

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG5/W/132

28 November 1989

Special Distribution

Original: English

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

PROPOSAL ON SPECIAL, DIFFERENTIAL AND MORE FAVOURABLE
TREATMENT FOR DEVELOPING COUNTRIES

Communication from Brazil and Colombia

The Cairns Group Ministerial statements of Budapest and Waitangi noted that "the modalities of application of differential and more favourable treatment for developing countries should be specified". In the Chiang Mai Ministerial Statement, the Cairns Group provided more structured ideas on this issue. This document is an initial elaboration of those ideas. Further contributions may follow as the negotiating process evolves.

1. At the TNC Meeting of April 1989, participants agreed to undertake a comprehensive reform of international trade in agriculture. The negotiations will aim at establishing a fair and market oriented agricultural trading system. In order to achieve this objective, "substantial progressive reductions in agricultural support and protection" shall be undertaken. Consistent with this objective and in order to reach a fair and balanced result for all participants, it was agreed that special, differential and more favourable treatment for developing countries "is an integral element of the negotiations particularly on the strengthened and more operationally effective GATT rules and disciplines".

2. In other words, in negotiating the various issues involved, specific modalities of more favourable treatment for developing countries should be developed in an operational way.

3. In the TNC Decision of last April three distinct dimensions of the issues were identified:

(a) The Development Aspect:

- specified at paragraph 8, second indent, which reads "government measures on assistance, whether direct or indirect, to encourage agricultural and rural development are an integral part of the development programmes of developing countries";

(b) Special and Differential Treatment:

- contained in paragraph 8, first indent, as well as in paragraph 3 and in paragraph 11, second indent;

(c) Possible Negative Effects of the Reform Process on Net Food Importing Developing Countries:

- addressed in paragraphs 8 and 11.

4. Taking into account the three dimensions mentioned above, this communication tries to spell out a non-exhaustive list of possible modalities for concrete application of the principle of special, differential and more favourable treatment for developing countries in the different areas and phases of the negotiations.

I. GENERAL PRINCIPLES

5. Developing countries are committed to the establishment of "a fair and market-oriented agricultural trading system" and to a reform process that "should be initiated through the negotiations on commitments on support and protection and through the establishment of strengthened and more operationally effective GATT rules and disciplines".

6. In so doing, one has to bear in mind that there are measures taken by developing countries which are crucial to their economic and social development. In applying the commitments prescribed in the reform process, developing countries require specific provisions which would permit them to make the necessary adjustments.

7. There are two basic concepts that would be of fundamental importance to developing countries to make the necessary transition:

(a) longer time-frames for the adjustment commitments:

- developing countries would be granted a grace period, after which they would gradually implement the new rules and disciplines;
- the time-frame for implementation and completion of the reform commitments for developing countries must be extended for a certain period to be agreed upon with a view to allowing a gradual adjustment in their agriculture sectors and avoiding possible disruptive effects in the reform process. Such an extended time-frame could be readjusted, on a case-by-case basis, according to multilateral procedures to be defined, as certain genuine difficult circumstances arise;

(b) flexibility in the application of commitments:

- this could be expressed by lower cuts in the support area;
- it could also take the form of more flexible commitments in terms of access.

In both areas, developing countries should have the necessary flexibility to select voluntarily the measures that will initially be subject to the new disciplines.

II. ACCESS

A. Long term

8. It is expected that the present exceptions that have given rise to considerable distortions in Article XI's application will be limited by stricter disciplines. Developing countries' particular situation could be dealt with by an Interpretative Note. In order to meet social, economic and developmental purposes, developing countries will be allowed to maintain quantitative restrictions, under specific disciplines.

B. Transitional period

(i) Disciplines on the opening of markets

9. The cuts in tariffs and non-tariff barriers for developing countries will be lower than the generally agreed target. The rate at which developing countries would open their markets should be determined by the time-frame for the opening of markets of particular export interest to them. The first set of obligations of improved market access for a developing country would take place after a certain period of time following the application of a corresponding concession received by this country.

10. For products of priority export interest to developing countries, negotiations should provide reductions in trade barriers and internal support policies by developed countries on an accelerated basis. This commitment shall be monitored.

(ii) Tariffs and non-tariff barriers

11. Concurrently with appropriate actions to reduce support measures, the conversion to tariffs of non-tariff measures could introduce more transparency in the reform process. It would be a useful negotiating tool only if it could lead to an effective improvement in market access conditions.

12. In examining the convenience of extending this negotiating tool to developing countries, the concept of longer time-frames as outlined in this proposal should fully apply.

III. SUPPORT MEASURES

A. Long term

13. There are measures which are crucial for the economic and social development of developing countries. These measures encompass government expenditures, including those provided on a concessional basis, on:

- (a) basic infrastructure developments;
- (b) physical support facilities such as agricultural products' storage;
- (c) extension services;
- (d) skill, human resources and training;
- (e) research and development;
- (f) domestic food aid programmes;
- (g) disaster payments;
- (h) other measures which are intended to develop long-term competitive staple food production.

14. The purpose of those expenditures are mainly to develop general infrastructures and human resource capabilities so that the long-term objective of a market-responsive agriculture can be developed. In this connection, measures in these fields should not be included in any list of support measures to be negotiated by developing countries.

B. Transitional period

(i) Commitments on policies

15. The process of discontinuation of support measures has to begin by the more trade-distortive ones and priority should be given to those policies and measures whose distorting effects are more heavily felt by developing countries. In this context, export subsidies should be outlawed from the very beginning.

(ii) AMS

16. In the elaboration of OECD-PSE the specific situation of developing countries' economies was not taken into consideration, since the index only reflects the specific reality of developed countries' economies. There is a widely recognized need to adapt the index to the GATT negotiations, without losing its effectiveness, but, at the same time, framing an instrument that takes into account GATT principles and practices. In this vein, for developing countries, certain items linked to measures "to encourage agricultural and rural development" and infrastructure costs should not be included in calculations aiming at specific concessions. The measures listed in paragraph 13 above would be excluded from these calculations.

IV. SANITARY AND PHYTOSANITARY MEASURES

A. Long-term and transitional period

17. The negotiations on sanitary and phytosanitary issues shall aim to "develop harmonization of sanitary and phytosanitary regulations and

measures". The main focus of the negotiations should be to avoid the distortive effects of sanitary regulations acting as disguised barriers to trade. Specific points of concern to developing countries should also be taken into account. In this connection, particular attention shall be given to concepts such as "free areas within a country", "areas under sanitary control", as well as "acceptable level of risks".

(i) Deferred time-frames and technical assistance

18. Developing countries should have additional time to comply with sanitary and phytosanitary regulations, taking into account the need to protect human, animal or plant life and health. This approach should be coupled with technical assistance.

19. In order to help developing countries complying with sanitary regulations, technical assistance shall be provided either by developed contracting parties bilaterally, or by international organizations and should include, inter alia, credits, donations, training and equipments to prepare the export structure of developing countries to meet these regulations.

(ii) Discriminatory regulations

20. Certain contracting parties apply to products from developing countries, without convincing and sound scientific evidence, stricter sanitary regulations than those applied to other suppliers. There are also cases of frequent changes in legislation, requiring from developing countries considerable effort and resources to adapt themselves to the disciplines that often constitute disguised barriers to trade. In these cases and if developing countries face a reduction of their market share or are excluded from markets, for the reasons outlined above, an equitable compensation will be sought in the operation of dispute settlement mechanisms.

V. DEVELOPING NET FOOD IMPORTING COUNTRIES

20. In the process of implementing the long-term reform of world agriculture trade the specific situation of net food importing developing countries must be taken into account. In so doing, their needs must be more specified.

21. Critical food import problems faced by those developing countries could be concretely addressed in a two-pronged approach:

- (a) within the existing GATT framework;
- (b) in the area of other multilateral agencies, such as the IMF, IBRD and FAO.

22. The proposal presented by the Net Food Importing Developing Countries, circulated as document MTN.GNG/NG5/W/119, constitutes a basis for the discussion of this issue. Further work is needed in order to clarify specific points of the proposal, as well as its implications. There is a clear requirement to have a comprehensive discussion of all these points.