

The Tokyo Round and Agricultural
Exports of Developing Countries

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1. After having been virtually ignored during the earlier rounds of multilateral trade negotiations some trade improvements have taken place within the agricultural sector during the Tokyo Round. However, it is necessary to distinguish between those products categorised as tropical products vis-à-vis agricultural products. Most of the improvements occurred in the Group "Tropical Products", (in essence non-competing agricultural products) where, of the 4,400 dutiable items at the tariff-line level subject to requests for concessions, most-favoured nations concessions and Generalised System of Preferences contributions were granted with respect to some 2,930 tariff items, rather than in the Group "Agriculture" incorporating temperate zone agricultural products such as processed fruits and vegetables, vegetable oils, sugar and sugar products and tobacco where little progress was made.¹

2. Regarding tariffs - the easiest measures of agricultural protection to identify - it has been estimated that concessions were granted in the multilateral trade negotiations on one quarter of dutiable imports of agricultural products entering the European Economic Community and eight other major market economies, with the average tariff cut - on those items where concessions were granted - amounting to 40 per cent.² More specifically, the average most-favoured nation tariff rates for imports of agricultural products into developed markets from developing countries have been cut to 6.9 - 11.0 per cent (depending on the method of calculation) compared with the average pre-multilateral trade negotiation rate of 7.9 - 11.7 per cent.³ Such a generalisation however obscures the wide range

1. For further details see General Agreement on Tariffs and Trade (1979) The Tokyo Round of Multilateral Trade Negotiations, April 1979.

2. General Agreement on Tariffs and Trade (1980) The Tokyo Round of Multilateral Trade Negotiations, II - Supplementary Report, January 1980.

3. Ibid.

of tariff cuts by commodity and by country. For example, for the 82 items covered by Table 1 imports into the three markets from developing countries amounted to US\$19.1 billion in 1976. However, 23 items mostly primary commodities with a total import value of US\$7.3 billion were zero-rated before the Tokyo Round. Of the remaining groups no most-favoured nation tariff cuts were made on 15 items valued at US\$2.7 billion. Cuts averaging less than 20 per cent were made on 27 items which account for US\$4.6 billion of imports, and cuts ranging from 20-55 per cent were made on the remaining 17 items. Further, numerous tariff barriers remain especially those on processed products.

3. However, tariff barriers are only a part of the total set of protective measures extended to the agricultural sector in most countries, with the most important non-tariff measures applied to imports being quantitative restrictions, variable levies, technical barriers and hygiene regulations and government procurement. Progress on non-tariff measures was made in the multilateral trade negotiations through the conclusion of codes concerning subsidies and countervailing measures, technical barriers to trade, customs valuation, government procurement and import licensing procedures. However, as noted by the Food and Agriculture Organisation of the United Nations "concrete concessions were granted only on a small fraction of agricultural items on which requests were made by developing countries."¹ It remains to be seen how effective these agreements will be in aiding trade liberalisation. This is especially true at the present time where there are instances of further measures of agricultural protection being introduced. In the European Economic Community for example, export subsidies for beef have recently been granted and in the United States of America a levy on imports of raw sugar has been introduced as a result of the falling world price of sugar. Those examples serve to supplement the evidence that, notwithstanding the effects of the multilateral trade negotiations, for certain agricultural products, measures of agricultural protection are increasing.

1. Food and Agriculture Organisation of the United Nations (1981) Report of Action Taken on Conference Resolution 2/79 on Commodity Trade, Protectionism and Agricultural Adjustment, Committee on Commodity Problems Fifty-Third Session September 1981 - Report No. CCP 81/12 July 1981.

TABLE 1

Trade effects of the Tokyo Round tariff cuts for agricultural products
(Values in \$ million)

Product group	European Economic Community				Japan				United States			
	Average MFN tariff		Imports from developing countries		Average MFN tariff		Imports from developing countries		Average MFN tariff		Imports from developing countries	
	Pre	Post	1976	Projected Change	Pre	Post	1976	Projected change	Pre	Post	1976	Projected change
MEAT												
1. Fresh meat	10.1	9.1	179.8	1.0 to 1.1	9.3	8.0	174.3	2.6	5.0	3.4	181.8	3.1
2. Prepared meat	21.8	21.8	181.8	0.0	18.9	18.8	4.5	-	6.8	4.9	184.2	2.7 to 2.9
FISH												
1. Fresh fish	13.8	12.9	143.6	-2.4 to -3.8	6.0	4.2	208.7	20.7	0.0	0.0	676.6	0.0
2. Prepared fish	22.4	22.4	129.2	0.0	15.0	14.9	85.0	-0.2	1.9	1.5	112.8	0.4 to 0.5
FRUIT												
1. Fresh fruit	15.0	14.8	957.1	-0.4 to -0.8	38.7	26.0	295.1	-	2.0	1.2	507.7	1.3
2. Preserved fruit	21.3	20.1	201.0	-3.1 to -5.8	28.1	24.7	31.6	0.8	13.7	11.6	144.0	3.6
VEGETABLES												
1. Fresh vegetables	9.2	9.1	744.5	-1.8 to -2.8	7.5	7.4	130.0	0.1	17.9	16.4	151.3	0.7
2. Preserved veg.	20.6	20.5	174.6	0.1	20.6	20.4	54.3	-0.1	12.1	10.9	98.8	0.8 to 0.9
SUGAR												
1. Raw sugar	0.0	0.0	439.6	0.0)	35.4	35.4	435.5	0.0	6.6	6.6	1 023.7	0.0
2. Refined sugar	0.0	0.0	46.2	0.0)								
3. Sugar preparations	21.0	21.0	4.4	0.0	37.7	32.3	2.5	0.1	6.6	5.9	14.6	-
COFFEE												
1. Green or roasted	7.0	5.0	2 879.0	35.4	0.0	0.0	337.9	0.0	0.0	0.0	2 671.8	0.0
2. Coffee extracts	18.0	18.0	80.1	0.0	25.0	17.5	6.9	0.4 to 0.5	0.0	0.0	129.5	0.0
COCOA												
1. Cocoa beans	3.0	3.0	720.3	0.0	0.0	0.0	61.1	0.0	0.0	0.0	358.1	0.0
2. Powder and butter	12.2	12.2	144.7	0.0	5.2	4.9	31.9	-0.1	1.6	0.3	196.7	2.5
3. Chocolate	27.0	27.0	7.9	0.0	29.0	27.4	5.6	0.0	6.5	6.5	5.7	0.0

Source: UNCTAD document TD/B/C.1/207/Add. 2, August 1980.

4. The effects of the Tokyo round of multilateral trade negotiations on agricultural products, especially those from developing countries may conveniently be reviewed in detail in seven main groups namely cereals, meat and dairy products, oil-seeds and vegetable oils, fruit and vegetables, sugar, beverages (in particular tea, cocoa and coffee) and fish.

5. There seem to have been few significant concessions in the Tokyo Round as regards cereals. Indeed cereals were a good example of the difficulties encountered in negotiating on agricultural products in general because of the divergences of view between the United States of America and the European Economic Community. A Sub-Group on Grains, set up as part of the negotiations, never achieved anything of substance since negotiations on tariffs, etc, were dependent on the establishment of an International Grains Arrangement (IGA), for which negotiations were transferred to the International Wheat Council (IWC). As a consequence of the failure of negotiations in the IWC nothing useful was achieved in the GATT Grains Sub-Group.

6. Thus it is not surprising that only quite minimal liberalisation,¹ tariff or non-tariff, took place in the main developed cereal producing/consuming countries. The European Economic Community, taking its stand that the common agricultural policy is "not a matter for negotiations," made virtually no concessions apart from some Generalised System of Preferences reductions on manufactured cereal products, even though in the case of certain products, for example, wheat, oats, maize, rice, millet and sorghum, the value of imports of each from developing countries in 1976 was in excess of US\$5 million indicating important developing country supply capacity.

7. Certain United States of America most-favoured nation duties on cereals were reduced or cut to nil, as were those on macaroni and some baked products. For these as with maize, which the United States of America imports in significant quantities from developing countries, a Generalised System of Preferences rate of zero was established in 1978. All in all United States concessions on cereal tariffs under the Generalised System of

1. See UNCTAD CD/230/Add. 6.

Preferences or the most-favoured nation rate appear to have been of limited significance. However, apart from the Generalised System of Preference ceilings (which have been reached on occasions) there do not appear to be non-tariff barriers in the United States of America to cereal imports. In Japan tariffs as such on most cereals were not a serious obstacle, so few tariff concessions were negotiated. Equally, there was no dismantling of a wide variety of non-tariff measures, such as import or tariff quotas, state trading, discretionary licensing and health and sanitary measures. In Canada where a number of important tariffs on cereals remain, as well as discretionary licensing in some instances, some tariff reductions were made while other (temporary) lower tariffs were bound. A few Generalised System of Preferences rates (for example, on rice) were introduced in 1977 and 1978.

8. In the heavily supported livestock sector the major concessions granted under the multilateral trade negotiations were as follows:

- (a) There was an increase in the quantities of bovine meat that can be imported levy-free into the European Economic Community, for example, the General Agreement on Tariffs and Trade's frozen beef, special quality beef and buffalo meat quotas were all raised. In addition, minimum access commitments were strengthened concerning imports of beef into Japan, Canada and the United States of America. Specifically, the United States of America has fixed the minimum level of imports at 567,000 tons under its 1979 Meat Import Act; Japan is increasing its imports to a minimum level of 135,000 tons by 1982/83 and Canada has established a basic minimum quota of 63,000 tons in 1980 which will increase in line with the growth in population.

(b) Some reductions in tariff duties were granted on certain categories of livestock products by the United States of America, Canada, Japan, the Republic of Korea, Spain and Switzerland. In the United States of America, the largest importer of beef, for example, the duty on fresh, chilled and frozen beef has been reduced from 3 to 2 U.S. cents/lb.

(c) From 1980 the European Economic Community has agreed to import up to 9,500 tonnes of cheese per annum from New Zealand. This cheese is subject to minimum c.i.f. import prices. Similar import arrangements have been negotiated for 2,750 tonnes of mature Canadian cheddar and 3,000 tonnes of Australian cheese. In the United States of America access has been granted for the import of 111,000 tonnes of cheese per annum of various types, predominantly from the European Economic Community, New Zealand, Australia and Switzerland.

9. In addition to the above concessions were the formalisation of the International Dairy Arrangement, the setting up of the Arrangement Regarding Bovine Meat which provides for information exchange and market monitoring and the agreement on codes of non-tariff barriers. Thus, the overall result of the negotiations is that while some limited concessions have been obtained, notably for beef and cheese, no major breakthrough towards liberalisation of animal product trade has occurred, i.e. towards the low-cost producing economies of Australia and New Zealand, and no results of significance for developing countries, for example, the Argentine. However, it should be remembered that for the majority of livestock products the international market is very small¹ and that while the impact of measures of agricultural protection is usually most serious in the context of developing versus developed economies, livestock is one sector where the effects between developed economies is of most significance.

1. Between 1978 and 1980 only about 6 per cent of the world meat production was traded, the figures being 1.5 per cent and 4.5 per cent for eggs and milk respectively. Within the meat sector itself 12.5 per cent of sheepmeat was traded compared to 7 per cent for beef and even less in the case of pigmeat and poultry.

10. Twenty-seven countries, including the European Economic Community, undertook to make concessions on oilseeds, vegetable oils and oilcakes in the Tokyo negotiations. For oilmeals and oilseeds the concessions tended to be the binding of existing zero rates. More concessions were granted in the oils and fats area reducing, to some extent, the problem of tariff escalation, but there were very few reductions in duties to zero. The largest number of concessions was in fatty acids and alcohols, followed by soya bean, groundnut, palm, palm kernel and coconut oils. There were significant reductions in duties by the United States of America (the zero rating for coconut oil accounts for about half the value of total United States concessions), and by Japan, the latter making concessions on items which accounted (in 1976) for nearly eighty per cent of the total value of its imports. Although the total value of concessions made by the European Economic Community nearly matched that of the United States of America, it accounted for only about a tenth of the total value of imports. Significantly there were no direct most-favoured nation concessions on item 15.07, fixed vegetable oils, although certain improvements made at Tokyo to the Generalised System of Preference Scheme were introduced in 1977 as the result of the Community's offer at the multilateral trade negotiations. Among developing country importers there were important concessions on certain edible oils by India and the Dominican Republic.

11. As regards non-tariff barriers the multilateral trade negotiations resulted in new instruments and texts which may have a favourable impact on trade in oilseeds and oils. The abolition of the quota imposed by the Community on imports of fatty acids and alcohols appears to have been the only major non-tariff barrier actually dismantled as the result of the negotiations.

12. Tariff reductions on fresh and preserved fruit in the Tokyo Round, although not insignificant in number, are estimated by UNCTAD to have had almost negligible effects on developing countries' export earnings (see Table 1). In the United States market the reductions would have increased less developed countries export earnings by less than 1 per cent. In the European Economic Community a fairly serious loss of export earnings was indicated, mainly from preserved fruit, as the result of the erosion of preferences. A similar preference erosion was indicated for fresh vegetables. Although the tariff cuts of Japan and the United States of America were estimated by UNCTAD to have positive effects they were expected to yield little extra in the way of enhanced export earnings for developing countries.

13. For both fruit and vegetables the reductions in average tariff levels in the European Economic Community were very small; there were relatively greater tariff cuts in the United States of America. The estimated nil trade effect of the sharp reduction in Japanese duties on fresh fruit suggests little or no correlation between the depth of tariff cuts and export earnings.

14. In the sugar sector the achievements of the multilateral trade negotiations were minimal - due primarily to the fact that at the refining stage sugar is an almost perfect example of a competing agricultural product - with virtually no concessions granted by the major developed markets of the European Economic Community, the United States of America and Japan for raw or refined sugar. However some concessions were granted for sugar preparations although their influence on improving developing country trade is likely to be minimal. Nevertheless the existing arrangements under, for example, the Generalised Scheme of Preferences of the United States of America and the Sugar Protocol attached to the Lomé Convention remain, which continue to support, through the provision of access, these developing countries party to these arrangements and thus maintaining that advantage over other developing and low-cost developed sugar producing countries.

15. In the beverages sector most-favoured nation and Generalised System of Preferences concessions were made for tea, cocoa and coffee in the Tokyo Round of negotiations. In the case of bulk tea, the European Economic Community reduced its bound most-favoured nation rate from 9 per cent to zero. The only major developed economy market which retains duties on bulk tea is Japan. However, Japan has now introduced a Generalised System of Preferences rate of 2.5 per cent on imports of black tea from developing countries, while applying a provisional most-favoured nation rate. Further, duty-free treatment for the least developed countries has been granted benefiting many tea exporters including Malawi, Uganda, Tanzania, Bangladesh and Rwanda. For packed tea the most-favoured nation duty on imports to Australia was eliminated and Austria reduced its Generalised System of Preferences rate from 3 per cent to zero. The European Economic Community reduced its bound most-favoured nation rate from 11.5 per cent to 5 per cent: however, since the Community allows duty-free access to all developing countries the cut is of little importance. Only Japan and New Zealand still impose substantial duties on packed tea, although Japan reduced its most-favoured nation rate from 35 per cent to 20 per cent and also introduced a Generalised System of Preferences rate of 14 per cent. New Zealand bound its most-favoured nation rate at 10 per cent and reduced its Generalised System of Preferences rate to zero. Tariffs on instant tea are again only significant in Japan and New Zealand of the major developed lands. With respect to internal taxes on tea (and coffee and cocoa) imposed by certain countries in the European Economic Community statements of intent were made as to the future level of these taxes.¹

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1. Statements on internal specific taxes applied to tropical products. "The Community has taken note of the observations made by a number of developing countries as regards specific taxes on a number of tropical products. In this respect, the Member States which apply such taxes make the following statements:-
- the Government of the Federal Republic of Germany, which applies specific taxes to coffee and tea, undertakes not to increase the level of these taxes in the future;
 - the Government of Denmark states that it does not expect to increase the level of the specific taxes which it applies to coffee and tea;
 - the Government of the French Republic, which applies specific taxes to tea, cocoa and some spices, undertakes not to increase the level of these taxes in future;
 - the Government of Italy, underlining the link with current economic policy in the present situation of that country, indicates that it will take this problem into consideration in a sympathetic manner".

16. For cocoa and cocoa products four developed economies, Australia, Finland, Sweden and the United States of America now apply duty-free treatment to imports from developing countries under either the most-favoured nation or the Generalised System of Preferences tariffs. It should, however, be remembered that due to the "competitive need" provisions, the United States Generalised System of Preference treatment did not apply to the Ivory Coast in the case of cocoa butter during 1977 and 1978, nor to Brazil between 1978-80 and the Ivory Coast in 1979 for cocoa powder. Further, in Austria, Canada, Norway and Switzerland, cocoa and cocoa products from developing countries have duty-free access with the exception of cocoa powder. In New Zealand and Japan duties are imposed on the imports of cocoa paste and cocoa powder and the European Economic Community imposes duties on all cocoa and cocoa products. However, since over 82 per cent of total imports of cocoa and cocoa products are admitted duty-free under the Lomé Convention and other preference schemes the duties are not very significant over and above maintaining an advantage for the African, Caribbean and Pacific States vis-à-vis other developing producers and exporters of cocoa and cocoa products. The same comment regarding internal taxes on tea is applicable for cocoa.

17. For coffee, Sweden, Norway and the United States of America now give duty-free treatment, under the most-favoured nation or Generalised System of Preferences tariffs, to imports of all major coffee and coffee products from developing countries. Further in Canada and Australia the duties that remain only affect a very small amount of trade. On the other hand duties are imposed in a large number of developed economy markets, particularly the European Economic Community, Japan, Finland, Austria and Switzerland and are higher on the imports of roasted coffee and instant coffee than on raw or unroasted coffee. An important feature of the tariff treatment applied to coffee in some developed markets is the importance of trade from special preferential sources at reduced or zero rates of duty. During 1979, for example, nearly 40 per cent of all coffee imports into the European Community were eligible for import duty-free from the

African, Caribbean and Pacific States of the Lome Convention. Internal taxes on coffee are the most important type on non-tariff barrier but, given the very low price elasticity of demand, coupled with the fact that internal taxes are both common and applied at similar rates to all three commodities, the actual effect on consumption is not great.

18. With respect to fish Table 1 shows that the estimated effect on developing country export earnings of the reduction in Japanese tariffs on fresh fish ranks second only to the cut in the European Economic Community's tariff on green and roasted coffee - an increase of almost US \$21 million as against the US \$35 million expansion for coffee. The significant cut in the already fairly low Japanese average tariff from 6.0 to 4.2 per cent ad valorem may be seen as a case of enlightened self-interest since the Japanese diet is so heavily dependent upon imported fish that it is in the interest of consumers that tariff and other protection should be reduced.

19. By contrast with the situation in Japan, the modest tariff cuts introduced by the European Economic Community seem likely to have a negative trade effect owing to the erosion of preferences. The Community does not appear to have made any tariff concessions on preserved fish. In the United States of America fresh fish bears no duty.

20. The foregoing suggests fairly strongly that the effect of the multilateral trade negotiations on developing countries' exports of food products were not as satisfactory as hoped for in relation to the objectives of the negotiations. Although for some tropical products tariffs on the raw product are low or negligible, there remain a number of non-tariff barriers such as internal taxes, health and sanitary regulations, levies, quantitative restrictions and, indeed as for sugar and cereals, the agricultural support policies of the developed countries, which continue to present obstacles to developing country exports. The introduction of procedures to deal with various non-tariff barriers does not so far seem to have made any noticeable impact. To the

effects of the world recession on weakening the demand for food products has to be added the continuation of protectionist measures in the developed country importers.

21. It is not possible to assess quantitatively the effects of the disappointing results of the Tokyo Round, notably in the agricultural sector, on developing countries' food production since there can be no definite relationships between the increases in developing country export earnings and internal food production capabilities. It would seem, however, that the failure to relax barriers to freer agricultural trade must constitute a very serious obstacle to increasing food availabilities in the developing countries since it depresses agricultural prices and export earnings which could be used to import production inputs or food itself.

22. While the limited liberalisation of trade in processed and manufactured products probably has increased the potential for expanding food output of those developing countries with substantial capacity for processing or manufacturing, including the "Newly Industrialised Countries", the situation is that the majority of developing countries possess little such capacity in the short-term, and must continue to rely upon food or agricultural export earnings to meet their developmental needs. Therefore, many of the questions relating to agriculture which were addressed at the Tokyo Round need further attention; in addition a number of protectionist measures, such as agricultural support policies, voluntary export restraints and variable levies, which were not even discussed in the multilateral trade negotiations, should be on the agenda for future GATT meetings.