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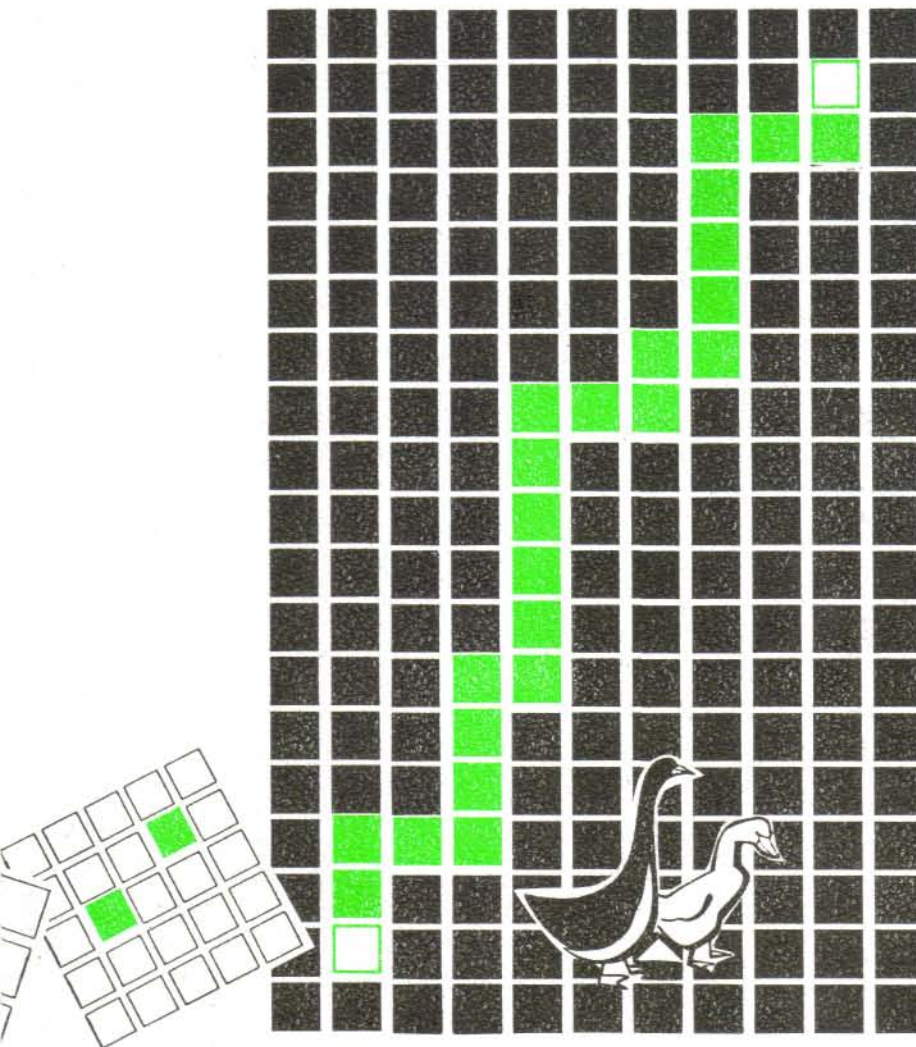
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EDITOR-IN-CHIEF:

RANJIT H. SINGH, *Senior Lecturer,
Department of Agricultural Economics and Extension
The University of the West Indies, St. Augustine
The Republic of Trinidad and Tobago*

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NON-TRADE CONCERNS AND SPECIAL AND DIFFERENTIAL TREATMENT - A CARIBBEAN PERSPECTIVE FOR THE WTO 2

**Ranjit H. Singh
Edward Evans
Simone Roberts¹**

ABSTRACT

Given the important role that agriculture plays in developing countries such as those in the Caribbean region, this paper begins by examining its specific and multifunctional characteristic. The Agreement on Agriculture provides for the consideration of non-trade concerns, these are then identified and their relevance to the Caribbean assessed. Some of the non-trade concerns noted are food security; provision of externalities and public goods, like recreational areas, the rural landscape; employment, creation of economic linkages, for example, eco-tourism; provision of social services such as health and education. The common denominator for the negotiations on agriculture is rather small, with a wide diversity of policy goals and agricultural policies in the world, including how non-trade concerns should be handled. The two main opinions on non-trade concerns, the 'Market-only Approach' and the 'Article 20 Approach' and their implications for Caribbean agriculture are examined. Alternative policy instruments for the 'Article 20 Approach' are then discussed and conclusions drawn as to what is more appropriate for the countries of the Caribbean.

¹*Dr. Ranjit Singh is a Senior Lecturer in the Department of Agricultural Economics & Extension, The University of the West Indies, St Augustine, Trinidad. WI;*

Dr. Edward Evans, International Trade Centre, Food and Resource Economics Department, University of Florida, Gainesville, Florida, USA; and

Ms. Simone Roberts is an Assistant Lecturer in the Department of Agricultural Economics & Extension, The University of the West Indies, St Augustine, Trinidad. WI.

1. INTRODUCTION

The implementation of the trade liberalization measures for agriculture under WTO 1 has generally not been positive for the Caribbean. Given the heavy reliance of many countries on the earnings from preferential markets for banana or sugar, the prospects appear bleak. The potential impact on food security, employment, income, the rural economy and the environment could have serious implications for social, economic and political stability. The general well-being of a large rural population is at risk.

The emphasis of the UR Agreement on Agriculture (URAOA) is on market efficiency, the so-called *market only approach*. Accordingly, the Agreement fails to effectively consider the potential impact of its provisions on the ability of agriculture to fulfill its wider developmental role. Many countries, both developed and developing countries, have been proactive in articulating a more substantial role for non-trade concerns (NTC) and special and differential treatment (SDT) for developing countries in WTO 2 Agreement.

This paper focuses on the need for a paradigm shift and the approaches for incorporating this in the WTO 2 Agreement on Agriculture. The paper comprises six sections. Section 2 reviews the experiences of developing countries, including the Caribbean, over

the duration of the WTO 1 Agreement. Sections 3 and 4, respectively, discuss the role of agriculture and special and differential treatment. The final Section examines issues that need to be considered in the WTO 2.

2. BACKGROUND

2.1 Experience of Developing Countries: WTO 1 (Post Uruguay)

The five years following the conclusion of GATT (Uruguay Round) have not produced significant growth in world trade of agricultural commodities. An analysis by the WTO on the performance of developing countries in the 1990s indicates that growth was marginally higher in the period 1994-97 (7.2%) than in the five previous years, 1990-94 (6.1%), (WTO Secretariat, 2000).

The above performance must however, be viewed against a background of the major downturn in world markets in 1997/98 associated with financial crises in Asia, Latin America and Russia that resulted in depressed prices for agricultural commodities.

The distribution of world exports of agricultural commodities from developing countries according to geographic regions indicates that developing Asia has the largest market share 43.6% (\$71.3 billion in 1998, Figure 1). Latin America and the

Caribbean had the second largest share in 1998, \$65.5 billion or 40.1%. Exports for Africa and the Middle East were \$20.8 billion and \$5.9 billion, respectively.

The WTO study on the performance of developing countries found that for the period 1994-98, the Latin America and the Caribbean Region experienced the highest growth in agricultural exports. However, 74% of total exports in this region were concentrated amongst the five South American giants: Brazil, Argentina, Mexico, Chile and Columbia. MERCOSUR's share of total exports was 52%.

With respect to imports by developed countries from developing countries, it was found that the growth in imports declined from an annual average of 6% in 1990-94 to 2% in the period 1994-98. If one were to exclude the performance for 1998 then the growth in exports for 1994-97 was 4.5%. Growth in developed countries' imports from least developed countries was more pronounced, increasing from 1.5% during 1990-94 to 6.5% in 1994-98 (see Figure 2).

2.2 The Caribbean Experience

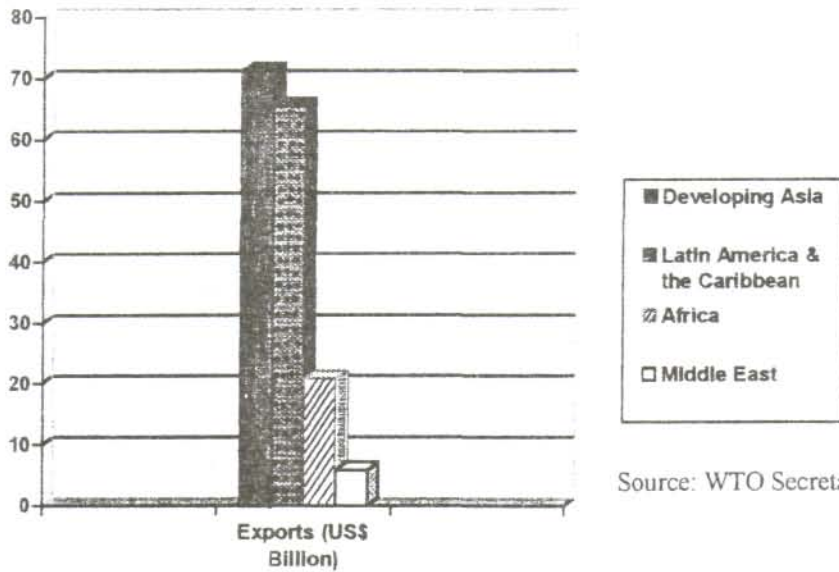
Caribbean countries, like many small island states (SIDS), depend on preferential trade arrangements with developed countries with respect to one or two commodities that generally dominate their agriculture. Exports have

shown little diversification since the mid-80s, and in some cases the situation seems to be worsening e.g. sugar accounts for approximately 83% of agricultural exports in St Kitts and Nevis, and bananas between 80-85% of exports in Dominica and St Lucia (Table 1). On the other hand, these countries rely extensively on imports to satisfy much of their basic needs, including the provision of food items such as cereal and milk. Such small economies whose trade is dependent on a limited range of agricultural products and particularly vulnerable to changes in global trading conditions that affect trade preferences.

Most of the CARCOM countries undertook significant agricultural reforms in the 1980s and 1990s, under formal or informal structural adjustment programs, as well as regional commitment to CARICOM. Accordingly, many of the items in the WTO 1 AoA were largely satisfied at the commencement of the Agreement. The major likely impact of the AoA on the regional agricultural sector is the loss of preferential arrangements and the consequential reduction in export earnings.

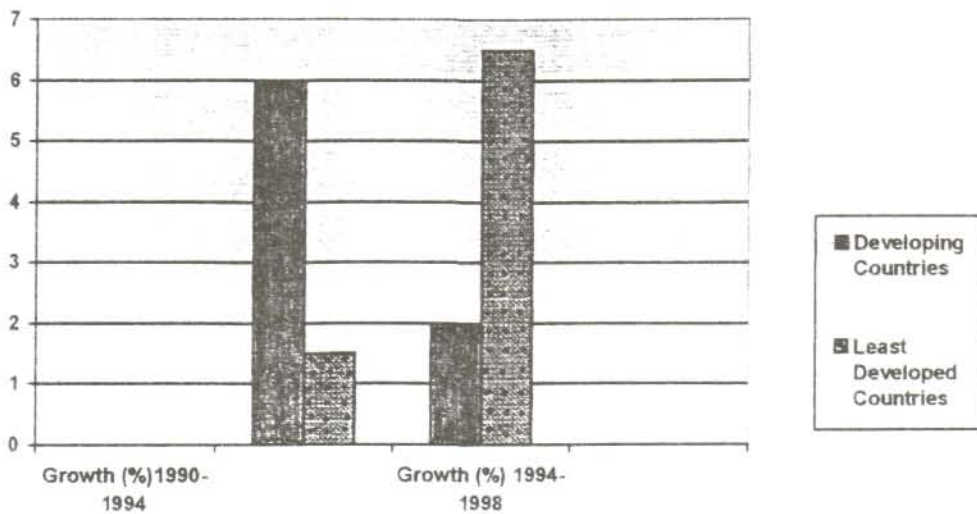
With respect to imports, many of these countries have witnessed a significant increase and a worsening of their balance of payment position since the commencement of WTO 1. In Guyana for example, imports of food and live animals almost doubled between 1994 and 1998. There is a

Figure 1: Developing Country Agricultural Exports by Geographic Regions (1998)



Source: WTO Secretariat Paper (2000)

Figure 2: Growth in Agricultural Imports by Developed Countries



Source: WTO Secretariat Paper (2000)

**Table 1: Dominance of Agricultural Exports by Few Commodities:
Selected Countries**

Country	Commodity	Share of Total Exports (%)
Barbados	Sugar	53
Belize	Sugar	42
	Bananas	18.4
	Citrus	21.2
Cuba	Sugar	86
Dominica	Bananas	77
Dominican Republic	Coffee	19
	Cocoa	15
Grenada	Nutmeg	29.2
	Cocoa	24.5
	Bananas	15.6
Guyana	Rice	30.8
	Sugar	39.1
Haiti	Coffee	56
	Mangoes	13.7
Jamaica	Sugar	32.8
	Bananas	16.2
	Coffee	8.7
St Lucia	Bananas	86.4
St Vincent	Bananas	51.7
Trinidad and Tobago	Sugar	18.2

Source: Special Ministerial Conference on Agriculture in SIDS, 1999.

growing fear that without proper safeguards many commodities, which have historically been produced in the Region, such as beans, peas, cabbage, carrots, fruits and poultry, will be imported and the domestic diet will increasingly shift toward that of the developed countries.

2.2 The Scope for Non-Trade Concerns and Special and Differential Treatment in the WTO

The objectives of the WTO 1 Agreement as contained in its preamble envisioned a broad and multifunctional role for agriculture as indicated below:

'Recognizing that that their relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, and expanding the production of and trade in goods and services, while allowing for the optimal use of the world's resources in accordance with the objectives of sustainable development seeking both to protect and conserve the environment and to enhance the means for doing so in a manner consistent with their respective needs and concerns at differential levels of economic development.'

The final AoA in the UR Agreement placed heavy emphasis on market efficiency. Although the Agreement did recognize (Article 20 paragraph c) that agriculture embraced both trade and non-trade concerns (NTCs), many are of the view that the provisions for NTCs are grossly inadequate.

Because of the foregoing and given the experience of many developing countries with respect to WTO 1 (as discussed above) an international conference was held in Norway. A group of 40 developed and developing countries, including Barbados, Trinidad and Tobago and St Lucia, participated and made a submission to the Third

Special Session of the WTO. The group was of the view that:

'Continuation of the reform process should therefore take into account NTC and special and differential treatment to developing countries and the possible negative effect of the implementation of the reform programme on least-developed and net-food importing developing countries.' (International Conference on Non-Trade Concerns in Agriculture, Norway, 2000).

3. MULTI-FUNCTIONAL ROLE OF AGRICULTURE: NON-TRADE CONCERNS (NTCs)

Agriculture holds a very special place for a large number of developing countries. Farming and related activities make up the fabric of rural life, contributing significantly to the overall state of rural regions in terms of employment and business opportunities, infrastructure and quality of the environment. In some countries, it is clear that the overall social and political stability is inextricably linked with the condition of the agriculture sector. Agriculture is multifunctional, with specific characteristics, while at the same time fulfilling the multiple objectives assigned to it by society. Agriculture accounts for a large proportion of GDP in many countries, is a major foreign exchange earner, and supplies the bulk of basic food. Even

when not accounting for a large share of GDP, it provides subsistence and income for large rural populations.

The growing recognition of the multifunctional role of agriculture prompted the convening of an international conference, on Non-Trade Concerns (NTC) in Agriculture.

At the Norway conference it was agreed that agriculture has major influences on several aspects of life - social, cultural, and political. It was observed that in many countries, there is a high demand for the non-marketable, non-tangible outputs of agriculture, like natural resource protection, rural landscape and recreational areas. Agriculture also contributes to societal goals such as the viability and development of rural areas, decentralized settlement of territory, preservation of cultural heritage etc. It may also have positive spill-over effects on other economic sectors like tourism, other ancillary and service industries (e.g. supply and distribution channels), processing, tourism, health care and education, (International Conference on Non-Trade Concerns in Agriculture, Norway, 2000).

Agriculture in developing countries, such as the Caribbean islands, is therefore not just another sector of these economies, but one that has far reaching consequences for people's livelihoods and employment, food availability, and the economy. Caribbean economies, with the possible exception of Trinidad

and Tobago, are heavily dependent on agriculture. A large proportion of the population is rural-based and depends on agriculture, either directly or indirectly, for sustenance and livelihood.

The following are the major NTCs that have been identified as having relevance to the Caribbean:

- i. Food security,
- ii. Provision of externalities and public goods e.g. environmental protection, rural landscape, recreational areas, preservation of culture
- iii. Rural development
- iv. Provision of social services in rural areas
- v. Social, political and economic stability
- vi. Income generation and employment
- vii Creation of economic linkages/joint products e.g. eco-tourism.

3.1 Food Security

FAOs World Food Summit Plan of Action defines food security as: "*Food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life.*"

Consistent with the above definition are the four elements of food security identified in a paper presented by Japan and the Republic of Korea at the International Conference on Non-Trade

Concerns in Agriculture, Norway. They are:

- i. *Availability of Food*: Sufficient food supply should be secured in a sustainable manner, in response to the growing world population and changing dietary habits.
- ii *Accessibility to Food*: Food security can be attained only when physical and economic access to food is secured. While physical accessibility to food will be affected by unforeseen events such as wars, export embargoes/restrictions, economic accessibility will be hindered by factors such as lack of purchasing power – poverty. While the factors that determine the physical accessibility to food are common to both developed and developing countries, the factors hampering economic access are especially serious in developing countries like the Caribbean.
- iii *Stability of Food Supply*: Food should be supplied at reasonable prices in a stable manner. Food prices tend to be unstable by nature, due to the price inelasticity of supply and demand for major agricultural commodities.
- iv. *Food Quality/Quality and Preference*: Last, but not least, an important element of food security is to provide food that is safe and in good quality, satisfying the dietary needs and preference of consumers.

Food is the most important product as it is indispensable for the maintenance of human life and health. Everyone must have access to food and every government is responsible for ensuring a food supply sufficient for its people.

For reasons of broader national security, food security as a non-trade concern must be considered. Food security is inextricably intertwined with political sovereignty and national security. Chronic food insecurity means that national security is jeopardized, with the health and lives of a large section of the population at risk, and internal stability and order threatened.

Another aspect of food security is political sovereignty and independence. Countries that are in dire need and dependent on other countries for their basic food needs have no bargaining power. They are therefore politically weakened, having to accept any conditions that may be imposed on them by the donor/lending agencies or countries.

It is argued that trade liberalization will stabilize the global market prices, which will, in turn, contribute to attaining food security, and that free trade will secure food security by creating trade gains and increase purchasing powers through economic development (Japan and Republic of Korea, 2000). However, in countries such as in the Caribbean, which depend heavily on food imports, there are strong

concerns among consumers over the fact that the future prospect of food supply and demand are very optimistic and that there is no guarantee that so-called 'free trade' will naturally lead to the stabilization of food supply and prices, given the present international market situations as well as current WTO rules and disciplines.

The position by Japan and Republic of Korea suggests that in order to ensure food security at the lowest cost, it is necessary to pursue the optimum combination of adequate domestic production, importation from a diversity of countries and public stockholding. Also, in attempting to ensure food security, the multi-functionality of agricultural activities (external effects and public goods) should be properly taken into consideration. These include land conservation, fostering water resources, protection of the environment, strengthening the socio-economic viability and development of rural areas, preservation of landscapes and traditional cultures.

In the case of Caribbean countries, the need to maintain infrastructures for production in case of crisis and to keep a certain level of domestic production is essential to food security. Public stockholding is also a necessary and important policy measure, but is only effective in the short-term. An increase in people's purchasing power of food is essential, as well as an increase in domestic food production in a

sustainable manner. Of note here is that a number of Caribbean countries are both food exporters and importers of basic food, and as mentioned earlier their exports are often concentrated on one or a few agricultural products.

3.2 Externalities and Public Goods

The externalities and public goods being considered here:

Conservation of biological diversity meaning the flora and fauna, maintenance of landscapes (cultivated and semi-natural):

- *Influence of Agriculture on Rural Landscape*: Only a minority of rural landscapes in the world is not, in some significant way, the result of the formative influence of agriculture – and those that are not, are largely uninhabited (European Commission, Norway, 2000). Modern landscapes bear the form and composition of a farming heritage; in terms of pattern and size of fields, extent and type of vegetation, existence of landscape features, use of terracing, cropping rotations, and settlement patterns. Mixed farm landscapes, created in order to utilize benefits of fertility due to rotation and diversity of crops and livestock, are a feature of rural areas throughout the world. However, advances in technology have enabled farmers to specialize their production while increasing

productivity, but at the expense of the landscape.

Farming is also a positive force in the development of biological diversity. The ecological stability of rural areas is shaped by farming, which has influenced the evolution of diverse species of wild flora and fauna. If farming were to cease, the result would be afforestation and the loss of species diversity. Management of farming systems dedicated to the conservation of biological diversity may require farmers to undertake costly activities or forego profitable operations. So although conservation activity is linked to production, output is at a lower level than under the farming system, which would otherwise take place (European Commission, Norway, 2000).

- *Preservation of Cultural Features and Rural Landscape:* Preservation of cultural features, including historical remains of farmland and land uses of cultural significance. Historical farmland features include archaeological features e.g. century-old sugar plantations and factories. Such features may be at risk in the efforts to increase farming efficiency.
- *Protection Against Disasters:* Protection against disasters such as flooding, fire, severe erosion caused by wind or water. The impact of

natural disasters is likely to be greatly influenced by farming activities e.g. terracing, farmers avoiding desertification of their land. Abandonment of terraces has been shown to lead to slippage of hillsides. On the other hand, farming can provoke natural disasters eg 'slash and burn' and can also lead to serious wind and water erosion, as well as fires.

It is unlikely that market messages will provide the necessary targeted support to deliver the desired outcomes regarding these non-trade concerns, which place a heavy burden on policy measures.

Pressures on farming, derived mainly from technological developments and liberalization of markets, cause farmers to modify their farm practices to maintain and advance their businesses. Common trends include intensification, specialization and concentration in profitable areas and marginalization and even abandonment in difficult areas. These trends are likely to lead to a reduction in the provision of environmental and cultural public goods.

In the above examples, some of the environmental and cultural NTCs can only be met through certain farming activities. It has been suggested that, in order to minimize supposed distortions to trade, the products of such activities should be thrown away and not placed on any market. While this position is

untenable because of the cost and waste inefficiencies, the fact of joint production of both marketable products and environmental or cultural services should not be used to conceal distortive economic subsidies. Accordingly, wherever society, in pursuit of a legitimate environmental or cultural objective, demands that farmers undertake efforts to deliver the public good, then governments should only recompense farmers for their additional costs and income foregone, taking fully into account the farmers' income from selling commodities on the market (European Commission, Norway, 2000).

4. SPECIAL AND DIFFERENTIAL TREATMENT

Underlying the concept of special and differential treatment (SDT) is the fundamental premise that developing countries are intrinsically disadvantaged in their participation in international trade and therefore, any multilateral agreement involving them and developed countries must take into account this inherent weakness in specifying their rights and responsibilities. Developing countries have very different economic, financial, technological and development circumstances as compared to developed countries. Moreover, there is consensus that it is in the interest of developed countries to assist developing countries in their fuller integration and

participation in the international trading system.

The concept of special and differential treatment for developing countries has long been acknowledged within the GATT framework. The 1964 GATT adopted a specific legal framework within which the concerns of developing countries could be addressed. Later, the Enabling Clause of 1979 provided for: (1) the preferential market access of developing countries to developed country markets on a non-reciprocal, non-discriminatory basis; (2) more favorable treatment for developing countries in other GATT rules dealing with non-tariff barriers, (3) the introduction of preferential trade regimes between developing countries; and (4) the special treatment of least developed countries in the context of specific measures for developing countries (GATT, 1980).

The 1994 Uruguay Round is considered a milestone in the evolution of the multilateral trading system, as for the first time, agricultural trade policies and relevant associated domestic policies were brought under operationally effective rules and discipline. The UR Agreement continues the earlier acknowledgements of the need for SDT for developing countries and in some regards extends the privileges. Several references can be found in the preambles as well as in the substantive provisions of the various texts committing members to implement

the agreement in ways that take into account the interests of developing and least developed countries (LDC). Specifically, the AoA contains a variety of measures aimed at giving developing countries wider latitude in their policy options as well as longer implementation periods. Article 6 of the AoA, for example, excludes from the general reduction commitment some support measures that are considered developmental. These include investment subsidies generally available to agriculture in the developing countries; agricultural input subsidies generally available to low-income or resource poor producers in developing countries; and domestic support to producers in developing countries to encourage diversification from growing illicit narcotic crops. Article 20 of the AoA goes a step further and in its preamble recalls that the long-term objective "is to establish a fair and market oriented agricultural trading system" and notes that "commitments under the reform program should be made in an equitable way among all members, having regard to NTC, 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. ...".

Special and differential treatment provisions are also contained in many of the other agreements. The Agreement on

Subsidies and Countervailing Measures, among other things, permits countries with per capita income of less than \$1000 and least developed countries to maintain certain kinds of export subsidies that are otherwise prohibited, and in the case of developing countries the period over which subsidies can be provided is longer. The Enabling Clause calls for more flexibility in determining adherence to the GATT provisions regarding the formation of free trade areas and customs unions among developing countries and the Agreement on TRIMS permits a temporary deviation for developing countries in the process of addressing balance of payment problems (Michalopoulos, 2000).

However, in spite of what appears to be a set of provisions favorable to the developmental needs and the special circumstances of developing countries, many analysts and countries are questioning the "meaningfulness" of these privileges. Michalopoulos (2000) points out that although special and differential treatment has been embedded in many of the agreements, the commitments of developed countries regarding preferential market access and other treatments are in practice much less important than they appear to be on paper. He cites as examples the fact that the Most Favoured Nation (MFN) reduction of tariffs under the UR as well as additional regional arrangements such as NAFTA, the Mediterranean

agreements such as the GSP and MFN. Of greater concern, was the price they received in the preferential markets as well as the need to overcome certain non-tariff trade barriers. Also, of concern was the need to overcome the various production and marketing constraints to allow for fulfilling of quotas. Consequently, the requirements of the AoA to force developed countries to lower tariff barriers and allow for a minimum amount of imports where quantitative restrictions were replaced by tariffication, did not benefit many of the countries of the Caribbean. In contrast, the implementation of the WTO agreements by developed countries led to a severe erosion of preferences and noticeable down turn in prices, resulting in considerable decline in the export earnings of many of these countries. Thus, between 1980 and 1998, the index of real prices (1980=100) for sugar bananas and tropical beverages fell to 23, 90 and 51 respectively (FAO). Recent studies undertaken by FAO estimate that the AoA could be responsible for a potential loss of preferences worth US \$632 million (in 1992 dollars) for all developing countries, about 25 percent of the total value of preferential margins on agricultural products in that year. For the African, Caribbean and Pacific (ACP), the study estimates a potential loss in the EU market by 122 million ECU, or 17% of the value of ACP agricultural preferences and about 2% of

their exports to the EU. Moreover, questions about the longevity and conformity of some of the existing preferential trading agreements for important commodities produced in the region e.g. sugar and bananas, are casting shadows over the sector and robbing it of the kind of investments needed to modernize it. For example, questions are being raised within the WTO negotiations as to whether the US sugar agreement discriminates against some developing countries and is therefore in violation of the principles of the WTO agreement.

Secondly, since trade liberalization has been going on for a long time in the Caribbean, much of what was required in the AoA in terms of tariff reduction was already in place or in the process of being put in place. This was due in part to unilateral reforms undertaken by many of these countries in response to the dictates of international financial institutions such as the World Bank and the International Monetary Fund (IMF), as well as a shift in the paradigm towards more open trade policies. Indeed, the region is considered to be one of the most open among developing countries, with many of these countries having an index of openness (percentage of total trade to GDP) in excess of 150. In addition, regional commitments introduced several reforms that simplified the external tariff structure. Since the general level of protection in the region was fairly low, most of the

Caribbean countries opted for ceiling bindings on most of their products. Consequently, they were not subjected to any reduction commitment. This meant therefore that the SDT of longer transition time and smaller percentage reduction in base tariff rates did not apply and were of little or no value to Caribbean countries. Because of the relatively low protection level for their agricultural commodities in these countries i.e. within the vicinity 40-50 per cent, and relatively high costs of production, there is evidence that food imports in some countries, noticeably Guyana, have almost doubled, and that imported foods are displacing domestic ones. A consequence of this development as observed by the Caribbean Food and Nutrition Institute (CFNI) is that there is an increase in the incidences of epidemiological diseases that are typically observed in the more affluent developed countries. This development could weigh heavily on the already fragile social infrastructure of many of these countries.

4.2 Domestic Support

Within the framework of the AoA, scheduled reductions in the base total Aggregate Measure of Support (AMS) provide the mechanism by which domestic support is brought under the discipline of the WTO. Several policies of both developed and developing countries are exempt from inclusion in

the AMS and therefore exempt from reduction commitments. Those that strictly relate to the developing countries, and can be considered under the broad heading of SDT, include:

- Public stockholding for food security purposes, including sales of public stocks at below market price for the provision of subsidized food for the rural and urban poor of developing countries.
- Domestic food aid.
- Investment subsidies generally available to agriculture in developing countries; agricultural input subsidies generally available to low income and resource poor producers in developing countries.
- "De minimis" provision for developing countries; exempt product-specific support that constitutes less than 10 percent (5 percent for developed countries) or the value of production of the commodity and non-product-specific support that constitute less than 10 percent (5 percent for developed countries) of the value of all agricultural production.

Again, since most Caribbean countries were never in a position to provide massive domestic support, they reported base total AMS of zero or less than the *de minimis* in their Country Schedules. Consequently, the benefits of the SDT in the form of longer transitional period (10 years) and lower overall reduction level (13.5%) in

reducing AMS are of little value. Where input subsidies were used in the Caribbean to encourage adoption of improved technology, many such programs had to be phased out in order to comply with the conditionalities of externally applied structural adjustment programs. Moreover, since these countries reported zero AMS they have lost the rights, should the need arise, to use such support measures beyond the 10% *de minimis* ceiling. In this regard, the AoA reduces rather than facilitates future policy options of these developing countries. This is in sharp contrast to the situation with most developed countries that are not subjected to any ceiling and have greater flexibility in satisfying their reduction commitments across commodities.

4.3 Export Subsidies

With regard to export subsidies, the SDT permits developing countries to encourage the use of subsidies aimed at reducing the cost of marketing, processing and transport, provided they are not applied in a manner which would circumvent reduction commitments. In addition, developing countries are exempt from export restraints such as export taxes, quotas and prohibitions, as long as they are not net exporters of the particular foodstuff on which the restraint is applied. For the Caribbean as a whole, the use of export subsidies as a market-development tool was never an

issue due to limited financial resources. Moreover, it is not conceivable at this point that this could be part of any long-term development strategy for the region. In the case of exemption from export restraints, a few Caribbean countries that depend on one or two agricultural commodities have taxed their exports. Since such countries are net exporters they would not qualify for exemption under the discipline.

The foregoing brief assessment of some of the SDT provisions included in the AoA and their value to the Caribbean was intended to highlight the growing disillusionment on the part of developing countries with regard to realizing the intended benefits of these provisions. Although the assessment focused on the Caribbean, the same applies to many other small developing countries. Among other things, the assessment reveals that the benefits realized from SDT and the degree of flexibility that they engendered were less than encouraging and in some cases can be construed as conferring benefits on the developed countries.

5. CONCLUDING REMARKS

Article 20 of the AoA provides that the continuation of the reform process should take into account NTCs, special and differential treatment to developing countries, and the possible negative effects of the implementation of the reform programme on least-developed

and net-food importing developing countries. While there is recognition of such issues within the WTO framework, our brief analysis reveals that the current paradigm, which emphasizes efficiency, is not amenable to such issues. In this regard, there is the need for a paradigm shift whereby judgement about efficiency of agriculture should not be based solely on market criteria but on developmental criteria. The call for such a shift should not be interpreted as an excuse for the non-compliance with the progressive removal of market distorting factors in developing countries, but recognition of the multifunctional characteristics of agriculture. Among other things, an objective of this new paradigm would be to put in place special and differential provisions which are more meaningful in helping developing countries address crucial NTCs such as strengthening the socio-economic viability and development of rural areas, food security and environmental protection. Other issues that the new paradigm would need to take into consideration include:

5.1 Recognition of Diversity Among Developing Countries

Optimum policy prescription requires recognizing the variations among developing countries and consequently customizing the SDT provisions for each sub-group. The WTO Agreement

currently does not provide any special and differential treatment provisions specifically for SIDS as a group. There is therefore a need for a conscious recognition within the multilateral negotiations that developing countries are not all of the same level and that as a result of this there is considerable diversity of production conditions. Agricultural production costs vary substantially within and across developing countries, hence, their capacity to export and compete in international markets is vastly different. Evidence of this is provided by recent records, which indicate the extent of the penetration in developed markets achieved by developing countries such as Brazil and Chile compared with some of the smaller island states. The point is that Brazil and Dominica although defined as developing countries should not be placed in the same category and be eligible for the same set of privileges. Consequently, there needs to be a more meaningful classification of developing countries, beyond that of "developing" and "least developed countries" so that the inherent weaknesses and circumstances can be more meaningfully addressed by SDT. The current WTO approach to SDT of one-size-fits-all should be abandoned in favor of an approach that more adequately matches the SDT to the inherent weaknesses of the countries.

5.2 Impact Assessment should be an Integral Part of the WTO Process

Secondly, we believe that there should be a greater focus within the multilateral trade negotiation on the linkages between trade and development rather than the current focus on trade alone. While we recognize the enormity of the task of conducting impact analysis, we believe that mechanisms should be put in place to facilitate such activities if all countries are to benefit from globalization.

5.3 Technical and Financial Support

Finally, while we are aware that developed countries have given commitments to provide technical support to developing countries for implementing the WTO procedures, it should be pointed out that the impact of such undertakings may be limited if production structures remain weak in the developing countries. An evaluation of the LDCs' needs assessment prepared under the Integrated Framework attests to the fact that the main hindrance to LDC export expansion was not market access problems but weaknesses in institutional capacities as well as other supply side factors (WTO, 1998). Among those identified were the following:

- i. infrastructural deficiencies such as erratic power supply, underdeveloped telecommunication net-

works, and the poor condition of terrestrial, sea and air transport links;

- ii underdeveloped financial and banking systems;
- iii shortfalls in a broad range of skills and institutional capacity needed to participate in international trade as well as to implement effective trade policies;
- iv deficient regulatory regimes that are unable to cope with weaknesses in the operations of markets.

Although these were identified for LDCs, they are equally applicable to many small developing countries that are not included in this category. Since these constitute real bottlenecks to the growth and development of agriculture it is recommended that within this new paradigm the multilateral lending agencies make a greater effort to direct their lending policies to the restructuring of agriculture in these countries

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LIST OF ACRONYMS

AMS	Aggregate Measure of Support
AoA	Agreement of Agriculture
CBI	Caribbean Basin Initiative
EU	European Union
GATT	General Agreement on Tariffs and Trade
GSP	Generalised System of Preferences
LDC	Least Developed Country
MFN	Most Favoured Nation
NAFTA	North American Free Trade Agreement
NTC	Non-Trade Concern
SDT	Special and Differential Treatment
SIDS	Small Island Developing States
UR	Uruguay Round
WTO	World Trade Organization