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EU-Trade Agreements – What are they dealing with?*

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As one of the major players in the global agricultural and food market, EU agri-food production as well as trade and trade pattern are governed by the CAP (Common Agricultural Policy) and the related trade regimes. Due to the outcome of the Uruguay Round, the GATT, the EU export and import regimes became subject to multilateral commitments in the year 1995. Within this overall framework numerous, the EU has numerous **preferential trade agreements** with third countries exist (see table in the Annex), which in principle stem from different sources:

- The Treaty of Rome provided for the **association of the colonies and the overseas territories** (African, Caribbean and Pacific countries: ACP) of the member states with the emerging European Community. Mutual trade preferences were established in a series of consecutive conventions starting with the Lomé Conventions which were replaced by the Cotonou Conventions.

- **European integration** between the EU and essential candidate countries starts as a gradually implemented customs union by means of a partial reduction of tariffs and/or establishment of tariff rate quotas especially in the area of agriculture which is reflected in the Europe Agreements and Association Agreements with Central and Eastern European countries, Malta, Cyprus and Turkey.

- Agreements are also negotiated with some non-European trading partners to improve relations with developing, emerging and transitional countries in order to further integrate them into the world economy but also to **facilitate trade relations** in both directions. This group comprises negotiations or signed agreements with MERCOSUR, Chile, Mexico and South Africa.

- A broader framework for different preferential regimes is provided by the Generalised System of Preferences (GSP) and thereby the EBA (Everything but Arms) initiative. These were established with a **dual purpose as trade and development instruments**. But pertinence of preferential trade agreements as development measures is still debated.

Due to the economic size of the EU, these preferences have a major impact on preferential and non-preferential partners. While the EU's preferential agreements vary according to date of signature, aim or regional coverage and preferences, they provide some common features: The

goal to be achieved by the EU is often more than a provision of economically intended trade preferences. The EU also aims at aspects like European integration, stabilisation or improved conditions for developing or transitional countries. But while following these political aims, adherence to European ultimate preferences for domestic goods especially in the agri-food sector is apparent, e.g. by the introduction of safeguard provisions and the definition of sensitive products like sugar, beef, dairy products and bananas. Most agreements are negotiated bilaterally allowing for a better bargaining power of the EU and a straightforward approach in reflection of special and sensitive issues. This is even true for the association agreements in the course of EU enlargement since those may lead to biased economic development and distortions for associated countries and third countries. Partial exceptions in this respect are the Cotonou Convention, GSP and the EBA initiative.

Nearly all agreements cover **general trade** where after phasing-in periods, customs unions or free trade areas are supposed to be formed. Up to now, a very long **phasing-in period** has occurred e.g. for Turkey, which started in 1963. A step-wise implementation is usually combined with a **gradual removal of tariffs and duties**, quantitative import restrictions, export restrictions and export subsidies. Comparable swift adjustments are characteristic for most non-agricultural sectors except textiles. The adherence to the CAP implies a much **slower implementation in agri-food sectors**. Here tariff reductions are not always assigned in a reciprocal way. Sensitive products are often subject to lower preferences, e.g. CAP products like sugar, beef and veal, dairy products and certain fruits and vegetables. In the case of sugar and bananas, even the EBA Agreement is subject to a longer implementation period.

Quite often the preferences are implemented as **tariff rate quotas**. The tariff rate quota defines a certain quantity for which a zero tariff or reduced tariff or duty for imports is applied. Imports overshooting this limit are charged an out-of-quota tariff, which normally equals the MFN rate. These quotas can be established as a **general quota** applied to all countries under a certain scheme (e.g. wheat), but are much more often allocated to **individual countries** implying that unfilled quotas cannot be used by

other preferential suppliers (e.g. dairy products). Both systems may be applied to certain goods at the same time (e.g. beef, bananas). Tariff reductions and tariff rate quotas are always **fixed for specific tariff** lines often based on an 8-digit level. Actually some of the tariff preferences are temporarily limited to some seasons when production is low in the EU, especially in the case of fruits and vegetables. The **import licenses** granting the preferences are distributed in various ways, e.g. “first come, first served”, to historical suppliers and quotas for newcomers or via tenders. Different allocation systems may imply different economic outcomes depending on who is gaining the quota rent. EU duties are often defined as absolute value in € per tonne or 100 kg. Therefore, the exporter is subject to impacts of changing **exchange rates**.

From the very beginning EU agreements were equipped with **safeguard clauses** as a further measure to protect domestic markets. These safeguard clauses allow for countervailing actions in the case of a domestic price decline if a precise consultation process is adhered. A second qualitative restriction is the “**rule of origin**” which

ensures that a preference is only granted when the product originates in the country to which the preference is granted. **Sanitary and Phytosanitary (SPS) Measures** can be drawn on to protect human, animal and plant health but they have to be applied within WTO rules. In the context of other aspects, statements on **property rights, institutional frameworks**, acceptance of **common standards** and **settings for foreign investments** are referred to within the European Agreements. Regulations and measurements in this respect prove the necessity to generate stable economic growth and income. Nevertheless, under certain circumstances they can convert into obstacles when for example common standards prevent a part of or all imports.

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Annex

Preferential Trade Agreements of the European Union

Trade Agreement	Countries or Regions covered
Europe Agreements (Association Agreement)	Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia
Association Agreements	Cyprus, Malta Turkey
Stabilization and Association Agreements	Former Yugoslav Republic of Macedonia (FYROM), Croatia
Euro-Mediterranean Association Agreements	Israel, Morocco, the Palestinian Authority, Tunisia
Cooperation Agreements (Euro-Med Association Agreements concluded, but not in effect, or under negotiation)	Algeria, Egypt, Jordan, Lebanon, Syria
Other Free-Trade Agreements	(Denmark) Faroe Islands, Iceland, Liechtenstein, Norway, Switzerland (European Economic Area) South Africa
Other Customs Unions	Andorra, San Marino
Association of Overseas Countries and Territories	<i>Anguilla</i> , Antarctica, Aruba, British Antarctic Territory, British Indian Ocean Territory, British Virgin Islands, Cayman Islands, Falkland Islands, French Polynesia, French Southern and Antarctic Territories, Greenland, <i>Mayotte</i> , <i>Montserrat</i> , Netherlands Antilles, New Caledonia, Pitcairn, <i>Saint Helena</i> , <i>Ascension Island</i> , <i>Tristan da Cunha</i> ; South Georgia and the South Sandwich Islands, <i>St. Pierre and Miquelon</i> , <i>Turks and Caicos Islands</i> , <i>Wallis and Fortuna Islands</i> .
EU-African, Caribbean and Pacific (ACP) Partnership	<i>Angola</i> , Antigua and Barbuda, Bahamas, Barbados, Belize, <i>Benin</i> , Botswana, <i>Burkina Faso</i> , <i>Burundi</i> , Cameroon, <i>Cap Verde</i> , <i>Central African Republic</i> , <i>Chad</i> , <i>Comoros</i> , Congo, Cook Islands, <i>Dem. Rep. of Congo</i> , Cote d'Ivoire, <i>Djibouti</i> , Dominica, Dominican Republic, <i>Equatorial Guinea</i> , <i>Eritrea</i> , <i>Ethiopia</i> , Federated States of Micronesia, Fiji, Gabon, <i>Gambia</i> , Ghana, Grenada, <i>Guinea</i> , <i>Guinea-Bissau</i> , Guyana, <i>Haiti</i> , Jamaica, Kenya, <i>Kiribati</i> , <i>Lesotho</i> , <i>Liberia</i> , <i>Madagascar</i> , <i>Malawi</i> , <i>Mali</i> , Marshall Islands, <i>Mauritania</i> , Mauritius, <i>Mozambique</i> , Namibia, Nauru, <i>Niger</i> , Nigeria, Niue Islands, Palau, Papua New Guinea, <i>Rwanda</i> , St. Christopher and Nevis, St. Lucia, St. Vincent and the Grenadines, <i>Samoa</i> , <i>Sao Tome and Principe</i> , <i>Senegal</i> , Seychelles, <i>Sierra Leone</i> , <i>Solomon Islands</i> , <i>Somalia</i> , South Africa, <i>Sudan</i> , Suriname, Swaziland, <i>Tanzania</i> , <i>Togo</i> , Tonga, Trinidad and Tobago, <i>Tuvalu</i> , <i>Uganda</i> , <i>Vanuatu</i> , <i>Zambia</i> , Zimbabwe
Autonomous Trade Measures for the Western Balkans	Albania, Bosnia-Herzegovina, the Federal Republic of Yugoslavia, Kosovo
Generalized System of Preferences (GSP)	<i>Afghanistan</i> , Argentina, Armenia, Azerbaijan, Bahrain, <i>Bangladesh</i> , Belarus, <i>Bhutan</i> , Bolivia, Brazil, Brunei Darussalam, <i>Cambodia</i> , Chile, People's Republic of China, Colombia, Costa Rica, Cuba, East Timor, Ecuador, El Salvador, Georgia, Guatemala, Honduras, India, Indonesia, Iran, Iraq, Kazakhstan, Kyrgyzstan, Kuwait, <i>Lao People's Dem. Rep.</i> , Libyan Arab Jamahiriya, Malaysia, <i>Maldives</i> , Moldova, Mongolia, <i>Myanmar</i> , <i>Nepal</i> , Nicaragua, Oman, Pakistan, Panama, Paraguay, Peru, Philippines, Qatar, Russian Federation, Saudi Arabia, Sri Lanka, Tajikistan, Thailand, Turkmenistan, Ukraine, United Arab Emirates, Uruguay, Uzbekistan, Venezuela, Viet Nam, <i>Yemen</i> ; American Samoa, Bermuda, Bouvet Island, Cocos Islands, Cook Islands, Gibraltar, Guam, Heard and McDonald Islands, Macao, Norfolk Island, Northern Mariana Islands, United States Minor Outlying Islands, Tokelau Islands, Virgin Islands (USA)
Everything but Arms (EBA-Protocol within GSP)	The ACP LDCs are: <i>Sudan</i> , <i>Mauritania</i> , <i>Mali</i> , <i>Burkina Faso</i> , <i>Niger</i> , <i>Chad</i> , <i>Cape Verde</i> , <i>Gambia</i> , <i>Guinea-Bissau</i> , <i>Guinea</i> , <i>Sierra Leone</i> , <i>Liberia</i> , <i>Togo</i> , <i>Benin</i> , <i>Central African Republic</i> , <i>Equatorial Guinea</i> , <i>Sao Tomé and Principe</i> , <i>Democratic Republic of Congo</i> , <i>Rwanda</i> , <i>Burundi</i> , <i>Angola</i> , <i>Ethiopia</i> , <i>Eritrea</i> , <i>Djibouti</i> , <i>Somalia</i> , <i>Uganda</i> , <i>Tanzania</i> , <i>Mozambique</i> , <i>Madagascar</i> , <i>Comoros</i> , <i>Zambia</i> , <i>Malawi</i> , <i>Lesotho</i> , <i>Haiti</i> , <i>Solomon Islands</i> , <i>Tuvalu</i> , <i>Kiribati</i> , <i>Vanuatu</i> and <i>Samoa</i> . The non-ACP LDCs are : <i>Yemen</i> , <i>Afghanistan</i> , <i>Bangladesh</i> , <i>Maldives</i> , <i>Nepal</i> , <i>Bhutan</i> , <i>Myanmar</i> , <i>Laos</i> , and <i>Cambodia</i>
Cooperative Agreement	MERCOSUR (under negotiation), Chile, Mexico.
Other preferential access	New Zealand, Australia, USA, Canada

Note: Least-developed countries (LDCs) in italics.

Source: WTO Secretariat, based on DG Trade (2001b).