
HONG KONG SESSION OF THE PARLIAMENTARY CONFERENCE ON THE WTO

Hong Kong (China), 12 and 15 December 2005

Organized jointly by the Inter-Parliamentary Union and the European Parliament

Item 3(a) of the provisional agenda

COMPLETING THE DOHA DEVELOPMENT AGENDA

Discussion paper prepared by the Commonwealth Parliamentary Association

Introduction

1. At the Fourth WTO Ministerial Conference in Doha, Qatar, in November 2001, Trade Ministers adopted a Ministerial Declaration setting out a work programme for the WTO for the coming years. Known as the Doha Development Agenda, the work programme incorporates negotiations and other activities to address the challenges facing the multilateral trading system and the needs and interests of the diverse WTO membership, particularly those of developing and least-developed countries.

2. The extensive work programme, which has evolved since 2001, includes negotiations in specific areas: agriculture; services; market access for non-agricultural products; trade-related aspects of intellectual property; trade facilitation; WTO rules; improvements to the Dispute Settlement Understanding; and trade and environment. It also includes high-priority aspects that do not involve negotiations such as: electronic commerce; small economies; trade, debt and finance; trade and transfer of technology; technical cooperation and capacity building; least-developed countries and special and differential treatment.

3. Progress has been mixed, including the collapse of the 2003 Cancun Ministerial Conference. WTO Members achieved something of a breakthrough in July 2004 when they took decisions on key issues to ensure continued momentum. For example, framework agreements were put in place for the negotiations on agriculture and non-agricultural market access; recommendations were adopted to advance the negotiations on services; new negotiations were launched on trade facilitation; and Members agreed a package on development issues and also reaffirmed their commitment to fulfilling the development dimension of the Doha Agenda.

4. Overall, however, the Doha Development Agenda has so far failed to gain traction and the original deadline of 1 January 2005 for concluding the Round has long since passed. A feature of the negotiations has been a general commitment to progress, but little movement when it comes to dealing with specifics in the negotiating groups.¹

5. The next critical moment in the process is the Ministerial Conference to be held in Hong Kong, China in December. A successful meeting is seen as vital if WTO Members are to have any chance of completing the Round in 2006. The WTO Director-General, Pascal Lamy, has described Hong Kong as "*our last and best chance to move this Round to a successful conclusion by the end of 2006.*"²

¹ For a bleak assessment of the negotiations see the speech by the former Director-General, Dr Supachai Panitchpakdi, at an informal meeting at the level of Heads of Delegation, 8 July 2005 (http://www.wto.org/english/news_e/spsp_e/spsp40_e.htm).

² Remarks by the Director-General, Pascal Lamy, at the International Monetary and Financial Committee of the IMF, 24 September 2005 (http://www.wto.org/english/news_e/sppl_e/sppl03_e.htm).

6. Generally summarised, the objectives for the Hong Kong, China Ministerial are as follows: agreement on 'modalities' for trade in agriculture and industrial products, a critical mass of market access opening offers for trade in services, significant progress in areas such as rules and trade facilitation, and a proper reflection on the development dimension. In the view of WTO Members, this would provide a springboard for the final negotiations. If Ministers succeed in Hong Kong, officials and trade negotiators in Geneva will be able to work on the specifics of the final deal.

Closing the Doha Round

7. There are many important issues under the Doha Development Agenda, but progress in the following areas is seen as critical to moving the negotiations forward - agriculture, cotton, market access for non-agricultural products, trade in services, trade facilitation and special and differential treatment.

8. While progress to date has been disappointing, some aspects already agreed show the importance of bringing the Doha Round to a successful conclusion. For example, WTO Members have agreed already to abolish all forms of agricultural export subsidies; they just need to decide on an end-date. Also in the area of agriculture, WTO Members have agreed there should be substantial reductions in trade-distorting domestic support and significant improvements in market access, especially for poorer countries; they just need to agree on the specifics. Furthermore, for least-developed countries it has been decided already that they will not be required to make commitments to reduce tariffs on either agricultural or manufactured imports. Thus, while the Doha Round remains a work in progress, its potential is evident.

9. Opening his first Trade Negotiations Committee meeting on 14 September 2005, Director-General Lamy summarised the essential key issues which need to be resolved in Hong Kong³.

*"I will start with **Agriculture**. Let me highlight some points where progress is needed urgently. In export competition, we need to prepare agreement by Hong Kong on an **end date for the elimination of export subsidies, plus the issue of parallelism** for exporting state trading enterprises, export credits and food aid.*

*On **domestic** support, we also need a clear understanding on what will be done, which in my view must include the reduction commitments and, in particular, a tiered formula for reductions of the final bound total Aggregate Measure of Support (AMS). As we all know, this presupposes agreement on the Blue Box and Green Box criteria⁴.*

*On **market** access, we also need a solid package, **which is of equivalent ambition**. This means a tiered formula for tariff cuts together with certain flexibilities, in particular the selection and treatment of sensitive products and of special products.*

*In **NAMA**, the core elements, as I see them, are **(1) formula, (2) flexibilities and (3) unbound tariffs** ... However, within these three core elements there are issues which are clearly going to require a lot of work, and we need to find the right balance between the formula and the flexibilities. Other elements, such as **preference erosion, the sectoral component and non-tariff barriers**, also need to be part of the Hong Kong picture in my view.*

*In **Services**, what is new, as compared to previous rounds, is the importance that a number of developing countries attach to it, which in itself should suffice to energize this part of the negotiations. From now until Hong Kong, Members should develop different approaches in*

³ Lamy opens "new phase" in trade talks, 14 September 2005 (http://www.wto.org/english/news_e/news05_e/tnc_stat_lamy_14sep05_e.htm).

⁴ In WTO terminology, subsidies in agriculture are identified by three "boxes": Amber, Blue and Green. All domestic support measures considered to distort production and trade (with some exceptions) fall into the amber box; support that would normally be in the amber box, is placed in the blue box if the support also requires farmers to limit production; and green box subsidies must not distort trade, or at most cause minimal distortion. For further information see http://www.wto.org/english/tratop_e/agric_e/agboxes_e.htm.

services, leading to an increased number and to an enhanced quality of the commitments. What we must have are commitments which effectively open trade in services, with the corresponding improvements in the rule-making area.

10. One conclusion of a recent video-conference involving Parliamentarians was that the development promise of the Doha Round would be affected by the extent the final result really provides effective trade liberalization in the area of market access for agricultural products. The lack of movement in market access is therefore of concern. A major issue is the definition of sensitive products or special products for the developing countries. Leaving out only a small portion of these products from effective liberalization could potentially cause the market access gains to evaporate.⁵ Cotton is an important commodity for developing countries and in the 2004 Framework members agreed to give trade-distorting policies affecting cotton special attention. Progress in this issue will need to be made in Hong Kong.

11. The services negotiations are also at a vital junction. The focus to date on agriculture may have overshadowed the importance of services with the result there has been little substantial progress in these negotiations. As of September 2005, 92 offers have been submitted – an improvement in quantity if not in quality. The Director-General is urging members to *“aim higher [as] trade in services is not only important because of the value of the actual services being exchanged, but because the existence of efficient and competitive services in a country is the indispensable foundation for absolutely any form of trade”*.⁶

12. The 2004 Framework Agreement also launched new negotiations in Trade Facilitation, where a wide range of ideas exist for expediting the movement, release, and clearance of goods that cross borders. Developing countries are to be provided with technical assistance to implement the results that are reached.

13. Movement on issues such as services and trade facilitation have been stalled by the lack of progress in agriculture and for a real breakthrough in the overall negotiations key countries such as the US, EU and Japan will need to move away from their defensive positions – the question is by how much. On 10 October 2005, the US made a new proposal which includes a 60% reduction in the levels of farm supports and a 53% reduction in trade-distorting subsidies, as well as steep cuts to tariffs. This has generated some momentum although it has received a cool response from some EU countries and Japan.

The Commonwealth Perspective⁷

14. The 2003 Aso Rock Commonwealth Declaration on Development and Democracy: Partnership for Peace and Prosperity included a Statement on Multilateral Trade. The statement called for *“Positive outcomes ... in the areas of agriculture, non-agricultural market access, services, implementation issues and special and differential treatment. On agriculture, we call for the early phasing out of all forms of export subsidies, substantial reductions in trade-distorting domestic support and significant improvements in market access. In the area of industrial products, tariff escalation and tariff peaks must be addressed, as they are a major impediment to development. Finally special and differential treatment must be made precise, effective and operational in all WTO agreements”*.

15. The Commonwealth Secretary-General has called for renewed political momentum and a genuine commitment to a development round, particularly from the US and European Union: *“only the US and EU can provide the leadership required at this stage to deliver the development dividends envisaged in the Doha Round. We need to fix the date for the elimination of agricultural export subsidies and set timetables for the removal of other trade-distorting subsidies and steep reductions in tariffs. It is*

⁵ Minutes from Video Conference February 21, 2005 jointly organized by PNoWB Trade and the World Bank.

⁶ Speech to the Steering Committee of the Parliamentary Conference on the WTO, 22 September (http://www.wto.org/english/news_e/sppl_e/sppl02_e.htm).

⁷ This section is based on material supplied by the Commonwealth Secretariat.

*important that the US and EU do not give with one hand and take away with the other by increasing other forms of agricultural support*⁸

16. From the Commonwealth's perspective, the Doha Round can enhance the benefits to developing countries from world trade through the following:

Market Access Negotiations:

- A commitment by developed countries to increase market access for their goods and services into developed country markets taking into account the negative effects of MFN tariff liberalisation on existing margins of preference for products currently enjoying preferential treatment;
- A commitment by developed countries to reduce, with a view to eliminating, export subsidies applied to products of export interest to developing countries taking into account the potential negative affect on net-food importing countries;
- A commitment by developed countries to substantially reduce their overall levels of domestic support for products of export interest to developing countries;
- Problems related to Rules of Origin as well as Sanitary and Phytosanitary Standards should be addressed to enable the EU's Everything But Arms and the USA's Africa Growth and Opportunity Act initiatives to be more effective. There is a need to move to a harmonised set of rules of origin and standards.

Services

- Greater commitment by developed countries to services liberalisation in low-skilled labour intensive services sectors (construction, shipping services and health services) and in particular, temporary movement of natural persons).

Special and Differential Treatment

- A 'truly developmental' round can be achieved through an agreement by developed countries, at this round of negotiations, to operationalise and provide to developing countries effective and meaningful special and differential treatment commitments on each of the issues negotiated.

17. The issue of Special and Differential Treatment (provisions which give developing countries special rights), must be resolved to the satisfaction of developing countries if they are to be integrated into the multilateral trading system. A number of developing countries have submitted proposals and there is hope that progress is possible; however, the Director-General has urged developing and least-developed countries *"to concentrate and focus their efforts in ensuring that the areas being currently negotiated include S&D provisions that are "precise, effective and operational"*.⁹

18. The Commonwealth has also called for the establishment of a finance adjustment mechanism, provided in tandem with the WTO negotiations, to assist developing countries, particularly small states that incur adjustment costs arising from multilateral trade liberalisation. Such a facility would compensate the relatively small number of countries which will suffer disproportionate economic harm, thus relieving protectionist pressures in the WTO's poorer member states and lessening frictions in the current round of multilateral trade negotiations.

Gender Dimension of Trade

19. Women are more vulnerable to poverty than men and access to global markets is essential if women are to be empowered to work their way out of poverty. The Commonwealth is placing special

⁸ Commonwealth calls for Follow up on Breakthrough in Doha Development Round, 12 October 2005 (<http://www.thecommonwealth.org/Templates/System/LatestNews.asp?NodeID=146308>).

⁹ Review of Developments and issues in the post-Doha work programme of particular concern to Developing Countries, UNCTAD, Palais des Nations, 6 October 2005 (http://www.wto.org/english/news_e/sppl_e/sppl05_e.htm).

attention to the different needs, constraints, and interests of women in trade policy and trade liberalization. The Secretariat has produced a handbook for policy makers and other stakeholders which provides an integrated framework for a sustainable, pro-poor and gender-sensitive approach to trade policy-making¹⁰ and has arranged capacity-building workshops with the aims of integrating gender analysis in trade policy formulation and implementation and analysing the impacts of trade policy on women's employment and entrepreneurship.

Capacity building

20. Faced with multiple negotiations on trade liberalization, Commonwealth countries, particularly small states and LDCs, must balance commitments with long-term economic goals. As negotiating deadlines draw nearer, limited negotiating capacity and resources present a significant challenge for many Members. These gaps need to be bridged so that development is effectively incorporated into the trade agenda.

21. The Commonwealth Secretariat has been providing technical and analytical support to Commonwealth developing countries on a wide range of issues under the Doha Development Round negotiations, particularly in areas of interest to them. This includes, a study to assess the real and perceived impact of erosion of preferences, and specially commissioned reports, such as that of Professor Joseph Stiglitz which outlines '*An Agenda for the Development Round of Trade Negotiations in the Aftermath of Cancun*'.

22. Technical support has also been provided to WTO Commonwealth Small States to assist in the preparation of positions/proposals under the Small Economies Work Program under paragraph 35 of the Doha Declaration. In particular, the servicing of Trade Experts Meetings to allow experts from Commonwealth small economies to convene in a brainstorming sessions to further elaborate aspects of their WTO proposals and to agree on a process for presenting them to the relevant WTO Committees for inclusion at the WTO Hong Kong Ministerial in December 2005.

CPA

23. The CPA – an Association of the national, provincial, state and territorial Parliaments and Legislatures in the Commonwealth - has continued its series of Regional Workshops with the WTO Secretariat. To date six Workshops have taken place including two in 2005: the first in Jamaica and the second in Tanzania. In 2006, Workshops are planned in Asia and the Pacific. The workshops are designed to inform participants on the basic operations of the multilateral trading system and key issues on the international trade agenda, and to provide a forum for participants to discuss and exchange views and ideas on trade-related and development-related issues of particular relevance to countries in that region¹¹.

Conclusion

24. The Doha Round is a negotiation involving all WTO Members and a good result will need to produce gains for all countries, particularly developing countries. Against the background described above, Parliamentarians – who have not just an interest but also a role and a responsibility to improve the lives of the people who elected them - must press their governments to be sufficiently engaged to ensure the Hong Kong Ministerial Conference succeeds. Political will is paramount. The negotiations are technical in character, but Parliamentarians must remind their governments of the political commitments made at Doha to conclude a "development round". To achieve this, agreement on agriculture is essential and there needs to be sufficiently flexibility in the rules to accommodate those countries at different levels of development.

¹⁰ Williams, Mariana (2003) Gender Mainstreaming in the Multilateral Trading System.

¹¹ You will find information on the various activities of the CPA – including the role of Parliamentarians in the international trading system – on www.cpahq.org. Please contact Anthony Staddon for further details on the CPA's work in the area of trade (Anthony@cpahq.org).