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Mariann Fischer Boel's View on EU Agriculture Policy and the Doha Round

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Report Highlights:

In her January 25 speech and responses to questions from a predominately EU audience during Berlin's Green Week, EU Ag Minister Fischer Boel presented her view of EU ag policy reform and the WTO Doha Round negotiations. She emphasized that the EU's agreement to eliminate export subsidies must be matched by other countries, and that the Green Box must be preserved as is. She stated that the EU had already reformed its agricultural supports and now other countries must come forward.

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Summary: In her speech and responses to questions from a predominately EU audience during Berlin's Green Week, EU Ag Minister Fischer Boel presented her view of EU ag policy reform and the WTO Doha Round negotiations. She made it clear that the EU's CAP mid term reform of agricultural policy was necessary. She minced no words in stating that the EU will reform its present sugar regime, with the only question being how far and how much. She indicated that she is open to suggestions for some sort of transformation mechanism, but significant sugar policy reform will take place.

With regard to Doha, she emphasized that the EU's agreement to eliminate export subsidies must be matched by other countries, singling out US export credits and food aid, and that the Green Box must be preserved as is. She stated that the EU had already reformed its agricultural supports in its mid term review and now other countries must come forward. Not surprisingly, Fischer Boel indicated that market access will be the most difficult issue. She mentioned the possibility of expanding the Five Interested Parties (FIPS) group, and then using this group to generate enough political push to reach an agreement in Hong Kong. End summary.

At a symposium related to Green Week on January 25, 2005, Mariann Fischer Boel, EU Commissioner for Agriculture and Rural Development, spoke on the topic: WTO negotiations in agriculture – what now?

Fischer Boel started by stressing that the EU's political priorities need to be linked to the interest of developing countries. She mentioned two differences in the Doha Round compared to the Uruguay Round:

- 1) In the Doha Round agricultural negotiations are further ahead than those in other sectors, while they lagged behind in the Uruguay round.
- 2) The Uruguay Round was the driving force behind EU CAP reform in 1992, while this time, the CAP reform was done on the EU's own initiative and substantially increased the prospects of a successful conclusion of a Doha Round WTO agreement.

CAP reform enabled the EU to agree upon the elimination of its export subsidies, once a holy cow. However, this commitment is only valid if the negotiating partners will do the same.

Export subsidies, in her opinion, is the pillar, where progress will be achieved easier than in other pillars. Since the elimination of export subsidies was agreed upon in principle, she is confident that technical meetings in Geneva will clarify which trade distorting support measures to terminate when, and how to discipline the remaining measures. She credited Pascal Lamy and Franz Fischler's letter to all WTO members as the catalyst for the July 2004 WTO framework agreement.

Fischer Boel views internal support as more complicated, but she is hopeful for a solution. EU CAP reform will enable the EU to perhaps accept a reduction of up to 65 percent for amber box measures, if the other countries also accept serious reductions. She acknowledges that some WTO members question the need for a green box, but cannot imagine developed countries on both sides of the Atlantic giving up the green box in its current form.

On non-trade concerns, she rejected as shortsighted, the views of non-EU countries that standards for the environment, food safety, animal welfare or rural development would hinder trade liberalization. If trade is to push development, it is necessary to improve a broad range of standards.

She stated that discussing blue box involves two aspects. First the EU's own blue box measures which in substance are the same as in the past, but whose importance has changed, and secondly, the U.S., which early on decided to give up its previous blue box measures and which now desperately needs to find a possibility to categorize new measures.

With some disconcertment Fischer Boel noted that some WTO partners linked EU blue box measures with trade distortions. She asked WTO partners not to isolate single measures, but to look at the whole picture. While the EU production of some products governed by blue box measures increased, this was at the expense of production decreases in other products under blue box. In her opinion the question is not whether or not production increased, but whether it increased more or less than it would have without blue box. She stressed that all in all, since the 1992 reform, the EU never exceeded the maximum limits for area or animals, production increases slowed down, and the EU's role as a net-exporter in all commodities is declining.

Fischer Boel pointed out that the framework agreement acknowledges this. It says that new criteria should not ruin ongoing reform. Or as Franz Fischler used to put it, CAP reform should be acknowledged not penalized.

She emphasized that the 5 percent limit for blue box measures guarantees all partners that the EU's measures will be even less trade distorting in the future than in the past. However, the EU is not willing to go beyond this 5 percent commitment.

In relation to the U.S. she supported demands that a reclassification of U.S. measures into a "new" blue box must not result in a so called "box shifting". This means it is not enough to rename current amber box measures as blue box, but that programs need to be reformed to qualify for blue box. This must also consider the impact of the parallel cuts in the "*de minimis*" rule on existing ag policy, a measure that the U.S. uses intensively.

Market access in her view will be the most difficult area of the negotiations, as this concerns all partners and not just a couple of developed countries. With regard to tariff reductions, she does not see an alternative for the developing countries other than to accept reducing tariffs within the same system that applies to all countries – developed and developing.

Fischer Boel emphasized that all involved parties need to avoid the wrong impression that these negotiations are about either subsidies or market access. In fact, the negotiations will only be successful if a balance can be reached between the two. We must bear in mind that this balance has to be achieved not only within agriculture but also for all other areas. The flexibility the EU can show in agriculture therefore also depends on what it expects to gain in other areas. The EU's efforts to reach an agreement cannot be doubted. Especially in agriculture it is now necessary to demand returns for the CAP reform.

Fischer Boel underlined that in the past the EU has continuously made prior concessions, but there is a limit. She criticized that some negotiating partners seem to want to collect these prior concessions and then ask for new concessions without ever offering anything in return. She demanded that this must stop. 2005 has to become a year of give and take, which will be necessary to achieve the needed changes in the WTO and to support the potential of the developing countries.