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Grain and Feed

EU introduces new rice import tariffs from September 1 2004

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Report Highlights:

The EU has approved new rice import tariffs to replace the old 'margin of preference' (MOP) import tariff system. From September 1, 2004, EU imports of brown rice will face a tariff of EUR 65/MT, milled rice EUR 175/MT.

The changes have been decided on unilaterally by the EU using the WTO Article 28 procedure to withdraw the rice MOP concessions negotiated with the U.S. in the 1990's as part of the Uruguay Round.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Brussels USEU [BE2]
[E3]

At the July Agriculture Council, Commission proposals to alter the EU's import duties for rice were approved by the Council.

From September 1, 2004, brown rice will face a duty of EUR 65/MT and milled rice EUR 175/MT. India and Pakistan will face zero duties for basmati rice exported to the EU, with in addition a couple of hybrid varieties of basmati being added to the list of basmati varieties recognized by the EU.

These new import tariffs are temporary¹. For these changes to become permanent, a change to the EU's rice market organization legislation will be needed. This would have to be completed by the summer of 2005.

As part of the CAP Reform package agreed in the summer of 2003, the European Commission received a mandate from the Council to renegotiate the EU's import duty calculation system known as the Margin of Preference (MOP). This mandate was based on Article 28 of WTO rules. Negotiations between the Commission and the four main suppliers to the EU rice market – U.S., Thailand, India and Pakistan – lead to agreements between the Commission and India and Pakistan, but the Commission were unable to reach an agreement with either Thailand or the U.S.

Council approval of the Commission proposals was not unanimous. UK, Denmark and Sweden voted against while Poland, Lithuania, Czech Republic and Slovakia abstained. This meant that the proposal was very close to being blocked.

The German delegation issued a statement, which welcomed the agreements reached with India and Pakistan and called upon the Commission to continue the negotiations with Thailand and the US in order to reach a satisfactory outcome for all the parties concerned. This statement was supported by the Irish, Finnish, Luxembourg, Dutch, Austrian, Belgian, Slovenian, Latvian and Hungarian delegations.

The United Kingdom, Sweden and Denmark also issued a joint statement. This declaration welcomed the agreements reached with India and Pakistan on basmati rice and underlined the concerns of these delegations as regards the calculation and the level of the new tariff rates and urged the Commission to negotiate with the US and Thailand with a view to finding a mutually accepted outcome. The Czech Republic also supported this statement.

USA Rice Federation swiftly condemned the EU's unilateral replacement of the MOP system with a fixed import tariff of EUR 65 for brown rice, with Carl Brothers, chairman of USA Rice's International Trade Policy Committee, stating that "The withdrawal of the margin of preference concession by the EU without adequate compensation means the imminent loss of a cash market for U.S. brown rice that's averaged just over \$90 million annually in the last five years".

From the same USA Rice Federation press release, Paul T. Combs, a Missouri rice farmer and member of USA Rice's EU Trade Policy Subcommittee explains "Rice prices in Europe are set to drop significantly starting in September, and the import duties on U.S. brown rice would go to zero in response if the MOP were applied. Instead, the EU is putting up more trade barriers when there should be none". USA Rice then calls on the U.S. government to respond strongly to the EU's withdrawal of a negotiated concession.

¹ Technically, the Decisions are temporary derogations from the Council Regulation on the market organisation for rice (Regulation 1785/2003). This route was taken because normal EU legislative procedure requires an Opinion from the European Parliament in order to permanently amend the regulation.

Links to the Decisions

(Note – at the time of writing this report, the Decisions approved by the Council had not yet been published in the Official Journal, therefore links to the Decisions as they were sent to the Council are provided).

COUNCIL DECISION modifying the Community import regime with respect to rice

Council Decision on the conclusion of an Agreement in the form of an Exchange of Letters between the European Community and Pakistan pursuant to Article XXVIII of GATT 1994 relating to the modification of concessions with respect to rice provided for in EC Schedule CXL annexed to the GATT 1994

<http://register.consilium.eu.int/pdf/en/04/st11/st11298.en04.pdf>

Agreements with India and Pakistan

Council Decision on the conclusion of an Agreement in the form of an Exchange of Letters between the European Community and India pursuant to Article XXVIII of GATT 1994 relating to the modification of concessions with respect to rice provided for in EC Schedule CXL annexed to the GATT 1994

<http://register.consilium.eu.int/pdf/en/04/st11/st11297.en04.pdf>

<http://register.consilium.eu.int/pdf/en/04/st11/st11296.en04.pdf>

USA Rice Federation Press Release

http://www.usarice.com/news/news_detail.cgi/68/5

Visit our website: our website www.useu.be/agri/usda.html provides a broad range of information on EU trade rules and agri-food policy as well as giving easy access to USEU reports, trade information and other practical information. In addition, more information can be found on the Foreign Agricultural Service of USDA website at <http://www.fas.usda.gov/>

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Related reports from USEU Brussels

Report Number	Title	Date Released
E24004	EU restricts Basmati rice varieties eligible for reduced import tariffs	1/07/2004
E23249	UK questions EU Commission over Basmati rice import policy	12/18/2003
E23030	Rice - Overview of the EU import regime	3/05/2003