



European Commission
Directorate-general of Agriculture

Newsletter

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WTO and competition in exports: the European position

At a special session of the WTO Committee on Agriculture held on 28 and 29 September, the European Communities formally presented a summary document setting out their position on export competition. The aim is three-fold: first, to draw the attention of all WTO members to certain instruments other than export refunds that can be used to distort competition, secondly, to demonstrate the need for a thorough analysis and discussion of these tools in order to better assess their impact on trade and thirdly, to call for new rules on all types of support to exports in order to ensure balanced and comprehensive treatment of export competition.

As the second largest world exporter of agricultural and food products, the EC considers that export competition is an important issue in WTO negotiations on agriculture. Of all the forms of export aid, only one – export subsidies – is fully covered by the Uruguay Round Agreement on Agriculture (URAA). These subsidies were capped and subject to annual reduction commitments in volume and value throughout the implementation period of the Agreement (1995-2001)⁽¹⁾. Although the EC is often targeted within the WTO as being the largest user of export subsidies, its use of export subsidies is transparent, fully notified to the WTO and in compliance with its WTO obligations.

Other instruments, some of which are being increasingly used by a number of WTO members, are subject to less stringent rules and fewer transparency requirements, although they potentially distort competition significantly. Prime examples include export credits, the abuse of food aid, state-trading enterprises and some market support systems.

• **Export credits.** The forms of export credits which receive official public support include direct credits or financing, refinancing, interest-rate support, aid financing (credits and grants) and export credit insurance or guarantees. Despite the commitment in the URAA to “work toward the development of internationally agreed disciplines to govern the provision of export credits, export credit guarantees or insurance programmes”⁽²⁾ this has so far been unsuccessful.

- **Abuse of food aid.** In recent years it has become clear that some WTO members are using food aid donations more as a production and marketing tool to dispose of surpluses and promote sales in foreign markets than as a development tool tailored to the needs of the recipient countries. This is demonstrated by the fact that the amount of food aid available increases when prices are low but falls when prices are high.
- **State-trading enterprises (STEs).** The WTO has defined these as “governmental and non-governmental enterprises, including marketing boards, which have been granted exclusive or special rights or privileges, including statutory or constitutional powers, in the exercise of which they influence through their purchases or sales the level or direction of imports and exports.”⁽³⁾ Besides altering the conditions of trade through practices such as cross-subsidisation, price discriminations and price pooling, other anti-competitive effects may stem from the very nature of STEs and their grip on the market, such as their close links with the public authorities. The distortion of competition created by such practices is not negligible, since STEs account for a large proportion of trade in agricultural products such as wheat and other cereal and dairy products.

The paper makes an urgent call for fairer conditions of export competition. The EC is willing to continue to negotiate further reductions in export subsidies provided that all forms of support to exports of agricultural and food products are treated on a common footing. This document, the fourth submitted as part of the negotiations which began in Geneva last March (see p. 2 for earlier documents), is available at http://europa.eu.int/comm/dg06/external/wto/backgrou/index_en.htm.

The EC intends to place its full proposals on negotiations before the WTO by the end of the year.

(1) Article 9(2) of the Agreement on Agriculture.

(2) Article 10(2).

(3) Memorandum of agreement on the interpretation of Article XVII of the 1994 GATT.

Rural development programmes 2000-06

Approval by the Commission of the rural development programmes⁽¹⁾ for 2000-06 began at the end of July and will continue until the end of October. Some 70 programmes should be adopted, involving annual funding from the EAGGF Guarantee Section of € 4 339 000. The programmes are drawn up at the geographical level considered most appropriate by each Member State and are of two types: horizontal, covering all rural areas, or regional. Expenditure in 2000 preceding approval may be taken into account if incurred after submission of the rural development plans by the Member States and not earlier than 1 January 2000, and if it concerns measures which form part of the programmes and have been approved. The 27 programmes adopted up to 18 September are⁽²⁾:

• **Germany:** 1 horizontal programme and 7 regional programmes (Baden-Württemberg, Bavaria, Hamburg, North Rhine-Westphalia, Saxony, Saxony-Anhalt, Schleswig-Holstein).

- **Austria:** horizontal programme.
- **Spain:** 1 horizontal programme and 4 regional programmes (Aragon, Catalonia, Madrid, Navarre).
- **Finland:** The horizontal programme covers the whole of continental Finland. The regional programme covers the areas not eligible under Objective 1 of the Structural Funds; because of their special status, there is a separate programme for the Åland islands.
- **France:** horizontal programme.
- **Italy:** 9 regional programmes (Abruzzi, Bolzano, Emilia-Romagna, Lazio, Lombardy, Umbria, Piedmont, Tuscany, Trento).
- **Sweden:** horizontal programme.

(1) See Newsletters Nos 13, 15, 17, 20 and 21.

(2) Further information may be found on
<<http://europa.eu.int/comm/dg06/index.htm>>.

News in brief

Preaccession aid: 6 programmes approved

On 14 September the STAR Committee approved the first six programmes under the Special accession programme for agriculture and rural development (SAPARD)⁽¹⁾; they will now go to the Commission for its approval. They cover Bulgaria, Hungary, Latvia, Poland, the Czech Republic and Slovenia.⁽²⁾ The budget allocated to all ten applicant countries in central and eastern Europe is € 520 million per year over seven years. The funds may be transferred after the Commission has approved the SAPARD agencies and the multiannual financing agreements have been signed; the safeguarding of budgetary commitments for 2000 is conditional on that signature.

(1) See Newsletters Nos 14, 19 and 20.

(2) Further information may be found on <http://europa.eu.int/comm/dg06/external/enlarge/index_en.htm>

Quality, blue box, animal welfare: proposals to the WTO

At the negotiating session of the Agriculture Committee of the WTO held in Geneva on 29 and 30 June, the European Communities officially tabled three documents setting out their position on the following subjects: product quality, the blue box and animal welfare. The first document, on quality (which was also discussed at the Biarritz informal Council at the beginning of September), highlighted the essential link between quality and market access. The aim is to increase consumer choice and allow producers to benefit from the quality premium. This requires competition rules under which quality labels are recognised and their abuse punished. The second document sets out the EU's

position in favour of retaining the internal support measures known as the "blue box" (payments granted under production-limiting programmes, see Newsletter No 16). The document quotes an OECD study showing that these measures, introduced in 1992 to compensate for reductions in price support, have substantially reduced the impact of support under the CAP on international trade. The desire behind the document on animal welfare is that trade liberalisation should not undermine efforts in that direction and that this issue should be properly considered during negotiations. These texts are available on the Internet: <http://europa.eu.int/comm/dg06/external/wto/background/index_en.htm>

Beef and beef products: compulsory labelling

On 17 July Parliament and the Council adopted a new Regulation – (EC) No 1760/2000, OJ L 204 of 11 August 2000 – which makes Community labelling of beef and beef products compulsory in two stages: the first from 1 September 2000 and the second from 1 January 2003. There will also be an obligation to provide information about minced meat. The Regulation also includes the existing provisions on the identification and registration of bovine animals. For further information: <<http://europa.eu.int/rapid/start/welcome.htm>> (reference IP/00/799 of 18 July 2000).

Agreements with South Africa on wine and spirit drinks

It was not possible to finalise the texts of these agreements by the date planned and so they did not come into force on 1 September as announced in the July Newsletter.



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