



WORLD TRADE ORGANIZATION
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Geneva, 31 August 2003

Dear Mr. Secretary,

We are writing to you in your capacity as Chairman of the Cancún Ministerial Conference of the WTO to convey the Draft Ministerial Text which is being presented on the responsibility of the Chairman of the General Council in close co-operation with the Director-General.

In circulating this text on 24 August we made clear that it did not purport to be agreed in any part at that stage, that it had not been possible to include many of the proposals submitted by delegations, and that it was without prejudice to any delegation's position on any issue. These observations continue to apply.

We are pleased to say, however, that it will now be able to reflect agreement in one very important area – TRIPS and Public Health. The adoption by the General Council of the Decision on the Implementation of Paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health on 30 August 2003 was an historic and significant event. We believe that this evidence that the WTO system is working, and can produce important results on critical issues of particular interest to developing countries, will give us all added confidence in dealing with the challenges we face in other areas.

The present Draft Ministerial Text is the product of lengthy and intensive consultations over many weeks, conducted in a transparent and inclusive way. All participants have worked hard with us and engaged constructively. There has been progress. On some paragraphs, there were indications of consensus in the preparatory process. Some others, we believe, are evolved to a state where agreement would be possible given a positive overall context. It has also been possible to reach an understanding on a framework approach to modalities in agriculture and non-agricultural market access. Nonetheless on the substance of these issues, as on the so-called Singapore issues, convergence has so far eluded the negotiators.

We have therefore found no basis on which to revise the text of 24 August. It remains our best judgement of what could constitute a workable framework for action by Ministers at Cancún. We believe it constitutes an adequate and manageable basis for discussion, and we hope it will prove a useful tool in our search for common ground in Cancún.

You may find it useful to have a fuller account of the differences that divide negotiators in key areas. We would characterize these briefly as follows:

Agriculture has remained one of the most sensitive areas of the negotiations under the Doha Development Agenda. Despite significant progress made since Doha, efforts to establish modalities for the further commitments have not yet borne fruit. Recent initiatives by a wide range of Members,

including various groupings, have re-energized the negotiations by proposing a so-called "framework" approach and submitting specific inputs to this effect. We can report that there is now a widely shared view that the objective in agriculture at Cancún should be to add impetus to the negotiations through, first, agreeing on such a framework which should, of course, be faithful to the Doha mandate and, secondly, directing the subsequent work towards establishment of full modalities.

Based on the inputs by participants and the consultations held, we have distilled the draft framework at Annex A to the Draft Ministerial Text as our best effort to provide Ministers with a workable basis for consideration at Cancún. This draft framework leaves room for a range of possible outcomes in terms of eventual modalities. And, although the draft framework takes a certain direction in some areas, it leaves it open in others. The levels of ambition in domestic support, market access and export competition as well as the final balance will depend, to a significant extent, on the figures to be negotiated once the framework is agreed.

At the recent Heads of Delegations and General Council meetings, many participants, while criticizing Annex A and reiterating their attachment to their own inputs, considered it a starting point for the work at Cancún. A significant number of others felt that Annex A was insufficiently balanced for that purpose and made the point that their own inputs remain on the table for deliberation in Cancún. No doubt, considerable work on Annex A will be required so as to arrive at an agreed framework.

On modalities for the negotiations on **non-agricultural market access**, the idea of a framework has also emerged as a likely basis for decisions by Ministers in Cancún. However, despite widespread support for the structure of the text and the need for achieving a balance of positions, two paragraphs, in particular, show continuing divergences in position. These are paragraph 3, on the type of formula to be used for tariff reductions, and especially paragraph 6, on a sectoral tariff component. The opposing points of view on these two matters relate to the level of ambition in these negotiations.

On the one hand there are those delegations that would prefer an ambitious formula complemented with a mandatory sectoral elimination/reduction component, and on the other, those who would prefer a more modest formula with only a voluntary sectoral component. Clearly there is still some way to go before we reach agreement. Numerous delegations have also pointed out that the level of ambition in other areas of the Doha agenda will also influence the ambition levels on these two issues. These are not the only areas of disagreement with regards to Annex B, but in our view they are the most significant.

With respect to the four **"Singapore issues"** (Relationship between Trade and Investment, Interaction between Trade and Competition Policy, Transparency in Government Procurement and Trade Facilitation) you will recall that Ministers in Doha agreed that negotiations will take place after the Fifth Session of the Ministerial Conference on the basis of a decision to be taken, by explicit consensus, at that Session on modalities of negotiations.

On these four issues, as listed in paragraphs 13-16, including annexes D, E, F and G, we would note the following. In each of the four areas there is a first bracketed option containing a decision to launch negotiations and setting forth the modalities for such negotiations. The second bracketed option refers the matter back to the respective bodies for further clarification. Clearly, these brackets reflect the fact that there are still considerable differences among Members, although the scope of divergence is greater in some areas than others.

We are aware that a number of delegations may not find their position on these issues reflected in the two basic options, and that possible intermediate approaches which have been supported by a number of delegations have not been specifically included. However, these intermediate approaches as well as the substantive work done on the four Singapore issues in Geneva remain a part of the spectrum of possibilities available for further consideration by Ministers in Cancún.

With respect to the option of launching negotiations in each of the four areas, consultations in Geneva have not enabled us to make proposals on possible modalities that could attract the explicit consensus of Ministers. Ministers should therefore be aware that the draft modalities contained in Annexes D-G were not the product of negotiations, although they do reflect the views of a range of proponents that varies according to the issue. For a possible consensus on modalities in any of these four areas to emerge further work by Ministers will be required.

With respect to the second option in each of the four areas, namely that of referring the matter back to their respective bodies for further clarification, we should point out that a number of delegations supporting this approach have identified issues that would require further clarification in those bodies. In the General Council, these delegations put forward proposals in this regard which form part of the range of views before Ministers in Cancún.

Though there appeared to be a broad agreement on the proposed text of paragraph 11 on **special and differential treatment**, some Members wished to strengthen further the package submitted in Annex C to Ministers for adoption. In this context we would also like to inform you that the proposal on the Enabling Clause and the one on the Review of the Progress on Market Access for LDCs on which Members had agreed *ad referendum*, and which were reflected as such in Annex C, have since been accepted by all Members.

Our aim in paragraph 12 on **implementation** was to reaffirm the Doha mandates in this area and to give some sense of a way forward on these issues. We have had to keep in mind that there are significant differences in the positions of Members on certain issues, as well as on the interpretation of paragraph 12(b) of the Doha Ministerial Declaration which, in turn, has influenced their negotiating positions and expectations. The paragraph may not satisfy all expectations but it seeks to avoid prejudicing any positions.

The three paragraphs on a **Sectoral Initiative on Cotton**, on **Commodity Issues** and on **Coherence** reflect issues raised towards the end of the Geneva process. The sectoral initiative on cotton in paragraph 25 will, of course, be taken up as a separate agenda item at the Conference.

Lastly, we should mention the question of **deadlines**. It has been suggested that consideration should be given to the co-ordination, where appropriate, of the various deadlines currently in square brackets. Ministers will thus have to decide what the deadlines should be and how they should be inter-related.

As the focus of negotiation shifts from Geneva to Cancún, let us assure you, Mr. Secretary, of our continuing firm commitment to assist you and all the other Ministers in your important tasks. We are copying this letter to all WTO Members and participants in the negotiations for their information.

With our best wishes.

Yours sincerely,

(signed)

Carlos Pérez del Castillo
Chairman, General Council

(signed)

Supachai Panitchpakdi
Director-General