

## **Mariann Fischer Boel**

Member of the European Commission responsible for agriculture and rural development

# **Keeping our maps up to date: trade and trade rules in a changing world**

*Check Against Delivery  
Seul le texte prononcé fait foi  
Es gilt das gesprochene Wort*

**Speech at the University of Stellenbosch  
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*[Ladies and gentlemen],*

First of all let me thank Professor Karen Theron and Trudi Hartzberg for their kind invitation to me to join you today. It's a great pleasure for me to be here in this prestigious centre of excellence - the University of Stellenbosch, an institution with such a long and distinguished history dating back to 1866.

In my job, I get to travel over quite a large portion of the map of the world in any given year. And certainly, coming to this beautiful part of the global map is a great way for me to start my autumn programme of work.

I would like to talk a little more about maps for a moment.

In the 21<sup>st</sup> century, it's safe to assume that our map of the physical world is relatively stable. But as we all know, the economic world map is a different matter altogether.

The countries of the OECD with democratic government systems and market economies still have considerable economic power, but their weight relative to the rest of the world is diminishing.

China is leap-frogging its way up the league table of the largest economies. In terms of agricultural production and trade, the rise of countries like Brazil looks likely to be one of the defining factors of the next few decades. And of course, South Africa is another regional power whose emergence is contributing to the economic development and stability of our planet.

As our economic map evolves, so also we become aware of the need to update our map of multilateral trade rules under which we do business with each other.

And of course, this is exactly what trade ministers from around the world were battling hard to do, just over a month ago, in Geneva.

We were trying to push further in the direction of reasonable liberalisation of trade as a support for development.

This was not blind liberalisation: within the Doha Round, there has always been an acceptance that Members of the World Trade Organisation should keep the right to a certain level of protection. It is acknowledged that this level should be higher for developing countries.

There was a clear consensus that giving global trade some more of the oxygen of freedom – with the right rules, limitations and guarantees – could be good for everyone, especially developing countries.

Unfortunately, we failed in Geneva.

However, success was just centimetres away from our grasp. It has been estimated that we had achieved agreement on 95 per cent of the issues at stake with regard to "modalities"! So I hope and I assume that this failure won't be permanent.

Certainly, as the US gears up to elect a new president and the upcoming elections in India next spring, we will have to be patient.

But Pascal Lamy, the WTO director-general, has signalled strong determination to move the Round forward in the coming weeks. And we should hope that it really will be possible to go "forward" – in other words, to take as a starting-point the offers which were on the table at the very end in July.

However, for the time being, let's make no mistake: we find ourselves in an awkward situation.

As we lose speed in our push for a new multilateral trade agreement, it seems that bilateral agreements will become more fashionable than ever before.

These have their place, and I will talk later about relations between the European Union and South Africa. But bilateral deals are by definition exclusive. They can't spread widely the gains of increased trade. Nor can they address issues like subsidies on production and disciplines on domestic support. And as bilateral arrangements become more numerous, doing business internationally becomes more complex and also more confusing.

Also, I hope that I've misread the signs, but it seems that the weather could now get quite stormy in terms of the WTO. If it's indeed the case that part of the cost of a delay in the Doha Round is a new flood of trade litigation, I think that could be a heavy cost.

Furthermore, uncertainty about the Doha Round breeds uncertainty about domestic agricultural policy.

In the European Union, as we carry out ongoing reform process of the Common Agricultural Policy (CAP), we want to be sure that these will not be challenged by developments in Geneva in the medium term. Without that confidence, in our domestic policy-making we are finding our way with an inadequate map of the international context. We will just have to navigate as best we can!

But while I'm on the subject of the relationship between the Doha Round and the CAP, I would like to mention an aspect of the negotiations which has been very positive.

That aspect is this: reforms of the CAP have transformed the role of the European Union in world trade talks.

In the rush of news coverage which followed the breakdown of July's meeting in Geneva, it was striking that no-one was pointing finger to the European Union as the villain of this play. In marked contrast to previous trade rounds, no-one blamed us for what had gone wrong. And indeed, among the big players, the European Union was pushing the talks along vigorously, trying to find solutions right up to the last minute.

The diplomatic landscape has changed and is still changing essentially because the landscape of agricultural and rural policy is continuously evolving.

In the European Union, helping farmers used to mean primarily supporting farm prices. To keep prices high, we spent large sums of public money on buying up unwanted produce, and on subsidising exports.

This approach was valid in its time, but it ran out of control. When it did so, it created a number of problems. Among other things, it put the EU on the defensive in international trade talks. We had to work hard to protect our right to support our farm sector in ways which some partners considered trade-distorting.

The CAP has now moved on - dramatically. Following successive reforms, the vast majority of support paid to European Union farmers now comes in the form of direct payments which are "decoupled" from production. By contrast, the use of export subsidies has declined sharply.

Decoupled payments leave farmers free to base production decisions on the market, and therefore do not distort trade under WTO rules.

By shifting the emphasis of the CAP away from market management and towards decoupled payments, the EU has given itself room to accept much tighter WTO disciplines on its farm sector.

We have offered in the end to cut our ceiling on “overall trade-distorting domestic support” for agriculture by a huge 80 per cent. We have offered to slash agricultural import tariffs by an average of 60 per cent. And we have offered to put an end to agricultural export refunds by 2013. Overall, this was a very, very substantial package!

With CAP reforms at our backs and this offer on the table, we were able to play an extremely positive role in Geneva - looking for possible gains instead of staying defensively on the back foot.

We intend to keep to this positive approach in the months ahead, using every channel and every opportunity to strengthen the multilateral trading system and to work towards a final deal in the Doha Round.

This task has become even more important in view of the volatility that we've seen in global markets for agricultural commodities and food – which has of course been a hot topic this year.

Of course, high prices have not been all bad news. They are stimulating production in several food-producing countries, including in Africa. The promise of higher output is already stabilising prices.

Also, I would add that the range of causes has been wider than some initially claimed. Biofuel production has been a handy scapegoat for the media, but we must also recognise the influence of growing demand and changing consumer patterns from populous countries, as well as supply shocks caused by poor weather.

In any case, for today's purposes, I'm less interested in causes than in responses.

The first part of the European Union's response has been to agree to scale up its contribution to relieving the impact of high food prices on poor people around the world by changing some of the tools available in our policy areas.

In parallel, we need to boost agricultural supply in developing countries in the short term – and we need to act now to increase the size of harvests in the coming seasons.

Therefore, the European Commission has proposed to make some of the unused money from the CAP budget available for this end. Under this proposal, the money would help farmers in developing countries to get access to seed and fertiliser.

This immediate response should go hand in hand with long-term policies to strengthen agricultural production in developing countries. We need more agricultural research. We need more knowledge-building. We need improved cropping systems, more efficient use of water, and new crop varieties with greater resistance to diseases and environmental stress, and we need to discuss further the role of biotechnologies, in particular GMOs.

These points are not controversial. But let me raise a further point which **is** controversial: we also need to keep trading and avoid export restrictions and bans! A number of governments have reacted to higher food prices by erecting barriers to exports. But these have done more harm than good.

They may have brought short-term relief for the pain in some countries, but they have made the underlying problem even worse – both in those countries and elsewhere – by adding to nervousness on the world market and by cutting incentives for farmers to raise production.

If you want proof of the damage caused, the rice sector provides a good example.

Trade is an essential ingredient – even if not the only ingredient – of any realistic recipe for food security in the 21<sup>st</sup> century.

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Let me now move on to say a few words about issues of bilateral trade relations between South Africa and the European Union.

This is a healthier trade relationship, which has strengthened steadily over the years.

For example, since 2001, South Africa's wine exports to the European Union have increased in terms of volume by almost 70 per cent!

The two sides are in a position to deepen further their trade relationship, and I believe we should speed up the pace of work needed to do.

The Trade, Development and Co-operation Agreement (TDCA) has been a valuable instrument since it was set up. However, there are still certain pending agricultural issues which need to be addressed – such as cheese. I'm also looking forward to further and faster progress over the Wines and Spirits Agreements.

Finally, a comment about the Economic Partnership Agreement talks between the European Union and the South African Development Community (SADC).

The whole idea of the Economic Partnership Agreement is to harness trade to support development. It should create opportunities for trade linked to capacity-building and development cooperation, offering a much better deal what was possible under the old-style tariff preferences of the Cotonou Agreement.

It's worthwhile to mention that the interim Economic Partnership Agreement with the SADC was concluded **only** with Botswana, Lesotho, Namibia, Swaziland and Mozambique. It will put in place trading conditions and rules that offer predictability and stability for investors in the region.

It's good news that South Africa is now interested in being involved in the negotiations of the “full” SADC Economic Partnership Agreement.

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To finish, I come full-circle to where I started.

The economic map of the world is changing. To keep pace with this change, we're all trying to update our maps of trade rules and agreements – multilateral and bilateral – that keep things running.

We have seen some setbacks in this task. But we need to hold our nerve and sustain our effort – for the sake of trade, for the sake of development, for the sake of prosperity.

Thank you.