

MEMO
to the Commission

The WTO Ministerial Conference in Hong Kong, at the initiative of Europe, considerably extended market access to rich and emerging country markets for products from the least developed countries (LDCs). But it did not at that stage rebalance the negotiations in favour of EU interests. Thanks to the Commission's determination and the support of Member-States, the European Union managed nevertheless to obtain an acceptable result, unanimously approved by the General Council. However, in exchange for the substantial concessions the EU has made on agriculture, we are now entitled to expect our partners to come some way towards us.

A precise timetable was laid down in Hong Kong for completing negotiations in 2006. Consequently, with a view to forthcoming events, we, the ministers who have signed this memorandum, wish to inform you of our expectations and concerns with respect to a number of negotiating points.

1. The comparison between Non-Agricultural Market Access (NAMA) and agricultural market access must not disregard the concessions the EU has already made in other parts of the agriculture negotiations.

Paragraph 24 of the Hong Kong Ministerial Declaration instructs negotiators to ensure that there is a "comparably high level of ambition in market access for Agriculture and NAMA." This paragraph naturally cannot affect the basic principle of the negotiation, which is that of the "single undertaking". The EU's other offensive issues must naturally be considered, particularly on services.

However, it needs to be pointed out that any comparison between agriculture and NAMA is by its very nature biased: comparing only the two market access negotiations means ignoring the substantial concessions the EU has made on the other two pillars of the agriculture negotiations, domestic support and export competition. In addition, this comparison only makes sense if it addresses the actual additional market access opened up by negotiations.

Furthermore, the liberalisation of customs duties on industrial products began 50 years ago; agriculture cannot be required to "catch up" with 50 years of industrial liberalisation in a single round.

For these reasons we are asking you to be particularly vigilant on this topic and to point out to our partners the concessions the EU has already made in reforming the CAP in 2003 and agreeing to eliminate its export subsidies. These concessions need to be taken properly into account when any comparison is made between the contributions put on the table by the various sides.

2. On the export subsidy issue, the modalities for eliminating restitution payments are of crucial importance.

At the Hong Kong Conference, the final Ministerial Declaration was unanimously adopted by the General Council. This was made possible by the guarantee the Member-States were given that the modalities for eliminating restitution payments would apply to restitution value ceilings. This is a key point to ensure that restitution payments are eliminated at a rate our farmers can cope with, in line with the CAP as reformed in 2003.

We wish to stress the crucial importance we place on the political agreement reached at the General Council meeting in Hong Kong on 18 December and the negotiation of modalities for eliminating restitution payments in line with that agreement, which involves elimination occurring on the basis of value. If any substantial concession is due to be made in this area by the end of 2010, it must definitely involve an undertaking on value, expressed in overall terms.

3. Parallel elimination must be obtained from our partners.

In terms of “parallelism”, a number of principles were approved in the July 2004 Framework-Agreement and in Hong Kong. Now these principles need to be translated into binding practical disciplines, since the Hong Kong Declaration includes the possibility for the EU not to confirm the 2013 date for eliminating restitution payments until the disciplines for parallel elimination are finally announced.

This topic is all the more important since available economic studies show that if the EU were alone in dismantling its export subsidies, it would suffer considerable prejudice, while other WTO Members using other forms of export subsidy would gain an advantage from the EU’s withdrawal from world markets.

4. On market access and on domestic support, all room for manoeuvre is exhausted.

The 28 October 2005 proposal exhausted — perhaps exceeded — all the room for manoeuvre we had. We then remain deeply concerned about the consequences this agriculture proposal may involve in Member-States, particularly for employment, when the Lisbon Agenda has made job creation a fundamental objective for the EU.

- On market access, we would especially draw your attention to the number and treatment of sensitive products contained in this proposals, which cannot under any circumstances be reduced. It is also necessary to strongly emphasize the need to maintain specific systems created in the Uruguay round like the Special Safeguard Clause and entry prices.
- On domestic support, the room for manoeuvre is exhausted on amber box . Moreover, we draw your attention to the fact that the review and clarification procedure, concerning the green box criteria will need to ensure that the basic concepts, principles and effectiveness of this box remain. Similarly, concerning the blue box criteria, any excessive “additional discipline” could undermine the future of the reformed CAP.

We also note that the conditions accompanying this proposal have not been fulfilled. Although the 28 October proposal offers substantial effective access to the European agricultural market, the EU has not received from the major emerging countries any proposal ensuring effective access to either their industrial or their service markets.

If this continues with NAMA and services, the appropriate consequences will need to be drawn for agriculture. Conversely, if the conditionality contained in the 28 October proposal were to be fulfilled, this would mean a rebalancing of negotiations, and it would be unnecessary, indeed illogical, to respond with a further concession on agriculture; otherwise this would merely unbalance the negotiations again.

In this connection, we have carefully noted the assurances you have given us that the simulation exercise currently underway in Geneva, where certain parameters would be an unacceptable negotiating result, is in no way binding for the European Union.

5. Substantial progress must be made on issues of interest for the EU

We recall the particular importance of the question of geographical indications for which the EU should get a concrete result.

Furthermore, non-trade concerns have to be part of the final result of the negotiation. Substantial progress must be made on these issues, since it is crucially important that they advance at the same speed as the rest of the agriculture negotiations.