Latest EU Doha talks offer in detail

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Full details have now emerged of the consolidated proposal on reductions in agricultural support and protection tabled by the European Union last Friday afternoon. A detailed summary is set out below.

DOMESTIC SUPPORT

Reductions in Aggregate Measure of Support (AMS): The EU is proposing a three-tier reduction in existing Amber Box ceilings. In the top tier - to be populated by the EU and perhaps also Japan - the cut would amount to 70%, while in the second tier a cut of 60% would apply. This would affect the US - and possibly Japan. For all other countries, the AMS would be cut by 50%.

De minimis support: The threshold would be reduced by 80% for all developed countries. (This means that whereas at present, Amber Box domestic support is exempted from reduction commitments if it represents 5% or less of the value of production in that country, under the EU's proposal the relevant threshold would be reduced to 1% of the value of production).

Blue Box support: As agreed in the 2004 Framework Agreement, Blue Box spending will be capped at 5% of the value of domestic production. In order to make this an effective discipline and to prevent "box-shifting" of existing subsidy payments (the EU has the US particularly in mind here), the EU says that this must be done by "freezing the existing price difference between linked support prices".

Overall reduction in trade-distorting support (Amber Box, Blue Box and de minimis combined): As with the Amber Box reduction, this should be based on three bands, with cuts of 70%, 60% and 50% respectively. (It has already been agreed as part of the 2004 Framework Agreement that all countries would cut total trade-distorting support by 20% in the first year of the Doha Round agreement).

Green Box: The EU is prepared to "review and clarify" Green Box criteria to make sure there is no, or at most minimal, trade-distorting effect.

EXPORT COMPETITION

The EU reiterates its offer to phase out, by an (unspecified) end-date, its direct export subsidies on condition that there is "parallel treatment" for all other forms of indirect export subsidies:

Export credits: For credits with repayment periods of up to 180 days, a principle of "short-term self-financing" should be created, with all state-based providers of export credits required to comply with this principle. Credits with repayment periods over 180 days should be phased out.

State Trading Enterprises: All statutory privileges and regulatory benefits which have the effect of an export subsidy should be ended. Such measures as price-pooling, single-desk selling and exclusive utilisation of preferential market access quotas should be targeted (this is a proposal which would seriously affect trading arrangements in Canada, Australia and New Zealand in particular).

Food Aid: The EU proposes a gradual move towards food aid donations in cash and not tied to any supplier. Food aid in kind should be allowed "only in exceptional, genuine emergency situations".

MARKET ACCESS

A more ambitious offer than previously on reducing import tariffs - and a much more detailed outline of the proposed formula for 'sensitive products'.

Tariff Reduction Formula: The EU proposes to make cuts based on four tariff 'bands', as follows:

Developed countries		**Developing countries**	
Tariff band 'thresholds'	**Linear cuts**	**Tariff band 'thresholds'**	**Linear cuts**
0-30%	35%*	0-30%	25%**
30-60%	45%	30-80%	30%
60-90%	50%	80-130%	35%
> 90%	60%	> 130%	40%

* Within this band, a minimum tariff cut of 20% and a maximum of 45% would be authorised, provided that the average cut for the band is respected.

** Within this band, a minimum tariff cut of 10% and a maximum of 40% would be authorised, provided that the average cut for the band is respected.

The EU says the overall effect would be an average cut in tariffs of 46%. This is based in the reduction which it would make in the EU's average 'bound' agricultural tariff - from 22.8% at present to 12.2%.

Sensitive products: Up to 8% of the total number of tariff lines may be designed as sensitive (this would imply around 180 of the EU's tariff lines). As agreed in the 2004 Framework Agreement, the treatment should allow for substantial market access for the products concerned - but less market access than would occur under the normal tariff cut. "Otherwise," the EU points out, "the notion of a sensitive product would be rendered irrelevant".

The EU proposes to allow countries to reduce the size of the tariff cut to be applied to a sensitive product by between one-third and two-thirds. Thus, for tariffs in the highest band - which under the EU's standard formula would be subject to a tariff reduction of 60% - the tariff cut would in fact be between 20% and 40%.

However, the greater the deviation from the standard tariff cut, the larger the tariff rate quota (TRQ) which would thus be created. A complex formula is proposed to work out the size of the TRQ in each case (see table).

The new TRQs would be expressed as "a percentage of total current imports" - a significant break from the Uruguay Round formula, under which TRQs were expressed as percentages of domestic consumption.

For the most heavily protected products (i.e. those with ad valorem equivalents of 90% or more), the TRQs would represent between 5-8% of total imports if the tariff cut deviation was 20 % points, 7-12% if the tariff cut deviation was 30 % points, and 9-16% if the tariff cut deviation was 40 % points.

The full schedule of TRQ creation is as set out in the table

New tariff quotas to be created for sensitive products (expressed as % of total current imports)				
Tariff cut deviation	**Band 1 (0-30%)**	**Band II (30-60%)**	**Band 3 (60-90%)**	**Band 4 (90% +)**
20 % points	12 - 16%	10 - 12%	8 - 10%	5 - 8%
30 % points	18 - 24%	15 - 18%	13 - 15%	7 - 12%
40 % points	25 - 32%	20 - 24%	17 - 19%	9 - 16%

Geographical Indications (GIs): The EU has persistently called for a deal on expanding protection for geographically-linked product names, much to the annoyance of 'New World' countries who see this issue as veiled protectionism. But the EU says the GI issue is an integral part of the market access negotiations: "Without such protection, our products are exposed to unfair competition on world markets", the paper states.

The EU essentially wants the same higher level of protection as currently applies to wines and spirits to apply to all food products. This would mean that GIs registered in any country (for example, Gorgonzola cheese) could not be used by producers outside the registered region of origin, although registrations could be contested. The EU has however agreed that existing commercial trade marks already registered in any country would not be affected by the new rules - a significant concession. (In Canada, for example, a Canadian meat producer has the legal rights to the term "Parma ham").