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Progress in the Doha Round negotiations were discussed at a meeting of the Cordell Hull Institute's Trade Policy Roundtable in Washington, DC, on March 1, 2005.

The meeting was held at the law firm of Miller & Chevalier, Washington, DC, next door to the U.S. Treasury (pictured above).



Richard Eglin (above), a senior director at the World Trade Organization in Geneva, briefed the meeting with a short paper, reproduced here.

About the Author

Richard Eglin has been the director of the Trade and Finance Division at the World Trade Organization, Geneva, since 1998. Earlier, he headed the Development Division; and earlier still, the Trade and

DOHA ROUND BRIEFING...

What's the State of Play in the WTO Negotiations?

Richard Eglin

THE FIRST round of multilateral trade negotiations under the auspices of the World Trade Organization¹ was launched at the second attempt in Doha, capital of the Gulf state of Qatar, in November 2001. The negotiating agenda agreed in Doha had three components:

- market access – covering agriculture, industrial goods and services
- WTO rules – covering selected rules on trade-remedy actions and regionalism, with rules-related issues also addressed under the trade-environment nexus, the provision for special-and-differential (S&D) treatment for developing countries and the concerns raised by some developing countries about the implementation by them of existing obligations
- new issues – covering “trade facilitation” (the streamlining of customs procedures), investment regulations, competition policy and government procurement.²

Agreement on the agenda was reached in Doha only with great difficulty. Achieving a compromise, some observers have suggested, had more to do with the need for international political solidarity soon after the 9/11 terrorist attacks in the United States than with a conviction among WTO member countries that a new round was opportune or that the agenda was well thought out, balanced and in their commercial interests.³

Some important issues requiring negotiation were certainly missing – for example, the systemic relationship between regional trade agreements and the WTO system. A number of issues were included on the agenda in the face of deep-seated opposition from some members – such as investment negotiations – and accepting the Doha Round mandate did nothing to reduce their

Environment Division (1991-96) when the Committee on Trade and Environment was first established.

After obtaining his PhD from the University of Cambridge, in England, he was on the staff of the International Monetary Fund in Washington, DC, for five years before moving to the Economic Research and Analysis Division at the GATT Secretariat, Geneva, in 1985.

About the Meeting

Since the WTO General Council agreed the "July package" in 2004, the Doha Round negotiators have been pressing ahead with technical work, but the negotiations are still a long way behind schedule.

The July package of agreements (without modalities) created an opportunity for reflection on the WTO system until the U.S. Congress confirms the United States' continued membership of the WTO and extends the President's trade-negotiating authority before it runs out on June 1, 2005.

The key item in the package is farm-support policies, including a commitment to eliminate agricultural export subsidies by a date certain, which lifted the overall prospects for the negotiations.

The hope is that, with the modalities for negotiations finalized by the end of this year, a fresh political impetus can be imparted to the whole Doha Round endeavor at the WTO Ministerial Conference in Hong Kong on December 13-18 this year.

opposition. Many low-income developing countries were persuaded to accept the mandate only after they were reassured that their preferential access to the European Union's market would not be challenged in the WTO system.

More generally, in order to get developing countries on board, (i) the round was informally dubbed the Doha Development Agenda, (ii) special attention was given to certain groups of members, namely least-developed countries and small economies, (iii) a new work program of particular interest to developing countries was started on trade, debt and finance, plus the transfer of technology, and (iv) the mandate was filled with promises of technical assistance and support for trade-related capacity building. This raised expectations among developing and least-developed countries that the WTO will have to struggle hard to satisfy.

The Doha Round negotiations were supposed to be concluded in three years. A mid-term review was held in Cancún, Mexico, in September 2003. Very little progress had been made by then on any area of the negotiations and the Cancún conference ended in failure to agree on ministerial texts – with particularly strong acrimony evident over the state of the agriculture negotiations and, too, over the Singapore issues. The one concrete result of the Cancún conference was the success of African cotton exporters in adding to the agenda their concern about the use of trade-distorting cotton subsidies, both as a sub-set of the agriculture negotiations and as a separate development issue in its own right.

It then took nine months of further work back in Geneva before agreement was reached on how to overcome the failure in Cancún and move the Doha Round negotiations forward.

The "July Package"

The agreement (without modalities) that was reached by the WTO's General Council on August 1, 2004 – known as the "July Package" – contained a political breakthrough in agriculture that had eluded negotiators for the previous two years; and it resolved the longstanding debate over the Singapore issues by launching negotiations on trade facilitation and removing from the Doha Round agenda the other three issues (investment, competition policy and government procurement). It also extended the round for an indeterminate period (widely viewed now as being the end of 2006) and set new intermediate deadlines for improved offers on trade in services (May 2005) and for progress on the "implementation" issues (May 2005) and S&D treatment (July 2005).

The "framework agreement" on agriculture was the key component of the package. The three "pillars" of this negotiation are export subsidies, domestic support and market access.

Other Speakers

Others to speak were **Ann Tutwiler**, president of the International Food and Agricultural Trade Policy Council, and **Mary Irace**, vice president for trade and export finance at the National Foreign Trade Council, as well as **Edward Menzies**, an Alberta member of the House of Commons in Ottawa, who was previously president of the Canadian Agri-Food Trade Alliance.

The meeting was chaired by **Hugh Corbet**, the president of the Cordell Hull Institute.

Trade Policy Roundtable

The Cordell Hull Institute's Trade Policy Roundtable is sponsored by eight international law firms in Washington, DC: Akin Gump Strauss Hauer & Feld, Arnold & Porter, Hogan & Hartson, Miller & Chevalier, O'Melveny & Myers, Sidley Austin Brown & Wood, Steptoe & Johnson and Wilmer Cutler Pickering Hale & Dorr.

- A high level of political ambition has now been set for **export competition**, with an agreement to eliminate export subsidies, including export credits, export credit guarantees and insurance programs that are not in conformity with the new rules to be negotiated and the trade-distorting practices of exporting state-trading enterprises by a date certain (to be negotiated) and to write new rules on food aid to prevent commercial business being displaced. This sets a rather precise objective for the end of the negotiations. The EU is seeking equivalent and parallel commitments from WTO member countries across the board in the area of export competition.
- On **domestic support**, the result was less precise, but nonetheless valuable and a considerable step forward. A tiered formula for reducing domestic support will be used so that countries with higher subsidy levels will have to reduce the most. The aim is a "substantial reduction" in, and the capping of, the components of domestic support (product-specific Amber Box support, aggregate Blue Box support, and *de minimis* support). This includes a 20 percent cut in the first year of implementation, which is equivalent to the total cut in domestic support achieved in the Uruguay Round negotiations. The rules on non-trade restricting or distorting support, in the Green Box, are to be clarified.
- The least precise result was on **market access**. A basic approach was agreed, but most of the elements are undefined and subject to further negotiation. Tariffs are to be cut progressively through a tiered (banded) formula that takes into account the different tariff structures of developed and developing countries. The number of bands, thresholds for defining bands, the type of tariff reductions and reduction figures in each band remain to be negotiated. "Substantial improvement" will apply to *each* agricultural product. Flexibility will be permitted for "sensitive products", but the aim will still be substantial improvement in market access for these products through tariff cuts and the expansion of tariff quotas.
- Under the framework agreement, **developing countries** will be allowed to have longer periods in which to liberalize, to set lower reduction commitments and to designate "special products" that will be eligible for more flexible treatment. A new safeguard mechanism for developing countries will be negotiated to address their food-security, livelihood-security and rural-development concerns.
- **Least-developed countries** are exempt from liberalization commitments.

The framework agreement for industrial products (non-agricultural market access, or NAMA) reflected much less progress

than in agriculture. It set out initial elements for future work on modalities (i.e., quantitative targets for trade liberalization), but the inclusion of a qualifying introductory paragraph to the NAMA text makes it difficult to predict the final shape that modalities might take. Little more can be said than that a formula approach to cutting tariffs will be used, a sectoral tariff component will be pursued, S&D treatment and non-reciprocity will apply, non-tariff barriers will be addressed and least-developed countries will be exempt from formula tariff cuts and sectoral liberalization and they need only increase their bindings.

Recent Assessments

Below is a summary of assessments by the Trade Negotiations Committee at its meeting a couple of weeks ago.

Agriculture

The political attention that agriculture received in July 2004 was valuable in providing guidance on where further "clarification" of technical issues is needed in the context of the framework agreement, so as to prepare for further political input (ideally by agreeing in Hong Kong to full modalities for the negotiations). A large number of technical issues is under discussion, including the tiered tariff-reduction formula, the question of sensitive products, base periods for domestic support cuts, cutting/capping Amber Box and Blue Box support, the criteria for Green Box support, export-credit disciplines and exporting state-trading enterprises, tariff-quota administration and conversion of specific tariffs to *ad valorem* equivalents.

- Since the July Package there have not been any procedural blockages, cooperation is good, so are the atmospherics.
- *But* in eight months, progress has not been fast enough because of the technical complexity of the issues, which means governments have to intensify and accelerate the process this year. Most experienced delegations have the technical mastery of the subject, but others must be prepared to take risks in moving forward, even if they feel they have only imperfect information.
- There are still big differences in positions at a technical level on many key issues. Lack of progress on some (e.g., the methodology for converting to *ad valorem* equivalents) is holding back progress on others (e.g., the tiered tariff reduction formula).
- The chairman of the negotiating group, Ambassador Tim Groser of New Zealand, is calling for an "urgent" settling of differences on technical issues. The aim is for a "first approximation" of a draft text on modalities by end-June in time to allow for agreement on full modalities in Hong Kong.

Industrial Products (NAMA)

Starting from a far less favorable outcome in the July Package than agriculture, the NAMA negotiations encountered immediate problems last autumn in starting a technical, clarification exercise of unresolved issues in the framework agreement. The aim has been to advance on a "tripod" approach of the tariff-reduction formula, sectoral liberalization (where tariffs could be cut more sharply or even eliminated) and flexibility, along with negotiations on non-tariff barriers. So far, there has been some progress on these issues, but it is limited.

Developed and developing countries still differ on the approach to be taken towards the reduction and elimination of tariffs.

- Several key developing countries have been reluctant to consider the negotiation of sectoral liberalization until agreement is reached on the general tariff-reduction formula; and they oppose the use of the Swiss formula, which requires higher tariffs to be cut more heavily.
- Some developed countries (including the U.S.) recently proposed using two coefficients for tariff reduction (a higher one for developed countries and a lower one for developing countries), subject to agreement on the use of the Swiss formula, on there being serious attention paid to sectoral liberalization (using a "critical mass" process), and on limitations on other forms of flexibility permitted to developing countries to condition their liberalization.
- The chairman of the NAMA negotiating group, Ambassador Stefan Hakur Johannesson of Iceland, has noted that divergences on some fundamental issues remain and stressed the need to resolve them urgently. The aim is for a "first approximation" of a draft text on modalities by end-June in time to allow for full agreement on modalities in Hong Kong.



The **mockingbird** is the state bird of Tennessee. Cordell Hull represented a district of Tennessee in the Congress of the United States, and was elected a senator from there, before becoming U.S. Secretary of State (1933-44).

"The mockingbird is known for fighting for the

Trade in Services

The services negotiations are seriously behind schedule and have now become a major problem that demands attention in order to maintain balance in the negotiations and advance the Doha Round overall.

The market-access component of the services negotiations is lagging badly. Originally, initial offers were to have been tabled by all members by March 2003 – except the least-developed countries for which special modalities have been adopted. To date, only 48 initial offers have been received, representing initial offers by 71 members (counting the European Union as one) Forty four members have not yet submitted their initial offer, including

protection of his home – falling, if need be, in its defense. Mockingbirds are not intimidated by animals larger than themselves and have been known to attack eagles”

– Diana Wells, *100 Birds and How They Got Their Names* (Chapel Hill, NC: Algonquin, 2002)

Trade Policy Analyses

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South Africa, the Philippines, Morocco, Venezuela and Pakistan. The quality of most of the initial offers is poor. In effect, the offers lock in liberalization that is already there and, even then, only in part; and in some instances they seem to undo existing commitments. This poses a problem that becomes more serious as time goes by, for the request-and-offer process for services is in any case slow and cumbersome, compared with the agriculture and NAMA negotiations.

- Separately, little progress has been made in negotiations on modes of supply of services (especially Mode 4 where industrialized countries have indicated they have little flexibility) and on rules, covering domestic regulation, safeguards, subsidies and government procurement. These issues are sucking a lot of the oxygen away from the core market-access negotiations.
- The chairman of the negotiating group on services, Ambassador Alejandro Jara of Chile, has expressed a “deep sense of disappointment and dissatisfaction”. The July Package set a target date of May 2005 for *improved* offers. Progress in the request-and-offer process between now and May will be decisive.

What to Expect from Hong Kong

It is generally accepted that a successful conclusion of the Doha Round by the end of 2006 means that the Hong Kong ministerial meeting must result in detailed negotiating modalities for the agriculture and NAMA negotiations, containing specific numbers for the reduction of tariffs and (in the case of agriculture) domestic support, as well as the formulae and methodologies that are to be used to achieve these reductions. *At least* six months will be needed after the modalities are agreed to conduct the bilateral negotiations that will produce each WTO member's schedule of commitments and allow the negotiations to be concluded.

Members will want to match progress on reaching agreement on these modalities in Hong Kong with progress in other areas of the negotiations to which they individually attach importance – for example, services, trade-remedy laws, S&D treatment or trade facilitation. Considerable time will be needed in 2006 to complete the negotiations and complete the legal drafting in these areas.

¹ Eight earlier rounds were conducted under the General Agreement on Tariffs and Trade.

² The "Singapore issues" are so-called because they were included in the WTO work program at the WTO Ministerial Conference in Singapore in December 1996.

³ The attempt to launch a comprehensive new round based on much the same agenda had been roundly rejected two years before by trade Ministers at the WTO's disastrous Seattle Conference.