

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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Negotiating Group on Agriculture

ELABORATION OF UNITED STATES AGRICULTURE PROPOSAL
WITH RESPECT TO DEVELOPING COUNTRIES

Submitted by the United States

The United States negotiating proposal on agriculture calls for the comprehensive liberalization of trade in all agricultural products and the development of improved GATT disciplines and rules. This proposal seeks the elimination of all market access barriers, the elimination of subsidies which directly or indirectly affect trade, and the harmonization of health and sanitary measures.

Developing countries, whose agricultural development is stymied by disincentives to production, subsidized competition from developed countries, and access barriers to their products in developed and developing markets, would be among the major beneficiaries of the liberalized trading environment proposed by the United States. According to the World Bank's 1986 World Development Report, with global liberalization of only selected commodities, industrial and developing countries would together gain \$64 billion annually, more than double the level of official development assistance from OECD countries to developing countries. These gains would be achieved through improved market access opportunities, more efficient use of resources, and greater price stability and economic growth.

For these reasons, the United States believes that it is in the self-interest of developing countries to actively support liberalization of all agricultural trade and to accept improved GATT disciplines. At the same time, the United States understands the distinctive needs of less developed countries, particularly with respect to infrastructure development and the greater difficulty some may have in carrying out adjustment measures. Accordingly, the United States believes that, in the Agriculture Negotiating Group, some specific considerations are appropriate for the less developed countries.

Any such considerations for developing countries should be related to their individual level of economic or agricultural development. The details of these considerations should be dependent upon the nature of the final agreement reached by the contracting parties participating in these negotiations and consistent with obligations undertaken in other negotiating groups which impact on agricultural trade. In the case of agricultural tropical products, countries will identify products of priority interest for expedited treatment in the tropical products group.

Within this context and consistent with the overall objectives of the U.S. proposal on agriculture submitted to these negotiations in July 1987, the United States submits the following elaboration of the U.S. agriculture proposal with respect to developing countries.

ECONOMIC NEED CONSIDERATION. As suggested in the Punta del Este declaration, developing country contributions to the negotiations should reflect their individual level of economic development and their need for special consideration. Therefore, the degree to which any developing country departs from the overall obligations agreed upon by the contracting parties should be commensurate with that country's need for such exceptional treatment. In order to determine such needs, criteria related to the level of agricultural and overall economic development would need to be reviewed. Developing countries with relatively advanced economies and/or well-developed agricultural sectors would be expected to fully accept agreed GATT disciplines.

POLICY COVERAGE

Subsidies. Domestic policies providing subsidies which directly or indirectly affect trade create false incentives to agricultural producers, isolating them from the signals of the market. This has led to inefficient use of resources and costly budgetary outlays. The United States has proposed an overall agreement to eliminate all subsidies which directly or indirectly affect agricultural trade. To address the distinctive concerns of less developed countries, the U.S. suggests that where the need is demonstrated, they be permitted to maintain non-commodity specific subsidies for the purpose of long term agricultural development (for example, research and extension, information services and infrastructure and improvement projects) provided they agree to eliminate such subsidies as their agricultural sectors develop. The extent of policies and programs allowable for such consideration for developing countries would be dependent upon the agreed coverage for all participants in the negotiations.

Market Access. The United States proposal calls for the elimination of all non-tariff measures and the binding at zero of all tariffs on all agricultural products.

Non-tariff measures are inconsistent with the objectives of the General Agreement and detrimental to the stability and growth of agricultural trade. The United States, therefore, continues to advocate stricter GATT rules concerning non-tariff measures and greater discipline on the part of Contracting Parties in abiding by new GATT rules, leading to the elimination of all non-tariff barriers to trade. Developing countries should commit to phased elimination of all non-tariff measures.

The United States suggests that developing countries needing distinctive treatment be allowed to continue limited tariffs on agricultural products provided these tariffs are reduced to no more than moderate levels and are bound in the GATT. The bound tariff ceiling levels would be negotiated and the pace of reduction from these levels should be reflective of each country's relative level of economic development. Developing country liberalization must take place concurrently with similar reforms undertaken by developed countries and will greatly expand the scope for "South-South" trade. As the overall economic performance of the country improves, the tariff ceilings would be progressively lowered and eventually eliminated.

ACCELERATED LIBERALIZATION. The U.S. proposes a ten year period for the elimination of trade barriers and trade distorting policies and subsidies. On products of priority interest to developing countries, as agreed in the negotiations, trade barriers and protective policies in all countries could be eliminated on an accelerated basis. This is consistent with the proposal tabled by the United States in the Tropical Products Negotiating Group.

EXTENDED TRANSITION PERIOD. Developing countries may in some instances need more time to make the transition to a liberalized trading environment. The period in which trade distortive measures are eliminated and other commitments are implemented could be extended for a specific time period for certain developing countries, if appropriate.