

Cordell Hull Institute

2400 Pennsylvania Avenue, N.W. • Suite 115 • Washington, D.C. 20037-1714

Tel: (202) 338-3815 • E-mail: info@cordellhullinstitute.org • Fax: (202) 338-0327

Trade Policy Roundtable

“Big Picture” Issues at the Cancún Ministerial

DAVID WOODS
Managing Director
World Trade Agenda Consultants,
Geneva

Hogan & Hartson

Washington, D.C., September 8, 2003

DAVID WOODS has closely followed the “ups and downs” of the multilateral trading system for more than twenty years, first as Spokesman and Director of Information at the GATT Secretariat and the World Trade Organization (1983-96), then at World Trade Agenda Consultants, Geneva, which began business in 1999 as a fortnightly bulletin on global trade issues and in 2002 was transformed into a consultancy. In between, he was back in London at Goldman Sachs International (1996-99), the investment bankers. Mr Woods began as a journalist, then moved to the British Government’s information service, eventually joining the Department of Trade and Industry, where he was Head of Press and Information. He thus spoke for the United Kingdom at the end of the Tokyo Round negotiations, for the GATT throughout the Uruguay Round negotiations and afterwards for the WTO on items of “unfinished business”; and now, during the Doha Round negotiations, he speaks for himself.

oOo

The Cordell Hull Institute’s Trade Policy Roundtable is sponsored by Akin Gump Strauss Hauer & Feld, Arnold & Porter, Hogan & Hartson, O’Melveny & Myers, Sidley Austin Brown & Wood, Steptoe & Johnson and Wilmer Cutler & Pickering

The Doha Development Agenda (DDA)

A. Where we were supposed to be. What Cancun was supposed to settle.

Almost two years through a four-year negotiation, Cancun is regarded as the “mid-term review”. However, very clear markers were set in Doha and after to ensure sufficient progress would be made at this point for a conclusion to the round to be achievable by end-2004. The key markers were as follows:

	Deadline	Status
<p>1. Agriculture</p> <p>Agree the “modalities” for new reform commitments, notably covering market access, domestic support and export competition. That means target figures for reducing tariffs, expanding tariff quotas, reducing domestic support expenditure (or making it less trade distorting) and eliminating or winding back export subsidies and other elements of export competition (export credits, food aid, state trading enterprises etc.)</p> <p>On the basis of these agreed modalities, all participants would table detailed schedules of commitments that would be the basis for further negotiations.</p>	<p>30 March 2003</p> <p>Cancun</p>	<p style="color: red;">Deadline missed</p> <p style="color: red;">Deadline missed because no modalities</p>
<p>2. Services</p> <p>First round of requests and offers</p>	<p>Initial requests - 30 June 2002</p> <p>Initial offers – 30 March 2003</p>	<p>Deadlines met by some participants, but minimal offers</p>
<p>3. Non-agricultural market access</p>		

<p>Agree the “modalities” for industrial tariff negotiations. That means deciding whether to use a formula to secure tariff cuts, to adopt a sectoral approach (elimination or harmonization), to negotiate through “request and offer”, or a mixture of all. It also assumes the adoption of some overall targets and some differentiation between developed and developing countries.</p>	<p>30 March 2003</p>	<p>Deadline missed</p>
<p>4. Dispute settlement rules</p> <p>Agree on a package of improvements to the dispute settlement system</p>	<p>31 May 2003 (Early implementation outside the single undertaking)</p>	<p>Deadline missed</p>
<p>5. Intellectual property protection</p> <p>Agree on a registration system for geographical indications on wines and spirits</p>	<p>20 September 2002</p>	<p>Deadline missed</p>
<p>6. Special and differential treatment for developing countries</p> <p>Conclude consideration of proposals to strengthen S & D provisions – over 80 tabled.</p>	<p>31 July 2002 and subsequent extensions</p>	<p>About 20 modest decisions to be referred to ministers in Cancun</p>
<p>7. “Implementation” issues</p> <p>Conclude consideration of 50+ issues raised before Seattle which relate to Uruguay Round implementation problems of developing countries.</p>	<p>December 31, 2002</p>	<p>Minimal results – many issues remain outstanding</p>
<p>8. “Singapore” issues</p> <p>A decision on the launching of negotiations covering investment, competition policy, trade facilitation and transparency in government procurement.</p>	<p>Cancun</p>	<p>Pending</p>
<p>9. Environment</p> <p>Report and recommendations on the limited mandate on environment in the Doha declaration</p>	<p>Cancun</p>	<p>No results to report, no recommendations</p>

B. The starting point for ministers at Cancun

Ministers will have before them a draft declaration drawn up and circulated by the Chairman of the WTO General Council, Ambassador Carlos Perez de Castillo of Uruguay. The draft has been the subject of consultation and negotiation in Geneva, but has not been agreed by delegations. It recognizes that even at Cancun the detailed modalities for the negotiations on agriculture and non-agricultural market access will not be agreed. Despite that, it seeks to move the negotiations forward.

1. Agriculture	Deadline
<p>The detailed modalities proposals put forward earlier this year by the Agriculture Committee Chairman, Stuart Harbinson, have been, for the moment at least, abandoned. The Perez de Castillo draft follows relatively closely the “framework” agreed by the U.S. and EU in early August.</p> <ul style="list-style-type: none">➤ It envisages an unspecified range of reductions in domestic support payments and “<i>de minimis</i>” payments and establishes new disciplines for the “blue box” (less trade-distorting direct payments).➤ It offers a cocktail of approaches to improving market access (“Swiss” formula and “Uruguay Round” reduction approaches as well as duty elimination. It also requires unspecified expansion of tariff rate quotas – notably for “import sensitive” products➤ It proposes parallel (unspecified) reductions in export subsidies and export credit advantages. Elimination for (unspecified) “products of particular interest to developing countries”.➤ Special and differential treatment is offered to developing countries. <p>Perez de Castillo also drew modestly from the “G20” (developing Cairns members plus key players like India and China) agriculture proposal tabled in response to that of the EU/U.S. This proposal allows for the elimination of the “Blue Box”, capping of the “Green Box” (potential reductions for developed countries) and elimination of export subsidies on all products. However, it also allowed for significant S&D exceptions for developing countries, especially on domestic support and market access.</p>	Agreement on detailed modalities must be secured in the Agriculture Committee by a date to be determined by ministers (early 2004?)
2. Non-agricultural market access <p>Detailed proposals put forward by the negotiating group chairman earlier this year have been abandoned. The draft for ministers seeks merely to pencil in some elements in the form of a framework.</p> <ul style="list-style-type: none">➤ The principal vehicle for securing tariff cuts would be a “non-linear” formula (a formula that would reduce existing high duties more significantly than lower duties.➤ Tariffs would be cut from their “bound” rates, not their applied rates.➤ Sectoral initiatives – leading to duty elimination or harmonization – should be part of the negotiation.	Agreement on detailed modalities in the negotiating group by a date to be determined

<ul style="list-style-type: none"> ➤ Developing countries get some flexibility but are required to bind most of their tariffs. Least-developed countries need not offer tariff reductions but should “substantially increase” their level of bindings. LDCs should be given duty-free access for non-agricultural products to developed markets. ➤ Market access commitments made by recently-acceded members (read: China) to have special provisions. 	<p>by ministers (same as that for agriculture).</p>
<p>3. Services</p>	
<p>No decision of substance required. Push to negotiations on additional GATS rules covering subsidies, safeguards, domestic regulation and government procurement. Members that have not submitted initial offers will be called upon to do so.</p>	<p>Improved offers to be tabled by a date to be specified by ministers</p>
<p>4. Rules negotiations</p>	
<p>Negotiating group instructed to shift its emphasis from identifying issues “to seeking solutions”. Work on antidumping, subsidies and countervailing measures, including fisheries subsidies to be “accelerated”. The Doha mandate is to undertake “negotiations aimed at clarifying and improving disciplines” under the WTO agreements.</p>	<p>None – but there will be pressure for one</p>
<p>5. Intellectual property</p>	
<p>Registration system for wines and spirits – new deadline to conclude work</p>	<p>Ministers to decide</p>
<p>6. Environment</p>	
<p>Continuation of work</p>	<p>None - but EU will press</p>
<p>7. Dispute settlement rules</p>	
<p>Completion and implementation of long-standing work programme</p>	<p>End-May 2004</p>

8. Singapore issues

For each of the four issues, ministers will have before them two initial options: either to agree that negotiations should start or to agree that the current situation does not provide the basis to commence negotiations. If there is a positive decision then draft modalities – based on ideas tabled by the proponents in each case – are appended to the chairman’s draft declaration. These could be adopted as is or, more likely, be subject to amendment by ministers. If negotiations go ahead in any or all of the four areas, then new negotiating groups would need to be established.

None. However, ministers may decide to impose deadlines. As of now the new negotiating groups would decide work plans and schedules after Cancun, except in the case of investment where it is proposed that the chairman present a draft text of an agreement by 30 June 2004.

9. Special and differential treatment

24 decisions to be adopted at Cancun. Continuation of work in Geneva afterwards.

Report required from General Council at next ministerial meetings (end-2004?). India and others will press for more demanding timeline.

10. “Implementation” issues

“Renewed determination” to find solutions on outstanding issues. Director-General to continue consultations on extension of protection of geographical indications.

General Council to review progress at a date for ministers to determine. EU will press for tight timeline on GIs.

C. What will determine “success” or “failure” at Cancun?

- ❖ Can the Cairns Group (and the U.S.?) win amendments on agriculture that would leave a high-ambition DDA result still attainable?
- ❖ Can Washington convince the rest of the membership it is still committed to an ambitious outcome across the board?
- ❖ Will the EU and Japan give up the fight for negotiations on all Singapore issues? Will India simply fight against an investment negotiation or all four Singapore issues?
- ❖ Can the Singapore issues be “un-bunched” with trade facilitation and government procurement put on separate tracks? Should some or all be removed from the single undertaking? Is there a plurilateral solution?
- ❖ Will the EU press its demands on GIs (it now wants explicit protection for 41 alcoholic and food products as part of the agriculture agreement)?
- ❖ Will the EU press seriously on its environment agenda – notably on the precautionary principle and packaging/labelling?
- ❖ Will the U.S. be able to live with concrete negotiations on antidumping and subsidies, if others demand a tighter remit from ministers?
- ❖ Will developing countries acquiesce in a “death by neglect” solution on S&D and implementation?
- ❖ Will ministers persist with the end 2004 deadline to conclude the negotiations overall?

September 5, 2003

*World Trade Agenda Consultants
1 Chemin des Lecheres
1217 Meyrin
Geneva
Switzerland
Tel: +41 22 989 3050
d.woods@tradeagenda.com*