

COM-2/016

Brussels, 6 July 2000

OPINION

of the

Committee of the Regions

of 14 June 2000

on the

Negotiation position on agriculture for the next WTO round

The Committee of the Regions

- HAVING REGARD TO** the Communication from the Commission to the Council and the European Parliament on the EU approach to the WTO Millennium Round (COM (1999) 331 final);
- HAVING REGARD TO** its Opinion on Agenda 2000 – CAP reform (CdR 273 fin/98)¹;
- HAVING REGARD TO** the Council conclusions of 26 October 1999 on the EU's position at the WTO conference in Seattle from 30 November to 3 December 1999;
- HAVING REGARD TO** the outcome of the ministerial conference in Seattle from 30 November to 3 December 1999;
- HAVING REGARD TO** the decision of its Bureau of 17 November 1999, under the fifth paragraph of Article 265 of the Treaty establishing the European Community, to draw up an opinion on the *negotiating position on agriculture for the next WTO round* and to instruct Commission 2 - Agriculture, Rural Development and Fisheries - to prepare the opinion;
- HAVING REGARD TO** the draft opinion adopted by Commission 2 on 24 February 2000 (CdR 527/99 rev. 2) (Rapporteurs: **Mr Penttilä** (*Leader of Häme*

province, Finland, PSE) and

Mr Bocklet (*Bavarian Minister of State for Federal and European affairs, Germany, PPE*);

the provisions of the Marrakesh final act which brought the eighth GATT trade round to a conclusion and the resultant arrangement to press ahead with the reform process from 1999 (Millennium Round);

the unanimous decisions on Agenda 2000 taken at the Berlin European Council meeting on 25 March 1999;

HAVING REGARD TO

HAVING REGARD TO

adopted the following opinion at its 34th plenary session on 14-15 June 2000 (meeting of 14 June):

1. Introduction

1. In 1994, an agreement was signed by 117 countries in Marrakesh - the culmination of almost eight years of multilateral trade talks within the GATT Uruguay Round. The World Trade Organisation (WTO) replaced GATT as the forum for multilateral trade relations.
2. The Uruguay Round was the first in GATT's history to seek a comprehensive agreement on agricultural trade. The result was an Agreement on Agriculture and an Agreement on Sanitary and Phytosanitary Measures. The Agreement on Agriculture was a major achievement. It is divided into three main areas: market access, internal support and export competition.
3. On the issue of market access, Member States agreed to convert all non-tariff import barriers (e.g. variable import levies) into maximum tariffs which were to be brought down over a six-year implementation period (1995-2000). Agreement was also reached on a minimum level of market access (minimum access or current access), based, in practice, on tariff quotas with reduced customs duties. Restrictions were placed on both the amounts of export subsidies and the volume of exports subsidised in this way.
4. The rules on domestic support are particularly complicated. Support is divided into three categories:
 - "amber box" (support with a direct impact on product levels) - this has to be cut by 20% over six years;
 - "blue box" (support with a less substantial but still real impact on product levels) - this need not be reduced at the moment;

- "green box" (support with no direct - or with very little - impact on production and trade) - this need not be reduced.

5. Apart from these trade matters, other issues have come to the fore over the past few years. Concerns have increasingly been raised about food safety and quality. Environmental issues are also of vital importance. Europeans in particular are more aware than in the past of the multiple repercussions of farming. There are new considerations too, such as animal welfare and the use of genetically modified organisms.

2. **Communication from the Commission to the Council and the European Parliament on the EU approach to the WTO Millennium Round**

1. The European Commission's paper on the WTO Millennium Round reaffirms the principles and comprehensive nature of the new cycle of negotiations. Among other things, the paper reiterates that all agreements in the key areas should be adopted simultaneously and that negotiations should last no longer than three years.

2. As part of an overall package, the EU's key goal must be:

- to strengthen the system based on WTO rules;
- to better integrate developing countries into the multilateral trading system;
- to take better account of trade-related issues and policies.

Depending on the scope of the WTO negotiations, the COR will have to look at this issue more closely.

3. On the agriculture front, the EU's negotiating position reflects:

- the need to maintain a number of existing provisions of the Uruguay Round Agreement on Agriculture on which key elements of the EU's agricultural policy is built;
- the need for improvements, particularly regarding access to third country markets and
- the need to ensure the compatibility of certain rural and environmental policies in agriculture by recognising agriculture's multifunctional role.

4. The COR feels that there is a need to clarify the key messages emerging from this paper, particularly after the failure of the Seattle ministerial conference to produce results. The Committee's conclusions are set out below.

3. **COR conclusions**

1. The European Union must play a leading role in future WTO negotiations and deploy a pro-active and coherent strategy in defence of its interests. The agreement must have the widest possible scope. Having off individual sectors must be avoided. It is particularly important to ensure that the agriculture segment is not adopted separately.
2. All Member States must support the Commission's brief and be guided by its stance. The European Union can best defend its overall interests only by presenting a united front and tackling agriculture as a social issue, acknowledging its economic, social, environmental, cultural and public health role with a view to sustainable development. In the coming WTO negotiations, the EU must advocate and defend its vision of multifunctional and diversified agriculture.
3. Against the backdrop of maintaining genetic diversity, rapid and far-reaching biotechnological developments and increased globalisation must not lead to world-wide standardisation and encourage industrialisation in the farming sector. The EU must seek to ensure that the precautionary principle is respected world-wide in the dissemination and marketing of new technologies and the products resulting wholly or partially from them. It is necessary to safeguard the future of the present European agricultural model, not only as an economic factor but also as a support for the rural community and a balanced use of land.
4. The outcome of the WTO negotiations must adequately reflect regional differences with regard to use of resources, choice of instruments and framing of measures. A global framework must be established in which account can be taken of specific regional requirements without discriminating against others.
5. EU agriculture and forestry which has a diverse structure based predominantly on a system of medium-sized farms must adopt sustainable production techniques with equal treatment for all types of enterprise, so that, in future too, it is able:
 - to consolidate its position on the single market by ensuring a safe and stable supply of healthy, high-quality food and non-food products and to pursue an export policy which secures a competitive place for EU farmers on the world markets;
 - to help promote economic viability and employment in rural areas and to provide environmental and other services for the good of society at large;
 - to help further reinforce economic and social cohesion as part of an overall strategy for all sections of society which secures a balance between producers, sectors and regions.
6. The EU's brief for the WTO negotiations must be tied to the Agenda 2000 decisions on market organisation reform - including reform of the support scheme and the milk quota arrangements - and must ensure that these remain in place beyond 2003.
7. No further opening of the EU agricultural market can be permitted. There must be no liberalisation beyond the framework laid down in Agenda 2000, since this is a cornerstone of the EU's negotiating brief.

8. The agricultural negotiations should be underpinned by a thorough analysis of market difficulties in each production sector in order to adequately reflect that sector's specific circumstances, features and requirements. The decision on whether a particular product is or is not included in the negotiations at this stage should be based on the outcome of this analysis. Another issue which must be addressed is the comparability of support measures, including policy tools such as agricultural export credits, insurance against loss of income, transport subsidy schemes and marketing boards. These are increasingly being used as support measures by some trading partners and have hitherto not been subject to WTO rules.
9. Respect for the principles of sustainable development in farming must be a basic element of any regulation of global agricultural trade. This benefits everyone across the world, not just the European farming sector. The negotiations should therefore play a key role in boosting sustainable farming practices. "Green box" measures should be expanded accordingly. In this connection, it is essential to examine the interaction between the WTO agreements and other trade accords.
10. The European Union should therefore take account of European consumer demands by seeking the rapid and mandatory inclusion of consumer, environmental, social, sanitary, phytosanitary and animal welfare standards and information requirements (especially product labelling) in international agreements. These agreements must be adequately linked to the WTO agreement in order to secure compliance.
11. EU norms and controls in relation to food safety and the standards mentioned above must be recognised and protected at international level. Imports must meet these European - or comparable - standards and must be monitored on that basis. Consumers must be able to have absolute confidence that their food is safe and healthy. It is therefore vital that sanitary and phytosanitary measures should reflect not only scientific considerations, but also well-founded quality requirements imposed on products at national level. Where scientific opinion differs from one country to another, countries should apply the principle of prevention to imported products.
12. Under WTO rules, full compensation must be permitted to offset the higher costs attributable to stricter European production standards which are not adopted by the WTO.
13. Many countries have adopted strict rules on farming, including quality criteria for products and ethical aspects of farming practice (e.g. food safety, animal welfare and production and processing techniques). These countries must be given the right to deal with issues of this kind. It should also be remembered, however, that particularly strict standards raise agricultural production costs and thus undermine competitiveness on the global market. In such cases, WTO rules must permit compensation to be paid to agriculture from national schemes within the CAP framework.
14. The "peace clause" which runs only until 2003 should be extended.
15. However, under these principles adopted by the European Union, the COR would stress that account should be taken of specific situations, especially social and environmental situations, in each country and in each region. Support with a direct impact on product levels (amber box) should not be reduced in cases where the social and economic life of a given region or locality depends on it and where such support is used to help a region protect its environment. The COR feels that no reduction of support with a less substantial impact on product levels (blue box) can be envisaged in the near future.

16. Restricted use - as a consequence of the necessary reform of the CAP - of the marketing and pricing tools still possible under current WTO rules negotiations would inevitably involve a scaling-down of external protection. These represent concessions to WTO partners without any adequate and specific concessions in return, such as recognition of and compliance with the principle of Community preference and of the distinctive nature of most of European agriculture as a result of its multi-functional role, improved market access for European export.
17. EU enlargement to include the countries of central and eastern Europe offers a tremendous opportunity for peace, freedom and security - not only in Europe. It will also have a sustained impact on trade relations and competition worldwide. Tackling this process successfully requires solidarity between the EU and its trading partners. This must be clearly reflected in the outcome of the WTO negotiations, in particular, the adaptation of the EU's export commitments. For its part, the EU will have to ensure that the applicant countries also achieve an adequate balance between commercial and non-commercial issues with a view to boosting the external image of European agriculture.
18. The Committee of the Regions would like to see particular attention drawn to the link between trade and development. The European Union should seek to open up the market further for products from developing countries.
19. The EU should also play a major role in future WTO negotiations to ensure that account is taken of the fundamental interests of the least developed countries, in the field of agriculture and associated activities in particular.

The EU must continue to be outspoken in their solidarity with these countries and act to bring about a world of co-operation and shared progress. There can be no doubt that such solidarity is essential in the interests of the whole planet.

20. The Committee of the Regions proposes working closely with the Commission to ensure that the distinctive regional features of European agriculture are duly brought to bear in the WTO negotiations.

Brussels, 14 June 2000.

The President

The Acting Secretary-General

of the

of the

Committee of the Regions

Committee of the Regions

Jos Chabert

Vincenzo Falcone

¹ OJ C 93 of 6.4.1999, p. 1.

--

--

CdR 527/99 rev. 2 F/JP/ms .../...

CdR 527/99 fin E/o

CdR 527/99 fin E/o

CdR 527/99 fin E/o