

# WORLD TRADE ORGANIZATION

RESTRICTED

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**Council for Trade in Goods**

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## **QUESTIONS FROM AUSTRALIA REGARDING THE REQUEST FOR A WTO WAIVER CONCERNING THE NEW ACP-EC PARTNERSHIP AGREEMENT**

The following communication, dated 18 October 2001, has been received from the Mission of Australia.

1. In relation to the trade preferences component of the Agreement, has the EU considered the fact that aid delivered through preferences can be a particularly wasteful method of delivering aid
  - for example, a recent study<sup>1</sup> has estimated that the EU's previous banana regime cost \$13 to transfer \$1 of aid to the recipient of the preferences, with most of the rest going to banana importers and wholesalers with import quotas?
  - a number of ACP countries have not seen any significant impact on their exports from EU preferences, largely as a result of supply-side constraints. Would it not be better to use aid resources to target these constraints rather than providing preferences?
2. Has the EU considered that preferences may have hidden long-term costs for ACP countries
  - they appear to have encouraged over-specialisation in a few commodities and over-dependence on a single market for a number of ACP countries
  - this will lead to higher adjustment costs for some ACP countries as they face a reduction in the advantages conferred on them by their preferences, for example, as a result of the implementation of the "Everything But Arms" initiative for LDCs, and as a result of further multilateral liberalisation?
3. Has the EU considered the costs this Agreement has for non-ACP developing countries
  - in particular, the commodity protocols (sugar, beef/veal, rum and bananas) provide substantial margins of preference to ACP countries potentially at the expense of other competitive producers of these products which face high tariff barriers
  - these protocols also augment the EU's highly distortive agricultural regime which stunts the agricultural sector of many developing countries

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<sup>1</sup> Borrell 1999 "Bananas: straightening out bent ideas on trade as aid", Centre for International Economics, Canberra and Sydney.

- for example, ACP sugar receives guaranteed EU prices related to EU domestic intervention prices for sugar. These have been around two or three times world prices since the early 1980s. This regime has led to the over-supply of sugar in the EU, which has then been dumped using export subsidies onto world markets, depressing world prices and undermining the revenues of other developing countries?
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