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REPORT OF THE EXPERT MEETING ON EXAMINING TRADE IN THE AGRICULTURAL SECTOR, WITH A VIEW TO EXPANDING THE AGRICULTURAL EXPORTS OF DEVELOPING COUNTRIES, AND TO ASSISTING THEM IN BETTER UNDERSTANDING THE ISSUES AT STAKE IN THE UPCOMING AGRICULTURAL NEGOTIATIONS

Held at the Palais des Nations, Geneva,
from 26 to 28 April 1999

CONTENTS

Annex

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I. AGREED CONCLUSIONS [1]

The Expert Meeting reached the following agreed conclusions.

A. Challenges and opportunities for expanding the agricultural exports of developing countries

1. Difficulties in benefiting from opportunities from global agricultural trade liberalization

1. While some developing countries have been able to improve their competitive position and exploit opportunities arising from global agricultural trade liberalization, including from the Agreement on Agriculture, many developing countries, especially least developed countries (LDCs), lack the capacity to do so.

2. They require the resources necessary to assist their producers, the majority of whom are small-scale farmers, to provide an improved production infrastructure, improved seeds and chemical inputs, irrigation and improved production technology to increase productivity. And they require access to:

(a) Resources (e.g. long-term credit) for financing incremental working capital, investment and insurance;

(b) Efficient and cheap freight, transport and shipping of their products, particularly small cargoes;

(c) Technology and information in order consistently to meet market requirements, including:

- product quality standards;
- sanitary and phytosanitary (SPS) requirements;
- other technical standards (e.g. packaging and labelling); and

(d) Modern marketing and distribution infrastructures and skills to improve their competitive positions.

[1] As adopted by the Expert Meeting at its closing plenary meeting on 28 April 1999.

2. Difficulties in meeting obligations arising from the reform process

3. Agricultural liberalization has socio-economic effects in developing countries, which should be taken into account in the negotiations on the continuation of the reform process. These effects apply to:

(a) Developing countries in which the majority of the working population is employed in the agricultural sector, which consists mostly of small-scale poor family farmers; any fall in agricultural production can lead to problems of food security and to a large negative income effect on farmers, and thus to macroeconomic problems (e.g. high unemployment, rapid urbanization resulting in increased poverty, crime, etc.) as well as food insufficiency.

(b) Resource-poor countries (e.g. small island developing countries and other small vulnerable economies) where increases in agricultural imports can have a devastating effect on the viability of the agricultural sector.

(c) LDCs and net food-importing developing countries (NFIDCs) which acutely face the problem of food security, including food aid, and difficulties in meeting their food import requirements.

4. Some developing countries which periodically become the victims of natural disasters require assistance to rehabilitate their agricultural production as quickly as possible.

B. Issues at stake – problems and suggestions of possible actions

5. The following issues have been identified as problems facing developing countries, particularly LDCs, and as issues that need to be taken into account in the upcoming agricultural negotiations, in order to permit those countries to compete on a fairer basis.

1. Market access

6. High agricultural tariffs in general, and tariff peaks in particular, applied by some WTO members, are still very important barriers to products of identified export interest to developing countries.

7. Tariff escalation hinders diversification from primary commodity production into the agricultural processing industry, trade in the products of which has been growing at the fastest rate in world agricultural trade in recent years.

8. There is a need to identify possible tariff reduction formulae to be employed in the next reform process, taking into account, *inter alia*, those used in the industrial sector, with a view effectively to addressing problems of generally high agricultural tariffs, tariff peaks and tariff

escalation. UNCTAD should continue its studies on possible approaches to tariff reduction in this area.

9. The complexity of the structure of tariffs in the agricultural sector could be reduced, and its transparency could be improved, by conversion of all tariffs to *ad-valorem* rates. Certain measures (e.g. reference prices) still exist in the agricultural sector, despite the tariffication process.

10. Tariff rate quota (TRQ) administration has been complex, in many cases lacking transparency, and has provided limited trading opportunities to new suppliers, particularly from developing countries. Guidelines on TRQ allocation and administration methods or alternative means of achieving the same ends would be helpful. Increases in TRQ quantities and further tariff reductions within the TRQs would enhance market access opportunities.

11. Erosion of preferential market access can be harmful to certain developing country exporters. Efforts should be made to find additional ways and means to improve the market access for products of export interest to those countries.

12. Certain aspects of SPS measures and other technical barriers to trade (TBT) can have serious effects on the exports of developing countries.

13. Discussions are needed on the future of the Special Safeguard (SSG) provision, which has often been applied against exports from developing countries.

2. Domestic support

14. Most developing countries have not claimed any aggregate measurement of support (AMS), while developed countries continue to provide direct payments under production-limiting programmes and other trade-distorting support within the AMS limit. Many developing countries face financial constraints in providing even the *de minimis* level of domestic support required for enhancing agricultural production and productivity.

15. The current provisions on domestic support do not clearly define how certain problems, such as the treatment of negative AMS and “excessive” inflation, should be dealt with. This reduces the flexibility that was provided to developing countries during the Uruguay Round to address their domestic policy concerns.

16. Certain development concerns may not be adequately addressed in the Green Box criteria.

17. Further discussions may be required to identify how developmental aspects of domestic support measures in developing countries could be incorporated in the domestic support commitments, e.g.:

- increased flexibility in the level and the use of *de minimis* support;

- establishing green-box-type criteria for developmental measures.

18. Many developing countries have been facing policy constraints arising from incoherence between the rules regarding domestic support under the Agreement on Agriculture and measures imposed under the structural adjustment programmes. Further consideration should be given to this problem.

3. Export subsidies and support

19. Export subsidies have in many cases displaced developing country exports, and have been especially damaging to small-scale producers in developing countries, who have no resources to compete against subsidized exports from other countries.

20. Export subsidies increase instability and variability of prices on the world agricultural market, with consequent serious effects on developing country exporters. UNCTAD should analyse the impact of substantial reduction or elimination of export subsidies, with particular attention to effects, both positive and negative, on LDCs, NFIDCs and other small and vulnerable economies.

21. Certain uses of export credits, guarantees and insurance have a negative effect on prices and competition in the world agricultural market.

4. Non-trade concerns

22. Specific non-trade concerns of developing countries need to be taken into account in the continuation of the reform process.

23. The concept of "multifunctionality" should be further discussed and clarified.

5. Special and differential treatment

24. The negotiations to continue the reform process should define measures to provide special and differential (S&D) treatment to developing countries in a manner which responds to their own specific needs, taking into account the level of economic development, the role of agriculture in the economy and society, and differing production conditions.

25. S&D treatment could focus on specific features of market access, increased productivity, food security, the need to protect small farmers, the special situations of small island developing countries, landlocked countries, small and vulnerable economies and developing countries with large segments of the population dependent on the agricultural sector for employment. In formulating S&D provisions, which could include, *inter alia*, greater flexibility, particularly with

respect to domestic support commitments, and to safeguarding their food production, the experience of developing countries in adapting to the present reform process should be taken into account.

26. UNCTAD, in cooperation with other relevant organizations, should identify specific situations in which S&D is required, and articulate appropriate measures.

27. Actions pursuant to the Marrakesh Decision Concerning the Possible Negative Effects of the Reform Programme on LDCs and NFIDCs should be made more concrete. Financial and technical assistance by international financial institutions foreseen in this Decision should be consistent with the letter and the spirit of the Decision.

6. SPS and TBT issues

28. Some SPS measures have been applied with greater stringency to, or have had more disruptive effects on, exports from some developing countries than those from developed countries.

29. The current SPS Agreement allows a country to introduce and maintain an SPS measure which is stricter than the corresponding international standard if there is scientific justification. This may lead to a proliferation of different SPS measures in different markets.

30. Technical support provided pursuant to the SPS and the TBT Agreements needs to be increased.

31. The use of other technical measures (e.g. those based on production and processing methods and eco-labelling) appears to be increasing, with consequent effects, among others, on production costs and the competitive advantage of developing countries.

7. Acceding countries

32. The special requirements and needs of countries acceding to WTO, particularly LDCs, should be taken into account, with a view to their obtaining the same rights as other WTO members.

II. SUMMARY OF SUBSTANTIVE DISCUSSIONS [2]

33. In his opening address, the Secretary-General of UNCTAD welcomed the opportunity for a candid exchange of views among experts on issues in the area of agricultural trade, noting in particular the need of developing countries to pay careful attention to the developmental impact of agricultural reform in the next World Trade Organization (WTO) agricultural trade negotiations envisaged to start by the end of 1999. The new trading environment created by the Uruguay Round Agreement on Agriculture (AOA) appeared to pose certain adversities to developing countries, including persistent, if not increasing, problems of tariff peaks and tariff escalation with regard to their exports. Another was the "extremely pernicious effect of export subsidies in highly industrialized countries, equivalent in some cases to four or five times the production cost", which drove away competitive exports of developing countries from prospective markets. In light of the upcoming agricultural negotiations, it was important for developing countries to formulate a positive negotiating agenda which incorporated issues of relevance.

34. He proposed four specific issues that could be examined by the experts during the Meeting: The first related to the lack of tangible benefits flowing from the Marrakesh Ministerial Declaration on least developed countries (LDCs) and net food-importing developing countries (NFIDCs), especially in the light of the declining level of food aid available to those countries in recent years. He suggested that positive action be taken in this regard by agreeing on operational commitments and technical assistance. The second issue was the dominant role of large transnational enterprises in the world-wide production, marketing and distribution of some agricultural products. Many of the benefits of trade in valued-added agricultural products had been captured by highly industrialized countries, not by the producing countries. Third, there was a need for a country-by-country study of actual experience with the provisions of special and differential treatment for developing countries. A major drawback of the current review process was that it lacked a framework for systematically examining whether the provisions had effectively improved the capacity of developing countries to implement the commitments. Fourth, developing countries should increase their capacity to use the provisions of the Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures so as to ensure the effectiveness of market access improvement envisaged as one of the major outcomes of the forthcoming negotiations. SPS and other technical regulations in market countries had become a major impediment to exports of developing countries, as alleged non-compliance with the SPS regulations of importing countries could result in substantial damage to their production and export prospects.

35. The deliberations of the Expert Meeting were structured around two agenda items: item 3 - Analysis of the problems and prospects for expanding the agricultural exports of

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[2] Prepared by the UNCTAD secretariat.

developing countries, taking into account the opportunities and challenges arising from the implementation of the Uruguay Round; and item 4 - Issues at stake from the development perspective in the upcoming agricultural negotiations.

Problems and prospects for expanding the agricultural exports of developing countries

36. In the discussions under this item, exchanges of country experiences by experts highlighted the fact that the agricultural sector continued to be of substantial importance to the economies of many developing countries. Despite the declining share of income from the agricultural sector in their gross domestic product (GDP), the sector remained essential for rural development, employment creation, food security and foreign exchange earnings in many developing countries, in particular the least developed countries (LDCs). Presentations of country-specific experiences by experts, for instance, revealed that agriculture still accounted for a significant share in GDP (10 - 45 per cent) and absorbed a large portion of the labour force in developing countries, especially in low-income countries (45 - 80 per cent); agricultural exports remained an important source of foreign exchange earnings (20 - 70 per cent). The Food and Agricultural Organization (FAO) reported that, based on its ongoing projections of production, trade and consumption to the year 2005, the agricultural exports of developing countries could become more dynamic in the coming period than in the previous decade. The gross value of agricultural exports of developing countries was projected to grow more rapidly over the same period than in the past decade. This FAO analysis took into account the estimated Uruguay Round effect as well as other commodity-specific factors. The analysis suggested, however, that the bulk of the expected expansion was attributable to factors such as growth in incomes and population rather than to the trade liberalization achieved under the Uruguay Round.

37. The Meeting also heard that a significant number of developing countries had undergone structural changes in the agricultural sector in the 1980s and/or 1990s as an integral part of their structural adjustment programmes, which involved unilateral agricultural trade liberalization that had sometimes gone beyond the purview of the AOA itself. Such programmes targeted export commodity production enhancement first and foremost, accompanied by other supporting measures, including the establishment of a liberal exchange rate policy; privatization of production/exports of major export commodities; simplification of import/export licences; and abolition of price controls. The expert from Uganda reported in this context that that country's structural adjustment programme in the area of agriculture had had a positive impact, especially on the private sector, as it had increased the sector’s responsiveness to market conditions while enhancing competition within it. An export enhancement programme had also led to an increase in foreign direct investment (FDI) by bringing the domestic export commodity industry into international vertical integration. Such programmes had not been without difficulties for the economies concerned, however. The most significant problem had perhaps been an increased bipolarization between small and large-scale farmers. In another developing country, in keeping with an agricultural development policy centred on promoting export crops, land ownership by large-scale farmers who comprised only 1 per cent of all farmers now accounted for over 70 per cent of the total agricultural land area, leading to acute poverty. Country-specific

experiences with agricultural reform had suggested a number of lessons, some of which were of relevance to all countries, and all of which should be taken into account when developing countries made policy decisions on future agricultural reform in relation to the upcoming WTO negotiations on agriculture. For developing countries to achieve the best results from domestic and international agricultural liberalization, for example, they needed to have a stable macroeconomic environment and a basic level of infrastructure (e.g. transport, storage, communications and finance) in place. Particularly in markets for products which had a bias towards price fluctuation, it was crucial that agricultural producers and traders had access to a wide range of price risk management mechanisms.

38. The Meeting then focused on how the implementation of the AOA had influenced the agricultural trading environment faced by developing countries. In terms of the global impact, one of the expected benefits of the Uruguay Round had been that of more stable international food prices. The FAO reported that, based on statistical information available on variations in monthly international prices, there had been no clear indication that the Uruguay Round had had a significant effect on price stability, even though some of the changes in world prices would have appeared to be statistically significant. Experts noted, however, that the country-specific impact of the Agreement, rather than the global impact, mattered more to them. That country-specific impact should be closely analysed, by making a clear distinction where possible between what was directly linked to the implementation of the Agreement and what was related to other external and/or internal conditions. The Agreement's impact had in fact varied significantly from one country's economy to another, and particularly between net agricultural-exporting countries and net-importing countries. The simple classification of a country as a net exporter or net importer could, however, be misleading in understanding the country-specific impact of the Agreement, as many NFIDCs also had a substantial level of export interest in specific commodities (mainly cash-crop commodities such as coffee, tea, cotton, soy beans and sugar) in terms of their shares of total export earnings. The extent of the impact and its immediate consequence to a country also depended on prevailing economic and social conditions, including population and its growth rate; the availability of arable land; the composition of agricultural producers (e.g. large-scale farmers, small-scale family farmers, subsistence farmers); and the composition of major traded products. The magnitude of the impact on the economies of small and vulnerable economies (such as small island countries with limited agricultural production capacity) could have been particularly great, and any fall in agricultural production in such countries caused by an inflow of cheaper agricultural imports could virtually wipe out agricultural production. Experts also agreed that particular attention should be given to the Agreement's impact on the economies of the LDCs and the 18 WTO-defined NFIDCs. The AOA had been accompanied by the Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on LDCs and NFIDCs. The Decision aims at ensuring that the implementation of the Agreement will not adversely affect the economies of those countries, and includes provisions related to the establishment of a level of food aid commitments sufficient to meet the legitimate needs of LDCs during the reform programme; the adoption of guidelines for ensuring that an increasing proportion of basic foodstuffs is provided to LDCs and NFIDCs; and the possibility of drawing

on the resources of international financial institutions in case of short-term difficulties in financing normal levels of commercial imports of LDCs and NFIDCs.

39. Many experts were concerned that the implementation of the Decision had been far from satisfactory. Instead of safeguarding LDCs and NFIDCs against any possible negative effects of the Agreement's implementation, the Decision had done little to prevent those countries from facing increasing difficulties in financing their food import requirements. According to the FAO report, for example, LDCs and NFIDCs, in which the undernourished population accounts for about 40 per cent and 20 per cent of the total population, respectively, experienced a substantial increase in their cereal import bills in the period 1993-1994 to 1995-1996, amounting to 83 per cent for the LDCs and 61 per cent for NFIDCs. Although this increase had been expected in view of the substantial rise in world cereal prices in 1995-1996, their cereal import bills had remained at a relatively high level in 1996-1997 and 1997-1998 despite the decline in cereal prices since the 1995-1996 spike. During the same period, the share of food aid to the total food imports of those groups of countries declined, from 36 per cent in 1993-1994 to 23 per cent in 1997-1998 in LDCs and from 7.6 per cent to 2 per cent in NFIDCs, mainly reflecting substantial reductions in the global volume of food. While no direct linkage has been identified between the Agreement's implementation and the fall in the world food aid volume, the AOA did have a direct impact on increases in food import bills of those countries through the implementation of the export subsidy reduction commitments. In addition, the possibility of drawing on the financial resources of international financial institutions pursuant to the Decision was limited, as revealed in the yearly monitoring process of the Decision by the WTO Committee on Agriculture. Experts from LDCs and NFIDCs also stressed that the provision of technical assistance to improve food production had not met their needs.

40. Some experts suggested that the significant impact of the AOA on international agricultural trade should be an actual as well as potential increase in global competition. Notwithstanding the structural changes made in the agricultural sector over the past decade, however, many developing countries, especially LDCs, still lacked the prerequisites, both internal and external, for exploiting the opportunities that might have arisen from increased competition. As regards internal conditions, these countries continued to face domestic capacity limitation in the areas of production infrastructure and research and development of technologies to improve productivity. Agricultural producers in those countries, especially small-scale farmers, had also to cope with the need for investment and limited access to finances to meet incremental working capital needs either because of the non-existence of financial facilities or because of a general credit "crunch". With regard to external conditions, developing countries faced disadvantages in global competition due, *inter alia,* to the technology and skills gap in agricultural production and quality control between developed countries and developing countries; developing countries' lack of capacity and expertise in the international marketing and transport of their products; and a highly oligopolistic market structure in some major commodity markets controlled by large transnational corporations (TNCs). Certain product sectors of the world agricultural market, for instance, are highly concentrated and dominated by TNCs, which own up to 80 per cent of the market share in international agricultural trade. Experts expressed particular concern about this

issue, stressing that such a trading environment would place small-scale farmers in developing countries at a permanent competitive disadvantage unless complementary actions were taken to strengthen their position.

41. Experts extended their discussions of the implications of the AOA for developing countries to the major areas of the Agreement's reduction commitments, i.e. market access, domestic support and export subsidies. With regard to the AOA's impact on the **market access** of developing country exports in major importing countries, there was almost unanimous agreement that the AOA had made little improvement. Major reasons for this, as identified by experts, were that: (i) the Agreement had failed to achieve tariff reductions on "sensitive" product categories in developed country markets (and developing countries normally did not receive preferential tariffs under autonomous or bilateral trading arrangements with market countries); (ii) the AOA's provision of market access opportunities had been of limited effectiveness; (iii) the most favoured nation (MFN) tariff reductions caused erosions of preferential margins available to developing countries; and (iv) remaining non-tariff measures in the agricultural sector, such as SPS and other technical measures (e.g. packaging and labelling requirements), seemed to have become greater impediments to exports from developing countries.

42. First, notwithstanding the average 36 per cent tariff reductions under the AOA, agricultural tariffs remained substantially high, while tariff peaks and tariff escalation problems in developed country markets had been exacerbated. Particular concerns to developing countries were high tariff rates, some of them exceeding 300 per cent, on products of export interest to those countries (e.g. sugar, tobacco, cotton, tropical products and processed agricultural products) and tariff escalation resulting from high tariffs on processed products that could potentially limit the effectiveness of product diversification to high value-added processed agricultural products. In addition, the agricultural tariff structure in many developed countries remained highly complex, with a frequent use of *non-ad-valorem* rates. *Non-ad-valorem* rates, such as specific rates, often constituted an indirect barrier to competitively priced exports from developing countries. Experts also pointed out that markets of mainly developed countries had been granted the special safeguard (SSG) provision under the Agreement, which allowed them to levy additional duty on designated "tariffied" products when their import price fell below, or their import quantity rose above, the "trigger" level. Although SSGs had not been applied very frequently so far, some of the exports from developing countries had been subjected to such SSG actions.

43. Second, according to experts from agricultural exporting countries, the AOA's provision of market access opportunities, i.e. the system of tariff rate quotas (TRQs) for ensuring a given import quantity of designated "tariffied" products, had not effectively opened up new exporting opportunities to exporters of developing countries, especially to new entrants to the markets. These limited opportunities had largely been due to the fact that a significant portion of market access opportunities had been allocated to pre-selected countries, which were "historical" exporter countries (according to the "current" access opportunity provision) and/or countries that received preferential treatment under regional or bilateral trade preferences; and the TRQ system

had not been administered transparently and had been inefficient in achieving the full utilization of TRQs. There were no clear guidelines for the administration of the TRQs regarding such issues as the criteria for the eligibility of applicants for the tariff quota, product specifications to which the tariff quota applied, and the validity period for import licenses.

44. Third, the global MFN tariff reductions had led to an erosion of margins of preferential tariffs granted to many developing countries by developed country markets under their autonomous preferential schemes, such as the Generalized System of Preferences (GSP). Such an erosion of preferential margins could be detrimental to export expansion of developing country exporters, especially from those countries whose exports were highly concentrated on the few commodities that received preferential treatment. Fourth, product safety regulations and quality standards (e.g. SPS measures) were the main non-tariff barriers to agricultural exports of developing countries, whose protective influence on their exports had been constantly increasing, partly due to growing consumer concerns over food safety in developed countries, but mainly due to the persistent lack of technical capacity of developing country exporters to meet the product requirements in major developed country markets. That same technological gap had prevented developing countries from making the best use of the Uruguay Round Agreement on the Application of Sanitary and Phytosanitary Measures, including the provision in Article 4 on equivalency. Several experts also reported on recent incidents which suggested that certain SPS measures applied by major developed country markets had been applied more stringently with respect to products exported by developing countries than to those exported by developed countries. An SPS measure became particularly problematic when its stringency exceeded the level of the corresponding international standard. While the transparency commitments made under the SPS Agreement had improved the flow of information on SPS-related regulations of WTO member countries, an application of country-specific SPS requirements beyond what was recommended as an international standard saddled developing country producers and exporters with additional costs to meet disparate SPS measures on the same product in different markets. The apparent rise in the use of other technical barriers in the areas in which developing countries were in general disadvantaged, such as an eco-labelling scheme based on production and processing methods (PPM), was worrying, experts noted.

45. With regard to the implications of the implementation of the AOA commitments on **domestic support and export subsidies**, many experts indicated that the Agreement's provisions prepared an “unfair” trading environment in favour of developed country producers, which resulted in an imbalanced distribution of the benefits from the AOA between developed countries and developing countries. The Agreement even legitimized the types of trade-distorting subsidies mainly provided by developed countries, one expert said, while placing ceilings and reduction commitments on those subsidies which developing countries tended to provide. In the area of domestic support, many experts expressed concern over a “non-equitable” distribution of benefits arising from the substantial gap in the amount of post-Uruguay Round domestic support provided by developed countries and that provided by developing countries. Developed countries, which had had traditionally provided high subsidies, were allowed to continue their provision of trade-distorting support, albeit within the total aggregate measurement of support (AMS) limit. Most

developing countries, on the other hand, were no longer able to introduce product-specific domestic support beyond the *de minimis* limit (i.e. 10 per cent of the total value of production of a product concerned) in the relevant year, as they had claimed zero AMS in the base period. Those countries could also not provide non-product-specific support (which included support to farmers to reduce the production costs, typically by subsidizing fertilizers, irrigation, seeds, electricity and so forth) except within the *de minimis* limit. FAO reported that several developing countries were already close to violating the *de minimis* limit, or they might do so in future if they wished to increase such support. For those developing countries which made the AMS commitments, experts agreed that the implementation of the domestic support reduction commitments had been technically the most "difficult", largely because of its complexity and a certain ambiguity involved in the AMS calculation method. Regarding market price support measures, for instance, in several developing countries the total current AMS, the difference between the administered price and the nominally fixed external reference price (ERP), in domestic currency terms had exceeded its bound level as a result of the high rate of inflation experienced by them in the years since the base period (1986-1988). Although the Agreement states that "Members shall give due consideration to the influence of excessive rate of inflation on the ability of any Member to abide by its domestic support commitments" (Article 18.4), it did not define the rate at which inflation was regarded as excessive, nor if and how the initial commitment might be revised due to excessive inflation. Another AMS implementation problem specific to developing countries was the treatment of product-specific "negative" AMS in the total current AMS. As experienced by some developing countries, the calculated product-specific AMS of a market price support measure could become a negative figure when the administered market price dropped below the ERP nominally fixed to the world price in the 1986-1988 base period to meet the objective of supporting food purchases by poor households. Countries with negative product-specific AMS had wished to subtract it from the value of the total AMS, as a negative AMS indicated an implicit tax on farmers. However, such an operation had not been widely accepted by other WTO member countries as being in compliance with the AOA domestic support commitments.

46. Green Box criteria were more reflective of domestic support measures common in developed countries than in developed countries and did not adequately address certain development concerns. The continued use of export subsidies, a major part of which were provided by developed countries, created unfair advantages for developed country producers. Unfair competition was especially damaging to small-scale producers in developing countries, particularly LDCs, which had neither the leverage nor the resources to provide such support. There were cases of developing countries continuing to lose their market share, both domestically and in neighbouring countries, due to cheaper subsidized exports from certain developed countries. As the level of export subsidies was high when world agricultural prices were low, pushing price levels further down, the use of subsidies exacerbated price variability in the world agricultural market.

Issues at stake from the development perspective in the upcoming agricultural negotiations

47. In light of the upcoming negotiations on trade in the agricultural sector, developing countries need to be well prepared with a negotiating agenda and possible negotiating strategies. Article 20 of the Agreement stipulates that the new negotiations should take the following into account: (1) the experience to date with implementation of the reduction commitments; (2) the effects of the reduction commitments on world trade in agriculture; (3) non-trade concerns, special and differential treatment for developing country members, and the objective of establishing a fair and market-oriented agricultural trading system; and (4) any further commitments necessary to achieve the long-term objective of substantial progressive reduction in support and protection. The common overall objective among developing countries in the next negotiations, experts agreed, was to maximize the potential benefits to developing countries from the continuation of agricultural reform in the multilateral framework by correcting perceived shortcomings of the current Agreement which seemingly put developing countries at a disadvantage in international agricultural trade. Immediate interests with respect to the outcome of the forthcoming negotiations, however, differed among developing countries, given the differences in their agricultural production and trade patterns as well as the relative importance of the agricultural sector in their economies. Elements included in each country’s negotiating agenda thus would not be homogeneous. An expert from a low-income country reported that the major objective of his country's agricultural policy was to produce enough food grains and other agricultural commodities for direct consumption or for use as raw materials in agro-processing industries, and the problem for the country was not so much in terms of competition in the world market for exports but how to compete with cheap imports from outside, an excess inflow of which could be economically and socially destabilizing.

48. In the area of market access, experts generally agreed that the upcoming negotiations should achieve further improvement in market access to exports of developing countries. Some practical suggestions were made in this context: (i) substantial tariff reductions, targeted especially at reducing tariff peaks and tariff escalation faced by exports of developing countries in major import markets, including in-quota tariffs for TRQs; (ii) improvement of market access opportunities to developing countries by ensuring MFN allocation of TRQs, or by earmarking certain TRQ quantities to developing country exporters; (iii) a substantial increase in TRQ quantities; (iv) the establishment of guidelines with respect to TRQ administration; (v) simplification of agricultural tariffs, possibly by converting all agricultural *non-ad valorem* tariffs into *ad valorem* tariffs; (vi) elimination of SSGs, or new SSG provisions specifically linked to development concerns; and (vii) improvement of preferential schemes (such as GSP schemes) provided by developed countries to developing country exporters in terms, *inter alia*, of maintenance of preferential tariff margins and product coverage for such preferences. Divergent views were expressed over how such market access improvements should actually be conducted in the coming negotiations. One such issue concerned the possible tariff reduction approach to be employed. Experts from agricultural net-exporting countries believed that the negotiations should bring agricultural tariff barriers more into line with those in the industrial sector. To that effect, a formula approach should be employed for the next round of agricultural tariff reduction,

which would specifically target reductions of tariff dispersions and tariff peaks, such as the three-tier industrial tariff reduction formula proposed by the European Union to the WTO General Council. Other experts, however, questioned the appropriateness of a formula approach to the agricultural tariff reduction, noting that the level of tariffs in the agricultural sector should be determined by product characteristics, domestic market concerns and other non-trade concerns. Concerning the possible conversion of *non-ad valorem* tariffs, both *ad valorem* and *non-ad valorem* rates had their own advantages and disadvantages when, for instance, the ease and the cost of customs operations were concerned, and the choice of the type of tariff would depend on a country- or product-specific situation. An in-depth study was called for to examine what would be an "appropriate" tariff reduction approach. Experts also discussed the status of the TRQ system within the AOA framework , i.e. whether TRQs should be maintained as an integral part of the Agreement or gradually or otherwise eliminated so as to achieve a tariff-only regime. Some suggested that the TRQs had been included in the AOA as a transitional measure to overcome the short-term market adjustment needs of the tariffication exercise, and accordingly the TRQs should be formulated in such a manner as to have a tariff-only regime eventually prevail in the agricultural sector. Others suggested that TRQs could be an effective tool to ensure market access of developing country exports, if certain shortcomings in the current rules concerning TRQs were appropriately redressed.

49. With regard to the negotiating agenda in the area of domestic support commitments, experts suggested first that a certain flexibility should be introduced to domestic support reduction commitments in the coming negotiations, such that the special needs and conditions of developing countries would be reflected in the use of domestic support in the agricultural sector. Several suggestions made by FAO in this context included clarification in the calculation of the total AMS, such that problems specific to developing countries, such as "negative" AMS and excess inflation in calculating the total AMS, would be resolved; an increase in the *de minimis* limit for countries with large negative AMS; and clarification of the interpretation of the term "resource-poor farmers" in developing countries to which input subsidies were allowed outside the AMS commitment as a part of the special and differential (S&D) provisions to developing countries (as the lack of clarity in some cases had led to the inclusion of such support against the *de minimis* limit). Many experts, especially those from low-income developing countries, stressed the need to reflect developmental aspects of domestic support measures in developing countries in domestic support measures exempted from the reduction commitments, i.e. those included in the Green Box criteria and in the provisions of S&D for developing countries. To this effect, countries needed clearly to identify the types of domestic support measures necessary for agricultural development and to suggest a modification of both the Green Box and S&D provisions in accordance with those findings.

50. With regard to export subsidies in the agricultural sector, various experts called for an elimination of such subsidies in the upcoming negotiations. Any adverse impact on LDCs and NFIDCs from the elimination of export subsidies, i.e. a rise in their import bills, should be minimized by the provision of supporting measures to such countries in conjunction with the elimination of export subsidies; for that purpose, the gradual elimination of export subsidies over

a period of years would be better than an immediate elimination. UNCTAD should analyse the impact of the substantial reduction or elimination of export subsidies, with particular attention to effects, both positive and negative, on LDCs, NFIDCs and other small and vulnerable economies. The same consideration should be given to the full implementation of Article 10:2 of the Agreement, which called for the development of internationally agreed disciplines to govern the provision of export-enhancing measures such as export credits, guarantees and insurance.

51. Apart from the major issues posed by the AOA, the continuation of the agricultural reform process should also address non-trade concerns and the S&D provisions, as stipulated in Article 20. Major non-trade concerns for developing countries in connection with agricultural liberalization included agriculture as the source of sustainable economic development, rural development (including sustainable income for the rural population), environmental protection and food security. Such “multifunctionality” specific to the agricultural sector in developing countries should be at the core of the upcoming agricultural negotiations when designing the future agricultural reform. This view was contested by some experts, who stressed that the concept of multifunctionality was equally applicable to the industrial sector and that such non-trade concerns had already been incorporated into the WTO multilateral trading framework through various provisions of GATT 94, such as Articles XX, XXI and XXXVI. Others claimed that non-trade concerns of developing countries should be distinguished form those of developed countries, whose interests seemed to be focused on a justification of their continuing use of massive subsidies to the domestic agricultural sector.

52. The S&D provisions for developing countries, which were an integral element of the Uruguay Round negotiations, gave developing countries across-the-board flexibility in the implementation of the AOA commitments in terms of an extended time period for implementation; lower rates of reductions of tariffs, domestic support and export subsidies; and exemption of LDC members of WTO from making reduction commitments. The effectiveness of the provisions so far was questioned by some experts, however. The Agreement, which had established multilateral rules governing the use of policy instruments in the agricultural sector, had been formulated mainly on the basis of trade-offs of interests among developed countries, especially the European Union and the United States. Some experts considered that the AOA actually embodied "S&D in reverse", in that it legitimized the right of some developed countries to continue their high level of pre-Uruguay Round agricultural protection through, *inter alia*, the Blue Box and subsidies provisions which had limited relevance to most developing countries, while the across-the-board nature of, and certain lack of clarity in, the S&D provision had failed to meet the special needs of developing countries, which varied substantially among them. The S&D provisions should be revised in the coming negotiations based on the experiences of developing countries, requiring them to reflect the different level of development of developing countries; the differing role of agriculture in their economies and societies; and certain geographical disadvantages in terms of agricultural production. The S&D provisions could address specific features of food security (e.g. the need for food security stocks); protection of the interests of small-scale and/or subsistence farmers; and the need for productivity growth at a rate corresponding to a country’s population growth. The S&D provisions could be further extended in the area of market access so as to

provide developing countries with increased and more concrete export opportunities (for example, by earmarking the extension of TRQ quantities to developing countries), and special safeguard measures could be used, when appropriate, to protect their vulnerable agricultural sector from increased competition in the world market. UNCTAD should identify situations in which S&D provisions could address the specific problems of different countries and articulate appropriate measures, possibly in coordination with FAO.

53. Experts called for close examination of the modalities of the Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on LDCs and NFIDCs, particularly with a view to ensuring the availability of an adequate level of food aid and financial and technical assistance to those countries by donor countries and international financial institutions. The special requirements and needs of countries acceding to the WTO, particularly LDCs, should also be taken into account, with a view to their obtaining the same rights as other WTO members. Problems faced by the countries acceding to the WTO should be addressed as well.

III. ORGANIZATIONAL MATTERS

A. Convening of the Expert Meeting

54. In accordance with the recommendation made by the Commission on Trade in Goods and Services, and Commodities at the closing meeting of its third session on 2 October 1998,[3] the Expert Meeting on examining trade in the agricultural sector, with a view to expanding the agricultural exports of developing countries, and to assisting them in better understanding the issues at stake in the upcoming agricultural negotiations was held at the Palais des Nations, Geneva, from 26 to 28 April 1999. The meeting was opened on 26 April 1999 by Mr. Rubens Ricupero, Secretary-General of UNCTAD.

B. Election of officers

(Agenda item 1)

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

Chairperson:	Mr. Sandor Simon (Hungary)
Vice-Chairperson-cum-Rapporteur:	Mr. Georges Ebelle Kelle (Cameroon)

C. Adoption of the agenda

(Agenda item 2)

56. At the same meeting, the Expert Meeting adopted the provisional agenda circulated in TD/B/COM.1/EM.8/1. Accordingly, the agenda for the Meeting was as follows:

1. Election of officers

2. Adoption of the agenda and organization of work

3. Analysis of the problems and prospects for expanding the agricultural exports of developing countries, taking into account the opportunities and challenges arising from the implementation of the Uruguay Round Agreement on Agriculture

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[3] See Report of the Commission on Trade in Goods and Services, and Commodities on its third session (TD/B/45/10-TD/B/COM.1/22), paragraph 83 (b).

4. Issues at stake from the development perspective in the upcoming agricultural negotiations

5. Adoption of the outcome of the Meeting

D. Documentation

57. 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 "Examining trade in the agricultural sector, with a view to expanding the agricultural exports of the developing countries, and to assisting them in better understanding the issues at stake in the upcoming agricultural negotiations" (TD/B/COM.1/EM.8/2).

E. Adoption of the outcome of the Meeting

(Agenda item 5)

58. At its closing meeting, on 28 April 1999, the Expert Meeting adopted the agreed conclusions reproduced in section I above.

Annex

ATTENDANCE *

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

Albania
Angola
Argentina
Australia
Bangladesh
Barbados
Belarus
Bhutan
Bolivia
Brazil
Bulgaria
Cameroon
Chile
China
Colombia
Costa Rica
Côte d'Ivoire
Cuba
Czech Republic
Denmark
Dominican Republic
Ecuador
Egypt
El Salvador
Ethiopia
Finland
France
Gabon
Gambia
Grenada
Guatemala
Honduras
Hungary
India
Indonesia
Iran (Islamic Republic of)
Ireland
Jamaica
Japan
Kenya
Latvia
Lebanon
Lesotho
Libyan Arab Jamahiriya
Madagascar
Malawi
Malaysia
Malta
Mauritius
Mexico
Morocco
Mozambique
Netherlands
New Zealand
Nicaragua
Niger
Nigeria
Norway
Pakistan
Panama
Paraguay
Philippines
Republic of Korea
Romania
Russian Federation
Saudi Arabia
Senegal
South Africa
Spain
Sri Lanka
Sudan
Sweden
Switzerland
Thailand
Trinidad and Tobago
Tunisia
Turkey
Uganda
United Kingdom of Great Britain and Northern Ireland
United States of America
Uruguay
Venezuela
Viet Nam
Yemen
Zambia
Zimbabwe

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* For the list of participants, see TD/B/COM.1/EM.8/INF.1.

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

Andean Community
Islamic Development Bank
Economic Community of the Great Lakes Countries
European Community
League of Arab States
Organization of African Unity
Permanent Secretariat of the General Treaty on Central American Economic Integration
West African Economic Community

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

Food and Agriculture Organization of the United Nations
World Bank
International Monetary Fund
World Trade Organization

4. The International Trade Centre UNCTAD/WTO was represented at the meeting.

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

General Category

Association of World Council of Churches-related Development Organizations in Europe
International Chamber of Commerce
World Federation of United Nations Associations
World Wide Fund for Nature International

6. The following organization, specially invited by the secretariat, attended the meeting:

Centre for Applied Studies in International Negotiations
