

WORLD TRADE ORGANIZATION

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PROPOSAL BY MEXICO FOR THE NEGOTIATIONS ON AGRICULTURE IN THE WORLD TRADE ORGANIZATION (WTO)

INTRODUCTION

1. The Uruguay Round contributed to improving the terms and conditions governing international agricultural trade. It established a basis for initiating a process of reform with the ultimate objective of achieving a fair and market-oriented agricultural trading system through the negotiation of substantial progressive reductions in agricultural support and protection and the establishment of strengthened and more operationally effective GATT rules and disciplines.
2. Although the Uruguay Round resulted in substantial commitments to the further opening up of markets through tariff reductions and tariffication of certain non-tariff measures, and to reducing market distortions through substantial progressive reductions in domestic support and export subsidies, the long-term objective as agreed at the Mid-Term Review of the Uruguay Round can only be attained by continuing this reform process.
3. Mexico considers that the reform process should continue in accordance with Article 20 of the WTO Agreement on Agriculture; in other words, in order to attain their long-term objective, the negotiations should take account, *inter alia*, of the experience to date from implementing the reduction commitments; the effects of the reduction commitments on world trade in agriculture; special and differential treatment to developing country members, and the objective to establish a fair and market-oriented agricultural trading system, and the other objectives and concerns mentioned in the preamble to the Agreement on Agriculture; and what further commitments are necessary to achieve the long-term objectives.
4. With respect to subparagraphs (a) and (b) of Article 20 of the Agreement on Agriculture, Mexico would like to highlight its experience with the effects of competing with products from more developed countries, which generally make use of the entire range of subsidies. The market distortions caused by these subsidies have resulted in artificially low international prices, to the detriment of producers' profitability.
5. The Uruguay Round favoured a proportional and differential reduction in tariff protection levels and subsidy and domestic support levels, depending on the level of development of the economies.
6. However, market distortions are still being caused by the developed countries, since the developing countries account for a considerably smaller share of subsidies. The actual use of subsidies depends more on the financial capacity of a country than on its contractual commitments. As a result, the developing countries have seen their agricultural development hampered. If this difference in the application of subsidies is allowed to prevail, then the equity we are trying to achieve in trade will disappear completely.

7. In the light of the above considerations and in accordance with the procedures laid down during the special session of the Committee on Agriculture of March 2000, Mexico would like to submit, for consideration by the other WTO Members, the following ideas on the modalities to be applied and the objectives to be pursued in respect of market access, domestic support, export competition and special and differential treatment during the current agricultural negotiations.

EXPORT COMPETITION

Subsidies

8. The negotiations should result in an agreement to eliminate export subsidies within a time-frame to be determined.

9. Should it not be possible to reach an agreement on the immediate elimination of export subsidies, the first step towards achieving that final objective would be to apply the system used during the Uruguay Round, i.e:

- (a) *Developed countries:* reduction by [X%] of budgetary expenditures and by [Y%] of quantities exported, starting with the Uruguay Round final levels, within a period to be determined.
- (b) *Developing countries:* reduction by substantially less than [X%] of budgetary expenditures and by [substantially less than Y%] of quantities exported, starting with the Uruguay Round final levels, within a period to be determined, but longer than the period provided for developed countries.

10. These reductions:

- (a) Must involve a given number of equal annual amounts, excluding the possibility of exceeding the maximum commitment levels with respect to budgetary expenditures and quantities exported, in absolute terms in both cases, for each year.
- (b) must be applied as from the termination of the Uruguay Round reduction period.

11. Export subsidy disciplines must be improved, *inter alia* in order to prevent the subsidy margin of a product from being used to raise or exceed the ceiling established for the products derived therefrom.

12. Disciplines should be established to regulate the activities of state trading companies to ensure that their operations do not cause distortions in international agricultural trade.

13. Article 10.2 of the Agreement on Agriculture should be implemented immediately in the framework of the negotiations in order to establish internationally agreed disciplines to govern the provision of export credits, export credit guarantees or insurance programmes.

14. The provisions governing special and differential treatment for developing countries with respect to export subsidies should be maintained and improved. Special and differential treatment should also be applied to the disciplines agreed upon under Article 10.2.

Peace clause

15. The Peace Clause should be turned into a permanent obligation for the developed countries with respect to imports from the developing countries.

DOMESTIC SUPPORT

Green box

16. The stability of the programmes being implemented by many Members, in particular developing country Members, in conformity with the results of the Uruguay Round Agreements, should not be affected.

17. The green box should be maintained, and hence, the provisions relating to those domestic support measures in favour of agricultural producers that are not subject to a reduction commitment because they conform to the criteria set forth in Annex 2 of the Agreement on Agriculture, as well as the said Annex 2 criteria, should remain unchanged.

Amber box

18. The reduction in the Aggregate Measure of Support (AMS) should be as substantial as possible.

19. Given that it is the amber box domestic support measures that most distort production and trade, reductions should considerably exceed those applied during the Uruguay Round.

20. These reductions should be greater in the developed countries, where such instruments are used more extensively, than in the developing countries.

Blue box

21. Contrary to what was agreed in the Uruguay Round, the amounts allocated to blue box programmes should be reduced at an accelerated pace.

Provisions on special and different treatment

22. The provisions on special and differential treatment for developing countries with respect to domestic support should be maintained and improved.

23. The measures adopted under Article 6.2 of the Agreement on Agriculture should not be subject to countervailing measures.

MARKET ACCESS

24. The modalities for negotiating tariffs depend directly on the degree of market distortion resulting from domestic subsidies and export subsidies in international trade.

25. The lack of an agreement providing for the elimination or substantial reduction of export subsidies and the substantial reduction of domestic support not covered by the green box would mean that with respect to market access, each Member would be able to decide on a case-by-case basis how far it was willing to go in view of its own situation and the situation of the international market. If this were the case, then tariff and tariff quota negotiations would have to follow the requests and offers procedure.

26. On the other hand, an agreement allowing for the elimination or substantial reduction of export subsidies and a substantial reduction of domestic support not covered by the green box would help Members to agree on multilaterally applied modalities for negotiating the reduction of tariffs

resulting from the Uruguay Round. In that case, the tariff negotiations could take place according to modalities similar to those applied during the Uruguay Round.

27. In the tariff negotiations:

- (a) The bound levels should be used as the base rate;
- (b) reductions should be applied as from the end of the Uruguay Round relief period agreed;
- (c) the importing party shall be responsible for the administration of tariff quotas if it so decides.

28. Geographical indications, trade names and labelling do not fall within the mandate of the negotiations on agriculture.

SANITARY AND PHYTOSANITARY MEASURES

29. Sanitary and phytosanitary measures should continue to be addressed under the Agreement on the Application of Sanitary and Phytosanitary Measures, which has proven to be an appropriate instrument for the purpose.

NON-TRADE CONCERNS

30. We must define clearly what these are. Such instruments as may be agreed upon in this respect must not have any distorting effects, create barriers to trade, or otherwise affect concessions and/or commitments bound in the WTO.

SPECIAL AND DIFFERENTIAL TREATMENT FOR THE DEVELOPING COUNTRIES

31. In addition to the above-mentioned provisions on special and differential treatment for the developing countries, the negotiation procedures agreed upon and the actual results of those negotiations must contain such provisions on special and differential treatment for developing countries as are needed by them, *inter alia*, to stimulate their agricultural sector, to promote rural development, to combat poverty and to bring down rural unemployment rates.

FINAL REMARKS

32. Mexico reserves the right to expand upon or modify the proposals contained in this document.
