

OVERVIEW ASSESSMENT OF REVISED MODALITIES

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What were we asked to do?

Assess modalities in terms of:

- Ambition – compared to Doha Declaration, URAA
- Impact – on domestic reform, new trade opportunities
- Balance – between three pillars
- Meets needs of developing countries/LDC's?
- Key outstanding issues – for ministers
- Final deal – what other issues in agric?
- Likely trade-offs – within and between agric/NAMA/other issues

Ambition: trade reform a continuum not single move to free trade

- Eliminate export subsidies, disciplines on other forms of export assistance – major achievement
- Substantial tiered OTDS reductions/caps in non-green support, commodity specific limits –sets stage for elimination in next round (developed)
- Substantial improvements in market access from formula, but how much erosion from flexibilities? (proposed average reduction of 54% helpful safety net)

Impact of modalities – assume outcome within high end []ranges

- Export subsidies finally eliminated – implications for existing price supports
- OTDS great innovation – mainly caps in high price environment/commodity specific limits/shift to green support encouraged
- Market access: compensatory TRQ expansion for deviations from formula – must be real
- Greatest potential impact on most distorted sectors: dairy, sugar, rice, cotton – pressure to modify existing domestic (price support) policies

Greatest challenge: transforming market access potential into reality

- URAA experience left bitter taste
- WTO cannot afford repeat of shell games
- EU reforms can take great credit for facilitating ambition in export assistance, domestic support
- Sensitive product outcome must result in substantial real access opportunities

Balance among 3 pillars - market access the potential weak link

- Elimination of export subsidies needed, equity demands disciplines on other export assistance
- Capping non-green support will pay off when prices decline as will commodity disciplines to limit concentration
- Lack of OTDS reductions from current levels acceptable provided new market access substantial and real

Developing country needs met – export as well as import?

- URAA mainly 1/3 reduction in cuts, longer transition period, no reductions for LDC's
- Doha Round; URAA treatment plus special treatment for range of vulnerable groups plus Special Product/SSM
- Emerging markets important for South/South trade as well as North/South
- Substantial reduction in developed country distortions/protection

Outstanding issues for ministers

- OTDS reduction numbers, especially US
- Tariff formula cut/average tariff reduction numbers (SSG treatment balancing item)
- TRQ expansion numbers/number of sensitive tariff lines. Greater tariff formula deviation, greater TRQ expansion
- Number of Special Product tariff lines, depth of cuts (SSM treatment balancing item)

Other Issues for Final Deal

- Reform continuation – resume by date certain
- Peace clause – only for limited time and for maximal result
- Geographical indications – something needed – e.g., no trade mark registration allowed for entities outside of geographical area, e.g. Parma ham, Basmati rice
- Aid for Trade – donor commitments
- Ethanol subsidies – too much, too late for 2008
- Effective verification process – must know deviations from modalities in draft schedules

Modality agreement in April?

Chances of modality agreement enhanced if:

- Clear picture of prospective gains and pains, particularly “sensitive partial designation” implications in market access
- Bipartisan US Congressional assurance that “fast track” approval process will be used for Doha (for 2008 conclusion to be real)
- Ambition in agriculture matched by NAMA. Final balance fine-tuned by Services/Rules outcomes
- Confidence that initial offers will correspond to modalities and assurance of offsetting concessions if unilateral deviations

Modality status

Two options:

1. Approved by ministers as “the basis” , or
2. Left to Chair to issue on own responsibility and used as “a basis” for tabling initial offers

Second option could also capture progress to-date if negotiations suspended