

EU proposal for a development package in Hong Kong

EU objectives

The EU aims at the full achievement of the development objectives of the DDA through:

- 1) ambitious results in the various negotiating issues, which should lead to increased market access and better rules for all, and especially the developing countries;
- 2) within the main negotiation issues, provide for adequate flexibilities for developing countries in the implementation of their commitments (through Special and Differential Treatment and Less Than Full Reciprocity) as foreseen in the negotiating mandates on agriculture, industrial tariffs, services or trade facilitation
- 3) the adoption of specific measures to help the poorest WTO Members. This would include a substantial "aid for trade" package.

No doubt that the main development effects of the DDA will stem from improved market access and improved rules. But experience has shown that open markets in poor countries are not necessarily a magic wand, if done too abruptly and not accompanied by the right type of domestic policies and adequate supply-side capacity. This is why the opening of markets of the poorest WTO Members must be done gradually and boosted by capacity building measures and infrastructure development in order to address governance problems and supply-side constraints.

While increased market access for agricultural products to developed countries may be of interest to a limited number of more competitive developing and developed countries, this will not necessarily help some of the poorest countries, all of which already benefit from favourable market access conditions to developed country markets on the basis of various existing preferential trade schemes. To give one example : 97% of ACP products, including agriculture products, already enter the EC duty free.

EU proposal

The EU aims at the early adoption of a specific development package in Hong Kong, consisting of specific measures to enable the poorest WTO members to obtain benefits from this Round, and which includes the following:

- ☛ All industrialised WTO members should commit to provide **duty and quota-free access to all products from all LDCs**. This is what the EU has been doing since 2001 ("Everything But Arms" initiative). Despite pledges made at various occasions other developed countries have however not followed suit. A firm commitment, by all developed countries, to implement a similar programme, would be an essential contribution, in Hong Kong, to the development dimension of the Round.
- ☛ The WTO Members should adopt a **package on special and differential treatment proposals** to improve the flexibilities for LDCs that already exist in the WTO;
- ☛ It is crucial that we enshrine in the WTO's **intellectual property agreements** the conditions for a better access to cheap drugs against pandemics, and look favourably at requests for an extension of LDC's exemptions from TRIPS;
- ☛ We should agree on a **strong Aid for Trade package** along the lines of what was agreed at the Gleneagles G8 Summit. This is key to help strengthen the capacity of developing countries to trade. In this spirit, the EU recently undertook to raise its level of trade-related development assistance to 1 billion € a year, and is now encouraging other developed countries to follow suit.
- ☛ Work should be intensified on addressing **preference erosion**. Some beneficiaries of preferences (i.e. non-reciprocal low tariffs for developing countries in developed

countries) especially from the ACP, have raised the issue of their reduction of the preferential margin caused by reductions in MFN duties in the WTO. The EU considers that the solution to this problem is to be found in approaches that a) strengthen the supply-side of preference beneficiaries ("aid for trade"), and b) increase the preference granting Members in particular through the adoption of tariff and quota-free schemes for Least-Developed Members by all developed WTO Members and other advanced Developing countries (the latter could offer a more limited list of products) and adopting longer transition periods for tariff reductions on products affected by preference erosion.

- ☛ As regards **cotton**, the EU calls for ambitious and faster commitments on cotton than for other agricultural products at HK. This EU proposal calls for : 1) eliminating export subsidies for cotton ; drastically reducing trade distorting domestic subsidies and 2) substantially reducing tariffs on cotton in a manner that is more substantial and far reaching than for other products (or even no tariffs at all). Implementation of this set of commitments should begin immediately i.e. on day one of the implementation of the DDA agriculture negotiations, be completed as far as possible within one year, and in any case more rapidly than the implementation period for the Member concerned for other agricultural products. The specific commitments on cotton would of course form part of the final agricultural package of the Round.

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