International Perspectives: European Union

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- the impact on EU agriculture of the 1994 GATT Agreement on agriculture
- the on-going CAP reform process
- the new negotiation: issues, concerns and implications
The 1994 GATT “Agreement on agriculture” and the CAP

domestic support commitment
The 1994 GATT “Agreement on agriculture” and the CAP

**domestic support commitment**

it has not been a problem for the EU
(...as for hardly any other country)
The 1994 GATT “Agreement on agriculture” and the CAP

*domestic support commitment*

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because of

1. the much lower price support
The 1994 GATT “Agreement on agriculture” and the CAP

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because of

1. the much lower price support
2. the “blue box”
The 1994 GATT “Agreement on agriculture” and the CAP

*market access commitments*
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market access commitments

(a) “tariffication” of variable import tariffs
(b) tariffs reduction
The 1994 GATT “Agreement on agriculture” and the CAP

market access commitments

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did not imply a significant reduction of border protection
The 1994 GATT “Agreement on agriculture” and the CAP

**Market access commitments**

(a) “tariffication” of variable import tariffs

(b) Tariffs reduction

did not imply a significant reduction of border protection, because of

1. Market reorientation
   (water in the tariffs...)

2. “Dirty tariffication”

3. Cereals and rice; fruit and vegetables
Tariff Rate Quotas (TRQs) have been a problem: dairy (and meats)
The 1994 GATT “Agreement on agriculture” and the CAP

export competition commitments
The 1994 GATT “Agreement on agriculture” and the CAP

export competition commitments

the most relevant commitments for the EU
export competition commitments

the most relevant commitments for the EU

- GATT constraints on subsidized exports were binding at least in 1 year out of the first 5 of the implementation period for:
  - rice (4), cheese (2), “other milk products” (3), poultry (3), beef (1), olive oil, wine (3), fresh fruit and vegetables (4) (sugar...).
The 1994 GATT “Agreement on agriculture” and the CAP

**export competition commitments**

- the EU is expected to keep facing binding constraints on its subsidized exports of rice, dairy products, wine and fresh fruit and vegetables (olive oil…)}
The 1994 GATT “Agreement on agriculture” and the CAP

**export competition commitments**

- the EU is expected to keep facing binding constraints on its subsidized exports of rice, dairy products, wine and fresh fruit and vegetables (olive oil…)

- without Agenda 2000 the same would have been true for wheat, coarse grains, beef and poultry
The 1994 GATT “Agreement on agriculture” and the CAP

export competition commitments

... but in many sectors (poultry, wine, fresh fruit and vegetables) when the commitments on subsidized exports became binding an increase in non subsidized exports took place.
European Union. Fresh fruit and vegetables: subsidized and unsubsidized exports; maximum allowed subsidized exports
The CAP reform process: what’s next?
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The CAP reform as a continuous process
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*MacSharry reform (1992)*

*Agenda 2000 (1999)*
The CAP reform process: what’s next?

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MacSharry reform (1992)
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The pressure for change: towards a new paradigm?
The CAP reform process: what’s next?

The CAP reform as a continuous process

*MacSharry reform (1992)*
*Agenda 2000 (1999)*

The pressure for change: *towards a new paradigm?*

- changed role of agriculture in EU society (new goals for agricultural policies; new instruments)
- need to adequately answer consumer demand for food safety and food quality
- environmental protection
The CAP reform process: what’s next?

“Agenda 2000” mid-term review

Commission’s proposals: mid 2002
Council’s decisions: end of 2002 or early 2003
The CAP reform process: what’s next?

“Agenda 2000” mid-term review

Commission’s proposals: mid 2002
Council’s decisions: end of 2002 or early 2003

the issues:

• the enlargement and its budget implications
• unfinished business: modulation, digressivity, environmental cross compliance, (higher/full) decoupling of direct payments
• unfinished business: dairy
• WTO negotiations
• co-financing (distribution of budgetary costs across member countries)
Agenda 2000 mid-term review:

cosmetic adjustments

or

significant reform?
The WTO negotiations on agriculture and the CAP: domestic support
The WTO negotiations on agriculture and the CAP: domestic support

the issues:

• elimination of the “blue box”
• redefinition of the “green box”
• by how much to reduce support in the “amber box”
• reduction of the AMS or of the support calculated on a product by product basis?
The WTO negotiations on agriculture and the CAP: domestic support

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direct “compensatory” payments
(cereals, oilseeds, meats, dairy)
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.... current ones, ....new ones
The WTO negotiations on agriculture and the CAP: market access

the issues:

- by how much and how reduce tariffs
- what to do with TRQs
- what to do with the SSC
- importing State Trading Enterprises
The WTO negotiations on agriculture and the CAP: market access

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SSC
The WTO negotiations on agriculture and the CAP: market access

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- SSC
- TRQs
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SSC

TRQs

… but the enlargement and preferential trade agreements are potentially much more relevant
The WTO negotiations on agriculture and the CAP: export competition
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the issues:

• by how much and how reduce export subsidization
• subsidized export credit policies
• “improper” food aid practices
• exporting State Trading Enterprises
The WTO negotiations on agriculture and the CAP: export competition

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export subsidies

dairy, sugar, wine, fruit and vegetables
wheat, coarse grains, meats
The WTO negotiations on agriculture and the CAP: other issues
The WTO negotiations on agriculture and the CAP: other issues

- Special and Differential Treatment
- export limiting policies
- food quality (denominations of origin)
- food safety
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food quality (denominations of origin)
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WTO negotiations on agriculture after Doha: an EU perspective
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• export subsidies
WTO negotiations on agriculture after Doha: an EU perspective

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- non trade concerns
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WTO negotiations on agriculture after Doha: an EU perspective

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• the timing issue: the negotiations schedule and the peace clause
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WTO negotiations on agriculture after Doha: an EU perspective

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  potentially limiting the liberalizing power of the new agreement on agriculture

(the Farm Bill....)
WTO negotiations and the CAP: some concluding remarks
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WTO negotiations will put pressure on the EU to modify the CAP to make it compatible with the new Agreement.
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pressure to:

- *redesign direct payments* to farmers, to make them compatible with the new domestic support commitments
  - environmental protection (cross compliance)
  - landscape maintenance
  - rural development
WTO negotiations and the CAP: some concluding remarks

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• *redesign direct payments* to farmers, to make them compatible with the new domestic support commitments
  - environmental protection (cross compliance)
  - landscape maintenance
  - rural development

• *increase decoupling* of direct payments
pressure to:

• redesign the CAP in certain sectors (*dairy* and, possibly, *sugar*), to make the budget impact of the new agreement financially sustainable
WTO negotiations and the CAP: some concluding remarks

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All changes “required” by the WTO negotiations are changes which the EU should be willing to introduce for its own good domestic reasons!