

**Informal Meeting at level of Heads of Delegation
19-20 July 2004
General Council Chairman and Director-General - Opening Remarks**

Chairman

Introduction

The purpose of this meeting is to allow the DG and myself to introduce the first overall draft text of the July package which we circulated on Friday afternoon, and to provide delegations with a first opportunity to comment on the text.

As we indicated in the convening Fax, the DG and I intend, following this meeting, to organize further consultations in various formats during the week in order to facilitate further convergence on the text that will finally be put to the General Council next week. In this connection, we have suggested that delegations remain on readiness to consult at short notice. We also currently intend to convene a further informal meeting at the level of Heads of Delegations on Friday, 23 July. I will come back to these issues of process at the end of my remarks.

General observations

In introducing this text, I would like to start by making several general observations.

- First, and most importantly, this draft text is still a first draft. It represents our best effort at providing a platform for the further intensive negotiating process that must now follow. The final text will have to emerge from these further negotiations, and the DG and I will do our utmost to facilitate that process and that evolution.
- Second, the substantive elements of the text have emerged from the work on specific issues undertaken in the TNC and relevant negotiating groups, my own consultations on the Singapore issues, as well as the consultations facilitated by those whom the DG and I asked to take on such roles. We have also been in close contact with the Chairpersons of negotiating groups in their ongoing work. As you are aware, considerable differences of view persist in important areas, and these must be taken up urgently. In the NAMA and Development areas, Amb. Jóhannesson and Mr. Ismail have described in some detail the judgements underlying the texts they have submitted to me, and I request delegations to keep these in mind in our further work.
- Third, this text is based on the widely-shared understanding that our work under the DDA in the first half of this year should result in an outcome by end-July that would unlock key issues and provide momentum and direction to guide our work across all fronts after July.

The basic premise, which emerged in numerous consultations, was that our task was not to prepare a Ministerial Declaration as we were doing for Cancún. Rather, we were aiming to take the action necessary at this stage, at the level of the General Council, in order to ensure the continued progress of the negotiations and the work programme as a whole, given that this is not the end of the Round.

- As a fourth observation, I would like to note that, like the initial outline I presented to you on 8 June, the present draft focuses particularly on a number of areas which emerged in the discussions after Cancún as important concerns for Members and as key elements in further progress. As has been stressed repeatedly, this focus in no way lessens the importance of

other aspects of the negotiations or the work programme as a whole. This text starts and ends by reaffirming the commitment of the membership to all of the commitments undertaken at Doha, and I would urge delegations to keep this in mind when commenting on the text.

- As a final general observation, I would like to note that throughout this process the DG and I have made efforts to meet as many representatives of Members as possible, individually as well as in informal groups of various configurations, including coordinators of WTO groups. We have also met regularly with the Chairs of the relevant WTO bodies. The DG for his part has been in similar and regular contact with Ministers, and has complemented the process with regular TNC meetings to oversee and guide the negotiations. We have made a point of meeting regularly with Heads of Delegations in informal open-ended settings so that all Members would have an opportunity to address issues relating to the July package, as well as the process to take us there. Our statements at these meetings were circulated to further assist in transparency of process.

This being said, I want to add that delegations won't see in this text every nuance of every position. The text is not intended as a compendium of positions. This does not mean that views have been ignored, but rather that where they diverge significantly, more work is needed to arrive at convergences.

Substantive comments on text

Beyond these general remarks, the DG and I wish to touch briefly on some of the substantive elements of the text.

Let me first offer the floor to the DG to introduce the sections relating to work in the bodies reporting to the TNC.

Director-General

First of all, let me associate myself completely with your opening remarks. I think it is vital that delegations approach this text in a constructive spirit, seeing it not as an end in itself but as a means to help us move the Doha Development Agenda forward. We have much work to do in a very short time in order to finalize agreement by the end of the month. This is a shared endeavour and a collective responsibility. I urge everyone to make the fullest use of our time by engaging fully with your negotiating partners. The Chairman and I will continue to do all we can to facilitate agreement among you, and we will continue to have the valuable help of the negotiating group Chairs.

However, convergence must come from the membership. There is no doubt that political leaders throughout the WTO membership want to agree on a July package that re-energizes the Doha Development Agenda. This is a message I have heard on all sides. There is a great deal of political commitment invested in our efforts here. Even more importantly, the prospects of an eventual outcome for the DDA which can help lift living standards around the world will be influenced by what we do here in the next two weeks.

With these words, let me outline the approach behind the key elements of the text and its annexes relating to the work of the bodies under the TNC. Let me first turn to Agriculture.

Agriculture

The draft framework for agriculture has to be considered in the light of the long-term objective of the Agreement on Agriculture to establish a fair and market-oriented agricultural trading

system through a programme of fundamental reform. The text confirms that the level of ambition in this important area will continue to be determined by the Doha mandate.

The draft before you is the result of intense work by Members carried out over the past weeks and months in a series of open-ended informal and formal Special Sessions, numerous plurilateral and bilateral consultations among Members, Ministerial meetings in various parts of the world, contacts among capitals and, throughout this period, ongoing contacts in one form or another between the Chair of the Committee on Agriculture, Special Session, Ambassador Tim Groser, and the whole membership.

Many elements of the draft framework should not come as a surprise. As noted, it is the result of intense work among Members. Key features of the document before you have been foreshadowed in the statement Ambassador Groser made on the occasion of the TNC on 30 June. Since that time, the negotiations have further evolved and important political signals were received from three recent informal ministerial meetings representing divergent interest of the membership. Annex A attempts an approximation of the maximum amount of convergence that resulted from the negotiations to date.

The draft framework puts particular emphasis on the needs and concerns of developing countries and in the pillars of domestic support and export competition, where clearly it is the developed countries that have the major responsibility, the approach also reflects this reality. The draft framework recognizes the vital importance of agriculture for the economic and social development of developing countries and underlines that these countries must be able to pursue agricultural policies that are supportive of their development goals, poverty reduction strategies, food security and livelihood concerns. As mandated, the draft framework includes to this effect special and differential treatment provisions as an integral element in all its parts. In the post-framework phase, these provisions will have to be further refined, of course, in order to become operationally effective and to meet their intended objectives.

The needs and concerns of developing countries are reflected not only in the S&D provisions of the draft framework. The second leg - an at least equally important aspect - is the changes in the external trading environment for developing countries that the draft framework foreshadows. In this regard, the most tangible element, at this stage of the negotiations, is the provision to eliminate all forms of export subsidies by a date certain, with clear provisions being made that this will occur in a fully parallel fashion so far as the various forms of export subsidization are concerned. This is a truly defining moment in the history of trade policy. We cannot miss this opportunity.

In domestic support, the draft framework provides for an overall cut of trade-distorting support as well as individual cuts of its three components - Amber, Blue and *de minimis*. In order to prevent circumvention of the long-term objective of the Agreement on Agriculture, product-specific caps of the Amber Box at a historical level to be agreed are also foreseen. Blue Box payments will have to be brought down to a ceiling to be agreed. While its scope is being widened, Blue Box payments will be subject to enhanced disciplines. The Green Box will be reviewed to ensure that payments under this Box meet the fundamental criterion of no, or at most minimal, trade distortion and effect on production. With these features, the draft framework clearly advances reform in line with the long-term objective and the Doha mandate - away from the most trade-distorting domestic support towards measures which are significantly less- or, preferably, non-trade-distorting.

With respect to trade-distorting domestic support, the disciplines foreshadowed will be driven by an overall effective cut in trade distorting support. This is reinforced by effective and complementary disciplines in all the components that make up such an overall cut. The framework incorporates the concept of harmonization - a major concern for a number of Members.

As for market access, the key for the recent progress made in this area has been the recognition by all Members that sensitivities exist in *both* developing *and* developed Members, although, as the Chair emphasised in his 30 June statement to the TNC, the nature of the sensitivities

in developing-country agriculture is fundamentally different. The draft framework reflects this understanding in a number of important ways.

While a single approach for developed and developing countries will be applied for reducing tariffs, in order to ensure that this approach can take account of the differences in tariff structures as between developed and developing countries, tariffs are to be cut by way of a tiered formula, with the concept of proportionality being an integral element. This has been a consistent position advocated by many leading developing countries and the draft framework reflects that reality. Only when developing countries can see more clearly what exactly developed countries are prepared to do with respect to developed-country sensitivities is it fair or appropriate to ask what a reasonable contribution from developing countries might be. However, of course the draft framework picks up the many statements, proposals and informal assurances from many leading developing countries that, with the important exception of LDCs, they are more than ready to make a contribution. But this contribution will have to reflect the very different nature of the sensitivities in many parts of the developing world's rural communities. The basic toolbox for developing an appropriate solution are all within the framework.

As noted earlier, special and differential treatment is provided under all three pillars. In market access, it includes, for example, the concepts of Special Products and a new special safeguard mechanism for developing countries (SSM). The concerns related to preferences are addressed as well as the issue of tropical products. LDCs will be exempted from reduction commitments in all three pillars. The concerns of recently acceded Members will be addressed. Finally, the draft framework provides for the negotiation of enhanced monitoring and surveillance procedures designed to ensure full compliance with existing rules and new disciplines as well as faithful implementation of the reduction and elimination commitments.

Finally, you will all surely have noted that the important issue of cotton is addressed within the framework for establishing modalities in Agriculture. This is also cross-referenced in paragraph 1(b) of the draft General Council Decision. My sense is that while views certainly vary, there is broad support for a solution under which we can make progress ambitiously and expeditiously on cotton as an integral part of our negotiations in a way which also makes sure that it does not lose its identity as an issue. This is the intention underlying paragraph 4 of the framework text in Annex A which, you will also notice, refers to all three pillars.

I know the text may be controversial, but I appeal to all of you to focus now on practical solutions which offer tangible progress. We can indulge ourselves in rhetorical statements forever, but at the end of the day, these may not produce any results. Let us not make the perfect the enemy of the good.

NAMA

The text at Annex B was transmitted to us by the Chairman of the Negotiating Group on Market Access, Ambassador Jóhannesson, on Friday, 9 July 2004 along with a letter which was made available to all Members. In his transmittal letter, the Chairman made it clear that this was not an agreed text, and that he had provided his assessment on the state of play of the various elements on modalities contained in the text in order to facilitate the next phase of the discussions.

In concluding that his only practicable option was to forward the so-called Derbez Annex B to us – a decision that the Council Chairman and I fully endorse – he has drawn attention to the various concerns that had been expressed. It is quite apparent that further negotiations are required.

Turning to the substance, I would like to make a few observations. It would appear that the use of a formula approach applied on a line-by-line basis in the NAMA negotiations is largely acceptable to the Membership. This is a good beginning. As to the actual mathematical formulation, such a discussion would be better deferred to a post-July phase. I understand that there are some

concerns about specifying a type of formula at the framework stage. Clarification of the role and nature of the sectoral tariff component is also required.

Additional discussions are needed concerning flexibilities and more specifically special and differential treatment and less than full reciprocity in reduction commitments under *inter alia* paragraphs 5 and 7 of the text.

The importance of the subject of erosion of non-reciprocal preferences is recognized, and my sense is that a detailed consideration of this matter will be possible only in the post-July phase.

Development Issues

Let us now move on to the development paragraphs. The Council Chairman and I asked Mr. Faizel Ismail, Chairman of the Committee on Trade and Development in Special Session, to assist us by undertaking consultations on certain issues relating to the development section of this package. Let me begin by taking you through the second sub-paragraph of paragraph 1(d) of the draft General Council decision.

Here we have attempted to find a way of acknowledging the specific needs and concerns of certain developing countries, while at the same time trying to ensure that in doing so, the text does not prejudice the interests of others. In the consultations carried out on this issue many Members have made it clear that they do not wish to see divisions created between developing countries, and we have therefore attempted to find a balance between the different perspectives.

Let me now move to the text on special and differential treatment, which has three elements. The first element includes language drawn from the Doha Ministerial Declaration reaffirming Members' commitment to the development dimensions of the Doha Work Programme. The second element relates to the way forward. We had initially explored the possibility of providing the option of adopting the 28 Agreement-specific proposals that had earlier been agreed to in principle, with the understanding that the remaining proposals be expeditiously addressed. However we did not detect any measure of support amongst the proponents for the adoption of these proposals, and therefore the second element merely recognizes the progress made on some of the Agreement-specific proposals and proposes that work continue on all the outstanding Agreement-specific proposals, as well as the other outstanding issues referred to in the report TN/CTD/7, including on the cross-cutting issues, the monitoring mechanism and the incorporation of special and differential treatment into the architecture of WTO rules.

The final element asks those bodies to which Category II proposals have been referred to expeditiously complete the consideration of these proposals and report to the General Council, with clear recommendations for a decision. Members will note the square brackets relating to the date when the Special Session should make recommendations to the General Council. We have kept this open as it is clear that Members' decision on this date would depend on the way in which timelines are generally dealt with throughout the text of the July package.

Finally under the development paragraph, we have a text on implementation-related issues and concerns. Members will note that this is essentially the same as the corresponding text tabled before Cancún. This reflects the regrettable reality that despite serious consultations and some commendable efforts by delegations to break the logjam, the situation in this area has not evolved significantly over the past year. The text included here aims at producing a basis on which to continue work on these important issues, without prejudging any of the strongly-held positions on either side. The date for the General Council to review progress will have to be agreed in our further consultations.

Other Negotiating Bodies

Let me now say something about paragraph 1(e), concerning the work in other negotiating bodies. The fact that the negotiations going on in the Special Sessions of the Council for Trade in Services, the TRIPS Council, the Dispute Settlement Body and the Committee on Trade and Environment and the Negotiating Group on Rules are not dealt with extensively in this text in no way undervalues their importance which will no doubt come to the fore as we move into the concluding stages of the Round. The commitment of all Members to carry out fully the Doha mandates in these areas is beyond question.

Concerning services in particular, it is very welcome that we have been able to include as Annex C the recommendations agreed by the Special Session of the Council for Trade in Services. Adoption of these recommendations by the General Council will assist materially in advancing these negotiations whose economic importance is so great.

You will also note that item (b) of these recommendations refers to the establishment of a date for the submission of revised offers. This issue has been the subject of discussions in the Services Special Session, as reflected in the Chairman's report. I understand that there are several delegations who would wish to decide upon a date before the end of July. To that end, one possible approach is foreshadowed in the report, which states that many Members have indicated that revised offers should be submitted 3 or 4 months before the Sixth Session of the Ministerial Conference. Obviously, a decision on this issue could only be taken in the light of the overall picture, taking into account what might be decided in other areas. Nevertheless, I would invite you to express any views you might have at this stage on the question of a date for revised offers.

Lastly on this paragraph, I would simply like to underline that the TNC has agreed to recommend continuing the DSU negotiations on the basis recommended by the Chairman of the Special Session of the Dispute Settlement Body.

Chairman

Let me now take up other sections of the draft text.

Trade Facilitation

First, on Trade Facilitation, you will note that the draft text on modalities is substantially changed from the prior version contained in the Derbez text. This is the result of intensive consultations carried out by myself and DDG Mr. Yerxa over the past several months, which convinced me that we needed to approach this subject from a new perspective.

What emerged from these discussions were a number of important but not easily reconciled viewpoints. On the one hand, Members mostly agreed on the importance of trade facilitation and the need for the WTO to make progress in this area. I think it's also fair to say that Members expressed some common ground as to what might be the pillars for a negotiating exercise in this area, and what some of their parameters might be. At the same time, I saw Members disagree on a number of specific points, and I sensed the need to address unanswered concerns, especially with respect to capacity constraints and different levels of development. This is why I decided to focus my approach on addressing the legitimate concerns from a number of developing and LDC Members while retaining as much flexibility as possible in the terms of reference for these negotiations. I believe that the proposed modalities will allow us to develop a beneficial agreement which is also realistic and practicable.

In developing this text, special emphasis was given to technical assistance and capacity building, which have been elevated to form part of the overall objective of the negotiations in

paragraph 1. There is also a recognition that technical assistance and capacity building are vital to enable developing and least-developed countries to fully participate in and benefit from the negotiations. The text also underscores Members' commitment to intensify their current assistance activities outside the framework of WTO negotiations on trade facilitation.

The text goes further, however, in addressing the special needs and sensitivities of developing and least-developed countries. In particular, paragraph 2 relates both the timing and the extent of commitments to capacity constraints. This has great significance for the structure and balance of the final agreement. For example, there may be core commitments related to trade facilitation that all Members would adopt, while other commitments can be crafted to address the differing needs and capacities of different Members. Where transition periods alone might not be adequate to address differing implementation capacities, the modalities envision negotiating some flexibility into the level and type of each Member's commitments. This is also recognized in the paragraph on special and differential treatment, by indicating that S&D may extend beyond traditional transition periods. Furthermore, Annex D now ensures that developing countries would not be obliged to undertake investments in infrastructure beyond their means.

I believe that the approach outlined in paragraph 2 is a more realistic way of addressing the concerns of countries about the extent of commitments and the impact of binding rules than having a total carve-out from dispute settlement. I believe that the latter approach is neither feasible nor likely to generate consensus.

Finally, I have proposed an approach to the handling of issues related to costs during the negotiating process. It is somewhat linked to the procedure in paragraph 2 that I just outlined, because cost considerations are a key to resolving questions of the extent and timing of various countries' commitments. However, in my view, Members have talked past each other on this issue. On the one hand, some countries have said that you cannot ascertain with certainty what the exact costs will be, and have refused to consider negotiating modalities on this question. On the other hand, some countries have insisted on ascertaining costs of implementation as a precondition to launching negotiations, even though true costs cannot be determined until an agreement begins to take shape. In my view, we must deal with this problem by treating costs as an integral part of the negotiations. If we are to give meaning to the rest of the modalities which recognize capacity constraints, we must come up with reasonable, if only general, estimates of the costs of proposed changes. This is precisely what paragraph 3 does. I believe something along these lines presents the only common ground you will find on this issue.

Finally, let me make one more point. The requirement for consensus doesn't end with the launching of negotiations. The consensus principle will be an important protection for all Members throughout the full negotiating process.

I also know that, for many of you, the final position on this subject will be linked to developments in other areas, and the overall balance of the whole package. At the same time, I was encouraged by the recent indications of flexibility, and the demonstrated willingness to compromise, for which I would like to thank you all, which made me hopeful that we may be able to achieve our common goal. I am also certain that you all appreciate the difficulty of the situation, and the risks at stake.

Other Singapore Issues

With respect to the other three Singapore Issues, I have followed closely the debate which has taken place both here in Geneva and at various ministerial meetings over the past several months. It has struck me that Members on all sides have changed their positions significantly on these three issues since the pre-Cancún phase of our discussions. Our debate has become more and more volatile as the ground has shifted, and I think many would agree that we have allowed the situation to become

too politicized and polarized. I believe we need to find a way to avoid making the outcome on these issues a symbolic and divisive issue for all Members.

The language that I have proposed is short and simple, but is also carefully crafted. It speaks for itself. I hope a formulation of this sort will enable us to finally put this frustrating debate behind us and move on with the important work of the Doha Round.

Other elements of the Work Programme

Turning now to paragraph 1 (g) – Other elements of the Work Programme – I would note that this encompasses a wide range of issues which, although they are not part of the negotiations and do not fall inside the Single Undertaking, were also accorded a high priority by Ministers at Doha.

These issues range from work on environment in the regular Committee on Trade and Environment to the Working Groups on Trade Debt and Finance and on Transfer of Technology, and from TRIPS and Electronic Commerce to the work programme on Small Economies, as well as the commitments we undertook in respect of Least-Developed Countries.

Work on these issues has been going on since Doha and needs to be reaffirmed as an important part of the Work Programme, as we have proposed in the draft text. In the same way as Ministers at Doha instructed that reports be made to the Fifth Ministerial Conference, we propose renewing that reporting instruction for the Sixth Ministerial Conference. We also propose extending the Doha moratoria on TRIPS non-violation complaints and e-commerce duties until that same date.

Further Process

Finally, let me recall that the DG and I intend, following this meeting, to organize further consultations in various formats during the week in order to facilitate further convergence on the text that will finally be put to the General Council next week.

I would like to emphasize that this work will be carried out in a variety of formats. It goes without saying that there is also the important question of transparency and inclusiveness to be considered in this respect. For this reason, as I mentioned earlier, the DG and I currently plan to hold an open-ended meeting at the level of Heads of Delegations on Friday, the 23rd.

In order to maximize the efficient use of our remaining time, the DG and I have considered it best not to convene a formal meeting of the TNC before the General Council next week. The DG will, of course, report to the General Council on the 30 June meeting of the TNC as well as developments since then on the work in the bodies reporting to the TNC.
