

MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND

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Group of Negotiations on Goods (GATT)
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NEGOTIATING GROUP ON AGRICULTURE

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Statement by Mexico

Considerations on Special and More Favourable Treatment for
Developing Countries in Agriculture

In accordance with the position it has adopted since the outset in the Negotiating Group on Agriculture, Mexico, as a net food-importing developing country, states once again that the principles of special and more favourable treatment should take account of the following elements:

(a) Developing countries encourage their agricultural production as an unrelinquishable strategic requirement for their development process.

In the specific case of Mexico, over a third of the country's economically active population is employed in the food sector. The rural population constitutes the largest reserve of consumption for expanding the domestic market, which is economically essential for the recovery of other economic sectors. In addition, investment to encourage production in the rural sector has the widest multiplier effects, and can bring the biggest benefits in income redistribution.

Consequently, present rural conditions call for intervention by the State to induce and guide modernization in the sector, through a rural development strategy to encourage food production and productivity, with a view to food security. It is therefore obvious that agriculture plays an essential development rôle in our country.

(b) In view of the foregoing, in defining special and more favourable treatment in the short and medium term, the strategic rôle of the State in promoting rural development must be taken into account. It must be recognized that the governments of developing contracting parties need to adopt policies and measures to modernize their agricultural sectors and thus increase productivity. In this process, systems of incentives that are compatible with their economic and social development objectives as well as their rights and obligations under the General Agreement play a decisive part. Finally, in this more global scheme of special and more favourable treatment, account should be taken of the development and trade needs, the features of the financial systems and the agricultural structures of developing countries in relation to measures aimed at

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liberalizing access to their markets. In other words, the special and more favourable treatment should be in keeping with such objectives as increasing production and productivity, raising rural income levels, reducing the imbalance between town and country, achieving suitable levels of nutrition, and obtaining a sustainable balance in trade. Thus, special and more favourable treatment is not incompatible with the general liberalization of trade.

(c) Special and more favourable treatment should be included in all stages of the work of the Negotiating Group on Agriculture, as well as in each of the elements of the reform process and strengthened GATT rules and disciplines. Accordingly, it should not merely be a matter of longer implementation periods.

(d) The critical state of agricultural markets has particularly affected developing countries, and so it is considered fair that the developed countries should make a significant contribution to redressing the situation. The developed countries should therefore make the main effort in trade liberalization.

The W/74 group, including Mexico, has proposed that the adverse effects of the reform process on the agricultural trade balances of net food-importing developing countries should be attenuated.

To develop this point, it should be noted that according to estimates of the Economic Commission for Latin America and the Caribbean (ECLAC), with the application of the long-term reform process the rise in world prices of cereals, dairy products, sugar, meat and oilseeds could represent a theoretical net additional bill for Mexico of between \$90 and \$290 million a year.¹

More specifically, with regard to the country/product impact of liberalization, Mexico would face an outflow of foreign exchange for dairy products of the equivalent of \$90 million per year² on average for the period 1989-1993, in view of the fact that, according to the various simulation models³, prices of the various types of milk are expected to rise by 15 per cent.

¹The following assumptions are considered:

(a) Average levels of world trade in the period 1984-86 are maintained;

(b) The minimum and maximum limits depend on whether or not sugar is included (as a product affected by possible substitutes).

²Estimate based on data provided by CONASUPO.

³According to the ECLAC study.