



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

MEMORANDUM

To: Reporters and Editors
Re: EU agricultural trade proposal
Da: Wednesday, Jan. 29, 2003

Sen. Chuck Grassley, chairman of the Committee on Finance, today made the following comment on the EU's latest agricultural trade proposal.

"I'm disappointed to see the latest version of the European Union's agricultural proposal to the World Trade Organization. When measured against the ambitious, comprehensive United States proposal for agricultural trade liberalization, the EU's latest submission leaves a lot to be desired. I'm most concerned about two elements of the EU's agriculture proposal.

"First, it waffles on the question of whether or not the EU will get rid of its agricultural export subsidies. Export subsidies are so trade-disrupting that it is only in the field of agriculture, which is still highly protected, that they are allowed to be used. In my view, the very fact that export subsidies are still permitted at all in agriculture undermines everything that we are trying to accomplish in the WTO in terms of agricultural trade liberalization, and raises the possibility that their use could even be expanded. Agricultural export subsidies are the most trade-distorting form of agricultural support. They primarily hurt the poorest countries. They encourage environmentally damaging farming practices, like excessive fertilizer use. Considering their damaging, trade-disrupting effects, I can see no valid reason whatever to not follow the example we set years ago in the manufacturing sector, and completely eliminate agricultural export subsidies.

"Second, I completely reject the European Union's linking its export subsidies with our deficiency payments. There is no such linkage, either in law, or in fact. As the EU trade negotiators well know, export subsidies, by definition, are payments that go to exporters, not to producers. They are specifically contingent on export performance, not production. The EU's agricultural export subsidies are solely contingent on export performance. Our loan deficiency payments, in contrast, are WTO-consistent domestic support payments to producers. They are not subsidies for export sales. By equating the two, it appears the EU is simply trying to change the definition of what an export subsidy is, to the disadvantage of the American farmer.

"I regret that the European Union has taken this backward step just at the time when we should be making real, substantial progress in the WTO agriculture negotiations. It certainly complicates our efforts to close the gaps in countries' positions in this phase of the negotiations.

“We can get back on track and still achieve meaningful agricultural trade liberalization in the WTO, by agreeing on a plan to eliminate all trade-distorting subsidies, eliminate all tariffs, and further substantially limit all trade-distorting support. I urge the EU to join with us in that effort.”