

Wto agreement and the new horizons of global and european agriculture

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1. Agricultural Systems and World Economy

Agriculture plays its peculiar role lying between two very different functions: on the one hand, acting as an economic and productive engine while, on the other hand, being an essential nourishment and sustenance factor for world population.

In industrialised countries, the prevailing role for agriculture is that of "economic engine": that is, guiding and promoting economic development and employment, just like the industrial and tertiary sectors do. In this case we are confronted with a "sophisticated" agricultural model, characterised by being highly capital-intensive and technologically advanced which, over the last decades, has ensured a steady increase in both productivity and supply. Just think that in Italy, over the last 30 years, the yields of extensive crops such as wheat, corn and soy beans have increased on average by between 100% and 200%, while other native crops such as apples, tomatoes and potatoes have been going strong as well, with yield increases per hectare ranging between 50% and 150%.

In developing countries, instead, in vast areas of Central and South America, Africa and Asia, agriculture is mainly called upon to provide for the basic economic and nourishment needs of a large portion of the population. This year world population has exceeded 6 billion inhabitants and almost 2/3 of them live in countries where agriculture accounts for 30% of all jobs. Even more striking is the fact that almost 1.5 billion people today live in areas where agriculture provides jobs to more than 65% of the entire labour force. Furthermore, over the next decade world population will reach almost 6.9 billion inhabitants, with a net increase close to 1 billion people. In other terms, it is not possible to discuss or plan global economic and social development without taking into account an essential factor like agriculture.

However, unlike other economic sectors, agriculture is characterised by its direct and intimate relationship with the land and, therefore, with the surrounding territory and the environment. It is an ever-changing relationship, following the same pace of technological progress and economic development. That is why developing countries are now engaged in an exhausting race in the pursuit of efficiency: over the last 20 years, the number of farming tools and equipment has tripled in those countries, while the amount of chemical products used on farmed lands has more than doubled.

The evolution of these production and consumption systems has resulted in the steady growth of the agri-food trade

at world level. The per cent increase on a ten-year basis reached top levels in the sixties and seventies (more than 200%) and even in the nineties the rise was still exceeding 70%.

International trade has thus allowed on the one hand to meet the food needs of the poor areas of the planet and on the other to spur the growth of more competitive areas. Furthermore, the role of agri-food products in the world trade of all goods and services shall be underlined.

Under developed and developing countries are plagued by a progressive increase in demographic pressure which, on the one hand, causes a massive and, very often, unsustainable exploitation of agricultural resources through the tillage of new lands and the use of intensive crops. While, on the other hand, there is the risk that by changing the structural parameters which characterise the agricultural sector, this might give rise to redundancies in the labour market which, in turn, might determine an increase in migration flows towards industrialised countries and/or environmental degradation.

If it is true that the issue of global economic progress must rely on the concept of "future sustainability", and I am strongly convinced of that, then it is in the agricultural sector - which, by the way, "manages" about 5 billion hectares of arable land world-wide - that we can find some of the most viable solutions.

2. EU Agriculture and Agenda 2000

If we shift our attention to the European Union, Agenda 2000 can certainly be considered as the natural pivot around which the future development of agriculture must be hinged. This agreement have enabled us to face the new millennium and the WTO negotiations standing firmly on common ground, in terms of future actions and programs to be undertaken. In this respect, I would like to emphasise how Agenda 2000 has established a reduction in direct subsidies for many products. For some sectors such as grains, beef and wine, the rationale behind those choices was that of recovering competitiveness to penetrate foreign markets.

However, I do think that the greatest merit of Agenda 2000 should not be sought in each single CMO but in the will and capacity of defining the essential elements of a European agricultural model for the new millennium. A model in which agriculture will become an integrated economic sector in an open market but, at the same time, fully abiding by the principle of future sustainability and compatibility with "extra-economic" components, such as territory, the environment and society. In this respect, it is worth mentioning the new EU Regulation on Rural Development which is undoubtedly a very useful tool.

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Thus, for the above-mentioned reasons, agriculture has become not only an essential part of the economic policy of each member country, but also of specific policies for social and local development.

It is in this framework that we should consider the importance of the so-called "multifunctional" principle. A multifunctional vision is not synonymous with a diminished role for agriculture: instead, it is tantamount to integration of new tasks, functions and environmental services on a strong agricultural foundation, in order to safeguard the local landscape and cultural heritage and promote rural tourism. For these purposes, I think "integration" to be a pivotal concept since each "multifunctional" asset or service does not have its own identity if it is separated from the rest: it acquires a meaning only when it becomes part of an agricultural product. That is why devising mechanisms to separate the two components and manage them independently is such a difficult task. However, I would like to make it clear that I do not think that the "multifunctional" approach should ever become a way to keep pumping subsidies into the agricultural sector.

As far as these aspects are concerned, it is necessary to underline the efforts made by the EU Commission for the mid-term review of the common agricultural policy.

The document presented by the EU Commissioner for agriculture, Franz Fischler, has marked the pathway towards a deep reform of Agenda 2000 and, more in general, of the whole CAP. In particular, besides interventions addressed to individual market organisations (cereals, oil seeds, beef) some proposals are put forward concerning the approach and objectives of agricultural policy.

Along this line, attention is to be drawn to the shifting of resources from the I Pillar (market interventions – direct aids) to the II Pillar (Rural Development) through the application of a modulation (% cut) of the direct aids and a maximum ceiling to the value of direct aids allocated to one farm.

For the rural development new instruments and opportunities are envisaged for the food quality and safety, product promotion, animal welfare and environmental sustainability.

Finally the pathway is illustrated in order to decoupling the aids from the product which is thus connected only with the farm.

So far I have described some of the main features of a common agricultural policy aimed at enhancing specific peculiarities, but the EU agricultural model is still very much free-trade oriented in its relationship with international markets. Proof of this may be considered the enlargement of community borders to include Eastern and Central European Countries.

Furthermore, it shall be considered that the EU is the major importer of foodstuffs at world level. Meanwhile over the last months it has undertaken an autonomous pathway to loosen the instruments of support to export and of internal protection, by associating liberalisation agreements such as Eba programme referred to the 49 poorest countries of the World and its extension to the ACP countries.

3. New Rules and objectives for World Trade

Recently, we have witnessed a proliferation of trade treaties and conventions, the most important of which should undoubtedly be considered the Uruguay Round GATT agreements.

We do not intend to dwell on the technicalities of the so called "millennium" WTO negotiations, such as the "peace clause", the "safeguard clause", the preservation of domestic subsidies or the "blue" or "green box". I would rather think about a possible minimum common denominator which might be shared by opposing factions, meaning different countries and groups of countries.

If we read through the various statements and opinions expressed over the last few months by the various parties to the negotiations, the strongest voice seems to be that of the European Union calling for yet additional reductions in agricultural subsidies.

Agenda 2000 is a concrete step in that direction and will certainly prove to be instrumental in stabilising global agricultural markets. I think that further steps can and must be made during the next WTO negotiations following an "equitable" free-trade approach, for example by privileging developing countries. I am equally convinced that an exclusively defensive and protectionist EU policy would be self-defeating since it cannot be easily defensible and, in the end, would prove ineffective in opening new markets to those products which are endowed with a great potential, which is as yet untapped.

However, in looking for ways towards deregulation, we always have to bear in mind the great differences still existing within the UE in the agricultural and food-processing sectors.

The CAP, for example, provides for subsidies of about 60%-70% (of the total EU production) for products such as sunflower seeds, oats, beef, mutton and milk. For fruit and vegetables, aids account for little more than 20% while for pork they are lower than 10%.

If we consider tariff protection (as a percentage of product value), we can see how sugar, butter, barley, reduced-fat powder milk and beef are highly protected (all of them exceed 70%), while tariffs are negligible if not practically non-existent for other products such as fruit and vegetables and the like.

Lastly, if we consider exports for which restitution applies, the most favourable treatment is reserved to wheat, butter and reduced-fat powder milk.

From the above-mentioned elements we can easily appreciate how, nowadays, there is a deep rift separating different crops, products and member countries within the EU and it is therefore necessary to reconcile all the various positions and situations. If we examine the choices which were made in the past, you might even conclude that the "inconsistent" rules that we have developed over time have ultimately induced developing countries to specialise in crops which were not typical of those geographical areas. A particularly eloquent case in point is that of some Latin American countries which over the years, due to the protectionist barriers im-

posed by the EU against continental crops, have specialised in those products for which international trade seems to be more open (first and foremost, fruit, citrus fruits and vegetables).

That is why a further deregulation of trade can be pursued, gradually, in those sectors where excessive supports or protections are in place. On the contrary same token, no additional concessions can be granted in those areas which are already seriously exposed to international competition except when, due to negotiation-related needs, compensation measures might be introduced within the framework of CAP.

An important issue in this scenario is the protection of traditional and typical products. In global markets, unfair competitive practices, which damage some European products, have become frighteningly common. I am referring to forgeries, the illicit use of denominations of origin, imitations of peculiar food products and the like. These unlawful actions, which are highly detrimental to European enterprises – and Italy is certainly a leader in this specific field – are not sanctioned at all by any GATT regulation and cannot even be countered through the World Trade Organisation. The situation is particularly dismal for denominations of origin, which are not protected at all by the TRIPS agreement.

An important result was achieved on the occasion of the Doha Conference during which the topic on the extension of the protection for the designation of origin to the WTO member countries was included in the final declaration. This is a preliminary step which takes a strategic meaning for the European and mainly for the Italian agriculture.

The goal of this pathway is supposed to be, I believe, the establishment of a Multilateral Register for all those products for which denominations of origin or certificates of specificity apply. And I personally think that the introduction of such a Register should become mandatory.

As for consumer protection, the situation appears to be equally discouraging, since the approach followed by the WTO does not allow member countries to adopt strict policies in this field and allows for the emergence of unacceptable situations, as became all too evident during the recent dispute with the US on hormone-treated meat. Hence, the introduction of the “caution principle” within WTO regulations must be a top priority for European negotiators.

Likewise, the protection of the environment and animal well-being have been completely excluded from the Marrakech agricultural agreement and, for this reason, European enterprises have to incur ever-increasing costs due to the constraints imposed by EU regulations and, in the end, are at a disadvantage compared to their counterparts in other countries which do not have to comply with any regulations in this field.

The same applies to labour-related issues, for which European enterprises are exposed to competition from countries where products are manufactured through the exploitation of workers and child labour. As for the above-mentioned topics, the Millennium Round can become the occasion to include some fundamental principles into WTO regulations,

in the framework of agricultural agreements.

As we might easily gather, this urgently calls for a redefinition of “rules” regulating world trade.

4. Agricultural policy beyond the Millennium Round

WTO agreements can become an occasion to define and harmonise global agricultural policies. For this reason, we should consider once again the first issue we have raised: what kind of agriculture do we want in the world after the Millennium Round?

If we limit our attention to European agriculture, we think that future scenarios for a “European agricultural model” can be developed emphasising 3 different aspects, namely:

- Competitive excellence
- Specific vocations and peculiarities
- Multifunctional approach

Despite the fact that European agriculture is often times accused of being excessively complex or non-competitive, the potential for European competitiveness is still great even in the international field. For this purpose, through a careful management of relevant Common Market Organisations, a greater deregulation is certainly possible and advisable. Furthermore, in some cases, we are referring to highly “protected” sectors for which the indefinite preservation of the status quo seems to be an unacceptable option.

In this perspective, the mid-term review of Agenda 2000 is a great opportunity for all the EU countries and for the whole European Union.

The same principle applies if we broaden our perspective to the global scenario. We must interpret the role that history has entrusted to us with a great sense of responsibility: we must govern the agricultural sector in the interest of future generations and all this must be done, also for the benefit of our respective nations, by adopting a global vision.

For this purpose, we should always aim at improving and integrating global agricultural strategies in line with the main developments in world agricultural policies, such as world trade and the balanced and equitable use of subsidies, which certainly figure prominently in this framework. However, we must also consider other factors, which might prove to be even more important, such as the relationship between agricultural and social phenomena (the problem of migrant workers has reached epic proportions in some “border” countries), between agriculture and health, between agriculture, economic development and employment or between agriculture, territory and the environment.

Only if we succeed in rising up to this difficult challenge, by defining new rules, exchanging know-how and skills and harmonising our approaches, but also preserving our different vocations and specializations, will we be able to provide tangible and sustainable solutions to the many different problems that the agricultural world has been called upon to solve by global society.