The Doha Development Agenda

Getting the facts straight on the EU's agriculture offer in the Doha round

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The USTR fact sheet "Implications of EU Agriculture Market Access Position" (20 January 2006) seriously twists the truth about the value of the European Union's agricultural market access offer in the Doha Round. Here we straighten out some of the most misleading claims...

Cutting the highest tariffs most...

The USTR says: "The EU formula delivers only a 39% average cut in EU tariffs. This is effectively less ambitious than the Uruguay Round average cut of 36% as cuts are being made from a lower baseline."

This is entirely misleading. The cuts proposed by the EU offer are deeper than the average cuts agreed in the Uruguay Round. Whereas the Uruguay Round formula allowed countries to shield their highest tariffs behind an average figure, the EU proposal cuts the highest tariffs the most. The EU's highest tariffs would be cut by 60%. Its average tariff would fall by almost half to just 12% - about the same as the current US average farm tariff; and the US routinely describes itself as the most open agricultural market in the world! Although the USTR implies otherwise, the EU is offering steep cuts in tariffs for sensitive products as well, plus increased import quotas.

Averaging out...

The USTR says: "for the 80% of the EU's tariff lines that have tariffs of 30% ad valorem or less, (...) the likely tariff cut on many export priorities could be as little as 20%".

This is highly misleading. Where the EU has proposed flexibility in cuts to the lowest tariff band, it is firmly limited by a requirement to respect an average cut of 35% in that band. So any tariff cut by 20% would have to be balanced by another cut high above the average. The US cites the lowest possible tariff cut and neglects to mention this averaging process.

No water in the EU's tariffs...

The USTR says: "The EU base tariffs for protected sectors are inflated due to water in the tariffication exercise".

This is not true. Imports are flowing into Europe even at full duty: evidence that there is no water in the tariffs. Europe applies the tariffs that it binds. Every percentage point reduction represents real market access opportunities.

Not even a nugget of truth...

The USTR says: "The size of the additional access to the EU market (for poultry) works out at... not even one chicken nugget per person per year".

This is not true. The USTR is calculating possible new market access for one tariff line - chicken leg quarters. There are more than eighty tariff lines for chicken. As well as creating new market access in these tariff lines, the EU also calculates that its combination of reducing subsidies and cutting tariffs will reduce EU poultry exports by about 25% - offering new opportunities to exporters from other markets. Because the most competitive poultry exporters like Brazil are already exporting to the EU even at full tariff, any cut will inevitably mean significant new market access.

Whose markets is the US actually interested in...?

The USTR says: "The EU proposal does not deliver real market access in other countries either. The EU's proposed cuts would not even reach actual, applied tariff rates in many markets".

The examples cited by the US suggest that the USTR's primary problem with the EU offer is that it does not provide sufficient access for US exporters to the agricultural markets of developing countries. Because the EU's offer is based on the principle that developing countries should cut much less than developed ones, to deepen cuts in developing countries, the US must push the EU offer up. The tariff cuts for developing countries proposed by the EU are exactly the same as those proposed by the G20 developing countries themselves.

What the World Bank doesn't say...

The USTR says: "The World Bank has estimated that even if 2% of tariff lines avoid meaningful new access through an approach like the EU proposal 75% of the gains of the Doha Round would be lost."

This is very misleading.What the Bank actually says is that designating more than 2% of farm tariff lines as sensitive products would reduce potential gains by 75% if cuts to sensitive product tariffs were limited to 15% and if no Tariff Rate Quota expansion was proposed. Of course the EU has proposed to cut sensitive product tariffs by as much as 40% and to expand tariff rate quotas. The EU offer provides significant new market access even for sensitive products; the higher the deviation from the normal tariff cut, the higher the TRQ expansion will be. **See for yourself here**. So in the context of the current negotiation this data is completely misleading.

Agriculture and development...

The USTR says "Agriculture is of particular interest to developing countries... many see that they have comparative advantages in agricultural exports".

The EU agrees. The EU is the most open market in the world for the agricultural exports of the developing countries. Thanks to its preferential access schemes, the EU takes 85% of the agricultural exports of Africa and 45% from Latin America. Under these schemes, almost all developing countries pay heavily reduced tariff rates on agricultural exports and the 50 poorest countries in the world - the "Least Developed Countries" pay no tariffs at all and are not subject to any quotas.

Although the US says it wants to boost the trade of developing countries where they have comparative advantage, it refused at Hong Kong to grant duty free access to textile products from Bangladesh and wants to exclude 3% of products from its duty and quota free access proposals for Least Developed Countries.

It is also easy to overstate the importance of agricultural trade for the developing world. Many subsistence farmers have little or no capacity to export, and most developing country international trade is in fact in industrial goods. It is widely accepted that the greatest benefits for developing countries in the multilateral trading system will flow from improved market access in industrial goods, better south-south trade, and wider trade in services which are crucial for developing the bedrock of a strong economy: banking, telecommunications and transport.

Is the EU requesting more in NAMA than what it is offering in Agriculture?

The USTR says: "the EU agriculture proposal contrasts sharply with the EU NAMA proposal, which would cap developed country tariffs at 10% and developing country tariffs at 15%, including flexibilities".

What the USTR does not say is that 50 years of GATT rounds have brought industrial tariffs to very low levels - between 3 and 4% on average in the EU and the US. The first substantial cuts in agriculture took place in the Uruguay Round and it is therefore impossible to bring the level of agriculture tariffs down to the level of industrial products in a single Round when it has taken four decades to achieve current levels for industrial products. The comparison makes no sense.

Here's the beef...

The USTR says the EU offer provides no "significant improvements" in market access for farm goods.

This is simply not true: just one example.EU data suggests that the EU offer would provide market access for 800,000 new tonnes of beef imports every year even if beef is designated as a sensitive product. That is the equivalent of the entire current annual beef exports from Argentina (680 000 tonnes) - one of the world's biggest beef exporters. That is 2.3 billion new 12 oz steaks every year! Or 7 billion new hamburgers!

Imports of beef into the EU have increased from 370 000 tonnes to 508 000 tonnes between 1999 and 2004. Poultry from 248 000 tonnes to 510 000 tonnes. For both products, Brazil is the largest exporter to the EU and will quickly capitalise on any new access. Highly competitive agricultural exporters do not really believe there is no new access in the EU offer... they are simply demanding more.

Figures like these are evidence that the EU offer implies a dramatic contraction in EU exports and production. Those who argue it does not go far enough are large farm exporters who simply want more - or those who want to use the EU offer as a benchmark to drive up proportionally lower levels of tariff reduction in developing countries.