



House of Commons
International Development
Committee

**The WTO Hong Kong
Ministerial and the Doha
Development Agenda:
Government Response to
the Committee's Third
Report of Session 2005-06**

Third Special Report of Session 2005–06

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Third Special Report

On 27 April 2006 the International Development Committee published its Third Report of Session 2005–06, *The WTO Hong Kong Ministerial and the Doha Development Agenda*, HC 730–I. On 26 June 2006 we received the Government’s response to the Report. It is reproduced as an Appendix to this Special Report.

In the Government Response, the Select Committee’s conclusions and recommendations are in bold text. The Government’s response is in plain text.

Appendix: Government response

We welcome the publication of the International Development Committee’s Third Report, Session 2005–06: *The WTO Hong Kong Ministerial and the Doha Development Agenda (DDA)*. The Government accepts many of the Committee’s conclusions and recommendations. We appreciate the important role the Committee has played in highlighting the continuing need to keep development at the top of the WTO negotiating agenda.

Doha Development Agenda (DDA)

[Paragraph 10] ‘We agree with the Government’s emphasis on the importance of improved participation by, and policy space for, developing countries in the WTO. As with the previous Committee in its last trade report, we think that a development round should also produce development-friendly agreements in the areas which have the potential to contribute the most to poverty reduction.’

We agree. This is why the UK continues to promote the Development Package, which includes changes to trade rules, policies to assist in the medium term, and adjustment measures to help build, in the long term, greater capacity to trade. Development must, however, be at the heart of all agreements reached in the Round. The Development Package is not a substitute for an outcome on the key negotiating dossiers of Agriculture, NAMA and Services that is both ambitious and that provides for appropriate special and differential treatment.

[Paragraph 26] ‘The EU and the US wasted much time between the July 2004 agreement and their subsequent offers, which were made only a few months before the Hong Kong Ministerial. These offers, once made, did not go far enough to close the gaps in member states’ positions. Consequently, expectations of what could be achieved in Hong Kong were lowered. Since Hong Kong was known to be the last Ministerial before the end of the Round, the EU and the US, as key players, should have made earlier offers to ensure that the Round kept to its timetable. The apparent lack of urgency in the EU and US approach to the negotiations raises questions about their commitment to a development round.’

While it is true that there was a considerable time lag between the 2004 July Framework Agreement and the tabling of offers by the EU and the US in October 2005, there was progress being made in the negotiations over this time period. This included reaching agreement on a range of technical issues, for example added value equivalents in the agriculture negotiations, that was needed in order for the offers from the EU and the US to be made. Tabling these offers was a necessary step forward in the process but, as the Committee has noted, not sufficient to close the gap between WTO Members' positions which would have led to a final deal at Hong Kong. We do not, however, think that this was the result of a lack of urgency on the part of either the EU or the US.

The UK Contribution: unrealistic expectations?

[Paragraph 29] 'We accept that there were limitations on what the Government could achieve in terms of trade during its Presidency, but these limits should have been acknowledged earlier on so as not to raise the public's expectations of the outcome unrealistically.'

Following high profile public campaigns such as Make Poverty History, there were high expectations as to what could be achieved on trade during the UK Presidencies of the EU and the G8. The UK Government also kept its ambitions high, and contributed as much as we could to delivering an ambitious, pro-development outcome to the DDA before and during the Hong Kong Ministerial. We also maintained our ambitions on Aid and on Debt Relief during 2005, and in those cases, we succeeded. But the UK alone cannot deliver an ambitious, pro-development outcome to the DDA — all 150 WTO members need to be working to this end. While we are disappointed that such an agreement was not reached during the UK Presidency of the EU, it is still possible — although time is running short. The UK Government will continue to press for an agreement that will bring real benefits for developing countries.

Differentiation between developing countries

[Paragraph 33] 'We do not think that either the Government, or the EU should seek to divide the developing countries into categories which the WTO does not recognise and which the countries themselves have not agreed to. We accept that countries such as India and Brazil are competitive in some sectors, and that trade liberalisation in these sectors would be beneficial to them, however, 'advanced developing country' is not a recognised category of states in the WTO. Given the increased differentiation between developing countries with sustained and high rates of growth and competitive industrial or service sectors, and poorer developing countries with few competitive sectors, there is a need for the WTO to consider formally the issues of differentiation and graduation as part of its discussions on special and differential treatment. We are disappointed that the UK Government has not made more progress on this issue, which the previous International Development Committee flagged up in its trade report.'

We agree that neither the UK Government nor the EU should seek to divide developing countries into groupings to which they have not agreed, and we have not done so. Further country differentiation, beyond the existing arrangements for least developed Countries and non-LDC developing countries is a very sensitive topic, and it is difficult to devise a category of countries on the basis of criteria that are ideal, meaningful and unique. For the

time being at least, the creation of new formal categories of developing countries has largely been rejected by the WTO membership, and we do not think that the time is right to pursue this issue within the WTO committees. For example, in NAMA, the Hong Kong Declaration says (paragraph 21):

“We note the concerns raised by small, vulnerable economies, and instruct the Negotiating Group to establish ways to provide flexibilities for these Members without creating a sub-category of WTO Members.”

In addition, in the Small Economies section (paragraph 41), the text states:

“We reaffirm our commitment to the Work Programme on Small Economies and urge Members to adopt specific measures that would facilitate the fuller integration of small, vulnerable economies into the multilateral trading system, without creating a sub-category of WTO Members.”

Both these references also reflect statements made in the text of the July 2004 Framework. However, the WTO membership has proved willing to consider the particular needs of countries at certain stages of their development within some dossiers under negotiation. The approach has differed in the different dossiers being negotiated. For example, in agriculture, Special Products and Special Safeguard Measures should enable countries to reflect their level of development and how they implement any obligations agreed. The UK has sought to encourage this type of S&DT on the basis of objectively verifiable — and transparent — development criteria. In NAMA, the different co-efficients applied to the preferred Swiss Formula approach is also designed to provide appropriate S&DT. It may therefore be more productive to try to ensure that each negotiation takes better account of the specific needs of developing countries in specific areas, rather than determine in advance the category of country for whom obligations should be altered.

Policy space for developing countries

[Paragraph 36] ‘We commend the Government for facilitating a commitment to policy space from the G8 members in the G8 Summit Communiqué.’

The political commitments made by Leaders at the Gleneagles summit were very important steps in the right direction. The task now is to translate these commitments into a concrete outcome to the negotiations. The UK Government continues to raise this point within the EU and with other WTO members.

[Paragraph 40] ‘We consider that the Government is on the one hand defending the right of developing countries to choose their own policies, while at the same time arguing that movement in EU agriculture, which is crucial for the developing countries, is dependent on certain developing countries providing greater access to their non-agricultural markets and making offers in services. Neither the Commission nor the UK should be pressing developing countries in this way, nor should they be making EU policies dependent on actions of the developing countries. This is contrary to the idea of a development round in general and to the idea of policy space more specifically.’

The UK Government's non-mercantilist approach to negotiations is well known. We do not believe that market opening should be treated as concessions: it brings benefits to those whose markets are opened as it does to those gaining access to them. However, this approach is not the approach of the majority of WTO member states — whether developed or developing — and the UK Government has to work within the negotiating dynamic.

As members of the WTO, countries have agreed to a package of negotiations covering all areas of existing WTO agreements and disciplines, including Agriculture, Services and industrial products. These negotiations are being conducted under a single undertaking, meaning that nothing is agreed until everything is agreed. The European Commission, like many others negotiating in the DDA, have repeatedly called for a balanced round, with similar levels of progress being made in all the dossiers under negotiation.

While we agree that improving market access for agricultural goods and ending trade distorting agricultural subsidies will bring considerable benefits to developing countries, EU agricultural policies have already been substantially reformed. For example, EU import tariffs declined by an average of 36% between 1995 and 2000 and, our projections show that EU reliance on export subsidies will have reduced by 80% compared with 1992 once the reforms to the Common Agricultural Policy agreed in 2003 have worked through. That is not to suggest that the UK does not want to see further agricultural reform. We welcome EU Trade Commissioner Mandelson's statements that he wants and is willing to move further still on agriculture. But we recognise that he can only do so if there are meaningful and successful negotiations in the other key areas in order to achieve a balanced package of agreements required by the broader WTO Membership.

Benchmarking in Services

[Paragraph 42] 'The proposal by the Commission on benchmarking in services was an attempt to change the rules of the game at half-time. It should not have gone forward as the basis for negotiations in Hong Kong. The UK, in its Presidency, did nothing to prevent this from happening. The benchmarking proposal was an attempt to set targets for offers in services in order to move the negotiations forward, but the targets were arbitrary and imposed by the Commission. This should have been rejected in principle by all the EU member states and by the UK in particular. We do not consider that the Government used its Presidency acceptably by, in effect, supporting the Commission proposal. In addition, the Government should not have been seeking to ensure that LDCs made offers in services since they are exempt from all such requirements in the development round.'

The UK was constrained in its Presidency role to managing the business of the Council, including, among other things, the discussion in Council on the Commission's proposal on bench-marking.

The Ministerial Declaration agreed at Hong Kong, together with the annex on services — "Annex C", builds on the package agreed by WTO Members in July 2004 by providing a clear framework to define a way forward for services liberalisation in the Doha Round. The Ministerial Declaration reaffirms that negotiations shall proceed with a view to promoting the economic growth of all trading partners, particularly developing and least-developed countries. The Declaration urges all Members to participate actively towards achieving a

progressively higher level of liberalisation in trade in services, with due respect for the right of WTO Members to regulate to meet national policy objectives and with appropriate flexibility for individual developing countries.

Annex C reaffirms that the request-offer process remains the main method of negotiation and clarifies the non-prescriptive nature of the proposed plurilateral approach. Despite a number of proposals from WTO Members — calling for their inclusion — Annex C omits any reference to multilateral numerical targets and indications. This outcome is in line with the UK's wish for a settlement that avoids mandatory requirements on developing countries to liberalise services and maintains the flexibility for developing countries to choose whether or not to make any GATS commitments at all. The Annex calls on WTO Members to submit outstanding initial offers as soon as possible and sets target dates for the submission of plurilateral requests by 28 February 2006, a second round of revised offers by 31 July 2006, and final draft schedules of commitments by 31 October 2006.

The Development Package

[Paragraph 45] ‘We consider that the Commission has been inconsistent in its advice to the developing countries. The Commission’s refusal to practice what it preaches in respect of liberalisation threatens the EU negotiating position. The Commission would have much greater credibility in the eyes of developing countries if it were more consistent. The attempt to argue that further liberalisation of European agriculture would be harmful to the interests of the G90 is disingenuous. The EU made a commitment to a development round, which would redress the imbalances of previous rounds by opening its agricultural markets for developing countries. It should not attempt to renege on this commitment. The Commission’s offer was insufficient to move the negotiations forward. The grand bargain, which the EU sought — with progress in agriculture being dependent on access to developing country and US markets — was a ‘northern agenda’ and not a development one. The Government’s support for it was a negation of its commitment not to force liberalisation on developing countries.’

The UK Government believes that liberalisation brings benefits to those liberalising as much as to those who gain access to markets as a result. It follows therefore that we believe liberalising EU agricultural markets will bring as many benefits to the EU as to other countries, both developed and developing. It is the case though that liberalising the EU agricultural market will have some negative effects on some developing countries. The UK's priority is to make trade rules work in the interests of the world's poor. We recognise that there will be winners and losers from more open markets in the short to medium term and that we need to make sure that eliminating barriers to trade does benefit the poor and help to combat poverty. We recognised this in our 2004 Trade and Investment White paper ‘Making Globalisation a Force for Good’, where we acknowledged the short-term transition costs that some countries would face through, for example, preference erosion. We believe that the Aid for Trade initiative, which we have been actively supporting should be an integral part of dealing with the impact of liberalisation on developing countries, and assist them to develop the capacity to trade successfully in a more liberalised international trading environment. We continue to press for any agreed

measures to be implemented in a progressive manner for developing countries and through appropriate Special & Differential Treatment.

The Commission made two offers on agricultural market access in the Autumn and a further move in agreeing an end date for export subsidies at Hong Kong in an attempt to unlock progress in the negotiations. While the UK Government is willing to support more being offered on agriculture to ensure that the DDA delivers as much for developing countries as possible, the European Commission has to strike a balance between the views of all the 25 EU Member States it represents. The majority of EU Member States are unwilling for the Commission to offer anything more on agriculture, until other WTO members make offers on agricultural domestic support and industrial goods.

Agriculture

[Paragraph 50] ‘We agree with the Government that the 2013 end date for export subsidies was an important outcome. We, too, would have preferred an earlier end date. The Government should ensure there is an acceptance within the EU that the majority of such EU subsidies will be phased out by 2010.’

In Hong Kong the EU agreed to a 2013 end date for export subsidies ‘to be achieved in a progressive and parallel manner...so that a substantial part is realised by the end of the first half of the implementation period’. If the DDA is concluded this year, this should mean that the majority of such EU subsidies would be phased out by 2010. The EU Council meeting in Hong Kong agreed this approach and so has the full support of all EU member states.

[Paragraph 53] ‘At the WTO meeting in Hong Kong the US did not respond to concerns raised by cotton exporting states creating a significant amount of ill will which again, as in Cancún, soured the entire negotiations. The US stance was unnecessary given that the WTO had already ruled against the US system. It was also contrary to the spirit of a development round. The subsequent repeal of domestic support for cotton is welcome and long overdue.’

The progress towards ending cotton export subsidies through the WTO panel and the Hong Kong Ministerial is welcome, but as the Committee’s report highlights, significant levels of US domestic subsidies for cotton remain. The UK continues to support the four West African countries (Benin, Mali, Chad and Burkina Faso) that initiated the sectoral initiative in the WTO. We are encouraging the European Commission to respond positively to the recent paper tabled by the ‘Cotton Four’ reinforcing the Hong Kong commitment to reduce trade distorting cotton subsidies more ambitiously than the general formula and over a shorter time period.

[Paragraph 57] ‘We support the UK Government in pressing developed countries to step up coverage of the Duty Free Quota Free entry for LDC exports to 100 per cent as part of the DDA package, and in their support to LDCs in this endeavour. We encourage the Government to pursue with vigour, and as part of the final agreement, an early date for 100 per cent coverage. Given the limited range of products which

LDCs export, and given their negligible share in world trade, the minimum criteria for success in a development round would be Duty Free Quota Free access for all LDCs' products to all developed country markets.'

The UK remains a strong supporter of 100% duty and quota free market access for LDCs into developed country markets and the markets of developing countries in a position to do so. We are pushing the European Commission to unconditionally support the LDCs in achieving this. To assist this process DFID continues to provide technical assistance to the LDC Group in the negotiations.

[Paragraph 59] 'We consider the lack of discussion about the content of EU member states sensitive products to be unsatisfactory, given the pivotal role which the Government intended to play during its EU Presidency. If such products are indeed sensitive we would like to know the reasons for this. We also wish the Government to take a lead role in trying to reduce the percentage of products, which the EU deems as sensitive. While we do not share the World Bank view that the use of special product exemptions by developing countries should be eliminated, we do question the EU's commitment to a development round if it sticks by anything like 8 per cent of its agricultural products.'

During the UK Presidency we facilitated a number of discussions on the DDA in different EU fora. These discussions included market access on agriculture, of which sensitive products are a critical part. These discussions necessarily focused on the issues of negotiation at the time and went into the level of detail relevant for that stage of the negotiations. We do not believe any additional discussion on sensitive products would have been helpful to achieving an ambitious DDA outcome. Whilst we respect the fact that there will be sensitive products, as described in the Framework Agreement of 2004, and agreed to by all WTO members, the UK has not taken a position on whether any specific products should or should not be considered sensitive. We would expect the Commission to present analysis demonstrating the sensitivity of different products at the appropriate time in the negotiations. We do, however, continue to stress our belief that a large number of sensitive products would undermine the potential benefits of the Round and will continue to press to reduce the number.

Non Agricultural Market Access (NAMA)

[Paragraph 63] 'The debate about infant industry protection appears inconclusive. We have heard evidence to support both sides of the argument and evidence which tends toward a middle ground — some protection is useful, for limited periods of time, and for the right reasons. We believe that these are issues which must be decided on a case by case basis and that it is important for any WTO agreement to provide the space for developing countries to make decisions about which policies are most suitable. We are concerned that this type of policy space may already be limited by agreements made in the Uruguay Round and would not like to see it limited further. Development is a process of diversification and developing countries must not be forced to remain exporters of primary commodities by policies which damage emerging industrial sectors.'

It is important to distinguish between infant industry protection and gradual liberalisation arguments. Both call for some prudence when liberalising the trade protection of developing countries, but for altogether different reasons. We do not believe that there is sufficient evidence to support the infant industry protection argument, and we feel that altogether the balance of evidence indicates that specific protection granted to sectors tends to be costly and ineffective. Because of technical and political constraints, infant industry protection will often do more harm than good. Governments are often not able to identify industries that would benefit from the protection, or to reduce such protection and introduce competition as those industries mature.

We believe that the best incentives for industrial development remain a stable economic environment, good governance, and undistorted markets conducive to an enabling business environment. On the other hand, we must recognise that some developing countries may not be ready for full liberalisation, precisely because the conditions set out above are not met. However we also believe that in the end, a country's own tariff reductions will be part of their development strategy, enabling them to reduce the costs of their inputs and increasing the choice of goods in their economies.

Special and differential treatment provisions in NAMA will allow Developing Countries to shelter sensitive parts of their economy and, possibly with international aid assistance, conduct the necessary reforms to make these sectors competitive. It is for them to decide where this flexibility is applied.

We need to recognise that in order to get an ambitious, pro-development outcome to this round; all parties are going to have to move from established positions, including the EU on agriculture. One dimension of the negotiations regarding NAMA is to ensure that the poorest developing countries also gain sufficient market access in strategic manufacturing sectors. The UK view on NAMA is well known: we believe that ambitious reductions should occur in the markets of developed countries, but recognise that as part of the negotiating dynamic more advanced developing countries will also need to make meaningful reductions, as poorer and more vulnerable countries may have an interest in accessing these markets. We also believe that effective special and differential treatment within the NAMA negotiations is critical to their successful conclusion. This must include delivering on less than full reciprocity, paragraph 8 flexibilities for developing countries and longer implementation periods.

Services

[Paragraph 64] 'We consider the rejection of the EU's benchmarking proposal to be a positive outcome for developing countries.'

See response to paragraph 42.

[Paragraph 66] ‘Our main concern is that the services negotiations are proceeding apace with few, if any, feasibility studies about the implications of these for developing countries and with decisions being made by people who know about tariffs rather than people who know about particular services. It is important that decisions on services are carefully taken. We are unconvinced that the current timetable provides sufficient time for this.’

The UK is positive about the process of assessing the implications of the services negotiations. The Government recognises the importance of assessment (it is supporting research by the World Bank in this area) but no detailed conclusions can be drawn quickly.

Assessment is a standing agenda item for the Special Session of the Council for Trade in Services. The problem is how and what to assess. Commitments made by WTO Members during the Uruguay Round at best reflected, or were less than, the prevailing level of market access for foreign suppliers at the time. The impact resulting from them must therefore be quite limited. Obtaining comprehensive data is also a problem. For these reasons WTO members agreed collectively in March 2001 that the assessment should be conducted as negotiating proposals are discussed and the results fed into the negotiations.

The UK through the Department for International Development (DFID) is considering how best to help developing countries conduct their assessments with other Community member states, the WTO Secretariat and other international agencies such as UNCTAD and the World Bank.

Aid for Trade

[Paragraph 68] ‘As Ian Pearson said, ‘What we have to do at the very minimum is kick open the door of the developed world so that the poorest countries can actually trade with us.’ We are pleased by this approach, but what is crucially needed is an agreement which prioritises the needs of developing countries. The Hong Kong declaration falls short of this requirement. The Government must now invest time and political effort to ensure that a development agenda can be agreed in December 2006.’

We agree and we continue to invest considerable time and effort in doing so. Progress is still needed on the issues we identified before Hong Kong as part of the Development Package. These include changes to trade rules, medium term adjustment measures and building long term capacity to trade.

Aid for Trade is now a key element of the DDA trade negotiations. The UK will increase its spending to help developing countries build their capacity to trade to £100 million a year by 2010. The UK Government is closely involved in the current debate on Aid for Trade to ensure the final recommendations of the Task Force contribute to unlocking the development potential of the DDA.

Aid for Trade must be guided by the Paris Declaration aid effectiveness principles and a country-led approach. We think that the best way forward is to scale up Aid for Trade and infrastructure investment through donor support for PRSPs, other country-led national development plans and regional initiatives. It will be essential to develop credible monitoring of increased donor expenditure against clearly agreed criteria for what

constitutes ‘aid for trade’ to ensure the G8 and EU deliver on commitments made at or before Hong Kong.

Aid for Trade is a complement to, and not a substitute for, a successful DDA outcome. Whilst the timetable for Aid for Trade negotiations was mandated in the HK text, it should be negotiated outside of the DDA. The UK Government’s pledge and commitment to Aid for Trade is independent of any DDA outcome.

Completing the development agenda: what is at stake?

[Paragraph 70] ‘There may well be value in joint statements with developing countries such as Brazil — demonstrating that the Government shares the concerns of developing countries. However, unless the EU position changes, and this requires changes in member states positions, the April deadline will be missed. The Government should therefore prioritise high level meetings with its EU member state partners.’

UK Ministers continue to discuss the need for an ambitious, pro-development outcome to the DDA with their opposite numbers, both within the EU and the wider WTO membership. We welcome the recent comments by the EU Trade Commissioner on the EU’s willingness to do more to reach such an outcome and hope others, particularly the US, follow suit.

[Paragraph 75] ‘Peter Mandelson has indicated to us that there may be some room for a reduction in the number of sensitive products within the limits of CAP reform provided new commitments are forthcoming from other players. We would welcome an offer to reduce the number of products which the EU designates as sensitive, otherwise market access for developing countries will be severely limited and Doha will not be a development Round. In making this offer conditional upon the actions of other states, the EU is going against the spirit of the Round. This improved offer should not, under any circumstances in this Round, be conditional on actions by developing countries. Tariff reductions formula.’

The Single Undertaking, which underpins WTO processes, means that progress in negotiations is linked across all the negotiating areas. We are seeking to minimise the numbers of sensitive products designated precisely so that these exclusions do not undermine the value of the tariff reduction commitments, which we will undertake. But as we have said before, this cannot be achieved in isolation from the other areas of the negotiations.

[Paragraph 76] ‘We agree with Stiglitz’s recommendation that the WTO needs to promote a culture of robust, impartial and publicly available economic analysis of the effect of different initiatives on different countries, and groups within countries, if it is to effectively identify pro-development proposals and promote them to the top of the agenda. Mechanisms must be found to facilitate industrial diversification. We urge the Government to ensure that the formula for tariff reductions in NAMA does not discriminate against this.’

Examples of available research include DFID funded research carried out by UNCTAD on the gains from NAMA. Additional case studies were carried out for a number of developing countries. Whilst gains for India, China and other Asian countries will account for a high share of developing country expected welfare gains, most other developing countries also stand to gain — for instance Brazil — from an ambitious outcome in NAMA. To best harvest these gains we believe that developing countries need the flexibility to plan and sequence trade reforms which will be possible in a WTO agreement with transition periods and flexibilities

[Paragraph 80] ‘There has been limited discussion of Special and Differential Treatment (SDT) in the negotiations, despite a commitment to ensure that SDT would be part of all areas of negotiation. To some extent this is to be expected, since SDT is usually agreement specific and without numerical formulas it is impossible to calculate what SDT might be in any given case. Nevertheless, recognition of SDT is important, and the UK Government should work to ensure that once numerical formulas are agreed for agriculture and NAMA, effective SDT is possible according to the needs of developing countries. Particular attention should be paid to the needs of smaller, low income developing countries, especially those which will lose because of preference erosion.’

The UK Government recognises the importance of SDT for developing countries, particularly small and vulnerable economies. DFID has funded a range of work on operationalising SDT concepts, through support for the Global Trade and Financial Architecture project at Yale University and work at the International Centre for Trade and Sustainable Development (ICTSD) in Geneva. For example, in agriculture the ICTSD work has identified possible indicators for identifying Special Products and outlined how the Special Safeguard Mechanism could work in practice. We have encouraged the researchers to widely disseminate their work to trade negotiators to inform the debate.

On the issue of preference erosion, we agree that attention needs to be paid to countries that may lose as a result of multilateral liberalisation. We agree with OXFAM that preference losses can be addressed through an aid for trade approach. The UK has been a strong advocate of adequate and timely transitional assistance for ACP sugar producers facing adjustment costs as a result of EU domestic sugar reforms. We also support the improved operation of existing preference schemes, for example through more relaxed and transparent rules of origin, to increase their utilisation and the competitiveness of production in preference receiving countries in the short to medium term.

In the past weeks discussions on NAMA in Geneva have made some progress in several areas of flexibilities for developing countries: such as paragraphs 6 and 8 of Annex B of the 31 July framework, and the question of small and vulnerable countries. The exemption of LDCs from any reduction commitments remains. We agree that an agreement on numerical formulas is an essential prerequisite to progress further on SDT.

[Paragraph 82] ‘The WTO should as a matter of priority turn its attention to how the aid for trade mechanism will work and provide a clear mandate by the end of the year as agreed in the Doha time line. This should be done with input from potential

beneficiaries in developing countries. There is also the need to clarify the relationship between aid for trade assistance and general development assistance. Aid for trade should be additional to and not simply a diversion of aid monies already pledged. We do not believe that the Government should consider aid for trade as part of its general aid budget.'

The WTO aid for trade task force, mandated under the Hong Kong Declaration, will make recommendations on both operationalising aid for trade and on how best aid for trade can contribute to the Doha Development Agenda. The Task Force, made up of WTO Ambassadors from developed and developing countries, has met twice. We are doing all we can to ensure it meets the July deadline, so that the recommendations are ready for the annual World Bank/IMF meetings in Washington in September 2006.

Whilst we don't want to anticipate the recommendations of the Aid for Trade task force we can be sure that aid for trade will include the two main existing, and already broad, categories of trade related capacity building (TRCB) for trade policy and trade development. Donors already report against this definition to the OECD/WTO database. In addition to this the UK strongly advocates that Aid for Trade embraces a broader range of interventions to address supply side constraints including infrastructure and the domestic reform agenda. Better infrastructure, an enabling climate for the private sector and more flexible exports are crucial if developing countries and regions, especially those in sub-Saharan Africa, are to permanently reduce poverty.

Crucially, aid for trade should also include assistance for the development of trade related physical infrastructure and adjustment assistance for countries facing changes in trade rules. None of these agendas are new but together they provide a more coherent framework for achieving better, more efficient decision making on priorities and achieving results.

The scope of aid for trade (TRCB, infrastructure and adjustment for developing countries), as forms of development assistance, suggests that funding should be scaled up within an increasing envelope of official development assistance. Aid for trade assistance should be delivered through countries' own national development plans, with coherent support from donors, in a way that it can be monitored to ensure additionality and effectiveness.

[Paragraph 84] 'We consider the multilateral system to be important for developing countries and are pleased that the Doha Round did not collapse in Hong Kong. The Government should work to ensure that the EU does not in any way prejudice a successful and timely conclusion to the Doha Round.'

We agree. Given the stature of the EU in world trade we must make sure that we are responsible for success, not a barrier to it.

[Paragraph 85] 'The formation of the G110 should not be seen as just a trade union, as was suggested by Pascal Lamy, rather as a response to an attempt by the developed countries to exert pressure on developing countries to agree to things which they did not feel were in their interest. The Commission should step back and ensure that it is not abusing its position in the WTO.'

We do not believe the Commission is abusing its position. As the world's largest trader of services, the world's largest importer and exporter of agricultural products, and accounting for 40% of all outward flows of FDI, the EC carries many responsibilities and obligations. Coalitions within the WTO, just as in any other fora, have responsibilities to represent their members properly and to find consensus. This is not easy. The danger, particularly with the larger coalitions, is that they will not have the flexibilities that a real negotiation requires, and that their resources will be spent on seeking internal agreement, at the expense of engagement with the negotiations themselves.

[Paragraph 86] 'We accept that the use of smaller ministerial meetings make for easier decision making but consider this an unrepresentative approach in an organisation which has facilitated greater participation and ownership by developing countries than its predecessor the GATT. It is not good from the point of view of either transparency or accountability. The Government should not condone such a practice, especially if a development agenda is still the goal of the Doha Round.'

This is clearly a difficulty for the WTO, and one which its members have frequently wrestled with — how to conduct a negotiation and reach consensus in such a large organisation. The Hong Kong authorities did an excellent job in terms of providing the resources for the talks in December and most people would admit that the process of consultative meetings and negotiations was probably more transparent than in previous Ministerial meetings. But until the Membership as a whole agrees on a satisfactory alternative, this style of work, seeking areas of agreement in smaller meetings and then attempting to broaden the discussions, will probably remain. Of course the UK is also not party to these restricted sessions, and we have to rely on the proper management of information flows. Although such a system has its deficiencies, most countries took a pragmatic approach to the talks in Hong Kong.

[Paragraph 87] 'In summary, whilst it is good news that the Doha Round, and the principle of multilateralism, did not collapse at Hong Kong, much remains to be done in order to bring the Round to a successful conclusion. The minimum criteria for a successful agreement would be one which does not differentially hurt developing countries or provide disproportionate benefits for developed countries. At present we have concerns that sufficient progress is not being made.'

We agree that it was important that the talks did not collapse, and that much remains to be done to bring them to a successful conclusion. We share the Committee's concern that not as much progress as we would have liked has been made. But we do believe that an ambitious, pro-development outcome is still deliverable.

[Paragraph 88] 'The Commission position must change, and there is good reason for the Commission to act pre-emptively and make known what it is prepared to offer in terms of improved agricultural market access on this since, in the WTO, nothing is agreed until everything is agreed. Such action would demonstrate leadership and political commitment to a development round. The developing countries have much to gain from an ambitious outcome. The EU must not become the cause of failure.'

We agree, and believe that the Trade Commissioner would agree, that the EU must be the cause of success, not of failure. As we have stated previously, the Commissioner himself has said that he is ready to move further on agricultural market access.

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