

Translation

**H.E. Ambassador Muhamad Noor Yacob**

Chairman of the General Council, WTO

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Chairman of the Trade Negotiations Committee

**H.E. Ambassador Crawford Falconer**

Chairman of the Committee on Agriculture, Special Session

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Your Excellencies,

Let us begin by expressing our appreciation to Ambassador Falconer for his tireless effort in soliciting various proposals from Members and working out this very first draft of the Chairman's Communication, presenting his own recommendations on agriculture which in our view is thought-provoking and stimulating. Henceforth, we would like to take this opportunity to share some of our comments on the paper.

We recognize the important role that Ambassador Falconer has been playing in revitalizing the multilateral process by personally taking charge of the drafting of this text, which requires truly great courage and painstaking efforts. In this text, some of the Chair's thinking reflects the views of China as well as other developing Members, such as "effective cuts in trade-distorting domestic support", and application of tiered formula proposed by the G20 related to tariff reductions for developed Members. We appreciate the inclusion of such positive ideas and commit ourselves to supporting the Chair and jointly push forward the negotiations on these very important items.

Albeit the above, however, we also concur with the Chair that the current paper is far from being satisfactory to all Members and he hopes to profit from Members' reaction to it. To us, the fundamental problem with the current version is that the concerns of the developed Members and those of developing Members are not addressed in a balanced way. Specifically, emphasis on domestic support and market access are not balanced, and concerns of the developing Members on the market access are not properly treated. To facilitate the Chair's work, we would like to take this opportunity to highlight the following with a view to improving the text towards a modality that can be eventually acceptable to all Members.

**1. Effective Cuts in Trade-Distorting Domestic Support by Developed Members Must be Achieved in Real Terms**

In regard to domestic support, we note that the Chair has clearly called for effective cuts in trade-distorting domestic support. This deserves our full support. For many years, due to the huge amount of trade-distorting domestic support provided by the developed Members, the world price for agricultural products has been artificially depressed, adversely affecting the livelihood of the farmers in the developing countries. China has a rural population of 740 million, whose livelihood has been seriously affected by the import of products with huge

amount of trade-distorting domestic support by developed Members, particularly those which are heavily subsidized such as wheat, cotton, and soybeans, which also have had important and direct bearings on China's national economy, resulted in precarious consequences to the interest of the Chinese farmers. For example, China's import of soybeans from the United States has grown from 4.691 million tons in 2002 to 9.885 million tons in 2006, and China's import of cotton from the United States has also grown sharply from 91,000 tons to 1.7 million tons in the same period of time, representing increases by more than 1.1 times and 17.8 times respectively leaving relevant sectors to undue shocks. Over the period of 2004 to 2005, due to the sharp increase in soybean import, the price for Chinese soybean fell from RMB 4000 Yuan/ton to RMB 2400 Yuan/ton which brought about a loss of RMB 270 million Yuan to the Chinese soybean growers.

On the issue of proportionate cuts, we note also that the Chair has made proposals to define the specific parameters for cuts in domestic support by the US and other developed Members. We emphasize that no matter what the final figures would be, we have to ensure cuts in real terms. It should be set at a point which is lower than the current applied level of the developed Members, and not at a point only to squeeze out part of the water.

## **2. Formula Cuts for Market Access**

We acknowledge that the working hypothesis for the market access is commendable, such as the application of tiered approach proposed by the G20. Nonetheless, the threshold of each band and rate of cuts for the developing Members proposed by the Chair are something worth debating.

The tariff cut through a tiered formula is a core mandate in the *July Framework*, which spells out clearly the principle of "deeper cuts in higher tariffs; lesser cut in lower tariffs". The Chair's text, however, has put forward a new concept whereby all developing Members would undergo an overall minimum average cut. We don't regard this as in line with the *July Framework* mandate, the result of which will inevitably penalize those Members who have already contributed disproportionately to the multilateral trading system as well as to the world trade liberalization. Just like a Chinese saying goes, "whip the fast ox" or make the hardworking to work even harder. Such a philosophy is hard to sell. As the tariff structure of the developing Members is quite different from that of the developed, they should be entitled to have different thresholds as well as different proportionate cuts. We strongly believe that the tiered approach proposed by the G20 fully reflects the difference in the tariff structure of many developing Members vis-à-vis the developed Members and will help harmonize the gaps between the two. If it can be incorporated into the current text, it will facilitate to bringing all others along.

## **3. Special Products (SPs)**

We are of the view that the most meaningful objective of the Doha Round is to rectify the imbalances left over by the previous rounds of negotiations, and to compensate the developing Members in order that they will be able to enjoy the benefit brought about by the world trade. The *July Framework* and the *Hong Kong Declaration* have already provided a clear mandate on the SPs, which constitute an important step forward in this regard. We also note that the Chair has come up with a number of recommendations with flexibilities to deal with domestic support as well as sensitive products that developed Members are most concerned with while the issue of SPs, the concern of the developing Members, has only been given a rather simple and sketchy answer.

We are concerned that the Chair's interpretation of the "flexible treatment" of SPs is misleading. We are firm on this point that "flexible treatment" should in no way exclude the entitlement of "exemptions". As rightly pointed out by some Members, "exemption" is after

all an option of flexible treatment. If a minimum cut in the range of 10-20% is requested for the SPs, we would not be able to discern the fundamental difference between SPs and normal products and less so for the developing Members to meet their food security, livelihood and rural development needs.

Furthermore, on the number of SPs, our understanding is that the nature and purpose of the SPs are different from that of the sensitive products, and therefore, we should not link the number of SPs with that of sensitive products. We also feel that the Chair's proposal on the number of SPs differs significantly from the positions of some Members and have not fully addressed their concerns. In this connection, we appeal the Chair to reconsider seriously his proposal.

In view of the above, we suggest that while we creatively explore ways on the indicators and the numbers of SPs, we must focus our attention on ways by which the SPs will be treated. We are firm on the treatment of some SPs to enjoy "exemptions" and some to have less cuts. This is the common aspiration of many developing Members and we hope that the Chair will embrace our proposal for careful consideration.

#### **4. A Straight Overall Average Cut Target of the Uruguay Round**

We note that the Chair has proposed in paragraph 145 of the text for developing Members to consider a straight overall average cut target of the Uruguay Round. It is no doubt that the Chair is trying to be creative in his proposal, and this entails his utmost effort. However, it remains uncertain whether or not Members will agree to such a proposal. First, China and quite a number of Members are concerned that this proposal represents a 180 degree turn on the negotiated agreement on the tired approach over the past 5 years and therefore, will be difficult to achieve consensus. Second, to reopen the negotiation on an established formula will not only have a spillover effect and lead to possibility of reopening discussions on other agenda items, but also further complicate the negotiation process. Third, not only the developing Members but even other Members as well will need to carry out simulations and assessment over such a proposal, which will be very cumbersome and time consuming.

We note further that the Chair has made a proposal for developing Members to adopt the Uruguay Round Approach for the average tariff cut with preconditions to drop special and differential treatment such as SPs and two-third approach for cuts. We believe the Chair's intention is to make our life easier. However, such an effort not only further complicates the issue on the one hand, but also makes it impossible, on the other, to effectively tackle the major concerns of the developing countries. How are we going to ensure special and differential treatment to those SPs crucial for national economy, survival and development of rural population of the developing Members? If we apply an overall average cut with a minimum cut on each line, how are we going to effectively realize special and differential treatment? In view of this, we would like to suggest that the Chair further deliberate on this.

We are also informed that in the up-coming second installment, the Chair will make proposals to address the issue of Recently Acceded Members (RAMs) among others. As a Recently Acceded Member, China attaches great importance to how the specific concerns of RAMs are effectively addressed. We strongly appeal to the Chair to spell out clearly in the text that RAMs are entitled to have less cut and exemptions for some of their SPs so that the concerns of the RAMs will be effectively addressed and those imbalances between the RAMs and other Members reduced.

Since the resumption of the negotiation process, it has not been an easy task to keep the present talks progressing in high gear. And this is indispensable from the personal effort of the Chair. China is confident that the Chair will take stock of suggestions from all parties, particularly those from the developing Members, to make sure that the window of opportunity

is not slipped away from our figure tips. China is willing as always to work together with the Chair and other Members to follow the mandate as set out in the Doha Ministerial Declaration, the July Framework as well as the Hong Kong Ministerial Declaration and jointly push forward for an early conclusion of an agreement that is comprehensive, development-oriented and fair to all.

Yours Sincerely,

BO Xilai

(Signature)

Minister of Commerce  
People's Republic of China

SUN Zhengcai

(Signature)

Minister of Agriculture  
People's Republic of China