



## **BirdLife International recommendations for the EU's position in the Doha round negotiations on agriculture**

The EU spends €43Bn each year on agricultural subsidies, only 4% of which is used to support sustainable agriculture and important environmental programmes. The remainder is used for direct payments and other forms of market support.

The recent reform of the Common Agricultural Policy (CAP) represents an encouraging first step towards a less trade distorting and more sustainable, multi-functional agriculture, but the reform process must continue and agricultural market access addressed if the EU is to deliver its commitment to halt biodiversity decline and contribute to the world meeting the Millennium Development Goals.

### **Summary of key recommendations**

To ensure a sustainable outcome from the current negotiations in agricultural trade as part of the Doha Development round, the EU should:

1. Commit to further, significant reform of the CAP, based on phasing out funds that are not targeted at delivering public benefit, in favour for those that are.
2. End export dumping
3. Reform the WTO's box system so that the only acceptable method of support is minimally trade distorting and targeted at delivering environmental and social benefit.
4. Ensure flexibility for developing countries, allowing them to develop their own pathways to sustainable agricultural development.
5. Accompany increased market access for developing countries with measures to prevent any negative environmental impacts and ensure the long-term sustainability of the resulting benefits.

## **Recommendation 1 - Continue reform in domestic support**

The EU and other developed countries should commit to significant and time-bound reductions in all forms of agricultural support that are trade distorting and are not targeted at the delivery of public benefits such as the environment, clean water, rural development and wildlife. Such a commitment would be a win-win in terms of the environmental and social benefits it would deliver domestically and internationally.

The EU offer on agricultural support does not go beyond the 2003 CAP reform, arguing that they have implemented reform in advance of the negotiations. Yet there remain compelling domestic and international reasons to continue the reform process within a timescale that would contribute to delivering domestic and international goals such as the Gothenburg commitment to halt biodiversity decline by 2010 and the Millennium Development Goals for 2015.

Reform should seek to move support from direct payments and market support (Pillar 1 of the CAP) to rural development and agri-environment payments (Pillar 2). Pillar 2 support is aimed at delivering environmental and social benefits and is classified under WTO rules as minimally trade distorting and not linked to production. BirdLife has worked to develop effective agri-environment schemes throughout the EU and is convinced that they are the best tool available in the EU to support sustainable agriculture<sup>1</sup>.

While negotiations over agriculture at the WTO are part of a 'single undertaking', we are concerned that commitments on agricultural support from the EU should not be used as a bargaining chip in market access negotiations with developing countries - CAP reform is our environmental and social responsibility.

## **Recommendation 2 – End export dumping**

As a priority, the EU should commit to ending export dumping, both through direct export subsidies, and indirectly through, for example, production related payments. Export dumping is environmentally damaging and socially iniquitous. It prevents the development of sustainable agricultural systems both in exporting countries, as incentives to over-produce result in inappropriate intensive practices, and in developing countries, which suffer from artificially cheap low world market prices.

The EU and other developed countries committed to significant reductions in export subsidies in the Uruguay round, but have used various loopholes in the agreement to continue this damaging practice<sup>2</sup>. To avoid this, genuine commitments to reduce export dumping with a strict end date for their implementation should be made. A review of current EU support that is notified as green box to ensure that they are minimally trade distorting and are delivering public benefit would contribute to meeting this goal.

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<sup>1</sup> See BirdLife (2005) *Agri-environment schemes across the EU*, available from [www.birdlifecapcampaign.org](http://www.birdlifecapcampaign.org)

<sup>2</sup> WTO (2003) *Export Subsidies: Agricultural Policy Reform and Developing Countries*

### **Recommendation 3 - Reform the box system**

BirdLife International believes that the WTO debate over agricultural support has been conducted in limited economic terms, overlooking two fundamental facts:

1. Agriculture is multi-functional; it produces a large number of benefits that are not valued by the market, such as clean water and wildlife, and is not just another industry.
2. Traditional forms of agricultural support employed in many developed countries not only inhibit development, but also damage wildlife and the environment<sup>3</sup> and fail to efficiently support farmers' incomes<sup>4</sup>.

The WTO 'box' system of agricultural subsidy classification overlooks these facts, and for this reason it will not contribute to the overall aim of sustainable farming that, as well as providing safe, healthy, affordable food, protects and enhances the environment and its wildlife, whilst contributing to thriving rural economies.

BirdLife therefore recommends that the box system is reformed to deliver public benefits while minimising trade distortion.

#### **✓ Phase out the blue box**

Blue box support remains trade distorting as it is linked to agricultural production, and it is not used specifically to deliver public benefits in the EU. This form of support should therefore be phased out and, eventually, the blue box and blue box support should be abolished. Under no circumstances should it be redefined or expanded to allow developed countries to circumvent meaningful reform of their domestic support regimes. Blue box payments are a blunt tool, and are rarely useful in correcting market failures and encouraging sustainable agriculture.

#### **✓ Redefine the green box and review green box support**

There is concern that green box support is trade distorting<sup>5</sup> and some countries are calling for it to be phased out. This is understandable given the now considerable and varied use of the green box by the EU and other developed countries. There are many examples where developed countries have abused the green box. These range from direct payments, which, although they have no clear policy objective, now account for most of the EU's spending on agriculture, to inappropriately applied agri-environment schemes.

The need to address this problem is urgent, particularly as green box abuse is damaging the reputation of agricultural support that can deliver genuine social and environmental benefits. BirdLife has seen at first hand the value of some agri-environment schemes in the EU, which have contributed to saving species such as the curlew and great

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<sup>3</sup> See Donald, Green and Heath (2001) *Agricultural intensification and the collapse of Europe's farmland bird populations* Proc. Roy. Soc. Series B 268 25-29

<sup>4</sup> See OECD (2003) *Farm household incomes: issues and policy responses*

<sup>5</sup> E.g. G20 proposal for the *Review and Clarification of Green Box Criteria*

bustard from regional extinctions, and have supported the growth in organic agriculture and a reduction in the use of artificial inputs.

It is clear that the green box is in urgent need of review and a new definition that prevents its abuse while allowing support for sustainable agriculture. We therefore recommend that:

1. A second fundamental requirement is introduced, in addition to the current requirement that green box support has no, or at most minimal, trade-distorting effects on production. This should require green box support to be targeted specifically at delivering environmental and social benefit, i.e. 'public' benefit.
2. All payments currently notified as green box are reviewed and those that are shown not to meet either of these requirements are moved into the blue box and are thus phased out.

In addition to these key recommendations, BirdLife is concerned that the wording in Annex 2 of the current Agreement on Agriculture (AoA) inhibits the use of environmental programmes by restricting payments for environmental programmes to income foregone. BirdLife believes that greater flexibility should be provided for to allow payments for environmental programmes, including agri-environment, to be correlated to the social and environmental benefits they deliver.

#### **Recommendation 4 - Ensure flexibility for developing countries**

Developing countries need flexibility to allow them to ensure their food security, meet poverty reduction targets and choose their own pathways to sustainable agricultural development that suit their specific circumstances. The EU should take the lead in ensuring that developing countries have this flexibility, and in particular the EU should help ensure that:

##### **✓ Special mechanisms are available**

The Doha round must enable developing countries to protect domestic markets through market access restrictions, where such protection is deemed necessary to maintain or increase domestic production to improve food security, or to protect livelihoods of small-scale farmers. This can be achieved by making Special Products and the Special Safeguard Mechanism available to developing countries, as advocated by the G-33.

##### **✓ Developing countries are not forced to open their markets**

Developed country offers have been conditional on increased market access in developing countries. Developing countries have already opened up their markets considerably through the Uruguay Round, as well as through World Bank and IMF-sponsored economic reform programmes. Market access requirements place an unreasonable constraint on a country's freedom to pursue food security through developing domestic production.

## **Recommendation 5 - Accompany market access with sustainability safeguards**

Market access negotiations should be informed by sustainability impact assessments and should only proceed where they are accompanied by the necessary sustainability safeguards.

Increasing developing countries' access to markets can be an important tool for eradicating poverty, but improvements in access should not be at the expense of long-term sustainability. The EU's most recent Sustainability Impact Assessment of the Doha round found that proposed agricultural trade liberalisation would have negative environmental impacts overall and accelerate deforestation. These impacts endanger the sustainability of trade liberalisation and threaten to offset the overall economic benefits of liberalisation.

The EU should therefore accompany increases in market access with increases in the technical and financial support to developing countries to promote sustainable agriculture and conserve important pristine habitats and ecosystems that underpin sustainable development. This recommendation is in line with the EU's commitments made at the Millennium Summit (2000), the Monterrey Financing for Development Conference (2002) and the Johannesburg World Summit on Sustainable Development (2002).

Market access also poses risks to the domestic agricultural environment unless it is managed appropriately. Shocks created by deep tariff cuts, for example, could result in the abandonment of low intensity grazing, which is the most appropriate form of management in many upland areas, or the loss of rice cultivation, which can provide important wetland areas. We recognise the potential of Sensitive Product designation in lessening these shocks, but only if environmental protection is a key criteria for their designation.

In the longer term, it is important that a system is established that enables countries to favour sustainably produced imports. This should be based on accreditation systems that enable participation of all sustainable producers regardless of their origin and resources, through an inclusive approach to standard setting and adequate financial and technical assistance. The biofuels market illustrates the necessity of such a system: to deliver environmental gain through cutting CO<sub>2</sub> emissions, accreditation and the ability to favour those biofuels that deliver emissions reductions and have not damaged the wider environment is necessary.

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