

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

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Group of Negotiations on Goods (GATT)
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URUGUAY ROUND NEGOTIATIONS ON AGRICULTURE,
PROPOSALS BY CACM MEMBER COUNTRIES
(Honduras, El Salvador and Guatemala)

Introduction

At the Mid-Term Review in April 1989 it was agreed that "the particular needs and conditions of developing countries should be fully taken into account at all stages of the negotiations in conformity with the principle of special and differential treatment to developing countries". Ministers also agreed that "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".

A number of countries have already tabled specific proposals on special and differential treatment for developing countries.

Other countries have included special sections on this issue in proposals of broader scope, for example:

1. "Special and Differential Treatment", statement by Brazil, MTN.GNG/NG5/W/108;
2. "Special and Differential Treatment for Developing Countries", statement by Ambassador H.S. Kartadjoemena on behalf of ASEAN countries, MTN.GNG/NG5/W/109;
3. Communication from Switzerland, (Section V), of MTN.GNG/NG5/W/114;
4. Submission of the United States on Comprehensive Long-Term Agricultural Reform, section on "Special and Distinctive Treatment for Developing Countries", MTN.GNG/NG5/W/118;
5. Comprehensive Proposal for the Long-Term Reform of Agricultural Trade, (Section VII), by the Cairns Group, MTN.GNG/NG5/W/128;
6. Proposal by the Republic of Korea, (Section III), MTN.GNG/NG5/W/130;
7. Submission by Japan, (Section V), MTN.GNG/NG5/W/131;

8. Proposal on Special, Differential and More Favourable Treatment for Developing Countries by Brazil and Colombia, MTN.GNG/NG5/W/132;
9. Submission of the Nordic Countries on Some Elements in a Comprehensive Long-Term Agricultural Reform Programme (Section IV), MTN.GNG/NG5/W/143;
10. Global Proposal of the European Community on the Long-Term Objectives for the Multilateral Negotiation on Agricultural Questions, (Section IV), MTN.GNG/NG5/W/145;
11. Submission by Austria to the Negotiating Group on Agriculture, (Section III.4), MTN.GNG/NG5/W/144;
12. Communication from Israel on Certain Elements in the Negotiation on Agriculture, (Section V), MTN.GNG/NG5/W/153.

Special and differential treatment

The CACM Group mentioned above endorses the broad thrust of these proposals and highlights the following seven points as being of particular interest to them:

- (1) Developing countries would be expected to undertake the reform process over a longer time period and would be given greater flexibility to choose the policies to be liberalized.
- (2) Developing countries would reduce protection against imports to a lesser extent than the developed countries and over a longer time period, possibly with a grace period.
- (3) A wide range of internal support measures would be exempt from the liberalization, particularly agricultural and rural development measures such as infrastructure, extension, training, research, storage and domestic food aid programmes.
- (4) There is doubt as to whether the AMS should be calculated for developing countries, but if it is to be calculated the internal support measures mentioned in paragraph (3) above should also be excluded.
- (5) There should be more rapid and greater reduction of the protection applied by developed countries to products of export interest to developing countries. A list of such products should eventually be drawn up.
- (6) Technical and financial assistance and food aid will probably be needed by developing countries to meet their commitments under the Uruguay Round. Net food-importing developing countries should be compensated for the rise in the costs of food imports as a result of liberalization.

- (7) Developing countries should be given more time to adjust to sanitary and phytosanitary measures and should be compensated for any discrimination against them; they should also be given adequate technical assistance in order to facilitate compliance with agreements reached in this area.

Additional issues

The above-mentioned CACM member countries wish to support the aforementioned proposals, but at the same time they indicate that there are a number of other issues of importance not mentioned so far in the various proposals which should, in their view, be developed further in the course of the negotiations.

The first is the question of traditional basic foodstuffs. There are many traditional foodstuffs that do not occupy a significant place in Central American international trade but are important for national food security, particularly for the poorer sections of the community. Among such products are pulses, white maize, roots and tubers. These products are only imported to meet a shortfall in domestic supply and are not usually exported. Because of their relatively minor importance for international trade, it will be hard to assess the impact of trade liberalization on these products. The effects of changes in world market prices of other related commodities (e.g. yellow maize and wheat) could also have repercussions on the traditional foodstuffs sector. It would therefore be necessary to strengthen monitoring of commodity price developments and changing patterns of consumption and trade in these and related products during the period of transition to more liberalized trade. Assistance will be needed to strengthen national capacity to monitor the follow-up to Uruguay Round commitments.

Safeguard measures will have to be adopted to prevent too rapid and important changes in consumption patterns of basic foodstuffs in developing countries. Safeguard measures should include appropriate transitional arrangements, as well as the strengthening of Article XI. The objective would be to permit quantitative restrictions whenever imports of foodstuffs threatened to replace to a large extent traditional items of food consumption that are otherwise available without having to be imported. Article XI:2(a) on export prohibitions should remain in force for developing countries in order to safeguard their food security in the event of shortfalls in the world supply of basic foodstuffs.

The second issue concerns the status of regional integration schemes in a more liberalized trading system. The extent to which common external tariffs are reduced will limit the scope for preferential trading arrangements among member States. It may therefore be necessary to strengthen regional economic integration schemes in other ways, for which external assistance would be required.

The third issue concerns the loss of preferences currently enjoyed by developing countries in the developed countries. Apart from the Generalized System of Preferences, many developing countries have

preferential access to particular markets. To the extent that the countries granting preferences liberalize general access to their markets, the value of the preferences may decline, either because a large reduction in tariffs means that the scope for preferential tariffs is smaller, or because quotas and other non-tariff methods of granting preferences are liberalized. Many developing countries could face reductions in export earnings as a result of a generalized liberalization of access by the developed countries. Countries granting preferential access to their markets should consider the need to increase their assistance to such countries to compensate them for the loss of preferential market access. Moreover, the loss of preferential access should be considered as a credit, a contribution made by many developing countries to the liberalization of trade.

Fourthly, the main items of export interest to many developing countries are often fruit, vegetables and tropical products, including tropical fruit and vegetables. Improved access for these commodities, including accelerated and deeper cuts in trade barriers and internal support policies by developed countries, should be a priority for the negotiations. The results of the negotiations should be in line with the objectives of the Punta del Este Declaration and the Mid-Term Review Agreement for the fullest liberalization of trade in tropical products, including processed and semi-processed tropical products, and should take into account the need for export diversification by developing countries, particularly in the context of their structural adjustment programmes.