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II. REVIEWS AND NOTES

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PROTECTION OF THE EC AGRICULTURAL MARKET VS. THE AGRICULTURAL AGREEMENT OF THE URUGUAY GATT ROUND

The paper analyzes the agricultural policy of the European Community with special attention being paid to the consequences of applying protection measures in agricultural trade.
An important point of reference for the aforementioned analysis is the agreements of GATT Uruguay Round following which the reduction of EC agricultural protectionism will have to occur. The author investigates the outcome of implementing these agreements from the point of view of the possibility to enter the EC agricultural market by EC non-member countries.

1. INTRODUCTION

Since its establishment, the European Community (EC) has been developing a broad system of measures aimed at the protection of the agricultural sector. It resulted in permanent protests of the non-member countries whose access to the EC agricultural market was being constantly confined. Despite numerous negotiations on this subject which have been undertaken within the subsequent GATT rounds, it is only the Uruguay Round that concluded with signing an agreement which is to result in reducing the range of tariff/non-tariff protectionism with respect to EC agriculture.

This paper is an analysis of the evolution of the EC common agricultural policy, including its consequences, modifications and major components of the agricultural agreement that has been concluded in the course of the GATT Uruguay Round as well.

2. COMMON AGRICULTURAL POLICY OF THE EC COUNTRIES – FOUNDATIONS, PERFORMANCE AND CURRENT CHANGES

No production sector of the EC has been so highly protected as that of agriculture. An extended system of barriers has been established. On one hand, they efficiently protect the market of agricultural products and foodstuffs

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against competition from third countries, and on the other hand they enable their exports to expand. The objectives of the above-mentioned agricultural policy are defined in Articles 30-47 of the Rome Treaty. In accordance with it, the agricultural policy should increase the productivity of agriculture, stabilize agricultural trade markets and provide a continuous supply, increase the personal income of the employees of this sector and sustain the consumer price on a moderate level (Article 39 of the Treaty).

The Common Market of agricultural products started in 1962. In 1968 unified prices were introduced. At present, the market comprises of more than 90% of agricultural production. Its organization was based on three important principles:

- uniformity of market;
- preferences for goods manufactured in EC;
- financial solidarity of membership countries.

Uniformity creates free trade mobility non-distorted by tariffs or NTBs inside the group of unified prices, competitive rules and the same legal, sanitary and veterinary regulations for all countries.

The preference for the domestic market protects it from outside competition. Since the prices of agricultural products of the EC are higher than world market prices, the import of those products from third countries is affected by tariffs and compensating rates which equal the prices in the Common Market.

The costs of the common policy are divided by the membership countries of the European Agricultural Guidance and Guarantee Fund (EAGGF). The funds are derived from EC budget tariffs, compensating rates and also from taxes levied on the producers.

The fund consists of separated parts: Subfund of guarantees which finances the common organization of agricultural markets and Subfund of orientation which finances the restructurization of agriculture. The most important instrument of the common agricultural policy are prices. They should be calculated to meet the most important objective due to which the farmers would receive suitable incomes. As a result of the postulate, the Council of the EC established for the whole group unified price indices for particular agricultural products. The prices are not guaranteed but they provide suitable information to producers and other market partners. In case of higher supply than demand, the real price value will be established on the lower than index price value if no intervention purchases occur. Thanks to the system of agricultural products' surplus and intervention prices (slightly lower than the indicator prices but close to them) farmers are guaranteed prices more profitable than in the free market.

The policy of guaranteed prices for each supply volume due to strong stimulation of production, was justified only when EC was forced to import many agricultural products. In due time this system provided self-sufficiency in supplies of the most viable agricultural products and later their surpluses. In 1973 the EC markets suffered from a deficit originating from their own production (self-sufficiency index 94%) but in 1986, due to a faster increase of production than consumption the index valued 112%. In 1992 for example, production exceeded market demand by 27% in grain, by 11% in milk, by 15% in beef meat and by 24% in sugar (Willer, Strmer 1992, p. 329). In effect, huge reserves of agricultural products of intervention purchases are stored in EC cold stores and storage bins (Table 1).

Table 1
Surplus of some agricultural and foodstuff products in EC
(million tonnes)

Product	Highest previous level	1987	March 1992
Butter	1.480 (September 1986)	1.37	0.250
Skim milk powder	1.385 (September 1976)	0.77	0.340
Beef meat	0.950 (December 1991)	0.58	0.800
Grain	18.900 (May 1991)	14.3	19.600

Source: Willer, Stürmer 1992, p. 330

Surpluses of agricultural products can be sold in different ways. Grain is most frequently processed for fodder, milk is sold at lower prices or distributed to public institutions. At the extreme, the food excess is destroyed (about 1% of fruit and vegetables per year) (Hrubesch 1991, p. 302).

Exports are most important for agricultural products. In the relatively short time since the mid-1980's, the net importer became the biggest in the world net exporter of milk and beef products and the second exporter of grain and sugar. In 1992 the EC exported net: 36 million tonnes of grain (19% of world exports), 2.9 million tonnes of sugar (10% of world exports), 11.3 million tonnes of milk and its products and 0.95 million tonnes of beef and 6.8 million tonnes of wine (*Agriculture*... 1994, p. 50).

In consideration of much higher prices in the EC market as those prevailing in the world market, the EC was able to export agricultural product only through granting subsidies to their prices. The Guarantee Subfund of FEOGA devotes about 40% of annual expenditures for subsidizing purposes (in 1992 about 14 billion ecu) (*The agricultural*..., 1993). At the same time the EC is a significant importer of agricultural products and its balance of trade of those products suffered from a deficit of 14 billion ecu in 1992 (ibidem). This import mostly concentrates on tropical and sub-tropical products and fodder. The regulation system of particular agricultural commodities depends on its significance for the EC and the self-sufficiency level. The higher the self-sufficiency, the bigger the protection. Due to that tropical products imported from developed countries which are not manufactured in the EC or manufactured in inadequate volume, are free from any import fee or bound with fixed import tariffs. The import is, however, competitive on the common market but due to GATT regulations it cannot be restricted by any limits except tariffs (fodder). The agreements of voluntary export restraints (VERs) can be also implemented. The most competitive import is restrained by a system of compensating tariffs.

The common trade policy of agriculture results in numerous consequences both for the producers and consumers of the member countries and also for the third country exporters of agricultural products.

Agricultural subsidies cause a redistribution of revenues. The division of revenues among the farmers is not performed according to the social criteria but to the sales value. As a result, 10% of households takes over 30% of total agricultural revenues, while 40% of agricultural population achieves only 16% of revenues from this sectors (Tesche 1989, p. 205). It should be underlined that a quarter of the money devoted to agricultural protection reaches the farmer himself. The rest of the money covers administrative costs, storage costs, processing and denaturation of agricultural products and export subsidies. In fact the increase of budget costs of agriculture has nothing to with the real revenues of farmers. The increase lately shows falling tendencies.

Negative effects for membership countries result from the principle of financial solidarity, due to which all revenues from tariffs and compensating rates are deposited in a common budget, and expenditures (export subsidies and investment purchases) are covered by the same money. So countries which import more than they export are charged more to the budget and otherwise.

Less evident is also the significant burden of membership countries which purchase agricultural products in the EC. They pay high prices set by EC and not the significantly lower international prices because of the common agricultural market. The revenues are transferred this way between the membership countries of EC from importers to exporters of agricultural products.

The losses resulting from protectionism can be estimated by the index of Consumer Subsidy Equivalent (CSE), which generally is analysed together with the index of Producer Subsidy Equivalent (PSE).

The PSE index states producer privileges resulting from all forms of agricultural support (direct and indirect subsidies, tariffs, compensating rates, instruments of structural policy and so on). It shows what percentage share of producer's revenue is represented by the described means.

The CSE index reflects the consumer charges and shows how the expenditures increase due to the policy of price subsidies and revenues in this sector.

Table 2 presents the degree of agricultural protection slightly higher than average calculated for all OECD countries, regarding both producer privileges (positive PSE = 47%) and consumer charges (negative CSE = 40%). Three countries, New Zealand, Australia and the USA are placed below the average, while the EC and other European OECD countries and Japan are higher than average. Most of the countries represent strict correlation between PSE and CSE indices, it means that the absolute value of both indices is close to each other (slightly lower are CSE indices). It suggests the EC and other countries of OECD implement mostly direct instruments affecting price of agricultural products which is charged on to the consumers.

On the other hand, in Canada, Japan, Switzerland and the USA the predominance of PSE indices value compared to the absolute value of CSE indices is relatively high. It comes out from the fact that those countries provide money transfer directly to the farmers which does not affect consumer prices. This situation increases the favourable value of PSE index and it does not lower the negative value of CSE index at the same time.

Between 1979 and 1992 most OECD countries increased the protection level of agriculture measured by PSE and CSE indicates. New Zealand is an exception to this rule since it significantly lowered both indices, while Australia and the USA maintained the same level for the whole period.

The second part of Table 2 states that in OECD countries taken globally, the highest protection was applied to rice, sugar, milk, mutton and pork meat. Generally speaking, in those countries the protection of agricultural production is higher than that of animal production.

The protection of the EC agricultural market affects the markets of third countries, especially those significant exporters of agricultural products whose production is high. It regards both developing and highly developed countries. Difficult access to the EC market and the simultaneous increase of export subsidies caused in the 1980s a rapid decline of world prices and a drop of sales of main exports. It initiated numerous trade conflicts mostly between the EC and the USA which was badly injured by the agricultural policy of the EC and for many years blamed the EC for unfair competition (*Agricultural Policies...*, p. 304). The USA demanded to exclude agriculture problems from the negotiation package of the Uruguay Round, depending its participation on the decision.

Table 2
Protection level of agriculture in OECD countries

Country/Product	Subsidy equivalent for producer (%)			Subsidy equivalent for consumer (%)		
	1979-86	1989	1992	1979-86	1989	1992
1) Production of agricultural sector in specific countries of OECD						
Australia	12	9	12	−7	−6	−8
EC	37	41	47	−30	−34	−40
Finland	58	69	68	−55	−67	−67
Japan	66	70	71	−45	−53	−52
Canada	34	40	44	−24	−25	−29
New Zealand	25	5	3	−10	−5	−2
Norway	71	72	77	−40	−56	−63
Austria	32	40	49	−28	−40	−47
Sweden	44	51	57	−37	−53	−57
Switzerland	68	72	75	−52	−54	−52
USA	27	26	28	−18	−16	−19
OECD total	37	40	44	−29	−33	−37
2) Production of chosen agricultural products average for all OECD countries						
Fodder grains	28	33	38	−15	−17	−26
Oil seeds	16	27	29	−1	−2	−2
Rice	74	82	85	−61	−75	−78
Wheat	31	31	45	−22	−24	−37
Sugar	48	46	66	−45	−43	−61
Eggs	11	18	7	−11	−18	−10
Poultry meat	14	18	12	−11	−15	−13
Milk	59	57	65	−47	−47	−56
Beef and veal	41	43	44	−35	−53	−46
Mutton	49	63	64	−40	−53	−46
Pork	49	63	64	−15	−17	−24
Wool	14	6	14	−1	−0	−0
Plant products	36	42	50	−25	−32	−39
Animal products	37	39	41	−6	−34	−36

Remarks: Years of 1979−86 EEC (10), 1989−92 ECC (12); values of 1979−86 expressed as product values.
Source: *Agricultural Policies*... 1993, (different tables).

The undoubted success of the EC agricultural policy was achieved in a relatively short time. It became possible due to the intensification of agricultural production and financial incentives. Food reserves guaranteed continuous supply to the market, independent from seasonal fluctuations. Systematic supplies of food surpluses aiding the countries with food shortages should be considered highly positive. From the EC point of view the considerable growth of agricultural exports, although costly to EC consumers and exporters from outside, can also be regarded as a success.

Intervention costs of producer markets and export subsidies employed huge and constantly increasing financial means. Net expenditures from the budget of EC (the Guarantee Subfund of FEOGA) rose between 1981-1991 from 11 million ecu to 35 million ecu and the estimations of losses of about 3% of GNP of the whole EC (*Die Agrar-Last*... 1990).

This policy was criticized by almost all members of the market. The farmers complained of low revenues and the lack of perspectives, consumers and taxpayers of high charges, politicians of an impossible increase in costs, agricultural economists of a waste of reserves, ecologists of environment pollution, trade partners of the distortion of the world market (Koester and Terwitte 1989, p. 130).

It urged the EC authorities to introduce gradual reforms, which however were not very successful in the past. The basic reform of the common agricultural policy was decided in 1992 and its main objective was to change the system of market organization for all agricultural products (all kinds of grain) and the market of animal products – mainly the beef market.

The system of guaranteed prices supporting farmers' revenues was replaced by direct money transfers to the agricultural producers. In accordance with that the intervention price of grain will be lowered by about 30% in three subsequent economic years (till 1995/1996). The target price and the threshold price will be consequently lowered, instead the farmers will receive compensatory payments calculated per one hectare of agriculture land. Their value will depend on average yield in the region. The compensatory payments may be obtained but within the first year the minimum 15% of the harvest area of grain, oil and albuminate plants must be excluded from cultivation. The volume of fields excluded from cultivation will depend on the situation of grain market in subsequent years. The same principles will operate in the market of oil and albuminate plants.

The changes of meat market organization concern the decrease of intervention prices by 15% in three annual lots starting in the economic year 1993/94 and the introduction of premiums compensating the decline of revenues was limited however to the number of cattle (90 animals) in the herd and in the region. The allowable and declining quotas of intervention beef purchase were also defined for subsequent years.

Irrespective of aforementioned important decisions concerning the reforms of agricultural policy, there has been also introduced a system of premiums to be granted for the following activities: giving up the farming activity before reaching the pensioner's age, aforestation and undertaking of environmentally friendly actions.

The reforms should mostly affect decline of internal EC prices for basic agricultural commodities and should limit overproduction. Thus the entrance prices to the EC will be lower which will result in weakening their role as measures effectively preventing external competition.

The estimated results of Table 3 prove that the reform realized in accordance with the assumptions of 1992 (scenario 2) will equalize in 2001 most agricultural prices, being up till now competitive for international exchange with world market prices (rate of nominal protection = 1).

Table 3

Rate of nominal protection of agricultural commodities in EC in 1992-2001

Product	Rate of protection			Average change of nominal protection rate per year	
	1992	2001		1992–2001	
		Scenario 1	Scenario 2	Scenario 1	Scenario 2
Grain	1.68	1.36	1.00	−2.3	−5.6
Oil seeds	1.93	1.68	1.00	−1.5	−7.0
Oil seed calve	1.00	1.00	1.00	0.0	0.0
Oil seeds	1.10	1.00	1.00	−1.1	0.0
Fodder with corn	1.00	1.00	1.00	0.0	0.0
Manioc	1.53	1.00	1.00	−4.6	*
Other grain substitutes	1.25	1.00	1.00	−2.4	*
Beef	1.53	1.18	1.00	−2.8	−4.6
Pork and poultry	1.20	1.00	1.00	−2.0	−2.0
Milk	2.03	1.88	1.72	−0.6	−1.8
Sugar	2.18	1.89	1.89	−1.6	−1.6

Remarks: nominal rate of protection – inside community prices/world prices; 1 = lack of protection; assumed annual inflation rate = 3-4%.
Source: *Agriculture*... 1994.

Exporters of third countries will gain, at the same time, better access to the Community Markets. Milk and sugar are not bound by this reform. so community prices will be still significantly higher than world prices.

On the other hand the agricultural policy of 1992 (scenario 1) will offer only a slight decrease in nominal rate of protection with regard to most products included in the table.

The changes of agricultural policy of EC made new agreements of the Uruguay Round possible since they met the Final Act requirements of reduction of internal support and reduction of export subsidies.

3. MEASURES OF PROTECTION OF AGRICULTURAL MARKET

The protection of the agricultural market of EC against external competition is regulated by levies, import certificates and licences, tariffs, voluntary export restraints, export subsidies and protective clause (*Grünes Europa* ... 1985).

The basic protection measure is the levy which is targeted against third countries offering agricultural products at lower than EC prices. The mechanism of levies is diversified in particular product groups and liable to the organization of the given market sector.

The levy of grain import stands for the difference between threshold and world market price. The threshold price is the derivative of target price defined for different kind of grain regarding the EC region of the highest deficit (Duisburg). The price c.i.f. Rotterdam is acknowledged as the world price, i.e. the most advantageous quotation in the world market from the buyer's point of view.

The levy is charged on the import of grain products and consists of two components:

– variable component which represents the difference between the EC price and the world price of grain required for production,

– fixed component which stands for supplementary protection of processing industry of EC.

The levy is established by the EC Commission every year for each kind of grain and every month for agricultural commodities.

The binary form of the levy is applied to the import of pork meat. The first part (changeable) results from the difference between the price of indispensable fodder to produce one kilogram of pork in EC and the price on the world market. The second part (fixed) equals 70% of gate price i.e. price calculated on the price of fodder and costs of sales. In a case when import price is lower than the gate price, a supplementary levy is claimed. The levy is established once a quarter.

The same principles are legitimate for the import of poultry and eggs. A basic levy is established for the import of beef and veal. It is the difference between the guide price and import price enlarged by the mandatory tariff rate. The real charge (established every week) equals the basic levy by factor of difference between import price and guide price.

The exceptions to the system are as follows:

– live cattle is charged only a basic levy;

– young cattle for fattening in EC is not due any levies;

– reproduction cattle of pure breed are not due to levies or tariffs;

– frozen meat in quantities indispensable for processing is partly or totally free of levies.

Imported mutton and goat meat is only due a levy which equals the difference between basic levy sized on the base of production costs and the market situation, and price of *franco* EC the border. Basic products such as live animals, fresh meat were charged lower by 10% (*ad valorem*) and for suppliers who are the signatories of "voluntary restrained export".

Threshold price minus the lowest world price quoted at customs duty border of EC gives the volume of levy for milk and dairy products' import. Threshold price is calculated on the base of the guide price which is fixed for containing of 3.7% of fat and protein.

The levy of sugar import results from the difference between threshold price and price of c.i.f. offered by the cheapest exporter. The threshold price equals the guide price (higher by 5% of the intervention price) enlarged by transport costs from the region of the highest surpluses in EC to the furthest deficit region and by the costs of storage. The import of sugar from Asian, Caribbean and Pacific countries in quota of 1.3 million tonnes is excluded levy in accordance with the fourth Convention of Lome (sugar report).

EC import of fresh fruit and vegetables and their products and also fish products establish minimal prices that should be obeyed by exporters: the so-called reference prices. Import charges are called "countervailing" and are imposed when entry prices or prices for particular products quoted at representative markets are lower than reference prices.

Certificates are required for importers and exporters from third countries. These are provided by the relevant domestic authorities. Certificates do not introduce any quantitative limits or product origin restraints and are valid in all EC countries. Their validity period is limited and with regard to grain import it expires after 3 months, and to export after 6 months. Certificates are a sort of static monitoring which gives more transparency to the markets. Deposits may be paid for the certificates. They guarantee that the import--export will be accomplished in due time.

Some sensitive products may require an import licence which defines the allowable size of import to the EC, minimal import price and period for the accomplishment of the transaction. Licences are usually issued for a shorter period than certificates.

Tariffs are charged on the majority of agricultural products imported to EC. The products which are not manufactured in EC or manufactured in small quantities are duty free or have decreased tariffs. Some agricultural raw materials can profit from tariff suspensions due to the decision of the EC Board.

Basic articles are charged both by tariffs and levies. Till the end of the Uruguay Round the average tariff on agricultural commodities increased to over 12% and was almost twice as higher than average tariffs on industrial products (6,4%) (*Wspólnoty Europejskie*... 1994, p. 60). Agricultural products are usually charged lower than animal products. Similar to industrial products, tariffs on agricultural commodities indicate increasing tendencies depending on the processing level.

In the 1980's, about 70% of the import of agricultural commodities and foodstuffs in EC was submitted to consolidated tariffs, the levies decreased by 22% and duty free import included 20% of those products (Romiszewska 1992, p. 133).

The import size of some agricultural commodities, mainly substitutes of grain and oil plant seeds (EC established the tariffs during The Dillon Round 1962) and also goat meat and mutton, was regulated by voluntary self export. In the 1980's there were in force 41 agreements of the similar type signed by the EC with the suppliers of this commodities ("Review..." 1989).

Export refunds are applied to those products exported by the EC which are cheaper on the World Market. They countervail the price differences increasing the export competition of goods originated from the EC. The volume of subsidies depend on real price differences and can be modified.

A protective clause was the supplementary measure for the agricultural market of the EC. It could have been implemented in case of internal market distortions or the danger of their appearance due to import or export. The meaning of severe distortion was explained by the Commission of EC. A protective clause was regarded as the sharpest form of protectionism. Its application caused restraints or embargos on export or import of some products. The most famous example was the import embargo on beef meat between 1974-77. Apart from that the clause was implemented from time to time in order to regulate the import of fruit and vegetables.

4. THE STIPULATIONS OF THE URUGUAY ROUND WITH REFERENCE TO AGRICULTURE

The stipulations of the agricultural agreement of the Uruguay Round GATT aim most of all at better access to agricultural markets, restraints of internal protective measure for agriculture, decrease of export subsidies for agricultural commodities (see: *WTO/GATT 94*: *Schlussakte*... 1995).

Access to the market will transform all formerly implemented non-tariff measures (levies, VERs, quantitative import limits and so on) into duties. The newly established tariffs together with those already applied, would be approximately reduced by 36% in six yearly stages: (1995-2001). The real decrease in EC will range from 25% on dairy products to 52% on imported tropical products (spices, decorative plants). The decrease of tariffs cannot be lower than 15% on particular items. Tariffs on products of free access to EC market, not regulated by non-tariff measures will be gradually lowered from 15% to 100% depending on the product.

Due to tariffication, EC will define new import duties for plant and animal products ranging from 76% on mutton to 117% on powder milk at the beginning of the period, and from 49% to 113% on the same products at the end of the assumed period (Table 4).

Table 4

Import tariffs of agricultural commodities to EC

Group products	Average import price c.i.f. (ECU/t)[a]	Tariff equivalent (ECU/t)[a]		Tariffs (%)	
		Beginning	End[b]	Beginning	End[b]
		Assumed period of reduction		Assumed period of reduction	
Wheat	146.5	148.5	95.0	104.4	64.8
Corn	113.6	146.8	94.0	129.2	82.7
Barley	105.4	144.7	92.6	137.2	87.8
White sugar	515.7	524.0	335.4	101.6	65.0
Skim milk	840.7	1485.0	950.4	176.7	113.0
Butter	2484.5	2961.9	1895.6	119.2	76.2
Beef[c]	204.7	2763.0	1768.3	137.8	88.2
Mutton[c]	3523.7	2677.3	1713.5	76.0	48.6

Remarks: [a] base value to calculate tariff equivalent, [b] after reduction by 36%, [c] fresh.
Source: *Kopmmissionsmitteilung zum GATT-Agrarkompromis* (1992), "Agra Europe" No 50, December 7, Sonderbeilage. Author's own estimates.

In developing countries the reduction after the tariffication procedures will equal 24% and will be scheduled for 10 years. On the other hand the least developed countries can perform only 15% of the minimal reduction for each tariff item. When the agreement was signed all tariffs on agricultural commodities in developed countries and in transforming countries were bound (developing countries bound 90%) which means that they cannot be optionally increased.

Due to an special safeguard clause which has been included into the agreement in question, the use of supplementary duties is allowed, however. The clause relates to the following situations:

a) when the import volume of a given product exceeds the average of the three latter years;

– by 25% if the average did not exceed 10% of domestic consumption;
– by 10% if the average was 10-30% of consumption;
– by 5% if the average was more than 30% of consumption.

b) when import price c.i.f. drops below the reference price (calculated as average import price of 1986-88) and when the difference between both of the prices will be higher than 10%, a supplementary charge can be applied.

Supplementary tariffs can exceed the 30% level of basic tariff and can be valid in the year of its implementation.

A special treatment clause may be applied to improve tariffication of particularly vulnerable products. Under certain conditions this clause sustains the non-tariff barriers.

Tariffication also obliges to secure the so-called minimal access to the market. It takes the shape of tariff quotas being subject to lowered rate equal to 33% of the basic rate and encompassing 3% of domestic consumption in the basic period referred to earlier in this paper. From the year 1999, this percentage will be increased up to 5%.

Agreements of internal measures of intervention (mainly subsidies) include only the measures acknowledged as trade distortion (i.e. measures of the yellow box). The aggregate index of those measures should be lowered within a six year period by 20% in developed countries and by 13.3% in developing countries.

Those measures which do not distort or slightly distort the trade were excluded from reduction and are included in measures of green box i.e. subsidies scientific researches, environmental protection, investments on agricultural infrastructure, regional aids, medical and veterinary control, development of healthy food. There is no reduction on: direct payment to producers in EC receiving compensation for price decline of agricultural products (reform of 1992), the USA "deficiency payments" per hectare, the payments connected with production downsizing programmes and also other subsidies of minor significance. The last ones cannot exceed 5% of production volume in developed countries. Respective percentage for developing countries amounts to 10%.

The Uruguay Round negotiations on agriculture were agreed as the most controversial. The compromise between the USA and the EC in Blair-House, mentioned before, stated that the value of export bounties would be lowered by 36% compared to the base year (1989-90) and within six-year period, simultaneously with a volume reduction of export bounties by 21%.

The reduction in developing countries will equal two-thirds of the reduction rate of developed countries and will be implemented in a ten-year period.

If the volume of export bounties increased in comparison with base period (regards EC), the volume of export of 1991-92 would define reduction base. The final calculation should include the base volume of 1986-90. The proposed changes of export quotas of specified agricultural commodities due to the stipulations agreed were discussed in Table 5.

Table 5

Reduction of subsidized export of agricultural commodities in EC (1995-2001)

Products	Base value (average of 1986-90)	Export volume: Year 1 (Assumed reduction period)	Export volume: Last year (Assumed reduction period)	Reduction contrasted with average of 1986-90: Reduction rate	Reduction contrasted with average of 1986-90: Volume of reduced export	Intervention reserves August 1993
	1000 t	1000 t		%	1000 t	1000 t
Wheat and wheat flour	17,008	16,413	13,436	21	−3,572	11,869
Other grain	12,625	12,183	9,974	21	−2,651	17,008
Grain total	29,596	28,596	23,410	21	−6,223	28,887
Butter and oil	464	447	366	21	−98	307
Skim milk powder	308	297	243	21	−65	31
Cheese	389	372	305	21	−81	*
Other dairy products	1,188	1,146	939	21	−249	*
Total dairy products	2,346	2,263	1,853	21	−493	*
Beef	1,034	998	817	21	−217	961
Pork	492	476	389	21	−103	*
Poultry	368	355	291	21	−77	*
Total meat	1,894	1,828	1,496	21	−398	*

Source: the same as in Table 4.

The expected restraints of export bounties may cause some turbulence in the EC market because of their remarkable intervention reserves (1993 the highest reserves of grain and beef). This export was not bound by any specific regulation and functioned on general principles. Allowable export of foodstuffs within the framework of humanitarian aids may be regarded as a way of surplus despatching.

A peace clause which will be in force for nine years restrains the sanctions on subsidies included in the "green box". It also limits the export bounties agreeable with the statements of Agricultural Agreement.

The Peace clause forbids to apply in this period any measures which are not included and does not concern the agricultural policy of EC.

An integral part of the Agricultural Agreement are statements about the use of sanitary and phytosanitary control measures. The statements in question are to prevent overusing these measures as trade discriminatory instruments.

Due to the accomplishment of all of the stipulations of the Agricultural Agreement, all world prices of agricultural communities will rise. It will be advantageous for the most effective exporters of foodstuffs, being otherwise for the net importers of these products, mainly developing countries. We cannot expect equal export opportunities for both developed and developing countries.

On the other hand the countries of Central Europe associated with the EC will be partly deprived of preferences resulting from the European Treaty since other partners of the EC will gain similar trade concessions.

5. CONCLUSIONS

As far as the agriculture related conclusions of the Uruguay Round are concerned, their critics point out that due to the establishment of a base period for reducing subsidies in 1986-90 (which means that some of relevant reductions have already been completed), excluding from the reduction scheme many items that are significant from the point of view of production and trade, as well as implementing numerous protective measures into the agreement into qeustion, one can not expect a radical decline in the agricultural trade protective measures. However it should be considered that the relatively low level of liberalization in the sector is a consequence of the special treatment of this sector by GATT. Rapid changes of fixed mechanism supporting agriculture would be rather impossible for social reasons either in the EC or in the USA. The achieved compromise should be appreciated and treated as the first important step towards liberalization of international agricultural trade. The next round of negotiation regarding this problem is expected in 1999.

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