

27 March 2003

**DOHA DEVELOPMENT AGENDA
WTO AGRICULTURAL NEGOTIATIONS**

New UNICE Position

Preamble

UNICE is the voice of business in Europe. Its primary aim is to promote the competitiveness of the European economy as a whole. UNICE is committed to reaching a successful conclusion to the WTO negotiations of the Doha Development Agenda for the benefit of all.

Further liberalisation of trade in agricultural goods is pivotal to the success of these negotiations in the WTO. This will improve overseas market access for the agri-food sector and for other sectors of the European economy. Agricultural trade liberalization will also provide substantial economic benefits to consumers and taxpayers. According to the OECD, the agricultural policies of industrialised countries cost consumers and taxpayers \$300¹ billion annually.²

The outcome of the agricultural negotiations in the WTO is highly dependent on the willingness of key players to reform agricultural policies and to substantially reduce trade distorting support and protection for agriculture. Negotiations in the WTO must therefore be based on the understanding that the current agricultural policies of most industrial countries distort trade in agricultural goods and are not sustainable over the long term.

Introduction: key UNICE message

WTO negotiations on agriculture started, according to schedule, in early 2000 following the Seattle Ministerial Conference of 1999. The Ministerial Conference in Doha, Qatar in 2001, launched the Doha Development Agenda trade negotiations which include agriculture. To achieve balanced results in the Doha Development Agenda, these negotiations should be comprehensive and concluded by a single agreement. This liberalisation process should clearly allow developing countries to benefit from globalisation.

Important trading partners have voiced clear demands for a further reduction in restrictions on agricultural trade. In addition, the so-called "peace clause" of the WTO agreement on agriculture, which limits disputes over agriculture, will expire in 2003. The consequence for European business is that the WTO negotiations on market access and the removal of barriers to trade, investment and services, which are supported by the entire business community, are closely linked to negotiations on agriculture and to the progress that can be made in liberalising the agricultural sector.

UNICE's main objectives for the WTO negotiations on agriculture are:

- Improved market access for EU exports of products covered by the agricultural negotiations;

¹ US\$ 1 = EU€ 0.933235 (18/02/2003)

² OECD (2002) Agricultural Policies in OECD Countries: A positive reform agenda. COM/AGR/TD/WP(2002)19/FINAL.

- The elimination of all trade-distorting agricultural subsidies by all countries in order to facilitate trade liberalisation for agricultural goods and services. This should be done in a coherent manner, without compromising the competitive position of the European food industry;
- Improved market access for agricultural exports from developing countries.

UNICE therefore calls on the EU to:

- To take a constructive position in WTO negotiations in order to pursue the process of reducing trade distorting support and protection in agriculture;
- To adhere to the Doha negotiating timetable;
- To continue to pursue CAP reform by using the mid-term review of Agenda 2000 to make further adjustments;
- To avoid, to the greatest extent possible, difficulties in agricultural negotiations holding up progress in other areas of the Doha Development Agenda negotiations.

The increased liberalisation of world trade, within a mutually agreed framework of rules, is vital for the economic development of both developing and developed countries. Therefore, WTO negotiations must lead to a global, substantial and balanced agreement to be acceptable for all members.

General assessment of WTO Agriculture negotiations

UNICE wants the WTO Agriculture trade negotiations to result in a fairer and clearer set of rules for all WTO members.

Coherence in the negotiations should include:

- 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.

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

Special treatment for developing countries

UNICE has fully supported the EU's "Everything but arms" initiative to grant full duty-free access for LDC goods, except for arms. All developed and advanced developing countries should adopt similar initiatives. UNICE would support an extension of this type of duty-free initiative to other developing countries as long as a practical application of the concept of graduation (differential treatment according to the degree of development) is arrived at in the WTO.

Special and differential treatment (S&DT) for developing countries may also be required in the areas of market access and domestic support - as was the case in the Uruguay Round - in order to enhance food security and rural development.

Specific technical assistance may be necessary to assist developing countries in establishing production standards, which are required by developed countries. Targeted support for agricultural diversification and rural development should be excluded from reduction commitments. Reasonable S&DT provisions as well as capacity-building programmes with

bilateral donors (and in co-operation with the private sector) will help to integrate developing countries more fully into the international trading system.

Market Access

UNICE would like to see substantial improvements in market access by a continuation of the reduction in protection as agreed in the Uruguay Round. The issue of tariff-peaks also needs to be addressed in the modalities for the reduction formula in the Doha Development Agenda.

UNICE believes that the EU should push for improvements in market access for processed agricultural products and should ensure that efforts by other trading partners are at least equivalent to Community efforts in this respect. The EU also needs to make sure that proposed Community tariff reductions are in line with internal price support cuts. Clarification and simplification of the management of tariff quotas should also be negotiated at the WTO.

UNICE supports the idea of creating a multilateral register for geographical indications of wines and spirits. The multilateral register should be set up with transparent procedures and provide legal security for all operators concerned. UNICE also supports the extension of the protection offered to wines and spirits to other agricultural products and processed foods. The use of the geographical indication should only be made in absolute connection with products coming from a very specific region. Well-knownness, tradition and quality should also be considered necessary prerequisites. UNICE considers it important that the negotiations on geographical indications be dealt with only in the context of the WTO TRIPS agreement because of their highly specialised and technical nature.³

Export Competition

UNICE strongly supports negotiations on all instruments used by WTO members to subsidise agriculture exports (including subsidised export credits, the abuse of food aid and the operations of state-trading enterprises).

UNICE therefore calls on the EU to work towards the elimination of all trade distorting export subsidies worldwide. This must be dealt with in a balanced manner and should not compromise the competitive position of the European food industry.

For products with price support, these compensations, or equivalent measures, are essential to enable European companies to compete at world price levels and to avoid shutting export markets.

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 out export markets and forcing European companies to relocate outside the EU. Exporters need these compensations or equivalent measures that allow them to purchase basic products at world price levels.

Internal Support

UNICE supports the shift from market support to decoupled direct income support as part of the substantial reductions in trade-distorting domestic support. UNICE considers that internal support objectives should primarily be secured through measures that do not distort trade.

³ For more information on UNICE's position on Geographical Indications, see UNICE (7 June 2002) "Follow-Up of Doha Ministerial Conference: Intellectual Property Aspects – UNICE Preliminary Comments".

Non-trade concerns

For UNICE, agriculture's prime objective remains the production of safe and wholesome food in a sustainable manner. However, the different functions of the agricultural sector, such as environmental protection and rural development should not lead to an underrating of the economic role of agricultural production.

For UNICE these concerns should be addressed through measures which are targeted, are transparent and do not distort trade. UNICE believes that the current SPS and TBT agreements represent a fair balance between the aim of trade liberalisation and regulatory concerns. Some further clarification of the application of the TBT agreement could ensure that market access is not frustrated in the future by a fragmented regulatory system. 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 objective being clearly secured, a first step on farm animal welfare could be recognition in the multilateral context. At a later stage a multilateral agreement could be considered. Compensation costs for adapting production facilities could be defended under the "green" box criteria, whereas production subsidies should fall under the reduction commitments for domestic support.

Conclusion

WTO agricultural negotiations began as part of the Uruguay Round built-in agenda and are now on the Doha Development Agenda. The current levels of support and production 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 sustainable development of agricultural production in an enlarged EU.

WTO negotiations should assist policymakers in all countries to substantially reform their agricultural policies with a view to eliminating trade distorting subsidies, removing barriers to trade and reducing the overall level of public financial support for agriculture. WTO members will make progress on this issue if they emphasise the positive effects that reform will have on their own economies in terms of lower costs for taxpayers and consumers and stricter market disciplines in the agricultural sector.

Legitimate non-trade concerns like food security, environmental protection and rural development require specific measures that do not distort trade.

UNICE is committed to the Doha Agenda as agreed by WTO members. Considering that the existing Uruguay Round Agreement on Agriculture can be used to facilitate the current Round it should be possible to adhere to the agreed time frame.

UNICE views expressed in this paper may be reviewed as the WTO agriculture negotiations progress in view of the negotiating positions taken by WTO members.
