

Committee on Agriculture  
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## WTO NEGOTIATIONS ON AGRICULTURE – MARKET ACCESS

### Negotiating Proposal on behalf of Members of the Caribbean Community (CARICOM)

Antigua and Barbuda, Barbados, Belize, The Commonwealth of Dominica, Grenada, Guyana, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Republic of Trinidad and Tobago, and Suriname submit the following proposals, which deal with market access issues in the WTO negotiations.

#### Overview

Small developing economies, CARICOM Members included, remain committed to the long-term objective of establishing a fair and market-oriented agricultural trading system, in which all countries benefit from the expansion of world agricultural trade. Regrettably, developing countries have benefited from a disproportionately small share of the market opportunities that have emerged since the entry into force of the Agreement on Agriculture (AoA).

The reform process mandated under Article 20 of the AoA must succeed in attaining a balance between trade and non-trade concerns. While trade concerns have been substantially accommodated within the AoA, important non-trade objectives remain, many of which are of critical importance to Members. Small developing economies remain committed to the objectives enshrined in Article 20, including the imperative of addressing the remaining imbalances in the global agricultural trading system.

Fundamental reform aimed, *inter alia*, at the improvement of market access opportunities for all Members, including developing and least developed countries, and as well, for the small developing economies, remains central to the continuation of the reform process mandated under Article 20 of the AoA.

Implementation of the AoA suggests that many small developing economies lack the technical, institutional and infrastructural capacity to take advantage of the limited market opportunities that have emerged from the global trading system. For these small developing economies, providing for a transition period to facilitate restructuring of the agricultural sector, along with stronger rules and commitments on technical cooperation, and financial assistance aimed at capacity building, improving infrastructure and productivity, will be major objectives of the negotiations.

#### Trade Preferences and Agriculture

Agriculture in a large number of developing countries is characterized by dual production and trading systems. The majority of agricultural exports, employment and investment resources are oriented towards the production of agricultural products that are marketed under the auspices of

preferential arrangements. A significantly smaller yet rapidly increasing proportion of diversified exports of value-added and processed products is traded on non-preferential markets. Because of the highly integrated nature of the agricultural production and marketing systems in small developing economies, the earnings from exports to preferential markets as against those to non-preferential markets, constitute an important source of investment and infrastructure support.

Preferential Trade Arrangements (PTAs) may be broadly categorized according to Partial Scope PTAs (PPTA) and Full Scope PTAs (FPTA). Partial scope PTAs are distinguished by the unilateral nature of trade preferences advanced to a specific group of countries but not available to others and by their partial product coverage. FPTAs, are defined by their complete product coverage and the granting of preferential access by Members to all other Members. As defined FPTAs include Free Trade Areas (FTAs), Customs Unions (CUs), Common Markets and Economic Unions.

In general, trade preferences continue to be an integral feature of the agricultural trading system. Indications are that world preferential trade increased from 40 per cent of world trade in the 1988-1992 period, to 42 per cent over the 1993-1997 period. During the 1993-1997 period, preferential trade in agricultural products grew faster than preferential trade in industrial products, with the Western Hemisphere, Eastern Europe and Africa being the regions where the share of preferential trade increased the most.

Within the Western Hemisphere the increase in preferential trade is evident for both large and small economies. Not surprisingly, the smaller developing economies have a significantly larger share of agricultural products being traded under preferences. However, small developing economies account for only a small share of global trade in agriculture products, less than 2.75 per cent, 1993-1998. In particular, the share of CARICOM Members was less than .4 of 1 per cent, over the 1995-1998 period. The net-effect of the preferential access accorded these countries is thus, first-degree small, and contributes little to the global market distortions.

For an overwhelming number of small developing economies the agricultural production and trade structure evolved in an environment that was significantly determined by these preferential trading arrangements (PTAs). These small developing economies are cognizant that several factors have over the past several years threatened both the context and the environment for preferences in general and for unilateral or non-reciprocal preferences in particular. These factors include:

Multilateral trade liberalization within the framework of the AoA, which has reduced MFN tariffs and hence potential preference margins; and

Tendency towards regional trading arrangements which has led to a proliferation of regional preferential access arrangements covering both a greater share of agricultural trade and a larger number of countries, thus diminishing the marginal benefits of preferences.

Consequently, many of these small developing economies are presently involved in the process of diversification and structural transformation of their agricultural sector, ultimately aimed at enhancing competitiveness, reducing rural poverty and enhancing the vitality of the rural milieu. Providing adequate time for adjustment, as well as developing meaningful and flexible policy instruments to facilitate these small developing economies in their transition, are indispensable outcomes for the fair and equitable reform of the global agricultural trading system.

### **Small Developing Economies and Structural Adjustments.**

Several developing economies have undertaken structural reforms for which limited credit was received during the Uruguay Round. By the early 1990s many of these countries, CARICOM Members included, had eliminated export subsidies, reformed trade distorting marketing boards,

withdrawn trade distorting domestic supports and significantly opened their economies to agricultural imports. Quantitative estimates of trade openness and trade dependence bear testimony to the efficacy of these unilateral structural reforms.

Small developing economies, many of which are engaged in the structural transformation of their agricultural systems, face a number of particular disadvantages. Such economies tend to have a narrower industrial base and hence more limited potential for export diversification. In an overwhelming number of economic studies on the modalities for agricultural liberalization, the fiscal and production adjustment costs have emerged as two critical issues for these smaller developing economies. Several empirical studies support the contention that proportionally larger production adjustments will be required for agriculture, since the distortions in world markets continue to be significant and tariffs relatively higher than in other economic sectors. Quantitative estimates suggest that the extent of production adjustment for agricultural industries in many CARICOM countries ranges from five to ten times those required for industrial products.

By virtue of their "smallness", small developing economies also face a number of practical constraints to adjustment. These include a more limited capacity for trade-offs and hence more limited options to compensate in the short run, difficulties with appropriate technology choice, and other vulnerabilities. They are further constrained by resource limitations in providing the technical and infrastructure base necessary for conducting external trade negotiations, and for implementing the agreements reached, including the provisions, which are of potential benefit to them.

While these factors are critical to small developing economies, they have been poorly accommodated within the existing AoA. Consequently, developing mechanisms that support these small developing economies to grow their technical capacity to meaningfully reform their agricultural sector will continue to be an important, yet unfulfilled goal for them in these negotiations.

There are strong grounds for expecting that in the transition to a more liberalized trading environment, real output will decline in the short-run, giving rise to the notion of "short-run adjustment costs". In the longer term the objective is to stimulate economic activity through increased economic growth and export production. For smaller developing economies this process of adjustment from one regime to another is of first-order importance.

Guidelines developed on the basis of a wide range of developing country experiences over the last two decades, could improve the prospects of successful adjustment. These prospects are significantly enhanced by appropriate investment in capacity building and targeted adjustment assistance, which are particularly pressing priorities in developing economies, but are amplified for the small developing economies currently undertaking structural adjustment.

Within the process of structural transformation, the short to medium term changes in relative domestic incentives, and in competition are likely to induce some declines in critical import competing agricultural sectors. Consideration should be given to differentially treating these import competing sectors as an integral part of the negotiating process. It will also be necessary to subject these sectors to additional or special adjustment assistance and other support measures.

### **Proposals on behalf of Members of CARICOM**

The most secure way of achieving the transformation of small developing economies is through the simultaneous opening up of market access opportunities, and the provision of the technical and financial means by which these economies may benefit from such market openings. Pursuant to this, Members of CARICOM submit the following proposals:

Substantial cuts in the bound tariffs of developed countries, particularly for products of export interest to developing countries, using a formula approach that discounts higher tariffs and tariff peaks relatively more than lower tariffs and eliminates tariff escalation.

In general, further tariff reduction should be linked to faster "genuine" reductions in the levels of domestic supports. Developed countries should commit to greater reductions in the level of domestic support and tariffs.

Members examine options aimed at rendering the market access concessions offered to developing countries through trade preferences, under the auspices of the Generalized System of Preferences (GSP), reciprocal or non-reciprocal arrangements, stable, transparent and predictable. This will facilitate the adjustments which these economies will be required to undertake in transitioning to more liberalized trade in agricultural markets. Binding preferential schemes and arrangements within the framework of the AoA should be accorded considered attention.

Small developing economies must have differential commitments and modalities as appropriate, including the possibility of exemption from further tariff reductions, particularly in circumstances where substantial liberalization has already been undertaken.

A mechanism similar to that contained in Article 5 of the AoA should be available to facilitate the adjustment of small developing economies.

For developing countries in particular, market access depends not only on the tariff rate but also on non-tariff measures. Therefore, the negotiations must deal with such measures so that real opportunities are created and not denied to developing countries through unjustified use of technical barriers and SPS measures.

The tariff structures should be simplified and rendered more transparent through the elimination of variable and complex tariffs and tariff dispersion and as well, through the conversion of seasonal and specific tariffs to ad valorem tariffs. Where such tariffs are maintained by developing countries, adequate time should be allowed for their conversion.

Stricter disciplines and improved transparency in the administration of tariff rate quotas (TRQs). In its manifestation, TRQ reforms should not result in the diminution of market access opportunities, particularly for small developing economies.

Developed countries should explore ways of ensuring that "non-substantial" suppliers from small developing economies are provided with meaningful access to market opportunities within TRQs.

As Members undertake further reduction commitments in the area of market access, measures should be taken to ensure that non-tariff measures are not substituted, thus undermining the emergence of "genuine" market opportunities. Pursuant to this, a routine mechanism should be established to facilitate close scrutiny of all measures that in effect result in the nullification or retardation of market access opportunities.

Appropriate provisions should be developed with respect to products of interest to developing countries for inclusion in the disciplines in the area of geographical indications. Mechanisms for effective implementation and enforcement, particularly for developing countries, must recognize that the co-operation and assistance of developed countries within their territories is essential.

Due recognition and flexibility should be afforded to developing countries establishing or operating RTAs and applying common external tariff regimes.

It is generally acknowledged that trade is the primary vehicle for realizing the benefits of globalization for developing countries. Trade in agricultural products is one area in which developing countries have an advantage if these opportunities are not stymied by trade barriers in developed countries.

A technical assistance fund should be established to support initiatives by developing countries which are aimed at complying with standards, market norms and other import regulations, required for enterability in particular agricultural product markets of developed countries.

Developed countries should commit to provide timely and tangible technical assistance to developing countries in areas pertinent to the implementation of the WTO Agreements, including, *inter alia*, commitments regarding anti-dumping and countervailing duties. Such assistance should be coordinated with the multilateral development institutions and should be subject to routine monitoring by developed and developing countries. Development assistance to developing countries should be exempt from reduction commitments.

Other proposals have recognized the importance of technical and development assistance to the agricultural systems of developing countries and as well, to the beneficial integration of small developing economies into the international trading system. Such proposals are to be commended.

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