No. 37 › September 2001 [EN]

European Commission
Directorate-General for Agriculture

Newsletter

ISSN 1560-1862

The EU at the WTO: export credits and the precautionary principle

At the special session of the WTO Committee on Agriculture held in Geneva on 24 July, the European Union tabled two further contributions (1) to its overall proposal (2) for the multilateral negotiations on agriculture.
The first outlines how export credits could be regulated on the same basis as other types of export aid.
The second seeks to clarify the way the precautionary principle is applied so it does not result in disguised protectionism and a proliferation of disputes within the WTO.

The EU says it is prepared to negotiate further reductions in export refunds, provided that all forms of export aid that are liable to distort competition are properly regulated. In particular, this concerns subsidised export credits (3) which, unlike export subsidies (which are fully regulated by the Uruguay Round Agreement on Agriculture — URAA), can be increased and adjusted at will. The URAA contains an undertaking (4) to develop suitable rules at international level on such credits, but to date no progress has been made; a first attempt along these lines is still being negotiated within the OECD. A study carried out recently on behalf of the latter confirms the distortion of competition resulting from the way such credits are used (longer deadlines, lower interest rates, etc.) and shows that in 1995–98 a single partner was responsible for 97 % of credits granted for longer than a year.

A single reduction mechanism

The main points in the EU proposal involve:

- a reduction, based on historical reference periods, in export credits attracting public support (including support granted through State trading enterprises), through a mechanism similar to that for reducing other forms of State export aid; this will entail annual commitments to reduce expenditure on export credits that cause distortion, limiting the quantity of a product eligible for subsidised credits over a year, and commitments to reduce that quantity;
- setting maximum repayment terms for most products within the 180-day period contemplated in the draft OECD understanding (5) in line with normal commercial practice;
- ensuring that the developing countries are not forgotten. The EU bears in mind their special needs, which are recognised in the URAA, and is concerned to avoid any increase in their debt. To assist them, it proposes an additional repayment term of three months for cereals, oilseeds and products derived from these, the possibility of granting special credit terms that do not disturb trade flows, with the partners' agreement, in the event of a sudden and significant deterioration in a country's economic situation and, lastly, food-aid supplies to be provided in the form of donations only, and not on credit terms.

Protecting health, not trade

On the question of food safety, the EU stresses that liberalisation must not result in the placing on the market of products that cause legitimate concern. It points out that the URAA's signatories are under an obligation to implement the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement), which allows a partner to set a level of health protection that is higher than that achieved by international standards (6). Its proposals, which stem from the Commission communication on the precautionary principle (7), seek to make the principle easier to interpret in accordance with the guidelines laid down by the WTO Appellate Body (8), while ensuring that food safety is not utilised as a device for protectionism. The measures to be applied should meet a series of conditions; in particular:

- they should be proportionate and no more trade-restrictive than required to achieve a suitable level of protection, they should not be discriminatory having regard to similar situations and should aim to achieve consistency with regard to the levels of protection that members consider appropriate in different situations;

---

(1) Press release IP/01/1060 and both contributions can be consulted on the Agriculture DG web site.
(2) See Newsletter *No 29.*
(3) 'Commercial' export credits are not at issue.
(4) Article 10(2) of the URAA (see Newsletter *No 26).*
(5) TD/CONSENSUS(2000)25/REV4.
(6) Article 14 of the URAA and Article 5(7) of the SPS Agreement.
(7) COM(2000) 1 final of 2 February 2000.
(8) Sixteenth Report (January 1998) of the WTO Appellate Body. The WTO web site is accessible via the Agriculture DG web site.

- they should be based on scientific evidence from qualified sources (but not necessarily reflecting the view of the majority of the scientific community) which is reviewed periodically;
- they should be maintained for as long as the data available for evaluating the risk are insufficient and that risk is deemed too great;
- there should be acceptable provisions for adaptation as regards products of vital interest to developing countries. The latter must receive the aid they need to meet the SPS standards.

EU/Mercosur and Chile: proposals for liberalisation

Under its negotiating brief for a bi-regional free-trade agreement with Mercosur (Argentina, Brazil, Paraguay and Uruguay) and a bilateral agreement with Chile, at meetings held in Montevideo (2–7 July) and Santiago (9–12 July) the Commission submitted the EU's proposals for liberalising the bulk of the agricultural imports from these countries within 10 years. A corresponding offer is expected from Mercosur at the next round of the negotiations scheduled for 29 and 30 October. The Commission is currently considering Chile's offer on tariffs. The EU's offer, which aims at total liberalisation, covers six categories of products and involves:

- immediate, total liberalisation of *ad valorem* customs duties on some fresh fruit and certain vegetable oils and fats (excepting olive oil), etc. worth EUR 270 million (Mercosur) and EUR 150 million (Chile);
- phasing-out of *ad valorem* customs duties, in four stages over a four-year period, on horsemeat, some fresh fruit and vegetables, certain oils, flowers, bulbs, etc. (Mercosur: EUR 600 million; Chile: EUR 184 million);
- phasing-out of *ad valorem* customs duties, in seven stages over seven years, on some processed fruit and vegetables, fruit juice, some fresh fruit and vegetables, and processed poultrymeat (Mercosur: EUR 330 million; Chile: EUR 56 million);
- phasing-out of *ad valorem* duties, in 10 stages over 10 years, on ham, honey, Mercosur corned beef, certain processed fruit and vegetables, some Chilean fresh fruit, etc. (Mercosur: EUR 1 billion; Chile: EUR 17 million);
- gradual phasing-out of duties on wines and spirits (Mercosur: EUR 60 million; Chile: EUR 240 million), on condition that agreements are negotiated, at the same time, on the protection of geographical indications and traditional appellations, recognition of oenological processes, etc.
- gradual liberalisation negotiated on a case-by-case basis, within quotas, for particularly sensitive products (cereals, rice, olive oil, processed fruit and vegetables, milk products, chicken, sugar, etc.) subject to special duties.

For the first five categories, the offer covers EUR 8 billion in the case of Mercosur, i.e. 90 % of existing agricultural trade, and EUR 700 million in the case of Chile, i.e. 93 % of trade.

News in brief

❑ Promotion of apples and citrus fruit

On 6 August, the Commission approved nine action programmes in eight Member States [1] costing a total of EUR 8.31 million, of which it is financing 60 %, to promote the consumption of apples and citrus fruit in the EU (fresh apples in Belgium, Denmark, Germany, Spain, France and Austria; fresh and processed apples in the UK; citrus fruit in Spain and Italy).

(1) Press release IP/01/1173 can be consulted on the Agriculture DG's web site.

❑ Bananas: proposal for a regulation

On 23 August, the Commission adopted a proposal for a Council regulation [1] amending Regulation (EEC) No 404/93 and intended to adapt the Community banana import regime further in line with the agreements concluded with the United States and Ecuador. Briefly, the agreements concern the tariff import quotas and the rules for managing them until such time as a 'tariff only' system is adopted, which should occur by 1 January 2006 at the latest [2]. The proposal mainly involves transferring 100 000 tonnes of quota C bananas to quota B and reserving quota C exclusively for imports originating in the ACP countries under a waiver provided for in Article XIII of the GATT Agreement establishing the WTO. It also entails updating the tariff and statistical nomenclature and the common customs tariff.

(1) COM(2001) 477 final.
(2) See Newsletter No 34.

❑ Agriculture and food: continuation of debate

The next conference in connection with the debate on agriculture and food instigated by the Commission will take place in Rome on 6 November.

❑ On-line photo library

The Agriculture DG's electronic photo library is available online on the following web site:
< http://europa.eu.int/comm/agriculture/photos/index_en.cfm >

European Commission
Directorate-General for Agriculture

Text finalised 19/09/2001

Editor: Eugène LEGUEN DE LACROIX, EC Directorate-General for Agriculture.
This publication does not necessarily express the official views of the Commission.
For further information: Rue de la Loi 200, B-1049 Bruxelles/Wetstraat 200, B-1049 Brussel - Belgium - Office: L/130-4/148A
Telephone: direct line (+32-2) 295 32 40, exchange (+32-2) 299 11 11. Fax: (+32-2) 295 75 40.
Telex: COMEU B 21877. Internet: <http://europa.eu.int/comm/agriculture/index.htm>
Printed on recycled paper.

KF-AA-01-008-EN-C