

Mandelson sets out EU “landing ground” for farm/manufactures deal. Geneva 30 June 2006

This is a transcript of EU Trade Commissioner Peter Mandelson’s remarks to the informal Trade Negotiating Committee (TNG) in Geneva, 30 June 2006.

In it he sets out what the EU believes constitutes a realistic “landing zone” for the Doha negotiation on farm tariff cuts, trade-distorting farm subsidies and industrial tariff cuts. He urges all sides to show further flexibility. Insisting that the EU will try to get as close as possible to the G20 proposal for farm tariff cuts, he says that the same level of ambition must also apply for US domestic trade-distorting farm subsidy cuts which must come down – not as far as to the \$12 billion ceiling demanded by developing countries but “considerably”. Mandelson argues that a “real cuts for real cuts” scenario demands that such an agreement is completed by the G20 advanced developing countries offering a formula for industrial tariff cuts with a coefficient of “15, not 20”.

“I certainly agree with the assessment of the Director General that discussions have been quite sobering: I would say this is typical British understatement coming from a Frenchman. In fact we are nowhere near a realistic landing zone. If we stay on this course we risk a crash landing. I have come here to negotiate not to talk.

My starting point is the very idea expressed by the Director General that our agreement on modalities needs to produce effective cuts and new trade flows.

This requires effective cuts in farm subsidies and real cuts in NAMA and AMA. In other words a package of real cuts for real cuts, but in a proportional way, to ensure less than full reciprocity between developed and developing countries. This is the only way to start the approach to a realistic landing zone which in our view should bring us as near as possible to the G20 level of ambition in cuts in both AMA and DS. This is where I would ask you all to help us land the plane.

Of course we can and will need to be flexible within this basic parameter. The EU has to find the best way to get as near as possible to the G20 proposed average cuts in AMA. The G20 proposals would correspond to a 51% cut for developed countries - when averaged across all developed countries. But there needs to be a correspondence inside agriculture. G20 in AMA equals broadly G20 in DS. G20 minimis in AMA equals G20 minimus in DS. There is no other currency to be invented at this stage.

Our priority should be to address those measures in agriculture which are the most trade distorting. These are first and far most trade distorting subsidies which have also an immediate effect on the markets sometimes well beyond the actual tariff protection. But both must be addressed.

For these reasons – in addition to obvious political ones – it does not make sense if we are trying to get towards G20 levels of ambition in AMA and DS, to put the EU somewhere North of

G20 on AMA and the US South of G20 on DS. The gains and the effort must be commensurate – in this case between develop countries across both pillars.

The average cut in AMA cannot be considered independently of the treatment of sensitive products. Obviously sensitive products should have a less favourable treatment in terms of market access than non sensitive ones. We have developed a hybrid formula which takes this into account while allowing at the same time for improved market access for all products. We have moved here quite some way towards our negotiating partners.

We accept a fair and reasonable formula allowing for improved market access across the board. We demand our partners to allow better access for quality products through recognition of an extended protection for GIs.

What is the minimum needed to achieve G20 ambition in DS? Obviously it involves the US going considerably up in both overall and amber and accepting disciplines in the Blue Box! What the G20 demands is in effect that overall US domestic support goes down to about \$12 billion. This may be a big task. A compromise will be needed, but to get there we need to start a negotiation.

If this falls into place, what does this mean for NAMA? We can only take our agricultural position to the furthest limit of the envelope if we get a fair result in NAMA. Real cuts commensurate with the extent of the real cuts potentially in our grasp in agriculture imply a developing country coefficient of 15, not 20.

This represents a reasonable effort in absolute terms for DCs. At 15, we would cut through most of the water but into the meat of applied tariffs on only a limited number of lines, especially given the flexibilities which are worth a further 2/3 additional points of the co-efficient.

And a Swiss 15 is consistent with the proportionality between agriculture and NAMA: in AMA, in our case it is 100% real cuts because our bound is our applied. Let's have a discussion / negotiation about this. In NAMA, for DCs, it is largely binding combined with some selected real cuts which is economically doable for DCs, and is politically essential for developed countries to sell domestically.

So, are we able to enter the broad territory of a landing zone around these principles and this range of numbers? I really hope so. EU has put its cards on the table. We cannot afford brinksmanship any longer. We all need to move, negotiate and make sure that we do not make the best the enemy of the good.

Last but not least, let us not loose sight of the needs of developing countries. The potential gains for them from this Round will be important. We need to address their particular concerns, especially of the LDC. In this regard we should take account of what Dipak Patel just said.”