



EUROPEAN COMMISSION

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Dear Colleague,

From many discussions with colleagues over these past few months, it is clear that there is a stronger sense of resolve to make progress on the Doha Development Agenda between now and July. A much more positive atmosphere has now emerged in Geneva.

This letter sets out what we see as the key areas where more movement is needed, in order for us to agree on framework modalities by July. We will be deliberately selective, focusing only on the prominent issues and the corresponding European positions. This will necessarily imply certain omissions, including issues of importance to the European Union, and we trust that this will not be misunderstood or misinterpreted. We will focus on agriculture, non-agricultural market access, services, the Singapore issues, and development questions.

On agriculture, we believe that we have a historical opportunity for a breakthrough. The responsibility for showing the lead clearly lies with the major subsidising countries in the developed world. We are prepared to play our role in that respect, as two major reforms of the Common Agriculture Policy in the span of less than a year demonstrate. But there must be movement on all three pillars – market access, domestic support, and export support - in a balanced fashion.

Firstly, on market access, approaches differ widely, often reflecting the fact that tariff structures are so different among members. We continue to believe that a blended formula could, with the necessary modifications, meet the concerns of all participants as well as our own sensitivities. However, all of us, instead of looking for our own magic solutions, should consider how best to address these concerns by focusing on the necessary flexibility particularly in response to developing country sensitivities. Market access continues to be a central issue in the negotiations, and one which will have to be carefully integrated in our overall approach on the three pillars.

Secondly, on domestic support, we continue to aim for a very substantial reduction of all forms of trade-distorting subsidisation. Since Cancun, a number of developing countries, including the G-20, have made their objectives very clear and we are ready to go a long way to meet them. Thus, we are prepared to commit ourselves to a large reduction in trade distorting (amber) support as well as reduction in existing blue box payments and their capping. We believe *de minimis* support should be eliminated for developed countries. There should be new rules which would prevent subsidising countries from transferring subsidies between and within boxes. Greater transparency, advance notification and consultation are also vital principles for many countries which we support. In addition, we are open to commitments guaranteeing the overall reduction of

trade-distorting domestic support. But non-trade distorting support (green box) should remain free of restrictions.

Thirdly, it is clear that the objective of eliminating all forms of export support is one which is shared by the great majority of participants. And although our own export subsidies have decreased very substantially over the past several years, and have been disciplined, other forms of export subsidisation by other members of the WTO have been maintained or increased, and remain undisciplined. Going beyond this, before Cancun, the EU offered to eliminate export subsidies on a list of products of interest to developing countries, and we subsequently made clear that there would be no *a priori* exclusions, so all our export subsidies are effectively on the table. However, the list approach has not worked, and we need to take this into account. If an acceptable outcome emerges on market access and domestic support, we would be ready to move on export subsidies. At the same time, there must be full parallelism on all forms of export competition including export credits, food aid and STEs. It is essential that the necessary work advances rapidly to specify what “parallelism” means, so that it can be spelt out in the framework agreement.

Clearly, the agriculture package must be taken as a whole, so as to ensure that our non-trade concerns as agreed in Doha are adequately addressed.

Finally, early action on cotton is vital to many developing countries. It behoves us all, and in particular developed countries, to eliminate all forms of export support, to provide free and unfettered market access and to significantly reduce and if possible eliminate the most trade distorting domestic subsidies. Our recent reform is a clear indication of our commitment to such an approach.

Negotiations on non-agricultural market access have lost momentum and we must regain it because we all know this is where the gains in the Round will be the greatest. We suggest that negotiations focus on a simple, general and ambitious formula for market opening accompanied by a short set of qualifications or exceptions in country or product terms. For example, Members could accept clearly identified exceptions for products of particular sensitivity to developing countries. More generally, we have all accepted the principle of “less than full reciprocity”, but it needs to be made more operational. This means that developing countries should undertake commitments in line with their importance in world trade.

More generally, including for agriculture, there should be special, more favourable treatment for newly acceded members, to take account of the efforts they are still making. All developed, as well as advanced developing countries, should afford duty- and quota-free treatment to all imports from the least developed countries. These aims can all be achieved with only minimal changes to the Derbez text.

Negotiations in services are lagging very seriously behind, even though this is a huge potential area of growth not only for developed but also for developing countries. All developed countries have to show openness to developing country interests, which in this sector often focus on “mode 4” (that is, temporary presence abroad and professional activities of natural persons). Services negotiations need to move from second into third gear. It will be inconceivable to conclude the DDA without a significant level of new and substantial commitments on services.

On the Singapore issues, we offered after Cancun to treat each issue on its merits, and proposed to allow those who wished to pursue those issues which fell outside the Single Undertaking to do so. There has been plenty of discussion since. Where do matters currently stand? There seems to be growing support for negotiating trade facilitation inside the Single Undertaking. The EU would, of course, be ready to launch negotiations on this. As regards investment and competition, there is clearly no consensus to begin negotiations. This leaves the question of transparency in government procurement, where the picture is less clear, but we are ready to join the consensus view on this. So, to be very clear, that would leave only trade facilitation, and perhaps transparency in government procurement, inside the DDA.

On development questions, and more specifically, special and differential treatment (SDT) and implementation questions, the Commission recognises that for a large number of developing countries these issues are key to progress. On the technicalities of SDT, there seems to be progress, and we for our part have made clear that we are ready to accept much of what has been tabled. But following detailed discussions with a number of colleagues from developing countries, it is clear that we need to be bolder in setting forward a more concrete, operational objective for this Round. Therefore, on agriculture and NAMA, we propose that the least developed countries and other weak or vulnerable developing countries in a similar situation - essentially the G90 - should not have to open their markets beyond their existing commitments, and should be able to benefit from increased market access offered by both developed and advanced developing countries. So in effect these countries should have the "Round for Free". But again, for purposes of encouraging domestic reform, these countries should increase their tariff bindings to a reasonable level, which would increase predictability.

As regards rules, apart from observing existing commitments in areas such as anti dumping, subsidies, and regional trade agreements, G90 countries would be only asked to participate actively in the discussions on trade facilitation and perhaps transparency in government procurement (see above). While we do not of course want a two tier WTO, negotiations should also take in account the fact that the LDCs and other countries facing similar constraints may only be able to assume modest commitments. Above and beyond this, we are open to the proposal of some developing countries to have a negotiating group on some of the outstanding SDT and implementation requests tabled by Members.

Finally, a few words on process. Members should be able to agree on a text of framework modalities by July at the latest on at least the four key issues of agriculture, NAMA, the Singapore issues and development. This means making progress in Geneva, starting with the General Council on 17 May. We have to get concrete so that we have an outline text on the table as soon as possible and in any event, no later than the end of May.

We are sending this letter to Ministers responsible for trade in all WTO countries. We should be very grateful to hear the reactions of colleagues to this letter.

Yours sincerely,

(signed)
Pascal Lamy

(signed)
Franz Fischler

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