

MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND

RESTRICTED

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NEGOTIATING GROUP ON AGRICULTURE

Communication from Jamaica

The following communication was received on 1 February 1988 from the delegation of Jamaica with the request that it be circulated to all members of the Negotiating Group on Agriculture.

Jamaica has submitted earlier a statement (MTN.GNG/NG5/W/23) and a communication (MTN.GNG/NG5/W/32). This present communication is a revised version of a Common Paper prepared by a number of developing (including Jamaica) and developed country participants in October and November 1987. A number of delegations in their statements at the December 7-8, 1987 meeting of the Negotiating Group on Agriculture drew on the Common Paper as drafted - 26 de Noviembre de 1987 No. 3. This revised version was prepared by the delegation of Jamaica and takes into account the comments made by a number of delegations on the 26 de Noviembre draft.

Introduction

The negotiations to liberalize and expand agricultural trade must, in addition to conforming to the specific objectives set out in the Negotiating Plan, also be consistent with the "Objectives" and the "General Principles Governing Negotiations" of the Uruguay Round of Multilateral Trade Negotiations.

2. The "Objectives" are, inter alia:

- "to bring about liberalization and expansion of world trade to the benefit of all countries, especially less developed contracting parties";
- "to strengthen the interrelationship between trade policies and other economic policies affecting growth and development".

3. The "General Principles Governing Negotiations" state, inter alia:

- that the negotiations would ensure "mutual advantage and increased benefits to all participants", and would not require less developed contracting parties "to make contributions which are inconsistent with their individual development, trade and financial needs".

4. The Declaration also provides for "an evaluation of the results" of the negotiations before formal completion, to ensure effective application of differential and more favourable treatment "taking into account all issues of interest to less developed contracting parties". The results attained are to be evaluated "in terms of the Objectives and the General Principles Governing Negotiations".

5. The Negotiating Plan and the principal stages of the negotiating process are:

- A. Identification of major problems and their causes including all measures affecting directly or indirectly agricultural trade;
 - B. Simultaneous notification of information by contracting parties of measures and policies applied in the field of agriculture ;
 - C. Examination of the basic principles that should be adopted to govern world trade in agriculture.
- A. Major problems affecting directly or indirectly international trade in agriculture

6. In a number of developed countries there is excess production for a range of products of importance in international trade. The causes are varied, complex and often structural, including inefficient support policies. These "surpluses" overhang international markets and create problems for some importers and exporters.

7. These products, mainly food imports, are critically important for a large number of developing countries, to satisfy consumption needs and development objectives. The volume of food and other agricultural imports is on such a large (and growing) scale that developing countries (agriculture-based economies) are largely net importers or in deficit in their agricultural trade.

8. At the global level, given the hundreds of millions either dying, starving or undernourished, and where production is below basic food security requirements, the problem is not "excess production" but inadequate purchasing power and imbalances in production and consumption.

9. A few developing country participants are major agricultural exporters of cereals, bovine and dairy products important in international trade. However, the large majority of developing country participants are net importers of food and other agricultural products and run structural deficits in their agricultural trade. In recent years, moreover, many of these countries have had to curtail imports of even essential food products because of debt and other financial crises and serious balance-of-payments difficulties, resulting in further declines in already low levels of per capita consumption of food.

10. The policies and measures, especially of the major producers and exporters important in international trade, the macro-economic environment and their interrelationship with, and impact on agricultural and development policies in developing countries are, inter alia:

- One, support policies of subsidization and import restrictions by developed countries have provided inducements to increased production even of those agricultural products for which the countries have no comparative cost advantage, leading to the misallocation of resources. Some developed country participants through inefficient economic support policies have become net exporters, thereby denying competitive producers of such products, including less developed country participants their legitimate markets.
- Two, additionally, such excess non-economic production has been disposed of in international markets by using export subsidies to capture increased "market shares". This sometimes results in prices being unduly depressed, distortions in international trade patterns and lower levels of productive investment.
- Three, such sales of subsidized agricultural products have taken disproportionate shares in third country markets away from competitive suppliers from both developed and less developed country participants, but particularly the latter who cannot afford subsidies.
- Four, these problems are further aggravated by the volatility of exchange rates, increased speculative trade in commodities resulting from the integration of financial markets, and the fall-off in demand for raw materials due to the adoption of more efficient production processes.
- Five, the practices of transnational corporations and state-trading enterprises have considerable influence on agricultural production and trade. Together with commodity exchange and international financial markets they may contribute to reducing uncertainty, imbalances and instability in world agricultural markets through the adoption of appropriate policy or regulatory changes.

B. Notification by contracting parties of agricultural policy measures

11. The notifications by participants of their agricultural policies and measures will assist in furthering the detailed examination of the problems and issues. They will be supplemented by information about the specific development problems faced by developing countries.

C. Basic principles

12. Among the basic principles, development, equity and fair competition are important for less developed country participants. The strengthened and more operationally effective GATT rules and disciplines will need to incorporate these to ensure mutual advantage and increased benefits to all participants, namely:

- (i) the interests of all participants, (exporters as well as importers of agricultural products), must include those of less developed country participants heavily dependent on agricultural imports, and earnings from their agricultural exports;

- (ii) agriculture is an important sector in most economies because of its unique role in providing food, and particularly as a source of income and employment in developing countries. (Consequently many governments adopt policies and measures to increase production, consumption and productivity.)
- (iii) the close linkages between agricultural policies and measures adopted by governments and wider policy objectives ranging from national security to other key political, social or regional objectives, including food security (through domestic production and guarantees of supply) should be taken fully into account.
- (iv) the special characteristics of agriculture as distinct from other economic sectors, particularly those factors affecting production, i.e., relative inelasticity of supply and effective demand, susceptibility to climatic conditions, including natural disasters, and resulting difficulties in planning and forecasting production, require special policies and measures.
- (v) the differences in the circumstances and conditions affecting production among countries and regions, such as weather, area of arable land, number of annual harvests, degree of mechanization and level of technology development in the agricultural sector are important in designing special measures for developing country participants.

13. The following are some preliminary views on which proposals may be formulated:

- (i) export subsidies (including, inter alia, those related to structural surpluses, on international markets caused by major exporters over the past several years) should be brought under strengthened rules and disciplines;
- (ii) disciplines that may be agreed for the use of subsidies shall respect the policies and measures adopted by governments for the following purposes:
 - measures to expand domestic production and consumption of food to minimum levels of self-sufficiency and to meet social objectives, including minimum income, food security and promotion of rural development;
 - infrastructure development, investment, research, education, market information, inspection, grading, pest and disease control;
- (iii) structural and sectoral adjustment programmes in the agricultural sector, as integral parts of national development policies of developing country participants shall be respected. The autonomous implementation of such programmes should nevertheless be subject to the multilaterally agreed rules and disciplines so as to achieve balanced and mutual benefits for all participants;

- (iv) special and differential treatment for less developed contracting parties in the General Agreement and the Tokyo Round Agreements and arrangements consistent with each country's development, trade and financial needs is a contractual right. Such treatment shall be respected fully and reflected appropriately in the results as agreed in the Declaration. Consequently, special and differential treatment is not to be treated as "Exceptions" only, but guaranteed as integral parts of the strengthened GATT rules and secured by more operationally effective disciplines. The special and differential measures shall be established at each stage and for each element and shall be incorporated appropriately in the rules and disciplines to reflect, inter alia:
- (a) the governments of less developed contracting parties will need to adopt policies and measures to modernize their agricultural sectors and increase productivity through incentive systems compatible with their economic development objectives and GATT rights and obligations;
 - (b) take account of the development, finance and trade needs as well as the structure of agriculture sectors in their countries in respect of measures to liberalize access to their markets, increase production and secure a sustainable balance in their current accounts;
 - (c) the governments of developed contracting parties shall
 - (i) respect fully their obligations to extend differential and more favourable treatment for less developed contracting parties consistent with their development, trade and financial needs;
 - (ii) ensure that domestic policy measures which have the effect of distorting or restricting production and trade do not affect adversely the interests of producers or consumers in developing countries;
 - (iii) ensure that long-term arrangements amongst themselves are consistent with the rules and principles of the General Agreement;
 - (v) the flow of "food aid" to developing countries facing serious food shortages, and as an input to development, should be maintained and enhanced as appropriate. In the context of the Uruguay Round, rules such as the Usual Marketing Requirements (UMRs) for surplus food disposal and other multilateral arrangements should be reviewed;
 - (vi) the transfer of financial and real resources should be increased substantially to increase production, improve storage and modernize marketing structures. This would be facilitated by appropriate policies and measures in the areas of commodity price and income stabilization, exchange and interest rates and additional financial flows on softer terms and conditions. Concurrent action will therefore be needed in the monetary and financial fields.

- (vii) the standardization of sanitary and phytosanitary regulations, as far as possible, and application of these on a non-discriminatory basis and subject to clearly defined multilateral disciplines should be established.

14. The liberalization of agricultural trade to the benefit of all countries, especially less developed contracting parties, is a central objective and requires a comprehensive approach. This should reflect the interests of all participants. It will be necessary to determine the coverage of products, the measures which restrict or distort international markets, and the modalities to be used in attaining the objectives.