

MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND

RESTRICTED

MTN.GNG/NG5/W/59
29 April 1988

Special Distribution

Original: French

Group of Negotiations on Goods (GATT)
Negotiating Group on Agriculture

NEGOTIATING GROUP ON AGRICULTURE
20-21 April 1988

Statement by Morocco

The Kingdom of Morocco, a developing country, has so far refrained from making any statement or intervention to advance proposals because it has felt the need to become better acquainted with the activities of GATT, of which it has only recently become a member.

This statement has two purposes:

1. To emphasize the specific nature of agriculture in a developing country which has always placed this sector at the top of its priorities in economic and social development;
2. to outline a few ideas as a contribution to the discussions in the Negotiating Group on Agriculture.

Key importance of the agricultural sector in Morocco

Morocco pays a special and sustained attention to the ongoing multilateral trade negotiations on agriculture for a number of reasons:

1. Agriculture remains the essential and decisive component of the country's economy and is of key social importance.
 - At the social level, according to recent data nearly 57 per cent of the total population derive the bulk of their income from agricultural activities. Furthermore, farming accounts for 40 per cent of total employment;
 - at the economic level, agriculture accounts for about 18 per cent of the gross domestic product. Agricultural products represent some 30 per cent of total export earnings and 25 per cent of the total value of imports; and it is important to note that there is currently a deficit in the agricultural trade balance, in contrast with the large surpluses of the past.
2. The agricultural sector still has a huge natural production potential that remains largely under-used. The use-rate of that potential ranges from 10 per cent (oleaginous products - olives and oilseeds) to 40 per cent (cereals).

3. Land ownership structures exert a great influence and are a real obstacle to any action aimed at more intensive agricultural development. Seventy-five per cent of agricultural holdings are under five hectares.

This is compounded by the fact that over half the usable agricultural area is situated in arid and semi-arid areas, and barely one-tenth of agricultural land is irrigated.

4. Agriculture must play a dynamic rôle in generating foreign exchange earnings so as to cover both import needs for foodstuffs in which there is a shortfall and also imports of capital goods required for the modernization of agriculture and the promotion of other economic activities (industry, tourism etc.).

In this connection, it should be noted that Morocco exports large quantities of citrus fruit and early produce, particularly to the EEC.

In connection with the latter products, it should be highlighted that they involve an area of barely 100,000 hectares out of a total of 8 million hectares. But the population concerned represents the equivalent of 500,000 persons from the employment standpoint, given that on average five to six people depend on each labour unit.

5. Food imports consist primarily of cereals (common wheat and maize), oils and sugar, in other words, staple foodstuffs for mass consumption; the self-sufficiency rate for these products is about 70, 30 and 65 per cent, respectively. But it is precisely for these products that the most alarming distortions currently exist on world markets, and the prices at which they are dumped are beginning seriously to jeopardize the efforts being made to increase production at the national level.

Importance of the negotiations and specific measures of developing countries

In view of the importance of agriculture, the Moroccan delegation always pays great attention to everything that is said in the Negotiating Group and carefully analyses all proposals made.

It also carries out a thorough study of the repercussions of the many suggestions made in order to evaluate their expected results with respect to the improvement of world markets for agricultural products and also the future for the economy of a developing country such as Morocco.

In any event, the great number and variety of approaches presented testify to the concern on all sides over the present state of world markets for agricultural products and the universal desire to halt the process of deterioration and improve trade relations in the interest of all parties concerned.

Morocco considers that participants should not lose sight of a number of elements, including in particular the following:

1. The possible impact of any action relating to the world market for agricultural products on the conditions for the production, export or import of such products.

The various parties are asked to take account of this aspect when formulating any proposals so as to safeguard, as is often mentioned, the particular interests of developing countries.

Thus it is not a question simply of excluding the developing countries from the scope of the proposed measures, but rather of ensuring that those measures do not jeopardize their agricultural economies.

Thus the best possible utilization of the means of production in developing countries must never be jeopardized. Furthermore, access to external markets for exports should be widely facilitated and all detrimental protectionist measures should be removed by the industrialized countries. Finally, in the case of import needs, supplies must be guaranteed at all times, since they are often essential for the survival of large numbers of people.

2. Many developing countries have entered into commitments with international financial institutions, in the context of structural adjustment programmes, to take further steps towards the liberalization of their economies.

If this action is not supported by the international community and accompanied by measures to improve world markets as a whole, in particular those for agricultural products, it may well backfire and worsen the economic situation of the countries concerned.

The structural adjustment programme for agriculture, as followed by Morocco, consists essentially of the implementation of major reforms aimed at liberalizing domestic and foreign trade in agricultural products, adopting floor prices for agricultural products fixed by reference to undistorted price trends on the world market, deregulating its agro-industrial sector and removing consumption subsidies.

It is also planned to remove subsidies for consumable inputs (fertilizers, etc.) within a reasonable period.

A wide variety of results is expected. These include primarily:

- Enhanced efficiency of the various agro-industries, with two objectives:
 - reduction of the budgetary burden on the Government:

- more dynamic production sectors, to increase productivity and production.
- Promotion of agricultural exports.

Moroccan Proposals to the Negotiating Group on Agriculture

It is quite clear that the main problem plaguing the world market for agricultural products remains the following:

- On the one hand, the excess supply over demand for a number of products leading to the build up of large stocks and encouraging countries holding those stocks to engage in unfair competition in order to dispose of them.

However, this surplus situation should not blind us to the fact that a number of developing countries might have bought more agricultural products on world markets had their financial and economic situation been better, for their real needs are well below what they actually import.

- On the other hand, the need to guarantee at all times a sufficient supply on world markets. We must not return to the past state of affairs in which there were severe shortages of foodstuffs.

Consequently, any policy aimed at balancing supply and demand must take account of this constraint, to ensure that countries are not discouraged from basing part of their supply on foreign sources.

In the context of these negotiations, Morocco considers that it is very difficult to study all agricultural products comprehensively. It seems wiser to establish a number of distinctions so as to be able to devise a better approach to the various products according to the degree of distortion in world markets and the category of countries essentially concerned (industrialized countries or developing countries). It is also important to deal with the most obvious measures (direct export subsidies...) before going on to measures upstream of production.

This approach has a number of advantages, in particular:

- It takes account of the particular concerns of developing countries which, according to all studies carried out in the field of foreign trade, suffer most from world market distortions, on a number of grounds:
 - deterioration in the terms of trade;
 - declining exports as a result of the strengthening of agricultural protectionism in industrialized countries;
 - discouragement of domestic production under the pressure of dumping on world markets.

Clearly, an improvement of world markets will necessarily be accompanied by higher prices. It is therefore necessary to envisage suitable measures, through the proposal of an appropriate aid programme for developing countries to compensate for the loss of earnings as a result of the new situation.

- It identifies the main exporting and importing countries, in order to delimit the scope of the survey of the nature of support measures applied, evaluate their impact on trade in the product or group of products concerned, and propose solutions aimed at improving the international market in question.

In particular, the objective must be clearly to identify all forms of subsidies provided upstream of production as well as the subsidies linked with the export process. In this framework, account should clearly be taken of the subsidies given by developing countries upstream of agricultural production with a view to increasing output of products that have significant repercussions in terms of incomes, satisfaction of basic consumption needs, and foreign exchange earnings.

At the same time, it would be desirable to carry out a comprehensive review of all measures intended to reduce the smooth importation of products.

Naturally, proposals should at all times be based on the GATT principles relating to foreign trade in agricultural products and take account of reasonable time-limits so that all parties can simultaneously solve their domestic problems.

Nevertheless, emphasis should be placed on products for which markets are most disrupted, and emergency solutions must be found first to check their deterioration and subsequently to set about improving them.

The first step must therefore be to classify products in homogeneous groups, identify the countries concerned in each case, survey support measures and evaluate their impact. This task could be entrusted to the GATT secretariat, which could, if necessary, associate FAO in the work.

The next stage would be to examine the various options for the improvement of world markets for each homogeneous group of agricultural products.