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FOOD AND AGRICULTURE ORGANIZATION

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(As An Observer)

The signing of the Marrakesh Agreement four years ago provided the framework for an orderly development of agricultural trade, and for a “rules-based” conduct of domestic and trade policy in the agricultural sector. All countries, both developed and developing, had high expectations for their economies to benefit from the advantages resulting from the opening up of markets.

As only three years have passed since the Agreement on Agriculture came into effect, the experience we have had in the implementation of the Uruguay Round is not sufficient to come to definite conclusions about its impact. However, the qualitative changes of the last few years, as a result of the Uruguay Round, are perhaps more important than the quantitative changes that we have seen so far. The Uruguay Round Agreements have already had a profound impact on the design and implementation of domestic and trade policies. I should like to venture a couple of observations on developments so far.

Agricultural prices strengthened

An anticipated consequence of the Uruguay Round was a modest strengthening of agricultural commodity prices. It is well-known that the trend of real agricultural commodity prices has been declining over the long run. However, it appears that this decline has slowed down in recent years and, in fact, it may have been reversed. FAO data indicate that the trade-weighted index of export prices of major agricultural commodities was 16 per cent higher in 1997, compared to 1990. This compares with a decline of about 50 per cent during the decade of the 1980s, when world agricultural markets were in complete disarray. Exporting countries and, to the extent that the price increases were passed on to them, agricultural producers, would welcome these recent developments.

Some difficulties for net-food importing countries

The strengthening of world agricultural prices, however, has posed some difficulties for importers. The experience of the Least-Developed Countries (LDCs) and the Net-Food Importing Developing Countries (NIFDCs) during the 1995/96 price spike is a case in point. During that year, when also food aid and concessional sales were drastically reduced, the cost of their cereal import bill increased by over 70 per cent. In many cases, poor consumers had to bear the consequences by adjusting their already inadequate diets.

Of course, the higher world market prices may eventually also have beneficial effects in so far as they are transmitted to the farmers. Higher prices not only increase farmers’ incomes, but also enable them to increase production through investment and higher input use. Naturally, governments

should provide the necessary infrastructure and enabling environment to facilitate the production response - a process which needs resources and time.

In this connection, it is important that the Marrakesh Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net-Food Importing Developing Countries is fully implemented, as was stressed by the World Food Summit in 1996. In FAO's view, this group of countries is still faced with the possibility of fluctuations in prices during this transitional period towards a new international trading system for agriculture, although cereal prices have eased since 1996.

Policy reforms and FAO's technical assistance

FAO has long experience in providing technical assistance to its member countries in a wide range of trade-related issues concerning agriculture, fisheries and forestry sectors. To indicate the magnitude of FAO's technical assistance, in 1996 FAO operated over 1,500 projects in developing countries (amounting to over US\$1.5 billion) out of which a large part was directly or indirectly related to agricultural, fisheries and forestry commodity trade. FAO has just published a brochure on its technical assistance programme related to follow-up activities to the Uruguay Round. Copies of the brochure are available to interested delegations.

Since the conclusion of the Uruguay Round, FAO has responded to a growing number of requests from member countries for technical assistance in the areas of its competence. The nature of the requests included clarifications on the implications of the Uruguay Round Agreements, how to apply specific provisions in practice, their impact on markets of specific commodities, how to translate potential market access to export earnings, assisting countries contemplating applying for membership to the WTO.

In the first instance, FAO's assistance includes help in areas related to the implementation of the Uruguay Round Agreements. It covers, *inter alia*, matters related to the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS), the Agreement on Technical Barriers to Trade (TBT), the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), agricultural and food policy adjustment to the new WTO provisions contained in the Agreement on Agriculture, trade development issues in the forestry and fisheries sectors, and assistance in connection with the Ministerial Decision on measures for net-food importing and least-developed countries.

The demand for such assistance is growing, and FAO is actively collaborating with other international organizations, including *inter alia* the WTO, UNCTAD, UNDP and the World Bank, as well as bilateral agencies, in the delivery of trade-related technical assistance in agriculture, fisheries and forestry. In this connection, FAO has also expressed its readiness to collaborate with the six lead agencies on the Integrated Framework for trade-related technical assistance to the least-developed countries which was initiated in October 1997.

The future

The Uruguay Round was a milestone in the multilateral trading system, but in many respects it was only a beginning and a lot remains to be done. As regards agriculture, Article 20 of the Agreement on Agriculture provides the basic parameters for the continuation of the reform process. I would not like to venture on how this process may evolve in the years ahead, but simply make a few observations.

World trade, both in the agricultural and other sectors, will continue to play an important role in food security. It is expected that the majority of developing countries will continue to depend on world markets, and perhaps for a growing share of their food needs. At the same time, developing

countries will increasingly rely on the world market to earn their income both from agricultural and non-agricultural exports. As a result of these two trends, farmers and consumers will be increasingly exposed to fluctuations originating in world markets. An implication of this trend is the need for a wider diffusion of risk-reducing financial instruments, support to food security stocks, compensatory financing schemes and safeguards.

There is likely to be an expansion in science-based regulations affecting trade. Consumers want food which is safe, of good quality, properly labelled and packaged, and prepared under hygienic conditions. This will make it essential that the Joint FAO/WHO Codex Alimentarius Commission continues to develop food standards, guidelines and recommendations that serve as reference points for harmonization of sanitary measures and technical standards, and for resolution of trade disputes under the SPS and TBT Agreements. Codex standards are based on sound scientific analysis, which includes appropriate assessments of and precautions against risks to human health. Codex standards are internationally harmonized helping countries to reduce the compliance costs of meeting innumerable different national standards. Through appropriate labelling provisions Codex also responds to consumer desire to know the ingredients and nutritional value of the foods they purchase.

FAO also envisages a growing need to ensure effective and science-based rules on prevention of transboundary spread of plant and animal pests and diseases, while facilitating fair trade. It is in this perspective that FAO will continue its activities related to the further development and application of the International Plant Protection Convention.

FAO remains dedicated to supporting a fair and market-oriented trading system and to strengthen its trade-related technical assistance and policy advice, especially to the poorest developing countries where relevant capacity is grossly lacking. The Plan of Action of the World Food Summit commits FAO and other organizations to continue assisting developing countries on trade issues in agriculture, fishery and forestry, and particularly in preparing them for future multilateral trade negotiations, namely to become “well informed and equal partners in the (negotiation) process”. FAO pledges its support to all efforts aimed at empowering these countries to become fully integrated in the multilateral trading system and benefit from it.
