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## European Union

### Trade Policy Monitoring

## Fischler rejects full agri-trade liberalisation for developing countries

### 2003

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**Report Highlights:**

EU Farm Commissioner, Franz Fischler, in a speech, rejected the EU fully opening its markets to developing country products on the grounds that unregulated free trade increases income disparities and would only help the most competitive developing countries, wiping out export possibilities for weaker developing countries.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Brussels USEU [BE2]  
[E2]

In a speech to the European Forum in Alpbach, Austria on the theme of globalisation and the market economy, EU Farms Commissioner Franz Fischler described the EU goals from the Doha Round as “further liberalization AND a better deal for the developing world”.

Fischler stressed that all developing countries should not be treated the same for tariff reduction and export subsidy reduction, as it would “only help the most competitive amongst them and it would wipe out the export possibilities of the weaker”, though insisted that the EU position at Doha was to give the developing countries a better deal.

After describing the benefits of trade liberalization, Fischler cautioned that unregulated free trade can have negative consequences in that it can widen the disparities between rich and poor nations.

Fischler drew emphasis to several points – that the EU is the largest aid donor in the world, that the EU is “one of the world’s most open markets to imports of farm products from developing countries”. Fischler argued initiatives such as the EU’s Everything But Arms (which fully liberalises EU import tariffs for all but arms, rice, sugar and bananas to the 49 Least Developed Countries) were preferable to full liberalization with developing countries.

Comment: It should be noted that the EBA agreement is not subject to WTO discipline, is unilateral in nature and imposes strict rules of origin requirements that may be amongst the reasons to explain why EBA country agricultural exports to the EU are declining.

Fischler also highlighted that the recent combined US and EU common proposal for the Doha negotiations was a response to a call for leadership within the WTO, whilst recognizing the importance of the other 144 members.

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Full text of the speech follows:

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**Dr. Franz FISCHLER Member of the European Commission responsible for Agriculture, Rural Development and Fisheries Globalisation and the market economy European Forum Alpbach Alpbach, 26th of August 2003**

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DN: [SPEECH/03/377](#) Date: [26/08/2003](#)

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**SPEECH/03/377**

**Dr. Franz FISCHLER**

**Member of the European Commission responsible for Agriculture, Rural Development and Fisheries**

**Globalisation and the market economy**

**European Forum Alpbach**

**Alpbach, 26<sup>th</sup> of August 2003**

Ladies and Gentlemen,

Are globalisation and the market economy inseparably linked? Is globalisation pushing governments to the sidelines? Does globalisation harm people in developing countries? Can - or should - globalisation be stopped? What is the role of the EU, of transatlantic relations, of the WTO in all this?

Many burning questions! It won't be possible to treat them all in my short address but I am looking forward to our debate, which will be as interesting and fruitful as every year, I am sure. This year's debate on globalisation and the market economy is particularly well timed: Only two weeks from now, representatives from the 146 WTO member countries will get together in Cancun in Mexico for the global trade negotiations.

Will we be able to find a compromise? What are the underlying big questions? To begin with I will give you some economic facts on globalisation, and then move on to the WTO negotiations.

**Some key facts on globalisation:**

- Since 1960, world trade has grown 15-fold, world production has quadrupled and world per capita income has more than doubled.
- The EU and the US exchange one billion € in trade every day.
- Around one third of world trade today is trade within multinational companies. Can you guess how many transnational companies there are? In 1970 there were 7.000 today there are around 60.000, with several hundred thousand subsidiary companies abroad. <sup>(1)</sup>

- People and markets have been brought closer by the internet revolution, as well as by a dramatic drop in transportation and technology costs. For example, ocean freight transportation costs have dropped by 70% in the last 80 years.<sup>(2)</sup>

Increased trade and the technology revolution have brought us many advantages, but they have also thrown up new challenges: How can we regulate this ever increasing flow of goods, capital and ideas, to the benefit of all? What is the responsibility of NGOs, of multinationals, of consumers in this? While I hope that we can come to these points in the discussion, I would like to focus now on my own profession: What is the role of politics in mastering the globalisation of world trade?

**And that's exactly where the WTO comes in:**

Einstein said that "the significant problems we face cannot be solved at the same level of thinking we were at, when we created them". The same is true for globalisation there is clear need for a global framework, and for world wide rules. I am convinced that we must reinforce the UN and the WTO.

I agree with the US trade representative Bob Zoellick who recently said that the current WTO round is "a once-in-a-generation opportunity".<sup>(3)</sup> It is an opportunity to hammer out world wide rules to provide a framework for the globalisation of international trade. It is an opportunity to reach our EU goals: further liberalisation and a better deal for the developing world.

I am well aware that these two goals are at the same time at the core of the "globalisation debate"! Further liberalisation is fine, but how should we shape it? And good rhetoric on developing countries is fine, but what is their real say in the process, and how can we effectively ensure that they get a good deal?

**Some words on further liberalisation:**

- A recent WTO study suggests that the world wide welfare increase from further liberalisation could be to the tune of up to 650 billion € in the long term.
- The EU position in the WTO is, just as the position of our American friends, a clear yes to further liberalisation.
- But experience has taught us that **unregulated** free trade can have a large number of negative effects: It increases the gap between the rich and the poor, it threatens the environment, it hampers fundamental rights for the workers in developing countries. The strong prosper but the weak suffer: for example, in spite of the vast gains in world per capita income, over 50 countries are today poorer than they were 10 years ago.<sup>(4)</sup>

Is the liberalisation of the global economy to blame? Or does this rather mean that we have to find better ways of dealing with its effects?

This links directly in with our second negotiation goal: we ask for a better deal for developing countries.

Jimmy Carter said: "If you're totally illiterate and living on one dollar a day, the benefits of globalisation never come to you." What can we do to make developing countries benefit?

- The EU is the biggest aid donor in the world: we provide over half of global aid (over \$29 Billion in 2002 out of \$57 Billion).
- In the WTO the EU has adopted a negotiating position, which would give developing countries a better deal. For example, we support their free access to medicines. And we are ready to give them special and preferential treatment in trade.
- In my own field, agriculture, contrary to the rhetoric one hears all the time, the EU is already today one of the world's most open markets to imports of farm products from developing countries. Look at what we do, not what others say! We import more agricultural products from developing countries than the US, Australia, Japan and Canada, taken together.
- We must remember that all developing countries are not the same, and there is not one single right way to take. An example: Even if we were to open our markets fully for developing countries, and abolish all our tariffs and subsidies, this would only help the most competitive among them and it would wipe out the export possibilities of the weaker.
- What makes a lot more sense are targeted initiatives in favour of the developing countries, such as our "Everything but Arms" initiative, where the EU gives the 49 Least Developed Countries (LDCs) tariff-free access to our market for non-military goods. I hope that also other countries will adopt a similar approach. Success in Cancun will only happen if all members come on board.
- Our WTO partners have called for leadership, now they get leadership: Two weeks ago the two main trading blocks the EU and the US - made a common proposal for the agricultural negotiations. But we know perfectly well that it is not good enough if the two biggies dance the waltz, in the WTO it takes 146 to tango. That's why we conducted our talks with the US in a fully transparent way, so that the other WTO members do not feel left out.

Ladies and Gentlemen,

is the globalisation of the world economy a good thing or a bad thing? There are no simple answers, and there is no one truth on this complex question.

To me, globalisation is neither heaven nor hell. It is the current economic reality, that we have to accept. Yet at the same time we must strive to master the process to the benefit of all. The current WTO negotiations offer a once-in-a-generation opportunity for this. It is important that all the 146 represented countries make a joint effort, to make them a success.

I am looking forward to our discussion.

(1) ICC (International Chamber of Commerce)

(2) IMF, Policy discussion paper: Globalization: Facts and Figures, Paul Masson, 2001

(3) Robert Zoellick, op-ed, The Wall Street Journal, 10 July 2003

(4) UN (UNDP): Human Development Report 2003