



European Commission
Directorate-General for Agriculture

Newsletter

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The WTO framework agreement for fairer farm trade

On 1 August, the 147 members of the World Trade Organisation (WTO) unanimously agreed on a framework for modalities on how to liberalise farm trade within the Doha Development Agenda (DDA) (1).

Commenting on the agreement, Franz Fischler, EU Commissioner with responsibility for agriculture, said: 'Today we got a deal which will boost the world economy, farm trade and the chances of poorer countries. This agreement also ensures that other rich countries have to follow the EU on its reform path. The EU's reformed farm policy will not be called into question. Now, EU farmers have a clear perspective, developing countries will see better market access and less unfair competition.'

The agreement in detail

Cutting trade-distorting agricultural support

The framework locks in the recent reforms of the EU's common agricultural policy (CAP). A combination of disciplines of the different forms of support is foreseen.

- Overall levels of the most trade-distorting domestic support will have to be substantially reduced.
- Big subsidisers will make the deepest cuts.
- A down payment of 20 % of this reduction will be made in year 1 of the implementation period.
- The *de minimis* loophole will be reduced.
- Blue box support cannot exceed 5 % of agricultural production; no further reduction is foreseen.
- The non-trade-distorting green box remains untouched.

Ending trade-distorting export practices

On export competition, the EU's objective was to ensure equal treatment for all forms of trade-distorting export practices. This has been secured.

- EU export subsidies, export credits, credit guarantees and insurance programmes with repayment

periods beyond 180 days will be eliminated by an end date to be agreed.

- Other mechanisms including export credits below 180 days and trade-distorting practices with respect to State trading enterprises (STEs) will be subject to strict disciplines.
- Genuine food aid for people in need will obviously continue. However, for food aid which is being abused for commercial displacement, concrete disciplines will be imposed. The question of providing food aid only in grant form will be addressed in the negotiations.

Opening agriculture markets

The deal will substantially improve market access. Farm tariffs will be cut according to a tiered approach applicable to all members: the higher the tariff, the higher the tariff cut will be. However, the agreement caters for the EU's concern to address sensitive products. Countries can self-select an appropriate number of sensitive products which can be treated in a more lenient way. As compensation, tariff rate quotas have to be opened in order to ensure better market access.

A special, better deal for developing countries

All developing countries will benefit from special and differential treatment across the board via:

- longer implementation periods for all commitments,
- lower tariff and subsidy cuts,
- special treatment on market opening for so-called special products to address food security, livelihood and rural development concerns,
- fullest liberalisation of trade with tropical products,
- addressing the erosion of trade preferences.

Least developed countries (LDCs) do not have to undertake any commitments to reduce tariffs or farm

(1) See http://www.wto.org/english/tratop_e/dda_e/draft_text_gc_dg_31july04_e.htm

support. In addition, developed countries and those developing countries in a position to do so should provide duty-free and quota-free market access for products from LDCs. The EU has already unilaterally implemented such a measure with its 'Everything but arms' initiative.

Cotton

An appropriate solution has been found on cotton and the framework explicitly recognises the vital importance of cotton for a certain number of developing countries.

New perspectives for rural development

The Commission launched the debate over the future direction of support for rural development on 15 July, when it announced a proposal for a new regulation as part of the financial perspectives (2007–13) package to be decided by the Council. The rural development proposal⁽¹⁾ contains a series of initiatives aimed at reorienting, reinforcing and simplifying existing policy. The Commission's package includes proposals for a single rural development fund (European Agricultural Fund for Rural Development) together with financial management and control rules adapted to multiannual programming.

Following the fundamental reform of the first pillar of the CAP in 2003 and 2004, the major focus for policy reform in the new financial period will be rural development (pillar 2).

The Commission's proposed new rural development regulation, to be decided by the Council (after an opinion from the European Parliament), suggests gearing rural development towards three major objectives (policy axes).

- **Economic (axis 1):** Increasing the competitiveness of the agricultural sector and forestry via support for restructuring (to take into account the effects of CAP reform, trade liberalisation and the restructuring needs of the new Member States). A minimum of 15 % of EU funds must be spent on axis 1.
- **Environmental (axis 2):** Enhancing the environment and countryside through support for land management to ensure that agriculture and forestry, which account for nearly 90 % of land use in the EU, make a positive contribution to the countryside and the wider environment. A minimum of 25 % of EU funds must be spent on axis 2.
- **Social (axis 3):** Improving the quality of life in rural areas and promoting diversification of economic

activities, through measures targeting the farm sector and other rural actors (to address such problems as poor access to basic services, social exclusion and a narrower range of employment options). At least 15 % of EU funds must be spent on axis 3.

In addition, the Leader 'bottom up' approach to local development strategies is integrated into rural development programming. A minimum of 7 % of EU funding has to be spent on the Leader approach.

A necessary step is to simplify as much as possible the large number of programmes, different programming types and different financial management and control systems currently operating. This can be achieved by bringing rural development under a single funding and programming framework, but also by clarifying the overall strategy at EU level. The Commission proposes to prepare an **'EU strategy document for rural development'** which will serve as the basis for national rural development strategies and programmes. It will set out EU priorities for the three policy axes.

For each of the policy axes a range of measures will be available for Member States to design their rural development programmes as well as a common framework for monitoring and evaluation once the programmes are being implemented.

The Commission has conducted a very thorough analysis of rural development policy, including an extended impact assessment (EIA)⁽²⁾ of future rural development policy. The EIA set objectives for future policy, described a series of policy options and outlined the results of stakeholder consultation (including the conclusions of the November 2003 Salzburg conference) and other consultation exercises. It drew conclusions for post-2006 rural development policy and explained its content and delivery mechanisms. The EIA's conclusions are reflected in the proposed new rural development regulation.

⁽¹⁾ See http://europa.eu.int/comm/agriculture/rur/index_en.htm

⁽²⁾ See http://europa.eu.int/comm/agriculture/rur/publi/propimpact/text_en.pdf

