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**United Nations
Economic Commission
for Africa**



**Organization of
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High-Level Brainstorming Meeting for African Trade Negotiators

**WTO African Group: Joint Proposal
on the Negotiations on Agriculture**

**Organized by the Economic Commission
for Africa and the Organization of African Unity
in collaboration with AERC, WTO and UNCTAD**

WORLD TRADE ORGANIZATION

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WTO AFRICAN GROUP: JOINT PROPOSAL ON THE NEGOTIATIONS ON AGRICULTURE

I. Introduction

1. The importance of agriculture in the economies of African countries cannot be overstated. Notwithstanding geographic and climatic diversity and other country specificities, the agricultural sector in African countries is the main source of rural livelihoods and, in general, employs more than two-thirds of the labour force. Agriculture generates more than a third of GDP in most African countries, and accounts for up to 40 per cent of exports.

2. Economic growth in most African countries therefore depends critically on the performance of agriculture, which is the main stimulus to growth in other sectors and to development generally. However, despite major policy reforms in recent years, African agriculture remains seriously under-capitalised with relatively low levels of productivity, and generally weak backward and forward linkages within agriculture itself and with other sectors. This, in turn, reinforces and perpetuates the low growth syndrome and pervasive poverty including high levels of food deprivation that characterise many African countries.

3. The lack of investment and limited market access facing the agricultural sector of the majority of African economies is in large measure due to: i) high levels of protection and domestic support in developed countries; ii) competition in local and foreign markets with highly subsidised products from developed countries; and iii) decreased incentives for local production due to cheap imports. In a world economy that is increasingly driven by advanced technologies, there is urgent need for global actions to ensure the modernisation of Africa's agriculture not only to facilitate broad-based development but also to achieve food security and poverty alleviation. These problems must be addressed in the current negotiations.

4. Most African countries have undertaken autonomous liberalization in agriculture. Hence, tariffs remain the only viable trade policy instrument to protect domestic production, while severe fiscal constraints limit the possibility for utilising export subsidies and domestic support in any comparable manner to developed economies. African countries' commitment to further domestic tariff reduction in agriculture will therefore be linked to substantial progressive reduction of domestic support and export subsidies in developed countries.

II. Guiding Principles

5. The African Group has been guided by the objectives of the continuation of the reform process as contained in the preamble and in Article 20 of the Agreement on Agriculture (AoA).

6. The preamble of the AoA states that the objective of the reform of trade in agriculture should aim at providing "for substantial progressive reductions in agricultural support and protection

sustained over a period of time, resulting in correcting and preventing restrictions and distortions in world agricultural markets”.

7. Of critical importance to the African Group are provisions which identify non-trade concerns; special and differential (S&D) treatment; least developed countries (LDCs) and net food-importing developing countries (NFIDCs) concerns; and the establishment of a fair and market-oriented agricultural trading system, which must be the guiding principles of the reform process. The specific concerns of small island and land-locked developing countries should be substantially addressed.

8. S&D treatment is a horizontal issue cutting across market access, export competition and domestic support to compensate for structural and economic inequalities between developing and developed countries in terms of their share of world trade, access to technology and financing as well as infrastructure. An operational and binding S&D treatment is therefore vital.

9. Given the conditions of agriculture in Africa, the reform should:

- Strengthen the rules and disciplines governing trade in agriculture to promote development;
- Ensure that trade liberalisation takes into account non-trade concerns such as food security, sustainable rural development and poverty alleviation;
- Ensure commercially viable market access for all agricultural products originating in developing countries including those at the higher end of the processing chain; and
- Level the playing field in the international trading system, taking into account different structural constraints among countries.

III. Proposals

10. African countries have individually and/or with other Members made contributions to the negotiations on agriculture. The aim of this paper is to present a common African proposal.

(a) Market Access Issues

11. Africa underwent unilateral liberalisation and deregulation prior to the conclusion of the Uruguay Round. The levels of liberalisation attained have gone beyond that required by the AoA.

12. While Africa's commodity and raw material exports face minimal - or are accorded preferential - tariffs in major markets, dynamic and high value-added products currently face substantially higher tariffs. Moreover, exports of dynamic value-added products face increasingly higher non-tariff barriers.

13. In the light of this perspective:

- Credits should be accorded to developing countries for autonomous liberalisation;
- Tariff peaks facing developing countries' exports should be substantially reduced;
- Tariff escalation should be substantially reduced in developed economies;
- Developed countries should provide tariff-free and quota-free market access for exports of LDCs;

- Existing preferences that have been accorded historically to developing countries should remain meaningful and be binding under the framework of the AoA. New or enhanced preferences to be granted to developing countries and LDCs should be made over and above the terms and conditions of existing preferential market access;
- Special measures should be taken to assist small-scale and limited commodity exporters to benefit from tariff rate quotas in major markets;
- Tariff reductions should be based on final bound rates;
- Developing countries should be given the option of maintaining the current level of bound rates (i.e. no reductions) on key staples;
- The Special Safeguard (SSG) mechanism in Article 5 of the AoA should be reviewed;
- An appropriate Agricultural Safeguard mechanism for developing countries, as a S&D measure, should be developed;

14. Within the framework of the Agreement on Agriculture, Article 9 and Article 10 of the SPS Agreement and Article 11 and Article 12 of the TBT Agreement should be made mandatory.

(b) Export Competition Issues

15. Imports subsidised either through export subsidies or export credits undermine the viability of African agriculture and delay the prospect of making a break from the stranglehold of poverty and underdevelopment. Moreover, African countries face a difficult situation in which their own producers and food processors are being squeezed out of international, regional and even national markets.

16. In the light of the foregoing, the African Group proposes the following:

- Export subsidies provided by developed countries should be substantially and progressively reduced, with a view to their eventual elimination;
- The provision given in Article 9.4 should continue and be strengthened;
- As mandated by Article 10.2 of the AoA, urgent action should be taken to work towards the development of agreed disciplines to govern the provision of export credits, export credit guarantees and insurance programmes taking into account the special conditions and needs of NFIDCs and LDCs;

(c) Domestic Support Issues

17. A major concern of the African Group is the huge imbalance among Members in recourse to the use of domestic support measures. The OECD has confirmed that the total support figure in OECD countries in 1999 has returned to the high levels existing before the end of the Uruguay Round. As a result agricultural policy reform in Africa has been penalised under the multilateral rules.

18. Against this background, the African group proposes that:

- Trade and production distorting domestic support measures in developed countries should be substantially and progressively reduced during the course of the reform programme;

- The basic and policy-specific criteria for “green box” support should be tightened to ensure no, or at most, minimal, distorting effects on trade and production. It should be recognised that several developing countries, in particular small island and land-locked developing countries and LDCs, face budgetary constraints and therefore require stable and predictable conditions of preferential market access to be able to make use of Annex II measures;
- The Agreement on Agriculture should be reviewed so as to: (a) increase flexibility in the use by developing countries of the *de minimis* measures; (b) allow developing countries with zero AMS to provide such support if required under their development programmes; and (c) provide that input and investment subsidies available to low-income farmers and to resource-poor farmers will be non-actionable;
- The expansion of the scope of S&D treatment in the area of domestic support should allow developing countries to employ policy measures which target the viability of small-scale and subsistence farmers, rural poverty alleviation, food security, as well as product diversification. Such elements should take into account the need to strengthen vulnerable producers and to improve their export competitiveness.

(d) Special Concerns of LDCs and NFIDCs

19. The Marrakesh Ministerial Decision recognises that the reform programme in agriculture may have possible negative effects on LDCs and NFIDCs. The Decision addresses: food aid; access to financing facilities; and technical and financial assistance aimed at the improvement of agricultural productivity and infrastructure. Regrettably, the Decision has not been operationalised. The African Group calls for an establishment of a mechanism to fully implement the Decision as part of the implementation concerns being currently addressed.

20. In the context of current negotiations, the following issues should be fully addressed to ensure the urgent resolution of both the short- and long-term food security problems of LDCs and NFIDCs:

- Create an inter-agency revolving fund to assist LDCs and NFIDCs with their food import bills in accordance with future price increases above a certain threshold, on condition that imports are from open and competitive markets;
- Regularly monitor and evaluate the impact of the reform programme on LDCs and NFIDCs, and elaborate appropriate instruments to address concerns of those countries within a specified timeframe. Food Aid should be in fully grant form;
- Establish a mechanism to ensure that food aid would not disrupt domestic production in recipient countries;
- Provide further technical and financial cooperation especially in regard to: enhancing agricultural productivity; infrastructure building; product diversification; transfer of new technology; market information dissemination; and export development;
- Ensure that the implementation of the Marrakesh Decision is a binding commitment under Article 16 of the AoA.

(e) Other Issues

21. Greater policy coherence is required from all partners, including international financial institutions. Developing countries should not be required to accept market liberalization and subsidy reduction commitments exceeding the commitment levels accepted at the WTO and at a pace

exceeding that in the WTO Agreements. In the accession process of developing countries, the specific conditions prevailing in their agricultural sectors should be taken into account.

22. The foregoing proposals reflect the position of the WTO African Group at this point in the negotiations on agriculture. They are without prejudice to individual country positions.
