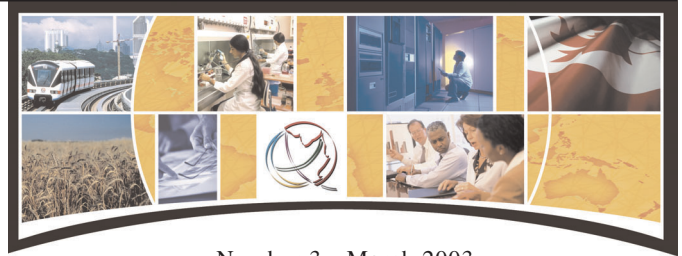




Update WTO Negotiations



Number 3 - March 2003

INFORMAL MEETING OF WTO MINISTERS IN TOKYO, FEBRUARY 14 TO 16

Minister for International Trade Pierre Pettigrew and Minister of Agriculture and Agri-Food Lyle Vanclief attended an informal meeting of WTO ministers hosted by Japan's Minister for Foreign Affairs, Yoriko Kawaguchi, and Japan's Minister of Economy, Trade and Industry, Takeo Hiranuma, in Tokyo on February 14 and 16. The meeting brought together trade and agriculture ministers from a broad range of member countries to discuss progress in WTO negotiations, as we work toward the upcoming fifth Ministerial Conference in Cancun in September 2003. These negotiations, launched in November 2001, are scheduled to conclude by January 2005.

For a more detailed description of the meeting, see http://www.dfait-maeci.gc.ca/tna-nac/tokyo_mint-en.asp.

SENIOR OFFICIALS PLURILATERAL MEETING CO HOSTED BY CANADA AND COSTA RICA

Deputy Minister for International Trade Leonard J. Edwards and Costa Rican Vice-Minister for Foreign Trade Gabriela Llobet co-hosted a meeting of senior officials in Geneva following the Trade Negotiations Committee meeting held February 5 to 6, 2003. WTO members with capital-based senior officials in attendance included Australia, Brazil, Chile, China, Colombia, Egypt, the European Commission, Hong Kong, Hungary, India, Japan, Korea, Mexico, New Zealand, Singapore, Switzerland, the U.S. and Uruguay. WTO ambassadors from Bangladesh, Lesotho, Malaysia, Morocco, South Africa and Trinidad and Tobago were also present.

Agriculture was the main focus of discussion, with the March 31 deadline for agriculture modalities quickly approaching. Agriculture is a key negotiating area for many members, and many officials stated that the success of the round will be determined by the level of ambition in the agriculture negotiations. Officials also discussed the other issues that have deadlines this spring: March 31 for the initial services offer, and May 31 for both the establishment of modalities in the non-agricultural market access negotiations and the conclusion of the dispute settlement negotiations. Much of the discussion focused on how negotiations could deliver results for developing countries. In the meeting, many members revealed a higher-than-expected level of ambition.

2003 WTO CHAIRPERSONS APPOINTED BY WTO MEMBERS

Canada's Permanent Representative to the WTO and 2002 Chairman of the General Council, Sergio Marchi, praised WTO member governments for their selection of chairpersons to head the WTO's bodies in 2003: "This group of chairs brings a good blend of experience and new energy, which will be vital in the coming year. If 2002 was a year to tackle some of the WTO's systemic challenges, initiate procedural reforms and keep the Doha Development Agenda [DDA] negotiations on track, 2003 will be a year of preparation for our fifth Ministerial Conference in Cancun, Mexico. Much work remains to be done between now and that meeting, and narrowing the gaps in DDA negotiating positions held by member governments will be key to success in Cancun."

The new General Council Chairman is Carlos Pérez Del Castillo of Uruguay. A list of the new chairpersons for WTO regular bodies can be found on the WTO Web site: http://www.wto.org/english/news_e/pres03_e/pr332_e.htm.

CANADA CONFIRMED AS ONE OF WORLD'S MOST LIBERAL TRADERS

Canada underwent its seventh trade policy review (TPR) on March 12 and 14 in Geneva. The TPR process is designed to evaluate the full range of individual WTO members' trade policies and practices and their impact on the multilateral trading system. It is not intended to enforce specific obligations, resolve trade disputes or impose new policy commitments on members.

The review concluded that Canada's trade and investment regime is among the world's most liberal and transparent, enabling trade and investment flows to expand rapidly. It has played an important role in Canada's ability to reduce its debt, increase employment and after-tax incomes, and raise living standards.

For a more detailed description of the TPR, please see:

http://www.wto.org/french/tratop_f/tp211_f.htm

WTO RANKS HIGH FOR ACCOUNTABILITY AND TRANSPARENCY

One World Trust, a U.K. charity, has released its first *Global Accountability Report*, which scores 18 inter-governmental organizations (IGOs), transnational corporations and international non-governmental organizations on their performance in two aspects of accountability: member control of governance structures and transparency. The report is the pilot stage of a much larger project, the Global Accountability Project (GAP), to assess the accountability of global organizations.

The report used access to on-line information to evaluate an organization's overall transparency. The WTO ranked third in this category, below the UN High Commission for Refugees and the International Federation of the Red Cross, and above the World Bank, GlaxoSmithKline, Rio Tinto and Shell. The report states that "information on the WTO's trade activities is excellent." It also notes that the WTO is one of only two IGOs surveyed that publishes its Web site in more than one language.

On member control, the WTO ranked eighth, gaining points for its consensus-based format for decision making. The report deducted marks, however, for member representation, as "25 of the smaller developing country members do not even have an office in Geneva, making it difficult for them to attend these meetings."

Combining its scores for transparency and member control, the WTO ranks fourth overall, following the Red Cross, Amnesty International and the Organization for Economic Cooperation and Development (OECD).

For more information on the *Global Accountability Report*:

<http://www.oneworldtrust.org/Ch99/htmlGAP/report/downloads.htm>

DEVELOPMENT DIMENSIONS

There are positive developments to report on trade-related technical assistance (TRTA) and capacity building (CB). The Secretariat's December 2002 interim report on delivery on technical assistance commitments to date highlighted the demonstrable benefits to developing countries provided by TRTA/CB. Based on current achievements, the Secretariat is convinced that the current negotiations and/or work programs should move forward. The 2003 WTO Technical Assistance Work Plan was much improved over the 2002 plan, with the Secretariat recognizing the limitations on its ability to meet increasing demands for TRTA/CB and the need to focus on building strategic partnerships. Most donor concerns were addressed in the 2003 plan.

A second positive development was the creation of the joint OECD-WTO database of bilateral and multilateral TRTA/CB activities. This database represents an important first step in monitoring these activities, helping to avoid duplication, ensure better coordination among donor agencies and achieve better tracking of delivery on commitments made at the Doha Ministerial Conference in 2001. Recognizing that TRTA/CB is an integral part of helping developing countries fulfill their trade obligations, Canada supports every effort to make TRTA better targeted and coordinated and thus more effective.

STATE OF PLAY

Members are now approaching the mid-point of negotiations under the Doha Development Agenda. Progress has been made in all areas, but several deadlines slipped in December in areas of particular importance to developing countries. A multilateral solution on trade-related aspects of intellectual property rights (TRIPs) and access to medicines remains elusive. Canada will continue to work toward a multilateral solution that would provide poor developing countries (i.e. those with limited or no manufacturing ability) with access to medicines they need to respond to public health crises, while allowing for continued intellectual property protection that enables new and better medicines to be developed. Until a multilateral solution is achieved, Canada will not take dispute settlement action against measures intended to assist a poor developing country that needs access to medicines to treat epidemics such as HIV/AIDS.

Despite some disappointments, the discussions at the first Trade Negotiations Committee and General Council meetings of this year confirm that, while members continue to recognize the importance of development issues in the Doha round, they are increasingly focused on the real economic gains possible from the central economic agenda: agricultural trade reform, improved market access for goods and services, and strengthened trade rules. These three elements of the central economic agenda seek to level the playing field and create more opportunities for all members to actively participate in the global economy.

QUICK FACT: What are modalities?

- *Modalities are methodologies (including numerical formulas, targets, sectoral agreements and request-offer techniques) that are used to achieve the objectives of the negotiations. Modalities set the parameters for a final agreement, including the level of ambition. For example, a proposed modality for the agriculture negotiations would be:*

“For all agricultural tariffs greater than [90 per cent ad valorem] the simple average reduction rate shall be [60] per cent subject to a minimum cut of [45] per cent per tariff line.”

(Section 7.1, Chair’s First Draft of Agriculture Modalities, February 2003)

AGRICULTURE

The agriculture negotiations have intensified in the lead-up to the March 31, 2003, deadline for establishing modalities set by ministers at the WTO Ministerial Conference held in Doha in 2001. In keeping with the Doha mandate and timetable, the Chairman of the WTO agriculture negotiations, Stuart Harbinson, released his first draft of the modalities text to WTO members on February 12, 2003. The draft text represents the Chairman’s first attempt to identify possible ways to meet the March deadline, and sets out his ideas for moving forward in the three “pillars” of the agriculture negotiations: market access, domestic support and export competition.

WTO members met in Geneva on February 24 and 28, 2003, to discuss the Chairman’s first draft of modalities. The Chairman has prepared a second draft, which will be discussed by WTO members in Geneva between March 24 and 31, 2003. For more information on the Chairman’s draft modalities paper, visit http://www.agr.gc.ca/itpd-dpci/english/current/modalities_e.htm.

Canada is pleased that the Chairman has proposed the elimination of export subsidies. This has been a long-standing Canadian objective. Nevertheless, Canada has fundamental difficulties with other parts of the text related to market access and state trading enterprises. Furthermore, Canada does not believe the draft is ambitious enough with respect to reducing trade-distorting subsidies. Canada is strongly pursuing its negotiating objectives and is using every opportunity to position its approach as the most effective means to achieve a level international playing field.

SERVICES

Since the June deadline for requests, Canada has made requests to over 50 countries (none of which are less developed) and has received requests from approximately 30 countries. Canada, in consultation with domestic stakeholders and working closely with the provinces and territories, is considering these requests and developing its initial offer. We will make public our offer by the March 31 deadline, just as we made public a description of our requests for market openings in July 2002, in an effort to increase transparency at the WTO. The next Special Session meeting of the Services Negotiating Group will be in mid-May 2003.

NON-AGRICULTURAL MARKET ACCESS

The February meeting of the Non-agricultural Market Access Negotiating Group highlighted the differences among members with respect to level of ambition. Developing countries are generally seeking reductions in high tariffs and tariff peaks from developed countries but, with the exception of some outward-looking economies, are not expressing much willingness to liberalize their own trade regimes. Many developed countries, on the other hand, are looking for participation by all members, according to their ability, with an outcome that benefits all. There have been a number of proposals for tariff cuts, ranging from the very ambitious (zero tariffs within a certain period of time) to the more modest (tariff reductions but not necessarily elimination). Canada has advocated a combination of modalities, including a formula approach and request-offer activity, as well as increased participation in existing sectoral agreements and new duty-free agreements for fish, forest products, environmental goods, fertilizers, energy-related equipment and non-ferrous metals. Members are now focused on the May 31 target date for modalities in industrial goods. The next meeting of the negotiating group will take place April 14 to 15.

RULES

The negotiations on rules related to anti-dumping, countervail and subsidies are still in the issue identification phase. Rules relating to regional trade agreements are also being discussed. Many members are seeking a clear transition from the current phase of issue identification to one of real negotiations at Cancun. Canada recently tabled a paper to the negotiating group concerning the [Agreement on Implementation of Article VI of the GATT 1994 \(the "Anti-Dumping Agreement"\)](#), which identifies anti-dumping issues of importance to Canada. We are currently working on an issue-identification paper covering subsidies and countervail, to be tabled later this spring. The next meeting of the negotiating group will take place from May 19 to 21.

ENVIRONMENT

Negotiations relating to certain aspects of trade and the environment are ongoing. Members continue to evaluate the relationship between existing WTO rules and specific trade obligations set out in the various multilateral environmental agreements (MEAs). Canada submitted a [discussion paper](#) for consideration, outlining issues related to aspects of specific trade obligations and containing illustrative examples from six MEAs. Questions of information exchange and trade barriers for environmental goods and services are also being examined. At the first meeting of the year in February, members came to an

interim agreement on the issue of observership in the Committee on Trade and Environment in Special Session. Members agreed to invite as guests the secretariats of six MEAs, as well as the United Nations Environment Programme. This solution, although not perfect from Canada's point of view, is nonetheless a positive step toward greater transparency at the WTO. The next meeting of the Committee on Trade and Environment in Special Session will be held May 1 to 2.

WINES AND SPIRITS REGISTRY

There were few developments in the February Special Session of the TRIPs Council on the establishment of a multilateral system of notification and registration for wines and spirits. Delegations are fully engaged in the ongoing discussion, which is structured according to [WTO Secretariat's factual compilation](#) of issues raised and interventions made by delegations to date.

The Chair has indicated that he intends to hold intensive informal consultations in the coming weeks with a view to circulating a negotiating text in advance of the April meeting of the Special Session. This suggestion was supported by a few members, but others felt that releasing a negotiating text at this point would be premature, because the two sides of the debate are deeply divided. The next meeting of the TRIPs Council in Special Session will be held April 24 to 25.

DISPUTE SETTLEMENT UNDERSTANDING (DSU)

Negotiations on improving and clarifying the DSU have entered a new phase, with members now examining specific proposals in the draft legal text. In January, Canada submitted a proposal to improve the DSU with respect to the treatment of confidential business information, the panel selection process and transparency. This [proposal](#) is posted on our Web site along with an [update on Canada's participation in the negotiations](#). In view of the upcoming May 2003 deadline for completion of the DSU negotiations, the Chair (Péter Balás of Hungary) is encouraging members with similar proposals to continue to work together to find common ground. The next meeting of the DSB in Special Session will be held April 10 to 11.

OTHER WORK PROGRAMS

Investment, Competition, Trade Facilitation and Transparency in Government Procurement

Work on the “Singapore Issues” (investment, competition, trade facilitation and transparency in government procurement) is of increasing importance as we approach the fifth Ministerial Conference. At the launch of the Doha round of negotiations in November 2001, ministers agreed that a decision on negotiations on these four issues would be taken at this upcoming Ministerial.

- **Investment:** Discussions at the two meetings in the lead-up to Cancun will be based on issues in and linkages among the seven main elements of the Doha mandate (which include scope and definition; transparency; non-discrimination; modalities for pre-establishment commitments based on a General Agreement on Trade in Services (GATS)-type, positive list approach; development provisions; exceptions and balance-of-payments safeguards; and consultation and the settlement of disputes between members), all of which were discussed in the four meetings of the Working Group on Trade and Investment in 2002. The next meeting of the Working Group will be held March 31 to April 1.
- **Competition policy:** The Working Group on Trade and Competition Policy (WGTCP) discussed all the elements identified in the Doha Declaration (i.e. provisions on hard-core cartels; modalities for voluntary cooperation; core principles of non-discrimination, transparency and procedural fairness; and long-term capacity building) during its four meetings in 2002. At the last meeting on February 20 and 21, delegates revisited the Doha elements and explored the possibility of including progressivity and flexibility in a WTO agreement, as well as appropriate compliance mechanisms. In general, the WGTCP discussions have helped clarify members’ expectations and the implications of an eventual agreement. The next WGTCP meeting will be held May 26 to 27.
- **Trade facilitation:** The last meeting of the Council for Trade in Goods on trade facilitation took stock of progress in the work program, based on the Secretariat’s compilation of proposals made to date. Discussion was much more positive in tone than in past meetings, with a number of countries intervening in support of WTO work on trade facilitation. The organization of work in 2003 includes two meetings, one in March and one in June, with time allotted for a third meeting at the

end of July if necessary. The Council for Trade in Goods recently met to discuss trade facilitation on March 12.

- **Transparency in government procurement:** During 2002, the Working Group on Transparency in Government Procurement undertook a complete review of all 12 elements of a possible agreement. Discussions on two of these elements—domestic review (bid challenge) and the application of dispute settlement to a transparency agreement—revealed some diverging views and suggested the need for further, focused discussion. At the first meeting of the Working Group in 2003 (February 7), discussion centred on new papers from the U.S. and European Commission that demonstrated, in practical ways, how domestic review and dispute settlement can be incorporated in an agreement on transparency in government procurement. The discussion of the two papers was substantive and constructive. Also discussed briefly was a paper from Korea on next steps. The Quad (U.S., European Commission, Japan and Canada) continues to seek consensus on a mandate to negotiate an agreement. The Working Group will meet again on June 20.

TRADE, DEBT AND FINANCE

The Working Group on Trade, Debt and Finance held four meetings in 2002, and submitted a report on its activities to the General Council in November. The report was positive and highlighted potential areas for future work. The Chair of the Working Group, Hernando Gomez from Colombia, has continued to hold informal consultations with members in 2003. Members will focus on preparing the mandated report in advance of the Cancun Ministerial Conference, as stipulated in the Doha Declaration. Some discussion of substantive issues is also anticipated. Canada is currently exploring possible initiatives to improve coherence in the activities of international organizations. On May 13, the WTO General Council will hold a formal session on coherence, which the Managing Director of the International Monetary Fund and the President of the World Bank are expected to attend. Members agreed at the December session to hold two additional formal meetings in 2003, on March 28 and June 4 and 5.

TRADE AND TECHNOLOGY TRANSFER

The Working Group on Trade and Technology Transfer (WG3T) has met five times since the Doha Ministerial, with the last meeting on March 3, 2003. Since then, the Chairman of the WG3T has consulted with many members on several occasions. The work program for

2003 will focus on the following elements: the relationship between trade and technology transfer, the work of other international organizations, the sharing of country experiences, identification of WTO provisions, possible recommendations (as per the Doha mandate) and other elements raised by members. The next meeting of the WG3T will be held May 13, 2003.

TRADE AND ENVIRONMENT

The Committee on Trade and Environment (CTE) was mandated to submit a report to ministers at the fifth Ministerial Conference on recommendations for further work in this area, including the desirability of future negotiations. At the October 2002 meeting, the Quad recommended three meetings of the CTE prior to the fifth Ministerial in order to complete the report. The first meeting of 2003 was held in February, where the CTE agreed on how to organize the work schedule for the report. Canada submitted for the information of WTO members its [Initial Environmental Assessment of the World Trade Organization \(WTO\) Negotiations](#). The next meeting of the CTE will be held April 29 to 30.

E-COMMERCE

The Doha Ministerial Declaration reaffirmed the importance of the WTO Work Program on Electronic Commerce by agreeing that work on trade-related aspects of e-commerce should continue and that the General Council should report on further progress at the fifth Ministerial Conference in Cancun. Since then, the General Council has considered the most appropriate institutional arrangements for handling the work program and has held three dedicated discussions on e-commerce. The last of these dedicated discussions took place on February 27, 2003, and included strong participation from a number of developed and developing countries. The February discussions focused on classification and fiscal and revenue implications of e-commerce, and included some discussion of key guiding principles on e-commerce that could be presented to the General Council for possible inclusion within the Cancun Ministerial Declaration. The next dedicated discussion will be held in late spring or early summer.

SPECIAL AND DIFFERENTIAL TREATMENT (S&D)

From September 2002 to February 2003, the Committee on Trade and Development (CTD) in Special Session held many formal and informal meetings. Canada maintained that proposals that entail amending existing agreements or prejudging current

negotiations, open-ended obligations for technical assistance, or self-granted automatic extensions of S&D provisions would not further or facilitate the integration of developing country members into the WTO. Much work went into trying to reach an “early harvest” package that would represent concrete progress on some of the 85-plus agreement-specific proposals. In the end, however, some developing countries decided that the package of 12 proposals that had been agreed on was not significant enough to be accepted. Further work has been suspended pending instruction from the General Council.

IMPLEMENTATION

Last December, WTO members failed to meet the year-end deadline set in the Doha Ministerial Declaration for resolution of a number of implementation proposals. In January, WTO Director-General Supachai asked the chairs of the relevant WTO bodies to consult with delegations and to assess the prospects for resolving the proposals. In March, Mr. Supachai intends to make procedural (and if possible substantive) recommendations to the Trade Negotiations Committee (TNC) for addressing the outstanding proposals. He has outlined five possible categories of action for any proposal: (1) resolve the issue; (2) agree that no further action is needed on the issue; (3) refer the issue to a negotiating body; (4) continue work in the relevant subsidiary body under enhanced supervision by the TNC and with a clear deadline (perhaps June 2003); and (5) undertake further work at the level of the TNC. Canada is prepared to continue considering proposals where there are clearly demonstrated implementation problems, and is working in the relevant WTO subsidiary bodies to find innovative ways to address legitimate implementation needs and difficulties. At the same time, Canada has no interest in addressing implementation proposals that seek to reopen existing agreements in order to weaken WTO obligations and that, when combined with the S&D proposals, would create a two-tier set of WTO rules.

LEAST DEVELOPED COUNTRIES (LDCS)

An interim report on progress made in the work program of the Sub-Committee on Least Developed Countries was submitted to the General Council in December 2002. A full report will be submitted to ministers in Cancun. The draft position, Accession of Least Developed Countries, was adopted by the General Council on December 10, 2002. All delegates at the 32nd session of the Sub-Committee on LDCs (January 24) agreed that this adoption was extremely positive. However, it was also recognized that work on LDC accessions is not complete and that it will be

necessary to ensure that the guidelines are implemented since success will be judged on the number of LDCs acceding to the WTO prior to Cancun. To this end, the Chair suggested that working parties be invited to the Sub-Committee meeting to exchange with members information on the accession of particular LDCs, noting potential or existing difficulties, where targeted TRTA/CB may be beneficial and where there are gaps or shortcomings in the guidelines. The Sub-Committee also raised its concerns about the [Integrated Framework](#) (IF) with the Chair of the IF Steering Committee. Members proposed that the IF should be a mechanism for delivering trade-related technical assistance as well as a diagnostic tool; the IF should address supply-side constraints; the IF should be better synchronized with poverty reduction strategy paper (PRSP)-cycles and UN Development Programme roundtables; and international financial institutions should have IF-related programs. The next formal meeting of the Sub-Committee is scheduled for April 28.

[Return to our WTO main page.](#)

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SMALL ECONOMIES

Three dedicated sessions have been held on small economies (April 25, July 1 and November 1, 2002). A draft work program for trade-related issues of concern to small economies was submitted and developed into a "road map" for the work program. The proposal included criteria for what constitutes a small economy. While most members welcomed the submission, some questioned the criteria. The lack of an agreed definition for "small economy" continues to hamper the discussion. Some members also questioned whether preferential treatment was deserved when a small economy had similarities with "non-small economies" or when it had better economic indicators than many developing countries. Small economies have repeatedly argued that the vulnerability of an economy is determined not so much by indicators such as per capita income, but by indicators such as total trade. However, discussion is progressing slowly on the basis of a series of proposals put forward by a group of small economies. Following focused discussions and recommendations by the Committee on Trade and Development, the General Council will direct relevant subsidiary bodies to frame responses to the trade-related issues surrounding the fuller integration of small, vulnerable economies into the multilateral trading system. The CTD last met on small economies on March 10.

