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*Committee on International Trade*

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## **DRAFT REPORT**

on the results of the WTO Ministerial Conference in Hong Kong  
(2005/2247(INI))

Committee on International Trade

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## CONTENTS

|   | <b>Page</b> |
|---|-------------|
| MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION ..... | 3           |
| EXPLANATORY STATEMENT .....                       | 7           |

## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

### on the results of the WTO Ministerial Conference in Hong Kong (2005/2247INI)

*The European Parliament,*

- having regard to the Ministerial Declaration of the Sixth Session of the Ministerial Conference of the World Trade Organization (WTO), adopted on 18 December 2005<sup>1</sup>,
- having regard to the Final Declarations by the WTO Parliamentary Conference of 12-15 December 2005 and of 25-26 November 2004,
- having regard to its resolution of 1 December 2005 on the preparations for the Sixth WTO Ministerial Conference in Hong Kong<sup>2</sup>,
- having regard to the Council conclusions on WTO Doha Development Agenda, following the extraordinary External relations Council meeting in Luxembourg on 18 October 2005 (13378/05),
- having regard to its resolution of 12 May 2005 on the assessment of the Doha Round following the WTO General Council Decision of 1 August 2004<sup>3</sup>,
- having regard to the WTO General Council Decision of 1 August 2004<sup>4</sup>,
- having regard to the Doha Ministerial Declaration of the WTO of 14 November 2001<sup>5</sup>,
- having regard to its previous resolutions of 15 December 1999 on the Third WTO Ministerial Conference in Seattle<sup>6</sup>, of 13 December 2001 on the WTO meeting in Qatar<sup>7</sup> and that of 25 September 2003 on the Fifth WTO Ministerial Conference in Cancún<sup>8</sup>,
- having regard to the Sutherland Report on "The Future of the WTO: Addressing institutional challenges in the new Millennium"<sup>9</sup>,
- having regard to its resolution of 9 March 2005 on the proposal for a Council regulation applying a scheme of generalised tariff preferences<sup>10</sup>,
- having regard to Rule 45 of its Rules of Procedure,
- having regard to the report of the Committee on International Trade and the opinions of the Committees on Regional Development, on Agriculture and Rural Development, on Industry, Research and Energy, and on Economic and Monetary Affairs (A6-0000/2006),

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<sup>1</sup> Document number 05-6248, document symbol WT/MIN(05)/DEC)

<sup>2</sup> Texts Adopted, 1.12.2005, P6\_TA(2005)0461.

<sup>3</sup> Texts Adopted, 12.5.2005, P6\_TA(2005)0182.

<sup>4</sup> Document number 04-3297, document symbol WT/L/579)

<sup>5</sup> Document number 01-5859, document symbol WT/MIN(01)/DEC/1)

<sup>6</sup> OJ C 296, 18.10.2000, p. 121.

<sup>7</sup> OJ C 177 E, 25.7.2002, p. 290.

<sup>8</sup> OJ C 77 E, 26.3.2004, p. 393.

<sup>9</sup> Report by the consultative Board to the Director-General Supachai Panitchpakdi, WTO, December 2004.

<sup>10</sup> Texts Adopted, 9.3.2005, P6\_TA-PROV(2005)0066.

- A. whereas the multilateral trading system embodied in the WTO contributes to enhanced security, transparency and stability in international trade and to a better management of globalisation through multilateral rules and disciplines and the judicial settlement of disputes,
  - B. whereas a successful conclusion of the Doha Round, providing for genuine further trade liberalisation and stronger multilateral rules, can be an important parameter in stimulating worldwide economic growth, development and employment and effectively contribute to the integration of developing countries into the world economy,
  - C. whereas the EU has played a leading role in the negotiations since the launch of the Doha Round and submitted credible and substantial offers in all negotiating areas, including agriculture, whilst other developed and advanced developing countries have not shown the same flexibility and level of commitment,
  - D. whereas efforts to meet the 2006 deadline for the conclusion of the Doha Round should not compromise the objective of reaching an ambitious and balanced outcome,
  - E. whereas the Doha Round must deliver pro-development outcomes in all areas under negotiation, especially in the interests of the LDCs,
  - F. whereas an end-date for the elimination of agricultural export subsidies has been agreed; whereas comparable progress has not been achieved in the areas of domestic support and market access,
  - G. whereas NAMA has significant potential trade gains for the EU, but equally for developing countries since a considerable amount of their trade is in industrial goods and they face high tariff barriers in their trade with other developing countries,
  - H. whereas in the area of services the current negotiating approach has not yielded any satisfactory results; whereas the objective sought by the EU is a genuine further liberalisation, while preserving WTO members' national policy objectives and their right to regulate public services,
  - I. whereas an improvement of WTO rules on Trade Facilitation, anti-dumping, and other rules issues would be advantageous for all WTO members by improving the legal security, lowering the costs of trade transactions and preventing abusive or protectionist use,
  - J. whereas the process of globalisation and the role played by the WTO are often misrepresented and misunderstood, and there is a need for enhanced accountability and transparency in the WTO,
1. Reiterates its commitment to the multilateral approach to trade policy, and its support for the WTO as the principal forum for the management of globalisation; points out that a failure of the multilateral negotiations and a shift to bilateral/regional agreements would lead to an unequal process of liberalisation and uneven development and thus be detrimental especially for the developing countries;

2. Deplores the slow progress in the negotiations so far and the predetermined low level of ambition for the outcome of the Ministerial Conference in Hong Kong; expresses, however, its satisfaction that the Ministerial Declaration, at least, paves the way for further negotiations in key areas;
3. Insists that all key negotiating areas should be treated in parallel, in line with the notion of the Single Undertaking and with a similar high level of ambition;
4. Reiterates the need to respect the multifunctional character of EU agriculture;
5. Recalls that, due to the 2003 CAP reform, the EU has significantly reduced its trade-distorting domestic support;
6. Stresses the important offer made by the EU to eliminate its export refund system by 2013 and insists that a parallel move by other WTO members is required in the areas of export credits, State trading enterprises and food aid;
7. States, with regard to market access, that a limited degree of flexibility is needed through both the formula for tariff cuts and the designation of sensitive products; refers to the possibility for the self-designation of special products by developing countries; welcomes, in that respect, the prescription of a common set of specific indicators;
8. Welcomes the agreement on the elimination of export subsidies for cotton by 2006 and the provision of duty and quota-free access for the LDCs; regrets, however, the lack of progress in respect of domestic subsidies;
9. Deplores the absence of progress on the establishment of a register for wines and spirits as well as on the extension of the protection of geographical indications to other products; recalls that these elements are essential for a balanced outcome of the negotiations;
10. Calls for ambitious results in the negotiations on NAMA, guaranteeing new real market access opportunities, including in South-South trade, through substantial cuts in applied rates; calls on advanced developing countries to take their share of responsibility, while stating that the outcome should reflect the agreed principle of less-than-full reciprocity;
11. Welcomes the agreement to use a Swiss formula for tariff reductions; stresses, however, that the harmonising effect of such a formula should not be lessened through the definition of multiple coefficients; favours the pursuit of sectoral initiatives in sectors of export interest for the EU;
12. Notes that it is of strategic importance that all trading partners also dismantle their unjustified non-tariff barriers;
13. Deplores the lack of progress in the services area and calls for the intensification of negotiations, with due regard for the interests of weak and vulnerable economies; regrets the fact that the final Declaration does not set any quantitative targets for the submission of revised offers; reiterates that health, education and audiovisual services should be excluded from liberalisation;

14. Reiterates that a successful conclusion of the negotiations must deliver on the commitment towards concrete development benefits in all negotiating areas, notably in the interest of the LDCs, and must contribute to achieving the Millennium Development Goals;
15. Welcomes the agreement concerning the provision of duty and quota-free market access for the LDCs; regrets, however, that the possibility has been left open of maintaining restrictions on products of key importance to the LDCs and that such a commitment remains optional for advanced developing countries; calls on all developed and advanced developing countries to follow the model of the EU's "everything-but-arms" initiative;
16. Considers that, while special and differential treatment must form an integral part of the WTO agreements, further progressive South-South market opening and a commitment to stronger multilateral rules will prove beneficial for the economic development and the integration of developing countries into the global economy;
17. Stresses the importance of adequate technical assistance to help developing countries meet new obligations, adjust to reforms and effectively implement WTO rules; stresses also the need to encourage weak and vulnerable economies to integrate trade into their national development policies and poverty reduction strategies; supports the expansion of 'Aid for Trade' to developing countries aimed at strengthening their commercial and export capacity, diversifying their production bases, and replacing customs resources by other fiscal resources;
18. Welcomes the progress achieved so far in the negotiations on Trade Facilitation; calls for the establishment of multilateral commitments for increased legal certainty, simplification and modernisation of trade procedures; underlines the particular importance of targeted technical assistance in this area;
19. Stresses the importance of encouraging public and political support for the WTO multilateral trading system; stresses that a better information of the public and wider consultation of civil society are needed; reiterates, in this respect, the important contribution which the parliamentary dimension can make as a means of strengthening its democratic accountability and openness to citizens;
20. States its willingness to contribute positively to the negotiating process through the various contacts its Members have with their counterparts from countries with which the EU shares common interests;
21. Recalls the importance of the European Parliament being fully informed and consulted by the Commission on the EU's post-Hong Kong strategy and the progress of the negotiations;
22. Instructs its President to forward this resolution to the Council and the Commission and to the parliaments of the Member States, the acceding countries and the applicant countries, the Director-General of the WTO and the President of the Interparliamentary Union.

## EXPLANATORY STATEMENT

*Ηράκλειτος [έφη] "το αντίζουν συμφέρον και εκ των διαφερόντων καλλίστην αρμονίαν και πάντα κατ' έριν γίνεσθαι"*

Αριστοτέλης, Ηθικά Νικομάχεια, Θ2.1155 β 5

*Heracleitus [said] that "it is what opposes that helps and from different tones comes the fairest tune and all things are produced through strife"*

Aristotle, Nicomachean Ethics, Book 8I

### **1. The Hong Kong Ministerial Conference: limited expectations - modest results**

The aim of this own-initiative report is to provide an assessment of the Doha Round following the 6th WTO Ministerial Conference in Hong Kong (13-18 December 2005).

The current round of multilateral trade negotiations has been going on since November 2001 and, given the collective ambition to conclude this round before the end of 2006, it has now entered its final phase.

The previous phases of the negotiations - from Doha to Hong Kong via Cancún and Geneva - have revealed wide differences in the expectations, approaches and strategies of the main participants, and highlighted the difficulties involved in trying to reach an ambitious and balanced outcome covering all negotiating areas. As a result, progress has often proven elusive, many intermediate deadlines have been missed and negotiations have not been brought as much forward as one could have hoped and expected.

Because of the complete failure of the 5th Ministerial Conference in Cancún in September 2003 and the sketchy character of the Framework adopted by the WTO General Council in August 2004, the initial objective of the Hong Kong meeting was to consolidate the latter and to achieve a breakthrough by defining modalities in a number of key negotiating areas, such as agriculture, non-agricultural market access and services, and to agree on a significant development package, while encouraging progress in other chapters of the negotiations. Due to a persistent stalemate on the key issue of agricultural market access and a lack of flexibility on the part of other major players, however, the level of ambition for this event had to be eventually scaled down and it became clear, even before the Ministerial Conference started, that only modest results could be achieved.

Parliamentary monitoring of the Hong Kong negotiations - the European Parliament being represented in Hong Kong by a delegation of MEPs - led to the adoption of a joint declaration by the Inter-Parliamentary Union and the European Parliament on 15 December 2005.

Although this contribution was undoubtedly positive, the current arrangements still fall short, in qualitative terms, of a proper forum to ensure WTO democratic accountability and openness. The European Parliament delegation was assisted by the information provided by the Commission and the United Kingdom Presidency regarding the EU negotiating strategy and the general progress achieved in the negotiations before and during the Hong Kong Conference.

The present report comments upon the limited results achieved in Hong Kong. It also draws

attention to the considerable work that remains to be done, contains a message of support to the EU negotiators and is intended to focus attention in view of the next phases of the negotiations.

## **2. Results of the Conference by Subject**

This section is based on the text of the Ministerial Declaration, with special reference to EU negotiating positions.

### **2.1 Agriculture**

The question of agricultural products was designated by a number of developing and developed countries as crucial to the negotiations as a whole, placing the EU and the US in particular on the defensive. It was therefore necessary to break this deadlock if negotiations in other areas were to make any progress. The Hong Kong Conference made a valuable contribution on certain aspects of this dossier as indicated below:

- Agreement was reached on the definitive elimination of all forms of export subsidies by 2013, the year in which current CAP arrangements are due to end. In order to ensure parallelism between export refunds and other forms of export subsidies, such as export credits, exporting state trading enterprises and food aid, however, this date will only be confirmed upon completion of appropriate disciplines on these practices. Other issues, such as the substantial subsidy cuts to be made before 2013, also remain to be settled.
- Regarding domestic support, there was agreement on the fixing of three bands for reductions and on greater linear cuts in the higher levels of support (higher bands). There also appears to be some convergence concerning cuts to be made in Final Bound Total Aggregate Measure of Support (AMS), the overall cut in trade-distorting domestic support, and the *de minimis* limits. A review of the Green Box criteria was also agreed.
- On the difficult issue of market access, i.e. the reduction of agricultural tariffs, no substantive progress was made. There appears to be agreement on the adoption of four bands for structuring tariff cuts, but not on the limits of those bands, the magnitude of the cuts, and other issues such as the selection and special treatment of sensitive products, the operation of the Special Safeguard Mechanism, etc.
- Reference was made to the continuation of work in relation to geographical indications (establishment of a register for wines and spirits and extension of GI protection to other products), but no progress has been recorded on this issue of crucial importance for the EU.
- On the specific subject of cotton, it was agreed that export subsidies would be eliminated by developed countries in 2006, and that these countries would give duty and quota free access for cotton exports from LDCs from the commencement of the implementation period. However, no progress was made on the important issue of domestic support.

### **2.2 Non-Agricultural Market Access (NAMA)**

The limited progress made in the agricultural negotiations helped to satisfy, to a certain extent, the demand of the EU and other developed countries for the acceptance of a



progressive reduction in tariffs, leading to the adoption of a 'Swiss Formula' for the elimination or reduction of tariffs. There was also agreement on special treatment for developing countries, including asymmetrical reciprocity arrangements regarding tariff reductions.

While acceptance of the Swiss Formula is a particularly significant development, difficult decisions will have to be reached by 30 April 2006 regarding the magnitude of the tariff reductions (through the adoption of coefficients) and the establishment of base rates for commencing such reductions. The Declaration also encourages members to submit proposals aimed at addressing the issue of non-tariff barriers (NTBs).

### **2.3 Services**

On the subject of services, reference was simply made to progress achieved from the establishment of the GATS to the agreement of August 2004. A statement was also issued by members concerning the intensification of the relevant negotiations in accordance with Annex C to the Hong Kong Ministerial Declaration. The Conference failed to make any substantial headway regarding the further liberalisation of international trade in services, which means that spectacular progress must now be made, both on a plurilateral and bilateral basis, if the objectives of the Doha Round are to be achieved. For the EU, progress in this sector is of vital importance to the development of its economy and to employment.

### **2.4 Trade and Development**

Regarding support for developing countries and their smoother integration into the global economy, a number of decisions were taken, such as:

- The abolition, by 2008 or no later than the start of the implementation period, of tariff and quantitative restrictions for exports from the LDCs. However, this concession will only be given by developed countries and developing countries "declaring themselves in a position to do so" and restrictions may be maintained for up to 3 percent of tariff lines. The Ministerial Declaration also refers to measures to facilitate transactions and simplify rules of origin, increase technical support, encourage the creation of institutions, etc.
- The more active involvement of the WTO in efforts by international organisations and individual countries to implement 'Aid for Trade' arrangements enabling the LDCs to reinforce their production and export capacity and requisite commercial infrastructure.
- The reappraisal and further enhancement of the WTO's strategy for the provision of Technical Assistance and Training Plans to developing countries.

### **2.5 Other Business**

On all other matters (e.g. WTO rules, Trade-Related Aspects of Intellectual Property Rights (TRIPS), environment, trade facilitation, implementation of existing agreements, small economies, trade and transfer of technology, e-commerce, cooperation with other international organisations, etc.), the Hong Kong Conference did not, essentially, add anything new, but merely reconfirmed the *acquis* and called on participating members to continue and step up the negotiations.

### **3. Overall Assessment**

Considered as a whole, the outcome of the Hong Kong Conference may, under the circumstances, be regarded as positive, although the actual results were modest, given the absence of any creative breakthroughs on many crucial issues. A package of development measures was agreed upon and, even more importantly, members reiterated their commitment to a successful conclusion of the round by the end of 2006 and set a number of intermediate deadlines to achieve this objective.

The EU once again made a major contribution to this positive result by accepting a conditional commitment to 2013 as the end-date for the elimination of export subsidies. It is not clear, however, that much has been obtained in return for this concession, whether in other chapters of the agriculture negotiations or in other key areas.

Major advanced developing countries continue to reject the EU proposal on agricultural market access, despite the considerable sacrifices this proposal entails for our rural communities, and they have thus far refused to make any meaningful concessions in NAMA and services. This attitude is all the more worrying if one considers that these countries are those which maintain the highest levels of protection and hold the key to the development of poorer countries through the promotion of South-South trade.

Although development concerns should and will continue to remain at the heart of these negotiations, they should not be confused with the single-sided advancement of the interests of large agricultural exporters nor be allowed to serve as a cover for protectionism.

The EU has, along the different phases of the negotiations, exercised leadership in the adoption of measures in favour of the poorest members, such as those concerning access to medicines, duty-free quota-free access to markets for LDCs and cotton. Although other members have also accepted commitments on these issues before and during the Hong Kong Ministerial Conference, these commitments are not as far reaching (duty-free quota-free access, cotton) or at the same advanced stage of implementation (access to medicines) as in the case of the EU.

The EU has also, alongside other developed country members, launched the idea of a "round for free" in favour of the poorest members which, as a result of all these initiatives, stand to obtain a lot, including in the form of increased aid for trade, and are expected to give little.

Further unilateral EU concessions in agriculture at this stage would clearly jeopardise the implementation of our reformed CAP and be of no or little benefit to those countries for which the development agenda has been designed.

It is time therefore that the attention of negotiators start shifting to other important areas of the negotiations, such as NAMA, services, but also trade facilitation and rules issues, with a view to defining modalities and disciplines which really make a difference in international trade.

This would be in the interest of the EU, whose participation in the Doha Round should remain consistent with the objectives of enhanced growth, employment and competitiveness laid out in its Lisbon Strategy. It would also be in the interest of those many developing countries which enjoy actual or potential comparative advantages in industrial or services sectors and for which an "agriculture only" round would represent a major loss of opportunities.

### **4. Beyond Hong Kong**

The Hong Kong Conference showed that the road to a successful conclusion of the current round remains open. However, this road is a bumpy one and may soon hit a dead end.

The political will seems to be there but positions still widely differ and the almost exclusive focus of the negotiations on agriculture thus far has not allowed the trade-offs across issues to materialise, which are so crucial at such an advanced stage.

Whether the very tight deadlines defined in Hong Kong can be met remains to be seen.

As WTO members engage into the last and most difficult phases of the negotiations, it would probably be useful to replace this whole process into a general perspective.

There should be an awareness on all sides that there is no viable alternative to the multilateral trading system when it comes to ensuring economic integration and development, the effective management of increased economic interdependency and the peaceful and fair settlement of disputes. The successful conclusion of the Doha Round would strengthen and widen international trade and development, making the international trading system fairer and more effective for the benefit of all members. Moreover, it would act as a barrier to the spread of protectionism. Likewise, in an age where demand for international institutions and for the management of world politics outstrips supply, the success of the Doha Round could provide a significant impetus to international cooperation and integration as a whole.

While there is some room in the WTO for considerations related to the development of the poor countries of the South, environmental protection and social responsibility, it should be borne in mind that the WTO is not purely a development body and much less an environment or social-policy organisation. It is in fact a specialised organisation with specific terms of reference regarding international trade. Overloading its agenda with matters beyond the confines of 'trade-related issues' and overemphasising them in the Doha Declaration has made the negotiations even more difficult. These difficulties tend to be exacerbated by a lack of democracy in the WTO's relations with civil society and insufficient efforts of communication and information.

Moreover, the direction taken by negotiations so far, set against the increasingly heterogeneous composition of the WTO, has shown that moves to regulate those areas of its members' domestic economic policies which have a trade-policy dimension meet with resistance, causing negotiations to become bogged down and resulting in persistent breakdowns in communication.

During the pre-Hong Kong negotiations, and at the conference itself, the EU has continued to promote a comprehensive vision of the Doha round, seeking at the same time a further liberalisation of international trade in goods and services and the strengthening of multilateral trade rules and disciplines, while encouraging and supporting the development efforts of the world's poorest countries. Thanks to the indefatigable efforts of the Commission's team of able negotiators, the unity of its Member States, and the support of the European Parliament, the EU was able to submit important, credible and constructive proposals on all the subjects covered by the Hong Kong negotiations. The EU will certainly continue its efforts during the months to come and should become even more actively involved in efforts to ensure the successful conclusion of the Round.

The EU's negotiating springboard and objective reference framework is provided by the regulatory *acquis* of its internal market. The cognitive projection of the European governance model – based on the characteristics of normative power – at the larger scale of world trade governance runs contrary to the less regulatory and less binding WTO system. The more

stable and comprehensive the WTO regulatory system becomes, the greater the resulting global convergence, and the closer the multilateral trading system will come to the European model of external action.