European Commission
Agriculture and Rural Development

Agriculture in the DDA: the EU offer

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The EU offer at a glance

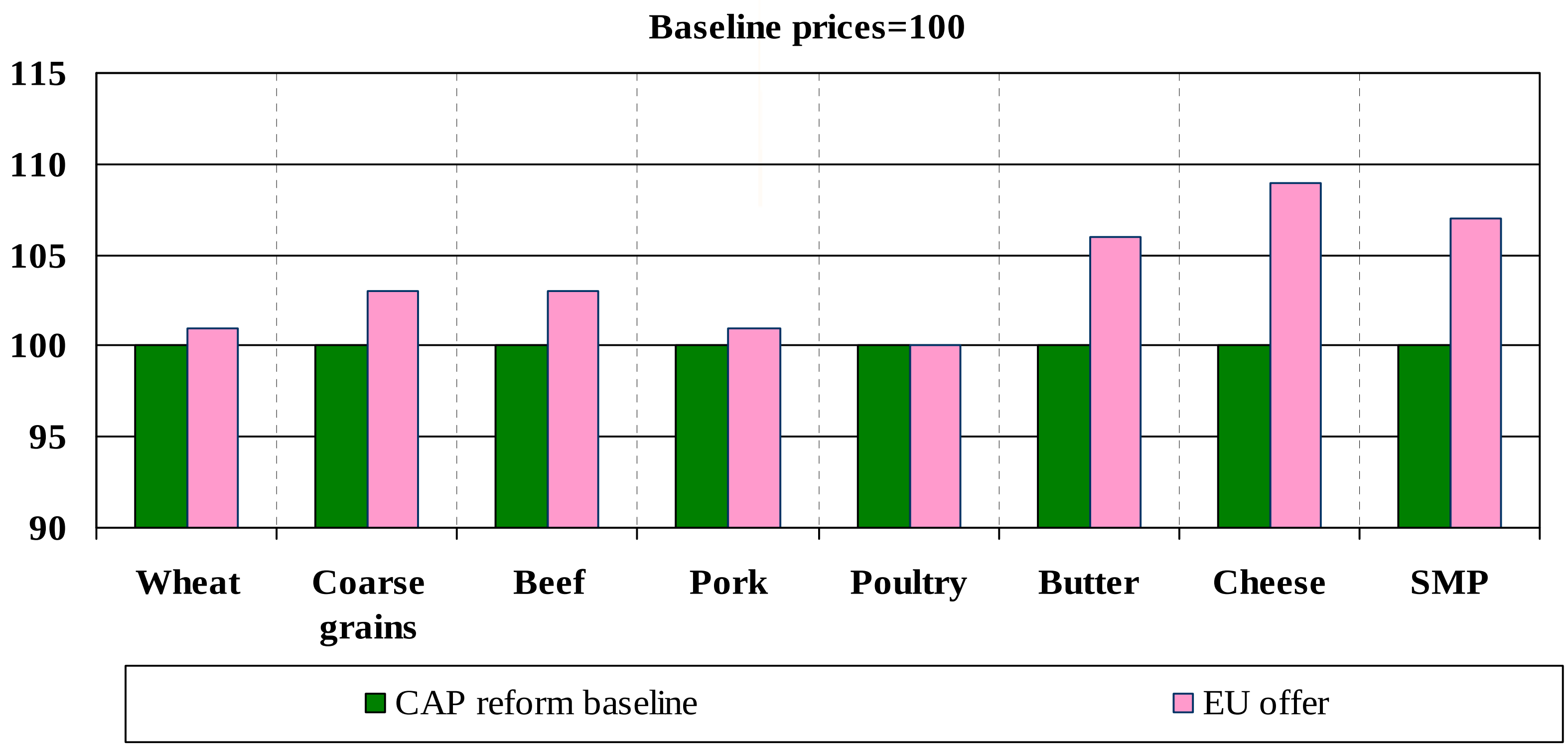
- ***Export competition***
  - **100 % reduction** of export subsidies by 2013 (significantly by 2010)
  - parallel elimination of *all* other forms of trade-distorting export support

- ***Domestic support***
  - **70% reduction** of AMS and total trade-distorting support
  - 60% reduction for US AMS and TDS, effective disciplines for new BB

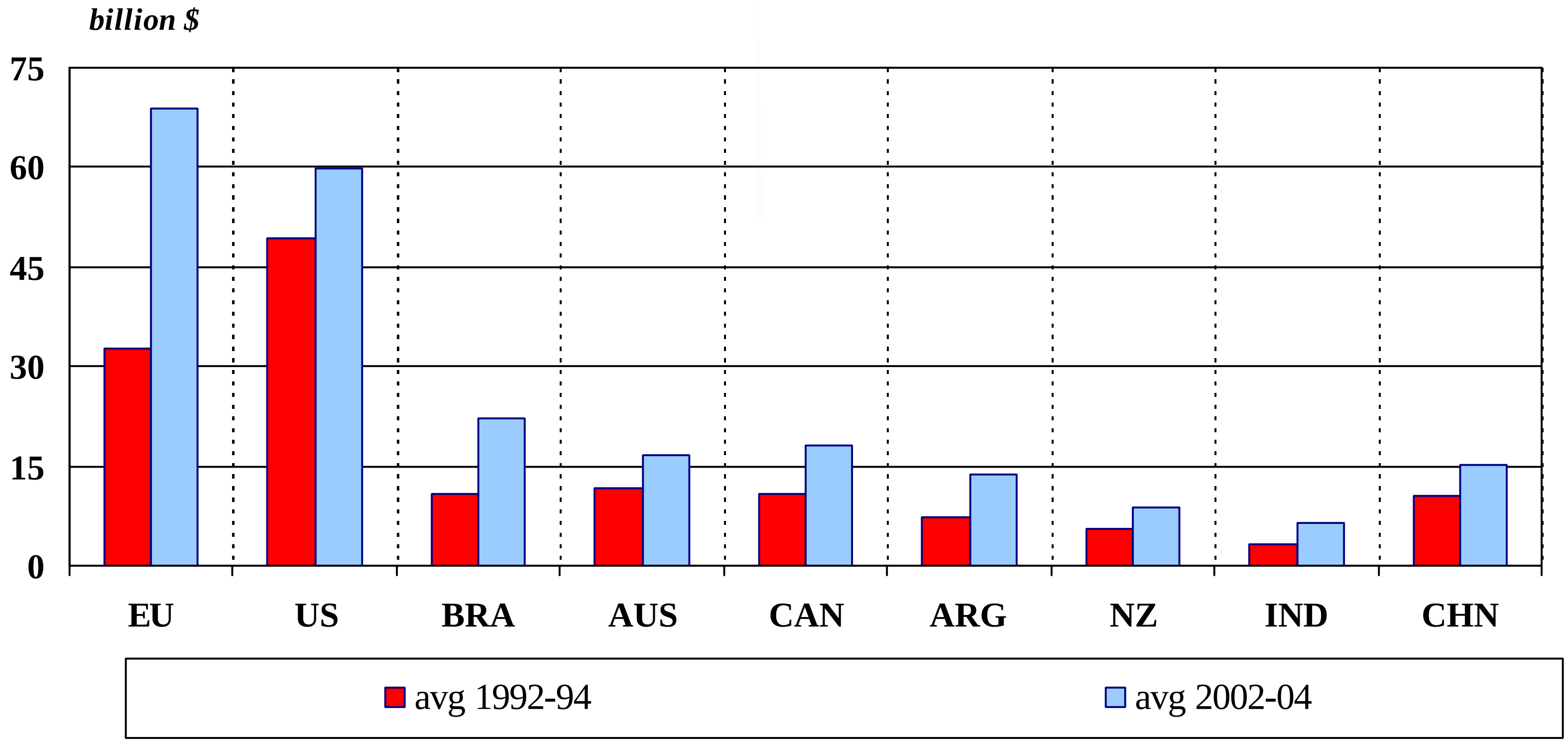
- ***Market access***
  - proposal resulting in **47% reduction** of EU average agricultural tariff
  - clear relationship between developed and developing country cuts
  - treatment of sensitive products to provide access consistent with FA

➢ ***EU offer results in cumulative, significant impact***

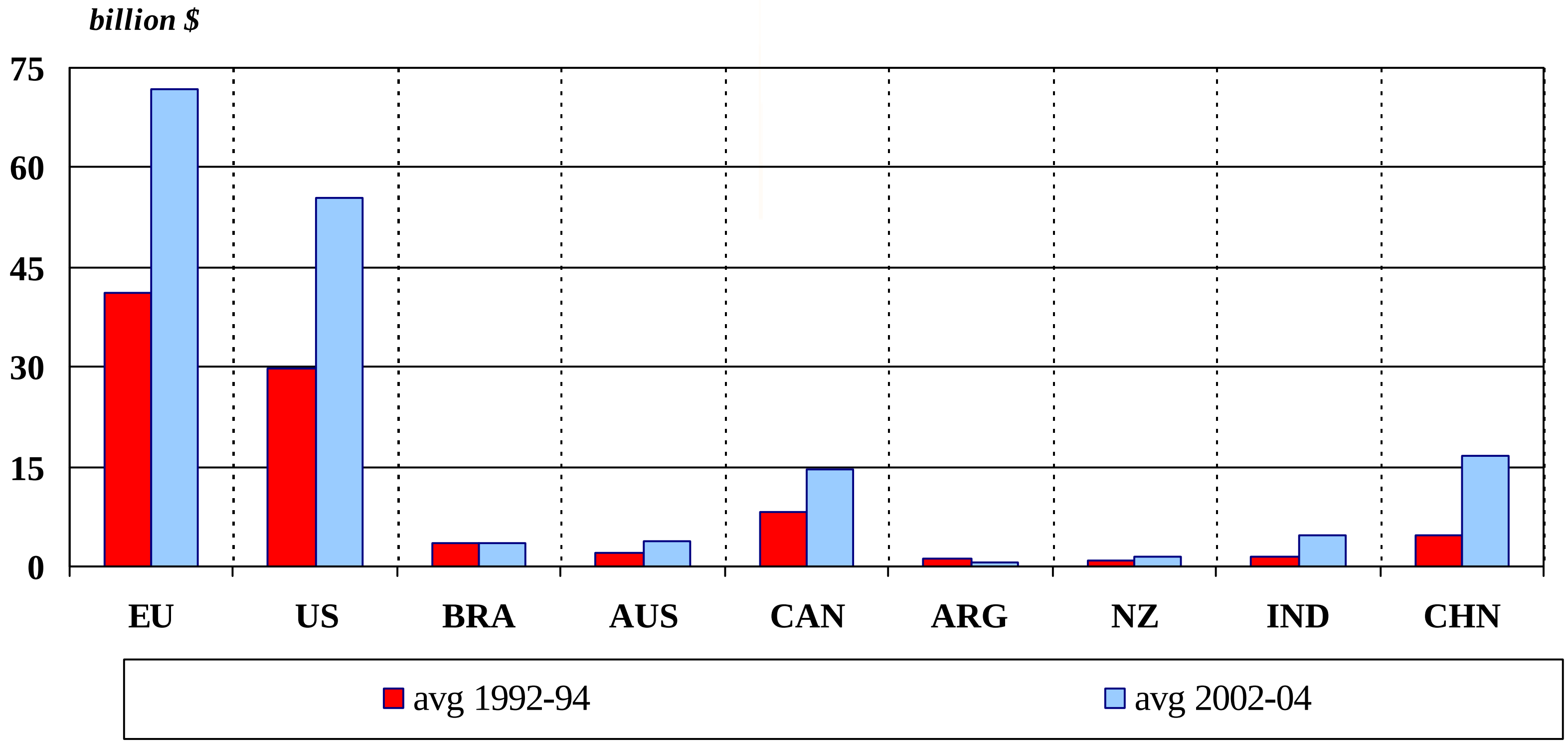
Impact of EU offer on world prices



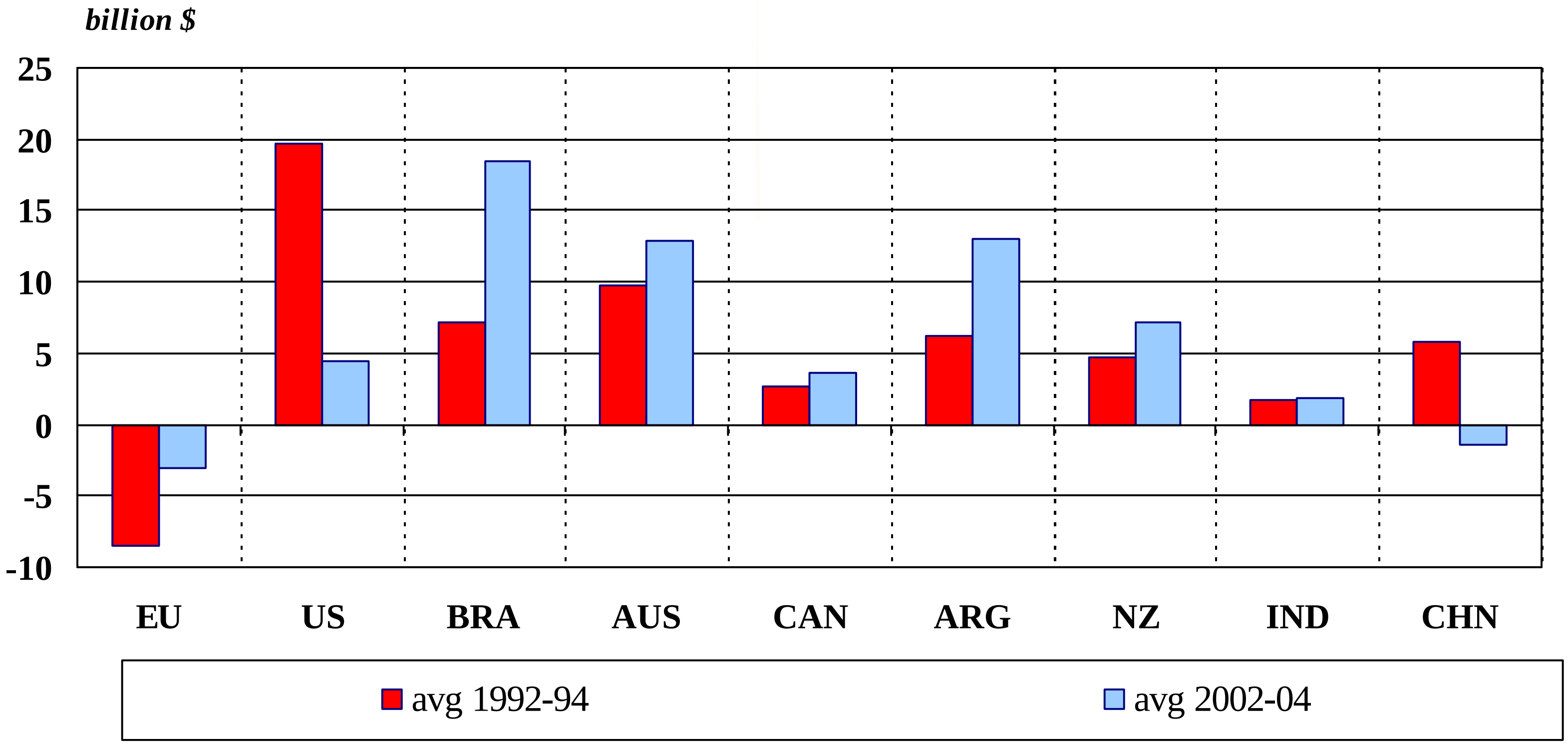
Agricultural exports of major WTO players



Agricultural imports of major WTO players



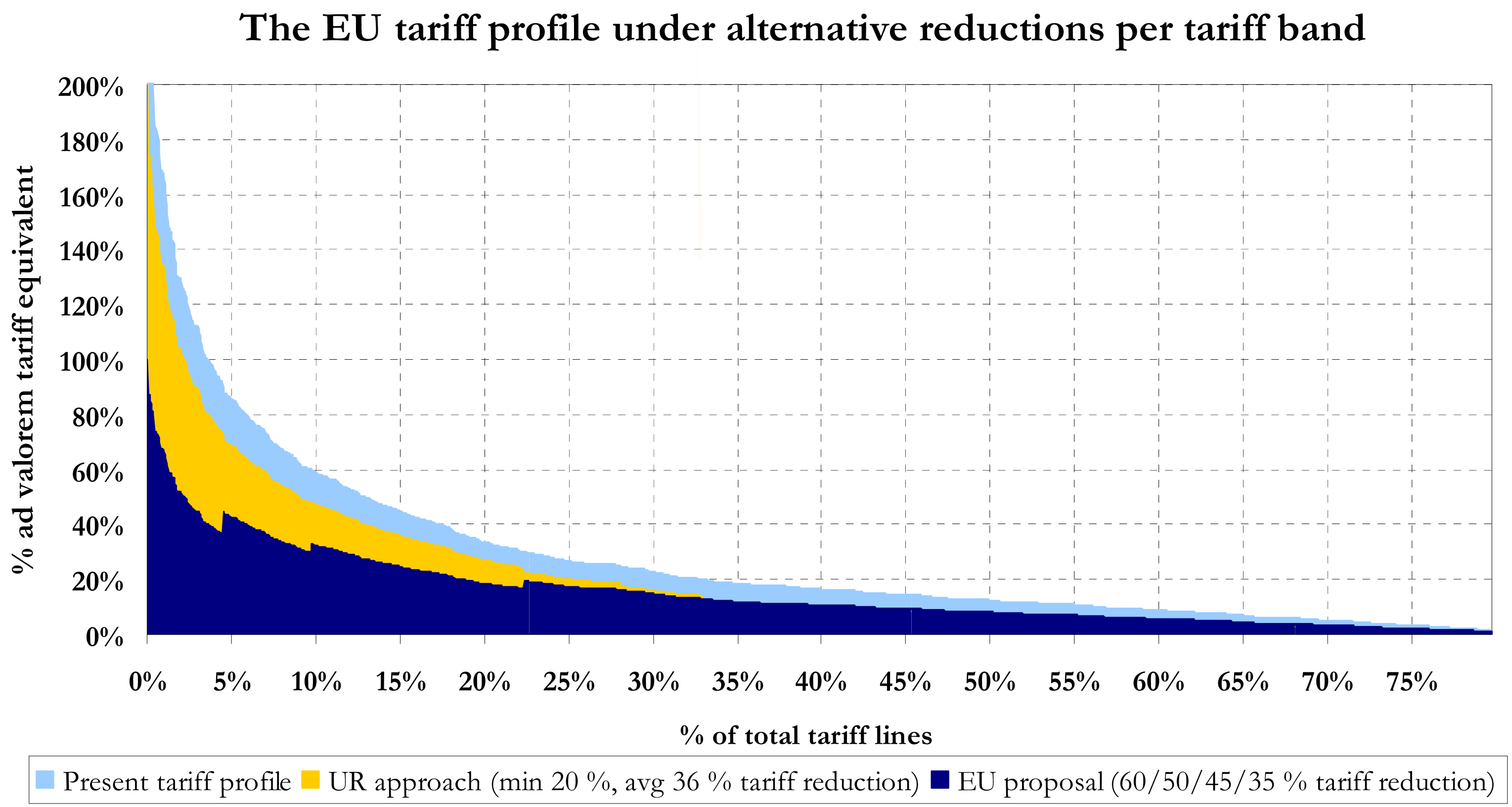
Ag trade balance of major WTO players



Why do market access assessments differ?

- ***Ambition is assessed based on UR approach***
  - UR average tariff cuts left flexibility to cut less in higher tariffs
  - DDA approach (agreed in FA) will cut higher tariffs more
  - Level of market access ambition is linked to this characteristic
- ***TRQ expansion viewed out of context***
  - TRQ should compensate for loss of trade due to *deviation* from cut
  - exporter proposals view TRQ as additional market access
- ***Relationship between level of cuts crucial***
  - EU proposes 2/3 relationship between dvd and dvg country cuts
  - G20 proposal results in dvg cuts at 50% of dvd cuts per tier
  - US, AUS proposals leave this relationship unclear

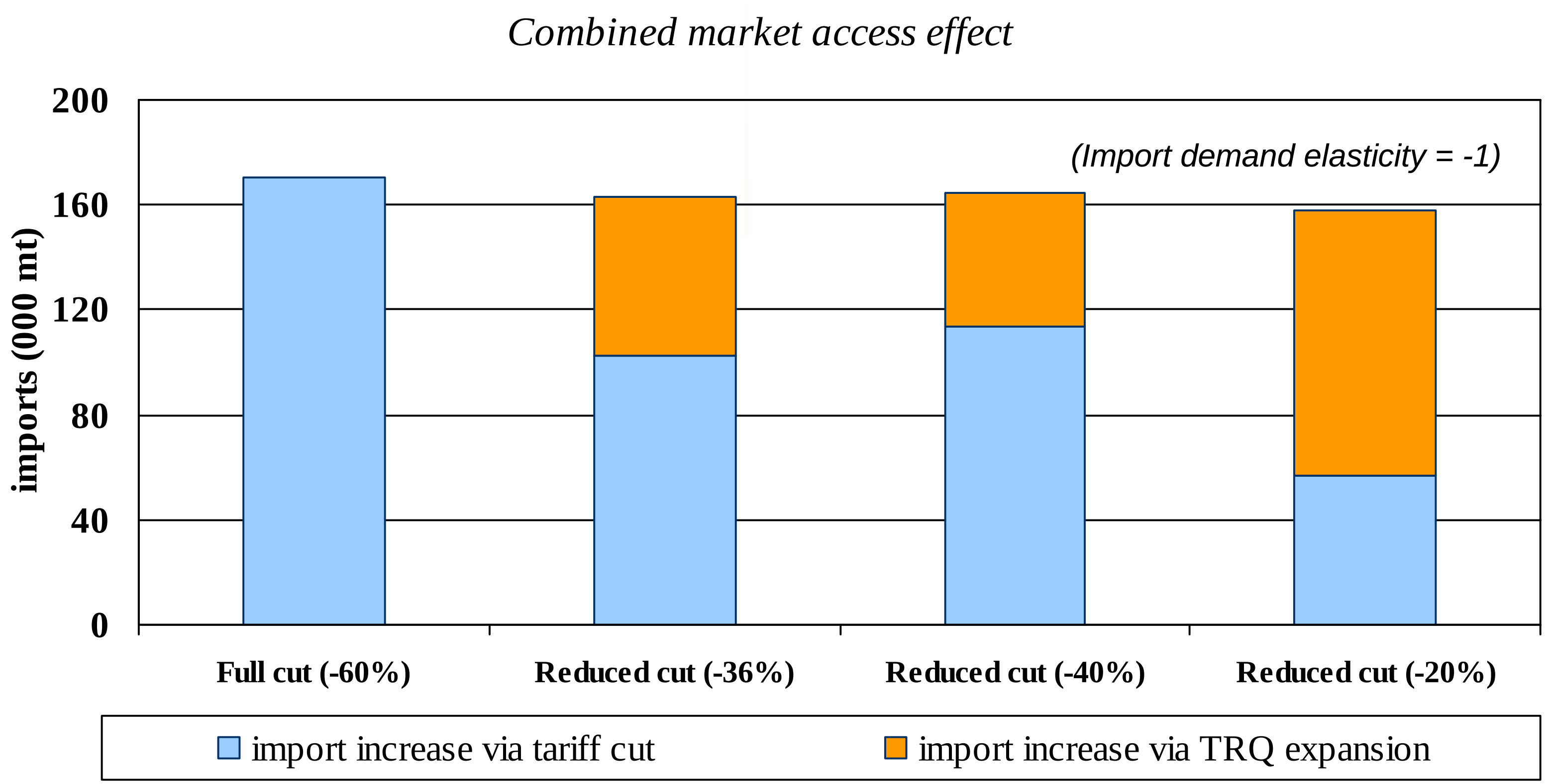
Impact of tariff reduction formula



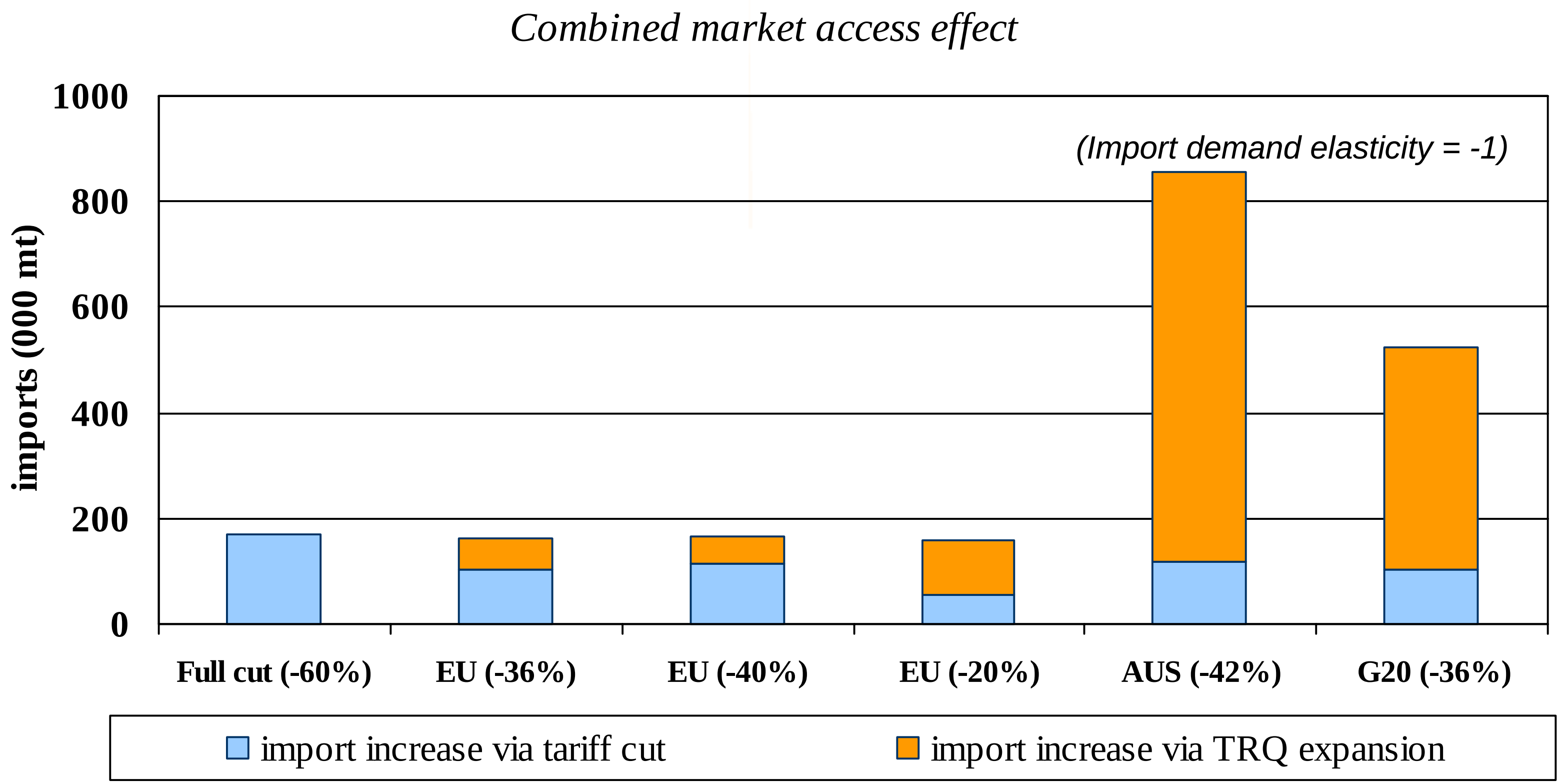
Alternative approaches to TRQ expansion

- ***TRQ expansion as a fixed percentage of consumption***
  - sets fixed target, without reference to relevant market access
  - attempts to capitalise on non-trade factors that influence consumption
  - ignores the residual nature and the limitations of consumption data
- ***TRQ expansion as a variable percentage of imports***
  - adjusts TRQ expansion to tariff profile, TRQ level and actual trade
  - provides substantial market access in relation to relevant trade variable
  - utilises available and transparent data per tariff line
- ***An example highlighting the difference in results***
  - Assume product with consumption of 7 mio mt, imports of 600 tmt, TRQ of 250 tmt, import price (before duty) of 1500 €/m, AVE of 90 %
  - apply a tariff cut of 60 % and the alternative formulas, and compare results

The EU treatment of sensitive products…



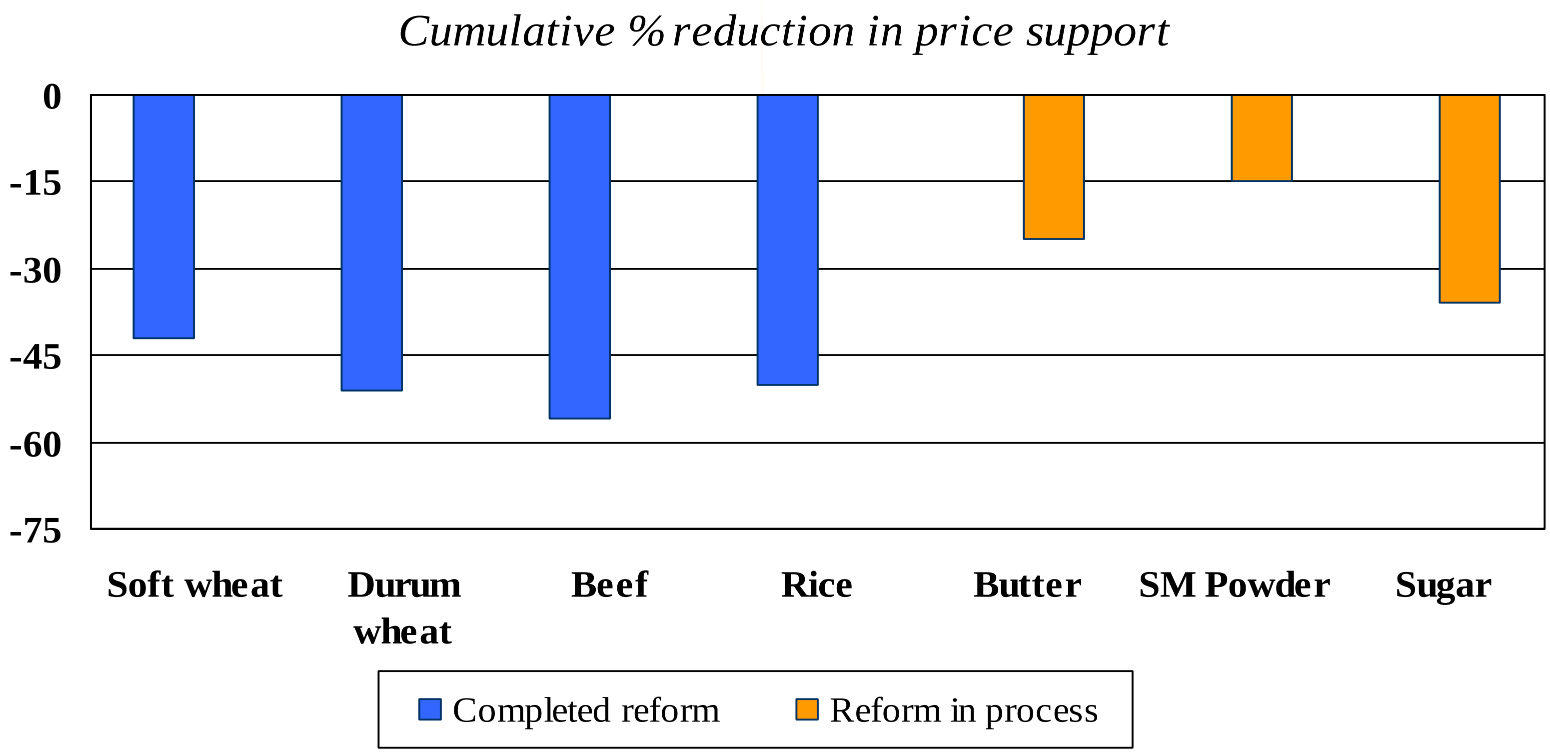
…compared to proposed alternatives



And what about subsidies?

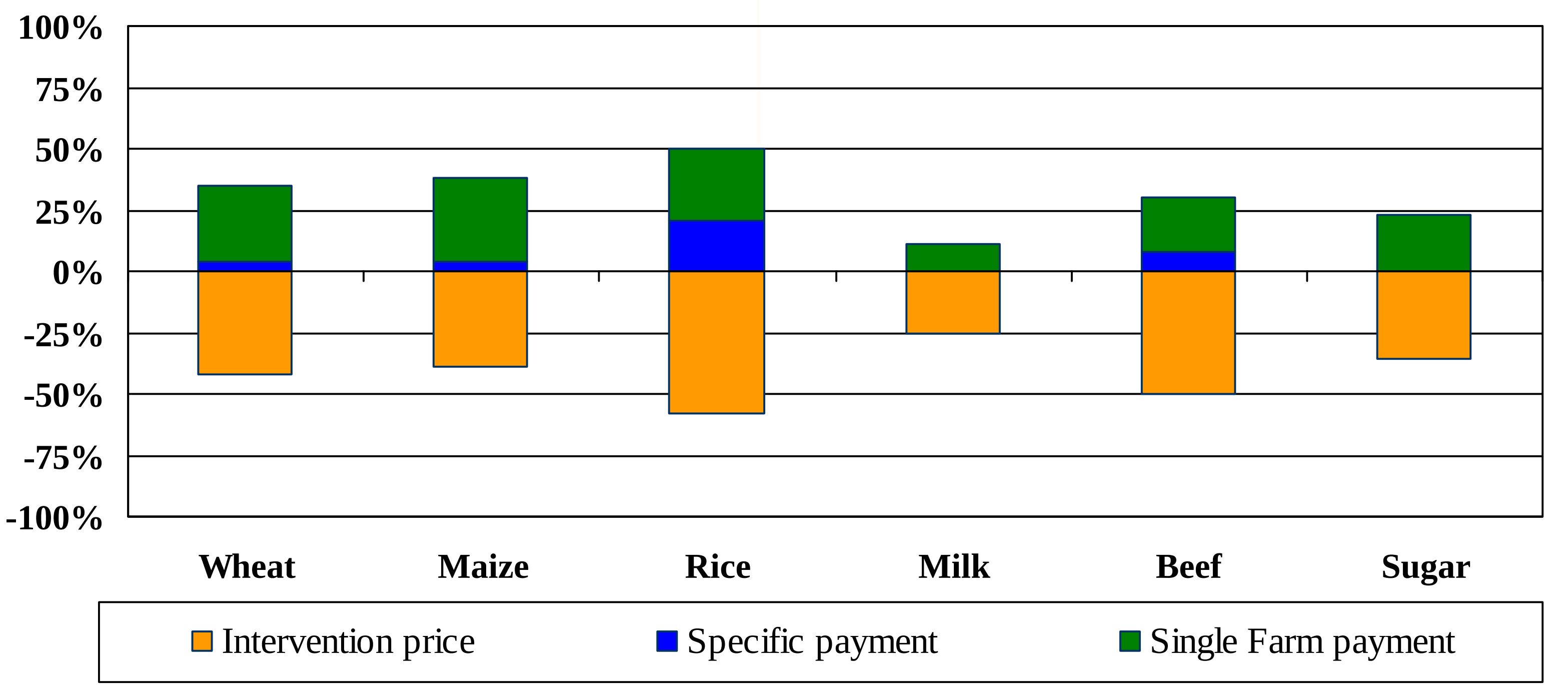
- ***EU domestic support***
  - significant reduction in all forms of trade-distorting support
  - EU ready to consolidate direction of reform
  - "harmonisation" challenge is elsewhere!
- ***US domestic support***
  - US offer reduces US AMS and the overall level of CCPs, but…
  - …leaves open potential shift of trade-distorting support among crops
- ***Export competition***
  - export subsidy future is clear
  - export credit future is relatively clear
  - some forms of food aid clearly distort trade, need disciplines
  - STEs also matter when it comes to trade distortions

EU price support reductions



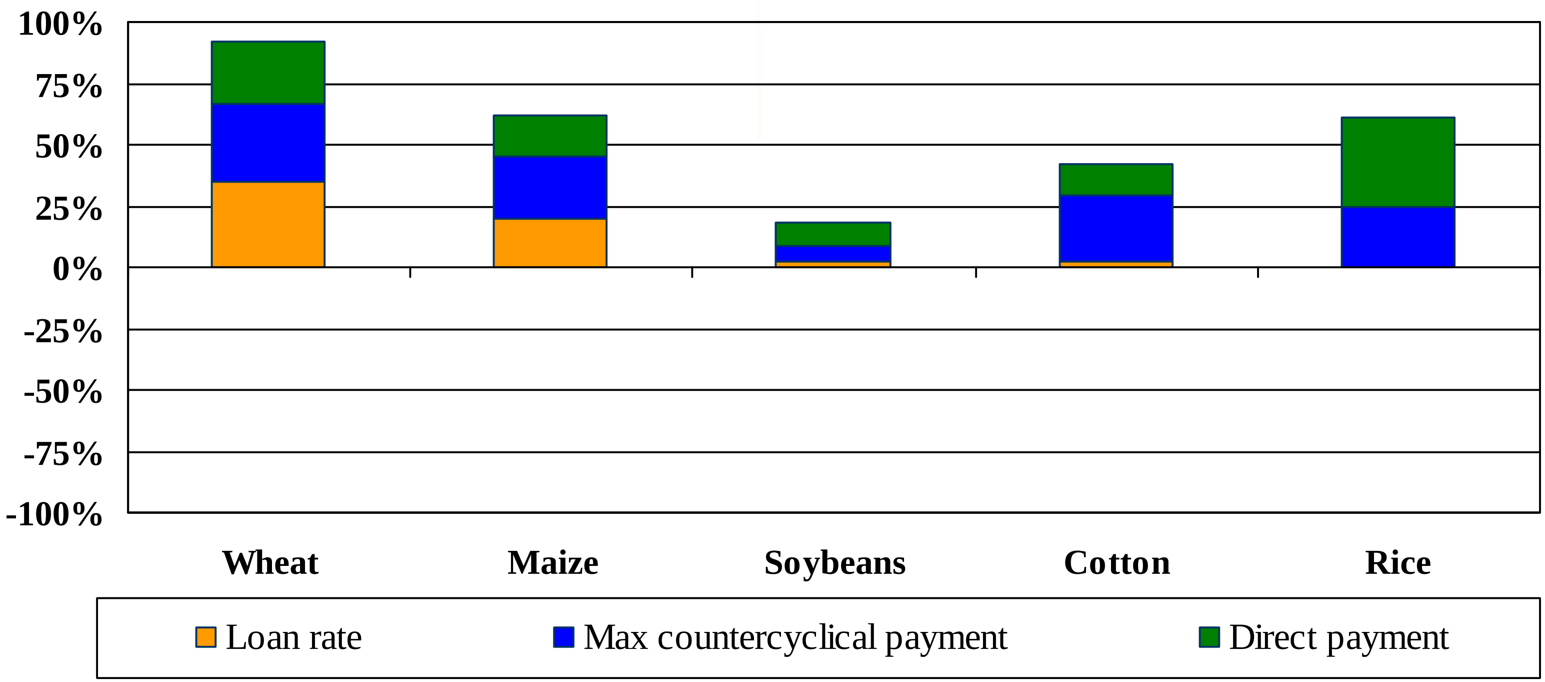
Evolution of EU support prices, 1992-2007

(as % of 1991 support prices)

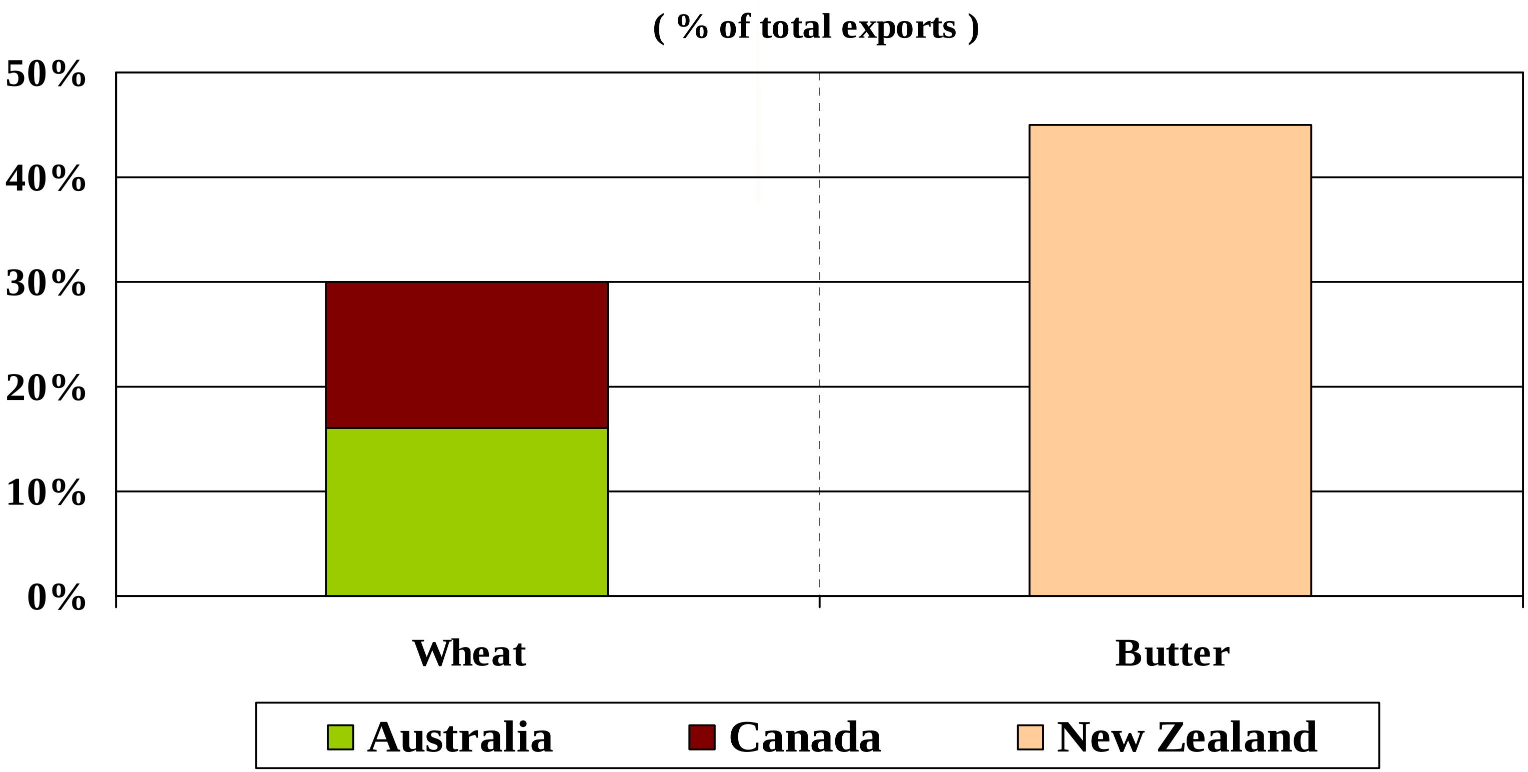


Evolution of US support prices, 1992-2007

(as % of 1991 support prices)



Export market share by export STEs



Conclusions

- ***It's not about subsidies or about market access…***
  - both create trade distortions
  - both have to be disciplined
- ***…it is about the cumulative effect of both…***
  - CAP cumulative impact is amplified by similar direction in all pillars
  - EU proposals are based on what is feasible and realistic
  - EU proposals would generate real impact on EU markets
  - substantial market access via *both* tariff cuts and TRQ expansion
- ***…and a mutually determined level of ambition***
  - market access ambition is not determined by EU alone
  - identifying winners and losers should be balanced
  - outcome cannot just be how to maximise the exports of 5 players

For further information

- EU agriculture and trade

http://europa.eu.int/comm/agriculture/external/wto/index_en.htm

- Agricultural Trade Policy Analysis

http://europa.eu.int/comm/agriculture/publi/map/index_en.htm