

# WORLD TRADE ORGANIZATION

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## FOOD AND AGRICULTURE ORGANIZATION

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(As An Observer)

The signing of the Marrakesh Agreement four years ago provided the framework for an orderly development of agricultural trade, and for a “rules-based” conduct of domestic and trade policy in the agricultural sector. All countries, both developed and developing, had high expectations for their economies to benefit from the advantages resulting from the opening up of markets.

As only three years have passed since the Agreement on Agriculture came into effect, the experience we have had in the implementation of the Uruguay Round is not sufficient to come to definite conclusions about its impact. However, the qualitative changes of the last few years, as a result of the Uruguay Round, are perhaps more important than the quantitative changes that we have seen so far. The Uruguay Round Agreements have already had a profound impact on the design and implementation of domestic and trade policies. I should like to venture a couple of observations on developments so far.

### Agricultural prices strengthened

An anticipated consequence of the Uruguay Round was a modest strengthening of agricultural commodity prices. It is well-known that the trend of real agricultural commodity prices has been declining over the long run. However, it appears that this decline has slowed down in recent years and, in fact, it may have been reversed. FAO data indicate that the trade-weighted index of export prices of major agricultural commodities was 16 per cent higher in 1997, compared to 1990. This compares with

over 70 per cent. In many cases, poor consumers had to bear the consequences by adjusting their already inadequate diets.

Of course, the higher world market prices may eventually also have beneficial effects in so far as they are transmitted to the farmers. Higher prices not only increase farmers’ incomes, but also enable them to increase production through investment and higher input use. Naturally, governments

should provide the necessary infrastructure and enabling environment to facilitate the production response - a process which needs resources and time.

In this connection, it is important that the Marrakesh Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net-Food Importing Developing Countries is fully implemented, as was stressed by the World Food Summit in 1996. In FAO's view, this group of countries is still faced with the possibility of fluctuations in prices during this transitional period towards a new international trading system for agriculture, although cereal prices have eased since 1996.

#### Policy reforms and FAO's technical assistance

FAO has long experience in providing technical assistance to its member countries in a wide range of trade-related issues concerning agriculture, fisheries and forestry sectors. To indicate the magnitude of FAO's technical assistance, in 1996 FAO operated over 1,500 projects in developing countries (amounting to over US\$1.5 billion) out of which a large part was directly or indirectly related to agricultural, fisheries and forestry commodity trade. FAO has just published a brochure on its technical assistance programme related to follow-up activities to the Uruguay Round. Copies of the brochure are available to interested delegations.

Since the conclusion of the Uruguay Round, FAO has responded to a growing number of requests from member countries for technical assistance in the areas of its competence. The nature of the requests included clarifications on the implications of the Uruguay Round Agreements, how to apply specific provisions in practice, their impact on markets of specific commodities, how to translate potential market access to export earnings, assisting countries contemplating applying for membership to the WTO.

In the first instance, FAO's assistance includes help in areas related to the implementation of the Uruguay Round Agreements. It covers, *inter alia*, matters related to the Agreement on the Application of

countries will increasingly rely on the world market to earn their income both from agricultural and non-agricultural exports. As a result of these two trends, farmers and consumers will be increasingly exposed to fluctuations originating in world markets. An implication of this trend is the need for a wider diffusion of risk-reducing financial instruments, support to food security stocks, compensatory financing schemes and safeguards.

There is likely to be an expansion in science-based regulations affecting trade. Consumers want food which is safe, of good quality, properly