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EU and US present joint framework on agriculture negotiations to WTO

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Report Highlights:

The US and EU presented to the other WTO members a joint understanding on a framework for addressing issues in the WTO agriculture negotiations.

The framework addresses questions on domestic support, market access and export subsidies. The agreement has already been criticised by developing countries and NGOs.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Brussels USEU [BE2]
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The US and EU presented to the WTO a framework understanding for resolving outstanding issues in the WTO agriculture negotiations. In more detail, the framework addresses how trade distorting domestic support can be reduced, including for 'less trade distorting domestic support' (sic) limited to 5% of the value of agricultural production. (Note in 2001, the value of EU agricultural production was €256 bn, for the 10 countries set to join the EU in May 2004, roughly €28 bn). There are in addition commitments to reduce 'most trade distorting domestic support' and the *de minimis* exception, though values are not defined.

On the issue of market access, concepts for tariff reduction and improved market access are presented. The principle of more favourable treatment for developing countries is stated in the paper. On tariff reduction, a new formula which is somewhere between the US favoured 'Swiss formula' (bigger reduction for higher tariffs) and the EU favoured Uruguay Round approach (tariffs cut by equal percentages). The paper also introduces the concept of a maximum tariff level. All tariffs above this level would have to be reduced to at least this maximum. Numbers are not specified in this agreement.

For export subsidies, the framework looks at how to reduce export subsidies, with a commitment made towards reducing subsidies with a quid pro quo on the trade distorting elements of export credits, food aid and state trading companies (such as the Canadian Wheat Board).

In addition, the paper highlights issues such as the peace clause, non-trade concerns and Geographical Indicators where the EU and US have yet to reach agreement.

Chief US Agricultural Trade Negotiator, Allen Johnson speaking about the agreement said, "We don't pretend that it answers every question", however he stressed that "these results are a good sign for the future".

A European Commission press release characterizes the agreement as being a constructive framework for further negotiations at Cancun, though are realistic that there remain further issues and obstacles to be discussed.

Development NGO Oxfam was critical of the agreement, arguing that it does little to help developing countries as export subsidy removal is only limited, changes to domestic supports allowed are only cosmetic and that the agreement is rather vague in many areas.

Widely reported in European press are critical statements from India and Brazil. The Brazilian Ambassador to the WTO is reporting as saying that the framework "is not enough", whilst the Indian envoy to the WTO is reported to have called the agreement "unrealistic" and failing to take into account the interests of Indian farmers as it appears to be an effort by rich countries to get access to developing country markets without providing any engagement to open their own markets.

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