 2000.

Overall, the outcome of the negotiations has provided a framework for the long – term reform of trade in farm products and internal agricultural policies over the next few years. They represent a further step towards the goal of market – led reorientation of agricultural trade and introduce tighter rules for trade in farm products: this should ensure – according to those who argue in favour of liberal trade – greater predictability and stability for both importer and exporter countries. However most analyses conclude that GATT agreements tend to favour USA rather than Europe the share of which in world trade of agriculture products will further diminish. Also developing countries will have to face increasing bills for imported food as world prices of agricultural products are expected to rise at least in short term.

#### *WHAT IS THE WTO?*

The World Trade Organization (WTO) is an international organization, created on 1 January 1995, which is responsible for administering the new rules governing world trade agreed at the end of the Uruguay Round of GATT. The WTO has a substantially wider scope than its predecessor, GATT: for the first time, the multilateral trade system now encompasses such trade – related areas as trade in services, the protection of intellectual property and investment. The WTO is an international organization with all the corresponding attributes, whereas GATT was essentially a provisional treaty using the services of an ad hoc secretariat.

As with any association, conflicts may arise between the members. In the event of conflict the WTO offers a number of conciliation mechanisms. Trade disputes which cannot be settled through bilateral talks ('consultations') are referred to the WTO's 'tribunal' for resolving differences. Independent expert groups are set up to examine the disputes in the light of the WTO's rules and come to a decision.

WTO membership for the 125 members of the former GATT is automatic, subject to acceptance of the Uruguay Round agreements.

The WTO's agriculture committee spent its first year of existence establishing its working procedures (including notification requirements). The first area in which notifications have had to be forwarded to it has been the implementation of the agreements on import quotas; in addition, work has begun on examining observance of the agreements on internal aids and export subsidies and on discussing specific matters such as export credits.

Under the new rules applied in Geneva, the party under accusation may no longer oppose the recommendations of the arbitration committees, although there is provision for prior consultation procedures aimed at reaching an amicable agreement. As things stood in April 1996, the overall picture concerning trade disputes within the WTO relating to agriculture and stockbreeding in the EU was as follows.

### *DISPUTES WITHIN THE WTO RELATED TO EUROPEAN AGRICULTURE*

#### *Consultations*

Thailand complained over the EU's regime for rice imports.

Uruguay complained over the application of the Uruguay Round agreements in relation to rice in the EU.

The US complained over measures affecting meat and derived products obtained by the use of hormones (the EU has also protested at the unilateral reprisals adopted by the US).

Ecuador, Guatemala, Honduras, Mexico and the US complained over the regime governing the import, sale and distribution of bananas (subsequently, on 8 May 1996, the WTO set up a special working party to examine the complaint).

#### *Special working parties currently in operation*

The EU, Canada and the US have complained over taxation on alcoholic beverages in Japan, on the grounds that imported alcoholic beverages are subjected to more unfavourable tax levels than the traditional 'shochu'.

### *THE NEW 'FARM BILL' OF THE US*

The new law, now adopted, will eliminate the system of target prices and compensatory payments which has previously existed under US agricultural policy, and will also end all restrictions on production (compulsory set-aside), except for fruit and vegetables, fodder and hay.

As a transitional measure, farmers will receive 'unrelated' direct aid amounting to US\$ 36 bn for the seven years of duration of the law. To be eligible for these payments, farmers will have to sign contracts with the USDA (United States Department of Agriculture) obliging them to comply with the existing environmental protection programmes. The remaining programmes will continue, albeit with budget cuts. This means that, for example, the controversial 'Export Enhancement Program' will still exist, at least until the beginning of the next Round.



### OTHER IMPORTANT FACTS

In April 1994 the European Parliament adopted a motion for a resolution in which it endorsed the elements of competition introduced by the Agreement as creating a more effective framework for world trade and removing trade barriers.

In September 1994 the French government, in a report *Towards a more ambitious European agriculture*, called for implementation of the GATT agreements to be decided by the EU Council of Ministers, rather than by the Commissions's various management committees.

In December 1994 the General Affairs Council approved the legislation implementing the Uruguay Round agreements at Community level (Council Regulation (EC) 3290/94).

In July 1995 the EU Commissioner for Agriculture made a positive assessment of the three years of existence of the reformed CAP, considering that this meant the WTO agreements could be implemented without additional sacrifices by the EU's farmers. On 1 July 1995 the WTO agreements came into force for most agricultural products.

December 1995 saw the adoption of the package concerning agricultural compensation by the EU to third countries adversely affected by its extension to fifteen Member States, under GATT Article XXIV.

### UNRESOLVED ISSUES

Of the new areas included in the WTO's work programme, two are obviously linked to agriculture. The first is the relationship between trade and the environment: this concerns the circumstances in which trade can damage the environment or, conversely, environmental rules can damage legitimate trade. This will be one of the main subjects discussed at the WTO's first ministerial conference, to be held in Singapore in December 1996. The second area is more controversial, concerning as it does trade and labour legislation. While a consensus exists concerning the outlawing of child labour and forced labour, there is more controversy over the aspect of the debate relating to lower wage levels in the developing countries (a factor which provides them with a comparative advantage). The debate is continuing within the UN, the OECD and the ILO and at national government level, but there is no sign as yet of an agreement on 'shared values' under which labour legislation could not be invoked to operate covert protectionism and it would not be possible deliberately to ride roughshod over workers' rights.

TABLE 1: GATT AGRICULTURAL AGREEMENT OF 15 DECEMBER 1993

Domestic support	<b>AMS (Aggregate Measurement of Support) cut by 20%</b> Commitment relates to all products combined (cut of 20% on average); reference period: 1986 – 88; transition period: 1995 – 2000; direct income support (EU) and compensatory payments (USA) entered in the 'Blue Box', i.e. excluded from the calculation of the AMS, subject to certain conditions. AMS calculated as being ECU 73 530 million (average in 1986 – 88). The 20% reduction to be implemented according to the following time – table:						
	AMS (MECUs)	Annual reduction					
		1995	1996	1997	1998	1999	2000
	73 530	71 476	69 367	67 367	65 313	63 259	61 204
Access to imports	<p><b>* Tariffication:</b> Replacement of variable levies with fixed tariffs ('Tariff Equivalents'); all tariffs to be cut by <b>36%</b> (arithmetic mean), with a minimum of <b>15%</b> per product; reference period: 1986 – 88; transition period: 1995 – 2000; option of applying a <b>safeguard clause <i>a posteriori</i></b> if world prices are below a set threshold or the volumes imported exceed a set ceiling, activating the application of additional customs tariffs, albeit with an exempt amount and restrictive conditions.</p> <p><b>* Minimum market access:</b> Markets to be opened to the equivalent of <b>3%</b> of domestic consumption in 1995, then <b>5%</b> in 1999. Level of aggregation of commitments: by product group (e.g. 'meat'); reference period: 1986 – 88; transition period: 1995 – 2000; existing access opportunities ('current access') to be maintained, or additional quotas to bring the figure up to 3% and subsequently 5% of domestic consumption ('minimum access').</p>						
Support for exports	<p><b>* Volume of subsidized exports to be cut by 21%</b> for each product; <b>* Refund budget to be cut by 36%</b> for each product; reference period: 1986 – 90; initial level for linear reduction beginning in 1995: 1991 – 92 or 1986 – 90 as preferred, except for beef and veal (average 1986 – 90 – 1991 – 92): 'smoothing', permitting a smaller cut at the beginning of the period than provided for in Blair House Agreement; transition period: 1995 – 2000.</p>						

<b>Oleaginous crops</b>	<ul style="list-style-type: none"> <li>* Ceiling for sown area in the EU: 5128 million hectares less a minimum of 10% per annum set – aside.</li> <li>* Non – food use of oleaginous crops cultivated on set – aside land limited to 1 Mt soya cake equivalent.</li> </ul>
<b>'Andriessen compromise'</b>	The EU to undertake not to export to the Asian markets any bovine meat on which refunds have been paid.
<b>'Peace clause': 9 years</b>	The USA undertakes not to complain to GATT about EU domestic support until 2003 provided that the EU complies with its undertakings in the external field.
<b>Corn gluten feed</b>	No clarification of definition, no limits on volumes imported by the EU or rebalancing. Microscopic examination method abandoned. If the volumes imported exceed the reference level (1992), consultations will be held between the EU and the USA.

TABLE 2:

WASHINGTON (BLAIR HOUSE) DRAFT AGRICULTURAL AGREEMENT  
BETWEEN THE EU AND THE USA OF 20 NOVEMBER 1992

<b>Domestic support</b>	<p><b>20% reduction in the Aggregate Measurement of Support (AMS).</b> Commitment relates to all products combined (cut of 20% on average); reference period: 1986 – 88; transition period: 1994 – 2000; direct income support (EU) and compensatory payments (USA) not affected, i.e. entered in the 'Green Box' (subject to conditions).</p>
<b>Access to imports</b>	<p><b>* Tariffication:</b> Replacement of variable levies with fixed tariffs; all tariffs to be cut by <b>36%</b> (arithmetic mean), with a minimum of <b>15%</b> per product; reference period: 1986 – 88; transition period: 1994 – 2000; option of applying a safeguard clause (automatic activation?).</p> <p><b>* Minimum market access:</b> Markets to be opened to the equivalent of <b>3%</b> of domestic consumption, then <b>5%</b> in 1999 (depending on the level of aggregation: by 'tariff heading' or product group?) rate applied: 32% less than basic tariff; reference period: 1986 – 88; transition period: 1994 – 2000; existing access opportunities to be maintained (if &gt; 3%) (reference period: 1986 – 88).</p>
<b>Support for exports</b>	<p><b>* Volume of subsidized exports to be cut by 21% for each product;</b> <b>* Refund budget to be cut by 36% for each product;</b> reference period: 1986 – 90; transition period: 1994 – 2000.</p>
<b>Oleaginous crops</b>	<p><b>* Ceiling for sown area in the EU: 5128 million hectares less a minimum of 10% per annum set – aside.</b> <b>* Non – food use of oleaginous crops cultivated on set – aside land limited to 1 Mt soya cake equivalent.</b></p>
<b>'Andriessen compromise'</b>	The EU to undertake not to export to the <b>Asian markets</b> any bovine meat on which refunds have been paid.
<b>Peace clause</b>	The USA undertakes not to complain to GATT about EU domestic support provided that the EU complies with its undertakings (text not very explicit; subject to differences of interpretation).

TABLE 3: COMPARISON BETWEEN THE BLAIR HOUSE DRAFT AGREEMENT AND THE FINAL AGREEMENT OF 15 DECEMBER 1993

Domestic support	<p>The application of the agreement will begin only in 1995 and will continue until 2000;</p> <p>the status of European and American direct income support, which was not entirely clear in the Blair House Agreement, is defined by the Agreement of 7 December 1993: it is to be placed in the GATT 'Blue Box', i.e. it must strictly comply with certain conditions in order to be excluded from the calculation of the AMS.</p>																															
Access to imports	<p><b>* Tariffication:</b></p> <p>The <u>tariff equivalents</u> of certain products which were previously subject to a variable external protection system are set at a high level to ensure Community preference. This applies to cereals, dairy products, bovine meat, sugar and olive oil. In the case of olive oil, for example, the tariff reduction (20%) is to be based on tariff equivalents between ECU 1532 and 1682 per ton, depending on the quality of the oil, which constitutes protection of more than 200% of the variable protection calculated for the reference period. However, the tariff equivalents for cereals are subject to a ceiling.</p> <p>The conditions for activation of the <u>safeguard clause</u> are defined (two factors: the price level of the imported product and the volume which enters the market); a <u>special safeguard clause</u> is instituted for fruit and vegetables; however, it is not to be activated automatically, so will be applied <i>a posteriori</i>, which will limit its effectiveness.</p> <p><b>* Minimum market access:</b></p> <p>The European concept of minimum market access <i>per group of products</i> rather than per product ('aggregation' of import commitments) has finally been recognized by the USA; this makes it possible to limit considerably the adverse impact of the import commitments for a number of products (cereals, cheese, meat, etc.).</p> <p>This formula makes it possible to prevent additional imports of:</p> <ul style="list-style-type: none"> <li>- cereals : 3.17 million tons;</li> <li>- cheese : 106 000 tons;</li> <li>- milk powder : 72 000 tons;</li> <li>- pigmeat : 594 000 tons.</li> </ul> <p>On the other hand the compromise on <u>minimum market access</u> does not apply to all sectors. The following table indicates the products concerned, the quotas and the tariffs applicable at the end of the period (2000).</p> <table> <tr> <th>Product</th><th>Quota (tons)</th><th>Tariff</th></tr> <tr> <td>Quality bovine meat</td><td>18 000</td><td>20%</td></tr> <tr> <td>Pigmeat</td><td>66 500</td><td>variable</td></tr> <tr> <td>Processed pigmeat products</td><td>9 100</td><td>variable</td></tr> <tr> <td>Poultrymeat</td><td>29 000</td><td>variable</td></tr> <tr> <td>Eggs &amp; albumen</td><td>208 000</td><td>variable</td></tr> <tr> <td>Skimmed milk powder</td><td>69 000</td><td>475 ECUs/ton</td></tr> <tr> <td>Butter</td><td>10 000</td><td>948 ECUs/ton</td></tr> <tr> <td>Cheese</td><td>104 000</td><td>variable</td></tr> <tr> <td>Cereals</td><td>800 000</td><td>variable</td></tr> </table>		Product	Quota (tons)	Tariff	Quality bovine meat	18 000	20%	Pigmeat	66 500	variable	Processed pigmeat products	9 100	variable	Poultrymeat	29 000	variable	Eggs & albumen	208 000	variable	Skimmed milk powder	69 000	475 ECUs/ton	Butter	10 000	948 ECUs/ton	Cheese	104 000	variable	Cereals	800 000	variable
Product	Quota (tons)	Tariff																														
Quality bovine meat	18 000	20%																														
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Butter	10 000	948 ECUs/ton																														
Cheese	104 000	variable																														
Cereals	800 000	variable																														

Support for exports	Europe's demand for 'smoothing' of export commitments, permitting a rise in the initial level on which cuts in volume and refunds are to be based, has finally been accepted by the US; this provision makes it possible to cut the reduction in volume for major products by:						
	<div><div>- wheat</div><div>: 8 100 000 tons</div><div>- tobacco</div><div>: 50 000 tons</div><div>- bovine meat</div><div>: 362 000 tons</div><div>- other dairy products</div><div>: 44 000 tons</div><div>- eggs</div><div>: 16 000 tons</div><div>- poultrymeat</div><div>: 253 000 tons</div></div> <p><u>Note:</u> 'smoothing' makes it possible to relax limits on exports, but <i>only during the transition period</i>; the level to be reached in 2000 and maintained in subsequent years remains <u>unaltered</u>. (Cumulation from 1995 to 2000).</p>						
REDUCTIONS IN SUBSIDIZED AGRICULTURAL EXPORTS FROM THE EU: 1995 - 2000							
Product	Value (ECU m)			Quantity ('000 t)			
	1995	2000	(2 - 1/1%)	1995	2000	(5 - 4/4%)	
	1	2	3	4	5	6	
Wheat	2 069	1 141	-45	19 118	13 436	-30	
Fodder grains	1 298	883	-32	12 182	9 973	-18	
Rice	58	40	-25	177	143	-18	
Olive oil	81	55	-32	143	117	-18	
Sugar	730	497	-32	1 560	1 277	-18	
Butter	1 245	848	-32	447	366	-18	
Skimmed milk powder	348	237	-32	297	243	-18	
Cheese	505	281	-44	407	305	-25	
Bovine meat	1 900	1 259	-34	1 119	817	-27	
Pigmeat	172	117	-32	491	402	-18	
Poultrymeat	137	92	-33	440	291	-34	
Eggs	37	25	-32	107	83	-22	
Wine	61	41	-33	2 973	2 433	-18	
Fresh fruit & vegetables	97	66	-32	1 108	907	-18	
Processed fruit & vegetables	14	10	-29	194	159	-18	
Tobacco	95	40	-58	190	113	-41	
Spirits	141	96	-32	1 402	1 147	-18	
Oleaginous crops	The Union approved the 'oils and fats' section of the Blair House draft (between the USA and the EU) separately before the general agreement was concluded at GATT. It has already been implemented in Community regulations. Moreover, the Union has granted significant amounts of compensation to the other contracting parties (Argentina, Brazil, Canada, Poland, Sweden and Uruguay) which also considered their interests to be damaged by Community support for oils and fats, namely the opening of annual tariff quotas of 300 000 tons of quality wheat, 18 000 tons of bovine meat, 18 000 tons of poultrymeat, 7000 tons of pigmeat and 475 000 tons of cereal substitutes.						

<b>'Andriessen compromise'</b>	The Andriessen compromise is confirmed by Sir Leon Brittan himself during a visit to Australia. The Commission remains very discreet about the subject. The highly adverse impact of this renunciation of subsidized exports of bovine meat from the Community to South – East Asia will make itself felt only in a few years' time.
<b>'Peace clause': 9 years</b>	The period of validity of the peace clause is extended from 6 years to 9 in the Agreement of 15 December 1993. The USA will not contest CAP support until 2003 provided that it considers that the EU is applying correctly the external commitments it has assumed.
<b>Corn gluten feed</b>	The 'corn gluten feed' section of the Blair House Agreement, which was discussed separately from the rest of the Agreement, is likely to be approved by the Commission in July 1994. It confirms the EU's abandonment of any serious checks on the composition of American corn gluten feed and the percentages of its constituents, and will enable American exporters to sell, tariff – free, large and unlimited quantities of broken maize and steep waters. This false corn gluten feed, which the USA has already been exporting for some years, unquestionably constitutes a compound feeding – stuff, as the Brussels Tariffs Nomenclature Committee clearly said before retracting its statement.
<b>'Consultation clause'</b>	The United States accepts an automatic consultation clause to operate if imports of substitution products exceed the average imported in 1990/91/92. This clause is intended to make it possible to be vigilant about trends in imports of cereal substitutes. In the case of corn gluten feed, consultations will be held if imports exceed 5.7 million tons. However, there is no real guarantee as to the results of the consultations.

Sources: Working Paper "THE AGRICULTURAL NEGOTIATIONS WITHIN THE URUGUAY ROUND OF GATT" (Directorate General for Research, "Agriculture, Fisheries and Forestry Series", W – 6 / Part I and II)

Directorate General for Research "Note of the Delegation for Relations with the United States" dated 29. July 1996 (PE 218.228), pages 2 – 4.