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**The Doha Round: a survey**

At the WTO Ministerial Conference held in Hong Kong in December, the 149 member countries unanimously approved a compromise that opened the way for the adoption of a general agreement to reduce tariff barriers throughout the world.

However, the results of the Hong Kong Conference are modest, the removal of export subsidies for agricultural products being the only tangible result of the negotiations to date. On the other agricultural issues – domestic support and market access – and on industrial products and services, there has been little progress in the negotiations.

Although European Union agricultural exports remain modest in comparison with exports of industrial products and services, the success of the negotiations on agriculture still appears to be a pre-condition for the overall success of the 'Doha round'. That is why agriculture is still at the heart of the negotiations.

## **1 - Agriculture**

### **1.1. Export subsidies:**

The Hong Kong compromise provided for the removal by 2013 of **export subsidies for agricultural products from the developed countries**. The agreement stated that a 'substantial part' of the programme should be realised by 2010.

### **1.2. Domestic support:**

In Hong Kong, the WTO member countries also agreed to make 'cuts' effective in trade-distorting **domestic support**. This means that they will be making real cuts, and not just cosmetic ones. It was also agreed that the biggest subsidisers, i.e. the EU, the United States and Japan, would cut their subsidies the most;

### **1.3. Market access:**

On the issue of **market access**, namely cutting agricultural tariffs, it seems that agreement was found on the adoption of four bands aimed at structuring tariff cuts. However, progress remains limited because the scale of the tariff cuts and other points such as the selection and special treatment of sensitive products, the application of special safeguard mechanisms, etc. are still the subject of major disagreements.

Although the principle of reducing domestic support and agricultural tariffs was adopted in Hong Kong, the areas on which the European Union and the United States differ relate principally to:

- **the scale of cuts in agricultural subsidies, which is a problem for the United States;**
- **the scale of cuts in agricultural tariffs, which is a problem for the European Union.**

This is the reason why negotiations are now looking at cost and price simulations.

To reach agreement on agriculture by **30 April**, the next deadline set by the Hong Kong Ministerial Declaration, the United States needs to take steps to reduce its domestic subsidies to farmers, the European Union to reduce agricultural tariffs and the G-20, a coalition of emerging countries led by Brazil, to accept the principle of reciprocity of customs tariffs on industrial products and services, because the issue of access for industrial products from the developed countries to the markets of developing countries is subordinate to the issue of access for agricultural products from the developing countries to the markets of developed countries.

## **2 - Development**

### **2.1. Cotton**

As called for by the European Union in its 'development package', the Hong Kong agreement provides for the end of cotton export subsidies in 2006. Remember that the United States subsidises its cotton exports to the tune of 4 billion dollars per year. But the agreement does not give a date for the removal of domestic support. In the United States, where most aid is given, domestic support represents 80% of all subsidies for this product.

Although the WTO court ruled against the United States in September, following a complaint by Brazil about all its aid, the US does not seem prepared to end its domestic support.

Cotton producers from the four African countries (Benin, Chad, Mali and Burkina Faso), which are accusing American support of reducing world prices, regret that the text of the agreement does not set a date for its abolition.

### **2.2. Least Developed Countries (LDCs)**

The agreement states that by 2008, 97% of products exported by the least developed countries will enjoy access free from tariffs and quota restrictions to the markets of

developed countries. The choice of the remaining 3% is left to the discretion of the importing countries.

This compromise represents a backward step compared with the European Union's initial proposal. The EU had proposed a set of measures for the LDCs in its 'development package'. As well as ending domestic support and granting technical assistance to trade (particularly for infrastructure), all exports from LDCs could benefit from this preferential regime. This is the formula used by the EU since 2001 under its 'Everything But Arms' agreement. But the proposal met with reticence from the United States, which feared competition for US production from textile exports from Bangladesh and Cambodia. Japan expressed the same reservations about leather and rice. The EU also announced that it would increase aid for assistance to trade by more than 2 million euros per year from 2010.

### **2.3. Bananas**

#### **- Reminder of the facts:**

An agreement between the European Union and the banana-producing ACP countries guarantees the import of banana quotas to Community markets at zero tariffs. A decision at the Doha Conference in 2001 confirmed the transitional regime for the autonomous tariff rate quotas applied by the European Union to bananas imported from the ACP countries. It accepted an exemption that gave 750,000 tonnes of bananas free access to the EU market. This exemption came to an end on 31 December 2005.

#### **- Hong Kong Conference:**

The United States and a number of banana-producing Latin American and Asian countries felt that this agreement was discriminatory. This is why the problem was discussed again at the Hong Kong Conference by the Latin American and ACP producers and the European Union.

There were two conflicting points of view:

- the **Latin American countries**, supported by the United States, were demanding a cut in the tariff of 176 euros per tonne applied by the EU to banana imports from non-ACP third countries;
- the **ACP countries** felt that this tariff of 176 euros was too low and might damage their competitive advantage in the Community market.

The two groups of countries agreed with the European Union to set up a banana import monitoring system and to continue consultations under Mr Jonas Gahr Store, Norwegian Foreign Minister, who had acted as mediator in this conflict in Hong Kong.

### 3 – Industrial products and Services

There was no progress on this issue in Hong Kong. It does not bring the EU and United States into opposition; they wish to secure a cut in customs tariffs for industrial products and services from emerging countries like Brazil, in exchange for agricultural concessions. The most important part of the agreement concerns the decision to establish a link between access to agricultural markets and access to industrial products.

#### Conclusions:

The Hong Kong Ministerial Declaration invited all countries to conclude negotiations on **agricultural products and industrial products** by **30 April**. In the field of **services**, the Declaration asked for revised offers to be submitted by **31 July**.

If these deadlines are to be respected, all the major players in the negotiations must budge:

- To unblock the agricultural problem, the **United States** must budge on the issue of its **domestic support for agriculture** and the **European Union** must budge on the issue of **market access**.
- Finally, the **large emerging countries (G-20)** must be more flexible regarding **access for industrial products and services**.

Negotiations have now entered a decisive phase. Barely forty days remain in which to reach an agreement. The conclusion of the 'Doha round' on liberalising world trade, launched in 2001, is set for the end of 2006. This date was not chosen at random; it corresponds to the expiry of the US administration's negotiating mandate.