

WORLD TRADE ORGANIZATION

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EC COMPREHENSIVE NEGOTIATING PROPOSAL

Introduction

The EC's comprehensive proposal is based on Article 20 of the Agreement on Agriculture (AoA) taking into account the aim of achieving further reductions in support and protection, non-trade concerns, and the need to provide special and differential treatment to developing countries.

The EC wish to underline their full commitment to the continuation of the reform process enshrined in Article 20 of the AoA. The EC believe that this proposal will enable timely and comprehensive negotiations in the agricultural field which would be further facilitated by broader WTO negotiations. The EC are of the view that all Members should fully benefit from the expansion of trade.

The reform process which was agreed in the Uruguay Round also aimed at a balance between trade concerns – market access, export competition, domestic support – and non-trade concerns, which reflect important societal goals. The EC believe that further liberalisation and expansion of trade for agricultural products are an important contribution to sustained and continued economic growth, in both developed and developing countries. The EC believe that in order to achieve these goals, it is vital to muster strong public support, which can only be achieved if other concerns are met, in particular the multifunctional role of agriculture, which covers the protection of the environment and the sustained vitality of rural communities, food safety and other consumer concerns including animal welfare.

The EC recall that the reform process aims at raising standards of living through a further liberalisation and expansion of trade. Participation of Developing countries, and in particular the least developed, in the international trade system should therefore be promoted. The EC are also of the view that the unique challenges in the agricultural sector facing Members which are in the process of transition from centrally planned to fully-fledged market economies, should be duly taken into account where appropriate.

The EC's approach to the negotiations will also take into account the perspective of their enlargement to include 13 new Members, which should contribute to economic progress in Europe and hence improve world trading opportunities.

Trade issues

(i) Market access

1. The objective should be to increase market access to the benefit of all WTO Members. This is particularly important for the EC, which are one of the largest exporters in the world.

The EC propose that the formula for tariff reductions should be a commitment as to the overall average reduction of bound tariffs and a minimum reduction per tariff line, as was the case in the Uruguay Round.

A pursuit of the approach agreed during the UR has three major advantages: (a) it is a simple well-known and well-tested way of achieving across the board tariff reductions, and therefore an effective one; (b) it corresponds perfectly to the engagement taken in Article 20 of progressive reduction in protection which applies to all Members; and (c) it allows for sufficient flexibility in lowering tariffs, bearing in mind that this process is more advanced in some agricultural sectors than in others and, without making any a priori exclusions, enables Members to take into account the particular situation of specific sectors.

2. With regard to Tariff Rate Quotas (TRQs), the EC believe that they have contributed positively to increased market access. However, as the WTO Secretariat analysis shows, there is a number of shortcomings in their administration that should be resolved, as they may negatively affect quota fill.

In addition to that, there is at present legal uncertainty as to the kinds of TRQ management which are WTO compatible, and in this context there is a need for clarification of the rules for allocation.

The EC propose that a set of rules and disciplines should be defined to increase the transparency, the reliability and the security of the management of TRQs such that the concessions already granted are fully realised.

3. Improved market access also demands, as a counterpart, fair competition opportunities for those products whose quality and reputation are linked to their geographical origin and traditional know-how.

The EC propose that appropriate provisions be implemented (a) to guarantee effective protection against usurpation of names for agricultural products and foodstuffs; (b) to protect the right to use geographical indications or designations of origin; and (c) to guarantee consumer protection and fair competition through regulation of labelling.

4. The Special Safeguard Clause (SSG) has proved to be a very useful adjunct to the process of tariffication as it provides a limited degree of reassurance that this will not lead to sudden or unpredictable surges in imports or sharp reductions in import prices. Were this instrument to be removed, the only remaining form of recourse in such situations would be the relevant safeguard provisions in the WTO, under which much more trade-disruptive measures are permitted.

The EC therefore propose the continuation of a similar instrument in the Agreement on Agriculture.

- ii. Export Competition

5. The EC believe that there is an urgent need for a more level playing field in export competition, since the current provisions fully cover only one of the instruments - export subsidies.

6. The EC stress that the understanding reached during the UR on export credits (Article 10.2 of the AoA) has not so far materialised.

The EC propose that officially supported export credits in agriculture should be covered by specific WTO rules and disciplines, notably by integrating the rules and disciplines which would have been agreed in other international fora into the Agreement on Agriculture, the objective being to move officially supported export credits towards usual commercial practice.

7. The EC consider that the abuse of food aid should be prevented, through the revision and strengthening of the rules of food aid in Article 10 of the AoA, whilst at the same time promoting the development of genuine food aid and preserving an appropriate level of food aid donations, as opposed to disposing of surpluses.

The EC propose that food aid should be given in fully grant form; that a code of conduct covering food aid operations be established, including the possibility for recipient countries to purchase food in developing countries; that the type of operations to be considered as genuine food aid be clearly defined with a view in particular to ensure that it does not damage local food production and marketing capacities of the recipient countries; that a [prior] mandatory notification mechanism be established; that a list of recipients be drawn up and that particular provisions for emergency situations be agreed. These strengthened provisions would replace Article 10.4 of the present Agreement on Agriculture (Prevention of Circumvention of Export Subsidy Commitments).

8. The EC propose that in respect of the operation of State Trading Enterprises (STEs), cross-subsidisation, price-pooling and other unfair trade practices in exports be abolished. To that effect the operation of STEs should be subject to mandatory notification with regard to acquisition costs and export pricing.

9. On the condition that all forms of export subsidisation are treated on an equal footing, the EC stand ready to negotiate further reductions in export subsidies.

iii) Domestic support

10. The EC believe that the present arrangements under the AoA constitute globally the right framework for addressing domestic support issues. They are an essential basis for providing assistance to Members to move away from price support towards more transparent and less trade-distorting policies. Furthermore, direct aids can contribute to some of the objectives of multifunctional agriculture, namely protecting the environment and contributing to the sustained vitality of rural areas and poverty alleviation.

However, where aid which is variable in relation to market prices is paid on products which are exported, this can be particularly trade distorting. Such aid therefore requires specific discipline.

The EC are prepared to negotiate further reductions in support provided that, in particular, the concept of the "blue" and "green" boxes will continue.

11. The EC propose that the reform process should be pursued by further reduction in the Total Aggregate Measures of Support (AMS) starting from the Final Bound Commitment level, by a further strengthening of the rules concerning non-product specific domestic support, and by a reduction of the "de minimis" clause for developed countries.

12. The EC propose that the concept of the "blue" and "green" boxes should be maintained, as well as the general rules and disciplines applying to them, but they are prepared to discuss the detailed rules on domestic support.
With respect to the "blue box" the EC underline 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.
13. The EC propose that the criteria to be met by measures that fall into the "green box" be revisited to ensure minimal trade distortion whilst at the same time ensuring appropriate coverage of measures which meet important societal goals such as the protection of the environment, the sustained vitality of rural areas and poverty alleviation, food security for developing countries and animal welfare.
14. The EC propose that specific discipline be applied to variable "amber box" subsidies which boost export performance through providing compensation for variations in market prices.

Non-trade concerns

15. The specific role of agriculture as a provider of public goods should be recognised. This is all the more important in order to muster public support to the process of further liberalisation of trade in agricultural products.

In this context, the multifunctional role of agriculture, which, in both developed and developing countries, includes its contribution to sustainable development, the protection of environment, the sustained vitality of rural areas and poverty alleviation should be recognised.

16. The protection of the environment is an important societal goal, which is relevant to both developed and developing countries.

The EC propose that measures that aim at protecting the environment should be accommodated in the Agreement on Agriculture. Such measures should be well targeted, transparent, and implemented in no more than minimally trade-distorting ways.

17. The contribution to sustainable vitality of rural areas and poverty alleviation is another important feature of the multifunctional role of agriculture.

The EC propose that measures that aim at promoting the sustainable vitality of rural areas and poverty alleviation should also be provided for in the Agreement on Agriculture. Such measures should be well targeted, transparent, and implemented in no more than minimally trade-distorting ways.

18. Food safety is another important objective. There is public concern that WTO could be used to force onto the markets products about whose safety there are legitimate concerns. However, WTO Members can address these concerns through appropriate measures, including the use of the precautionary principle, provided that these measures are proportionate to the risk and applied in a non-discriminatory way, and do not give rise to disguised restrictions to trade.

Nevertheless, some Members are still concerned about the way in which the precautionary principle might be implemented. To this end, the EC, therefore, propose that the application of the precautionary principle should be clarified.

19. Consumer concerns related to the production and processing of agricultural products could also be met by providing more information through inter alia the development of labelling schemes.

The EC propose to ensure that such labelling schemes are appropriately covered by the WTO.

20. It is important to ensure that trade liberalisation does not undermine efforts to improve the protection of the welfare of animals.

The EC propose that a number of possible actions to address this legitimate concern should be examined: (i) the development of multilateral agreements; (ii) appropriate labelling rules; (iii) to exempt compensation of additional costs to meet animal welfare standards from reduction commitments where it can be clearly shown that these costs stem directly from the adoption of higher standards and thus are not, or at most minimally, trade distorting.

Developing Countries/Special and differential treatment

21. The EC are by far the largest market for the exports of agricultural products from developing countries in large part as a result of trade preferences granted to developing countries.

22. The EC recognise the need to ensure that all Members, and in particular the developing countries, fully benefit from the expansion of world trade. The key is to create opportunities for increased market access for developing countries, while accepting the possible need for the most fragile developing countries to maintain protection in order to have adequate time for adaptation.

The EC are pledged to provide duty-free access to essentially all products from the least-developed countries, including agricultural products.

The EC propose, in addition to multilateral liberalisation and in order to increase market access to products originating in developing countries, that developed countries and the wealthiest developing countries provide significant trade preferences to developing countries, and in particular the least-developed.

The EC propose that an examination is undertaken on ways to ensure that these trade preferences are rendered stable and predictable, in order to create the appropriate conditions for further investment in, and development of, the agricultural and agri-food sectors in developing countries.

23. The EC believe that domestic support measures that promote the sustainable vitality of rural areas and the food security concerns of developing countries as a means of poverty alleviation are of great importance.

The EC propose (see paragraph 13 on "green box" above) that these measures where appropriate be exempted from any reduction commitments.

The EC propose that other ways are examined in order to provide the necessary flexibility to developing countries to address these concerns, notably through a revision of the de minimis clause for developing countries.

The EC would also underline that the provision of food aid to the least developed countries and to net-food import developing countries only in fully grant form and in ways which do

not damage local food production and marketing capacities of the recipient countries, is another important means to contribute to food security in the recipient countries. The EC believe that providing food aid under credit terms increases the debt burden of these countries, and is therefore detrimental to their long-term interests.

The EC believe that these provisions should positively contribute to meet the concerns on the possible negative effects of the reform process on Least-Developed and Net Food-Importing Developing Countries.

24. As part of its general policy to promote the sustainable and economic development of countries, the EC propose that all developed countries should intensify all forms of assistance to developing countries, in particular in areas of implementation, and making use of the appropriate WTO agreements.

Peace clause

25. The need for the continuation of a "peace clause" is the logical corollary of the specific nature of the Agreement on Agriculture. In addition to that a "peace clause" defines the conditions under which specific support measures may be granted, and therefore contributes to the enforcement of the reduction commitments which were agreed.
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