

**WTO negotiations on agriculture**

Comments of the Agriculture Commission (Brussels - 11 September 1998)  
adopted by the Brussels Central Council (18 December 1998)

The next WTO Ministerial Conference, scheduled for November 30th to December 3rd, 1999, will decide upon the mandate of further comprehensive negotiations. These will extend over several years, on all sectors so far regulated by WTO and most likely on additional issues as well. At the WTO-level, the further reform of agricultural policies will be of significance not only to international trade in agricultural products but also in several other respects. Agriculture is a sector where interests in Europe and overseas highly diverge.

The current WTO informal analysis and information process has the following purposes: to yield a first assessment of the problems emerging due to the Uruguay-Round, to allow an initial discussion of the approaches to be followed in the effort to work out solutions, and to improve the understanding of positions to be taken at the negotiations.

The forthcoming negotiations will start with an evaluation of the results of the last round. Art. 20 of the Agreement on Agriculture contains language about "the long-term objective of substantial progressive reductions in support and protection" as "an on-going process". No further details are laid down. But it is clear that all matters concerning market access, internal support and export subsidies will be covered and result in new commitments.

On market access, duties and quotas will be cut or increased, respectively. As internal support measures have been categorized in the UR, the definition of the "green subsidies" might be an area where the US and the EU will have similar concerns, as both use them more intensively as the Cairns-countries. These measures are considered to have no or only minimal effects on markets and production, therefore, they were not subject to reductions. They are intended to compensate agricultural for services provided to the general public, which are not yet rewarded by markets but are demanded by society and justify therefore public remuneration.

Quite different is the situation with the "amber" support (production and trade influencing policies), measured by the Aggregate Measurement of Support, and submitted to the reduction-process. Before the conclusion of the last round, both the US and the EU applied payments to farmers more or less strictly dependent on the volume they produced, within production-limiting policies. They fell accord to treat these payments ("blue measures") differently, i.e. they could be maintained fully, as they got excluded from the reduction-process.

These payments are a certain compensation for the price reductions of the Mac Sharry Reform and are the backbone of the Agenda 2000. Such supply management measures in the aim to curtail production (e.g. quotas, set-aside), were developed by the EU in the 80s and 90s. They have not only contributed to stabilise markets for farm products, they have also helped to maintain farm-production in areas where structural, climatic or topographic factors, might otherwise make farming uncompetitive.

The earlier system of the US was changed to flat income payments, nearly without any production context. They fall now in the "green" category. This means the common interest in the favorable treatment of the so-called "blue" measures got lost. The EU will

have to fight for the status quo. The US and others will press for reductions in this field. Therefore, this matter will become an area of dispute.

State guarantees and with them connected subsidised interest rates are presently not treated as export subsidies. Thus, the most important tool to support US farm exports is exempted from control. OECD ministers were of the common opinion that future results will have to include commitments also in this field.

The US and even more the Cairns-Group are pressing for the abolition of export refunds. As long as the internal prices of the EU are above world market level, the EU has only two options if the already reduced export subsidies would have to be terminated: a) give up any export in need of support or b) to curtail all productions at levels below self-sufficiency. Therefore, the proposal of the Agenda 2000 foresees some move on the way to reach world market prices. This might reduce the cost per unit, but the EU will still have to defend the possibility to export some quantities with refunds.

Taking into account the special situation of agriculture and the existing commitments, ELEC

- 1. proposes** to enlarge the foreseen evaluation of the results of the last round actually limited to the effects on trade to wider economic, social and environmental concerns,
- 2. supports** the maintenance of some preference for EU products laid down in the Treaty of Rome, when tariffs for agricultural products and food are to be further reduced,
- 3. regards** it necessary to limit the extent of further reduction commitments on tariffs and export-subsidies (or enlargement of tariff-quotas). They must reflect the fragility of EU production sectors and shall take into account the changes proposed by the Agenda 2000,
- 4. urges** to maintain the exemption of so-called "green" measures from cuts, as they do not distort trade and production,
- 5. proposes** within further negotiations the development of alternative policies based on direct payments, in the case supply management policies cannot be sustained,
- 6. also favors** use in the future one single gauge to measure "internal support", in order to allow a certain degree of flexibility to agricultural policies and to enhance its ability to adjust to changing conditions,
- 7. calls upon** the necessity to maintain some agricultural production also due to structural, climatic or topographic factors in disadvantaged areas,
- 8. presses** for more attention to be paid in future negotiations to non-trade-related concerns, such as securing the food supply and environmental protection.

Generally, ELEC underlines the continuing importance of agriculture for sustainable development in rural areas. In them agriculture is still a significant provider of jobs and crucial to all upstream and downstream economic activities. ELEC stresses that any outcome of the forthcoming negotiations must make due allowance of the specific conditions of agricultural production under the higher standards to be observed due to the European Union regulations. Non-trade-related concerns are increasingly important to society. Therefore, ELEC urges that future commitments should be drawn up in a way to enable agriculture to achieve these goals.

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