

Memo

Doha Round: Geneva Ministerial, June 2006. Brussels, 23 June 2006

WTO negotiators will meet in Geneva from 28 June 2006 for a Ministerial Meeting intended to push forward negotiations in the ongoing WTO Doha Round of trade talks. WTO negotiators are committed to finding an agreement on key 'modalities' for reducing agricultural subsidies and industrial and farm tariffs before the summer. The European Union will be represented by EU Trade Commissioner Peter Mandelson and EU Agriculture Commissioner Mariann Fischer Boel.

Hong Kong commitments

At the December 2005 Hong Kong WTO Ministerial Meeting negotiators agreed to try to achieve broad agreement on tariff and subsidy reductions for agriculture and tariff reductions for industrial goods by the summer of 2006. This would allow negotiators to use the remainder of 2006 to agree on other important issues such as trade in services and the amending of the WTO rulebook in order to ensure that the Doha Round can be successfully concluded at the end of 2006 or early in 2007.

Progress since Hong Kong

Negotiations at Ministerial level have continued in 2006. Following a mini-ministerial meeting in Davos, Switzerland in January, these have chiefly taken the form of a series of bilateral and plurilateral meetings between key negotiators. Trade negotiators from the EU, the US, Brazil, India, Japan and Australia will meet in London in March for two days of talks.

Although these meetings have been constructive, the EU's offer of October 2005 remains the only full offer on the negotiating table and no equivalent moves have so far been proposed in trade in industrial goods or services to balance the cuts proposed by the EU in agriculture. For the EU, these balancing moves are essential if the Round is to be successfully concluded.

In April, European Trade Commissioner Peter Mandelson signalled that the EU was willing to further enhance its agriculture offer within the limits of its negotiating mandate, if other made similar concessions. This move was welcomed by, among others, Brazil, China, Kenya, Egypt and Australia.

In May negotiations intensified at the working groups in Geneva with focus on agriculture and NAMA.

Agriculture: reducing trade-distorting subsidies and cutting tariffs

Agriculture is the sector of DDA negotiations that has so far advanced the furthest. Agriculture negotiations encompass three "pillars"; tariff reductions, export subsidies and domestic support for farmers.

In Hong Kong WTO members agreed to eliminate all export subsidies by 2013. Members need to negotiate and agree precise details on this elimination by the end of April 2006.

This includes reform to State Trading Enterprises in Australia, Canada and New Zealand and reform of the US's Food Aid and Export Credit systems.

On domestic support negotiators have agreed a broad framework for cuts in trade distorting subsidies with the EU reducing support the most followed by the US, Japan and others. The EU has already agreed a cut in trade-distorting domestic subsidies of 70% as well as the complete elimination of all export subsidies by 2013, with many payments phased out before that date.

On tariff reductions broad agreement has been reached on a system of tariff bands in which the highest tariffs will be cut by the most. The EU has offered to cut its highest tariffs by 60% and cut its average farm tariff almost in half to just 12%, the same as the current US average farm tariff. WTO negotiators will also have to agree the number of permitted 'sensitive products' which will be subject to reduced tariff cuts, but for which market access will still increase significantly.

The EU and others are pushing hard for the US to make a stronger offer to cut trade-distorting domestic farm subsidies. Trade-distorting farm spending in the United States has continued to rise to the highest levels ever, which no concrete commitments to reform. The current US offer would leave US trade-distorting farm spending limits higher than the last US binding in Geneva in 2001. It would raise the bar on US farm spending, not lower it. This is clearly very difficult to sell to the WTO membership, especially given the unrealistic tariff cuts the US is demanding in return.

Industrial goods: balance for moves on farm trade

Although industrial goods make up more than three quarters of global trade for both developed and developing countries, negotiations in non-agricultural market access (NAMA) have until recently lagged far behind agriculture negotiations. The EU has made its agricultural offer conditional on moves from other developed and advanced developing countries to offer new market access in industrial goods and services.

The EU's requests are specific and limited. The new market access for manufactures that we are asking for would apply to other rich countries - where the EU would like to achieve average tariffs in the low single digits - and advanced developing countries that can afford it (and would themselves benefit from it). The poorest countries are not requested to make any cuts. The cuts requested from advanced developing countries would be significantly less than the concessions the EU is itself offering in manufactured goods (or, for that matter, agriculture) and would even have the right to exclude a number of tariff lines (contrary to the Doha mandate). Nevertheless, in return for these limited but key cuts the EU is willing to eliminate its remaining tariff peaks, reduce if not eliminate tariff escalation and provide new real access for many of their key exports of developing countries - notably textiles and shoes but also agricultural products. The EU's average industrial tariff is already less than 4%.

The EU is insisting that countries cut the tariffs they actually apply at the border which are in many cases much lower than the maximum tariff rates they notify in the WTO.

Trade in manufactures is central to the Doha Round's wider development goals. Freeing up this trade is certainly good for European makers of cars, chemicals and machine parts. But it is also good for Bangladeshi textile makers, Indian leather workers and the hundreds of millions of workers in the developing world who make a living in manufacturing.

Manufactures make up the huge bulk of developing country trade - more than three quarters. Over three quarters of the customs duties paid by developing countries on manufactures are paid to other developing countries. If the Doha Round is to push down

that tariff bill and open up vital "south-south" trade between developing countries then Doha needs ambition in free trade in industrial goods.

Services: making sure negotiations do not get left behind

Negotiations on trade in services are also lagging seriously behind. As the world's leading exporter of services the EU has a key interest in new services trade. In addition, increased trade in services is a crucial part of the Doha Round's development goals. Improved transport, IT and telecommunications, stronger and more reliable banking and insurance sectors; these are the backbone of a growing economy and crucial for development. EU service providers and EU investment can play an important part in building these sectors throughout the developing world on the basis of decisions taken by developing countries.

On February 28 in Geneva developed and developing country WTO partners launched collective market access requests in several services sectors. These joint requests marked the beginning of the "plurilateral" negotiations in services as agreed by WTO members at last December's WTO Ministerial meeting in Hong Kong leading to substantial revised offers are tabled by the agreed date of the end of July.

Commissioner Mandelson is inviting some 20 Ministers on 1 July for an informal stock-taking on services negotiations, which should enable to assess the desired and realistic level of ambition for negotiations in this key area for the EU.

Rules and trade facilitation: a stock take for ambitious results

The Doha Round is also revising the WTO's rulebook for customs procedures and trade defence instruments such as anti-dumping and anti-subsidy measures. As well as seeking to tighten the rules relating to the use of anti-dumping the EU is seeking to creating a new set of international rules on "trade facilitation" - the rules that govern customs services.

This has possibly the biggest potential for developing countries in the Doha Round, but it is the least talked about. Reducing customs and transit barriers, removing the unproductive, deadweight costs that shippers have to pay, and getting goods faster from factory gate to the consumer makes all the difference to trade performance. An agreement on trade facilitation would improve customs efficiency, increase collection of customs revenues - by 20% in typical cases - and decrease massively the costs to developing country businesses from delays in cross border trade.

Developing countries have proportionally the most to gain from this trade facilitation negotiation, for the same reason that it takes two hours to clear a container through Liverpool and twenty days to clear it through a port in Eritrea. Modern standards - and the financial assistance to implement them - go straight to the heart of boosting trade flows and address the persistent, if unmentionable, problem of corruption in developing countries.

Some modelling of trade facilitation gains by the World Bank and the CEPII suggests that a basic package of trade facilitation measures could be worth about 2% of the value of global trade, somewhere between a third of a billion and about a billion dollars a day.

Those new revenues accrue overwhelmingly to the same areas that are penalised by lack of modern standards today, particularly Sub-Saharan Africa. A trade facilitation deal could add more than 8% to Southern Africa's GDP by 2020 - the equivalent of doubling the Continent's official development assistance. But these rules can only be negotiated multilaterally. Without Doha, there will be no change.