

**General Council
14-15 December 2006**

MINUTES OF MEETING

Held in the Centre William Rappard
on 14-15 December 2006

Chairman: Mr Eirik Glenne (Norway)

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1.	Transparency Mechanism for Regional Trade Agreements – Draft Decision – Communication from the Chairman of the Trade Negotiations Committee (TN/C/8, TN/RL/18)	

1. The Chairman recalled that in July 2006 the Chairman of the Negotiating Group on Rules, Mr Valles Galmes (Uruguay), had submitted a report to the TNC indicating that the Negotiating Group – at its meeting on 10 July – had approved for submission to the TNC the text of a draft decision establishing a Transparency Mechanism for RTAs to be implemented on a provisional basis in accordance with paragraph 47 of the Doha Ministerial Declaration. The text of the draft decision – which was negotiated under paragraph 29 of the Doha Ministerial Declaration and in accordance with the instructions contained in Section II, paragraph 2 of Annex D of the Hong Kong Ministerial Declaration – was contained in the Annex to the report by the Chair of the Rules Negotiating Group in document TN/RL/18. As Members knew, under normal circumstances, the TNC would have considered this draft decision and subsequently forwarded it to the General Council for adoption. However, in view of the fact that it was not clear that the TNC would meet formally before the next meeting of the General Council – and given that the TNC was under the overall authority of the General Council – the Director-General, as Chairman of the TNC, had suggested to Members in a communication at the end of November that it would seem sensible to avoid undue delay in regard to this draft decision by having Members take it up directly in the General Council in December for consideration and adoption. As indicated in the Director-General's communication, circulated in TN/C/8, the Director-General had advised him accordingly, and this matter had therefore been placed on the Agenda of the present meeting. In the light of this background, as well as informal consultations he had held recently with a number of delegations – including coordinators of regional and other WTO groupings – it was his understanding that Members were in a position to consider this matter positively and to adopt the draft decision establishing the RTA Transparency Mechanism on a provisional basis at the present meeting on the basis of the following observations and understandings:

- First, paragraph 23 of the draft decision provided for Members to review the Transparency Mechanism, and if necessary to modify it, in light of the experience gained from its provisional operation, and replace it by a permanent Mechanism adopted as part of the overall results of the Round. It was understood that, notwithstanding the current stage of the DDA negotiations and the timing of their conclusion, Members intended to conduct an initial review of the Mechanism within one year of the adoption of the draft decision;
- Second, it was also understood that this draft decision was, on an exceptional basis, being taken up for consideration and adoption directly in the General Council as the superior body of the TNC without having first been considered in the TNC; and
- Third, it was further understood that the adoption of this draft decision was in keeping with, and without prejudice to, the terms of the Single Undertaking as set out in paragraph 47 of the Doha Ministerial Declaration.

2. In the light of these observations and understandings, he proposed that the General Council adopt the draft decision establishing on a provisional basis the Transparency Mechanism for Regional Trade Agreements contained in the Annex to document TN/RL/18.

3. The General Council took note of the statement and, in the light of the observations and understandings read out by the Chairman, adopted the draft decision establishing on a provisional basis the Transparency Mechanism for Regional Trade Agreements contained in the Annex to document TN/RL/18.¹

2. China – Transitional Review Under Section 18.2 of the Protocol of Accession to the WTO Agreement (WT/GC/109, G/L/807, S/C/27, IP/C/43, WT/BOP/R/83)

4. The Chairman recalled that Section 18.2 of the Protocol of Accession of China to the WTO Agreement provided that "[t]he General Council shall, within one year after accession, and in accordance with paragraph 4 of Section 18, review the implementation by China of the WTO Agreement and the provisions of this Protocol." Section 18.2 also provided that "[t]he General Council shall conduct such review in accordance with the framework set out in Annex 1B and in light of the results of any reviews held pursuant to paragraph 1. China can also raise issues relating to any reservations under Section 17 or to any other specific commitments made by other Members in this Protocol. The General Council may make recommendations to China and to other Members in these respects." The General Council's first review was conducted in December 2002. Paragraph 4 of Section 18 further provided that this review should take place subsequently in each of the eight years following the first review, with a final review in the tenth year, or at an earlier date decided by the General Council. The following issues were to be addressed by the General Council at the present meeting in accordance with Annex 1B of China's Protocol of Accession: First, reports of subsidiary bodies on China's implementation of the WTO Agreement and of the related provisions of the Protocol; second, development of China's trade with WTO Members and other trading partners; and third, recent developments and cross-sectoral issues regarding China's trade régime. He proposed that, in addressing this agenda item, China as well as other delegations address all three of these points in a single intervention. In connection with this review, he drew attention to a communication from China recently circulated in document WT/GC/109, which provided information required under Sections I and III of Annex 1A of the Protocol of Accession. The reports of the subsidiary bodies on their respective reviews of China's implementation of the WTO Agreement and of the related provisions of the Protocol of Accession were contained in documents G/L/807, S/C/27, IP/C/43 and WT/BOP/R/83.

5. The representative of China recalled that it had been five years since China's entry into the WTO. On 11 December, China had promulgated the Regulation of the People's Republic of China on the Administration of Foreign-funded Banks and its implementation rules, thus having completely implemented its commitments to open China's banking sector as scheduled in its accession protocol. This was also one of the last pieces of the extensive market-access commitments made by China five years earlier. Up to the present, most of China's WTO commitments had already been fulfilled, leaving only a few very small things remaining to be done before the implementation period expired. Nevertheless, China's reform and opening-up policy would continue to be a constant and ongoing process. The past five years had witnessed tremendous efforts by China to honour its commitments: many laws and regulations had been overhauled and new ones scrutinized to ensure their conformity with WTO disciplines; transparency of the overall trade and economic regime had been greatly enhanced; China's average applied tariff had been reduced to a bound rate of 9.9 per cent, with industrial products at 9 per cent and agricultural products at 15.3 per cent, making China one of the Members in the front lines of trade liberalization; China's restriction on trading rights had been lifted, as committed; quantitative

¹ The Decision was subsequently circulated in document WT/L/671.

restrictions on trade in goods had been totally abolished and TRQ administration, as well as the licensing system, had both been much improved. Meanwhile, China had also fulfilled its market-access commitments in various sectors of services, granting foreign providers abundant market-access opportunities. The enormous amount of work his Government had done in the area of IPRs, including its legal regime-building and enforcement, had been introduced by his delegation in the TRIPS Council, and he would not repeat that.

6. The past 27 years of China's continued practice of its reform and opening-up policy, especially that of the past five years following WTO accession, had tremendously deepened China's trade and investment liberalization and had turned its economy into an engine for global economic growth, which was widely recognized by the international community. China was now one of the biggest markets and importers in the world, particularly for goods and services from other developing countries. In the past five years, China had registered 30.8 per cent average annual increase in its imports of goods. In the first ten months of 2006, China's imports had exceeded US\$640 billion. As a developing country with a large population and comparatively low per capita GDP, China always cherished a sincere aspiration that its own development would bring tangible opportunities of benefit to other countries, in particular other developing countries. To this end, and as a concrete action to promote its economic and trade cooperation with other developing countries, the Beijing Summit of the China-Africa Cooperation Forum had been successfully held in November 2006.

7. China's faithful fulfilment of its WTO commitments, its great contributions to the world economy and its constructive involvement in the Doha Round negotiations had proved its determination to support and safeguard the development of the multilateral trading system. At the first trade policy review of China in April 2006, many Members had made positive comments on China's performance since its accession. He recalled one comment by the discussant from Singapore that "there is a clear political decision [of China] to fulfil its obligations of WTO membership". There was nothing perfect in the world. Even some veteran developed-country Members had serious problems in implementing their WTO obligations in areas such as S&D treatment and compliance with DSB rulings. It would be more than natural and understandable for Members to have mixed feelings about China's implementation of its commitments as a recently-acceded Member – on the one hand, complaints from several Members for various reasons, and on the other, the high evaluation of its performance from the great majority of Members. Regardless of the different sentiments, his Government's political determination to fulfil its commitments was consistent, and China would keep working towards perfection through further intensifying its capacity-building and better understanding WTO rules. It was China's sincere hope that developed-country Members, particularly the major ones with more economic capability and more moral responsibility, would demonstrate their political aspiration and determination to better honour their obligation to safeguard the multilateral trading system. This determination was badly needed, in particular when the Doha Round negotiations were still in deadlock. This transitional review mechanism had been in place for five years, and under it China had devoted tremendous resources to earnestly answer the thousands of questions raised by Members. He reiterated that it was natural for Members to have diverse opinions and positions on certain issues due to various reasons, including different interpretations of WTO rules. He wished to thank the General Council Chairman and his predecessors, as well as Chairs of the relevant subsidiary bodies, all Members and the Secretariat for the positive efforts and input that had been made in this process for the better understanding of matters relating to China's implementation of its commitments. In conclusion, he wished to remind the General Council and its relevant subsidiary bodies that, as the Chairman had said in his opening statement under this item, pursuant to Section 18 of the Protocol on the Accession of China, review of Members' implementation of some specific commitments to China was also within the terms of reference of the transitional review mechanism. This included, among others, the lifting of certain quantitative restrictions on imports from China as provided in Section 17 of the Protocol. Since there were still many other important items to be considered at

the present meeting, he would refrain from going into the details of this. His delegation hoped that Members had either already fulfilled or would faithfully fulfil their obligations.

8. The representative of the United States said that as Members concluded this year's TRM for China, his delegation wished to share its observations on how those reviews had gone, both from a procedural as well as a substantive standpoint. The United States also wished to make some observations on China's completion of five years of WTO membership. However, it first wished to express appreciation to the Chinese Ambassador and delegation and the many Chinese officials in Beijing who had worked hard to provide responses to the numerous questions raised by other Members. The United States recognized the enormous amount of time and effort the TRM required, particularly on the part of China's Ministry of Commerce, which oversaw China's efforts in this area. He recalled that the TRM had been created largely because China had become a Member before it had revised all of its trade-related laws and regulations to make them WTO-compatible, and because China had been allowed a variety of transition periods before it took on certain WTO obligations. As the past year had shown, the TRM remained an important and useful mechanism, serving the interests both of China and of other Members. The TRM continued to provide Members with the opportunity to seek clarifications regarding China's policies and practices. It also provided a forum for Members to convey to China their views, expectations and concerns regarding China's efforts to comply with its WTO obligations. China, in turn, had the opportunity to clarify its approaches and actions, with the goal of preventing misunderstandings that could lead to trade frictions. Members were now more than half-way through the life of the TRM. They had completed five years of annual reviews, while China's accession protocol called for three more years of annual reviews, followed by a final review within two more years. Looking back on the transitional reviews conducted by the various Committees and Councils in 2006, it was the United States' view that many important questions had been raised, and that many of the reviews had generated productive exchanges. China had obviously put much time and effort into reviewing and considering Members' questions and preparing responses.

9. Since its accession in 2001, China had worked very hard to reform its economy and implement the commitments set forth in its Protocol of Accession. Each year, China had made annual reductions in its tariff rates, eliminated non-tariff barriers, expanded market access for foreign services providers and improved transparency. All of these steps were designed to deepen China's integration into the international trading system, as well as to facilitate and strengthen the economic reforms China had begun 20 years earlier. Over the past year, Members had seen some broad-based procedural problems associated with China's implementation of its distribution services commitments largely disappear, although China continued to maintain restrictions on importing and distributing certain products, such as foreign publications. The area of direct selling also remained problematic. China had continued to pursue an extensive action plan in 2006 in its efforts to develop and implement an effective system for IPR enforcement, as required by the TRIPS Agreement. More recently, China had issued regulations in the area of banking services, which were intended to implement important commitments to permit foreign banks to conduct domestic currency business with Chinese individuals. The United States welcomed those regulations, although in certain respects they appeared to be overly restrictive. On a bilateral basis, it had been pleased with China's willingness to engage in productive dialogues in a number of areas, including with regard to China's policies in the steel sector. Nevertheless, despite significant progress over the past five years in many areas, China's record in implementing WTO commitments remained mixed. Enforcement of intellectual property rights in China continued to be ineffective. Members had raised a number of specific aspects of this problem at the TRIPS Council's TRM meeting. He would not repeat those concerns at the present meeting, except to say that the problems were enormous and required the serious attention of China and other Members. The United States welcomed the steps China had been taking in this area, but much more work needed to be done. Measurable progress would not be achieved until one began to see significant reductions in IPR infringement levels in China, and that had not yet happened. China also continued to pursue

problematic industrial policies that relied on trade-distorting measures, such as local-content requirements, import and export restrictions, discriminatory regulations and prohibited subsidies. These kinds of measures all raised serious concerns. As in prior years, examples of these problematic policies were readily available. They included the following: China's regulations imposing charges on imported auto parts that prolonged prohibited local-content requirements for motor vehicles; the telecommunications regulator's continuing interference in commercial negotiations over royalty payments to IPR holders in the area of 3G standards; the Government's continuing pursuit of unique national standards in many areas of high technology; a July 2005 steel industrial policy that called for the State's management of nearly every major aspect of China's steel industry; China's continuing use of quotas to control the export of raw materials such as coke, a key steel input; and government subsidization that benefited a range of domestic industries in China.

10. Worrisome new measures over the past year included the following: new policies calling for State control of "critical" equipment manufacturers; revised rules for foreign mergers and acquisitions that conferred broad and vaguely defined powers on the Government to block investments in a range of industries; and proposals to steer government purchases to domestic manufacturers to promote innovation in Chinese enterprises. In the area of agriculture, as in past years, unpredictable practices by Chinese customs and quarantine officials delayed or halted shipments of agricultural products into China, while sanitary and phytosanitary standards with questionable scientific bases and a generally opaque regulatory regime created problems for traders in agricultural commodities. Developments over the past year made clear that some Government agencies and officials had not yet fully embraced the key WTO principles of market access, non-discrimination, national treatment and transparency. The United States understood that further progress toward market mechanisms, fairness, transparency and predictability was sometimes difficult in the face of substantial continuing challenges, including the need to confront a host of dislocations inherent in China's transition from a planned economy to a more market-oriented economy. It also recognized the important contribution China's economic progress was making to global growth and development. However, as the United States had emphasized on prior occasions, the true measure of China's progress as a WTO Member had to focus on the extent to which China's trade regime had institutionalized market reforms and made improvements in transparency, fairness and predictability. In conclusion, he wished to reiterate that the United States appreciated the efforts China had made in participating in the 2006 TRM exercise, and looked forward to the following year's TRM. It also looked forward to working with China on a bilateral basis as it continued to pursue improvements in its trade regime. The United States was committed to working with China, both in 2007 and beyond.

11. The representative of Japan said that as had already been mentioned, 2006 was the fifth anniversary of China's becoming a WTO Member, the year of the fifth TRM and the year of the first Trade Policy Review of China. Japan understood that these reviews were highly meaningful processes in promoting mutual understanding of the implementation of China's commitments since its accession, and on how China addressed current trade-related problems and difficulties. Japan appreciated the effort China put into these reviews. In order to contribute to the TRM process, Japan had posed a number of written questions to China in each Council and Committee. Most of the issues raised in Japan's questions were shared concerns among Members. He would not touch on any specific issues at the present time, but wished to state that Japan had concerns that China's replies to some of these questions were not sufficient or did not provide pertinent explanations as to how China's commitments were being implemented. In this respect, although Japan appreciated China's commitment to the TRM, Japan wished to encourage China to make additional efforts to engage in this process in a constructive manner. As for the TPR of China, while Japan appreciated the written answers from China, his delegation asked China to provide answers to the remaining questions from Japan in a timely manner. Japan hoped that, in making use of these reviews, China

would exert further efforts to enact legislation and to strengthen the transparency and coherence of laws and regulations, in accordance with its WTO accession commitments.

12. The representative of the European Communities said that like the United States, the Community considered the present year's transitional review to be less than satisfactory. It was disappointed by the lack of China's replies and the multiple procedural difficulties that had occurred. However, he did not wish to elaborate on this in detail now, but rather to look ahead. There were quite a few concerns mentioned by the US and Japan which the Community shared. China was now reaching the end of its transition period for implementing its accession commitments. It had reaped enormous benefits from its access to the liberal and transparent trade environment provided by the WTO. China was now a major trading partner for all, and had a key stake in the proper functioning of the institution. The Community expected it to show leadership in setting the example of providing detailed answers to legitimate concerns of other Members. In October, the European Commission had issued a communication on its future relations with China, which made a strong case for open trade. However, in order to resist protectionist tendencies that inevitably resulted from increased competition from China, it was essential to demonstrate that there was a balance of opportunities and that the Chinese market was open. It was in China's interest was to contribute to mutual trust. WTO accession was the starting point, not the end point, of a Member's contribution to the WTO system. While the Community wished once again to recognize the effort made by China to adapt to the multilateral rules the WTO stood for, it hoped China would address the concerns raised, make an additional effort and answer all the questions posed.

13. The representative of Cuba said that China's entry into the WTO had been an important step for the organization as well as for China. China had fulfilled its commitments and was making efforts to play a positive, constructive and active role in the organization in the context of the present process of negotiations. In the five years since China's accession, it had modified or amended more than 2,000 laws and procedures, bringing greater transparency to its procedures. It had to a great extent brought down customs tariffs both for agricultural goods and other consumer goods, moving from an average tariff of 43.2 per cent in 1992 to 9.9 per cent at present. In non-tariff related measures, China had modified import licensing and quota systems. Liberalization in the services sector had also been intense. Transparency in legislative work was also improving, and notable efforts had been made regarding laws and regulations related to intellectual property. China's economy had now moved up to rank as fourth in the world, and evident success had been seen in poverty reduction and in raising living standards, with a reduction in poverty of 5 million people. China had made unprecedented development progress. It had turned a multi-ethnic overpopulated country that was highly agricultural and poor into a prosperous, stable nation that was growing and showed solidarity. Its prowess in achieving development while maintaining its independence made it the greatest hope and the best example for all developing countries and a main promoter of their economic development.

14. One had to bear in mind that in the context of China's accession in 2001, it had assumed commitments in many cases that were similar to – and in some cases even higher than – the commitments developed countries had assumed, despite its developing-country status. China had reviewed and examined a large number of laws and disciplines in order to adapt them to its commitments by simplifying trade procedures and increasing their transparency. Despite being a developing country, China had made and continued to make considerable efforts to promote the participation of other developing countries in its market and to facilitate development assistance. One also had to bear in mind that China's economy was very large and very complex, and all countries had an interest in preserving its stability, in view of the not very promising signals of continued growth in some of the other major world economies. Cuba also wished to state its views regarding the discriminatory nature of the TRM review process which applied to only one Member – no other Member was subject to this obligation. There was also discrimination in some of the positions that had been stated and the questions put to China. Cuba called on those who wished to

see a reduction in domestic support and subsidies, and compliance in notifications, to apply these appeals to themselves, particularly in the context of the Doha Round of negotiations, which were at an impasse, due to the refusal of some of these countries to accept reductions and greater disciplines for domestic support.

15. The representative of Benin, on behalf of the African Group, congratulated the Ambassador of China, his team and the Chinese authorities for the efforts they had made to bring China into line with the WTO system over the past five years. The African Group welcomed China's rapprochement with African countries and hoped that these relations would result not only in strengthening existing cooperation, but also lead to growth in the trading relations between Africa and China. The African Group wished China progress and hoped to be able to continue in the WTO to improve its contacts with the Chinese delegation.

16. The representative of China said his delegation had listened attentively to all the statements and particularly thanked delegations for the positive and objective comments they had made with regard to China's implementation of its accession commitments. With regard to the concerns and questions raised by Members, he believed that most of them had already been effectively addressed in the subsidiary bodies of the General Council. Therefore, he did not see any point in repeating China's responses to those concerns or questions. Other issues raised by a couple of Members were outside of the mandate of the WTO and China's commitments. However, China was willing to exchange views further with Members bilaterally outside the present meeting, if they so wished.

17. The General Council took note of the statements and of the reports submitted by the subsidiary bodies on the conduct of their respective reviews, and agreed that the fifth review by the General Council of China's implementation of the WTO Agreement and the provisions of its Protocol of Accession had been concluded.

3. Report by the Chairman of the Trade Negotiations Committee

18. The Chairman invited the Director-General, as Chairman of the TNC, to report on the TNC's activities since his last report to the Council.

19. The Director-General, Chairman of the Trade Negotiations Committee, said that since he had last reported to the General Council in October, he had continued his contacts with Ministers, Senior Officials and members of parliaments, visiting, among other places, Brussels and Washington. He had also attended the APEC Ministerial meeting in Hanoi, the 20th Anniversary of the launching of the Uruguay Round in Montevideo, and the IPU Parliamentary Conference on the WTO. In all his contacts, the desire to come back to the negotiating table, and to do so rapidly, had been clear. The political will to conclude the Round was being reaffirmed constantly across the board. New flexibilities had been announced by major players in general terms. The challenge remained to translate this political will and these signals of flexibility into substantive changes in position, which were necessary in order to unblock the process. In this context, he had convened an informal meeting of the TNC on 16 November. He had done so in the light of the signals he had received in his contacts with officials at every level, of a growing and widely-shared desire to make the most of every opportunity to lay the foundations for further progress. It had become clear that the number and frequency of informal contacts among Members, both in Geneva and beyond, which had been going on since the summer, had increased. He had suggested that it was time to start to multilateralize these contacts and to bring them back to the Negotiating Groups in Geneva. In his opening remarks at the November meeting, which had been circulated in document JOB(06)/255, he had set out a number of suggestions on what this would mean in practical terms. He had made it clear that he was encouraging the Negotiating Group Chairs to carry out contacts and consultations as they judged most appropriate, underlining that it was only they who could determine the way ahead in each area and the speed with which the work should take place. At the

conclusion of the meeting, he had noted a consensus on the working method he had suggested, which had given the green light to the Chairs to take up again their processes, in keeping with the usual principles of transparency and inclusiveness.

20. In line with what had been agreed, the Chairs had started talking to Members in a variety of formats, from "fireside chats" to "transparency forums", in order to explore possible options to take the negotiations ahead. Following the lead taken by the Chair of the Agriculture Special Session, to which he had referred at the November informal TNC, the Chairs of the other Negotiating Groups were also now hard at work, undertaking the contacts and consultations they judged most appropriate, bearing in mind the different circumstances of the various Negotiating Groups. He knew the Chairs were all mindful of the over-arching need for transparency and inclusiveness in their work, and a good number of open-ended consultations had been held so that they could inform participants of the contacts and consultations they had had and to offer all delegations an opportunity to exchange views. While no real changes in numbers – notably in agriculture domestic support or tariff protection – had shown up in these discussions so far, an increasing level of engagement was starting to appear. He believed this indicated a willingness to enter into discussions on substance. Members also continued to have contacts among themselves, in many cases to try to refine their negotiating positions, and he encouraged them to continue to do so. He knew that further contacts were planned, including some at Ministerial level early in 2007, at the invitation of Switzerland. In order to be ready to engage fully on substance when the time came, Members needed to maintain the rhythm of the informal work that was under way between now and the end-of-year break, and then increase it when they returned after the break, in order to exploit the window of opportunity that remained ahead in the first quarter of 2007. As he had said before, all knew the value of what was already on the table, the other benefits that were potentially achievable through a successful conclusion to the Round, and the costs to all Members and the trading system if Members failed. Failure could be just around the corner, but one not need turn that corner. With all contributing and playing their part, Members could stay on track to take this Round to a successful conclusion in 2007.

21. All representatives who spoke thanked the Director-General for his report on the status of the negotiations, and the Chairs of the negotiating groups for their efforts in trying to find a way to break the deadlock in the negotiations.

22. The representative of Australia said he would not make a long statement or go over some of the issues or observations that would no doubt be made by colleagues, but wished to say that Australia was pleased – as CAIRNS Ministers had called for in their meeting in September – that Members had been able to resume the Geneva process. His delegation welcomed the work the Chairs had begun and the endeavours of all Members to support this work over the past month or so. Members knew that an extraordinary effort would be required by all if they were to be successful in 2007, and his delegation believed that all agreed – particularly with the benefit of reflection over the past few months – that completing this Round was not just a worthwhile endeavour but an essential one – essential for what it would deliver for the multilateral trading system and for what it would deliver to the economic welfare of all Members. There were benefits that would accrue in all areas of the negotiations – the so-called market access and subsidies components of agriculture, industrial tariffs and services, and also in the rules area. Of course, it was clear that Members had to find a solution for agriculture that met the objectives they had collectively set. For the CAIRNS Group, this meant Members had to find an outcome that would ensure that the Doha Round took the necessary steps to remove distortions in world agriculture trade. As CAIRNS Ministers had recalled in September, the failure to conclude an agreement on agriculture modalities had been the result of significant gaps in positions in both domestic support and market access, and genuine and deep policy reforms in both pillars were necessary if this Round was to deliver real change in global agriculture markets.

23. The CAIRNS Group had been working hard over the past few months to establish approaches that would allow Australia to bridge the gaps with other Members. This had included work in all pillars of the agriculture negotiations. In domestic support Members needed effective cuts and tight disciplines. Substantial moves would be required by all the major subsidizers to remove the water from their commitments. Members had to ensure that they eliminated export subsidies and made the parallel commitments in other areas of export competition. On market access in particular, Australia was convinced that Members remained too far from an outcome that would deliver substantial improvements as required by the mandate. Market access was of course important in its own right in allowing trade to flow, but it was also essential to ensuring the effectiveness of reforms to the domestic support pillar. Australia had refined its thinking on the treatment of sensitive products and wished to engage closely with other Members in a dialogue, having listened to their concerns and remaining open to look at ways to address those concerns. However, this was in the context of its objective for substantial improvement in all products. Australia had also developed new proposals on tropical products and was engaged in a dialogue within the CAIRNS Group on Special Products and the SSM. It wished to engage closely with others in this process. His country was confident that with appropriate acknowledgement of the concerns and sensitivities on all sides, progress could be made. There was little time to waste. Members could, if they liked, spend a lot of time trying to second-guess what would happen in the political climate in Brussels, Washington, Tokyo and other places, or they could get on with their work and seek to do their best to move these negotiations forward. That was the commitment Australia had to these negotiations.

24. The representative of Benin, on behalf of the African Group, said the present meeting was taking place at a crucial stage of the Doha Round, four months after the suspension of the negotiations and one month after the appeal made by Members at the 16 November informal TNC meeting for the resumption of the negotiations. It was important to recall this in order to highlight the equally important challenges Members now faced together. It was incumbent upon all, following the end-of-year festivities, to move from what had been called a "soft resumption" into an effective, comprehensive and regular negotiating mode. This should be one of the main decisions of the present meeting. It would be difficult over the next few days to defend or justify any attitude that did not reflect a full and steadfast commitment to the task that lay ahead. Members should resume work where they had left off in July, on the basis of the guidelines, principles and benchmarks defined in the Doha Declaration, the July 2004 Framework Agreement, and the Hong Kong Ministerial Declaration. Furthermore, the African Group would not accept partial modalities. The process should be open to all Members and entirely transparent. At the same time, the results should take full account of the development dimension, which was the central objective of this Round. In addressing the challenges, concerns and expectations of the African Group in the negotiations, a number of issues had to be examined and incorporated in the results of the negotiations. These included agriculture, cotton, NAMA, services, trade facilitation and accession. For the African Group the agricultural negotiations were at the heart of the ongoing process and would serve as a locomotive for all other work. Any consensus outcome of these negotiations should aim to include the following: substantial reduction in domestic support; elimination of export subsidies, taking account of the interests of the net food-importing developing countries and LDCs; improvement in market access, with due consideration given to the impact of preference erosion on countries with long-standing preferences; taking account of the banana issue and the difficulties encountered in connection with other basic products and of the need to identify appropriate indicators; appropriate treatment of Special Products and establishment of a Special Safeguard Mechanism; and granting of S&D treatment.

25. On cotton, more than three years after the submission to the competent WTO bodies of the request for an end to export subsidies and domestic support that distorted international trade in cotton, this issue, although recognized as an urgent priority, had yet to be settled and remained as acute as ever. The suspension of the negotiations had merely made matters worse for the cotton

producers in Africa, particularly in the least-developed cotton-producing countries. The African Group wished to stress, once again, the seriousness and urgency of the cotton situation, and the need to address this issue ambitiously, expeditiously and specifically, as provided for in the July 2004 mandate and recalled by Ministers in Hong Kong. It was essential that the necessary technical and financial assistance be granted to the African cotton-producing countries to strengthen the cotton sector. In conjunction with these efforts to ensure the survival of the cotton industry that was so vital to the countries concerned, those countries also wished to start work on the introduction of a safety net to help manage the revenue losses caused by the fall in cotton prices on the international market. On NAMA, the African Group believed the negotiating process should produce a result that stimulated industrialization in Africa. To that end, the African Group wished to ensure that in developing the formula and determining the coefficients, the situation of the developing countries and the level of industrialization of the African countries were taken into account. This meant that necessary flexibilities would have to be granted to African countries. Similarly, the erosion of preferences would have to be properly addressed and trade solutions adopted. As regards the non-mandatory sectoral approach, this could be properly evaluated only once the impact of the formula on the Doha mandate had been assessed, and provision had been made for longer implementation periods or the use of a correction coefficient to limit the adverse impact of the formula. The situation of the LDCs should be examined in response to the Hong Kong mandate with respect to duty- and quota-free access for products originating in LDCs, taking account of their request in connection with concerns about the remaining margin for the 3 per cent of remaining tariff lines. In the area of services, the African Group recognized the economic potential of trade in services. In this connection it wished to stress the need to support the African countries, in particular the least-developed among them, in their efforts to identify the sectors in which they had services export interests. The African Group also wished to reiterate the importance of bearing in mind the level of development of these countries in formulating commitments, by conducting a prior-impact assessment and granting them the necessary flexibilities regarding both market access and domestic regulations. This was necessary in order to reassure the countries involved in the ongoing process and to help move forward in this area. On trade facilitation, for the results of the work in this area to be balanced, they would have to take account of the recommendations and requests for technical assistance, capacity-building and S&D treatment for the developing countries, in particular the LDCs. This meant taking account of the infrastructure needs that had been expressed, since trade facilitation required the elimination of constraints linked to the lack or shortage of infrastructure in the countries concerned. The recurring difficulties facing the landlocked countries should also be addressed. Moreover, any measures or initiatives to facilitate trade should be seen in a regional context, since the problems and situations in different countries were often similar. In the area of accession, the African acceding countries were confronted with conditions that went beyond the WTO rules in force. Thus, in conformity with paragraph 59 of the Hong Kong Declaration, the African Group called on all Members to facilitate and accelerate the accession of African countries to the WTO as an important means of ensuring the universal character of the organization. Finally, the African Group hoped that the formal resumption of the negotiations would take place as rapidly as possible, and that they would be comprehensive and dynamic, so that Members could do what was needed to obtain the results hoped for and to ensure that the Round reached a successful conclusion.

26. The representative of Brazil, on behalf of the G-20, said that when the G-20 Ministers and other developing-country group coordinators – for the G-33, the ACP countries, the LDCs, the SVEs, the C-4, and the NAMA-11 – had met in Rio on 9 September, they had deeply regretted the suspension of the DDA negotiations. They had seen it as a threat to the Round and to the multilateral trading system itself. In that context, they had reaffirmed their willingness to join efforts with a view to ensuring that WTO negotiations in agriculture lived up to the commitments of the Doha mandate. They had urged the Director-General to intensify the process of consultations with Members, in an inclusive and transparent manner, in order to create the necessary conditions for the prompt resumption of the negotiations. The multilateral process in Geneva had gradually

started again with the "soft resumption" of the negotiations. This was a positive development that had been widely supported by Members. The G-20 supported the process that had been initiated by the Chairman of the agriculture negotiations to try to reignite the discussions. They were pleased to see that participants in the Chair-led process were approaching this exercise with open minds and with the willingness to explore areas of convergence. This process was useful, but there were limits to what could be achieved by it in the current circumstances. In order to make meaningful progress, and in order to move from chats to negotiations, clear signals were needed, and sooner rather than later.

27. As pointed out by the G-20 Ministers in September, the current positions of the developed countries did not provide an adequate basis for leading the negotiations to a successful conclusion. There was need for an early indication by developed countries that they were willing to achieve effective cuts in trade-distorting domestic support, together with disciplines to avoid circumvention. There was also need for substantial improvements in market access, where the differences between developed and developing countries had to be reflected in any outcome. All of these issues were important and all had to be addressed in order to have a successful conclusion of the negotiations and in order to achieve full modalities, as had just been highlighted by Benin for the African Group. This required addressing issues of direct interest to developing countries, such as SPs, SSM, tropical products and preference erosion. It also included addressing the concerns of LDCs, SVEs, cotton producers and developing-country RAMS. The G-20 would continue to engage constructively. The stakes were high. This was the first Round that had placed agriculture and development at its heart – it could not be allowed to fail, and failure did not mean just the absence of a conclusion. Falling short of the development promises of Doha would also be a failure. The risk of not concluding the Round should not be underestimated. The consequences for the multilateral trading system of a resurgence of protectionism and growing resort to bilateralism would be grave. There was a window of opportunity at the beginning of 2007. Members could not be allowed to lose it. This entailed efforts by all, and the G-20 was ready to do its part. However, the real spark for the negotiations had to come from movements by the major players in domestic support and market access.

28. The representative of Bangladesh, on behalf of the LDCs, said the LDCs had listened carefully to the statement by the TNC Chair, and agreed with his assessment on the present negotiating scenario. The LDCs had earlier expressed their full support for the Director-General's efforts to resume the negotiations in a meaningful manner. For the LDCs, trade was a vital component of their development efforts. Trade negotiations were not simply a question of advancing or protecting the interests of specific industries or groups. Given their urgent need for improved market access and attention to supply-side issues, the LDCs could not afford the luxury of negotiations at a slow pace. Accordingly, they urged Members, in particular the key players, to contribute to the negotiations in a meaningful manner. According to UNCTAD's LDC Report 2006, "[e]ven if LDCs exported all their output, their share of world exports of goods and services would be only 2.4 per cent, even though their share of world population was over 10 per cent" LDCs' problems were mainly two-fold: gaining concessional market access for their products and services, and addressing supply-side constraints. The LDC Group had submitted modalities on duty-free quota-free market access as well as transparent and simplified rules of origin under the scope of the CTD Special Session, the Committee on Agriculture Special Session and the NAMA Negotiating Group in June 2006. Regarding market access in services, they had submitted revised Mode 4 requests and a mechanism for according special priority to LDC service suppliers under the purview of GATS. Although they had not received the expected response from the membership, they continued to be hopeful and looked forward to closer engagement with Members on these issues. On trade facilitation, it was the LDCs' intention to implement, in accordance with their capacity, whatever was agreed upon in the negotiations. At the same time, Members also had to recognize that LDCs might not be able to implement what was agreed upon without capacity-building assistance. For the negotiations to be result-oriented, it was necessary to take into account LDCs'

needs and priority assessments, the provision of S&D treatment beyond transition periods, and capacity building, keeping in view the modalities agreed upon in the July 2004 Framework.

29. The representative of Mauritius, on behalf of the ACP Group, said that as indicated on other occasions, the Group welcomed the resumption of negotiations at the technical level in Geneva. It also supported the efforts of the Director-General in undertaking high-level consultations to secure the right conditions for a full resumption of the negotiations. The Group was also grateful to the Chairs of the negotiating bodies for having initiated, in various formats, consultations in a bid to secure the necessary convergence. As the ACP Group had also said before, for small delegations like those of the ACP countries, the multilateral process offered the best platform for inclusiveness. Indeed, most of the ACP Members were not always privy to the parallel consultations being held in restrictive groups in Geneva or elsewhere. Their fear – which was legitimate – was that their specific concerns might be sidelined in these parallel processes, although their common position on key issues under negotiation was well-known. Therefore, the ACP Group joined other Members in calling for an early and full resumption of the negotiations, covering all areas, in full compliance with the principles of a bottom-up approach, transparency and inclusiveness and based on the DDA, the July 2004 Framework and the Hong Kong Declaration. The ACP Group continued to believe that a basic precondition for an overall fair, balanced and equitable outcome, to which all aspired, was meaningful delivery on the development mandate, including the special interests of small and vulnerable Members.

30. Although no specific deadline had been set, the Group was fully aware that in the coming weeks, rather than months, there had to be important breakthroughs on some of the central issues, mainly in agriculture – market access and domestic support – and NAMA, if Members wanted to conclude the negotiations, hopefully in 2007, through the small window of opportunity available until early 2007. However, given the time constraints, the ACP countries remained apprehensive that in an attempt to clinch hasty deals on those central issues, some of their specific concerns and interests would be left unattended. Therefore, they would continue to insist on full modalities as one of the prerequisites for an acceptable outcome. In this respect, while accepting the need for sequencing, they would need the necessary in-built guarantees – in any partial deals being struck – to the effect that their specific concerns would be addressed as an integral part of the final deal. This was why the ACP Group remained actively engaged in all areas of the negotiations and at all stages of the process, and re-affirmed its commitment to an ambitious, pro-development outcome of the Round. In keeping with the Group's constructive engagement from the outset of the negotiations, the ACP countries would – in a spirit of fairness and urgency – make their contributions to defend both their defensive and offensive interests in all aspects of direct relevance to them. These included: substantial improvement in market access with due regard to the issues of longstanding preferences, SPs and SSM, commodity and NFIDCs-related issues; effective reduction of all trade-distorting domestic support; early implementation of the Hong Kong Declaration on duty-free quota-free market access to LDCs; cotton; trade-related concerns of SVEs; and paragraphs 8 and 6 flexibilities in NAMA. In this respect, the ACP Group reiterated its call on the major players to show the necessary flexibilities for providing an acceptable basis for a successful conclusion of the negotiations. The ACP Group stood ready to work with the Director-General and other Members to find the middle ground as a first necessary step to moving forward.

31. The representative of South Africa, on behalf of the NAMA-11 Group,² said these countries remained disappointed that the negotiations had had to be suspended at the end of July due to the inability of some Members to make significant movements in agriculture. A continued delay in the progress of the Doha Round was a delay in the promise of the development outcomes of the DDA. Developed countries too had major gains to make from a successful Doha Round. What was on the

² Argentina, Brazil, Egypt, India, Indonesia, Namibia, Philippines, South Africa, Tunisia and Venezuela.

table in NAMA – notwithstanding the specific Swiss formula to be agreed – would yield the most significant cuts in developing-country tariffs from bound rates, compared to efforts undertaken by developed, and developing, countries in all previous eight GATT Rounds on industrial tariffs. Developed countries were still the major exporters of industrial goods and would be the major beneficiaries. The NAMA-11 welcomed the "soft resumption" of the Doha negotiations the Director-General had called for at the informal TNC in November. At that same meeting, the Director-General had stated that the negotiations were "somewhere between the quiet diplomacy of the last months and the fully-fledged negotiations which will only come when Members are ready to put numbers to the flexibilities they have already expressed in general terms on key issues, in particular on agriculture, market access and domestic support." In addition, the Director-General had called for work to take place across all areas of the negotiations under the direction of the Chairs of the negotiating groups. The NAMA-11 were pleased to report that in response to this call, they had been fully engaged in the informal consultation process undertaken by the Chair of the NAMA negotiations. While the NAMA-11 were all committed to advancing the substance of the negotiations, they were also concerned to ensure that the sequencing of the negotiations under the DDA was careful to incorporate development issues first, agricultural modalities second, and then NAMA modalities, and that this was not abandoned or turned on its head – i.e. NAMA modalities first, agriculture modalities second, and then possibly development issues such as duty-free quota-free market access – as some Members were now suggesting. As the negotiations resumed, Members should also ensure that the sequencing within NAMA was mindful of the progress in the negotiations in agriculture. Sectorals were not part of the core modalities, nor were they mandatory, and therefore would need to be appropriately sequenced in the negotiations.

32. In addition, while the NAMA-11 were fully supportive of transparency in the negotiations, this would have to be accomplished in an appropriate manner, and properly sequenced, without compromising the right of developing countries to designate the products that required greater flexibility and more careful adjustment. In addition, the issues of export taxes and export restrictions were not part of the NAMA mandate and could not be brought into the negotiations at this late stage. As the NAMA-11 Ministers had stated in a Ministerial Communiqué on 29 June 2006, the NAMA-11 were willing to contribute to the NAMA negotiations. This contribution would be based on the objective of achieving a fair, balanced and development-oriented set of NAMA modalities predicated on the following mandated principles: placing development concerns at the heart of the negotiations; ensuring less-than-full reciprocity in reduction commitments for developing countries; a comparable level of ambition with agricultural market access; and appropriate flexibilities to manage adjustment costs and address development needs. The NAMA-11 were willing to resume work on the basis of the Chairman's status report of June 2006. However, this was on the understanding that that report was not a negotiated text and did not claim to represent all the views expressed on each of the elements of the NAMA modalities. The NAMA-11 had expressed their views on the TNC Chair's report at a meeting of the NAMA Negotiating Group in July, and did not need to repeat these views in detail at the present meeting. They merely wished to refer Members to one important issue. The concept of "real market access" that was reflected in the Chair's status report was neither part of the mandate nor a principle of the NAMA negotiations. "Real market access" or "new trade flows" in NAMA was an ambition of developed countries in the NAMA negotiations, and this ambition could not be claimed for free, but would require being paid for by an appropriately high level of ambition reflected in the developed countries' offers on agricultural market access and cuts and disciplines in domestic support, as well as their own opening for industrial products, in accordance with the mandate to address tariff peaks and tariff escalation, particularly in products of export interest to developing countries. In conclusion, the NAMA-11 Members wished to stress that they were all fully committed to contributing to the current process in the negotiations led by the Chairman of the NAMA Negotiating Group.

33. The representative of Argentina said his delegation had listened carefully to the Director-General's statement and supported all his efforts in grappling with the pending issues Members needed to deal with in order to push the Doha Round forward. He wished to stress the priority Argentina attached to the multilateral trading system. Argentina agreed with the Director-General when he referred to the concern felt at the proliferation of bilateral agreements, when Members should be focussed on strengthening the multilateral system and in bringing progress to the Round. Argentina also wished to underscore its support for the statement by Australia regarding the CAIRNS Group and the reference made to the need for reform in agriculture. It also supported the statements by Brazil for the G-20, by South Africa for the NAMA-11 and by Mauritius for the ACP. The developing countries were showing, through their active participation and through their proposals, the direction Members should be taking. Furthermore, through these proposals they had effectively pointed to their contribution in market access and in the strengthening of other disciplines that were so important for the success of the Round and for the multilateral system. Argentina agreed with Brazil and South Africa, who had stressed that agriculture was relevant in order to unblock the negotiations. While agriculture did not represent a large share of international trade – often the Director-General had referred to the fact that it represented only 9 per cent – this percentage would be higher if there was liberalization in agricultural trade. However, on the other hand, studies in Argentina had led his country to draw certain conclusions which had been shared with the groups in which Argentina participated. For example, if one compared the situation in 1970 – when market organizations were starting to be set up in Europe – and 2005, the drop in developing countries' market share in international trade in agriculture had been US\$100 billion per year. This was a significant figure and went far beyond any international aid offered. Benin had referred to the African countries' concerns. African countries stood to lose the most – US\$40 billion per year. Thus, liberalization and the elimination of distortions in trade in agriculture would imply considerable progress for the African continent and, of course, for all developing countries and for the multilateral trading system.

34. There were two substantive issues – domestic support and market access in agriculture – where movement and greater flexibility were necessary. Argentina was very pleased to see a resumption of the negotiations at a technical level with the fire-side chats as a means of moving forward in discussions and to better specify certain elements. However, there was no doubt whatsoever for Argentina that what was needed was political movement, which required leadership and determination, and a willingness at a high level. Here the United States, the European Community and the G-10 countries had a lot to do. This was where one could see the possibility for the Round to be unblocked. There had to be movement there regarding domestic support and market access for this possibility to exist. As had been aptly stated by South Africa for the NAMA-11 and Brazil for the G-20, the developing countries were showing that they wanted to see substantial progress in market opening. Their access proposals for industrial goods as well as for agricultural goods exceeded the offers made by the developed countries in the Uruguay Round. These proposals were mid-way and implied a possibility of solving some of the conflicts in the Round. There were extreme positions. However, in NAMA, as well as in agriculture, the developing countries had made middle-ground proposals that were ambitious and that would make it possible to solve some of the difficulties Members were facing in the Round. Members had to be aware of this fact, and all needed to call for political leadership, so there was an understanding of what developing countries were doing in indicating a path to follow. Without political movement, it would be extremely difficult to take advantage of this window of opportunity. Above all, windows of opportunity could be extended in time. It was important for Members to be patient and persistent in their efforts, and to be constant if they wanted to achieve the significant result needed from this Round in order to maintain and strengthen the multilateral trading system.

35. The representative of Indonesia, on behalf of the G-33, welcomed the soft resumption of the negotiations to which the Director-General had referred, and the initiative of the Chairman of the agriculture negotiations to restart the multilateral process in agriculture. The G-33 Ministers, at

their Ministerial meeting in Rio in September and in the margins of the G-20 meeting, had stressed their commitment and willingness to put the negotiations back on track as soon as possible, as a successful outcome was critical for economic growth, development and livelihoods in developing countries. The G-33 had always been supportive of transparency, inclusiveness and the bottom-up approach in the negotiations. Engaging all Members was the most favourable approach to ensuring a truly multilateral result. The G-33 remained ready to engage in a dialogue that was constructive in its process and substance without being selective. The Group wished to emphasize that all outstanding issues in agriculture would have to be dealt with in a balanced and timely manner in the resumed negotiations. These aspects were critical to creating the right conditions for the negotiations and to imparting confidence among developing countries that the negotiations would not in any way subvert their development interests. The G-33 were committed to ensuring that the final outcome did not put at risk the livelihoods of the vulnerable and disadvantaged section of their populations. In this spirit, it was critical that all adhered to the Doha mandate, further complemented by the July 2004 Framework and the Hong Kong Declaration, in particular to the core development instruments such as Special Products and the Special Safeguard Mechanism. These instruments were vital to delivering the development imperatives of the Doha Round. The flexibilities sought for the food security, livelihood security and rural development needs of G-33 Members were not being sought as open-ended opt-outs. The outcome in the Doha negotiations for these flexibilities could only be sustainable if it enabled the developing countries to meet their development objectives. It had to be appreciated that the issue of developing countries' flexibilities was not part of the problem – it was part of the solution. The interests and needs of developing countries should rightly be placed at the heart of the Round so that the development dimension of the Round was appropriately delivered. The G-33 would continue to engage and cooperate constructively within the framework of achieving a fair trading system and a genuine development outcome in the negotiations through an inclusive and transparent process.

36. The representative of Japan said his delegation shared the Director-General's sense that in this Round, Members were at the very edge of a high cliff. All should recognize that the credibility of the multilateral trading system itself was at stake. Japan was satisfied that all the negotiating group Chairs were undertaking their initiatives. The negotiations should proceed in a balanced manner in all fields. Japan was happy to report that its new Government, which had come into power two and a half months earlier, was very much committed to the success of this development Round and determined to engage positively and eagerly.

37. The representative of Romania, on behalf of CEFTA Members, supported the Director-General's report and shared his assessment of the state of play. Members were coming closer to the moment when they would have to choose between what was right and what was easy, in order to get results in this negotiating process. For the CEFTA Members, the soft resumption of negotiations was the first step towards hard work. Members needed to understand better what was at stake for all. As the Director-General had said, failure might be lurking around the next corner. Then again, challenges were opportunities to prove one's best. Members' job was to take all opportunities to push the negotiations further and the Round closer to a successful conclusion.

38. The representative of India thanked the Director-General for his continuing efforts to push Members towards a successful completion of the Round. He associated his delegation with the statements by Brazil for the G-20, Indonesia for the G-33 and South Africa for the NAMA-11. India also supported the statements by Benin for the African Group, Mauritius for the ACP and Bangladesh for the LDCs. Members were now almost four weeks into the new phase of consultations. In agriculture especially, there had been a fairly intensive process in which Members had discussed a number of ideas and options in a very constructive manner. There had not been any major breakthroughs, but Members were making sincere efforts to understand each other's concerns and aspirations. India was also mindful that if Members were to achieve closure by 2007, they needed to find common ground on the key areas within the next few weeks. It was becoming

increasingly clear that the spark that would ignite the negotiations would have to come through the political process in general and developed countries in particular. The process had to balance the need to hurry with the need to be complete. Members could not allow timelines to force them into an outcome that either circumvented the mandate or deferred some areas for future consideration, a point which had been made earlier by Benin for the African Group and by Mauritius for the ACP. All areas of the single undertaking were equally important, and outcomes on all areas, consistent with the mandate, were required to provide a balance for all Members. The main deliverable in this negotiation was an outcome that did justice to the development promise of the Round. In agriculture, this implied an outcome that substantially reduced distortions in developed countries, improved market access and provided developing countries with the flexibilities they required to address the needs of their poor and vulnerable farmers. The removal of distortions would need to be accompanied by appropriate disciplines to ensure that they did not re-appear in another form.

39. In NAMA, the development outcome had to be based on the principle of less-than-full reciprocity with appropriate flexibilities for developing countries to address their development needs. There could be no new conditions on any developing country's recourse to flexibility provisions. India did not see sectorals – participation in which it had already been agreed was non-mandatory – as part of the core modalities. Sectorals could not be part of the central equation and, therefore, needed to be sequenced at the end of the tariff negotiations. In services, India remained committed to a meaningful outcome, both in market access and disciplines in domestic regulations. In this area, India already had a significantly ambitious revised offer on the table, which was well over and above its Uruguay Round commitments. It wished to see similar market openings in sectors and modes of interest to developing countries. He also wished to underline that in the services negotiations, the development aspect could largely be addressed through meeting developing-country requests in Modes 1 and 4. Indeed, an indication of liberal commitments from developed countries in all Modes, but particularly Modes 1 and 4, would provide a strong incentive for developing countries in the negotiations and would enhance the latter's ability to respond to plurilateral and bilateral requests made of them. Concerning domestic regulations, India had noted that liberal market-access commitments were often negated by invoking domestic regulations. This could be prevented by putting in place disciplines on domestic regulations, which had been mandated by the Hong Kong Declaration. India looked at such disciplines as an integral part of the outcome in the services negotiations, since the latter were meant to promote free and fair trade, rather than restrict trade. The key, of course, was to strike the right balance between the right to regulate and ensuring that domestic regulations did not negate market access. To address the concerns of developing countries, appropriate S&D treatment provisions would also have to be added. Without an outcome in this area, the services negotiations would be incomplete. In Rules, Members needed to make substantial progress in clarifying and improving disciplines on anti-dumping, subsidies, countervailing measures and RTAs. Needless to say, the special concerns of LDCs, SVEs, cotton producers and developing-country RAMs would need to be an integral part of the outcome, as would a positive and concrete decision on implementation issues, especially the CBD-TRIPS issue. India also urged an early operationalization of the duty-free quota-free arrangements for LDCs, as well as the Aid-for-Trade initiative.

40. The representative of Kenya associated her delegation with the statements by Benin for the African Group, Mauritius for the ACP Group and Indonesia for the G-33. Kenya also welcomed the soft resumption of the negotiations which had led to the informal consultations that were being carried out through the Chairs of the various negotiating bodies. In specific reference to the current process, Kenya not only encouraged those Chairs to intensify their consultations in the various configurations, but also to be as inclusive as possible. In particular, in the informal negotiations on agriculture, Kenya wished to see more fire-side chats, which embraced a much wider participation of the membership, especially those from the African region.

41. The representative of China said that as a member of the G-20 and the G-33, China fully associated itself with the statements by Brazil and Indonesia. It also shared many concerns expressed in statements by other developing-country Members and groups. Like others, China welcomed the recent soft resumption of the Doha Round negotiations after over three months of suspension, and had taken note of the constructive engagement of Members in various negotiating bodies with the guidance of their respective chairpersons. However, it should be underlined that up to the present, such engagement had not resulted in any of the tangible progress needed for the momentum in and an early successful conclusion of the Round, either in the most important pillars in agriculture or in any other areas of the negotiations. China wished to reiterate the common view shared by most Members on the centrality of agriculture in the Round and to endorse the importance and gravity of an understanding on a high level of ambition among the major developed-country Members on trade-distorting domestic support and market access in agriculture, which would facilitate other areas of negotiations moving forward and would encourage other Members to take more flexible positions. China recognized that progress in other areas as early as possible was also indispensable for the eventual single undertaking of the negotiations. His delegation therefore wished to appeal to the developed-country players to demonstrate their political will and leading role in translating their repeatedly stated commitment into specific actions.

42. In discussing market access for agricultural products, one should always bear in mind the different roles that agriculture played in developed and developing-country economies. For the latter, agriculture was the basic means of survival for billions of subsistence farmers. Therefore, the legitimate concerns of developing-country Members on Special Products and the Special Safeguard Mechanism had to be fully addressed. Meanwhile, appropriate solutions had to be found to other issues of equal importance for developing-country Members, such as universally applied S&D treatment, duty-free and quota-free market access for LDCs, cotton, specific concerns of the SVEs and RAMs. After all, the Doha Round was a development round. It would be useless, particularly for the major players, to repeat the game of "crying wolf" by issuing any more warning signals about the time constraint being faced and the possibility of a failure of the Round, which were well known to all. Unless Members were resolutely determined on the political front and took concrete action to meet the challenges, they would have no other option than to face all the serious consequences of failure of the negotiations. Members had to try their best to avoid this.

43. The representative of Chinese Taipei said that at this critical juncture for the DDA, his delegation wished to reiterate its strong support for the negotiations and for a successful conclusion of the Round sooner rather than later. That support was based on the conviction that all had a key stake in today's global economy, which was more integrated than ever before, and therefore each had a major interest in promoting an open and stable trading environment. Chinese Taipei's own experience over the past few decades had led it to the firm conviction that trade would serve as one of the most effective engines for driving economic development and improving living standards. This objective could be achieved only through a successful conclusion to the current Round. At present, with only a limited window of opportunity in which to complete the DDA negotiations, his delegation called on Members to demonstrate the flexibility and political will needed to bridge the differences and reach a breakthrough by the spring of 2007. It welcomed the resumption of technical discussions since the most recent informal meeting of the TNC. Good progress in these would surely lay a sound foundation on which Members could grasp opportunity in the new year.

44. The representative of Nigeria said his delegation agreed with the Director-General's assessment on the state of play in the negotiations. Nigeria noted and appreciated the current efforts to get the DDA negotiations back on track, and remained committed to contributing to this endeavour. It was clear that unresolved issues in the agriculture negotiations had contributed significantly to the limited achievements in the entire negotiations. The current situation had undoubtedly jeopardized the December 2006 deadline. The agriculture negotiations had been overtly concentrated on market-access issues, arguably to the detriment of other pillars of the

negotiations. Even on market access, there was a need to put high priority on development issues. The search for compromise had to be reinvigorated. Members had to increase the pace of work towards achieving the goal of an ambitious and balanced outcome. Therefore, the present meeting was a critical stepping stone in this direction. The opportunity provided by this meeting would enable Members to obtain clarity on the way forward in terms of process. Nigeria welcomed the recent efforts by all to overcome differences through consultations. It was encouraged by the prevailing spirit of willingness to resume negotiations. Nigeria favoured an early removal of all obstacles that had so far prevented the timely conclusion of the negotiations. The tireless efforts of the Director-General, his Deputies and the Chairs of the Negotiating Groups should not go unnoticed. They should be encouraged to take further initiatives with the support of the entire membership to advance the negotiations. If the Doha Round was to be concluded with minimal further delay, the major players had to be substantially flexible in their positions, particularly on agriculture, which held the key to unlocking the rest of the agenda. It was highly regrettable that no indications of such flexibilities currently existed. Nigeria also wished to reiterate the need for a bottom-up approach, inclusiveness and a transparent process, as necessary conditions for achieving a result that responded to the needs of all Members. Nigeria stood ready, as it had always, to engage fully in the process. Nigeria fully supported the statements by Benin for the African Group, Mauritius for the ACP Group, Brazil for the G-20 and Indonesia for the G-33.

45. The representative of Cuba said his delegation supported the statements by Brazil for the G-20, Indonesia for the G-33, Mauritius for the ACP Group, Benin for the African Group, Bangladesh for the LDCs and South Africa for the NAMA-11. Cuba supported the resumption of the negotiation process and continued to be committed to a successful outcome to the Round. It also supported the multilateral format with the inclusion and participation of all, which should not be reduced to the so-called transparency of reporting on small-format groups without providing full details. Cuba was committed to a plan that would produce results, but not as an end in itself. Members had to comply with the development mandate of the Round, which was its reason for being. They needed to include solutions for the application of S&D treatment, flexibilities for the developing countries, the realization of paragraph 50 of the July 2004 Framework text on Agriculture concerning export prohibitions and restrictions, paragraphs 6 and 8 of the NAMA Framework text, the treatment of SVEs, cotton-producing countries and NFIDCs, long-standing preferences, duty-free quota-free access for LDCs, as well as the Special Safeguard Mechanism and Special Products. There did not seem to have been any significant changes in the positions of the US and the EC since July 2006. What was needed was political will on the part of the major powers to meet the Doha commitments and those of Hong Kong. Cuba did not favour setting new artificial deadlines once again – be they three months or a year – which had proven to be unrealistic in the past, particularly if these deadlines were linked to the internal political schedules of an important Member. No Member could be allowed to have such a disproportionate influence on the scheduling and content of negotiations in an organization made up of 150 Members that were equal. Times had changed since the Uruguay Round. It was no longer possible to have a draft document agreed among a small number of Members, however important and influential they might be, or a draft agreement among chairmen or a last-minute agreement that could be acceptable to a majority of the Members.

46. Cuba agreed with the declaration by the African Union that agriculture had a central role in the DDA and that the main trading partners had to agree on reducing agricultural subsidies and providing market access, because this was at the heart of the issues Members were facing. Concessions in market access would benefit only a few countries, so the majority of developing countries would be losers and would gain little or nothing if they accepted the current proposals put forward by developed countries. Unless agricultural subsidies were reduced or eliminated and market access was provided, no agreement would be acceptable to the majority of countries. Cuts in domestic support were also necessary. The process had to be based on the current DDA, the July 2004 Framework agreement and the Hong Kong Declaration, with full respect for the full

modalities and the logical sequences that had been agreed upon. One had heard references to the negative impact of the paralysis or failure of the Round on developing countries, but no one mentioned the negative impact already being felt by many of these countries. There had been little or no progress to date on the questions of implementation and S&D treatment, which were two key issues in creating a new balance since the Uruguay Round. The agriculture proposals of the EC and the US were not as generous as they appeared. Developed countries could significantly reduce their levels of trade-distorting internal supports and continue to make changes in disciplines in this area, without the real or applied levels of such support actually being affected. Their offers to reduce agricultural tariffs were also inadequate. The NAMA line-by-line cuts were contrasted with the flexibilities that had been offered by the developed countries to themselves in agriculture. In conclusion, Cuba wished to underline that the offers and requests of the developed countries in the area of NAMA were far from living up to the principle of less-than-full reciprocity. With the so-called Swiss formula, and the co-efficients that were put forward by the developed countries, a result of trade liberalization, would be, according to some calculations, the following: the developed countries would have a reduction under the Swiss formula of about 25 per cent, which would be equivalent to 1.5 and 1.9 percentage points. The developing countries would, with a coefficient of 15 under the Swiss formula, be reducing their tariffs by more than 60 per cent, which was equivalent to more than 20 percentage points. It was naive to think that the resulting trade liberalization would benefit the poorer countries, without internal accumulation of capital and foreign investment, transfer of technology and assistance for sustainable development without conditions. The fact that the developing countries would be the ones who would lose the most if the Round were to fail did not mean they would accept the conclusions of the Round at any price, particularly if this involved denouncing the little or no space for industrial development and trade policy they had in respect of tariffs.

47. The representative of Mexico said the resumption of the negotiations, however timid, was a very good sign and reflected the positive response of Members in all areas of the Round. It was a demonstration of the collective political will to avoid what could be very serious damage to the multilateral trading system. The approval of the transparency mechanism for RTAs was proof that with this political will, Members could reach the necessary agreements, and his delegation wished to congratulate the Chair of the Negotiating Group on Rules on that success. However, to reach agreement, Members had to seek, however gradually, to carry their work beyond meetings which, although valuable, were still timid and reflected a reluctance to go beyond uncertain promises concerning flexibilities. Members had to reveal what these flexibilities were. It was said that the road to hell was paved with good intentions and, it seemed, particularly with promised flexibilities. All were aware of what each and every Member needed to do, and what was hoped others would do. He would not provide a wish list, but merely wished to say that the new Government was willing to cooperate with all in order to achieve a successful conclusion to the Round in a very short time.

48. The representative of Barbados, on behalf of the small, vulnerable economies, thanked the Director-General and all delegations who had alluded to the concerns of SVEs at the present meeting. At the previous General Council meeting, he had said that the small success achieved then, as reported by the Chair of the CTD in Dedicated Session, reminded him of the words of the US astronaut on the first moon-landing, but had gone on to note that the SVEs anxiously awaited the resumption of the negotiations. The SVEs were pleased to be included in the process the soft resumption had made possible and intended to make a contribution. They were not looking for a Round for free and were indeed ready to make a contribution, but they would continue to insist that this contribution be consistent with their ability. In this context, they wished to thank the Chairs of the various bodies for giving them a fair opportunity to pursue the adoption of "specific measures that would facilitate the fuller integration of small, vulnerable economies into the multilateral trading system", as stated in paragraph 41 of the Hong Kong Declaration. This objective could not be achieved unless the SVEs' major trading partners resolved key issues, such as the level of domestic support in agriculture and the other elements in the triangle of issues identified. The

SVEs understood the current political difficulties and could only hope for a quick resolution so that what was on the table was not lost.

49. The representative of Chile said there had been some very interesting statements regarding the Doha Round. There had also been several references to the possibility of failure. This had been mentioned by the Director-General and Japan, and both, in one way or another, had said that Members were on the brink of failure, on the edge of a precipice. He wished to stress this particular point, because it was possible for the Round to fail. That was a fact, and many statements had referred to the need for flexibility. However, the majority of this flexibility was being referred to as defensive. As Argentina had said, what was needed were flexibilities in the big markets, which would imply opening markets and dropping protection, for the Round to effectively move forward and become a development Round. Chile had on many occasions referred to the possible consequences of failure, and wished to repeat some of them. The entire WTO system was in jeopardy. If there was a failure, protectionism throughout the world would inevitably grow, because the credibility of a regulated trading system would be jeopardized. If there was a failure, there would be an increase in free-trade agreements throughout the world, and these would probably be even less WTO-compatible than currently was the case, as there were already several that were not compatible. There would be an increase, perhaps unsustainable, in complaints and dispute settlement proceedings within the WTO, and the regulated and negotiated system would not accept new rules through the dispute settlement proceedings. Failure would be highly regrettable. Chile saw the need for some type of an agreement by the spring of 2007. If this did not happen, the negotiating process would be put off until 2010 or even later. He hoped that history would not judge Members poorly, and that they could make the necessary effort in time.

50. The General Council took note of the Director-General's report and of the statements.

4. Transparency for Preferential Trade Arrangements – Draft Decision – Communication from Brazil and India (WT/GC/W/574)

51. The Chairman drew attention to the communication from Brazil and India in document WT/GC/W/574. He said it was his understanding that in the light of the discussions that had been taking place in the Negotiating Group on Rules with regard to a Transparency Mechanism for RTAs, some Members had begun to give thought also to the need to consider transparency for preferential arrangements that would not be covered by the RTA Transparency Mechanism. With this in mind, the draft text which had been circulated by the delegations of Brazil and India in document WT/GC/W/574 proposed that the Committee on Trade and Development be asked to consider transparency for preferential arrangements under paragraph 2 of the Enabling Clause – other than RTAs – and to report back within six months for appropriate action by the General Council. As Brazil and India had explained in their communication, this would be in keeping with the shared objective of enhancing the transparency level of all preferential arrangements notified to the WTO. In the light of this background, as well as informal consultations he had held recently with a number of delegations – including coordinators of regional and other WTO groupings – it was his understanding that Members were in a position to consider this matter positively and to adopt the draft decision with regard to Transparency for Preferential Trade Arrangements contained in the Annex to document WT/GC/W/574, without prejudice to the results of the deliberations the CTD would be called upon to undertake. Based on this understanding, he proposed that the General Council adopt the draft decision regarding Transparency for Preferential Trade Arrangements contained in the Annex to document WT/GC/W/574.

52. The General Council took note of the statement and, based on the understanding read out by the Chairman, adopted the draft decision regarding Transparency for Preferential Trade Arrangements contained in the Annex to document WT/GC/W/574.³

5. Work Programme on Small Economies – Report by the Chairman of the Dedicated Session of the Committee on Trade and Development

53. The Chairman recalled that at its meeting in February and March 2002, the General Council had taken note of a framework and procedures for the conduct of the Work Programme on Small Economies, under which this Work Programme shall be a standing item on the General Council's agenda. The framework and procedures also provided that the Committee on Trade and Development shall report regularly to the General Council on the progress of work in its Dedicated Sessions on this subject. Furthermore, Ministers at Hong Kong had instructed the CTD, under the overall responsibility of the General Council, to continue the work in the Dedicated Session and to monitor progress of the small economies' proposals in the negotiating and other bodies, with the aim of providing responses to the trade-related issues of small economies as soon as possible, but no later than 31 December 2006.

54. Mr Ismail (South Africa), Chairman of the Dedicated Session of the Committee on Trade and Development, said that many proponents of the small economies work programme had recently been in Geneva to take part in the 13th "Geneva Week" event, and he had used the occasion to brief the non-residents on the recent developments in the Dedicated Session and, in particular, the Dedicated Session's last report to the General Council on Measures to Assist Small Economies in Meeting their Obligations under the Agreements on SPS Measures, TBT and TRIPS. He recalled that this report had been circulated in document WT/COMTD/SE/5 and that the General Council in October had agreed to the report's recommendations. As part of the Geneva Week programme, there had also been two presentations by the Secretariat on issues of interest to small economies. The first presentation had been given in response to a request by several of the non-residents to learn more about the work of the Committee on Subsidies and Countervailing Measures, where several of the small-economy proponents had made requests for extensions of their transition periods for the progressive elimination of export subsidies. The second presentation had focused on the difficulties some small economies had with increasing their share of world markets. The Secretariat had presented some recent economic research and had outlined specific problems small economies had with income volatility and diversifying their production. He believed that his recent update to the non-residents, as well as these two presentations, would help Members identify some other specific measures to facilitate the fuller integration of small economies into the multilateral trading system. This would be the focus of the Dedicated Session's work in 2007. At the same time, the Dedicated Session would continue in the course of 2007 its monitoring of past and future proposals submitted by the small economies in the negotiations and in the regular bodies of the WTO.

55. The Chairman said he wished to note that, as stated by the Chair of the CTD in Dedicated Session, Members in the Dedicated Session would be pursuing the substantive work under the Small Economies Work Programme in the new year.

56. The representative of Barbados, on behalf of the small, vulnerable economies, thanked the Chairman of the CTD in Dedicated Session for his report, which accurately reflected the successes achieved thus far in implementing paragraph 35 of the Doha Declaration and paragraph 41 of the Hong Kong Declaration. More pertinently, it illustrated that a great deal of work still remained to be undertaken if Members were to honour these respective mandates. The SVEs echoed the statement by the Chair of the CTD in Dedicated Session that engagement and progress on small-

³ The Decision was subsequently circulated in document WT/L/672.

economies issues had to continue in 2007, and this had to unfold in parallel with the other important areas in the negotiations. As they had done over the past year, the SVEs would continue to pursue their interests in the Dedicated Session and also in the negotiating and other bodies, where many SVEs had submitted proposals – in the areas of agriculture, NAMA, services, trade facilitation, subsidies and fisheries subsidies and on issues such as AFT. The decision by the General Council in October on the SPS, TBT and TRIPS proposals by some of the SVEs had sent a strong signal to their constituents that the WTO could address the interests of SVEs, who pledged to continue to engage constructively on areas of the negotiations where they, and all other Members, had particular interests.

57. The General Council took note of the statements and of the report by the Chairman of the Dedicated Session of the Committee on Trade and Development, and also took note that Members in the CTD in Dedicated Session would be pursuing the substantive work under the Small Economies Work Programme in the new year.

6. Work Programme on Special and Differential Treatment

- (a) Report by the Chairman of the Special Session of the Committee on Trade and Development
- (b) Reports by Chairpersons of other WTO bodies to whom special and differential treatment proposals have been referred

58. The Chairman proposed that the Council take up the two sub-items together. He recalled that Ministers at Hong Kong had instructed the Committee on Trade and Development in Special Session to expeditiously complete the review of all the outstanding Agreement-specific proposals and to report to the General Council – with clear recommendations for a decision – by December 2006. Regarding the Category II proposals that had been referred to other WTO bodies and negotiating groups, Ministers in Hong Kong had instructed that these bodies also expeditiously complete the consideration of these proposals and report periodically to the General Council, with the objective of ensuring that clear recommendations for a decision were made no later than December 2006. Ministers had further instructed the Special Session to coordinate its efforts with these bodies, so as to ensure that this work was completed on time. Finally, Ministers had also instructed the Special Session, within the parameters of the Doha mandate, to resume work on all other outstanding issues – including on the cross-cutting issues, the monitoring mechanism, and the incorporation of S&D treatment into the architecture of WTO rules – and to report on a regular basis to the General Council. The Chairpersons of the Special Session of the CTD and of the other WTO bodies had last updated the General Council on the status of work in this area at the General Council meeting in July.

59. Mr Gafoor (Singapore), Chairman of the CTD in Special Session, recalled that at the July Council meeting he had reported that Members had been engaged in a text-based discussion on the 16 remaining Agreement-specific proposals and had been able to make progress on six of them, and that on the remaining ten, the divergences had been considerable. As for the outstanding issues, including the cross-cutting issues, he had reported that Members had focused their discussions on the monitoring mechanism. Since the suspension of the negotiations in July, no further progress on the remaining Agreement-specific proposals had been made, and no further discussions had been held in the Special Session on the duty-free quota-free market access for LDCs or on the monitoring mechanism. Accordingly, the July report in document TN/CTD/18 remained an accurate description of the current situation in the Special Session. As the Council Chairman had stated, Ministers in Hong Kong had given the CTD in Special Session a deadline of December 2006 to make clear recommendations on the Agreement-specific proposals. Clearly, the Special Session was not in a position to meet this deadline, and needed to continue its work on the Agreement-specific proposals beyond December 2006. Following the soft resumption of activity in the various

Negotiating Groups since the informal meeting of the TNC in November, he had convened a series of informal consultations with individual and small groups of delegations to see how and when to resume the work of the Special Session. In this regard, he wished to thank Members, both the proponents and others, for taking time to meet with him during the past few weeks. In general, Members had indicated that they were ready to resume work at an appropriate moment in 2007. Some Members had indicated that, in view of the scheduled meeting of the African Union in Addis Ababa in mid-January 2007, they would prefer the Special Session to meet after that meeting. A number of delegations had also indicated that the work of the Special Session should move in tandem with what was being done in other Negotiating Groups. Taking into account Members' views, it was his intention to convene an informal, open-ended meeting of the Special Session in mid-February 2007. If the situation warranted, such a meeting could even be convened earlier, as long as Members were ready to engage and show flexibility. Clearly, much depended on the overall situation of the Doha Round. As always, he was available at any time to any delegation wishing to discuss its concerns with him. He hoped that progress could be made when Members resumed work in 2007.

60. The Chairman said it was clear that the Special Session of the CTD would need to continue with its consideration of the remaining Agreement-specific proposals, and wished to note, as stated by the Chair of the CTD in Special Session, that Members would be pursuing this work in the new year. Before inviting the Chairs of the other WTO bodies to update Members on the work carried out in their respective areas, he wished to recall the statement by the TRIPS Council Chairman at the May 2006 meeting of the General Council in which the latter had indicated that the TRIPS Council had authorized him to report (i) that the situation in regard to the Category II proposals referred to that Council remained as reported in July 2005 in document IP/C/36; (ii) that the TRIPS Council reiterated its earlier recommendation as reproduced in that document; and (iii) that no further action was otherwise needed on the proposals referred to that Council. In the light of this report at the May 2006 Council meeting, he would not be inviting the TRIPS Council Chair to report further at the present meeting.

61. Mr Falconer (New Zealand), Chairman of the Special Session of the Committee on Agriculture, said he had nothing further to report to what he had last reported to the Council in July, for reasons that were obvious to all. He wished to note that with the resumption of the negotiations, however one wished to characterize that, it was clear that these issues – along with all others that were part of the work programme – would have to be dealt with effectively. This was clearly the will of the Members, of which he was very conscious.

62. Mr de Mateo (Mexico), Chairman of the Special Session of the Council for Trade in Services, said that since his last report to the Council, little progress had been made on the discussion of Category II S&D proposals relating to trade in services, although the importance of the topic had been frequently underlined at the meetings of the Special Session. At the most recent formal meeting of the Special Session on 14 July, he had reminded delegations that Ministers had mandated the expeditious completion of consideration of these proposals with a view to making clear recommendations for a decision to be adopted at the General Council by December 2006. The African Group – which was the main proponent – had circulated a revised proposal relating to Category II proposals 79(A) and (C). The revised document attempted to narrow the wide differences among Members on the original proposals. The revised proposals aimed to set out a means to implement effectively Article IV of the GATS. They provided that the Council for Trade in Services should: (i) ensure generally that the outcome of the Round "contributes, in a meaningful manner, to the full and effective implementation of Article IV"; (ii) undertake, before the end of the Round, an evaluation of the extent to which the services package contributed to the full and effective implementation of Article IV; (iii) conduct a regular review of the implementation of Article IV based on biennial reports by Members; and (iv) make recommendations to Members to ensure the full and effective implementation of Article IV

"including on adjustment of negotiations based on the trade, financial and development needs of developing countries". Since other delegations had not had time to study the proposal, there had been no discussion of it at the July meeting. Instead, the Special Session had accepted his suggestion that it take up the topic again "as soon as it was practicable", in order to have substantial discussion of the item. During his latest consultations, undertaken in the light of the soft resumption agreed by the TNC in November, Members had stressed again the importance of the S&D issues and had called for further progress on them.

63. Mr Kim (Korea), Chairman of the Committee on Safeguards, said that notwithstanding numerous efforts, the situation had not developed at all since the Safeguards Committee had last reported in detail to the General Council in July. In order to contribute to the process, he had personally tried to contact the proponents several times, informing them that the S&D proposal referred to the Safeguards Committee would continue to be dormant unless they raised it again with a certain level of support from other Members. However, so far he had not heard anything, either from the proponents or from any other Member. Under these circumstances, he had to repeat that the proposals referred to the Safeguards Committee had been effectively set aside and there was no need to revert to them in that forum until the proponents decided to revive the matter.

64. Mr Saborio Soto (Costa Rica), Chairman of the Special Session of the DSB, said that the situation as reflected in the report he had circulated in September 2006 (TN/DS/18) remained the same. Since then, there had not been any other opportunity to consider the proposals submitted to the DSB in Special Session. Nonetheless, following the consultations he had recently held with Members, he hoped that work in the Special Session would advance starting in January. The questions reflected in the proposals could then be taken up in the context of that work.

65. Mr Massot (France), Chairman of the Committee on Trade-Related Investment Measures, said that pursuant to paragraph 37 of the Hong Kong Declaration, the Committee on TRIMs had considered two Category II S&D proposals relating to Articles 4 and 5.3 of the TRIMs Agreement submitted by the African Group. It had also examined a revised version of the proposals, submitted by Kenya on behalf of the African Group. Recent discussions in the Committee had shed some light on the proposals and had given rise to a useful exchange of views. At the June meeting in particular, some interesting proposals had emerged which could help Members to progress on a number of key points. For example, it had been suggested that one deal first with those aspects of the proposals on which there was most agreement, and examine separately the matter of the Member countries to which the proposals would apply. The authors of the proposals had appeared to be open to these suggestions and had indicated that they were ready to work on alternative language in the interests of an acceptable result. For his part, he had offered his assistance in this process if Members felt it would be useful. However, since his last report to the General Council in July and the ensuing suspension of the negotiations in all areas of the Doha Round, there had been no new developments on this matter. That said, he remained convinced that the authors of the proposals and the other Members were ready to work together to seek solutions. He therefore recommended that Members, and particularly the authors of the proposals, pursue discussions, approaching their work with flexibility in the interests of finding the basis for an agreement, if necessary by putting forward new proposals. He was ready to pursue these discussions in the TRIMs Committee and remained available for informal contacts and open-ended consultations if and when Members so wished.

66. Mr Dorantes (Mexico), Chairman of the Committee on SPS Measures, recalled that in July 2006 he had circulated a written report, on his own responsibility as Chairperson of the SPS Committee (G/SPS/41) with regard to the consideration by the Committee of the five S&D proposals which had been referred to it. At that time he had noted that despite some difficulties in the scheduling of meetings of the SPS Committee caused by the schedule of negotiations, the Committee had nonetheless maintained the issue of S&D on the agenda of all of its meetings during

2006, and had provided ample opportunity to further discuss the proposals and related issues. He had also noted in July that there had been some progress in the discussions of the proposals, sparked by the informal submission by the African Group of a draft revision of one of their proposals. Unfortunately, since that time the draft revision had not been formally tabled, nor had there been any other revisions submitted by any Member for consideration by the Committee. On the other hand, there had been significant further discussion on how to address some of the underlying concerns identified by developing-country Members. In particular, in October the SPS Committee had considered the issue of how to ensure that technical assistance most effectively addressed the needs of developing-country Members. The Secretariat had prepared a preliminary analysis of technical assistance provided in the SPS area, which had focused discussion on this important matter. The Committee had agreed that there was a need for further work on evaluating the effectiveness of assistance, and had agreed to continue its discussion of this issue at its next meeting in 2007. He wished to draw attention again to the Committee's report on S&D from June 2005 in document G/SPS/35, which contained a summary of Members' comments with respect to the S&D proposals, and a consideration of the underlying concerns identified by developing-country Members and of actions already taken to address them. Most importantly, the Committee had agreed to continue to examine the proposals before it with the aim of developing specific recommendations, and at the same time to undertake discussions on further work to address the concerns underlying the proposals with a view to fulfilling the Doha mandate. This was indeed what the SPS Committee had done in 2006, and what it was prepared to continue to do. The Committee had agreed to hold an informal meeting on S&D immediately preceding its next regular meeting in 2007, and S&D was also on the agenda of the regular meeting.

67. The Chairman said that in the absence of the Chairpersons of the Negotiating Group on Rules and of the Committee on Agriculture – and on their request and behalf – he would read out their statements. The statement by the Chair of the of the Negotiating Group on Rules was as follows:

"As I reported to the General Council in July, while the proposals on special and differential treatment were placed on the agenda of the Group at a number of meetings, there was little discussion. In light of the suspension of the negotiations this summer, there has been no further opportunity to discuss these proposals in any meeting of the Group, nor has any delegation requested that I engage in any consultations or other informal activity in respect of them. Under these circumstances, you will not be surprised to hear that the Group is not in a position to make any recommendations for a decision at this time. I should mention that while these specific proposals have not been the subject of significant discussion, that does not mean that the interests of developing Members have not been receiving attention. Developing Members have been very active in the Group and have sponsored numerous proposals. I have no doubt that they will continue to be active once the negotiations resume."

68. The statement by the Chair of the Committee on Agriculture was as follows:

"My progress report to the General Council relates to a proposal by the African Group which was submitted to the Committee on Trade and Development on 17 July 2002. The African Group proposal has been considered by the Committee on Agriculture as part of its follow-up to the NFIDC Decision, as well as in the context of the Doha Ministerial Decision on Implementation-Related Issues and Concerns. The African Group calls for developed country Members to embody in their schedules of commitments undertakings on, and contributions to, a revolving fund for normal levels of food imports, providing food aid in fully grant form, and maintaining food aid levels consistently with recommendations and rules under the Food Aid Convention. No progress nor change in positions has been registered since my last oral reports on this matter to the General Council at its meetings in May and July 2006. Also, at the October 2006 meeting of the Committee on Agriculture, no Member intervened on this

matter. The situation remains therefore as reflected in document G/AG/22. The commitment entered into by the membership at Marrakesh, in the afore-mentioned NFIDC decision, remains unfulfilled."

69. The Chairman then thanked all the Chairs for their reports. With regard to further work, it was his understanding that, as in the Special Session of the CTD, Members would also need to continue in the new year with their consideration of the outstanding Agreement-specific proposals in the other WTO bodies to which such proposals had been referred.

70. The representative of Bangladesh, on behalf of the LDCs, said that since the Hong Kong Ministerial Conference there had been four formal meetings of the CTD in Special Session. The Chair of that body had also held informal consultations with LDCs, the most recent on 11 December. Ministers at Hong Kong had reiterated that S&D treatment was an integral part of WTO agreements and had reaffirmed their commitment to fulfil the mandate contained in paragraph 44 of the Doha Declaration and the July 2004 Framework. The LDCs had also expressed their readiness to support the Chair of the CTD in Special Session in completing the expeditious review of all outstanding Agreement-specific proposals as mandated by Ministers in Hong Kong. They had also supported the Chair's intention to build consensus on the remaining Agreement-specific proposals on the basis of textual discussion. The LDCs had repeatedly stated that the duty-free quota-free issue was of vital economic interest to them. As a result of the Hong Kong Ministerial Conference, this issue was now within the single undertaking and hence, should be dealt with in negotiating bodies like the CTD in Special Session, the Committee on Agriculture in Special Session and the Negotiating Group on Market Access. As stated in Annex F of the Hong Kong Declaration, the CTD was to review annually the steps taken to provide duty-free and quota-free market access to the LDCs and to report to the General Council. The LDCs reiterated their requests to developed countries, and to developing countries in a position to do so, to implement the duty-free quota-free decision contained in Annex F.

71. The representative of Kenya thanked the Chair of the CTD in Special Session and the Chairs of the other WTO bodies for their reports on the outstanding Agreement-specific S&D proposals. However, Kenya was concerned that Members had not made any meaningful progress on this issue. When this exercise had started in early 2002, Kenya had been hopeful that it would be finalized within the timeframe set in the Doha Declaration. As already noted, despite all the effort and the extension of deadlines, work had not progressed as expected on this important development-related issue. His delegation wished to recall that in the past, the African Group had requested that the work on all outstanding S&D issues be brought back to the CTD in Special Session. However, the General Council had not responded to this request. In this connection, in the past year, the General Council Chair had promised to hold consultations on this important issue. The African Group had yet to be consulted and looked forward to this consultation, with a view to finding innovative ways of resolving all outstanding S&D provisions, including cross-cutting issues.

72. The General Council took note of the reports by the Chairpersons and of the statements, and also took note that work on the outstanding Agreement-specific proposals would need to continue both in the Special Session of the Committee on Trade and Development and in the other WTO bodies to which such proposals had been referred.

7. Committee on Budget, Finance and Administration

- (a) Follow-up to the Committee's recommendations of October 2006 (WT/BFA/90) – Report by the Director-General on his discussions with the Swiss authorities concerning an appropriate solution to the immediate housing needs of the WTO

73. The Chairman recalled that at its meeting in October, the General Council had approved a recommendation of the Budget Committee – in document WT/BFA/90 – which called on the Director-General to hold intensive discussions with the Swiss authorities concerning an appropriate solution to the immediate housing needs of the WTO, with a view to reporting to the General Council at its present meeting.

74. The Director-General recalled that in October, the General Council had adopted three recommendations concerning the future building needs of the WTO: first, that intensive discussions should be held with the Swiss authorities concerning an appropriate solution to the immediate housing needs of the WTO; second, that the Swiss authorities be urged to ensure that the premises occupied by the IUHEI library in the Centre William Rappard be vacated at the earliest possible date; and third, that discussions be started with the Swiss authorities with respect to a comprehensive examination of all aspects concerning the identification of a suitable site and all other relevant issues regarding a possible new permanent headquarters for the WTO, and without prejudice to the final outcome. In line with these recommendations, a regular series of intensive consultations with the Swiss authorities had taken place on all three aspects of these recommendations. He was pleased to report that these consultations had been conducted in a cordial and cooperative spirit, with the result that progress was being made on all three fronts. Different alternatives had been considered to address both the immediate and the longer-term housing needs of the WTO. Progress was also being made on the issue of the IUHEI library, which might be solved in the not-too-distant future. He wished to take this opportunity to thank the Swiss authorities for the constructive manner in which they had approached these issues. It had become clear during these consultations that a complex array of questions had to be dealt with. The complexity of the issues would require that intensive consultations continue over the coming weeks in order to move matters forward, and he would report to the General Council on the progress in these discussions.

75. The General Council took note of the report by the Director-General.

- (b) Recommendations of the Committee following its meetings of November and December 2006 (WT/BFA/93 and Add.1)

76. The Chairman drew attention to the recommendations of the Budget Committee resulting from its meetings of November and December (WT/BFA/93 and Add.1).

77. Mr March (Spain), Chairman of the Committee on Budget, Finance and Administration, said that in view of the schedule of meetings of the Committee, which had been completed only on 5 December, a full narrative report of the meetings of November and December would be presented to the General Council at its next meeting. Therefore, the documents before Members contained only the recommendations the Committee was putting forward to the General Council. The Committee had examined the Director General's Budgetary and Financial Report for 2005 and the Report of the External Auditor thereon, as well as the Report on Extra-Budgetary Funds for 2005. The Committee had taken note of the reports and recommended to the General Council the approval of the transfers between budgetary sections as outlined in paragraphs 44 and 48 of document WT/BFA/W/142. The Committee had further recommended that the General Council approve the audited accounts for 2005 and convey to the external auditor their thanks for the valuable assistance provided in the audit of these accounts. As to setting the target amount for 2007 for the DDA

Global Trust Fund, pursuant to paragraph 40 of the Doha Declaration, the Committee had recommended to the General Council that: (i) the target level of resources in the Global Trust Fund be set at Sw F 24 million for 2007; (ii) the purpose of the Global Trust Fund in 2007 be to finance the implementation of the WTO Technical Assistance and Training Plan, as authorised by the CTD; (iii) Members be reminded that, according to the terms of reference of the Global Trust Fund approved by the General Council on 19-20 December 2001, actual contributions equivalent to 25 per cent of the target amount, i.e. Sw F 6 million, should be received in the WTO bank account by 31 December 2006; (iv) in this context, Members be informed that, in order to cover the 25 per cent of the target amount, pledges registered to date amounting to Sw F 5 million would need to be received before the end of the year and to fully implement the 2007 Technical Assistance and Training Plan, additional contributions of at least Sw F 20 million would need to be pledged and paid by 30 June 2007; and (v) Governments be urged to make financial contributions in a manner which would preserve the global nature of the programme and facilitate the management and reporting with a view to greater transparency, i.e. making un-earmarked contributions and limiting the degree of constraints in earmarked contributions.

78. Concerning the revised budget estimates for 2007 for the WTO Secretariat and the Appellate Body and its Secretariat, the Committee, having examined the proposed revision to the 2007 budget as presented by the Director-General (WT/BFA/SPEC/155), submitted to the General Council for consideration and approval a draft resolution on the expenditure of the World Trade Organization and the ways and means to meet such expenditure. With respect to the Restructuring Operating Fund, the Secretariat had requested approval to utilize restructuring funds originally approved as part of the 2006 budget for the same purpose in 2007. In effect, this would mean that the entire spending for restructuring would occur in 2007, rather than being spread out over both years, and that the total funding available for this purpose would be Sw F 1.5 million. Therefore, the Committee recommended to the General Council that, in light of the fact that developments in the course of 2006 had precluded the finalization of a restructuring plan, a Restructuring Operating Fund be created and the funds foreseen for this purpose in 2006 and 2007 be transferred thereto, on the understanding that (i) any balance in the fund at the end of 2007 would be returned to the 2007 budget and (ii) the policy outlined in WT/BFA/W/137 would apply.

79. The Chairman proposed that the General Council (i) take note of the statement and approve the Budget Committee's specific recommendations in paragraphs 1 and 2 of document WT/BFA/93, including the draft Resolution referred to in paragraph 2, as well as the specific recommendations contained in paragraphs 3 and 4 of document WT/BFA/93/Add.1; and (ii) adopt the draft Resolution on the Revised Expenditure of the WTO in 2007 and the Ways and Means to Meet Such Expenditure, in paragraph 2 of document WT/BFA/93.

80. The General Council so agreed.

8. Aid for Trade – Follow-up to the report and recommendations of the Task Force (WT/AFT/1) – Report by the Director-General

81. The Chairman recalled that at its meeting in October, the General Council had taken note of the report of the Task Force on Aid for Trade in document WT/AFT/1, endorsed the recommendations contained therein, and agreed to the specific next steps outlined in Section H of the report, in order to ensure coherent and effective follow-up to the report and its recommendations. At that meeting the Director-General, in updating Members on his own consultations pursuant to the mandate in paragraph 57 of the Hong Kong Ministerial Declaration regarding appropriate mechanisms to secure additional financial resources for AFT, had said that he would report on the follow-up to the report and recommendations of the Task Force at the present General Council meeting. In connection with this item, he drew attention to a report recently circulated by the Director-General regarding WTO Monitoring and Evaluation of Aid for Trade (JOB(06)/262).

82. The Director-General recalled that at the October Council meeting, he had undertaken to report at the present meeting on progress in implementing the AFT agenda – and in particular, on his Hong Kong mandate to consult "on appropriate mechanisms to secure additional financial resources for Aid for Trade" – as well as his plans, following the recommendations of the AFT Task Force, which had included, among other things, setting up a monitoring and evaluation function in the WTO. Before getting into specifics, he wished to make three observations to help put the discussion in context. First, Members needed to remind themselves that AFT was a work in progress, and that they were at the beginning of what would be a long road. Just as improvements in trade capacity or infrastructure would not happen overnight, Members could not expect – nor should they try to have – all the answers now. This process was about learning by doing, and learning invariably involved trial and error. This was why he placed so much emphasis on getting monitoring or "transparency" right. Members could only improve AFT if they had a clearer picture of what was happening now, and what needed to happen in the future. Greater transparency also provided an incentive for all to work together more effectively to advance the AFT agenda. Second, Members needed to be clear about what the WTO should be doing in AFT, and what it should not be doing. As he had said previously, AFT was a test of Members' ability to work more cooperatively, or "coherently", with national, regional, and international actors. He had no intention – and there was no appetite among Members – to expand the mandate, to over-stretch resources, or to turn the WTO into a development agency. There were already more than enough international agencies working in the development field, and this was obviously not where the WTO's comparative advantage lay. The challenge was not to invent a new mechanism, but rather to get the many existing mechanisms to work together more effectively. In this respect the WTO had a catalytic role to play – ensuring that relevant agencies and organizations understood the trade needs of Members and encouraging them to work together more effectively to address those needs. There was a coherence mandate – to make sure that others were doing the work that needed to be done to help the majority of Members, including the poorest, to reap the benefits of the multilateral trading system – and not to do their work for them. So far, the WTO had received excellent cooperation from other agencies, and this augured well for the future of AFT. Third, since December 2005, when Ministers had given Members a mandate on AFT for the first time, impressive progress had been made in a relatively short time, and despite this difficult moment for the WTO. There was a work programme, an intensifying dialogue with donors and agencies, and an excellent Task Force report, endorsed by the General Council, which set out Members' shared objectives. However, one needed now to bring the discussion down from studies and policy debates to the practicalities of implementation.

83. With regard to his consultations on securing additional financing for AFT, as set out in the Hong Kong mandate and as reinforced by the recommendations of the AFT Task Force, his objective had been two-fold: first, to ask the donors who had made pledges in Hong Kong to clarify their plans so there was a better picture of the additional resources that would be available; and second, to expand the circle of consultations to include medium-sized, smaller and non-traditional donors in order to capture the full range of AFT resources and activities that existed, ranging from financial assistance to South-South technical cooperation. He could report that all of the key donors had confirmed to him that they remained committed to following through with their Hong Kong pledges. He had also had very fruitful discussions with a number of other donors, both developed and developing, who had signalled their willingness to be part of this process, including describing their current and forecasted AFT activities. There was still a need to do more work on technical issues. More broadly, Members needed to keep in mind that if AFT was to be "demand-driven" – as it should be, and as the Task Force had recommended – any additional resources would ultimately depend on recipient countries making trade funding a priority and putting together viable projects and business plans. Members now needed to move on from the additionality debate in full confidence – and expectation – that donors would deliver on the pledges they had made in Hong Kong, and this was what they had reaffirmed to him. Regarding the plan for setting up a monitoring and evaluation function in the WTO, the best way to ensure that pledges were honoured,

needs were met, and financial assistance was being used effectively, was to shine a brighter spotlight on AFT. This would not be a simple task. There was the definitional challenge – how to draw a line between AFT, on the one hand, and overall economic assistance, on the other, recognizing that this line was easily blurred. The Task Force had given guidance on appropriate categories, but Members needed to operationalize them. There was also the challenge that donors and recipient countries often had their own distinct idea of which programmes and projects constituted AFT – the question was how Members could respect these differences while also providing a coherent picture. The biggest challenge would be to arrive at a qualitative, as well as quantitative, assessment of AFT, because the important question was not just how much AFT was available, but whether it was effective and actually benefiting developing countries. His concept paper in JOB(06)/262 gave an overview of the thinking on this, although the proposals therein would need to be further developed and refined, based on Members' feedback. This paper envisaged monitoring and evaluation at three levels. The first level would aim to give a global picture of AFT flows, and here one would rely on the existing OECD-DAC's database, the Creditor Reporting System or CRS. The rationale of this approach was that Members could save the time and cost of setting up a parallel reporting process, which no one wanted, and benefit from the availability of comprehensive data on expenditures as well as commitments in each of the AFT categories set out by the Task Force. This approach would provide a broad picture of flows and trends, but not necessarily a precise one. For example, on infrastructure it was neither practical nor, in his view, sensible to try to identify precisely which type or share of infrastructure activities were "trade-related". However, a line would need to be drawn somewhere to avoid classifying all infrastructure spending as AFT. This and other technical questions would be the focus of discussions over the coming weeks with OECD-DAC, where the WTO had had outstanding cooperation.

84. The second level would aim to give a more specific and detailed picture of AFT activities, and would rely on relevant multilateral, regional and bilateral development agencies to report on their current work and to evaluate their progress. Whereas OECD data would provide a broad picture of AFT trends – showing overall flows and additionality – individual agencies and organizations were best placed to undertake self-assessments, both quantitative and qualitative, on the scope and effectiveness of their AFT activities. The third and most important level would be country-based monitoring and evaluation, in order to provide a more focused, country-specific perspective on whether trade needs were being met, financial resources were being provided, and AFT was effective on the ground. This went back to the point that one was not monitoring the money, but what the money achieved. This was information that only countries themselves could provide, in cooperation with other stakeholders. Different mechanisms would be used to achieve these objectives, and it was up to individual countries to decide which mechanism worked best for them. The enhanced IF focussed on improved monitoring, and was well-placed to evaluate, over the years, whether LDCs' trade needs assessments were being met effectively. Steps were also being taken to include a general assessment of AFT – for individual donors and recipients – in future TPRs. Further, one would need to explore with other agencies the scope for helping countries set up national AFT committees – as the Task Force recommended – which could be another focal point for local monitoring. As a practical matter, it would be difficult to collect and absorb information from all developing countries. Instead, one should look in detail at a limited number of "case studies" – so that those countries that had successfully accessed and implemented AFT could lead by example. Regarding how this information would be made relevant to Members, he proposed that the focal point should be an annual AFT debate in the General Council, beginning in the autumn of 2007. In keeping with the goal of increasing transparency, a series of seminars and roundtables would be built around this event in order to open up the AFT discussion to outside agencies, civil society, and the media. In the lead-up to this event, the CTD should be tasked with carrying out periodic reviews of AFT, in which all Members would have an opportunity to express their views, interests and concerns. An ad hoc consultative group – comprised of a network of donor agencies, organizations, and private-sector representatives – would serve as a resource and

sounding board in preparing the periodic reviews. He wished to conclude his report with one last thought. AFT was clearly very important to a large number of Members. The steps taken to advance Members' shared agenda had to be practical, achievable and results-oriented. Nothing was served by developing grand schemes that could not be implemented or by making big promises that could not be delivered. Disappointed expectations would only discredit and undermine the real and tangible progress that could be made on AFT. His consultations up to the present had led him to believe that the monitoring proposals he had just outlined represented a constructive and doable first step, and he was grateful for Members' views while the Secretariat organized itself operationally.

85. All representatives who spoke thanked the Director-General for his report and for his efforts in following up on the report and recommendations of the AFT Task Force and for his report.

86. The representative of Egypt said his delegation commended the Director-General's efforts to consult with Members as well as relevant international organizations and regional development banks, with a view to reporting on the appropriate mechanisms to secure additional financial resources for AFT, where appropriate, through grants and concessional loans. Egypt urged Members to work on ensuring the effective and coherent implementation of the recommendations on AFT. The Task Force's recommendations hinged crucially on the availability of resources – which should be additional and sustainable. It should be recognized that AFT was not only different from existing trade-related funding commitments and arrangements, but also complementary to development assistance, poverty alleviation programmes, and debt relief. Egypt wished to stress the importance of "domestic ownership" in the design of trade programmes, in accordance with national development strategies. The "regional dimension" of AFT should be duly taken into consideration, given that developing-country Members shared a common understanding of the challenges they faced. While Egypt extended its full support to the Director-General, due attention should be given during consultations to enhance clarity regarding the additional resources. In Gleneagles in 2005, the pledge had been to increase these to US\$50 billion by 2010. An assessment would be needed to evaluate how far Members were from reaching this target. Egypt reiterated its conviction that the benefits of this initiative would be maximized if the Round was successfully concluded. AFT was not a substitute for, but a complement to, a successful Round.

87. The representative of Switzerland said his country attached great importance to effective AFT. Following the statement by the Director-General, and in particular the very clear and firm principles he had set out and the parameters he had defined, his delegation did not need to read out the longer statement it had prepared. In addition to the points made by the Director-General, he wished to mention the importance of and justification for the optimal use of the joint WTO-OECD-DAC database. Switzerland hoped that the comprehensive role to be entrusted to the CTD would not lead to it spending an undue amount of time on this, rather than devoting itself to the rest of its mandate. He confirmed Switzerland's support for the AFT initiative and underlined the continuing importance it attached to making it operational. His delegation was ready and willing to contribute to the work of the ad hoc consultative group and felt it was essential for this group to function in an open and transparent manner.

88. The representative of Bangladesh, on behalf of the LDCs, said there were some key challenges for AFT, of which mobilization of funds was one. In Hong Kong, Ministers had assigned the Director-General the task of consulting with Members as well as the World Bank, IMF and relevant international organizations and regional development banks, and to report to the General Council on appropriate mechanisms to secure additional financial resources. From the Director-General's report, it appeared that there had not been any tangible progress in the mobilization of funds for AFT. The LDCs did not feel encouraged at the state of play in AFT. However, they urged the Director-General to continue his consultations with potential donors for firm commitments and also to report to the General Council on appropriate mechanisms to secure

additional resources in future. The size of the fund envelope, as well as the scope of funds, was another challenge that needed to be sorted out. The management of AFT funds was another important area where further clarity was required. The LDCs reiterated their position that AFT should be additional, predictable, adequate and provided in grant form.

89. The representative of Moldova, also on behalf of Armenia and the Kyrgyz Republic, said that these three small, low-income, recently-acceded economies in transition wished to mention that they had recently submitted a communication on AFT in document WT/AFT/W/23, and wished to highlight the main concerns expressed in that communication. She recalled that at the General Council meeting in October 2006, these countries had welcomed the recommendations of the Task Force, but had also stated that, unfortunately, the Task Force had failed to take explicitly on board their substantive concerns as small low-income countries with economies in transition. These countries also noted that implicitly the Task Force had recommended exploring the necessity of establishing a "separately funded, in-country process for non-LDCs 'International Development Assistance (IDA)-only' countries". Armenia, the Kyrgyz Republic and the Republic of Moldova were "IDA-only" countries, and in their communication proposed that the recommendation of the Task Force be acted upon without delay, so that the small low-income countries with economies in transition, which were "IDA-only" countries, could benefit from AFT from the outset. It was important to recognize that small low-income countries with economies in transition were considered to be direct beneficiaries of AFT programmes and mechanisms. The main elements of these countries' position were as follows. Paragraph 38 of the Doha Ministerial Declaration clearly recognized the particular situation of low-income countries in transition and their need for technical assistance to adjust to WTO rules and disciplines, to implement obligations and to exercise the rights of membership, including drawing on the benefits of an open, rules-based multilateral trading system. Small low-income countries with economies in transition were at the same stage of economic development, if not lower, as many developing countries. These countries were listed among the world's poorest economies benefiting from Official Development Assistance (ODA) in the DAC list of ODA recipients. They needed substantive international support to adjust their economies to trade liberalization, as well as to implement and to begin fully benefiting from WTO Agreements. AFT should therefore help these countries overcome their challenges and enhance their capacities and competitiveness. She recalled that in the context of trade facilitation, the needs of low-income economies in transition had already been recognized by the Core Group of Developing Countries on Trade Facilitation and other developing and developed-country Members. It was proposed that these countries should enjoy the same treatment as developing countries in the negotiations on trade facilitation. It was hoped that other Members would understand and support this request to be among the direct beneficiaries of AFT. In this context, they wished to suggest that the ad-hoc consultative group to be established explore a mechanism to support the non-LDCs, IDA-only countries, including Armenia, the Kyrgyz Republic and the Republic of Moldova, and to stress their needs and contribute to and facilitate donor response.

90. The representative of Nicaragua thanked the Director-General and the AFT Task Force for the work they had done and the recommendations they had put forward in the course of the past year. Nicaragua wished to emphasize the importance of adopting a holistic and systemic approach to the analysis and management of the AFT concept. Building up logistical and international trade management capacity, promoting innovation and improving quality in production processes were paramount. Several of the Task Force's recommendations, therefore, seemed to be very appropriate. In particular, she wished to highlight the strengthening of support to address regional, sub-regional and cross-border needs through programmes designed to develop cross-border infrastructure and to mainstream policies that facilitated trade management and governance among the beneficiary countries, and the use of value chain analysis to make it easier to identify opportunities and comparative advantages that generated greater value added and helped developing countries achieve better integration in the global economy. Likewise, Nicaragua recognized how critical it was for AFT to respond to expectations on the part of the recipient countries, so as to ensure cohesion with

long-term national development plans, and for it to be possible to measure its effectiveness over time. However, regarding the establishment of national and regional AFT committees, it was most important to rely on the experience and know-how of existing institutions and to analyse and build up their capacities. This would prevent duplication of institutional efforts at the national, regional and international levels, as well as the creation of new institutional structures, and would lead to greater ownership of the national agenda on the part of the players involved. She wished to highlight a point in a document circulated by Guyana, Honduras, Mongolia, the Kyrgyz Republic, Sri Lanka and Nicaragua in WT/AFT/W/20, which emphasized the importance that disbursements be prioritized to LDCs and IDA-only eligible countries, so as also to accommodate the needs of countries not classified as LDCs but also facing major challenges. Given the substantial increase in the volume of aid, a dilution of benefits to LDCs was unlikely. The effectiveness of such a measure would require institutional arrangements, similar to those provided for LDCs, to organize and manage the concerns and needs of IDA-only eligible countries.

91. The representative of the European Communities said that his delegation had only just received the Director-General's paper in JOB(06)/262 and would need some time to consider it in detail. The Community agreed with the Director-General that one was now moving into the implementation phase, building on the work and recommendations of the Task Force. During the coming months, Members would need to put in place the necessary structures at multilateral level to follow through on the recommendations. In this context, the Community welcomed the suggestions by the Director-General and offered its full cooperation in the process. There had been an extensive discussion in the Task Force on where the boundary lay between AFT and other forms of assistance, as well as on the individual definitions of types of assistance falling within the broader concept of AFT. The Task Force had agreed on an approach that was conceptually sound but not necessarily easy to implement in practice. There was still a need for some work, for example, to refine the appropriate way to take trade-related infrastructure and adjustment into account. More discussion was needed on these points in order to arrive at workable definitions. As the Director-General had said, Members would have to learn by doing, and in cooperation and dialogue with the development actors already active in the field. The Community took note of the Director-General's proposals on the composition of the ad hoc consultative group. As he understood it, the consultative group would be a forum for the WTO to interact with relevant international agencies, while the CTD would be the main channel for Members to make their input into the ongoing monitoring process and preparation of debate in the General Council. The Community was open to working on the basis of this model. At the same time, if this was to work well, there would be a need for the formal deliberations in the CTD to be supplemented by informal consultations, as appropriate. There were already some good examples of working in this way in the CTD, for example, in respect of WTO technical assistance and training activities. As agreed in the Task Force, the future role of the WTO in AFT would be essentially one of monitoring the follow-up to the Task Force's report and the broader progress in the delivery of enhanced AFT. That would involve improvements to AFT in terms of both quantity and quality. It was clear that the WTO would not be directly involved in the planning, programming or delivery of trade-related assistance. Nonetheless, Members would have an important role in stimulating and helping to ensure that increased and more effective AFT was mobilized and deployed to best effect. The EU would continue to work actively towards this end.

92. The representative of Benin, on behalf of the African Group, said that thanks to the efforts made, the Task Force had been able to produce the recommendations presented to the General Council in July. However, now that those recommendations had been adopted, it was essential that Members do their utmost to be coherent and consistent in ensuring the effective implementation of the recommendations. The African Group looked forward to AFT resources that were effectively additional, substantial, predictable, lasting and provided in the form of a grant. Once again, the African Group stressed the need to introduce a mechanism to mobilize these resources in order to ensure that the international trade-promotion activities were effectively carried out – including the

strengthening of supply capacity, the development of production infrastructure, and human and institutional capacity-building – and that adjustment costs were taken into consideration. The African Group had taken note of the recommendations of the Director-General and promised to participate actively in any initiative in this area for the effective implementation of the recommendations of the Task Force.

93. The representative of Norway recalled that in October, the General Council had adopted the recommendations on next steps contained in the AFT Task Force's report. Following these recommendations, next steps were to be taken not only by the Director-General, but also by Members, developing and developed alike. The Norwegian Ministry of Foreign Affairs would produce an action plan for trade-related assistance during the first half of 2007. Even though his Government had not completed that action plan, he wished to indicate Norway's current thinking in a few key areas. Like other Members, Norway had not taken a position on where to draw the dividing line between AFT and the more general economic growth and development agenda. It had thus far relied on the definitions contained in the OECD/DAC report "Aid for Trade: Making it Effective", and would look carefully into the broader definition drawn up in the report of the WTO Task Force. Certainly, a pragmatic approach was called for, driven by the needs and priorities of developing and least-developed countries. A number of issues needed to be made clearer. Among these were the extent to which adjustment assistance should be included in the agenda, compensation for preference erosion to a limited number of countries, and criteria to be used for dividing assistance into grants and soft loans. Norway broadly supported the suggestions the Director-General had laid out at the present meeting, and the latter's consultations on additional financing should yield positive and clearer indications from donors in 2007. His delegation had been heartened by the Director-General's confidence that financing was actually more or less in place. For its part, Norway intended to maintain its contributions to the Doha Global Trust Fund and to increase contributions first to the Enhanced IF in 2007. Furthermore, its AFT contributions would be considered in general in connection with the development of the national action plan he had mentioned. Regarding the monitoring and evaluation mechanism, Norway supported a yearly event back-to-back with a General Council meeting, organized by the CTD in a way that permitted the full participation of the agencies. Of particular importance was the monitoring that would take place in recipient countries. In addition to measuring what had been received, the monitoring process should demonstrate that AFT had been implemented in accordance with the general development strategy or poverty-reduction strategy in the country concerned.

94. The representative of Rwanda commended the Director-General on his comprehensive report, which contained many insightful ideas. Before commenting on some of them, he first wished to associate his delegation with the statements by Benin for the African Group and Bangladesh for the LDCs. Three issues among others highlighted by the Director-General merited particular attention, namely: that donors had reiterated the commitments made in Hong Kong, particularly on the additionality of aid; that new donors would soon be joining the traditional donors; and that a monitoring system was being initiated in the WTO. It was unanimously recognized that AFT should be additional, predictable and provided in grant form. This would allow enhancing supply capabilities, developing trade-related infrastructures, and building human and institutional capacities in the recipient countries. This assistance had to be timely, and Members were waiting for its implementation. The LDCs, particularly, had to be appropriately assisted in order to fully benefit from the Enhanced IF, so as to be able to develop trade as an engine for economic growth and poverty reduction. Regarding the monitoring mechanism, Rwanda supported reviewing the WTO/OECD database in line with the recommendations of the AFT Task Force. This review should be done as soon as possible, in order to retain only activities considered as falling under AFT. This tool should be shared with Members before its implementation. AFT had to follow the Paris Declaration principles, particularly country ownership, donor harmonization and mutual accountability. Rwanda hoped that this monitoring and evaluation mechanism would assist in evaluating the attainment of those principles. In the LDCs, country ownership would

depend on substantial financial and technical assistance for human and institutional capacity building. This would also ensure a proper reporting from capital, which would render the WTO monitoring mechanism more efficient. Rwanda wished to encourage the Director-General in his further consultations, and had full confidence in him.

95. The representative of Bolivia recalled that her delegation had earlier submitted to the Task Force a number of comments and ideas on its work. Bolivia appreciated the Director-General's efforts in the area of securing financing, and the commitments Members had made. However, her delegation wished to consider in more depth the three levels of monitoring that had been recommended, in particular the recommendation relating to the evaluation in beneficiary countries and also the actions geared to ensuring broader participation of all the sectors.

96. The representative of the United States said his delegation appreciated the Director-General's efforts to consult widely with Members, existing donors, new donors and recipient countries. It was clear that this was an evolving process and one that required both a "big picture" perspective as well as attention to a large body of important technical details. The EC had identified a number of areas for useful refinement of the concepts in document WT/AFT/1. The United States appreciated the Director-General's openness to this further refinement, and looked forward to continuing to work constructively with the him, the Secretariat and its trading partners to achieve the most practical, efficient and useful ways to better improve AFT. His delegation agreed with the Director-General that the WTO was not a development agency, but could serve an important role as a neutral coordinator of information and catalyst for coherence in this area. A successful effort would require close contact with donor agencies, bilateral and international, as well as recipient countries, and the United States looked forward to the annual review as a way to achieve that. An accurate picture would require information on funds spent and what those funds achieved. The United States looked forward to continuing this work, including maximizing the use of existing structures and institutions, as Members sought to increase transparency in the system, both for donors and recipients, and to integrate the Paris principles into that work. Mainstreaming trade into development was a serious objective and one that deserved Members' further attention. He assured all that this work would have the further attention and commitment of the United States.

97. The representative of Peru said that AFT was of great importance to the whole of the membership and to Peru in particular. Peru thanked the Director-General for having identified very specifically the elements that would make effective the work of the organization in terms of AFT, on the basis of the document presented by the Task Force – on which Peru had commented on a previous occasion. Peru agreed, to a great extent, with the elements outlined in document WT/AFT/1. Specifically, regarding the importance of the third level of monitoring, Peru considered that, as the Director-General had said, it was the countries themselves who were best placed to determine whether their trade needs were being met, if the financial means were being provided and if AFT was really effective in the field. It was in this respect that Peru wished to ask the Director-General a specific question in relation to paragraph 8 of document JOB(06)/262, concerning an assessment of Aid for Trade in the trade policy reviews. Peru felt it was important to include this in the trade policy reviews in future. Peru's TPR was coming up in October 2007, and in this connection it wished to know if there was already some idea of how this issue would be included in forthcoming trade policy reviews and how Peru – and other countries coming up for review – could cooperate in order to structure the debate and, in terms of AFT, how to create greater coherence among the trade, financial and development policies, as set out in paragraph 8 of the Director-General's concept paper. Peru therefore hoped to be able to continue to work and cooperate with the Director-General in the application and implementation of the elements contained in that paper, which would enable Members to better operationalize AFT.

98. The representative of Mexico said the work being carried out on AFT was a fundamental component for the fulfilment of Members' mandate and should be an effective tool to ensure that

developing countries could overcome their supply-side constraints. As his delegation had said on previous occasions, in order to maximize the benefits of this initiative, it was key that the Doha Round come to a fruitful conclusion. On this there was consensus. AFT was not a substitute for but a complement to a successful Round, whose main benefit for development would be greater access to markets of developed countries for goods and services of interest to developing countries. Similarly, Mexico wished to recall that each Member had a role to play, and while not all could contribute to the same extent, he wished to reiterate the availability of his Government to participate in technical capacity-building that would enable other countries to reach the same level of integration into the multilateral trading system.

99. The representative of Brazil said the recommendations of the Task Force provided general guidelines for action, but the suggestions made depended on implementation of the provision on adequate additional resources delivered in an expeditious and effective way. So far, pledges had been impressive. They should materialize into additional funds that could effectively be disbursed, as highlighted by Egypt and others. The Task Force had also highlighted the importance of domestic ownership in the design of trade programs, in accordance with national development strategies. Donors had to be mindful and respectful of the priorities assigned by recipients, and not impose conditionalities. In order to ensure that, AFT had to be subject to adequate monitoring and surveillance, as well as political guidance. Brazil welcomed the recommendation on a well prepared annual discussion in the General Council on AFT. The real test of AFT, however, was implementation on the ground. Members' task was to create the conditions to make it happen in the most effective and development-oriented way. Brazil was willing to contribute to the ad hoc consultative group envisaged to follow-up the implementation of the recommendations of the Task Force, as well as to support AFT activities in the context of South-South cooperation, in particular, in relation to developing Portuguese-speaking countries.

100. The representative of Japan said Japan attached importance to AFT and would live up to the commitment to address, *inter alia*, constraints in the field of distribution and supply side. Japan would continue to work with others to follow up on the Task Force report and supported the idea of monitoring and evaluation.

101. The Chairman said that all Members would be able to make inputs and raise specific concerns regarding the follow-up to any of the recommendations of the Task Force in the periodic reviews of AFT that were proposed to be held in the Committee on Trade and Development. This applied as well, of course, to the specific questions raised by Peru and Moldova.

102. The General Council took note of the report by the Director-General and of the statements.

9. Follow-up to the 1 August 2004 General Council Decision and the Hong Kong Ministerial Declaration on the Doha Work Programme – Statement by the Director-General on the Development Assistance Aspects of Cotton

103. The Chairman recalled that the mandates for the treatment of this item were contained in Paragraph 1(b) of the Decision adopted by the General Council on 1 August 2004, and in Paragraph 12 of the Hong Kong Ministerial Declaration. At Hong Kong, Ministers had reaffirmed the 2004 mandate and had welcomed the efforts of the Director-General in the implementation of that mandate, pursuant to the 1 August 2004 Decision of the General Council. They had welcomed in particular the Consultative Framework process initiated by the Director-General, and had taken note of the Director-General's Second Periodic Report and the assessment of the positive evolution of development assistance geared to the cotton sector. Ministers had also extended the mandate on cotton development assistance in some respects. In inviting the Director-General to furnish them with a Third Periodic Report at their next Session, Ministers had asked the Director-General to "keep the Sub-Committee on Cotton fully informed of progress", and to provide "updates, at

appropriate intervals ... to the General Council". In carrying out this mandate, the Director-General had last reported on this matter to the General Council at its meeting in July 2006.

104. The Director-General said that the present meeting of the General Council was coming in the wake of the meeting of the West African Economic and Monetary Union in Dakar on 16 November. The Dakar Declaration on the Resumption of the Negotiations had drawn attention, yet again, to the importance of the cotton dossier to Africa. He recalled that his most recent report on the development assistance aspects of cotton had been made at the July General Council meeting. On that occasion, he had briefed Members on the state of play of cotton development assistance. Although the General Council had taken note of the suspension of the negotiations on that day, he had urged Members that no proposal made, whether with respect to the trade or the development aspects of cotton, be taken-off the table. He had urged that the suspension should not take Members back, but rather raise their level of ambition. At that meeting, he had requested that every African cotton-producing country send the Working Table on Cotton Development Assistance back to capital to examine its accuracy and provide feedback. He had also requested donors to review the Table, distinguishing between actual disbursements and commitments, and to rapidly operationalize programmes. Since that report, he believed Members had made some progress in the process of the verification of the figures submitted by the bilateral and multilateral donor community. There had also been two other developments: (i) the 11-15 September meeting of the International Cotton Advisory Committee (ICAC) held in Brazil, and (ii) the 26 October International Conference on Cotton held in Washington.

105. He wished first to comment on the verification process. There was no doubt that the verification process was an extremely tedious exercise. It involved scrutiny of the figures submitted by the donor community. However, no matter how tedious this exercise – both for donors and beneficiaries – he strongly believed it had to be completed. It would allow for a more accurate assessment of the magnitude of the assistance the cotton sector was receiving. At the most recent Consultative Framework meeting on 14 June, the table containing the latest numbers on cotton development assistance had been distributed to participants. Donors and recipients alike had been requested by the Chairman of the Consultative Framework to verify the data contained in that table and to report back. He had also circulated this Table at the "International Cotton Seminar" held in Ouagadougou from 19-20 June, and had requested feedback. All responses received to date had been integrated by the Secretariat into what had become the "rolling" Table on Cotton Development Assistance. However, while some donors, and indeed some recipients, had commented on the figures, some had yet to respond. He wished to take this opportunity to urge those who had not yet given their feedback to do so as soon as possible. That contribution was vital to bringing accuracy to this exercise. The Secretariat would be issuing, in the course of the present week, the "rolling" Table on Cotton Development Assistance as it currently stood. The Table was far from being final, and this work was far from complete. However, it was essential to periodically circulate the Table to all participants for transparency and accountability. He asked all to see this new document as an opportunity for greater and more precise feedback.

106. He also wished to draw the Council's attention to a serious gap that he had perceived in this exercise – a gap in determining the level of actual disbursements. While it was important to know how much assistance had been committed to the cotton sector, it was equally vital to begin to distinguish monies committed from monies actually disbursed. In the latest version of the rolling Table that would be circulated to Members, the aggregate figures had changed only slightly since 14 June. Having said that, the aggregates had indeed climbed since his Second Periodic Report which had been submitted to the Hong Kong Ministerial Conference – hence, the need for continued verification and classification of the type of assistance received. In the latest version of the rolling Table, of the 184 entries, 38 per cent of all projects had actually been completed, and another 45 per cent were in progress. Members had to continue to build on these achievements. It was his understanding that another meeting of the Consultative Framework would take place early

in 2007, and he looked forward to Members' active engagement. He would be remiss if he did not mention the importance of cotton sector reform in beneficiary countries. Reform had to go hand in hand with greater levels of development assistance, in order to make the assistance meaningful. He hoped that beneficiaries would continue to report on the progress they were making on that front. Finally, he wished to say a few words on the ICAC meeting and the Washington Conference to which he had referred earlier. Both meetings had reaffirmed the importance of the approach taken by the WTO to deal with cotton through: (i) the specific negotiations on cotton within the agricultural chapter of the Doha Round; (ii) the consultations on development assistance; and (iii) the ongoing cotton dispute, which had also been discussed at the Washington Conference. Overall, he would say that both meetings had raised awareness of the importance of cotton to some of the world's poorest countries, and that the input, the numbers and the reports of the Secretariat had been an important contribution to that process. He and the Secretariat would continue do whatever was possible to assist this process, but as the Table showed, one was extremely, and logically, reliant on the information which both donors and recipients had to provide with more and more precision each time.

107. All representatives who spoke thanked the Director-General for his report.

108. The representative of Benin, on behalf of the African Group, said one could see from the Director-General's report that actions and initiatives had been taken by bilateral, regional and multilateral partners in order to strengthen cotton production in Africa. The African Group thanked the countries and bilateral donors that had provided such assistance. The Group also wished to thank the Secretariat for the excellent work it had been doing. These countries wished to invite Members and institutions that had not yet done so to provide this type of assistance to the countries concerned, in order to enable them to strengthen their cotton sectors. The African Group welcomed the developed and developing countries, in particular, which had shown interest in this, and particularly Brazil, which had undertaken actions to assist the African cotton producers to strengthen the cotton sector. In accordance with the recommendations of the International Seminar on the Development of Cotton Production in West Africa in Ouagadougou in June 2006 on the implementation of the recommendations of the cotton workshop of May 2004, the African cotton-producing countries had begun to receive assistance from their partners to strengthen the cotton sector. The African Group called on donors to proceed with the same type of evaluation in order to bring together the relevant data and to ensure an appropriate follow-up to the actions undertaken in respect of these initiatives. This work, as the Director-General had said, was essential in order to have verifiable and reliable figures. The Director-General – following the mandate conferred on him by Ministers in Hong Kong regarding exploring the possibility of establishing a mechanism that would manage the deficits that were a result of the drop in revenue due to fluctuation in the value of cotton on the international market – had held consultations with the donors. The African Group hoped that these consultations on setting up a safety net would continue, and would result in speeding up the actual creation of this mechanism. The African Group recommended that the Assessment Seminar of the Regional WTO Workshop on Cotton, which had been held in Cotonou on 23-24 March, be organized during the course of 2007. This was one of the strong recommendations that had emerged from the Ouagadougou Ministers' meetings and had been included by the Director-General in his report.

109. The representative of India said his delegation wished to share with Members an initiative taken by India in regard to the development assistance aspects of cotton. Between 20 November and 1 December 2006, his country had conducted a training programme on "Cotton Cultivation, Commerce, Quality Aspects and Value Addition" for 21 participants from four East African countries – Ethiopia, Tanzania, Uganda and Zambia – in collaboration with the International Trade Centre. Following the success of this programme, India was in the process of planning a similar programme for West African cotton growers and exporters.

110. The representative of Chad, on behalf of the co-sponsors of the Cotton Initiative, said these countries wished to thank their bilateral and multilateral partners for their technical and financial assistance in connection with the development of the cotton sector in Africa. These countries had taken note of the work being done by the Secretariat to verify the programmes and projects relating to the development of the cotton sector in African countries, and of the resources allocated in that connection. A number of recipient countries among the co-sponsors of the Cotton Initiative had already conducted this verification and communicated the relevant information to the Secretariat. Others were still doing so, and would soon be communicating the results. The co-sponsors of the Cotton Initiative wished to reiterate their hope that the evaluation seminar to be organized by the WTO on the development assistance aspects of the cotton issue would be held as soon as possible and would be well attended by the actors concerned. At the meeting of the General Council in July 2006, the Director-General had noted that during his consultations with Members, they had expressed reservations regarding the introduction of a mechanism to enable the African cotton-producing countries to deal with income declines in that sector. For the co-sponsors of the Cotton Initiative, this continued to be a source of great concern in view of the growing losses caused by the fall in cotton prices on the international market. During that meeting of the General Council, the Director-General had suggested that solutions to deal with this problem might be sought with the FAO and the Common Fund for Commodities. Other ideas existed, and could be combined with any mechanism that these two institutions proposed. The process of setting up this safeguard mechanism had to be launched as rapidly as possible, since the situation on the ground in the African cotton-producing countries was becoming more and more difficult each day.

111. The representative of Brazil thanked the Director-General for his statement and welcomed the assistance provided to strengthen the cotton sector in African countries. Brazil had noted the documents circulated by Mali (WT/L/660) and Burkina Faso (WT/L/657) in November and October, respectively, with comments on that assistance. As pointed out in these documents, much of the assistance provided was either not operational or did not concern cotton specifically. Brazil called on donors and the recipient countries to continue their consultations and coordination in order to allow for the best possible use of the announced assistance. Brazil, as indicated by Benin, had been collaborating with the Cotton-4 countries and a delegation from these countries would visit Brazil early in 2007, with the support of Brazil's South-South cooperation programme, to discuss ways in which Brazil could cooperate for the development of these countries' cotton production. Development assistance could help, but a solution to this issue necessarily had to include its trade aspect – effective cuts in trade-distorting domestic support and disciplines that not only ensured the effectiveness of these cuts, but also prevented concentration of support.

112. The representative of Burkina Faso said his delegation endorsed the statements by Benin for the African Group and by Chad for the co-sponsors of the Cotton Initiative. The present meeting came at a critical moment in the negotiations. The negotiating process had been suspended in July, and this indefinite suspension had prompted great concern and even dismay among cotton growers, who were already dissatisfied with the outcome of the Hong Kong Ministerial Conference. Suspending the negotiations had also, for the moment, quashed hopes to see an end to the ordeal suffered by millions of Africans who relied on cotton as their only source of income. Unaware of the dynamics of the negotiations, these farmers were wondering what delegations did every day at the WTO – an organization that was supposed to protect them. At the informal TNC meeting in November, the TNC Chair had noted that the negotiations were slowly beginning to resume. Indeed, a number of delegations had consistently expressed their willingness and determination to re-start the negotiations so that the Doha Round could be concluded as soon as possible. However, not all delegations had shown the same level of determination. All around one heard delegations saying they were ready to resume the negotiating process and would make concessions as long as others did the same. This refrain maintained a status quo that might be beneficial to some countries, but was certainly not so for the developing countries. As one would say in the colloquial French spoken in Africa, "*Votre disque là est rayé, il faut le changer*", i.e. your record's stuck, it's time to

change it. Burkina Faso therefore called on its partners to truly take stock of the gravity of the situation and to get the negotiations up and running again with a view to achieving the objective Members had set themselves in July 2004. Sadly, the cotton-producing and exporting countries had no other choice but to continue to echo the heartfelt cries of millions of dismayed and discouraged African cotton growers. While it might seem that the record was stuck, the truth of the matter was that if the cotton-producing African countries stopped playing it they would be leaving thousands of people to die in silence, not to mention indifference. His delegation did not think this was the result Members were aiming for.

113. The Director-General had just described the efforts he had made in respect of development aspects of the cotton issue. Burkina Faso thanked him sincerely and was extremely grateful for his endeavours. The Director-General's qualities as a marathon runner, together with his talents as an outstanding negotiator, were factors that provided some hope of success. His delegation was also profoundly grateful to its development partners for their countless interventions in favour of the cotton sector. The C-4 countries had carried out research in order to be able to compare their statistics with those of their partners and thus shed light on the different forms of action taken in the cotton sphere. Some development partners had also commented on the information provided on development aspects. This would provide a precise idea of the state of play as far as cooperation was concerned and would, above all, provide food for thought for improving this partnership and making it productive. His delegation remained convinced that a meeting such as the one held in Cotonou in March 2004 should be held to review in detail the development aspects of the cotton issue, and therefore asked the Director-General to consider convening such a meeting as soon as possible. At a forum on cotton held on 26 October 2006, his country's President had highlighted the urgency and necessity of finding solutions to the difficulties faced by the cotton sector by giving a video-conference in which he had addressed the US Government and a number of members of Congress before replying to questions from journalists. At the sub-regional level, the trade Ministers of the member countries of the West African Economic and Monetary Union, meeting on 16 November 2006 in Dakar, had issued a Declaration calling for the resumption of negotiations.

114. The representative of Bangladesh, on behalf of the LDCs, thanked the Director-General for updating the General Council on the work being undertaken on this matter since the Hong Kong Ministerial, including his consultations with the co-sponsors of the Cotton Initiative, the African Group and the LDCs, and the exercise under his Consultative Framework aimed at verifying actual contributions and checking actual disbursements and operational implementation. The LDCs asked the Director-General to continue his efforts to help cotton-growing LDCs as a follow-up action to the 1 August 2004 General Council Decision and the Hong Kong Declaration on the development assistance aspects of cotton. The LDCs wished to express their solidarity with the cotton-exporting LDCs. Cotton was a question of life and death for them and their farmers. There were two issues – one was trade and the other was development. The trade issue was the fundamental one that had created the cotton-growers' plight – that is, subsidies to the cotton growers of some developed-country Members. The LDCs wished to stress the complementarity between the two issues, and the need to achieve results with speed.

115. The representative of the European Communities said his delegation recognized the useful role the Secretariat was playing in compiling an overview of cotton-related development assistance. Over the past months, the quality of the information had much improved through interactive processes with donors and recipients. The Secretariat would need to continue its efforts to make sure that this information was well-balanced and sufficiently related to cotton for it to be a meaningful tool in discussions and programming of development assistance related to cotton. The Community also recognized that there was additional assistance that was not directly related to cotton, but had an important effect on the functioning of cotton sectors in developing countries. This was related to general improvements in infrastructure, such as roads, to trade facilitation, such as port handling, to private sector development and to general macro-economic assistance. The EC

itself was a main provider of support to infrastructure and of budget support in many of the cotton-producing countries in Africa. It had not included such support in the WTO cotton assistance table, as it believed the table would be more credible if it was specifically focused on cotton-related projects and programmes. As a general remark, the Community wished to stress that the WTO should not duplicate or complicate the tasks and functions of traditional government-donor dialogue and of donor coordination frameworks. Such mechanisms generally existed at the country level. Cotton project proposals and financing intentions should first and foremost be discussed at these levels. For the EC, the EU-Africa Partnership on Cotton agreed in Paris in 2004 remained the relevant framework for its development cooperation in cotton. This Partnership addressed a range of relevant issues in re-vitalizing African cotton sectors, including institutional reforms, sector strategies, technological improvements, risk management and so forth. If anything, this Partnership needed to be strengthened and possibly broadened. The EC had mobilized an important amount of development assistance in the framework of the Partnership – roughly 100 million euros. Overall assistance to Africa in cotton-related projects by both the EC and its member States was well above 200 million euros. Much of the assistance was for improvements in competitiveness of the cotton sectors and took a medium-term outlook. Many of the projects would become operational in 2007. For the EU to remain financially engaged, it required a strong expression of prioritization for cotton assistance by African Governments in their development plans, in PRSPs and in discussions with the EC on the areas of future cooperation.

116. The representative of Côte d'Ivoire said his delegation wished to thank the Director-General for his tireless efforts in defence of the African cotton cause since his appointment as the Head of the WTO. In different fora throughout the world, he had constantly defended the cause of the cotton producers in Africa, in keeping with the commitments he had made when he took office. Côte d'Ivoire endorsed the statements by Benin for the African Group and by Chad for the co-sponsors of the Cotton Initiative. It appreciated the support provided by Brazil to the African cotton producers, and also wished to thank India for its initiative in favour of the African countries, starting with East Africa in 2006 and extending to West Africa in 2007. His country supported these two initiatives, which were a clear manifestation of the concrete South-South cooperation which it truly welcomed as a means of boosting its development. Cotton was both a vertical and horizontal diversification crop in Côte d'Ivoire, where it was the main source of income for the rural population in the northern half of the country. As a contribution to the Director-General's efforts to promote the African cotton sector, his delegation had initiated, under the auspices of the local representation of the African Union, a "cotton evening" which had been attended by many Ambassadors and Directors of the WTO, led by Deputy Director-General Rugwabiza. The evening had included the projection of a film by French director Jean-Michel Rodrigó on the war of cotton, followed by a lecture by the Ambassador of Benin, and a cocktail party with a display by artists from Burkina Faso. Côte d'Ivoire was currently examining the table of aid allocated to it under development assistance. He wished to thank the donors who had reacted positively to the four projects his country had transmitted through the Director of the DDA Special Duties Division and his team. He urged those who had not yet done so to join the above donors, in the hope that all of the different promises made could become a reality.

117. The representative of Benin, speaking on behalf of the African Group, referring to the statement by India, said the Group wished to stress how much it welcomed the fact that in the framework of South-South cooperation, certain developing countries, aware of the threat to the very existence of cotton in Africa, were stepping in to help the African cotton-producing countries. The African Group hoped that this gesture by Brazil and India, which it very much appreciated, would inspire other countries, and in particular the developed countries, to redouble their efforts to ensure that cotton did not disappear from the economies of the African countries. Whatever the importance of the development aspect, the main solution resided in the trade aspect, and the African Group hoped that the negotiations would resume soon. Whatever the development factor might be, without this there would be no success in this area.

118. The representative of Cuba said her delegation agreed with the statements by Brazil and by Benin for the African Group that although the development assistance aspects were of great importance to implementing the mandates on cotton, the trade aspects – and particularly the substantial reduction in levels of support – would be essential to the specific, expeditious and ambitious fulfilment of those mandates. As on previous occasions, Cuba supported the rightful claim of the African cotton-producing countries and their insistence on practical fulfilment of the commitments undertaken by those who still persisted in applying unsustainable levels of support that brought ruin and poverty to subsistence farmers in developing countries.

119. The General Council took note of the Director-General's report and of the statements.

10. Non-recognition of rights under Article XXIV:6 and Article XXVIII of GATT 1994 – Communications from Honduras and Guatemala (WT/GC/85, WT/GC/90 and Corr.1, WT/GC/100, WT/MIN(05)/9) – Statement by the Chairman

120. The Chairman recalled that this matter had first been raised by the delegations of Honduras and Guatemala at the Council meeting in December 2004. It had subsequently been considered by the General Council at each of its regular meetings since then, without resolution. In the light of the views expressed at these meetings, and the requests for consultations made by Honduras and Guatemala, both his predecessors and he had been holding consultations in order to assist in finding a way forward. At the October General Council meeting, he had reported to delegations on his most recent consultations, which had been held on 5 October. In view of the statements at that Council, he had proposed that the General Council revert to this matter at its next meeting, and that he hold further consultations in the meantime with the aim of moving this matter forward. He informed delegations that on 11 December, he had held further consultations to provide another opportunity for the Members concerned to seek clarifications, to the extent possible, and to see if he, as Chair, could facilitate a satisfactory resolution to the concerns that had been expressed regarding this matter. He had invited to those consultations all the delegations who had spoken on this issue at previous meetings of the Council, and had made clear that the consultations were without prejudice to any Member's rights under the WTO. He had to report once again that the consultations had not resulted in any meeting of minds as yet on the specific matter referred to the General Council, which was the non-recognition of substantial supplier rights in the very specific context of the EC's modification of its concessions as a result of enlargement from 15 to 25 members, and the modification of its concession on bananas in its move to a new tariff-only regime as from 1 January 2006. Both sides continued to reiterate their positions.

121. He recalled that this matter had been brought to the General Council in keeping with Paragraph 4 of the 1980 Procedures for Negotiations under Article XXVIII, under which, when a Member renegotiating its Schedule does not recognize a claim of principal or substantial supplying interest, the Member making the claim "may refer the matter to the Council". While the 1980 Procedures remained silent on the exact role to be played by the General Council in such situations, any action by the Council on this matter would have to be taken by Members collectively, in keeping with their practice of decision-making by consensus. Obviously, the Council would not be in a position to take action if the parties directly concerned were still in disagreement. He remained willing to facilitate a resolution in every way possible, and would continue to offer his good offices in this process to the parties directly concerned and to explore with them further the possibilities of a resolution in the near future.

122. All representatives who spoke thanked the Chairman for his dedicated attention to this matter and for his continuing efforts to find a solution.

123. The representative of Honduras referred to her delegation's statements at previous Council meetings and said that she once again had to express Honduras' concern about the lack of progress

on this issue. In the two years since Honduras had first requested the Community to recognize its interests as a substantial supplier in the banana sector, the Community had maintained the following position: (i) it had repeatedly denied recognition of Honduras' interests on the basis of arguments that had no foundation in WTO rules; (ii) it had modified its schedules of concessions relating to bananas in a manner contrary to the "Bananas III" findings and the arbitral awards of 2005; (iii) it had refused to make appropriate adjustments for, or to pay compensation to, the Latin American suppliers once the schedules had been amended, on the sole grounds that it "owed no compensation"; (iv) it had refused to clarify at what level it would bind its modified banana tariff; and (v) it had disregarded its obligations to provide compensation as a result of the enlargement of the European Union that had taken place in May 2004, although a new enlargement was about to occur in two weeks' time. Such actions and omissions on the part of the Community were contrary to WTO principles and decisions, which Honduras had detailed extensively in the past. The irregularities associated with the modification of the tariff were so significant that developing countries were now facing new and even greater systemic problems. If the Community and other developed-country Members were allowed unilaterally, inflexibly and illegally to deny appropriate compensation, the poorest and smallest supplying Members would never be compensated for the loss of their bound rights. If developed-country Members such as the EC were free to reject any claim of substantial supplier interest, the poorest Members of the organization would never even have the opportunity of a proper hearing. If the rules of the system regarding tariffs and enlargement were so informal as to enable any Member to modify its schedules without transparency, compensation or due process, this would eventually undermine the trade interests of all Members. As recent developments had clearly shown, concerns regarding the EC's banana regime were increasing, not decreasing. The time had come for the Community to comply with its obligations on the banana issue, to recognize Honduras' interests as a substantial supplier of bananas, and to make significant adjustments to its illegal arrangement.

124. The representative of Guatemala said that when his delegation had decided to put this item on the General Council's agenda, he had never imagined that it would remain there for so long, particularly in light of the intense effort and arduous work involved in the consultations undertaken to resolve this matter. However, it appeared that neither Guatemala's clear intentions nor the Chairman's excellent work had been enough to obtain a favourable agreement with the Community. Without wishing to be pessimistic, he said that this matter ran the risk of becoming a standing item on the General Council's agenda. As the next EU enlargement process drew near, one could expect a resurgence of problems related to the non-recognition of negotiating rights for small and medium-sized suppliers. Strangely, since this item had been on the Council's agenda, concerns had been expressed by 17 developing, and no developed, countries. It would thus appear that for an exclusive group of Members, the renegotiation processes arising from the EU's enlargement generated no problems. However, the situation was less fortunate for the rest of the countries, including Guatemala. First, although Guatemala qualified as Member with a substantial interest or a principal supplying interest, it had had to fight ceaselessly for recognition of its rights. Second, even if it had been lucky enough to have its rights recognized, Guatemala would still have to deal with the persistent refusals to grant it compensation. Lastly, had it been possible to overcome these obstacles and have its right to compensation recognized, the amount would have proven so insignificant that it would have not been worth the effort. Surprising as this might sound, it was true, and all of this was the result of the interpretations of one Member. These unilateral interpretations had unfortunately had serious consequences for Guatemala's trade. In an earlier statement, he had said that the outcome of negotiations in this organization had to be extended to all Members, whether small, mid-sized or large. In the light of this, his present statement had two purposes. The first was to ask the Community to recognize that this was a negotiating issue and that it should accordingly show flexibility and commitment. Members' positions were not cast in stone and the Community was not the custodian of the absolute truth. The second was to remind the Community that all Members had collective responsibility for the multilateral trading system, and the best response to the multilateral system and to this organization was respect for the

expectations and concerns of all Members, whatever their level of development. With this in mind, he wished to draw the Community's attention to the new situation of the accession to the EU of Bulgaria and Romania.

125. Guatemala had had to take up the challenge of developing its institutional and export capacity in order to become a participant in world trade. Despite intrinsic limitations, Guatemalan producers had made an immense effort to place their products on the world market. A case in point was its sugar industry, whose remarkable endeavours had enabled it to compete effectively and to seize the opportunities offered by multilateral trade. The EC's suggestions that Guatemala did not have a substantial trade interest, when it did, and that on the strength of this claim it was seeking not to accommodate Guatemala's legitimate expectations regarding access for sugar, were matters of great concern to his country. If the Community could not respond to the concerns expressed by developing countries and if it could not afford Guatemala fair treatment through a serious negotiating process, then the negotiating processes arising from the EU's enlargement could be considered neither fair nor consistent with WTO principles. Accordingly, he asked the Community to reflect seriously on the manner in which it would deal with this matter in the course of 2007. He again thanked the Chairman for the time and attention he had devoted to this matter, and reiterated that his delegation stood ready to work with him in exploring ideas and alternatives to allow this matter to be resolved.

126. The representative of Nicaragua said that Nicaragua was a small economy and shared, together with other Members, a systemic interest in this issue. It therefore supported the statements by Honduras and Guatemala. Nicaragua hoped to be able to count on the commitment and good offices of the Council Chair to find a reasonable and satisfactory solution for the parties who were being affected. Nicaragua was fully aware of the importance of these issues for small economies.

127. The representative of Mexico said that the continued non-recognition of rights by the EC had given rise to a truly distressing situation. In light of the repeated disputes on the banana issue, the last thing needed now was for a minor issue to continue to further complicate relations between the countries of Latin America and the European Union. Mexico was grateful to the Chairman for his efforts, and asked all of the parties to work towards putting this problem behind them.

128. The representative of Panama said his country regretted that this matter was still on the Council's agenda, despite the efforts made, and supported the statements by Nicaragua, Honduras, Guatemala and Mexico.

129. The representative of Argentina said that, as others had noted, this issue had been on the Council's agenda since 2004. It was also an issue that Argentina would have liked to have seen resolved quite some time earlier. The EU's enlargement from 15 to 25 member States had caused differences with Members who were still maintaining that their claims had not been recognized by the EC, and this problem was worsening as two additional member States were about to join the EU. The resolution of this issue required, in addition to the application of WTO rules, the application of general principles such as good faith and fair treatment. His delegation hoped that in 2007 a solution would be found to this issue.

130. The representative of Brazil said that, like previous speakers, Brazil hoped that a solution could be found that was favourable and that satisfied the claims submitted by the parties involved in this issue, and that this would happen as soon as possible.

131. The representative of El Salvador said her delegation wished to reiterate the importance it attached to the issues raised by Guatemala and Honduras because of their systemic implications. El Salvador trusted in the Chairman's good offices, and hoped that he would be able to continue the

consultation process with a view to finding a speedy and satisfactory solution to this problem, which had been under discussion in the General Council for a long time.

132. The representative of the European Communities said that when he had first come to the General Council six years earlier, bananas had been on the top of the agenda and he had received his share of EU-bashing, both in the DSB and the General Council. While it might take some time to find acceptable solutions to the problems that had arisen, he was sure this could be done. However, one had to bear in mind that the banana dossier was probably the most complex one in WTO history. It was certainly possible to find a solution in 2007, and in the meantime the good news was that overall imports into the EC in 2006 had increased by some 10 per cent. He regretted that his statement under this item at the present meeting was similar to the ones his delegation had made at previous General Council meetings. His own view was that whenever lawyers dug into such matters, arguments seemed to be set in concrete after a certain time. At the most recent General Council meeting, his delegation had suggested a way out through a structural solution for suppliers who were small and vulnerable economies. Apparently this idea had not been taken up. Nonetheless, he believed that it was an avenue worth considering further, and he would leave some ideas for his successor. In the meantime, regrettably, he would have to reiterate the EC's previous position, which was exactly the same as it had been for some time, including at the Council's most recent meeting. He still believed that there was scope for further consultations by the Council Chair, including on building on the idea of finding a structural solution for small suppliers. He wished the Council Chair and his successor every success in this endeavour, and also wished to assure the delegations who had spoken under this item that the EC remained open to any possible discussion to resolve this matter as soon as possible.

133. The General Council took note of the statements and agreed to revert to this matter at its next meeting and that the Chair would continue consultations in the meantime with the aim of moving this matter forward.

11. Procedure for the introduction of Harmonized System 2007 changes to Schedules of Concessions using the Consolidated Tariff Schedules (CTS) database – Draft Decision (G/C/W/565)

134. The Chairman drew attention to the draft decision in document G/C/W/565 regarding a procedure for the introduction of HS 2007 changes to schedules of tariff concessions using the Consolidated Tariff Schedules Database.

135. Mr Agah (Nigeria), Chairman of the Council for Trade in Goods, said that at its meeting on 20 November 2006, the Goods Council had approved the Procedure for the Introduction of Harmonized System 2007 Changes to Schedules of Concessions Using the Consolidated Tariff Schedules (CTS) Database contained in document G/C/W/565, and had recommended that it be forwarded to the General Council for adoption.

136. The General Council took note of the statements and adopted the draft decision in document G/C/W/565.⁴

12. Waivers under Article IX of the WTO Agreement

137. The Chairman noted that the draft waiver decisions for the matters in sub-items 12(a) through 12(e) below had been taken up for consideration by the Council for Trade in Goods at its meeting on 20 November, and were matters on which the Goods Council Chair had to report to the General Council. In order to facilitate the smooth and efficient consideration of the draft decisions

⁴ The Decision was subsequently circulated as WT/L/673.

by the General Council, he would invite the Chairman of the Goods Council to report on the Council's consideration of these matters in a single intervention. The General Council would then take up each draft decision for action separately.

138. Mr Agah (Nigeria), Chairman of the Council for Trade in Goods, said that at its meeting of 20 November, the Goods Council had approved the draft waiver decisions for the matters in sub-items 12(a) through 12(e) below. The Goods Council had further recommended that these draft decisions be forwarded to the General Council for adoption. With respect to sub-item 12(b), he wished to add that the Goods Council had approved the draft decision in G/C/W/566, along with some minor textual changes which had been incorporated into document G/C/W/566/Rev.1. Since the Goods Council's approval of that draft decision, he had been informed that two additional Members – Argentina and India – had requested to be included in the Annex to the draft decision which listed the Members covered by the waiver. He therefore suggested that the General Council consider for adoption the draft decision in G/C/W/566/Rev.1 with the addition of Argentina and India to its Annex.

139. The General Council took note of the statements.

(a) Introduction of Harmonized System 2002 changes into WTO Schedules of tariff concessions – Draft decision (G/C/W/564)

140. The Chairman drew attention to the draft decision in document G/C/W/564 which provided for a waiver from provisions of Article II of GATT 1994 until 31 December 2007 for a number of Members to enable them to implement the HS 2002 changes into their Schedules of concessions, subject to certain conditions.

141. He proposed that, in the light of the report made above by the Chairman of the Goods Council, and in accordance with the Decision-Making Procedures under Articles IX and XII of the WTO Agreement agreed in November 1995 (WT/L/93), the General Council adopt the draft decision in G/C/W/564.

142. The General Council so agreed.⁵

(b) Introduction of Harmonized System 2007 changes into WTO Schedules of tariff concessions – Draft decision (G/C/W/566/Rev.1)

143. The Chairman drew attention to the draft decision in document G/C/W/566/Rev.1 which provided for a waiver from the provisions of Article II of GATT 1994 until 31 December 2007 for a number of Members to enable them to implement the HS 2007 changes into their Schedules of concessions, subject to certain conditions.

144. He proposed that, in the light of the report made above by the Chairman of the Goods Council, and in accordance with the Decision-Making Procedures under Articles IX and XII of the WTO Agreement agreed in November 1995 (WT/L/93), the General Council adopt the draft Decision in G/C/W/566/Rev.1 with the addition of Argentina and India to the Annex.

145. The General Council so agreed.⁶

⁵ The Decision was subsequently circulated as WT/L/674.

⁶ The Decision was subsequently circulated as WT/L/675.

- (c) Kimberley Process Certification Scheme for Rough Diamonds – Request for extension of waiver (G/C/W/559/Rev.1)

146. The Chairman drew attention to the draft decision in document G/C/W/559/Rev.1 on extension of the waiver regarding the Kimberley Process Certification Scheme for Rough Diamonds to 31 December 2012

147. He proposed that, in the light of the report made above by the Chairman of the Goods Council, and in accordance with the Decision-Making Procedures under Articles IX and XII of the WTO Agreement agreed in November 1995 (WT/L/93), the General Council adopt the draft Decision in G/C/W/559/Rev.1.

148. The General Council so agreed.⁷

- (d) Canada – CARIBCAN – Request for extension of waiver (G/C/W/558)

149. The Chairman drew attention to the draft decision in document G/C/W/558 on extension of the waiver regarding Canada's provision of duty-free treatment for imports of eligible products originating in beneficiary Caribbean countries to 31 December 2011.

150. He proposed that, in the light of the report made above by the Chairman of the Goods Council, and in accordance with the Decision-Making Procedures under Articles IX and XII of the WTO Agreement agreed in November 1995 (WT/L/93), the General Council adopt the draft Decision in G/C/W/558.

151. The General Council so agreed.⁸

152. The representative of Saint Kitts and Nevis, on behalf of the CARICOM Members, said his delegation wished to thank Canada for the fulfilment of its commitment to the commonwealth Caribbean. Approval of this request by the General Council sent a strong signal that the multilateral system could be responsive to the developmental concerns of its Members, by taking into account the differences in economic size and levels of development. His delegation wished to commend the General Council for its favourable consideration of this request and pledged to continue working towards a favourable conclusion of the DDA.

153. The General Council took note of the statement.

- (e) Cuba – Article XV:6 of GATT 1994 – Request for extension of waiver (G/C/W/562)

154. The Chairman drew attention to the request by Cuba for extension of the waiver regarding Article XV:6 of the GATT 1994 to 31 December 2011, and to the draft decision to this effect contained in the Annex to document G/C/W/562.

155. He proposed that, in the light of the report made above by the Chairman of the Goods Council, and in accordance with the Decision-Making Procedures under Articles IX and XII of the WTO Agreement agreed in November 1995(WT/L/93), the General Council adopt the draft Decision in G/C/W/562.

156. The General Council so agreed.⁹

⁷ The Decision was subsequently circulated as WT/L/676.

⁸ The Decision was subsequently circulated as WT/L/677.

⁹ The Decision was subsequently circulated as WT/L/678.

- (f) European Communities – Article XIII waiver for the tariff rate quota for bananas of ACP origin – Request for extension – Statement by the Chairman of the Council for Trade in Goods

157. The Chairman noted that the request by the EC for an extension of the Article XIII waiver for the tariff rate quota for bananas of ACP origin had been on the agenda of the Council for Trade in Goods for some time, and said that the Chairman of that Council wished to make a statement regarding that body's consideration of this matter so far.

158. Mr Agah (Nigeria), Chairman of the Council for Trade in Goods, recalled that the European Communities had submitted a request for an extension of its Article XIII waiver for the Tariff Rate Quota for bananas of ACP origin, in document G/C/W/529 of 11 October 2005. The existing waiver, contained in document WT/MIN/(01)/16, provided that it would expire on 31 December 2005. The Community had stated that the policy objective of the TRQ for ACP countries was to maintain preferential access for ACP suppliers in a way that ensured total market access for MFN suppliers of bananas to the EC market. The EC had also stated that it did not consider that the TRQ was GATT-inconsistent, but that it was requesting the waiver to provide legal certainty for both ACP and MFN operators. At the meeting of the Goods Council in November 2005, the Council had agreed to defer consideration of this agenda item to its 10 March 2006 meeting. At that meeting, the EC had proposed to postpone consideration of its waiver request until after the monitoring and review process of its new banana regime had been concluded. This suggestion had been met with statements by concerned Members who had not agreed with this proposal, some of whom had not wished to consider this waiver request at all. At the May 2006 meeting of the Goods Council, the EC had maintained its proposal to postpone consideration of its waiver request, which had again met with disagreement by certain concerned Members. At its July 2006 meeting of the Goods Council, he had concluded that there were significant divergences in Members' positions on this matter. Some Members had not wanted to consider the EC request, one Member had been ready to support the request, and others had been urging its adoption. Those in the first category had viewed the EC waiver request as unfounded and with no legal basis. They did not believe that the request met the terms of the Understanding in Respect of Waivers, nor that there was sufficient information to assess its merits. The Member in the second category, and a few others, in the spirit of seeking a peaceful resolution of the matter, had appeared interested in approving this request. However, this position had remained premised on having all information at hand, including the re-bound tariff on bananas following the phase-in of the tariff-only banana regime. And finally, those in the third category had supported and urged the adoption of this waiver. He was making this report to Members in the light of the requirement in Article IX:3(b) of the WTO Agreement to report to the General Council. This request had been on the agenda of the Goods Council for a year, and whether or not Members agreed it merited approval or further consideration, he believed that as the Goods Council Chair, it was necessary to report on this matter to the General Council. While some Members had voiced their refusal to consider this waiver request, there had also been some analytical discussion of the content of the request – in particular, whether the request and substantiating documentation met the requirements of the Understanding in Respect of Waivers. Given this situation, he could only report that the matter remained inconclusive and that further time was needed for the Goods Council to continue its deliberation of the request.

159. The General Council took note of the statement.

- (g) Review of waivers pursuant to Article IX:4 of the WTO Agreement
- (i) *Canada – Caribbean, granted on 14 October 1996 until 31 December 2006 (WT/L/185, WT/L/664)*
- (ii) *United States – Former Trust Territory of the Pacific Islands, granted on 14 October 1996 until 31 December 2006 (WT/L/183, WT/L/667)*
- (iii) *EC – Autonomous preferential treatment to the countries of the Western Balkans, granted on 8 December 2000 until 31 December 2006 (WT/L/380, WT/L/668)*
- (iv) *EC – The ACP-EC Partnership Agreement, granted on 14 November 2001 until 31 December 2007 (WT/L/436, WT/L/669)*
- (v) *Cuba – Article XV:6 of GATT 1994, granted on 20 December 2001 until 31 December 2006 (WT/L/440, WT/L/666)*

160. The Chairman recalled that, in accordance with paragraph 4 of Article IX of the WTO Agreement, "any waiver granted for a period of more than one year shall be reviewed by the Ministerial Conference not later than one year after it is granted, and thereafter annually until the waiver terminates." In keeping with this provision, there were five waivers before the General Council for review. The Decisions on the waivers under review provided that an annual report should be submitted by these Members on the operation or implementation of the respective waivers, with a view to facilitating their annual review by the General Council under paragraph 4 of Article IX. The reports from these Members on the relevant waivers had been circulated in documents WT/L/664 and WT/L/667-669.

161. The representative of the United States, referring to sub-item (g)(ii), said that the United States recognized that this waiver expired on 31 December 2006 and expected to transmit a request for its extension in the coming days. As these preferences reflected a longstanding historical relationship of the Pacific Islands in the Former Trust Territories with the United States, it hoped that at the appropriate time, Members would consider its request for extension favourably.

162. The General Council took note of the statements and of the reports in documents WT/L/664 and WT/L/666-669.

13. Review under Paragraph 8 of the Decision on the implementation of Paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health (WT/L/540 and Corr.1) – Report of the Council for TRIPS (IP/C/42)

163. The Chairman recalled that on 30 August 2003, the General Council had adopted a Decision on the Implementation of Paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health. Paragraph 8 of the Council Decision provided that the TRIPS Council shall review annually the functioning of the system set out in the Decision with a view to ensuring its effective operation, and shall annually report on its operation to the General Council. The Decision also provided that the review by the TRIPS Council shall be deemed to fulfil the review requirements of Article IX:4 of the WTO Agreement. The report by the TRIPS Council on its review under paragraph 8 of the General Council Decision was before Members in document IP/C/42.

164. Mr Clarke (Barbados), Chairman of the TRIPS Council, said that at its meeting in October 2006, the TRIPS Council had taken up the annual review pursuant to Paragraph 8 of the Decision on the Implementation of Paragraph 6 of the Doha Declaration on the TRIPS Agreement

and Public Health. The TRIPS Council's report to the General Council had been circulated in IP/C/42. The cover note to this document set out factual information regarding the implementation of the Decision and the work, pursuant to paragraph 11 of the Decision, leading to the General Council Decision of 6 December 2005 on the Amendment of the TRIPS Agreement. The TRIPS Council's report also contained, in an annex, the record of the discussion that had taken place during the Council's review of the waiver decision. He drew attention to the fact that, as the report indicated, so far only three Members had deposited their instruments of acceptance of the Amendment. Given the importance of this matter and that the present time-frame for its acceptance lasted until 1 December 2007, he wished to call on those Members who had not yet done so to carry out promptly the necessary internal procedures so that they could deposit their instruments of acceptance as soon as possible.

165. The General Council took note of the statement and of the report of the TRIPS Council in IP/C/42.

14. WTO Pension Plan

(a) Election of Alternate to the Management Board – Proposal by the Chairman of the General Council (WT/GC/W/572)

166. The Chairman recalled that Article 4(a) of the Regulations of the WTO Pension Plan provided, *inter alia*, for the election by the General Council of a Chairman, four members and four alternates to the Management Board of the Pension Plan, each for a three-year term. In a communication circulated to delegations in document WT/GC/W/572, he had indicated that one of the alternates elected earlier to the Management Board by the General Council was no longer available to serve on the Board, and that it was therefore necessary for the Council to decide on a replacement. Accordingly, in his communication he had proposed the name of a representative who had kindly agreed to have her name put forward for election as alternate. He had also invited Members to submit any comments they might have regarding the proposed nomination by close-of-business on 8 December. He wished to inform delegations that he had not received any comments regarding the proposed nomination. Accordingly, he proposed that the General Council elect Ms Salina Yan (Hong Kong, China) to serve as alternate on the Management Board of the WTO Pension Plan for the remainder of the term, i.e. until May 2008.

167. The General Council so agreed.

(b) Annual Report of the Management Board for 2005 (WT/L/663)

168. The Chairman drew attention to the annual report of the Management Board for 2005 in document WT/L/663. The annual report of the Management Board was submitted to the General Council in accordance with Article 5(d) of the Regulations of the Pension Plan. This was the seventh report of the Management Board since the establishment of the Pension Plan on 1 January 1999.

169. Mrs Demir (Turkey), Chairperson of the Management Board of the WTO Pension Plan, said that 2005 had been a particularly good year for the Pension Plan, with a gross portfolio return of more than 26 per cent, thanks in particular to very strong global markets and emerging-market equities. The new investment strategy had begun to bear fruit. In this seventh year of the Pension Plan's existence, the Management Board had pursued its various activities in the seven meetings held in 2005. It had focused on finalizing the new investment strategy. Under the new strategy, the breakdown of the portfolio was as follows: 60 per cent international equities, 10 per cent emerging market equities, 20 per cent foreign bonds, 5 per cent European real estate securities, and 5 per cent direct investment in European real estate. The Management Board had continued its regular

monitoring of the Pension Plan's actuarial position. Having considered the actuarial assessment at 31 December 2004, it had decided to establish a working group to look into the long-term viability of the Pension Plan. The group had continued its work throughout 2006. Another matter that had been addressed by the Management Board in 2005 was the procedure for the treatment of partial and total disability cases. After a review of the procedure, a number of amendments had been made to the Plan Regulations and Administrative Rules. The amendments had been notified to the General Council in December 2005. The subject of same-sex marriages had been discussed in the Management Board throughout 2005. Aware that this matter had important legal implications, the Board had proceeded with caution. Not until 2006 had it finally decided to recognize such marriages. In the interests of promoting the portability of pension rights while preserving the integrity of the Pension Plan, the Board had decided to ask its Secretariat to consider the possibility of reaching a transfer arrangement with the Pension Fund of the European Communities. That arrangement had entered into force on 1 July 2006. Lastly, 2005 had seen the launching of a new "self service" system on the Web, allowing participants to access their pension files and estimate their pensions themselves. Judging from the number of visits to the site, this system was greatly appreciated by participants. It had also eased the task of the Pension Fund Secretariat, whose workload was constantly growing as the Pension Plan expanded. She remained at Members' disposal should they any questions or requests for clarification.

170. The General Council took note of the statement and of the Annual Report of the Management Board for 2005 in WT/L/663.

15. Appointment of Officers to WTO bodies – Announcement by the Chairman pursuant to Paragraph 7.1(a) of the Guidelines (WT/L/510)

171. The Chairman recalled that the Guidelines for the Appointment of Officers to WTO bodies (WT/L/510) provided that the outgoing Chairman of the General Council would conduct consultations on the appointment of chairpersons to the WTO bodies outlined in Groups 1, 2, 4 and 5 of the Annex to the Guidelines. The Guidelines also provided, in paragraph 7.1(a), that in order to promote transparency, the selection process should be started with an announcement by the Chairman at the General Council meeting held in December each year. Accordingly, he wished to inform the General Council that he would be starting the selection process for the appointment of chairpersons to the WTO bodies outlined in Groups 1, 2, 4 and 5 of the Annex to the Guidelines. In accordance with Paragraph 7.1(b) of the Guidelines, he would be assisted in the selection process by the serving Chairman of the Dispute Settlement Body, Mr Noor (Malaysia). In keeping with paragraph 7.1(d), Mr Noor and he would communicate, as early as possible, a specified time-period in which they would be available to hear the views and suggestions, if any, of Members, individually and/or in groups. Further, as provided for in Paragraph 7.1(c) of the Guidelines, he would request the Secretariat to distribute to delegations in the meeting Room a list of past Chairs of major bodies in order to provide some structure for Members' subsequent deliberations on the possible distribution of chairs based on past practice and the need for balance. Finally, he wished to note that, in accordance with paragraph 2.1 of the Guidelines, representatives of Members in financial arrears for over one full year could not be considered for appointment.

172. The General Council took note of the statement.

16. Review of WTO activities

Reports of:

- (a) General Council (WT/GC/W/573), Dispute Settlement Body (WT/DSB/42 and Add.1), and Trade Policy Review Body (WT/TPR/192)
- (b) Sectoral Councils (G/L/808, S/C/26 and IP/C/44)
- (c) Committees on Trade and Development (WT/COMTD/58), Trade and Environment (WT/CTE/13), Balance-of-Payments Restrictions (WT/BOP/R/85), Budget, Finance and Administration (WT/BFA/92), and Regional Trade Agreements (WT/REG/17)
- (d) Working Groups on Trade, Debt and Finance (WT/WGTDF/5), and Trade and Transfer of Technology (WT/WGTTT/8)
- (e) Committees under the Plurilateral Trade Agreements (GPA/89, WT/L/665)

173. The Chairman drew attention to the annual reports of the various Councils and Committees in the documents referred to under this Agenda item, which had been drawn up in pursuance of the Decision concerning procedures for an annual overview of WTO activities and for reporting under the WTO (WT/L/105). In the interests of moving the meeting along in a smooth and efficient way, he proposed that the Chairpersons of the various bodies not introduce their respective reports at the present meeting. He would, of course, invite any Chairpersons who wished to draw particular attention to some aspect of the work carried out in their bodies or to add anything to their reports, to take the floor.

174. Mr Cho (Korea), Chairman of the Committee on Government Procurement, said he wished to draw attention to paragraphs 18-27 of the report in GPA/89 which concerned the renegotiation of the present plurilateral Agreement. Preliminary work on the improvement of the Agreement and the expansion of its coverage had been initiated in 1997, and the negotiating process, properly speaking, in 1999. He was pleased to report that, at the meeting of the Committee on 8 December, the negotiators had reached an understanding on the revision of the text of the 1994 Agreement on Government Procurement. This had been circulated in document GPA/W/297. This Agreement was provisional in that it was subject to a mutually satisfactory outcome to the coverage negotiations, which remained to be concluded, and also subject to a legal drafting check. The new Agreement would represent a substantial improvement over the existing one. The revised text entailed a complete revision of the provisions of the Agreement, with a view to making them more user-friendly. The provisions had also been updated to take into account developments in current government procurement practice, including the role of electronic tools in the procurement process. Additional flexibility had been built in on some points, for example shorter time-periods for procuring goods and services of a type available on the commercial market place. S&D treatment for developing countries had been more clearly spelled out, in a manner that was hoped would facilitate future accessions by such countries. A good deal of attention had been given to such questions as domestic review procedures for supplier challenges and the rules for modification of the coverage lists of Parties. On the latter matter, it had been agreed to develop arbitration procedures for resolving differences. This result had required hard work, creativity and flexibility on the part of all participants. He believed it showed that political will to reach agreements on difficult issues continued to be alive in the WTO. As he had mentioned, the market access or coverage negotiations remained to be completed. It was the intention of the participants to conduct these on the basis of the revised text, with the goal of completing them, and therefore all aspects of the negotiations, in spring 2007. In addition, it was intended that the revised text be used as the basis for consultations and other ongoing work relating to the accession of new parties. One of the

underlying aims of the negotiations had been to facilitate the accession of more Members, and it was hoped that the new Agreement, including the more specific rules on S&D treatment, would prove instrumental in this regard.

175. Mr Agah (Nigeria), Chairman of the Council for Trade in Goods, said that further to the Goods Council's report in document G/L/808, he wished to inform Members that the report of the Second Review of the Preshipment Inspection Agreement had recently been circulated in document G/L/809. This Review had been carried out in accordance with Article 6 of the Agreement on Preshipment Inspection by the Committee on Customs Valuation. He wished to draw attention to this report for the information of Members, as it had not been issued in time for consideration by the Council for Trade in Goods.

176. The Chairman said that on a number of these reports delegations had already had a substantive discussion in the respective bodies. He suggested therefore that delegations not repeat those discussions in the General Council, and that they take the floor under the respective reports only if they felt they had to draw particular attention to any aspect of the work reported on, or to add to a previously expressed position.

177. The representative of Bangladesh, on behalf of the LDCs, referring to the report of the CTD, said that in the regular session of the CTD on 28 November 2006, his delegation had made a statement which had been reflected in the Minutes of that meeting. Bangladesh's views on paragraph 14 of the report in WT/COMTD/58 were as follows: The requirements of the Decision on Measures in Favour of Least-Developed Countries in Annex F of the Hong Kong Declaration were quite comprehensive. They should be followed not only in letter, but also in spirit. Notification to the CTD of the steps taken to provide duty-free quota-free market access to the LDCs should be substantive, along with adequate discussion. Paragraph 14 of the CTD's report explained part of the discussion. However, to say that the CTD had conducted an annual review of these notifications might generate a wrong impression about the review and the review process. This was only the beginning of the review. What had taken place in the CTD had been only a preliminary stage of review.

178. The General Council took note of the statements, adopted the report of the Committee on Trade and Development in document WT/COMTD/58, and took note of the reports of the other WTO bodies, including the reports of the Committees under the Plurilateral Trade Agreements, in documents WT/DSB/42 and Add.1, WT/TPR/192, G/L/808, S/C/26, IP/C/44, WT/CTE/13, WT/BOP/R/85, WT/BFA/92, WT/REG/17, WT/WGTDF/5, WT/WGTTT/8, GPA/89 and WT/L/665.

179. The General Council then adopted the draft report of the General Council contained in document WT/GC/W/573, on the understanding that the Secretariat would make the necessary adjustments to that draft report to include matters considered at the present meeting.¹⁰

17. New multimedia facility in the WTO

180. The Director-General, speaking under "Other Business", recalled that in 2005, Members had approved funding for the establishment of a new multimedia facility that would enable the Secretariat to improve its services to Members and the public. A return on this investment was already being seen. Through this multimedia facility, the Secretariat had been able to enhance its training programmes, to participate more fully in conferences and meetings and to reach the public more easily through teleconferencing and satellite linkage to television networks. It was expected that the use of the facility would increase significantly in the year ahead. The WTO's technical

¹⁰ The Annual Report of the General Council was subsequently circulated in document WT/GC/110.

assistance efforts had been greatly enhanced through the production of training videos for Member governments and the Secretariat. The WTO had been able to participate via teleconferencing in a number of conferences it would otherwise have missed. It had also recorded a number of interventions that had been broadcast in meetings and seminars, with significant savings in travel costs. The WTO had also been using this facility with television networks, notably on two occasions recently – Vietnam's accession and China's five-year anniversary of joining the WTO. The operating costs of the facility were low and the savings that had been generated by less frequent travel were already apparent. While travel for technical assistance, training missions and attending conferences would still be necessary, the availability of this facility meant that the Secretariat could reduce travel costs through the use of telephone and satellite connections. In the coming year, the Secretariat envisaged working more closely with Members, with other international institutions and with the public in ways that had previously not been possible. It would, for instance, be able to connect to several locations simultaneously, to participate more actively in the World Bank's Global Distance Learning Programme and to communicate more often with the public via television links. Members interested in learning more about the multi-media facility and how to take advantage of it were invited to contact the WTO Conference Office.

181. The General Council took note of the statement.

18. Chairmanships of the Working Parties on the Accessions of Bosnia and Herzegovina, and Iraq

182. The Chairman, speaking under "Other Business", informed delegations that, following consultations with Members and the authorities of Bosnia and Herzegovina, and Iraq, respectively, and in keeping with usual WTO practice, it had been agreed as follows:

- that Mr Major (Hungary) would serve as Chairman of the Working Party on the Accession of Bosnia and Herzegovina and would replace Mr Jenkins (UK), who was no longer available to serve in this capacity;
- that Mrs Uribe (Colombia) would serve as Chairperson of the Working Party on the Accession of Iraq.

183. On behalf of the General Council, he wished to thank Mr Jenkins for having served as Chair of the Working Party on the Accession of Bosnia and Herzegovina since 1999.

184. The General Council took note of the statement.

19. Seventh Session of the Ministerial Conference

185. The Chairman, speaking under "Other Business", said that as delegations were aware, Article IV, paragraph 1 of the WTO Agreement provided that the Ministerial Conference "... shall meet at least once every two years." Since the last session of the Ministerial Conference had been held in Hong Kong in December 2005, the periodicity stipulated in the WTO Agreement would imply that the next Ministerial Conference should be held at least before the end of 2007. Members also needed to keep in mind that, in keeping with paragraph 45 of the Doha Declaration, when the results of the negotiations in all areas had been established, a Special Session of the Ministerial Conference should be held to take decisions regarding the adoption and implementation of those results. Given these requirements, and the time necessary to organize such an event, he thought it prudent to begin sounding out the membership informally as to how they envisaged dealing with them. He had had a number of conversations with delegations on this point and, in the interests of transparency, wished to inform the Council about what he had heard thus far. He could do so quite concisely, because all of his conversations so far pointed in the same direction. It appeared that

Members were not yet in a position to approach a decision on issues related to the next Ministerial. Clearly, the current situation in the DDA negotiations was a relevant factor in this respect, and all hoped this would be clarified in a positive way before long. For the present, all he could say was that he remained available, as always, to delegations wishing to discuss this issue, and suggested that the Council return to it at an appropriate time in 2007.

186. The General Council took note of the statement.

20. Administrative Measures for Members in arrears

187. The Chairman, speaking under "Other Business", recalled that at its meeting on 15 May, the General Council had approved a recommendation from the Committee on Budget, Finance and Administration regarding revised Administrative Measures for Members in Arrears (WT/BFA/86). Among these Administrative Measures was a requirement that, at each meeting of the General Council, the Chairman of the Committee on Budget, Finance and Administration should provide information with regard to which Members were under Administrative Measures in Categories II through IV.

188. Mr Echvarria Ugarte (Spain), speaking on behalf of the Chairman of the Committee on Budget, Finance and Administration, said that as the Chairman had just recalled, the Budget Committee had formulated a recommendation regarding Members in arrears which had been approved by the General Council in May. The background to this recommendation was the Committee's assessment that Members' obligation to contribute promptly to the WTO their share in the expenses of the organization, in accordance with the Marrakesh Agreement Establishing the WTO, should be reinforced. The Administrative Measures had been reinforced through the recommendation which had been approved. The General Council had also authorized the Budget Committee to waive the application of the measures for Members in Category IV who agreed to, and abided by, a schedule of instalment payments aimed at liquidating all arrears. In this context, he invited the Members concerned to contact the Secretariat to discuss modalities for establishing such an instalment plan. Finally, in pursuance of the revised Administrative Measures, he wished to inform the Council that the Members under Categories II through IV of the Administrative Measures, as at 13 December, were as follows: Argentina and Cameroon in Category II; Paraguay in Category III; and the following Members in Category IV: Burundi, Central African Republic, Chad, Congo, Côte d'Ivoire, Democratic Republic of the Congo, Djibouti, Dominica, Gabon, The Gambia, Guinea, Guinea-Bissau, Malawi, Mauritania, Niger, Sierra Leone and Togo.

189. The Chairman then recalled that under the revised Administrative Measures he was also required at each Council meeting to request Members in Categories III and IV of the Measures to inform him, before the next meeting of the General Council, as to when their payment of arrears might be expected. In keeping with the Administrative Measures, he would report on Members' replies to the next meeting of the General Council. Since the October General Council meeting, he had not received any replies from the Members concerned.

190. The General Council took note of the statements.
