

	Net Imports of Basic Food	Net Imports of Cereals	% Share of Net Basic Food imports to Total Merchandise Imports
	(million US\$) ²	(million US\$)	(%)
Cambodia	13	12	5.1
Kiribati	5	3	16.7
Lao People's Dem.	-5	8	-2.2
Maldives	15	5	9.2
Myanmar	-123	-47	-23.5
Nepal	-1	4	-0.1
Samoa	8	3	8.5
Solomon Islands	13	8	12.6
Vanuatu	5	4	5.7
Yemen	485	305	23.5
II. NFIDCs	3035	2824	5.0
Barbados	60	14	14.0
Botswana	65	36	3.4
Côte d'Ivoire	187	137	9.2
Dominican Republic	111	99	5.1
Egypt	1294	1019	15.3
Honduras	-323	30	-33.1
Jamaica	83	69	5.0
Kenya	-29	65	-1.5
Mauritius	132	40	8.0
Morocco	-106	275	-1.5
Pakistan	13	-39	0.2
Peru	387	341	9.3
Senegal	249	141	21.8
Sri Lanka	219	166	7.2
St. Lucia	-28	6	-9.6
Trinidad Tobago	137	45	9.7
Tunisia	143	148	2.5
Venezuela	441	232	4.1

¹Basic foodstuff (cereals, livestock, pulses, roots and tubers)

²FAO, "Definition of Net Food Importing Countries (ESC/M/95/4), Table 11, imports in c.i.f. value

³LDCs for which data are available

Source: UNCATD compiled, based on FAO data

Table 4

INDICATORS OF ABILITY TO PAY

	Export Value: Annual Average Growth Rate	Net Barter Terms of Trade	Purchasing Power of Exports	Debt Service/Export ratio	Total Financial Flows	
	1990-1996 (%)	1995 (1990=100)	1995 (1990=100)	1996 (%)	1994	1996
I. LDCs					16,080	14,899
Africa:					12,115	11,448
Angola	1.2	118	76	13.0	672	517
Benin	-13.9	114	182	8.0	258	298
Burkina Faso	-14.5	133	84	21.0	427	413
Burundi	-4.2	..	..	28.0	306	199
Cape verde	..	..	..	8.0	119	127
Central African Rep.	19.1	..	..	8.0	159	160
Chad	4.4	129	68	11.0	229	350
Comoros	..	..	..	..	42	40
Congo. Dem. Rep.	-4.8	95	21	..	213	228
Djibouti	..	..	..	7.0	123	116
Equatorial Guinea	..	..	..	3.0	32	33
Eritrea	..	..	..	..	158	157
Ethiopia	8.2	..	..	41.0	1,011	876
Gambia, The	-8.1	101	129	12.0	70	46
Guinea	..	..	..	13.0	370	231
Guinea-Bissau	-2.8	..	..	38.0	107	204
Liberia	..	..	..	28.0	-56	703
Lesotho	21.7	..	..	4.0	228	171
Madagascar	1.2	108	86	11.0	265	318
Malawi	-1.5	82	75	20.0	464	489
Mali	6.2	95	104	21.0	460	558
Mauritania	..	89	87	21.0	247	279
Mozambique	1.1	104	108	33.0	1,295	1,055
Niger	1.6	62	84	39.0	376	219
Rwanda	-19.5	89	71	23.0	710	676
Sao Tome and Principe	..	..	..	..	52	49
Sierra Leone	-23.4	101	73	18.0	263	186
Somalia	..	..	..	5.0	537	174
Sudan	-6.4	85	70	25.0	401	212
Togo	9.6	91	52	11.0	116	156
Uganda	29.1	88	116	18.0	895	701
United Rep. Tanzania	-4.1	90	112	19.0	940	928
Zambia	8.7	74	96	19.0	626	579

	Export Value: Annual Average Growth Rate	Net Barter Terms of Trade	Purchasing Power of Exports	Debt Service/Export ratio	Total Financial Flows	
	1990-1996 (%)	1995 (1990=100)	1995 (1990=100)	1996 (%)	1994	1996
America:					596	380
Haiti	-8.3	..	..	19.0	596	380
Asia & Pacific:					3,369	3,071
Afghanistan	..	..	..	..	172	198
Bangladesh	10.0	101	129	14.0	1,625	1,212
Bhutan	..	..	..	12.0	74	62
Cambodia	..	..	..	5.0	353	451
Kiribati	..	..	..	5.0	-12	13
Lao PDR	30.3	..	..	4.0	219	334
Maldives	..	..	..	3.0	42	-62
Myanmar	14.9	69	176	10.0	171	142
Nepal	9.2	79	..	7.0	451	418
Samoa	..	..	..	7.0	48	34
Solomon islands	..	..	..	..	44	44
Tuvalu	..	..	..	..	8	8
Yemen, Rep.	..	..	..	3.0	174	217
II. NFIDCs					16,105	20,614
Barbados	...	..	..	..	29	274
Botswana	7.9	154	..	4.9	9	60
Côte d'Ivoire	0.9	63	83	26.2	1,241	614
Dominican Republic	2.6	86	74	11.4	34	45
Egypt, Arab Rep.	8.5	67	86	11.6	2,598	2,642
Honduras	10.0	63	99	28.8	232	195
Jamaica	4.4	162	100	18.0	75	107
Kenya	8.5	72	191	27.5	13	199
Mauritius	-2.1	126	116	7.2	125	116
Morocco	5.3	94	81	27.7	660	571
Pakistan	9.6	93	128	27.4	3,157	3,286
Peru	11.1	63	107	35.4	4,909	6,070
Senegal	8.4	102	65	15.9	551	446
Sri Lanka	12.9	82	178	7.3	675	575
St. Lucia	..	..	..	..	54	82
Trinidad and Tobago	6.3	59	86	15.6	551	324
Tunisia	8.9	69	110	16.5	660	941
Venezuela	6.7	49	86	16.8	533	4,067
Memo items:						
All LDCs				15.0	16,093	15,000
All developing countries					157,238	193,395
In constant 1980 dollars						
All LDCs					13,755	11,905
All developing countries					139,149	163,894

Table 5

**CHANGES IN MONTHLY PRICE INDICES OF
SELECTED PRIMARY COMMODITIES
JUNE 1997 - APRIL 1998**

<u>Commodity</u>	<u>Percentage Change</u>
Tropical beverages	-19.3
Food	-6.7
Sugar	-17.7
Wheat	-10.1
Maize	-9.3
Tropical sawnwood	-32.7
Plywood	-27.7
Cotton	-14.6
Jute	-21.2
Hides and skins	-8.1
Minerals and ores	-17.3
Copper	-31.1
Nickel	-23.6
Zinc	-19.0
Lead	-7.0
Aluminium	-9.5
Crude petroleum	-24.6

Source: UNCTAD, Monthly Commodity Price Bulletin, May 1998.

**STATEMENT BY THE REPRESENTATIVE
OF THE WORLD BANK**

Agricultural Policy Reform and the Least Developed and
Net Food Importing Countries

Agricultural trade reform agreed through the multilateral system stands to benefit developing countries in two main ways:

1. By helping to diminish domestic trade distortions
2. By helping to provide improved market access and higher export prices.

While the overall benefits of liberalization will always outweigh the costs, it is possible that particular types of liberalization will have a negative impact on some countries. In the case of agricultural liberalization, these problems might arise where countries have become dependent on subsidized imports, or where import liberalization in other countries raises the world prices of agricultural imports.

The effects of liberalization on the least developed and net food importing countries are quite complex. They depend upon several things, including the extent to which countries undertake to liberalize their own policies; whether the countries are importers of particular products; and the structure of trade policies in the affected countries. The World Bank undertakes research and analysis directed to understanding these problems, and provides practical assistance to countries through its lending program.

This submission deals first with the research that helps understand the nature of the impacts on developing countries, and then with the assistance that the Bank provides through its lending activities,

Understanding the impacts of liberalization

In most cases, the main benefits that accrue from liberalization are those that result from countries agreeing to reduce their own protectionist barriers. By reducing these barriers, countries are able to scale back the high cost production within their countries, and allow their consumers and firms to obtain the best available products. A general theme emerging from the evaluations of the Uruguay Round conducted by the World Bank (Martin and Winters 1996), is that the gains from countries' own liberalization typically outweighed those from increases in their market access opportunities. As a consequence, those countries that undertook to make substantial reductions in their agricultural protection typically benefited substantially more than other countries.

An important feature of the Uruguay Round agreement on agriculture was that it did not achieve a great deal of agricultural liberalization. While it achieved an enormous amount in terms of establishing rules, the liberalization that it achieved was much less than the target cuts in protection included in the agreement. This situation arose because of the choice of base years where protection rates were high, the use of "dirty tariffication" in developed countries, the widespread use of ceiling bindings in developing countries, and the options for least developed countries to avoid liberalizing their own policies.

The extent of the liberalization achieved in the Uruguay Round also varied considerably between commodities. Goldin and van der Mensbrugghe (1996, p169) estimated that enough liberalization was achieved in wheat, for example, to raise estimated world wheat prices by 3.8 percent. By contrast, they estimated that the prices of coarse grains and sugar would rise by only around 2 percent, and dairy products by a little over 1 percent. For a number of other agricultural

commodities, including rice and cotton, they estimated that there was so little overall liberalization that prices would actually fall relative to the prices of manufactures exports. This occurred for two reasons. First, liberalization of commodities such as wheat and coarse grains freed up resources that flowed into the production of the agricultural commodities undergoing very little liberalization. Second, the relatively greater liberalization of manufactures trade was raising world prices of manufactures.

Two recent World Bank studies have examined the impacts of Uruguay Round liberalization on least developed and net food importing countries (Anderson 1998; Ingco 1997). Since the least developed countries were not required to liberalize their own policies, these studies focussed on the impacts of Round-induced changes in external prices on these countries. Both of these studies divided the impacts of changes in world prices into two components-terms of trade effects, and distortion impacts. The terms of trade impacts of liberalization are well known, and have frequently featured in policy discussions, but the distortion impacts have only received attention in a small number of studies, such as Anderson and Tyers (1993), Tyers and Falvey (1989), and Alston and Martin (1995). None of these earlier studies focussed on the least developed and net food importing countries.

The terms of trade impacts resulting from changes in world prices are relatively straightforward. They are the impacts of changes in world prices on the costs of net food imports, or the benefits obtained from net exports. For a net importer, an increase in prices will raise costs, with the size of the additional cost depending upon the level of imports. For a net exporter, an increase in prices will increase returns, with the magnitude of the benefits depending upon the level of net exports.

The distortion impacts are a little more complex because they depend on the nature of an entire array of policy distortions in the economy. They arise from the impact of changes in world prices on the extent to which countries undertake activities that are worth less (or more) than their true costs. If, for example, a country has an export tax on a particular commodity, the resulting depressed domestic prices will lead producers to produce less of the good than is socially optimal, and consumers to consume more than is socially optimal. A rise in the world price of this good will, assuming it is passed on to the domestic market, lead to increases in production, and reductions in consumption. Both of these make the country better off. The additional production is beneficial because the additional production costs less than can be obtained for it on world markets. The reduction in domestic consumption is beneficial because this consumption has a lower value than its cost.

A key finding of the two studies is that the distortion impacts, which have typically been ignored in the past, can be extremely important in the least developed and net food importing countries. The Ingco study uses more up to date and detailed estimates of trade distortions, and covers a wider range of low income and net food importing countries, making its results of more general interest for this submission. In a number of cases, including Bangladesh, Egypt, and Tanzania, the distortion effects operated in the opposite direction to the terms of trade impacts, and converted an apparent negative impact of the Uruguay Round's agriculture agreement into a substantially larger gain (See Ingco 1997, p 1-6, Scenario II). In Kenya and Zimbabwe, the distortion effects greatly reinforced the initial terms of trade gains. The distortion impacts are extremely complex, however, and sometimes worked against the country. In India, for example, the distortion impacts were negative, primarily because the world prices of some of its taxed commodities, such as rice and cotton, were estimated to fall. These price declines reduced India's output of these commodities, which was already too low because of the use of export restrictions.

Overall, the results of these initial studies suggest that the policy-related impacts increased the gains from the Uruguay Round package to most low income and net food importing countries. However, the impacts in any future liberalization will clearly depend upon the specific nature of the

agricultural policies used in the country, and on the impacts on world prices of the liberalization package. These studies were undertaken using a relatively simple numerical model⁹ designed so that it could be applied to countries where data availability is limited. These models would allow the evaluation of the impacts on least developed countries of different world price changes resulting from future liberalization proposals.

While these initial studies tend to increase the measured benefits, or reduce the losses, to least developed countries, they are necessarily tentative in their conclusions. What remains very clear is that many least developed and net food importing countries can increase their gains by further reducing their agricultural policy distortions. Another potentially important source of gains is improvements in agricultural technology and infrastructure that can increase agricultural output and exports.

Given the complexity of the Uruguay Round agreements, a great deal of analysis is needed to understand their implications and to design appropriate policy responses. The World Bank has undertaken a range of studies at the regional and country level designed to disseminate information about the Uruguay Round agreements, to understand the problems faced by developing countries in their implementation, and to help formulate policy solutions to these problems. A major study examining policy reforms in eight Latin American countries was recently published (Valdés 1996). A study of Uruguay Round implementation in this region, based on the proceedings of a conference in the region, was recently published (Cordeu and Valdés 1997). A similar study of Uruguay Round implementation in South Asia is forthcoming. A conference sponsored by the FAO and the World Bank that examines the options for furthering multilateral reforms will be held in Santiago, Chile on 23-24 November, 1998.

The World Bank is an active participant, together with the WTO, the IMF, UNCTAD, UNDP and the ITC in the Integrated Framework for the Least Developed Countries. This program focuses on the trade-related needs of the least developed countries. It aims to identify what changes are needed in international arrangements or domestic policies and capacities so that trade becomes a more effective vehicle for development for the least developed countries. While not specifically related to agriculture, improving the prospects for least developed countries' agricultural trade will be an important feature of the program.

World Bank Activities

The World Bank is very active in helping developing countries in at least three ways that are relevant to the deliberations of the Committee. The first is through improvements in agricultural technology. The second is through its lending in support of agricultural supply response and policy reform in developing countries. The third is through emergency lending to assist countries experiencing difficulties in purchasing needed food imports.

In the area of agricultural technology, the World Bank is a key supporter of the Consultative Group on International Agricultural Research (CGIAR), a partnership of 16 donor created Centres that aims to improve the technology available for agricultural production in developing countries. The World Bank provides approximately \$50 million per year of the total operating budget of \$320 million for the Centres. This Group has been responsible for many of the technological advances that have allowed many low income countries to reduce their dependence on food imports, or even to become exporters of agricultural products. The World Bank is also active in helping countries improve agricultural technology at the country level, both through technical assistance, and through lending in support of improvements in agricultural research and extension systems.

⁹ The model runs within the widely available EXCEL spreadsheet.

The emphasis on the rural sector in World Bank activities has recently been increased in line with the recommendations of the major report *Rural Development: From Vision to Action* (World Bank 1997). This report focuses on the contribution of rural development to three main objectives: (i) global and national food security, (ii) increasing rural incomes and reducing poverty, and (iii) sustainable management of natural resources. Agricultural projects are expected to increase in importance, with the number of agricultural projects rising from 37 per year in 1995-97 to 56 per year in 1999-2000, and commitments from \$2.6 billion to \$3.7 billion over the same period.

At the country level, the World Bank has a very wide range of projects designed to provide the framework for a stronger rural sector. A partial listing of World Bank agricultural projects in least developed countries is given in Table 1, together with a brief summary of each project. As is evident from the descriptions, many of these projects involve the provision of infrastructure to allow more efficient and sustainable agriculture, improvements in the process of policy formulation and implementation, or policies to improve access to improved agricultural technologies.