

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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TRADE IN AGRICULTURE: SPECIAL AND DIFFERENTIAL TREATMENT
FOR DEVELOPING COUNTRIES

Note by the Secretariat

At the second meeting of the Negotiating Group on Agriculture, held on 5 and 6 May 1987, the secretariat was requested to prepare a brief paper on the agricultural trade problems of developing countries and on possible approaches and modalities for liberalizing trade in agriculture to the benefit of developing countries as a matter of priority (MTN.GNG/NG5/2 refers). The following paper has been prepared in response to this request.

A. Agricultural trade problems of developing countries

Trade problems of developing countries in the field of agriculture have been the subject of numerous studies by international bodies and organizations. Some of these studies have already been summarized by the secretariat in document MTN.GNG/NG5/W/3.

They were also examined in detail by the Committee on Trade in Agriculture and in the course of the preparatory work for the Uruguay Round.

The main features emerging from this examination could be summarized as follows:

(i) many developing countries remain highly dependent on agricultural trade both in terms of their export earnings and of their import requirements. Therefore, the prevailing conditions of uncertainty and instability in most agricultural world markets severely undermine overall development prospects of these countries;

(ii) developing countries which are efficient agricultural exporters are confronted with a steady deterioration in their terms of trade resulting from the sharp decline in real terms of prices of their agricultural exports. This decline is largely attributable to a

growing imbalance between international supply and effective demand which has been fostered, inter alia, by national agricultural policies of the developed trading countries both with respect to access to markets and unfair competition. In turn, this situation is creating serious difficulties with respect to the ability to repay the foreign debts accumulated by some developing countries in recent years;

(iii) developing countries which are net importers of agricultural products, although benefiting in the short term from the lower prices of their agricultural imports as well as from greater availability of food aid, are experiencing a decline in the profitability of domestic and foreign investments in their own agricultural sector. The consequences of these reduced investments could result in diverting production resources to other less competitive sectors, in delaying the adoption of new technologies and, in the longer term, in an impaired capacity to pursue adequate food and development policies.

B. Possible approaches and modalities for liberalizing trade in agriculture to the benefit of developing countries

(a) Action taken by the CONTRACTING PARTIES on 30 November 1984

At their Fortieth Session the CONTRACTING PARTIES adopted a set of Recommendations relating to trade in agriculture (L/5753). These Recommendations contain specific references to special treatment for developing countries. The first is to be found in the "chapeau" of the Recommendations which provides that:

"The conditions should be elaborated under which substantially all measures affecting trade in agriculture would be brought under more operationally effective GATT rules and disciplines, with particular reference ... to more effectively implementing in relation to trade in agriculture the GATT provisions providing for differential and more favourable treatment for developing countries." ...

Furthermore, paragraph 3 of these Recommendations stipulates that in the elaboration of the various elements of the approaches aimed at improving the rules and achieving greater liberalization for trade in agriculture "... full account should be taken ... of the special needs of the developing countries in the light of the GATT provisions providing for differential and more favourable treatment for such contracting parties" ...

(b) The work of the Committee on Trade in Agriculture relating to special and differential treatment for developing countries

Under the Recommendations adopted by the CONTRACTING PARTIES at their Fortieth Session, the CTA carried out its elaboration of the various approaches suggested for achieving the objectives of these Recommendations including those relating to special and differential treatment for

developing countries (AG/W/9/Rev.3 refers). Points on this latter subject were discussed in particular at the CTA's meeting of 2-3 April 1985. They were recorded in document AG/W/13 of 4 September 1985, the relevant paragraphs of which are reproduced below.

AG/W/13, paragraphs 20 to 24:

..."Special and Differential Treatment

It was pointed out that the special needs of developing countries, which could be either generic or specific, should be taken fully into account in the elaboration of the elements of improved rules and disciplines under Paragraph 1 of the Recommendations. On access the view was expressed and endorsed in a number of the observations made that greater flexibility was necessary with respect to the conditions and criteria to be developed on quantitative and other access restrictions in order to take account of these special needs. This, it was noted, would be particularly relevant in the case of the conditions and criteria relating to the minimum access or proportionality provisions of Article XI. The range of possible approaches might include a general declaration on the food deficits and development needs of developing countries, as well as more specific case-by-case approaches to special and differential treatment.

It was noted that an issue that would need to be addressed would be whether developing countries should have to respect minimum access commitments incorporating an autonomous growth element, or whether other more specific conditions might be more appropriate. Reference was made in this regard to situations of temporary surplus; to the need to take account of international commitments undertaken by developing countries in the context, for example, of food security programmes; and to the dependence of certain regions on the production of a single agricultural product. It was suggested that in these and other areas a degree of flexibility would be required in order to adequately take account of the special needs of developing countries and of their possibilities for negotiating bindings and other multilateral commitments. Reference was also made to the need to take account of the special role of state trading organizations in the development process.

With regard to export subsidies and other forms of export assistance it was suggested that there were several possibilities; one being a general exception in favour of developing countries along the lines of Article 14 of the subsidies Code; another possibility being the negotiation of specific exceptions subject to conditions relating to pricing and market disruption. It was noted that account would also need to be taken of the special needs of developing countries in the context of improved disciplines on the subsidization of agricultural primary products incorporated in processed products. The need to protect exports of unprocessed agricultural products in order to maintain supplies to processing industries in developing countries was also referred to as a situation where flexibility would be required in specific cases.

The view was expressed that special and differential treatment should be regarded not as an independent objective but rather as a matter which should be considered once a consensus had been reached on the general rules and disciplines, and on the basis of full account being taken of the rights and obligations involved. Another view was that an approach aimed at achieving greater liberalization and which enabled countries to operate within an international trading framework which reflected principles of comparative advantage, would best serve the interest of all participants including, in particular, those of developing countries. In this view it was considered that the result of the Committee's work should not be to replace a clearly inadequate and economically distorted trading system with a system that is distorted in another direction. In this general context it was observed that taking account of the special needs of developing countries in terms of specific situations and measures would necessitate a degree of flexibility but this should not be seen as being incompatible with the general trade liberalization thrust of the Committee's Recommendations. Another view expressed was that a situation of complete liberalization would not solve any problems and would not benefit developing countries having regard to comparative advantage in areas such as marketing, transport and credit facilities. The observation was also made that special and differential treatment would not be necessary if developed countries respected the existing rules and regulations of the GATT.

Reference was also made in the course of the Committee's discussions on this subject to the repercussions that the granting of special and differential treatment could have on bindings that had been negotiated with developed countries, to the limitations that this could have on the scope for such treatment, as well as to the fact that developing countries which did not enjoy preferences could also be adversely affected by special and differential treatment." ...