

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.

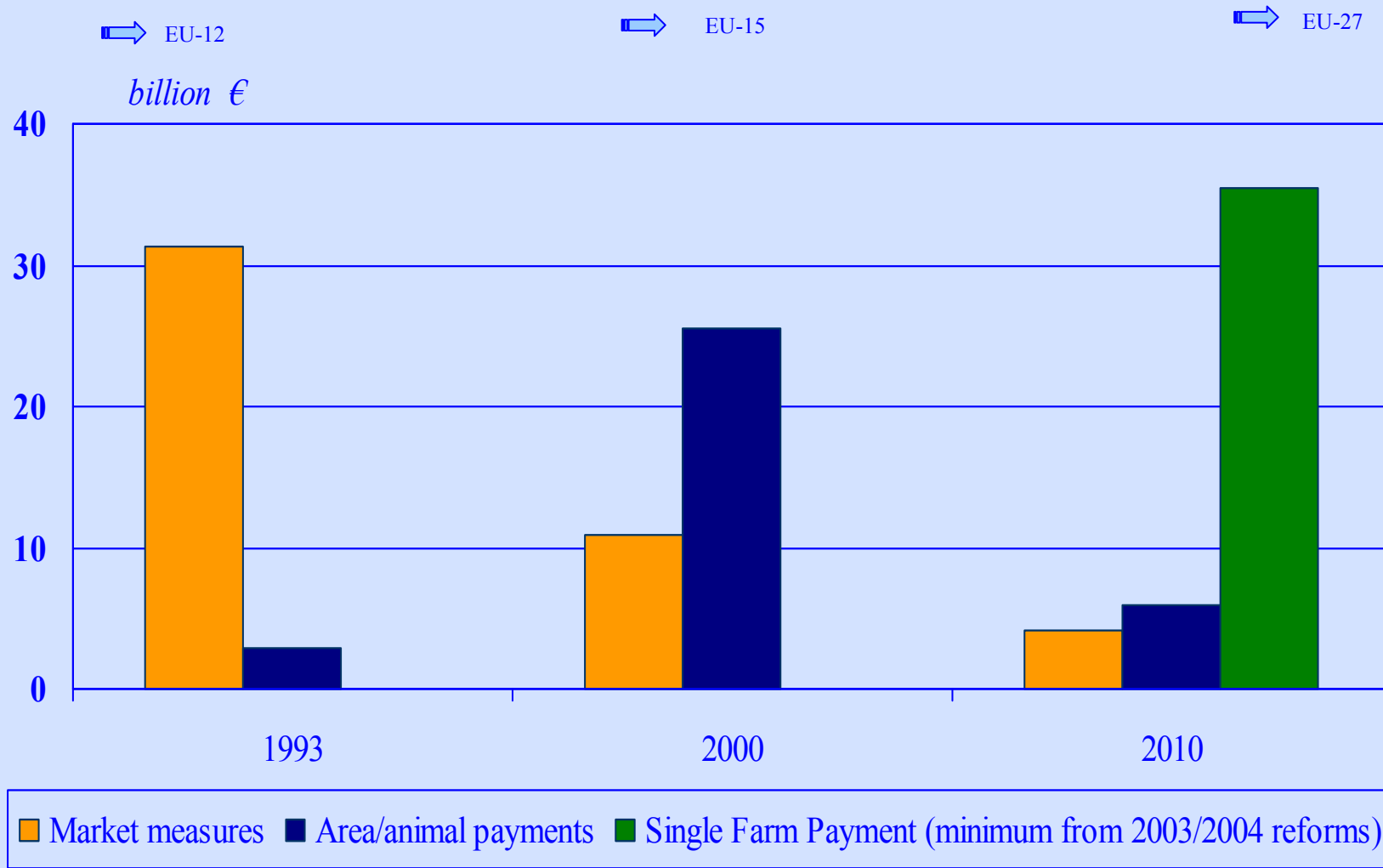
***European Union's perspective on
agricultural and trade issues ...***

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Delegation of the European Commission
to Australia and New Zealand

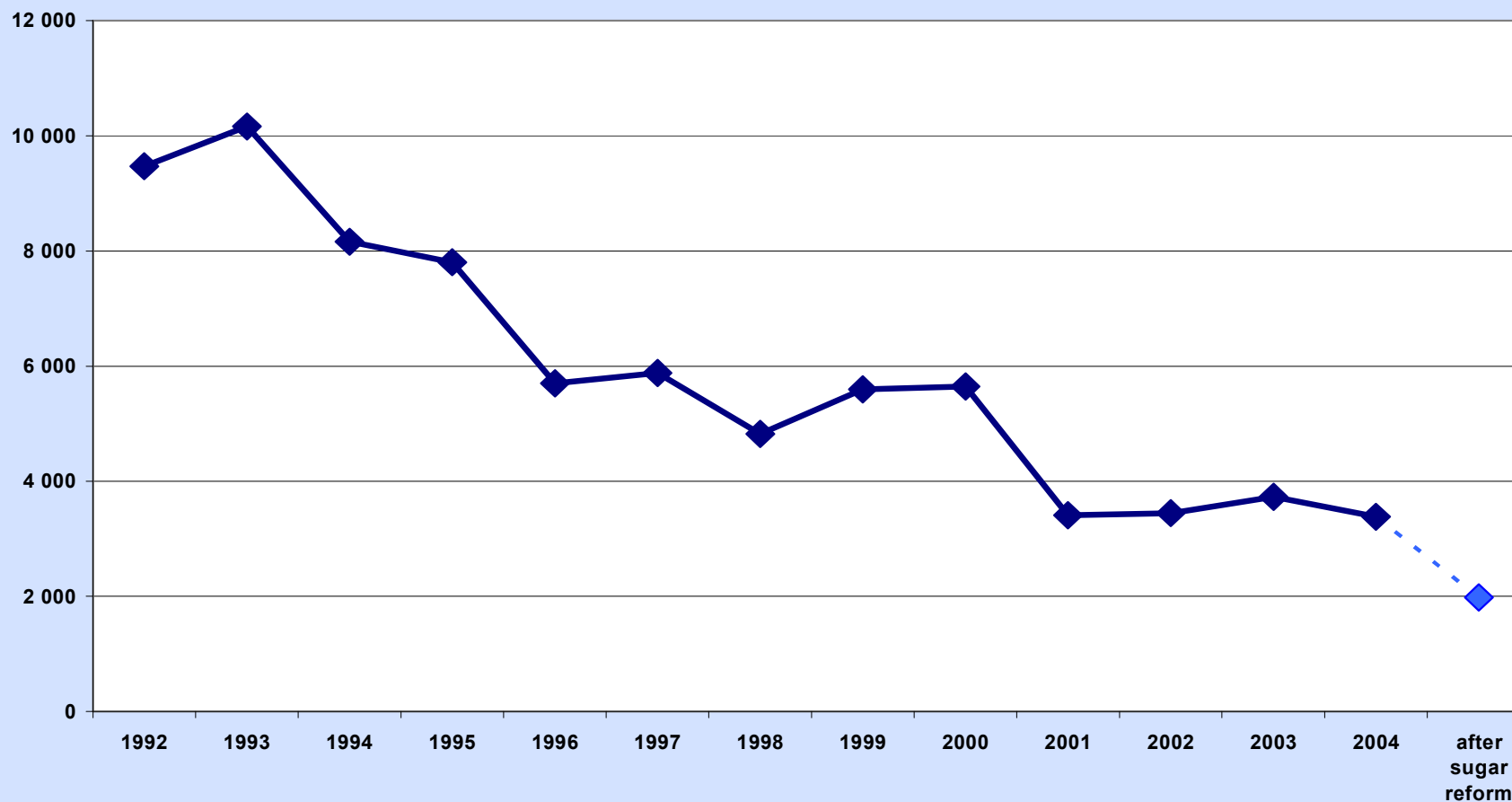
CAP shift to less trade distorting support



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

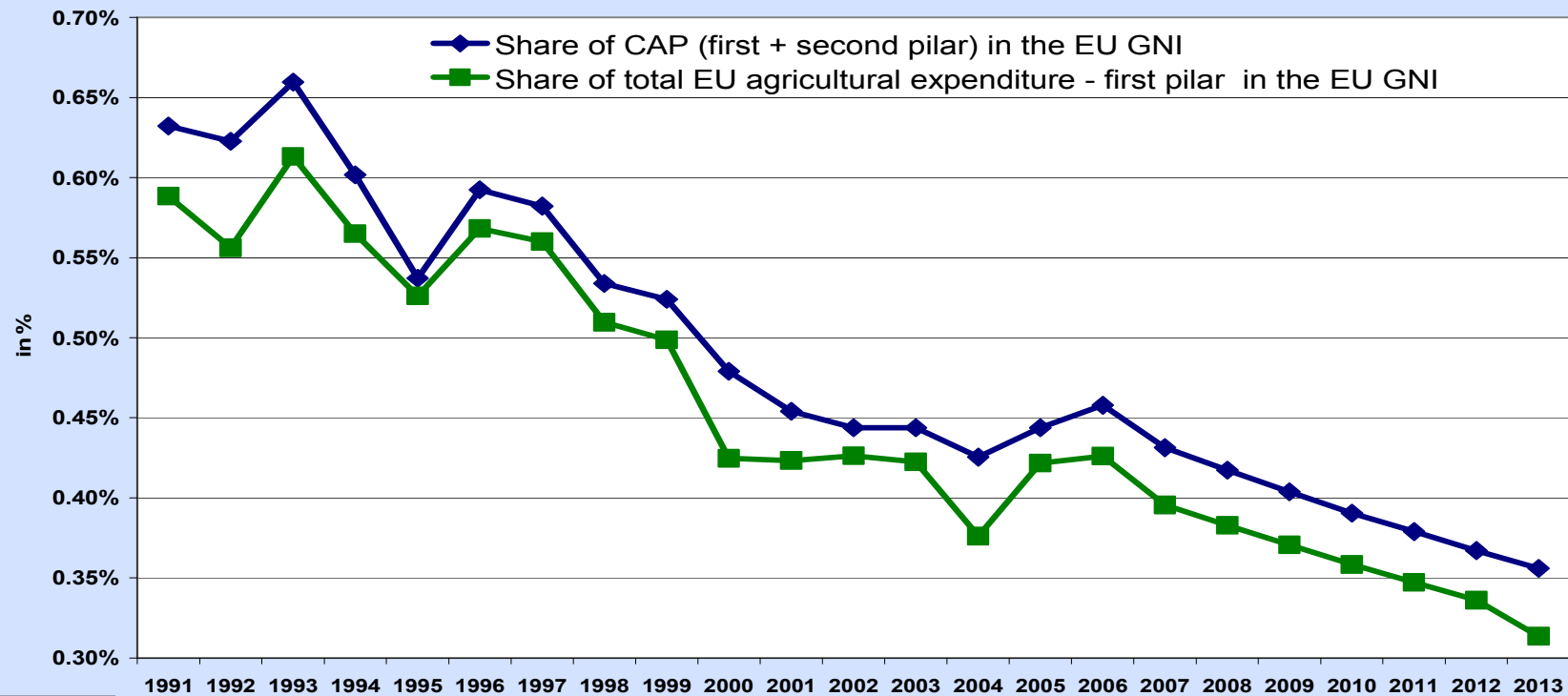


Delegation of the European Commission
to Australia and New Zealand

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



