

For Information
on 13 February 2007

**LEGISLATIVE COUNCIL
PANEL ON COMMERCE AND INDUSTRY**

**Progress of the World Trade Organization
Doha Development Agenda Negotiations**

PURPOSE

This paper informs Members of the latest development of the multilateral trade negotiations under the Doha Development Agenda (DDA) of the World Trade Organization (WTO).

BACKGROUND

2. The DDA negotiations were launched at the Fourth Ministerial Conference of the WTO held in November 2001 in Doha, Qatar. The negotiations cover a broad and balanced agenda, and aim at achieving liberalization in the trade of agricultural products, industrial goods and services; clarifying and improving trade rules and making new rules; as well as addressing properly the concerns of developing economies.

3. This Panel was informed on 17 January 2006 that the Sixth Ministerial Conference of the WTO, i.e. the Hong Kong Ministerial Conference (HKMC), had concluded successfully in December 2005 and had established a launching pad for the DDA negotiations to enter its final phase in 2006.

**DEVELOPMENT AFTER THE HONG KONG MINISTERIAL
CONFERENCE**

4. Since the HKMC, work continued intensively in Geneva, and serious efforts were made at the ministerial/leaders level. Discussions were focused on the so-called triangle of core issues: domestic support for agriculture; market access for agriculture; and market access for non-agricultural products (NAMA). However, negotiations remained stuck as the different positions of major players persisted.

5. As the key players refused to compromise on agricultural market access and domestic farm support, it became clear that it would not be

possible for the Doha Round to be completed by end 2006. Therefore, at the recommendation of the Director-General of the WTO (DG/WTO), the WTO General Council endorsed on 27 July 2006 the suspension of the DDA negotiations, to enable serious reflection by all parties concerned.

6. During the suspension, the WTO entered a phase of “quiet diplomacy”. Active but low-key dialogue continued at the ministerial level, both bilaterally and plurilaterally, as well as in international fora. Hong Kong, China (HKC) has been playing a constructive role in pushing for the resumption of the talks. The Secretary for Commerce, Industry and Technology (SCIT) has been in close contact with Ministers of the United States (US), European Union (EU), Australia, New Zealand and others as well as the DG/WTO. He attended a meeting of ministers of the Buick Group¹ in Cairns, Australia in September 2006. SCIT called on the DG/WTO during his visit to Europe in November 2006, urging the latter to resume the process in Geneva. He also joined other Asia-Pacific Economic Cooperation (APEC) Ministers to impress upon the DG/WTO the need for prompt resumption of negotiations when the latter attended the Informal APEC Ministerial Meeting in November 2006 in Vietnam.

7. In the light of the strong plea of APEC Ministers and also sensing the WTO Membership’s general wish to restart the negotiations, the DG/WTO convened a meeting of the WTO Trade Negotiations Committee (TNC) at Heads of Delegation (HoD) level on 16 November 2006. DG/WTO reported that he considered it opportune to restart technical work but premature to move on to ministerial negotiations. The meeting agreed to a “soft” resumption, i.e. all negotiating groups should be given the green light to resume the “normal” process in Geneva and for them to determine the pace and rhythm of their discussions.

8. Chairs of Negotiating Groups have since conducted consultations in formats that they judged to be most appropriate. Hong Kong’s Permanent Representative to Geneva, Mr. Tony Miller, as Chair of the Negotiating Group on Trade Facilitation, held small group gatherings before convening “transparency forum” for the whole group. Similarly, informal meetings of Negotiating Groups on Agriculture, Services, NAMA, and Rules have been held.

¹ The Buick Group is an informal group comprising seven pro-liberalisation economies, namely the US, Canada, Australia, New Zealand, Chile, Singapore and HKC.

9. Outside Geneva, major players have marked the turning of the year with bilateral and plurilateral contacts at the highest levels. For example, the US President and the European Commission President met on 8 January 2007, followed by meetings between the EU Trade Commissioner and the US Trade Representative. The Doha Round was also one of the major agenda items discussed at the ASEAN Summit held on 10 - 15 January, and the African Union ministerial meeting held on 22 - 30 January. On 27 January, DG/WTO, SCIT and trade ministers from more than 20 influential WTO Members met in Davos, Switzerland at the margins of the World Economic Forum, to discuss how to advance the DDA negotiations towards a successful conclusion. At the end of the meeting, the Chair noted, inter alia, “a renewed commitment by all the participants to put the Doha Round back on track” as well as “a strong wish for a quick resumption of full scale activity in the different negotiating groups in Geneva to strive for a qualitative high level result and hammer out a deal”.

10. Subsequently, the DG/WTO convened another meeting of the WTO TNC at HoD level on 31 January 2007. At the meeting, WTO Members expressed support for a full resumption of the DDA negotiations. It is expected that such resumption will be formally endorsed by the WTO General Council at its meeting on 7 February 2007.

IMPACT OF THE SUCCESS/FAILURE OF DDA NEGOTIATIONS

11. The success or otherwise of the DDA negotiations will have significant and far reaching impact on the multilateral trading system, and on the entire WTO membership, particularly the developing economies. According to the World Bank, some US\$300 billion could be gained from global trade liberalization which would lift some 140 million people out of poverty. According to our own rough estimation, if a reduction in tariffs of, say, 50% could be agreed in the Doha Round, as much as HK\$5.5 billion per year in tariff payments could be saved in respect of Hong Kong’s 10 major domestic export items. This would have multiplying beneficial effect for business and employment opportunities in Hong Kong. Our business would also enjoy enhanced access to the overseas services markets liberalized under the Round as well as increased predictability and certainty in the global trading environment as a result improved/clarified trade rules.

12. In addition to forfeiting the economic and welfare gains expected from Doha’s successful conclusion, a failure of the Doha Round would pose

risks to the credibility of the WTO as an effective or even relevant institution. Although the WTO would continue to function with its extensive set of binding commitments from the Uruguay Round, trade disputes are expected to rise as key players, especially the EU and US, are likely to face more challenges on agricultural issues for their domestic subsidies to farmers, and this would strain the multilateral trading system. Furthermore, a failure of the Doha Round could reinforce protectionist pressure and proliferate bilateral and regional trade deals. This would put some economies (including HKC) in a disadvantageous position as they have less bargaining power, and increase operational inconvenience and transaction costs for traders who have to adapt to the “spaghetti bowl” effect of multiple trade areas each with their own rules and regulations.

THE ROAD AHEAD

13. Despite renewed activity in Geneva and, more importantly, high level political engagement in recent weeks, time is not on the negotiators’ side because the US Administration needs major advances in the negotiations in order to be able to persuade the US Congress to renew the US Presidential Trade Promotion Authority (TPA) which will expire on 1 July 2007.

14. The US Presidential TPA Act grants the President of the US the authority to negotiate trade deals with other countries. The US Congress may only vote for or against the agreement, but not amend it. According to the statutory requirements of the TPA, the US President must notify Congress of his intent to enter into any trade agreement, at least 90 days before entering into the agreement. Given that the current TPA will expire on 1 July 2007, if the US wishes to enter into a WTO agreement on the DDA, the President must notify Congress on or before 31 March 2007, unless the TPA is renewed by Congress.

15. On 31 January 2007, the US President spoke about the benefits of trade for Americans and called for the renewal of the TPA.

16. In broad terms, political developments in the US will play a key part in shaping the way forward for the Doha Round, and WTO Members must strive hard between now and April 2007 for breakthroughs in the negotiations in order that the TPA could be successfully renewed by the US Congress.

17. The window up to April 2007 is rapidly closing. In general terms, the key to a breakthrough in the DDA negotiations lies in the key players making compromise on agricultural market access and domestic farm support, and developing economies demonstrating a willingness to open their markets further to imports of services and industrial goods. With the limited progress to-date and the significant amount of work outstanding, although negotiations have resumed in practice, it is unclear at this stage when, and how, they would progress and conclude.

18. Meanwhile, all WTO Members are expected to work intensively to identify convergence. Pressure will be mounting for all players to exercise flexibility and contribute to the conclusion of the Round. HKC will continue to participate actively and constructively in the negotiations, and we will play an even more active role in our priority areas, namely, services (to achieve progressive liberalization for trade in services) and rules (to clarify and improve trade rules).

Trade and Industry Department
6 February 2007