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REPORT OF THE EXPERT MEETING ON THE IMPACT OF THE REFORM PROCESS IN AGRICULTURE ON LDCs AND NET FOOD-IMPORTING DEVELOPING COUNTRIES AND WAYS TO ADDRESS THEIR CONCERNS IN MULTILATERAL TRADE NEGOTIATIONS

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I. OUTCOME OF THE EXPERT MEETING

1. Individual experts put forward their views on ways to address the concerns of LDCs and net food-importing developing countries (NFIDCs) in multilateral trade negotiations. The following list summarizes the suggestions of various experts. Not all of these views were shared by all experts; the list is intended to reflect the richness and diversity of the views expressed, rather than agreement.

1. Actions under the Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Process on Least-developed Countries and Net Food-Importing Developing Countries (Marrakesh Decision)

a. The Marrakesh Decision should be made more operational and aim at solving the long-term food security problems of LDCs and NFIDCs, rather than at short-term needs in terms of food aid.

b. Special consideration should be given to possible effects on LDCs and NFIDCs of reductions or possible elimination of export subsidies, and effects of an internationally agreed discipline on export credits.

c. The mechanism for injecting donated food into the domestic market should be targeted so as to avoid disruption of domestic production.

d. The areas where technical assistance from multilateral and bilateral donors is desired include increasing agricultural productivity, infrastructure building, market information dissemination and export enhancement. Consideration should be given to the possibility of setting up a revolving fund for technical and financial assistance.

e. Separate conventions could be negotiated on financial and technical assistance to strengthen agricultural development of LDCs and NFIDCs.

2. Negotiations on the continuation of the reform process in agriculture

Market access

a. Existing tariff peaks, especially on actual or potential export products of LDCs and NFIDCs, should be eliminated.

b. Tariff escalation should be eliminated with a view to enhancing product diversification to higher value-added products in LDCs and NFIDCs.

c. With a view to reducing imbalances in the level of actual tariff barriers, reduction of the current bound rates of LDCs, NFIDCs and other developing countries should be conditional upon significant tariff cuts in developed countries. \

d. Measures to assist small-scale developing country exporters to benefit from tariff rate quotas in major markets should be considered.
e. Tariff-free and quota-free market access for exports of LDCs should be implemented by developed countries at the earliest possible date.

f. Negotiations should identify ways, as indicated in the preamble to the Agreement on Agriculture, to improve market access for agricultural products of particular interest to developing countries.

g. Negotiations should address the need for financial and technical assistance to developing countries, especially for meeting the costs of compliance with SPS measures and technical standards (e.g. costs to obtain certification, costs incurred from delays in authorization) in the international market.

h. Preferential market access schemes for LDCs and NFIDCs, with respect to their product coverage in the agricultural sector and their operation, should be continued and improved.

i. The Special Safeguard measures should be made available to all developing countries.

Export competition policies

a. Export subsidies provided by developed countries should be eliminated.

b. Export credits should be subject to internationally agreed rules to avoid circumvention of disciplines on export subsidies.

c. LDCs and NFIDCs should enjoy flexibility to provide export subsidies in order to promote the exports of agricultural products with an export potential.

Domestic support

a. Trade-distorting domestic support (AMS) in developed countries should be substantially reduced at an early stage so as to eliminate the imbalance in the use of such measures between developed countries and developing countries.

b. Disciplines should be established to limit the extensive use of Green Box measures by developed countries, so as to achieve a level playing field.

c. The Blue Box provision should be terminated.

d. The *de minimis* limit for developing countries should be increased from the current 10 %.

e. Article 13.b(ii) of the Agreement on Agriculture should be reviewed so as to increase flexibility in the use of the *de minimis* measures and to provide that inputs and investment subsidies available to low-income resource-poor farmers will be non-actionable.

f. Development policy measures of LDCs, NFIDCs and other developing countries which target the viability of small-scale subsistence farmers, rural poverty alleviation, and product diversification are important elements to be included in a possible "Development Box".

g. The elements to be included in the Development Box should take into account the need to strengthen vulnerable domestic producers and to improve their export competitiveness. Attention is drawn to the proposal made on the Development Box by 11 developing countries to the special sessions of the WTO Committee on Agriculture (G/AG/NG/W/13).

Special and differential (S&D) treatment

a. LDCs and NFIDCs require flexibility to apply urgent measures to safeguard small farmers against import surges and unfair trade practices, particularly those affecting the production of key staples of domestic diet.

b. Modalities for S&D treatment going beyond the current elements of the Agreement on Agriculture should be explored.

c. S&D treatment should take account of specific situations of different groups of developing countries, such as small island developing countries and land-locked developing countries.

Non-trade concerns

a. Rural development, poverty alleviation and food security of developing countries should be the main focus of negotiations on non-trade concerns.

3. Other issues

Coherence between Bretton Woods conditionality and the WTO commitments (Marrakesh Declaration on the Contribution of the World Trade Organization to Achieving Greater Coherence in Global Economic Policymaking)

a. Programmes of Bretton-Woods institutions should conform to WTO rules and obligations. LDCs and NFIDCs should not be required to accept market liberalization or subsidy reduction commitments exceeding the commitment levels accepted at the WTO, nor at a pace exceeding that in the WTO agreements, nor which exceed the capacity of adjustment of those countries.

b. The WTO commitments should reflect the fact that many LDCs and NFIDCs have unilaterally liberalized their agricultural trade so much that they only have tariffs as effective trade policy measures.

c. Credit should be accorded to developing countries for their autonomous liberalization.

Negotiations on accession to the WTO

a. Specific conditions prevailing in the agricultural sectors of those countries acceding to the WTO should be taken into account in their accession negotiations.

4. Recommendations to UNCTAD and other international organizations

a. Technical assistance from UNCTAD and other international organizations is required in analysing information on agricultural trade policies of other countries and to support developing countries, particularly LDCs and NFIDCs, in the current negotiations and in negotiations on accession.

b. UNCTAD should play a key role in providing the statistical and analytical background needed to support developing countries in the negotiations. Specifically, UNCTAD, working with FAO and other international organizations, should: (i) document and quantify in as much detail as possible the domestic and export support measures and market access restrictions applied by developed countries to their agriculture at the sector and commodity levels, per country; and (ii) assess the impact of support measures and market access restrictions on the competitiveness of developing country exports and domestic products, at the commodity and country levels.

c. UNCTAD should analyse the impact of the Agreement on Agriculture on LDCs, NFIDCs and small island developing countries in agricultural trade, and should develop a specific action plan and accompanying budget.

d. UNCTAD should analyse ways to reduce the cost-disadvantages in agricultural trade (due particularly to the transport cost) faced by the land-locked countries.

II. SUMMARY OF SUBSTANTIVE DISCUSSIONS

1. Presentations by experts on country experiences

2. Individual experts made presentations, in their own capacity, on experiences with the impact of the reform process in agriculture on the following countries: Algeria, Barbados, Bhutan, Bolivia, Chad, Ethiopia, Guinea, Guyana, Lesotho, Madagascar, Malaysia, Mali, Mauritius, Sri Lanka, Sudan, Tanzania (United Republic of), Togo, Trinidad and Tobago, Venezuela, and Viet Nam.

Presentation on Algeria

3. Algeria started its macroeconomic reforms in the late 1980s in respect of monetary, price and external trade policies. Trade was liberalized, and monopolies, subventions and price guarantees (except for wheat) were eliminated through a structural adjustment programme. The results were mixed – the reforms led to a reduction of economic distortions but also to social and economic disequilibrium. Domestic production is now insufficient to meet consumption, and agricultural imports account for around 25% of total imports (sugar, coffee and tea being wholly imported). Domestic production covers only 35% of cereal consumption. Several programmes were adopted by the Government to reduce the negative short-term impacts of liberalization, having as their main objectives to: ensure food security; expand production; enhance productivity and encourage diversification of exports; avoid deforestation and desertification; and integrate the Algerian agricultural sector into the global economy. At the international level, the Marrakesh Decision remains very important to Algeria, but it should be noted that the Marrakesh Decision is aimed at dealing with a short-term problem, while food security is an issue that should be treated with a long-term perspective. With respect to accession to WTO, specific conditions in the agricultural sector faced by developing countries acceding to the WTO should be taken into account, as they often lack the capacity to fully comprehend the implications of the multilateral agreements for their economies. It would be essential for Algeria, for instance, to maintain a certain level of tariffs to ensure the success of its agricultural and rural development programmes. Conformity with the 10% *de minimis* limit on domestic support would not present a problem in the near future, but Algeria's commitments should take into account the development programme under way which should be covered by special and differential treatment and the Green Box provision. Negotiations on the continuation of the reform process should concentrate on: special and differential treatment; an improvement in market access for products in which developing countries have comparative advantages; more effective assistance to reap the benefits of investment; and technical and financial assistance from international organizations for national development programmes. The multilateral trading system should increase the room for maneuver of developing countries.

Presentation on Barbados

4. In addition to being classified as a small island developing state, Barbados is a net food-importing developing country (NFIDC) and as such suffers specific handicaps due to its small size, limited internal markets and limited natural resources, as well as its vulnerability

to natural disasters due to its location. Approximately 74% of all food consumed in Barbados is sourced through imports, amounting to US$ 320 per person per annum. The ratio of the value of Barbados' imports to its exports deteriorated from 3.18/1 in 1990-1994 to 3.44/1 in 1995-1998. Many of the gains in the export of food products during the period 1994-1999 were realized from exports to the Caribbean Common Market (CARICOM) countries within the context of the CARICOM trade agreement. Barbados continues to adopt a liberal trade policy based primarily on tariffs and the operation of a licensing regime for sensitive agricultural commodities. Apart from the licensing regime for these commodities, which have been tariffied and are now subject to bound rates, no other non-tariff barriers to trade are in effect. The impact of export subsidies on the agricultural sector in Barbados is mixed. On the one hand, export subsidies do contribute to lowering world market prices for commodities, which is positive from the perspective of food imports that do not compete with domestic products. On the other hand, since Barbados is an exporter of sugar under the ACP/EU Sugar Protocol, reduction of export subsidies would impact negatively on the price received for sugar, which will impact significantly on foreign exchange earnings and in turn on food security. Growth in earnings from sugar exports in Barbados between 1994 and 1998 lagged behind other Latin American and Caribbean countries. Barbados recorded average growth of export earnings from sugar of 2.2%, compared to an overall 131.1% increase cited by the WTO secretariat (G/AG/NG/S/6). Other examples of the negative impact of the reform process on the agricultural sector include the case of poultry products, whose imports increased by more than 200% in 1998/1999 from the pre-Uruguay Round period. If current patterns persist, importation levels will amount to over 50% of local consumption by the end of the year. A detailed analysis of the impact of the Agreement on NFIDCs in general, but especially the small developing States within this grouping, will have to be undertaken, as there would be peculiarities in these States that need to be taken into account in the ongoing negotiations.

Presentation on Bhutan

5. Bhutan, as an LDC and a small land-locked country with a rugged geographical terrain, has had tremendous limitations on its agricultural development. Although only 8% of its total land area can be used for agricultural production, about 85% of Bhutan's population derive their living from agriculture. Bhutan's agricultural sector consists of farming, animal husbandry and forestry, and accounts for about 38% of its GDP. Food imports are mainly to feed the urban population, and almost 100% of the imported food grains and dairy products are from India, with very negligible quantities of processed food from Thailand and Bangladesh. With respect to Bhutan's imports of agricultural and livestock products (which are insignificant at present), tariff ranges are from 0 to 30% for all agricultural products, and up to 50 to 100% for beer, alcoholic beverages and spirits and for tobacco products. For environmental reasons, the slash and burn cultivation system is discouraged, and the Government encourages the growth of more cash crops like potatoes, apples, oranges, etc. In the high altitude areas, where people used to grow buckwheat and wheat, they are now growing potatoes for sale, and it is likely that traditional cereals like buckwheat and millet will be replaced permanently by imported rice in future. Owing to population growth and importation of workers for major development projects, Bhutan will no doubt continue to be dependent on food imports in future. On the export side, due to seasonal differences, Bhutan

is able to export its surplus agricultural products profitably to India, particularly the vegetables and fruit crops produced during the off-season in India. Almost all exports of those products to India are effected through the auction system operated by the Food Corporation of Bhutan (FCB) in the border areas, except for processed foods and fruits. Trade in agricultural and livestock products between Bhutan and India are duty-free under a special bilateral trade agreement between the two countries. Some years ago, Bangladesh opened its market to Bhutanese fresh fruits and processed fruit products, and Bhutan enjoys a 50% duty concession from Bangladesh on these products. Bhutan, as a land-locked country, faces a problem of high costs of domestic production and transport, as well as difficulties in access to foreign markets due to low volume and quality standards. Bhutan's usage of chemical fertilizer in agricultural production is very low, and it has a high potential for organic farming for the export market. For this, Bhutan would need some technical assistance as regards certification procedures.

Presentation on Bolivia

6. Bolivia uses only one quarter of its agricultural potential as a result of both external and internal factors. In 1996 a new regulatory framework was introduced with the aim of enhancing the use of agricultural potential and alleviating poverty while preserving the environment. This involved new laws on land, forests, water and the environment. As land constituted the only capital for indigenous peasants, their access to public land was central to the effort to reduce extreme rural poverty. The policy of Bolivia aimed at increasing agricultural productivity rather than bringing new land into production, which could have negative environmental implications. Bolivia's wheat production declined to negligible levels in the early 1990s as a result of competition from food aid shipments. A new policy introduced in 1992 among the major donors, the agricultural producers and the flour mills to maintain prices provoked a spectacular increase in land planted with wheat, from 3,500 hectares in 1994 to 112,000 hectares in 1997. The certified seed production policy had also been a success - seed production rose from 764 tons in 1981 to 43,155 tons in 1998 as a result of public and private sector cooperation, including research and transfer of technology. Soybean and oilseed production also increased dramatically, accounting for 10% of total exports. Bolivia eliminated its development banks at the beginning of the last decade, and no subsidized credit is available to producers. Micro-credit for small farmers is now provided by NGOs. The main problem facing small farmers has been unfair competition from food aid and subsidized exports. Bolivia considers that the negotiations in the WTO should eliminate such unfair practices, since they create dependency and condemn the net food importers to remain in that category . Market access should be improved by attacking subsidies and high tariffs, as well as problems arising from sanitary and environmental regulations and standards. The concept of multifunctionality could lead to increased protection. If non-trade concerns are to be addressed in the ongoing negotiations, the focus should be on poverty reduction.

Presentation on Chad

7. As in a number of other countries in the region, there is a sentiment in Chad that the Uruguay Round Agreements will impose new constraints on the country, in addition to those

experienced under the structural adjustment programme. One of the major concerns of Chad with respect to the possible consequences of the Uruguay Round has been a rise in agricultural prices. Being a small actor in the international market, international price fluctuations would have a large impact upon the country. As a net food-importing country, a rise in prices of foodstuffs is a legitimate concern. Chad hopes that developed countries and financial institutions will agree to contribute to the creation of a special fund aimed at helping LDCs to combat the negative impact of higher food import bills and to increase their local food production. It should be noted that the reduction of subsidized exports from Europe, and subsequent rises in agricultural prices, may also allow agricultural products of Chad to become more competitive in sectors such as meat and sugar, which could lead to an increase in exports to neighbouring countries (Nigeria, Cameroon, Central African Republic, Congo, Democratic Republic of the Congo and Gabon). Hence, the elimination or reduction of export subsidies in Europe could, on the one hand, raise concerns of higher prices of food imports and, on the other, increase the competitiveness of Chad’s agricultural exports *vis-à-vis* exports from Europe.

Presentation on Ethiopia

8. The agricultural sector in Ethiopia accounts for about 60% of GDP, 85% of total employment, and 90% of the country's foreign exchange earnings, of which coffee alone accounts for 60%. Cereals are the most important food crops, occupying 76 % of the total cropped area. The farming system in Ethiopia falls under three major categories: smallholder mixed farming, pastoral/agropastoral farming, and commercial farming. Ethiopia's livestock population is the largest in Africa and the tenth largest in the world. The livestock subsector contributes an estimated 15% of GDP and 33% of agricultural GDP. The contribution of hides and skins to total export value is considerable. Despite the high resource base and suitable conditions for agricultural production, overall productivity is low. Although agricultural production (crop and livestock) grew by 3.87 % per annum during the period 1990/1991 to 1997/1998, it is still inadequate compared to the average annual population growth of 3%. Production levels also fluctuate with rainfall patterns. Moreover, the increase in output was largely due to an expansion in the area under cultivation, rather than yield improvement. The principle production constraints faced by Ethiopia include the following: scarce water resources; uncontrolled deforestation; unsystematic farming; poor managerial skills, and insufficient impact of research and extension programmes on land and labour productivity. The Government introduced a new economic policy (NEP) in 1991 which embraces free market and private initiatives. It has also taken measures to develop policies and strategies that would coherently address and strengthen the efforts to ensure food security, increase exports of products in which Ethiopia has a potential comparative advantage, upgrade production techniques, and stabilize prices through targeted market intervention. The central component of this policy in the agricultural sector revolves around the Agricultural Development Led Industrialization (ADLI) strategy. While focusing on smallholders, the strategy also encourages the growth of both extensive mechanized farms and intensive commercial agriculture. In order to support the growth of the new and fragile domestic market, the Government has envisaged stabilizing prices and food supply through targeted market interventions such as establishment of emergency food security reserves and buffer stock schemes. As for the issues for the ongoing agricultural negotiations, the

following points should be given sufficient consideration: (i) food security is a fundamental human rights issue; it should therefore be acknowledged as such, especially by developed countries, and Governments should be allowed to implement national food security plans; (ii) LDCs should arrive at a common position to defend food security as a non-trade issue; (iii) tariff peaks resulting from tariffication should be eliminated; and (iv) LDCs should retain the right to use subsidies to improve their competitiveness. The Marrakesh Decision on measures concerning the possible negative effects of the reform programme for LDCs and NFIDCs should be made more effective and enforceable.

Presentation on Guinea

9. Since 1986, Guinea, a least developed country, has adopted new development policy based on the economic liberalization and privatization of productive and commercial activities. The rural sector and agricultural development have been at the core of these institutional and structural reforms. In 1991, the Government elaborated the first Agricultural Development Policy (LPDA - *Lettre de politique de développement agricole*) aiming at food security, export promotion and preservation of the production base. In 1997, the second LPDA was initiated within the framework of the medium- to long-term development strategy named "Guinea Vision 2010". In conjunction with those reform measures, Guinea became a member of the WTO in October 1995. The effect of market liberalization since 1991 had, in some instances, led to a substantial increase in food imports. The lowering of the tariff on rice from 27% to 22.5% in 1992, for instance, was followed by a strong increase in rice imports from 1992 (182,160 tonnes) to 1995 (290,750 tonnes). Guinea also dismantled quantitative restrictions against a large number of imports, though certain measures are maintained for the protection of health, security and moral order. The domestic production of rice, potatoes and onions faces competition with subsidized exports of those products from other countries. The price gap between the locally produced rice and imported rice fell from 136 FG/kg in 1993 to 131 FG/kg in 1997. The ratio of imported rice to local consumption remains at 39%. Given this high dependence on imports, the price fluctuations affecting imported rice (mainly from Asia) in the last six years have initiated an increase in the consumption of manioc and maize as substitutes for rice. With respect to agricultural exports, the reduction in tariff barriers and non-tariff barriers, as well as the continuation of preferential market access of which Guinea is a beneficiary, encouraged agricultural exports from Guinea. Looking at year-to-year growth of agricultural exports between 1998/1999 and 1999/2000, export quantities of pineapples, melons and water melons more than doubled. Exports of cotton and coffee also showed significant growth. The principal destinations of exports are the European Union and Maghreb countries. There is a channel of commercial information for determining the needs for Guinea’s products in major importing countries, supported by both the public and the private sectors. The current major objective in the agricultural sector is the horizontal and vertical diversification of export products. Guinea seeks to receive technical assistance from international organizations primarily in the following fields: increasing productivity of family farmers; organizing the production and distribution of agricultural inputs; and introducing measures against plant disease affecting potatoes and citrus fruits.

Presentation on Guyana

10. Guyana's agricultural sector is dominated by sugar (cane) and rice production, together comprising more than 50% of total agricultural output. Exports of both sugar and rice depend on preferential marketing arrangement in Europe. Following the liberalization of the economy in the early 1990s, there was a surge in imports, particularly of dairy products and of wheat and cereal preparations. The impact of adjustments in agricultural support budgets of developed countries will be felt increasingly by Guyana's agricultural sector. This is particularly so in the case of sugar, which is exported primarily to the EU (accounting for 90% of total sugar exports) under preferential agreements. For rice, the impact of limited access to markets is already being felt in Guyana's traditional Caribbean markets, due in large measure to government-supported competition from the United States. Most of the rice entering the Jamaican market has been coming under the US non-donation food-aid programme (PL480), and is thus not subject to import tariffs. The impact of food aid on the competitiveness of developing country production should therefore be studied carefully. The poultry industry represents a case of an industry which has come under significant pressure from imports. Since the opening up of the economy, domestic producers have faced stiff competition from US poultry imports, consisting of frozen leg quarters. US poultry exporters enjoy considerable levels of export subsidies and export credits from their Government. The domestic market for most other products (mainly tropical fruit and vegetables) has not been significantly affected either by trade liberalization or by WTO reforms. The developments in 1998-1999 were more in line with the long-term declining trend in agricultural commodity prices. Moreover, it seems much clearer that the continued use of agricultural subsidies by developed countries is having an added depressing effect on world prices. In this respect, developing countries such as Guyana have an overriding interest in the existence of an international trading system that is as open and transparent as possible. In the WTO agriculture negotiations, therefore, strategies aimed at achieving swift and sharp cuts in government support measures will have to be worked out by developing countries with the ultimate aim of achieving world prices that are remunerative and sustainable. There is an understanding that the WTO process should deal specifically with commodities that are of export interest to developing countries, which would require an in-depth analysis of commodity-specific issues. UNCTAD, in conjunction with FAO and other international organizations, is encouraged to conduct a quantitative assessment of the levels of support and market access restrictions maintained by developed countries, and the economic effects that such measures are having on developing countries, at the commodity and country levels. On the issue of sanitary and phytosanitary measures (SPS), the position of some WTO members is that the SPS Agreement should not be open to negotiation. This should be of concern to developing countries, since the SPS Agreement, as structured, leaves too much room for non-transparent procedures.

Presentation on Lesotho

11. Lesotho is a least developed country. The share of the agricultural sector in GDP declined from 60% in the early 1960s to around 13% in the late 1990s. However, 80% of the population live in rural areas, and more than 70% of the rural population are small-scale agricultural producers. Agriculture thus remains a key source of employment. Since the mid-1990s, Lesotho has adopted a two-tier strategy of privatization of state enterprises and

outsourcing of support services, and agricultural market liberalization. The primary objectives of introducing market reforms were to improve food security through access to cheaper food and ensure more effective resource allocation within the sector by unlocking resources from the production of less profitable crops in favour of high-value crops, thus diversifying output and increasing the export base. Liberalization has increased access to cheaper food grains, which, however, has encouraged imports, leading to an increase in food import bills. No significant progress has been made in terms of diversifying agricultural output to expand the export base. This indicates that market reform alone cannot significantly induce efficient resource allocation, unless it is accompanied by, *inter alia*, an improvement in local producers' access to productive resources and information and in the infrastructure. External factors have also affected the agricultural sector of Lesotho. The bilateral trade agreement between the EU and South Africa, both of which are major export markets for Lesotho, eroded Lesotho's preferential margins under the Lomé Convention (e.g. for asparagus). Lesotho is a member of the Southern African Customs Union (SACU), and the tax revenue collected from trade with other SACU members accounts for 50% of the country's fiscal revenue. Erosion in preferential margins would thus have a negative impact on government revenue. Among other effects, the eroded preferential margins may also have had a negative impact on the privatization programme, so that it is now difficult to attract foreign direct investment by strategic investors for enterprises earmarked for privatization, as was the case with the asparagus canning enterprise after South Africa obtained free market access to the EU for asparagus. Technical and financial support for LDCs such as Lesotho is essential to enable them to expand production of exportable commodities. Specific areas of support may include: provision of incentives to multinational corporations for investment and formation of joint ventures in LDCs; training in the operationalization of the Agreement on Agriculture; and improvement of marketing information flow and exchange.

Presentation on Madagascar

12. Madagascar is a least developed country member of the WTO. During the period of the implementation of the Agreement on Agriculture, there has been a slow-down in the dynamics of grain markets (e.g. rice and maize), accompanied by diminishing stocks and reductions in revenues. The food import bill in LDCs and NFIDCs has increased, presumably due to a fall in food aid volumes and subsidized exports. The interests of developed countries diverge from those of developing countries, including LDCs. Developing countries must therefore request minimum protection and guarantee measures to ensure that: the vulnerability specific to developing countries is fully taken into account; disguised subsidies under the EU Common Agricultural Policy are eliminated; products strategic to developing countries (i.e. vanilla for Madagascar) are protected; indemnities, compensatory facilities, quotas and dumping systems are eliminated; and domestic support provided in rich countries is reduced. Madagascar cannot afford to provide export subsidies or domestic support. The export products of Madagascar, such as vanilla, coffee, girofle and cacao, are also affected by non-tariff measures such as SPS measures and TBT implemented by importing countries. The reality of the present globalization wave is not consistent with theoretical liberal free-market principles and in fact favours rich countries at the expense of poorer countries. In order to obtain real benefits from the Uruguay Round reform process in agriculture, the following issues should be further examined: market access (contingent administration, reduction of

tariff escalation, duty-free access for exports of LDCs); domestic support (maintenance of special and differential treatment for LDCs); export competition (elimination of export subsidies); technical and financial assistance for developing countries; and flexible protection measures targeted at key sensitive products (such as rice, cotton, vanilla, coffee and girofle for Madagascar). Finally, regional trade agreements, such as the Southern African Development Community (SADC) and the Common Market of Eastern and Southern Africa (COMESA), of which Madagascar is a member, should support the development of the external trade of Madagascar.

Presentation on Malaysia

12. Although it is generally understood that liberalization of agricultural trade will increase food prices, non-participation in liberalization would only result in greater losses. Malaysia implements a liberal trade regime in sectors including the agricultural sector. The simple average tariff in 1993 was 14%, and it was even lower for agricultural products (10.4%). Except for rice imported from outside the ASEAN countries, most food imports enter Malaysia duty-free. The effects of trade liberalization as a result of the Uruguay Round are evident in the poultry sector. Previously protected by an import ban, domestic producers are faced with sharp competition from Thailand. As a result it is expected that large-scale and vertically integrated domestic producers will eventually improve their competitiveness and consumers will benefit from lower prices. However, possible increases in food prices stemming from the Uruguay Round agricultural reform process are a major concern of Malaysia, which is a net importer of wheat, maize, rice, sugar and beef, among others. The balance-of-trade effect of the reform process on Malaysia will thus depend on whether the growth in exports of palm oil and other export commodities exceeds the increase in food import bills. Malaysia is also concerned about the increasing introduction of non-trade-related issues, such as the environment and animal welfare, into negotiations on agricultural trade liberalization. Those issues should not be used by developed countries in a manner which would deter developing countries' efforts to increase their comparative advantages in agricultural production. In parallel, attention should be paid to the trend towards the emergence of monopolies as a result of trade liberalization. The agricultural sector in Malaysian has been heavily affected by the recent financial crisis. Between 1996 and 1998, agricultural output declined by 0.2 % compared to a targeted growth of 2.4 %. Other negative effects include the loss of value of plantation stocks, a decline in loans and funds for agricultural investment among others, and higher import prices resulting from depreciation of the Malaysian Ringgit. The Malaysian Government is initiating a package of market-based strategies, but the primary concern of the Government is how to carry on with liberalization without deviating from national development objectives. Given that the most severely affected subsectors (rice and tobacco) mainly consist of poor small-scale producers, withdrawing support from those subsectors would result in outcomes in contradiction with Malaysia's social development policy objectives. With a view to supporting the most affected subsectors, there would be three options that are consistent with WTO disciplines: the movement of producers into other areas/sectors; the introduction of an income support programme; and the utilization of other ‘Green Box’ measures. While all options pose problems, option three or a combination of options two and three seem more feasible.

Presentation on Mali

13. Mali is a sub-Saharan least developed country with 44 million hectares of cultivable land. Agriculture and breeding constitute the main activities in the rural areas of Mali. Food production is dominated by the production of cereals, mainly for subsistence purposes. Mali, like other sub-Saharan LDCs, has been engaged in structural adjustment programmes. In the 1980s, the goal of these programmes was to help the country to emerge from economic and social crises. Macroeconomic and sectoral programmes were used, including a programme for agriculture (PASA). All these programmes aimed at increasing productivity and the development of exports. The country has been continuing its structural adjustment efforts since 1992, the principal objectives being to: promote and diversify agricultural production; increase food security; and improve the use of natural resources. As a result, the agricultural sector has expanded, mainly in the subsectors of cereals and cotton. All in all, the agricultural sector has contributed positively to the recent economic performance of Mali, and it has accounted for 40-45% of GDP since 1992. Breeding has also increased. In the case of cereals and cotton, the improvement can be explained by weather conditions and the expansion of the surface used for production. For rice, an additional factor has been higher yields. These changes took place thanks to the PASA. In short, SAPs have had a positive impact on the economy, while they have also had some perverse effects owing to the withdrawal of the State from certain support activities, such as subsidization and supply of inputs, including credit, when the private sector was not ready to take them over. Agriculture in Mali is dependent on weather conditions. Despite the recent increase in agricultural production, Mali remains a net food-importing country. No domestic subsidies or internal support have been provided to the agricultural sector. The Uruguay Round has had no incidence on export opportunities, which continue to be based mainly on natural comparative advantage. Mali remains more vulnerable to changes in the prices of raw materials and to fluctuations in exchange rates than to the changes stemming from multilateral trade liberalization. In conclusion, Mali will have to diversify its exports and gain access to new markets. However, to fight marginalization in the global market, competitiveness needs to be combined with development aid.

Presentation on Mauritius

14. With respect to agricultural products and its schedule on market access, Mauritius, a net food-importing developing country, has committed ceiling bindings in respect of its bound rate of duty at 37%, 82% and 122%. Thirty-two tariff lines have been included in the list. The main features of the bindings are as follow: (i) ceiling binding 37 %: bovine meat, milk and dairy products, potato seed and ware and onions, peas, oranges, wheat, maize and rice; (ii) ceiling binding 82 %: coconuts, bananas, tea, and preserved tomatoes; (iii) ceiling binding 122 %: poultry and poultry products, cut flowers and sugar. Applied rates on all of these products are considerably lower or duty-free. Given the difference in bound and applied tariffs, there has been no change in import flows as a result of the Uruguay Round commitments. Increases in imports have been brought about by changes in consumer patterns and, more particularly, the significant increase in tourist arrivals. Apart from some fresh vegetables, tropical fruits, poultry and poultry products, Mauritius has been compelled to import the totality or near totality of its cereals, edible oil, meat, dairy products, temperate

fruit and processed food products. The food import bills in 1994-1998 show a net increase. The index of the food import bill, with 1994 as the base year (i.e. 1994 = 100), increased constantly to 162 in 1998. Imports of foodstuffs are undertaken by public and private operators. The State Trading Corporation is mainly concerned with the import of certain cereals which it acquires through public tenders. The private sector comprises mainly local companies, some being in partnership with foreign companies. With respect to the effect of multilateral tariff liberalization and the provision of the Uruguay Round market access opportunities (tariff rate quotas), in the case of Mauritius, and most of the Lomé (now Cotonou) Agreement signatories, this has resulted in an erosion of preference margins in respect of several off-season products and inability to make use of the new export opportunities on account of, *inter alia*, remoteness and low cost competitiveness due to the absence of economies of scale. Extending the scope of preferential market access to all LDCs would have been a welcome decision. However, this is not possible, as certain major exporters of agricultural products from both the developed and the developing countries have taken a resolute and inflexible approach in opposition to the requests of the vulnerable developing countries and LDCs. With respect to other areas of the Uruguay Round commitments, Mauritius provides no AMS or export subsidies. Mauritius agrees with the UNCTAD secretariat background paper (TD/B/COM.1/EM.11/2), which indicates that an estimation of “the precise impact of the Agreements on Agriculture, which is subject to a mixture of exogenous variables, would be technically feasible after only a few years of implementation”. In this respect, Mauritius believes that the analysis of the results of the Uruguay Round as provided for in paragraphs (a) and (b) of Article 20 should be expedited. This analysis would be useful in reaching a collective understanding on the impact of the reform process in agriculture on LDCs and NFIDCs.

Presentation on Sri Lanka

15. The historical thrust in the food crop sector of the traditionally dualistic agricultural economy of Sri Lanka was towards self sufficiency. The food sector was still protected up to the early 1990s, but it has been rapidly liberalized since 1994. In the domain of tariff-only policies, Sri Lanka complies with the Uruguay Round requirements, having bound tariffs for most commodities at 50%. Tariffs on most agricultural goods are now 35%. Sri Lanka’s experience with tariff rate quotas and Special Safeguard (SSG) Measures is virtually non-existent. Preferential trade relations are limited to SAPTA countries. Access to OECD markets for non-traditional agricultural exports is now being made very difficult due to high product-quality standards and SPS and packaging requirements in those markets, and also due to tariff escalation. Domestic support measures are concentrated in the category of Green Box measures. Most export taxes have been abolished and export subsidies were never in existence. Sri Lanka’s traditional agricultural exports are tea, rubber, coconut and spices. They surged in the 1995-1997 period, and so did imports (most of them constituted by food), albeit at a slower pace. These developments, at least temporarily, reversed a negative trend in net agricultural exports, which had been declining and even became negative in 1993 and 1994. Sri Lanka's total food imports account for almost 90% of all agricultural imports, while food products account for less than 20% of agricultural exports. Food imports have grown steadily, from roughly US$ 300 million in 1985 to more than double in 1998. The average value of food imports in 1995-1998, at US$ 609 million, was 42% higher than in 1990-1994.

Food exports were more or less stagnant during most of the 1985-1994 period, but the average value of exports in 1995-1998 was 58 % higher than in 1990-1994. The recent improvement in agricultural trade is not attributable to the Uruguay Round for the following reasons: market access for most agricultural exports from Sri Lanka was already liberal prior to the Uruguay Round; and Sri Lanka exports largely to the Gulf countries, most of which are not WTO members. Positive market-opening effects of the Uruguay Round so far appear to be confined to non-traditional exports, and the growth of these has been modest. Although hard statistical evidence is not yet available due to the shortness of the time that has elapsed since the reforms, eliminating non-tariff barriers and fixing applied tariff rates at 35% on all agricultural commodities led both to a surge in food imports and to a reduction in domestic production of certain food crops in recent years.

Presentation on Sudan

16. Agriculture is the major economic sector in Sudan. Among the main problems that exist, farmers face difficulties in marketing their export products, agricultural products are heavily taxed, causing increasing costs and low competitiveness, the level of agricultural technology is low, while information about international markets concerning SPS and TBT requirements, market access and prices is scarce. However, Sudan is self-sufficient in food, and even has some surpluses to export, e.g. sorghum, meat, vegetables and mango. Like other LDCs, Sudan, for the time being, is far from benefiting from the liberalization process. In this respect, technical and financial assistance is needed in order to develop and expand Sudan’s agricultural sector. Specific requirements include: (i) a timetable for technical and financial assistance provided by developed nations to LDCs to join WTO; (ii) more serious commitments by developed countries to open their markets to the LDCs’ products, without using SPS and TBT agreements as new barriers to trade; (iii) transparency; and (iv) further reductions in domestic and export subsidies in the developed nations to make competition in the international market fair.

Presentation on Tanzania (United Republic of)

17. Like many LDCs, the United Republic of Tanzania depends largely on agriculture. Since the mid-1980s, the Tanzanian economy has undergone gradual but fundamental transformation that has redefined the role of the Government and the private sector in, *inter alia*, direct production, processing and marketing activities. However, the agricultural sector has failed to become an engine of growth, and has been disappointing in its role in poverty reduction and food security improvement. A number of constraints such as low investment, poor rural infrastructure, limited capital and access to financial services, and inadequate supporting services, including a weak and inappropriate legal framework, land tenure and taxation policy, have prevented the agricultural sector from performing well. The liberalization process has activated the private sector in agricultural trade, and farmers were enabled to sell their products at the farm gate for cash, without the interference of any crop board. However, farmers often suffer from a lack of bargaining power, which they had enjoyed before as members of the now-defunct cooperative societies. The lack of market information and of sound storage facilities for stocking the harvest, as well as the *de facto* ban on cross-border trade of food crops, are among the most serious obstacles to the

performance of farmers in this sector. With regard to the impact of the multilateral trading system on the United Republic of Tanzania, the Uruguay Round has had no or little beneficial effects in terms of market access, largely because the country is an insignificant producer from a global point of view. Reductions in export subsidies by developed countries have not been enough to increase Tanzania's exports of products where it has a comparative advantage. Other factors hindering increases in Tanzania's exports include the persistence of tariff peaks, tariff escalation and non-tariff barriers (e.g. SPS regulations) in major importers of Tanzania's products. The United Republic of Tanzania requires measures to overcome the constraints stemming from: the small domestic capital base for investment, the lack of trade, finance and working capital, the inadequacy of market information flows, the lack of commercially oriented extension services, poor technology and product quality, inadequate measurement, standards testing and quality systems, and limited knowledge of regional and international markets, among other problems. In addition, the country needs technical assistance to develop sanitary policies and legislation. With regard to future negotiations, the main concerns of the United Republic of Tanzania relate to the possible rise in food prices and therefore an increase in the food import bill, the potential for erosion in concessions and preferences for agricultural products, and tariff escalation in respect of processed products. Issues of development must be addressed decisively.

Presentation on Togo

18. Togo, a least developed country in West Africa, became a member of the GATT in 1964 and is one of the original members of the WTO. As part of its Uruguay Round concessions, Togo set a maximum ceiling tariff rate of 80%, which incorporated the fiscal tax, statistical tax and other tax and charges previously levied on imports. Economic and trade liberalization had, however, already taken place in the 1980s and continued throughout the 1990s. The general objectives of government policies in the agricultural sector include: ensuring food self-sufficiency and food security; increasing agricultural exports and non-traditional tradable products; and improving the income and the living standard of the rural population. Liberalization of export and import markets has been encouraged, especially since the issuance of government decree No. 92-092/PMRT in 1992, which included measures such as suppression of import licences and export authorization for cereal and livestock. Nevertheless, the decree allows the Government to take all safeguard measures necessary to ensure local market supplies in times of difficulties. Some safeguard measures were applied by the Government for vegetable oils in 1994 and for exports of cereals in 1995. Three products, namely cacao, coffee and cotton, dominate Togo's agricultural exports. At the same time, there are non-official exports of products such as maize, igname, gari and tapioca to neighbouring countries. Major agricultural imports include frozen fish, wheat flour, dairy products and rice. Between 1990 and 1995, the trade balance of Togo was in deficit, rising to 88 million CFA francs in 1995. However, the agricultural trade balance was positive until 1995 and again in 1996, largely due to an increase in cotton exports and the devaluation of the CFA franc. The agricultural sector represented 34% of Togo’s GDP in 1996. Food production constitutes about two-thirds of agricultural GDP. To increase Togo's effective participation in the global agricultural market, the country needs to improve the product quality of its exports. At the same time, while Togo has not been a recipient of food aid in recent years, the declining trend in food aid availability should be stopped, so as to ensure

that emergency situations, to which LDCs are highly vulnerable, are dealt with adequately.

Presentation on Trinidad and Tobago

19. Trinidad and Tobago is both a net food-importing developing country and a small island developing State (SIDS), and thus suffers from structural weaknesses specific to both groups of countries. In particular, it imports over 70% of its staple food. Trinidad and Tobago has been heavily dependent on oil since the commercialization of the oil sector some 30 years ago. When the oil market experienced a slump in the 1980s, the country was faced by severe economic deterioration, and embarked on a comprehensive structural adjustment programme in the mid- to late 1980s, an integral part of which was the Agricultural Sector Reform Programme started in 1993. The Programme consisted of components such as trade and price policy, land use policy, and administration, restructuring and divestment of state-owned enterprises. The trade and price policy components were in compliance with the obligations of the WTO Agreements and in fact exceeded those obligations. They comprised tariffication of quantitative restrictions, elimination of the negative list of agricultural products, and a phased programme of tariff harmonization and reduction. Trinidad and Tobago bound tariffs of most agricultural products at 100% (the applied rates of which are mostly 40%, consistent with the Common External tariff of CARICOM) and a few sensitive items (e.g. poultry, sugar, lettuce, cabbage and coffee) at higher rates. Domestic support for agriculture since the Uruguay Round Agreement on Agriculture has not exceeded the 10% *de minimis* level. There are no export subsidies. The impact of the Uruguay Round agricultural reform process on the country appears to be mixed. Production of some of the major staples in which the country has some supply capacity has been negatively affected. Self-sufficiency rates in rice and pork, for instance, dropped to 20% from the pre-Uruguay Round level of 42% in the case of rice and to 50% from 57-76% in the case pork. The food import bill increased in spite of the fact that world food prices have so far failed to rise as expected as a result of the Uruguay Round. The adjustment cost of liberalization was felt particularly by local producers of primary and processed products such as ice cream, vegetables, and pork. As far as exports are concerned, multilateral trade liberalization did not improve the export performance of major export products such as sugar. While exports of fresh vegetables increased, sanitary and phytosanitary requirements in OECD countries constituted a drag on further expansion in non-traditional agricultural exports. Fish and ice cream exports have already been damaged by these SPS norms. The overall impact of both the domestic reform programme and the country’s implementation obligation to WTO appears to be modest. Expected benefits targeted at relieving the supply constraints have failed to materialize, partially due to the lack of institutional, analytical and managerial skills, which have not benefited by a reform programme. As a result, imports are made easier while no action is taken to remove constraints on local supply expansion. The pace of reforms to remove supply constraints is slow, whereas the reforms to remove barriers to market access have essentially been completed, making access to the Trinidad and Tobago markets easier.

Presentation on Venezuela

20. In the past, due to the fact that a major part of Venezuela's income was derived from the petroleum sector, not enough attention was paid to the agriculture sector. However,

during the process of accession to the WTO at the end of the 1980s, the Government came to see the need to take several new measures to make Venezuela's legislation compatible with the rules of the WTO. This process also gave birth to a new trade policy, contained in decree 239, which, however, due to a number of political setbacks, lacked continuity. The present Government has designed and implemented a new national plan for food and agricultural development, which will be implemented in three different phases over the next 20 years. The plan has a highly social content and targets food security, rural development (to increase employment) and the development of an agricultural food chain, according special attention to reaching satisfactory levels of quality, price and competitiveness, which will take time and money to achieve. Venezuela is committed to fulfilling its commitments at the WTO, but in order to do so on a level playing field it will require true and effective special and differential treatment.

Presentation on Viet Nam

21. Since the late 1980s, Viet Nam has applied a set of reform policies in the agricultural sector which have included land reform, promoting the role of the private sector and allowing prices to be determined by market forces. As a result of these reforms and other government policy changes, Viet Nam’s agricultural production during the last 10 years has achieved steady growth of 4.3% per annum in value terms. Gross output of food crops, industrial crops and livestock has posted significant growth; for example, paddy yield has risen by 52%, coffee by a factor of 10 and rubber by 114%. The agricultural sector is still the main source of income and employment, and represents 25.4 per cent of total GDP. Agricultural exports have also grown very fast, at a rate of 15.2% per annum, over the past five years. In 1999, the value of agricultural exports reached US$ 3.2 billion, accounting for nearly 28 per cent of Viet Nam’s total export turnover. Given the limited size of the domestic market and the unstable conditions of the international market, the major difficulty faced by Viet Nam’s agricultural sector is to find markets for its increased production. Another problem relates to the rapid changes in demand and structure in both domestic and foreign markets, which are difficult for Viet Nam’s agricultural sector to adapt to. The low level of technology and the underdevelopment in rural infrastructure and services, which contribute to the inefficiency and ineffectiveness of the operations of many agricultural firms, also represent bottlenecks. With respect to the liberalization process under the Agreement on Agriculture, Viet Nam's accession to the WTO could bring some trade opportunities, including access to advanced technologies and investment capital. On the other hand, Viet Nam would also face many difficulties when competing with other countries in both international and domestic markets. With regard to the next round of multilateral negotiations, there should be more balance in commitments between developed and developing countries on market access (tariffs and TRQs), domestic support, and export subsidies. In other words, agricultural products from developing countries should be able to achieve increased penetration into developed countries’ markets.

2. Presentations by lead discussants

Food and Agriculture Organization (FAO)

22. The representative of **FAO** provided an update of a forecast of the food security situation and trends in cereal import bills of the LDCs and the NFIDCs. In the current marketing season, world cereal utilization will exceed global production for the second consecutive year, leading to a further decline in stocks. Food trade is forecast to decline from the previous season. Cereal prices are still falling at present, but they are expected to recover this season due to a tighter demand/supply balance. Food aid declined in the 1999/2000 season by as much as 3 million tonnes. In spite of the relatively high volume of global food aid in 1998/99, food aid available for developing countries as a whole has been on a downward trend since 1992. It is important to note that food emergencies persist in many countries throughout the world, and the latest information from FAO points to as many as 36 countries facing food shortages of varying intensity. In 1998/99, the combined cereal import bill of LDCs and NFIDCs was $6.3 billion, down 15% from the previous year, owing mainly to declining world prices. This trend appears to have continued in 1999/2000, for the fourth consecutive year, owing also to improved production in Bangladesh and Egypt and to concessional credit sales, which have tended to reduce the cost of importing due to liberal repayment terms. As a result of these trends, and especially of the sharp drop in grain prices, the cereal import bill for LDCs and NFIDCs has declined since the 1995/96 price hike, in spite of increased cereal imports, lower export subsidies, and reduced food aid levels. However, this import bill reduction has been due only to contingent supply/demand conditions and is likely to be reversed by the second part of the present season. As regards FAO activities in support of LDCs and NFIDCs, such as an FAO Symposium on "Agriculture, Trade and Food Security", held in September 1999 in Geneva, these will be continued. With a view to increasing coordination among relevant international organizations and institutions in this area, FAO held an informal inter-agency meeting in June 2000 to exchange views on possible analytical support and technical assistance that could be provided by international agencies and research institutions and to explore the possibilities for synergies and collaboration among agencies in the provision of this assistance.

Commonwealth Secretariat

23. According to the findings of the Commonwealth Secretariat's recent publication "*The WTO Agreement on Agriculture and Food Security*", the key determinants of food security are: (i) product-based entitlements; (ii) trade-based entitlements; (iii) labour-based entitlements; (iv) transfer-based entitlements. An indicator to a country's food insecurity situation could be composed of the following factors: low production capacity, vulnerable trade, and high dependency on food aid. Countries which are food-insecure have chosen to tackle this problem through a number of policies: food production policies can utilize tools such as input credits, subsidies on inputs, R&D, investment promotion, and land reform; trade policies include market development and regulation, parastatal reform, food price stabilization (which can be pursued through the establishment of buffer stocks); labour policies can target high-value export crops, small and medium-size enterprise development, micro finance, minimum wages, transfers and safety nets, employing policy instruments such as labour-intensive public works programmes, targeted feeding programmes, food stamps and food price subsidies. The outcome of the multilateral trade negotiations would affect the food security policy of countries as they: (i) introduce changes to the policies that impact directly on entitlements (e.g. by altering food prices paid by consumers or received by producers);

and (ii) alter the feasibility of some policies that promote or protect entitlements. The types of changes which could be introduced to ensure legitimate demands for food security in LDCs and NFIDCs are summarized in the following table:

Area	**Types of change**	**Potential instruments**
Domestic support	Erosion of SDT provision on investment and input subsidies	Recalculation of AMS Redesign of green box area
Tariffs	Removal of "water" from tariffs before end of developed country subsidized products	Provision of SSGs Countervailing duties
Export subsidies	Reduction of subsidized imports available to vulnerable countries and groups that is more rapid than feasible adjustments	Targeting of concessional food (possibly outside WTO framework)

International Food Policy Research Institute (IFPRI)

24. Concerning the issue of food security at the national level, the question to be answered is: are the categories used under the WTO agreements the right ones? The category of LDCs is a good indicator, but there are some non-LDCs that appear food-insecure, and there are a very few LDCs that are food-security neutral. The category of NFIDC does not do as well, with only 11 out of 19 countries appearing in the food-insecure categories. This finding is based on a cluster analysis of 167 countries, including 42 LDCs and all 19 NFIDCs. Five variables are considered: calories per capita, proteins per capita, food production per capita, the importance of the food bill in relation to total exports of goods and services, and the proportion of rural population. In this study, the countries were divided into 12 clusters, four of which showed problems of food insecurity. Considering specific policies, what is good about Article 6.2 of the Agreement on Agriculture is that it allows developing countries to design domestic support measures (input subsidies and investment subsidies) according to their development and poverty alleviation programme. One thing to be kept in mind is that if green box measures cost money, as is often said, so does protectionism, and the bill in the latter case would be paid by domestic consumers. It is normal that one would still need some measures to protect oneself from a sudden surge of imports. The problem of food aid is that it is cyclical, meaning that when prices are low, one gets a lot of aid, while when prices are high, there is not enough aid available. Food aid should be counter-cyclical. There are also many global problems that influence food security: (i) agricultural protectionism in developed countries; (ii) financial instability and indebtedness; (iii) wars and other conflicts. The last point is a crucial one and should receive greater attention from negotiators.

World Trade Organization (WTO)

25. With regard to the state of implementation of the Marrakesh Decision, the monitoring of the Decision is on the agenda of virtually all meetings of the WTO Committee on Agriculture. With respect to the four mechanisms (i.e. food aid, technical and financial assistance, export credits, and access to resources of international financial institutions)

established to address the possible negative effects resulting from the reform programme, a new Food Aid Convention was negotiated during the period 1997/99 and came into force in July 1999. While the aggregate food aid commitments under the new FAC will be lower in volume terms than under the previous one, the new FAC contains some improvements, such as a broader product coverage. As for technical and financial assistance, the monitoring of implementation is not an easy task, since technical and financial assistance is essentially a bilateral matter between donors and recipients. Nonetheless, WTO donor members will be required to notify their assistance to the WTO Committee on Agriculture. On export credits, negotiations on an understanding on agriculture export credits have been under way for several years in the OECD. Regarding access to resources of international financial institutions, IMF confirmed that any short-term balance-of-payments difficulties could be adequately met with its existing financing facilities, and the World Bank also sees no need to establish a special Uruguay Round adjustment facility. In view of the status of the Decision in the current WTO negotiations in agriculture within the scope of Article 20, special and differential treatment (S & D), as well as the possible negative effects of the implementation of the reform programme on LDCs and NFIDCs, should be taken into account in these negotiations. On the agricultural trade performance of LDCs and NFIDCs, in terms of broader agricultural products rather than basic foodstuffs, the export growth of 7 of the 19 NFIDCs and half of the LDCs exceeds import growth. Six of the NFIDCs are net exporters of agricultural products, and Côte d'Ivoire, Sri Lanka and Kenya show a significant increase in their net exports.

Organization for Economic Cooperation and Development (OECD)

26. The representative of OECD gave a presentation on the agricultural trade policy concerns of emerging and transition economies (ETEs). This presentation drew on the OECD's recent publication "Agricultural Polices in Emerging and Transition Economies 2000", and focused on what ETEs stand to gain or lose from reforms in the areas of market access, export competition and domestic support. Whereas trade has served as an engine of growth in the case of industry, this has not been the case with agriculture. A major reason for the limited growth of agricultural trade has been protection: bound tariffs on agricultural products are, on average, at the same level as bound tariffs on industrial products 50 years ago. Developing countries have been major losers, as their share of OECD agricultural markets has not increased in the last 20 years. Developing countries have a basic common interest in a liberal trading regime. However, there are important areas where the interests of developing countries diverge (e.g. exporters may have different interests from net importers), and this complexity of interests needs to be addressed so that all countries can benefit from trade reform. A range of questions related to transparency and fairness will need to be addressed in forthcoming negotiations, and the OECD's publication contains a discussion of how this might be accomplished in practice.

3. Summary of the deliberations in the Expert Meeting

27. In the presentations of country experiences and discussions thereof, the Meeting identified several factors that are common in the agricultural sector of participating LDCs and NFIDCs. Those factors include: food security as a major policy objective; dependency on food imports; primordial production technology (e.g. high dependency on rainfall);

concentration on few export crops, especially on cash crops, often as a residual of the agricultural policy of the colonial period; extreme poverty of the rural agricultural population; a fairly liberal agricultural trade regime due to unilateral liberalization; and high interest in agricultural export promotion and diversification.

28. In the debate that took place, the following issues were raised as major areas of concern of LDCs and NFIDCs.

29. Agriculture is an essential economic and social sector for the majority of LDCs and NFIDCs. Rapid market liberalization and reduction of domestic support under structural adjustment programmes, which many LDCs and NFIDCs have undergone in the last 15 years, may have harmed the competitiveness and the viability of their agricultural activities through, *inter alia*, an inflow of imports of key staples. The viability of the rural population, which consists predominantly of small-scale rural subsistence farmers, is closely linked to poverty alleviation. For this reason, there is a need to differentiate agricultural activities in LDCs and NFIDCs in terms of commercial activity on the one hand and social necessity on the other, and the countries concerned then need to formulate a long-term development strategy that may include a flexible use of trade policy measures. While the Agreement on Agriculture brought agricultural trade under multilateral disciplines, it did not effectively address the problems of poverty and rural development.

30. Food security is a major policy objective of LDCs and NFIDCs, and food aid has helped meet short-term food security needs. However, food aid also presents a dilemma for LDCs and NFIDCs. It can be beneficial at times of crisis, but donated food aid can destroy the production capacity of a recipient country in the medium to long term. In addition, decisions over food aid provision by donor countries are often an integral part of donor countries' commercial policy, rather than of their development aid policy. The mechanism of donors purchasing products for food aid may be linked to elements that could be considered domestic support (e.g. market price support) or export subsidies. The actual cost and benefit of food aid, however, should be analysed according to country-specific considerations. The source of the problem may not be the provision of the food aid itself but the mechanism through which donated food is injected into the domestic market; food aid should complement, rather than compete with, domestic food production.

31. Food security may be affected by reduction commitments under the three pillars of the Agreement on Agriculture, i.e. export competition policy, market access and domestic support. Subsidized exports from major developed countries of key staples, including wheat, maize, pork and poultry meat, have been especially damaging to the production capacity of rural poor farmers in LDCs and NFIDCs due to their price disadvantages in the production of those products. The positive contribution of export subsidies to the food-import bills of LDCs and NFIDCs may have been overstated, as the quantity of subsidized exports is often counter-cyclical *vis-à-vis* agricultural price changes (i.e. the higher agricultural prices are, the lower the level of subsidized exports). Export subsidies also erode the export potential of the products of LDCs and NFIDCs not only in the international market but also in their traditional regional or subregional markets. Early elimination of export subsidies would be the first step in ensuring a level playing field between developing countries and developed

countries. LDCs that are not required to make reduction commitments on export subsidies may, however, maintain the flexibility to enhance their export potentials. As for export credits, there should be substantive analysis of their possible trade-distorting effects. In this context, interests and concerns of LDCs and NFIDCs should be examined.

32. LDCs and NFIDCs should also look at the export aspects of the reform process, given that many of those countries are highly dependent on foreign exchange earnings from agricultural exports. While export development is important to many LDCs and NFIDCs, the implementation of the Uruguay Round Agreements has not visibly improved their market access opportunities. Tariff peaks and tariff escalation persistently pose problems for the exports and production diversification of LDCs and NFIDCs. Increasingly, the SPS measures of developed countries have become a major barrier against exports from developing countries, as the need to comply with SPS regulations increases production costs due to the high cost of certification and delays in authorization, etc. Developing countries, especially LDCs, do not have the technological capacity to comply fully with the SPS regulations set by major developed countries. The majority of LDCs and NFIDCs are beneficiaries of preferential market access provided by developed countries. While aggregate studies suggest that the trade impact of multilateral tariff liberalization in agriculture on preferential margins may have been moderate, country-specific cases reveal that the cost of the preference erosion for some LDCs and NFIDCs is significant.

33. In the area of domestic support, a large gap in the value of the total AMS between developed and developing countries is a major source of imbalance. Furthermore, the current scheme of domestic support measures that are exempted from reduction commitments, namely the Green Box and the Blue Box, is largely based on the needs of developed countries, which have the necessary financial capacity and which have increased their support under those provisions since 1995. The trade implication of this increase in support, particularly in the Blue Box, would need to be determined. In LDCs and NFIDCs, domestic support measures are closely linked to social policy objectives such as rural poverty alleviation. While LDCs and NFIDCs may be encouraged to make more active use of well targeted Green Box measures, the Green Box provisions contain few elements of special and differential treatment for developing countries.

34. Establishment of the Development Box could be a comprehensive way to provide developing countries with flexibility in using trade policy measures to meet their development objectives. However, a major analysis would be required to determine the provisions to be included in the Development Box. Although temporary measures to protect domestic farmers against imports may be desired, attention should be given to improving export capacity and product quality. Attention should also be given to measures to ensure that the development of South-South trade, which has considerable potential, would not be impeded.

III. ORGANIZATIONAL MATTERS

A. Convening of the Expert Meeting

35. At the consultations of the President of the Trade and Development Board with the Bureau, coordinators and interested delegations on 31 March 2000, member States decided to convene an Expert Meeting on the Impact of the Reform Process in Agriculture on Least Developed Countries (LDCs) and Net Food Importing Developing Countries and Ways to Address Their Concerns in Multilateral Trade Negotiations. The decision was made in accordance with the UNCTAD X Plan of Action (TD/386).

B. Election of officers

(Agenda item 1)

36. At its opening meeting, the Expert Meeting elected the following officers to serve on its Bureau:

Chairperson:	H.E. Mr. Ransford A. Smith (Jamaica)
Vice-Chairperson-cum-Rapporteur:	Mr. Gashaw Debebe (Ethiopia)

C. Adoption of the agenda

37. At the same meeting, the Expert Meeting adopted the provisional agenda circulated in TD/B/COM.1/EM.11/1. Accordingly, the agenda of the Meeting was as follows:

1. Election of officers
2. Adoption of the agenda and organizational work
3. The impact of the reform process in agriculture on LDCs and net food-importing developing countries - Assessment of country-specific concerns
4. Ways to address their concerns in the multilateral trade negotiations
5. Adoption of the outcome of the Meeting

D. Documentation

38. For its consideration of the substantive agenda items (items 3 and 4), the Expert Meeting had before it a background note by the UNCTAD secretariat entitled "Impact of the reform process in agriculture on LDCs and net food-importing developing countries, and ways to address their concerns in multilateral trade negotiations" (TD/B/COM.1/EM.11/2).

E. Adoption of the outcome of the Meeting

(Agenda item 5)

39. At its closing meeting, on 26 July 2000, the Expert Meeting adopted the outcome of the Meeting reproduced in section I above.

Annex

ATTENDANCE *

1. Experts from the following States members of UNCTAD attended the Meeting:

Algeria
Angola
Argentina
Australia
Azerbaijan
Belarus
Belgium
Bhutan
Bolivia
Brazil
Burkina Faso
Cameroon
Canada
Chad
China
Colombia
Comoros
Costa Rica
Cuba
Democratic Republic of the Congo
Dominican Republic
Ecuador
Egypt
El Salvador
Ethiopia
France
Germany
Guinea
Guyana
India
Indonesia
Italy
Jamaica
Japan
Kenya
Kyrgyzstan
Lesotho
Madagascar
Malaysia
Mali
Mauritania
Mauritius
Mexico
Morocco
Myanmar
Nepal
Netherlands
Nicaragua
Norway
Oman
Pakistan
Palestine
Paraguay
Peru
Philippines
Russian Federation
Rwanda
Sao Tome and Principe
Senegal
Spain
Sri Lanka
Sudan
Suriname
Switzerland
Tajikistan

* For the list of participants, see TD/B/COM.1/EM.11/INF.1.

Thailand
Togo
Trinidad and Tobago
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
United States of America
Uruguay
Venezuela
Viet Nam
Zimbabwe

2. The following intergovernmental organizations were represented at the session:

Arab Labour Organization
Cocoa Producers' Alliance
Commonwealth Secretariat
European Community
League of Arab States
Organisation for Economic Co-operation and Development

3. The following specialized agencies and related organization were represented at the session:

International Labour Organisation
Food and Agriculture Organization of the United Nations
International Monetary Fund
United Nations Industrial Development Organization
World Trade Organization

4. The United Nations Environment Programme was represented at the session.

5. The following non-governmental organizations were represented at the session:

General Category

ActionAid
International Chamber of Commerce
Latin American Association of Development Financing Institutions
World Confederation of Labour
World Federation of United Nations Associations
World Vision International

Special Category

European Committee of Sugar Manufacturers
International Food Policy Research Institute

Specially Invited

Catholic Institute for International Relations
Réseau des ONGs sur l'agro-alimentaire, le commerce, l'environnement et le développement