



UNCTAD

**TOOLS FOR MULTILATERAL
TRADE NEGOTIATIONS ON
AGRICULTURE**

**Geneva
December 1999**

**Division on International Trade in Goods
and Services, and Commodities.
Commercial Diplomacy Programme**



TABLE OF CONTENTS

	<i>Page</i>
PRESENTATION: THE COMMERCIAL DIPLOMACY PROGRAMME	4
1) Scope and Objectives	4
2) The Training Material: The New Modules	5
A.- GENERAL FEATURES: TRADE ON AGRICULTURE	7
1) Short Historical Background to Current Context	7
2) Existing Multilateral Disciplines	8
3) Main Technical and Political Features of the Issue from the Developing and Transition Economies' Perspective	12
4) Issues for the Upcoming Multilateral Trade Negotiations	23
B.- IMPORTANT ISSUES FOR CONSIDERATION BY GOVERNMENT OFFICIALS	25
1) The Agreement on Agriculture (AoA), What is Its Importance?	25
2) Issues of Implementation of the AoA	26
3) "Positive Agenda" in Preparation for the Future Negotiations in Agriculture	28
C.- IMPORTANT ISSUES CONCERNING AGRICULTURAL TRADE FROM THE PRIVATE SECTOR PERSPECTIVE	29
1) What are the Specific Commitments in Relation to Trade in Agricultural Products	29
2) Other Disciplines in the AoA	30
3) What Safeguards are Provided in the AoA?	31
4) What Provisions are There for the Special and Differential Treatment of Developing Countries in the AoA?	31
5) Benefits of the AoA to the Private Sector	32
6) The Role of the Private Sector in the Forthcoming Negotiations	32
D.- IMPORTANT ISSUES CONCERNING AGRICULTURAL TRADE FOR CONGRESSMEN	35
E.- IMPORTANT ISSUES FOR RESEARCH AND ACADEMIC INSTITUTIONS	37
1) Implementation of the Uruguay Round (UR) Agreement on Agriculture (AoA): Evaluation of Trade Liberalization	37
2) Emerging Trade Agenda: The Likely Impact of the Different Scenarios for Further Reform In Agricultural Trade	38
F.- IMPORTANT ISSUES FOR THE MEDIA	39
G.- IMPORTANT ISSUES FOR REGIONAL ORGANIZATIONS	43



PRESENTATION: THE COMMERCIAL DIPLOMACY PROGRAMME

1) SCOPE AND OBJECTIVES.

The Programme should encompass two inter-linked and mutually supportive areas of activity:

- ◆ **training** for trade negotiators of developing countries and economies in transition ;
- ◆ **research and analysis** on international trade issues.

Both areas of activity should take into account:

- The *interests of developing countries* in the international trade negotiations (mainly at the WTO): Regular consultations and contacts with delegates and national institutions should facilitate the identification of priorities.
- The need to consolidate a “*positive agenda*” of the developing countries: The inputs of the meetings and seminars on the “positive agenda” should be a main source for the training material and for the research to be undertaken by developing countries’ institutions with the support of the Programme.
- The *regional diversity* among developing countries: Except some training activities on general trade issues which should have an interest for any developing country, the Programme should emphasize the specific needs of groups of countries; therefore, the activities should rely on regular contacts and coordination with regional and subregional institutions.
- The *coordination and cooperation* with existing national, international, and regional organizations involved in training and research on international trade: The Programme should rely on a network encompassing the existing institutional structures, but in the medium-term, it should also stimulate the establishment of new institutions (public or private) for training and research in developing countries.

The over-arching goal of the Programme should be to support a new generation of trade experts and negotiators of developing countries.



2) THE TRAINING MATERIAL: THE NEW MODULES

The basic training material of the Programme which is currently being prepared will go beyond the description of international trade agreements. Bearing in mind the need for “user-friendly” material, a “model module” has been elaborated, conceived as a “kit” which can be easily updated and adapted to different users and groups of countries. It will take the form of printed texts as well as software, in addition to the dissemination in UNCTAD Web page.

The “model module” has seven core elements plus annexes, which are basically the same for each trade issue:

▣ **General features of the issue:** *historical background and current context, existing multilateral disciplines, and the main technical and political features of the issue from the developing and transition economies’ perspective, prospects and trends.*

▣ **Important issues for government officials of the country X or the group of countries Y:**

This part should be specifically designed for the decision-makers of the Ministries of Economic Affairs or International Trade of developing and transition economies, to support the preparation of their own negotiating strategies. It should include substantive and “customized” information and analysis, aimed at answering questions such as:

- *What is the relevance of the issue in the national economy and external trade? What share of GDP is involved?*
- *What is the existing domestic legal framework related with the issue or with the multilateral disciplines? Are there regional or bilateral commitments which need to be articulated with the multilateral existing or potential agreements? What are the main negotiating positions and the “positive agenda” proposals?*

◆ **Important issues from the private sector perspective:**

This part should be designed for businessmen of developing and transition economies taking into account questions such as: What is the relevance of the issue for the domestic private sector? What are the exporters’ needs and objectives? What is the importers’ point of view? What is the role of competition in this issue? What are the implications of the “positive agenda” proposals for the private sector?

◆ **Important issues for congressmen:**

The domestic legislative bodies have to understand international disciplines in order to elaborate the corresponding domestic legislation. This part should stress questions such as: What needs to be known to assess the economic and political costs and benefits of the multilateral agreements already in place (or the potential future agreements) from the domestic point of view? Are the domestic laws in compliance with the existing and potential multilateral disciplines? What is the meaning of the “positive agenda” proposals from the point of view of domestic policies?

◆ **Important issues for research and academic institutions:**

This part should identify the topics that deserve a deeper and customized analysis at national or regional level. It should also include methodological suggestions, for



instance on how to prepare a national study on financial services; How to analyze the domestic implications of tariff escalation on market access, or what is the significance of certain "positive agenda" proposals for the domestic economy.

◆ **Important issues for the media:**

In developing countries, the media have a key role in the understanding of international economic topics and the determination of national positions. The information the media gets is the one they convey to the public opinion. This part of the module will stress, with a short presentation, the general economic and political significance of the issue from the national perspective, in a format that may be easily useful for the media.

◆ **Important issues for regional organizations:**

This part will emphasize the regional or subregional dimensions, particularly the commitments that require to be articulated around multilateral disciplines in the case of integration schemes, the implications of free trade areas and external common tariffs. The identification of those issues should be done on the basis of consultation with regional secretariats.

ANNEXES:

Each "kit" may include additional material such as slides (Power Point presentations) for conferences, training courses, etc., based on the information contained in the module; background papers (studies, documents, opinions, etc.); bibliographical data; relevant Web pages; future meetings related with the issue.

Your suggestions and comments are welcome. Do not hesitate to contact:

**Ms. Manuela TORTORA
COORDINATOR
Commercial Diplomacy Programme
DITC/UNCTAD
Palais des Nations
1211 Geneva 10
Switzerland
Tel. (+41 22) 907 5752
Fax. (+41 22) 907 0247
Email: manuela.tortora@unctad.org**



A.- GENERAL FEATURES: TRADE ON AGRICULTURE

1) SHORT HISTORICAL BACKGROUND TO CURRENT CONTEXT.

Historically, agriculture has played a key role in the development of societies all over the world. There has been extensive government involvement in the determination of the overall structure of agriculture and its patterns of production, employment and trade. Over time, a number of major policy instruments were introduced to protect the sector. In the early post-war years, when the predecessor of the WTO, that is to say the General Agreement on Tariffs and Trade (GATT), was created, most countries maintained restrictive import regimes in farm products, using a variety of non-tariff barriers (NTBs).

Governments agreed to the creation of GATT to counteract an overwhelming trend towards protection in trade in general. However, negotiators at that time were aware that, as far as agriculture was concerned, the agreement needed to co-ordinate the general rules regarding international trade with the ubiquitous existence of the agricultural support programmes of their governments. Therefore, the GATT allowed for special dispensations for various trade-restrictive measures on agricultural products. Governments took a mutually permissive attitude towards agricultural protectionism. Articles of GATT that did not allow special dispensation for agricultural products were being overtly broken. Formal consultation and dispute-settlement procedures were rarely invoked and compensation for trade-damaging developments only occasionally sought. As a result, until the latest round of multilateral trade negotiations, the “Uruguay Round”, agricultural trade talks centred around attempts to stabilise international markets, to reduce tariffs, and to reach agreement on market shares on specific commodities. It proved virtually impossible to get nations to agree to apply general GATT rules on NTBs for agricultural products.

Trade-distorting farm policies in a subset of developed countries tended to lower the mean and increase the variance of international food prices, and in so doing, encouraged other countries to adopt similar policies. While such wastefulness was sustainable in developed economies, due to the sector's small and declining shares of GDP and employment developing, countries' economies remained much more dependent on agriculture and could ill-afford to travel along the same route.

During the early 1980s, as the governments of developed countries realized that the systems of domestic farm support were in part responsible for the trade difficulties in world agriculture, they came to question their involvement in agricultural policy. With little or no hope that the tendency toward global agricultural surpluses would reverse itself, various GATT members called for the world economy to move towards a more liberal trading regime, which would reduce trade barriers and eliminate artificially low prices caused by subsidized overproduction of agricultural commodities.

Prior to the Uruguay Round, political attitudes towards farm policies had proven to be too contentious for agriculture to be incorporated into previous GATT rounds.



However, its inclusion in the Uruguay Round was perceived to be necessary. Since there was every indication that agricultural protection would continue to spread, some countries maintained that negotiations should not be concluded until an agricultural agreement was in place.

Within this context, the Uruguay Round (UR) negotiations were launched in 1986. The UR, which finished in 1993, was a watershed in so far as norms and rules governing agricultural trade were, for the first time, agreed multilaterally and incorporated into the international co-operative regime of the WTO.

HISTORICAL BACKGROUND TO CURRENT SITUATION: INTERNATIONAL TRADE ON AGRICULTURE

- Agriculture has had a key and evolving role in the economic and social development of societies
- Governments have concerned themselves with all aspects of the agriculture sector such as production and trade
- The post war era witnessed a steady spread of support programmes
- Agriculture remained outside most GATT rules and disciplines
- Rules and disciplines affecting agriculture within GATT were ignored
- Developing countries suffered most from protectionism
- Trade-distorting policies created unsustainable wastefulness
- The Uruguay Round was the first step towards a more market-oriented international trade regime

2) EXISTING MULTILATERAL DISCIPLINES.

The Agreement on Agriculture (AOA) signed by Members to the then newly-created World Trade Organization at the end of the Uruguay Round was an achievement in itself, especially considering the long-standing issues examined in the previous section. However, only limited liberalisation of trade will have been achieved by the end of its implementation period.

As a first step in reforming world agricultural markets, the AOA allowed WTO Members flexibility to institutionalise their main trade policies. This



was done by agreeing disciplines and commitments in the three key areas of farm export subsidies, import market access, and domestic producer subsidies.

Market Access

➤ *Tariffication*

The first distinctive characteristic of the AOA was that non-tariff barriers for imports were converted into tariffs. At the end of the implementation period, that is to say 2000 for developed countries and 2005 for developing countries, the unweighted average tariff must be cut by 36 and 24 per cent for developed and developing countries respectively. Least-developed countries were not required to reduce their tariffs. In order to facilitate the implementation of tariffication, a "Special Treatment" clause was introduced into the AOA. This clause allows, under certain conditions detailed in Annex 5 of the AOA, a Member to maintain import restrictions up to the end of the implementation period.

The reduction in bound tariffs for imports has proven to be relatively easy for all countries to bare. This is because each tariff item need be reduced by only 15 per cent of the claimed 1986-88 tariff equivalents (10 per cent for developing countries). What is more, the claimed tariff equivalents for the base period and therefore the initial tariff bindings were often much higher than they should have been.

➤ *Market Access Opportunities*

A second distinctive characteristic of the AOA was the so-called "market access opportunities". Members committed themselves to guarantee the same access as under the base-period of 1986-1988 (current market access opportunities). In addition, Members agreed to establish "minimum access" opportunities for those products whose imports in the base-period were less than 3% of domestic consumption.

The *minimum access quantity* was set at 3 % of domestic consumption in the base year period, rising to 5 % by the year 2000 (2004 for developing countries). Commitments were implemented through the establishment of the so-called "tariff-rate quotas" with the in-quota tariff rate set at a 'low or minimal' rate. Although these "in-quota tariffs" might still be quite high, they are lower than the corresponding "most favoured nation" (MFN) rate for the products concerned.

➤ *Special Safeguard Provisions (SSGs)*

The AOA also provided for the temporary application of an additional duty on top of applied tariffs in cases of import volume surges or import price falls. It can be activated under a volume-based trigger or a price-based trigger, but not both concurrently. SSGs are much easier to invoke than the normal safeguard mechanisms provided through Article XIX of GATT 1994 in that the SSG does not require an 'injury test'.

Domestic support



➤ Reduction Commitments

The AOA established a method for Members to calculate the total-trade-distorting domestic support that is provided to domestic producers in a year and to agree to reduce it in equal instalments between the years 1995 and 2000 (2004 for developing countries). This measure, that is to say, the Aggregate Measurement of Support or AMS, was agreed to be reduced by 20% of its 1986-88 level (13.3% for developing countries with no reduction commitments for least-developed countries during the implementation period). It is important to point out that these reduction commitments would require only modest reform for most developed-country Members because much of the decline in that measure of support had already occurred by the time the Uruguay Round was completed.

➤ Green Box Measures

Domestic support policies that have minimal impact on trade were excluded from reduction commitments and came to be known as 'Green Box Measures.' The basic general criteria for exclusion were that the measures should be provided through a publicly-funded government program which did not involve transfers from consumers. The green box covered many public service programs, including general services provided by governments. Thus, the green box provided for the continuation, and possible enhancement, of programs such as research, pest and disease control programs, marketing and promotion services, agricultural training activities and advisory services.

➤ Developing Countries Measures

Exemptions were also applicable to measures of assistance that were designed to encourage agriculture and rural development and that were an integral part of the development programs of developing countries. These included: (1) investment subsidies that were generally available to agriculture in developing country Members. (2) input subsidies generally available to low-income or resource poor producers. (3) support for producers to encourage diversification from growing illicit narcotic crops.

➤ De Minimis Levels of Support

The "de minimis" provision allowed countries not to include in the calculation of the Total Aggregate Measurement of Support (Total AMS) trade-distorting subsidies which made up only a low proportion (5% in the case of developed countries and 10% in the case of developing countries) of the value of production of individual products or, in the case of non-product-specific support, the value of total agricultural production.

➤ Blue Box measures

The so-called "blue box measures" were also excluded from reduction commitments. These measures included direct payments to producers under production-limiting programs, of which payments should be based on a fixed area and yield, and should not exceed 85% of the base level of production.

Export subsidies



➤ Export subsidy reduction commitments

Developed-country Members agreed to reduce direct export subsidies' expenditures by 36% over six years, from the 1986-90 levels. The volume of subsidised exports was agreed to be cut by 21% over 6 years from the same base period. For developing countries percentage cuts for the same measures were 24 and 14 % respectively and could be spread over 10 years (with no reductions applying to least-developed countries). Export subsidy commitments did not have a drastic effect on the agriculture policies of industrial countries. In the first years of implementation, international food prices were higher than in the base period, so most industrial countries did not need to use export subsidies. In addition, the AOA provided some limited flexibility for Members to use "unused export subsidies" in later years. This provision was applied by some developed-country Members when international food prices fall in 1997 and 1998.

➤ Exemptions from the Reduction Commitments

The AOA excluded several types of export subsidy programs. Export credits, credit guarantees, and insurance programs were not covered, but governments committed themselves to developing and adhering to internationally agreed disciplines in these areas. These disciplines remain to be agreed upon.

➤ Prevention of Export Subsidies Disguised as Food Aid

Under the AOA, food aid should not be tied to commercial exports of agricultural products of the donor country and should be provided as a full grant or at internationally agreed concessional rates.

Peace Clause

The AoA included the so-called "peace provisions," which are applicable for a period of 9 years (due to be expired in the year 2003). As long as a member meets its export subsidies and domestic support commitments under the AOA, it would not have to face legal action that might be available to another member under the Subsidies agreement. Furthermore, "due restraint" would be used in the application of countervailing duty rights under the General Agreement and in setting out limits in terms of the applicability of nullification or impairment actions.

In essence, the peace clause was designed to reduce the threat of new trade disputes during the period in which the farm trade reforms were being implemented.



SPECIAL & DIFFERENTIAL TREATMENT FOR DEVELOPING COUNTRY MEMBERS: WTO AGREEMENT ON AGRICULTURE

Developed countries are to provide greater market access to products of interest to developing countries (DCs).

DCs could offer ceilings bindings on unbound products in lieu of reduction commitments

Least-developed countries were exempted from reduction commitments.

DCs have been able to implement reduction commitments over longer periods of time.

Rates of reduction applying to DCs in market access, domestic support and export subsidies would be two thirds of those applying to developed countries.

Some domestic support measures of DCs were exempted from reduction commitments as part of their development programs.

DCs allowed higher "de minimis" percentage (10%) of support of the total value of production. (5% for developed countries).

Exemption for DCs from reducing certain export subsidy measures (e.g. related to marketing and shipment of exports).

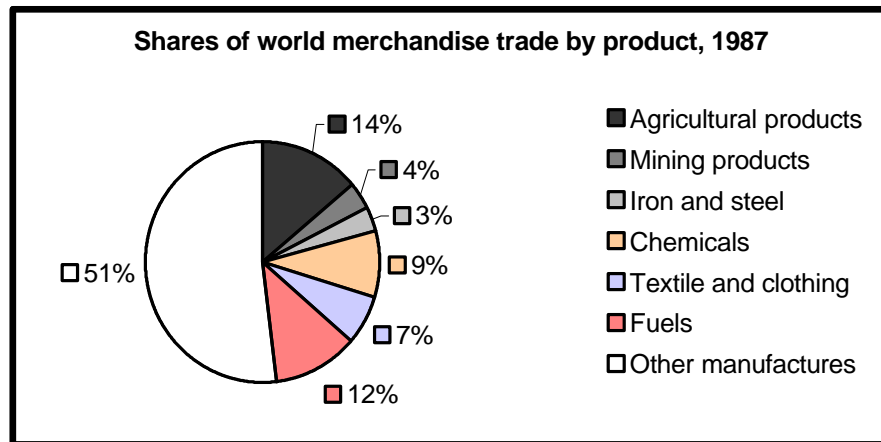
3) MAIN TECHNICAL AND POLITICAL FEATURES OF THE ISSUE FROM THE DEVELOPING AND TRANSITION ECONOMIES' PERSPECTIVE.

➤ Major Trends in International Agricultural Trade and Basic Economic data.

The importance of trade in agriculture seems to have diminished over the last decade, yet it remains a key component in the economic welfare of many countries throughout the world, and in particular for developing and transitional economies. The rate of trade growth in the agricultural sector has indeed lagged behind that of other products, especially manufactures. Yet, as of 1997, world agricultural trade still accounted for as much as 11% of world merchandise trade, and remained ahead of other sectors such as automotive products, textiles and clothing, chemicals, fuels or iron and steel (see diagram 1a and 1b).

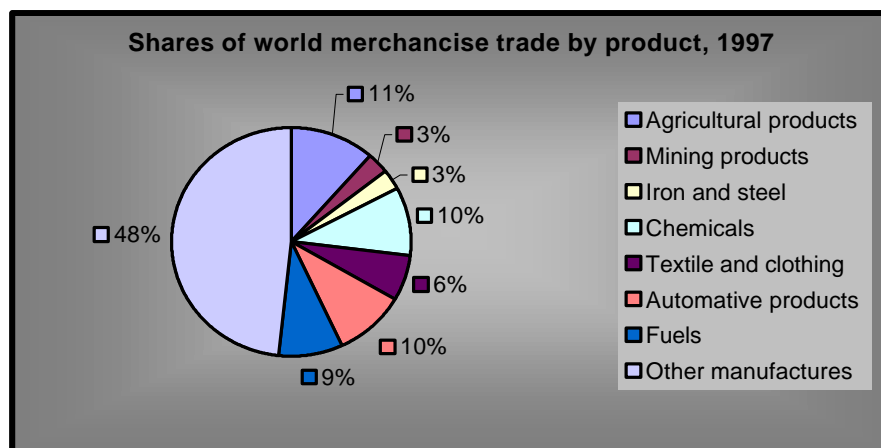


DIAGRAM 1A



Source: Graphic created on the basis of data from: GATT International Trade, 1988/1989

DIAGRAM 1B



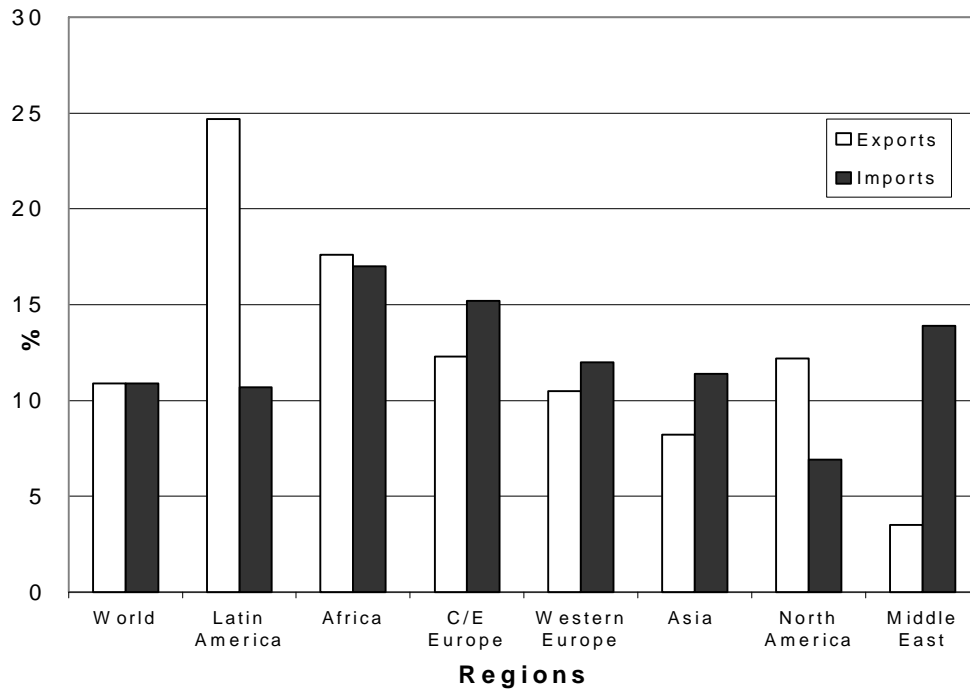
Source: Graphic created on the basis of data from: WTO, Annual Report, 1997/1998.

Agricultural trade still represents a significant proportion of world trade and a substantial proportion of the trade of the poorer countries of the world.



DIAGRAM 2

SHARE OF AGRICULTURAL PRODUCTS IN TRADE IN TOTAL MERCHANDISE (1997).



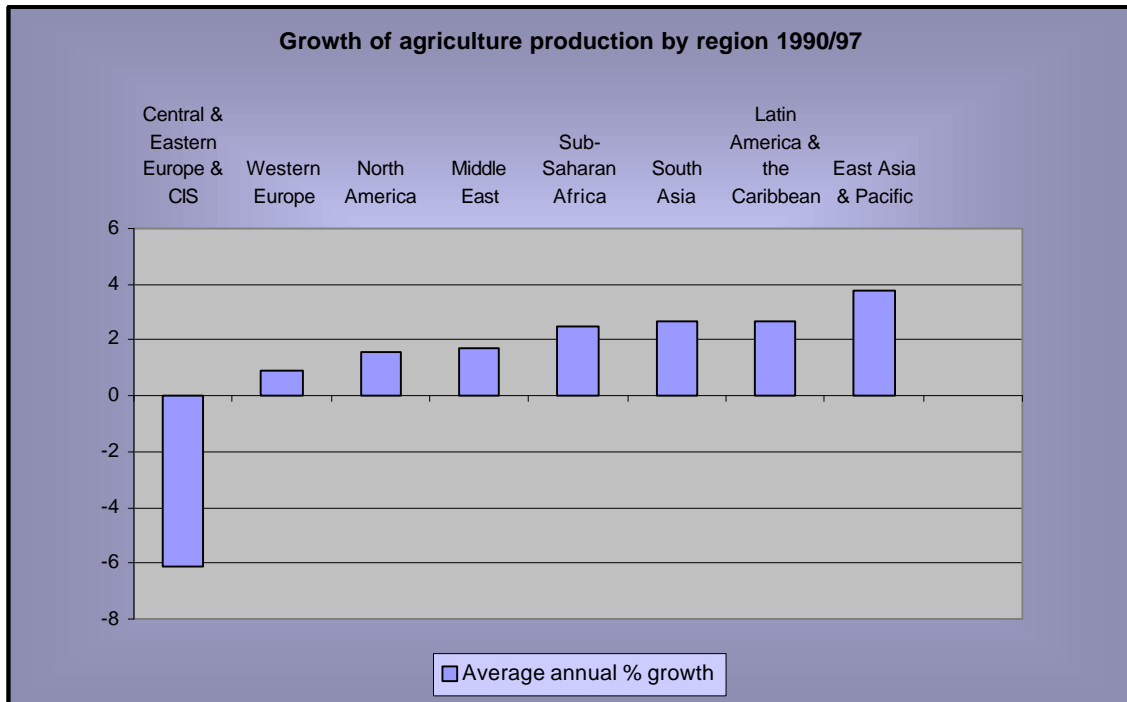
It is in many developing and transitional economies that agricultural trade plays such an important part in overall economic activity, domestic production and employment. The share of agricultural products in total trade is far greater in Latin America and Africa, for example, than it is in Western Europe and North America (see diagram 2 above).

For Latin American countries the importance of agriculture in the overall economy is particularly true in terms of exports. What is more, from 1990 to 1997, developing countries enjoyed favorable growth in agricultural production, with Asia and Latin American countries accounting for the highest average annual growth (diagram 3) of the various regions of the world.



DIAGRAM 3

Source: created on the basis of data from: World Bank, World Development Indicators, 1999.

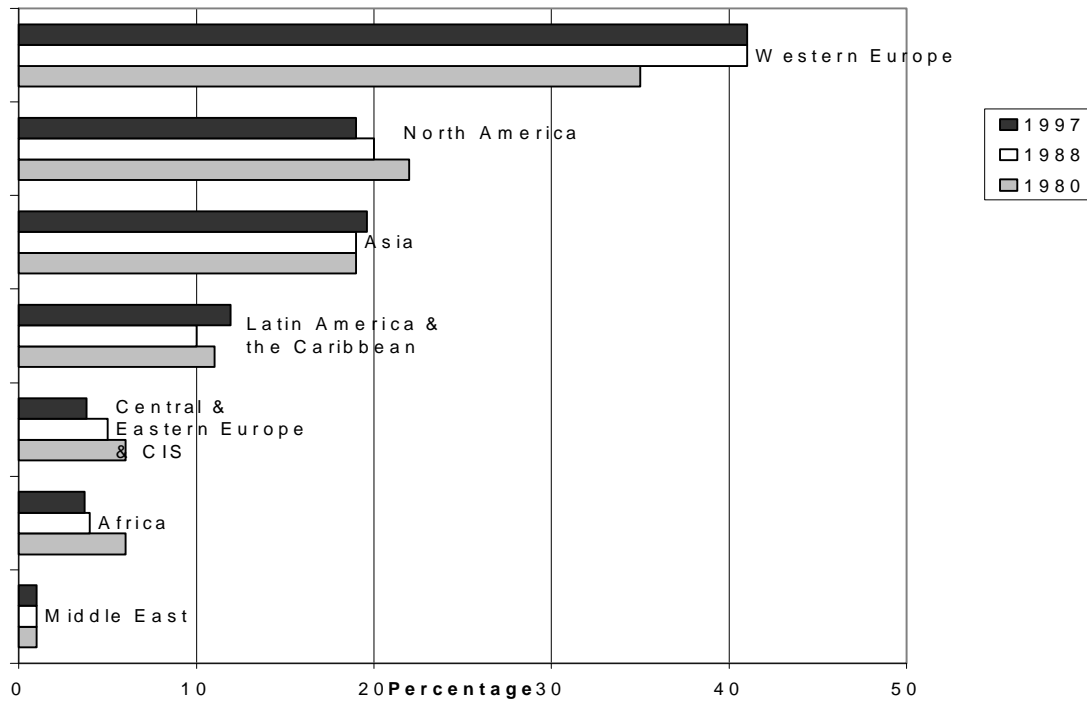


However, developing and transitional economies failed to convert domestic success into a greater share of world agriculture trade (diagram 4 below). Indeed, between 1980 and 1997, regional shares of world trade in agricultural products changed very little: Western Europe as a whole maintained the highest share of world trade in agriculture and was the only region to enjoy a significant increase in its share of world trade in agricultural exports (rising from 35% to 41%).



DIAGRAM 4

REGIONAL SHARE IN WORLD AGRICULTURAL EXPORTS IN 1980, 1988 AND 1997.



On a country-by-country basis from 1960 to 1997, the United States maintained its position as the leading exporter (accounting alone for more than 13% of world exports), followed by France and Netherlands. Individually, some developing countries lost ground and others gained. Thirty years ago, Brazil and Argentina held sixth and seventh places respectively in the table of leading exporters. By 1997, Argentina was no longer in the top ten exporters in agricultural products and although Brazil had increased its share of exports, it had fallen to ninth place in the world. (diagrams 5, 6 and 7 below).

DIAGRAM 5

Leading exporters of agricultural products, 1967 and 1987
(Percentage of total world trade in agriculture)

<i>Exporters</i>					
<i>Rank</i>	<i>Exporter</i>	<i>% 1967</i>	<i>Rank</i>	<i>Exporter</i>	<i>% 1987</i>
1	United States	14.4	1	United States	11.6
2	Canada	5.5	2	France	7.7
3	Australia	4.5	3	Netherlands	7.2
4	France	4.2	4	Canada	5.6



5	Netherlands	4.2	5	Germany, Fed.Rep.	5
6	Brazil	2.7	6	United Kingdom	3.3
7	Argentina	2.6	7	Australia	2.9
8	Denmark	2.5	8	Belgium-Luxembourg	2.9
9	United Kingdom	2.1	9	Brazil	2.7
10	Italy	2	10	China	2.6

Source: GATT International Trade 1988/89

DIAGRAM 6

Leading importers of agricultural products, 1967 and 1987
(Percentage of total world trade in agriculture)

<i>Importers</i>					
<i>Rank</i>	<i>Importer</i>	<i>% 1967</i>	<i>Rank</i>	<i>Importer</i>	<i>% 1987</i>
1	United Kingdom	12.4	1	Japan	10.4
2	United States	11.7	2	United States	10
3	Germany, Fed.Rep.	9.6	3	Germany, Fed.Rep.	9.7
4	Japan	8.1	4	Italy	6.9
5	Italy	5.9	5	United Kingdom	6.4
6	France	5.7	6	France	6.1
7	USSR	3.5	7	USSR	5.3
8	Netherlands	3.2	8	Netherlands	4.4
9	Belgium-Luxembourg	2.6	9	Belgium-Luxembourg	3.1
10	Canada	2	10	Spain	2.1

DIAGRAM 7

Leading exporters and importers of agricultural products, 1997
(Billion dollars and percentage of total world trade in agriculture)

				<i>Importers</i>			
1	United States	77.27	13.3	1	Japan	67.1	10.7
2	France	41.51	7.2	2	United States	61.83	9.9
3	Netherlands	35.36	6.1	3	Germany	48.97	7.8
4	Canada	33.09	5.7	4	United Kingdom	35.5	5.7
5	Germany	28.8	5	5	France	32.32	5.2
6	United Kingdom	20.88	3.6	6	Italy	32.21	5.1
7	Australia	18.8	3.2	7	Netherlands	21.35	3.4
8	Belgium-	18.74	3.2	8	Belgium-	18.55	3



	Luxembourg				Luxembourg		
9	Brazil	18.3	3.2	9	Spain	17.15	2.7
10	Italy	16.72	2.9	10	HongKong, China	14.64	2.3

Source : WTO, Annual Report 1997/ 1998

➤ Intersectional links with other issues

Export Credits

For the sale of agricultural products, major exporting countries make use of export credits and export credit guarantees. Export credits are usually offered in the form of guaranteed private bank loans at competitive interest rates, loan terms of up to 10 years and, in some cases, the coverage of freight costs. In some circumstances, these facilities have the same effect of encouraging exports as export subsidies and are one of the most popular means of circumventing export subsidy commitments. The US is the most significant user. In early 1998, the US GSM-102 export credit guarantee programme rose to US\$5.9 billion (nearly double the figure in 1997).

Article 10.2 of the AoA commits members “to work toward the development of internationally agreed disciplines to govern the provision of export credits, export credit guarantees or insurance programmes”. The CAIRNS Group and Japan are particularly keen to arrive at internationally agreed disciplines concerning the use of export credit programmes and in the next Round of multilateral negotiations it is likely that the issue will be dealt with.

Export Taxes and Restrictions

Various countries, in particular many net-food-importing countries, are becoming concerned about the lack of binding commitments in the AoA in the area of export taxes and restrictions. Many of these countries are wary of the impact on food security of policies that restrict supplies of food and lead to increased prices. Many developing countries argue that high levels of self-sufficiency, high levels of border protection and trade-distorting domestic supports are necessary in light of these trade-restricting policies.

The area of export taxes and restrictions has not been adequately addressed in the AoA and in the upcoming round there will be calls for the harmonisation of regulations in this regard. In GATT 1994 Article XI:1, export prohibitions and restrictions other than duties, taxes or other charges are prohibited. However, a specific exception under article XI:2 (a) allows for quantitative export restrictions or prohibitions to be “temporarily applied to relieve critical shortages of foodstuffs or other products essential to the contracting party”. Many developing countries believe that, in practice, the Article has not helped to impose sufficiently strong discipline concerning the use of export restrictions.

Further exceptions are allowed under Article XX(i) for measures concerning exports of domestic raw materials for processing industries; Article XX(j) which permits



a general exception for measures essential to the distribution of products in general or in local short supply and Article XXI which permits exceptions on the grounds of national security. In the Uruguay Round, Article 12 of the AoA was added to strengthen the discipline on export restriction in the context of Article XI:2 (a). Article 12 requires that due consideration be given to the effects of such prohibition or restriction on importing members' food security and included a provision for notification to consult with any member having a substantial interest as an importer at their request. Developing countries are exempt from this provision unless they restrict exports of a foodstuff for which they are a net food importer.

The initiative by developing countries in the forthcoming Round will be aimed at harmonising the regulations regarding export taxes and restrictions. Josling (1998) proposes that export taxes be treated in the same manner as quantitative restrictions and contends that it is "inconsistent to leave in place the possibility of export taxes and quantitative restrictions that have an immediate and harmful impacts on developing countries' food importers." Another option is to have export taxes and other such charges against exports negotiated and made subject to the same bound concessions as those in the Members' schedules.

State Trading Enterprises

State Trading Enterprises (STE) are state organisations that exert monopoly or near monopoly power over the purchases and sales of a country's agricultural produce. Their conformity to the new international trading rules will be among the issues raised in the upcoming negotiations on agriculture. This is an area which members have tried to deal with in the past, such as under GATT Article XVII, the Understanding on the Interpretation of Article XVII and Article II:4, which deals with import monopolies. Whether agreement can be reached in the next Round remains to be seen. Article XVII states that STEs must operate in accordance with commercial considerations and in a non-discriminatory way. These criteria have been the subject of various interpretations by WTO members and the WTO established a working Party on STEs.

There is concern that STEs could be used to circumvent market access commitments, particularly in instances where country commitments are administered through STEs. There has been much debate in the Analysis and Information Exchange (AIE) process on this subject, much of which has emphasised the need to examine more clearly the operations of STEs to determine the extent to which their marketing activities are any more trade distorting than those of private organisations. Multilateral rules may emerge from the upcoming negotiations that cover the operations of both STE and private organisations that have the power to exert undue market influence.

The prevailing view seems to be that the next Round will have to place a tighter discipline on the operation of STEs. It is likely that one outcome of the forthcoming Round of negotiations will be a call for more transparency in the operations of STEs and greater consistency with "commercial considerations". However, some developing countries have argued that some STEs are essential for the marketing of certain agricultural products.



Issues arising from the SPS Agreement

A separate agreement on food safety and animal and plant health standards allows countries to set their own standards provided they are applied in a scientific and non-discriminatory way and are necessary to protect human, animal or plant life or health. Member countries are encouraged to use international standards, guidelines and recommendations where they exist. The agreement includes provisions on control, inspection and approval procedures. Governments must provide advance notice of new or changed sanitary and phytosanitary regulations, and establish a national enquiry point to provide information.

Member countries continue to experience difficulties with the vague nature of the definitions presented in Annex A of the SPS Agreement Article A “Basic Rights and Obligations”. There continues to be a need for greater clarity regarding “identical and similar conditions,” particularly with regard to animal diseases. The task of establishing mechanisms for the determination of equivalence between the protective systems of various countries is particularly important for developing countries. The development of methodologies and the harmonisation of terms for risk assessment and management of SPS measures is required.

Genetically Modified Organisms (GMOs)

GMOs are covered in the Agreement on Sanitary and Phytosanitary measures as well as in parts of other agreements. In particular they are addressed by the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIP). Issues relating to licences are covered by the Agreement on Technical Barriers to Trade. The issue of GMOs will probably be of paramount interest in the forthcoming negotiations. Sufficient ground rules must be established for the treatment of issues pertaining to GMOs, to minimise contention in disputes.

Issues concerning GMOs have received increasing attention over the past few years. Already a considerable volume of agricultural trade involves GMOs in some form. Some estimates suggest that the use of GMOs could increase productivity levels by as much as 35%, while simultaneously reducing herbicide costs by 15-29%. However, GMOs have raised concerns because of their perceived relationship to food safety and human health.

The position that countries can be expected to take on this issue will largely depend on the extent to which they feel GMOs pose a threat to human health. However, this is a complex issue and there are sharply contrasting opinions on the best way forward at the national, regional and the multilateral levels.



In the words of Alan Ryan, the chairman of the inquiry into GMOs conducted by the Nuffield Foundation, “Up to now, GM crops have produced very little for the consumer and nothing for developing countries.”¹

Area of GM crops planted in 1998 (millions of hectares).

USA	20.5
Argentina	4.3
Canada	2.8
Australia	0.1
Mexico	0.1
Spain	0.1
France	0.1
South Africa	0.1
Tota	27.8

China has planted an unknown but “significant” quantity of GM crops.

Britain has more than 140 small test sites

India has 40 trial sites. Full-scale production was intended to begin in 2000.²

Across the US this spring, 55% of the soya bean acreage sown was GM, as was 35% of the corn. However, since then, there has been widespread consumer concern throughout the world. In response, Sapporo and Kirin breweries in Japan, Grupo Maseca the corn flour producers in Mexico and Gerber and Heinz the baby food manufacturers in the US have all recently announced that they intend to stop using genetically modified corn.

There has been widespread media coverage on issues to do with “Sterile-seed” technology, which has been dubbed “terminator technology.” by the media. Biotech companies, such as Monsanto, own technological patents, which could genetically programme plants to bear sterile seeds. This would require farmers to purchase seed every planting season. If ever introduced commercially, this would raise serious concerns over food security. “Trait technologies,” for which patents have been applied but still not developed, would inactivate only the specific gene(s) responsible for the value-added biotech trait.

Most if not all of this technology is very much in its infancy, and never even tested in field trials. In October 1999, Monsanto’s chief executive, Robert Shapiro, said

¹ Nevertheless, Ryan is an enthusiastic supporter of genetically modified crops and believes that it is easier to increase crop yields than to engage in successful programmes of land redistribution, let alone global income distribution. He sees the potential usefulness of some types of genetic manipulation, such as developing drought resistant crops or sticking vitamin A into rice, which could stop countless poor children going blind. He also agrees that it should not be left up to the market to pioneer benefits such as these. (Financial Times October 2nd/3rd 1999).

² Source: Rural Advancement Foundation International (A Canadian NGO which has led criticism against the nascent technology since March 1999)



that Monsanto, “did not intend to commercialise sterile-seed technologies until a full airing of the issues is complete.” What is required now is a broader discussion on the scientific, economic and ethical issues surrounding plant genomes and how they impact on farmers' rights, particularly in developing countries.

Instituting a system of product labelling or other information schemes may go some way towards addressing consumer concerns. However, separate marketing of GM and non-modified crops will add considerably to costs. Concern over the use of genetically altered crops for animal feed could lead to segmentation of meat markets, with substantial implications for the competitiveness, consumption patterns and structure of many industry segments.

Since the area of GMOs is not comprehensively addressed in the present WTO Agreement, developing some discipline will be critical to averting potentially serious and numerous conflicts among WTO members. The challenge will be to develop adequate measures of discipline while simultaneously allowing countries to realise the potential benefits from the application to agriculture of science and technology. An agreement that is too restrictive runs the risk of inhibiting international trade and creating even further problems by contravening other obligations which Members currently hold.

Geographic indicators and Origin Denominations

The last decade has seen a shift in agri-food markets toward “high-valued” products. Geographic indicators such as patents and trademarks within the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) have become the new instruments of trade policy which are employed by countries in gaining and sustaining international competitiveness in agri-food markets. Within the context of the built-in agenda in the TRIPS area, there is a commitment to undertake negotiations on geographical indicators. According to SELA/UNCTAD, in 1998, there were 385 territorial names among the countries of the EU.

To share in the growth that is occurring in the high-valued segment of agri-food markets, developing countries will require far more than low production costs and high quality. Developing firm and industry strategies based on product differentiation and market segmentation supported by these new areas in trade policy will be critical for the agri-food sector in the next millennium. It is essential for developing countries to actively participate in negotiations on areas such as geographical indicators as a means of safeguarding their hard-earned competitive advantage for specific products in which they maintain an export interest.

Special and Differential Treatment (S&D)

While there have been several provisions in the area of S&D treatment, these have not been used effectively by many developing countries. A recent review undertaken by the WTO Secretariat concluded that while the S&D provisions enshrined in the AoA were effectively implemented (from the Secretariat’s perspective) based on the notifications, the number of beneficiaries was small.



Certain specific areas in the present AoA, as well as many of the new areas under consideration will require additional special provisions for developing countries. There have been suggestions that the criteria for the designation of countries as “developing” should be revisited so as to ensure that countries generally understood to be “developing” actually benefit from reform to the existing provisions regarding special treatment. One suggestion is that the “global trade status “ could be used rather than per capita input measure.

Many countries such as India, Pakistan, Brazil and Cuba have expressed concerns regarding the financing of the mechanisms of implementation. There appears to be a general consensus that more flexibility is required in the AoA to assist developing countries to achieve their food-security objectives.

“Non Trade Concerns” and “multifunctionality”

Non-Trade concerns are referred to in Article 20 of the AoA. There is concern among the EU countries, Norway and others that existing agreements fail to take full account of the multi-functionality of the agricultural sector. The viability of rural areas is not only vital for food security. The primary sector has large income and employment variables, particularly in rural areas. It also has an enormous impact on the environment and the maintenance of the cultural landscape.

The theoretical base of multi-functionality remains vague, if not controversial. From the perspective of the forthcoming negotiations, WTO Members remain divided on the treatment of non-trade concerns. Various EU Members have pushed for their inclusion, through for instance, a *broadened* definition of the “Green Box” or by allowing for the possibility of “exclusions” to commitments on measures such as export subsidies.

Other WTO members argue that if multi-functionality is included, it will lead to a weakening of disciplines and even further distortions in agricultural markets. It may be argued that the expansion of provisions relating to non-trade concerns may not offer developing countries any more that is already provided for in the AoA.

4) ISSUES FOR THE UPCOMING MULTILATERAL TRADE NEGOTIATIONS

The AoA states that negotiations on agriculture must start by the beginning of the year 2000. The Seattle Ministerial Conference will launch negotiations to continue reforms in agricultural trade. Since 1998, special sessions of the General Council have taken place to prepare for the next negotiations and many WTO members have suggested that other trade issues should be included in the negotiations. The Seattle Ministerial Conference will decide the scope and extent of the new negotiations.



The following issues to further reform the agricultural sector are likely to emerge during the Seattle Ministerial conference and the subsequent negotiations:

- Revision of special and differential treatment for developing countries in the areas of market access, domestic support and export subsidies.
- Reductions in tariffs
- Changes to tariff quota quantities
- Examination of the scope of special safeguard provisions
- Reductions in trade distorting domestic support
- Reductions in (or even elimination of) export subsidies
- Review of anti-circumvention provisions concerning export competition
- Improvements in the rules related to non-trade concerns, including those related to food security and food safety.

ADDITIONAL MATERIAL ABOUT THE FORTHCOMING NEGOTIATIONS IS INCLUDED IN THE ANNEX TO THIS MODULE, PARTICULARLY THE PROPOSALS INTRODUCED IN THE WTO (GENERAL COUNCIL) IN 1999.



B.- IMPORTANT ISSUES FOR CONSIDERATION BY GOVERNMENT OFFICIALS.

1) THE AGREEMENT ON AGRICULTURE (AOA), WHAT IS ITS IMPORTANCE?

- In the great majority of economies, and in virtually all developing and transition economies, agriculture and agricultural trade are of primary importance: for overall economic activity, for domestic production and employment and for the balance of trade. For least-developed and net food-importing countries, agricultural imports are vital.
- World agricultural trade and production figures reflect this importance. Standing at about 11 % share of world merchandise trade annually, agricultural trade surpasses volumes in mining and in automotive products, textiles and clothing, chemicals, fuels and iron and steel. However, it lags behind the average growth rate of world merchandise exports. In the decade since 1990, the stronger growth rates of economies in certain areas, such as East Asia and the Pacific, Latin America and to a certain extent the Caribbean, have enjoyed above average expansion of their agricultural production. On the other hand, the drastic economic contraction in all Central and East European and CIS countries during the period has been reflected in the dramatic slump in the volume of their agricultural production - by no less than 6 per cent annually over 1990-97.
- Although part of merchandise trade, trade in agriculture has always occupied a special place in world trade due to the particular role of agricultural production in national economies, its direct impact on the social and cultural fabrics of numerous and highly diverse societies, the direct links of production and trade with health, and the nutrition and safety of human and animal life and of the environment. This complexity and diversity led to specific features of agricultural production and trading regimes:
 - customs tariffs at higher average rates than for manufactures and various non-tariff barriers to entry - import bans, quotas, variable import levies, minimum import prices, also non-tariff measures maintained by state trading enterprises;
 - a broad range of domestic subsidies;
 - the use of export subsidies on primary agricultural products.As a result agricultural products encountered greater barriers to trade than existed in other merchandise sectors.
- Thus in the lead-up to the Uruguay Round there was a growing realisation that reform of trade in agriculture would have to be a long-term process. First, certain common rights and obligations would have to be agreed upon and adopted. It also became increasingly apparent that reform would have to:
 - establish a fair and market-oriented agricultural trading system
 - provide improved market access for developing countries and addressing non-trade concerns like food security and the environment.This dual objective is in fact reflected in the Preamble of the AoA..



- Despite these shared realisations, the actual Uruguay Round trade negotiations encountered severe practical stumbling blocks, the main obstacle in the negotiations being the confrontation between two groups with opposing Interests. On the one hand, there was the USA and the Cairns Group countries (Australia, Canada, New Zealand, Argentina, Brazil, Chile, Colombia, Uruguay, Fiji, Indonesia, Malaysia, Philippines and Thailand. Hungary had already left the Group and Paraguay and South Africa joined afterwards). in favour of the total elimination of agricultural subsidies. On the other, there was the EEC, supported by the EFTA states, Japan and the Republic of Korea who were only willing to accept partial liberalisation;
- This confrontation played itself out in three consecutive stages. Initially there was deadlock, which even threatened the outcome of the Uruguay Round as a whole. Then in December 1991, the then-Director General of the GATT was able to put forward a compromise basis for agreement - the "Dunkel Text" - quite a far-reaching set of measures to liberalise and regulate trade and to offer meaningful special and differential treatment for developing countries. Finally the AoA³ was concluded in December 1994. However the original commitments of the Dunkel Text were perceptibly diminished, especially on turning quotas and other Non-tariff barriers into tariffs - the so-called 'tariffication' and on the reduction of subsidies.

Two observations may be made in summing up.

The AoA incorporated agricultural trade into a set of multilateral disciplines, rules and commitments within the Multilateral Trading System. This historic agreement offered up the prospect of gains from freer trade for all participants. Despite the fact that, as a whole, production has grown favourably for developing countries, it is quite evident that developing countries have neither significantly improved their share of trade nor have they received adequate benefit from the Uruguay Round.

2) ISSUES OF IMPLEMENTATION OF THE AOA:

The following are the issues of major concern with respect to the implementation of the Agreement :

- **Market access**
 - ❑ the over valuation of the tariff equivalent of Members' non tariff measures (tariff escalation)⁴
 - ❑ selective tariff-cutting (tariff peaks)⁵

³ The Agreement on Agriculture is explained in Part A of this module.

⁴ When WTO members transformed, in the process of tariffication, their non tariff measures (NTMs) to tariffs, they performed what has been called "dirty tariffication". This means that they calculated the tariff equivalents of NTMs that were higher than the protective effects of the NTMs replaced.

⁵ This can be explained with the process of tariffication. In fact, in the agricultural sector, a linear approach of tariffication was used, that aimed at an overall average reduction of 36% (with a minimum of 15%) for each tariff line. This gave the flexibility to Members to reduce tariffs on selected products (e.g. sugar) by a minimum of 15%, to then compensate with higher reductions in other products. What was needed was to achieve the average 36% reduction.



- ❑ the discriminatory and non-transparent administration of tariff rate quota (allocation of MFN tariff quotas to preferential suppliers)
- ❑ imports levied at the higher above-quota tariff rate even when the tariff quota volume is under-filled (quota under-filled).
- ❑ the shortcomings of the special safeguard provision (often applied to products of interest of developing countries)⁶

➤ **Domestic support**

- ❑ the use of the Aggregate Measurement of Support (AMS) in reduction commitments (often resulting in an increase, instead of a reduction, of domestic support in particular sectors, by shifting domestic subsidies from other sectors within the AMS).
- ❑ the shortcomings of the use of the green box criteria (it is often questionable whether the measures concerned have no or minimal trade distorting effects).
- ❑ the use of blue box measures (often used as tools for agricultural policy).

➤ **Export subsidies**

- ❑ concentration on the use of export subsidies among a few Members and on limited products (Members that declared large export subsidies in the base year are allowed to continue providing high percentages of the value of export subsidies based on the base year, whereas those who reported no subsidies in the base year cannot provide new export subsidies)
- ❑ the circumvention of the export subsidies commitment (subsidization of component products with reference to existing commitments on further processed products, such as the EU inward processing arrangement or IPA)
- ❑ the use of cumulative export subsidies (Members can utilise an unused quantity of their export subsidies from one year as a deposit for coming years)
- ❑ the improper use of export credits (often used as policy tools against the export subsidies commitment)

➤ **Sanitary and phytosanitary measures (SPS)**

- ❑ SPS are often applied in a non-transparent manner
- ❑ lack of assistance to developing countries to comply with the SPS regulations (assistance under the SPS Agreement is on a "best effort" basis)
- ❑ new obstacles emerging from the environment and the quality of food (e.g. hormones)

➤ **LDCs and net-food importing developing countries (NFIDCs)**

⁶ Such as sugar, cotton, tobacco, prepared fruits and vegetables.



- no financial or technical assistance was provided to LDCs and NFIDCs to improve their agricultural productivity and infrastructure

3) "POSITIVE AGENDA" IN PREPARATION FOR THE FUTURE NEGOTIATIONS IN AGRICULTURE:

The following are the priority areas for developing countries for the mandated negotiations on agriculture:

- a comprehensive assessment of the implementation of the provisions of the AOA, including all important aspects such as market access, domestic and export subsidies, SPS and LDCs and NFIDCs
- analyses of the possible implications of the negotiating options, especially of market access and of subsidies, on food security and on the situation of LDCs and NFIDCs
- studies on the activities of state trading enterprises in agriculture

ADDITIONAL MATERIAL ABOUT THE FORTHCOMING NEGOTIATIONS IS INCLUDED IN THE ANNEX TO THIS MODULE, PARTICULARLY THE PROPOSALS INTRODUCED IN THE WTO (GENERAL COUNCIL) IN 1999.



C.- IMPORTANT ISSUES CONCERNING AGRICULTURAL TRADE FROM THE PRIVATE SECTOR PERSPECTIVE.

Farmers and agri-businesses in developing and transition economies that are involved in the production, importation and/or exportation of agricultural produce should be aware of and take into consideration WTOs rules and disciplines pertaining to agricultural trade. Farmers, managers and entrepreneurs need practical information and support on WTO issues that are directly relevant to their business operations. Negotiators involved in defending national positions need to receive the opinions of the producers and traders to help establish what positions to take during the forthcoming multilateral negotiations in agricultural trade.

The first part of this module has been prepared to provide the private sector with some of the information required to understand the issues at stake. The final part outlines key points for the private sector to take into account while developing their strategy and analytical work to be done at the local level.

1) WHAT ARE THE SPECIFIC COMMITMENTS IN RELATION TO TRADE IN AGRICULTURAL PRODUCTS?:

- As a result of the Uruguay Round, two agreements and one Ministerial decision related to agriculture were concluded:
 1. the Agreement on Agriculture itself;
 2. the Agreement on Sanitary and Phytosanitary Measures ;
 3. the Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Program on Least-Developed and Net Food-Importing Developing Countries.

- Three main groups of Obligations and Commitments are at the centre of the AoA:
 - Market Access:
 1. Tariffication. All existing Non-Tariff Measures were converted into customs tariffs.
 2. Tariff cuts. Developed countries undertook to cut all their tariffs by an "unweighted" average of 36% in equal instalments over six years from their 1986-88 levels.
 3. Members committed themselves to guarantee the same access as under the base-period of 1986-1988 (current market access opportunities).
 4. Members agreed to establish "minimum access" opportunities for those products whose imports in the base-period were less than 3% of domestic consumption.

 - Domestic Support:

Trade-distorting domestic subsidies would be reduced by developed countries by 20% over six years from the average level in the base period 1986-88. The AoA excludes from reduction commitments trade-distorting support which remains on



a small scale when compared with the total value of the product or products supported (5% or less in the case of developed countries and 10% or less for developing countries). Direct payments to producers under production-limiting programmes which require certain conditions are also exempt from reduction commitments. Finally, the agreement allows governments not to make reductions in their programmes aimed at supporting rural economies through policies that cause minimal impact on trade and do not support prices or production. Examples of this are research, disease control, infrastructure, direct payments under environmental and regional assistance programmes. These types of policies are commonly known as Green box measures.

- **Export Subsidies:**
Developed country Members agreed ceilings on both the volumes and values of subsidised exports and to reduce values by 36% over six years, from the 1986-90 levels. The volume of subsidised exports was agreed to be cut by 21% over 6 years from the same base period. Additional disciplines concerning export subsidies were agreed on. Members undertook
 - not to create any new export subsidies.
 - to develop and observe international disciplines concerning the use of export credits, credit guarantees and insurance programmes.

2) OTHER DISCIPLINES IN THE AOA:

- Members contemplating the introduction of new measures restricting exports of foodstuffs must give due consideration to the possible consequences for the food security of importing countries. Members must notify the Committee on Agriculture prior to any such introduction and must enter into consultations with other members if they so request.
- For a nine-year period, a member that meets its export subsidies and domestic support commitments under the AOA would not have to face legal action that might otherwise be available to another member under the Subsidies agreement.
- **Obligations On Sanitary and Phytosanitary Measures:**
A separate agreement on food safety and animal and plant health standards allows countries to set their own standards provided they are
 - applied in a scientific and non-discriminatory way and
 - necessary to protect human, animal or plant life or health.
- **Measures Concerning the Availability of Food Aid:**
Developing countries do not have to cut their subsidies or lower their tariffs as much as developed countries, and they are given extra time to complete their obligations. Countries that rely on imports for their food supplies, and the least developed economies are granted special provisions. Some countries have been highly dependent on supplies of cheap, subsidised food imported from the major industrialised nations. The Ministerial Decision concerning the possible negative impact of the agricultural reform programme on net food importing developing countries (NFIDC) and least developed countries recognised that such countries may



suffer from higher prices of food stuffs during the reform of the agricultural regime. Thus the Ministers agreed on a list of mechanisms:

- periodic assessment of established levels of food aid and of the needs for such aid as well as negotiations to ensure the legitimate needs of developing countries;
- adoption of guidelines for increasing the share of grant aid;
- technical and financial assistance to enhance the agricultural productivity and infrastructure of least-developed and net food-importing developing countries.

3) WHAT SAFEGUARDS ARE PROVIDED IN THE AOA?:

- Special Safeguard Measures: under certain conditions a country may impose temporary duties for up to one year on products subject to tariffication. This right can be applied for "the duration of the reform process" that is to say, for six years for developed and 10 years for developing countries. Safeguard measures may be triggered either by an import surge or a drop in world prices provided that:
 - *the volume of imports* rises above a certain trigger level. The importing country may then impose temporary duties of up to one third of the normal applicable tariff for the duration of the marketing year;
 - *the price* of imports falls below a trigger price (i.e. a price equal to the average 1986-88 reference price). Then the importing country may impose in addition duty, equal to a prescribed ratio of the difference between the actual import price and the trigger price.
 - countries only impose either volume or price safeguard measures, not both kinds at the same time.

4) WHAT PROVISIONS ARE THERE FOR THE SPECIAL AND DIFFERENTIAL TREATMENT OF DEVELOPING COUNTRIES IN THE AOA?:

- Smaller tariff reduction cuts: Reductions in tariffs must average no more than 24%, with a minimum cut of 10% and be implemented over 10 years. Least-developed countries must bind their tariffs, but are exempt from all liberalisation commitments.
- Domestic Support: The AoA exempts from compliance measures applied to encourage agricultural and rural development which are part of the development programmes of developing countries. These include:
 - investment subsidies generally available to agriculture in developing countries;
 - subsidies for agricultural imports generally available to low-income or resource-poor producers; domestic support to producers to encourage diversification from growing illicit narcotic crops;
- Broader rights under the SPS Agreement: Developing countries have the right to exceptions from the obligations of the SPS for specified time-limited periods. They also have the right to expect technical assistance to strengthen their understanding of and compliance with SPS measures.



5) BENEFITS OF THE AOA TO THE PRIVATE SECTOR:

Benefits to exporters of agricultural products

The binding of concessions and commitments in the UR brought greater security of access to foreign markets. Exporters have the right to expect that exported raw material will not be subject to customs duties at rates higher than in-quota rate tariffs or the MFN bound rates. Binding ensures that improved market access resulting from tariff reductions agreed in the Round will not be disrupted by sudden increases in rates of duties or the imposition of other restrictions by importing countries.

The system also provides certain stability of access to export markets by specifying the principles and rules which member countries must use in regulating sanitary and phytosanitary measures.

Benefits to importers of agricultural products

Importers have the right to expect that imported raw materials will not be subject to customs duties higher than in-quota tariff rates or MFN bound rates. Importers also benefit from other Agreements that regulate the imports of agricultural products, such as the sanitary and phytosanitary agreement, which provides greater transparency for importers of agricultural products.

Benefits to producers of agricultural products

The AoA is aimed at reforming trade in agricultural products along more market-oriented lines. While international competition is likely to increase, the AoA does not unduly restrict the rights of governments to grant subsidies for the improvement to productivity and efficiency of agricultural production or to adopt suitable measures to provide support to farmers.

The impact of the AoA may differ for agribusiness and farmers in different countries. For example an agricultural product on which restrictions were applied on a discriminatory basis by importing countries. Farmers whose exports had been restricted prior to the AoA might have found that they could benefit from the removal of restrictions on their main markets and therefore adopted production and export strategies to take advantage of the improved opportunities for trade. In contrast, farmers in a country whose exports had not been so restricted might have had to prepare themselves for increased competition that followed from the removal of the restriction of imports into the country.

6) THE ROLE OF THE PRIVATE SECTOR IN THE FORTHCOMING NEGOTIATIONS:

- Knowledge of the WTO system will enable the agri-business community to help their governments to take full advantage of the forthcoming negotiations.
- The strategy for trade negotiations must be prepared and implemented with the full involvement of farmers and agribusiness companies in the context of other aspects of the national economic development strategy.



- It is necessary for the private sector to identify the network of key players affected by and involved in the forthcoming negotiations. Among these will be the various farmers organisations, the agri-business companies, WTO "focal points" in governments the Ministries of Trade, Foreign Affairs, and Industry, trade promotion officials, academia, consultants and lawyers, consumer groups and environmental organisations, and the media.
- To maximise the impact of their demands and to address country specific priorities, the private sector may find it useful to draw up an export/producer register to provide negotiators with key information, which would allow them to negotiate on the private sector's behalf. The register would help to identify, among other things, the importance of certain measures to the economic well-being particular sectors and/or regions. It would also highlight the importance of expanding certain key tariff rate quotas and so on. The register would serve as much as a tool for lobbying as for information and might also be made available through the internet.
- On the information side, it would include details such as the names of producers and exporters and the volumes of products they deal with. It might also provide advice such as on how to draw up a schedule of objectives in the form of information sheets.

The export register might include the following information:

1. There should be a section of basic information that would demonstrate to negotiators the importance of a region or sector to the country. This would include details about the region such as historical information, main geographical features, main production centres, gross domestic product, investment projects including inward investment. This section would help to identify the different types of subsidies which the various sectors and regions receive.
2. Data on main exportable products including descriptions of some exportable products, measures and scaling of these products, times of harvest, packaging and main export markets and buyers. In this section, it would be particularly useful to highlight the problems, if any, that producers have encountered with TRQs and suggested solutions to remedy them.
3. Lists that include Products, Exporters and Organisations dealing with foreign trade: Index of exportable products, Lists classified according to the harmonised system (1996), Lists of exporters: Names, addresses and products, Lists of governmental and Private Agencies involved in foreign trade. It would be particularly useful for exporters to identify what they consider to be an acceptable level of tariff.

The register's organisation should allow for quick cross-referencing. It provides data concerning companies exporting regional products and all the necessary information for the establishment of highly beneficial commercial relationships in an easily accessible format.



- Finally, producers and exporters should devise a checklist of questions that need to be answered on a particular issue. Questions on such a list might include the following:
- Have I identified the contact person in the government who is dealing with the issue that I am concerned with?
 - Have I identified my competitors on this issue?
 - Who are my probable allies within and outside my country?

Farmers should also be aware that other pressure groups might also be trying to persuade the government to take a position that is not in line with theirs. Farmers and agri-business companies are more likely to win their argument if they are able to demonstrate how the adoption of their chosen strategy will be converted into economic benefits for the country. Negotiations on tariff reductions and other liberalisation commitments must, therefore be backed up with appropriate promotion and development strategies.



D.- IMPORTANT ISSUES CONCERNING AGRICULTURAL TRADE FOR CONGRESSMEN

PURSUING THE NATIONAL INTEREST: BALANCING COSTS AND BENEFITS: THE ROLE OF PARLIAMENT⁷

- Agriculture is vital to the interests of every country. Therefore negotiations on rules and commitments on production and trade are particularly complex, lengthy and often acrimonious. The issues concerning the production and trade in agricultural goods are particularly sensitive - politically and economically. Correspondingly, in technical terms they are highly complicated. It is very much in the national interest of every country to have a well-defined policy and negotiating position on agricultural trade. No less important is the ability to combine positions and interests with other "like-minded" countries, particularly during the course of negotiations.
- National Parliaments are intimately involved with the agricultural issues. Yet the problems of multilateral rules and commitments within the WTO framework are not sufficiently well understood. Thus there is a clear need for Members of Parliament to be involved at all stages of work on multilateral negotiations.
- Parliament should:
 - ask the government to present a cost and benefit analysis on the effects of implementation of the Schedule of Commitments to date. This should include assessments of the budgetary and balance-of-payments effects of implementation.
 - undertake its own examination of the relationship between national legislation and regulations and the AoA rules and commitments. This examination should endeavour to identify issues on which the country might wish to seek reciprocal concessions - the support of Parliament in such cases can be a major asset for government negotiators.
 - collaborate with Government to try to work out a negotiating mandate for the initial stages of negotiations and to agree to periodically update it in the light of the progress of the multilateral negotiations and of their domestic political and economic developments.
- The concrete issues that the country should focus on might derive from:
 - problems arising from the implementation of the AoA;
 - the "positive agenda" priorities put forward by developing countries;
 - specific priorities of the individual country.

⁷ The Agreement on Agriculture and the main technical and political features of agricultural trade from the developing and transition economies' perspective are explained in Part A of this module.



- The central task for a country in negotiations is to conclude a schedule of commitments that maximises benefits and keeps costs to a minimum. A crucial requirement for success is that there exists internal agreement (in so far as this is possible) between government, producers, traders and consumers as to what is an acceptable compromise between these defining considerations. This is clearly no easy task. It requires continuous objective examination and estimates.

- Parliament is the most representative, specialised and also highly-paid national forum for debate and policy-making that a country possesses. MPs should rise to the challenge and ensure that they are effective in furthering their countries' interests in line with multilateral efforts to achieve freer and more equitable trade in agriculture throughout the world.



E.- IMPORTANT ISSUES FOR RESEARCH AND ACADEMIC INSTITUTIONS

The main purpose of this section is to identify some research priorities on agricultural trade. It contains a list of proposals and questions for further study regarding international agricultural trade.⁸ There is an evident need to do studies on agricultural trade in developing countries at the national and regional levels. Therefore the empirical data required to carry out these studies must relate to the countries concerned.⁹ It is also imperative to look at the economic implications of trade in agricultural products in conjunction with the political and social situation of developing countries.

1) IMPLEMENTATION OF THE URUGUAY ROUND (UR) AGREEMENT ON AGRICULTURE (AOA): EVALUATION OF TRADE LIBERALIZATION

- Attention should be paid to the economic and political effects of the AoA from the development perspective. A useful methodology for model-base studies can be found in various studies by UNCTAD.¹⁰

- Some questions which could also guide this research are, among others,
 - 1) What TRQs have been filled, in what markets and products?
 - 2) What TRQs allocation methods have been used and what have been the effects? 3) If there was little or no trade out of tariff-quotas, what level of tariff reduction would be required for trade to have taken place outside the TRQs?
 - 4) Have the disciplines in export subsidies had any impact on the ability (of country X) to compete in international markets?
 - 5) What are the weaknesses encountered by WTO members in the implementation of the commitments on export subsidies?
 - 6) What problems have emerged as a result of the implementation of domestic support disciplines?
 - 7) What changes should be made to domestic support measures?

- Political and social dimensions should complement the above-mentioned evaluation. It would be useful to identify
 - 1) What have been the effects of the market access provisions on domestic policy formulation?
 - 2) Has there been any redistribution of resources (in country X) as a result of the UR commitments on Agriculture?
 - 3) To what extent have internal policies (of country X) been influenced by the provisions of domestic support of the AoA?

⁸ The Agreement on Agriculture and the main technical and political features of agricultural trade from the developing and transition economies' perspective are explained in Part A of this module.

⁹ The Annex of this study contains reference material, which could be useful for the international level of analysis.

¹⁰ For example, UNCTAD, The Uruguay Round Results and the Emerging Trade Agenda, New York-Geneva, UNCTAD, 1998.



2) EMERGING TRADE AGENDA: THE LIKELY IMPACT OF THE DIFFERENT SCENARIOS FOR FURTHER REFORM IN AGRICULTURAL TRADE. EMPIRICAL STUDIES COULD INCLUDE:

- Analysis of the impacts on domestic and world markets of trade policy changes of major exporters and importers of agricultural products.
- Studies on the social and economic impacts that liberalisation could have on highly protective sectors (in country X). It would be useful to evaluate the trade and production patterns as well as the labour market of the sectors concerned.
- Comparative analysis of the different domestic approaches to emerging social concerns and consumer preferences with aim of identifying the way food safety and quality regulations are implemented and their implications for international trade.
- Identification of policy options to minimise production and trade distortions. It would be useful to complement and co-ordinate research which has been recently undertaken by FAO and World Bank on issues relating to the policy approaches to facilitate adjustment to agricultural reform and to the impact of policy reform and trade liberalisation on income in agriculture.

As indicated above, it is important that the suggested research topics draw on empirical data at the national and regional levels. The exchange of information and experiences with the various academic institutions could be fruitful. UNCTAD / the Commercial Diplomacy Programme could co-ordinate this collaborative effort and stimulate the analytical work on above-mentioned topics.



F.- IMPORTANT ISSUES FOR THE MEDIA

WHAT WERE THE ACHIEVEMENTS OF THE LAST ROUND OF MULTILATERAL TRADE NEGOTIATIONS FOR AGRICULTURE?

The Uruguay Round agreement on Agriculture was a first step towards making the agricultural sector subject to the general rules and disciplines of the WTO. Prior to the UR various highly trade distorting practices were allowed for trade on agricultural products. The objective of the Agriculture Agreement was to reform trade in the sector and to make policies more market-oriented. This would, it was hoped, improve predictability and security for importing and exporting countries alike.

WHY IS THERE A NEED FOR ANOTHER ROUND OF MULTILATERAL TRADE NEGOTIATIONS?

The agreement on Agriculture is being implemented over a six year period (10 years for developing countries), that began in 1995. WTO Members agreed to initiate negotiations in article 20 of the Agreement on Agriculture, which reads as follows:

Article 20 - Continuation of the Reform Process:

"Recognizing that the long-term objective of substantial progressive reductions in support and protection resulting in fundamental reform is an ongoing process, Members agree that negotiations for continuing the process will be initiated one year before the end of the implementation period, taking into account:

- (a) the experience to that date from implementing the reduction commitments;*
- (b) the effects of the reduction commitments on world trade in agriculture;*
- (c) non-trade concerns, special and differential treatment to developing country Members, and the objective to establish a fair and market-oriented agricultural trading system, and the other objectives and concerns mentioned in the preamble to this Agreement; and*
- (d) what further commitments are necessary to achieve the above mentioned long-term objectives."*

WHAT ARE THE MAIN RULES AND DISCIPLINES GOVERNING INTERNATIONAL TRADE IN AGRICULTURE?

The main rules governing international trade in agricultural products concern the areas of market access, domestic support and export subsidies. The rules in the area of market access deal with various trade restrictions confronting imports. Domestic support disciplines cover the use of trade distorting policies by governments in order to protect the agricultural sector. Under the existing agreement, members are also subject to disciplines concerning the use of measures such as export subsidies, which are used to make exports artificially competitive.

WHAT ARE THE CURRENT DISCIPLINES REGARDING MARKET ACCESS?

Tariffs are the only trade restrictions that should apply to imports. Agricultural imports should not be restricted by quotas and other non-tariff measures. During the Uruguay Round, the latter were converted into tariffs to provide more-or-less equivalent levels of protection to the levels that existed before.



At the end of the implementation period, that is to say 2000 for developed countries and 2005 for developing countries, the unweighted average tariff must be cut by 36 and 24 per cent for developed and developing countries respectively. Least-developed countries were not required to reduce their tariffs.

Members also committed themselves to guarantee so-called "current market opportunities". That is to say, they committed to guarantee the same access as under the base-period of 1986-1988. In addition, Members agreed to establish "minimum access" opportunities for those products whose imports in the base-period were less than 3% of domestic consumption.

IN WHAT WAYS CAN MEMBERS PROTECT THEMSELVES FROM SUDDEN ADVERSE MARKET CONDITIONS?

Members are allowed to take special emergency actions that is to say, safeguards, in order to protect themselves against swiftly falling prices or surges in imports. The agreement specifies when and how those emergency actions can be introduced. They cannot be used on imports within a tariff-quota, for example.

WHAT ARE THE CURRENT DISCIPLINES REGARDING DOMESTIC SUPPORT?

Domestic support policies which are considered to have no direct effect on trade are not subject to disciplines under the agreement on agriculture. These policies such as research, disease control, infrastructure, direct payments under environmental and regional assistance programmes were grouped in what came to be known as the "green box". There is another category of subsidies which are permitted, although they have some impact on trade. This category includes certain direct payments to farmers where they are required to limit production (sometimes called "blue box" measures), certain government assistance programmes to encourage agricultural and rural development in developing countries. Trade-distorting support is not subject to reduction provided it remains on a small scale when compared with the total value of the product or products supported (5% or less in the case of developed countries and 10% or less for developing countries). On the other hand, policies which support domestic prices, or subsidize production in some way are subject to reduction commitments. Developed countries agreed to reduce these figures by 20% over six years starting in 1995. Developing countries are making 13% cuts over 10 years. Least developed countries do not need to make any cuts.

WHAT ARE THE CURRENT DISCIPLINES REGARDING EXPORT SUBSIDIES?

The Agriculture Agreement prohibits new export subsidies. Export subsidies on agricultural products which were specified by the Members in their schedules of commitments during the Uruguay Round are allowed although subject to reduction. The agreement requires WTO members to cut both the amount of money they spend on export subsidies and the quantities of exports that receive subsidies. Developed-country Members agreed to reduce direct export subsidies' expenditures by 36% over six years, from the 1986-90 levels. The volume of subsidised exports was agreed to be cut by 21% over 6 years from the same base period. For developing countries percentage cuts for the same measures were 24 and 14 % respectively and could be spread over 10 years (with no reductions applying to least-developed countries).



IN WHAT WAYS DO DEVELOPING COUNTRIES BENEFIT FROM SPECIAL AND DIFFERENTIAL TREATMENT IN THE AGREEMENT ON AGRICULTURE?

Developing countries do not have to cut their subsidies or lower their tariffs as much as developed countries, and they are given extra time to complete their obligations. Countries that rely on imports for their food supplies, and the least developed economies are granted special provisions. Some countries have been highly dependent on supplies of cheap, subsidized food imported from the major industrialized nations. A special ministerial decision set out objectives, and certain other measures, for the provision of food aid and aid for agricultural development to help such countries cope with higher priced imports. They might also qualify for assistance from the International Monetary Fund and the World Bank to finance commercial food imports.

WHAT ARE THE MAIN PROVISIONS WHICH RELATE TO FOOD SAFETY?

A separate agreement on food safety and animal and plant health standards allows countries to set their own standards provided they are applied in a scientific and non-discriminatory way and are necessary to protect human, animal or plant life or health. Member countries are encouraged to use international standards, guidelines and recommendations where they exist. The agreement includes provisions on control, inspection and approval procedures. Governments must provide advance notice of new or changed sanitary and phytosanitary regulations, and establish a national enquiry point to provide information.

WHAT IS THE PURPOSE OF THE SEATTLE MINISTERIAL CONFERENCE IN TERMS OF AGRICULTURE?

The agreements on agriculture and services state that negotiations on these sectors must start by the beginning of the year 2000. The Seattle Ministerial Conference will launch negotiations to continue these reforms. Since 1998, special sessions of the General Council have taken place to prepare for the next negotiations and many WTO members have suggested that other trade issues should be included in the negotiations. The Seattle Ministerial Conference will decide the scope and extent of the new negotiations.

WHAT PROPOSALS FOR FURTHER REFORM IN THE AGRICULTURE SECTOR ARE LIKELY TO EMERGE DURING THE SEATTLE MINISTERIAL CONFERENCE AND THE SUBSEQUENT NEGOTIATIONS?

- Revision of special and differential treatment for developing countries in the areas of market access, domestic support and export subsidies.
- Reductions in tariffs
- Changes to tariff quota quantities
- Examination of the scope of special safeguard provisions
- Reductions in trade distorting domestic support
- Reductions in (or even elimination of) export subsidies
- Review of anti-circumvention provisions concerning export competition
- Improvements in the rules related to non-trade concerns, including those related to food security and food safety.



THE PRESS IN DEVELOPING COUNTRIES COULD ASK THEIR TRADE AND FOREIGN AFFAIRS MINISTERS AND MAIN FARM GROUPS AND FARM-RELATED NGOS (E.G. ENVIRONMENTAL AND CONSUMER GROUPS) THE FOLLOWING QUESTIONS IN ORDER TO EVALUATE THE SIGNIFICANCE OF THE NEXT MULTILATERAL TRADE NEGOTIATIONS FROM THE NATIONAL PERSPECTIVE:

- It would be useful to have two main sets of questions. The first set should aim at identifying the benefits accrued from previous rounds of negotiations. The second set should try to identify the needs for further negotiations.
- How did the multilateral trade agreements help country X to expand export market opportunities for its various agricultural products? The answer to this question should be detailed enough to be able to differentiate access by main markets and products.
- What effects has the last round of negotiations in agriculture had on the imports into country X?
- What are the main high tariffs and unfair trading practices, and in what products, that exporters of country X continue to face in key markets around the world?
- Does any export product of country X experience unfair trade barriers in relation to sanitary and phytosanitary measures which are not scientifically justifiable or arbitrarily and/or inconsistently applied?



G.- IMPORTANT ISSUES FOR REGIONAL ORGANIZATIONS.

REGIONALISM AND MULTILATERALISM VIS A VIS TRADE IN AGRICULTURE

Regional trade agreements (RTAs) have come to play a significant role in the global trading system. By April 1999, a total of 96 RTAs were in force. In the Western Hemisphere, for example, about 40 trade agreements are currently operating, and at least a dozen others are under negotiation. Nearly all WTO members are party to at least one RTA.

RTAs have taken different approaches to reducing barriers to agricultural trade. In most of the recent major RTAs, agriculture has not been excluded in the removal of internal trade barriers. However, some European agreements have only partially liberalized internal agricultural trade. In the most recent agreements, most farm products are included, although sensitive agricultural products are either given long transition periods or excluded (notably, dairy, poultry, and eggs in NAFTA; sugar in MERCOSUR).

SUMMARY OF SELECTED RTA'S AND THEIR AGRICULTURAL PROVISIONS			
RTA	Created	Current Members	Agricultural Provisions
European Union (EU)	1958 (EEC-6)	Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Common Agricultural Policy (unified trade Italy, Luxembourg, Netherlands, policy and support) Portugal, Spain, Sweden, United Kingdom	No internal trade barriers Common Agricultural Policy (unified trade, policy and support)
Closer Economic Relations (CER)	1983	Australia and New Zealand	Free trade in agricultural products
US-Israel FTA	1985	US-Israel	Agriculture is covered, but Israel was granted the right to protect infant industries, particularly in agriculture. 1996 Agreement designed to further liberalize agriculture trade particularly U.S. products facing nontariff barriers.
Asia-Pacific Economic Cooperation Forum (APEC)	1989	Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, Philippines, Singapore, South Korea, Taiwan, Thailand, United States. Peru, Russia, and Vietnam.became	Goal of free trade in agricultural products by 2010 for developed economies and by 2020 for developing economies.



UNCTAD/DITC
Commercial Diplomacy Programme

		members in 1998.	
Southern Common Market (MERCOSUR)	1991	Argentina, Brazil, Uruguay, Paraguay.	Nearly all intra-regional tariffs removed, only exempt Common Paraguay agricultural product is sugar. Established Common Market External Tariff, ranging from 0-20 percent for (MERCOSUR) agricultural products (avg. 10 percent)—generally lower than previous tariff levels.
Association of Southeast Asian Nations Free Trade Association (AFTA)	1991	Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Vietnam, Laos, Myanmar.	Transition to FTA with CET planned by 2003. All agricultural products are included.
Central European Free Trade Association (CEFTA)	1992	Hungary, Poland, Czech Republic, Slovakia, Slovenia, Romania.	Scheduled to fully liberalize agricultural trade in 1998, postponed until 2000
EU-CEE Association (Europe) Agreements	1992	EU and Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Bulgaria, Czech Republic, Slovenia.	Separate protocol for agriculture: 5-year phase-in for most concessions, limited to tariff decreases and quota increases. Trade in some products, such as grains, not liberalized.
North-American Free Trade Agreement (NAFTA)	1994	Canada, Mexico, US	Most agricultural tariffs between Canada and U.S. can Free (CUSTA, eliminated by Jan. 1, 1998; restrictions on sensitive products remain (dairy, poultry, eggs, sugar containing products). Agreement not to use export subsidies in bilateral trade and not to increase or introduce new tariffs. 15-year phase-out of all tariffs, quotas, and licenses that are barriers to U.S.-Mexican agricultural trade. 15-year phase-out of tariffs, quotas, and licenses for most Canadian-Mexican agricultural trade.

Source: Sharon Sheffield, "Agriculture, the GATT and Regional Trade Agreements" in Regional Trade Agreements and the US Agriculture, Washington, ERS, 1998.

Recent RTAs have adopted the commitment to achieve a deeper agricultural trade liberalization than agreed to in the Uruguay Round. This trend is likely to create a stronger constituency for meaningful trade reforms in the upcoming WTO agricultural negotiations. While some recent RTAs have defined a time frame for the substantial liberalization of all agricultural trade (NAFTA, MERCOSUR), specific reduction commitments have not been defined in APEC, and the treatment of agriculture



in the FTAA is still to be negotiated. Progress in the multilateral talks on reducing barriers to agricultural trade could influence these undefined aspects of RTAs.

In agriculture, RTAs have both trade-creating and trade-diverting impacts, but trade creation dominates in most RTAs. *According to Sharon Sheffield¹¹*, empirical evidence shows that the Australia-New Zealand Closer Economic Relations, the Canada-U.S. Trade Agreement, and MERCOSUR (the Common Market of the South, among South American countries) have led to increased agricultural trade with both partners and nonmembers. When fully implemented, NAFTA, APEC, and the FTAA are expected to be net trade creating in agriculture. Only the EU has resulted so far in net agricultural trade diversion. Its expansion to include Central and East European countries is also expected to be trade diverting.

Regionalism and multilateralism are likely to be mutually reinforcing in agriculture. A strong multilateral process can help minimize the negative aspects of RTAs, and make it more likely that RTAs will take shape as trade-creating, rather than protectionist agreements. In turn, the freer agricultural trade already achieved in the Western Hemisphere and committed to in APEC is likely to strengthen efforts to open market access in the forthcoming negotiations.

¹¹ Sharon Sheffield, "Agriculture, the GATT and Regional Trade Agreements" in *Regional Trade Agreements and the US Agriculture*, Washington, ERS, 1998.