



Joint Degree in Political Economy  
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# 8. The GATT and the Uruguay Round: agricultural issues

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# GATT and agriculture I

*Outside the general rules*

*In particular, export refunds allowed if "equitable share of world export trade" is maintained*

*Import restrictions and quotas are allowed "when needed"*

*A "temporary" waiver (for 47 years, from 1948 to 1995) to restrict US imports of sugar, peanuts, dairy and other smaller products*

## **GATT and agriculture II**

*In summary, members were allowed to:*

*Subsidize their farmers to the extent they wished;*

*Provide border protection as desired and*

*Export the surplus thus generated with export subsidies*

*These 3 issues will be precisely the 3 main points addressed by the agricultural part of the Uruguay round agreement.*

# GATT and agriculture III

*Convenient political agreement for Europe and the US*

*Some voices start disagreeing: principally the Cairns group (so called Group of Fair Trading Nations): mainly New Zealand, Australia, Canada, some Latin-American (Argentina, Brazil, Chile, Peru, Uruguay, Colombia, Costa Rica, Guatemala, Paraguay,) and Asian (Indonesia, Malaysia,, Pakistan, the Philippines, Thailand) and South Africa*

*But nothing really relevant!*

# **The agricultural market situation at the end of the 70 's – mid 80 's**

*Increase surplus pressure in the EU. Increase exports and increase exports refunds for the main commodities*

*US: Russian embargo; increased minimum target prices stimulating the production, stronger USD, less market exports and more public expenditure*

*Similar EU and US annual budget costs: about 25 Billions USD*

*The Common front US-EU brakes and the US moves closer to the Cairns group.*

# The Uruguay Round: Punta del Este mandate

- (i) improving market access through, inter alia, the reduction of import barriers;*
- (ii) increasing discipline on the use of all direct and indirect subsidies and other measures affecting directly or indirectly agricultural trade;*
- (iii) minimizing the adverse effects that sanitary and phytosanitary regulations and barriers can have on trade in agriculture.*

# The negotiations I

1988: Montreal "mid term" review: a failure. Cairns group: No general agreement without an agricultural one

1989: Geneva: Failure even to agree on the structure of the negotiation.

1990: Heysel (Brussels) foreseen as the final one: Complete failure.

1991: Dunkel options paper: split discussion in 3 parts: domestic support, export refunds and market access

## The negotiations II: Increase pressure on the EU

*External and internal (other sectors and Ministers): Europe and its CAP is blocking the international negotiation.*

*Internal: EU surplus growing year by year . CAP budget out of control. Finance Ministers unhappy*

*Internal: EU farm income under pressure. Farmers unhappy too.*

*External: EU loosed the Soya panel against the US*

# The negotiations III: the final agreement

*1992: Blair House agreement(s): Dunkel text rewritten to accommodate US and EU interests*  
*EU-US common front rebuild. To take or to leave proposal*

*Cairns group accepted it as a step in the good direction even if not completely satisfactory*

*Commitment to continue the reform process in further Rounds*

*1993: Final agreement*

# The agricultural agreement I

**Market access:** *tariffication + 36% reduction for developed countries (minimum 15%); 24% for developing (minimum 10%) and 0% for LDC*

**Export subsidy:** *cut of 36% (by value) or by 21% (by volume) over six years. For developing countries, 14% (by volume) and 24% (by value) over ten years.*

# The agricultural agreement II: internal support

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*Distortive. Reduction by 20% (13% for developing countries); de minimis 5% for non-product specific (10% developing)*

# The agricultural agreement III: internal support

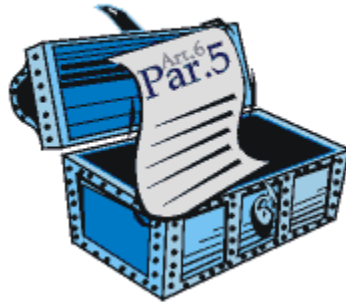
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*Minimal or no trade distortion. Exempt of any reduction: investments, training, subsidies not related to production*

# The agricultural agreement IV: internal support

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*Amber box with conditions to reduce distortion:  
historical references; participation in programmes  
to limit production*

*"Traditional" US and "new" EU subsidies*

# Conclusions

*Introduction of new disciplines to agricultural policies, limiting their distortive effects*

*Commitments acceptable for all negotiating parties.*

*Based on the US-EU Blair House agreement*

*A step in the good direction but more steps expected (new Round foreseen)*

# If you want to know more ...

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