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CAP reform strengthens the EU position in WTO talks

The agreement on fundamental reforms to the common agricultural policy, reached by the Agriculture Council on 26 June, will bring benefits both to the EU's farmers and to society in general. A major bonus of the deal is the extra strength EU negotiators will have in the WTO farm trade talks, which are set to enter a crucial stage with the ministerial meeting in Cancún in September 2003.

There are several ways in which the CAP reforms should help the EU's WTO position.

Firstly, the central plank of CAP reform is the move to a 'single payment scheme' of direct aid to farmers linked to respect for environmental, food safety and animal welfare standards. In future, the vast majority of subsidies for farmers will be paid independently of the volume of production ('decoupled'). This means that direct aid can be classified as 'green box' under the WTO agreements, i.e. non-trade-distorting. They should therefore not be subject to reduction in the eventual trade agreement. The Commission estimates that these latest CAP reforms will bring about a reduction in trade-distorting subsidies of approximately EUR 70 billion per year (as a conservative estimate).

The reform deal also provides for more control of farm spending, in addition to the ceiling for CAP expenditure fixed at the Brussels Summit in October 2002.

The EU's move to decouple its direct payments, and to limit budgetary expenditure on the CAP, fits with the WTO Doha development agenda's (DDA) objectives. It is in contrast to the policy direction of the United States over recent years, which has involved huge increases in farm spending and the reintroduction and greater use of production-linked subsidies.

Secondly, the CAP reform deal is helpful to developing and least-developed countries. The reformed CAP should reduce the incidence of large product surpluses because there will no longer be the link between subsidies and output levels that provided a production incentive in the past. The risk of EU surpluses weighing on world markets, and the need for the EU to subsidise its exports, is thus reduced. It means that the EU can deflect criticism of its export refunds towards other forms of export subsidy practised elsewhere — for example in the United States and even in some Cairns Group countries.

Thirdly, by meeting the DDA's objectives of less trade-distorting support and more open markets — and particular help for developing countries — the EU frees itself up to argue for other positive elements of the EU's DDA position, for example finding the best mechanism for opening more market access to developing countries and in particular to the poorest, and achieving recognition of the importance of geographical indications.

Lastly, the reform package includes a commitment to progress reforms in those sectors so far not covered as early as autumn 2003.

All of the above should acquire more allies for the EU in the WTO. And, after concluding its reforms early in the negotiating process, the EU can pressure other WTO members to make the next moves towards a WTO agriculture agreement.

Commissioner Fischler made these points very plain in his immediate reactions to the Council's CAP reform agreement when he said 'Our new policy is trade friendly. We are saying goodbye to the old subsidy system which significantly distorts international trade and harms developing countries. Today's decision will give Europe a strong hand in the negotiations on the Doha development agenda. The EU has done its homework, now it's up to others to move to make the WTO trade talks a success. But let there be no mistake. At the Cancún ministerial meeting, the EU will be ready to use its increased negotiating capital only if we get something in exchange. Unilateral disarmament is not on. The ball is now in the camp of other countries, such as the United States, whose agricultural policies continue to be highly trade-distorting and have even become increasingly so'.

Updated information about the EU position in WTO talks:

http://europa.eu.int/comm/agriculture/external/wto/index_en.htm

News in brief

❑ Commission helps promote agricultural products

On 23 June the Commission approved 20 programmes for the promotion of agricultural products in nine Member States. The total budget of the programmes, which will run between one and three years, is EUR 38.4 million, of which the EU contribution is EUR 19.2 million. The programmes cover fruit and vegetables, organic products, flowers, wine, cheese, milk and protected denominations of origin or geographical indications.

Measures eligible for EU funding include public relations, promotional and publicity actions. The aim is, in particular, to highlight the advantages of EU products, especially in terms of the quality, hygiene, food safety, nutrition, labelling, animal welfare or environment-friendliness of their production. Measures can also cover participation at events and fairs, information campaigns on the EU system of protected designations of origin, protected geographical indications, traditional speciality guaranteed and on other EU quality and labeling systems. The EU finances 50 % of the cost, the remainder being met by the professional organisations which proposed the measures and/or by the Member States concerned. The programmes are approved under a Council regulation ([1]) on information and promotion actions for agricultural products on the EU internal market.

❑ Commission negotiates two bilateral farm trade deals

The Commission has successfully concluded two bilateral trade agreements, with Norway and with Israel, which further liberalise trade in agricultural products between these countries and the EU.

• Norway

EU trade with Norway, already significant, will be enhanced by the granting of further reciprocal trade concessions. These include the elimination of duties on a number of agricultural products, in particular in the plant, fruit and vegetable sectors as well as concessions in the form of tariff quotas, such as enlarged duty-free cheese import quotas on both sides. Negotiations took place in 2002 within the framework of the European Economic Area agreement and were concluded by an exchange of letters on 20 June 2003 ([2]). The new deal entered into force on 1 July. Further bilateral farm trade talks between the EU and Norway are to resume in two years' time.

• Israel

The Commission's talks with Israel resulted in new reciprocal liberalisation measures in the agricultural sector. Most agricultural trade from both sides will receive preferential treatment (with or without quotas). Israel, for example, will increase existing quotas and reduce current preferential duties to zero on products such as meat, dairy products, various fresh and processed fruit and vegetables, juices, oils, preparations for animal food, vinegar and wine. The EU has granted Israel further concessions for products such as fresh fruit, fresh and processed vegetables, processed citrus fruit, juices, turkey and wine. The EU has agreed to drop the reference price system for some flowers and to slightly increase the existing quota for flowers other than roses and carnations. Both parties agreed to increase all quotas by 3 % per annum.

The agreement comes within the Barcelona process, which aims at the gradual creation of a Euro-Mediterranean free trade area. The Commission and Israel initialled the agreement on 7 July 2003. Before entering into force the deal has to be adopted by EU Member States. Another round of these bilateral trade negotiations should take place in 2007 aiming for a new deal to enter into force in 2008.

([1]) Council Regulation (EC) No 2826/2000 of 19 December 2000 on information and promotion actions for agricultural products on the internal market (OJ L 328, 23.12.2000).

([2]) Council Decision 2003/465/EC (OJ L 156, 25.6.2003).

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