

PREPARATIONS FOR THE 1999 MINISTERIAL CONFERENCE

Agreement on Agriculture

Communication from Pakistan

The following communication, dated 26 March 1999, has been received from the Permanent Mission of Pakistan.

1. The agriculture sector was brought into the fold of multilateral rules during the Uruguay Round with an explicit objective of establishing a fair and market oriented system where free movement of agricultural products across the border would be achieved. The approach was to introduce disciplines which would oblige Members to substantially and in a progressive manner reduce agricultural support and protection, and to take into account the particular needs and conditions of the developing countries by providing for a greater improvement of opportunities and terms of access for agricultural products.

2. Empirical evidence demonstrates that the objectives set out have not been realized. The sector still remains highly protected in the developed economies mainly due to their lack of political will to fulfil the commitments undertaken during the Uruguay Round (i.e. non implementation of the obligations undertaken) and secondly because of the built in deficiencies in the provisions of the Agreement. For Pakistan, issues of implementation in the Agreement on Agriculture are of vital importance. We have emphasised this aspect in our previous submissions and we reiterate again that implementation of the commitments must be a prerequisite to any future negotiations on this subject. We have, therefore, divided our submission in two parts. Part "A" deals with implementation issues which need immediate action of the Membership and Part "B" comprises issues which may be addressed in the mandated negotiations.

I. PART "A"

3. Tariffication through overvaluation of tariff equivalents, selective tariff reductions and tariff escalations have been used as a trade restrictive measure by the developed countries to discourage imports of agricultural products and diversification initiatives toward processed food.

4. This needs immediate redressal and rectification and rationalization in line with Members' market access commitments undertaken in the Agreement on Agriculture.

5. The continuation of domestic support to domestic producers and the ability of the developed countries to "re-balance" domestic support commitments on aggregate basis to undertake much lower

reductions in most of the agricultural products of interest to developing countries has continued its eroding effect on the competitiveness of other suppliers.

6. We believe that a collective long-term goal is to ensure that countries compete on a commercial basis on quality, price and service rather than on government subsidized programmes. It would be unjustified to expect suppliers to compete with federal/local treasuries. Substantial reductions in domestic support are, therefore, necessary as required under the Agreement. Unless these commitments are fulfilled the divide between the developing and the developed countries in the agricultural sector will be further widened.

7. Discriminatory and non-transparent tariff rate quotas administration by allocation of MFN tariff quotas to preferential suppliers, better access to state trading enterprises, limitations on imports of particular products under broadly defined quota commitments and making imports under tariff quotas conditional on absorption of domestic production of the product concerned besides maintenance of other non-tariff border measures are some of the other instances of non-compliance of market access commitments by the developed countries.

8. The trade distortive effect of these instruments is immense. Unless there is a level playing field developing countries will have little to gain from the Agreement. A recent WTO study substantiates this assertion. The share of agricultural product exports originating from developing countries has been at 4 1/2 % from 1990 to 1997. There is urgent need for explicit guidelines or minimum disciplines to ensure that these measures have the least trade distortive effect on developing country exports.

9. The Ministerial Decision on measures concerning the possible negative effects of the reform programme on LDCs and Net-Food Importing Developing Countries is a binding commitment since it has also been incorporated in Article 16 of the Agreement. The Decision commits developed countries to provide assistance to the least developed countries and Net-Food Importing Developing Countries in the following manner:

- Financial assistance to offset higher world prices and enable them to maintain normal imports of goods.
- Adequate levels of food aid.
- Financial and technical assistance to improve agricultural productivity and infrastructure.
- Favourable treatment in relation to agricultural export credits. It is unfortunate to note that the Ministerial Decision has been completely ignored.
- Concrete operational measures and programmes must be initiated and incorporated in the Ministerial Decision in order for it to be a reliable instrument which is both effective and responsive to countries' needs.

10. Unless these prevailing imbalances in competition are rectified any further opening of developing countries' markets will have substantial adverse affects on their welfare. Therefore, these issues need to be addressed and resolved before the new negotiations commence.

II. PART "B"

11. Pakistan shall promote the following objectives under the mandated negotiations:

- An assurance that the developed countries will refrain from "backsliding" towards higher and selective agricultural and industrial protectionism.
- A meaningful reduction in the tariff ceilings by the developed countries by 2005 and strengthening the market access provisions.
- Step increases in tariff rate quotas.
- Immediate elimination of all kinds of domestic support, product specific subsidies and all kinds of export subsidies by the developed countries.
- Elimination of special safeguard provisions (since these are often used as protectionist tools).
- The developing and least developed countries, in view of their special needs and different levels of development, require better S&D disciplines and more flexibility in the use of domestic support to the agricultural sector. The developing countries will look at mandated negotiations as an opportunity to minimise flexibility in domestic support by developed countries and providing more flexibility in this regard to developing and least developed countries. To this effect, an understanding should be reached that the restrictions available in Article 3 of the Agreement on Agriculture will not apply to the developing countries and that those developing countries which have already provided their schedules on reductions of domestic support and export subsidies shall be allowed flexibility to enhance the levels of these measures and to lessen the pace of reduction of such levels within their national policies to enable them to develop their agricultural sector and to ensure food security. Therefore, through a clarification or amendment of Article 3 or 4 of the Agreement, the developing countries should be excluded from the discipline of import control and domestic support in the food product sector.
- Tariff escalation in developed countries may be rationalized so as to encourage diversification in the processed food sector by developing countries. (At present, tariff escalation is being used by some countries as a policy instrument to indirectly impede diversification and value addition in agricultural products).
- Most of the net food-importing developing countries face balance of payments problems. In order to meet their rising import bills for food, the developed countries may take an initiative by contributing towards a revolving fund to help ease this problem. There should be a provision in the Agreement elaborating upon the criteria for contribution and the enforcement mechanism.
- The Agreement should envisage a technical assistance programme, whereby the developed countries may help the developing countries in increasing their productivity, storage, grading and packing facilities.

12. Unless such provisions are made in the Agreement and their implementation ensured through an effective mechanism, the developing countries may feel further marginalised. The developing countries will be looking forward towards improved disciplines on agriculture and a well defined road map for their effective implementation under the WTO.
