

3 *The current negotiations. Controversial issues*

The negotiations which are currently commencing in the WTO are liable to be at least as difficult as the previous ones within the GATT framework. The essential components of the agenda are different, however. Whereas the problem in the Uruguay Round was to manage to formulate new rules in the field of agriculture and to get them accepted, today it is more a matter of carrying the rules which have already been accepted by the members of the WTO further. In other words, the issues at stake are not so much questions of principle but the degree to which what was already be object of the 1994 agreement can be developed in greater depth.

But there is still one preliminary question which is a matter of concern to all: is agriculture an ordinary or a specific economic sector? The answer to this fundamental question will obviously ultimately determine the behaviour of the actors in the negotiations and the content of the bargaining to a large extent, for underlying the operational or technical aspects of the negotiations there is inevitably an overall strategic vision which each country has of the future of its agriculture and thus of the rural world in which it is practised. At all events, if it is maintained that agriculture is specific then the need for international trade rules specific to agriculture should be recognised; on the other hand, considering agriculture to be an ordinary sector would mean that the object of the negotiations could be confined to ways and means of developing towards total liberalisation.

3.1 - Mediterranean Countries (MCs): Active actors at the WTO talks

MCs have taken an active part during the first part of the present agricultural negotiations, which finished on March 2001, as table 3.1 summarises¹⁷. Mediterranean EU Members (France, Italy, Spain, Greece and Portugal) subscribed the comprehensive and specific proposals by the European Union. Morocco, Turkey, Egypt, Jordan and Croatia submitted individual comprehensive proposals. Other countries presented positions as a part of regional groups, such as Northern African countries as part of the African Group, and Slovenia and Albania, as part of the transition economies grouping. In addition, the EU and other 4 MCs, along with other 19 countries, submitted a joint discussion paper on non-trade concerns. Other MCs like Algeria, Lebanon, Syria and Lybia don't take part in the WTO negotiations, given their non-Member status, although Algeria and Lebanon are in a process of negotiating their accession to WTO. Table 3.2 summarises the matters on which MCs have expressed a political position, indicating whether this position

¹⁷ WTO (2001b) provides with a summary of positions, at the end of the first phase of the present agricultural talks.

has been included in a comprehensive proposal, in the form of specific papers, or in a discussion technical paper.

Table 3.1 - Summary of issues on which MCs have expressed proposals and opinions

Containing positions on:	Included in comprehensive proposals	Specific proposals	Included in discussion papers
Export subsidies and competition	EU, Morocco, Turkey, Egypt, Jordan, African Group.	EU	Croatia
Export restrictions	Jordan		
Domestic support	EU, Morocco, Turkey, Egypt, Jordan		Croatia
Blue box	EU	EU	
Transition issues		Transition economies	
Market access	EU, Jordan, Morocco, Turkey, Egypt, African Group	Transition economies	Croatia
Special safeguards	EU, Jordan, Morocco, Turkey, Egypt, African Group		Croatia
Food quality	EU	EU	
Non-trade concerns	EU, Jordan, Croatia		38 countries*
Animal welfare	EU	EU	
Sections on developing countries	Morocco, Turkey, Egypt, Jordan, African Group		
Net food-importing countries	Egypt, African Group		
Peace Clause	EU, Turkey, African Group		

*Cyprus, the European Communities, Israel, Malta, Slovenia, with other 19 countries.

The Mediterranean is a quite complex world and requesting unanimity would be too much when the rules on globalisation are at the stake. Concerning the WTO talks, a first classification of countries would involve a breakdown between the EU and the rest of MCs. Out of these, we could underline two groups: developing MCs (North Africa, Jordan and Turkey), on the one hand, and transition economies (Croatia, Slovenia and Albania), on the other. Other MCs like Cyprus, Israel and Malta seem to join a similar view to the EU's, especially with reference to non-trade concerns and multifunctionality. What seems interesting to stress is the absence in the Mediterranean area of those countries that share a more liberal approach of trade, like the Cairns Group¹⁸; and the fact that some MCs are considered developing countries, but not as a part of the Least Developed Countries group

¹⁸ The 18-member Cairns Group of agricultural exporting nations includes Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Fiji, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, Thailand, South Africa, and Uruguay.

group (LDCs)¹⁹. In a sense, this rough reference to the participation of MCs in regional groups supplies a good idea about their interests and the rationale of their positions at the WTO talks.

Table 3.2 - Countries, alliances and proposals

1. Albania (transition: domestic support)	7. Jordan
2. Croatia (transition: domestic support, market access)	8. Morocco (own proposal + African Group)
3. Cyprus (non-trade concerns)	9. Slovenia (transition: domestic support, market access + non-trade concerns)
4. Egypt (own proposal + African Group)	10. Tunisia (African Group)
5. EU (France, Greece, Italy, Portugal, Spain and other 10 countries) (own proposals + non-trade concerns)	11. Turkey
6. Israel (non-trade concerns)	

Members that have submitted proposals and technical papers, with an indication of groupings and alignments based on joint-authorship.

Thus, **an absolute free-trade approach or the claim for a full liberalisation of agricultural trade is not a characteristic of the proposals submitted by MCs**. Although, it is true that MCs show a wide range of proposals orientated to improve the transparency of trade measures and the market access.

Interestingly, positions on the non-trade objectives of agricultural policies are not too distant among MCs. This is quite apparent for the group of MCs that signed the discussion paper on non-trade concerns (EU, Israel, Cyprus, Slovenia and Malta)²⁰, but also for the rest of countries that have explicitly expressed their views on the key role of agriculture in their national economies. In many senses **most MCs share the position that agriculture is more than just an industry** – and has to be treated accordingly in the WTO.

¹⁹ The United Nations has designated 48 countries as least-developed: Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Cape Verde, the Central African Republic, Chad, the Comoros, the Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, the Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, the Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, the Niger, Rwanda, Samoa, Sao Tome and Principe, Sierra Leone, Solomon Islands, Somalia, the Sudan, Togo, Tuvalu, Uganda, the United Republic of Tanzania, Vanuatu, Yemen and Zambia.

²⁰ Submission on Non-Trade Concerns – 22 September 2000; Revision – 9 November 2000G/AG/NG/W/36 and G/AG/NG/W/36/Rev.1

3.2 - The issues on the agenda of the multilateral agricultural negotiations

Article 20 of the Agreement on Agriculture which was signed in Marrakech in 1994 already defined the three fields in which commitments had been made but which would necessarily have to be included on the agenda of the forthcoming negotiations in order to make new progress. These are market access, export competition and internal support. However, there are other items to be added to these major "dossiers" - items which were already planned in 1994 or which have subsequently become imperative having been revealed either as experience progressed or by the emergence of new problems: special and differential treatment for the benefit of developing countries, non-trade concerns, consumer protection, security of supplies, animal welfare, new technologies, etc.

3.2.1 - Market access

This heading comprises several aspects of the question ranging from the level of tariffs to the questioning of state import monopolies, tariff quotas and their management, the future of the safeguard provision, and so on. We shall place emphasis here on aspects connected with tariff and non-tariff protection in particular.

As we see, the division between developed and developing countries is also explicit in the Mediterranean region in connection with WTO talks. It is normal that developing MCs (Morocco, Egypt, Tunisia, Jordan and Turkey) claim for a Special and Differential Treatment (SDT), and this claim for flexibility is also posed by the transition economies (Croatia, Albania, and Slovenia). SDT usually presents the form of higher degree of flexibility in the implementation of the commitments for trade liberalisation but also refers to the additional provisions for net food-importing countries, as stressed by the proposals submitted by Egypt and the African group. **As net food importers, most SEMCs advocate a gradual approach for trade liberalisation.**

However, **developing MCs, as exporters, are in favour of decisive steps for a comprehensive tariff liberalisation and open market access in developed economies. The market access issue is perhaps one of the most controversial between developed and developing MCs.** Can we expect a further opening of agricultural markets as the result of the WTO negotiations?

Let us first refer to the EU proposal. This consists of using the same formula adopted under the Uruguay round, i.e. a commitment as to the overall average reduction of bound tariffs and a minimum reduction per tariff line. The proposal also advocates retaining the special safeguard clause to ease tariff reductions (avoiding a frequent use of it). The overall average reduction is opposed by some

countries because of the fear to escape from substantive tariff reductions in specific commodities. Thus, the Turkish proposal advocates that sector specific reductions would be the exception and not the rule. The Jordan proposal argues that the rate of tariff reduction should depend on the existing (applied) tariff level of each country and the targeted tariff level to be reached over a fixed period.

The vast majority of countries are apparently in favour of substantial new reductions in **tariff protections**. However, although developing countries - with the exception of those belonging to the Cairns Group - show less "enthusiasm" on the whole at such a prospect, it must be said that opinions differ amongst the developed countries as to the extent of the reductions and the methods to be employed. It is known namely that while the United States and the Cairns Group are advocating massive reductions, particularly concerning tariff peaks, the European Union, as indicated above, seems to be both more cautious about the size of the reductions and more in favour of a system of reduction by averages.

Various proposals should at any rate be negotiated. This is the case with the revision of the methods for calculating market access with a view to reducing the dispersal of tariffs over various products and to putting an end to "peaks" on specific commodities. It is also the case with the revision of the clauses which made it possible to minimise the impact of the Marrakech Agreement, concerning, for example, the flexible use of the concepts of current and minimum access, the discrepancies between bound tariffs and the tariffs actually applied, or of the "dilution" of constraints amongst these commodities. Some countries want the complex tariff structures of the European Union and United States to be simplified and to be based on ad valorem rights. Some are also calling for negotiations on a number of commodities on which the tariffs would be abolished. It has also been proposed that the minimum access constraint be extended in proportion to domestic consumption.

On the other hand, the UR market access provisions were implemented through the frequent use of Tariff-Rate Quota (TRQ), which in many cases lack transparency. Most MCs share the view that the rules on TRQs should be strengthened, although none of them propose their complete elimination. The management of TRQ is a sensitive issue in the context of the Euro-Mediterranean integration and we will come back to this issue in such context. In the multilateral context, international pressure - from North America and the Cairns Group in particular - will probably press for the continuing reduction of tariffs and/or for the extension of tariff quotas with reduced tariffs or even no tariffs at all. Many countries actually criticise the first-come-first-served system for allocating quotas (prevalent in the European Union) or the system of allocating them according to historic references, and they are calling for a licensing system.

The **special safeguard provision** has been the object of criticism particularly by the Cairns Group, which considers it to be unjustified. At all events, the triggering thresholds of the safeguard provision are considered to be very low in certain cases,

a factor which frequently results in the introduction of additional tariffs and even permanent ones. The United States and the Cairns Group are calling for the abolition of this "provision", whereas the EU and Japan are demanding that it be maintained. Some countries are proposing that this clause be maintained but only for the benefit of developing countries. Whatever the outcome, it is probable that, at the very least, price levels - a bone of contention - will be revised, and further discussions will be held on the utilisation criteria.

In view of the various market access issues, it is not easy to determine the position of the Southern and Eastern Mediterranean countries because in many cases their situation is complex and equivocal. The fact is that of the 12 partner countries of the EU only Turkey and Syria have a favourable agri-food trade balance. All of the others are thus net importers of agricultural commodities in respect of the rest of the world. Since they are more importers than exporters it follows that although they pay close attention to the conditions of access for their products to foreign markets they are inevitably even more concerned about the access conditions for "others" to their own markets... What is more, whenever they are exporters, as has already been seen in the first section, a large proportion of their trade is concentrated on the EU markets to which they have access under systems of preferences by virtue of the provisions in the Association Agreements with the European entity. But a general reduction of agricultural tariffs within the WTO framework would be bound to result in reducing, if not eliminating, the preferential advantages in question.

This drawback could admittedly be compensated by better access opportunities obtained on extra-Community markets following the general reduction of tariffs, but this presupposes the ability to direct a greater proportion of exports flows to markets other than those of the EU - an undertaking which would seem difficult, to say the least, in view of the experience of the last 30 years... Yet should countries merely continue to cling to "what they have" when it is a well-known fact that sooner or later "the age of preferential advantages" will be over?

Moreover, the experience gained by most SEMCs in their trade relations with the EU has taught them that the principle problems of market access are not so much tariff problems. The most formidable obstacles including access for their products to Community markets are non-trade concerns in the form of entry prices, quotas, schedules, import licences, quality standards, etc. This means that unless there is significant progress on these issues in the EU many partner countries could be tempted to focus their efforts on the field of multilateral negotiations in the hope that they will be able to "circumvent" and ultimately get the better of Community obstacles "multilaterally". If a hypothesis of this nature were to become reality this would obviously change the negotiation setup on the issue of market access appreciably.

At all events, the situation of each individual country can clearly be quite specific, and it is only in the light of a meticulous weighing up of the advantages and

drawbacks of each option that it will be able to reach a decision. Consequently, despite the - official or unofficial - declarations or proposals already made it can be considered that even today nothing has been decided on as yet and that the requests and positions of the various parties are still liable to evolve appreciably.

This being so, efforts are being made here and there to formulate the terms of a common position at the Euro-Mediterranean level. The Ministers of Agriculture of the Ciheam member countries thus debated the issue at length at their third meeting in Athens in June 2001. The section of their final declaration devoted to the matter would allow of a certain degree of optimism: "Whereas on the one hand the Representatives of the Southern and Eastern Mediterranean countries pressed for greater openness in access for their agricultural commodities to the market of the European countries, the Representatives of those European countries pointed out that a gradual approach with preference to regions - which is already ensured within the framework of the Euro-Mediterranean partnership agreements - should be defended jointly in the multinational agricultural negotiations in order to avoid the risks for the export of the agricultural commodities of the Southern Mediterranean countries that are inherent in the general liberalisation of trade. However, the discussion revealed a certain degree of convergence on the need to seek a common approach in the multilateral negotiations on agriculture and to preserve or even improve the economic and social living conditions of the populations who draw their livelihood from a form of agriculture which is increasingly sound from the environmental point of view".

3.2.2 - Export competition

What is meant by export competition is of course the subsidies which are allocated directly to exports but also those which may be connected with export credits or export monopolies and the circumvention of the export subsidy constraints by means of food aid. It is the first two aspects which raise the most questions and thus need to be debated.

On the question of **export subsidies** the EU seems to be doomed a priori to a certain degree of isolation since it is the only partner to refuse to eliminate them, having merely agreed to reduce them further. The United States, the Cairns Group, Japan and the developing countries, on the other hand, would be in favour of abolishing them. The Cairns Group in particular holds that the abolition of all forms of export subsidies by 2005 would constitute an objective central to the negotiations, at least in the case of certain commodities. Given the difficulty in eliminating these subsidies, it has been suggested that the commitments to reduce them which were undertaken within the framework of the Marrakech Agreement be doubled.

Most MCs, from outside the EU complain about the application of export subsidies and all other instruments of export competition. According to most proposals,

export subsidies put countries, which are not allowed to apply them or cannot afford them, into disadvantaged position. Several developing countries complain that the rules are unequal. They object in particular to the fact that developed countries are allowed to continue to spend large amounts on export subsidies while developing countries cannot because they lack the funds, and because only those countries that originally subsidised exports were allowed to continue subsidising. This is why some countries, such as Turkey, would propose the different terms for developing countries, in allowing them to retain some forms of subsidy for exports. The EU strategy has relies on discussing on export competition, but including in such concept all forms of subsidies. That would include some forms of commercial credits, which are extensively used in US (see below). Most MCs share the view of negotiating the reduction or elimination of all forms of export subsidies.

However, the divisions are less clear-cut than one might think at first sight. This is at least what is suggested by the situation of developing countries, particularly those on the perimeter of the Mediterranean. For in the case of the latter countries the situation is again far from simple. Since, first of all, most of them are net importers of agri-food products they enjoy the subsidies in question and it is those subsidies which in fact enable them to obtain the staple commodities their populations need at relatively low cost (cf. Regnault, 1997; Akesbi, 1997, 2000). The benefit is all the greater since the imports concern mainly staple commodities (cereals, to begin with...), which are precisely those which benefit from the largest subsidies. On the other hand, it is true that Mediterranean countries which develop certain export capacities may be hampered by those very subsidies, which gave rise to unfair competition for them, particularly on extra-Community markets, yet it is precisely on those markets that it would be in their interests to develop their presence in order to diversify their market outlets.

It is admittedly relatively easy for countries which do not export agricultural commodities or whose agricultural export levels are insignificant (as is the case with Algeria or Libya) to make their choice, and at least in the short term it is in their interests to maintain subsidies. All other things being equal, any reduction of these subsidies should result in an increase in the cost of their foodstuff supplies. If one takes account of the impact of cheap food imports on local production - an impact that is likely to be negative - one can of course consider that the subsidies in question are basically more of a curse than a blessing, which the recipient countries would do well to forego (Moehler, 2001). But it is also known that this line of policy presupposes political will and requires that difficult internal reforms be carried out - for results which often, incidentally, remain hypothetical. It is thus understandable that these countries should tend to prefer to maintain subsidies...

The choice is no doubt more difficult for other countries which are at the same time net importers of staples and exporters of other agricultural commodities - and such countries are in the majority. For countries such as Morocco or Egypt, for example, which are both major importers of staple commodities and significant exporters of fruit and vegetables, it is not sure that the "gains" obtained in the export field as the

result of the abolition of the subsidies will offset the "additional costs" incurred in imports at the same time...

All in all, this question of export subsidies is also problematic for the SEMCs. It can be said that even when several of these countries take a certain stand it could prove unwise to conclude that this might be their final position. There again each country will have to examine the consequences of each choice on its own particular situation very closely, and there would only be a chance of arriving at a common position if it could be part of a "new world order", a general alternative which each country would find to its advantage and in which it could see that the "benefit" obtained from collective synergism is ultimately much greater than the benefit of an individual approach, however cautious it may be!

Export competition concerns other aspects, the most important being **export credits**; in this case it is the United States, which uses them freely, which is implicated first and foremost, although Europe also engages in such practices. This problem becomes more acute, moreover, with the extension of the terms of payment which certain American and European exporter allow. The difficulty in reaching an agreement stems from the fact that this subject does not come under agricultural negotiations alone. The United States prefers to continue negotiations on this subject more within the OECD framework, where they were opened unsuccessfully several years ago. But the Cairns Group, the European Union and the developing countries are anxious to negotiate this issue within the WTO framework, and some have even advocated that export credits be taken into account as export subsidy equivalents and consequently treated as such.

Construed in this way, export credits would involve more or less the same terms for the SEMCs as export subsidies. The position of these countries in this case should be easier in that the incidence of these subsidies is very low and, in particular, these countries are generally themselves the recipients of the credits in question (as importers of agricultural commodities from the countries which supply them). Even if they are called on to express a position of principle on the subject there would be no reason for them to go any further...

3.2.3 - Internal support

This is probably the question which will give rise to the greatest difficulties in the agricultural negotiations, not only because it involves very sensitive dimensions of public policies but also because it is against "major agricultural powers" and also involves crucial issues.

We know how this issue was dealt with within the framework of the Marrakech Agreement (see Box 3.1). We know namely that although reaching a compromise was a laborious task each party expected to obtain the possibility to interpret the new arrangement as it suited it best in return for the concession it granted another

party... The United States, for example, thus managed to make "extensive" use of the "green box", whereas the European Union was able to turn the opportunities offered by the "blue box" to best advantage - a category which incidentally had only been tolerated provisionally by the other partners...

Only the EU, in the Mediterranean region, seems to advocate the blue box payments explicitly. The blue box remains as an exemption of the general rule that all subsidies linked to production must be reduced or kept within defined minimal levels. This kind of payments were introduced by the 1992 CAP reform and increased for some products, after the adoption of the Agenda 2000 package. At present, only Japan and Norway are notifying payments under this category, together with the EU. These countries advocate these payments as a tool for facilitating agricultural reform in a consistent way with non-trade concerns.

In fact most countries have always regarded the "blue box" as an arrangement between the European Union and the United States by means of which they free themselves from the constraints of reducing aids for their farmers. The result is that each party has managed to take advantage of the situation in its own way and at all events to increase its aids to agriculture considerably, whereas the initial objective was in fact to reduce them.

Today the Cairns Group is still absolutely against this "box" policy and will at least argue for the abolition of the "blue box" and for the reduction of the "green box" to its simplest form. The United States is also aiming to question the exemption status which Community aids from the "blue box" enjoy. On the other hand, it could find an area of agreement with its European partners on not only retaining their "green box" but even laying greater emphasis in it on environmental protection and rural development.

Box 3.1 - Domestic support measures

Following the UR provisions, domestic support for agriculture, calculated as an Aggregate Measure of Support (AMS), has been reduced by 20 cent over a six-year period for developed countries (13 per cent for developing countries). The types of support subject to reduction are grouped in the so-called "amber box", that is to say, price support measures, which have a direct effect on trade. Members without these commitments have to keep within 5% of the value of production (i.e. the "de minimis" level) — 10% in the case of developing countries. Only certain price support measures, granted in developing countries, are exempt from this reduction scheme.

On the other hand, specific types of support are excluded from the reduction commitments. Thus, some subsidies called of "green box" are exempted because they are considered to have a minimal effect on trade. They have to be government-funded (not by charging consumers higher prices) and must not involve price support. They tend to be programmes that are not directed at particular products, and include direct income supports for farmers that are not related to (are "decoupled" from) current production levels or prices. "Green box" subsidies are therefore allowed without limits, provided they comply with relevant criteria. They also include environmental protection and regional development programmes (*for details, see Article 6 and Annex 2 of the Agreement on Agriculture*).

Another type of payments, the "blue box" includes direct payments, which were exempted from reduction commitments provided that they are accompanied by input control measures. These include:

- payments per hectare or fixed-yield payments
- payments inferior to 85% of the baseline production level
- payments to animal production granted for a fixed number of livestock units.

The direct payment scheme established by the CAP reforms adapted to the criteria of the blue box and was, therefore, excluded from the GATT reduction commitments.

The factor underlying this debate to a large extent is the controversy over the degree to which American or European aids are "decoupled". The agricultural law which was passed in 1996 (the Fair Act) has enabled the Americans to base their direct support system on the "green box", emphasising that their aids are absolutely decoupled. They can thus afford to call for the abolition of the semi-decoupled aids of the "blue box". The Europeans, on the other hand, are confident in contesting the claim that the American support mechanism is "absolutely decoupled", by pointing out in particular that the aid system introduced by the Fair Act is still differential depending on certain types of product and that the "marketing loan" mechanism has been maintained whereas it is akin to a disguised price guarantee system. This is compounded by the serious reproach that the US practices are continuing to weigh heavily on world market prices and ultimately to depress farm prices through deficiency payments for the benefit of arable crop production. Yet

those who advocate that the "blue box" be maintained attribute to it precisely the advantage of playing the role of price stabiliser through the policy of limiting supply with which it is combined.

The fact nevertheless remains that by vesting itself with its new agricultural law the United States has managed to introduce a system whereby most of its payments now fall under the "green box" alone, and this places it in a favourable position for approaching the multinational negotiations and calling for the abolition of the "blue box".

Does this debate concern the SEMCs? Is the question of internal support merely an "affair of the rich"? It is true that at the outset the SEMCs - indeed, like most developing countries - did not feel that the possibilities offered by using the various "boxes" concerned them greatly since they could not afford to distribute all sorts of income aids and subsidies to their farmers. But they gradually came to realise the advantage not only of becoming involved in a debate of this nature but also of turning this "box mentality" to account by adapting it to their own realities.

Thus, within the UNCTAD framework back in 1999, the Group of 77 argued that it was necessary to "study how to incorporate development objectives into the commitments of third world countries in the internal support field for taking account of the efforts made to increase productivity and food security as well as of the need to protect small farmers and those who practise subsistence farming" (see Box: Group of 77 Preparatory Committee...). Some countries have put forward the idea of a sort of "development box", which would be provisioned with resources to be earmarked for financing development projects...

Throughout the Mediterranean this idea can come close to the idea put forward by the Ministers of Agriculture of the Ciheam member states at their third session in June 2001 already referred to above. It consists of setting up a Mediterranean rural development programme with the assistance of the European Union, which would have the characteristics of the Leader programme that has been such a success, particularly in the Mediterranean countries of the EU (see Box 3.2). It is agreed by all that even if no changes were made the "green box" could take account of the food security imperative more effectively in countries where food dependence is steadily growing.

This being so, the SEMCs are also very interested in the above-mentioned Euro-American debates more or less for reasons concerning export subsidies which have already been underlined. For since most of them are net importers of essential commodities any support which results one way or another in putting pressure on the international prices of the commodities imported by the SEMCs is supposed to be of advantage for them. The US support system should interest them in particular because it tends to push the prices of major crops down (cereals, oilseeds, etc...) without American farmers having to really suffer the consequences. It is also true that an assessment of this nature could be qualified if one takes account of the

reservations already mentioned as to the risk that such prices might adversely affect local production. The result is that those who are sensitive to this aspect may tend more to prefer the "blue box" system (with a less direct effect on prices).

Box 3.2 – A pilot action programme “Mediterranean Leader”

With regard to the establishment of a **pilot action programme for sustainable rural development in the Southern and Eastern Mediterranean countries** the Ministers and Heads of Delegation approved the programme of work that had been elaborated within the Ciheam framework.

They expressed the hope that the donor countries, and in particular the members of the European Union and of CIHEAM as well as the international institutions operating in the region such as the World Bank, the IFAD, etc, would grant the necessary funding for running this programme of pilot action through the funds which they devote to cooperation in the Mediterranean region.

In the initial phase the aim will be to set up actions in a limited number of zones in the Southern and Eastern Mediterranean countries; these actions would be interlinked and would cooperate with other zones situated in countries in the North to be selected from amongst the target zones of the international cooperation component of the European LEADER programme. The ultimate objective of such action would be to set up a **Mediterranean rural development programme** with the assistance of the European Union as soon as possible, which would have the characteristics of the LEADER programme of the European Union and could thus become the "**MEDITERRANEAN LEADER**".

Extract from the Final Declaration of the third meeting of the Ministers of Agriculture of the Member States of the International Centre for Advanced Mediterranean Agronomic Studies, Athens, 1 June 2001.

3.2.4 - Non-trade concerns

The Marrakech Agreement on Agriculture recognised the need to take certain questions into consideration which are not trade concerns when the forthcoming negotiations were resumed. But Article 20, in which this idea was put forward, was very careful to avoid defining these "non-trade concerns".

However, even in the negotiations of the Uruguay Round it was readily agreed that security of supply is a non-trade concern. Attention will thus be focused on all of the issues which fall within the concept of the multifunctionality of agriculture and which would give this debate a special slant. Food security will thus be proposed as part of these non-trade "dossiers".

MCs possibly share the opinion that they cannot be considered as low cost producers of basic agricultural commodities and, instead, small-size farming is crucial for the social stability of rural areas. In developing MCs, a pro-small

farming policy might contribute to the reduction of poverty in rural areas. However, to some extent, developing MCs do not share the same approach on non-trade concerns as the EU. In fact, there is a fear that multifunctionality, as applied by the EU (see CIHEAM report, 2000) could result in the introduction of measures that can be used as an escape clause by developed countries to avoid further liberalization in export subsidies, domestic supports and market access. While most MCs might share the view that small farms are basic for the social and environmental stability of rural areas, **there is no consensus on the means to achieve the non-economic objectives of agricultural policies.** The 2000 CIHEAM report stressed the fact that the "green box" measures, which are useful to deal with multifunctionality in rural areas, could become a sort of privilege for countries that can afford such kind of payments without falling in high fiscal deficits. When multifunctional policies are applied through public budgets developing countries are in a disadvantage, as stressed by the Moroccan proposal.

The difficulty here is in fact not so much the scope of the field covered by non-trade concerns but lies mainly in the fact that it is very tempting to use them as a pretext for providing unjustified support and thus excessive protection for agriculture. It is these risks of exploitation for purposes which are often absolutely commercial, rather than the principles per se, which calls the divergences in views and thus in the positions held and proposals made in this field. When Japan, for example is seeking to focus a major part of the negotiations on non-trade concerns so that special attention can be devoted to them, the Cairns Group, on the other hand, is tending to dismiss them, that is to say, to minimise their importance and if need be to simply class them in the "green box". The European Union and the United States seem to be adopting a more open attitude steering a more or less middle course, although it is not to be denied that the European Union favours multifunctionality.

In view of their situation of food dependence, most SEMCs are obviously very sensitive to the question of security of supply, and this state of affairs is bound to determine their negotiating position. Their attitude to the question of multifunctionality is less clear-cut. Defended by the EU and several other rich European countries (Norway, Switzerland...) and often presented by the press only under its aspect of "protection of the countryside" and "landscape conservation", multifunctionality was misconstrued from the outset both in the Southern Mediterranean and indeed throughout the third world. At best it was perceived as a simple "whim of the rich", and at worst as a veritable protectionist Trojan horse...

But it must be stated that thinking has gradually evolved and that this perception has improved. First of all because the advocates of multifunctionality have made efforts in the educational field and have thus explained it better. And secondly - and this is the main reason - because each party has discovered the advantage it could derive from it. For over and above the obvious fact that the agricultural sector is a specific sector with a necessarily "multifunctional" role it is clear that, basically, in the Southern countries the content of multifunctionality programmes overlaps with what has become the major and inescapable imperative of any development

strategy: rural development. Since the concept is proving to be sufficiently broad and flexible to be adapted to the realities of the SEMCs and to take account of their priorities, it is hard to see who could refuse to adopt it.

And indeed this seems to be the course embarked on in the Euro-Mediterranean area. For at their last session (in Athens on 1.6.2001) the Ministers of Agriculture of the Ciheam member states not only underlined the advantage of defending the specificity of agriculture and its multifunctional role "whether in developed or developing countries" but also pointed out that the protection of the various functions connected with the concept of multifunctionality (social, economic, food-related, cultural and environmental functions) requires developing countries to make efforts which they can ill afford. And in their final declaration they added that "certain delegations have put forward the idea of promoting solidarity amongst developed and developing countries by creating a fund which would be provisioned by the developed countries and earmarked for financing aspects related to multifunctionality in developing countries" (see Box 3.2). Of course the idea is still expressed very cautiously and it is merely stated that "certain delegations have put forward the idea", but one can imagine that the idea will gradually gaining ground as the negotiations progress. At all events, one thing that is certain is that the position of the SEMCs in this respect could be determined to a large extent by the ability of the negotiating partners to give this concept of multifunctionality a "southern slant". In which case the concept would not only be adopted by the SEMCs but could even constitute an effective framework for their agricultural and rural development policies.

3.2.5 - Special and differential treatment

The need to reserve special treatment for developing countries has been recognised in GATT since 1967, when Part IV on "Trade and Development" was inserted into the text of the General Agreement. The special and differential treatment included in the Marrakech Agreement on Agriculture thus merely extended this intention and gave the concept a "selective" content in a specific context. We have seen, however, that this "solution", which was introduced in 1994, has proved disappointing because it is considered virtually by all to be insufficient and inappropriate.

Although no one contests the principle per se, it has to be admitted that the question of the content it is to be given, the content which will be the most appropriate for resolving the problems of as many developing countries as possible, nonetheless still remains unresolved. For the difficulty lies first of all in the fact that developing countries are far from being a homogeneous group and they can even differ widely on a number of problems. Already in the previous round of negotiations the positions of the exporting countries which are members of the Cairns Group were far from tallying with those of the net importers. Today there are even more developing countries in the WTO and, as we have already seen, the

complexity of the questions under debate and the cross-linking of the interests of the various parties reduce the possibilities of reaching a broad consensus on strong unifying proposals.

The result is that the "picture" is now even more fragmented. The Cairns Group countries remain essentially polarised on the opening of markets - of both developed and developing countries for that matter - and they therefore regard the special and differential treatment with regard to market access conditions, conditions of export subsidisation or internal support at best as secondary (subsidies and internal support) or, at worst, as dangerous (market access). On the other hand, the voices of certain countries such as India, Pakistan and Kenya, which advocate a certain degree of "positive discrimination", are becoming louder. These countries are asking the developed countries to open their markets, abolish export subsidies and reduce internal support and at the same time they are demanding the possibility for developing countries to raise their tariffs, subsidise their exports and increase internal support where necessary for the benefit of their farmers and to do so in the name of special and differential treatment.

Between these two groups many developing countries will develop positions somewhere in the middle which correspond to realities in their own specific situations, the status regarding balance of power, the compromises that can be found within a given coalition or regional group, etc.

Given the complexity of their situations as explained above, the **Southern and Eastern Mediterranean countries** should fit into the range of "middle-of-the-road positions". Objectively this question can form a test of the will on either side of the Mediterranean to make progress in the regional construction process. If this will is confirmed it should be possible to build up the terms of a compromise around two key ideas. The first is to consider the question of special and differential treatment to be an integral part of the negotiations so that action can be taken before the measures are taken and not "after the event" as was already the case in the previous round of negotiations. The second idea is to base the "treatment" on development criteria and not only on "terms" and exemptions which are fairly broad but nevertheless uniform and vague. Any efforts to liberalise markets would thus only be required in accordance with the tangible progress and measures achieved on the road to the economic and social development of the countries concerned.

3.2.6 - The "new subjects" of the negotiations

In addition to the traditional subjects of the multilateral negotiations, that is to say market access, export subsidies and internal support, the European Union has put forward four new subjects for negotiation, two of which concern market access and two concern non-trade concerns. These subjects are as follows:

- The extension of the existing protection of the description and designations of wine and other agricultural produce
- Consumer protection
- Food security
- Animal welfare

And the United States has proposed "new technologies" as a new subject to be integrated into the negotiations.

With regard to the first point, the European Union, which has an advanced system for protecting the description and designations of foodstuffs, would like to extend this system at the international level, whereas at the present time only wine benefits from such a protection mechanism. The advocates of consumer protection consider that information on the products offered which is as full as possible is a *sine qua non*, and this brings up the thorny issue of genetically modified organisms (GMOs). The discussions are liable to come up against the problem of labelling in particular, which the Europeans would like to make compulsory but which can be against the present rules of the WTO if it comprises production procedures of which there is no longer any trace to be found in the product itself or if it makes a distinction between imported products and similar local products.

During the previous round of negotiations the rules on food security were treated within the framework of the SPS Agreement on the Application of Sanitary and Phytosanitary Measures. Although the EU does not want to renegotiate this agreement (which the United States refuses to do, moreover), it states that it is simply seeking to amend it by means of certain clarifications which have become necessary, in particular regarding the "precautionary principle". The fact nevertheless remains that many rules that were laid down in the SPS Agreement have proved to be vague in practice and the "jurisprudence" which specifies the rules for its application does not satisfy every country. Some countries want the periods allowed for bringing measures into conformity with the rules to be shortened. Others, on the other hand, want the SPS Agreement to be revised to allow for more sovereignty in the choice of a level of product safety.

The EU is also devoting attention to animal welfare and proposes that an agreement be concluded laying down international standards in this field, measures to open the "green box" to expenditure justified by the protection of animal welfare, and the introduction of labelling providing information on animal welfare during farming and transport.

The United States proposes that the scope of the "green box" be broadened by including expenditure on support for new technologies. But here again the debate boils down essentially to the problem of genetically modified organisms. This is the case in particular when the United States insists on the need to ensure that procedures relating to trade in products deriving from "new technologies" are

transparent, foreseeable and timely, it being understood that it is the procedures for Community approval of GMOs which are intended in this case.

All of these questions have their importance for the **SEMCs**, even if they can sometimes give the impression of being only "problems of the rich". It is true that, taken on the whole, most of the proposals under discussion could constitute precious assets in international competition if adopted, but they would also be likely to entail new constraints and new costs which could seriously handicap these countries if they are unable to bear them and to conform to the standards and rules established. Many SEMCs, for instance, could benefit from the protection of the description and designations of foodstuffs with a view to implementing a new marketing policy geared to quality, designations of origin, "local products", etc.

The labelling rules, on the other hand, could prove a handicap if these countries are unable to conform to the standards that are imposed concerning quality, environmental awareness or animal welfare. Using the "green box" yet again to cover certain costs (animal welfare, support for new technologies, etc) could - more or less contestably - reduce the competitiveness of rival foreign products which have been unable to benefit from the same means, whereas they will be required to meet the same standards...

This question of "standards", incidentally, has come to form the core of the international negotiations and has become so crucial that it must also be placed within the framework of the strategies of the principal competitors. Although standardisation could obviously be a means of remedying market shortcomings, the fact remains that it can also be a factor of a policy of product differentiation through which "direct confrontation" with competitors can be avoided as far as possible. The choice of standards then becomes a strategic issue. The harmonisation of norms or standards is admittedly a means of reducing the negative effect of a certain degree of "looseness" on this lever, but the heterogeneity of crops and traditions in the various countries and the cost entailed in modifying regulations may put a brake on this development. Factors specific to the realities in each individual country always speak for maintaining relatively specific "national regulation". In a world where tariff protection is on its way out it is sometimes very tempting to resort to national regulations in order to engage in a disguised form of protectionism.

It is thus understandable that "national margins for manoeuvre" and the "discrepancies" to be tolerated between international standards and national regulations become a crucial issue in trade negotiations, and growing attention will be devoted to regulation aspects, particularly since they are going to become increasingly complex.

3.3 - A comprehensive Round?

The situation of SEMCs as middle-income developing countries puts them in a difficult status at the WTO talks because they base most of their expectations of success on the market access in developed countries. They probably hope that the SDT clause will provide them with a certain degree of flexibility in the implementation of commitments. However, the history of the agricultural negotiations shows that developing countries have faced strong political difficulties to negotiate the opening of their agricultural exports to most developed economies. Moreover, the EU has advocated for long the launching of a comprehensive Round of negotiations, which would include the discussion of a broad range of issues, such as social standards, food quality, investment, environment and competition.

Within this context, a communication, adopted by the European Commission on July, 2001, proposes action at European and at international levels, to support the effective application of core labour standards at global level, including the WTO (European Commission, 2001). The Commission poses this question without any apparent link with trade sanctions. However, there is always a fear by developing countries that a comprehensive Round could be used to mix social standards with trade measures. For the moment, the Ministerial Conference at Doha launched a broad work programme that includes negotiations on a range of subjects (agriculture, investment, services, competition policies, intellectual property and public procurement), but excludes the consideration of social standards in the trade talks.

It is for sure that the agricultural talks will not be the same if they were to continue according to Article 20 of the UR Agreement on Agriculture (as an independent negotiation) as if are framed by a wider range of issues within a broad work programme. In this case, the targets of developing partners can be treated as politically “tradable” with developed countries’ targets. In this exchange, it is not sure that developing countries will meet their expectations on market access to agricultural products. As indicated above, some developing countries have already stressed the need for embodying the special and differential treatment as an integral part of all elements of the negotiations. One additional alternative would consist of creating a new financial tool of solidarity between developed and developing countries in the form of a new development fund. This fund could then become a new variable of the negotiation, although developed countries are reluctant to consider this possibility within the framework of WTO.

Most SEMCs have negotiated and approved Association Agreements (AAs) with the EU, and this makes them eligible for tariff preferences at the EU market and financial support, within the Barcelona process. This poses the question about the right strategy for these countries to insert into the world trading system. As we indicate below, tariff preferences have been subjected to a number of criticisms, mainly because some trade-distorting measures, such as the entry price and import certificates still apply with tariff preferences, affecting SEMCs’ exports seriously.

On the other hand, financial resources, although increased with the MEDA II framework, might not be sufficient to face the needs for restructuring of SEMCs economies, as a result of the implementation of the AAs. As we argue below, disappointment on the Barcelona process could make SEMCs trust more on multilateral liberalisation rather than on regional liberalisation (see below).

SEMCs are not in the LDCs group, and therefore, they don't benefit from initiatives such as the "Everything But Arms" (EBA) launched by the European Union at the 3rd UN Conference on LDC, held on May 2001. Such initiative represents an ambitious proposal of the European Union, addressed to the poorest countries, orientated to provide them with free market access. The WTO trade negotiation for SEMCs is independent of such initiative.

The above considerations can be summarised by stating that **consensus cannot be taken for granted among the different MCs, as far as WTO are concerned**. However, there can be adequate moves towards consensus if appropriate actions are taken in order to:

- (i) consolidate the Mediterranean as a regional market for agricultural products
- (ii) redefine the agricultural policies according to rural development objectives
- (iii) enhance the instruments of global solidarity through the reform of global institutions, the financial solidarity and the strengthening of co-operation institutions in the region

As far as the agricultural sector is concerned, the Doha conference left the results open for the current negotiations. The Ministerial declaration does not include an explicit endorsement of some EU proposals such as the multifunctionality concept and the possible prolongation of the "peace clause". However, the declaration takes note of *"the non-trade concerns reflected in the negotiating proposals submitted by Members and confirm that non-trade concerns will be taken into account in the negotiations as provided for in the Agreement on Agriculture"*. While the phasing out of export subsidies is viewed as a goal, the declaration refers to "all forms of export subsidies", taking thus into account the EU concerns. The declaration points to a special and differential treatment that can be *"operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural development"*. However, the declaration explicitly mentions that the outcome of the negotiations is not prejudged, so things appear fairly open at present.

Box 3.3 - Reference to agriculture at the Doha declaration

We recognize the work already undertaken in the negotiations initiated in early 2000 under Article 20 of the Agreement on Agriculture, including the large number of negotiating proposals submitted on behalf of a total of 121 Members. We recall the long-term objective referred to in the Agreement to establish a fair and market-oriented trading system through a programme of fundamental reform encompassing strengthened rules and specific commitments on support and protection in order to correct and prevent restrictions and distortions in world agricultural markets. We reconfirm our commitment to this programme. Building on the work carried out to date and without prejudging the outcome of the negotiations we commit ourselves to comprehensive negotiations aimed at: substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support. We agree that special and differential treatment for developing countries shall be an integral part of all elements of the negotiations and shall be embodied in the Schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated, so as to be operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural development. We take note of the non-trade concerns reflected in the negotiating proposals submitted by Members and confirm that non-trade concerns will be taken into account in the negotiations as provided for in the Agreement on Agriculture.

Modalities for the further commitments, including provisions for special and differential treatment, shall be established no later than 31 March 2003. Participants shall submit their comprehensive draft Schedules based on these modalities no later than the date of the Fifth Session of the Ministerial Conference. The negotiations, including with respect to rules and disciplines and related legal texts, shall be concluded as part and at the date of conclusion of the negotiating agenda as a whole.

(From Ministerial Declaration at Doha, 14 November 2001)