

Peter Mandelson's statement to Heads of Delegation Geneva, Monday 24th July 2006

We are indeed all losers from what's happened.

I want to express the profound disappointment and sadness of the Member States of the European Union, and of Mariann and myself, that the world trade talks are having to be suspended today.

This is neither desirable nor inevitable. It could so easily have been avoided. What stands between us and the modalities of an agreement are not vast numbers or enormous sums. In fact, our lengthy G6 meeting yesterday – which was to be the first of several continuing to the middle of August – was actually

the best of its kind, until it became the worst. Having been mandated by heads of government at the G8 to come together to indicate further flexibility, I felt that each of us did.

But the United States was unwilling to accept, or indeed to acknowledge, the flexibility being shown by others and, as a result, felt unable to show any flexibility on the issue of farm subsidies.

This was meant to be a consensus building meeting, a 'what if' meeting, one in which we could indicate movement without tabling formal new offers so that, in the end, we could bring the ingredients together and finally act in concert. Nobody was being asked to act prematurely or unilaterally. The idea was, through intensive informal discussion, to build up a series of combined moves that would take us to the level of ambition at which everyone would feel comfortable to settle.

In deciding to withhold any indication of future flexibility, the US has judged that it would be better for the process of negotiation to be discontinued at this

stage. This is not in keeping with the spirit of the St Petersburg summit. Actions have consequences and this action has led to the Round being suspended.

The EU deeply regrets this as we have signalled before the meeting and during it as Pascal has acknowledged in his opening remarks that we are able to make a significant improvement in our agriculture market access offer, bringing our average cuts close to the level requested by the G20 group of developing countries, provided others move in parallel. Our level of ambition may not be what some have demanded but I defy anyone to say that it is meagre: 100% elimination of export subsidies. 75% reduction in trade distorting domestic support. Readiness to go to a 50% average tariff cut. We also indicated that we were ready to talk about a number and treatment of sensitive products. This is more – much more – than anybody would previously have expected from the EU.

There is no more time left. We have missed yesterday the last exit on the motorway of negotiations this summer and it would be unwise to conceal this from ourselves.

Fundamentally, with what is already on the table, we are close to a package that is greater in value than anything ever achieved in previous trade rounds. To say that there is no new market access on the table is simply wrong.

Failure this weekend risks losing from the table the important tangible gains we have assembled for the developing world, including for the poorest nations.

Not only new opportunities for trade in agricultural and industrial goods and services, but stronger trade rules that could drive economic growth and development for the most needy in the world. We stand to lose Duty Free / Quota free access to others markets for the least developed countries. A sizable Aid for Trade package is now in abeyance notwithstanding that the EU will press ahead regardless. A major agreement on Trade Facilitation will not go ahead. A major agreement on Trade Facilitation will not go ahead. And perhaps most important of all, we do not have in place, as Kamal Nath has said, the once

and for all consolidation programme of fundamental reforms of farm subsidies in the rich world that should be the centrepiece of this Round.

But the cost is even greater. We risk weakening the WTO and the multilateral trading system at a time when we urgently need to top up international confidence not further damage it, and do what we can to stabilise the world not create additional tension and uncertainty.

Let's be clear, as well as an economic cost, there is a huge political cost of failure.

For all these reasons, the EU is not giving up on this Round. We have stuck with it, paid into it, given a lot, indeed given more than others. We will continue to do so because it is right and faire to do so towards the developing world, as well as in our own economic interests. I hope that when the smoke has cleared, others will want to do the same. We stand ready to pick up on the Round where we have left off.

But let me add one final point, in the meantime, following what the previous speaker said. We will not allow the world trading system to enter into a period of hibernation. Above all we will not allow the poor countries to fall victim of it. I already referred to my determination to push ahead with Aid for Trade. I would also be prepared to go as far as to extract a number of development issues out of the single undertaking for immediate implementation. The agreement on DFQF at Hong Kong has to be fully implemented and possibly improved.

I would be prepared to pursue the agreement – specific proposals on Special and Differential Treatment on a fast track and stand alone basis. I would be ready to extract other elements in order to agree a sizeable development package in the hope that others in the position to do so will join this commitment within a short period.