

**WTO AGRICULTURAL NEGOTIATIONS**

**UPDATE OF UNICE POSITION<sup>1</sup>**

**Executive Summary**

UNICE supports the launch of a global round of multilateral trade negotiations. To achieve balanced results, these negotiations should be comprehensive and concluded by a single agreement. This liberalisation process should clearly allow developing countries to benefit from further globalisation.

In this framework, UNICE therefore calls on the EU to implement the CAP reform at the latest within the agreed timeframe and use the mid-term review of Agenda 2000 to seriously consider the need for further adjustments. It also calls on the EU to: promote the offensive interests of industries whose products are covered by the agricultural negotiations, work to eliminate all trade-distortive agricultural subsidies all over the world, in order to facilitate trade liberalisation for agricultural goods as well as for non-agricultural goods and services. It is essential to avoid to the greatest extent possible difficulties in certain matters holding up progress in other matters.

WTO negotiations on agriculture and services (built-in agenda) started, according to schedule, in early 2000. UNICE wants the forthcoming agricultural trade negotiations, to be built on the Uruguay Round Agreement on Agriculture, to result in a fairer and clearer set of rules. Regarding the negotiating arrangements, UNICE favours an overall approach rather than a sector-by-sector approach. For UNICE, Article 20 of the 1994 Marrakesh agreement should remain the basis for the future negotiations. It shares the approach described in this article according to which "long-term objectives of substantial progressive reduction in support and protection resulting in fundamental reform are an ongoing process".

UNICE is convinced that, provided the adequate flanking policies exist, multilateral trade and investment liberalisation leads to economic growth, and benefits industrialised countries as well as developing countries. It is thus in the interest also of developing countries that a new Round be launched. UNICE agrees with special and differential treatment provisions (S&DT) to give developing countries, where appropriate, extra time to comply with WTO rules. It also supports initiatives aiming at giving to the products of least developed countries a full access to the EU market. Preferential treatment such as the EC proposal "Everything but arms", which aims at granting full duty-free access to the EU market for LLDCs exports (notably agricultural products), is a major incentive to enhance participation of developing countries in world trade.

As far as market access, export competition and internal support are concerned, UNICE believes that the EC should push for improvements in market access for processed agricultural products, ensuring that efforts by other trading partners are at least equivalent to Community efforts in this respect. It remains opposed to cuts in export refunds that do not go hand in hand with internal price reductions, because this would only succeed in shutting export markets and forcing European companies to relocate outside the EU. Finally, it supports the shift from market price support to decoupled direct income support as part of the substantial progressive reduction in agricultural support all over the world and protection that should be pursued by all major agricultural producer countries.

---

<sup>1</sup> UNICE Position on European Agricultural Policy and World Trade (1 March 1999).

On non-trade concerns and food security, UNICE is convinced that agriculture's prime objective remains production of safe and wholesome food in an environmentally sustainable manner. The different functions of the agricultural sector, such as preserving the landscape, protecting the environment and maintaining a socio-economic network should not lead to an underrating of the economic role of agricultural production. On food security, UNICE considers that there is an urgent need to help developing countries to ensure food security for their populations. This would mean actions from both sides.

On the application of the precautionary principle, UNICE believes that the precautionary approach should only be regarded as a working tool to assist governments to take decisions on a case-by-case basis. On protection of bio-diversity and traditional knowledge, UNICE is of the opinion that it should be regarded as a major regulatory challenge linked to identification of forthcoming development. In that context, it shares the opinion that WIPO would be the most appropriate body to deal with such issues. On farm animal welfare, it considers that the issue should not distract negotiations from their overall objective which is to improve living standards around the globe.

---

## **Preamble**

The European Community's comprehensive proposal for the multilateral agriculture negotiations was adopted by the Agriculture Council on 20 and 21 November 2000. In its proposal, the Union has committed itself to further reducing farm support and protection, and to taking account of non-trade concerns and of the need to provide special treatment to developing countries. In this way it hopes to promote farm negotiations on a fair and equitable basis.

In the course of the year 2000, UNICE participated actively in the DG Trade "Agriculture" Issue Group, together with NGOs, agricultural professional associations and trade unions. In these meetings, several general and specific issues were discussed such as the multifunctional role of agriculture, CAP reform and WTO, environmental criteria, sustainable development, animal welfare and the precautionary principle. With this position, UNICE wishes to comment on the EC proposal as well as on the other issues mentioned above.

### **I. Introduction: key UNICE message**

WTO negotiations on agriculture and services (*built-in agenda*) started, according to schedule, in early 2000 following the Seattle Ministerial. The next ministerial Conference in Doha, Qatar, should decide on the launch of a new round of trade negotiations to go beyond the built-in agenda. UNICE's strategy has basically remained the same since Seattle: it still and more forcefully advocates the launch of a global round of multilateral trade negotiations. To achieve balanced results, these negotiations should be comprehensive and concluded by a single agreement. This liberalisation process should clearly allow developing countries to benefit from further globalisation.

Important trading partners have voiced clear demands for a further reduction in restrictions on agricultural trade and the "peace clause" of the WTO agreement on agriculture will expire in 2003. That means for European business that the forthcoming WTO negotiations on further market opening and the removal of barriers to trade, supported by the whole of the business community, will be closely linked to negotiations on agricultural policy and the progress that can be obtained in the agricultural sector.

UNICE therefore calls on the EU to:

- implement the CAP reform at the latest within the agreed timeframe and use the mid-term review of Agenda 2000 to seriously consider the need for further adjustments;
- promote the offensive interests of industries whose products are covered by the agricultural negotiations;
- work to eliminate all trade-distortive agricultural subsidies all over the world, in order to facilitate trade liberalisation for agricultural goods as well as for non-agricultural goods and services;
- avoid to the greatest extent possible difficulties in certain issues holding up progress in other issues

The further liberalisation of world trade, within a mutually agreed framework of rules, is vital for the economic development of both developing and developed countries.

To be accepted by all WTO members, the WTO negotiations should lead to a global, substantial and balanced agreement.

## **II. General assessment of farm negotiations**

### **EC PROPOSAL**

The EC comprehensive proposal on agriculture is a constructive contribution to the negotiation process, taking into account both the offensive and defensive interests at stake. The EU is pursuing an offensive position notably regarding trade barriers and request that the trade-distorting measures of trade partners are subject to reduction commitments or phased out.

### **UNICE POSITION**

UNICE wants the forthcoming agricultural trade negotiations, to be built on the Uruguay Round Agreement on Agriculture, to result in a fairer and clearer set of rules. Coherence in the negotiations should include both:

- the need to treat basic agricultural products and processed goods equivalently, and
- recognition that the three fundamental areas of the WTO negotiations on agriculture - market access, internal support and export competition - are inextricably linked and need to be dealt with in a coherent manner. Discussions on exports, market access and level of Community prices have to take place at the same time.

Regarding the negotiating arrangements, UNICE favours an overall approach rather than a sector-by-sector approach. For UNICE, Article 20 of the 1994 Marrakesh agreement should remain the basis for the future negotiations. It shares the approach described in this article according to which "long-term objectives of substantial progressive reduction in support and protection resulting in fundamental reform are an ongoing process".

Although non-trade issues should be an integral part of the WTO discussions, they should not hold up progress in the rest of the farm negotiations. The overall objective of these WTO negotiations should remain the achievement of a global, substantial and balanced agreement.

## **III. Developing countries: special and differential treatment**

### **EC PROPOSAL**

The EC proposes continuing the non-reciprocal trade preference approach already used in its agreements with ACP countries. It recommends that developed countries and the wealthiest developing countries provide significant trade preferences to developing countries, and in particular the least developed. Developing countries should also be given a certain degree of flexibility in implementing domestic support measures to promote food security and rural development, and to combat poverty. Finally, the Union invites developed countries to intensify all forms of assistance to sustainable development.

### **UNICE POSITION<sup>1</sup>**

In its 22 February letter to Commissioner Lamy, UNICE fully supported Commission's proposal "Everything but arms" to grant full duty-free access to the EU market for LLDCs, except for arms. UNICE notably suggested that adequate measures are taken to prevent goods from non-LLDC countries from obtaining unwarranted duty-free access to the Community market.

---

<sup>1</sup> For more detailed comments see UNICE position on WTO and Developing Countries, dated 31 May 2001.

In its 12 February position on a WTO Agreement on Trade Facilitation, UNICE further developed its position on special and differential treatment provisions (S&DT) for developing countries. UNICE can agree with these provisions, to give developing countries, where appropriate, extra time to comply with WTO rules on trade facilitation, notably those linked to capacity-building. UNICE agrees with the EC view that a distinction should be made between commitments which could require time and resources for compliance, and commitments whose introduction would not be resource-intensive or where any outlay is recouped through efficiency gains or increased revenue. Measurable S&DT provisions, together with additional time for consultation in areas of interest to developing countries as well as capacity-building programmes with bilateral donors (and in cooperation with the private sector) will help to integrate developing countries more fully in the international trading system.

#### **IV. Market Access**

##### EC PROPOSAL

Regarding tariffs, the EC is following the same approach adopted under the Uruguay Round, i.e. an overall average reduction of bound tariffs and a minimum reduction per tariff line. It also proposes definition of rules to improve the management of tariff quotas. Finally, it hopes to maintain an instrument similar to the present special safeguard clause. Greater legal protection should be provided for the specific character of products using geographical indications or designations of origin.

##### UNICE POSITION

UNICE believes that the EC should push for improvements in market access for processed agricultural products, ensuring that efforts by other trading partners are at least equivalent to Community efforts in this respect. The EU needs also to make sure that its proposed Community tariff reductions are in line with internal price support cuts. Further to reduction of tariffs and other taxes, clarification and simplification concerning the management of tariff quotas should be negotiated.

#### **V. Export Competition**

##### EC PROPOSAL

In this area, the EC has signaled its willingness to negotiate further reductions in export refunds provided that other instruments used to boost exports (subsidised export credits, abuse of food aid and operations of state-trading enterprises) are also regulated.

##### UNICE POSITION

UNICE is opposed to cuts in export refunds that do not go hand in hand with internal price reductions, because this would only succeed in shutting export markets and forcing European companies to relocate outside the EU. Exporters need these compensations or equivalent measures allowing them to purchase basic products at world price levels.

UNICE strongly supports negotiations on the instruments used by WTO members to boost agricultural exports in order to restore a level playing-field in this area.

## **VI. Internal Support**

### EC PROPOSAL

The EC proposes that the concept of the "blue" and "green" boxes should be maintained, as well as the general rules and disciplines applying to them, but it is prepared to discuss the detailed rules on domestic support. With respect to the "blue box" the EC underlines that its trade impact has proved to be less trade-distorting than market price support and than payments based on output or on variable input use, irrespective of any requirement to plant. The EC proposes that the criteria to be met by measures that fall into the "green box" be revisited to ensure minimum trade distortion whilst at the same time ensuring appropriate coverage of measures which meet important societal goals such as protection of the environment, the sustained vitality of rural areas and poverty alleviation, food security for developing countries and animal welfare. Finally, the EC also proposes that specific discipline be applied to variable "amber box" subsidies which boost export performance through providing compensation for variations in market prices.

### UNICE POSITION

UNICE supports the shift from market price support to decoupled direct income support as part of the substantial progressive reduction in agricultural support and protection that should be pursued by all major agricultural producer countries. Amber box measures, because of their clear trade impact need to be further reduced. It also believes that more consideration should be given to the latest developments in the area of measurement of the impact and efficiency of support measures, with the objective of ensuring that agricultural raw materials will also continue to be produced locally and at competitive prices. Generally speaking, it considers that internal support objectives should primarily be secured through non-trade distorting measures.

## **VII. Non-trade concerns**

### EC PROPOSAL

The EC has underlined that the multifunctional role of agriculture should be fully recognised, and it has proposed that measures contributing to environmental protection, the sustained vitality of rural areas and poverty alleviation be accommodated in the Agreement on Agriculture. It suggests that the application of this principle be clarified under the auspices of WTO. Finally, it puts forward options to ensure that trade liberalisation does not undermine efforts to improve animal welfare protection.

### UNICE POSITION

It is recognised that different countries have diverse multi-functional interests which could be dealt with by WTO partners as part of the range of non-trade concerns. For UNICE, agriculture's prime objective remains production of safe and wholesome food and in an environmentally sustainable manner. The different functions of the agricultural sector, such as preserving the landscape, protecting the environment and maintaining a socio-economic network should not lead to an underrating of the economic role of agricultural production. For UNICE, these concerns, such as the need to protect the environment, should primarily be addressed through measures which are targeted, transparent and non-trade-distorting.

## **VIII. Food security**

UNICE considers that there is an urgent need to help developing countries to ensure food security for their populations. This would mean actions from both sides.

In this context, UNICE can agree with the following recommendations for action:

- An EU declaration of intent to phase out measures distorting export competition;
- Renewed EU commitment to compensation for net food exports to least developed countries and provision of financial support for a fund to cover the costs;
- Improved access to the markets of developed countries for developing countries. The “Everything but arms” proposal is a first positive step in that direction but more is needed;
- Meaningful capacity-building for developing and least developed countries.

For these measures to be efficient, it requires adequate policies, in the recipient countries notably regarding good governance issues.

## **IX. Precautionary principle**

In its 20 November 2000 discussion paper on the precautionary principle in international trade, UNICE addressed the following question: is there a need to include in the WTO legal text a specific reference to the precautionary principle? The paper elaborates on the argument that arbitrary and incorrect application of a precautionary approach will hinder innovation, stifle economic growth and create unnecessary obstacles to the free movement of goods in the internal market and international trade. The UNICE paper also elaborates on how to justify trade restrictions taken on the basis of a precautionary approach under the specific WTO obligations.

It concludes that if a country adopts a cautious approach and strictly applies criteria contained in the Commission’s Communication (COM (2000) 1 final of 02.02.2000), it will have no problem with WTO provided that the trade-restrictive measure it adopts is provisional. Such a trade-restrictive measure will survive WTO compliance scrutiny. Lastly, UNICE does not believe that the WTO should attempt to define the precautionary principle. The precautionary approach should be regarded as a working tool to assist governments to take decisions on a case-by-case basis.

## **X. Protection of biodiversity and intellectual property rules**

In its 28 February 2001 statement on access to genetic resources and benefit-sharing, UNICE recalls its position regarding the regimes existing under the Rio Convention on Biological Diversity and the TRIPS Agreement. As they generate two different bodies of law, which exist in parallel, these texts complement each other since they do not govern the same subject matter and, therefore, must be implemented alongside each other.

In the current global context, it is time to address the issues of defining/protecting traditional knowledge and encouraging satisfactory contractual arrangements in order to avoid losses on all sides. UNICE believes that these questions have to be regarded as major regulatory challenges linked to identification of forthcoming development and use of intellectual property rights in the field of genetic resources and environment. In that context, UNICE shares the opinion that WIPO would be the most appropriate body to deal with such issues.

In addition, UNICE recognises the importance of traditional knowledge and looks for a consensus to be reached within WIPO on what the scope and inventories should be. UNICE is of the opinion that the Commission's involvement in this field should be pro-active. UNICE would like the Commission to consider drawing up recommendations on the most appropriate means of recognising and protecting traditional knowledge as subject matter for intellectual property rights. Such recommendations should aim to establish a legal framework based on an accessible set of legal instruments and a reliable mechanism relying on clearly identified granting authorities.

## **XI. Farm animal welfare**

In the field of animal welfare no international standards exist as yet. The subject meets with resistance in developing countries. Standards on animal welfare clearly have an effect on competitive conditions. The Commission has therefore proposed that this subject be treated in WTO.

Whilst UNICE recognises the importance of animal welfare, it considers that the issue should not distract WTO negotiations from their overall objective which is to improve living standards around the globe. That being clearly secured, on farm animal welfare, a first step could be recognition in the multilateral context. In a later stage a multilateral agreement could then be considered.

## **XII. Conclusion**

The WTO agricultural negotiations have started as part of the Uruguay Round built-in agenda. The current levels of support and protection in a number of WTO member countries justify a continuation of the reform process. This reform process should also be seen in the context of a sustainable development of agricultural production in the EU. Non-trade concerns like protection of the environment, preservation of the rural landscape and development of rural areas require specific non-trade-distorting measures. European industry is supportive of this reform process in the interests of European society as a whole.

UNICE views expressed in this paper may be complemented / reviewed as the WTO agricultural negotiations progress and in view of the negotiating positions adopted by WTO members.

-----