Madame Chair, Minister Vanclief, ladies and gentlemen, Happy New Year, and thank you for inviting me to give the European outlook to open what I believe is the 55th Oxford Farming Conference today. It is always nice to be invited to open a conference, not least because you don't need to worry about whether someone has already delivered the speech you intended to give. And there's always the chance of catching the audience unawares, or at least less chance of sending them deeply to sleep.

I come today not just as the EU's trade negotiator (where I of course I share responsibilities with Franz Fischler on the agricultural side, who spoke to this conference in 1998), but as someone with a strong interest and background in agricultural questions. I come originally from Normandy, a relatively prosperous farming region, where some of my relatives are in the sugar beet business. In this context, the Commission's Everything But Arms proposal, including sugar as one of the commodities where we are looking for duty free and quota free access to the EU market for the world's poorest trading nations, means that my Christmas presents from this side of the family were rather limited. Indeed, I wondered whether I should call a bomb disposal squad before opening them.

You have invited me to set out where agriculture fits into the trade negotiating agenda overall. What I would like to do today is first, to explain to you how I see the general context, and secondly, to update you on where matters stand on the agriculture talks, and where we are trying to take those talks.

It is now more than a year, of course, since Seattle. The key question is where we are now heading, and whether a new Round is still the solution to the problems we face.

In doing so, we need to recognise that Seattle was something of a defining moment - when two important undercurrents which had been building up for some time, below an outwardly placid surface, suddenly burst through. The first was the clear worry about the impact of globalisation and the belief - widely shared and strongly felt - that the WTO represents the unacceptable, and too powerful, face of globalisation. The second relates to developing country concerns about their stake in the WTO system, and their belief that the WTO has not delivered benefits for them, nor begun to address the problems of the world's poorest countries who remain marginalised.

So given that we have the built-in agenda of agriculture and services, on which talks restarted in 2000, do we still need a new Round ? For reasons even simply related to agriculture and services, the answer is yes: a Round remains the best way of engineering a mutually satisfactory conclusion to the built-in agenda. The built-in agenda has no WTO mandated timetable, no deadlines, and thus no inherent negotiating dynamic.

But for wider reasons, a Round remains extremely important. Let me briefly try to explain why.

Starting with the concerns of developing countries, I fully accept that we need to separate myth from reality. Developing countries do not all have the same story to tell: those who have succeeded in pulling together the right mix of liberal trade policy, inward investment,
and internal reform have benefited from the WTO. It is also true that the countries who have not made these changes have fared the worst in Geneva.

For the very poorest countries, the lack of open markets elsewhere is only one of the problems in generating growth. We cannot ignore political instability, institutional problems, unfavourable climate, and disease. The WTO, and trade policy more generally, cannot and should not be blamed for everything.

It can however be said that WTO and trade policy have not risen to the challenge, and I accept that that is a significant fault. Market access to developing countries in areas where they are competitive remains critical. And we must ensure that the present rules and any future rules are both relevant to their needs and can be realistically implemented. This in turn means that developing countries must participate, and be able to participate, in designing the rules themselves; and we have to provide the necessary long term assistance to build domestic institutions and stability and with it sustainable economic growth and poverty reduction.

Turning to the other important undercurrent, globalisation, the WTO has a key role to play in maximising the beneficial aspects and minimise the negative consequences. But the fact is that globalisation has changed the nature of trade and trade policy. It is no longer just about trade in widgets, or the tariff we put on those widgets.

So the first task is to strengthen the WTO rule book to help us manage the interface between trade and other policy areas such as health, consumer safety and environment. This is true in the agriculture area, of course - consider the evolution in the debate on genetically modified organisms, for example. It is not just, and cannot be, a question of simply asserting that GMOs are safe, or we will get nowhere with consumers who want to know. Five years ago, it might have been possible to simply assert that safety is not a problem. But not now: transparency and consumer choice must prevail.

If we do not provide this clarity we risk conflict between trade and other policies. Trade rules cannot override the other concerns of society: we must ensure they are compatible. In this respect, WTO member governments must take responsibility. Unless we decide to negotiate those rules ourselves, we are simply delegating the task for ongoing interpretation by dispute settlement panels. The dispute settlement process is not where the rules should be made. Moreover, if governments conclude that these issues are too difficult to tackle, we further undermine the legitimacy of the WTO by passing the buck to the judges.

Second, we need to help the WTO find its proper role as an organ of international economic governance. What do I mean by this highbrow term? Put at its most basic, in a globalising environment where transborder issues by definition loom larger, national governments have increasingly struggled to find solutions, e.g., in areas like the environment, through action at the national level. So co-ordinated solutions at the international level - including within the WTO's own area of competence - are often necessary if government, and not pure market forces, are to control the evolution of the world economy.

So with this kind of issues in mind, the Commission has now put on the table some fundamental thoughts about our approach to a new Round. We need to show a willingness on our side to look at all the issues afresh, to ensure that a new WTO round is really addresses the concerns of developing countries and properly harnesses globalisation.

But what sort of Round? In the EU's view, a Round needs to be broad, inclusive, comprehensive: the label is less important than the underlying logic - that only a broad negotiating agenda, containing everyone's priority issues, will ultimately succeed either in launching or more importantly concluding the Round.
I say this having looked closely at the alternatives. One alternative is no round at all, and trying to use the WTO as a permanent negotiating forum, but unfortunately the WTO does not yet have the institutional capacity to manage such a negotiation, and the complex trade-offs necessary to complete it.

Another idea suggested by some is a market access only Round. Although superficially tempting, this would foreclose any updating of the WTO rule-book. It would also face strong resistance from parts of civil society who rightly want the WTO to take measures to support sustainable development, the environment, health and safety and other areas of trade overlap.

So to borrow what Churchill said about democracy, an inclusive Round is probably the worst approach - except for all the alternatives. It is without doubt the only approach that stands any chance of securing support from the whole of the WTO membership. A Round remains clearly the EU's goal; and I believe that it is both desirable and achievable.

If I may now turn to agriculture, let me begin with two fundamental premises on agriculture, which I share with Franz Fischler and indeed with the European Commission as a whole. The first is that internal reform is necessary and achievable. The results already demonstrate that. We have moved progressively from market price support to direct payments, which are much less distortive of trade. In the arable sector, that has seen prices cut by 45% since 1992. Price support as a percentage of total support will fall from 91% in 1992 to just 21% in 2006, and export refunds will account for just 9% of total CAP expenditure, one third the level of 1992. These reforms are vital in their own right. But, in addition, from an external i.e., trade negotiating perspective, the internal reforms give us "currency" with which to negotiate.

The second premise, however, is that agriculture is different. Neither Franz Fischler nor I believe that the ultimate goal should be for agriculture to be treated as just any other subject in the WTO. To put it another way, why should rules which were largely designed in the GATT era for manufacturing industry be applied to the farm sector? If there is anyone in the Cairns Group who still believes that, then we are simply not going to agree.

Neither of these two premises, however, is inconsistent with a proactive and positive approach to the agricultural negotiations. If the question becomes not whether agriculture is entitled to special treatment, but how, then we can have a real discussion. And the famous Article 20 of the Agriculture Agreement at the end of the Uruguay Round allows for that, stipulating that agricultural negotiations "for continuation of the reform process" would begin on 1.1.2000, along with trade in services, and some aspects of the trade-related intellectual property regime.

But it is worth looking closely at the wording of Article 20 because in a world of carefully crafted compromise wordings, this is one of the ultimate. Article 20 is a balance: it talks about "substantial and progressive reductions in support and protection resulting in fundamental reform" as the long term objective. But the negotiations must take into account various factors, including non-trade concerns, of which more in a minute.

In line with Article 20, the EU has now tabled a negotiating proposal in Geneva. We believe that it is comprehensive and well-balanced: let me briefly outline the main elements.

First, market access. A curious fact: while everyone of course "knows" (make that "believes") that we have a uniquely protectionist agenda, we are in fact the second largest food exporter, and have strong interests in improving our access to third country markets, for example through effective protection against unfair use of European names of agricultural products.
Second, export competition. The EU is ready to accept further reductions in export subsidies - if other instruments that are used to boost exports are also disciplined. In particular, that means including the use of others' means of aiding exports, such as subsidised export credits, the abuse of food aid, and the operation of State Trading Enterprises. We are often blamed for using about 90% of all notified subsidies to the WTO. But the system simply does not keep a check on other measures used to boost exports. That is not just unfair, but illogical - if the goal really is to tackle export support measures.

Third, domestic support. Again, we are ready to see further cuts in farm support measures that distort trade - as long as the concept of blue and green boxes is maintained. This has played an essential role in moving away from market price support to direct payments. The impact of the Blue Box has proved to be far less distorting than market price supports, for example. Moreover, the EU has proposed that we apply specific disciplines to variable "amber box" subsidies which boost export performance through the provision of compensation for variations in market prices.

Fourth, non-trade concerns. This whole area has been massively misunderstood. It reflects what I said earlier: that agriculture is different. Partly it is a question of externalities. In a simple model of profit and loss, the benefits of agriculture, such as the maintenance of rural populations and rural services, are undervalued. Moreover, there is an undeniable link between sustainable agriculture, food safety, maintenance of the landscape and the environment. We have to ensure, for instance, that we can take appropriate measures to protect the environment, and maintain rural areas, and to assure consumers that food has been produced according to EU standards, whether relating to animal welfare or indeed safety.

Finally, let me say a word about one group in particular - developing countries. As we enter the 21\textsuperscript{st} century, world trade is no longer simply the domain of the industrialised countries - 80% of WTO members are developing countries. They rightly seek to be more involved in WTO decision-making, and to become better integrated in world trade. But developing countries are far from convinced about the need for further trade liberalisation, or for a new trade Round. So it is absolutely clear to me that we need to review our policies across the board, if we are to win the confidence of developing countries.

Agriculture must of course play a full part in that. The EU is of course already by far the largest market for the exports of agricultural produce from developing countries, and in large part as a result of trade preferences - to a value of over $36 billions, compared to just $20 billions imported by the US and only $8 billions by Japan.

But - as our comprehensive negotiating proposal says - we are ready to do more: ready, for instance, to create opportunities for increased market access for developing countries, including ensuring that market access is both stable and predictable, at the same time as accepting that the most fragile developing countries need to maintain protection in order to have adequate time for adaptation. We are also ready to reduce trade distorting measures that may adversely affect developing country producers and exporters, whilst offering greater scope to developing countries, within the rules on domestic support, to meet non-trade concerns of special relevance to them, such as poverty alleviation and food security. We also intend to work to ensure that the interests of net food importing developing countries are safeguarded, particularly in the context of ensuring that food aid does not damage local food production and marketing capacity of the recipient country.

But finally we also need to take special action in favour of the least developed countries, the world's 48 poorest countries. For too long, we have talked in positive terms about the need to give them market access, whilst often failing to deliver that in areas where they actually can export. It does not help Chad much if we free up their exports of sophisticated computer equipment, for example - at least not in the short run. So last autumn, the Commission...
proposed to the Council that we liberalise "Everything But Arms" - tariff and quota free access across the board. There remains of course the little matter of getting the proposal approved, and this has proved difficult in relation to one or two sensitive products such as sugar and rice. But we are determined to press ahead, and the Commission is therefore reviewing the proposal with a view to getting agreement early in the new year. Chile and New Zealand have already indicated that they will pursue similar policies, and - who knows? - perhaps Minister Vanclief has a little surprise in store for us this morning?

In short, we have to show that trade policy is not the source of many of the problems for developing countries, and for the least developed in particular. But we have to go further than that: to show that trade policy can proactively help bring LDCs out of underdevelopment and poverty, as in our access to medicines initiative, whereby we are seeking to ensure the availability of affordable medicines to fight disease in Africa.

**Conclusions**

My message overall is that we have a positive agenda, both before we launch a Round, and once we have launched a Round.

Some people will always suspect the EU of tactical games in all this - that the Built-In Agenda will be held hostage until we have launched a broader Round; and that once we have launched the Round, we will then hold agriculture hostage to our "unreasonable" demands on a host of other, esoteric areas of no interest to the rest of the world.

But it needs to be remembered that hostage taking is a bad idea for all sorts of reasons.

Firstly, the hostage-taker usually has no idea how to get out of the building, let alone onto a plane to Friendly Destination X. Secondly, the hostage-taker usually ends up getting shot.

So I'm not in favour of this in policy terms. And I have tried to demonstrate how far it is from reality. We have no desire to hold agriculture hostage. Indeed, we want to see substantive and timely results. We believe the best way is to launch a new Round as soon as possible. I very much hope and believe that this can be achieved during the course of this year.