



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

## MEMORANDUM

To: Reporters and Editors  
Fr: Jill Gerber  
Re: WTO agriculture negotiations  
Da: Thursday, Feb. 13, 2003

Sen. Chuck Grassley, chairman of the Committee on Finance, made the following comment on the first draft of the modalities for further commitments in agriculture via the World Trade Organization.

“With the World Trade Organization agriculture negotiations in Geneva nearly at an impasse over the pace and the nature of specific reduction commitments, I had hoped that the first draft of the WTO modalities paper issued today by Stuart Harbinson, the chairman of the WTO agriculture negotiations, would affirm the commitment of WTO members to swift and meaningful agricultural trade reform.

“Unfortunately, while it makes progress in some areas, this first draft of the modalities – the roadmap for how we achieve greater market access, reduce trade-distorting domestic support, and other reforms – needs more work.

“Reducing trade-distorting domestic support is one of my top priorities for these negotiations. The European Union is allowed to spend \$60 billion a year on trade-distorting domestic support, and has no limit on so-called ‘blue box’ payments, while the United States has a ceiling of \$19.1 billion. This huge domestic support advantage in favor of the European Union is one of the main reasons why American farmers find it so difficult to compete in Europe, as well as in a growing number of important third-country markets.

“The United States’ proposal to set the same standard for all countries’ allowed level of trade-distorting domestic support, and to eliminate the blue box loophole, is the best way to address this disparity.

“However, the formula advanced in today’s draft modalities paper does not achieve this harmonization in support levels, and it leaves the blue box intact.

“We must also go further on tariff cuts. While the Harbinson draft text goes beyond the European Union position of an average 36 percent tariff cut, the same formula we employed in the

Uruguay Round, we can and must do more to eliminate the high tariff ‘peaks’ and other tariff barriers that still thwart market access in too many areas.

“On the positive side, the Harbinson draft almost completely rejects the European Union’s attempt to create new categories of trade-distorting spending on so-called ‘non-trade concerns.’ It would eliminate all trade-disrupting export subsidies in ten years. And it rejects any linkage between export subsidies and loan deficiency payments, a position advocated by the European Union that I viewed as a non-starter.

“As the Harbinson draft demonstrates, we still have more work to do before I’m satisfied. But as long as all WTO members are committed to negotiating in good faith, I believe we can achieve the promise of the Doha Declaration and make real breakthroughs in liberalizing world agricultural trade.”