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Europe’s position in the WTO farm trade talks: In favour of a balanced agreement on agricultural trade

Commissioner Franz Fischler, EU Chief Negotiator for Agriculture

The European Union (EU) is fully committed to the negotiation of a balanced agreement to further liberalise agricultural trade. It was with this in mind that we tabled our negotiating proposal in Geneva in the context of the ongoing agricultural negotiations. At the same time, we believe that a generally acceptable result will most easily be found in a broad general round, which we hope will be launched at the next WTO Ministerial Meeting. In concrete terms, we are ready to further reduce trade-distorting domestic support and to reduce our export refunds. But we are not ready to go down this road alone. Our partners will have to do likewise. They also must reduce their own trade distorting support and cut their own forms of export subsidisation.

The EU does not say “no” to more liberalisation. We say “yes” provided that all countries, including the developing countries, and the EU can benefit from it.

We do not say “no” to further cuts in domestic farm support. We say “yes” provided we can keep the kind of aids which enable our agriculture to serve the demands of our society. We therefore want to ensure that non-trade issues such as the protection of the environment, food safety and quality are addressed. In common with many other WTO members, we value our agriculture not only for the production of food and fibre but also for its contribution to public goods like protection of the environment and the continued vitality of rural areas. We also believe that efficiency in livestock production should not mean cruelty to animals.

Consequently, we insist that non trade concerns should be covered in the negotiations so that freer trade can be achieved without prejudice to the legitimate concerns of our citizens.

We do not say “no” to further reductions in export subsidies. We say “yes” provided that equivalent disciplines are introduced for other export competition tools. What we cannot accept is that export subsidies should be the sole target for further discipline, while export credits are subject to no discipline at all, while state trading or other monopoly exporters can use one market to subsidise another and while food aid can be used not to relieve suffering (an objective we of course share) but to dispose of surpluses, open up markets or drive out competitors. All such measures must be tackled in the negotiations.

Europe is the world’s largest importer of farm products, and the largest buyer from developing countries, to a large extent the result of the trade preferences we are granting them. The EU also imports far more from developed countries such as the US or the Cairns Group than it exports.

In liberalising trade, one has to take special account of the needs of weaker economies. The majority of WTO members are developing countries or countries undergoing transition from a centralised to a market economy. These countries must be involved more closely in WTO decision-making. This is no more than their right. And they will rightly insist upon it.

With this in mind, the EU recently decided to accord imports from the 49 poorest countries, including farm products, unlimited duty-free access to EU markets – a world’s first. We hope that other developed countries will follow our example. In addition, the EU proposes improvements in the conditions related to trade preferences, and intensification of all forms of assistance to developing countries.

In the WTO agriculture negotiations, the EU will do its utmost to avoid setting up a situation where some win and others lose. This may be a good basis for a sporting contest – but not for serious negotiations, simply because in a successful trade negotiation everyone wins.
The CAP - a potted history
Since its introduction in the early ‘60s, the Common Agricultural Policy has demonstrated a capacity to adapt and change in the face of new challenges. In its early years, the main focus was to increase agricultural productivity. This approach soon brought results and it was not long before the CAP was called upon to manage production surpluses in certain sectors. This led to measures to restrict quantities produced. More recently, the CAP has embarked on a new approach which is based on two elements: lowering guaranteed prices for key products and offsetting the impact of these cuts on producer incomes by means of direct payments. This approach was the basis for the 1992 reform, which was broadly successful both in terms of market balances and stabilising farm incomes. Nevertheless, an even more radical reform was undertaken in 1999 – the Agenda 2000 package – to prepare the agricultural sector and rural economies for new challenges.

The new CAP
Agenda 2000 has been one of the most ambitious farm reform programmes in recent years. In terms of products covered it represents the most wide-ranging of all EU agricultural reforms. By putting forward a new approach to farm policy, it equips our rural economies to face the challenges that lie ahead. The new CAP is a further step towards supporting the broader rural economy rather than agricultural production. Therefore recognises the multifunctional role of agriculture and ensures that farmers are rewarded not only for what they produce but also for their general contribution to society. The reform also helps prepare the EU for enlargement and to take an active role in the WTO negotiations on agriculture.

It aims to achieve these goals by:
• Reducing guaranteed prices: reductions in market support prices whilst at the same time partially offsetting these reductions by direct aid payments to farmers, thus ensuring a fair standard of living for farmers. The move away from price support towards direct support means a further step in the decoupling of aid from production;
• Encouraging more environmentally-friendly farming practices: In the context of their rural development plans, Member States are required to link policies on agriculture with protection of the environment. In addition, Member States must take measures necessary to ensure that environmental standards are met by farmers, including the possibility of tying direct aid payments to environmental requirements (“cross-compliance”);
• Promoting an integrated approach to rural development in all rural areas: the new policy for rural development promotes a competitive, multifunctional agricultural sector as part of an integrated strategy for rural development;
• Focussing on quality: the reform takes full account of increased consumer concerns over food quality food safety, environmental protection and animal welfare in farming.

CAP expenditure
As the CAP has evolved over time through reform, the changes in support mechanisms have meant a move in the direction of more transparent and less trade-distorting instruments. In addition, following the Agenda 2000 reforms, CAP expenditure has been frozen until 2006. Our budget freeze has been maintained in the face of low commodity prices and considerably increased spending by certain trading partners.
Summary
The EU is fully committed to negotiate a balanced agreement to further liberalise agricultural trade. However, in pursuing this objective, Franz Fischler, the EU’s chief negotiator on agriculture, has made it clear that the rules which will emerge must be fair and equitable for all. As an example, the EU is willing to accept that export refunds should be reduced, provided that other forms of trade distorting export assistance are subject to equivalent disciplines.

The EU also wants to see non-trade concerns such as the protection of the environment, food safety and quality addressed in the trade talks. In this respect the contribution agriculture makes to meeting the wider demands of society which go beyond the supply of abundant and safer food must be recognised. Agriculture contributes to the maintenance of the environment, the vitality of rural society, biodiversity and other public goods and must be able to continue to do so.

The EU is the largest importer of agricultural products in the world, and the largest market by far for products originating in developing countries. We believe that as part of the general liberalisation of trade, special attention should be given to the least developed countries. To this end the EU proposes that developed countries and the wealthier developing countries provide significant trade preferences to developing countries. In addition, the EU encourages others to follow its lead in opening up duty-free and quota-free access for all products (except arms) from the least developed countries. The EU further proposes that all developed countries should intensify all forms of assistance to developing countries.

Background

The start of a new round of agricultural negotiations:
In March 2000, multilateral negotiations on further liberalisation in agricultural trade started at the WTO in Geneva. These talks were begun in line with the timetable agreed during the Uruguay Round.

The aim of the negotiations:
The aim of the negotiations is set out in the preamble to the Uruguay Round Agreement on Agriculture (URAA), which states that the objective is to “establish a fair and market-orientated agricultural trading system”. This aim is to be reached by the “negotiation of commitments on support and protection and through the establishment of strengthened and more operationally effective GATT rules and disciplines”. Commitments under the reform process were to be made “in an equitable way among Members, having regard to non-trade concerns” and special and differential treatment for developing countries “which is an “integral element of the negotiations.” The negotiations should also take into account “the possible negative effects of the implementation of the reform programme on least-developed and net food-importing developing countries.”

The EU will pursue negotiations with these aims in mind.

Uruguay Round Agreement on Agriculture:

Market access, domestic support, and export competition
The commitments on support and protection cover the following areas:
• market access;
• domestic support; and
• export competition.

Non-trade concerns
The URAA recognises the need to take into account non-trade concerns, which for the EU include, in particular rural development, the environment, food safety and animal welfare.
The EU's approach to the WTO agricultural negotiations

The WTO and developing countries
The 1994 Agreement provides for “special and differential” treatment for developing countries.

How the EU negotiates at the WTO
Both the European Community and its Member States that make up the European Union, are members of the WTO. The European Commission represents the Member States at the WTO, on the basis of a mandate approved by the EU Council of Ministers. As far as agriculture is concerned, Franz Fischler, EU Commissioner for Agriculture, Rural Development and Fisheries, is the EU’s chief negotiator, while EU Trade Commissioner Pascal Lamy is responsible for all other areas.

On 21 November 2000 the EU Council approved the general framework for the proposals for agricultural negotiations which will form the basis of the EU’s position in the forthcoming negotiations.

Overview of the EU’s Position
The EC’s comprehensive proposal is based on Article 20 of the URAA, which takes into account the aim of achieving further reductions in support and protection, non-trade concerns and the need to provide special and differentiated treatment to developing countries.

On market access, the EU’s aim is to increase market access to the benefit of all WTO Members. This is particularly important for the EU, which is one of the largest exporters in the world.

On domestic support, the EU proposes a further reduction in support provided that the concept of the blue and green boxes continues, as these forms of support have played an essential role in moving from market price support to direct payments.

On export competition, the EU believes that there is an urgent need for a more level playing field, since current URAA provisions only cover one of the instruments available (export subsidies). The EU will agree to negotiate further reductions in export refunds provided that other instruments, including export credits, single desk trading and the abuse of food aid, are also disciplined.

As events in Seattle, and since have made clear, non-trade concerns are of growing interest to society at large, around the world. Civil Society is making itself heard on these issues, and governments now pay much closer attention to the roles that farming plays beyond producing food and fibre. In this context, the multifunctional role of agriculture, which includes its contribution to sustainable development, the protection of the environment, the sustained vitality of rural areas and poverty alleviation, both in developing and developed countries, is now firmly on the agenda, and will therefore need to be addressed in the negotiations.

History, geography, culture, weather, all these factors contribute to making agriculture in the EU and elsewhere more than just an economic activity to be subjected to the law of the market. Our farmers, who between them manage half of Europe’s land area, are on the frontline of our efforts to make protecting the environment an essential goal for all. In addition, the quality and safety of our food, the attention more and more of us are paying to the welfare of animals in farming, means that all these issues will need to be addressed when we talk about farm support and trade.

Regarding food safety, consumers have the right to be assured that WTO rules will not be used to place onto the market products on whose safety there are legitimate concerns. However, these concerns should not be abused and used as a disguised means of trade protectionism. The EU believes therefore, that there is a clear need for clarification of the use of the precautionary principle.

Special and differential treatment. It should be recalled that the EU is by far the largest market for the exports of agricultural products from developing countries, in large part as a result of trade preferences we grant to them. In addition, the EU has introduced a scheme to provide duty-free access to all products except arms (EBA) from the least developed countries, including agricultural products.

Most of the 142 members of the WTO are developing countries, and their interests will figure prominently on the agenda of the agricultural talks. The EU intends to ensure that their particular needs are addressed in the negotiations.

Finally, the EU believes that the “peace clause” and the “safeguard clause” agreed in the last round of talks have been useful in the implementation of the agricultural agreement, and will argue for new instruments of this type in the current negotiations.
The number one importer of farm products, and second leading exporter, the EU is one of world’s leading players in agricultural trade and has an interest in developing a balanced approach to market access issues.

The data below, which for the sake of brevity is limited to some of the main players in the negotiations (US, Cairns group), underlines this point. This is further highlighted by statistics on trade with developing countries in Sheet 7.

**The EU is the world’s largest importer of agricultural products**

In 2000, EU imports of agricultural products totalled €58,200 million (5.7% of total imports of all products). Our major imports are tropical products like fruits, coffee, tea, cocoa, spices, as well as oilseeds, and oleaginous fruits. Major suppliers include countries in central and eastern Europe, NAFTA members (Canada, Mexico, USA), Mercosur members (Argentina, Brazil, Paraguay, Uruguay), and the 77 African, Caribbean and Pacific (ACP) countries. In September 2000, the Commission adopted a proposal on duty-free access to the EU market for all products (except those related to the arms trade) from least-developed countries (see Sheet 7 on trade with developing countries).

**The EU is a major world exporter of agricultural products**

In 2000, the EU’s exports of agricultural products reached €58,000 million (6.2% of total export of all products). Only the US exported more farm products in 2000. Major exports include wine and spirits, dairy produce, beef, various food preparations, including preparations of cereals and rice. Our major export markets are NAFTA, PECO, Russia and countries in the Mediterranean basin.

The growing importance of exports is clear if we look at the EU trade balance in farm products: in 1991 (EU 12), the EU still ran a deficit in farm goods of €6,800 million. In 1995 the deficit for EU 15 was equal to €5,200 million. Today, the difference between EU exports and imports has almost entirely been levelled out. In 2000, our agricultural trade deficit was reduced to only €190 million. Export growth has generally been faster in processed products than in primary products. Between 1991 and 2000, growth in the exports of processed agricultural products was 71.3% (6.2% annual growth) or 31.4% since 1995 (5.6% annual growth), while for primary products, it was 49.2% (4.5% annual growth) or 26.0% since 1995 (4.7% annual growth).

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1 Trade balance = export minus import

**Market access and food specificity - an essential link**

It is in the general interest to ensure that export products are protected from fraud and counterfeit on their markets. This is why the EU will be pushing hard for tougher rules to protect quality and regional products, a position it hopes to see supported by other exporting countries with the same interests. We will argue that consumer demand for specific products from specific regions provides sound business opportunities for producers all over the world. But to ensure that producers and consumers get a fair deal, these products will need to be protected against fraud.
Market access

Imports of agricultural products from Cairns (mio €)

Exports of agricultural products to Cairns (mio €)

EU 12/15 imports of agricultural products from Cairns (mio €)

EU 12/15 exports of agricultural products to Cairns (mio €)

USA/Cairns Group countries

EU 12/15 - Cairns Group countries

USA/Cairns Group countries

USA imports of agricultural products from Cairns (mio €)

USA exports of agricultural products to Cairns (mio €)

Data source: Eurostat, Comtrade
Building on the 1992 reforms, Agenda 2000 continues and amplifies the move away from price support to direct payments, thereby supporting people rather than products. This is a further step in the direction of more de-coupled support.

The Agenda 2000 reforms introduced cuts in institutional prices for beef, cereals, and milk and dairy products. In the beef sector, prices are to be cut by 20%, starting in 2000. In the arable crops sector, prices will be cut by 15%, also starting in 2000. Finally, in the milk and dairy sector, prices will be cut by 15% from 2005.

But the latest round of price cuts does not give the full picture of the long-term downward trend towards lower institutional prices in the EU. If the 1992 and 1999 reforms are taken together, the price cuts are in the order of 45% in the arable crops sector and of 35% in the beef and veal sector.

As in the previous round of reforms, direct payments are de-coupled from price and volume of output, and are tied to production-limiting programmes. In the arable crops sector, under set-aside arrangements, 10% of the land devoted to arable crops is taken out of production every year, reducing supply, and thus contributing to stabilising the world market.

Finally, increases in direct payments do not fully compensate for the corresponding price cuts. Compensation levels run from 50% in the arable crops sector to some 80% in the beef and veal sector. The reductions in institutional prices and the tightening of compensation levels mean that our farmers now need to be more responsive to market signals.

The overall effects of the 1992 and Agenda 2000 reforms are that the EU has effected a major turnaround in its farm policy. The CAP in 2000 is not the CAP it was in 1990. Market price support and export refunds accounted for over

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**Share in CAP funding for the various measures**

<table>
<thead>
<tr>
<th>Year</th>
<th>Direct payments (Less trade-distorting)</th>
<th>Refunds and intervention (Trade distorting)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989-1991</td>
<td>68.2%</td>
<td>90.7%</td>
</tr>
<tr>
<td>1995-1997 (1992 reform)</td>
<td>21.3%</td>
<td>59.0%</td>
</tr>
<tr>
<td>2006 (Agenda 2000 reform)</td>
<td>10.5%</td>
<td>4.1%</td>
</tr>
</tbody>
</table>

Data source: European Commission, Directorate General for Agriculture. The data is taken from the payments for these measures through the Guarantee section of the EAGGF (European Agricultural Guidance and Guarantee Fund), the fund which finances the EU Common Agricultural Policy.
90% of the EU farm budget in 1989-1991. By 2006, it is estimated that this will be closer to 20%. By contrast, direct payments under production-limiting programmes are set to rise to close to 80% of the farm budget by 2006 from just under 10% in 1989-1991.

To sum up, the EU has made major efforts to redirect its farm policy towards more transparent and non-distorting instruments. The EU is prepared to further reduce farm support measures that distort trade provided that the concept of blue and green boxes continues. These measures have played an essential role in allowing a move away from market price support to direct payments. The impact on trade of so-called Blue box measures has proven, as anticipated, to be far less distorting than market price support on the one hand, and payments based on output or on variable input use on the other. Moreover, the EC propose that specific disciplines be applied to those variable “amber box” subsidies which boost export performance by providing compensation for variations in market prices.
The Uruguay Round Agreement on Agriculture (URAA) made major advances in imposing greater discipline in the area of export subsidies on agricultural goods.

The EU has honoured the commitments it entered into in the URAA, and even went further. In the period 1995-1999, the EU used less than 60% of the financial possibilities allowed by the URAA. Total market support (including export subsidies) has fallen progressively from 91% of total support pre-1992, and will reach a low of 21% by 2006; export refunds now represent only 12% of CAP expenditure, compared with 25% in 1992.

Internally, the latest round of EU farm reform will contribute to bringing prices in the EU closer to those on the world market, thus opening up the prospect of subsidy-free exports.

The EU is willing to negotiate further cuts in its export refund programme but only if all forms of export competition are on the negotiating table. This means that export credits, single desk selling and abuse of food aid will also have to be addressed. Only if all forms of export competition are treated in the same way and are subject to the same WTO disciplines and transparency rules as export subsidies can we hope to achieve a true “level playing field” in this area. We can then agree on ways to further reduce all these instruments.

The graph below shows the decline in the export refunds budget from 1991-2000.

*T European Agricultural Guidance and Guarantee Fund. 
Part of the budget increase from 1995 was a result of the accession of 3 new Member States.
The public demonstrations, starting in Seattle, and more recently at the G8 Summit in Genoa which rallied under the general banner of the “anti-globalisation movement”, served to demonstrate that civil society at large is worried about the effects that trade can have on issues such as protection of the environment, development efforts and animal welfare. And these voices are making themselves felt at the national level, with more and more governments now needing to pay closer attention to these issues.

Clearly, agriculture must take a front seat in this debate. And the ongoing agricultural negotiations will have to tackle many of these issues head on. This is why the EU together with an increasing number of WTO members insists that non-trade concerns be given a prominent role in the negotiations.

Article 20 of the Uruguay Round Agreement on Agriculture, the so-called “built-in agenda”, lays out the framework for the agricultural negotiations, which are designed to continue the process of reform in agriculture. At the same time, Article 20 states that non-trade concerns will have to be taken into account in the negotiations. For the EU, issues to be addressed include rural development and poverty alleviation, the environment, food safety and animal welfare.

The protection of our landscape heritage has become a major political priority over the past ten years. The need to promote sustainable development is enshrined in the EU Treaty. Farming, which occupies almost half of the EU land area, is obviously one of the main sectors that will have to lead the way in this area. There is now a greater acceptance that the farming community is best placed to contribute to the management of our natural spaces, and that the extra work and effort that are put into these tasks should be compensated for, given that the work undertaken benefits all of us.

It is therefore essential to adequately address these concerns in the agricultural negotiations, in order to ensure broad support from the public at large. We must secure our right to adopt appropriate measures deemed necessary to meet our concerns regarding the environment, the sustained vitality of rural areas and poverty alleviation, as well as other concerns such as food safety and animal welfare.

Regarding food safety we believe that the Community, like other WTO members, has the right to establish the level of protection that it deems appropriate. The precautionary principle is relevant in this respect. It covers cases where scientific evidence is insufficient, inconclusive or uncertain and preliminary scientific evaluation indicates that there are reasonable grounds for concern that the potentially dangerous effects on the environment, human, animal or plant health may be inconsistent with the level of protection chosen by a particular country. However, these concerns should not be abused and used as a disguised means of trade protectionism. The EU believes therefore, that there is a clear need for clarification of the use of the precautionary principle.

It is important to ensure that trade does not undermine our efforts to improve the protection of the welfare of animals. In raising this issue in the WTO negotiations on agriculture, it is certainly not our intention to create new trade barriers. We wish simply to ensure that the trend towards increased liberalisation does not lead to competitive reductions in animal welfare standards.

The farming community - a key player in the development of our rural areas and in the protection of the environment

Trends in the EU farm sector over the past ten years show us that agricultural activity no longer occupies the place it once did in our rural communities. While there has been a fall in the number of farms and farmers, the family farm is still one of the keys to the economic regeneration of our rural areas. EU rural development policy underwent a major overhaul in 1999. The reform aims to strengthen the farming sector, contribute to improving the competitiveness of rural areas, and help preserve the environment and Europe’s rural heritage.

Failure to support our rural areas can lead to situations we are all familiar with: closure of basic services, people moving out to the cities, and the gradual loss of a rural way of life. Thus, help for the farm sector to adapt to the realities of an increasingly competitive environment and to contribute to finding new business solutions for rural areas is one of the major ways we can help promote a living countryside, especially in a region of the world having a relatively high population density of 117 people per square kilometre.
Whether in the hill farms of Europe, the Great Plains of the United States or the Argentine pampas, one thing is clear, farming occupies a special place in our national identities, and in our cultures.

Agriculture as an economic sector must be versatile, sustainable, and competitive. It must be capable of maintaining the countryside, conserving nature and making a key contribution to the vitality of rural areas. Our objective is therefore to secure our right to implement measures which allow our agriculture to fulfil these roles, to the greatest extent possible, through minimally trade-distorting means.

<table>
<thead>
<tr>
<th></th>
<th>EU</th>
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<tbody>
<tr>
<td>Number of farms</td>
<td>7.3 million</td>
</tr>
<tr>
<td>Average size of farms</td>
<td>17.5 ha (43.2 acres)</td>
</tr>
</tbody>
</table>
The WTO and developing countries

The Uruguay Round Agreement on Agriculture (URAA) provides for “special and differentiated treatment” for developing countries.

The aims of EU development policy are to foster:
• the sustainable economic and social development of developing countries;
• their smooth and gradual integration into the world economy; and
• a campaign against poverty in developing countries.

One of the ways the EU believes these objectives can be met is through the international trading system. The results of the current round of agricultural negotiations need to reflect the interests of all WTO members. Of the 142 WTO members in July 2001, four-fifths are developing countries. Although the interaction between trade and development is an issue which goes far beyond farm trade with developing nations, it will nevertheless feature prominently in the agricultural negotiations because of the place the farm sector plays in the economies of many developing countries.

We are of the view that all Members should fully benefit from the expansion of trade. Participation of developing countries and in particular the least developed, in the international trading system should therefore be promoted.

The EU fully recognises the need for special and differential treatment for developing countries, in particular with regard to agriculture. As regards access to its own market, the EU is by far the largest market for the exports of agricultural products from developing countries. This is in large part a result of its trade preferences, which include the EU Generalised System of Preferences, the EU/ACP agreements, and other bilateral arrangements.

In September 2000, the EU went further, adopting a far-reaching proposal to provide full access to the EU market for the world’s 49 least developed countries, the so-called Everything But Arms (EBA) proposal. From March 5, 2001 the EBA amendment to the EU’s Generalised System of Preferences became applicable. EBA extends duty and quota free access to the EU market to all products from least-developed countries (LDCs), except arms and ammunition.

Furthermore, in June 2001 the European Commission launched another initiative to give farm and fishery products from developing countries better access to the European market, by proposing to enhance the so-called “Generalised System of Preferences” (GSP). Under the proposal, the autonomous and non-reciprocal trade preferences granted under that system to all developing countries will be improved, and the stability of the preferences increased. 142 countries currently benefit from GSP preferences.

In order to further increase market access to products originating in developing countries, the EU propose that developed countries and the wealthiest developing countries provide significant trade preferences to developing countries, and in particular the least-developed. As part of its general policy to promote the sustainable and economic development of countries, the EU propose that all developed countries should intensify all forms of assistance to developing countries, in particular in areas of implementation, making use of the appropriate WTO agreements.
The EU and US are the world’s key players in trade in agricultural products. The EU is the first importer of agricultural products – a fact which underlines the openness of the EU market and our commitment to trade – and the US is also a substantial importer. With very similar export figures, the EU and the US are the world’s leading exporters. In terms of bilateral trade in agricultural goods, 2000 saw the highest value of trade in both directions. Overall, trade data underlines that both the EU and US have a vital interest in trade in farm products, both export and import, which implies a commitment to improving the global trading environment through the current WTO agriculture negotiations.

**Basic comparisons: EU and US**

In terms of farm-gate value, the EU and US farm sectors produce almost exactly the same: about €197 000 million in the EU and €190 000 million in the US in 2000.

The main differences between the EU and the US are the amount of land and the number of farms. The EU has only 134 million ha or one-third of the farmland in the US, which has 425 million ha under farm activity.

The agricultural sector in the EU supports about 7 million farms – three-and-a-half times the 2 million farms in the US.

**EU/US trade in agricultural products – 2000**

Total trade in agricultural products¹ between the US and the EU is worth €18 800 million, or 4.4 % of total bilateral trade (€427 900 million). In 2000, the EU exported €10 459 million of agricultural products to the US, and imported €8 343 million of agricultural products, giving a surplus of €2 116 million². These figures give evidence of the narrowed trade balance with the US in agricultural products over recent years, mainly due to significant increases in EU exports (an increase of 26.2% compared with 1999, an increase of 16.2% for agricultural products). Factors such as the high US$ and low Euro account for this. Also the EU focus on consumer and high value-added goods, which were drawn to a booming US economy, and were the key to Europe’s export success in recent years.

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¹ Agricultural products = “all agricultural products as defined in the Uruguay Round Agreement on Agriculture”
² Source Eurostat – Comext – these figures do not include fish and crustaceans, molluscs and other

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Our top five imports from the US are: oilseeds (€1 932 million), animal fodder, including corn gluten feed (€963 million), tobacco (€950 million), fruits and nuts (€918 million) and beverages, spirits and vinegar (€637 million).

EU exports to the US are focussed on wines and other beverages. At €5 006 million, they represent 47.9% of agricultural exports to the US.

Other main exports to the US are: preparations of vegetables, fruit and nuts (€580 million) and preparations of cereals, flour, starch or milk (€503 million).

As to EU imports from the US by group of products, grains and oilseeds and foodstuff, beverage and tobacco account for more than 80% of the agricultural imports.
**Agreement on Agriculture**
The Uruguay Round Agreement on Agriculture (URAA) concluded in 1994 brought agricultural trade more fully under international trade rules and obligations. The Agreement provided for the conversion of non-tariff measures into ordinary customs duties, the establishment of tariff rate quotas (TRQs), reductions in export subsidies and trade-distorting domestic support, while having regard to non-trade concerns.

**The ‘Boxes’**
Under the URAA domestic support is classified as:
- **green box** - domestic support that is deemed to be minimally trade-distorting and that is excluded from reduction commitments under the URAA;
- **blue box** - direct payments, under ‘production-limiting’ programmes, as defined in article 6.5 of the URAA that are excluded from reduction commitments; and
- **amber box** - which contains those domestic support measures other than the measures classified as blue or green. The level of support corresponding to these measures (the aggregated measurement of support) had to be reduced under the URAA.

**Common Agricultural Policy (CAP)**
The set of legislation and practices adopted by the Member States of the European Union in order to provide a common, unified policy on agriculture. The CAP is the most integrated of the Community-wide policies implemented by the EU. It aims to ensure that agriculture can be maintained over the long term at the heart of a living countryside. This means that the policy is targeted not just at agricultural producers but also at the wider rural population, consumers and society as a whole.

**Common Market Organisations (CMOs)**
The CMOs are designed to monitor the respective agricultural markets, with the aim of providing farmers with a steady income and consumers with secure food supplies. They cover around 90% of EU output. Various measures may be used to fulfil the objectives of the CMOs. These include:
- market intervention (by buying up surplus production, providing storage aid, setting prices to support the market);
- direct payments to farmers;
- production quotas; and
- trade measures (customs duties, tariff rate quotas (TRQs), export refunds).

**Cross-Compliance**
Refers to the linking of direct farm aid payments to the respect of environmental requirements.

**De Minimis Rule**
This is the rule whereby a WTO Member is not required to reduce:
- product-specific domestic support where such support does not exceed 5 per cent of that member’s total value of production of a basic agricultural product; and
- non-product-specific domestic support where such support does not exceed 5 per cent of the value of that member’s total agricultural production.
The corresponding figures for developing countries are 10 per cent.

**Dispute Settlement Body (DSB)**
The General Council of the World Trade Organisation (WTO), composed of all member countries, convenes as the Dispute Settlement Body to adjudicate disputes arising under various multilateral trade agreements.

**Dumping**
A product is sold on an importing country’s market below the price at which it is sold on the producer’s domestic market.

**Everything But Arms (EBA)**
The EBA is a preferential arrangement applied under the EU’s GSP arrangements. EBA is designed to accord duty-free and quota-free access to the EU market for all products (except weapons and arms) from the 49 least developed countries (LDCs).

**EAGGF - European Agricultural Guidance and Guarantee Fund**
The fund which finances the EU Common Agricultural Policy. The EAGGF finances agriculture expenditure, measures linked to the environment, and structural and rural development measures. It now only accounts for around half of the Community budget, as compared to three quarters in the past, although this only represents around 0.5% of the EU’s GDP.

**Export Competition**
Covers all forms of government financial incentives or support for exported products (export subsidies, export refunds, export credits, tax breaks, differential pricing practices (operated by State-trading enterprises) abuse of food aid, etc). However,
under the application of the Agreement on Agriculture only export refunds are subject to control and reduction.

**Generalised System of Preferences (GSP)**
The GSP, established by the United Nations Conference on Trade and Development, is a ‘generalised system of preferences’ under which industrialised countries grant autonomous and non-reciprocal trade preferences to developing countries. In order for developed countries to implement this system (in practice this is done by WTO members adopting their own individual GSPs), a waiver from the GATT rules is required. This was originally applicable for a period of 10 years from 1971 and has since been renewed for an indefinite period of time. The EBA agreement is applied under the EU’s GSP arrangements. In June 2001, the European Commission introduced a proposal to improve the EU’s GSP and increase the stability of GSP preferences. 142 countries currently benefit from GSP preferences.

**Most Favoured-Nation-Treatment (MFN)**
A basic principle of the General Agreement on Tariffs and Trade (GATT) under which customs duties and charges of any kind imposed on imports or exports, and all rules and formalities applying to them, together with any advantage, favour, privilege or immunity granted by a WTO member to any product originating in or destined for any other member, shall be accorded immediately and unconditionally to the like product originating in or destined for the territories of all other members. This treatment may be extended on an autonomous basis to non-members. This has been the case, for example for China.

**Multifunctionality**
The complementary role played by agriculture in addition to producing food. It includes its contribution to sustainable development, the protection of the environment, the sustained vitality of rural areas and poverty alleviation.

**Peace clause**
Until the end of 2003, Article 13 of the URAA (the so-called “peace clause”) protects domestic support measures (including measures classified in the green and blue boxes) as well as export subsidies from certain WTO dispute settlement actions.

**Precautionary Principle**
This is a decision tool which may be used in the management of risk. In January 2000, the Commission adopted a communication on the precautionary principle where it is restated that the Community, like all other WTO members, has the right to establish the level of protection that it deems appropriate. The precautionary principle covers cases where scientific evidence is insufficient, inconclusive or uncertain and preliminary scientific evaluation indicates that there are reasonable grounds for concern that the potentially dangerous effects on the environment, human, animal or plant health may be inconsistent with the level of protection chosen by a particular country.

**Rural Development**
Is a policy approach that seeks to maintain the vitality of the countryside through a balanced development of rural areas. Agriculture has an important role to play, particularly regarding the landscape and employment.

**Special Safeguard Clause**
Refers to article 5 of the URAA, which authorises WTO members, when their trade situation justifies such action, to apply additional duties in order to prevent sudden or unpredictable surges in imports or sharp reductions in import prices.

**Sanitary and Phytosanitary (SPS) Measures and Agreement**
Measures to protect humans, animals, and plants from diseases, pests, or contaminants. The Final Act of the Uruguay Round contains the “Agreement on the Application of Sanitary and Phytosanitary Measures”. It applies to all SPS measures that may have a direct or indirect impact on international trade.

**Subsidies**
A direct or indirect benefit granted by a government for the production or distribution of a good or to supplement other services (see also the paragraph on export competition).

**Special and Differential Treatment**
Provisions allowing developing countries to benefit from exceptions or special treatment. This includes receiving preferential access to developed country markets without having to provide a similar access to their own markets, and flexibility in the application of domestic support measures.

**Sustainability**
Development which meets the needs of the present without compromising the ability of future generations to meet their own needs (as defined by the Community’s 5th Environmental Action Programme).

**Uruguay Round**
The 8th round of multilateral trade negotiations known as the Uruguay Round, conducted within the framework of the GATT, was launched in Punta del Este, Uruguay, in 1986, and finalised in December 1993. Formal conclusion took place in Marrakesh in April 1994, with the signature of the Final Act of the Uruguay Round, which adopted a number of individual Agreements and Decisions, including the URAA, as well as setting up the WTO.