

EU Farm Subsidy Plan May Unlock WTO Talks, Trade Ministers Say

May 13 (Bloomberg) -- A European Union offer to scrap farm export subsidies that distort world agriculture market prices may be enough to unlock stalled global trade talks before a 2005 deadline, said ministers from nations including Egypt and Kenya.

Trade ministers from rich and poor countries are meeting in Paris to hammer out differences before gathering in Geneva in July to draft a blueprint for a World Trade Organization accord that would pump \$500 billion into the world economy.

"The EU is showing significant efforts to be flexible," said Mukhisa Kituyi, Kenya's trade and industry minister. "It's a basis to move forward."

Kenya is part of a group of 20 developing nations that eight months ago rejected proposals for new rules on investment and competition until the U.S. and EU live up to pledges to cut farm spending they made in 2001. Their opposition sparked the collapse of WTO talks in Cancun, Mexico, and undermined plans to forge an agreement by 2005 to cut barriers to commercial services and eliminate customs red tape.

The EU offer is "not new," said Argentine Vice Foreign Minister Martin Redrado. "It's good that the EU stepped up to the plate, but that's what was agreed in Doha," he said.

Agriculture is seen as the key to unlocking the current round of trade liberalization. Trade ministers and ambassadors from the WTO's 147 governments will meet July 29-30 in Geneva in an effort to resuscitate the talks by cobbling together the framework of an agreement.

'Very Positive'

The EU's plan "has created a greater degree of confidence that we might be able put together a framework by the end of July," Australian Trade Minister Mark Vaile said in an interview. "That remains to be seen, but the expression of flexibility that came from the EU is very positive and everyone has been encouraged."

Egyptian Trade Minister Youssef Boutros Ghali agreed, saying the EU offer "gives us an opportunity for progress." Egypt was also part of the so-called Group of 20 countries that clashed with the U.S. and EU in Cancun.

"We're seeing motion, but we need to turn motion into progress and we shouldn't confuse the two," Boutros Ghali said.

Progress is unlikely in the second half of the year because the world's two largest traders, the U.S. and the 25-nation EU, will be distracted by the presidential election and a change in administration at the commission, the bloc's executive. Congress must also renew the U.S. administration's trade negotiating authority, known as Fast Track, next year.

'Critical Element'

“People are starting to focus on these issues, but the critical element is to secure two years of work in July,” Vaile said. “Then we’ll have to confront the environment of U.S. elections and changes at the commission and Fast Track.”

While France has criticized the EU’s willingness to offer concessions, Bruno Lamborghini, the outgoing head of the OECD’s business and industry advisory committee, says the proposal is a springboard for WTO negotiations to make progress.

“If we start putting forward this kind of proposal, then 2005 is a realistic target,” he said in an interview. “Otherwise, if people continue to express skepticism and criticize, then it will be very difficult.”

“The French government will try to block the commission initiative, but the commission should push on because it’s a way to create a dialogue between the U.S. and EU and with developing countries,” said Lamborghini, president of Olivetti Tecnost SpA, a subsidiary of Telecom Italia SpA.

U.S. Trade Representative Robert Zoellick called the EU move one of “a number of critical elements” for progress in the negotiations. The U.S. is prepared to end the subsidy elements of its own export credit programs, he said.

‘Breakthroughs Within Grasp’

“Breakthroughs are within our grasp, but we need a strong and unified effort if we are to achieve them in the next few months,” Zoellick said in a speech to the French Institute of International Relations.

The EU’s offer is conditional on other nations, including the U.S., promising to cut farm grants that distort world market prices and countries such as Australia and Canada dismantling monopolies on sugar and wheat marketing.

Vaile said he is “prepared to look at all aspects of export competition,” including Australia’s sugar marketing board, “if we get to the point at which we can see an end date for export subsidies, the credit element of export credits” in the EU and U.S.