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COMPREHENSIVE PROPOSAL BY THE ARAB REPUBLIC OF EGYPT TO THE WTO NEGOTIATIONS ON AGRICULTURE

Revision

As one of the longest serving developing-country Members of the GATT-WTO family, and as one of its most active members in the Uruguay Round, Egypt has an impressive track record as a liberalizer of its foreign trade. It is out of the belief that an evolving rules-based multilateral trading system is the best guarantee for all nations to achieve their growth potential that Egypt is actively engaged in the current mandated negotiations.

Agriculture, as with most developing countries, is one of Egypt's most important economic sectors. It accounts for about 20 per cent of our GDP, employs about 34 per cent of the labour force, and directly contributes about 22 per cent of its exports. It is the main raw-material supplier to Egypt's most important industrial sectors, namely the food and textile industries.

This negotiating proposal is based on a number of fundamentals, which we believe should guide our future work:

1. Any agreement reached within the WTO system should benefit all Members.
2. Due consideration should be made for the goals, needs and aspirations of developing and least-developed countries.
3. Trade is, and will remain for the foreseeable future, a suitable engine for growth in all areas and for all Members.
4. Fair competition and the realization of each Member's comparative advantage are the main pillars of the multilateral trading system.

Our main objectives should, therefore, be:

- (a) to contribute to the further integration of agriculture into the multilateral trading system;
- (b) to increase the market orientation of trade in agricultural products by removing the current distortions from which this sector suffers;
- (c) to level the playing field, so that all Members can compete more equitably on the global market; and
- (d) operationalize previous commitments undertaken in favour of developing countries and LDC's, net food-importing or otherwise.

Main Elements of the Proposal

Market Access

Egypt believes that improving market access for its agricultural exports is vital for its, and most developing and least-developed countries' development and growth goals. Yet, the majority of its most promising agricultural export products suffer from excessive market protection by its major trading partners. The following is a regime that we believe can improve such access:

1. An agreement should be reached to substantially reduce tariffs and other entry-point charges currently applicable to agricultural products.
2. Establishing an appropriate mechanism, to eliminate measures used by developed countries, such as specific duties, reference prices, entry prices, variable levies, compound rates and others; all of which are arbitrary and alien to a rule based system. These could be phased out over a defined period of time.
3. All tariffs and similar duties and charges should be expressed in *ad valorem* terms.
4. Tariff escalation, tariff peaks, tariff disparities should be eliminated.
5. Tariff quota administration disciplines should be strengthened and their rules made more transparent. TRQ's should be made product-specific, rather than aggregated.
6. All tariff reductions by developed country Members should be made from applied, rather than bound, rates. Developing countries' reductions should be made on a basis consistent with their development needs.
7. A review of the Special Safeguard Provisions embodied in Article 5 must be undertaken, with a view to their elimination. The provisions of the Agreement on Safeguards would satisfy the need of some Members to protect their local markets from sudden surges of imports. Any new ideas in this area should be made compatible with the existing framework of Agreements (ASCM, AoS, AASPM).

Domestic Support

Post-Uruguay Round experience has shown that about 30 WTO Members (out of a total membership of 140) have had recourse to the AMS. It has also shown that such support, as practiced by a number of developed countries, has become opaque and complicated. Over and above all this, statistics produced by the OECD show the agricultural product support among its members is increasing, rather than the opposite. This, Egypt feels, is in direct contradiction to the long-term objective expressed in the preamble of the Agreement on Agriculture, whereby Members were to "provide for substantial progressive reductions in agricultural support".

Egypt, therefore, proposes the following:

- (a) Developed countries, which currently utilize extensive domestic support mechanisms, should agree to substantially reduce the levels of such support, and, for the purpose of clarity and transparency, grant support on a disaggregated product-by-product basis.
- (b) Such reductions, with a substantial up-front down payment, should be made across the colour gamut of Boxes. Measures allowed under Annex 2 should be reviewed for their compatibility with non-trade distortion.
- (c) An urgent review of the 'Due Restraint' provisions (Art. 13 Para. (a) (i)) is needed, as its use has been proven to constitute an additional window for some Members to unfairly support their agricultural sectors.

Export Subsidies

There is a general consensus that export credits, export credit guarantees and insurance are some of the most trade-distorting instruments still allowed under the AoA. They also represent an inequity in the distribution of rights among the Members, as they allow the more developed financially rich to discriminate in favour of their production; to the detriment of the less endowed. It is on the basis of this understanding that Egypt proposes the phasing-out of all forms of export subsidization over an agreed period of time.

The negotiations should aim at the improving of the Special and Differential Treatment afforded to developing countries by allowing them the flexibility to subsidize their agricultural exports in a manner consistent with Article 27 and Annex 7 of the Agreement on Subsidies and Countervailing Measures; while elaborating additional rules to avoid the circumvention by developed countries of commitments in the field of export subsidy elimination.

NFIDC's and LDC's

In the five years since the Marrakech Decision was taken, NFIDC's and LDC's have had nothing but a lot of good will messages and fine rhetoric; but no concrete action. Lately, however, a number of more substantial efforts and initiatives are being made to finally operationalize the Decision.

Egypt, out of a belief that any such operationalization should be non trade-distorting while it affords support to those Members the Decision was meant to help, proposes the following:

- (a) An urgent review of the Decision (in accordance with paragraph 6) to strengthen the language and make it more mandatory.
- (b) An increased level of technical and financial assistance should be afforded to NFIDC's and LDC's. Such assistance should have the aim of improving the capability of the beneficiaries to produce their food requirements locally, through the amelioration of the technologies used and basic agricultural infrastructure available. Special mention should be made of the need for improving the export marketing capabilities of NFIDC's and LDC's, to allow them to move from being net food-importers into the category of self-sufficiency (and at a later stage, to potentially become net agricultural-exporters).
- (c) The creation of a Fund for the Support of NFIDC and LDC's, whereby the beneficiaries would obtain a rebate on their food import bills after they have purchased their requirements on the open market at unsubsidized prices. The Fund would be financed from a number of sources, prominent amongst which would be international financial organizations, specialized UN agencies, developed country donors, and major exporters.

Special and Differential Treatment

There is no doubt that agriculture plays an important role in the economies of all Members, nor is there any doubt that its role in the economies of developing countries is even more pronounced and vital. The AoA makes a strong statement in this direction in Art. 20 paragraph (c).

The implementation of the AoA has revealed that developing countries benefited little from such Special and Differential Treatment. Experience has shown that, with their limited financial resources, developing countries have not been able to support their agricultural sectors to the same level as their developed counterparts.

It is, therefore, Egypt's belief that the S&D provisions in the AoA should be strengthened and expanded in a manner that would be the least trade-distorting, while affording them more flexibility to assist their agricultural sectors to actively compete in the globalizing world economy.

We propose the following:

1. Developing countries should be afforded greater flexibility to re-evaluate and adjust their tariff schedules, with a view to overcome the negative effects of cheap subsidized agricultural imports.
2. All tariff reductions made by developing country Members should be made from the basis of their bound, rather than applied, rates.
3. A further effort is needed on the part of developed country Members to enhance their capital and technical investment in the agriculture sectors of developing country Members, with a view to support rural development and incomes.
4. Technical assistance afforded developing country Members should include the study of the effects of further liberalization of agriculture trade under the auspices of the WTO on their agriculture sectors; with a view to seek ways and means to minimize the effect of the negative aspects of said liberalization.
5. Greater flexibility should be granted to developing country Members to increase their levels of domestic support within the framework of Green Box (Annex II) measures.
6. All S&D provisions should be discussed within the context of the three main pillars of trade liberalization, with the aim of concretising and specifying such S&D treatment.

Final Comment

It is Egypt's belief that the current agriculture negotiations should be the first in a series of steps that lead to the full integration of agriculture into the multilateral trading system. In order to achieve the said goal with the maximum efficiency and equilibrium, we believe it of utmost importance that the political will to successfully and expeditiously finalize these negotiations be assured.
