

A map of Europe is centered on the slide, colored in a light blue shade. Overlaid on the map are twelve yellow five-pointed stars, arranged in a circle, mimicking the flag of the European Union. The text is overlaid on this graphic.

***European Union's perspective on  
agricultural and trade issues ...***

**John Tuckwell**  
***Senior Adviser – Trade, Economics &  
Agriculture***



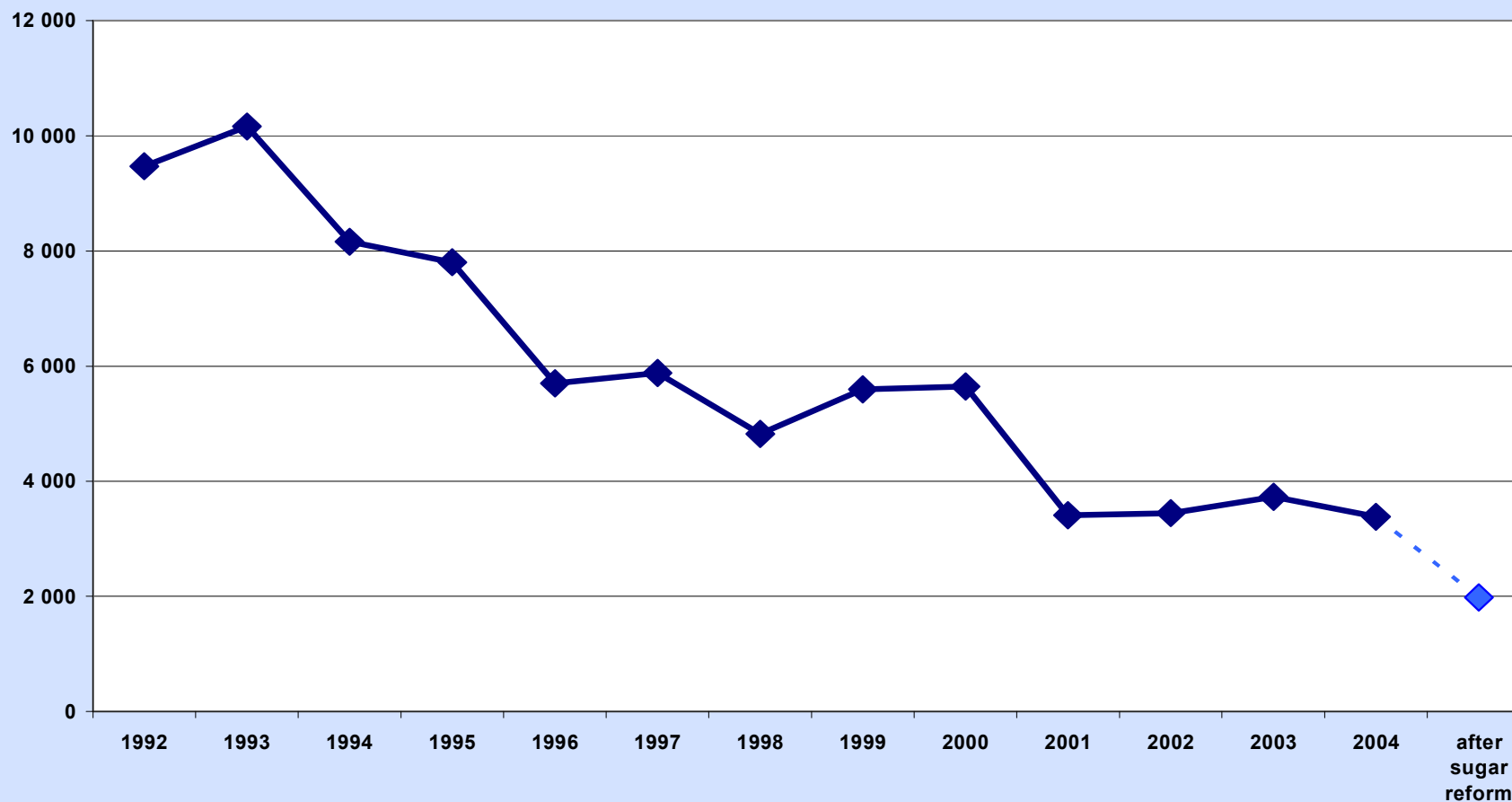
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Delegation of the European Commission  
to Australia and New Zealand



# *...export refunds strongly reduced*

Total export refunds in mio €



*All dairy export refunds set at zero since June 2007*

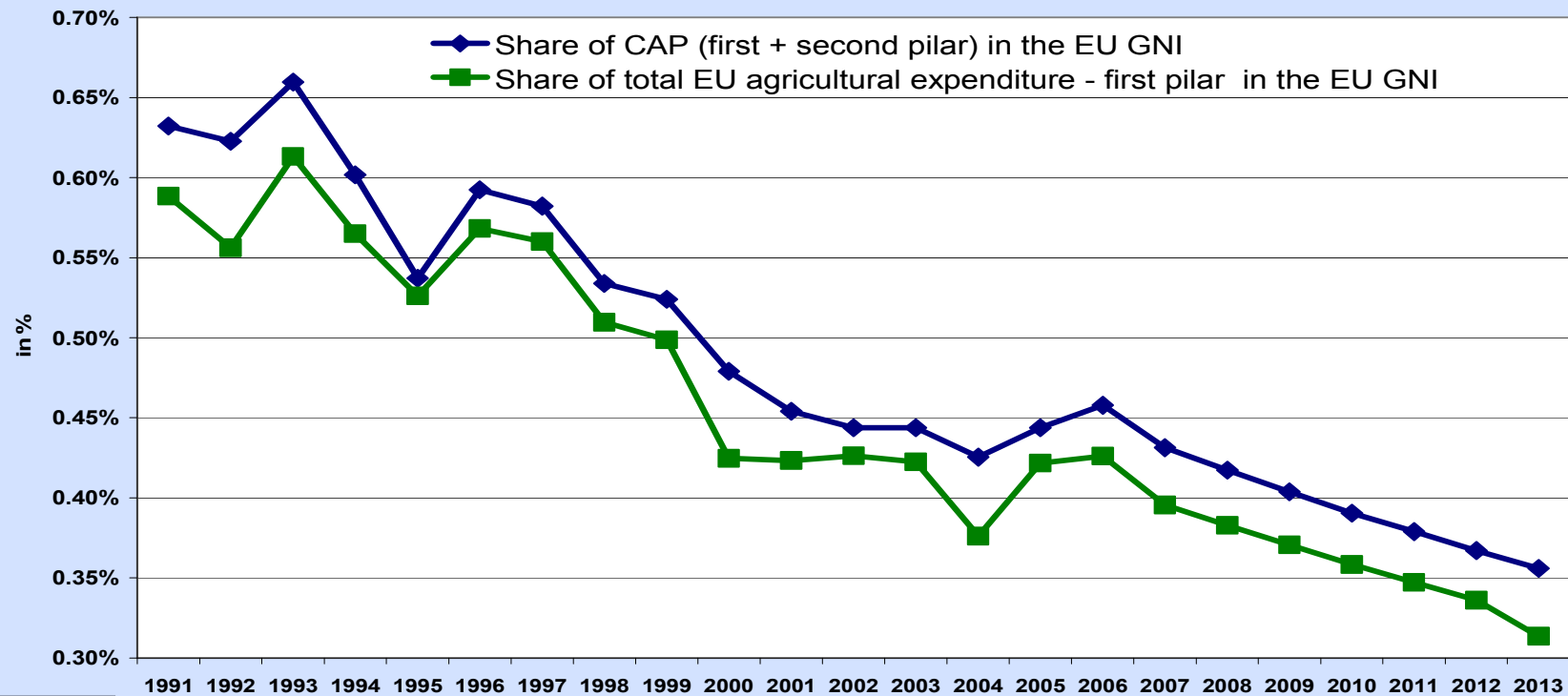


Delegation of the European Commission  
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# *A shrinking share of EU GDP*

Agricultural budget: 0.63% in 1990/92  
0.49% in 2000/02  
0.31% in 2013

Share of the EU agricultural expenditure in the Gross National income of the European Union (1991-2013) - (constant 2004 price)



# *Assessing the CAP today*

## ★ A radically reformed policy

- Support mainly decoupled, and subject to cross-compliance
- Role of intervention mechanisms significantly reduced
- Strengthening of Rural Development with funds and policy instruments

## ★ A better performing policy

- Market imbalances and public stocks more of a (rare) exception
- Competitiveness improved and agricultural trade role transformed
- Better value for money with improved transfer efficiency

## ★ Further improvements to be addressed in the ‘Health Check’

- Make the Single Payment Scheme more effective, efficient and simple
- Adapt market instruments to meet new market opportunities
- Better respond to new and existing challenges



# *The 'Health Check' Communication*

## ★ What is the scope of the 'Health Check'?

- Group together a series of review clauses of the 2003 CAP reform
- Propose adjustments that do not constitute a fundamental reform
- Fine-tune the 2003 reform during the 2009-2012 period
- Contribute to the discussion on future priorities in the field of agriculture

## ★ How does the "Health Check" relate to the Budget Review?

- Commission outlines its approach on the post 2013 Budget Review
- The 'Health Check' constitutes a preparatory action within this framework

## ★ What next steps?

- Communication released on 20 November 2007
- Six months public dialogue with stakeholders and council discussions
- Submit appropriate proposals in the spring of 2008
- Hopefully decisions by end of 2008



# *The “Health Check” policy questions*

## ★ How to simplify the Single Payment Scheme (SPS)?

- Allow MS to move towards a more flat rate support
- Qualify the scope of cross-compliance
- Further shift partially coupled support to full decoupling
- Introduce payment limitations

## ★ How to adjust to new market opportunities?

- Remove last elements of supply control mechanisms:
  - *mandatory set-aside*
  - *dairy quotas (with a gradual phase-out – prepare for soft landing)*
  - *special Common Market Organisations (CMO)*
- Identify regions or sectors where more targeted policies are needed

## ★ How to respond to new challenges?

- Identify and strengthen relevant Rural Development policy instruments
- Strengthen Rural Development funds with increased modulation
- Clarify needs and effective policy instruments for risk management



# *Meeting new challenges*

## ★ Challenges identified in the ‘Health Check’

- Managing risk
- Fighting climate change and adapting to its effects
- Managing water more efficiently
- Making the most of the opportunities of bio-energy
- Preserving biodiversity

## ★ Some other challenges

- ★ Supermarket power “abuse”
- ★ GMOs



# DDA - Some context

★ Agriculture may be the key to the current WTO negotiations  
but:

- it is only one element, there needs to be a balanced overall agreement
- need more ambition on NAMA by the more advanced DCs
- need much more progress on services
- don't forget this is the Doha Development Agenda – SDT
- plus progress on all the other issues: rules, trade and environment, TRIPS, dispute settlement, trade facilitation ...

★ Very high ambitions for the round and much *has* been achieved

“In this round members decided to show *triple or even quadruple* the level of ambition of the Uruguay round”.

WTO Director General Pascal at the Cairns Group Meeting, 20 September 2006



# *The EU has taken a lead...*

## *The WTO and the DDA is the EU's number one priority*

- ★ The reforms of CAP has allowed the EU to agree to significant cuts in trade distorting domestic support (“amber box”)
- ★ When the DDA was stuck after Cancun in September 2003...  
... it was the EU who moved and dropped 3 out of the 4 Singapore Issues
- ★ When agreement was struck on the July 2004 package...  
... it was because the EU who moved had agreed to phase out export subsidies
- ★ When the negotiations got bogged down again in July 2005...  
... it was the EU who moved and accepted the G20 proposal on market access as a basis for further discussion
- ★ When the HK ministerial in December 2005 was going no where...  
... it was the EU who agreed to set 2013 as the phase out date for export subsidies



# Where are we?

- ★ Informal ministerial meeting in Davos in January
  - ‘a collective determination to conclude talks by the end of 2008’
  - increasingly a ‘now or never’ atmosphere
- ★ Chairs of WTO agricultural (Falconer) and NAMA (Stephenson) negotiation groups produced revised draft texts on modalities on 8 February
- ★ Services Chair's produced first report on ‘elements required for the completion of the services negotiations’ on 12 February



# EU reaction?

## ★ Overall

- Disappointed as texts lack balance– new agriculture and NAMA texts moving in opposite directions while services report is weak

## ★ Draft agriculture modalities

- No major surprises - largely a stocktaking of progress made over previous 5 months
- Good basis for further work
- Still significant issues of concern though

## ★ Draft NAMA modalities

- Removal of numbers for flexibilities is a significant step back (pre-Cancun)
- Lot of work to do
- On non-core items EU is satisfied with the changes

## ★ Services first report

- Overall disappointing – gives little guidance on ambition
- EU/friends proposals included with items where significant divergences persist



# Agriculture modalities paper – the substance

- ★ 59 pages of detailed modalities and annexes
  - Many [ ] brackets remaining (although about 160 [ ] removed)
- ★ Agricultural Domestic Support (main pressure on US)
  - tiered reduction formulas, blue box, *de minimis* rule
  - AMS cut: -70% for EU, -60% for US/Japan; -45% rest
- ★ Agricultural Market Access (main pressure on EU)
  - tiered formula (top tier: [66-73]% reduction for tariffs >75%)
  - treatment of sensitive and special products better defined - critical to final outcome
- ★ Export Competition
  - phasing out of export subsidies by 2013 agreed (EU)
  - export credits and abuse of food aid (US)
  - monopoly powers of Statutory Trading Enterprises (Can, Aus & NZ)
  - Must make progress on Geographical Indications



# Where to from here?

- ★ Chairs papers will first be considered in specific negotiating groups (E-room) in Geneva:
  - Draft Agriculture modalities from 18/2
  - Draft NAMA from 25/2
- ★ Need then to move to a more horizontal process
  - Senior Officials
  - Ministers (around Easter)
  - Services ‘signalling’ conference at the same time?
- ★ Need a limited number of issues for Ministers to make tradeoffs
  - need to remove many more [ ]
- ★ Concerns over a ‘Christmas tree’ of other issues on the agenda
- ★ Looming US and French elections are becoming real constraints



