MULTILATERAL TRADE NEGOTIATIONS
THE URUGUAY ROUND

RESTRICTED

MTN.GNG/NG5/W/206
9 October 1990

Special Distribution

Group of Negotiations on Goods (GATT)

Original: English

Negotiating Group on Agriculture

WORKING PAPER SUBMITTED BY EGYPT, JAMAICA, MOROCCO AND PERU

Uruguay Round Window for Net Food Importing Developing Countries

Net food-importing developing countries have in submissions to the Negotiating Group on Agriculture drawn attention to the likelihood that higher prices for their food imports will result from the agricultural reform process and have proposed that offsetting measures to reduce the negative impact on the net food-importing countries of increased prices for basic food products be agreed as an integral part of the overall results of the agricultural negotiations.

In addition to alleviating the burden of increased import prices, net food-importing developing countries have also proposed that measures to increase agricultural productivity and production should be agreed.

We would wish to recall not only earlier proposals by net food-importing developing countries but at this important juncture in the negotiations, we recall also the Montreal Ministerial mandate that ways should be developed to take into account the possible negative effects of the reform process on net food-importing developing countries.

We now seek to put forward a simple, specific and concrete proposal to give effect to the Montreal Ministerial mandate:

1. We propose the establishment of a time-bound window to which developed countries would make contributions in kind or in cash. This time-bound window would be used to channel assistance through food aid, concessional sales and financial resources to net food-importing developing countries during the reform process.

2. To achieve the foregoing, there should be agreement on a base year for the prices for basic food imports. This base year could correspond to the base year used for other purposes in the agricultural negotiations. During the course of the reform process the temporary window would then be used to offset totally or in part any increase in price above the base year price. This approach effectively ensures that there need not be any *a priori* assumption of higher prices.

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3. At the time that a purchase is made it will be possible to establish the difference between the current market price for the food import and the base year price and on this basis to determine the differential in price which would be subject to offsetting action. Offsetting would be done through a rebate in total or in part of the price differential to the purchasing net food-importing country with the proviso that the rebate be applied against future purchases of basic food imports in the market or to specific measures to enhance domestic production and productivity.

4. Another complementary approach which might be more suitable in certain circumstances would be one involving food aid. In the case of higher prices for a particular food import, the net food-importing country would maintain the overall value of its purchase that obtained in the base year. However, with higher prices, this would entail a reduced volume of purchase. The difference in volume terms between that which could have been purchased at the base year price and the country's current requirement could be met totally or in part through food aid from the temporary multilateral window.

5. An example of how this would work is the following: net food-importing developing country A purchased 10 tons of wheat at the cost of US$4 per ton during the base year. The total cost was thus US$40. In a particular year during the course of the reform process, this country has a requirement of 12 tons of wheat. But the cost of wheat is now US$5 per ton. Country A would maintain at least the base year total value of its purchase, i.e. US$40. This would provide 8 tons at the new market price.

In this case, the temporary facility would provide direct food aid for all or some portion of the difference. Precisely which modality will apply and the level of assistance would be determined on a case-by-case basis. It should be noted that food aid in this context would be additional to existing levels of food aid.

6. During the course of this Round decisions should be taken to establish this time-bound window as well as on general principles and guidelines for channelling offsetting resources to net food-importing developing countries. We propose that implementation take place through an existing multilateral agency.

7. Other matters to be addressed would include contributors, beneficiaries, basic food imports to be covered and procedures for monitoring and accountability.

8. We emphasize, as in earlier proposals, that improvements in market access conditions to net food-importing developing countries will be taken into account as part of the offsetting package. Finally, we emphasize also that (i) the rise in import prices will exacerbate the debt servicing problems of net food-importing developing countries and international financial institutions should take this fully into account in the negotiation and the implementation of structural adjustment programmes, and (ii) net food-importing developing countries, in particular, have the need to enhance production and productivity in order to benefit from liberal agricultural trade and thus will require not only offsetting action as outlined above but the provision of increased resources from existing multilateral institutions, and bilaterally.