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Committee on Trade and Development Twenty-Eight Special Session

NOTE ON THE MEETING OF 26 APRIL 2007

Chairman: Ambassador Burhan Gafoor (Singapore)

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A. ADOPTION OF THE AGENDA

1. The draft agenda for the meeting as contained in airgram WTO/AIR/2994 of 10 April 2007 was adopted.

B. AGREEMENT-SPECIFIC PROPOSALS

2. The Chairman began by making some general comments on the work of the Special Session of the Committee on Trade and Development (Special Session) and the larger process in Geneva. He said that at the informal TNC meeting held the previous week, there had been a clear understanding that the Geneva process would be intensified and proceed in parallel with other processes outside Geneva. There had also been an understanding that the Chairpersons of the different negotiating bodies would be asked to table their texts in the near future. That meant that when texts were tabled, particularly in the areas of Agriculture and NAMA, other negotiating groups would be expected to follow suit. In that respect, it was important for the Special Session not to be left behind as it did not work in isolation but rather coexisted in the larger Geneva process. It was not business as usual as Members were clearly entering the end game. He said that Members needed to remain focussed on the text-based discussions and avoid engaging in general discussions as the Special Session needed to begin considering the landing zone on special and differential treatment (S&D).

3. The Chairman said that during the week he had held a number of small group consultations on some of the Category I proposals. He recalled that at the last formal meeting on 19 March, Members had been informed that the consultations on the Agreement-specific proposals had focused on six of the Category I proposals, namely on proposal no. 13 on Article XVIII of the GATT, proposal nos. 24 and 25 on the SPS Agreement and proposal nos. 28, 29 and 30 on the Agreement on Import Licensing. Members had also considered one Category III proposal, proposal no. 79 relating to the SPS Agreement. He said that during the informal consultations, Members had focused primarily on proposal no. 13 relating to Article XVIII of the GATT because of the divergences that remained on that proposal. On the other five Category I proposals, it was his sense that there was a

greater degree of convergence. He recalled that at the last formal meeting, he had informed Members that it was his sense that building convergence on the nine remaining Agreement-specific proposals, on the basis of the language currently on the table, would be difficult. He was, however, willing to devote time to those proposals if Members put forward new language or new ideas. Until that happened, his intention was to continue to work on the other seven proposals. He said that his intention at that meeting, was to continue work on the proposal on Article XVIII. On the other five Category I proposals and on the one Category III proposal, he would continue discussions in small group meetings.

4. He said that informal discussions on the proposal relating to Article XVIII had been held on the basis of the "catalogue of ideas" that had been circulated to Members at the formal meeting held on 19 March 2007. During those consultations, the delegation of Egypt had tabled a revised text on Article XVIII which had been useful and was available to Members at the back of the room. While work remained to be done on that proposal, Members had been able to make some progress and slightly revise the proposal. That revised language had also been made available at the back of the room. He said that in paragraph one, although the text had not changed, Members had been able to get rid of the brackets that previously appeared around the phrase "*which can only support low standards of living and are*". That was because this language was already contained in Article XVIII of the GATT. In paragraph two, the second sentence that appeared in brackets incorporated elements of the delegation of Egypt's proposal. In addition, brackets had been added around the words "*implemented, interpreted and*". He hoped that further discussions on that proposal would build on the progress that had already been made in the small group meetings.

5. Discussions on proposal XVIII continued in an informal mode. Despite lengthy deliberations, positions remained divergent and Members were unable to revise the language. It was agreed that work on the proposal would continue in small group meetings on the basis of the catalogue of ideas.

6. The meeting reverted back to a formal mode.

7. The Chairman then updated Members on the status of the Category II proposals. He informed Members that in accordance with the mandate contained in paragraph 37 of the Hong Kong Ministerial Declaration, he had written to all the Chairs of those bodies to which the Category II proposals had been referred, emphasising the need to conclude work on them. He had conveyed the importance and urgency of this to the Chairs of those bodies and reminded them that they would be required to report to the next General Council meeting on the status of the Category II proposals. The preliminary feedback that he had received from the various bodies was that little had changed since these bodies had last reported. At previous meetings of the Special Session, he had presented the grim reality of the situation. He said that he would underscore the need to make progress on the Category II proposals in his report to the General Council.

8. The representative of Kenya said that the African Group continued to face the same problem as there had been no improvement in its ability to attend the different meetings where the Category II proposals were being addressed. In the past, the African Group had requested that the Category II proposals be brought back to the Special Session as it was the body mandated to make the S&D provisions more precise, effective and operational. In the Group's view, addressing those proposals in the Special Session would help make progress. That request, had so far not been acceptable to other Members. He recalled that in 2005, the then General Council Chairman had promised that consultations would be held on the issue but this had not happened. He urged the Chairman to raise these concerns with the Chairman of the Trade Negotiations Committee (TNC) as well as the Chairman of the General Council because if Members were to make progress then it was important to consider how to address the Category II proposals.

9. The representative of China found it disappointing that no progress had been made on the Category II proposals. As the representative of Kenya had stated, something was needed to be done on the Category II proposals which in fact related to important negotiating areas. It was important not to leave everything until the last minute and dilute the development goals.

10. The Chairman said that the Special Session had to operate within the framework of what Ministers had mandated at Hong Kong. He had complied with that mandate by continuing to coordinate the efforts of the Special Session with that of the other bodies to which the Category II proposals had been referred. He would convey the concerns expressed by Members to the other Chairpersons, including the Chairs of the TNC and the General Council. He also intended to convey those concerns in his report to the General Council. What he could not do was to alter the mandate of the Special Session and bring the proposals back to the Special Session for consideration. That was a decision that not even the Chairman of the TNC could take, it was up to Members in the General Council to take that decision.

11. The Chairman then took up the issue of providing duty-free quota-free (DFQF) market access to the LDCs in accordance with the decision taken at Hong Kong. He said that he had held informal consultations on the DFQF market access issue that week and had met the various stakeholders to get a better sense of where they were in their internal processes with respect to the implementation of the decision. His sense was that all stakeholders were committed to the implementation of the decision and had encouraged them to continue consulting bilaterally because this was an issue on which only convergence among the stakeholders could bring about a satisfactory outcome. As the Chair, he would continue to encourage and facilitate a dialogue among the different stakeholders. He recalled that the LDCs had tabled two submissions, one on rules of origin and the other on market access. Members had engaged in preliminary discussions on those submissions in July 2006 and those Members with questions and concerns had been urged to provide them in writing so as to make it easier for the LDCs to respond. So far, nothing had been received in writing. He therefore urged Members to reach out to one another and share their perspectives on the submissions in writing.

12. On behalf of the LDCs, the representative of Zambia thanked the Japanese Government for having implemented the DFQF decision. The LDC Group hoped that that initiative would not be adversely affected by any non-tariff barriers that would render it inoperative and inconsequential. His delegation urged all other developed and developing countries to provide information on how they intended to implement the decision and provide market access to the LDCs in a manner that would result in the desired outcome. The LDC Group was concerned by the apparent lack of engagement by other negotiating partners. While the LDCs acknowledged the need to adhere to prescribed domestic procedures, including the assessment of the possible impact of the DFQF market access decision, he stressed the need to fast track and expedite such internal processes. The Hong Kong Ministerial Declaration clearly urged developed country Members, and developing country Members in a position to do so, to provide LDCs with DFQF market access by 2008, or no later than the start of the implementation period of the Round. The LDCs were concerned that 2008 was just around the corner. He urged the developed country Members to honour the commitment they had made in 2005, and to ensure that DFQF market access was granted to LDCs and implemented without any further delay. He said that while the LDCs appreciated the steps taken thus far, it was important to keep in mind the complementary issues of flexible and transparent rules of origin. Up to now, Members had done little to fulfil the commitment made in this regard at Hong Kong. For the decision to result in commercially meaningful and practical market access for the LDCs, Members needed to address both sides of the coin, that was, provide comprehensive product coverage on a tariff-line basis plus adopt simplified as well as transparent rules of origin. He said that the Doha Round would be deprived of its development dimension if the LDCs market access package, as defined in Hong Kong, was not delivered in a timely manner. The LDC Group remained ready to engage constructively in the negotiations to ensure a successful conclusion of the Round and hoped others would do the same.

13. The representative of Tanzania associated its delegation with the statement made by the representative of Zambia. He said that the LDCs had tabled a submission on market access calling upon Members to implement the DFQF market access in a manner that would enable LDCs to expand their exports and use trade as a tool for development. The LDCs had stated in their submission that developed countries and developing countries declaring themselves in a position to do so, by the time they submitted their draft schedule of concessions, should indicate how they intended to implement the decision. These Members had also been asked to provide a provisional list of the products they intended to initially exclude from the 97 per cent tariff lines, the steps they intended to take to progressively achieve 100 per cent DFQF market access to all products from all LDCs, and the time-frame within which they intended to fulfill the decision. Once those steps were complete, developed countries and developing countries declaring themselves in a position to do so, could fine-tune the other details with the LDCs in order to provide them improved market access. It had been over a year since Ministers had adopted that decision and there had been no substantial progress made during this period. Members also needed to be mindful of the fact that if high ambition levels were maintained in the DDA, duties on many goods would, as it is, go down substantially. In such a situation, the LDCs would have only a small window of opportunity to take advantage of any DFQF market access accorded to them. It was therefore important that the DFQF market access be granted to the LDCs as early as possible in order for it to be of meaningful economic value to them, including by adopting simplified rules of origin.

14. The representative of Lesotho said that DFQF market access was an important component of the development package of the Doha Round of negotiations and, in that context, urged developed and developing countries to consider implementing the decision as early as possible. As had been mentioned, the LDCs had tabled two submissions, one on rules of origin and the other on market access. She said that while market access was important, rules of origin were complimentary to market access. Members needed to therefore consider the submission on rules of origin as it proposed ways in which rules of origin could ensure that improved market access would be beneficial to the LDCs.

15. The representative of Cambodia associated his delegation with the statement made by the representative of Zambia on behalf of the LDCs. He drew Members' attention to the fact that if DFQF market access was provided to LDCs in a meaningful manner, 11 per cent of world population would be lifted out of poverty and the gap between rich and poor reduced dramatically. The provision of meaningful DFQF market access meant that developed country members needed to consider a number of issues. First, rules of origin needed to be transparent and simple as mentioned in paragraph 36 (b) of Annex F of the Hong Kong Declaration. Second, the 97 per cent of DFQF market access defined at the tariff-line level needed to include products of export interest to the LDCs. And third, unnecessary barriers to trade needed to be removed. Under those conditions, the LDCs would be able to export their products to developed country markets and increase their incomes while the consumers of developed countries would have access to cheaper, high-quality products from LDCs.

16. The representative of Uganda associated his delegation with the statements made by the other LDCs.

17. The representative of Bangladesh also associated his delegation with the statements made by the other LDCs. He recalled the commitment made by Ministers at Hong Kong to provide DFQF market access for all products originating from all LDCs. He urged Members to fulfill that commitment and to provide DFQF market access to LDCs on an expeditious basis. His delegation understood the importance of completing internal procedures before implementing the decision. However, internal deliberations and complicated domestic procedures should not become obstacles to providing improved market access for the LDCs. His delegation hoped to see a more positive attitude from developed as well as developing country Members in implementing the decision.

18. The representative of the United States shared the efforts her Government had been undertaking to implement the DFQF market access decision. Her delegation had indicated on several occasions, that it was fully committed to faithfully implementing the terms of the decision as contained in Annex F of the Doha Ministerial Declaration in a transparent manner, and in a manner that took on board other Members' concerns. During that week, her delegation had tabled a submission in the Regular Session of the Committee on Trade and Development (CTD) informing Members of the process by which the US had been consulting with the public on their interests with regard to how it would implement the decision. That information-sharing process had closed on 15 April and all the comments received were available on the USTR website. Those comments would be used as part of the US Government's decision-making process in order to define the parameters on how it would proceed with implementation. Her delegation intended to consult further, both bilaterally and with various groups of Members to hear their intentions and concerns. She said that the US, along with its G4 and G6 partners, had intensified its consultations to try to bridge differences on the market access issues in the larger negotiations. They had set a notional goal of reaching an agreement on the Doha Round by the end of 2007 and were also working towards implementing the DFQF decision by that time. She said that her delegation was ready to consult further on any issues including those related to rules of origin.

19. The representative of Japan said that the Government of Japan had notified the implementation of the DFQF market access decision and announced that it would enter into force on 1 April 2007. Briefly, the measure covered 98 per cent of tariff lines and over 99 per cent of trade from LDCs. With respect to the LDC submission on market access, it was his delegation's understanding that the DFQF market access decision agreed to at Hong Kong was an issue of implementation not negotiation. Members needed to continue putting efforts towards implementing but it was not suitable to negotiate that issue in the Special Session. With respect to rules of origin, the Government of Japan had already adopted simplified rules of origin so that the LDCs could enjoy real benefits from the improved market access.

20. The representative of Switzerland said that the Government of Switzerland had also implemented the DFQF market access decision on 1 April 2007, as part of its Generalized System of Preferences (GSP) scheme and would notify its improved scheme to the upcoming meeting of the Regular Session of the CTD. That system consisted of a law on GSP as well as two ordinances; the first on preferential tariffs and the second on rules of origin. In the past, the GSP scheme had been limited to a duration of ten years, a period that had ended on 28 February 2007. However, the Swiss Parliament had unanimously adopted the entry into force of a new law on the GSP on 1 March 2007, valid for an unlimited period of time. On 16 March 2007, the Federal Council, adopted the revised preferential tariffs ordinance which entered into force on 1 April 2007. The Parliament's Foreign Policy Commission had been consulted beforehand on that ordinance and had unanimously welcomed its proposed revision. He said that developing countries would continue to benefit from reductions on existing duties for goods imports, which meant DFQF access for almost all industrial products and for the most significant agricultural products. The most important feature of the revised GSP was the introduction of DFQF market access for LDCs as decided at the Hong Kong Ministerial Conference in 2005. The ordinance provided DFQF market access for all products originating from all LDCs. There was, however, a phasing in until September 2009 for broken rice, animal feed, cane and beet sugar and chemically pure sucrose in solid form, with progressive tariff cuts. That meant that for the products, there was a transition period until September 2009, after which there would be 100 per cent DFQF market access for LDCs. Furthermore, the complete removal of duties and quota restrictions would also apply to the Heavily Indebted Poor Countries (HIPC). Accordingly, all the countries eligible for debt relief under the HIPC Initiative would also be eligible for DFQF market access in the Swiss market.

21. He went on to say that Swiss civil society and the Swiss economy had welcomed the introduction of DFQF market access for LDCs and HIPCs. The next step would be to revise the ordinance on rules of origin. That revision would be undertaken in close cooperation with Norway and the EU, since together with Switzerland, they had agreed to implement similar rules of origin. The aim was to ensure that preferential rules of origin applicable to imports from LDCs were transparent and simple and contributed to facilitating market access. With respect to the forum in which Members should discuss the DFQF market access issue, his delegation had already stated that in principle it supported the LDCs in terms of the forum they felt the issue should be addressed.

22. The representative of the European Communities said that his delegation supported the LDCs endeavour to get an indication of how developed country Members intended to implement the DFQF market access decision. First, in terms of what they intended to do and when and second, in terms of how they intended to progressively achieve 100 per cent DFQF market access, in case not already provided. His delegation also supported the LDCs in asking those developing country Members which were in a position to provide DFQF market access to the LDCs, as to when and how they intended to provide DFQF market access to the LDCs. This information was relevant and important to the LDCs' overall assessment of the benefits and results of the negotiations. As mentioned by the representative of the US, the negotiations could conclude soon, something his delegation certainly hoped. The EU had met the standards set by Ministers at Hong Kong through the Everything But Arms Initiative and for those who were not aware of that he was willing to provide the details. The EU still had work to do on rules of origin and was currently working on that. His delegation was open to any pragmatic suggestions that would result in a process that would put together and channel information to the LDCs. This would facilitate a two-way dialogue which would enable the LDCs to communicate their interests and priorities. With respect to the LDCs submission on rules of origin, he recalled that his delegation had, at the Special Session meeting held in July 2006, stated that the idea of negotiating a single set of preferential rules of origin for preference granting countries may not be realistic. This was especially so because the negotiations on non-preferential rules of origin had been going on for more than ten years and he feared that a similar exercise on preferential rules of origin would be a much more challenging task and could take much longer. It was his sense that effective implementation of the decision would most likely result from following the autonomous approach in which individual preference granting Members themselves worked towards improving their rules of origin. Subsequently, Members could multilaterally review those rules of origin regimes. Although, his delegation did not support the notion of negotiating preferential rules of origin in the WTO, it was interested in better understanding the rationale behind the LDCs proposal, so that it could take those concerns and interests into account when designing its rules of origin regime. In that context, he had a number of questions from Brussels on the issues of substantial transformation and cumulation. While he was happy to share those with Members, they were rather technical and it was perhaps best to follow them up directly with the LDCs, as had been suggested by the Chairman. Basically, his delegation wished to know the rationale behind some of the choices that had been made in the elements contained in the LDCs proposal in order to help it better evaluate elements in its own rules of origin regime in line with the Hong Kong mandate.

23. The Chairman requested that the delegation of the EC make available its questions in writing to other Members.

24. The representative of Canada recalled that at a meeting of the Regular Session of the CTD in December 2006, it had provided a verbal report on its LDC tariff programme outlining its liberal rules of origin and its almost 100 per cent product coverage, which was advanced at the 2002 G8 Summit in Kananaskis, Alberta. Details of that intervention were available in the minutes of that meeting. He said that his delegation would formally notify details of its programme at the upcoming meeting of the Regular Session of the CTD and would be happy to answer any questions both at that meeting and in the Special Session, as well as bilaterally with Members if the need to arose.

25. The representative of Brazil reaffirmed his delegation's commitment to implementing the DFQF market access decision for LDCs adopted at the Hong Kong Ministerial Conference. Since 2006, the Government of Brazil had been undertaking domestic consultations required to implement the decision. Consultations were currently being held with the private sector. The signs were very encouraging in terms of ensuring comprehensive coverage of goods of meaningful commercial value to the LDCs. While he was in no position to indicate when the decision would be implemented, he assured the LDCs that the issue was being pursued expeditiously and seriously in Brazil.

26. The representative of Norway said that from 1 July 2002, Norway was providing DFQF market access for all goods originating from all LDCs. That market access had been granted through Norway's GSP. At present, the Norwegian Government was reviewing its GSP system. Last week, the Working Group had presented its report for making further improvements to the scheme. There was currently a public internet hearing of the report taking place in Norway, with a deadline of early June. Thereafter, the Government and Parliament would take the final decision on how to improve the Norwegian GSP. The improvement would also include efforts to increase the use of the system, for example through some aid for trade-related elements. Once the decision on improving the GSP was taken, his delegation would notify them through the Regular Session of the CTD, although his delegation was flexible in terms of the forum that LDCs wished to discuss the issue. In the context of the work being carried out in the WTO to harmonize rules of origin, he said that his delegation had consistently, together with other Members, advocated simple and transparent rules of origin. This included clear provisions for substantial transformation that reflected current manufacturing processes and international trade. The LDC submission on rules of origin was based on such principles and would facilitate increased trade for LDCs. However, the submission also contained a number of detailed technical issues which needed to be further studied by the Norwegian trade and customs experts. Norway currently cooperated with its neighbours to ensure that rules of origin relating to imports into European countries were as similar as practically possible. His delegation would continue to engage with its partners on those issues.

27. The representative of New Zealand recalled that her Government had introduced DFQF market access for all imports from all LDCs in July 2001. New Zealand was currently considering whether there was information or analysis on trade flows since this might be of interest to Members. If necessary, her delegation would revert to that issue in the future either in the Special Session or the Regular Session of the CTD.

28. The representative of India said that during the Director-General's consultative framework mechanism on cotton, held in the previous month, his delegation had made a statement on DFQF market access. The Government of India was in the process of finalizing a package for DFQF treatment for LDCs which would cover the more important exports for the LDCs. His delegation was presently engaged in discussions with the LDCs and with its domestic constituency regarding DFQF market access and hoped to implement the decision in the near future.

29. The representative of China said that China had done a lot to expand market access for exports of LDCs. In the previous year at the China African High-level Forum, China had decided to expand DFQF market access for LDC exports to cover from about 100 to more than 400 tariff lines. Those tariff lines had been decided bilaterally with the beneficiary LDC Members. That easily covered, if not 100 per cent, the majority of LDC exports to China from a previous 94 per cent level. China would remain engaged in that process and would follow closely the measures taken by other Members to provide DFQF market access to LDCs. His delegation was open to further exploring with the LDCs what China could do to incorporate its bilateral contributions into the multilateral process.

30. The representative of Zambia said that her delegation looked forward to receiving further information on the various proposals on improving DFQF market access to the LDCs. She said that the LDCs remained open and available to discuss any issue with those Members that had indicated that they wished to do so. She reiterated that the LDCs were still of the view that the DFQF market access issue was a negotiating issue that should be addressed in the Special Session.

31. The Chairman said that that the exercise of sharing information on national implementation plans and procedures had been useful, including because it was important that Members were aware of what the other stakeholders were doing. He urged the stakeholders to remain engaged with one another and to continue their consultations bilaterally. He said that several questions had been raised on the LDCs proposal on rules of origin and it would be useful if bilateral consultations were held to address those questions. Having clarifications on such issues would provide the stakeholders with a better understanding of the LDCs proposal.

C. OTHER OUTSTANDING ISSUES: MONITORING MECHANISM

32. The Chairman said that under the mandate given by Ministers at the Hong Kong Ministerial Conference for the Special Session to resume work on all other outstanding issues, including on the cross-cutting issues, discussions had mainly focused on the Monitoring Mechanism. Based on consultations, he had made available, at the last formal meeting, a series of questions on the possible structure, scope and relationship of such a mechanism with other entities. Since then, he had held informal consultations on the basis of that questionnaire. As a result of those consultations, he had put together possible elements that could constitute the scope and structure of the proposed Monitoring Mechanism. This non-paper had been made available to all Members and had been placed at the back of the room. The Chairman clarified that the non-paper which was neither agreed nor exhaustive only provided a useful basis on which to continue consultations on the Monitoring Mechanism. Work still remained and he intended to continue his consultations on the Monitoring Mechanism.

D. OTHER BUSINESS

33. No issue was raised under Other Business and the meeting was accordingly adjourned.
