

PREPARATIONS FOR THE 1999 MINISTERIAL CONFERENCE

Transparency in Food Aid

*Communication from MERCOSUL
(Argentina, Brazil, Paraguay and Uruguay)*

The following communication, dated 22 September 1999, has been received from the Permanent Mission of Brazil.

Proposal

1. With a view to maximizing transparency and ensuring that there are no distorting effects on trade of agricultural products, Members agree to develop a set of disciplines to prevent circumvention of export subsidies commitments by Members when donating food aid.

Background

2. FAO's Sub-Committee on Surplus Disposal (CSD) was created to study the impact of food aid programmes on agricultural trade and production. The operations analysed by the CSD were based on FAO principles of surplus disposal and consultative obligations, established as a consequence of insecurity generated by the accumulation of world stocks of agricultural products during the Fifties.

3. FAO principles seek to ensure that food and other agricultural products exported on a concessional basis become merely an additional supply to the recipient country and do not displace regular imports. They also seek to ensure that the recipient country's domestic production is not discouraged nor seriously affected.

4. According to Article 10:4 of the Agreement on Agriculture, Member donors of international food aid shall ensure: (a) that the provision of aid is not tied directly or indirectly to commercial exports of agricultural products to recipient countries, and (b) that all international food aid transactions are carried out in accordance with the FAO Principles, including, where appropriate, the system of Usual Marketing Requirements (UMRs).

5. Brazil attaches great importance to humanitarian aid through food donations or transactions of concessional nature, having participated in many operations as a donor. However, certain commercial aspects involved in this kind of transaction have not received due treatment within the CSD, a fact that shows the insufficiency and/or inadequacy of existing multilateral rules. Consequently, the granting of food aid could be aggravating even further the already much distorted patterns of production and international trade in agricultural products. It is therefore necessary to establish

appropriate disciplines for the trade-related aspects of food aid, with a view to ensuring transparency and guaranteeing that only countries in need receive such assistance. Trade-distorting effects would thus be avoided.

6. The mentioned disciplines would have to be established under WTO and subject to its dispute settlement mechanisms.
