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***“Liberalisation and the Future of Agricultural Policies –
The Greek View”¹***

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In the front page of the “International Herald Tribune” of 06 October 2004, the reporter of an article on the known dispute about GMOs, noticed that *“in Europe, food is high culture, if not religion”*.

Indeed, it is within our European culture and we continue to believe that agricultural products cannot be considered solely as merchandises, regulated by the “invisible hand” of the market alone. Either in the form of raw materials or in the form of processed food, they are goods, not only of vital importance for the survival of human being as such, but also as essential parameters of the continuous advancement of the qualitative standard of living.

It is true that agriculture cannot be considered any more, as an effective engine for development in advanced economies. But it is equally true that, despite the definitely full integration of agriculture into the trade rules & disciplines after URAA, it is still necessary for all countries to look after other, non-trade dimensions of agricultural policies.

Apart of the generally accepted objectives of the agricultural policies that are still operational, new priorities have appeared worldwide and certainly, not only at European level. ***There are plenty of arguments expressed during the last decade, concerning the emergence of growing synergies between agriculture and other more global issues, like safeguarding food safety, protecting effectively the global environment, upgrading product quality, preserving the***

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countryside & reversing any moves towards remoteness and abandonment of rural areas, maintaining a balanced socio-economic and cultural tissue in the countryside, as a means of upsetting adverse effects in urban areas. In Europe, we have a name for all these synergies; we call it “multifunctionality” of agriculture and, even if our trade partners try hard to devalue its importance, it is covered by all the actions included in the Rural Development dimension (second pillar) of the Common Agricultural Policy.

All these are objectives which still dominate modern societies, both developed and developing, and make it absolutely necessary to maintain a certain potential for the future generations.

For us, therefore, and despite the consequences of globalisation and trade liberalisation in strategic policy choices, there is no question about the necessity of continuing applying adequate agricultural policies, able to address all the issues I mentioned before.

Under this spirit and at this stage, our views on the effects of the on-going agricultural negotiations, in the framework of the WTO, could be summarised as follows.

Export Competition

We cannot deny that direct export subsidies, even if they are quite transparent and clear as it is in the case of the CAP, are the most distorting element in agricultural trade. In so far, their role was linked to the target of establishing a fair state of play in international trade and their existence was certainly the consequence of using market price support mechanism as almost the sole instrument of internal support.

Albeit, by bringing the farmer himself and his standard of living at the centre of our thinking concerning the future of our agriculture, we believe that time has come to abolish all forms of these practices which, at the end of the day, serve other speculative interests (of exporters or other groups outside agriculture) rather than rural societies as such. After all, it is more than a decade ago, when we made a choice in the EU: the gradual elimination of the price support

system towards a system of direct income support neutralised the trade distorting effect of our domestic support, and therefore, made the use of export subsidisation unnecessary.

In particular, the Single Farm Payment we have recently adopted to apply from now on is but a kind of reward to those people who continue to be present in rural areas, insist to be active under imponderable factors and conditions, and deny to urbanise their living, as long as our society declares its willingness to pay for this.

Under these developments, ***it is true that the continuation of any forms of export subsidies does not make sense anymore, in particular if such measures turn to hit the developing world most.***

In any case, last July 2004, we agreed in Geneva to “establish detailed modalities ensuring the parallel elimination of ALL forms of export subsidies and disciplines on all export measures with equivalent effect, by a credible end date”. To our view, this seems to satisfy the principle of “parallelism” which was, from the very beginning, one of our core positions during the negotiations and, certainly, an issue not addressed during the URAA, out of which, the EU ***was an absolute loser*** in terms of fair rules of trade. It is clear that “parallelism” is pitting the EU against USA, Australia and Canada. Albeit, it is also clear that the EU’s demand for “parallel” treatment of non-direct forms of export subsidisation was absolutely justifiable, in terms of both, theory of liberalisation and practice.

On the other hand, given that the Geneva agreement is only an outline of principles and objectives that might become a staging post in the quest for a final deal, the concept of “parallelism” should be operational. Because the problem still lies in identifying the implicit export subsidies inherent in measures such as government-based export credits and food aid schemes or in single-desk export monopolies operated by product Boards. And then, a date remains to be agreed for the elimination of ALL forms of export subsidisation.

When all those issues are settled indeed, then, we don’t see severe consequences for the CAP. After all, the subsidised EU exports are running at a level less than 10%

of total agricultural exports, as compared to 50% before URAA, while, the expansion of decoupling to practically all kinds of production will make in short time the use of any export subsidies unnecessary indeed.

In my own country we have become accustomed to this idea. As the export subsidies for the bulk of our Mediterranean production have been eliminated long ago without great disturbances, the continuation of this measure applied only on specific products turned to become a kind of discrimination within the internal market as such, in terms of differentiating levels and kinds of support from product to product. But this is another issue, out of our present topic.

Market Access

Our comments on this category are taking seriously into consideration that tariff reduction towards their elimination in the long run, is among the principal objectives of WTO and the “raison d’ être” of all the successive negotiating rounds. This applies, in particular, after the tariffication of all previous non-tariff measures applied at frontiers.

Albeit, ***improving market access requires a political will from ALL the 147 contracting parties (and not just a selection of them) to contribute towards cutting import tariffs.*** Because, among other things, lowering tariff barriers in all countries, it enables more agricultural goods to be exchanged, not only between developed and developing countries, but ***also between (neighbouring in particular) developing countries themselves (South-south approach).***

Given that any agreement on this issue should be not only operational but also balanced, we find that the notion of “sensitive products” for both developed and developing countries might be the right way to to attain a balanced outcome, as it may embrace the different needs of all the contracting parties.

We cannot underestimate, however, the fact that, negotiations on ***actual numbers*** for cutting tariffs are just starting to take place in the next phase of the framework agreement. In this respect, we believe that, during the forthcoming negotiations, the

EU should pay additional care in establishing the right formula for identifying its own most sensitive products without deteriorating even further the trade flows when comparing the very low protection offered to some Mediterranean products up to now, in relation to other products of major importance for international trade.

In this respect, the market access issue cannot be one-sided. The same principles have to be followed for European products as well, in relation to their access to third markets, in particular the developed ones. Therefore, ***there are other issues of utmost importance for EU, which are closely associated with this category and have not been addressed yet in the negotiations:***

- ***Geographical Indications and Nominations of Origin:*** Broadly speaking they are part of factor endowments, while they can be used as instruments of promoting suitable structural adjustments necessary to enforce qualitative characteristics and product differentiation, with positive results on the farmers' position. They cannot be considered as technical barriers to trade but an essential step towards protecting against usurpation. Their incorporation into any future agreement is an essential issue for EU.
- ***The precautionary principle, particularly in the light of trading GMOs***
- ***Labelling rules***

In my country, we consider all these three issues of utmost importance, because, among other things, they are tools directly related to our strategy towards strengthening the quality of our products through the necessary structural adaptation of our agriculture.

Internal support

In our opinion, this is the most important category of measures discussed in the agricultural negotiations. Because, this category covers practically all measures we are applying through CAP, targeting the strengthening and enforcement of the multifunctional role of our Agriculture.

We believe that, trade liberalisation, when applied in agriculture, cannot be seen in narrowly economic terms. Wherever human beings survive and live on earth, there

are always other factors which have a direct or indirect impact on agricultural prices, incomes and the terms of trade. The theory of factor endowments, based only on natural resources and being considered in purely economic terms, does not include other prominent socio-economic dimensions, like the average standard of living, the employment status, the unfavourable structures limited by natural handicaps, the societal traditions & sensitivities. But those are all factors which are certainly associated with the cost of production and the terms of trade.

To give an extreme but existing example, how can we compare agricultural prices and establish a hypothetical world level, without examining the fact that, in some regions of the world, the costs of production, and therefore the streams of trade, incorporate also zero or minimum cost of employment, as there are societies which continue to allow the use of unpaid children's work? Or, societies which continue to allow various brutalities exercised on humans and/or animals? If nobody thinks of bringing modern societies altogether back to black ages of world history, what kind of trade liberalisation is this, without considering, for instance, that, apart of support & protection applied in agriculture through budgets, agricultural employment status might equally have a direct impact on production and trade? And, generally, how fair is it to isolate policies applied in agriculture from societal ethics and other qualitative criteria, in particular when they are as measurable as the example of employment cost?

As long as similar factors are not taken seriously into consideration at the WTO level, the whole spirit of negotiating trade liberalisation looks to be rather hypocritical if not suspicious. Because, one could argue: what trade liberalisation is all about? Is it only an effort of the advanced economies to exploit and further depress the indeed very low standard of living in developing countries?

As far as European agriculture is concerned, there is no doubt that, given its average structures (including its dominant family type of farming, and its natural handicaps in many parts of its land) as compared with other continents, the viability of the greatest percentage of European farming in purely competitive conditions, is seriously questionable. But a counter question remains too, that is, whether the European

society is really prepared to give up and abandon its farming sector for the sake of the so-called and so-understood “globalisation”?

Under this spirit, it is clear that resistance of EU to accept a full liberalisation in agriculture means that excessive claims and pressures, which are practically targeting to full abandonment and dissolution of agricultural policies, are out of question.

In this respect, any attempt to review the basic concepts, principles and effectiveness of the “Green Box” towards questioning the coverage of the second pillar measures and the decoupled payments of the CAP, cannot and should not be negotiable.

Furthermore, by taking into account the economic and social structures of our European agriculture, the dominance of our family-type farming, as well as the limitations put by the natural landscape and the handicaps which characterise European farming, in particular in the Southern regions, it is clear that the two pillars of the CAP are mutually complementary and not a substitute for one another.

For instance, we cannot isolate the environmental and socio-economic dimension of farming from its core function of producing food and raw materials. If the productive role of the farming society is to be abandoned, the often parallel functions are also doomed to extinction. For the Greek point of view, it is utopian to believe that farmers everywhere can switch rapidly and fully from livestock breeding or crop cultivation to gardening, eco-tourism or handicraft production.

In terms of agricultural policies, therefore, (we believe, all over the world) the first pillar continues to be as necessary as the second, to the extent that regulatory mechanisms are more balanced and in the position to secure a decent level of employment and income among the farmers, in particular among those who need it more, the small farmers who usually work under unfavourable conditions.

In this respect, the second pillar is also essential to the extent that it helps in promoting adequate infrastructure, in fostering the investments necessary to further modernise the sector and increase its competitiveness, as well as in creating alternative sources of employment and income by applying an integrated rural development.

Cotton: The EU should be already proud of the fact that, in consistency with our principles concerning our approach and our sensitiveness towards the developing world, ***we have already done whatever could be done in the sector. Long ago, we do not apply any export subsidies, we apply zero tariffs at the frontiers and we have already made a major reform by decoupling compulsorily the highest possible percentage (65%) of our domestic support in the sector. There is no any ground beyond what we have already done.***

Despite this, subsidy reductions should be handled all together within the framework of the overall agricultural talks. Definitely, the issue cannot be a “stand-alone” topic.