Impact of WTO negotiations on the EU sugar sector

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Content

- Outcome HK Ministerial
- Outcome Davos Mini-Ministerial
- What is coming next ?
- Impact on EU sugar ?

Outcome HK Ministerial

- Agriculture
  - 2013 is the end-date to eliminate all forms of export subsidies, with a substantial part (« frontloading ») to be realized by 2010.
- Development Package
  - Extension of duty- and quota- free treatment for all developed countries and developing countries « in position to do » for at least 97% of products originating from LDCs, when the Round is implemented.
- Cotton
  - Developed countries commit to eliminate export refunds in 2006 and offer duty- and quota-free access to LDC cotton producers.
  - Ambitious reductions of domestic support are on the table.

Outcome HK Ministerial

- NAMA
  - Explicit link between market access in NAMA and agriculture.
  - Swiss formula.

- Services
  - Explicit objectives, the bilateral approach of « requests and offers » is complemented by a plurilateral approach.

Outcome Davos Mini-Ministerial

- Not much progress in the negotiation; focus on the process.

- DG Lamy presented a timetable for 2006.
  - On Agriculture, no further precision on the timetable set in Hong Kong, being:
    - the establishment of modalities by 30 April 2006
    - the submission of schedules by 31 July 2006

- Commissioner Mandelson's main messages:
  - WTO Members should engage in bilateral consultation and testing positions
  - Unity of the EU Member States remains intact after Hong Kong
  - EU will intensify alliance with ACPs and LDCs
  - The Single Undertaking should be preserved
    - EU wants also progress in GI's and Services

What is coming next ?

- Concerning the negotiations, much remains to be done to complete the Doha Round on agriculture:
  - on domestic support: size of cuts, thresholds;
  - on export competition: realize parallel progress in food aid export credits and STEs;
  - on market access: size of tariff cuts, thresholds and treatment of sensitive products, SSG, preference erosion.

- The objective is to implement the Round on 1st January 2008.

What is coming next ?

- Timetable
  - Technical level
    - Monthly Sessions of the Committee on Agriculture chaired by Ambassador Falconer scheduled until April. However no significant decisions expected in this meetings, as the Chair said Member are responsible for delivering solutions (= bottom-up approach).
  - Senior official level
    - Meetings of Chief Negotiators, gathering 20-25 Members (=green rooms) and where most progress is expected to be made. Next meeting scheduled on 11th March.
  - Ministerial level
    - In April, Mini-Ministerial Meeting to approve the modalities in Agriculture and NAMA.

Impact on EU sugar ?

- Domestic support.
  - A reference price = keeps sugar in the amber box.
  - Coupled farmers compensation = blue box.
  - Decoupled farmers compensation = green box.

- Phasing-out of the export refunds by 2013.
  - For recall, the new WTO export limits for sugar amount to 1,374 million tonnes and 513 million euro.
  - Which sectors will be subjected to a frontloading and endloading?
  - Can sugar exports through NA1 products (actually 400,000t with refunds) be maintained after 2013 ?
  - How to measure the cross-subsidy element of out of quota sugar exports?
  - Is it worthwhile to fight for a global WTO value limit, which integrates all agricultural products?

Impact on EU sugar ?

- Market Access
  - Coming negotiations will be crucial. However they will be difficult as the EU is under constant pressure of G20 and US and is isolated on a number of issues.
    - AVE: which level for sugar ?
    - Return ticket: US supports the EU on the issue.
    - SSG: to be maintained?
    - Size of tariff cut: more than 60% for the highest tariffs?
    - Treatment of sensitive products: TRQ expansion based on consumption or current imports?
  - Will further concessions on market access imply a new mandate?
- CEFS Position
  - We ask for maintaining the SSG
  - As long as we do not know the full modalities we ask for the "sensitive product" status
  - But can these 2 requirements be defended together?

Impact on EU sugar ?

- If sugar is treated as non-sensitive

Proposals	Fix Duty	World price	Cut	Remaining duty	SSG (trigger price 531 €)	Import Price	Reference Price + freight from Nothern surplus areas to Southern deficit areas (45/t)	Community Preference
EU	419 € t	**320 € t**	60%	**168 € t**	47 € t	**535 € t**	450 € t	**85 € t**
		280 € t			67 € t	**515 € t**		**65 € t**
		230 € t			92 € t	**490 € t**		**40 € t**
G20	419 € t	**320 € t**	75%	**105 € t**	47 € t	**472 € t**	450 € t	**22 € t**
		280 € t			67 € t	**452 € t**		**2 € t**
		230 € t			92 € t	**427 € t**		**-23 € t**

WMP = 230 €/t average LIFFE quotation (1999-2001)

Impact on EU sugar ?

- If sugar is treated as a sensitive product
  - Number of tariff lines (12-20)
  - Tariff reduction between 20% - 40%
  - Special safeguard to protect against exchange rate fluctuations
  - TRQ expansion - formula
    - Based on MFN imports
    - Based on all imports
    - Based on consumption – imports
    - Based on consumption

Impact on EU sugar ?

- Development Package
  - Developed countries and emerging countries will provide a duty- and quota-free access to LDCs.
  - It seems that the US have announced that they will exclude their sensitive products, namely sugar, beef, textile.
  - If so, in 2009, the EU sugar market will be the only one fully open duty- and quota- free to LDCs.

- CEFS demand
  - Facing this situation, it is necessary to implement the Council declaration into an effective safeguard mechanism in the Commission Regulation on implementing modalities.