

The Doha Round after Hong Kong

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1. Introduction

The Doha Round of Multilateral Trade Negotiations, which has been referred to as the Development Round, is the first one since the establishment of the World Trade Organization (WTO) in 1994 and the ninth since the creation of the General Agreement on Tariffs and Trade (GATT) in 1947. It is currently at an advanced stage, although satisfactory end results cannot be taken for granted yet.

A few days before another critical deadline, WTO Director General and Chair of the Trade Negotiations Committee Pascal Lamy announced his decision not to call the ministerial meeting of 30 April 2006, on the grounds that most of the commitments set out last December in the Declaration of the VI Ministerial Meeting in Hong Kong could not be met. This means that another deadline has passed without the commitments made by member country ministers being honoured.

The above-mentioned acts of non-compliance add to those of the IV and V Ministerial Meetings held in Seattle (United States) in November 1999, when the launch of what would have been called the Millennium Round failed, and in Cancun (Mexico) in September 2003, when the modalities of negotiations on agriculture, non-agricultural goods and services should have been approved. Failure to outline said modalities has forced the re-postponement of the conclusion of the Round, previously arranged for 1 January 2005 in the Doha Declaration and now rescheduled for the end of this year.

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Underlying the vicissitudes of the agenda, there is a Gordian knot nobody can untie which has to do with fundamental differences between OECD countries and most developing countries. Said differences relate to the level of ambition for negotiations on agriculture, non-agricultural products, services and intellectual property. Whereas the first group of countries exerts pressure to achieve strong liberalisation in the three areas mentioned, most countries in the second group expect changes to the traditional practices of trade and agricultural production protection and distortion carried out by developed countries. At the same time, countries in this second group try to preserve a certain flexibility in the management of industrial and service sector policies in order to favour the expansion and competitiveness of said sectors and, subsequently, further a more leading role of developing countries in international trade.

As for intellectual property, a settlement has been reached regarding the granting of compulsory licences and licences to import pharmaceutical products produced according to those licences in case of a public health emergency situation. There is still debate as to the extent of possible commitments in relation to certain geographical indications, and the acknowledgement of patent rights for traditional medicine, particularly for indigenous communities.

Similarly, there are negotiations concerning trade facilitation, WTO rules –including the settlement of disputes– and trade and environment.

Contrary to what happens in agriculture, non-agricultural products and services, differences in the rest of the negotiation areas do not seem to be likely to make the Round stall or fail. It is clear, though, that failure and success are not the only possible outcomes since, should the differences that separate the positions of WTO members at present regarding the above-mentioned central issues not be bridged, there is still a third alternative, namely a modest or minimal result.

The question arising from both the second and the last hypotheses mentioned relates to the continuity of the multilateral trade system from a weak position, which may encourage the multiplication of bilateral agreements aimed at aggravating discrimination among nations. Post-war political and economic institutions (among them the former GATT that eventually became the WTO) were created specifically to pursue, among other objectives, an end to the discrimination which characterised international relations throughout the 1930s and 1940s.

2. The Situation in the Doha Round

2.1. The Original Mandate

The purpose inspiring the launch of the new Round, as stated in the Doha Declaration of November 2001 (Qatar), was to continue trade policy reforms and promote trade liberalisation, in view of its impact on economic growth, development and employment. The Doha Ministerial Mandate particularly promotes more coherent decisions relating to international economic policies and the endorsement of developing countries interests through better access to markets, unbiased rules and sound technical and financial support.

The Work Programme approved included implementation issues whose follow up had started since the Uruguay Round, as happened with agricultural, service and intellectual property issues, but it also included other aspects that had never been on the WTO working agenda until then. Among the latter were investment, competition policies and transparency in government procurement.

Specifically, nineteen negotiation topics were included. These are detailed as follows indicating their specific objectives:

Agriculture:

Commitments were made in relation to market access, reduction of (with a view to eliminating) all forms of export subsidies and the implementation of substantial reductions in distorting domestic support. Negotiation modalities had to be established by 31 March 2003 and the schedules of concessions, during the V Ministerial conference in September 2003. In turn, negotiations, including rules, disciplines and legal texts, had to conclude on 1 January 2005, at the end of the Round.

Market Access for Non-Agricultural Products (NAMA):

There was agreement on tariff reduction or elimination, including tariff peaks, high tariffs and tariff escalation as well as non-tariff barriers. It was also stated that, apart from the special and more favourable treatment of developing countries, these would also benefit from less than full reciprocity.

Services:

Greater liberalisation of trade and enhanced participation of developing countries were proposed, through multilateral and bilateral negotiations over specific commitments on market access and domestic treatment.

NAMA and Services negotiation agendas were in accordance with those for Agriculture.

Intellectual Property (TRIPS):

A commitment was made to negotiate a multilateral mechanism for the notification and registration of geographical indications for wines and spirits which should be established during the Fifth Session of the Ministerial Conference. As for the extension of geographical indications to other products, as no agreement was reached, it was decided that the issue should be discussed by the TRIPS Council, this is, by the regular WTO body and not by the Trade Negotiations Committee of the Round.

Said Council was also instructed to examine, among other relevant issues, the relationship between the TRIPS Agreement and the Convention on Biological Diversity and the protection of traditional knowledge and folklore.

Regarding public health care, it was stipulated that the TRIPS Agreement should be applied so as to facilitate access to pharmaceutical products for everyone. It was established that members have the right to grant compulsory licences, the freedom to determine the grounds on which said licences are to be granted, and what constitutes a national health emergency or other circumstances of extreme urgency. It was also stipulated that it is the prerogative of members to establish their own regime of exhaustion of intellectual property rights¹, unchallenged, subject to the principles of Most Favoured Nation and National Treatment. A commitment was made to find a solution to the problem of developing countries that lack an industrial capacity, in order to enforce the use of the compulsory licence system. It was with this aim that the TRIPS Council was instructed to achieve a solution by the end of 2002.

Relationship between investment and trade, interaction between trade and competition policies and transparency in government procurement:

The Fifth Ministerial Conference was instructed to thoroughly examine these issues, referred to as the Singapore issues because they were included in the WTO agenda during the Third Ministerial Meeting held in said country.

Trade facilitation:

It was decided that negotiations would take place after the Fifth Session of the Ministerial Meeting with the aim of expediting movement, release and clearance of goods, including goods in transit.

WTO rules:

It was stipulated that the aim of negotiations was to clarify and improve the disciplines under the Antidumping Agreements and those on Subsidies and Countervailing Measures. For the first time, the issue of fisheries subsidies was included.

¹ The exhaustion of intellectual property rights is related to the legitimate acquisition of a proprietary product either in the domestic market or through imports. Some WTO members have insisted that this exhaustion be limited to purchases in the domestic market or within a Customs Union. This position has not been accepted by the majority of developing countries.

Dispute Settlement:

It was agreed that negotiations on improvements of disciplines should conclude no later than May 2003.

Trade and Environment:

A series of questions were included for negotiation, particularly regarding the applicability of WTO rules and disciplines to multilateral environmental agreements and the reduction or elimination of tariffs on and non-tariff barriers to environmental goods and services.

The WTO Committee on Trade and Environment was entrusted to analyse the effects of environmental measures on market access, relevant TRIPS agreement provisions and labelling requirements for environmental purposes. The aim was to identify the need to clarify relevant WTO disciplines.

Electronic Commerce:

There was a proposal to analyse e-commerce and to request WTO members not to impose customs duties on electronic transmissions.

Small Economies; Trade, Debt and Finance; and Trade and Transfer of Technology:

The WTO General Council was instructed to examine the Work Programme and to report to the Fifth Session of the Ministerial Meeting.

Technical Cooperation and Capacity Building:

An action plan was proposed with the help of multilateral and regional agencies, governments and the WTO itself.

Least-Developed Countries:

A commitment was made on free access to markets for products originating from these countries, technical assistance and non-reciprocity.

Special and Differential Treatment:

The corresponding work programme was endorsed and it was stated that provisions on this matter were an integral part of the WTO Agreements.

2.2. The July 2004 Framework

The failure of the Fifth WTO Ministerial Conference held in Cancun in September 2003 forced the restructuring and rescheduling of negotiations. At that conference, no agreements could be reached over modalities, particularly in agriculture. At the same time, there were fierce disputes over the negative effects of developed countries' subsidies to trade in cotton. African countries demanded the elimination of said subsidies and, together with other developing countries, questioned the appropriateness of including the Singapore issues on the Doha agenda. After a new series of discussions, an agreement was finally reached in July 2004 in order to further negotiations.

The work programme consensually agreed upon by the WTO General Council, known as the July Framework, did not include the Singapore issues (investment, competition enforcement and government procurement). Instead, it was only limited to the following:

Agriculture:

Regarding domestic support, it proposed a tiered formula for linear cuts in order to harmonise reductions in developed countries' support. According to this scheme, the highest levels must be subject to deeper cuts. This forces a commitment to a total cut of domestic support or general commitment, with bound levels as the starting point. Additionally, there must be reductions in the Aggregate Measurement of Support (AMS), involving

administered prices and subsidies to inputs, and the minimal or “*de minimis*” level, represented by a percentage of subsidies with respect to the value of agricultural production (currently at 5 per cent) not subject to reduction commitments. Furthermore, it stipulates that a limit shall be set to Blue Box subsidies, mostly deficiency payments² based on historical returns, as well as to levels of product or specific subsidies.

Regarding exports competition, the work programme determined the establishment of detailed modalities so as to ensure the parallel elimination of all forms of export subsidies.

As regards market access, it mandated that reductions in bound tariffs should be substantial and fulfilled by means of a tiered linear formula with bands. It proposed applying higher cuts to the highest tariffs, with some flexibility for sensitive products, for which it contemplated the expansion of tariff-rate quotas.

NAMA:

It instructed the Negotiating Group to further negotiations on a non-linear formula applied at tariff item level, contemplating a less than reciprocal contribution of developing countries. It was agreed that all specific tariffs would be converted and bound in *ad valorem* terms. For developing countries, the framework considers a differential and more favourable treatment, though the latter has not been defined yet.

For developing countries, it acknowledged exceptions in terms of sensitivity. In this sense, Paragraph 8 of Annex B of the July Framework establishes, as a first choice, the application of less than formula cuts to [10] per cent of the tariff lines, provided that the cuts do not exceed half the general formula cuts and that said [10] per cent of tariff lines do not represent more than [10] per cent of the total value of the relevant member’s imports. A second and last choice enables country members to keep tariffs unbound or not to apply cuts to [5] per cent of tariff lines provided that the trade value of that [5] per cent of tariff lines does not exceed [5] per cent of the total value of imports of the member opting for this choice. No final agreement has been reached on figures shown between square brackets; they are subject to further negotiations.

TRIPS:

It provided that negotiations on the topics included in the Doha mandate should continue. The WTO Director General was required to carry on his consultation process, particularly regarding the extension of the protection of geographical indications to products other than wines and spirits.

Services:

It recommended the presentation of concession bids in new categories and provision modes and the intensification of efforts in order to conclude the negotiation of disciplines on qualification and licences of providers, technical standards, safeguard measures, government procurement and subsidies.

Rules, Trade and Environment and Dispute Settlement:

It reaffirmed the commitment to advance in these areas.

Trade Facilitation:

It mandated that negotiations should clarify and improve all relevant questions related to Articles V (freedom of transit), VIII (fees and formalities connected with importation and exportation) and X (publication and administration of trade regulations) of the 1994 GATT.

² Deficiency payments are those by which agricultural costs (usually higher in developed countries) are made equal to market prices.

2.3 The Hong Kong Ministerial Declaration

It supplemented the July 2004 Framework by means of a proposal to continue negotiations adding some precise details which, notwithstanding, did not bridge the existing significant differences in Agriculture and NAMA.

It proposed completing the Doha work programme and concluding the Round in early 2007; this is, two years later than stipulated by the initial schedule. As for the different negotiation areas, ministers suggested the establishment of modalities in Agriculture, NAMA and Services no later than 30 April, and that projects should be submitted including global lists of concessions based on said modalities by 31 July 2006. The first of the abovementioned deadlines could not be met; this is why expectations are now focused on the second one.

Considering the different negotiation issues, the most salient results of the Hong Kong Declaration were as follows:

Agriculture:

Regarding market access, four bands were fixed to structure tariff cuts, acknowledging that it is necessary to agree on thresholds for each band, and the depth of the reduction. The need to agree on the treatment of sensitive products was pointed out and it was established that developing countries would have flexibility to designate by themselves an appropriate number of tariff lines as special products subject to lower cuts or exempt from them. Furthermore, a special safeguard mechanism for developing countries, which would be activated according to variations in import volumes and prices, is contemplated. As for cotton, it was established that developed countries would grant duty-free and quota-free market access to exports originating from the least-developed countries (LDC's) as from day one of the implementation period.

Regarding export competition the parties agreed to ensure the parallel elimination of all forms of export subsidies by the end of 2013. As for cotton, it was determined that developed countries would eliminate all export subsidies in 2006.

Regarding domestic support, three bands were agreed for the overall cut and for cuts in the Aggregate Measurement of Support (AMS), with a higher impact on higher bands. It was implicitly indicated that the European Union should be included in the top band, this is, the highest cut band, whereas the United States and Japan should be in the middle band. The rest of the Members shall be in the lowest band. Developing countries with no commitments on AMS shall be exempt from reductions at the *de minimis* level and from the overall cut of domestic support. As for cotton, a statement recognising the objective negotiations should aim at, in terms of further reducing trade distorting domestic subsidies to cotton production, was left between square brackets in the Declaration; this means that no agreement has been reached on this aspect so far.

NAMA:

It was decided to adopt a Swiss formula with coefficients for tariff reductions. It was set out that all necessary tariffs would be converted into *ad valorem* equivalents to fulfil the commitments made, and also bound in *ad valorem* terms. It was acknowledged that paragraph 8 of Annex B to the July 2004 Framework was fully in force, including products sensitive for developing countries which could be excluded from or subject to cuts lower than expected. In order to facilitate the binding process for those members with a low percentage of bound tariff lines, an increase in applied tariffs, by means of an as yet undetermined methodology, was approved so as to establish the basis upon which reduction coefficients shall be applied.

For the very first time in a multilateral round, paragraph 24 of the Declaration linked negotiations on Agriculture to negotiations on NAMA. In this sense, said paragraph instructed negotiators to ensure a comparably high level of ambition regarding market access in both areas. It states that this ambition should be reached in a balanced and proportionate way, compatible with the principle of special and differential treatment.

Services:

The intention of intensifying negotiations with a view to expanding the sectoral and modal coverage of commitments and to improving their quality was expressed. Regarding the approach, it was highlighted that negotiations would continue based on the method of request and offer, with a view to obtaining substantial commitments.

Rules:

A commitment was reached to further negotiations.

Intellectual Property:

Progress made in establishing a multilateral notification and registration system for geographical indications for wines and spirits was assessed.

With regard to public health care, the General Council Decision of 6 December 2005 proposing an amendment to the TRIPS Agreement was welcomed with satisfaction. In cases of serious health hazard, this amendment contemplates that developing countries lacking domestic production capacity could import pharmaceuticals produced by a compulsory licence mechanism.

The General Council was instructed to report on the consideration of the link between intellectual property rights and the culture of communities (folklore) as well as on discussions about the extension of geographical indications to sectors other than wines and spirits.

Members were instructed to further negotiations on all the remaining issues.

2.4. Results and Rescheduling of Commitments

The results achieved at the Hong Kong Ministerial Meeting, as detailed in the corresponding declaration, can be characterised as modest. These include:

- ❑ An agreement to eliminate all forms of export subsidies for agricultural products by 2013.
- ❑ A commitment by which developed countries shall enable duty-free and quota-free importation of products originating from relatively less developed countries. This commitment involves 97% of tariff lines, and therefore, it means that sensitive categories such as textiles and clothing, particularly important in the production and export structures of the latter countries, can be overlooked as part of the remaining 3%.
- ❑ The elimination of all forms of export subsidies to trade in cotton provided by developed countries, which concerns United States' exports almost exclusively and represents a key factor for four West African countries. No agreement has been reached so far regarding a commitment to a substantial reduction in domestic subsidies, of utmost concern for cotton-producing developing countries.
- ❑ The WTO General Council approval of a Protocol Amending the TRIPS Agreement. According to this Protocol, least-developed countries are entitled to import pharmaceutical products produced under compulsory licences. This importation is limited to cases of extreme urgency or public health emergency and subject to requirements of due of notification and control in order to avoid elusion.

Regarding the continuation of negotiations, it was agreed to establish a timetable to complete them in early 2007. Deadlines were stipulated, on the one hand, to agree on negotiation modalities (depth of cuts, sensitive products and requests and offers in goods and services) set for 30 April 2006 and, on the other, to negotiate lists of concessions by the end of July 2007. The idea of drawing up such a tight schedule has to do with the expiration of the United States President Trade Promotion Authority³ in mid 2007.

It is worth mentioning that the backdrop to Hong Kong has been characterised by two different dynamics. On the one hand, the ghost of Cancun's failure put pressure on negotiators to achieve tangible results before concluding the meeting. On the other hand, the adoption of the July 2004 Framework and the appointment of a new WTO Director General engendered a better disposition to reconcile different positions. This prevented conflict and enabled commitments which entailed high hopes that negotiations might end successfully.

³ This authority entitles the President to submit the Round's package of trade negotiations to the United States Congress for its approval or disapproval, the latter being unable to amend it.

A factor that had a positive impact on the climate prior to the Meeting in Hong Kong was the adoption of the Protocol amending the TRIPS Agreement. This protocol definitively anchored the commitment on public health that should have been finalised in 2003. It brought a mood of conciliation to a controversial area, so that negotiators could focus their efforts on agriculture and market access for non-agricultural products, the key issues to be discussed in the Round.

3. Negotiation Process

3.1. Importance of Coalitions

The formation of coalitions, a novelty in negotiating power building, aims at a more democratic operation of the WTO. In the Uruguay Round, the clearest example was the strong influence exerted by the CAIRNS group of developed and developing agricultural exporting countries for the achievement of the Agreement on Agriculture. It can be affirmed that those coalitions, except for the foregoing group, did not last long, probably as a consequence of their informal character and their lack of binding instruments of institutionalisation. Most coalitions were formed in order to exercise the power of veto over decisions made without their participation, assuming a defensive character and promoting special and differential treatment, as in the case of the Informal Group of Developing Countries in the GATT and the G77 at the UNCTAD.

Circumstances changed during the Doha Round, where the numerous groups of developing countries represented a novelty with respect to the previous rounds. This strategy based on common action was clearly evident in the Hong Kong Ministerial Meeting.

Coalitions exercise influence, on the one hand, over the drawing up of agendas. Furthermore, countries with diverse interests can get together to reduce or lessen disagreements and contribute to the achievement of consensus. In this case, groups are specifically made up so as to reach a settlement formula and overcome a deadlock situation rather than to stick firmly to a common position.

They also promote research, information interchange among members, and the division of tasks, the latter in relation to the possibility of defending common positions when one of the members is unable to participate in certain meetings or activities. Resources are shared and the pressure of the group is revealed not only politically but also by the percentage of trade it represents.

On the one hand, if small countries fear reprisals in case they try to defend a proposal individually, collective action would mitigate that risk by legitimating the demand, and increasing the eventual cost developed countries would face were they to apply such measures.

The leading role developing countries are increasingly playing shows that they invest diplomatic resources in the creation and maintenance of interest groups, which have acquired an influence and negotiating power reaching far beyond the simple addition of the individual parts. As a consequence, they have an increasing influence on the orientation of the WTO.

It is worth highlighting the underlying logic that makes the formation of groups and associations within the WTO ever more frequent. To a certain extent, this is the result of economic integration: an increasing number of tariff unions and free trade areas are established everywhere, contributing to reconcile different positions. In some cases, groups act jointly represented by a spokesperson or negotiating group.

3.2 Transparency Issues and Decision Making

It is worth mentioning that the WTO subsequent to the Uruguay Round (UR) laid the foundations for the current international trade system. As a result of the accession process that took place after said Round, the number of members has risen significantly, currently exceeding 150.

Apart from increasing in number, developing countries have actively integrated into the multilateral trade system by means of significantly opening their respective economies and of their participation in WTO mechanisms. They have bound most of their tariffs and, at the same time, accepted all the agreements negotiated at the Uruguay Round. These were equally applied to all members by the mechanism referred to as the "single undertaking", according to

which a country does not have the choice to sign only some of the agreements but it must accept them all. Similarly, the UR also meant an end to a period of negotiations focused on border trade policy, since their results had started to affect domestic policies to a wider scale, as in the case of subsidies, rules connected with services and the protection of intellectual property.

By virtue of the abovementioned changes, the WTO decision-making process has ignited mounting tension. This is due to the fact that the massive accession of members and the various responsibilities assumed by the organisation have been concomitant with a delay in updating the mechanisms of participation, representation and consensus building. Countries with small delegations cannot afford their active attendance to formal and informal meetings and consequently, cannot contribute to the establishment of a common ground.

If a country is unable to be present at the multiple informal meetings, it is extremely difficult, or rather impossible, for it to influence the formal negotiation process. Absence is explained not only by the lack of human, technical or financial resources, but also by the "exclusive" character of certain important meetings which gather the most active countries, or those with a special interest and greater trade share in the issues at stake. The last Uruguay Round, and even more the current one, have both been marked by the proliferation of said meetings, in which participation is by invitation only, and where decisions are made concerning the most relevant issues under negotiation. This is the case of the ones called green rooms and mini-ministerial meetings. The procedure in itself is aimed at forming opinions and reaching consensus among reduced groups, in order to later disseminate and convey these to the remaining delegations. Not surprisingly, it constitutes an increasingly controversial practice.

Although the principle of "one country, one vote" gives an overwhelming strength to developing countries, which account for 2/3 of overall membership, the prevalence of the consensus rule for decision-making promotes the exertion of pressure on weaker countries in terms of trade weight so that they can hardly oppose the decisions made at closed meetings. This situation is even worse for the twenty-two WTO members that do not have delegations in Geneva. It is a fact that important discrepancies lie at the heart of the debate. On the one hand, the Dispute Settlement Body secures the WTO legality, guaranteeing the right to complain within that judicial system to every member, thus guaranteeing the enforcement of rules. On the other hand, however, the elaboration and adaptation of WTO rules needs greater democratisation, since the regular participation in management is not secured for an important number of countries.

Analysing the evolution of WTO, four moments represented significant landmarks in the process of adaptation of its operation to the current circumstances of its members.

The first landmark was the 1999 Third Ministerial Conference in Seattle (United States), whose purpose was to launch the "Millennium Round". At this conference, due to the system described above, only thirty WTO members could participate in the decision-making process. This situation provoked the developing countries refusal to continue taking part in negotiations since it was evident that their interests were being overlooked. The failure of the meeting brought about a deep sense of frustration since most members found it impossible to participate in and agree on the orientation that the multilateral system should adopt.

In the second place, as a result of the events of 11 September 2001, economic and cooperation issues were no longer a priority on the international agenda. Considering the utmost importance acquired by security issues and the complexity resulting from growing interdependence among nations, OECD countries resorted to pressure in order to maintain the multilateral system according to its previous bases, even though they were aware of the changes that had taken place and the diversity of new interests to be guarded.

The third landmark was the Fourth Ministerial Conference in Qatar in November 2001, together with the Doha Development Program, whose goal was to provide an answer to developing countries' trade-related problems so as to favour their integration into the international economy. The Conference evidenced the need for a structural reform of WTO and Bretton Woods institutions, issues which, on the other hand, used to be and still are subject of debate in academia. This is why the need to reinforce four key aspects of the negotiation process became clear in Doha: the principle of "one country, one vote", consensus voting and the importance of informal processes so that full participation of developing countries can be finally achieved.

In the fourth place, the dramatic collapse of the 2003 Cancun Ministerial Summit brought about further disappointment regarding the commitment to materialise the Doha initiative. In spite of the progress made in connection with the importance of key issues to developing countries, Agriculture in particular, OECD countries clung

to their positions. Until the very last minute, they defended the adoption of commitments on new issues or the "Singapore issues" in relation to investment, competition enforcement and government procurement. Only when the unyielding opposition of developing countries gave rise to the collapse of the meeting did they realise that said issues should be abandoned and that, from then on, attention should be drawn to structural questions related to protectionism and distortions which hinder the development of international trade and impede a greater participation of developing countries.

It can be said that Cancun has represented a turning point after which the significant increase in membership is for the first time reflected in a parallel increase in the negotiating power of new members that, until then, had been relatively excluded from decision-making.

3.3. Results and impact of coalitions⁴

An evident change shortly before the Cancun Meeting was the formation of developing country coalitions motivated by specific issues and with pro-active agendas. The success of the CAIRNS group in the Uruguay Round set an example to consolidate this new tendency. Learning from this and other negotiating experiences, coalitions devoted considerable efforts to research and exchange of information and they also began to rely on the support of the civil society. Coalitions improved based on the lessons they learnt from past conflicts.

The current G20 emerged as a reaction to the text of the commitment on agriculture between the United States and the European Union in July 2003, regarded as an imitation of the Uruguay Round "Blair House" Agreement. Said reaction was shared by the developing countries that advocate liberalisation and those with a strongly defensive attitude towards agriculture. Brazil, India and Argentina filed a first draft on the Doha Round negotiation on Agriculture shortly before the Fifth WTO Ministerial Meeting in Cancun, supported by China, South Africa and other developing countries. The articulation of countries within this group has been seemingly contradictory, but their joint interests kept their members united and caused them to form an important force which continues to play a very active role in the Round. The most obvious fracture line lies between those members that are also part of the CAIRNS group and pursue agricultural liberalisation and those with a high proportion of their population concentrated in small farmsteads which, for that reason, assume a defensive position towards trade.

In spite of their differences, both groups coexisted in the G20 and they achieved a relatively ambitious formula regarding market access, domestic support and export subsidies, which contemplates special measures for developing countries. They agreed with the CAIRNS group, which advocates the elimination of export subsidies and a drastic cut in developed countries domestic subsidies, as well as the enhancement of market access for both developed and developing countries, safeguarding differential treatment for the latter.

In Agriculture, the G33 is another new coalition which creates a mechanism of special products and safeguards for developing countries. It is different from the G20 in that all its members have adopted a defensive position in respect of market access. Led by Indonesia and the Philippines, the group proposed that developing countries should have the right to individually designate special products to remain exempt from new commitments or tariff cut obligations. The group also endorsed a special safeguard mechanism that could be used by developing countries to protect their domestic markets from import increases and price reductions.

Coalitions among other developing countries, such as the ACP and the African Group, have made up the G90 in order to prevent the Singapore issues (investment, competition and government procurement) from remaining within the Doha mandate. These countries insisted that the effect of preferences erosion resulting from trade liberalisation should be considered.

The greater negotiating power explains why the G20 and G90 could threaten to block consensus unless their common interests were duly taken into account by the Doha agenda. When agriculture was excluded from the negotiation table in Cancun, the position adopted by coalitions brought about the collapse of the Ministerial Conference.

⁴ The annex includes the main coalitions and an enumeration of the members that comprise them.

The G20 began to have a high profile given by the relation between negotiations on agriculture and non-agricultural products (NAMA). This conjunction stressed the change of the negotiating centre from a clearly quadrilateral group (the United States, the European Union, Japan and Canada) to the G6 (the United States, the European Union, Australia, Japan, India and Brazil) to try to break the deadlock in negotiations. In fact, the Framework Agreement of July 2004, which gave the Doha Round new impulse, was fostered by the G20 and the G6.

In Hong Kong, the G20 insisted that the excessive demands of the European Union on NAMA and services were not in accordance with their less than modest offer regarding Agricultural market access. The EU defended itself by criticising Brazil and India for their lack of a formal proposal for industrial products. These two countries responded that they would considerably reduce their industrial tariffs provided that the United States and the European Union accepted deeper cuts than those they had proposed in relation to domestic subsidies and agricultural tariffs. Brazil stated that it was politically impossible for developing countries to accept a tariff reduction in NAMA higher than the tariff cuts in agriculture that developed countries were willing to afford.

The G20 emphasised that setting 2013 as the deadline for the elimination of export subsidies was one of the few results –regarding Agriculture– achieved in Hong Kong. Said result and the concessions on cotton had been accepted by the European Union, Switzerland and the United States under the high pressure exerted by developing countries and the menace of the possibility that the Round would fail again.

The European incapacity to negotiate concessions not previously agreed within the Common Agricultural Policy (CAP) reform enabled the United States to rapidly deviate from the commitment process. Americans only granted a modest concession by eliminating cotton export subsidies, one of the requirements made by African producers.

Since the end of 2005, several WTO developing country-members have accused the EU of boycotting negotiations by tabling a proposal to reduce agricultural product tariffs which was deemed insufficient. In spite of generalised rejection, the EU Trade Commissioner affirmed that he had little room for manoeuvre to improve this proposal, bearing in mind the resistance of some members to liberalisation and the high priority given by his bloc to the reduction in barriers to trade in industrial goods and services.

Bearing this in mind, a group of developing countries later known as the NAMA-11, led by India, South Africa, Brazil and Argentina, sent a letter to the Chairman of the Sixth Ministerial Meeting in Hong Kong, Mr John Tsang, arguing that the current basis for NAMA negotiations did not accurately reflect development concerns.

On the other hand, a coalition of developing countries led by Zambia advocated that imports originating in least-developed countries should be duty-free. Finally, as was already pointed out, developed countries agreed to the liberalisation of 97% of tariff lines, excluding the most sensitive products and those of greater export interest to these countries (textiles and clothing).

The G90 circulated an optional annex on services to the Ministerial Declaration. The goals set for the G90 were different from those mentioned in the original “Annex C”, in which members were asked to improve their commitments in all four modes of supply rather than to bind commitments at their present level of market access. The text filed by the G90 strengthened references to developing countries interests and urged more liberalisation, particularly for Mode 4 in respect of cross-border movement of service providers.

As a consequence of said debate, “Annex C” on services, i.e., the text of the Chairman of the corresponding Negotiating Group, was considered one of the controversial parts of the Declaration draft of 17 December distributed to ministers. Several developing countries had required that the section be eliminated altogether on the grounds that it had not been previously agreed. The G90 was annoyed about the annex provisions about the qualitative commitments on modes and the binding language establishing that members invited to enter multilateral negotiations on market access had to do so. Perhaps, the most controversial question was that regarding the pressure exerted on developing countries by both the EU and the United States not to amend the annex so that the Doha Round could conclude successfully. This controversy and the rejection of the annex on services were used by the EU as a way of imposing conditions on further commitments on agriculture. The position on services led by the G90 was supported by other developing countries, among them South Africa, Venezuela, Cuba, Jamaica and Kenya, all of which rejected indiscriminate opening.

Although both the G20 and G90 remarked that any development package adopted in Hong Kong should grant concrete benefits rather than just expressing good intentions, this objective was hindered by problems arising from

the effective level of participation. On the one hand, neither Green Room meetings nor the Chairman's Consultative Groups meetings kept records of discussions. Similarly, the granting of powers –sometimes unlimited– to the “Chairman's acquaintances” gave rise to the continuity of the traditional closed meetings from which most members were excluded. The last straw was the calling of only two formal meetings throughout the entire Conference –the opening and closing sessions– in order to adopt the decisions formally.

Progress in itself was minimal, but developing countries proved to be good negotiators in spite of all the transparency and participation problems. They did not limit themselves to be merely new members but, in spite of the many constraints, effectively influenced the negotiation process. These influence was evident in services and, above all, in the interrelation achieved between agricultural and NAMA negotiations, reflected in paragraph 24 of the Ministerial Declaration adopted on 18 December 2005.

Argentina played a key role in the drafting of this paragraph that proposes balanced market access in both areas, set out as follows: “We recognize that it is important to advance the development objectives of this Round through enhanced market access for developing countries in both Agriculture and NAMA. To that end, we instruct our negotiators to ensure that there is a comparably high level of ambition in market access for Agriculture and NAMA. This ambition is to be achieved in a balanced and proportionate manner consistent with the principle of special and differential treatment”.

It is evident that the last two points set the parameters for negotiations in the Hong Kong and subsequent meetings as a determining factor of the advances of the Round towards effective liberalisation in Agriculture and a treatment of NAMA that takes developing countries' sensitivities into account.

Paragraph 24 establishes the principle of “a comparably high (...)” market access in agriculture and NAMA “in a balanced and proportionate manner”, which means that these issues are directly linked when it comes to negotiations. These are the two sides of the same coin, in which one area's movement has an impact on the other. It results in a negotiation strategy in which “who gives in first” or “how it affects the other party” is at stake. Accordingly, there is a tendency to avoid leaving agricultural negotiations to the very last minute thus favouring the pressure exerted by those who adopt a defensive position. Countries defensive in agriculture and offensive in NAMA will be left with no alternative but to face countries offensive in agriculture and defensive in NAMA, by virtue of the consequences they might suffer in case of any adjustment which, from now on, will be inevitably and proportionally equivalent in the two areas.

Thirdly, Paragraph 24 favours a single commitment under more balanced conditions for developing countries. The fact that agriculture is not left to the final stage makes it difficult to accuse developing countries of hindering the Round conclusion because final proposals do not contemplate their interests. Only after complying with the “balanced and proportionate adjustment” between agriculture and NAMA, “compatible with the principle of special and differential treatment” as set forth in the Hong Kong Ministerial Declaration, will it be possible to reach said final stage.

By 30 April, the deadline to agree on the parameters to decide the extent of multilateral liberalisation under the Doha Round in the immediately subsequent phase, the commitments previously established had not been met. Almost six months following Hong Kong, efforts tending to bridge different positions have been futile, particularly due to the reluctance of the European Union and other countries to improve their offers on agricultural market access. Now the idea is that the two months before the end of next July will be crucial for the materialisation of an agreement.

On the one hand, the EU refuses to bear the burden of the Doha Round failure and, on the other, it intends to continue with its *quid pro quo*. In order to reconcile these two alternatives, it will have to face the G20 demands and those of some developed countries seeking better market access in agriculture.

4. The Main Negotiation Areas

4.1. NAMA

NAMA negotiations encompass everything related to non-agricultural products; i.e., fish, ores, chemicals, forest products, electronic goods, automobiles, machinery, textiles and clothing, leather goods and different manufactures.

This is the area where trade liberalisation has gone the furthest since the creation of the General Agreement on Tariffs and Trade (GATT) in 1947. Industrialised countries average tariffs are now bound below 5%, whereas there is also a high degree of binding in developing countries, with a ceiling between 30% and 35% *ad valorem*, but with substantially lower applied tariffs. The average applied tariff in MERCOSUR, for example, is 9.8% *ad valorem*.

It is worth mentioning that in the GATT, while industrial tariffs were being reduced, new disciplines were introduced to prevent distortions that could be caused by domestic subsidies and subsidies to exports of these goods. The latter were banned in 1958, while disciplines on domestic subsidies were introduced in the Tokyo Round and bound in the Uruguay Round, by the Agreement on Subsidies and Countervailing Measures.

The starting point for the Doha Round was to further the commitments made at the Uruguay Round which, in spite of an average reduction of 40%, did not remove the dispersion provoked by tariff escalation and high NAMA tariffs in industrialised countries. On the other hand, the aim is to bind the whole tariff universe and to reduce developing countries bound tariffs⁵.

According to 2.1 above, the Doha Declaration set forth as NAMA objectives “conducting negotiations with the aim of reducing, or as appropriate, eliminating tariffs, including the reduction or elimination of tariff peaks, high tariffs and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries” (Paragraph 16 of the Doha Declaration). The Declaration text stressed that the special needs and interests of developing and least-developed country participants would be fully taken into account, establishing, among other points, that there should not be full reciprocity in reduction commitments, in accordance with the provisions of GATT 1994. Similarly, negotiations should take fully into account the principle of special and differential treatment for developing and least-developed countries (Paragraph 50 of the Doha Declaration).

In July 2002, negotiations for a working program were concluded, setting May 2003 as the deadline for the establishment of negotiation modalities. In the course of that month, the Chairman of the Negotiating Group on Market Access tabled a draft project including some elements of the modalities for negotiations (Girard Text).

The most outstanding and controversial aspect was its proposal of a harmonising non-linear formula that should be applied by all countries other than least-developed countries (LDC's), on a line-by-line basis. By means of this formula, the principle of less than full reciprocity was taken into account, including an average tariff as the coefficient. Hence, cutting the highest tariffs less than the lowest ones, the formula resulted in lower reduction commitments made by those countries with higher mean bound tariffs (mostly developing countries). Additionally, it proposed a three-phase compulsory programme aimed at the elimination of tariffs on seven sectors considered of special interest to developing countries: electronics and electrical goods; fish and fish products; footwear; leather goods; motor vehicle parts and components; stones, gems and precious metals; and textiles and clothing.

Nevertheless, the main obstacle for the negotiation could not be overcome. It has to do with the fact that developed countries exert pressure on developing countries to open their markets further, while the former maintain a strongly defensive position in Agriculture, the area of the greatest interest to developing countries. In order to achieve this, they have permanently insisted that the NAMA reduction be on the basis of applied rather than bound tariffs.

As the aforesaid position has been rejected and it has been impossible to modify the Doha mandate and the GATT and WTO tradition according to which reductions are implemented on bound tariffs, they have tried to limit flexibilities and insisted on the application of a non-linear Swiss formula with reduced coefficients. Using this formula and said coefficients, high tariffs are cut to a greater extent; thus, differences among tariffs are rapidly reduced and cut into developing countries' applied levels.

The specific goals and demands of developed countries regarding NAMA refer to:

- Adjusting the tariff system, reducing coverage of unbound items to a maximum of 5% of tariff-lines.

⁵ Binding means a commitment not to increase tariffs above the committed ceiling. In case a country wishes to introduce a change, it has to resort to Article XXVIII of the GATT that mandates carrying out consultations and negotiations with the purpose of reaching an agreement with members with negotiating rights on an appropriate compensation.

- ❑ Substantially reducing tariffs from the Doha Round initial bound level.
- ❑ Limiting or removing the difference between the bound level and the current applied level (water in the tariff).
- ❑ Harmonising tariffs applying a simple non-linear Swiss formula for tariff reduction, with coefficients of 10 for developed countries and 15 for developing countries.⁶
- ❑ Eliminating tariffs in selected industrial sectors.
- ❑ Speeding up the liberalisation process so that it concludes in five to ten years' time at the latest.

Some countries such as China and Indonesia criticised the proposed formulae and coefficients. Others, namely Chile, Colombia and Mexico endorsed developed countries objectives. Malaysia, with the support of Thailand and the Philippines, tabled a counter-proposal on the grounds that the commitment of binding unbound tariffs should be acknowledged as a significant one, and that the new bound tariff levels should not be reduced in the manner proposed by developed countries.

Argentina, Brazil and India joined together against developed countries arguments, proposing a new formula (ABI) which moderates the different proposed coefficients by weighing them by each country's tariff average. They showed that, since the tariff cuts pursued by developed countries do not weigh coefficients, they lead to higher cuts in developing countries, to the detriment of the principles of special and differential treatment and less than full reciprocity of the Doha Mandate and the Hong Kong Declaration. Reductions in high tariffs are moderated according to the coefficients used in the ABI formula.

The situation prior to Hong Kong negotiations was reflected in the report tabled during that Ministerial Conference by the Chairman of the NAMA Negotiating Group. On the basis of that report, certain progress was made in the Ministerial Conference discussions.

In the first place, most countries agreed on the use of a Swiss formula, confining the discussion to the central issues of determining reduction coefficients and their relation with the principle of flexibility. There was agreement on the possibility of using two coefficients: one for developed countries and another one for developing countries. The United States, the European Union, Chile, Colombia and Mexico linked the acceptance of this latter coefficient to the elimination of the flexibility of tentatively excluding from reductions 5% of tariff lines or applying half the cut agreed to 10% of tariff lines which had been contemplated in the July 2004 Framework. Most developing countries rejected said condition on the grounds that the use of flexibilities is supplementary, rather than optional to the use of a special coefficient for them.

In the second place, certain degree of consensus was reached regarding treatment of unbound tariffs: binding should be 100% for developed countries and at least 95% for developing countries. Bearing in mind that most of the latter are not willing to bind their tariffs at a low level (comparable to that of their applied tariffs), to be subsequently forced to reduce this level even further by means of a formula, it was agreed to outline a tariff increase procedure (mark up) with that aim. Finally, it was also agreed that participation in sectoral negotiations, whose purpose is to achieve a complete elimination of tariffs, would not be mandatory.

A relevant aspect of the Hong Kong Ministerial Conference was the conformation of a new group of eleven developing countries, referred to as NAMA-11, in which Argentina, Brazil, Egypt, the Philippines, India, Indonesia, Namibia, South Africa and Venezuela take part. This group sent a letter to the Conference Chairman, John Tsang, arguing that the basis for negotiations did not accurately reflect development concerns. The group stated that its members were being asked to apply disproportionate cuts in industrial tariffs. They stressed that "developing countries could not be expected to pay in such a way for the more than necessary reforms of developed countries"

⁶ It is worth highlighting that the Swiss formula $[R=(c \times t) / (c + t)]$, where R is the resulting tariff, c the coefficient chosen and t the current tariff, gives rise to a maximum tariff equivalent to that coefficient. This means that, according to the proposal, the maximum resulting tariff will be 10% or 15% *ad valorem*, depending on whether it corresponds to developed or developing countries respectively.

agricultural sector". By reference mainly to agricultural trade, they urged that the level of ambition in NAMA should be "commensurate with the level of ambition attained in agriculture". The group emphasised that the flexibility agreed for developing countries in paragraph 8 of Annex B to the July Framework (2004), such as exempting a few tariff lines from reductions, should be independent from the tariff reduction formula. Furthermore, it urged developed countries to remove high tariffs, tariff peaks and tariff escalation in products of export interest to developing countries.

Following the G20 stance on agriculture, the NAMA-11 underscored that the European Union demands on industrial goods and on services did not show a level of ambition commensurate with what the EU is willing to offer in terms of agricultural market access. Its demand regarding NAMA would require developing countries to cut their tariffs by almost 70%, by far much more than the 39% cut they proposed in agriculture.

Table 1 shows the difference in the linear cut level resulting from the application of the simple Swiss formula with coefficients of 10 and 15 proposed by the EU and other OECD countries for developed and developing countries respectively. In line with the average tariffs in each group of countries, the linear cuts to be verified after applying said coefficients would be of 35.4% for developed countries and 66.7% for developing countries. The tariff reduction in percentage points would amount to 2 (from 5.5% to 3.3% on average) in the former countries, and 20 (from 30% to 10% on average) in the latter. This means that the average linear tariff cut in developing countries would be twice the reduction in developed ones, and the percentage point reduction in the average tariff would be more than ten times higher than the reduction applied by developed countries.

Table 1.
Impact of developed countries' NAMA proposals

	Average tariff ¹	Resulting tariff	Linear cut
Developed countries ² (Swiss formula coefficient 10)	5,5	3,5	35,4%
Developing countries (Swiss formula coefficient 15)	30,0	10,0	66,7%

Note: 1. Average bound tariffs for developed and developing countries were based on document TN/MA/W60.

2. Developed countries, particularly the EU, the US and the G-10 NAMA proposal consists in using a Swiss formula coefficient 10 in developed countries and a Swiss formula coefficient 15 in developing ones.

Source: CEI.

As a result of the Ministerial Conference negotiations, the relevant section of the Hong Kong Declaration on market access for industrial goods stipulated the adoption of a Swiss formula with an unspecified number of coefficients. It determined that the whole tariff universe should be bound in *ad valorem* terms authorising an increase in developing countries unbound tariffs before binding them and applying the cut formula. It ratified the principle of flexibility set forth in Annex B of the July 2004 Framework for developing countries' sensitive products. In this case, it did not establish the number of lines that could benefit from this special treatment either by excluding them from the determined cut or reducing said reduction by half. The text upheld two issues of paramount concern to developing countries: the inclusion of "less than full reciprocity" and the "reduction or elimination of tariff peaks, high tariffs and tariff escalation".

The most innovative aspect of the Ministerial Declaration was included in paragraph 24, which explicitly established a link between the level of ambition in market access for Agriculture and NAMA. The draft proposed by the Argentine delegation intended to redress the serious imbalance that characterises the multilateral mechanism, in which great liberalisation of trade and a slow inclusion of Agriculture in GATT and WTO rules and objectives have been achieved.

Paragraph 24 of the Hong Kong Declaration, which will be discussed later on, is instrumental in preventing the accentuation of divergences and, on the contrary, advancing towards opening agricultural and industrial markets in a balanced manner.

4.2. Agriculture

a) Background

The agricultural sector has been subject to discrimination within the World Trade Organization (WTO) and its predecessor, the General Agreement on Tariffs and Trade (GATT). This stems from the fact that the protection and distortion mechanisms applied to agriculture in the aftermath of the economic crisis of the 30s, in the last century, have been transferred to multilateral rules and disciplines.

Since the 1960s, shortly after the establishment of the European Economic Community, i.e., the current European Union, sectoral defence or protection measures have been increasingly followed by stimulus to exports by means of specific subsidies granted by the main industrialised countries. This has made it possible to channel production surpluses generated by protectionist policies and guaranteed high prices to the international market. This set of policies became a determining factor in the decreased participation of developing countries in the world market as net exporters of agricultural products, due to both lower exports and increased imports. The opposite effect was observed in OECD countries, the European Union in particular.

This evolution can be seen in Table 2, which shows net agricultural exporters and importers during the 1970-2004 period. As can be seen, Asian and African developing countries that were net exporters became net importers, whereas Latin America lost more than two points of its share as net exporter. Conversely, the OECD participation as net importer substantially fell.

Table 2.
Net importers and exporters of agricultural products
in % and USD billions

	Share in total agricultural imports ¹		Net impact on demand	
	1970	2004	Change in share ³	Value ²
	%	%		USD billions
Developed countries (OECD)	-15.6	-3.7	-11.9	-97.1
EU	-18.2	-3.2	-15.0	-121.7
Japan	-7.9	-7.3	-0.6	-4.5
USA	2.4	-0.7	3.1	25.0
Other developed countries	8.1	7.6	0.5	4.0
China	0.5	-2.1	2.6	21.3
CIS	-1.8	1.1	-2.9	-23.3
Developing countries	16.9	4.7	12.2	99.4
Africa	5.3	-0.2	5.5	44.6
Latin America	9.6	7.5	2.1	17.3
Asia and the Middle East	2.0	-2.6	4.6	37.5

Notes: 1. A negative share indicates that the country is a net importer, a positive share indicates that the country is a net exporter.

2. The impact on the absolute value of the world demand is given by the change in the participation in relation to 1970 multiplied by the value of world agricultural imports in 2004, USD 813 billion.

3. Percentage points.

Source: CEI based on WTO.

Changes in developing countries participation from 1970 until 2004 imply that they have lost, only in that last year, almost USD 100 billion in exports. Had they maintained their 1970 share in world agricultural trade, they would be exporting said additional amount over their current exports. The counterpart of additional imports by the same value would be given by OECD countries.

It is worth highlighting that it was only in the Uruguay Round, which ended in 1994, that agriculture was effectively incorporated into GATT rules and disciplines by the Agreement on Agriculture.

Said Agreement prohibited quantitative restrictions on imports and limited the use of export subsidies and domestic support for production, measures which had been practically unrestricted until then, according to the original texts of Articles XI and XVI of the GATT respectively. Quantitative restrictions were replaced with their equivalent import duties, but at such a high level that, in spite of the 36% average reduction stipulated by the round, access to developed country markets is still extremely restricted. In fact, for the main agricultural goods it is limited to the current tariff quotas and minimum access quotas established by the Uruguay Round at 5% of the domestic market volume.

Export subsidies fell as a result of the obligation to reduce subsidised quantities (21%) and budgetary allocations (36%) with that aim. Nevertheless, the high initial level and the lack of agreement on precise disciplines in respect of export credits and food aid significantly limited achievements in this area.

Domestic support (indirect subsidies as set forth in Article XVI of the GATT) was reduced by 20%. But the wide coverage of exempt policies (green box) and the exclusion of several deficiency payment measures (blue box) seriously limited the effectiveness of said commitment. In short, only price support measures and input subsidies were included in the Aggregate Measurement of Support (amber box), which was reduced by 20% on the basis of 1986-88 averages.

Experience in respect of the persistence of restrictions and distortions in agricultural trade and the importance of agriculture for developing countries turned this into one of the key issues in the launch of a new multilateral round. In the relevant discussions in particular, it was considered that in order to advance towards liberalisation of sectoral trade, a substantial improvement in existing disciplines was required, so as to eliminate or substantially reduce import protection and domestic and export distortions.

As a result of the foregoing, the Doha Round decided to continue strengthening disciplines in the three pillars of agricultural negotiation, with the following purposes:

- ❑ Substantially reducing with a view to eliminating export subsidies;
- ❑ Substantially reducing domestic support; and
- ❑ Substantially improving market access.

b) The discussion in Hong Kong

Similarly to what happened in the negotiations that led to the approval of the July 2004 Framework, the most enthusiastic actors during the Hong Kong negotiations were the United States, the European Union, the four African countries that introduced the Cotton Initiative, the G10, the G20 and the CAIRNS group.

The EU assumed a strong defensive attitude towards agricultural negotiations, sticking to its proposal to reduce import tariffs in market access by no more than 39% on average. Its cutting formula ranges from 35% for tariffs below 30%, to 45% for tariffs between 30% and 60%; 50% for those between 60% and 90%; and 60% for those over 90%. Nevertheless, these cuts are limited by the possibility of compensating them in the lowest band, and cutting the reduction in the top band between 1/3 and 2/3 for 8% of tariff lines that would be proposed as sensitive. The EU proposal seems very different from the G20's, which puts forward a 54% average reduction and cuts ranging between 45% and 75%; and the United States proposal, including tariff cuts between 55% and 90%. Together with its minimal proposal regarding agricultural market access, the EU urged the reduction of trade barriers for industrial goods and a significant enhancement of developing countries concessions on services.

As regards export subsidies, the strong pressure exerted by the remaining members led the EU to agree to their elimination by 2013. They linked this commitment to the disciplines to be established in respect of export credits and food aid.

The United States, which has considerably raised domestic support to agriculture in recent years, made the reduction in that pillar conditional on effective market access in developed and developing countries. They considered that the highest cut should be applied to the EU, taking into account their high level of domestic support.

According to the options put forth by the main actors in the latter pillar, the bands to apply total cuts were fixed between 0 and 10 billion dollars, from 10 to 60 billion, and over 60 billion dollars of distorting support (amber box, blue box and *de minimis*). While the G20 proposed linear cuts of 70%, 75% and 80% over bound levels for the aggregate of these three types of support, the European Union set those reductions at 50%, 60% and 70%, whereas the United States proposed cuts of 31%, 53% and 75% respectively.

In the course of the Ministerial Meeting, a third group other than the aforementioned, comprising developing countries, namely the G33, advocated the adoption of special flexibilities on the grounds that, after solving that issue, they would be in a better position to make commitments on market access. This group proposed negotiating several as yet unresolved aspects, such as the special safeguard mechanism for developing countries and the inclusion of special products which would be exempt from or subject to just minimal tariff reductions.

Central American and Latin American countries stressed the need to exempt tropical products and crops alternative to narcotics from taxes and quotas, while African cotton-producing countries insisted on a prompt liberalisation of market access and elimination of developed countries domestic subsidies and export subsidies to said product.

c) The agreed upon text

The Hong Kong Ministerial Declaration text on agriculture shows signs of progress in respect of the previous situation. The most significant one is the elimination of export subsidies by the end of 2013. Another important aspect concerns precise information on market access which refers to the number of bands (4), the existing differences in terms of cuts within each band, sensitivities and expansion of tariff quotas.

As for domestic subsidies, it also establishes the number of bands for reduction (3), stipulating different reduction percentages within each band. The European Union agreed to be in the top reduction band, while Japan and the United States would be in the intermediate one. These countries also agreed to set lower expenditure limits to blue box subsidies and *de minimis* subsidies, exempt from reduction commitments (2.5% of output value in each case).

Regarding sensitivities, the text grants developing countries flexibilities to self-designate a number of tariff lines as special products guided by indicators based on the criteria of food security, livelihood security and rural development –this reveals the influence of the G33 recent proposals which advance on indicators as the abovementioned. It also establishes a special safeguard mechanism triggered by import quantities and prices.

Another matter of concern relates to the creation of a “safe box” for food aid with the purpose of ensuring that said aid be channelled in cases of emergency. Negotiations on disciplines in respect of programmes dealing with export credits and state trading enterprises also continued.

In short, progress made in Hong Kong, except for the commitment to eliminate export subsidies, has been limited to restricting to a greater extent those questions on which there are significant differences, particularly as regards cuts in market access and domestic subsidies. It is clear that conditions in relation to these cuts, such as the introduction of a new type of blue box subsidies to include United States counter-cyclical payments, the inclusion of sensitive products with lower cuts for developed countries, the incorporation of special products and of a special safeguard for developing countries and the failure to bind tariffs in *ad valorem* terms, can all seriously undermine the impact of the concessions eventually agreed.

d) Cotton

Cotton negotiations go beyond the general discussion on agriculture, and it has become a paradigmatic case in the Doha Round. Advances on this question visibly reflect the pressure exerted by African states during the V WTO Ministerial Conference in Cancun.

The cotton issue poses four challenges: firstly, policies of support to this crop in developed countries, such as the United States, pushing international prices down and affecting those countries which do not subsidise the sector; secondly, in African and Central Asian countries whose main source of rural income is cotton production, it is

necessary to implement structural policies aimed at increasing productivity and product quality; thirdly, cotton producers from developing countries have to face the costs of technology transfer and adapt legal frameworks in order to introduce new varieties; and fourth, cotton finds fierce competition in synthetic fibres.

Benin, Burkina Faso, Chad and Mali originally put forward the Cotton Initiative, supported by other African countries such as Nigeria, Cameroon, Guinea, Uganda, Ghana and Rwanda. In the case of cotton, the agreement sets forth the prompt elimination of export subsidies by 2006 and free access of cotton and by-products from least developed countries to developed country markets.

The G20 considered cotton as a priority issue for Hong Kong; so did Australia and the European Union, which strived for an effort from the rest of the Members in order to find a solution to this problem beyond agricultural negotiations.

e) Progress made

Resuming the three negotiation areas described, the next steps in Hong Kong could be summarised as follows:

- ❑ It has been finally agreed to eliminate export subsidies by 2013;
- ❑ Commitment has been made to apply real cuts to domestic support, with higher cuts linked to the level of support;
- ❑ Although no significant progress has been made regarding market access, or in the level of cuts to domestic support, the differences that should be negotiated in the future were made explicit.

On the other hand, developing countries will have certain flexibilities to designate special products and the possibility to benefit from a safeguard mechanism protecting them from import increases and price falls.

4.3. Paragraph 24

Paragraph 24 of the Hong Kong Declaration establishes a link between NAMA and Agriculture negotiations, stipulating that a comparably high level of ambition in market access should be ensured for these two areas, and that said ambition must be achieved in a balanced and proportionate manner, consistent with the principle of special and differential treatment.

Taking into account this condition to further negotiations, Argentina submitted a document to the Groups on NAMA and Agriculture last 13 March, under document codes TN/MA/W/67 and TN/AG/GEN/14⁷ respectively, with the purpose of precisely defining the “comparability” set forth by the Ministerial Conference.

The Argentine document delves into the question of how the consistency of the Agriculture and NAMA proposals with paragraph 24 can effectively be gauged. To this end, it includes four central elements: 1) cutting formulas; 2) flexibilities and sensitive products; 3) maximum tariffs and the relationship between bound and applied tariffs; and 4) tariff simplification.

Regarding cutting formulas, the document points out that the reduction proposals in the two areas entail different methodologies. Whereas four bands are envisaged for the linear cuts in Agriculture, though the band ceilings and floors as well as the cut percentages to apply within each band have yet to be defined, the plan in NAMA, on the other hand, is to work on the basis of a “Swiss formula with coefficients”.

It states that said difference between methodologies constitutes a factor that makes the comparison required by Paragraph 24 difficult. Consequently, it proposes an empirical method which produces equivalent *ex post* outcomes of applying linear cuts or coefficients, as the case may be. For this purpose, it encloses –as annexes to the document– the correspondence tables for linear cuts and Swiss formula coefficients.

⁷ To find the document enter its code at <http://docsonline.wto.org>.

Table 3 shows an example based on the European Union and G10 proposals on Agriculture. It clearly reveals the disparity in the level of ambition between the coefficients sought by these countries from developing countries in NAMA and the linear cuts they are willing to accept in Agriculture and their equivalents in Swiss formula coefficients.

Table 3.
Impact of linear cuts in Agriculture proposals

Initial tariff (%)	Linear cut proposed for developed countries (%)			Resulting tariff (%)			Equivalent coefficients using the simple Swiss formula in NAMA ¹		
	EU		G10	EU		G10	EU		G10
	Minimum	Average		Minimum	Average		Minimum	Average	
10	20	35	27	8,00	6,50	7,30	40,00	18,57	27,04
20	20	35	27	16,00	13,00	14,60	80,00	37,14	54,07
30	20	35	31	24,00	19,50	20,70	120,00	55,71	66,77
40		45	31		22,00	27,60		48,89	89,03
50		45	31		27,50	34,50		61,11	111,29
60		45	37		33,00	37,80		73,33	102,16
70		50	37		35,00	44,10		70,00	119,19
80		50	45		40,00	44,00		80,00	97,78
90		50	45		45,00	49,50		90,00	110,00
100		60	45		40,00	55,00		66,67	122,22

Note: 1. $a = ((1 - \% \text{Reduction}) * \text{Initial Tariff}) / \% \text{Reduction}$

Source: CEI.

Applying a Swiss formula coefficient of 15, proposed by the EU in NAMA for developing countries, would mean that a 30% tariff (which is close to said countries' average Uruguay Round bindings) would drop to 10%, equivalent to a linear cut of 66.6% (Table 1). However, if the European Union proposal on Agriculture were applied to the same 30% tariff, a new 24% or 19.5% tariff would be obtained, according to a minimal linear cut of 20% or 35% on average, respectively. These linear cuts that would be applied to developed countries in Agriculture are equivalent to the ones which would result from applying a Swiss formula with coefficients of 120 or 55.71 respectively, *i.e.*, 8 and 3.7 times higher than the coefficient of 15 in NAMA.⁸

As to the matter of Flexibilities and sensitive products, the Argentine document confirms that the Agricultural issue is as yet undefined, whereas in NAMA, the possible exceptions are stipulated in Paragraph 8 of Annex B to the July 2004 Framework, as has been previously discussed. The document points out that, in Agriculture, the exclusion from overall reduction commitments of a few tariff lines could seriously restrict trade for a large proportion of exports from developing countries, since said lines could cover products of high commercial importance.

As an illustration, it mentions that the EU proposed designating 8% of tariff lines as sensitive. Assuming that these lines correspond to the highest bound rates (expressed as *ad valorem* equivalents), the result would be that 11.55% of its imports in value would be covered, excluding the trade arising from the additional flexibility proposed by the European Union for products up to a tariff level of 30%. It expresses that the inclusion of such a flexibility or "pivot", whereby some tariffs would undergo a cut of only 20% (less than the 35% average overall cut), could mean the exception of sensitive products amounting to a significant level of trade, bearing in mind that tariff lines between 0% and 30% of import duty (1720 lines) cover more than 66% of the European Union's agricultural imports.

It states that, if this 8% of sensitive products were added, this would result in a higher flexibility ("pivot") of the first tariff reduction band, and the corresponding total could range between 15.80% and 23.60% of agricultural tariff lines, and from 18.55% to 26.35% of the value of the EU's total agricultural imports. It compares these percentages with those corresponding to 5% or 10% of total trade under the options that would be available to developing countries in

⁸ The results of the G10 proposal resemble those obtained by applying the EU proposal. Nonetheless, the equivalent Swiss formula coefficients are higher in accordance with an agricultural proposal with lower linear cuts than proposed by the EU.

NAMA, so as to determine another aspect representing a serious disparity or divergence between the EU proposals in the two areas under study (Table 4).

Table 4.

Flexibilities proposed by the EU^{1,2}

A. Tariff Lines

	10% of lines with the highest tariffs	15% of lines with the highest tariffs	20% of lines with the highest tariffs
Number of tariff lines	172	258	344
Share in total number of agricultural tariff lines (%)	7,80	11,70	15,60

B. EU-15 Imports, 2003

	10% of lines with the highest tariffs		15% of lines with the highest tariffs		20% of lines with the highest tariffs	
	ECU (thousands)	participation in agricultural total (%)	ECU (thousands)	participation in agricultural total (%)	ECU (thousands)	participation in agricultural total (%)
extra-EU	2.034.846	3,16	4.129.760	6,42	5.313.801	8,26
intra-EU	14.022.347	8,42	23.426.201	14,07	28.840.174	17,33
Total	16.057.193	6,96	27.555.960	11,94	34.153.976	14,80

Notes: 1. Flexibility resulting from the EU proposal for products in the tariff band up to 30%, taking agricultural lines with *ad valorem* and non-*ad valorem* tariffs. The AVE calculations provided by the EU to the WTO in 2005 were used for lines with non-*ad valorem* tariffs.

The higher flexibility proposal is obtained by including 8% of lines corresponding to sensitive products in Table A and their equivalent in trade volume in Table B (26,65 billion ECUS or 11,55% of the EU's total trade).

Source: CEI based on WTO and Eurostat (2004).

Regarding Maximum Tariffs and the relationship between bound and applied tariffs, it argues that in the case of trade in Agriculture, in the absence of quotas with reduced or zero tariffs, there would be no imports in developed countries for many tariff lines. It also states that extra-EU imports of goods with tariffs of 30% or more amount to only 5.8% of the total value of EU agricultural imports. Much the same is true of the United States, where goods with *ad valorem* equivalent tariffs of over 30% explain only 1.2% of the value of agricultural imports. It mentions that in both cases, most imports enter under tariff quotas since the high overall tariff is in practice prohibitive.

As for developing countries in NAMA, it states that the situation is different since the maximum bound tariff of 35% *ad valorem* allows import flow, as statistics show. It points out that this tariff will be reduced below 20% *ad valorem* as a result of negotiations, and that this reduction will afford security of market access. The situation is different for OECD countries, which will have maximum tariffs of 100% in agriculture and a considerable number of tariff lines over 20% *ad valorem* (one fifth of the total in the case of the European Union).

The effect of maximum tariffs and of those resulting from the reduction process for the European Union and Mercosur countries, as representatives of developing countries, can be seen in Table 5. It can be seen therein that after applying the EU agricultural proposal, almost one fifth of tariff lines would eventually have tariffs over 20%. On the contrary, even with a simple Swiss formula coefficient of 45, all MERCOSUR tariffs would finally be lower than 20%.

Table 5.**Impact of reductions per tariff tier according to the EU proposal on Agriculture and to NAMA simple Swiss formula coefficients¹**

Percentage distribution of the number of lines

Tariff tier %	EU Agri proposal		NAMA Mercosur ²		
	Current	Resulting tariff	Current	Resulting tariff	
				a=45	a=30
0-20	67,3	81,5	23,5	100,0	100,0
>20	32,7	18,5	76,5	0	0
Total	100,0	100,0	100,0	100,0	100,0

Note: 1. In order to make the analysis easier, neither sensitivities nor special and differential treatment are included.

2. The Mercosur tariff data base has been used, bearing in mind that the average bound tariff coincides with that of developing countries, as stated in document TN/MA/W60.

Source: CEI.

The last element referred to by the Argentine document is Tariff Simplification. On this matter, it states that the report by the Chair of the NAMA Negotiating Group indicates that agreement was reached on binding the tariffs resulting from the negotiations in *ad valorem* terms. The situation is different in Agriculture, where specific tariffs are maintained (60% of the European Union's agricultural tariff lines), which do not allow adequate transparency regarding the determination of border protection and intensify the impact of import duties in case of a drop in international prices.

The Argentine document concludes pointing at the need to contemplate all four elements in order to determine whether the proposals under review, and those which could be put forth in the future, are consistent with Paragraph 24, since if they were not, this would imply non-compliance with the Hong Kong mandate.

Argentina's communication to the NAMA and Agriculture negotiating groups, dated last 21 March, has sparked off intense debate. Numerous delegations endorsed it, among them Australia, Barbados, Bolivia, Brazil, China, Cuba, Ecuador, India, Indonesia, Malaysia, Nicaragua, Pakistan, the Philippines, South Africa, Thailand, Uruguay and Venezuela. Australia's support was mainly linked to Agriculture, stressing that the comparison should have the aim of achieving a far-reaching liberalisation of agricultural as well as industrial trade. India considered that the document coincided with the NAMA-11 approach and that it included a carefully designed methodology to define the practical application of Paragraph 24. The European Union, Switzerland, Japan and Korea raised a critical voice in line with their opposition to an important change in the dynamics of negotiations. In their line of argument, they emphasised the particular character of agriculture, social sensitivity, protection of the environment, and that a short time has passed since the beginning of the agricultural reform in the Uruguay Round. Mauritius Islands, on behalf of ACP countries, opposed this document, urging that the issues concerning the erosion of preferences be analysed, and that an adequate remedy for members with lower relative development be sought.

The United States highlighted the quality of the document, but did not endorse it as an instrument to achieve a balanced level of ambition in Agriculture and NAMA. They expressed that progress should be made separately in each of the two areas, and that the results should be individually assessed by the delegations.

Interventions in subsequent NAMA-11 meetings evidence increasing use of the Argentine document arguments to support this group's positions in respect of NAMA.

The submission of the document on Paragraph 24 seems to have given rise to a change in expectations. The fact that the proposals tabled so far have been compared by means of an empirical methodology creates a different context for negotiations, where divergences between the level of ambition in NAMA and Agriculture are shown.

Another interesting aspect lies on the fact that the document has contributed to change the defensive position of developing countries in NAMA. After its submission, said countries can adopt, according to evidence, an attitude of

greater commitment with the negotiation, demanding substantial improvement in agricultural offers, and making their own offers in NAMA conditional on what is achieved in Agriculture.

The roles played by the G20 in Agriculture and G11 in NAMA mutually reinforce each other, since they have a methodology supporting their positions in the respective negotiations.

4.4. Services

Negotiations on services proceeded timidly and sluggishly until Hong Kong. Not all countries tabled offers, which currently include specific commitments on 57 sub-sectors on average. Less than half of the lists include commitments on sectors such as distribution, postal and courier services, and road transport. At the same time, less than half of the offers contemplate improvements in horizontal commitments relating the movement of natural persons, where MFN exemptions are still around 400. In general, the quality of initial and revised offers creates few opportunities for service providers, and little progress has been made as regards sectoral negotiations and modes of provision.

During the Hong Kong Ministerial conference, the G90, comprising African, Caribbean and Pacific least developed countries, circulated an optional annex on services. Its text, based on a previous one submitted by the Association of Southeast Asian Nations (ASEAN), modifies the prescriptive and mandatory language of the Chair's text included in Annex C to the draft Declaration circulated to ministers. It also removes the original reference to a report including sectoral objectives and modalities, criticised by some G90 countries on the grounds that it reflected only developed countries' concerns.

Qualitative objectives delineated by the G90 are different from those of the original annex in that Members were requested to improve their commitments in all four modes of provision instead of consolidating their commitments at their current level of market access. The new text calls for more liberalisation, particularly of Mode 4 (which covers cross-border movement of service providers) regardless of commercial presence, and points to "the sectors of export interest to developing countries". The paragraph of the original text, which obliges Members to enter plurilateral negotiations when requested to do so, has been replaced by a phrase stating that said negotiations "can also be carried out" and that the modalities of plurilateral agreements will continue to be a matter of discussion.

The most controversial part of the draft Declaration of 17 December circulated to ministers was Annex C on services. In fact, several developing countries had demanded that the section be completely eliminated on the grounds that the text had not been agreed upon by Members. The group was particularly concerned about the annex provisions on qualitative modalities objectives, inclusion of government procurement of services, and the binding language on plurilateral negotiations.

Finally, said provisions were modified, thus paving the way for negotiations to proceed on the basis of the traditional request-offer procedure. Some of the delegations of the most developed countries, particularly the European Union, the United States and Japan were not satisfied with the modifications but they took into consideration that it would be impossible to make progress in services as long as critical problems persisted in other areas, particularly Agriculture and NAMA.

The Ministerial Declaration toned down the commanding language of the original version of Annex C. The controversial paragraph 7 of the annex on the process of plurilateral requests and offers was revised in order to explicitly specify that the consideration of Members' collective requests would be included in the context of paragraph 2 of Article XIX of the General Agreement on Trade in Services (GATS), which stipulates that liberalisation of said trade should respect countries' development levels. Therefore, Members facing collective requests "would take them into account in accordance with that paragraph". This change was deemed necessary in order to address the concerns of the G90 and of the Association of Southeast Asian Countries.

Members also agreed that plurilateral requests would be submitted by 28 February 2006 and that the second round of revised offers would be on 31 July 2006. The first deadline has not been met, leaving negotiations postponed for this last stage. In a way, the schedule for negotiations on services is still conditional on the settlement of divergences in two key negotiation areas, namely, Agriculture and NAMA.

4.5. Other issues

The most significant ones are as follows:

- ❑ The registration of wines and spirits under the protection of geographical indications defined in the TRIPS agreement. There is no agreement as regards the compulsory and strong disciplines mechanism that the European Union intends to impose and the voluntary proposal endorsed by many developing countries. Nor has there been any progress to expand the protection of geographical indications to products other than wines and spirits. Most developing countries argue that the Doha Round mandate does not address said claim, also upheld by the EU.
- ❑ Protection of traditional knowledge, mainly by disclosing the use of said knowledge by patent applicants. Apart from said disclosure, it is requested that the respective communities express their approval and that the utilisation is appropriately remunerated. This would involve modifying the TRIPS agreement. This position is endorsed by Brazil, India and other developing countries, whereas it is rejected by the United States, Japan and other OECD countries.
- ❑ Adoption of fisheries subsidies disciplines. Several proposals have been put forward, among them those of Brazil and New Zealand, with the aim of banning subsidies that increase fleet capacity and lower costs of inputs and fuel. The EU, Japan and Korea advocate the adoption of restrictions on investment subsidies, but they refuse to accept the prohibition of the ones linked to operating costs.
- ❑ Trade facilitation. Progress has been made in the identification of measures aimed at making customs and general administrative procedures, as well as the movement of goods in transit, faster and simpler. The main difficulties are generating equipment capacity and training human resources, particularly in developing countries.
- ❑ The reduction and establishment of disciplines in respect of non-tariff barriers. There is an ongoing discussion in NAMA negotiations, as regards both coverage and the solutions which could be adopted, taking into account that many of them are linked to technical standards and sanitary and phytosanitary measures. The NAMA-11 group of developing countries has suggested the adoption of an arbitration procedure with a view to finding solutions in case of divergences regarding the legitimacy of non-tariff measures or the way in which they are applied. The discussion will continue over the next months within the new deadlines set for negotiations.

None of the foregoing questions is essential to reach an agreement in the Doha Round, although they can acquire greater importance if said agreement materialises. In that event, their consideration will become part of the cost-benefit balance assessment of the single undertaking.

5. Conclusions

The greater negotiating power developing countries acquired in the Doha Round by means of several coalitions was undoubtedly a novelty. Following the recent Ministerial Conference in Hong Kong, the G20 and NAMA-11 groups took on a higher profile, given the relationship established by paragraph 24 between negotiations on Agriculture and non-agricultural products. Said conjunction accentuated the displacement of the negotiation centre, which clearly moved from the Quad (the United States, the European Union, Japan and Canada) to the G6 (the United States, the European Union, Australia, Japan, India and Brazil), and increasingly to other actors who joined the discussions, as in the case of China and Argentina, in order to try to break the stalemate in negotiations.

The negotiation process has undeniably undergone changes according to the new configuration of power, the emergence of new issues, and the need for a more inclusive representation. All this reduced the efficacy of the traditional actors, who lost part of the relative weight they had within the WTO until not long ago. New key participants such as China, which is currently the third world exporter –closely behind the United States and Germany– and India, took on an increasingly key role and, together with many developing countries, now take part in the decision-making process.

The foregoing explains that, in view of the lack of significant offers by developed countries, no further progress can be made beyond the modest results obtained, which are obviously far from the expectations raised. Developing countries are actually influencing the negotiation process so that their interests are duly taken into account. What happened in services, and especially in the interrelation obtained for Agriculture and NAMA negotiations, clearly proves this.

Paragraph 24 of the Ministerial Declaration adopted on 18 December 2005 established the balance and proportionality “compatible with the principle of special and differential treatment” which should prevail in market access for Agriculture and NAMA. This contradiction in the rules can eventually be beneficial, but it can also lead the Round to a very modest result if developed countries are unwilling to take on the necessary leading role, which would entail adjusting their agricultural sector.

As a result of the proportional movement, progress will have to be made in agriculture so as to also advance in NAMA, and this will eventually push forward the sensitive issue of developing countries, which is currently the last item on the agenda. Similarly, it will be difficult to pigeonhole developing countries as the ones to blame for an outright failure of the Doha Round. In fact, the final stage will only be reached once the balance between Agriculture and NAMA has been achieved, as set forth by the Ministerial Declaration.

On the other hand, following the principles guiding the Argentine document on Paragraph 24 submitted to the NAMA and Agriculture negotiating groups, it is imperative to unify cutting formulas in order to avoid heterogeneity between the reduction methodologies in the two areas. The European Union proposals on NAMA and Agriculture establish a situation of clear disparity, with too ambitious positions in the former, and too defensive ones in the latter. Applying the coefficients proposed by the EU in NAMA results in twice as high linear cuts in developing countries, according to their average tariffs. In terms of coefficients, the relation is over three to one.

While the G20 argues that it is impossible to accept a higher reduction in NAMA tariffs than the tariff cuts developed countries are willing to apply in Agriculture, Peter Mandelson (EU Trade Commissioner) underscores the little room for manoeuvre available to improve what has already been tabled, bearing in mind the resistance of some members –such as France or Spain– to liberalisation and the priority given by their bloc to reductions in barriers to trade in industrial goods and services.

In a way, the inclusion of Paragraph 24 has eroded the single undertaking principle tying the result to that of those two negotiation areas. Had the circumstances been different, the rest of the issues would have followed separate courses each, according to dynamics given by their inherent tensions and difficulties; instead, they are conditioned by the current interdependence between NAMA and Agriculture. If OECD countries continue to be unable to make significant offers in Agriculture, the available choices will be either failure of the Round or modest or symbolic results.

Although the WTO Director-General affirmed that negotiations would not have intermediate deadlines, sticking to 31 July as the time limit for the Round to conclude by 2007, the fact is that the substance and balance of the final agreement, rather than the terms, will actually determine the future of the multilateral trading system.

ANNEX

Bargaining Coalitions

ACP – Group comprising seventy-seven African, Caribbean and Pacific countries (fifty-six members) which have a preferential trade relationship with the European Union by virtue of the former Lomé Convention, now referred to as the Cotonou Agreement: Angola, Antigua and Barbuda, Barbados, Belize, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Chad, Central African Republic, Congo, Côte d'Ivoire, Cuba, Djibouti, the Democratic Republic of the Congo, Dominica, the Dominican Republic, Fiji, Gabon, The Gambia, Ghana, Grenada, Guinea, Guinea-Bissau, Guyana, Haiti, Jamaica, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritius, Mauritania, Mozambique, Namibia, Niger, Nigeria, Papua New Guinea, Rwanda, St. Kitts and Nevis, St. Vincent and the Grenadines, St. Lucia, Senegal, Sierra Leone, the Solomon Islands, South Africa, Suriname, Swaziland, Tanzania, Togo, Trinidad and Tobago, Uganda, Zambia and Zimbabwe.

Friends of Anti-dumping Negotiations: Brazil, Chile, China, Chinese Taipei, Hong Kong, Israel, Japan, Korea, Norway, Switzerland and Thailand.

ASEAN: Association of Southeast Asian Nations. Eight ASEAN countries are WTO members: Brunei Darussalam, Cambodia, Indonesia, Malaysia, Myanmar, the Philippines, Singapore and Thailand. The remaining ASEAN members –the Lao People's Democratic Republic and Viet Nam– are currently negotiating their accession to the WTO.

Five Interested Parties. Also referred to as the Five or the Quintet: Australia, Brazil, the EU, India and the United States; they have been holding meetings since 2004 to try to break the deadlock in negotiations on Agriculture. At present, they are part of the G-6 also comprised by Japan.

G6: Country coalition comprised by Australia, Brazil, the EU, India, Japan and the United States.

G10: Country coalition exerting pressure so that the different functions and the special character of Agriculture in the light of non-trade concerns are taken into account (nine members at present): Chinese Taipei, Iceland, Israel, Japan, Liechtenstein, Mauritius, Norway, the Republic of Korea and Switzerland. Do not mistake this group for the G10 Central Bank Governors.

G20: Country coalition (twenty-one members at present) exerting pressure so that ambitious reforms are made in agriculture in developed countries with some more flexibility in developing countries: Argentina, Bolivia, Brazil, Cuba, Chile, China, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, the Philippines, South Africa, Tanzania, Thailand, Uruguay, Venezuela and Zimbabwe. Do not mistake this group for the G20 Finance Ministers and Central Bank Governors.

G33: Also called "Friends of Special Products" in Agriculture, comprised by 42 countries: Antigua and Barbuda, Barbados, Belize, Benin, Botswana, Congo, Côte d'Ivoire, Cuba, China, the Dominican Republic, Grenada, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Madagascar, Mauritius, Mongolia, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, Peru, the Philippines, the Republic of Korea, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sri Lanka, Suriname, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela, Zambia and Zimbabwe.

G90: Coalition of African countries, ACP and least developed countries (sixty-four WTO Members at present): Angola, Antigua and Barbuda, Bangladesh, Barbados, Belize, Benin, Botswana, Burkina Faso, Burundi, Cambodia, Cameroon, Central African Republic, Congo, Chad, Côte d'Ivoire, Cuba, the Democratic Republic of Congo, Djibouti, Dominica, the Dominican Republic, Egypt, Fiji, Gabon, The Gambia, Ghana, Grenada, Guinea (Conakry), Guinea-Bissau, Guyana, Haiti, Jamaica, Kenya, Lesotho, Madagascar, Malawi, Maldives, Mali, Morocco, Mauritania, Mauritius, Mozambique, Myanmar, Namibia, Nepal, Niger, Nigeria, Papua New Guinea, Rwanda, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Saint Lucia, Senegal, Sierra Leone, Solomon Islands, South Africa, Suriname, Swaziland, Tanzania, Togo, Trinidad and Tobago, Tunisia, Uganda, Zambia and Zimbabwe.

GRULAC: Informal group of Latin American WTO Country Members.

African Group: All African Country Members of WTO, forty-one countries at present. They maintain a common position on many negotiation issues.

Cairns Group: Group of agricultural exporting countries that exert pressure to liberalise trade in agricultural products. It was formed in Cairns, Australia, in 1986, shortly before the beginning of the Uruguay Round. Current members are: Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, South Africa, Thailand and Uruguay.

Recently acceded countries: Coalition of countries that have recently become part of the WTO and which advocate lower commitments in the ongoing negotiations, as a consequence of the liberalisation processes they have initiated in the framework of their respective accession agreements. In negotiations on Agriculture, six of them act as a group: Albania, Croatia, Georgia, Jordan, Moldova and Oman.