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Trade Policy Monitoring

Hegwood Discusses Biotech and WTO Issues in

Berlin

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Report Highlights:

On February 25, 2003, David Hegwood, Counsel to USDA Secretary Veneman, was a keynote speaker in a public event organized by the U.S. Embassy in Berlin.

Agricultural WTO negotiations and biotechnology were discussed. Excerpts from local media reporting on the event are also included at the end of this report.

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At a public conference organized by the U.S. Embassy and co-sponsored by the German Association of Wholesale and Foreign Trade (BGA), David Hegwood was a keynote speaker along with Erhard Schwinne, Director for International Trade Policy, Ministry for Consumer Protection, Food, and Agriculture (BMVEL). Both parties discussed agricultural trade issues, particularly biotechnology and the Doha Round. Represented in the estimated 80 attendees were consumer groups such as Greenpeace, German government agencies, industry and agricultural associations, officials from other embassies in Berlin and the German press.

On biotechnology, Hegwood pointed out that EU consumers have the luxury of choosing not to consume biotech products but developing countries have an acute need for this technology. Hegwood raised the point that biotech products not only provide higher yields but also lower pesticide usage. In particular, Hegwood emphasized the health benefits to farmers in developing countries who grow biotech crops. These farmers experience fewer medical problems because of the decrease in pesticide usage, which in developing countries is usually applied manually. On the EU traceability and labeling directives, Hegwood characterized them as impractical and unworkable. Hegwood expressed concern over what will happen when the German public realizes that they don't work. In response to a question from the audience, Hegwood emphasized that labeling is an issue of consumer information not safety. Unsafe products are not labeled, they are not allowed on the market. Schwinne's discussion on biotech focused on the status of the EU legislation on traceability and labeling. Schwinne stated that EU legislation is proceeding and is expected to be in place by October. Schwinne emphasized that a WTO case against the EU would not help in pushing this process along.

On the WTO agricultural negotiations, Hegwood said the Harbinson text was a step in the right direction but does not go far enough. Hegwood characterized the discrepancies (\$42 billion for the EU vs. \$12 billion for the U.S.) in allowable domestic support for the EU and U.S. in the Harbinson text as unworkable. However, Hegwood pointed out that the differences in member country views regarding the Harbinson text lie in the fact that parties have not started negotiating with one another. Despite this, Hegwood expressed optimism that an agreement will be reached on agriculture, but countries need to negotiate with one another.

On WTO agricultural negotiations, Schwinne pointed to the serious areas of concern for Germany in the Harbinson paper such as export credits, non-trade concerns, and the need for varying degrees of differential treatment for developing countries. However, Schwinne agreed with Hegwood that countries need to invest in face to face negotiations in order for the Doha Round to succeed. Like Hegwood, Schwinne was also optimistic that the Doha Round would be a success.

The American Embassy in Berlin feels Hegwood's visit to Berlin was a success. Hegwood's meetings with German officials resulted in a clearer understanding of each other's views. The public event with

Schwinne was well-attended and generated media stories in several prominent German newspapers (Frankfurter Rundschau and Der Tagesspiegel) and radio stations (Deutschlandfunk and Info radio Berlin/Brandenburg) as well as in Agra Europe. Below are free (unofficial) translations of the newspaper reports:

Frankfurter Rundschau

February 27, 2003/ page 18

Genetechnology dispute: The United States loses patience

Washington raises severe reproaches against Europeans/ WTO negotiations stagnate

Things aren't looking good for the transatlantic relationship. Everybody is aware of that, especially since the United States' military prepares for war. But also the conflicts based one level below are still ongoing. Highly concerned interests are for example export conditions for Microsoft and Coca-Cola, jobs for American steelworkers as well as French airplane industry. But the focus of interest is agriculture.

David Hegwood, from the Agriculture Department in Washington DC during his visit to Berlin said that he pursues/follows the activities in Brussels and the capitals of the EU countries with increasing frustration. By saying this, the highest ranking advisor for USDA Secretary Ann Veneman on International Affairs addressed the refusal of the "old world" to let unsecured genetechnology have access to the consumer's pantries.

When it comes to this subject, both parties have already reached a level beyond diplomatic friendliness. Time is running short, because the next World Trade Organization summit will take place in September. Until then, a consensus must be reached. Otherwise, the liberalization negotiations are threatened to fail once more.

Hegwood did not indicate any course of compromise but clearly rejected Brussels' demand for a clear identification of novel foods. Such labeling, he feels, would basically only be justified for health-threatening products. "But those would have to be withdrawn from the market in the first place." Concerns regarding grains or vegetables developed by biotech companies are unfounded since no other product has ever been checked as thoroughly as those.

In addition to that, the U.S. government rejects labeling due to the risk of misleading people. According to Hegwood, it is practically impossible to clearly separate the conventional from the new agriculture and therefore, false expectation must not be raised.

The tone of Hegwood's voice, who did not withhold attacking the Europeans, clearly revealed the discord between the old and the new continent.

According to Hegwood, critics of green genetechnology are implicated in famine in Southern Africa. "They bear worldwide responsibility if a new technology cannot develop to its full potential."

[Reporter's comment] We know from experience that mainly industrial agricultural factories in the North

benefit from sophisticated technologies but rarely the poor population. [end of comment]

During the public discussion with Hegwood, Erhard Schwinne from the Federal Ministry of Agriculture, limited himself to the comment that Germany requests clarification of important questions prior to opening the market for green genetechnology. Liability is one of these questions. Who compensates organic farmers if seeds produced in genetic laboratories spread to their fields?

Schwinne, head of the International Division in the Ag Ministry, clearly opposed the call for quick [WTO] trade deregulation. He warned his U.S. colleague that without protection against foreign competitors, farmers in many regions of the world would not have a chance. "We need to watch out not to get into a competition in which almost everybody loses."

Der Tagesspiegel

February 27, 2003 / p. 18

...During a discussion at the U.S. Embassy in Berlin on Tuesday evening, the dispute/question about genetically modified food flared up again. Since October 1998, a de-facto-moratorium proclaimed by some EU member states prevents the approval of a number of useful genetically modified plants. Last July 2002, the approval procedure for a transgenic corn species was blocked by the Federal German government. "We don't expect the approval of new genetically modified plants until the directive for traceability and labeling has passed," confirmed Erhard Schwinne, Federal Ministry for Consumer Protection, Food and Agriculture, during the discussion.

Agra Europe/ Europe News

March 3, 2003 / p. 15

Transatlantic WTO compromise possible?

High-ranking Ag officials from the United States and Germany see a chance for an agreement at the end of March - Completely different assessment of the Harbinson paper

BERLIN. Despite conflicting points of view, the European Union and the United States are anxious to reach a consensus during the upcoming WTO agricultural negotiations. This is according to statements by high-ranking Ag officials from USDA and the German Agricultural Ministry in Berlin. "An agreement on this paper is possible at the end of March," stated David Hegwood, head advisor in trade affairs for the U.S. Secretary of Agriculture during a conference organized by the German Association of Wholesalers and Foreign Trade (BGA) and the U.S. Embassy Berlin. Erhard Schwinne, head of a department at the German Ag Ministry, gave a similar opinion. It is true that the visual ranges/ points of view of both sides are still far apart, said Schwinne, but we need to wait and see how the negotiations develop. "We need to talk, talk, talk." However, according to the comments of both Ag officials, it is in question if both sides will be able to reach an agreement on this matter. Hegwood criticized the proposal of Stuart Harbinson, chairman of the WTO committee for agriculture, as insufficiently far-reaching. Schwinne clearly rejected

the paper stating he sees it as not well-balanced and demanding one-sided far-reaching concessions from the European Union.

EU burdened unbalanced

Schwinne pointed out that Harbinson proposes the elimination of export subsidies while other kinds of export subsidies would hardly be affected. The proposal regarding domestic subsidies which requires the Blue Box subsidies to be reduced by half does not consider the enormous efforts taken by the EU to structure agricultural subsidies towards less trade-distorting. The proposal regarding tariff reductions would have a negative impact on the trade of developing countries who depend on preferential treatment granted by the EU. According to Schwinne, it is totally incomprehensible that Harbinson did not plan to address non-trade concerns in the first place. Schwinne warned emphatically against a total agricultural liberalization, which would after all be to the detriment of developing countries. Schwinne referred to a study prepared by the International Monetary Fund (IMF). According to this study, the elimination of import barriers and domestic support would result in supply problems and the progressive deterioration in rural areas. Schwinne: "We are against a battle (competition) where everybody loses in the end."

Step into the right direction

However, according to Hegwood, the United States judges the Harbinson paper as a step in the right direction but as still not extensive/far-reaching enough. This concerns especially the proposal to improve market access. It is true that the proposal earmarks a substantial reduction in tariffs but at the same time currently high tariffs like, for example, Japan has on rice, would not be adequately reduced. Hegwood agreed on the proposed elimination of export subsidies which correspond with the demands of all WTO members. At the most, Hegwood expects discussions regarding an time frame to carry out these reductions.

Hegwood supposes there is a difference of opinion regarding the cutback/reduction of domestic support. Harbinson disregards that the European Union proceeds from a very high level and therefore would have to cut down more intensively than the United States in order to come to a balanced result. "We are willing to reduce our subsidies to a certain level - provided that the level also applies to the EU", said Hegwood.