

PREPARATIONS FOR THE 1999 MINISTERIAL CONFERENCE

Negotiations on Agriculture

Domestic Support – Concerns of Transition and Post-Transition Economies

*Communication from the Bulgaria, Czech Republic, Hungary, Latvia,
the Slovak Republic and Slovenia*

The following communication, dated 25 June 1999, has been received from the Permanent Mission of Hungary.

Background

1. The Agreement on Agriculture exempts certain types of domestic support from reduction commitments which "have no, or at least minimal, trade-distorting effects or effects on production" (green box) or which are limiting such effects (blue box). Apart from these measure-specific exemptions the Agreement also recognizes that in specific circumstances some types of domestic support may deserve special treatment if they provide an indispensable contribution to the economic development of a certain group of countries. It is in this context that Article 6:2 provides country-specific exemptions from domestic support reduction commitments that would otherwise be applicable for investment subsidies generally available to agriculture, agricultural input subsidies generally available to low-income or resource-poor producers and domestic support to encourage diversification from growing illicit narcotic crops in developing countries.

2. The Agreement does not however contain any provision which would adequately address the specific needs of the agricultural sector of Members which are in the process of transformation to a fully-fledged market system or consolidating the results of such a deep-going economic process. The only - narrowly worded - provision in the present agreement which tries to accommodate such concerns is paragraph 11 of Annex 2 by virtue of which structural adjustment assistance through investment aids also as part of the reprivatization of agricultural land qualifies as a green box measure.

3. Although at first glance a relatively wide range of blue and green box measures seem to be available also for transition and post-transition economies, in reality the specific circumstances accompanying the process of economic transformation render them often useless:

- on the one hand due to the serious decline or in certain cases the collapse of agricultural production introducing production-limiting programmes (blue box) or encouraging producer or resource retirement (green box) is clearly not an option since it would just lead to the further aggravation of the difficult situation experienced in many agricultural production areas;
- on the other hand the use of some of the green box measures such as decoupled income support, income insurance and income safety-net programmes presuppose

reasonable and comparable base periods and adequate administrative or private mechanisms in place which is not the case in most of these countries.

Proposal

4. Adequate ways and means should be identified and agreed upon that would enable transition or post-transition economies to introduce or continue to use support measures which are necessary for the economic transformation of their agriculture. Such mechanisms would serve the objective of assisting these countries in their efforts to establish and consolidate a market-oriented domestic agricultural sector by partly alleviating the extreme burdens associated with such a process and of allowing them to benefit from their comparative advantages.
