

## BEYOND THE MILLENNIUM ROUND: THE NEW HORIZONS OF GLOBAL AND COMMUNITY AGRICULTURE

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### ABSTRACT

"The debate initiated by the opening of negotiations of the World Trade Organization should not limit itself only to the trade aspects of agricultural products, but to all the characterising elements that recognize agriculture a major role in the relationships with land, environment and the entire economy of a Country.

Therefore, the programmatic and intervention lines being discussed within the WTO have not to depart from the concepts of sustainability, multi-functionality, protection of consumers, preservation of environment and wildlife well-being.

The world trade liberalization process has to involve all these aspects to construct a more equitable and compatible market that takes into account the specificity and vocation of each single Country and that satisfies the needs that global society places in agriculture".

### RÉSUMÉ

*"Le débat amorcé avec l'ouverture des négociations de l'Organisation Mondiale du Marché (OMM) ne doit pas se limiter aux aspects commerciaux des produits agricoles, mais doit concerner tous les éléments qui caractérisent l'agriculture et qui la situent au centre des rapports avec le territoire, l'environnement et l'économie entière d'un Pays.*

*Pour cela, les lignes programmatiques et d'intervention en discussion au sein de l'OMM ne doivent pas faire abstraction des concepts de durabilité, multi-fonctionnalité, tutelle des consommateurs, sauvegarde de l'environnement et bien être des animaux.*

*Le processus de libéralisation du commerce mondial doit tenir compte de tous ces aspects afin de construire un marché plus équitable et compatible qui tienne compte de la spécificité et de la vocation de chaque Pays et qui puisse satisfaire les différentes exigences que la société globale pose au monde agricole".*

Agriculture, in a global scenario, plays its peculiar role lying between two very different functions: on the one hand, acting as an economic and productive engine while, on the other hand, being an essential nourishment and sustenance factor for world population.

In industrialised countries, the prevailing role for agriculture is that of "economic engine": that is, guiding and promoting economic development and employment, just like the industrial and tertiary sectors do. In this case we are confronted with a "sophisticated" agricultural model, characterised by being highly capital-intensive and technologically advanced which, over the last decades, has ensured a steady increase in both productivity and supply. Just think that in Italy, over the last 30 years, the yields of extensive crops such as wheat, corn and soy beans have increased on average by between 100% and 200%, while other native crops such as apples, tomatoes and potatoes have been going strong as well, with yield increases per hectare ranging between 50% and 150%.

In developing countries, instead, in vast areas of Central and South America, Africa and Asia, agriculture is mainly called upon to provide for the basic economic and nourishment needs of a large portion of the population. This year world population has exceeded 6 billion inhabitants and almost 2/3 of them live in countries where agriculture accounts for 30% of all jobs.

Even more striking is the fact that almost 1.5 billion people today live in areas where agriculture provides

jobs to more than 65% of the entire labour force. Furthermore, over the next decade world population will reach almost 6.9 billion inhabitants, with a net increase close to 1 billion people.

In other terms, it is not possible to discuss or plan global economic and social development without taking into account an essential factor like agriculture.

However, unlike other economic sectors, agriculture is characterised by its direct and intimate relationship with the land and, therefore, with the surrounding territory and the environment.

It is an ever-changing relationship, following the same pace of technological progress and economic development.

That is why developing countries are now engaged

in an exhausting race in the pursuit of efficiency: over the last 20 years, the number of farming tools and equipment has tripled in those countries, while the amount of chemical products used on farmed lands has more than doubled.

Under developed and developing countries are plagued by a progressive increase in demographic pressure which, on the one hand, causes a massive and, very often, unsustainable exploitation of agricultural resources through the tillage of new lands and the use of intensive crops.

While, on the other hand, there is the risk that by changing the structural parameters which characterise the agricultural sector, this might give rise to redundancies in the labour market which, in turn, might determine an increase in migration flows towards industrialised countries and or environmental degradation.

If it is true that the issue of global economic progress must rely on the concept of "future sustainability", and

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I am strongly convinced of that, then it is in the agricultural sector, by the way, "manages" about 5 billion hectares of arable land world-wide that we can find some of the most viable solutions.

#### UE AGRICULTURE: THE FUTURE DURING AND AFTER AGENDA 2000

If we shift our attention to the European Union, Agenda 2000 can certainly be considered as the natural pivot around which the future development of agriculture must be hinged.

The agreements signed last spring in Berlin have enabled us to face the new millennium and the upcoming WTO negotiations standing firmly on common ground, in terms of future actions and programs to be undertaken.

In this respect, I would like to emphasize how Agenda 2000 has established a *reduction in direct subsidies* for many products. For some sectors such as grains, beef and wine, the rationale behind those choices was that of recovering competitiveness to penetrate foreign markets. We must confess that some UE agricultural ministers would have gladly followed a bolder approach, but the step which was made was extremely important nonetheless and it is a solid reference platform, shared by the entire European agricultural sector.

However, I do think that the greatest merit of Agenda 2000 should not be sought in each single CMO but in the will and capacity of defining the essential elements of a European agricultural model for the new millennium. A model in which agriculture will become an integrated economic sector in an open market but, at the same time, fully abiding by the principle of *future sustainability* and *compatibility with "extra-economic" components*, such as territory, the environment and society. In this respect, it is worth mentioning the new EU Regulation on Rural Development which is undoubtedly a very useful tool.

Thus, for the above-mentioned reasons, agriculture has become not only an essential part of the economic policy of each member country, but also of specific policies for social and local development.

It is in this framework that we should consider the importance of the so-called "*multifunctional*" principle. A multifunctional vision is not synonymous with a diminished role for agriculture: instead, it is tantamount to integration of new tasks, functions and environmental services on a strong agricultural foundation, in order to safeguard the local landscape and cultural heritage and promote rural tourism. For these purposes, I think "integration" to be a pivotal concept since each "multifunctional" asset or service does not have its own identity if it is separated from the rest: it acquires a meaning only when it becomes part of an agricultural product. That is why devising mechanisms to separate the two components and manage them independently is such a

difficult task. However, I would like to make it clear that I do not think that the "multifunctional" approach should ever become a way to keep pumping subsidies into the agricultural sector.

So far I have described some of the main features of a common agricultural policy aimed at enhancing specific peculiarities, but the UE agricultural model is still very much free-trade oriented in its relationship with international markets. Proof of this may be considered the planned enlargement of community borders envisaged in Agenda 2000, so as to include Eastern and Central European Countries. However, of even greater importance is what is stated in the single document adopted during the recent Agricultural Council in Tampere, which recognised the need to promote a further deregulation and expansion in the trading of agricultural products as a factor contributing to a strong and steady economic growth.

#### NEW RULES AND OBJECTIVES FOR WORLD TRADE

Recently, we have witnessed a proliferation of trade treaties and conventions, the most important of which should undoubtedly be considered the Uruguay Round GATT agreements.

I do not intend to dwell on the technicalities of the upcoming WTO negotiations, such as the "peace clause", the "safeguard clause", the preservation of domestic subsidies or the "blue" or "green box", I would rather think about a possible minimum common denominator which might be shared by opposing factions, meaning different countries and groups of countries.

If we read through the various statements and opinions expressed over the last few months by the various parties to the negotiations, the strongest voice seems to be that of the European Union calling for yet additional reductions in agricultural subsidies.

Agenda 2000 is a concrete step in that direction and will certainly prove to be instrumental in stabilizing global agricultural markets. I think that further steps can and must be made during the next WTO negotiations following an "equitable" free-trade approach, for example by privileging developing countries. I am equally convinced that an exclusively defensive and protectionist EU policy would be self-defeating since it cannot be easily defensible and, in the end, would prove ineffective in opening new markets to those products which are endowed with a great potential, which is as yet untapped.

However, in looking for ways towards deregulation, we always have to bear in mind the great differences still existing within the UE in the agricultural and food-processing sectors.

The CAP, for example, provides for *subsidies* of about 60%-70% (of the total UE production) for products such as sunflower seeds, oats, beef, mutton and milk. For fruit and vegetables, aids account for little more than

20% while for pork they are lower than 10%. If we consider *tariff protection* (as a percentage of product value), we can see how sugar, butter, barley, reduced-fat powder milk and beef are highly protected (all of them exceed 70%), while tariffs are negligible if not practically non-existent for other products such as fruit and vegetables and the like.

Lastly, if we consider exports for which restitution applies, the most favourable treatment is reserved to wheat, butter and reduced-fat powder milk.

From the above-mentioned elements you can easily appreciate how, nowadays, there is a deep rift separating different crops, products and member countries within the EU and it is therefore necessary to reconcile all the various positions and situations. If we examine the choices which were made in the past, you might even conclude that the "inconsistent" rules that we have developed over time have ultimately induced developing countries to specialize in crops which were not typical of those geographical areas. A particularly eloquent case in point is that of some Latin American countries which over the years, due to the protectionist barriers imposed by the EU against continental crops, have specialized in those products for which international trade seems to be more open (first and foremost, fruit, citrus fruits and vegetables).

That is why a further deregulation of trade can be pursued, gradually, in those sectors where excessive supports or protections are in place. On the contrary same token, no additional concessions can be granted in those areas which are already seriously exposed to international competition except when, due to negotiation-related needs, compensation measures might be introduced within the framework of CAP.

If we attempt to look beyond this scenario, the enforcement of the Marrakech agreement has proved that the three-pronged approach – based on internal support, market accessibility and export-supporting measures – is the expression of a near-sighted and simplistic view of trade-related problems and does not remove the obstacles which hinder the appropriate development of international trade in the food-processing and agricultural sector.

Having said this, I would like to tackle an issue which is very close to my heart, that is the protection of *traditional and typical products*. In global markets, unfair competitive practices, which damage some European products, have become frighteningly common. I am referring to forgeries, the illicit use of denominations of origin, imitations of peculiar food products and the like. These unlawful actions, which are highly detrimental to European enterprises – and Italy is certainly a leader in this specific field – are not sanctioned at all by any GATT regulation and cannot even be countered through the World Trade Organization. The situation is particularly dismal for denominations of origin, which

are not protected at all by the TRIPS agreement. For the solution of the above-mentioned problems and, in general, to effectively counter forgeries, it would be necessary to open a specific chapter on these issues during the agricultural negotiations of the Millennium Round. An essential step in the right direction could be the establishment of a *Multilateral Register* for all those products for which denominations of origin or certificates of specificity apply. And I personally think the introduction of such a Register should become mandatory.

As for *consumer protection*, the situation appears to be equally discouraging, since the approach followed by the WTO does not allow member countries to adopt strict policies in this field and allows for the emergence of unacceptable situations, as became all too evident during the recent dispute with the US on hormone-treated meat. Hence, the introduction of the "caution principle" within WTO regulations must be a top priority for European negotiators.

Likewise, the *protection of the environment and animal well-being*, have been completely excluded from the Marrakech agricultural agreement and, for this reason, European enterprises have to incur ever-increasing costs due to the constraints imposed by EU regulations and, in the end, are under a disadvantage compared to their counterparts in other countries which do not have to comply with any regulations in this field.

The same applies to *labour-related issues*, for which European enterprises are exposed to competition from countries where products are manufactured the exploitation of workers and child labour. As for the above-mentioned topics, the Millennium Round can become the occasion to include some fundamental principles into WTO regulations, in the framework of agricultural agreements.

As you might easily gather, this urgently calls for a re-definition of "rules" regulating world trade.

#### AGRICULTURAL POLICY BEYOND THE MILLENNIUM ROUND

Hence, I am still deeply convinced that, fully abiding by the principles enshrined in art. 20 of the agricultural agreement, an *equitable* and *compatible* deregulation of trade is still the main road towards development. But due attention must be devoted to the rules and methods to be followed in this process which, in my opinion:

- Must take place in a gradual and consistent fashion, according to the guidelines set forth in Agenda 2000, so as to avoid negative impacts on market dynamics;
- Must not give rise to discriminations against certain products, which usually come from the Mediterranean basin, which are already exposed to strong international competition (like fruit and vegetables);
- Must provide for the introduction, during the negotiation phase, of new chapters which are necessary to safeguard rules and equitable competition. I am referring to "ad hoc" negotiations on denominations of ori-

gin, environmental protection, the rights of workers and the well-being of animals.

These negotiation topics will have to acquire the same importance as traditional issues and, if consensus on those problems is not achieved, no agricultural agreement must be signed.

As I have already stated at the beginning, WTO agreements is an occasion to define and harmonise global agricultural policies. For this reason, we should consider once again the first issue I have raised in my introductory remarks: *what kind of agriculture do we want after the Millennium Round?*

If we limit our attention to European agriculture, I think that future scenarios for a "European agricultural model" can be developed emphasizing three different aspects, namely:

- *competitive excellence;*
- *specific vocations and peculiarities;*
- *multifunctional approach.*

Despite the fact that European agriculture is often times accused of being excessively complex or non-competitive, the potential for European competitiveness is still great even in the international field. For this purpose, through a careful management of relevant Common Market Organizations, a greater deregulation is certainly possible and advisable. Furthermore in some cases, we are referring to highly "protected" sectors for which the indefinite preservation of the status quo seems to be an unacceptable option.

But we should also consider the role which might be played by *specific vocations* and *peculiarities* which, rather than referring to each single product, should be linked to relevant local districts or production systems. The typical agricultural or food product, equipped with the necessary denomination of origin, is the means through which markets and consumers are connected with a system of enterprises which are so close to each other as to become inseparable.

This is an area which has great potential for future development which, however, is hindered by the lack of a well-defined legal framework providing international protection.

For a country like Italy, which has based most of its food-processing and agricultural system on such products, the issue of international trade has always been eyed with suspicion, since it was considered only as a factor giving rise to constraints and negative impacts. Today, instead, we must realize that international trade regulations, when they are appropriately enforced, can be a more effective tool than CMOs to promote the development of those very important sectors.

Then we should consider the so-called multifunctional approach, although I recognize that, apart from some biased positions expressed by a few non-European countries, at times its deep meaning is very difficult to grasp.

However, the "multifunctional approach" is set forth by Agenda 2000 for the future development of CAP and we cannot accept that trade negotiations might jeopardize the whole process and, together with it, the work of concerned agricultural producers. The multifunctional approach is one of the new frontiers in agriculture and beware of those who think that it is just a new tool to allocate additional subsidies.

However, this situation gives rise to difficult tasks that the agricultural ministers of the EU are called upon to fulfil. As a matter of fact, we will be able to uphold our strategy in the international arena only if we are able to adequately substantiate and explain our assumptions, also under the technical viewpoint.

Thus we cannot "hide" behind the "multifunctional approach" slogan. We must define its contents, in terms of the different services which must be provided for the benefit of local communities, the environment and society. We must implement policies conducive to the emergence of an "*explicit market*", characterised by supply, demand and the definition of prices for such goods and services. A market in which, as you can easily imagine, an essential role will be played by public demand. If we succeed, in 5 or 6 years' time we will be able to redefine our relationship with international trade also in those sectors.

Until then, however, we must rely on specific protection measures.

The same principle applies if we broaden our prospective to the global scenario. We must interpret the role that history has entrusted to us with a great sense of responsibility: we must govern the agricultural sector in the interest of future generations and all this must be done, also for the benefit of our respective nations, by adopting a global vision.

For this purpose, we should always aim at improving and integrating global agricultural strategies in line with the main developments in world agricultural policies, such as world trade and the balanced and equitable use of subsidies, which certainly figure prominently in this framework. However, we must also consider other factors, which might prove to be even more important, such as the relationship between agricultural and social phenomena (the problem of migrant workers has reached epic proportions in some "border" countries), between agriculture and health, between agriculture, economic development and employment or between agriculture, territory and the environment.

Only if we succeed in rising up to this difficult challenge, by defining new rules, exchanging know-how and skills and harmonizing our approaches, but also preserving our different vocations and specializations, we will be able to provide tangible and sustainable solutions to the many different problems that the agricultural world has been called upon to solve by global society. ●