One short-term element in the Mid-Term Review package adopted by the GATT Uruguay Round TNC meeting in April is the intention of participants to reduce support and protection levels for 1990 in agriculture. Commitments in this respect are to be notified by October 1989.


The background and mandate of the Parliamentary Working Group is set out in the enclosed summary (see Annex). It identifies three points of departure:

- Reduction of present levels of border protection in tandem with efforts by other countries with particular reference to the GATT Uruguay Round negotiation
- Simplification or elimination of internal regulations including review of price and marketing guarantees
- Identification of new ways to meet food security, regional, and environmental goals.

The mandate and points of departure to the Working Group proposed by the Government were in all main aspects shared by Parliament.

The proposals of the Parliamentary Working Group are in essence the following.

Border Protection

From 1991, as foreseen in the mandate of the Working Group and in line with the foreseen GATT Uruguay Round agreement, the objective is substantial progressive reductions in agricultural protection including the possibility of tariffication.
Internal Regulations

The internal price regulation and price guarantees should be abolished. Prices will be determined freely by market forces (given the border protection referred to above).

Export Subsidies

Export subsidies will no longer be given.

National Security

Geographically limited support will be given to uphold a minimum production capacity and stockpiling necessary in the northernmost regions.

It is not foreseen that overall national production capacity will diminish to reach critical levels (deemed to be around 2 million/ha.). Nevertheless, should this happen, contracts to uphold production based on commercial bidding could be concluded between farmers and Government to address the food security objective. (The latter is in any event not relevant for 1990.)

Environment

In certain areas (mainly pastures in forest or mixed areas in central and southern Sweden and areas of a specific historical value) where arable land, as a result of reform, would otherwise be turned into forest, conservation contracts could be concluded between farmers and public authorities to maintain the open landscape.

Transitory Measures

Since present production capacity is oversized particularly in the grain sector, prices could temporarily fall to levels where only variable costs are recovered (with side effects on other production sectors). In 1991/92 a floor price is therefore proposed. A supplementary income support compensation successively reduced over three years (in the form of a lump sum payment) will be given to assist the adaptation to future equilibrium levels.

It is foreseen that the existing dairy pension scheme will broadly take care of the needs for transitory support in the dairy sector. Support will also be given to highly indebted farmers in order to facilitate a socially acceptable exit from the sector or in financial reconstructions to assist farmers who recently entered the sector.

The principles of the proposals of the Parliamentary Working Group have been agreed upon by its members, representing all parties in Parliament. Differences of opinion have been expressed especially on the timing and content of adjustments to the new policies. The proposals are subject to parliamentary approval and to a consultation process that will be initiated by the Government. The Government will, after hearing comments from various interest groups and agencies, present a bill to
Parliament in the spring of 1990 which will enable implementation of a reform to start 1 July 1990.

The Government's partial five-year transitory responsibility (1,700 milj. kr/5 years) for the surplus acreage ends in 1990. The Working Group proposes that this responsibility will not be prolonged and that the new policy takes effect forthwith.
Summary

The above outline makes it clear that Sweden's present food policy has only fulfilled its goals to a limited extent, while contributing to inflation and inhibiting economic growth. This policy is in need of reform in view of our national goals. This need is the greater in view of the ongoing GATT negotiations, whose objective is a reduction in general agricultural subsidies by reducing price support for agricultural products and a transition to various forms of direct support that do not have the effect of distorting trade.

The work of reform must be based on a specification and precise formulation of the various goals of our food policy and the elaboration of new methods to fulfil them.

One point of departure for this task should be reduction of the present levels of protection. The work in progress in the present round of GATT negotiations should be taken into consideration in this connection. Sweden should not, however, consider unilateral reductions of these levels without any sign that other countries are making similar efforts.

A second point of departure is that our domestic regulations, which are more extensive and complex than in most other countries, should be simplified and in certain cases abolished. Price and marketing guarantees should also be reviewed.

Third, new ways should be sought of fulfilling the goals related to preparedness, regional policy and the environment.

The time schedule of reform will be determined by the 1985 parliamentary resolution on food and policy and by the progress of the GATT talks. In conformity with the 1985 resolution, the Government will assume partial responsibility for the grain surplus during a transitional five-year period. The steps taken to reduce this surplus will be evaluated by 1990. The GATT talks are expected to produce certain decisions as early as December this year at the Mid-Term Review meeting in Montreal. Short-term decisions may be taken at this meeting which will have an impact on our food policy starting next year. Discussion will also take place of the agenda of the negotiations in 1989 and the first half of 1990 and of what their objectives should be.

In view of the national and international situation, I intend to propose that the Government appoint a Parliamentary Working Group to act as a drafting committee on food policy. Its task will be to evaluate the 1985 resolution on food policy and, in the light of the results of the GATT
talks, to formulate proposals for a new food policy starting from the year 1990. The Committee will also deal with the possibility of a provisional solution for the year 1989, if this is necessitated by decisions taken at the GATT negotiations. Consumers and producers will be assured every opportunity to contribute to the work of the Committee with their experience and views.