



## Squaring Off Over the Revised Draft Modalities Texts

**It's fair to say that since the beginning of the year, WTO Members seem resolute to engage in the negotiations and to establish a clearly-defined work program to guide the Doha Development Agenda (DDA) to conclusion. According to officials, most delegates seem to have embraced a different mindset, one that would consider the talks from a different perspective by looking at what is doable rather than sticking with the entire package, and by exploring alternative approaches capable of unlocking parts of the negotiations that have proven difficult up to this point.**

Naturally, the first step in designing the clearly-defined work program would be to agree on which texts the negotiations are going to be based on. Since the 2008 economic crisis, the U.S. and other developed countries have called for the talks to take into account the new realities in the global economy which has seen emerging countries reaping the benefit of world trade and becoming huge subsidizers. On the other end of the spectrum, developing countries (and particularly emerging ones such as China and India) insist on keeping the 2008 draft modalities text (Rev4) as the sole basis for the talks' resumption.

"Discussions are gradually becoming more horizontal, which is also very useful," the U.S. ambassador to the WTO, Michael Punke said. "The substance itself, of course, remains extremely difficult for all of us. When we connect the dots, what is revealed, undeniably, is that we are nowhere near consensus."

The differences of views have been most apparent in the negotiating group meetings. On domestic support the U.S. opposed the Rev4 after a Cairns Group analysis showed it would be the only country that would require cutting into current domestic support programs. The U.S. said it could not endorse this as a result going forward, particularly when the likes of China and India whose "programs have grown exponentially since 2008 would make no meaningful contribution." This, Punke added, "would clearly fall short of any true effort to reform trade-distorting agricultural subsidies."

"These reminders of the size of our gaps are discouraging (...) in our view, we must continue to recalibrate," Punke said, calling on emerging countries to embrace the concept of differentiation, which targets developing countries with significant agricultural domestic support programs capable of affecting global markets to do more to reduce their subsidies.

Interestingly enough, in the area of market access and in sharp contrast with agriculture, emerging countries' insistence to base the negotiations on the existing NAMA draft modalities text (Rev3) isn't as firm as it is in the domestic support discussion. This is partly because Brazil, China, and India do not like the Swiss formula which, if applied, will cut through their industrial product tariffs. There are "clear indications from a number of Members, both developed and developing, that Rev3 in NAMA is not a viable basis for concluding our negotiations, while others remain attached to that text," Ambassador Punke remarked, highlighting the contradiction.

There is also recognition that the agriculture tiered formula hits Members' sensitivities hard due to its ambition and this has also made the negotiations more difficult. Given the impasse Members found themselves in, and considering the importance of all the work that has been done over the years, there seems to be a willingness to now show some flexibility and consider the chairs' texts while exploring new options at the same time.

The wide differences of views among delegates on how to manage the tariff cut formula in both agriculture and NAMA have prompted several suggestions for options that would simplify the talks. There seems to be a wide acceptance to first focus this discussion on those so-called "formula-applying Members", as several developing countries such as the small and vulnerable economies will be exempted from cutting their tariffs.

A number of ideas on how to simplify the tariff negotiations have emerged, though none of them have been officially tabled. Certain thoughts have been orally presented and one has been circulated by Argentina as a non-paper (unofficial document).

The two most talked about ideas thus far are an average cut in tariffs – once floated by the EU and which could take the form of the Uruguay Round formula which suggests an overall 36% reduction with a minimum cut of 15% on each line – and Argentina's request-offer approach which calls on Members to submit requests and offers either bilaterally or on a plurilateral basis while engaging in negotiations in a future limited time frame to be agreed upon. By doing so, Members could either request:

- i. the removal of tariffs, charges and other duties on a product(s) concerned
- ii. the reduction of tariff, charges and other duties on a product(s) concerned

- iii. the binding on an unbound product(s) (if applicable)
- iv. the creation of a tariff rate quota (TRQ) or the volume expansion of an existing TRQ

Punke welcomed the Argentinean contribution, finding it “interesting”. “We will want to study the idea further and to engage in detail with those proposing it,” the U.S. ambassador said, although admitting that it could be “significantly more complex and time-consuming” than envisioned.

“[I]f ways can be found to frame such an approach with acceptable parameters, including with respect to scope and duration, this could be well worth further exploration,” he added.

Although Members were quite far from sharing a common view on the future DDA work program, they were nevertheless “moving into interesting and at least somewhat encouraging new territory,” Punke said, adding that he remains hopeful that positive outcomes could emerge by the time of the 10<sup>th</sup> Ministerial Conference this December in Nairobi, Kenya.

WTO Director General, Roberto Azevêdo, for his part thought the pace of the discussion was slow. “Time is moving on – and July is fast approaching. Yet we still have a long distance to travel,” he told Members on February 20<sup>th</sup>, encouraging them to revisit the draft modalities texts, and to familiarize themselves with the content by looking at them through the prism of today’s global economy.

Geneva Watch is published by Dairy Farmers of Canada, Chicken Farmers of Canada, Egg Farmers of Canada, Turkey Farmers of Canada and Canadian Hatching Egg Producers to report on the various events occurring in Geneva, particularly on the WTO negotiations on agriculture.

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