

# **The EU-US Agricultural Framework Agreement**

*Doha Development Agenda  
of The World Trade Organization*

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Based on the Joint EC-US Paper on  
Agriculture

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# Background

- Attempt to Launch New WTO Round in Seattle Failed (1999)
- Agriculture Negotiations in WTO Began March 2000 under Committee on Agriculture per URA
- Doha Round of WTO Launched November 2001
- Missed Deadline for Agreeing on Procedures for Process of Trade Liberalization (March 31, 2003)
- EU-US Agree on Framework (August 13, 2003)
- Cancun Ministerial: September 10-14, 2003
- Desired Completion Date: December 2004

# Components

- **Domestic Support**
- **Market Access**
- **Export Competition**
- **Unresolved ‘Issues of Interest’**

# Domestic Support

- Reaffirms Significantly Larger Cuts in Trade Distorting Payments than the URAA (20%)
  - **Amber Box Policies**
    - US: LDPs, LMGs, Price Supports
    - EU: Price Supports, Reference Prices
- Cap Less Trade Distorting Support (New)
  - **Blue Box Policies-present classification**
    - US: Currently None, but Allows CCP
    - EU: Compensatory Payments, Set Asides
  - Cannot Exceed 5% of Value of Total Agricultural Production, End of Implementation



# Market Access

## ‘Blended Approach’

- Share of Tariffs Immediately Duty-Free
- Share of Tariffs Reduced by Specified Average Amount (%) & Minimum (%)
  - Currently 36%/15%
- Share of Tariffs Reduced by Swiss Formula
  - Higher Tariffs Cut More than Lower Tariffs
- Special Ag. Safeguard Being Negotiated
- Developed Countries Provide Specified Minimum Duty-Free Access to Developing Countries
- Combination Tariff Cuts & TRQ Expansion
- Reduce *de minimis* by Negotiated Percent

# Export Competition

- Reduce, Phase-Out Export Subsidies
- Some Export Subsidies Eliminated Over Specified Time Period
- Remaining Product's Subsidies Reduced in Quantity & Budgetary Outlay
- Discipline Trade Distorting Components of Export Credits as Above
  - Terms Reflect Commercial Practices
- Prevent Commercial Displacement via Food Aid
- Discipline State Traders: Selling, Finance & Pricing

# Special & Differential Treatment

- Applies to Developing Countries
- Allows Longer Time Period to Implement Provisions
- Less Reduction in:
  - Domestic Support, Tariffs, Export Subsidies
- Net Food Exporters NOT Likely to Receive Full Benefit of SDT  
(Argentina, Brazil, Some Others)

# **‘Issues of Interest’**

## **(No Agreement)**

- Peace Clause (Art. 13 URA) : Prevents Challenges to Farm Subsidies thru 12/31/03
- Non-trade Concerns: Precautionary Principle & Multifunctionality
- Implementation Period: How Long?
- Geographical Indications: EU Wines
- Continuation of Negotiations in Future: Future Directions & Time Frame

# Implications

- Framework Necessary, Not Sufficient
  - **Details to be Developed, Issues to Resolve**
- US Will Have a Place to Classify Counter-Cyclical Program Payments
- Reducing *de minimis* Will Discipline EU Policy – May Lead to Payment Reductions for Some Programs

# Implications

- US & Other Developed Country Trade Distorting Domestic Support Will be Lower than Current Levels (**\$9-\$10 Billion/Year for US**)
- Increases US Access to Other Markets
  - **Expands Demand, Raises Prices**
- Export Subsidies Reduced & Eliminated
  - **Lowers Supplies, Raises Prices**

# Implications

- Non-trade Issues Important
  - **Precautionary Principle-Trade Restriction w/o Scientific Basis**
- Protection for Geographical Indications
  - **EU Wines & Cheeses**
- SDT Provisions Will Be Crucial
  - **Developing Country Participation & Buy-In Needed for Successful Round**



# Implications

- Agricultural Safeguards To Be Developed
  - **Temporary Tariffs If Imports Surge & Force Down Prices**
- More Access for Developing Countries Likely Creates More Import Competition
- Some Fine Tuning of Farm Programs May Be Necessary to Comply with Final Agreement