



May 4, 2007

The Honorable Crawford Falconer
Ambassador
Permanent Mission of New Zealand to the WTO
Case Postale 334
1211 Geneva 19
Switzerland

Dear Mr. Ambassador:

We read with great interest your 30 April 2007 paper regarding the Doha Round agriculture negotiations. We would like to thank you for your hard work and your leadership.

We understand from the introduction to your paper that your first communication was not intended to cover all issues under negotiation, and that you intend to circulate a second paper in the near future. That is why we are sending you this urgent letter.

We noted with some disappointment that, in the export competition section of your paper, you failed to mention one type of policy that is a significant and growing problem in the world market for oilseeds and oilseed products – differential export taxes (DETs). We urge you to ensure that your second paper keeps the issue firmly on the negotiating agenda.

We acknowledge that the DET problem has not been a major focus of the negotiation thus far. Nevertheless, we believe that failing to discipline this practice would create a significant loophole in WTO disciplines on export subsidies.

DETs discourage the export of raw materials, thereby increasing domestic supply and lowering the domestic price. They lower the domestic price of the raw material compared to the world market price by an amount equivalent to the level of the tax; a 20% tax reduces the price of the raw material to about 20% below the world market price. The tax on the exported finished product only partially offsets this price reduction. The effect of the DET is exactly the same as the effect of an input subsidy. It reduces production cost and allows processors to sell the finished product at a lower price.

Several countries that are major vegetable oil and oilseed product exporters use DETs, and the practice has led to major distortions in the world market for those products. The problem will worsen significantly as world biodiesel production and trade increase. The appropriate discipline for this practice is the one you included in your draft modalities text of 22 June 2007: “The differential element of export taxes shall be eliminated by the end date for implementation.”

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We recognize that it is up to the governments of affected countries ultimately to determine whether to include this discipline in a final Doha Round agreement. However, we appeal to you as the impartial chairman of the negotiating group to keep this issue on the table for negotiators in your upcoming paper.

Sincerely,

Sincerely,



Stephen L. Censky
Chief Executive Officer
American Soybean Association
314-754-1316
Email: scensky@soy.org



Thomas A. Hammer
President
National Oilseed Processors Association
202-842-0463 ext. 1
Email: thammer@nopa.org