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REPORT BY THE COMMITTEE ON AGRICULTURE ON THE MARRAKESH MINISTERIAL DECISION ON MEASURES CONCERNING THE POSSIBLE NEGATIVE EFFECTS OF THE REFORM PROGRAMME ON LEAST-DEVELOPED AND NET FOOD- IMPORTING DEVELOPING COUNTRIES

Report for the Singapore Ministerial Conference adopted by the
Committee on Agriculture on 24 October 1996

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I. Introduction

1. The Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries ("the Decision") was adopted by Ministers at Marrakesh as an integral part of the Uruguay Round outcome. A copy of the Decision is annexed to this report.

2. While recognizing that implementation of the results of the Uruguay Round as a whole would benefit all participants, the Decision also recognizes that during the reform programme leading to greater liberalization of trade in agriculture least-developed and net food-importing developing countries may experience negative effects in terms of the availability of adequate supplies of basic foodstuffs from external sources on reasonable terms and conditions, including short-term difficulties in financing normal levels of commercial imports of basic foodstuffs. The Decision accordingly establishes mechanisms which provide for: (i) review of the level of food aid and the initiation of negotiations in the appropriate forum to establish a level of food aid commitments sufficient to meet the legitimate needs of developing countries during the reform programme; (ii) the adoption of guidelines on concessionality; (iii) financial and technical assistance under aid programmes to improve agricultural productivity and infrastructure; and (iv) differential treatment in the context of an agreement to be negotiated on agricultural export credits. The Decision also takes into account the question of access to the resources of international financial institutions under existing facilities, or such facilities as may be established, in order to address short-term difficulties in financing normal levels of commercial imports.

3. Article 16:1 of the Agreement on Agriculture ("the Agreement") provides that developed country Members of the WTO shall take such action as is provided for within the framework of the Decision, with provision being made in Article 16:2 for the Committee on Agriculture to monitor, as appropriate, the follow-up to the Decision. In line with its terms of reference (WT/L/43) the Committee is charged more generally with overseeing implementation and affording Members the opportunity for consulting on any matter relating to the implementation of the provisions of the Agreement, including Article 16.

4. In terms of paragraph 6 thereof, the Decision is subject to regular review by the WTO Ministerial Conference. The Committee's working procedures (G/AG/1, para. 18) require the Committee to prepare a report on the follow-up to the Decision for the purposes of this review. The present report is therefore submitted for consideration by the Ministerial Conference, in accordance with the reporting

procedures for the Singapore Ministerial Conference (WT/L/145), as a basis for its review of the provisions of the Decision.

5. Section II of this report summarizes the procedures established for monitoring the follow-up to the Decision as well as the steps taken by the Committee to assist in making the Decision operational; Section III outlines the follow-up with respect to the action provided for within the framework of the Decision; and Section IV sets out recommendations for consideration by the Ministerial Conference in the context of their review of the provisions of Decision pursuant to paragraph 6 thereof.

II. Procedures for Monitoring the Follow-up to the Decision

6. In terms of the working procedures adopted by the Committee at its first meeting in March 1995, systematic monitoring of the follow-up to the Decision is conducted on an annual basis at the regular November meetings of the Committee. In addition, the working procedures provide that there shall be an opportunity at any regular meeting of the Committee to raise any matter relating to the Decision. In practice questions relating to the implementation of the Decision have been raised at each meeting of the Committee with many of the matters raised being pursued in informal consultations that have led to decisions being taken by the Committee. The main points raised in the course of the Committee's discussions on the Decision are set out in the relevant sections of the Secretariat summary reports on the Committee's meetings (G/AG/R/1 to 6 refer) and are referred to as appropriate in Section III of this report.

7. The monitoring process is structured on contributions by Members generally as well as on the basis of notification requirements relating to actions provided for within the framework of the Decision (G/AG/2, pages 33 and 34 refer). Thus donor Members are required at least annually to submit notifications with respect to the following matters: (i) the quantity of food aid provided to least-developed and net food-importing developing countries; (ii) the proportion of such food aid provided in fully grant form or appropriate concessional terms; and (iii) technical and financial assistance under aid programmes. In addition, any Member may notify other relevant information with respect to actions taken within the framework of the Decision.

8. Since important areas of the action provided for within the framework of the Decision are matters within the competence or operational responsibility of other international organizations, the Committee invited and made provision for the active participation in the monitoring process by observers from the following international organizations: the FAO, the World Food Programme, the OECD, the UNCTAD and the International Grains Council (Food Aid Convention) in respect, *inter alia*, of food aid, agriculture development and related matters; and the IMF and the World Bank mainly in respect of matters relating to access to the financial resources of these organizations.

9. The first monitoring exercise, which was undertaken at the 20-21 November 1995 meeting of the Committee, was based essentially on contributions by Members and observer international organizations, since at that stage in the implementation process the notifications (which may be based on a calendar, marketing or other annual basis) had not become due. These notifications are now coming on stream and will be taken into account as appropriate in the November 1996 monitoring exercise.

10. The Decision as adopted at Marrakesh described but did not list the countries that were to be covered by the Decision. Following extensive informal consultations on this subject, the Committee at its November 1995 meeting adopted a decision on the establishment of a WTO list of net food-importing developing countries (G/AG/3 refers). This decision was adopted on the understanding that being listed did not as such confer automatic benefits since, under the mechanisms covered by the

Marrakesh Ministerial Decision, donors and international organizations concerned would have a role to play (G/AG/R/4, paragraph 17, refers).

11. The WTO list itself was initially established at the March 1996 meeting of the Committee. In addition to least-developed countries as recognized by the UN Economic and Social Council, the list currently comprises the following sixteen developing country WTO Members which notified their request to be listed and have submitted relevant statistical data regarding their status as net-importers of basic foodstuffs during a representative period: Barbados, Côte d'Ivoire, Dominican Republic, Egypt, Honduras, Jamaica, Kenya, Mauritius, Morocco, Peru, Saint Lucia, Senegal, Sri Lanka, Trinidad and Tobago, Tunisia and Venezuela (G/AG/5/Rev.1 refers). The list is to be reviewed by the Committee at its regular March meetings.

III. Follow-up with respect to the Measures provided for within the Framework of the Decision

Food Aid (subparagraphs 3 (i) and (ii) of the Decision)

12. Paragraph 3 of the Decision specifies certain mechanisms agreed to by Ministers in order to ensure that the implementation of the results of the Uruguay Round on trade in agriculture does not adversely affect the availability of food aid at a level which is sufficient to continue to provide assistance in meeting the food needs of developing countries, especially least-developed and net food-importing developing countries. These mechanisms include agreement by Ministers:

- (i) to review the level of food aid established periodically by the Committee on Food Aid under the Food Aid Convention 1986 and to initiate negotiations in the appropriate forum to establish a level of food aid commitments sufficient to meet the legitimate needs of developing countries during the reform programme;
- (ii) to adopt guidelines to ensure that an increasing proportion of basic foodstuffs is provided to least-developed and net food-importing developing countries in fully grant form and/or on appropriate concessional terms in line with Article IV of the Food Aid Convention 1986.

13. At its November 1995 meeting the Committee commissioned a preparatory work programme (G/AG/4 refers) covering subparagraphs 3 (i) and (ii) of the Decision, as well as procedures for the submission of detailed proposals. At its March 1996 meeting the Committee embarked on an examination of, and exchange of views on, issues relating to food aid levels and commitments, as well as on guidelines relating to the concessionality of food aid. For this purpose the Committee had before it a background note (G/AG/W/20), prepared by the Secretariat at the request of the Committee, which indicated that both international food aid commitments and the actual volume of food aid had declined in recent years. Representatives of the FAO, the UN World Food Programme and the International Grains Council/Food Aid Committee contributed to these discussions. As agreed by the Committee at its March 1996 meeting, informal consultations were undertaken on behalf of the Chairman on the implementation of the preparatory work programme.

Technical and Financial Assistance under Aid Programmes to Improve Agricultural Productivity and Infrastructure (Subparagraph 3 (iii) of the Decision)

14. Members of the Committee consider that the follow-up to the Decision in the area of technical and financial assistance under aid programmes would need to be assessed, *inter alia*, in the light of the notifications to be submitted to the Committee in advance of the monitoring exercise to be undertaken at the meeting of the Committee in November this year. In this general context Members recognized that improving agricultural productivity and infrastructure in least-developed and net food-importing developing countries is a fundamentally important objective and that technical and financial assistance

provided under aid programmes has a key role to play in helping to realise this objective. While noting that, given budgetary restraints, account had to be taken of competing priorities and of the relative effectiveness of various forms of assistance, Members agreed that full consideration should continue to be given in the context of their aid programmes to requests for the provision of technical and financial assistance to least-developed and net food-importing developing countries to improve their agricultural productivity and infrastructure.

Differential Treatment in the Context of an Agreement on Agriculture Export Credits (Paragraph 4 of the Decision)

15. Under Article 10:2 of the Agreement, which relates to the prevention of circumvention of export subsidy commitments, Members undertake to "work towards the development of internationally agreed disciplines to govern the provision of export credits, export credit guarantees or insurance programmes and, after agreement on such disciplines, to provide export credits, export credit guarantees or insurance programmes only in conformity therewith". Further work on the elements of an outline understanding is required. At the appropriate stage the Committee on Agriculture will need to consider how an understanding in this area could be multilateralized within the framework of the Agreement on Agriculture and how the provisions of paragraph 4 of the Decision have been taken into account.

Access to the Resources of International Financial Institutions under Existing Facilities or such Facilities as may be Established (Paragraph 5 of the Decision)

16. Paragraph 5 of the Decision recognizes that as a result of the Uruguay Round certain developing countries may experience short-term difficulties in financing normal levels of commercial imports and that these countries may be eligible to draw on the resources of international financial institutions under existing facilities, or such facilities as may be established, in the context of adjustment programmes, in order to address such financing difficulties. In response to the request made in this regard at the September 1995 meeting of the Committee, the Director-General in his consultations with the Managing Director of the IMF and the President of the World Bank raised a number of questions concerning the respective contributions of the Fund and the Bank to the follow-up under paragraph 5 of the Decision.

17. The responses of the Fund and the Bank to questions concerning the scope for improved conditions of access or facilities for net food-importing developing countries (scope for providing some degree of priority in access to existing facilities and for softening conditionality, prospects for establishing new facilities to assist net food-importers and ways in which the WTO could assist the Fund and the Bank to be more forthcoming in these matters) were presented and discussed in the course of the Committee's November 1995 monitoring exercise. In general, given the range of facilities available, the IMF and the World Bank did not consider that it was necessary, at the present stage, to establish special Uruguay Round-related facilities. Net food-importing developing country Members expressed their disappointment regarding the accessibility of existing facilities and the scope for establishing new Uruguay Round-related facilities at the present stage, particularly in view of the explicit reference by Ministers to such facilities in paragraph 5 of the Decision. The Director-General's specific questions, the Fund's and the Bank's responses thereto and the summary of the Committee's discussions are contained in documents G/AG/W/12 & Add.1 and G/AG/R/4.)

IV. Recommendations for Consideration by the Ministerial Conference

18. In the light of the Committee's discussions on the follow-up to the Decision, the following recommendations are submitted for consideration by the Ministerial Conference in the context of its review of the provisions of the Marrakesh Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries:

- (i) that, in anticipation of the expiry of the current Food Aid Convention in June 1998 and in preparation for the renegotiation of the Food Aid Convention, action be initiated in 1997 within the framework of the Food Aid Convention, under arrangements for participation by all interested countries and by relevant international organizations as appropriate, to develop recommendations with a view towards establishing a level of food aid commitments, covering as wide a range of donors and donable foodstuffs as possible, which is sufficient to meet the legitimate needs of developing countries during the reform programme. These recommendations should include guidelines to ensure that an increasing proportion of food aid is provided to least-developed and net food-importing developing countries in fully grant form and/or on appropriate concessional terms in line with Article IV of the current Food Aid Convention, as well as means to improve the effectiveness and positive impact of food aid;
- (ii) that developed country WTO Members continue to give full consideration in the context of their aid programmes to requests for the provision of technical and financial assistance to least-developed and net food-importing developing countries to improve their agricultural productivity and infrastructure;
- (iii) that the provisions of paragraph 4 of the Marrakesh Ministerial Decision, whereby Ministers agreed to ensure that any agreement relating to agricultural export credits makes appropriate provision for differential treatment in favour of least-developed and net food-importing developing countries, be taken fully into account in the agreement to be negotiated on agricultural export credits;
- (iv) that WTO Members, in their individual capacity as members of relevant international financial institutions, take appropriate steps to encourage the institutions concerned, through their respective governing bodies, to further consider the scope for establishing new facilities or enhancing existing facilities for developing countries experiencing Uruguay Round-related difficulties in financing normal levels of commercial imports of basic foodstuffs.

ANNEX

**DECISION ON MEASURES CONCERNING
THE POSSIBLE NEGATIVE EFFECTS OF THE
REFORM PROGRAMME ON LEAST-DEVELOPED AND
NET FOOD-IMPORTING DEVELOPING COUNTRIES**

1. *Ministers recognize* that the progressive implementation of the results of the Uruguay Round as a whole will generate increasing opportunities for trade expansion and economic growth to the benefit of all participants.

2. *Ministers recognize* that during the reform programme leading to greater liberalization of trade in agriculture least-developed and net food-importing developing countries may experience negative effects in terms of the availability of adequate supplies of basic foodstuffs from external sources on reasonable terms and conditions, including short-term difficulties in financing normal levels of commercial imports of basic foodstuffs.

3. *Ministers accordingly agree* to establish appropriate mechanisms to ensure that the implementation of the results of the Uruguay Round on trade in agriculture does not adversely affect the availability of food aid at a level which is sufficient to continue to provide assistance in meeting the food needs of developing countries, especially least-developed and net food-importing developing countries. To this end *Ministers agree*:

- (i) to review the level of food aid established periodically by the Committee on Food Aid under the Food Aid Convention 1986 and to initiate negotiations in the appropriate forum to establish a level of food aid commitments sufficient to meet the legitimate needs of developing countries during the reform programme;
- (ii) to adopt guidelines to ensure that an increasing proportion of basic foodstuffs is provided to least-developed and net food-importing developing countries in fully grant form and/or on appropriate concessional terms in line with Article IV of the Food Aid Convention 1986;
- (iii) to give full consideration in the context of their aid programmes to requests for the provision of technical and financial assistance to least-developed and net food-importing developing countries to improve their agricultural productivity and infrastructure.

4. *Ministers further agree* to ensure that any agreement relating to agricultural export credits makes appropriate provision for differential treatment in favour of least-developed and net food-importing developing countries.

5. *Ministers recognize* that as a result of the Uruguay Round certain developing countries may experience short-term difficulties in financing normal levels of commercial imports and that these countries may be eligible to draw on the resources of international financial institutions under existing facilities, or such facilities as may be established, in the context of adjustment programmes, in order to address such financing difficulties. In this regard Ministers take note of paragraph 37 of the report of the Director-General to the CONTRACTING PARTIES to GATT 1947 on his consultations with the Managing Director of the International Monetary Fund and the President of the World Bank (MTN.GNG/NG14/W/35).

6. The provisions of this Decision will be subject to regular review by the Ministerial Conference, and the follow-up to this Decision shall be monitored, as appropriate, by the Committee on Agriculture.