



European Commission
Agriculture and Rural Development



Does the “Trade Talk” match the “Trade Walk”?

DDA and agricultural trade

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Common themes of the “trade talk”

- ***“It is about market access”***
 - US and main exporters put emphasis only on tariff reduction...
 - ...often attempting to resolve exceptions via a general rule

- ***“It is about subsidies”***
 - not just a defensive argument of high tariff countries...
 - ...but often also an argument against *all* policies

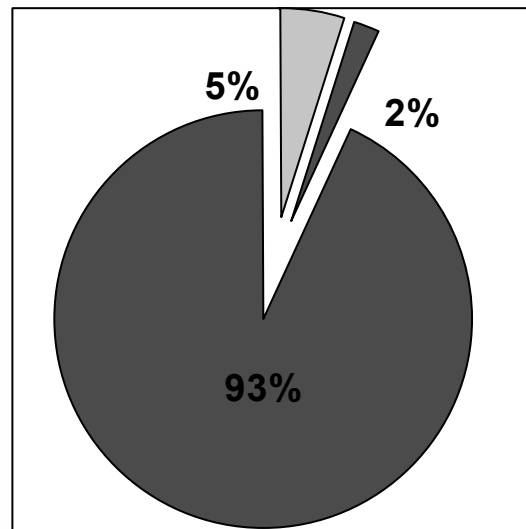
- ***“It is about the trade-distorting impact of farm policies”***
 - EU approach, putting emphasis on all 3 pillars of the URAA...
 - ...and on the cumulative effect of removing of trade-distortions

- ***Not just posturing, but also genuine confusion***



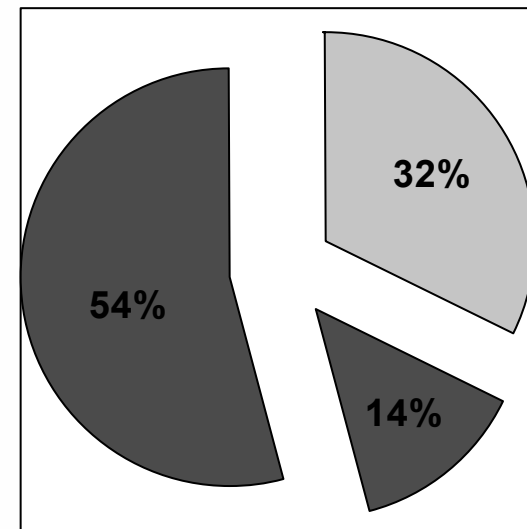
Trade reform according to...

World Bank



□ Domestic support
■ Export subsidies
■ Market access

USDA

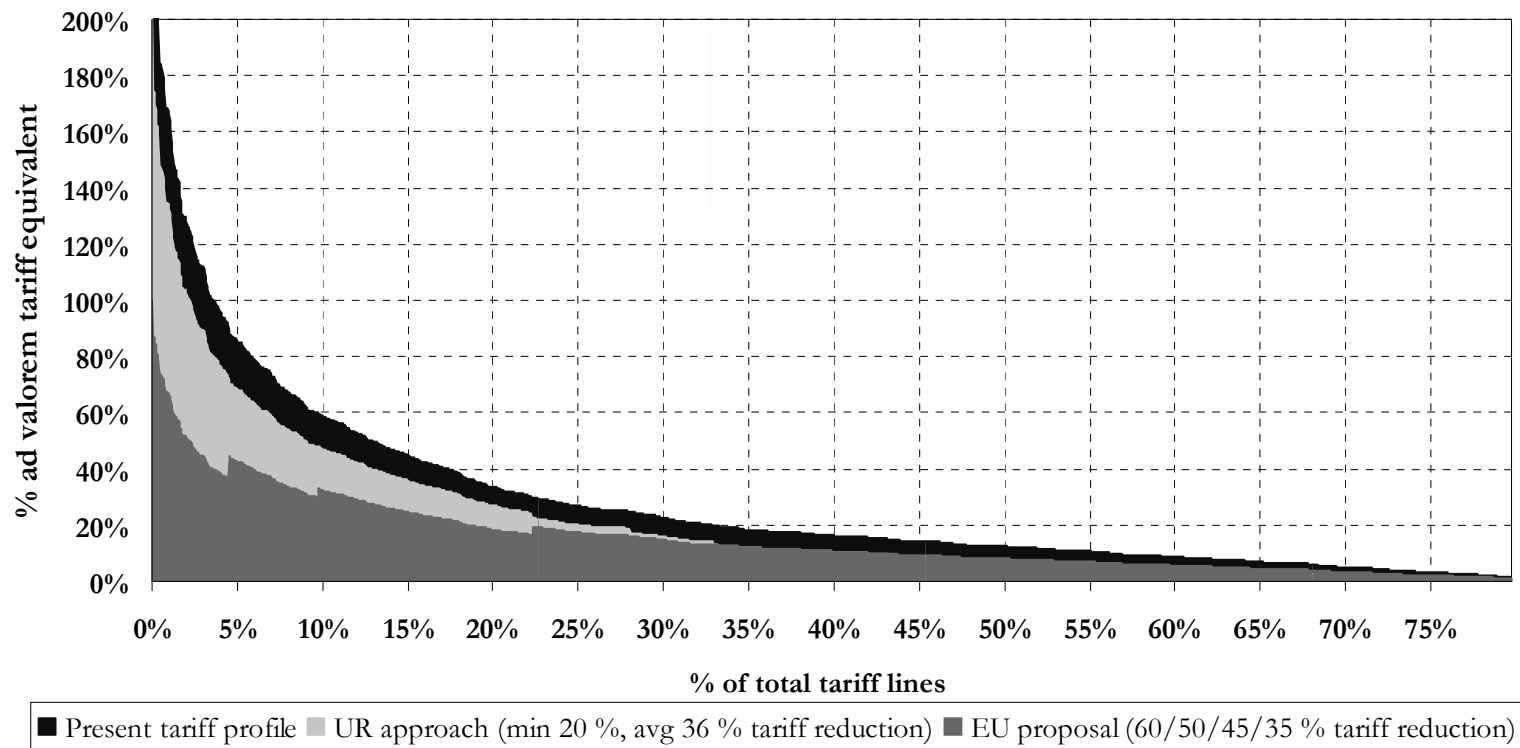


□ Domestic support
■ Export subsidies
■ Market access



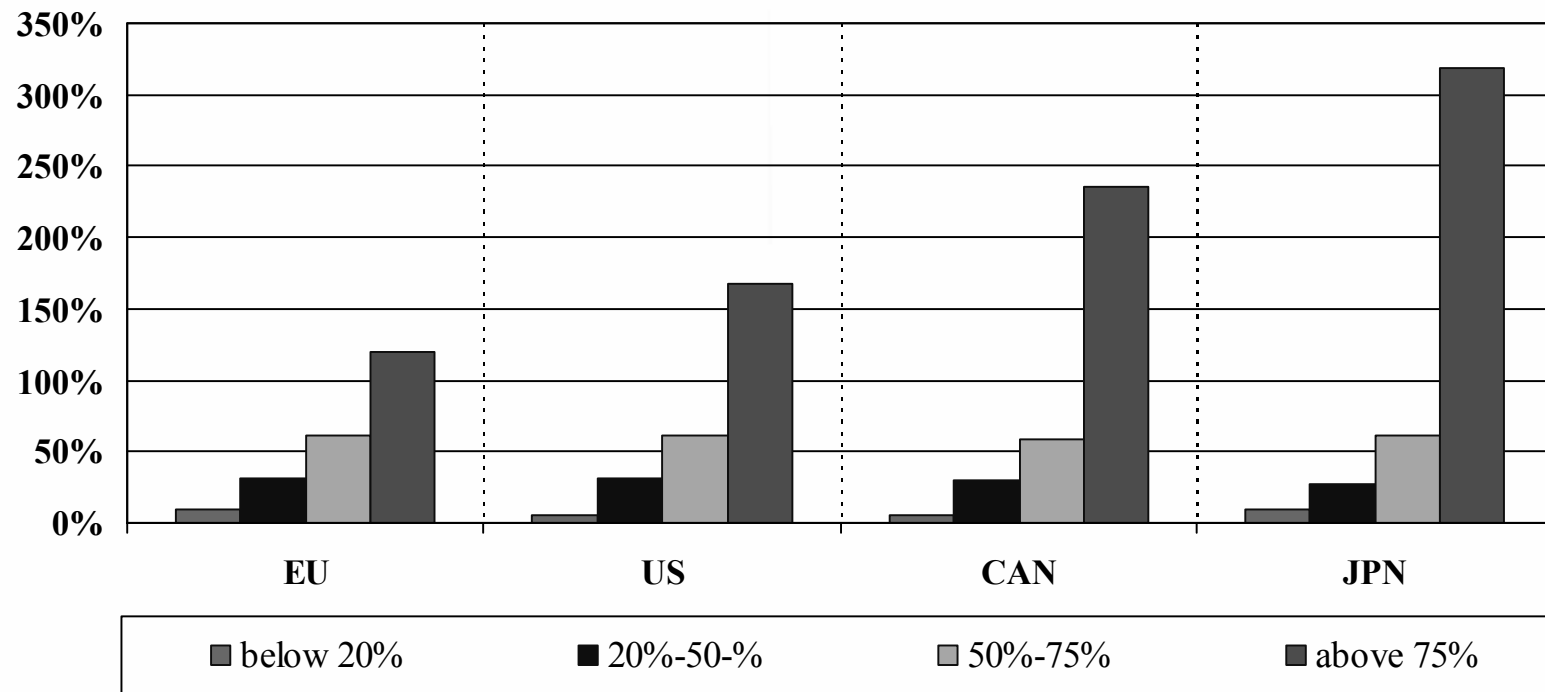
Impact of tariff reduction formula

The EU tariff profile under alternative reductions per tariff band



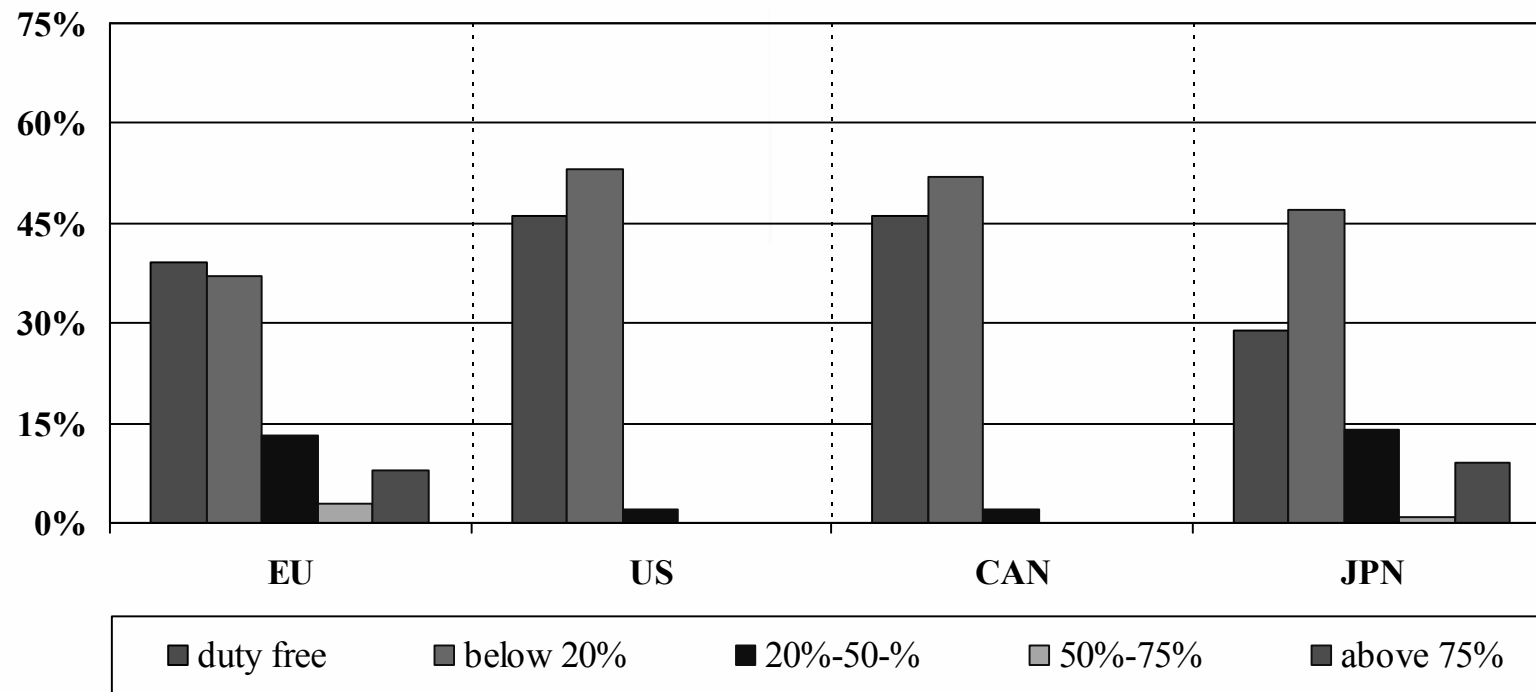


Average AVE per tariff band





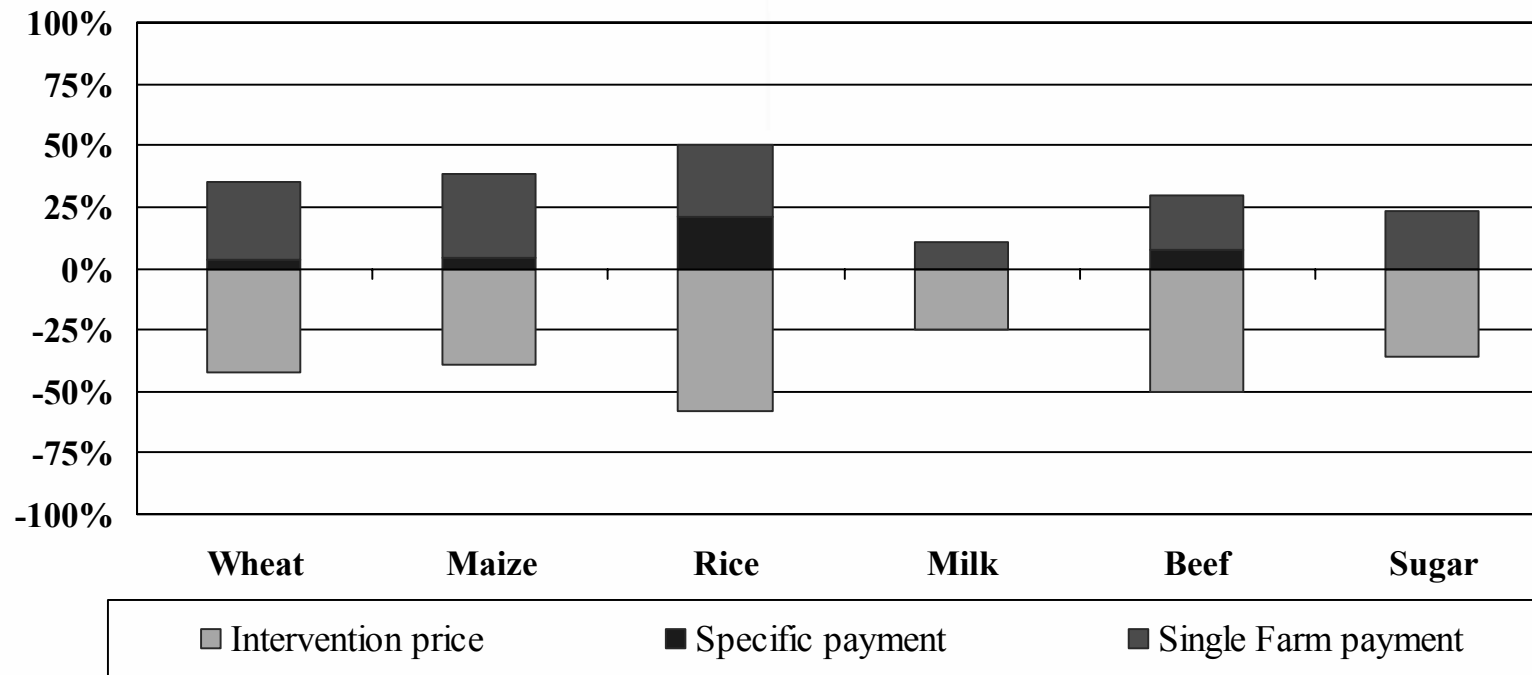
Share of imports per tariff band





Evolution of EU support prices, 1992-2007

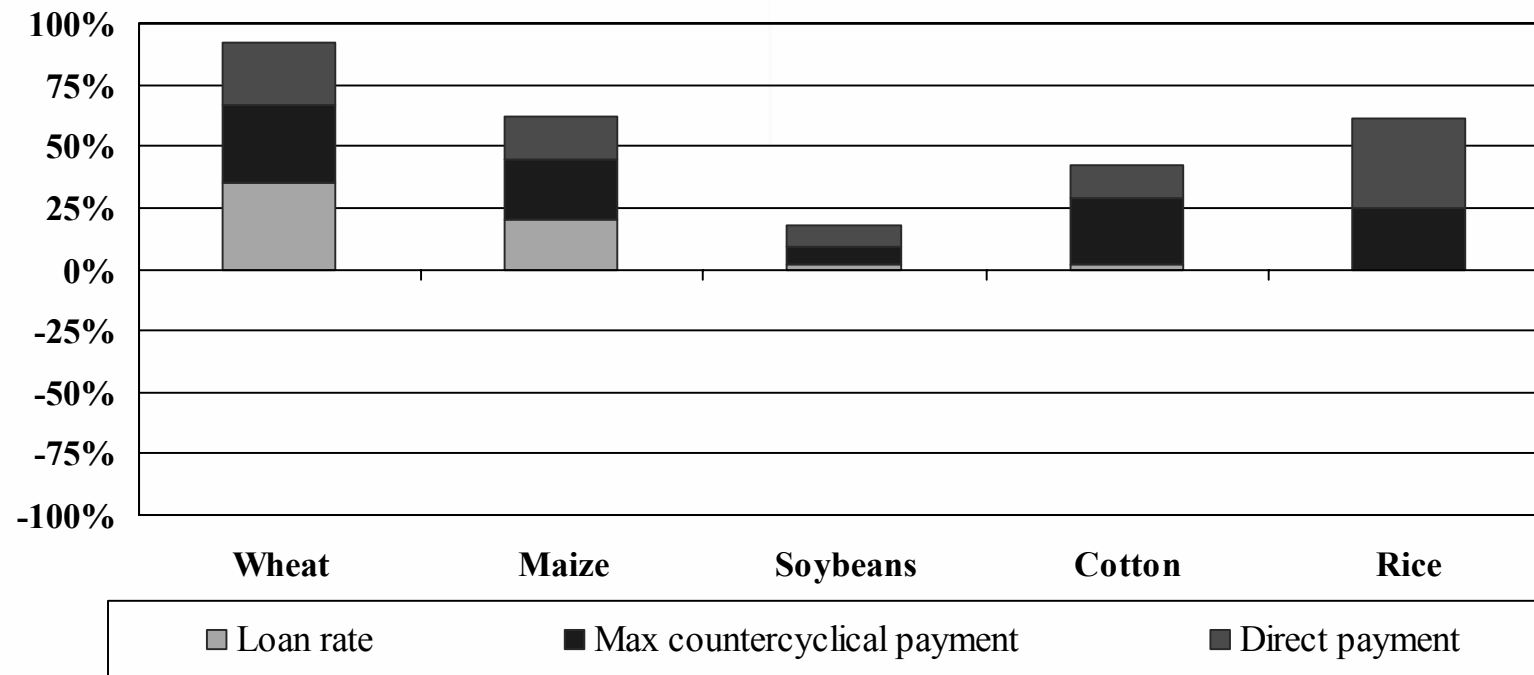
(as % of 1991 support prices)





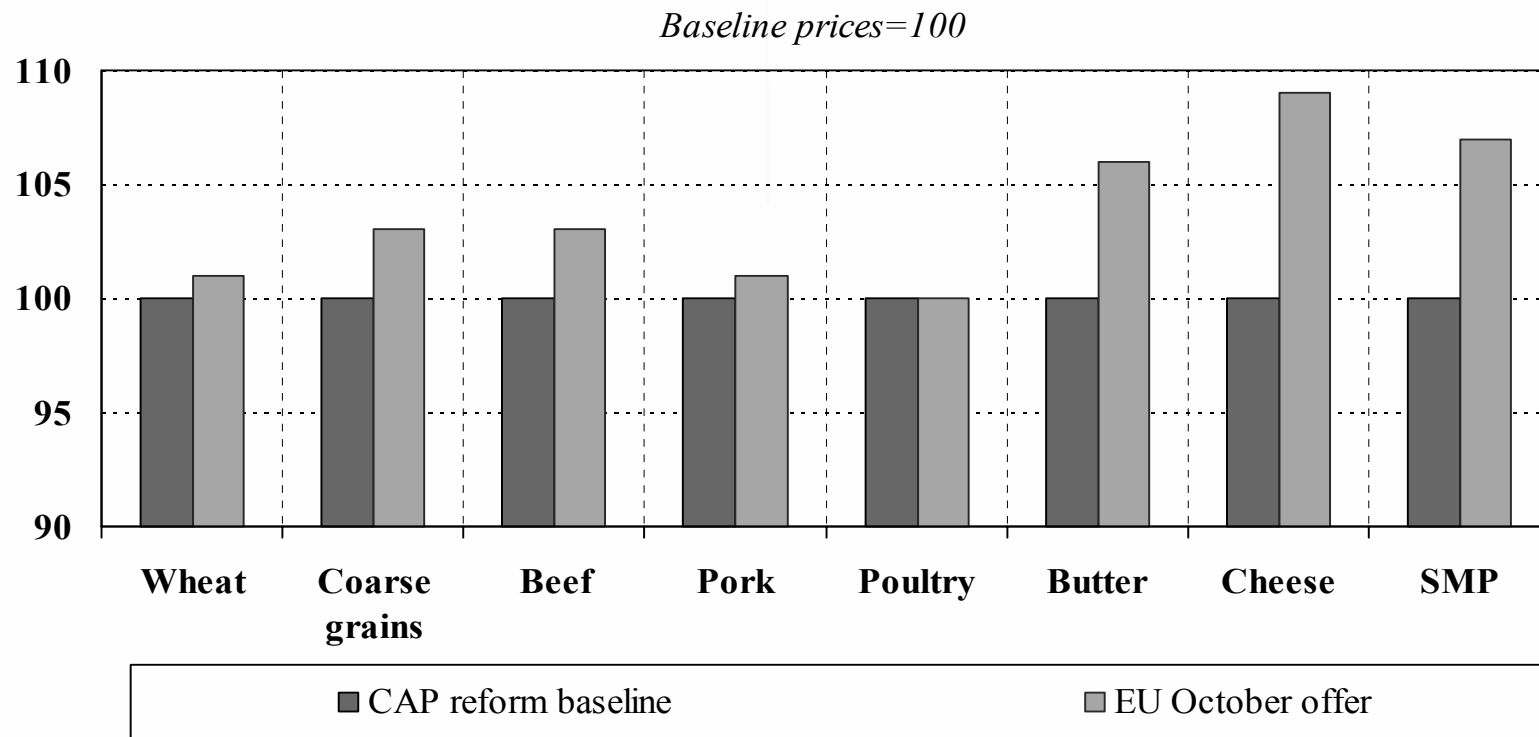
Evolution of US support prices, 1992-2007

(as % of 1991 support prices)





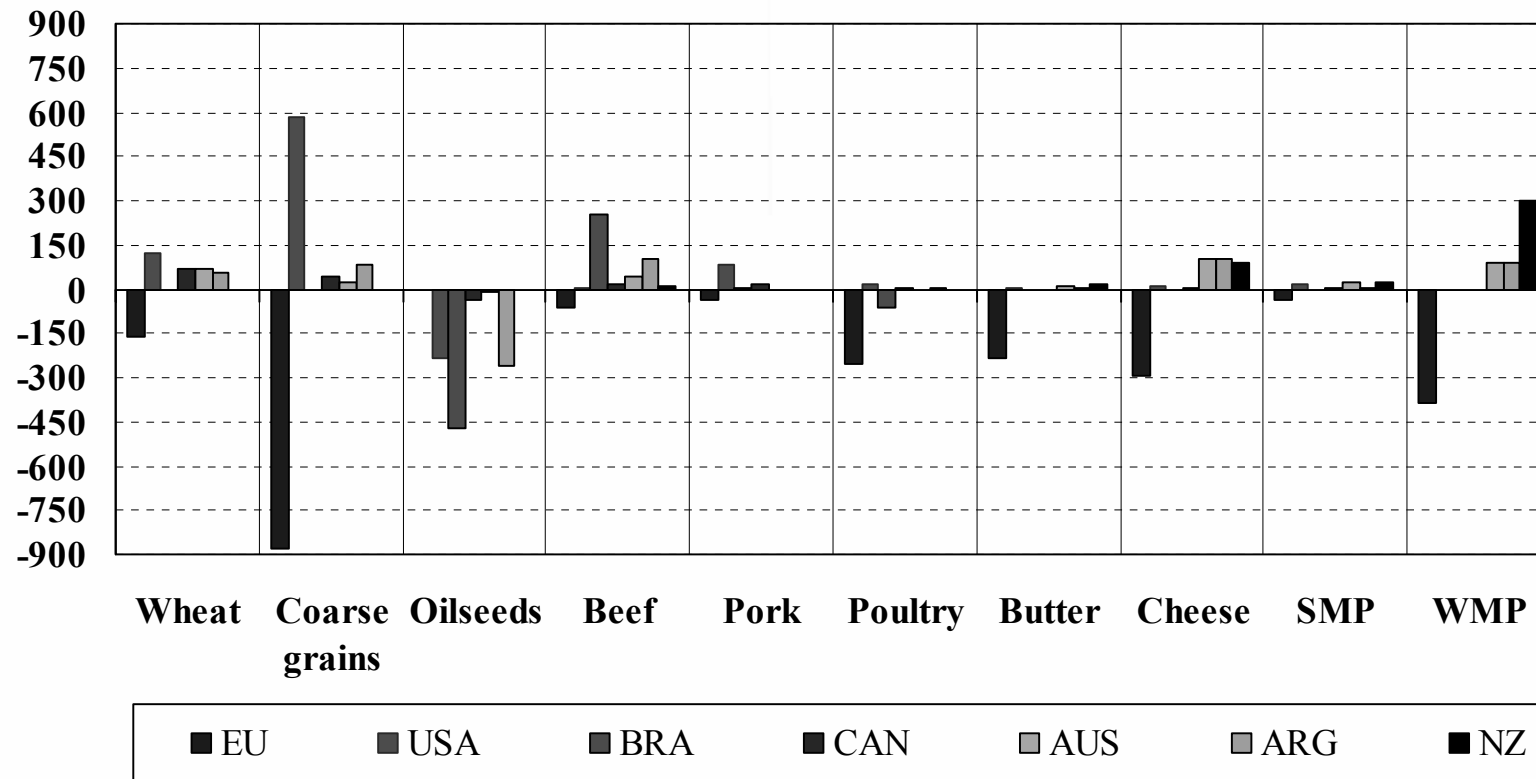
Impact of EU DDA offer on world prices





Impact of EU DDA offer on exports

change in export value (million dollars)





Common themes of the “trade walk”

- **Commodities**
 - EU losing market share in all supported commodities (due to reform)
 - US with mixed results, and still dependent on bulk commodities
 - Southern hemisphere countries big winners
 - Emergence of Brazil, China as major players, India still on the sidelines

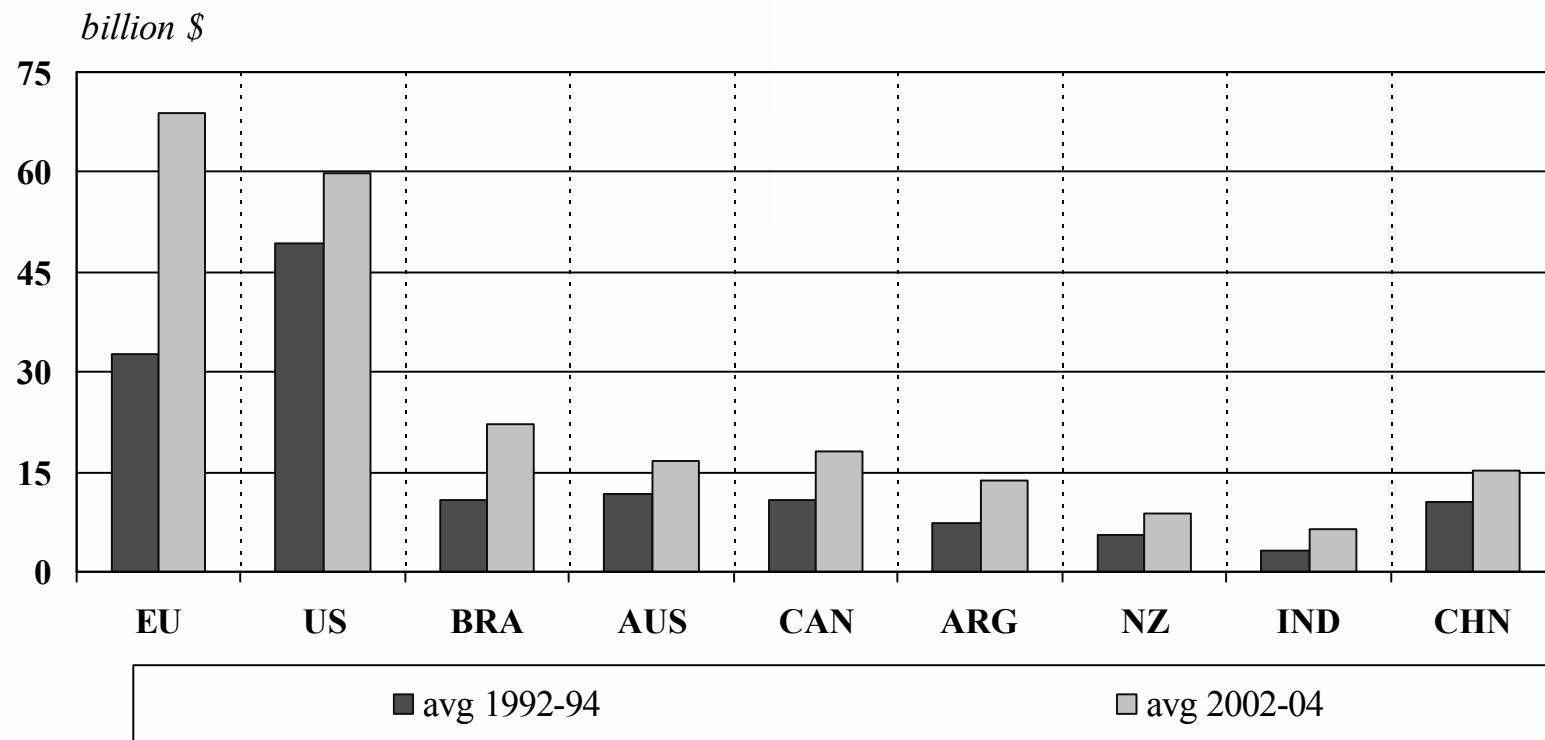
- **Trade**
 - Agricultural trade has significantly increased post URAA
 - EU largest agricultural exporter *and* importer, with deficit in balance
 - US still a major exporter, but with shrinking surplus

- ***How the EU-US “trade walk” relates to the “trade talk”***
 - EU mainly exports high value food products (only 8% bulk)
 - US still has 40 % of trade value coming from bulk commodities



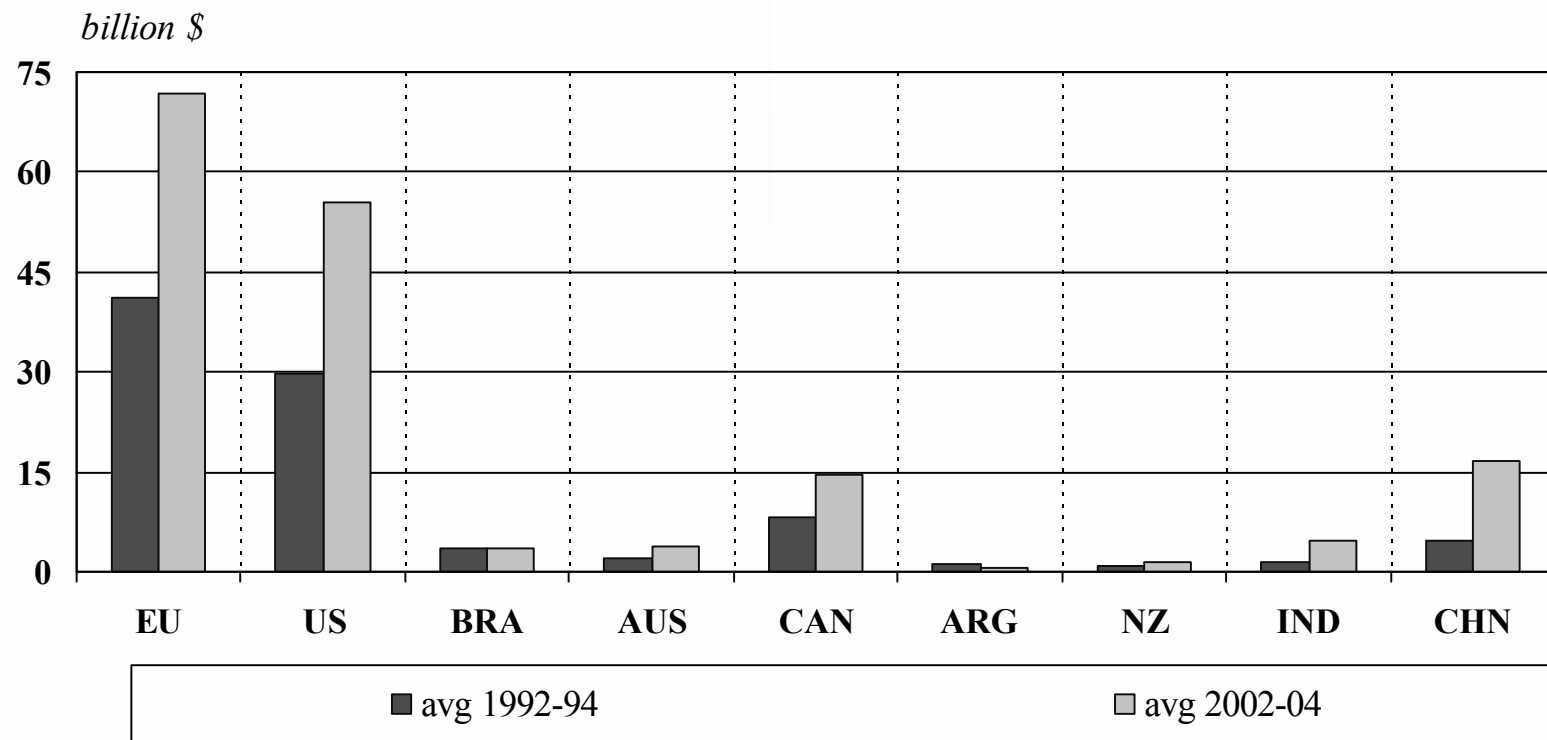


Agricultural exports of major WTO players



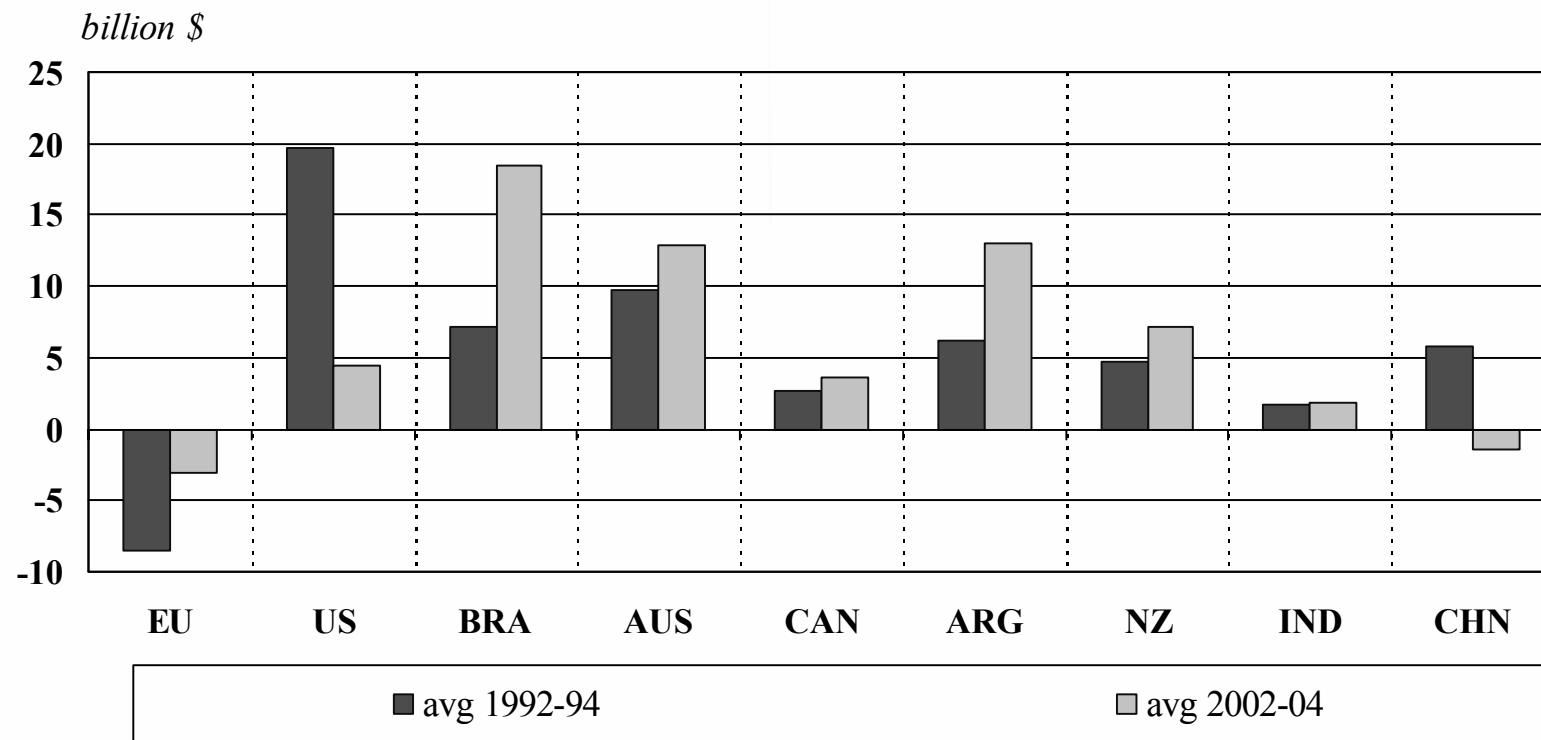


Agricultural imports of major WTO players





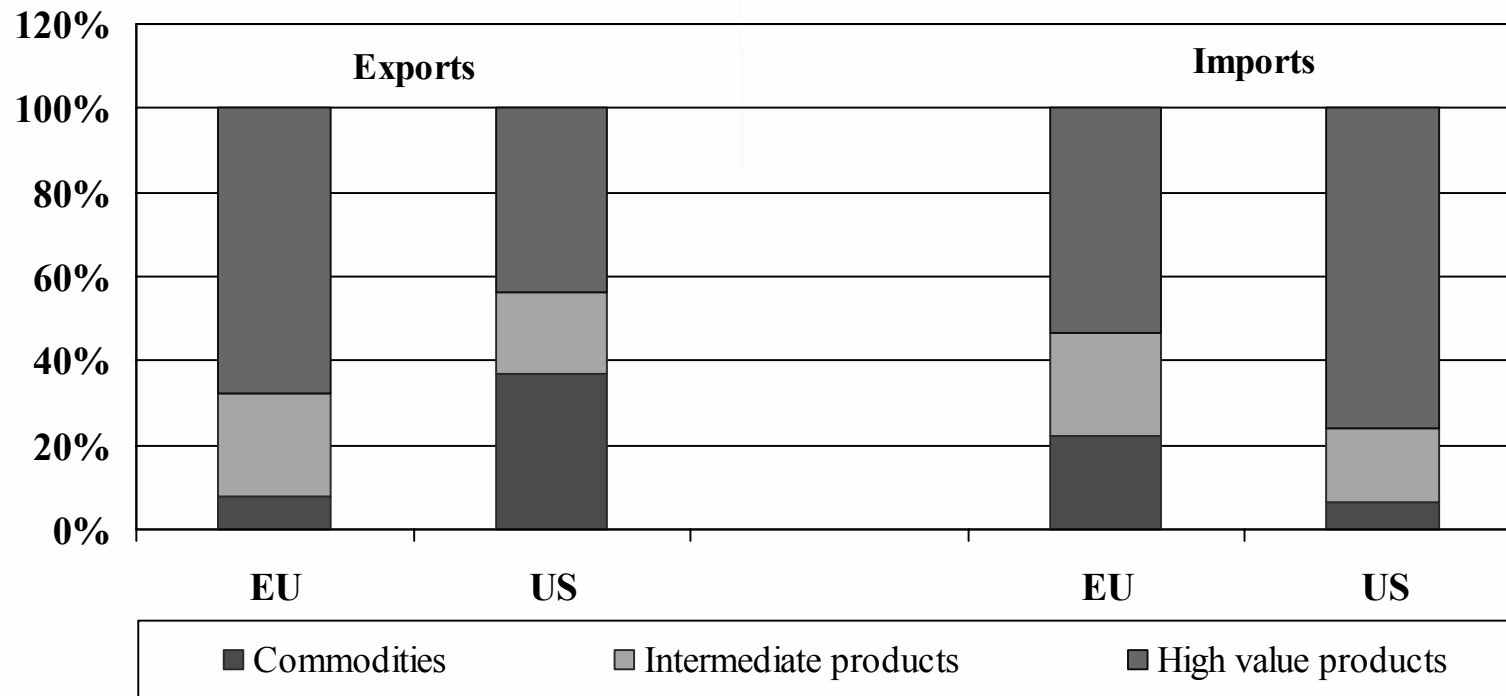
Ag trade balance of major WTO players





Structure of EU and US agricultural trade

(% share in total agricultural trade)





Conclusions

- ***It's not about subsidies or about market access...***
 - both create trade distortions
 - both have to be disciplined

- ***...it is about the cumulative effect of both...***
 - CAP cumulative impact is amplified by similar direction in all pillars
 - EU offer generates real impact on both world and EU markets
 - substantial market access via *both* tariff cuts and TRQ expansion

- ***...and a mutually determined level of ambition***
 - market access ambition is not determined by EU alone
 - identifying winners and losers should be balanced
 - DDA outcome cannot be just how to maximise exports of 5 players



For further information

- EU agriculture and trade

http://europa.eu.int/comm/agriculture/external/wto/index_en.htm

- Agricultural Trade Policy Analysis

http://europa.eu.int/comm/agriculture/publi/map/index_en.htm