

European Agriculture in the World Trade Organization Millennium Round

The European Union faces the challenge of entering the World Trade Organization Millennium Round talks at a critical time for the European Agriculture. The EU must develop a Union built on the principles of sustainable development and a better quality of life for Europe's citizens. This can only be achieved on a long term basis by aligning the three dimensions of sustainability: environmental imperatives, economic objectives and social inclusion. The Union must achieve this alignment both through the ongoing reforms to its own domestic, sectoral and environment policies and through its external policies relating to trade, enlargement and development.

Environmental Advisory Councils from member states of the European Union emphasize the importance of achieving environmentally sustainable land use across Europe. In 1996 we outlined principles and recommendations for the reform of the Common Agricultural Policy and development of a rural sustainability policy¹. Subsequently, the EU agreed to its important, but very limited Agenda 2000 reforms. These constitute essential elements of the EU's position within the forthcoming Millennium Round of the WTO which is *founded on the full Agenda 2000 package decided by the European Council*². However, Agenda 2000 was limited in the extent to which the environment featured as central elements in its conclusions³. It cannot be the EU's last word on agriculture reform if it is to contribute to policies for more sustainable production, trade and consumption of agricultural products within the WTO negotiations.

Embracing Sustainable Development Principles within Trade Policy

1. Environmental issues are intrinsic to trade and so must be addressed within trade policy. Trade is a fundamental element in the way in which resources are managed and so trade rules are an important factor in ensuring sustainable use of resources. Trade policy should facilitate, and not obstruct, environmentally sustainable food and non-food (e.g., fiber and energy) production. Current farming practices have high environmental externalities and no controlled cycles. Sustainable farming has closely controlled cycles of nutrients and energy, protects finite natural resources and ensures biodiversity is conserved. Regional and national food economies should be sustainable, e.g., with transport costs of trade internalized in costs to consumers. Sustainable production for local markets is a key indicator of sustainable development.
2. Prices should reflect environmental costs of production throughout the life cycle of a pro-

¹ European Environmental Advisory Councils (1996): Towards environmentally sustainable land use: reform of the Common Agricultural Policy (CAP) and development of a rural sustainability policy

² Council of the European Union (1999): WTO Millennium Round – council conclusions. Press release from the European Agriculture Council, 27th September, 1999, Brussels.

³ European Environmental Advisory Councils (17 February 1999): Environmental aspects of the Agenda 2000 proposals on agriculture. Letter to Commissioner Fischler and Commissioner Bjerregaard.

duct. Where measures are taken at a local, national or regional level to achieve this they must be allowed within trade policy, even if deemed trade distorting. This is the only basis for fair and sustainable trade.

3. Consumer concerns, which include environmental sustainability, ethical issues of production, as well as prices, should be at the heart of trade policy. Functioning markets (consisting of consumer demand, intermediaries and producers) should be promoted so as to reinforce and support production which guarantees high standards of sustainability and consumer access to sustainable produced goods. The standards and environmental assessment of products and their production methods should be guaranteed and consumers should have access to such products and full information related to them. Ecolabeling should be promoted to give the consumers an instrument to choose.
4. Ubiquitous and unconditional support for agricultural production by the Common Agricultural Policy is not necessary for protecting Europe's environment and should cease. There should be a re-orientation of support into environmentally sensitive farming and an end to financial support for practices which lead to environmental degradation of land. To achieve a European *policy* which is credible we need a CAP which reflects better the *Model of European Agriculture*⁴.
5. Full independent environmental assessment should be made of all trade-related policies, especially where (a) environmental claims are made for retaining or changing a policy, e.g., for justifying "green box" measures or environmental tariffs and (b) where change may have unforeseen consequences for the environment, e.g., environmental impacts of structural change in agriculture. Knowledge-based approaches should be promoted for environmental appraisal of policies.
6. The WTO Millennium Round should foster and not threaten those cultural landscapes which are produced and maintained as a consequence of agriculture in the context of a multifunctional rural society. This is often the *only* way to achieve many European environmental and sustainable development objectives. The concept of cultural landscapes recognizes their diversity, distinctiveness and relation to specific geographical circumstances.
7. International agreements on nature and the environment (such as the Ramsar Convention, the Convention on Biological Diversity, Agenda 21 local sustainability programmes and the CITES Convention⁵ have to be respected and recognized as part of a new World trade

⁴ EU agriculture has been characterised as polarised between, on the one hand, cultural landscapes where farming is extensive in its use of land and artificial inputs and production is often in "sub-optimal" scales and undertaken on (often multifunctional) family farms. Conversely, on the other hand, EU farming in places has adopted modern technologies, increased efficiency in production and is ambitious to contribute to global food market demands. But also the modern European agriculture has to be sustainable, integrate environmental and consumer concerns and has a task in management of the countryside. Rural society has many economic, social and environmental functions. A variety of farms from traditional to highly modern types of agriculture constitutes the "Model of European Agriculture"; all oriented towards sustainability, environmental and consumer concerns and management of the countryside.

⁵ Convention on Biological Diversity, United Nations Conference on Environment and Development (the Rio "Earth Summit"), into force on 29 December 1993;

settlement. Trade policy needs to address not only the direct interface between trade rules and trade measures pursuant to multilateral environmental agreements, but also trade policy supports – via its effects on the pattern and scale of economic growth – the general objectives of MEAs such as the Biodiversity Convention. WTO decisions should incorporate the imperatives of international environmental legislation that affects the production methods and processes concerned and not simply the environmental impacts of the traded products. In general the environmental demands and regulations of production as well as environmental loading should be taken into account.

8. In the interests of global sustainable development, the concerns of developing countries need to be taken into account by allowing market access, measures to protect small-scale and indigenous production systems and controls over potentially rising prices for the poorest people in society. Developed countries should pursue agriculture and trade policies coherent with development objectives and with protection of the environment in the developing countries.

Recommendations for Action

Sustainable Trade Policy

1. At the Seattle Ministerial meeting, which begins the Millennium Round, environmental objectives should be integrated into the overall framework of the talks. Environmental issues should be integrated into the sectoral negotiations, especially the revision of the Agreement on Agriculture, as well as being handled as a so-called "non-trade" issue.
2. In order to pursue sustainable development, the ecological consequences of trade in a product (incorporating all stages in its life cycle) should be reflected by economic instruments. Instruments such as taxes, border protection and payments to farmers should be acceptable within trade policy for environmental reasons. They should apply, as necessary, at all administrative levels, whether nationally, regionally or globally. Revenue generated from taxation could be hypothecated for environmental clean-up or investments.
3. Trade policy should support markets for products which meet high standards of sustainability, especially regional or local markets. Consumers should have access to products which are fully labeled so that they are aware of the environmental consequences of their buying decisions. The EU and WTO should support labeling and certification of products.
4. The precautionary principle should be a leading principle in trade policy. To achieve that much greater use should be made of environmental assessment in trade policy and the conclusions of these should apply to decision-making. The EU and WTO should develop methodologies for assessing impacts of changing agriculture and trade policies. Sustainable Development Indicators and Strategic Environmental Assessment should be

The Convention on Wetlands, signed in Ramsar, Iran, in 1971, an intergovernmental treaty which provides the framework for national action and international Cupertino for the conservation and wise use of wetlands and their resources; presently 116 Contracting Parties to the Convention.

Convention on International Trade in Endangered Species (CITES - Washington Convention, 1973).

Agenda 21, United Nations Conference on Environment and Development (1992), action programme on sustainability, signed by 178 world leaders.

applied.

The Model of European Agriculture in the WTO Context

5. We endorse the Model of European Agriculture but the instruments under Agenda 2000 do not sufficiently reflect this. If further progress towards shifting the balance of resources from commodity production support to the environmental programmes in the new Rural Development Regulation were made, the policy would be easier to defend⁶.
6. In the immediate future (now to 2003) the EU governments must use the "modulation" provisions within the horizontal regulation (so-called because it applies to all direct agricultural subsidies) to cut support payments so that additional resources can be directed to rural development measures. This is the only opportunity to increase the EU rural development budget. At the next CAP reform, the EU must shift the balance between production support and rural development so that 25% of the CAP budget is allocated to rural development.
7. The "green box" (deemed non-trade-distorting and so acceptable within WTO) element of domestic support should be defended in WTO and for environmental payments within this, there should be a greater focus on specific environmental outcomes and on area based payments. Environmental payments should be included in the green box whether they are income support, production support or rural development regardless of whether they are trade distorting.
8. Environmental conditions on "blue box" (deemed trade-distorting but under transitional arrangements are exempted from being counted in domestic support reductions) should not be used to justify their continuation. Rather, environmental conditions minimize the environmental damage caused by payments and reinforce other more direct environmental policies. Nor are these conditions a substitute for environmental conditions applying to all land, regardless of whether EU support is paid on it. Where conditions do apply, they should be enforced and monitored. An implementing regulation is necessary within the EU.

European Environment Advisory Councils

Environment Advisory Councils work together across Europe. We provide scientific and policy analysis advice to our governments in order to achieve sustainable development which respects the environment. We carry out research to underpin our advice.

The listed Councils have agreed upon this statement:

Austria *Österreichische Vereinigung für Agrarwissenschaftliche Forschung*
(Austrian Association for Agricultural Research)

⁶ The Rural Development Regulation incorporates 9 former structural measures within one overall programme of which environmental measures is only one and has been introduced in the Agenda 2000 reforms as the "second pillar" of the CAP. However, its budget of €3 787 m in 2000 is less than 10% of the CAP and this contrasts with €26 179 m or 65% of the CAP spent on crops and €9 615 m or 23% spent on livestock. The Berlin Agenda 2000 Heads of Government agreement forbids the rural development budget exceeding €4 380 m, or 11% of the CAP.

Denmark	<i>Naturrådet</i> (Danish Nature Council)
Finland	<i>Luonnonvarainneuvosto</i> (Finnish Council for Natural Resources)
Germany	<i>Der Rat von Sachverständigen für Umweltfragen</i> (German Council of Environmental Advisors)
The Netherlands	<i>Raad voor het Landelijk Gebied</i> (The Netherlands Council for the Rural Area)
United Kingdom	<i>English Nature</i> <i>Dualchas Nadair na h-Alba</i> (Scottish Natural Heritage) <i>Cyngor Cefn Gwald Cymru</i> (Countryside Council for Wales)

On behalf of the listed councils,

Dir.Prof. Dr. Hubert Wiggering,
Secretary General, SRU
Focal Point Information Service

Jan van Noord, Acting President of the RLG
hosting the EEAC Working Group on
Agricultural Policy

Contacts

Focal Point for European Environmental Advisory Councils
Ingeborg Niestroy
Postfach
D-65180 Wiesbaden

Telephone +49 611 75 41 97
Telefax +49 611 73 12 69
eMail: Ingeborg.Niestroy@uba.de
Internet: www.eur-focalpt.org