

AGRICULTURAL NEGOTIATIONS AND POSITIONS IN THE WTO AND ON CAP REFORM

ActionAid 26/11/2002

Introduction...

The EU Agricultural Council of Ministers meeting of 27-29th November will be critical in delivering meaningful reform of the Common Agricultural Policy (CAP) as well as providing a timely, if somewhat tardy mandate that the EU can put forward in the on-going agricultural negotiations in the WTO.

“This meeting is crucial in bringing about meaningful reform of the Common Agricultural Policy (CAP) and an end to disastrous trade distorting subsidies. Up to now all we have seen is EU members squabbling over the spoils of a system that continues to rip off the poor,” said Tim Rice, ActionAid’s trade analyst.

The meeting should provide the correct forum for the negotiations on the proposals of the Mid-Term Review (MTR) of the CAP. However, there are rumours that a decision on the MTR will not be reached at Brussels because of the sensitive stage of negotiations on EU enlargement. Many argue that the decision will go to the EU Heads of State meeting in Copenhagen on 12-13th December. But again, rumours abound that some member states do not want agriculture on the agenda at Copenhagen so as to avoid some of the horse-trading that went on in Brussels between France and Germany in September.

...The Franco-German Deal...

The timing of the MTR has fallen at the same time as the EU enlargement (and the re-negotiation of the Agreement on Agriculture in the WTO). The Franco-German deal at the Brussels Summit was essentially an agreement between the two countries to ensure that the CAP budget did not spiral out of control after enlargement (a demand of the Germans) whilst at the same time providing the French (so they thought) with an opportunity to block any CAP reform. This deal has thrown the MTR into doubt with the potential scenario that even the limited positive elements contained within the Review will be dropped until at least 2007 (the current CAP regime expires at the end of 2006 when it will again be reformed).

...Meanwhile at the WTO...

The negotiations at the WTO on agriculture have also reached a critical stage. By 18th December, Stuart Harbinson (Chair of the Agriculture Committee) is supposed to provide a position paper of the current negotiating proposals for all parties. The EU has yet to table its negotiating mandate, the only major agricultural trading country or bloc not to have done so. Some have speculated that the EU may not be able to table a mandate until after the EU Agricultural Council of Ministers in March 2003 and thus would probably be unable to meet the deadline for the paper on the negotiating modalities for agriculture scheduled for 31st March 2003. In any event, the current prevarication on the MTR is almost certainly and severely undermining the timing of the EU’s negotiating mandate to the WTO.

ActionAid’s and other NGO’s meetings with the Commission suggest that the ploy to delay the delivery of the EU proposal is entirely in keeping with the EU negotiating stance. Whilst the EU bemoans the fact that the current positions on the table are polarised (ie, on market

access the proposals by the US and the Cairns Group for deep and quick cuts in import tariffs has been rejected by many countries), the EU simply does not want to reveal its hand. In ActionAid's view, the EU wants to see the timing of the modalities paper slip to the Ministerial in Cancun and in all probability this is what will happen. The EU has always proposed that any new round would be negotiated as a 'single undertaking' and thus the EU would want to bargain any 'losses', on say export subsidies, with 'gains' in other areas (ie, services and new issues).

....The relevance of the MTR...

In this scenario, the MTR should be seen as both providing impetus for meaningful reform of the CAP and to progress the EU's agricultural negotiating stance at the WTO. ActionAid believes that the Agriculture Commissioner, Frank Fischler, at least recognises the importance of retaining the 'decoupling' proposals¹ within the MTR (despite the fact that the French and a number of other anti-reformist countries believe that proposals should not be discussed until 2007). The decoupling proposals would at least provide some initial scope for members within the WTO to believe that the EU is at last moving away from production-linked subsidies. It is reported that Fischler, despite the Franco-German deal, is still planning to progress the legislative text of the MTR – which would include decoupling and that this text would be ready by late 2002/early 2003.

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However, ActionAid has always maintained that the MTR, whilst containing a number of positive elements, does not nearly go far enough in addressing development issues outside of the EU, in particular the use of trade distorting subsidies which permit the dumping of products into developing country markets. Export subsidies are left almost untouched. In addition, whilst the decoupling proposals are welcome, in ActionAid's view, the proposals as they currently exist would not be sufficient to remove the link with production. The so-called decoupled payments must not be based on historic levels – for example by area or yield - but should be tied specifically to the delivery of public goods. The decoupling proposals as they are currently devised are thus seen by many as no more than window dressing to enable these subsidies to comply and be moved from the Blue Box to Green Box (ie non trade or minimally-trade distorting subsidies). ActionAid has written to the Agriculture Commissioner outlining these concerns and we await with interest as to how the Commission would implement a (fully) decoupled scheme.

.....ActionAid's Recommendations.

What is important is that these issues are discussed at the EU Agriculture Ministers meeting on 27-29/11. The Copenhagen Summit in mid December could de-generate into high-level trade-offs once the EU enlargement deal has been signed. The 27-29th November meeting would also provide a timely impetus to the EU's negotiating proposals at the WTO.

Thus at a minimum, ActionAid demands that the 27-29/11 meeting agrees to the following:

1. Acceptance of the current MTR proposals with the following revisions
 - All forms of export subsidies to be eliminated immediately.

¹ Domestic agricultural subsidies in the EU have historically been linked to production (ie, under the current direct payments scheme, farmers are paid for every hectare they grow or the number of animals). 'Decoupling' of domestic subsidies would mean a complete de-linking of payments so that, in theory, they do not influence production or distort trade.

- Decoupled payments are completely de-linked from production and that supply management is introduced on all agricultural products to reduce structural surpluses.
2. To bring forward the following concrete proposals for full CAP reform by March 2003 which would be agreed in time for the WTO Cancun Ministerial:
- Binding targets and timetables for the phasing out of market price support (specifically in the sugar and dairy sectors)
 - Specific commitments with targets and timetables to reduce the overall level of support to agriculture (degressivity) within the EU, specifically within the CAP budget.

Through such an agreement, the EU will begin to honour and fulfil its pledge in the Doha declaration to 'substantially reduce trade distorting domestic subsidies'. It will also enable Governments to meet some of their commitments to make Doha a Development Round. Unless the MTR and the CAP reform process address the negative impacts caused by developed country agricultural subsidies – particularly those subsidies that distort production and trade and lead to dumping - the Round will fail to deliver this commitment and a fairer world trading system.

It might also begin to provide some scope for gaining the trust of developing country governments and for successful WTO negotiations. However, the EU has a long way to go to gain the full trust of developing countries who are calling for a fundamental 're-balancing' of agricultural trade rules. Not only must the EU accept unconditionally developing countries calls for a 'development box' but developed countries must overall and implement the Marrakesh decision, forego special safeguard mechanisms on agricultural products and agree not to extend the Peace Clause² beyond the expiry date at the end of 2003.

Tim Rice, Trade Analyst, ActionAid

² The peace clause calls on WTO members to use 'due restraint' by not challenging agricultural subsidies of other members that fully conform to WTO rules.