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**THE PROGRESS MADE IN THE MULTILATERAL TRADE NEGOTIATIONS  
OVER THE DOHA DEVELOPMENT AGENDA**

**Summary**

This document presents the developments that have taken place in World Trade Organization (WTO) negotiations and the most important outcomes of WTO Ministerial Conferences from the fourth, which was held in Doha in November 2001, to the sixth, which was held in Hong Kong, China, in December 2005, with respect to decisions taken on the Doha Development Agenda since it was launched in 2001, and the various phases through which the negotiations have passed. It also sheds light on some of the risks and challenges the Arab countries may face in the forthcoming phase, and considers some of the recommendations on appropriate Arab initiatives that could lead to greater Arab involvement in the negotiations.

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## **Introduction**

This document presents the developments that have taken place in World Trade Organization (WTO) negotiations and the most important outcomes of the WTO Ministerial Conferences, from the fourth, which was held in Doha in November 2001, to the sixth, which was held in Hong Kong, China, in December 2005, with respect to decisions taken on the Doha Development Agenda since it was launched in 2001, and the various phases through which the negotiations have passed. The presentation covers four phases:

1. The first phase, between the fourth WTO Ministerial Conference and the fifth, which was held in Cancún, Mexico from 10 to 14 September 2003. During that phase, effective negotiations over the issues on the Doha Development Agenda began. The negotiations collapsed at the Cancún Conference.
2. The second phase, subsequent to the Cancún Conference, until the 2004 July Package was issued in a resolution adopted by the WTO General Council in early August 2004. That package was tantamount to a working framework for the completion of negotiations and got them back on their natural track.
3. The third phase, between the issuance of the July Package and the sixth Ministerial Conference in Hong Kong, China.
4. The fourth phase, following the Hong Kong Conference, when a deadlock in negotiations was reached. This phase includes various possible scenarios for the negotiations, initiatives the Arab countries could take in the forthcoming phase, and the recommendations that could lead to greater involvement in the current negotiations.

## **I. FIRST PHASE: FROM DOHA TO CANCUN (November 2001 - September 2003)**

### **A. MOST IMPORTANT FEATURES**

1. Launch of the Doha Development Agenda, which set 2005 as the deadline for the end of the Round; formation of committees and working groups on the negotiations.
2. Inclusion of the Singapore issues, namely, investment, competition, Government procurement and trade facilitation, on the negotiating agenda, as well as trade and environment issues.
3. Establishment of the Group of 20 (G20), which includes the largest developing countries that are producers and exporters of agricultural products, under the leadership of India and Brazil. G20 played a central role in the negotiations over agriculture as a strong bloc of developing countries facing the developed countries.
4. Failure of the fifth Ministerial Conference to agree negotiating modalities on Doha Development Agenda issues.

### **B. MOST IMPORTANT RESULTS**

#### *1. Negotiations over trade in agricultural products*

The main points disputed during this phase were the following:

- (a) The interpretation of levels of expectation regarding negotiation issues, namely, market access, domestic support and export subsidies;
- (b) The degree of technical detail contained in the proposals put forward: some members put forward detailed proposals on certain issues, while others rejected those proposals without putting forward detailed proposals containing their own viewpoints;
- (c) Methods of determining the needs of the developing countries, including special and differential treatment. There was partial agreement that the least-developed countries (LDCs) should be exempt from reduction requirements;
- (d) The concept of differentiating between developing countries as regards special and preferential treatment, which any country may obtain, the feasibility of devising criteria for such treatment, and means of applying the concept of non-trade concerns in the field of agriculture;
- (e) The link between agriculture negotiations and progress on other negotiating issues.

During this phase, an agreement was reached between the United States of America and the European Union, which had held conflicting positions, over the issuance of a joint document on the agriculture negotiations as an indication of the political commitment of the developed countries to completing the negotiations. The document was met by sharp criticism from developing and developed countries alike and all negotiating groups maintained their positions, making no concessions.

In the light of those disputes, and less than a month after that document had been issued, the fifth WTO Ministerial Conference was held in Cancún. No agreement was reached on the main issues.

#### *2. Negotiations on non-agricultural products*

Proposals focused on tariff and non-tariff barriers. The situation during this phase was unclear and several components of the negotiations were confused, which was natural in view of fact that the aim of the

negotiations continued to be to devise negotiating modalities on which to base tariff reductions. The most significant of the disputed issues before and during Cancún were the following:

(a) Proposal to apply some of the supplementary modalities, in addition to the formula, including such sectoral initiatives as the elimination of tariffs in specified sectors, and the request and offer modality, whereby one country requests another to lower tariffs on a given product, and the other presents its offer;

(b) Proposal by some States that reductions should be based on bound tariffs, while the European Union and the United States of America proposed that the basis should be applied tariffs;

(c) Proposal that the base year should be the year for which data were available for the majority of Member States, rather than 2000 or the year in which the Uruguay round ended;

(d) Proposal of some States to use the HS96 system, while others proposed HS2002;

(e) Proposal that five years should be the implementation period for all States, while the developing countries proposed five years for the developed countries and a longer period, of between seven and ten years, for the developing countries;

(f) Failure to reach agreement on creating a mechanism to deal with the problem of erosion of preference margins;

(g) Request by recently acceded States for some flexibility to be allowed, including longer implementation periods;

(h) Proposal that the developed countries should abolish tariffs and quotas on exports from LDCs. No agreement was reached on how to apply that proposal;

(i) Agreement on the importance of dealing with non-tariff barriers in parallel with tariff barriers;

(j) Lack of agreement on a clear definition of the concept of environmental goods.

### *3. Negotiations over the Singapore issues*

The Singapore issues are investment, competition, Government procurement and trade facilitation. They are the subjects that the developed countries wished to be discussed and dealt with in the framework of WTO, with a view to related negotiations at a later stage.

The Singapore issues were largely responsive for the collapse of the fifth Ministerial Conference in Cancún. A draft ministerial resolution was adopted at that time concerning the inception of negotiations over those issues after the Conference, albeit no pertinent negotiating modalities had been agreed. That caused resentment among developing countries and LDCs, which rejected the formulations relating to those issues and announced that they absolutely refused to negotiate over them before negotiating modalities were devised in line with what had been agreed at Doha.

### *4. Negotiations over trade in services*

Some States requested other Member States to liberalize their service sectors, but no real progress was made in negotiations during that period. Furthermore, there was no agreement on the other issues, namely, subsidies, the safeguard mechanism, local regulations and Government procurement.

### *5. Negotiations over WTO rules*

The Ministerial Declaration adopted at the Doha Conference in 2001 provided for negotiations to begin over an anti-dumping agreement, an agreement on subsidies and countervailing measures, and

clarification and improvement of WTO disciplines while preserving the mechanisms available in the field of trade procedures.

Negotiations over the Rules did not encounter the same stumbling blocks as most of the other negotiation issues. The phase was characterized by the large number of proposals put forward and the numerous discussion sessions, particularly on anti-dumping issues.

*6. Negotiations over the improvement and clarification of the Dispute Settlement Understanding*

It was agreed to begin a round of negotiations aimed at improving and clarifying the Dispute Settlement Understanding, to be completed no later than May 2003.

No substantial differences arose during the negotiations and there was implicit agreement that negotiations over the issue should continue.

*7. Negotiations over Trade-Related Aspects of Property Rights (TRIPS)*

One of the outcomes of the Doha Conference in 2001 was the Declaration on the TRIPS Agreement and Public Health,<sup>1</sup> which was one of a set of declarations and resolutions adopted by the Conference. The aim was to deal with the difficulties faced by countries with inadequate or no manufacturing capacities in the pharmaceutical sector in protecting public health or benefiting from the compulsory licensing system.

Notwithstanding the importance of the issue, no solution was found to it during the fifth Ministerial Conference in Cancún or to any of the other intellectual property-related issues under negotiation.

*8. Negotiations over development issues and special and differential treatment (S&DT)*

Those issues are some of the most important for the developing and least-developed countries. The development package expected from this round of negotiations has largely reached deadlock as a result of resolutions and outcomes concerning development and S&DT.

Unfortunately all the indications are that no significant progress has been made in the discussion of those issues or in the attempt to resolve them during the various phases of negotiation.

**II. SECOND PHASE: FROM THE CANCUN DECLARATION  
TO THE JULY PACKAGE 2004  
(September 2003 - August 2004)**

**A. MOST IMPORTANT FEATURES**

(a) Formation of the Group of Five Interested Parties (FIPS) on the agriculture negotiations. The group comprises Australia, Brazil, the European Union, India and the United States of America;

(b) Holding of a mini ministerial conference on the margins of the annual ministerial meeting of the Organisation for Economic Co-operation and Development (OECD), which was attended by several trade ministers from developing and developed countries. A deadline of July 2004 was set for reaching agreement on contentious issues;

(c) Publication of a working framework for the negotiations known as the July Package 2004.

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<sup>1</sup> WT/MIN(01)/DEC/2.

Despite the fact that the Cancún Conference produced no tangible results, there was a positive shift in negotiation dynamics, particularly on agriculture, because developing countries acquired greater weight in the negotiations following the formation of G20, which then played a leading role in those negotiations.

## B. MOST IMPORTANT RESULTS

### 1. *Negotiations over trade in agricultural products*

- (a) *Market access*
  - (i) Customs tariff reduction formula: progressive tariff reductions;
  - (ii) Sensitive products: both developed and developing countries permitted to protect certain products;
  - (iii) Special products: the developing countries may protect certain special products;
  - (iv) Special Safeguard Mechanism: agreement on the inclusion of the Mechanism for use by developing countries.
- (b) *Domestic support*
  - (i) Total domestic trade-distorting support: agreement to reduce such support by 20 per cent as an initial instalment in the first year of the implementation period;
  - (ii) Amber Box: countries with high levels of support required to make greater reductions;
  - (iii) De minimis support: reduction in that support at the levels agreed upon;
  - (iv) Blue Box: negotiations on Blue Box reference criteria;
  - (v) Green Box: Green Box support reference.
- (c) *Export competition (export subsidies)*

Agreement on the elimination of all forms of export subsidies is considered one of the most important achievements.

### 2. *Negotiations over non-agricultural goods*

- (a) *Tariff barriers*
  - (i) Elimination or reduction of tariff peaks, high tariffs and tariff escalation;
  - (ii) Application of a non-linear formula to reductions on the basis of the bound tariff;
  - (iii) Participation of all countries in the sectoral initiatives;
  - (iv) Need for all countries to bind their tariffs in order to achieve a 100 per cent bound tariff schedule;
  - (v) Developing countries allowed longer implementation periods and application of a lower reduction rate;
  - (vi) Countries that implement commitments under the Uruguay Round allowed advantages in exchange for reductions.

(b) *Non-tariff barriers*

Need to determine the modality for non-tariff barriers.

(c) *Environmental products*

Need for cooperation with the Trade and Environment Committee in order to establish how to deal with such products.

3. *Negotiations over the Singapore issues*

One of the most important achievements of the phase was the conclusion of draft negotiating modalities on trade facilitation, and the removal of investment, competition and Government procurement from the negotiation agenda.

4. *Negotiations over trade in services*

This phase saw no tangible progress in negotiations on trade in services and it was agreed to set June 2005 as the deadline for submission of revised offers.

5. *Negotiations over WTO rules*

During this period there was no change in respect of negotiation mechanisms: the July 2004 Package encouraged Member States to continue negotiations, without going into any technical details.

6. *Negotiations over improvement and clarification of the Dispute Settlement Understanding*

The WTO General Council decided to extend the negotiations to 31 May 2004 and the July Package went into no detail about the Dispute Settlement Understanding.

7. *Negotiations over Trade-Related Aspects of Intellectual Property Rights (TRIPS)*

There was no progress on any of the TRIPS-related negotiating tracks during this phase.

8. *Negotiations over development issues and S&DT*

No specific results were achieved in relation to the development issues, as follows:

- (a) S&DT: no solution found;
- (b) Sectoral matters: no tangible progress;
- (c) Implementation issues: no plan or work programme established;

(d) Technical assistance and capacity-building: the developing countries requested the developed countries to increase the assistance granted to developing and least-developed countries.

**III. THIRD PHASE: FROM THE JULY PACKAGE TO  
THE HONG KONG CONFERENCE  
(August 2004 - December 2005)**

**A. MOST IMPORTANT FEATURES**

At the beginning of this phase the members' basic aim was to obtain an initial idea of the negotiating modalities for agriculture and non-agricultural products by July 2005, albeit negotiating modalities had been settled at the fifth Ministerial Conference in Hong Kong. Nonetheless, negotiations during the first five



months of this phase became deadlocked because of members' differences over various agriculture issues, and remained so until the procedures to be followed were agreed in May 2005 on the margins of the OECD meeting. Consequently, it was not possible to obtain an initial idea of the agreed negotiating modalities.

One of the most important features of this phase was the Ministerial Declaration of the Hong Kong Conference.<sup>2</sup> In the preparatory stage for the Conference, a number of meetings were held in Geneva and in capital cities. While the Declaration gave no specific figures on the negotiations over agriculture or non-agricultural products, it did contain some important outcomes for LDCs, including the Aid for Trade initiative, which were intended to emphasize the importance of development. However, because there was no agreement on the negotiating modalities in the form hoped for in the Agreement on Agriculture, the Hong Kong Ministerial Declaration did not, as had been as previously agreed, go fully into the negotiating modalities.

## B. MOST IMPORTANT RESULTS

### 1. *Negotiations over trade in agricultural products*

The Hong Kong Ministerial Declaration contained no details of any of the subjects of the negotiations. The most important result was that a date was set for the elimination of all forms of export subsidies. However, that date is conditional upon the negotiating modalities on countervailing export support measures, including food aid, export credit guarantees and state trading enterprises. It was agreed during the Conference that negotiating modalities for all issues would be agreed by 30 April 2006 and that comprehensive draft schedules based on those modalities would be submitted no later than 31 July 2006.

#### (a) *Market access*

- (i) Formula for tariff reductions: no figures were agreed;
- (ii) Sensitive products: the Declaration gave no clear picture of this;
- (iii) Special Products and the Special Safeguard Mechanism: it was agreed to allow developing countries to independently designate an appropriate number of products in accordance with unspecified indicators linked to food security and rural development, and to have recourse to the Special Safeguard Mechanism.

#### (b) *Domestic support*

- (i) Total trade-distorting support: the European Union committed to the highest reduction levels, followed in the same reduction band by Japan and the United States of America, and then the remaining countries, including the developing countries. No specific figures on the volume of reduction were given;
- (ii) Amber Box: the European Union committed to the highest reduction levels, followed in the same reduction band by Japan and the United States of America, then the remaining countries, including the developing countries;
- (iii) De minimis support: reference to the G20 proposal to exempt developing countries which are not permitted to use the Amber Box from reducing de minimis support and trade-distorting support;
- (iv) Green Box: confirmation that Green Box criteria will be reviewed, but no other details were given;
- (v) Blue Box: confirmation that specific controls will be imposed, but no details given.

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<sup>2</sup> WT/MIN(05)/DEC.

(c) *Export competition (export subsidies)*

- (i) Export subsidies: it was agreed to end all forms of export subsidies by 2013. That date was to be confirmed by 30 April 2006 after completion of the negotiating modalities on food aid, State trading enterprises and export credit guarantees;
- (ii) International food aid: confirmation of the importance of maintaining an adequate level of food aid and of taking into account the interests of food aid recipient countries. It was agreed to establish a “safe box” for bona fide food aid in order to ensure that there is no unintended impediment to dealing with emergency situations;
- (iii) Export credit guarantees: reference to progress in the negotiations on disciplines with respect to export credit guarantees with repayment periods of 180 days and below;
- (iv) State trading enterprises: importance of imposing disciplines on the monopoly powers of such enterprises.

2. *Negotiations over non-agricultural products*

It was agreed that Annex B of the July Package should form the basis of the negotiations, although, in reality, substantive differences as to levels of expectation were not settled and nor, therefore, was the type of proposed formula or the value of the coefficients to be applied to the developing and developed countries or the level of flexibility permitted to the developing countries with respect to exclusions from the reduction formula, compliance with sectoral initiatives and methods of dealing with unbound tariff issues.

Annex B of the Hong Kong Ministerial Conference Declaration contained some results on non-agricultural products: a framework for completing the negotiations and the basis for trade liberalization in industrial goods were achieved. The most important results, the contents of which were considered modest, focused on the following points:

- (a) Tariff reductions through the Swiss formula, with coefficients of various values but no information as to the value of those coefficients;
- (b) The provisions on S&DT would be an integral part of the negotiating modalities; exemption of certain products from reduction measures or lower reductions;
- (c) Sectoral initiatives would be on a voluntary rather than a mandatory basis;
- (d) Non-tariff barriers to be dealt with through specific proposals to reach a practical solution to the matter;
- (e) Ambitions for market access for agricultural and non-agricultural products (paragraph 24 of the Hong Kong Declaration) should be balanced, confirming the importance of progress on those two key tracks.

A deadline of 30 April 2006 was agreed for detailed drafting of the negotiating modalities, and 31 July 2006 was set as the deadline for draft schedules based on those modalities.

3. *Negotiations over trade facilitation*

Intense activity took place during this phase in respect of trade facilitation negotiations. The Negotiating Group on Trade Facilitation was formed on 12 October 2004, when developed and developing Member States began to submit proposals reflecting their viewpoints, particularly in relation to S&DT and

the provision of technical assistance and capacity-building to the developing and least-developed countries, which are priority issues for those countries.

In view of the agreement between the developed and developing countries on the importance of trade facilitation, a balanced Ministerial Declaration was issued in Hong Kong, which contained the following points:

- (a) Affirmation of the principle of non-discrimination and cooperation between States and organizations working in the field;
- (b) Periodic review of import- and export-related documents, fees and requirements;
- (c) Publication of all the relevant measures, laws and factors influencing trade movements;
- (d) Granting of a grace period to the main actors;
- (e) Granting of an interval between the publication of laws and their entry into force, and the establishment of enquiry points;
- (f) Proposal to apply the original response mechanism;
- (g) Establishment of a mechanism for cooperation between customs authorities in Member States, with a view to the exchange of information;
- (h) Periodic review of import- and export-related documentation and prohibition of Consular Transaction Requirement;
- (i) Expedited procedures for express shipments;
- (j) Proposal to establish a mechanism for post-clearance audit and pre-arrival clearance of goods;
- (k) Use of international standards and modern technologies;
- (l) Simplification of formalities/documentation for goods in transit;
- (m) Objective criteria for tariff classification.

The need for coordination between customs and other authorities working in the field of trade facilitation was also underlined.

#### 4. *Negotiations over trade in services*

Because of the failure to achieve the expected results from pursuing the request-offer modality, either because so few States had submitted their initial or revised offers or because of the limited degree of liberalization reflected in the offers, particularly those submitted by developed countries, the Hong Kong Declaration went into greater detail. Annex C contained the results that had been achieved and/or agreed during the Conference, which may be summarized as follows:

- (a) Non-binding objectives to guide the making of services offers;
- (b) Flexibility for developing countries;

(c) Possibility of adopting the collective negotiation mechanism whereby one group of Member States submits plurilateral liberalization requests to another group of Member States, although request-offer negotiations remain the main method of negotiation. The following timelines were agreed:

- (i) Outstanding initial offers to be submitted as soon as possible;
- (ii) Plurilateral requests to be submitted by 28 February 2006;
- (iii) Submission of a second round of revised offers by 31 July 2006;
- (iv) Submission of final draft schedules of commitments by 31 October 2006.

#### *5. Negotiations over WTO Rules*

Annex D of the Hong Kong Ministerial Declaration concerns the negotiations on Rules. It reviews the development of the negotiations and urges the negotiating groups to intensify and accelerate their efforts to achieve positive results by 2006.

#### *6. Negotiations over improvement and clarification of the Dispute Settlement Understanding*

Because it had not been possible to conclude the negotiations on the provisions of the Dispute Settlement Understanding, it was agreed to extend the negotiations for an unspecified period. The focus during this phase should be on Member initiatives to work together in order to clarify certain aspects.

#### *7. Negotiations over TRIPS*

There was a positive development in these negotiations in that the Hong Kong Declaration stated that Article 31 of the TRIPS Agreement would be amended, rewarding the efforts made by the African and other developing countries since the Doha Conference.

#### *8. Negotiations over development and S&DT*

The most important points agreed upon by Member States in relation to development, contained in Annex F of the Hong Kong Declaration, are as follows:

- (a) Developing countries shall be allowed flexibility in their participation in the initiative to open markets to exports from LDCs, and in determining the products to be included in that initiative;
- (b) Developing countries shall have the right to exempt certain products from tariff reduction, in recognition of the needs of those countries;
- (c) The Aid for Trade initiative shall be treated as one of the best means of development, and a working group should be formed in order to put the initiative into effect.

December 2006 was set as the deadline for reaching agreement on those proposals. There was agreement, for example, on the provisions of Annex F of the Hong Kong Declaration, which requires developed countries, and those developing countries which are in a position to do so, to provide duty-free and quota-free market access for all products originating from LDCs.

### **IV. FOURTH PHASE: POST-HONG KONG AND POSSIBLE ARAB ACTION (December 2005 - November 2006)**

This section covers progress in the negotiations during the post-Hong Kong phase, how the negotiations reached deadlock in July 2006 and developments up to the time of writing, along with a review

of probable scenarios and an attempt to draft an opinion on the positions which it is recommended the Arab countries should take during the next phase of the negotiations.

## A. ACHIEVEMENTS OF THE AGENDA TO DATE

### 1. *Agriculture*

Despite the fact that agricultural issues are the most important issues in this negotiating round, little has been achieved in their regard after five years of negotiations. Negotiating modalities have not yet been agreed. The reduction formula requires actual figures for its application. The situation is the same with regard to domestic support and market access, because there is a need to establish figures for reduction rates. The situation is somewhat different with respect to export subsidies, in that it has been agreed to eliminate such subsidies by 2013, but no timetables or reduction rates have been set and the date for the elimination of subsidies has been linked with progress in other aspects of negotiations on export subsidies. Nevertheless, it should not be forgotten that what has been achieved in relation to the agreement on eliminating export subsidies for cotton is an important gain for developing countries and LDCs.

### 2. *Non-agricultural products*

For the developing countries this issue ranks second in importance after agriculture. Nothing has yet been accomplished regarding reduction coefficients, although there was agreement on the type of formula and the base year. It was logical that the other negotiation issues would be affected by the failure in respect of agriculture and non-agricultural products, despite the importance of those subjects to the developing and least-developed countries.

Achievements so far may be summarized as follows:

- (a) Inclusion of trade facilitation in the negotiations;
- (b) Removal of competition, investment and Government procurement from the Doha Development Agenda;
- (c) Solution to the public health issue, reacted after some four years;
- (d) LDC success in obtaining duty-free and quota-free access to the markets of the developed countries for their exports is an achievement, albeit it has yet to be put into effect;
- (e) Tenacity of the developing countries and their pivotal role in the negotiations. This is perhaps the most important achievement of the developing countries in this Round so far. Their pivotal role became clear in the position of G20 in the negotiations on agriculture and of G11 in the negotiations on non-agricultural products.

## B. DEVELOPMENT OF THE NEGOTIATIONS AFTER THE HONG KONG CONFERENCE

### 1. *Negotiations over agriculture*

In view of the serious differences between Members with regard to the figures on domestic support and tariff reduction, it was agreed that the subjects which require figures to be set and policy decisions to be adopted would be discussed outside the framework of the committee, whereas the subjects that required the drafting of technical disciplines in the framework of the negotiation group on agriculture were discussed.

Draft negotiating modalities were prepared for the various subjects of the Agriculture Agreement, albeit the draft reflected the mutually contradictory views of States, in that contained more than 600 pairs of brackets, representing a similar number of points of difference.

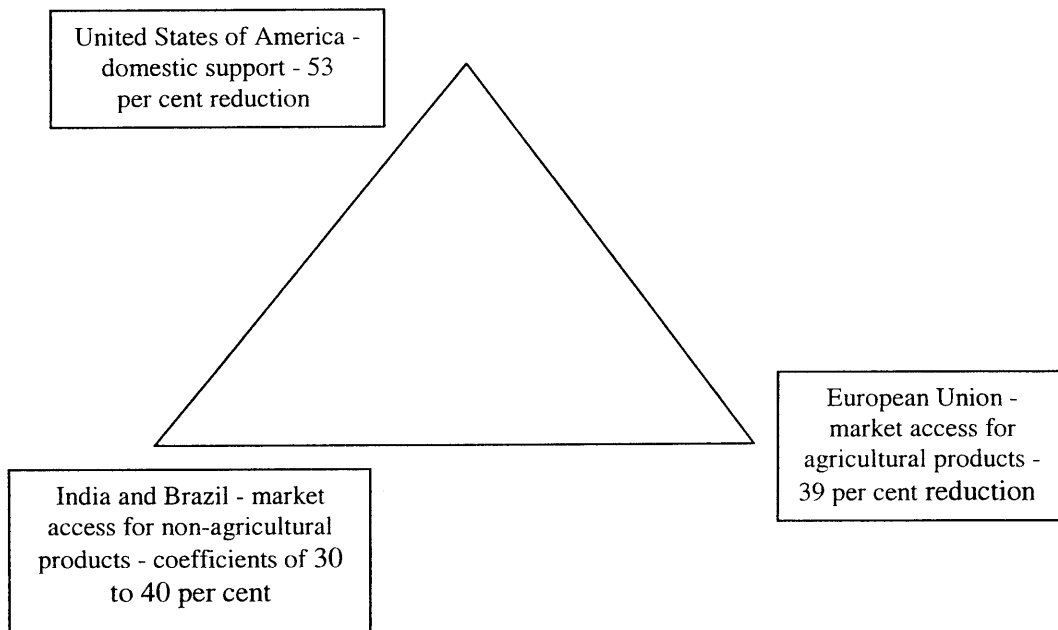
### 2. Negotiations over non-agricultural products

The positions of the developing and the developed countries differed as to the components of the negotiations. While the agricultural declaration of the Hong Kong Conference reflects some harmonization of their positions, there were no positive developments in this phase.

### 3. Link between negotiations on agriculture and negotiations on non-agricultural products

The main reason for lack of progress in these negotiations is the failure of the main negotiating group to make policy decisions. What is known as the “triangle of issues” is at the centre of the differences in the negotiations. Its three sides are market access for agricultural products, domestic support and market access for non-agricultural products.

The crisis in the negotiations led to an impasse which forced the Director-General of the Organization to suspend them. His decision was approved at a General Council meeting at the end of July 2006 because of the insistence of the developed countries, including the United States of America, on rejecting reductions of more than 53 per cent in the framework of domestic support and the European Union rejection of reductions greater than 39 per cent in the framework of market access for agricultural products. At the same time, with respect to market access for non-agricultural products, Brazil and India continue to apply the Swiss formula with coefficients of between 30 and 40 per cent. The figure below clearly illustrates the rigid negotiating positions.



#### 4. *Negotiations over trade in services*

Lack of agreement on agriculture and manufacturing have led States to link progress in negotiations on trade in services with results on those two issues.

#### 5. *Negotiations over trade facilitation*

Since the sixth Ministerial Conference in Hong Kong, negotiations over trade facilitation have made no progress.

#### 6. *Negotiations over development issues*

An Aid for Trade initiative working group was formed in order to prepare recommendations on its implementation, for submission to the General Council by July 2006.

The factors that caused the collapse of the negotiations on development issues included the following:

- (a) Lack of flexibility on the part of the developed countries at discussions on those proposals;
- (b) Failure of WTO Member States to set a date for the entry into force of the agreement made in Hong Kong on the duty of developed countries and those developing countries which are in a position to do so to, in principle, exempt products originating from LDCs from 97 per cent of customs fees and dues.

#### 7. *Negotiations over WTO Rules*

There were some developments in these negotiations, in that Member States agreed on a transparency mechanism for notification of regional trade agreements concluded with other countries, thus accomplishing the transparency component of the issue.

### C. RECOMMENDATIONS ON THE ARAB ACTION PLAN IN THE NEXT PHASE

#### 1. *Recommendations relating to agriculture*

(a) There should be agreement on certain points in order to arrive at negotiating modalities which will facilitate progress in the negotiations. Perhaps the most important points are the need for agreement on the figures for reductions in total domestic support and trade-distorting domestic support. Any figures agreed upon should lead to effective reduction of levels of domestic support and ensure that the Green Box programmes are less trade-distorting, include programmes of importance for the Arab countries and define disciplines and ceilings for the Blue Box;

(b) In respect of the elimination of export subsidies, a detailed timetable for implementation of commitments must be determined and agreement reached on the details of the disciplines on food aid, export credit guarantees and Government trading enterprises, taking into consideration the needs of the Arab countries that are net food importers;

(c) With regard to market access, agreement is needed on reduction rates and bands for the developed and developing countries which will produce a tangible improvement in market access. Arab countries should identify sensitive products and determine the number and treatment of such products. The number of Arab country special products should also be determined, and particulars given of the practical application of the text of the Hong Kong Declaration in relation to how such products are to be designated on the basis of the indicators on food security, rural development and livelihood security. Agreement is needed on the deadline for conclusion of the work on the special safeguard mechanism, which should coincide with the

beginning of the implementation period, and on the special safeguard mechanism for the developing countries;

(d) A simulation should be carried out in order to judge the impact of the proposed figures on the tariff structures of the Arab countries and the impact of reducing domestic support and export subsidies on their imports and exports. Table 1 of this documents sets out the impact of the various proposals on some Arab countries.

## *2. Recommendations relating to industrial products*

Industrial product issues are of great importance to Arab countries, particularly those that have growing industries. It is proposed that the Arab Group should set negotiating priorities for certain subjects of mutual importance, including the following:

(a) With respect to market access, a simulation should be undertaken in order to evaluate the impact of the figures in the proposed formulas on the tariff structures of the Arab countries, and there should be coordination on the flexibility requested. Table 2 sets out the impact of the various formulas on certain Arab countries;

(b) Concerning sectoral initiatives, the Arab countries conducting such initiatives should coordinate with the other members of the Group in order to determine the relevant sectors and judge their impact on tariff and economic structures;

(c) With regard to environmental goods, the Arab Group should define the concept clearly and draw up a list of the goods that, in their opinion, come within that category.

## *3. Recommendations relating to trade in services*

Trade in services is of great economic importance to the countries of the Arab Group. They should therefore coordinate on the subjects arising in the negotiations. In addition to submitting offers and requests, there should be coordination on the remaining negotiation issues, including the determination of a position on the proposed special safeguard mechanism and its advantage for the Arab countries; whether it is in the interest of the Arab countries to permit support in the trade in services field; information exchange on subjects of national legislation; and what points should be dealt with in the framework of Government procurement of services. Table 3 sets out the initial offers submitted by the Arab countries, showing liberalization levels.

## *4. Recommendation relating to trade facilitation*

It is proposed that the Arab Group should coordinate on the trade facilitation issues over which there has been partial agreement between the developed and developing countries as to their importance. During the negotiations, in addition to benefiting from the efforts of international and regional organizations in that field, the Arab Group may be able to coordinate in exchanging experiences and defining the rights and obligations that may result from the expected agreement on trade facilitation.

The nature of and priorities for technical assistance could be determined, as well as the training required, and the Group could submit a joint working paper on the matter. It could also determine a joint position on submission of the expected agreement to the dispute settlement machinery.

## *5. Recommendations relating to WTO Rules and improving the provisions of the Dispute Settlement Understanding*

In view of the technical nature of the negotiations over WTO Rules and the provisions of the Dispute Settlement Understanding, it is proposed that the Arab countries should coordinate on the following points:



(a) Determination of the required priorities for obtaining technical support and institution-building in a form that will benefit the Arab countries and serve their interests in the negotiations;

(b) Work to put forward and adopt joint proposals on those two issues in the name of the Arab Group for submission during the next phase;

(c) Support the positions of the Arab countries in the negotiations on the Anti-Dumping and Subsidies and Countervailing Measures Agreements and the provisions of the Dispute Settlement Understanding, in order to protect the interests of the Arab and developing countries.

#### *6. Recommendations relating to development*

(a) The Arab Group should understand that the Aid for Trade initiative is an important element in development-related issues in that it would help the Arab countries to improve their production capacities and meet their commitments in the WTO framework. They should therefore participate through the working group in the negotiations on that matter, set development priorities and coordinate a unified position;

(b) Pursue capacity-building and technical support, pool the technical assistance the Arab countries have obtained from WTO, international and regional organizations and at the bilateral level, determine what is required in the forthcoming phase and draw up a work plan to benefit to the full from the development package in the next Round;

(c) Need for effective participation in the negotiations from the outset given that, with the exception of the proposals submitted by certain Arab countries in their capacity as members of the African group, the Arab countries have not contributed to any proposals on that important subject. The obvious lack of Arab participation in the negotiations on development must be recognized.

#### *7. General recommendations*

(a) An effective contribution should be made to the other negotiating issues, namely, intellectual property, trade and the environment and trade and technology transfer;

(b) The contact points agreed through ESCWA by Arab ministers of trade and the economy at the ministerial meetings in Kuwait in 2002 and Beirut in 2003 should be activated, names and contact information should be established and they should be made operational;

(c) The number of meetings at the technical level held in Arab capitals and in Geneva during the forthcoming phase should be increased and experiences and points of view should be exchanged;

(d) ESCWA should be requested to activate coordination between Arab capitals through the exchange of visits;

(e) Programmes for the exchange of technical expertise during the negotiations should be prepared;

(f) Each Arab country should determine priorities in respect of the training and technical assistance required.

#### **D. EXPECTED SCENARIOS IN THE FORTHCOMING PHASE**

##### *Scenario 1:*

Announcement of resumption of the negotiations in November-December 2006. However, it was during the first quarter of 2007 that a report on developments was submitted to the General Council.

Scenario 2:

Continued deadlock pending the results of the presidential elections in France and the United States of America, given that farmers make significant contributions to election campaigns in both countries.

E. EXPECTED RISKS

1. No initiative by the developed countries to make the first move, as a means of putting pressure on the developing countries.
2. Some developing countries put forward initiatives to bring about a solution, despite the fact that responsibility for the deadlock in the negotiations lies primarily with the developed countries.
3. Time is short if the Round is to conclude with a balanced deal.
4. Political pressure exerted by the developed countries weakens the developing countries.
5. The developed countries resort to concluding bilateral agreements with the developing countries, which may weaken the position of the developing countries in the multilateral context.

F. CHALLENGES WHICH THE ARAB COUNTRIES MAY FACE  
DURING THE FORTHCOMING PHASE

1. The prevention of the ties between them.
2. The clear identification of priorities and interests.
3. Using the temporary deadlock to reorganize documents and negotiating positions in order to serve their own best interests.
4. Initiatives should be taken towards settlement but a positive and effective contribution should be made to any initiatives that may be put forward by the developed countries or other negotiating groups.
5. The development benefits and balanced nature of the anticipated deal must be insistent upon.

TABLE 1. IMPACT OF THE VARIOUS FORMULAS ON MEAN TARIFFS IN SOME ARAB COUNTRIES

Country	Mean tariff	Impact of the G20 formula	Impact of the United States formula	Impact of the European Union formula
Egypt	58	17	12	19
Tunisia	107	66	43	74
Morocco	43	28	20	31
Bahrain	27	18	14	22
Qatar	18	12	9	14
Oman	21	14	10	16
Kuwait	68	45	29	50
Jordan	17	12	9	13
Saudi Arabia	5.6	5.4	4	5.5
United Arab Emirates	19	13	10	15

Sources: For Saudi Arabia and the United Arab Emirates: WTO, *Goods schedules of commitments*.  
For Egypt: Egyptian Customs Authority Statistics, 2004.  
For other countries: WTO, Consolidated Tariff Schedules Database, June 2006.

## Impact of the various formulas on mean tariffs in some Arab countries

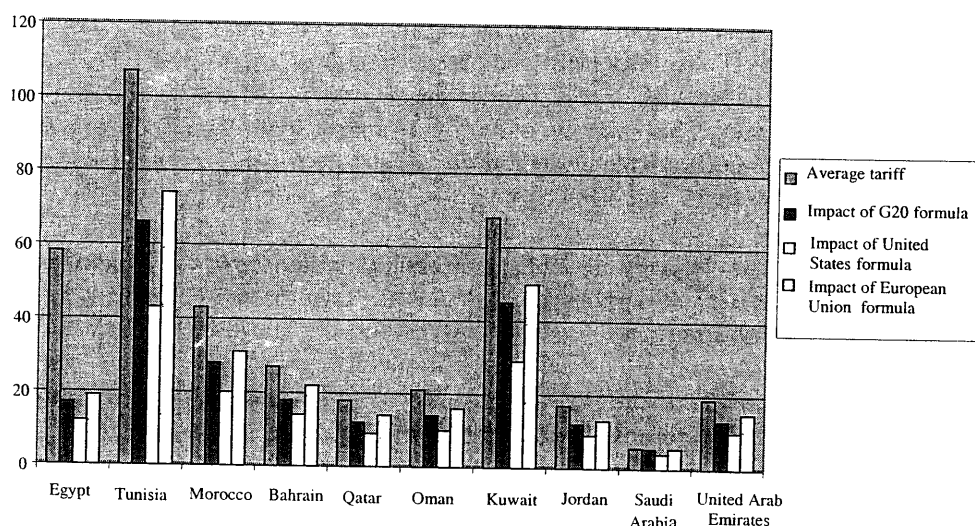


Table 1 shows the following:

The reduction formula proposed by the European Union has the least impact on mean tariffs in Arab Member Countries, followed by the formula proposed by G20. The formula proposed by the United States of America has the greatest impact.

As an example, Tunisia, which has the highest mean tariff of all Arab Member Countries, would experience a 30 per cent reduction under the formula proposed by the European Union, a 38 per cent reduction under the G20 formula and a 60 per cent reduction under the formula proposed by the United States of America.

Saudi Arabia, which has the lowest mean tariff of the Arab Member Countries, would experience a 2 per cent reduction under the European Union formula, a 3.5 per cent reduction under the G20 formula and a 28 per cent reduction under the formula proposed by the United States of America.

TABLE 2. IMPACT OF MARKET ACCESS PROPOSALS FOR NON-AGRICULTURAL PRODUCTS ON THE MEAN TARIFFS OF SOME ARAB COUNTRIES

Country	Average bound tariff	Average applied tariff	Bound tariff 15	Applied tariff 15	Bound tariff 20	Applied tariff 20	Bound tariff 25	Applied tariff 25	Bound tariff 30	Applied tariff 30	Bound tariff 35	Applied tariff 35	Bound tariff 40	Applied tariff 40
Saudi Arabia	10	10	5.5	5.5	6.2	6.2	6.7	6.7	7.1	7.1	7.4	7.4	7.6	7.6
Oman	10.8	4.9	5.7	4.1	6.5	4.1	7	4.2	7.5	4.2	7.8	4.2	8.1	4.2
Morocco	39.8	26.4	10.9	9.7	13.3	11.1	15.3	12.3	17	13.3	18.5	14.2	19.9	14.9
Qatar	14.5	4.9	7.1	4.7	8.1	4.8	8.9	4.8	9.5	4.8	10	4.8	10.4	4.8
Jordan	15.1	10	6.6	4.4	7.6	5	8.4	5.5	9	5.9	9.5	6.2	10	6.5
Kuwait	100	4.9	13	4.9	16.7	4.9	20	4.9	23	4.9	25.9	4.9	28.6	4.9
Tunisia	35.3	22.5	9.9	8.8	12	10.5	13.8	11.9	15.3	13	16.6	13.9	17.7	14.6
Bahrain	25.5	4.9	8.5	4.5	10.1	4.5	11.5	4.5	12.6	4.5	13.5	4.5	14.3	4.5
United Arab Emirates	13.1	4.9	6.8	4.7	7.7	4.8	8.4	4.8	8.9	4.8	9.4	4.8	9.7	4.8
Egypt	30.3	12.5	9	6.7	10.8	7.6	12.3	8.2	13.5	8.7	14.6	9.2	15	9.6

Sources: CTS release 8 June 2006.

IDB release 16 June 2006.

WTO, Secretariat simulation, 30 May 2006.

Table 2 shows the following:

Whenever the value of the coefficient rises, the level of the reduction resulting from the application of the reduction formula at the level of mean tariff, bound tariff and applied tariff falls. It can be seen from table 1 that, at the applied tariff level, Morocco, Tunisia and Egypt would be the countries most affected by application of the reduction formula, because the reduction in mean applied tariffs for those countries varies between 63 and 43 per cent, 60.8 and 35 per cent, and 46.5 and 23 per cent, respectively, where the value of the coefficient used varies between 15 and 40.

It can be seen that there is virtually no impact on mean applied tariffs in countries where there is a wide margin between bound tariffs and applied tariffs, as is the case of such countries as Bahrain, Kuwait, Oman, Qatar and the United Arab Emirates.

**Effect of application of the Swiss formula with different coefficient values on mean bound and applied tariffs in certain Arab countries**

