
Committee on Trade and Environment

ENVIRONMENTAL ISSUES RAISED IN THE AGRICULTURE NEGOTIATIONS

Statement by Mr. Frank Wolter¹ at the Regular Session
of the Committee on Trade and Environment of 14 February 2003

Paragraph 51

A. NEGOTIATIONS ON AGRICULTURE: MANDATE AND NEGOTIATING PROCESS

1. The negotiations on agriculture were launched in March 2000 in accordance with Article 20 of the Agreement on Agriculture, following a three-years Process of Analysis and Information Exchange conducted in the Committee on Agriculture. Article 20 mandates negotiations to continue the reform process, taking into account, inter alia, non-trade concerns, special and differential treatment to developing country Members, and the objective to establish a fair and market-oriented agricultural trading system, and the other objectives and concerns mentioned in the Preamble to the Agreement. The need to protect the environment is one of the non-trade concerns explicitly mentioned in the Preamble. During the first phase of the negotiations (March 2000-March 2001) an unprecedented total of 121 participants presented, either individually or as co-sponsors, proposals for consideration by the Committee on Agriculture, Special Session. The second phase (March 2001-March 2002) was devoted to in-depth discussions of these proposals and further inputs submitted by participants.

2. The Doha Ministerial Declaration put the negotiations on a new footing. Under the Doha mandate Members committed themselves to comprehensive negotiations aimed at substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support. Special and differential treatment for developing countries is to be an integral part of all elements of these negotiations and is to be embodied in the Schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated so as to be operationally effective and to enable developing countries to take account of their development needs, including food security and rural development. Furthermore, Ministers confirmed that non-trade concerns would be taken into account in the negotiations as provided for in the Agreement on Agriculture.

3. Finally, Ministers agreed on a timeframe for the agriculture negotiations: modalities for the further commitments, including provisions for special and differential treatment, are to be established no later than 31 March 2003. Participants are to submit comprehensive draft Schedules of commitments based on these modalities no later than the Cancún Ministerial Conference. The agriculture negotiations are to conclude as part of the negotiating agenda as a whole, by 1 January 2005.

B. NON-TRADE CONCERNS

4. Starting with the Analysis and Information Exchange Process and continuing throughout the different phases of the agriculture negotiations, Members have discussed environmental issues as a

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non-trade concern. Many Members have presented views and tabled proposals on the subject. Other non-trade concerns raised in the negotiations include food security, livelihood security, poverty alleviation, rural development, food safety and animal welfare. A survey of the specific proposals that have been tabled is contained in the Overview Paper on the negotiations (TN/AG/6, 18 December 2002, refers).

5. In the negotiations, the debate of these matters has essentially not centred on the question whether non-trade concerns such as the protection of the environment are legitimate policy objectives. The view that they are is widely shared. Rather, the debate has been about what are the appropriate and effective instruments to achieve these objectives, and it is in this regard that there are differing views. It may also be worthwhile noting that in the context of the discussions on these matters, several developing countries have made the point that their non-trade concerns are of a fundamentally different dimension than those of developed countries.

C. ENVIRONMENTAL IMPACT OF PROTECTION AND TRADE-DISTORTING SUPPORT IN AGRICULTURE

6. In the environment-related discussions, the role of protection and trade-distorting support has featured prominently. Many Members recognize that agricultural production can have both positive and negative effects on the environment. There are, however, different views about the environmental impact of trade-distorting agricultural policies.

7. A number of developed and developing Members have emphasized that trade and environmental protection are mutually reinforcing, and that reducing trade distortions improves the environment through its positive impact on resource use. In their view, protection and trade-distorting domestic support policies encourage environmentally harmful agricultural practices such as intensive farming, including high use of fertilizers and pesticides. The result is resource degradation and environmental stress, such as adverse effects on the ground water, the soil and biodiversity. Furthermore these Members note that trade-distorting support, including export subsidies, can also have negative environmental effects in third countries, particularly developing countries, because these measures drive down international prices and increase their volatility. As a result, returns from agriculture in developing countries are lower than otherwise, thus exacerbating poverty and making it even more difficult for farmers in these countries to move towards environmentally more sustainable practices. These Members therefore advocate reducing protection and trade-distorting agricultural support as a way of simultaneously advancing trade, development and environmental objectives.

8. Other Members have highlighted the positive environmental effects of agriculture, including land conservation, management of water resources, preservation of biodiversity and habitats and maintaining the landscape. In their view, a certain level of trade-distorting domestic support is necessary to maintain agricultural production, especially in areas with low agricultural potential, and thus ensure provision of the positive environmental externalities. These Members hold that for them to achieve their objectives regarding non-trade concerns such as the protection of the environment, they also need an appropriate level of border protection as a flanking instrument.

9. Another issue raised in the negotiations is Article 6.2 of the Agreement on Agriculture. This Article exempts in the case of developing countries certain domestic support measures from reduction commitments which would otherwise be applicable. There have been several proposals to extend the list of such exempted measures, including a proposal to include support measures which are essential to encourage conservation measures in developing countries.

10. Finally, it should be noted that in the context of unilateral reforms, some Members are currently considering the possibility, or reform steps, to make domestic support subject to cross-compliance with environmental criteria.

D. GREEN BOX

11. Under the Agreement on Agriculture, trade-distorting domestic support that exceeds de minimis levels is subject to reduction commitments; this is referred to as Amber-Box support. However, direct payments under production-limiting programmes, although trade-distorting as well, are exempt from reduction commitments (Blue Box). Domestic support with no, or at most minimal, trade-distorting effects or effects on production, so-called Green Box support, can be provided by governments as they see fit, provided that the criteria defining Green Box measures are complied with. These criteria are specified in Annex 2 of the Agreement on Agriculture.

12. The Green Box covers a wide range of programmes and measures, from a variety of government service programmes to a variety of targeted direct payments to producers. The Green Box includes, for example, support for research in connection with environmental programmes as well as direct payments under environmental programmes that fulfil certain conditions, such as that the payments are part of a clearly-defined government programme and are limited to the extra costs involved in complying with the programme (paragraph 12 of Annex 2 of the Agreement on Agriculture).

13. In the negotiations, some Members have proposed to cap overall Green Box expenditures. This would affect all types of Green Box support, including payments under environmental programmes. Others have called for such a cap for developed countries only. Still others are opposed to establishing any limits for Green Box expenditures. As for measures that aim at protecting the environment, it has been proposed that such measures should be accommodated in the Agreement on Agriculture and should be well targeted, transparent and implemented in no more than minimally trade-distorting ways.

14. Several specific proposals have been made concerning paragraph 12 of Annex 2, i.e. the Green Box, on environmental payments. While some countries have proposed to keep paragraph 12 as is, others would like to fine-tune some of the wording to ensure that support provided under environmental programmes is not related to the volume of production. Another Member has proposed that payments also be allowed to compensate for the provision of environmental benefits if these are clearly defined in national legislation. There are also proposals to include landscape payments or animal welfare payments in this chapter of the Green Box.

15. Paragraph 13 of the Green Box covers payments under regional assistance programmes. One Member has proposed establishing criteria for defining a particular region as disadvantaged. According to this proposal, Members would be given flexibility to provide support to such regions to maintain and improve traditional production systems and the environment. Other Members prefer maintaining paragraph 13 as is, or have proposed changes not related to the environment.

16. In addition to the existing provisions, one Member has proposed adding a new category of measures to be exempt from reduction commitments under the Green Box. This category consists of payments to compensate for extra costs accruing from higher production standards. Eligibility of such payments would be determined as part of a clearly-defined government programme designed to address non-producer concerns such as consumer and societal demands and be dependent on the fulfilment of specific conditions related to production methods or input. Although environmental standards are not specifically mentioned in this proposal, they would presumably be covered by such a paragraph. Others are opposed to including such an exception in the Green Box.

E. LABELLING

17. Several Members have noted that consumers are increasingly demanding information on agricultural products, especially foodstuffs. The information demanded included the characteristics of agricultural products, their performance, or processes and production methods - often related to food

safety, but also to environmental and other concerns. In the view of these Members, the least trade-restrictive way of providing such information is through labelling. In this regard, it has been proposed that Members should clarify through a common understanding the criteria and guidelines for the implementation of mandatory labelling requirements in respect of food and other agricultural products.

18. Other Members are of the view that labelling and consumer information are outside the mandate of the agriculture negotiations. They consider that mandatory labelling should be addressed in other fora, including the TBT Committee.

F. CONCLUSION

19. Throughout the negotiations on agriculture, environmental issues have been part of the discussions on non-trade concerns. While Members generally share the view that the protection of the environment is a legitimate policy objective, there continue to be differences in views about the appropriate instruments to achieve this objective. A number of Members consider that targeted, transparent and non-, or no more than minimally, trade-distorting measures are the effective tools. Many of them see the reduction of trade-distorting support and border protection as having an overall positive effect on the environment. Some other Members argue that they need trade-distorting support and border protection to achieve their non-trade objectives, including the protection of the environment. There is, however, broad consensus that the environmental-related provisions of the Green Box should be maintained. This, along with the proposal to include support measures which are essential to encourage conservation measures in developing countries, is also reflected in the first draft of the modalities for the further commitments prepared by the Chairman of the negotiations on agriculture and issued just two days ago (JOB(03)/23, dated 12 February 2003).
