

OVERVIEW OF NEGOTIATIONS – FEBRUARY 2008

When the Doha Development agenda was negotiated in Doha in 2001 it was expected that the round would be completed by the end of 2006. Obviously this, and subsequent deadlines set by the Members, have been missed and the Round continues. The latest target dates were suggested by Trade Ministers who attended the World Economic Forum in Davos, Switzerland, in January in that they suggested that they should meet in March 2008 in Geneva to agree on modalities. It is not clear as to whether this Ministerial meeting will actually take place¹ but if it does then the LDC Group will be well placed to take an active role as it will have been held almost immediately after the LDC Ministerial Meeting in Maseru, Lesotho, on 27-29 February 2008.

There is a feeling emerging that if the Round is to conclude then it will need to be restricted to a lesser number of negotiated issues than is currently the case, meaning that not only could some sectors be left out of a negotiated conclusion, but also that negotiations in sectors will not have full modalities covered. Although some Members are in favour of this approach, so as to conclude the Round, other Members are not in favour as it would, or could, mean that their main concerns are not addressed either at all or only in a partial manner.

There has been a recent boost made to the negotiations in that on 8th February 2008 both the Chairs of Agriculture and NAMA issued their Revised Draft Modalities papers which provide an assessment from the Chairs as to where consensus has been reached, where there is no consensus and where negotiations have not really started in earnest. Negotiations on these revised drafts are due to start in Geneva on 18th February 2008.

One of the main concerns regarding progress in the negotiations is the role the US can play in concluding the Doha Round. It is considered unlikely that in 2008 the US Administration will be in a position to push through what may be unpopular trade reforms in the US. President Bush's Administration has lost fast track (the Trade Promotion Authority) negotiating authority meaning that any trade deal will need to be taken to Congress for debate and approval. USTR have stressed that they are keen to conclude a deal under Doha but all it would be able to do would be to submit a proposed deal to Congress for their consideration. The Democrat candidates have not been supporting a conclusion of the Doha Round but little can be read about future actions and intentions from campaign speeches.

Duty-Free, Quota-Free Market Access

From the point of view of the LDCs the Hong Kong Ministerial decision on DFQFMA has a number of weaknesses, in particular:

- Although the decision covers 100% of products originating from all LDCs (and both the level of product coverage and the inclusion of all LDCs should be regarded as major achievements for the LDC negotiators), there is a loop-hole as it allows developed countries to self-assess whether they are in a position to provide 100% product coverage and, if, by their own assessment, they are not, then they can provide DFQFMA to 97% of products originating from LDCs. Given that the export bases of most LDCs are extremely limited and that developed countries have about 6,000 to 10,000 tariff lines, an exclusion of 3% of tariff lines amounts to about 180 to 300 tariff lines. This may not sound much but if the 3% exclusions are of lines that constitute LDC exports, then the provision of 97% DFQFMA to LDCs is commercially meaningless.
- The implementation date is set at 2008 or by the start of the implementation period (of the DDA). However, there is no time limit set for the 3%. In his Challenges paper of 25th May 2007 the Chair of the Committee on Agriculture suggested that "*Even if that last 3% cannot be achieved by the commencement of the implementation period, it is something to aim for by the end*". However, this suggestion was dropped from the Chair's Draft Modalities papers, presumably because of strong opposition from some developed country Members and the LDCs will struggle to get an implementation date introduced for the 3%.

¹ The Secretary General of WTO did not give a date for a Ministerial Meeting when he presided over the General Council meeting in early February.

- Although the Hong Kong Ministerial Declaration envisages developing country Members providing LDCs with DFQFMA, the language used in the Declaration is not binding. This was intentional as the LDCs needed the support of the developing countries to get the decision on DFQFMA passed at Hong Kong. As it was, some developing countries, in particular Pakistan, objected strongly to the provision of DFQFMA to all LDCs on the grounds that this provision could adversely affect their exports. This is the reason for the inclusion of the phrase “*taking into account the impact on other developing countries at similar levels of development*” in the article. This implies that if the inclusion of some tariff lines into the LDC DFQFMA provisions would have an adverse effect on the exports of developing countries then the developed country making the concessions to the LDCs had a right not to include these lines in the concessions. At the time of the decision the main reason for the inclusion of this phrase was to protect garment exports into the US from some developing countries from competition from a few LDCs.
- The monitoring mechanism is extremely weak and no sanction can be imposed on developed countries that do not comply with the spirit and letter of the decision. Legally, one may argue that commitments entered into through Ministerial decisions are enforceable and LDCs can exercise their right to get these decisions enforced through the WTO’s Dispute Settlement Understanding (DSU). However, even ignoring the strengths and weaknesses of such a legal case, the track record of LDCs’ participation in DSU proceedings suggests that such a course of action is unlikely.²

Despite these weaknesses, there is a body of opinion that regards the LDC package of DFQFMA on a lasting basis for all products originating from all LDCs by 2008 or no later than the start of the implementation period, combined with the Enhanced Integrated Framework and the Aid for Trade initiative as being the major outcome of the Hong Kong Ministerial meeting.

Rules of Origin

A series of meetings were held in 2007 with Delegations of preference-giving countries, including the US, EU and Japan. However these meetings were used by the preference-giving countries as opportunities to explain to the LDC Group why the Rules of Origin used by these preference-giving countries were the best Rules of Origin that can be provided to LDCs and that they conformed to the Hong Kong Decision in that they were simple and transparent. The focus was on defence of the *status quo* rather than on taking account of the interests of LDCs and working together to resolve outstanding concerns of LDCs.

There also seems to be a perception by WTO members that LDCs do not know what they want or how they want to proceed. In his introduction to the Draft NAMA Modalities (Job(07/126) on 17th July 2007 the NAMA Chair, in paragraph 38, states that “*On the issue of improving rules of origin for duty-free, quota-free market access, neither the proponents nor the members more broadly have a precise idea on how to proceed*”. This is despite the fact that the LDC Group presented a detailed proposal on Rules of Origin (TN/MA/W/74) to the NAMA Committee a year earlier.

The Chair, in paragraph 38, goes on to state that “*I would note that harmonizing preferential rules of origin may not be the optimal solution and that there are best practises among Members that could be readily adopted to enhance the effectiveness of these programs*”. Nowhere has the LDC Group mentioned a desire to harmonise Rules of Origin so it is unclear as to why the Chair should consider it necessary to make this statement. The statement on the adoption of best practices is in line with the position of preference-giving countries, who all believe that their particular preferential Rules of Origin constitute best practice, rather than in line with the clearly stated objectives of the LDC Group.

² See Mavroidis, Horn and Inama, What developing countries should be asking in the context of DSU negotiations, mimeo, 2003.

As regards Rules of Origin at least, from the point of view of the LDCs the Revised NAMA Draft Modalities of 8th February 2008 are a slight improvement over the previous draft. Paragraph 15 of the Revised Draft states, among other things, that:

We reaffirm the need to help LDCs secure beneficial and meaningful integration into the multilateral trading system. In this regard, we recall the Decision on Measures in Favour of Least-Developed Countries contained in decision 36 of Annex F of the Hong Kong Ministerial Declaration (the "Decision"), and recommit:

- (a) to fully implement the Decision as agreed;*
- (b) to ensure that preferential rules of origin applicable to imports from LDCs will be transparent, simple and contribute to facilitating market access in respect of non-agricultural products. In this connection, we urge Members to use the model provided in document TN/MA/W/74, as appropriate, in the design of the rules of origin for their autonomous preference programs;*

The LDC proposals for preferential Rules of Origin are for an across the board Rule of Origin based on an, as yet unspecified³, percentage criterion. The proposal for an across the board criterion was simply to avoid the negotiations of product specific rules of origin.

The LDCs have not been able to suggest what percentages would be appropriate as data to be used in the determination of these percentages is missing. However, through some field research being conducted by the DfID-financed Regional Trade Facilitation Programme and UNCTAD in the COMESA region, the level of percentages a sample of LDC producers could comply with will be assessed.

The use of a framework of an across-the-board percentage criterion for preferential Rules of Origin does not *a priori* preclude the adoption, in some sectors or HS chapters, of the use of other criteria such as change of tariff classification or specific working or processing requirements.

Agriculture

The Agriculture Revised Draft Modalities paper (TN/AGW/4/Rev.1) has changed in a number of significant ways from the Draft Modalities paper issued first in July 2007 as a job paper and then as TN/AG/W/4. However, it remains to be seen whether these attempts by the Chair are able to bring the Members to a consensus on Agriculture.

In summary, the main points to highlight in the Revised Draft Modalities of 8th February 2008 are as follows:

- On Domestic Support, the proposed range of overall trade-distorting domestic support that the U.S. will be allowed to spend is still US\$13-16.4 billion. For developed country Members, reductions in Final Bound Total AMS shall be implemented in six steps over five years. For the US and EU reductions shall be implemented by means of a first instalment of a [25] per cent reduction on the first day of implementation, followed by reductions in equal annual instalments over five years. For other developed country Members, the reductions shall be implemented in six equal annual instalments over five years, commencing on the first day of implementation.
- Also on Domestic Support, the Chair proposes that WTO members choose which type of blue box they want (either the old blue box, or the new blue box established under the July 2005 Framework Agreement, which allowed the US to include its counter-cyclical payments). Further exceptions would be allowed, but would need to be approved by other members.
- The formula proposed by the C-4 countries (Benin, Burkina Faso, Chad, and Mali) which calculates a higher reduction for AMS for cotton is included.

³ The fact that there has been no specified percentage criterion is deliberate. The LDC Group wanted to first get the concept of an across-the-board percentage criterion agreed and then move to the percentage, rather than get bogged down with a discussion on what percentages would be appropriate before principles were agreed.

- In Market Access an average tariff cut target has been added to the tiered tariff reduction formula, with a minimum average tariff cut for developed countries proposed as 54%, 36% for developing countries and 24% for Small and Vulnerable Economies (SVEs - defined in Annex I plus the Republic of Congo, Cote d'Ivoire and Nigeria). All numbers are still bracketed.
- On duty-free, quota-free market access the Revised Draft Modalities simply echo the Hong Kong Declaration. In the Chair's Challenges paper of 25th May 2007 he was prepared to go a lot further and suggested that "Even if that last 3% cannot be achieved by the commencement of the implementation period, it is something to aim for by the end". Now there is no implementation period for the 3%.
- Modalities for the selection and treatment of Special Products albeit with a large number of brackets remaining in the text.
- Modalities on Tropical Products, although with the list of Tropical Products still bracketed
- Modalities on erosion of preferences, but again, with the list of products still bracketed. It could also be noted that the Tropical Products that some Members are proposing should be liberalised are sometimes the same products, such as sugar and bananas, other Members want to list as products for which long-standing preferences would apply, and so would not be liberalised.
- Modalities for Food Aid that are based on the LDC and African Group proposals.

Non-Agricultural Market Access (NAMA)

The main area of disagreement in these negotiations is the coefficients that should be used in the tariff reduction formula and the flexibilities which should be allowed for developing countries.

The Draft Modalities of July 2007 proposed coefficients in the range of 8-9 for developed countries and 19-23 for developing countries. This would mean that developed countries would have to reduce their industrial tariffs by about 30% and developing countries would have to reduce their tariffs by about 60%. These proposed coefficients were strongly contested by some developing countries. NAMA-11 Members have proposed coefficients for developing countries that are 25% less than coefficients from developed countries but developed countries are proposing coefficients of about 10 for developed countries and about 15 for developing countries, or at least no more than a difference of 5 points between developed or developing countries.

The Draft Modalities of July 2007 proposed a fixed number of tariff lines that developing countries could protect by applying a lower formula cut or not cut at all to a fixed number of tariff lines which developing countries want to see to deviate from the main formula are also strongly contested.

The Chair's Revised Draft Modalities confirms that LDCs shall be exempt from tariff reductions both through the formula and through sectoral initiatives. LDCs will, also, not be required to make mandatory concessions. However, as part of their contribution to the DDA, LDCs are expected to substantially increase their level of tariff binding commitments. The Chair's text clarifies that individual LDCs shall determine the extent and level of tariff binding commitments in accordance with their individual development objectives. All new tariff binding commitments shall be on an *ad valorem* basis. For existing bindings which are not on an *ad valorem* basis, LDCs are encouraged (as opposed to the obligation of other members to schedule all bound tariff lines in *ad valorem* terms) to convert them to *ad valorem* equivalents on the basis of the methodology outlined in document TN/MA/20 and bind them in *ad valorem* terms.

In terms of market access for LDCs, the Chair does not go any further than what has been proposed in the Hong Kong Declaration and this falls short of modalities for duty-free, quota-free market access. This language falls far short of the request to have language which reflects:

- A commitment by developed country Members to ensure duty-free and quota-free market access for at least 97 per cent of products originating from LDCs, defined at the tariff line level, by the end of 2008;
- A commitment by developed country Members to grant duty-free and quota-free market access for the remaining 3 per cent of products originating in LDCs by the end of 2009 at the latest; and
- A commitment by a larger number of developing countries to progressively implement, beyond the current market access duty-free and quota-free market access to products originating in LDCs through a non discriminatory and non reciprocal instrument, according to the principles contained in WTO document WT/L/304 of 17 June 1999, starting from April 2008.

The Revised Draft Modalities also do not address the concerns the LDCs have in terms of Rules of Origin. The Chair simply suggests that the Committee on Trade and Development shall monitor implementation of the DFQFMA and Rules of Origin provisions. The LDC Group has been specific on what it would like to see addressed in the NAMA modalities in terms of rules of origin, this being that Members should base their preferential rules of origin for products originating in LDCs on the model Rules of Origin in TN/MA/W/74 and that Members should engage in discussions to finalise the draft protocol on rules of origin attached to document TN/MA/W/74 starting from April 2008 and to be concluded not later than the end of 2009.

The LDCs have also requested that Members should agree on a system to be put into operation, as part of the operational modalities of the Doha Round, to effectively monitor and assess the adoption by WTO Members of the duty free quota free commitment as well as realistic, simple and transparent rules of origin for products originating in LDCs.

Trade in Services

A number of developed country members, including the EC and US, would like to see a Services text released along with the Agriculture and NAMA Draft Modalities as they are not in favour of making commitments in NAMA and Agriculture without parallel commitments being made in Services. However, there are even greater difficulties in reaching a compromise position in Services than there are in NAMA and Agriculture. The Chair of the Services negotiations, Ambassador de Mateo, was not able to propose language which he thought there would be a consensus on and, instead issued a "report" on 12th February 2008 that highlighted areas of agreement and disagreement.

There is disagreement amongst the WTO Members over the need for a Services text as part of the Doha Development Agenda. The WTO negotiations end in a "single undertaking", meaning that everything must be agreed at once – there cannot be an agreement in Agriculture, for example, without an agreement in NAMA. In the Hong Kong Declaration Members agreed to "ensure that there is a comparably high level of ambition in market access for Agriculture and NAMA" (paragraph 24 of the Hong Kong Ministerial Declaration). There is a growing body of opinion that, in order to get the Doha Round concluded, Services should not be put on a parallel with Agriculture and NAMA, meaning that the Members should concentrate on getting agreement in these two areas first and then address other outstanding areas, including Services. However, those Members with a strong interest in services trade are not able to agree with this approach and insist that the "level of ambition" in Agriculture and NAMA must match the "level of ambition" in Services.

There are also still differences of opinion regarding "binding commitments" in the Services sectors. Some developed country members, including the US and EC, would like to see members bind their existing levels of market access and national treatment. This is unacceptable to most developing countries, who argue that they need to retain flexibilities to deal with their development needs.

Trade Facilitation

From an LDC perspective, the modalities for Technical Assistance and Capacity Building (TACB) and special and differential treatment (S&DT) remain a fundamental part of the trade facilitation negotiating mandate and therefore should be reflected in its outcome. In the context of the LDCs' need for TACB, both during the negotiations and the implementation period, various solutions should be explored and should not be limited to the bilateral approach suggested by the EC and its partners. The lack of capacity of LDCs in developing project proposals, accessing available funds and monitoring TACB projects is well documented under the Integrated Framework (IF) and other Official Development Assistance (ODA) programmes. Past experiences on implementation of the customs valuation agreement and insufficient delivery of TACB would seem to justify the concerns of LDCs on taking a purely bilateral approach. Alternative approaches would need to be defined but best practices using, for example, the Integrated Framework and the Standards and Trade Development facility (STDF) could offer examples and lessons learned in designing a suitable approach which is user friendly, accessible and conditionality-free for the LDCs and adequate to meet all TF TACB requirements of the LDCs both during and after the negotiations.

The link between Trade Facilitation and Aid for Trade also needs to be made. In conjunction with trade facilitation measures, the development of infrastructure, including roads, railways, ports, bridges and border posts, is needed if LDCs and other low-income countries are to use trade as a mechanism to reduce the cost of production and supply and so be able to use trade as a mechanism to ensure sustainable economic growth and poverty alleviation.

Intellectual Property Rights

Implementation in Developing Country and LDC Members

The obligations under TRIPS apply equally to all WTO Members but developing countries were allowed extra time to implement the applicable changes to their national laws, in two tiers of transition according to their level of development, with the extra time expiring at the end of 2005.

Article 66.1 states that if a duly motivated request is handed in, the transition period shall be extended by the TRIPS Council. In October 2005, the LDC group formally presented their joint request to the Council for TRIPS. The request was prepared on the basis of LDC Members' common special needs and requirements; economic, financial and administrative constraints; and need for flexibility to create a viable technological base. The joint request ensured that LDCs were not subject to individual scrutiny and differentiated transition periods.

The request was successful and the transition period for LDCs was extended by 7½ years to July 2013.⁴ In order to allow targeted technical assistance and financial cooperation to take place, LDCs are asked to provide the TRIPS Council with comprehensive information, preferably before 1 January 2008, as to their individual needs for assistance in implementing their TRIPS obligations. However, few LDCs have taken steps to identify their needs so the LDCs may be in danger of not doing enough to meet the compliance deadline of 2013.

TRIPS and Public Health

Article 31(f) of the TRIPS Agreement says products made under compulsory licensing must be "predominantly for the supply of the domestic market". This was considered to limit the amount of drugs that could be exported to countries in need of these drugs. This issue was resolved when, in August 2003, WTO Members agreed on legal changes to make it easier for countries to import cheaper generics made under compulsory licensing if they are unable to manufacture the medicines themselves. When Members agreed on the decision, the General Council chairperson also read out a statement setting out Members' shared understandings on how the decision would be interpreted and implemented. The decision contains three waivers:

- Exporting countries' obligations under Article 31(f) are waived so any Member country can export generic pharmaceutical products made under compulsory licences to meet the needs of importing countries.

⁴ This is the date that LDCs have to apply the provisions of the TRIPS Agreement. Another important date is the extension of the application of pharmaceutical patents by LDCs to 2016.

- Importing countries' obligations on remuneration to the patent holder under compulsory licensing are waived to avoid double payment. Remuneration is only required on the export side.
- Exporting constraints are waived for developing and least-developed countries so that they can export within a regional trade agreement, when at least half of the members were categorised as least-developed countries at the time of the decision.

A number of conditions apply to pharmaceutical products imported under the system that aim to ensure that beneficiary countries can import the generics without undermining patent systems, including measures to prevent the medicines from being diverted to other markets.

Governments using the system are required to keep all other members informed and the WTO has a dedicate page on their website giving notifications by WTO Members of their intention to use the system established by the Decision as an importer and of their intention to effect specific imports under the system and a page giving notifications by WTO Members of the grant of compulsory licences for export.

The 30th August 2003 waiver was an interim agreement and this was made into a permanent decision with a General Council decision on 6th December 2005 which was to come into force when two thirds of members accept the waiver. The deadline the WTO Members gave themselves to get two-thirds acceptance was 1st December 2007. However, by December only 14 WTO members had accepted the waiver (with 100 acceptances needed for the decision to come into force) so the General Council has reset the deadline for acceptance to 31st December 2009.

Enhanced Integrated Framework

The Enhanced Integrated Framework has got to the stage where an Interim EIF Board has been elected by respective constituencies, to oversee the smooth transition to the EIF and to address outstanding issues. The Sub-Committee on LDCs, in June 2007, transferred the mandate given to the old IFWG to the EIF Board as a decision-making body for operational and financial oversight and policy direction. Currently, the Board is chaired by Lesotho and comprises Canada, Switzerland and the UK as the cooperating partner representatives; Rwanda, Senegal and Yemen as LDC representatives; and the six IF Agencies. The Board has convened more than 20 meetings since May 2007. It is assisted by an IF Programme Implementation Unit, working as a temporary secretariat for the newly enhanced IF.

On 25 September, the Government of Sweden hosted a High-Level Conference to mobilise international financial support for the EIF. Canada and the UK were very active co-partners in securing the success of this landmark event. The Conference brought together representatives of some 38 donors, the six IF Agencies, as well as five LDCs, the chair, the three LDC interim Board members and the previous LDC coordinator at the WTO, Zambia. Concrete pledges or announcements of full intentions to do so were made by 22 donors. The first two years' target of US\$100 million for the replenishment has been over-subscribed by about US\$10 million. A total amount of about US\$170 million for the envisaged five years EIF duration has been pledged to date. This represents about 75 per cent of the total target of US\$250 million for the five years. Given the support donors have shown so far, it is reasonable to assume that the full funding target will be met. These figures only relate to the multilateral IF Trust Fund and not to additional bilateral contributions that donors may make during the IF process. The IF is guided by the aid effectiveness principles set out in the Paris Declaration.

As at the beginning of February 2008 the following 3 important tasks needed to be finalised:

- Recruitment of an Executive Director to manage a fully-fledged new EIF Executive Secretariat;
- Selection of a Trust Fund Manager, to manage the EIF multilateral funds; and
- Adoption of an EIF Monitoring and Evaluation mechanism.

The Interim Board is looking to complete these outstanding tasks by the end of the first quarter of 2008. From then on, the EIF should be fully operational, albeit having been delayed by more than one year from the original deadline. The start of operations of the EIF will allow

it to attend to the needs of the 29 LDCs that had validated their diagnostic studies and action matrices; the 11 LDCs that have had their Technical Reviews approved and the 5 LDCs in which Technical Reviews are underway (as at November 2007).

Aid for Trade

The WTO together with regional banks and governments organised regional reviews on Aid for Trade in Lima, Peru on 13-14 September 2007; in Manila, Philippines on 19-20 September 2007; and in Dar es Salaam, Tanzania on 1-2 October 2007. The main objectives of these regional reviews were to underline the central importance of trade in development policies; identify the main capacity constraints to export growth; emphasise the importance of comprehensive national and regional trade strategies and encourage developing countries to prepare AfT strategies; highlight the need for increased and effective financing; and secure political commitment on the way forward.

The recommendations from the regional reviews were similar in that they proposed:

- The creation of regional Aid for Trade networks, preparation of progress reports and holding of regional stocktaking meetings;
- That countries and sub-regions should map out their main structural constraints and policy bottlenecks to trade, building on existing studies and needs assessments;
- The need to prepare sub-regional and national AfT strategies and implementation plans, including an assessment of the financial requirements of implementation;
- The need to involve Regional Banks in AfT implementation;
- The need to monitor progress, including regional stock-taking conferences.

The regional review fed into the global Aid for Trade review in Geneva on 20-21 November 2007. The WTO, together with the OECD Secretariat, prepared a report for the review, entitled "Aid for Trade at a Glance 2007" and this gives information on global Aid for Trade flows; donor strategies, policies and practices and partner-country strategies, policies and practices.

In terms of next steps, there is an urgent need to put Aid for Trade into operation. There is considerable good will from both the donors and the recipient countries and there is a need to get Aid for Trade strategies and implementation plans in place rapidly so that finances can start to flow to potential recipients as soon as possible.

Rules

Dispute Settlement

In 2002 the LDC Group circulated a proposal (TN/DS/W/17) to modify the Dispute Settlement Understanding (DSU). The LDC Group proposal was based on the fact that, to date, no LDC Member has sought to resolve a trade dispute through the WTO dispute settlement system (DS). This is not because LDCs have had no concerns worth referring to the DS, but owing to structural and other difficulties that are posed by the system itself.

The LDC proposal contained in TN/DS/W/17 was followed up with proposed text on DSU negotiations (TN/DS/W/37 of 22nd January 2003) However, over the last few years LDCs have not followed up on these proposals and a decision needs to be taken as to whether LDCs still see value in the proposals.

Regional Trading Arrangements

One issue of concern to LDCs is how RTAs and, more particular, customs unions that LDCs are members of, will be affected by a conclusion of the Doha Development Agenda in terms of market access arrangements. The DDA will, or should, result in an across-the-board cut in bound MFN tariffs for developed and developing countries, but excluding LDCs, although the values of the cuts will be different in the two cases. The difficulty arises if a developing country is a member of a customs union which is made up of predominantly LDCs. A customs union has, as a minimum requirement, a common external tariff (CET), which means that each member of the customs union has the same tariffs applied on goods from external trading partners. If a developing country which is part of a customs union is obliged to apply a formula reduction in its tariffs as part of the Doha Round, and if the tariff cut in the bound rate

is deep enough as to mean a reduction in the applied rate (which is the CET rate) then either the CET is reduced (meaning that the LDCs that are members of the customs union will also have to apply a tariff cut); or the developing country maintains the same tariff as the LDCs (meaning that the developing country concerned does not meet its tariff cut obligation); or the developing country reduces its external tariffs but the LDCs do not (meaning that the customs union no longer operates as a single customs territory). None of these solutions are acceptable so a compromise must be found during the course of the negotiations.

Fisheries Subsidies

LDCs are exempt from the proposed rules and will have full flexibility to subsidise their fisheries sectors.

References:

For further information see:

WTO website: www.wto.org

IATP's "Geneva Update" by Carin Smaller at:

<http://www.tradeobservatory.org/genevaupdate.cfm?messageID=123444&listID=178>

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http://www.southcentre.org/publications/AnalyticalNotes/NAMA/2007Jul_Comments_NAMA_draft_modalities.pdf

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