

MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND

RESTRICTED
MTN.GNG/NG5/W/68
11 July 1988
Special Distribution

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

Original: English

GATT - URUGUAY ROUND - AGRICULTURE

ELEMENTS FOR A PROPOSAL BY DEVELOPING COUNTRIES

Communication from Jamaica

1. The following is based on a draft Common Paper developed in consultation with a number of developing country participants concentrating on issues of interest to developing countries. It is presented to the Negotiating Group as a contribution to the negotiations and should be read in conjunction with communications/statements presented by Jamaica, inter alia, MTN.GNG/NG5/W/23; W/32; W/42; W/47; W/51, and by other developing countries.
2. The elements as set out here constitute a framework approach aimed at ensuring that each developing country participant secures increased benefits from the Negotiations on Agriculture, taking into account its individual development, financial and trade needs. The objectives and General Principles governing negotiations shall apply.
3. The Proposal is divided into four sections:
 - Section I - sets out an Indicative List of issues considered important by developing countries in achieving the objectives of the Uruguay Round;
 - Section II - enumerates some Basic Principles that should apply to Trade in Agriculture;
 - Section III - elaborates on the understandings and urgent measures to be reached or taken in 1988 in order to reduce uncertainty, imbalances and instability in world agricultural markets, and so build confidence in the multilateral negotiating process;
 - Section IV - describes the "specific multilateral commitments, including implementation of programmes and transitional arrangements" and measures in the short term, which should be agreed on and implemented in 1988 and 1989; and the further steps that will need to be taken in the course of the negotiations leading

to the exchange of concessions and operationally effective and strengthened GATT rules and disciplines, including special and differential treatment for developing countries. It also suggests some additional modalities for the conduct of the negotiations and the implementation of the results.

I. "Indicative List of Issues Considered Relevant by Participants to Achieving the Negotiating Objectives"

4. The following are some of the issues which have been identified by developing countries and which require action as appropriate if the Negotiating Objectives are to be achieved.

- (a) the importance of agriculture for the overall development of the economy including increased output, employment and export earnings;
- (b) the linkage between agricultural policies and other economic policies in meeting social, regional and political objectives including food security;
- (c) the low level of investment in this sector in developing countries, the impact of the environment and the vulnerability to weather conditions, e.g. drought, flooding and other natural disasters, and plague infestation;
- (d) the need for their governments to provide subsidies and incentives to increase productivity and output in the agricultural sector, and to ameliorate skewed income distribution adversely affecting the rural farm population and food consumption of the urban poor;
- (e) factors such as external debt servicing and trade protectionism have inhibited their capacity to maintain food imports (food, agricultural raw materials and inputs), and have reduced their export earnings (with the long-term prospects continuing to be unfavourable);
- (f) the incomes of the farmers and the poorest sections of the population in developing countries should be safeguarded; the terms of trade of net food importing countries should not be made worse through increased prices for imports - consequently any increases in the prices of products exported by the developed countries should be offset by appropriate compensatory measures, including, inter alia, food aid, IMF compensatory financing, so as to avoid any adverse impact on their economies.

5. Developing countries recognize the problems in international markets caused by surpluses and deficits arising from fluctuating production cycles, particularly in the developed countries. These fluctuations are caused by a complex of factors, including weather conditions, technological innovation, macro-economic and sectoral policies, trade policies and

various other policies which affect supply and demand. In periods of surplus, world market prices for food and other agricultural imports of developing countries tend to be low and this discourages production by competitive producers, including those in developing countries. However, at the same time, domestic consumers in the major developed countries continue to pay high prices for these products as a consequence of their subsidies (transfers) to producers, and protection of domestic markets. In periods of deficits, supplies on world markets become scarce and importers, particularly consumers in developing countries, are faced with higher world market prices. These increased prices often are not offset by a corresponding increase in the export prices for their agricultural products (including tropical products) produced for, and traded in, international markets. This contributes significantly to the terms of trade and balance-of-payments problems of developing countries.

6. The objective is to make GATT rules more effective by strengthened disciplines in the use of trade-distorting and restrictive policies and measures and by the adoption of urgent measures aimed at restoring balance and stability to markets of agricultural products. Developing countries believe that joint action in the GATT by CONTRACTING PARTIES is required to achieve these objectives and to integrate agriculture within the framework of the rules and disciplines of the General Agreement.

II. "Basic Principles to Govern World Trade in Agriculture"

7. The developing countries recognize that an appropriate mix of policies (macro-, micro- and structural) is necessary to ensure a balanced contribution to their development, by agricultural and other sectors, and to ensure the proper functioning of agricultural markets. The GATT can contribute by formulating effective rules and disciplines to govern trade in agriculture. The development needs of developing countries, and greater reliance on market signals should be overall guiding principles. Consequently, those participants, particularly developed countries which have resorted to significant distortions in and restriction to agricultural markets should refrain from measures such as administered prices and government-mandated supply controls. This would lead to balance of benefits between producers and consumers, exporters and importers, and the expansion of trade and the development of developing countries. Among the principles are, inter alia:

- (a) the establishment of, and respect for, operationally effective and strengthened GATT rules and disciplines;
- (b) flexibility by developing countries in applying GATT rules; removal of discriminatory treatment of exports of developing countries by developed countries; implementation of commitments and measures by developed countries providing differential and more favourable treatment for the exports of developing countries. These measures will be specific to the individual development, financial and trade interests of each less developed contracting party, and may entail, inter alia, differential time-frames for implementation of concessions and fulfilment of obligations;

- (c) as a priority, trade liberalization should be implemented on an MFN basis, with the widest possible product coverage, by the major producers and traders in the developed countries; GSP schemes should be improved, including on a request/offer basis with appropriate procedures adopted so as to reduce and/or eliminate autonomous features and to give greater stability;
- (d) concessions negotiated among developing countries appropriately notified should be considered as contributions to the Uruguay Round in view of the trade creating effects;
- (e) autonomous liberalization in the agricultural sector by developing countries should be given "credit" specific to each country's development, financial and trade interests.

III. "Understandings Necessary for the Fulfilment of the Negotiating Objective" (inter alia, "urgent measures to reduce uncertainty, imbalances and instability in world agricultural markets").

8. The following elements should be agreed in 1988:

- (a) all trade measures relevant to trade in agricultural products should be included in the negotiations (and to be subject to the strengthened GATT rules and disciplines), including those taken under the Protocol of Provisional Application, Protocols of Accession by developed contracting parties, Waivers and derogations;
- (b) concessions should be exchanged among all participants; coverage should extend to the widest range of products in the agricultural sector, including semi-processed and processed products;
- (c) take account of agreements having an impact on international trade in agricultural products, namely, bilateral Long Term Arrangements (LTAs) between developed countries; and multilateral agreements, such as Usual Marketing Requirements (UMRs), Food Security, Food Aid and Disaster Relief and Sanitary and Phytosanitary Measures;
- (d) fulfilment of commitments in the GATT, namely, the special and differential provisions of the General Agreement, inter alia, Part IV and the Enabling Clause. An appropriate measure of the value of concessions should be devised to monitor the benefits of liberalization by developed countries in favour of developing countries. This should incorporate features designed, inter alia, to counteract the selective liberalization of products by developed countries which results in tariff peaks, escalation and derogations on products of export interest to developing countries. This has application beyond trade in agriculture and should contribute to the evaluation of the effective application of differential and more favourable treatment by the Group of Negotiations on Goods as called for in the Ministerial Declaration. The GATT secretariat should be requested to prepare a Note setting out the possible features for such a measure.

IV. "Specific multilateral commitments including implementation of programmes and transitional arrangements":

9. The following measures should be implemented on an agreed basis commencing in 1988:

- (a) Short-term or Emergency Measures: These measures, in addressing urgent problems identified by participants, should provide mutual advantage and a balance of benefits to each participant. Special and differential measures should be applied as appropriate including products of interest to developing countries.
- (b) Transitional Arrangements: The transitional arrangements, like the short-term measures should be formulated and implemented so as to be in conformity with the strengthened GATT rules and disciplines envisaged.

In the course of 1988 and 1989 the transitional arrangements should be agreed on, and should cover, inter alia:

- (i) the identification of GATT Articles and disciplines to be made effective and/or strengthened (e.g. Articles XI, XII, XVI and XX have been suggested);
- (ii) the time-table for the removal of import restrictions by developed countries covered by Protocols, Waivers, derogations and the like;
- (iii) improvements in or phasing out of the arrangements on Dairy Products and Bovine Meat;
- (iv) the establishment of a unit of measurement and mechanism for evaluating the concrete implementation of special and differential treatment for developing countries set out in the Ministerial Declaration.

These arrangements must take account also of improved arrangements, including transparency in the application of Usual Marketing Requirements (UMRs) for surplus food disposal; the establishment of International Commodity Arrangements; Food Aid for development; Compensatory measures for any increases in prices of food imports by developing countries; and increased multilateral finance and investment for the agricultural sectors of developing countries.

- (c) "Exchange of Concessions as appropriate": In the course of 1989 leading up to the conclusion of the negotiations in 1990 the transitional arrangements will need to be elaborated into rules and disciplines, including special and differential treatment for developing countries. The following are some elements for consideration:

- (i) Tariffs: A formula-cut approach for temperate zone agricultural products, supplemented as appropriate by requests/offers on individual products should be agreed. The objective would be to have zero or low tariffs for these products in developed country markets, and at a level comparable to the average prevailing for industrial products traded among developed countries.

Generalized system or non-reciprocal and non-discriminatory Preferences (GSP), and other Preferential Schemes covered by the GATT Enabling Clause should be improved by better access conditions and with commitments not to reduce them over a fixed period. This should be applied to products of interest to developing countries, including on a special Offer/Request basis so as to increase predictability and stability. These should be set out in schedules and notified to the Committee on Trade and Development in the GATT.

- (ii) Non-Tariff Measures (NTMs) including Quantitative Restrictions (QRs): Other charges such as internal, consumption and excise taxes on products of export interest to developing countries, including in their semi-processed and processed forms, should be eliminated by the developed countries within an agreed time-frame. Voluntary export restraints and other bilateral arrangements negotiated between developed countries such as Long Term Arrangements (LTAs) should be phased out over an agreed time-frame and in such a way as to improve market access conditions and volumes of trade for developing countries. All other trade restrictive measures, as notified to the Negotiating Group should be the subject of offers/requests.
- (iii) Subsidies: Subsidies which have the effect of distorting international trade, specifically export marketing subsidies by developed countries should be subject to operationally effective and strengthened GATT rules and disciplines, including as appropriate prohibition. However, where subsidies reduce the cost of production and/or export prices for a number of agricultural products important in the international trade of net food importing developing countries, there is the corresponding effect of reducing the significant amounts paid for food and other agricultural products. This has a positive effect on their balance of payments and their terms of trade.

The operationally effective and strengthened rules and disciplines on the use of subsidies, should be applicable to all traded goods, with appropriate exceptions to take account of the special

characteristics of trade in agriculture, e.g., measures in respect of perishable products, health and sanitary standards. Further, incentives provided to the agricultural sector in developing countries, inter alia, to increase output and productivity shall be distinguished from subsidies. Each contracting party shall determine the extent to which subsidies by other contracting parties infringe its rights under the General Agreement, and the remedies open to it, e.g., countervail or anti-dumping measures.

The proposals in the Negotiating Groups on Subsidies and GATT Articles should be identified and a generic approach taken so as to ensure that the rules and disciplines of the General Agreement apply to all goods traded, while taking account of the special characteristics of trade in agricultural products, and protect the rights of developing countries.

- (iv) Sanitary and Phytosanitary Regulations: Measures designed to remove barriers to trade arising from the application of sanitary and phytosanitary regulations should be included in the short-term and transitional arrangements so as to increase transparency and market access, particularly for products of developing countries. Clear rules and disciplines should be elaborated for the use of these measures as part of the strengthened GATT rules and disciplines.

A technical group should be established in 1988 to collate, identify and analyse those measures which a priori may be considered to be barriers to trade with a view to recommending a framework of principles, rules and disciplines including the possibility for "harmonization" and "equivalence". The GATT secretariat should prepare a Note which would assist the technical group in its work. This Note should, inter alia, take account of work undertaken in the GATT system, the "commodity standards", "codes of hygienic and technological practice", "maximum residue limits for pesticides" elaborated by the Joint FAO/WHO Codex Alimentarius Commission (CAC), the International Atomic Energy Agency (IAEA) and other relevant organizations.

Special measures are needed to provide information on, and transparency in the application of regulations and measures both in developed and developing countries. In the latter group of countries the application of standards may serve as unintended barriers to

trade among developing countries. A programme of technical assistance and support for developing countries should be defined and may be considered as a concrete result in the negotiations if it leads to trade expansion.

10. The negotiations should be conducted primarily in the Negotiating Group on Agriculture. Short-term or transitional measures which may be the subject of provisional application shall be agreed by CONTRACTING PARTIES. The Negotiations shall be conducted, fully respecting the General Principles Governing the Negotiations.

11. Prior to the completion of the Negotiations, each participant will determine whether any concession, applied on a provisional basis or negotiated, will be implemented taking account of its own assessment as to the benefits it has derived in this sector and from the Negotiations as a whole. In this respect each participant is free to determine whether the trade-off is to be seen exclusively within the agricultural sector or whether "balanced" by results in other areas of the Negotiations on Trade in Goods.

12. Developing countries will pay particular attention also to progress in other areas, such as the financial measures supportive of trade liberalization and expansion, inter alia, external debt relief, increased financial flows on concessional terms, and conclusion of International Commodity Agreements (ICAs) for stabilizing prices.