

# Geneva WATCH

An overview of the bilateral, plurilateral and multilateral trade negotiations

Charles Akande, Editor

## WTO Members Resume Negotiating Group Talks

**WTO Members began their renewed quest to finalise the Doha Development Agenda (DDA) this year following the January 24<sup>th</sup> meeting of key trade ministers on the sidelines of the World Economic Forum in Davos, Switzerland. The aim is to produce clear work programme by the end of July 2015 that would then lead to concluding the Doha Round at the 10<sup>th</sup> Ministerial Conference (MC10) in Kenya this December. Given the history of missed deadlines, the target Members set for themselves appears rather challenging, but WTO Director General, Roberto Azevêdo, remains hopeful that his organization will be able to deliver. He hopes to capitalize by riding the wave of recent successes achieved, first in Bali in December 2013, and again last December on food security and trade facilitation.**

It is with that goal in mind that the agriculture negotiations group resumes its meetings on January 28<sup>th</sup>, taking on two (domestic support and market access) of the talks' three agriculture pillars (export competition completes the trio).

### Domestic Support

On the topic of domestic support, Canada presented a paper on behalf of several members of the Cairns group (Australia, Chile, Colombia, Costa Rica, Guatemala, Malaysia, Pakistan, Paraguay, Thailand, Uruguay, and Viet Nam). The analysis focuses on comparing the levels of domestic support – i.e. Amber Box or aggregate measure of support (AMS; trade distorting support), Blue Box (similar to AMS but with constraints to reduce the distortion), *de minimis* (small amount of trade distorting support limited to 5% of the value of production (VOP) for developed countries and 10% for developing countries except China with 8.5%) and the overall trade-distorting domestic support (OTDS = Amber Box + Blue Box + *de minimis*). The paper was based on the proposed disciplines contained in the draft 2008 revised modalities text, or Rev4.

The calculations were made for six WTO key countries – Brazil, China, the EU, India, Japan, and the U.S. based on their latest domestic support notification. The results show that only the U.S. would need to further reduce its domestic support to comply with its commitments. This is due to the fact that the proposed reductions in *de minimis* (from 5% to 2.5% of VOP) would result in a surplus of \$4.38 billion USD which would be considered as AMS and result in an increase of \$3.6 billion of its final bound total AMS.

Australia, Canada, and Paraguay all said they hope the U.S. will be able to make the necessary adjustment. The U.S., who refuses to consider the Rev4 as the basis for future negotiations, said the analysis proved that the draft modalities text is unbalanced as domestic support in developing countries distorts trade as much as in developed countries. China and India retorted that developed members' subsidies are designed for commercial purposes whereas developing countries use them for development.

One of the good characteristics of the Rev4 is that the proposed cuts in OTDS would prevent Members from manipulating their subsidies by shifting support from one box to another, some countries have said.

### Market Access

On market access, the discussion was more general and focuses on the G-33's proposals on special products (SP) and the special safeguard mechanism (SSM) tabled in 2012. Many countries repeated their concern with respect to those two proposals, claiming that they undermine the agreed objective of substantial improvements in market access, and the transparency and predictability that the main draft formula produces, one official said.

With respect to the market access formula contained in the Rev4, some argued that although the formula meets the objectives of slashing Members' highest tariffs, they are nevertheless willing to consider alternatives. On that, Argentina suggested using offers and requests by individual Members in a way that would be transparent and predictable,

and without any secret deals instead of a tariff-reduction formula. The EU has also suggested simplifying the formula by reverting to the type of formula used during the Uruguay Round, featuring an average cut in tariffs.

“My really strong advice to you all as we leave this meeting is please get more concrete with each other, because if we stay in this sea of generalities we’re probably not going to get that far,” New Zealand’s ambassador to the WTO, John Adank said, regarding this particular topic.

Members also discussed the issue of public stockholding for food security and the G-33’s request to consider the program as Green Box support (minimally or non-trade distorting measure), but some delegations voiced concern noting that the proposal would alter the structure of the Agriculture Agreement’s provisions on domestic support by including a price support program in the Green Box.

WTO Director-General Roberto Azevêdo praised Members’ engagement during this first week of negotiations.

“We have made more progress in a week than we did in the first six months of 2014. There are some significant positives which we can take from our work so far. Members have started to go into more detail and to engage on the substance. While substantive positions haven’t changed a great deal since the last time these issues were discussed, it is clear to me that the tone of the discussion has changed. Despite the gaps between positions, I sensed a desire to overcome them,” Azevêdo said during an informal heads of delegation meeting on January 29<sup>th</sup>.

## **TPP Talks Intensify in NY; Potential Ministerial Meeting in Sight**

Trade is believed to be one of the very few areas where the Obama administration and the Republican-led Congress could agree to work together to advance the negotiations that the United States are involved in. To pave the way for reaching a quick agreement this year, U.S. President, Barack Obama, asked Congress to grant him the trade promotion authority (TPA) at his annual state of the union speech so his administration can fast track deals such as Trans Pacific Partnership (TPP) and the bilateral talks with Europe (TTIP) before his term comes to an end.

Republicans leaders who have been designated to chair the Senate Finance Committee (Orrin Hatch, Utah) and the House Ways and Means Committee (Paul Ryan, Wisconsin) have both reacted favorably to the President’s plea and vowed to make the passage of TPA a priority. Both committees arranged hearings to allow U.S. Trade Representative, Michael Froman, time to promote Obama’s trade agenda.

At the same time, TPP Chief Negotiators (CN) and key subject experts met in New York from January 22 to February 1. This latest round saw negotiators tackling key chapters including rules of origin, investment, financial services, state owned enterprises (SOE), intellectual property and environment. There seems to be an increased momentum, mainly due to the U.S.’s recent push to move things forward this year before the presidential election campaign further delays a potential conclusion of the talks.

New Zealand Trade Minister, Tim Groser, said controversial areas like drug development protection rules, could still trip the talks up. “We recognize there has been enormous progress. We see huge signs of momentum. So it looks like it’s coming to an end, but I’ve been around long enough to know that unless it actually done, it’s never done,” Groser said.

The New Zealand trade minister insisted that his country won’t sign onto a deal that doesn’t result in substantial gains for dairy, New Zealand’s major export product. “We won’t sign a deal that doesn’t take our major export forward in a substantial way,” he said.

“There is some good stuff on the table already (...), but not enough on the table yet for us to declare victory,” he added insisting on the fact that the TPP outcome must have more than the Japan-Australia free trade agreement (JAFTA).

### **U.S. and Japan agreement still central**

The U.S.–Japan bilateral talks continue to be at the heart of the negotiations and a deal there is believed to have positive effects on the rest of the chapters under negotiations. The two TPP powerhouses resumed their bilateral discussions in Washington D.C. on February 2-3.

Acting Deputy USTR, Wendy Cutler, and U.S. Chief Agricultural Negotiator, Darci Vetter, met with Japan’s Ambassador, Hiroshi Oe, and Agriculture Negotiator, Makoto Osawa, on agriculture market access issues in addition to Cutler’s parallel negotiations with Ambassador Takeo Mori, on Motor Vehicle Trade.

Both sides said they have progressed during the two day meeting and are a technical meeting away from entering the end game in their talks where politically charged issues could be finalized by their Trade Ministers, one informed source said.

Intersessional work is scheduled to take place on various chapters throughout the month of February. The 12 countries’ chief negotiators will likely meet again in mid-March, according to various sources. Whether this meeting will involve trade ministers remains to be seen.

## KEY UPCOMING EVENTS

- U.S.-Japan Bilateral Negotiations, February 2-3, Washington D.C. (U.S.)
- TPP Ministerial meeting, Early March (date and location TBC)
- APEC Ministers Responsible for Trade Meeting, May 23-24, Boracay (Philippines)
- OECD Forum (WTO mini-ministerial), June 2-3, Paris (France)
- Post-Bali Work Program Deadline, July 31
- WTO Public Forum, September, 30-October 2
- G20 Summit, November 15-16, Antalya (Turkey)
- APEC Leaders' Summit, TBD, Manila (Philippines)
- WTO's 10<sup>th</sup> Ministerial Conference, December 15-18, Nairobi (Kenya)

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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