

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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Statement by Peru

Ways to take account of the possible negative effects of the reform process on net food-importing developing countries.

It is essential that, as part of the multilateral commitment to be adopted in the course of negotiations over the coming months, specific decisions should be taken with respect to practical ways of dealing with the negative effects it will have for net food-importing developing countries in both the short and the long term.

Recent information from FAO indicates that, at current prices, the net food-importing developing countries will have to pay an additional US\$5 billion, i.e. an increase of 40 per cent on its import bill. Moreover, the developing countries will have to raise their expenditure on food imports from US\$12.3 billion in 1988 to US\$17.6 billion in order to maintain the same level of nutrition. Meanwhile, FAO foresees that the amount of free foodstuffs supplied by the developed countries will be reduced by a quarter. In the case of grains alone, FAO points out that the ability of the developing countries to step up their imports is constrained by the recent rise in prices which will add a further 37 per cent to costs, thus creating additional problems for the balance of payments, which is already hit by the growing external debt burden and limited export demand. Added to this there is a foreseeable loss of 3.4 million tonnes in food aid in cereals and also, for dairy products, the disappearance of a major donor - the United States - from the list of World Food Programme donors.

Our country is committed to the objective of greater liberalization of trade in agriculture, as affirmed in the Ministerial Declaration of Punta del Este and reaffirmed at the Mid-Term Meeting. It should be borne in mind, however, that one of the general principles guiding the negotiations is the need to ensure mutual advantage and increased benefits to all participants.

With regard to the effects of liberalization and the reform process on the different participants, a number of econometric studies coincide in concluding that the principal beneficiaries of liberalization will be essentially the OECD countries - where, even if certain farmers sustain losses, they will be compensated by net gains at the national level - while a number of countries obviously stand to lose, among them the net

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food-importing developing countries, which will see a marked increase in their basic imports bill.

With food imports in 1988 costing almost US\$500 million, i.e. a fifth of total export earnings during the same period, an acute economic crisis, a huge external debt and a lack of foreign exchange, Peru will be in an extremely difficult situation unless measures are taken to cope with the rise in food prices on the international market.

Without going into the subject in detail, since we shall be devoting our attention to it at forthcoming meetings, we nevertheless wish to emphasize, in the light of the above considerations, that it is imperative for net food-importing developing countries to be compensated for these negative effects. Possible ways of doing so, although this will not be an exhaustive list, include financial or equivalent compensation by developed countries and credit institutions, concessional sales, food aid, market access, increased multilateral financing for the agricultural development of developing countries, and short- and long-term aid. The measures taken should form part of the multilateral commitment to emerge from the Uruguay Round negotiations.

Lastly, with regard to market access, some studies indicate that if this is applied to products of interest to the developing countries, such as tropical products and natural resource-based products, improved access to markets, except in the case of sugar, would not be accompanied by a rise in prices. Then, too, the low elasticity of demand for these products means that trade liberalization will very probably not lead to a substantial increase in world trade. The losses sustained as a result of higher import costs will thus outweigh the benefits of liberalization. It has also been pointed out that the transfers necessary to compensate the developing countries that sustain losses through the liberalization process will be less than the overall benefits of efficiency, which will mainly be enjoyed by the OECD countries.

Our delegation will take an active part in the submission of specific proposals on the subject, together with other net food-importing developing countries.