

MEMORANDUM
CONCERNING THE WTO NEGOTIATIONS ON AGRICULTURE

DRAFT (25 September 2005)



Madam Commissioner,

In the context of the preparation for the Ministerial Conference of the World Trade Organisation in Hong Kong, the Member States signatories to the present document wish to express their deep concern regarding the state of the negotiations on agriculture. Indeed, with only three months to go before the Hong Kong Conference, we note that the obvious imbalances in these negotiations not only have not been corrected, but on the contrary have become more marked.

1. The European Union has in fact already made a substantial contribution to the success of the negotiations in the Doha Round:

- firstly, by reforming its Common Agricultural Policy in 2003, it opted massively to establish aids decoupled from production, i.e. aids non-distorting for world trade;
- it then agreed, in July 2004, to the principle of the elimination of export subsidies.

2. Although Community efforts have always been conditional to matching concessions from the other WTO Members, this contribution by the European Union has remained unilateral.

- For example, the compromise of the Presidency of 30 June 2003, adopted following the Luxembourg reforms, emphasizes that "the margin of manoeuvre provided by this reform in the DDA can only be used on condition of equivalent agricultural concessions from our WTO partners".
- The concession offered by Commissioners LAMY and FISCHLER on export subsidies in 2004 is equally clear: it is conditional to a parallel commitment by our partners to remove their own forms of export subsidy.

3. With regards to these European Union contributions to the success of the Round, we note that our partners have made no substantial move to respond to the efforts:

- On the matter of exports, no concrete progress has been made on the parallelism of concessions for which provision is made in the framework agreement of 1 August 2004. On the issue of disciplines on export credits below 180 days and trade-distorting practices of State Trading enterprises, no tangible progress has been made. The debate on food aid, in which the positions of the European Union have been caricatured, offers no hope of substantial progress before Hong Kong.

On the other hand, extreme demands are being made of the European Union on the issue of export subsidy. Some members of the WTO are requesting major reductions in these subsidies as from the first year of implementation, which we consider to be unacceptable. The statements attributed to you at the Quad meeting in Paris on 23 September give credit to these demands.

- **On domestic support**, the WTO Member from whom we must obtain genuine and significant effort on this point has given no indication. Indeed, at the same Quad meeting in Paris, the United States did not even submit any document on domestic support.
- **On geographical indications**, no concrete breakthrough has been achieved on any of the three subjects of concern to the European Union. As you know, the July 2004 framework agreement stipulated that the WTO General Council "shall review progress and take any appropriate action no later than July 2005". This date has gone by without any "appropriate action" having been determined.

4. **Despite the lack of balance adjustments in discussions on the above issues, the Commission agreed to enter into an initial quantifying discussion on a topic that is vital for Europe, market access.**

- **This issue is crucial because it involves the future of the Community preference, to which we attach particular importance and which we will be watchful to preserve.**

Any agreement that is too ambitious on this aspect entails the risk of compromising market balances, and by the same token the long term survival of the CAP as reformed in Luxembourg. Yet, the compromise of June 2003 states that "the CAP reform is Europe's important contribution to the Doha Development Agenda (DDA), and constitutes the limits for the Commission's negotiating brief in the WTO Round". The mandate we gave the Commission following this reform is therefore valid not only for the domestic support aspect, but also for the whole of the agricultural negotiations, particularly on the market access aspect.

- **Market access issues are also crucial for our partners in ACP countries, who fear that a general reduction of customs duties may lead to an erosion of the preferences from which they benefit, and in particular their access to the Community market. This issue of the erosion of preferences must be answered in this Round, including by the WTO Members who will benefit the most from a reduction in duties on agricultural products. It is for this reason in particular that the European Union must continue to argue for a firm and binding commitment on the part of all developed and emerging economies to adopt the "Everything But Arms" initiative of the European Union, as planned as far back as 2001.**

5. Given the current status of discussions on these various issues, we urge that you continue your efforts to adjust the balance in the agricultural negotiations before Hong Kong, in line with the mandate which you received from the Council of Ministers of the European Union.

- The conclusions of the Council of 11 October 2004 set out the points that would bring a satisfactory outcome for the negotiations in our eye: "On Agriculture, the Council reaffirms the importance of a satisfactory outcome as regards EU sensitivities in agricultural market access, the importance of full parallelism on the elimination of all forms of export subsidies, the need for major reform in other industrialised countries, the need to preserve the reforms of the CAP and the need to make progress on other issues of interest to the EU, such as non-trade concerns and geographical indications".
- Conditions for dealing satisfactorily with these topics in Hong Kong are not yet in place. Any agreement addressing only one of the components of the agricultural negotiations without providing sufficient guarantees on the other components, or any agreement that does not meet the requirements laid down by the Council, could not be considered acceptable and in conformity with the mandate you have been given. The time has come to confirm that the European Union does not intend to be alone in making concessions, and to obtain the parallelism of effort defined in the mandate and supplemented by the Geneva framework agreement in 2004.

6. We are now asking you:

- to clarify and to put forward the EU position on three key issues:
 - on export subsidies, we request that the ambiguity surrounding the real issues in this area should be removed without delay. Indeed, the task is not to negotiate a date for the elimination of our export subsidies, but a period of implementation of what is a conditional concession, which is to apply from the date of entry into force of the commitments made in the Round;
 - on market access, an indication of Europe's readiness to agree to a maximum average reduction in customs duty comparable to that of the Uruguay Round must be presented as a major effort, given the negotiation of a staged formula whose upper bands will be subject to reductions in duty much greater than this figure;
 - on the opening up of the Community agricultural market, we ask that you systematically emphasize the Union's wide openness to trade and its generosity, hitherto unequalled, towards the poorest countries (cf. the "Everything But Arms" initiative).
- to fully associate the member States, on the crucial aspect of market access, in the establishment of the list of agricultural tariff lines which may be classified as "sensitive products".
- To conclude, we are asking you to personally attend all discussions in which the

Community negotiator takes part, up to the Hong Kong conference, as:

- the technical complexity of the topics to be discussed demands this in our view, as well as their incidence on the future of our reformed agricultural policy;
- the Commission's strategy consists of indicating at the outset virtually the entire European margins for manoeuvre in the various areas of the negotiations; to go further than the current state of the negotiations would therefore in our view entail going beyond the mandate given to the Commission by the Council. You are in the best position to assess the lines that cannot be crossed.

The crucial forthcoming weeks will lead, we hope, to a Hong Kong agreement both in line with the Commission's mandate and also better balanced in terms of concessions made by all Members of the WTO. In the circumstances, we are sure that we can rely, Madam Commissioner, on your vigilance in ensuring that these two objectives are met for the greater benefit of our farmers and of aid for the developing world, the latter being the "raison d'être" of the Doha Round.

D. BUSSEREAU

Other Ministers