

January 2006

## **PES GROUP POSITION ON THE OUTCOME OF THE WTO MINISTERIAL CONFERENCE IN HONG KONG<sup>1</sup>**

### ***Background***

The Doha Ministerial Conference in 2001 committed all WTO Members to a development round, whose central purpose would be to promote a fairer and more pro-development trade system based on multilateral rules.

Starting from the premise that the expectations for the 6th WTO Ministerial Conference in Hong Kong have been scaled down without, however, reducing the general level of ambition for the whole Doha Round, the Group considers that the agreement reached at Hong Kong offers minimum progress in main negotiating areas, enough to save the Doha Round from a failure but falling short of really advancing the Doha Development Programme, already severely affected by too many missed deadlines.

A new deadline of April 2006 has been established for reaching an agreement on full modalities and the one of July 2006 for the submission of draft implementation schedules. We are aware of the fact that a failure to conclude negotiations in 2006 carries a risk of a collapse of the Doha Round, which, in turn, could put at risk the multilateral trading system as it stands now and have it completely replaced by bilateral and regional trade agreements often accentuating imbalances between the developed and the developing world.

Therefore, the PES Group cautiously welcomes the final declaration adopted at the 6th WTO Ministerial Conference in Hong Kong while emphasising that the approved text remains open in many areas and that virtually all difficult decisions have been deferred until 2006. Considering that development must remain the central focus of this round, we believe that some of the decisions taken in Hong Kong contain pro-development elements together with some aspects which still cause concern from a development perspective. It still remains to be seen in the course of 2006 whether the current round of trade negotiations truly puts development at its heart.

### ***Agriculture***

We welcome the agreement on the final date for parallel elimination of all kinds of export subsidies by the developed countries, including disciplines on export refunds, food aid and

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<sup>1</sup> This note is based on the draft PES resolution on the outcome of the 6th WTO Ministerial Conference. Although the text has not been formally adopted by the Group, it has been approved by both the Vice-President responsible and the INTA Committee Coordinator.

state trading enterprises. We equally welcome the frontloading of the substantial part of the cuts in the first half of the implementation period and hope that the developed countries will stand by those pledges in order to redress current trade imbalances between the North and the South;

However, we deplore the lack of an effective solution to the cotton problem in Hong Kong as the agreement on the elimination of export subsidies in 2006 and the quota- and tariff-free access for cotton to the developed country markets from 2008 does not really improve the situation of the African producers suffering mainly from the high domestic production subsidies. Therefore, we call upon the US Congress and Administration to agree, by the next WTO meeting in April, to a timetable for the elimination of its support for domestic cotton producers.

The Group positively views formulations on Special Products and Special Safeguard Mechanism corresponding to the requests of the developing countries and offering them some room for manoeuvre to safeguard their food security and rural livelihoods. We also welcome the linkage between the market access levels in agriculture and in NAMA, which can help ensure a proper relationship offering more balance between the developed and the developing countries on the level of their future commitments on market opening.

As far as sensitive products are concerned, whose number and character are of crucial importance for the developing countries, the Group regrets that nothing concrete has been agreed in Hong Kong. We also express our disappointment at the lack of progress on other important issues, such as erosion of trade preferences, geographical indications and rules.

### ***NAMA***

The Group takes note of the agreement on the Swiss formula for tariff reduction in NAMA leaving the number and the value of coefficients open. We reiterate that the formula adopted must allow the developing countries the possibility to safeguard their fragile industry sectors and retain control over their own market opening and must fully respect the principle of "*less than full reciprocity*".

We remain concerned that the objective of full binding of tariff levels as a basis for subsequent tariff reductions could require LDCs to undertake commitments that might limit their policy space in the future.

### ***Services***

The Group is equally concerned about the announced shift in the in the conduct of the services negotiations, where the traditional bottom-up request-offer approach will be supplemented by plurilateral negotiations. We hope that the obligation to consider requests for plurilateral negotiations will not weaken the position of poorer countries in terms of pressing them to liberalise additional service sectors and stress that nothing in the service negotiations must put at risk the right for member states to regulate their public services.

### ***Development package***

The Group welcomes the development package adopted in Hong Kong, although less ambitious than expected. We regret, however, that the duty and quota free access for LDCs products to other developed country markets, excluding 3 % of tariff lines that cover some crucial products for the poor countries, substantially reduces the benefits for the LDCs. We also regret the lack of a deadline for its extension to offer full product coverage.

As far as the aid for trade is concerned, the Group calls upon the European Union to ensure that the additional aid for trade announced in Hong Kong is financed out of new resources through

an addition to the Financial Perspectives and does not involve shifting resources already earmarked for other development initiatives, such as the Millennium Development Goals. We call at the same time for more coherence among various aid donors.

### *The way forward*

The PES Group took note of the new deadlines established in Hong Kong for reaching an agreement on full modalities and for the first implementation schedules to be submitted and is worried that, unless substantial results are achieved within this very tight schedule, the Doha Round could collapse, or drag on endlessly without delivering its intended results.

We believe that, in order to make real progress before the next WTO meeting and to bridge the outstanding gaps in all major negotiating areas, a greater commitment of all major players including the EU, the US and the emerging economies would be necessary. We call upon them to take this responsibility seriously and especially appeal to the European Union to put its weight during the undoubtedly complex and difficult negotiations in the coming months behind the achievement of fairer trade relations worldwide.

Bearing in mind the growing importance of a social dimension in trade relations, we regret that the strengthening of links between the WTO and the ILO has once again failed to find its expression in the ministerial declaration and strongly believe in the importance of standards for the modern trading system.

Finally, the Group reiterates its call for a deep reform of the WTO and for its better integration in the general framework of global governance, asks for greater coordination and coherence among all international institutions active in the field of trade and development, including UN-based organisations in charge of human development, health, environment, and calls upon all WTO Members to provide it with a clear mandate for an enhanced cooperation.