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<b>133 COMMITTEE</b>
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*Dear Susan,*

Thank you for your letter of 4 August 2006. Let me say from the outset that we welcome the renewal of your commitment to the DDA. For our part we reiterate our readiness and our willingness to resume the negotiations as soon as circumstances allow.

We fully agree with you that the objective of this Round should be to achieve an ambitious market opening outcome that creates new business opportunities and generates growth and development world wide. The DDA is an unprecedented occasion to achieve an open, inclusive and equitable global market. And, as a matter of fact, we were, slowly, but steadily, moving in this direction. There was already quite a lot on the table – and hence quite a lot to lose. So we should indeed grab any opportunity to bring this Round back on track as soon as possible.

However, in trying to achieve that goal we have to be reasonable and realistic, while considering the full spectrum of issues under negotiation as well as the capacities of developing countries. Our objective is to achieve a balanced and ambitious result on *all* the market access issues, as well as on rules.

I note that your letter focuses heavily on agriculture, and especially on agricultural tariffs. Farm tariff reduction is indeed an essential aspect of the Round, but it is not the only issue at stake, and it is certainly not a magic recipe for development. It has been widely documented that tariff cuts on agricultural products will mainly benefit a few major agricultural exporters. It should therefore be handled with great care and in a sustainable manner, so as to avoid a backlash from the poorest developing countries.

In spite of this, the EU has offered a lot on agriculture : we have agreed a 100% elimination of export subsidies, a 75% reduction of trade-distorting domestic support, all of which will result in the creation, world wide, of additional market access for non-European exporters. As regards tariffs, we have shown further flexibility by expressing our readiness, under certain conditions, to improve our October 2005 offer on agricultural tariffs, to get to an average tariff cut close to that requested by the G20. It is wrong to claim that this offer would be emptied of any content by recourse to sensitive products. Sensitive products are not loopholes to market access. They are a different modality of market opening, designed to ensure that tariff cuts

remain sustainable, and do not result in devastation of certain sectors. Even on sensitive products, tariffs *will* be cut and their tariff quota levels expanded. This is much more than anyone had ever expected from the EU or others, and much more than anything that has been done in previous Rounds. It is also at the limit of what the vast majority of developing countries can commit to.

This is Europe's contribution to one of the main objectives of this Round, *i.e.* the consolidation of a programme of fundamental reform of farm policies in the developed countries, to which all industrialised countries must contribute. But this must be done in a way that is sustainable and balanced. Weighing subsidy cuts against tariff cuts and requesting full parity between these two is not acceptable to a vast majority of WTO Members. And conversely, giving only paper cuts on domestic supports against real cuts in agricultural market access is not an option. We therefore expect the US to come forward with a reasonable and solid proposal to effectively reduce trade-distorting agricultural subsidies: a genuine reform of the kind we have already done.

The DDA is a Single Undertaking, and completing its objectives requires ambitious results across the board. We look forward to pursuing, with you and others, a robust agenda on NAMA and services, that would create genuine new business opportunities for all WTO Members, and which are of far greater economic importance than agriculture, as they represent the lion's share of the world economy.

Improved market access also needs to be harnessed by better rules. Negotiations on anti-dumping, subsidies, Geographical Indications and Trade & Environment must be pursued, while we must consolidate the impressive and promising amount of work that has been achieved in the area of Trade Facilitation, potentially being one of the main contributions of this Round to the world economy.

In sum, we remain fully prepared to re-engage with you and other WTO Members in a collective effort to push this Round towards a successful completion. We are ready to do our part of fresh thinking, and to re-iterate the flexibility we have shown before, provided our partners engage in the same spirit. We look to the US in particular to show the necessary level of flexibility and readiness to engage in substance, in order to allow an early resumption – and conclusion – of these negotiations.

*Ant. Liker,*



Peter Mandelson