

# WORLD TRADE ORGANIZATION

G/AG/NG/W/97  
29 December 2000

(00-5621)

Committee on Agriculture  
Special Session

Original: English

## WTO NEGOTIATIONS ON AGRICULTURE: PROPOSALS BY SMALL ISLAND DEVELOPING STATES (SIDS)

Communication from Dominica, Jamaica, Mauritius, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago

### Introduction

1. The preamble to the Uruguay Round Agreement on Agriculture (AoA) states that "... commitments under the reform programme should be made in an equitable way among all Members, having regard to non-trade concerns, including food security and the need to protect the environment, having regard to the agreement that special and differential treatment for developing countries is an integral element of the negotiations, and taking into account the possible negative effects of the implementation of the reform programme on least-developed and net food-importing developing countries".

2. In the letter and the spirit of this preamble, countries co-sponsoring this submission stress the need to draw specific attention to the constraints which impact negatively on Members' capacities to achieve an equitable share in new market opportunities arising from the Uruguay Round. This submission highlights, in particular, the structural weaknesses that small island developing countries face in their efforts to ensure that multilateral liberalization of the agricultural sector would improve their small share of international trade.

### The case of Small Island Developing States<sup>1</sup>

3. In the case of Small Island Developing States (SIDS), their general weakness in agricultural production is a direct consequence of diseconomy of scale, diseconomy of scope, and high unit costs of input factors and transport, that are inherent to SIDS-specific characteristics, such as smallness, remoteness, geographical dispersion, vulnerability to natural disasters, scarcity of resources (land, water, human resources and other input factors).

4. These structural difficulties have restricted SIDS from achieving the level of international competitiveness that would allow for their effective participation in international agricultural trade. As indicated in a statistical background paper prepared by the Secretariat (G/AG/NG/S/11/Add.1), the participation of the 41 SIDS in world trade has been limited to 2.5 per cent of the world total agricultural exports in the period 1995-1998.<sup>2</sup> This is a downward trend and requires remedial measures such as the binding of certain quota allocations. Structural weaknesses have also limited SIDS' ability to take advantage of new trading opportunities, in particular as regards market access

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<sup>1</sup> At present, forty-one small island developing States and territories are included in the list used by the United Nations Department of Economic and Social Affairs in monitoring the progress in the implementation of the Barbados Programme of Action.

<sup>2</sup> Table 1 in *The Effects of the Reduction Commitments on World Trade in Agriculture*, Statistical Background Paper by the Secretariat, Addendum (G/AG/NG/S/11/Add.1).

under the Uruguay Round. It must be noted that because of their inherent constraints, it would be extremely difficult for SIDS to be able to achieve higher levels of competitiveness.

### **Market access**

5. Most SIDS rely on one or two agricultural primary products for their export earnings. Those agricultural exports are made possible by non-reciprocal preferential trading arrangements, but preferential margins are being rapidly eroded by MFN tariff liberalization. The status of those arrangements, a stable and predictable source of export earnings, is becoming increasingly uncertain in the multilateral trading framework. The loss of such *acquis* would impose on developing countries, in particular SIDS, heavy adjustment costs over a long-term period.

6. In addition to the erosion of preferential tariff margins, agricultural exports of developing countries equally face a host of non-tariff barriers such as complex and administratively cumbersome rules of origin, as well as sanitary and phytosanitary requirements and technical standards that are often more stringent than internationally approved guidelines and standards. These onerous requirements are invariably beyond the administrative and technical capability of SIDS.

### **Proposal:**

- SIDS should be provided with security of access for the one or two commodities which they are able to produce on a commercial basis.
- Non-reciprocal preferential tariff rates provided to developing countries, in particular SIDS, in the agricultural sector should be improved and bound under the framework of the AoA while the reform process is underway, with a view to ensuring that existing access conditions are not undermined by the continuation of the reform process.
- Where a free-trade area or a customs union involving SIDS and developed countries is established, the "substantially all the trade" provision given in the GATT Article XXIV should not apply.
- Given the very small size and fragility of the productive sectors of SIDS, which are invariably NFIDCs, they should not be obliged to provide reciprocal access for their agricultural exports under preferential trading arrangements with developed countries.
- Market access opportunities under the AoA should ensure that certain percentage increases in minimum access tariff rate quotas (TRQs) will be allocated with 0 per cent within-quota rate to SIDS. Specific duty-free TRQs outside minimum access quotas should also be provided to SIDS.
- Negotiations should address the need for establishing a framework to ensure the provision of technical assistance to developing countries, in particular SIDS, for meeting the costs of compliance with SPS measures and technical standards (e.g. costs to obtain certification, costs incurred from delays in authorization) in the international market. Developing countries, including SIDS, should also be assisted with a view to enabling their participation in the activities of international standard-setting bodies.

### **Food insecurity**

7. Food insecurity is intrinsic to SIDS-specific characteristics. In Barbados, for example, approximately 74 per cent of all food consumed is sourced through imports, amounting to US\$ 320 per person per annum. The ratio of the value of Barbados' imports to its exports deteriorated from 3.18:1 in 1990-1994 to 3.33:1 in 1996-1998.<sup>3</sup>

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<sup>3</sup> UNCTAD, *Report of the Expert Meeting on the Impact of Reform Process in Agriculture on LDCs and NFIDCs and Ways to Address their Concerns in Multilateral Trade Negotiations* (TD/B/COM 1/EM.11/3), August 2000.

8. The relief expected from the implementation of the Marrakesh Decision has not occurred.

9. Furthermore, much of domestically produced agricultural products in SIDS face cost disadvantages *vis-à-vis* imported products due to structural characteristics of SIDS. Many of the SIDS which had unilaterally undertaken deregulation and liberalization of the agricultural sector experienced a sharp increase in imports which resulted in a substantial reduction in domestic production, further increasing food insecurity.

### **Proposal**

- Small farmers in LDCs, NFIDCs and other developing countries, including SIDS, need to be protected against import surges particularly when the latter affect the production of key staples of the domestic diet and negatively impact on rural development and poverty alleviation. To meet this need, use of the special safeguard provision should be allowed.
- With regard to actions under the Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries, separate mechanisms should be formulated for operationalizing the provision of financial and technical assistance, including the transfer of relevant agricultural technology (for example, the accessing of new seed varieties), to LDCs and NFIDCs to improve agricultural productivity in those countries, as well as for short-term mitigation programmes to address negative effects of the liberalization process.
- Whenever agricultural production is severely damaged through natural disasters, which occur frequently in SIDS, the latter's obligations under the AoA should be waived until recovery is achieved.

### **Unevenness in the degree of trade liberalization**

10. SIDS have gone through extensive unilateral deregulation and liberalization of their agricultural sector in the last decade, mainly under structural adjustment programmes of the Bretton-Woods institutions. The degree of such unilateral liberalization often exceeded the requirements of the Uruguay Round commitments. The applied tariff rates of SIDS in the period 1995-1999 were substantially below their WTO bound rates. Openness to the world market is thus far greater than that exhibited by many other countries.

### **Proposal**

- SIDS which undertook unilateral deregulation and liberalization in the agricultural sector should be exempted from further reduction commitments on support and protection. Whilst the financial constraints of SIDS make it difficult for them to provide support measures currently, this possibility should not be excluded as revenue through agriculture increases. Those SIDS which entered into the commitments under the AoA during Structural Adjustment Programmes should be allowed to receive a higher *de minimis* level on domestic support and to renegotiate the AoA commitments on market access, such that the commitments reflect the long-term development policy objective of those countries rather than their short-term financial circumstances.
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