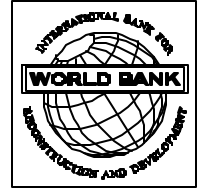




DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
On the
Transfer of Real Resources to Developing Countries)



DC2006-0005
April 7, 2006

**TRADE PROGRESS REPORT:
THE DOHA DEVELOPMENT AGENDA AND AID FOR TRADE:
HONG KONG AND BEYOND**

Attached for the April 23, 2006, Development Committee Meeting is a background report entitled "Trade Progress Report: The Doha Development Agenda and Aid for Trade: Hong Kong and Beyond."

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WORLD BANK

Trade Progress Report The Doha Development Agenda and Aid for Trade: Hong Kong and Beyond

April 7, 2006

Table of Contents

Abbreviations and Acronyms	i
Country Groupings	ii
Introduction.....	1
I. The Results of the 6th WTO Ministerial	3
A. AGRICULTURE	3
B. NON-AGRICULTURAL MARKET ACCESS (NAMA).....	4
C. SERVICES	5
D. DEVELOPMENT DIMENSIONS.....	6
E. TRADE FACILITATION	7
F. OTHER RELEVANT TOPICS.....	8
G. A ROADMAP FOR THE NEGOTIATIONS	9
II. Developments since the Hong Kong Ministerial and Assessment	9
III. The Aid for Trade Agenda	14
A. THE IF TASK FORCE.....	17
B. THE AID FOR TRADE TASK FORCE	18
IV. World Bank Activities on Trade	20
V. Conclusions	22
References.....	23
Appendix 1. Evolution of Selected Negotiating Issues—From Doha Mandate to the Hong Kong Ministerial and Beyond.....	25

Abbreviations and Acronyms

ACP	African, Caribbean and Pacific Group
DDA	Doha Development Agenda
DG	Director General
EC	European Commission
EU	European Union
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GI	Geographical Indication
IEG	Independent Evaluation Group
IF	Integrated Framework
IFI	International Financial Institutions
IFSC	Integrated Framework Steering Committee
IMF	International Monetary Fund
ITC	International Trade Centre
LDCs	Least Developed Countries
MFN	Most Favored Nation
NAMA	Non-agricultural Market Access
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OECD-DAC	Organization for Economic Cooperation and Development—Development Assistance Committee
PRSP	Poverty Reduction Strategy Paper
RTA	Regional Trade Agreement
SAR	Special Administrative Region
SDT	Special and Differential Treatment
TNC	Trade Negotiation Committee
TPA	Trade Promotion Authority
TRIMS	Agreement on Trade-related Investment Measures
TRIPs	Agreement Trade-related Intellectual Property Rights
TRTA/CB	Trade-related Technical Assistance/Capacity Building
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
WTO	World Trade Organization

Country Groupings

African Group (41 countries)

Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo, Congo (Democratic Republic), Côte d'Ivoire, Djibouti, Egypt, Gabon, The Gambia, Ghana, Guinea, Guinea Bissau, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia, Zimbabwe

African Union/Group, African, Caribbean and Pacific (ACP), least developed countries (also known as "G90", but with 64 WTO members)

Angola, Antigua and Barbuda, Bangladesh, Barbados, Belize, Benin, Botswana, Burkina Faso, Burundi, Cambodia, Cameroon, Central African Republic, Chad, Congo, Côte d'Ivoire, Cuba, Democratic Republic of the Congo, Djibouti, Dominica, Dominican Republic, Egypt, Fiji, Gabon, The Gambia, Ghana, Grenada, Guinea (Conakry), Guinea Bissau, Guyana, Haiti, Jamaica, Kenya, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mauritius, Morocco, Mozambique, Myanmar, Namibia, Nepal, Niger, Nigeria, Papua New Guinea, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sierra Leone, Solomon Islands, South Africa, Suriname, Swaziland, Tanzania, Togo, Trinidad and Tobago, Tunisia, Uganda, Zambia, Zimbabwe

Cairns Group

Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand, Uruguay

G10

Bulgaria, Iceland, Israel, Japan, Korea, Republic of, Liechtenstein, Mauritius, Norway, Switzerland, Chinese Taipei

G20

Argentina, Bolivia, Brazil, Chile, China, Colombia, Costa Rica, Cuba, Ecuador, Egypt, El Salvador, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Tanzania, Thailand, Venezuela, Zimbabwe

"Small Island Developing States"(SIDS)

Barbados, Cuba, Dominica, Jamaica, Mauritius, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago

The Doha Development Agenda and Aid for Trade: Hong Kong and Beyond

Introduction

- 1.** This Trade Progress Report updates the Board on the status of the WTO negotiations that were launched in Doha, Qatar in November 2001. It describes the main results of the 6th WTO Ministerial that took place in Hong Kong SAR on December 13-18, 2005 and the progress achieved since then. The report also reviews the status of the ongoing discussions on aid for trade in the context of the Doha Development Agenda (DDA) while providing a brief update on World Bank work on trade.
- 2.** Negotiations around the DDA were scheduled to be completed by January 1, 2005. After the collapse of the Cancun Ministerial (September 2003), however, it became clear that this goal would not be achieved. The “July package” of 2004 reenergized the negotiations and included the decision to continue negotiations beyond the original timeframe adopted in the Doha Declaration.¹ At the Hong Kong Ministerial, Ministers renewed their commitment to complete the negotiations successfully in 2006. This renewed sense of urgency is fostered by the upcoming expiry of the Trade Promotion Authority (TPA) in the United States on July 1, 2007. Despite some concrete results at the Hong Kong Ministerial, overall progress since the start of the negotiations remains limited. The stakes are high not only for the round, but also for the credibility of the multilateral trading system and the WTO.
- 3.** With the deadlines for agreeing negotiating modalities on agriculture and manufactures fast approaching, Bank staff are increasingly concerned that an ambitious outcome from the Doha Round is now at risk. All WTO members need to galvanize the political will to undertake necessary reforms. Industrial countries need to move on agriculture, market access being by far the most important pillar of the negotiations, although reduction in domestic support, for example in cotton, remains a critical element. All countries must also participate in the Round, including the developing countries who will gain most from their own liberalization and from the expansion in South-South trade. Thus, the G-20 should pursue further opening of its own markets with respect to services and manufactures, and the poorest countries need to undertake basic WTO commitments rather than appeal to special and differential treatment provisions to avoid taking action. Failure to act now risks generating an outcome that will either result in little new liberalization and reduction of actual subsidies – i.e., a missed opportunity that may not materialize again for a decade or longer - or in condemning this round of negotiations to a period of drift. As the first trade round with development explicitly at its core, it is essential for the DDA to deliver on its poverty-reducing and growth-enhancing potential.

¹ The “July package” encompasses the decisions taken by the WTO General Council on August 1, 2004. See WTO (2004a) for details.

The development community must do all it can to reinforce the urgency of reaching an ambitious Doha deal with concrete and substantial new market opening within the timeframe agreed by Ministers at Hong Kong.

4. As the recent IEG review on trade underscores, complementary actions are required if liberalization is to deliver on its expected benefits.² For this reason, increased aid for trade remains an essential complement to, but by no means a substitute for, an ambitious Doha outcome. Some progress has been made on this agenda since its endorsement by the Development Committee at its last meeting. In October 2005, a Task Force was constituted in the WTO to take forward possible enhancements to the Integrated Framework. Aid for trade also took center stage in Hong Kong SAR and the Ministerial Declaration invited the WTO Director General to create a task force to analyze how it might best be operationalized. This Task Force was formally constituted on February 8, 2006 and it is expected to provide recommendations to the WTO General Council by July 2006. A number of donors have also announced increased resources for aid for trade.

5. The prospect of increased resources underlines the importance of increasing country ownership and furthering the mainstreaming of trade into national development strategies if aid for trade is to reflect country priorities and avoid distorting aid allocations. Increased donor coordination is also critical to the effectiveness of aid for trade. These elements underpin the Integrated Framework, but should be an important feature of any new mechanism. It is also recognized that the IF requires a more streamlined and accountable management structure, as well as increased and more predictable resources. There is also a need for parallel mechanisms to support poor countries that are not classified as Least Developed Countries (LDCs), and Bank staff will continue to work closely with the WTO Task Force on Aid for Trade to explore ways to move this agenda forward.

6. There have also been concerns within the trade community that the approach to aid for trade endorsed by the Development Committee at its last meeting was insufficiently concrete and uncertain to deliver genuinely additional funds in a measurable manner. Responding to these concerns, Bank staff are working with counterparts in Geneva to contribute new ideas on making aid for trade more concrete and effective. However, we remain conscious of the difficulties of creating new multilateral instruments, and of the mixed signals and weak support we have received from donors on their willingness to support trade-related multilateral funds.

7. While discussions on the shape of aid for trade in the context of the Doha Round will continue to evolve in the coming months, Bank staff will continue to promote increased aid for trade as a development agenda in and of itself. More generally, as recommended by the IEG review, the Bank will continue its advocacy and research activities across the trade agenda, and intensify its efforts to mainstream trade into country programs, respecting country specificities.

² See IEG (2006).

I. The Results of the 6th WTO Ministerial

8. Views about the outcome of the 6th WTO Ministerial vary. Pascal Lamy, WTO's Director General, in his daily Ministerial blog identified as the main accomplishments of the meeting: "a rebalancing [of the negotiations] in favour of developing countries" and "more importantly [building] the political energy necessary to advance technically during 2006..."³ Many observers, however, characterized the Ministerial as achieving modest progress in terms of the negotiating agenda. But there was a generalized sense of relief as WTO Members managed to avoid another confrontation "à la Cancun." Appendix 1 provides a summary description of the evolution of the negotiations since their launch in November 2001.

9. The Ministerial Declaration (WTO 2005a) sets a road map for the conclusion of the Doha round. In its initial paragraph, it states the goal of concluding the negotiations successfully in 2006. There is broad consensus that the road ahead will be extremely challenging, not only in terms of achieving consensus on the most divisive issues remaining (e.g., agricultural market access), but also with respect to complying with a quite ambitious timetable for 2006. The main issues agreed at the Ministerial are described below.

A. Agriculture

10. *Phasing out of agricultural export subsidies by 2013*—the agreement on a concrete date for the phase-out of export subsidies was long overdue. Although 2010 was the preferred date for those with offensive interests in agriculture (e.g., G20, the US and the Cairns Group), the compromise around a later date was required to accommodate the EU (this timetable will facilitate synchronization with the EU's forthcoming budget cycle). Agricultural export subsidies account for only a small share of the overall support given to agriculture in OECD countries (less than 2 per cent if one considers only primary agriculture).⁴ But the decision has an important symbolic effect.

11. Debate on disciplines on export measures with equivalent effect to export subsidies (e.g., export credits, export credit guarantees and insurance programs, state-trading enterprises, and food aid) are expected to attract renewed attention in 2006. With respect to food aid programs negotiations on effective disciplines for in-kind food aid is an important point of debate. The Ministerial Declaration introduces the concept of a "safe box" with the view of ensuring that *bona fide* food aid dealing with emergency situations will not be impeded by these disciplines.

³ See Lamy's Ministerial Conference Diary at www.wto.org/english/thewto_e/dg_e/pl_visitors_e/min05_blog_e.htm

⁴ For an analysis of the composition of agricultural support see Anderson, Martin and Valenzuela (2005).

12. *Agreement on the structure of formulae for cuts with respect to domestic support and border barriers (market access):* three bands for reduction of agricultural domestic support with higher linear cuts in higher bands. This will imply that for the overall cut in domestic support, the EU will be in the highest band, the US and Japan in the second band, and other countries in the lowest band. Four bands will be adopted for structuring tariff cuts (market access). In both cases, the thresholds for the bands and the size of the cuts remain to be agreed.

13. No concrete agreement reached on treatment of *sensitive products*, but it is agreed that “the greater the deviation from the tariff reduction formula the greater the increase in tariff quotas.” Developing countries will have the right to self-designate “an appropriate number” of tariff lines as special products. The declaration also confirms that developing countries should have access to a special safeguard mechanism based on import quantity and price triggers – guided by the criteria of “food security, livelihood security and rural development.” The details of this mechanism, however, are yet to be decided.

14. *Cotton:* a commitment to eliminate export subsidies for cotton by 2006, to provide duty free/quota free access to cotton exports from LDCs from the commencement of the implementation period of the Doha Development Agenda (DDA), and to reduce domestic support for cotton on a faster track and more ambitiously than generally applicable under the formula for cuts in domestic support for other products. The market access commitment is largely symbolic since tariffs (and non-tariff barriers) are already close to zero in major cotton importing markets. The elimination of export subsidies, in turn, was to a large extent already in the pipeline in view of dispute settlement results.⁵ The critical decision in this area concerns the commitment to substantially reduce distortions associated with domestic support (amber box) for cotton.⁶ However, the ultimate impact of these reforms – particularly for Sub Saharan African countries – will depend on the final level of ambition agreed upon in the context of the overall agricultural negotiations.

B. Non-agricultural Market Access (NAMA)

15. *Agreement on the adoption of a Swiss formula for tariff cuts:* the agreement on a Swiss formula (meaning that higher tariffs will be subjected to deeper cuts) has the potential to generate significant tariff cuts and reduction of tariff peaks.⁷ But the number of coefficients (the higher the coefficient in the formula, the lower the tariff cuts) for

⁵ The US – the main user of export subsidies with respect to cotton – was found to be in breach of its WTO obligations as a result of a dispute initiated by Brazil (WTO 2004b, 2005b). The WTO Panel and Appellate Body reports ruled that the US Step 2 program entailed prohibited export subsidy practices. On February 1, 2006, the US Congress repealed the program.

⁶ Anderson and Valenzuela (2006) show that in the case of cotton the bulk of the welfare benefits associated with the liberalization process would come from reforms in the domestic support pillar.

⁷ The Swiss formula was originally proposed by Switzerland in the Tokyo Round of negotiations (1973-79) as a harmonizing tariff-cutting formula that narrows the gap between high and low tariffs. The standard version of the formula is as follows: $T_1 = C T_0 / (C + T_0)$, where T_1 is the final tariff rate, T_0 is the initial tariff rate and C is the coefficient (= maximum final tariff rate).

developed and developing countries as well as the degree of flexibilities granted to developing countries remain to be decided.

16. The fact that the Declaration mentions more than one coefficient opens the door to either a Swiss formula with two coefficients (as proposed by the US; the EU has been in favor of only one coefficient in parallel with flexibilities) or multiple coefficients (as in the proposal from Argentina, Brazil and India). The declaration makes special mention of sectoral initiatives in the NAMA negotiations and reaffirms the special and differential treatment that is to be granted to developing countries. Concerning the treatment of unbound tariff lines, the Declaration endorses a non-linear mark-up approach to determine base rates for commencing tariff reductions. Finally, LDCs are expected to increase their level of bindings and there seems to be growing consensus that this – rather than liberalization commitments – will be the main yardstick to judge their contribution to the round.

C. Services

17. Annex C (on services) to the draft declaration proved more controversial than initially expected. Before the ministerial meeting, a number of developing countries stressed that the draft text had not yet been agreed upon by members. A particular concern was the reference to an Attachment to a chairman’s report listing the sector- and mode-related objectives that had been identified by individual members and the language of the paragraph on plurilateral negotiations making it mandatory for members to take part in these negotiations if they are requested to do so by other WTO members.⁸

18. The Annex ultimately agreed upon for the Ministerial Declaration uses softer language (in both regards) than the initial draft. A footnote to the paragraph on sector- and mode-specific objective notes that the relevant Attachment to the chairman’s report has no legal standing. The reference to participation in the plurilateral negotiations that are to be initiated immediately after the Ministerial has also been toned down. According to the Declaration, members will not be obliged to participate, but shall consider the requests that have been presented to them in accordance with the flexibilities that are granted developing countries in the GATS (Paragraphs 2 and 4 of Article XIX of the GATS).

19. Annex C also instructs negotiators to develop appropriate mechanisms for according priority to sectors and modes of services delivery of special interest to LDCs. Another development-related aspect of the text has been strengthened, namely the language on targeted technical assistance for both developing and least developed

⁸ The plurilateral process is a complementary mechanism to the standard bilateral request-offer mechanism that has characterized the services negotiations. Groups of countries with common interests can present plurilateral requests in specific sectors (e.g., telecommunications, legal, financial services) or with respect to specific modes of delivery (e.g., temporary movement people to supply services) to groups of target countries. This process is expected to foster more significant liberalization commitments by leveraging common positions from demaudeurs. It is important to underscore, however, that it remains a voluntary process as far as the response of the “demaudees” is concerned.

countries during the negotiations, and not just in the final phase, as was suggested in the draft declaration developed in Geneva earlier in December.

D. Development Dimensions

20. The Doha Ministerial Declaration emphasized the importance of special and differential treatment (SDT), stating that “provisions for special and differential treatment are an integral part of the WTO agreements.” Paragraph 44 called for a review of SDT provisions with the aim of “strengthening them and making them more precise, effective and operational” (WTO 2003). On the basis of this mandate, developing countries (mainly the African Group and the LDC group) made 88 proposals addressing SDT language in various WTO agreements. The proposals included calls for improved preferential access to industrialized countries’ markets, further exemptions from specific WTO rules, and binding commitments on developed countries to provide technical assistance to help implement multilateral rules.⁹

21. Progress in negotiating these proposals has been limited. In the preparations for the Hong Kong Ministerial, however, WTO Members agreed to focus on five LDC agreement-specific proposals. *Duty-free and quota-free access for LDCs* was the most controversial among them. At the Ministerial, it was agreed that developed-country Members shall provide duty-free and quota-free market access on a lasting basis for products originating from LDCs by 2008 or no later than the start of the implementation period of the DDA. Developing countries in a position to do the same should also do so. Members (particularly the US and Japan) could not agree, however, on 100 per cent coverage of products (given sensitivities in products such as clothing, leather and rice). The compromise reached was to agree that at least 97 per cent (defined at tariff line level) should be covered. This significantly diminishes the value of this result for LDCs since it will allow industrialized countries to exclude key products in which LDCs are competitive.¹⁰ Moreover, the overall implications of the duty-free/quota-free treatment will greatly depend on the character of rules of origin to be adopted to implement the proposal (the declaration simply says that they should be transparent and simple). The

⁹ In April 2003, the then-Chair of the General Council (Uruguayan Ambassador Carlos Perez del Castillo) organized these proposals in three categories: (1) 38 proposals that were considered to have a high likelihood of attracting consensus; (2) another 38 proposals that should be dealt at the level of relevant negotiating groups and WTO bodies; and (3) 12 proposals that the Chair found were unlikely to be agreed upon by WTO members. Despite intensive talks, no agreement was reached before the Cancun Ministerial. One reason was that many of the proposals sought to convert nonbinding, “best endeavors” language into obligations binding on developed countries. Another was disagreement over what types of provisions would promote development. With the collapse of the Cancun Ministerial in September 2003 none of these proposals were “harvested,” even though there was broad support for agreement on 28 of the 88 proposals (27 of them belonging to category 1 and one to category 2).

¹⁰ For example, over 70 per cent of Bangladesh’s exports to the US are covered by only 70 tariff lines, which together account for less than 1 per cent of all US tariff lines (the total number of tariff lines at the 8-digit level is 10,500). In the same vein, only 39 tariff lines account for 76 percent of Cambodia’s exports to the US.

more liberal the rules of origin adopted, the greater the potential positive impact for LDCs.

22. The other four *LDC proposals* agreed upon were: (23) “Understanding in Respect of Waivers of Obligations under the GATT 1994” that underscores that GATT waivers to LDCs should be considered “sympathetically” and “expeditiously”; (38) “Decision on Measures in Favour of Least Developed Countries,” that urges donors, multilateral agencies and IFIs to coordinate their work to ensure that LDCs are not subjected to conditionalities inconsistent with their rights and obligations under the WTO Agreements; (84) “Agreement on Trade-Related Investment Measures” that allows LDCs to deviate from obligations under the agreement on trade related investment measures (TRIMS) until 2020; and (88) “Decision on Measures in Favour of LDCs—Paragraph 1” that links implementation of commitments by LDCs to provision of additional technical and financial support and establishes that LDCs only be required to undertake commitments and concessions to the extent consistent with their level of development.

23. *Aid for Trade and the Integrated Framework (IF)*: the topic of aid for trade (and technical assistance for LDCs under the IF) received a great deal of attention at the Ministerial. This reflected the growing consensus that aid-for-trade is a necessary complement to the round in order to leverage its development impact. The Declaration endorses strategies to enhance the IF and to develop concrete recommendations on how to implement aid for trade. In both cases, reference is made to the work done by the Bank and the IMF and the related Development Committee paper. In the case of the IF, an already existing task force (encompassing donors and LDCs) should complete its work by April 2006 and the enhanced IF should become operational by the end of 2006. The WTO Director General (DG) was mandated by the Ministers to create a task force that will report to the WTO General Council by July 2006. The WTO DG is also requested to begin a parallel process of consultations with relevant international organizations (including the World Bank and the IMF) with a view to reporting on appropriate mechanisms to secure additional financial resources for aid for trade.

E. Trade Facilitation

24. This is the only area where a negotiating group managed to reach consensus on the report to the WTO Trade Negotiations Committee in advance of the Ministerial and the text was later inserted as Annex E to the Ministerial Declaration. The report refers to the progress made in the negotiations and recommends that the negotiations be intensified and move to text-based discussions after the Ministerial. It also confirms the Annex D mandate (of the July package) on technical assistance, capacity building and continued cooperation with international organizations and calls for deepened and intensified negotiations on provisions on special and differential treatment. Annex E contains a list of proposed measures to improve and clarify GATT Articles V (Freedom of Transit), VIII (Fees and Formalities connected with Importation and Exportation) and X (Publication and Administration of Trade Regulations) and lists other provisions that have been proposed by members during the negotiations.

25. Although negotiations on trade facilitation have been progressing well, it is clear that the final outcome will in large part depend on the ability of developed countries to address concerns of developing members (and, particularly, LDCs) with respect to potential implementation costs and availability of technical assistance in this area. These concerns are magnified by the lack of consensus yet on the precise content of a new agreement. For example, there are many submissions supporting the implementation of a “single window” at which traders might obtain all of the permits and clearances required for the importation and exportation of goods. Depending on the definition of “single window” adopted in the agreement, implementation costs can vary from almost nothing (being simply a question of reengineering of administrative practices) to several million dollars (in the case of sophisticated electronic single window to connect traders and government agencies).

26. As further discussed below under the “Aid for Trade” section, a solution that builds upon rather than duplicates existing bilateral and multilateral mechanisms, will be required in this area. At the core of this debate will be the concepts of “secure funding” and “additionality” as well as the proper institutional mechanisms to deliver such aid.

F. Other relevant topics

27. *Rules:* at the Ministerial there was a renewed commitment to further clarify and improve rules regarding anti-dumping, subsidies and countervailing measures (including fisheries subsidies), as well as disciplines on regional trade agreements (RTAs), but no significant progress occurred. With respect to antidumping Annex D of the Declaration reaffirms the objective of improving rules covering “(a) determinations of dumping, injury and causation, and the application of measures; (b) procedures governing the initiation, conduct and completion of antidumping investigations, including with a view to strengthening due process and enhancing transparency; and (c) the level, scope and duration of measures...”. On rules related to RTAs, there was recognition of progress achieved in defining elements of a transparency mechanism that will improve WTO procedures in gathering factual information on RTAs. A provisional decision on RTA transparency – at the level of the Negotiating Group on Rules – is expected by April 30, 2006. Concerning disciplines governing RTAs, most of the debate continues to focus on the meaning of “substantially all the trade” requirement, the length of RTA transition periods, and RTA developmental aspects. No consensus, however, has yet emerged.

28. The *amendment (agreed on December 6, 2005) to the agreement on trade-related intellectual property rights (TRIPS)*, concerning the use of compulsory licensing for public health reasons was noted by Ministers. The Decision (adopted on November 29, 2005) by the TRIPS Council to extend the transition period for LDCs (until July 1, 2013 or until the date when they cease to be an LDC, whichever date is earlier) to comply with TRIPS requirements with respect to protection of copyright, trademarks, patents and other intellectual property was also welcomed by Ministers. Progress on the negotiations for the establishment of a multilateral system of notification and registration of geographical indications (GIs) for wines and spirits remains elusive. Moreover, no consensus exists on how to move forward on the relationship between TRIPS and the

Convention on Biological Diversity or on the question of extending the protection of GIs to other products beyond wines and spirits.

G. A Roadmap for the Negotiations

29. *Target dates have been set for achieving full modalities in agriculture and NAMA:* in both cases, modalities (i.e., formulae and parameters for liberalization efforts) are expected to be reached no later than April 30, 2006 (and comprehensive draft schedules based on these modalities for liberalization should be submitted no later than July 31, 2006). Needless to say, the credibility of the proposition that the round should be completed by the end of 2006 will be at stake if this timetable cannot be respected (it is worth noting that since the beginning of this round, trade negotiators have not been able to meet any of the target dates that they imposed upon themselves...).

30. *Services:* plurilateral requests are expected to be submitted by February 28, 2006 and a new round of revised offers is expected to be submitted by July 31, 2006. Final draft schedules of service commitments, in turn, should be ready by October 31, 2006.

II. Developments since the Hong Kong Ministerial and Assessment

31. There has been some procedural progress in the negotiations since the Ministerial and, according to public statements from several negotiators and from the WTO Secretariat, an improvement in the “atmospherics” under which the negotiations are being conducted has been observed.

32. Trade Ministers from roughly 25 countries met at Davos, Switzerland, during the World Economic Forum meetings on 27-28 January. Discussions focused on the schedule and process that the negotiations should follow in order to be concluded by the end of the year. In particular, there seems to be growing consensus that there is a need to move across the whole set of issues under negotiation and that WTO Members should move “in concert” from their current negotiating positions, abandoning the “you first” approach that has characterized negotiating tactics of key players in the last few months.

33. On February 7, 2006, the Trade Negotiations Committee (TNC) discussed a detailed timeline concerning the Doha Work Programme highlighting critical dates for concluding the negotiations successfully in 2006. In his statement at the TNC, Mr. Lamy pointed out that the document “repeats the very detailed timelines in the Hong Kong Declaration on Agriculture, NAMA and services and fleshes out with greater precision the work agreed in areas where the Hong Kong Declaration is more general.” In addition to the dates identified in the roadmap section above, the document mentions the following dates:

- Consolidated draft texts on rules (including antidumping and fisheries subsidies) are to be submitted by July;

- A first full draft of the text on trade facilitation is also expected by July;
- Developed countries are to notify the means by which they will implement duty-and quota-free access for LDC exports by September (developing countries in a position to offer such access have until December). Members' efforts will be reviewed on an annual basis by the Committee on Trade and Development, with the first review scheduled to take place in November 2006.
- The aid for trade task force was set up by the DG in February to provide recommendations to the WTO General Council on how to operationalize aid for trade by July 2006. Its first meeting took place on March 3, 2006. The DG will consult with members and aid agencies from March to May on appropriate mechanisms to increase financial resources for aid for trade. Specific reference is also made to the September Annual Meetings of the IMF and the World Bank, as a critical date for finance and development ministers to discuss a Doha Round aid for trade package with a view to make this program (as well as the enhanced IF) operational by December 2006.

34. The negotiations in the meantime have been proceeding with special attention to agriculture and NAMA. One encouraging development has been a series of side meetings of senior officials from some key negotiating parties dedicated to analyzing the implications of different formulae, thresholds and parameters for the liberalization efforts in agriculture and NAMA.¹¹ The concept of moving in “concert” could be characterized as an example of “creative ambiguity” often utilized by trade negotiators in addressing negotiating impasses (after all, it reaffirms the principle of a “single-undertaking” that guides the round). But there is broad agreement that unless “a comparably high level of ambition in market access for Agriculture and NAMA” is achieved while respecting the principle of special and differential treatment (paragraph 24 of the Hong Kong Ministerial Declaration), it will be difficult to deliver on the development objectives of the round.

35. Unfortunately, the gaps between negotiating positions remain wide. In the case of agriculture, for example, the US presented in October 2005 a far-reaching liberalization proposal (90 per cent cuts on the highest tariffs, a limit of 1 per cent of all tariff lines for “sensitive” products subject to lesser tariff reductions). The EU followed with a proposal that recommended that the highest tariffs be cut by 60 per cent and that up to 8 per cent of tariff lines be classified as “sensitive.” The G20 group of developing countries, in turn, proposed that the highest tariffs be cut at least 75 per cent and that no more than 1 per cent of tariff lines be classified as sensitive products. The most conservative proposal for agricultural reform was the one presented by the so-called G10 group – which includes Japan, Korea and Switzerland. These proposals are summarized in Table 1.

¹¹ Representatives from Australia, Brazil, Canada, the EC, India, Japan, Malaysia, Norway, and the US have participated in these meetings.

Table 1: Selected Proposals on Agricultural Market Access

Proposals* (threshold for highest band in the case of developed countries)	Cut on highest band for developed countries % *	% of tariff lines for sensitive products	Tariff cap Developed/ Developing
US (>60%)	85 to 90	1	75/x
EU (>90%)	50/60	Up to 8	100/150
G20 (>75%)	75	< or = 1	100/150
G10 (>70%)	45/50	Up to 15/10	NO

These proposals are for cuts in *bound* tariff rates – i.e., the maximum tariff levels legally committed to in the WTO -- not on the level of tariffs actually applied. There are often significant gaps between the two. For developed countries the weighted average bound import tariff for agricultural products is 27 per cent while the weighted average applied tariff is 14 per cent. In the case of the proposals of the EU and the G10 different options for tariff cuts are presented.

36. There is also a significant difference in terms of the proposed treatment of “sensitive products” across the main negotiating proposals. The EU would like to have the flexibility to elect as much as 142 tariff lines as sensitive products for which the cuts would be smaller than those determined by the formula (a deviation that could be as much as 2/3 from the formula result). The G20 and the US, in turn, would like to limit the number of tariff lines that could be treated as sensitive products to a maximum of 1 per cent (roughly 18 product tariff lines in the case of the EU). As our research shows, allowing as little as 2 per cent of tariff lines to be selected as sensitive products could significantly erode the welfare benefits of the round. It is worth noting that the market-access effects of smaller cuts for sensitive products can be improved if tariff caps are adopted for these products and the deviation from the formula-determined tariff cut is counterbalanced by substantive expansion of tariff rate quotas for the products in question.

37. A related debate also continues with respect to the flexibilities to be allowed to developing countries in the context of the treatment of special products and the adoption of a Special Safeguard Mechanism for agricultural products. Developing countries see these concepts as integral elements of special and differential treatment. Our research, however, suggests that these instruments can lead to significant misallocation of resources. The products being considered for “Special Product” designation, for example, include staple foods (which make up a large share of the expenditure of the poor) and products produced by subsistence farmers. Subsistence farmers -- who consume most of their production -- receive little or no benefit from protection-induced increases in food prices. While full evaluation of the effects of such measures depends on the products designated, there are risks that the current approach to these exceptions will have adverse impacts on poverty reduction and development.

38. As regards domestic subsidies, current proposals by the EU and US to cut bound support levels by 60-70 per cent are unlikely to have a significant impact on actual levels of support, particularly if some types of support are “re-categorized” and excluded from the cut.¹² It is important to stress that the proposed cuts refers to bound and not applied support. The G20 is more ambitious on this pillar, reflecting its own limited use of subsidies and the additional flexibility it can expect under the rubric of special treatment for developing countries. Table 2 summarizes some of the key proposals being debated in this area.

Table 2: Selected Proposals for Cuts in Overall Trade Distorting Support

Proposal	Band 1 0-10 \$bn	Band 2 10-60 \$bn	Band 3 >60 \$bn
US	31	53	75
EU	50	60	70
G20	70	75	80
G10	45	65	75

For the purposes of reducing domestic support, WTO members are divided into three bands based on the existing bound (not applied) level of support. As for tariffs, there can be a considerable difference between the two.

39. As underscored by our research, the bulk of the welfare benefits associated with agricultural liberalization will be delivered by an ambitious market access outcome. But real cuts in trade-distorting subsidies are also needed. Even when subsidies are not big in dollar terms, their impact can be devastating. Cotton subsidies, for example, may be less than \$4 billion per year, but they cost West African cotton producers \$150 million per year – equivalent to around 10 per cent of their total merchandise exports.

40. Concerning NAMA, simulations using different coefficients for the Swiss formula are being analyzed by trade negotiators.¹³ Debate continues, however, about how extensive the flexibilities granted to developing countries should be. Developing countries have flexibility to cut their tariffs by less, with two-thirds of the cuts made by developed countries being the rule of thumb in past negotiations. The complexity of this debate is compounded by the fact that different sub-categories of developing countries (even though some of these have no legal standing in WTO terms) make different claims concerning flexibility. Newly acceded members, for example, want no further cuts, while small and vulnerable economies want smaller cuts, longer implementation periods and no cuts on products of strategic and economic importance. As already pointed out, LDCs are exempt from making liberalization commitments.

¹² A related area of contention is the liberalization approach to be adopted with respect to the so-called “new blue Box” (payments not requiring production and not subject to production limits, but related to prices, a concept introduced in the 2004 framework). While some advocate simply reducing the payments in order to limit their trade-distorting effects, others want more specific disciplines.

¹³ The coefficient of the Swiss formula determines the ceiling for tariffs after the liberalization exercise. According to some observers, coefficients ranging from 2 to 15 in the case of developed countries and from 15 to 40 for developing countries are being used in these simulations.

41. Developing countries have reduced their average applied tariffs from over 30 per cent to less than 10 per cent in the past two decades, but they often have not legally bound these changes in the WTO (these averages also mask wide discrepancies amongst countries). Many countries thus have scope to cut their bound tariffs without cutting their applied tariffs. This would address concerns about possible revenue loss from tariff reductions, but would be of less economic benefit than cuts in applied tariffs. High tariffs raise the cost of inputs to domestic industry, lowering competitiveness and effectively serving as a tax on exports. Developing countries thus stand to benefit significantly from undertaking tariff reform. Moreover, cuts in applied tariffs are also in the interests of their poor country trading partners. One quarter of developing country exports (around 40 per cent if the WTO “definition” of developing countries is applied) go to other developing countries, and just under 40 per cent of exports from LDCs go to other low and middle income countries. South-South trade is also growing 50 percent faster than world trade in general.

42. Another area that is receiving significant attention in the context of both agricultural and NAMA negotiations relates to concerns about preference erosion – a major preoccupation of ACP countries and LDCs. Given that the implementation of trade reforms associated with the DDA will occur over a long time period and that preference erosion will significantly affect only a small number of countries, an expansion in aid flows and adjustment financing should be sufficient to address most of these concerns.¹⁴

43. Progress in the services negotiations remains elusive. The track-record of the request and offer process so far has not been promising. Since the beginning of the negotiations in 2000, 70 initial offers and 31 revised offers have been tabled by members (in both cases, the EU 25 offer is counted as one). There is broad recognition that most of these offers do not entail significant new market opportunities. While the plurilateral process was initially hailed as a way of energizing the negotiations, only 12 requests have been put forth from the 20 sectoral and modal negotiating groups. The range of requests is broad, often addressing more than 20 members (mainly developing countries). These plurilateral requests will be further discussed in the next services cluster of negotiations starting in late March.

44. It is worth noting that interests in liberalizing access to services markets span developed and developing countries. The latter have offensive interests, for example, in improved access through temporary movement of people to supply service and for cross-border trade in services so as to expand the potential for services offshoring. These are subjects where India, in particular, has taken a leadership role. High income countries, in turn, have a particular interest in liberalization of commercial presence (foreign direct investment), ranging from financial services to retail distribution. But many developing countries remain concerned about the potential limitations on national policy space that may come from making liberalization commitments in the WTO. Moreover, they are

¹⁴ Hoekman, Martin and Primo Braga (2005) review available estimates of annual income losses due to preference erosion and find that, in the case of LDCs, they are typically in the \$200-500 million range (even when considering extreme scenarios of full MFN liberalization).

uncertain about the regulatory preconditions necessary for benefiting from liberalization. This has been a major factor limiting progress in the negotiations. Growing opposition in OECD countries against further liberalization of both cross-border trade in services and, more importantly, temporary cross-border movement of people to provide services further complicates the prospects for an ambitious outcome with respect to the services negotiations. This would be a missed opportunity as there is considerable evidence to suggest that the gains from services liberalization could be significantly greater than for trade in goods.

III. The Aid for Trade Agenda

45. Since the launch of the DDA, trade-related assistance – as measured by the WTO/OECD-DAC Trade Capacity Building Database – has increased by roughly 50 per cent.¹⁵ Aid committed to assist developing countries with *trade policy and regulations* (defined as activities dedicated to help countries reform and prepare for closer integration in the multilateral trading system) increased from \$0.65 billion in 2001-02 to an average of \$0.85 billion in 2003-04. In the same period, aid allocated to *trade development* (defined as activities that help create a favorable business climate) increased from \$1.3 billion to an average of \$2.1 billion per annum. Between 2002 and 2003, trade-related technical assistance and capacity building (TRTA/CB) rose from 3.6 per cent to 4.4 per cent of total aid commitments. This evolution – as well as related numbers of support for infrastructure – is captured in Figure 1.

Figure 1: Distribution of trade-related technical assistance and infrastructure aid by region and main category, US\$ millions



Source: WTO/OECD (2005)

46. The case for aid for trade was discussed in detail in IMF and World Bank (2005). That document was submitted to the Development Committee in September 2005. The Development Committee endorsed “the proposal for an enhanced Integrated Framework for Trade-related Technical Assistance, including expanding its resources and making it more effective.” The Development Committee “also asked the Bank and the Fund to examine further the adequacy of existing mechanisms to address regional or cross-

¹⁵ See WTO/OECD (2005). It is worth underscoring that this database covers mainly grants and concessional loans allocated to trade policy and regulations activities and trade development technical assistance. Accordingly, World Bank Group activities are under-represented in the database to the extent that non-concessional loans are not considered in these figures.

country aid for trade needs and explore new mechanisms as appropriate.” Moreover, it “supported a strengthened framework for assessing adjustment needs so that IFI and donor assistance mechanisms can be better utilized.”¹⁶ The staffs of the Bank and the Fund are expected to report back to the Development Committee on these themes on September 2006.

47. Since the last Development Committee meeting, the trade community has also embraced the aid for trade agenda in the context of the DDA. *First*, in October 2005, a task force was established by the IF Steering Committee (IFSC) to design the “enhanced” IF. The Hong Kong Ministerial Declaration endorsed this approach and confirmed that the task force should report back to the IFSC by April 2006 so that the enhanced IF could enter into force no later than December 31, 2006. *Second*, Ministers – as already described – mandated the WTO DG to constitute a task force on aid for trade, with a view to provide recommendations on how aid “might contribute most effectively to the development dimension of the DDA.”¹⁷ It is also worth mentioning that several new initiatives associated with aid for trade were announced in the last few months.¹⁸

48. Aid for trade is understood to be delivered via grants and concessional loans. There is not, however, a precise or agreed definition of what it should entail. An all encompassing definition (in terms of objectives), for example, would cover: (i) trade policy and regulations; (ii) trade development activities; (iii) support to address “supply-side” constraints (infrastructure); (iv) support for microeconomic adjustment (worker training, social safety nets, targeted subsidies); (v) support for macroeconomic adjustment (preference erosion, fiscal revenue losses, impact of changes in food prices); and (vi) commodity price stabilization. In terms of instruments, in turn, aid for trade can be delivered via: (a) technical assistance and capacity building (including support for trade diagnostics); (b) project financing; and (c) policy lending (including support for adjustment to loss of fiscal revenue or preference erosion or institutional reform).

49. There are currently some limitations to the establishment of a baseline for aid for trade flows, notably with respect to trade-related infrastructure.¹⁹ Lack of definitional precision will make difficult an assessment of the additionality of resources. The OECD is undertaking work to examine whether it is possible to refine the agreed definitions for the measurement of aid for trade. Such definitions will play a key role in the future monitoring of aid for trade.

¹⁶ See Development Committee Communiqué, September 25, 2005, para. 7.

¹⁷ See WTO (2005a), para. 57.

¹⁸ Japan announced a “New Development Initiative for Trade” which is expected to channel up to \$10 billion in financial assistance for trade, production, and distribution infrastructure over the next three years. The United States is planning a doubling of their aid for trade by 2010, when it will reach \$2.7 billion per year. The EU Commission promised to increase its trade-related technical assistance from EUR\$800 million to EUR\$1 billion a year for the period 2007-2013. EU Member states, in turn, have also committed to increase their own bilateral allocations so that the sum of their trade-related assistance will also reach EUR\$1 billion by 2010.

¹⁹ The WTO/OECD-DAC database currently does not attempt to define trade-related infrastructure precisely. The convention adopted is to consider all aid to infrastructure, minus water supply and sanitation-related aid, as a proxy for trade-related infrastructure.

50. There are also differences of view in Geneva over whether adjustment should be included in aid for trade. Some argue that the focus should be on measures to address supply-side constraints only, because the inclusion of adjustment increases the risk of aid for trade being used as a bargaining chip in the negotiations, or because it multilateralizes some issues (such as preference erosion) that some would view as bilateral. The joint Bank/Fund paper on aid for trade endorsed by the Development Committee at its last meeting included adjustment, on the grounds that some countries may need assistance to put in place complementary policies to assist the reallocation of resources to more productive sectors following liberalization. The need for greater attention to the implications of liberalization and the necessary complementary policies is also underscored in the IEG review of trade.

51. From the donors' perspective, there seems to be support for the aid for trade agenda broadly defined. This is facilitated by the fact that the overall environment for the evolution of Official Development Assistance (ODA) is a positive one. According to OECD-DAC, aid can be expected to increase from nearly \$80 billion in 2004 to nearly \$130 billion in 2010 (both figures expressed in 2004 dollars), reflecting medium-term commitments made by OECD countries since Monterrey in 2002.²⁰ This significant scaling-up ODA will require new thinking about the existing "aid architecture" – i.e., channels through which aid is delivered – as well as renewed emphasis on the principles of "aid effectiveness." As discussed below, this offers both opportunities and challenges to the aid for trade agenda.

52. From the beneficiary countries' perspective, the aid for trade agenda is still perceived with a mix of interest and suspicion. Initial reactions from the trade community to the recommendations of the Development Committee, for example, were not unanimously positive. In particular, the LDC group found the proposals insufficient and presented an alternative proposal for aid for trade including not only the enhancement of the IF, but also a dedicated new fund for infrastructure investments, an adjustment facility and a new initiative for debt relief for LDCs.²¹ The resources required for these undertakings were not identified in the proposal.²² The basic reaction from the Bank and the Fund, however, was to refer the proponents to the principles of aid effectiveness, underscoring the importance of avoiding the creation of new institutions, structures or procedures, when existing instruments are already available. In particular, the IFIs argued against the creation of new large vertical funds that effectively preempt

²⁰ In 2005, aid commitments passed the \$100 billion mark for the first time. The dramatic increase observed in 2005, however, was associated to exceptional items, such as the tsunami relief and debt relief for Iraq and Nigeria. See OECD (2005a).

²¹ See Patel (2005).

²² UNDP (2006) mentions a figure of \$1 billion over an initial five-year period as the minimum requirement implicit in the proposal of the LDC Group. This contrasts with the \$200 to 400 million figure for the same period of time estimated by the IMF and the Bank, which is based on a sample of technical assistance and capacity building needs identified in Diagnostic Trade Integration Studies funded by the IF. These figures are not strictly comparable to the extent that the IMF/WB estimate is based on preserving the philosophy of the IF as a "catalytic" fund that will help mainstream trade into PRSPs, while the larger estimate reflects the concept of an independent vertical fund for aid for trade.

country choices. This tension is likely to be replayed in the context of future deliberations of the aid for trade task force.

A. The IF Task Force

53. The IF Task Force has been meeting since November 2005. The Canadian Ambassador to the WTO, Mr. Don Stephenson, chairs this task force which is composed by representatives from the IF main donors (bilaterals and the EC) and beneficiary countries (LDCs). The six core IF agencies (WTO, World Bank, UNDP, UNCTAD, ITC and IMF) are being consulted by the task force on a periodic basis.

54. Topics being discussed by the task force include: the scope and coverage of the enhanced IF; mechanisms to improve country ownership and to strengthen in-country performance, including through mainstreaming trade into national development plans and poverty reduction strategies; how to ensure additional and predictable funding on a multi-year basis; and how to improve the governance of the program. The task-force report is expected to be ready by mid-April and it will then be submitted to the IFSC.

55. Although the work of the IF task force is still evolving, there are some points of convergence that seem to be emerging from its deliberations and interactions with relevant development agencies:

- **Scope:** there is support for maintaining the focus of the IF trust fund on technical assistance and capacity building, including diagnostics work, and use the PRSP/CG processes as the main vehicle for determining overall aid allocation, including aid for trade. In this regard, the enhanced IF is also expected to support project preparation to strengthen the link between identified large-scale projects and donor funding. Thus, the IF would continue to be focused on “software” activities, while playing a catalytic role in the identification and mobilization of resources for “hardware” (e.g., infrastructure projects) activities;
- **Country eligibility:** the IF will remain focused on the LDCs. This approach runs counter to the IMF and World Bank (2005) report that recommended extension of the program beyond LDCs to other low-income countries.²³ Although there was sympathy among some donors for this concept, it was strongly opposed by the LDCs that feared a dilution of the resources available to them under the IF in case of an extension of country coverage. This opposition and concerns about the implications of adopting a new country-grouping in the context of a WTO-centered initiative (i.e., the externalities of such a decision for the debate about who is entitled to SDT) helped shape this outcome;
- **Enhancement of in-country performance:** support for closer coordination with PRSP process, more emphasis on the development of inter-ministerial

²³ Many low-income developing countries are not classified as LDCs, but experience similar constraints and weaknesses in trade capacity. Several former centrally-planned economies that have recently acceded to the WTO are also in this category (e.g. Kyrgyz Republic and Moldova).

coordination and support for capacity building at the level of the Ministry of Trade/Commerce.

56. Other topics still to be debated include the issue of how to assure enhanced and predictable funding, how to improve monitoring and evaluation of the IF activities, and how best to strengthen the governance structure of the program, as well as its management. With respect to this last topic, some options that are likely to be discussed include: (i) building upon the existing “networked” structure (with the Secretariat hosted by the WTO, trust funds managed by UNDP, and diagnostic studies being developed mainly by the World Bank); (ii) house all IF functions in one single agency; (iii) creation of a totally new separate fund and administrative structure to handle the enhanced IF (along the lines of the Global Alliance for Vaccines and Immunization); and (iv) creation of an independent secretariat that would rely on supporting implementing agencies (along the lines of the Global Environment Facility).

57. World Bank staff, as well as staff of the other core IF agencies, are participating in this evolving dialogue and have consistently conveyed to the Task Force the importance of strengthening country ownership of the program while improving its effectiveness in particular, by enhancing accountability across agencies and diminishing coordination costs. Staff have also communicated the importance of enhancing fiduciary and monitoring practices in view of the expected scaling-up of the program. Finally, and possibly the most critical issue, is to ensure that the enhanced IF structure supports LDCs at the country level in the process of mainstreaming trade into PRSPs, strengthens donor coordination, and provides guidance and support in the development of “bankable” projects to address supply-side constraints and in the formulation of trade policies. The IF is likely to have the greatest development impact in the context of a development program that emphasizes rapid integration with the global economy. In short, the role of implementing agency(ies) will become even more critical for the success of these efforts.

58. Two additional considerations raised in the joint Bank-Fund paper to the Development Committee of September 2005 remain relevant.²⁴ First, expansion of the resources available under the enhanced IF calls for greater attention to ensuring that resource allocation is effectively matched with country performance. Second, the larger scale of the enhanced IF will involve substantially increased administrative and operational inputs from the agency(ies) responsible for implementation. Were the Task Force to determine that the Bank should play such a role, there would be a need for increased staff and financial and organizational resources.

B. The Aid for Trade Task Force

59. On February 8, 2006, Mr. Lamy announced at the WTO General Council the composition of the Aid for Trade Task Force. It will include representatives (at Ambassadorial level) of the following 13 WTO Members: Barbados (as a representative of small and vulnerable economies), Brazil, Canada, China, Colombia, the EU, India,

²⁴ IMF and World Bank (2005).

Japan, Thailand, US, plus the coordinators for the LDC Group (Zambia), the ACP Group (Mauritius), and the African Group (Benin has since the announcement replaced Egypt in this capacity) at the WTO. The Ambassador of Sweden (Ms. Mia Horn af Rantzien) was asked to chair the task force in a personal capacity. The task force is expected to engage representatives from Finance and Development Ministries from capitals and to consult closely with relevant development agencies, including the World Bank.

60. The composition of the task force was rationalized as a mix of donor countries, large developing economies (that are also increasingly active in trade-related technical assistance), and representatives of groupings of beneficiary countries. It is worth mentioning that the task force, as initially announced, included only 11 countries. There were, however, strong reactions from some WTO Members – particularly Latin American economies – that argued that the initial composition of the task force did not properly represent the interests of “middle-sized” economies and that there was an over-representation of preference-dependent countries, reflecting political rather than economic considerations. This reaction led to the addition of Colombia and Thailand to the task force. This episode illustrates how negotiating issues (e.g., the debate on how best to deal with preference erosion) may affect the deliberations on the aid for trade agenda at the WTO.

61. The first meeting of the Aid for Trade Task Force took place on March 3, 2006. Some of the key issues that the task force will have to address include: the scope of the aid for trade initiative (e.g., will it adopt a broad approach as the one described in paragraph 44 above or will it focus only on supply-side capacity and trade-related infrastructure as mentioned in the Hong Kong Ministerial Declaration), the interface between its recommendations and those that will be emanating from the IF Task Force, and how to “operationalize” the initiative in ways that are regarded as credible new commitments by beneficiary countries.

62. The WTO Secretariat is acting as the secretariat to the task force. Initial debates suggest that the aid-for-trade initiative, from the perspective of the trade community, will be judged on three criteria: how much new money is made available for trade (without cutting into other official development assistance flows), what is the nature of the money (how much is provided in grants or on concessionary terms), and what policy conditionality is attached to its disbursement.

63. We have, in turn, reaffirmed that the aid for trade initiative should have a complementary role to trade reforms and to a successful conclusion of the DDA. It should not become a substitute for them. We are also skeptical about the feasibility of demonstrating additionality of the aid for trade initiative in strict terms. In practice, the aid allocation decision by donors is done in a general context and increasing aid for trade is likely to require some trade-offs vis-à-vis other uses of aid even in a scenario of increasing overall ODA. We have also stressed the importance of pursuing such an initiative in the context of the “Paris Declaration on Aid Effectiveness.”²⁵ In particular, the issue of country ownership should be at the core of these efforts. In short, aid for

²⁵ See OECD (2005b).

trade must be an integral part of the broader development strategy decided by the country to achieve its development goals. Thus, a legitimate fourth criteria to judge the effectiveness of aid for trade should relate to its clear integration with country development strategies. This generally argues against the creation of large vertical funds that effectively preempt country choices.

IV. World Bank Activities on Trade

64. The Bank has maintained its active program of advocacy on trade and, in particular, for an ambitious outcome of the current round of multilateral negotiations. Bank research on agriculture has been widely cited by participants in the negotiations, and our analysis in other areas – notably in assessments of costs and benefits of trade facilitation – continues to influence discussions in Geneva and capitals. 2005 saw the release of several major publications on trade in the lead-up to the Hong Kong Ministerial, including new work on the distributional and poverty impact of trade reforms.²⁶ The Bank’s advocacy role has received strong endorsement in the recent IEG report, which concluded that the Bank has positioned itself more effectively as a development advocate on global trade issues and has contributed to increasing awareness of the issues.

65. Research continues to provide a solid foundation for the Bank’s trade work. In the course of our advocacy efforts, the Bank’s estimates of the gains from liberalization have been the subject of considerable debate. Confusion over new estimates of the gains from liberalization, arising from changes in methodology and updated data over the last four years have complicated the debate.²⁷ While Bank staff continue to refine the models and techniques used to measure the gains from trade, it is important to recognize that all models are subject to limitations. For example, current models typically do not capture either dynamic gains (effects of trade liberalization on productivity and innovation), nor the gains from services liberalization (services trade distortions and barriers are harder to measure and model). Another important area of work has been the development of analytical tools to analyze the links between trade and poverty. The Bank has started to use these tools in policy dialogue, as in the case of the recently completed US-Central America Free Trade Agreement.

²⁶ Some of the main references in this context were: Global Agricultural Trade and Developing Countries, edited by M. Ataman Aksoy and John C. Beghin; Customs Modernization Handbook, edited by Luc de Wulf and Jose B. Sokol; Agricultural Trade Reform & the Doha Development Agenda, edited by Kym Anderson and Will Martin; Poverty & the WTO, edited by Thomas W. Hertel and L. Alan Winters; and Trade, Doha and Development: A Window into the Issues, edited by Richard S. Newfarmer.

²⁷ The new estimate of the global welfare impact per year by 2015 from full merchandise trade liberalization – including the elimination of trade-distorting domestic support and export subsidies – is \$287 billion. This figure is 30 per cent lower than previous estimates, reflecting improvements in the Global Trade Analysis Project (GTAP) database (e.g., the capture of tariff reductions undertaken between 1997 and 2001 and a more comprehensive incorporation of preferences), as well as revisions in the standard baseline against which welfare benefits are estimated, to incorporate quantifiable policy-reform developments (e.g., the elimination of apparel and textile quotas as part of the Uruguay Round implementation commitments, the European Union enlargement to 25 countries, and China’s WTO accession commitments). For further details see van der Mensbrugge (2005).

- 66.** Country work remains at the core of the bank's trade program. The Bank's operational activities continue to grow in both the areas of Economic and Sector Work (ESW) and investment lending. The strong increase in trade-related ESW that started some three years ago is continuing with the Bank having recently undertaken, or being in the process of undertaking trade diagnostic work for about 90 countries. This analytical work comprises comprehensive Diagnostic Trade Integration Studies (DTIS) or Trade and Competitiveness Reports, trade chapters in Country Economic Memorandums (CEMs), regional trade studies, or more narrowly focused on-demand policy notes. A salient point of this work is that behind the border issues as well as trade and poverty analysis are now standard features found in this diagnostic work.
- 67.** Information and analysis are no longer the major constraints in engaging with countries on trade policy dialogue or to integrate trade-related projects into operational programs. Progress in integrating trade as a part of country growth and assistance strategies is taking place, albeit at a gradual pace, as has been indicated in previous Trade Progress Reports to the Board, and is also highlighted in the recent IEG Review on trade.²⁸
- 68.** Within this general picture, there are specific areas where progress has been substantial. First, there has been significant incorporation of trade-related lending into infrastructure projects. Transport projects account for almost half of all trade-related lending which continues to grow. Overall, new trade-related lending for FY06 and FY07 is estimated at roughly US\$1.5 billion per year, compared to an average of US\$900 million per year for the three preceding years FY03 to FY05. Another salient feature has been the substantial increase in lending to meet trade-standards in agriculture (and industry), particularly in East Asia and Europe-Central Asia. While the scale of this work is still small, the Bank's trade-related portfolio in this area has grown from US\$44 million (across 7 projects) at the beginning of 2003 to roughly US\$150 million (in 25 projects) by March 2006 and is expected to reach US\$300 million by mid-2007. Finally, building on the Diagnostic Trade Integration Studies, trade is starting to be included as a part of the growth agenda supported by PRSCs. As the growth agenda is strengthened in future PRSPs and PRSCs, it is also expected that trade will play a more prominent role in these operations.
- 69.** Looking forward, the main challenge is to help countries make trade and competitiveness strategies integral parts of their growth agendas. Such strategies should be comprehensive enough to take into account the cross-sector nature of trade reforms, and address the trade and poverty links to maximize the impact of reforms. Incorporation of these strategies into national development plans would then provide the basis for support through the Bank's country and regional assistance programs. Management is committed to this process and to further mainstream trade into operations, as articulated in the management's response to the IEG-report.

²⁸ IEG (2006)..

70. Following the recommendations of the IEG review, staff have been devising ways to promote cross-fertilization between the Trade Department and other areas of the Bank, such as infrastructure and private sector development, and to increase the mainstreaming of trade across the range of Bank activities, in particular, in country programs.

V. Conclusions

71. The Hong Kong Ministerial achieved modest results, but it avoided the repeat of a major debacle à la Cancun. It established a very ambitious roadmap for the conclusion of the negotiations in 2006. This timeline will concretely test the commitment of WTO Members to an ambitious DDA outcome – one that will expand trade opportunities around the world in a significant manner. After four years of negotiations, most critical issues are yet to be agreed upon. If the 2006 timeline is not respected, the temptation to settle for a minimalist outcome in the coming months will increase significantly. Or even worse, delays in reaching a deal may push the round into a phase of drift of several years that may have negative systemic implications for the multilateral trade system and the WTO.

72. The growing attention given to the aid for trade agenda in Geneva requires close monitoring and collaboration between the Bank, other IFIs and development agencies, and the WTO. The Bank has signaled its willingness to cooperate fully with the WTO in this effort. There is broad consensus that the aid for trade agenda is a complement rather than a substitute for an ambitious outcome for the round. But this consensus should not be taken for granted. These considerations highlight the potentially important contribution that the aid for trade task force can make to this debate. It is worth repeating that the timeframe that exists for deliberating and developing proposals for aid for trade is very tight. Active engagement by Finance and Development ministries in this process is critical, not only to assure coherence with the parallel efforts under the Development Committee, but also in terms of mobilizing required resources and in ensuring that these are delivered and used most effectively.

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Appendix 1. Evolution of Selected Negotiating Issues—From Doha Mandate to the Hong Kong Ministerial and Beyond

	Doha Mandate	July 2004 Framework	Hong Kong Ministerial Declaration	Post Hong Kong Developments and Key Issues
Agriculture				
<i>Export Competition</i>	<ul style="list-style-type: none"> Reduction and eventual phasing out of export subsidies. Non-trade concerns to be considered in the negotiations. 	<ul style="list-style-type: none"> Commitment to eliminate export subsidies (explicit and implicit) including those under export credit programs, exporting state-trading enterprises (STEs), and food aid transactions. End date to be agreed. 	<ul style="list-style-type: none"> Parallel elimination of all forms of export subsidies and disciplines on all export measures by 2013. The elimination will be progressive but a substantial part to be realized by 2011. Disciplines on export credits and food aid to be ready by 30 April 2006 as part of modalities. Creation of a 'safe box' for bona fide food aid is to be provided for dealing with emergency situations. 	<ul style="list-style-type: none"> Timetable to be negotiated to ensure that a substantial part of the export subsidies are removed early. Questions remain on the nature of special and differential treatment (S&DT) in relation to least-developed countries (LDCs) and net-food importing developing countries (NFIDCs). The definition of STEs still to be determined. Understanding of where emergency food aid ends and other food aid begins. The issue of what type of food aid is to be permitted in non emergency situations is also still unclear.
<i>Domestic Support</i>	<ul style="list-style-type: none"> Substantial reductions in trade-distorting domestic support. Non-trade concerns to be considered in the negotiations. 	<ul style="list-style-type: none"> Deeper cuts will apply to members with higher levels of support. Trade-distorting support will be reduced through a tiered approach (including Final Bound Total – FBT – Aggregate Measurement of Support - AMS). Developing countries that allocate almost all <i>de minimis</i> to subsistence and resource-poor farmers, will be exempt from reduction commitments in <i>de minimis</i>. Longer implementation periods and lower reduction coefficients for all types of trade-distorting support. <u>Blue Box</u>: payments capped at 5% of total value of agricultural production. <u>Green Box</u>: To be reviewed and clarified. 	<ul style="list-style-type: none"> Agreement on three bands for the reduction of overall trade-distorting support with higher linear cuts applied to higher bands (EU – top band, US/Japan – middle band, RoW – lower band). Three bands for the reduction of FBT AMS with higher cuts for higher bands. Developing country members with no AMS commitments will be exempt from <i>de minimis</i> reduction and cuts. <u>Blue Box</u>: Disciplines will be developed to achieve effective cuts in trade-distorting subsidies. <u>Green Box</u>: To be reviewed in line with para.16 of the July Framework. 	<ul style="list-style-type: none"> Confirmation of the thresholds and cuts for each band proposed. There is growing convergence on the bands defined as 0-10/10-60/ and over 60 \$billion; cuts at 31-70% (Band 1), 53-75% (Band 2), 70-80% (Band 3). <u>Blue Box</u>: Debate on further constraining Blue Box program payments. The technique for achieving this remains to be determined. One proposal is to shrink the current 5% ceiling to 2.5%. Another proposal favors additional criteria disciplining the so-called "new" Blue Box only. Others favor a combination of both, including additional disciplines on the "old" Blue Box. <u>Green Box</u>: The search for appropriate ways to ensure that the Green Box was more "development friendly", i.e. better tailored to meet the realities of developing country agriculture, but in a way that respected the fundamental requirement of at most minimal trade distortion.
<i>Market Access</i>	<ul style="list-style-type: none"> Substantial improvements to market access. Non-trade concerns to be considered in the negotiations. 	<ul style="list-style-type: none"> Tariff reductions will be made through a tiered formula with progressivity. Flexibility for both sensitive and special products. Tariff escalation to be addressed through a yet to be agreed formula. 	<ul style="list-style-type: none"> Recognizes progress made on the determination of non-ad valorem equivalents. Tariff reductions will be structured in four bands with different thresholds for developing countries. Self-designation of special products and recourse to the Special Safeguard Mechanism (SSM). 	<ul style="list-style-type: none"> Methodology for calculation of ad valorem equivalent of non-ad valorem tariff for sugar still pending. No agreement yet on the structure of the formula, whether it be a progressive (US), pivot (EU), or linear approach (other Members). No change in negotiations on sensitive products with divergences relating to number of products and the treatment.

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		<ul style="list-style-type: none"> • Commitment to liberalize trade in tropical products . • Issue of preference erosion to be addressed. 		<ul style="list-style-type: none"> • No mention of Special Safeguard Clause (SSG) and tariff simplification. • Agreement of self-designation of special products by developing country. • No change on tropical products and preference erosion.
<i>Cotton</i>		<ul style="list-style-type: none"> • Cotton issue should be prioritized independently from other sectoral initiatives. • Agreement to address all trade-distorting policies in all three pillars of market access, domestic support, and export competition. • Consultations with development community to leverage programs to address the cotton problems of cotton-producing developing countries. 	<ul style="list-style-type: none"> • Agreement to eliminate all export subsidies in cotton by 2006 and duty and quota free market access for cotton exports from LDCs. • Reductions of domestic support still subject to agreement on a general formula. 	<ul style="list-style-type: none"> • Reduction of domestic support depends on general agricultural negotiations. • Ongoing debate about form and levels of cotton-related development assistance.
Non-Agriculture Market Access				
<i>Tariff Reduction</i>	<ul style="list-style-type: none"> • Negotiations should aim to reduce or eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs, and tariff escalation (particularly on products of interest to developing countries). 	<ul style="list-style-type: none"> • Formula approach for tariff reduction. • Work continued on a non-linear formula with smaller reductions for developing countries . 	<ul style="list-style-type: none"> • Swiss formula adopted with multiple coefficients. The formula is aimed at reducing higher tariffs more than lower tariffs, addressing tariff peaks and tariff escalation. 	<ul style="list-style-type: none"> • Ongoing debate on the level of coefficients for the tariff reduction formula, on the nature and extent of flexible treatment for developing countries , treatment of unbound tariffs, and how to address preference erosion.
<i>Sectoral Negotiations</i>		<ul style="list-style-type: none"> • A sectoral tariff component is another key element with regard to the reduction or elimination of tariffs and requires the participation of all countries . • Define product coverage, participation, and adequate provisions of flexibility for developing-country participants. 	<ul style="list-style-type: none"> • Recognize that members are pursuing sectoral initiatives. • Instructs the Negotiating Group to review proposals with a view to identifying those which could garner sufficient participation to be realized. • Participation should be on a non-mandatory basis. 	<ul style="list-style-type: none"> • How exactly sectoral tariff reduction initiatives will be part of NAMA modalities.
<i>Non-tariff Barriers (NTBs)</i>	<ul style="list-style-type: none"> • Negotiations shall aim to reduce or if possible, eliminate NTBs. 	<ul style="list-style-type: none"> • Notifications on NTBs are encouraged with a view to identification, examination, categorization, and negotiation. 	<ul style="list-style-type: none"> • Specific negotiating proposals requested. • Progress made in the identification, categorization, and examination of notified NTBs. 	<ul style="list-style-type: none"> • NTBs still to be negotiated.
Services				
<i>Negotiating Process</i>	<ul style="list-style-type: none"> • Negotiations should be conducted with a view to achieving the objectives of the GATS preamble, Article IV and Article XIX. • The Declaration 	<ul style="list-style-type: none"> • Members were encouraged to make outstanding initial offers asap and revised offers by May 2005, particularly in sectors and modes of supply of export interest to developing countries 	<ul style="list-style-type: none"> • In addition to bilateral negotiations, request and offers should be approached on a plurilateral basis (on a voluntary basis). • Modal objectives. • New timeline. • Work to continue in rules, particularly on 	<ul style="list-style-type: none"> • Plurilateral requests are being prepared and must be submitted by 28 February, 2006. • Negotiations on rules and ESM continue. • Quality of the offers should be high.

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	establishes key deadlines including that for concluding the negotiations as part of the single undertaking.	and LDCs. <ul style="list-style-type: none"> Rules and Emergency Safeguard mechanism (ESM) are to be intensified particularly in the area of domestic regulation. 	domestic regulation.	
Trade Facilitation				
<i>Trade Facilitation</i>	<ul style="list-style-type: none"> One of the original Singapore Issues. Decision on engaging in negotiations on Trade Facilitation which would take place following the Cancun Ministerial on the basis of an explicit consensus decision on the negotiating modalities. 	<ul style="list-style-type: none"> The TF negotiations were launched on the basis of modalities set out in the General Council Decision of August 1, 2004. Negotiations would relate to clarification and improvement of aspects of Articles V, VIII, and X; enhancing technical assistance for TF; and finding provisions to ensure cooperation between customs authorities and customs compliance. S&DT for developing countries and LDCs. The modalities contain a series of unprecedented caveats for S&DT for developing countries and LDCs such as tying the extent of their obligations under the final agreement to their capacity to implement them. 	<ul style="list-style-type: none"> TF negotiating modalities of July framework are reaffirmed and recommendations of the Negotiating Group are endorsed. Technical assistance and capacity building (TACB) commitments should be made operational. 	<ul style="list-style-type: none"> The Negotiating Group's work program has been outlined and requires them to: <ul style="list-style-type: none"> Intensify negotiations and move towards drafting; Identify TF needs and priorities of members; Identify the costs of possible measures; Ensure TACB is fully operational; Agree on and integrate S&DT proposals into the negotiations.
Rules				
<i>Regional Trade Agreements (RTAs)</i>	<ul style="list-style-type: none"> Mandates negotiations aimed at clarifying and improving disciplines and procedures under the existing provisions applying to RTAs. 	<ul style="list-style-type: none"> Progress in the negotiations and further commitment to achieving an outcome. 	<ul style="list-style-type: none"> Need for greater transparency in RTAs and complementarity of RTAs with the WTO. Improvements requested on the 'substantially all trade' requirement, the length of RTA transition periods, and RTA developmental aspects by end 2006. 	<ul style="list-style-type: none"> The Negotiating Group is following a dual negotiating track on both issues (transparency and complementarity) and the HKD seeks an intensification of negotiations by setting a deadline for the completion of work under both tracks.
<i>Anti-Dumping, Subsidies, and Countervailing Measures</i>	<ul style="list-style-type: none"> Mandates negotiations aimed at clarifying and improving disciplines under the Agreements on Implementation of Article VI of the GATT and on Subsidies and Countervailing Measures while taking into account the needs of developing countries and LDCs. 	<ul style="list-style-type: none"> Council reaffirms the commitment of the Members to progress in negotiations. 	<ul style="list-style-type: none"> Calls upon members to submit text-based proposals of amendments to the Anti-dumping (ADA) and Subsidies agreements. Identifies two parameters for the amendments: the need to avoid excessive use of AD measures; and the desire of limiting the costs and complexity of the proceedings. Affirms the need to make the same improvements to both the ADA and the Subsidies agreements. 	<ul style="list-style-type: none"> A large number of proposals have been submitted on amendments to the agreements. Members must now move towards concrete text based negotiations.
<i>Fisheries Subsidies</i>	<ul style="list-style-type: none"> Participants should aim to clarify and improve 	<ul style="list-style-type: none"> Council reaffirms the commitment of the Members to 	<ul style="list-style-type: none"> Broad agreement that the disciplines on subsidies in the fisheries sector (including 	<ul style="list-style-type: none"> The negotiation of specific and concrete disciplines will require agreement as to the nature and scope.

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	disciplines on fisheries subsidies.	progress in negotiations.	through the prohibition of certain forms of fisheries subsidies that contribute to overcapacity and over-fishing) should be strengthened. <ul style="list-style-type: none"> With respect to fisheries subsidies, a commitment to S&DT for developing countries is an integral part of the negotiations. 	<ul style="list-style-type: none"> New disciplines to incorporate S&DT in favor of developing countries are explicit in the fisheries subsidies statement.
Intellectual Property Issues				
<i>TRIPS</i>	<ul style="list-style-type: none"> Public health. The extension of GIs protection to products other than wines and spirit.; The protection of traditional knowledge and folklore. Relationship between the TRIPS agreement and the Convention on Biological Diversity (CBD). Non-violation and situation complaints. Tasks under Article 23.4 TRIPS. Work program on the review Article 27.3b. Implementation of TRIPS under Article 71.1 and S&D. Geographical Indications register. 	<ul style="list-style-type: none"> Committed to make progress in all negotiation areas. Establishment of a consultative process by the DG on implementation issues, particularly on the relationship between TRIPS and CBD, and extension of GIs protection. The moratorium on the application of non-violation and situation complaint was extended until Sixth Ministerial session. Work continues in negotiating the GI register. 	<ul style="list-style-type: none"> Prior to the Ministerial, members approved changes to the TRIPS agreement making permanent a decision on patents and public health originally adopted in 2003. The decision directly transforms the waiver into a permanent amendment which facilitates the acquisition of cheaper general versions of patented medicines. Acknowledges the prior decision to extend the transition period for implementation of TRIPS obligations for LDCs until July 2013. Also, pharmaceutical products do not have to be protected by LDCs until 2016. Extended the moratorium on the application of non-violation and situation complaints pending the examination of the scope and modalities for its application. Agreed to intensify negotiations on Article 23.4. Extended the consultative process by the DG on implementation issues no later than July 2006. Protection of traditional knowledge and folklore shall be undertaken for a report to the next session. Work continues in negotiating the GI register. 	<ul style="list-style-type: none"> The waiver remains in force until December 1, 2007, the date members have set to ratify. Clarification of the timeline for concluding negotiations on Article 23.4 and implementation issues. The relationship between CBD and TRIPS is considered in the general framework of negotiation for outstanding implementation issues and concerns, including the extension of GIs protection to other products. Reaffirmed that there will be no use of non-violation and situation complaints under there is agreement on the scope and modalities.
Trade and the Environment				
<i>Trade and the Environment</i>	<ul style="list-style-type: none"> Paragraph 31 launched negotiations in 3 areas: <ul style="list-style-type: none"> relationship between specific trade obligations in multilateral environmental agreements (MEAs) and existing WTO rules; observer status of MEAs in the WTO and information exchange between MEA secretariats 	<ul style="list-style-type: none"> Paragraph (f) reaffirmed Members' commitment to progress in the Paragraph 31 DMD negotiations in line with the Doha mandates. 	<ul style="list-style-type: none"> Paragraphs 30 to 32 reaffirmed the Paragraph 31 DMD negotiating mandates and directed members to intensify their negotiations in these areas. 	<ul style="list-style-type: none"> The negotiations remain abstract and conceptual. Progress may occur in the environmental goods and services negotiations.

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	<p>and the WTO; and</p> <ul style="list-style-type: none"> - the elimination or reduction, as appropriate, of tariff and non-tariff barriers to trade in environmental goods and services. <p>Under paragraph 32, the negotiations should not result in outcomes that would alter the balance of existing rights and obligations of WTO members.</p>			
Development Dimensions				
<i>Preference Erosion</i>		<ul style="list-style-type: none"> • Framework recognizes the problems faced by non-reciprocal preference beneficiary members in the context of MFN liberalization. 	<ul style="list-style-type: none"> • Negotiating Group requested to intensify work. 	<ul style="list-style-type: none"> • Informal consultations held covering preference erosion.
<i>Duty and Quota free Market Access for LDCs</i>	<ul style="list-style-type: none"> • Commitment to the objective of duty-free, quota-free market access for products originating from LDCs and significant market access improvements by WTO members. • A further commitment was made to consider additional measures for progressive improvements in market access for LDCs. 	<ul style="list-style-type: none"> • Reaffirms the commitments made at Doha. 	<ul style="list-style-type: none"> • Duty and Quota free market access for all products originating from LDCs by 2008. • Members experiencing difficulties in doing so shall provide duty and quota free market access for at least 97% of LDC-originating products. 	<ul style="list-style-type: none"> • Precise degree of coverage of products per market. Concerns that main products of interest to LDCs can be excluded from the duty and quota-free commitment. • How best to ensure that preferential rules of origin for LDCs are both transparent and simple.
<i>Aid for Trade</i>			<ul style="list-style-type: none"> • The Director-General was mandated to create a task force that shall provide recommendations to the General Council by July 2006 on how to operationalize aid for trade and ensure an effective contribution to the development dimensions of the Doha Development Agenda. 	<ul style="list-style-type: none"> • The Director-General named a 13-Member task force, including both donor and recipient countries .
<i>Integrated Framework</i>	<ul style="list-style-type: none"> • The Integrated Framework (IF) is endorsed as a viable method for LDC development. 	<ul style="list-style-type: none"> • The Council welcomed and further encouraged the improved coordination with other agencies, including under the Integrated Framework for TRTA for the LDCs (IF) and the Joint Integrated Technical Assistance Program (JITAP). 	<ul style="list-style-type: none"> • Acknowledged the endorsement by the World Bank and the IMF at its 2005 meeting of an enhanced IF. • Acknowledged the establishment of a Task Force by the IF Working Group as endorsed by the IF Steering Committee (IFSC) as well as an agreement on the three elements which together constitute an enhanced IF. The Task Force, composed of donor and LDC members, will provide 	<ul style="list-style-type: none"> • Awaiting the recommendations of the Task Force. • Broad agreement on maintaining the scope/coverage of the IF, but ongoing debate on how best to structure the management of the program.

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			<p>recommendations to the IFSC by April 2006. The enhanced IF shall enter into force no later than 31 December 2006.</p> <ul style="list-style-type: none"> The Task Force shall provide recommendations on how the implementation of the IF can be improved, <i>inter alia</i>, by considering ways to: <ul style="list-style-type: none"> provide increased, predictable, and additional funding on a multi-year basis; strengthen the IF in-country, including through mainstreaming trade into national development plans and poverty reduction strategies; more effective follow-up to diagnostic trade integration studies and implementation of action matrices; achieving greater and more effective coordination amongst donors and IF stakeholders, including beneficiaries; improve the IF decision-making and management structure to ensure an effective and timely delivery of the increased financial resources and programs. 	
<i>Special and Differential treatment</i>	<ul style="list-style-type: none"> Agreement that all S&DT provisions shall be reviewed with a view to strengthening them and making them more precise, effective and operational. Members endorsed the work program on S&DT set out in the Decision on Implementation-Related Issues and Concerns. Commitment to review all S&DT provisions in the WTO agreements 'with a view to strengthening them and making them more precise, effective and operational' and to consider the legal and practical implications of converting the S&DT provisions that are non-binding in nature into mandatory provisions with a view 'to identify those that Members 	<ul style="list-style-type: none"> No new commitment was made however important elements of the work program are: <ul style="list-style-type: none"> Ministers' decision at Doha to review all S&DT provisions 'with a view to strengthening them and making them more precise, effective and operational' is recalled. Two track process established before Cancun ministerial is recognized. Committee on Trade and Development is tasked with Category I proposals whereas other WTO bodies deal with Category II proposals. Deadline is set for July 2005. CTD was also instructed 'to address all other outstanding work, including cross-cutting issues, the monitoring mechanism and the incorporation of S&DT treatment into the architecture of WTO rules'. No deadline set. 	<ul style="list-style-type: none"> Developed (and developing if possible) will provide duty and quota-free market access to all products originating from LDCs by no later than 2008 or the start of the implementation period. For those members facing difficulties in doing so will provide access for at least 97% of all products. Continuation of the two track process. Renewal of the determination to fulfill the Doha mandate regarding the review of all S&DT provisions. CTD to resume work on outstanding issues. Lack of progress on Category II proposals. Annex F contains decisions on the 5 LDC-specific proposals. In addition to the above described decision on duty-free and quota-free market access the other proposals approved are: (23) "Understanding in Respect of Waivers of Obligations under the GATT 1994" providing easier access to GATT waivers to LDCs; (38) "Decision on Measures in Favour of Least Developed Countries," that urges donors, multilateral agencies and IFIs to coordinate their work to ensure that LDCs are not subjected to conditionalities inconsistent with their rights and obligations under the WTO 	<ul style="list-style-type: none"> Work continues in the CTD and in other negotiating bodies. Lack of progress with respect to Category II proposals remains source of concern.

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	<p>consider should be made mandatory' by July 2002.</p> <ul style="list-style-type: none"> • Commitment to consider, in the context of the Doha Work Program, 'how special and differential treatment may be incorporated into the architecture of the WTO '. 		<p>Agreements; (84) "Agreement on Trade-Related Investment Measures" that allows LDCs to deviate from obligations under the agreement on trade related investment measures (TRIMS) until 2020; and (88) "Decision on Measures in Favour of LDCs that directs the WTO to coordinate efforts to increase aid for trade-related TA while underscoring that compliance with WTO obligations or commitments should take into account each LDC administrative and institutional capabilities.</p>	