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Statements by the European Communities

Non-Trade Concerns (G/AG/NG/W/36)

(Papers on Rural Development and the Environment Situation of the Community)

The Commission of the European Community was an active partner in the Ullensvang Conference.

The Community regards non-trade concerns as a key element in the Article 20 negotiations. I am here using key, in sense of an instrument for opening a door. We do not regard it as a means of locking the door on the other planks of the negotiation, market access, export competition, domestic support and special and differential treatment but as suggesting a means by which a conclusion can be reached on all elements and a conclusion which would be satisfactory for all members of the WTO. For this reason we consider that it would be a cardinal error for any Member who is interested in reaching a conclusion - and I assume it, this means all Members - to try to down play this element of Article 20 or to suggest that it is only of secondary importance.

As regards the two specific papers submitted by the Commission I can be brief.

The paper on **Rural Development** develops themes common to rural economies:

- In most of the world, especially in developing countries, farming is the fabric of rural society and its main economic activity. Social and political stability depend on the continued economic health of the farm sector;
- The farm sector can be an important source of support for rural employment, ancillary businesses and, in peripheral areas, the economic and social infrastructure.

Our **paper on Environmental non-trade concerns**, focuses on the dependency of many rural environments on farming. In order to preserve the farmed landscapes, biodiversity and historical features, continued farming activity - often a specific activity which incurs cost to the farmer - is needed.

What unites the two papers?

First, Agriculture as an engine of rural development is irreplaceable in virtually all Members. Second, in virtually every Member, agriculture shapes the environment. This is not to say that trade in agricultural products should be prevented. But trade cannot take place in such a way as to destroy these functions of agriculture.

Non-trade concerns – final statement by EU

We have had a wide ranging debate which has amply justified the judgement you made at our last session, that the joint paper on non trade concerns could not be adequately dealt with between 5.15 and 6 o'clock.

It is clear from this debate that, just as there are a wide variety of non-trade concerns, there are a wide variety of views on how, and to what extent, they should be taken into account.

But just because there is such a wide variety of view and concern, it is clear that this is an issue which will not go away.

The object of our meetings is not just to debate. It is part of a negotiation designed to produce a result. But all good negotiating theory teaches us that the most important place of a negotiation is the one in which both - or in a multilateral context all - parties come to understand the key concerns of others. It is only by this process that the willingness and ability to find a mutually acceptable conclusion can emerge.

For me, the most positive aspect of our debate is that I have sensed a growing understanding that in every country there is a real concern from the vitality of rural areas. Some would like to promote that vitality by obtaining better access to markets in other Member states; others by rural development policies; still others by showing the pace of globalization in food markets. But, at least I sense a growing understanding of this concern which we all share. And this confirms that the basic architecture of Article 20 is the correct one.

As that Article says, we acknowledge to share a long-term objective. We have now to consider what further commitments are needed to achieve this objective. In doing so we have to take into account non-trade concerns, special and differential treatment for developing countries and - by reference to the preamble to the Agreement - market access, export competition and internal support. This is the pentagon which represents the fundamental geometry of our negotiation and of any possible outcome which will command general support.

Once this is recognized, the stage will have been set for practical progress.

Export Subsidies and Food Dependency (G/AG/NG/W/38)

The EU fully recognises that food security is an appropriate issue for our discussion and that it must be addressed in our final decisions. But we regret what we see as an exaggerated emphasis in the paper of export subsidies.

The EU has stated that it is prepared to negotiate further reductions in its export refunds, if all forms of export assistance are brought into the negotiation and are made subject to equivalent discipline.

But this negotiation will not be facilitated if the effect and scope of the remaining possibilities to grant classical export subsidies is exaggerated.

Since 1995 export refunds have been limited both in budget and in volume terms. These limits have been progressively reduced. The EU has therefore neither the means nor the wish to use export refunds to expand market share or to undercut market prices.

One speaker drew attention to the fact that 90 per cent of export subsidies **notified** to the WTO were notified by the EU. This is an important statistic. What it shows is that the EU policy instrument is transparent and fully notified. But it says nothing about supported export competition taken as well. When the WTO Secretariat tried to assemble data on state-supported export credits, they found this very difficult because this export subsidy is neither noticeable nor limited. No Member reported subsidies granted through tax advantages conditions on export but we now know as a result of decision of the DSU that such tax advantage do constitute an export subsidy. No Member notified subsidies granted through differential pricing of state-trading bodies. One Member did indicate that its food aid programme assisted exports - but only to its national legislatures not to the WTO.

So further progress depends more on discipline on other measures than it does on further reductions in the **notified** form of export subsidies.

How this fits into the debate on food security?

First, don't let's exaggerate. World prices data shows no correlation with the existence or not of subsidies notified to the WTO, look at the trend of prices of product whose exports the EU does not subsidise - for example cotton or soya or coffee. They have shown sharp decreases. We subsidise the export of none of these products. We are minor producers of the first and second and only an importer of the third.

Second, food aid can contribute to food security, if and only if, it is given to deal with food emergency, not as a means of surplus disposal, or in a way which damages the agriculture of the beneficial cost.

Third, food security in developing countries depends in part on agricultural development and in part on raising income and eradication poverty.

Trade liberalization can be a powerful instrument to raise incomes. The EU is in fact the main export market for developing countries. But trade liberalization doesn't only mean taking advantage of increased opportunity to export. It also means becoming involved in trade as an importer, provided that trade liberalization takes place at a pace which is commensurate with the ability of the economy to adapt.

Market Access (Cairns Group paper) G/AG/NG/W/54

The Community in common with most Members, is currently finalizing its comprehensive proposal. The proposal will address market access.

My first reaction to this Cairns proposal is therefore in the form of questions.

1. How does the suggestion of deep cuts fit in with the key instrument by Article 20, the Preamble to the Agricultural Agreement and the genuine history of the GATT tariff negotiations, which have always been for "progressive" adjustment?
2. How would a formula requiring deep cuts fit in with existing and proposed measures to help developing countries and in particular the least developed countries to integrate themselves into the world market?

A general reduction of tariffs will only favour the most competitive and limit the scope for special and differential treatment.

3. How do some of the signatories of the paper reconcile this proposal with their position in relation to important existing tariff quotas?

I note that two Cairns members did not sign the proposal and I have no wish to ask embarrassing questions as to why they did not. But it is clear that a decision not to sign this paper is not incompatible with continued membership of the Cairns Group.

Yet some of the signatories of the paper have expressed a key interest in the stable prices on the Community market which is provided by perhaps the best known of our tariff quota.

What I am calling for is for realising that we can progress to the stage of our negotiation where our various positions are sufficiently close for the outline of a mutually acceptable conclusion to be discernible.

Domestic Support: Transition Economies (G/AG/NG/W/56)

The paper has just been circulated and it will, of course, require careful study.

The EU recognise that transition economies face specific problems in the agricultural sector and that they may have particular difficulties with regard to base periods. We will, however, need to study the detail of the proposed measures before we can give a considered response.

US Proposal for Tariff Rate Quota Reform (G/AG/NG/W/58)

- The EU itself feels the need for in-depth discussion of TRQ administration and welcomes the US initiative in introducing this topic.
- The EC have consistently argued for transparent and non-discriminatory administration of TRQs. The EC have also pointed out the need of legal certainty with respect to the different types of TRQ administration.
- The EC also believes that in the negotiations Members should agree to improvements to the TRQ system.
- There is value for all Members to improve the management of TRQs such that the concessions already granted are fully realized.
- In particular, the EC also believe that rules on allocation should be clarified in order to increase the reliability and the security of the management of TRQ. Uncertainty on the rules for allocating licences, particularly in cases where the in-quota tariff rate is much lower than this out of quota rate, can itself lead to problems of quota fill. This reeming paradox can arise because very high levels of application creates practical difficulties. For this reason, we believe that the first priority is clarification of rules and that only when this had been done should the issue of in-quota tariff be addressed.

Changes in Tariff Quota Administration (G/AG/NG/S/20)

In commenting on the US paper, I said that we would welcome in-depth and practical work on TRQ administration.

Yet, because we have never laid down clear enough rules, Members manage their TQs at their risk and peril. The licensing agreement gives some guidelines but it is stronger on what cannot be done than it is on what can be done. In this situation, rules of tariff quota administration may increasingly depend on the outcome of dispute settlement cases. This is not at all a satisfactory prospect.

We are a member-driven organization and we believe in rules-based world trade. When so many Members face the problem of licence allocation in administering the TRQs we should be carefully clarifying the rules for doing so.

Special and Differential Treatment for Developing Countries (G/AG/NG/W/55)

As I said on our earlier paper, the Community is in the process of finalizing its comprehensive proposal. For us Special and Differential Treatment is one of the essential fire points of the negotiation. Therefore our paper will certainly address it and I can already say that there are several points in the paper which will find a positive echo in our proposal. But in the meantime any detailed comments I can make today on the details must necessarily be provisional.

On one point, however, I can be very clear. We note that the paper underlines the need for developing countries to benefit from preferential treatment under the GSP scheme.

The Community is and will remain an enthusiastic supporter of the GSP.

This is a very important point. We believe that the overwhelming majority of developing countries should benefit from a system of preferences with respect to market access to the developed countries' markets. The majority of the developing countries are not yet in a position to compete with the high export performing countries, and therefore in the absence of tariff preferences they could only lose the access they enjoy at present.

This, as some earlier speakers have remarked, raises also the issue of an appropriate definition of developing countries, so as to target preferences to those who actually need them.

A final comment:

- On domestic support the EC recognise the need for providing appropriate flexibility in the rules to meet developing countries needs, particularly regarding rural development, poverty alleviation and food security. However, the EC note that the paper departs from the Uruguay Round reform process when addressing Green Box and Blue Box. The key on the reform process is to move support away from trade distorting policies. Green Box policies are not, or minimally, trade distorting. Blue Box effects have been shown to be much less trade distorting. Therefore the emphasis should be put in further reductions on the AMS, from the bound commitments.
 - We are however concerned with the Asean proposal to disaggregate the AMS commitments of developed countries.
 - I note that on export subsidies the ASEAN call for complete elimination of the subsidies by developed countries whilst being lenient on all the other forms of export subsidization. Unchecked abuse of food aid, and of subsidized export credits, can have similar or even worse effects on their own markets as compared to export subsidies which are transparent and capped.
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