

Geneva Watch

An overview of the WTO negotiations on agriculture

Editorial: What Now?

That is the question Members have been unable to answer after two days of key brainstorming meetings were held on April 28-29 at the WTO headquarters to help clarify the path forward of the ailing Doha Development Agenda (DDA). As expected, nothing decisive came out of the meetings. One thing was clear though: Members were not taking a “pause” in the negotiations. In effect, they pledged to continue pursuing a deal on the DDA. If anything, this first gathering that followed the release of the “Easter Package” was the foundation a new process that is likely to take time as Members have only started examining the situation. Additional consultations will be needed – certainly more than a single Green Room – to define a clear strategy and how best to tackle the many difficult obstacles that remain.

Informal Trade Negotiations Committee Meeting

A week after circulating documents on all areas of the Doha Development Agenda, the WTO full membership gathered in an informal Trade Negotiations Committee meeting on April 29 to discuss next steps.

Generally speaking, Members welcomed the chairs’ various texts and reports, stressing that they were accurate in exposing the existing gaps as well as depicting differences in Members’ positions. What is clear is the recognition that Members are at a serious impasse, effectively putting the Round “at the brink of failure,” as WTO Director General, Pascal Lamy, stressed in his opening statement.

There were two things on which Members unanimously agreed on. First, everyone recognized that they cannot continue with “business as usual,” meaning that the current approach – the so-called “cocktail approach” consisting of bilateral, small groups and chairs driven consultations – will need to be re-examined. Secondly, that it is not possible to throw away ten years of hard-fought negotiations by “stopping and starting from scratch” or “drifting away” hoping that that differences would disappear by themselves with time. Those approaches won’t work Lamy simply said, claiming that the very same “issues blocking progress today will be same ones on the agenda tomorrow.”

What is not clear, however, is how to proceed from here; whether Members need to move away from plan A, to conclude the Round by the end of 2011 on the basis of the 2008 draft modalities texts, or shift to a plan B which has yet to be defined.

“We are not going to decide among these possibilities today” Lamy told Members. “In fact, I strongly suggest we do not rush into any judgment today. These are questions to be approached collectively and in an inclusive manner,” he added. A number of key delegates, meanwhile, stressed the importance of moving relatively quickly should a given strategy proved to be ineffective.

EU Tables a Compromise Proposal on Sectorals

The European Union’s Director General of Trade, Jean-Luc Demarty introduced a non-paper on sectorals, the issue that has prevented the Round from progressing over the last few months.

The EU’s highest ranked trade official said “it is clear that without an ambitious result on sectorals – particularly concerning those economically significant i.e. chemicals, machinery and electronics – “it will not be possible to conclude the Round in its current form.” Thus, the need to unlock this impasse by inviting all major trading countries – developed and developing alike to engage in a compromise proposal that would involve the three “biggest commercially most important sectors: chemical, machinery and electronics.”

For the first two sectors, the EU suggests that developed Members eliminate their tariffs across the board (zero for zero) while developing countries will be required to go to 0 for some products (like agricultural machinery, pharmaceutical products). Other tariff lines in these two product categories would be subject to X, i.e. “the result following the application of the Swiss formula cut plus a further reduction of a fixed percentage point.” Developing countries’ chemical products should be reduced to at least to the level of existing Chemical Tariff Harmonization Agreement (CTHA), Demarty said.

As for the last important sector – electronics & and electrical products (audiovisual excluded) – Demarty suggests that emerging economies with strong export records such as China, join the effort and eliminate tariffs across the board.

The EU trade official said he has tested the idea with a large number of Members including the so-called “Friends of the System” (Australia, Chile, Colombia, Costa Rica, Hong Kong, Indonesia, Malaysia, Mexico, New Zealand, Norway, Singapore, and South Korea) and later within a broader group that included key sectoral proponents (China and the U.S.). He also presented the non-paper in the Green Room meeting of 20+ delegates representing the Round’s various sensitivities.

The proposal was politely received. Interested Members said they will study it. However, the lingering question is whether it could “serve as a catalyst for real negotiations – for true give-and-take,” the U.S. ambassador, Michael Punke asked.

Some officials, however, believe this proposal is unlikely to gather support from emerging economies – especially Brazil, China and India – who have specifically identified the chemical sector as problematic for them.

Indeed, China said chemical, industrial machinery and electronic goods, account for 55% of the country’s imports making them very sensitive for China.

Brazil once stated that reducing tariff to zero in these same sectors would negatively affect one third of its NAMA universe. Thus, it cannot accept it, especially when demands to explore scenarios such as increased agricultural market access (i.e. an increase in developed countries’ – particularly the EU – meat sectors for instance) as a mean of reciprocity is “rejected outright.” In its proposal, the EU failed to address the reciprocity question, focusing solely on sectorals.

Lamy himself stressed in his cover note circulated with the “Easter Package” that a “clear political gap” exists in sectorals, one that “is not bridgeable today.”

Not Quitting on Doha

The EU meanwhile said it is not prepared to give up on the Round until it has made “a serious and concerted effort” to find a solution to the current impasse. “I do not know if anyone here has received, from capitals, political level instructions to abandon the market access part of the negotiation. Certainly this is not the case for the EU,” Demarty told the full membership.

This shouldn’t come as a surprise since no one is willing to take the blame for quitting on the Round. As such, Members’ statements during the informal TNC were predictable. The Australians said they have circulated a letter signed by 13 Members in support of the Round.

Most developing countries, whether they are members of the Least Developed Countries (LDCs), Small and Vulnerable Economies (SVEs) or Recently Acceded Members (RAMs), insisted on the need to preserve the development aspect of the DDA and the positive impact it would provide to their economies.

On behalf of the African Group, Kenya urged Members to consider the possible consequences of Doha’s failure on the participation of developing countries in future Rounds.

Speaking for the Cotton 4 countries, Burkina Faso noted that the C4 would not accept restarting the negotiations before cashing on the benefits negotiated on cotton. They remain unprepared to overturn 10 years of negotiations.

Like China, Brazil's ambassador, Roberto Azevêdo, believe that the chairs reports/texts should be kept as the basis for the resumption of work. Azevêdo agreed with Lamy's assessment that the differences, "at least today, seem to be unbridgeable." Nevertheless, Members must keep seeking a way out, but must also face the fact that, "right now, the chances of success for gap-closing efforts in market access are disappointingly low," Azevêdo stated, in what could be interpreted as a direct reference to EU's compromise proposal on sectorals.

The Brazilian ambassador also rejected three potential approaches raised at the meeting: "stop and reboot", "fresh start" or continue with "business as usual."

"[W]e must work with a better and more clearly defined strategy. We can't keep changing negotiating formats in hope that our differences will somehow wondrously evaporate. Whatever strategy we choose, it cannot be based on expectations that we'll have a miraculous outcome in the market access negotiating pillars anytime soon," Azevêdo stressed.

Michael Punke repeated that the U.S. "has not given up on Doha" even though some "hard truths" cannot be avoided, among them the fact that, at the moment, "there is no clear path for closing the stark gaps among the key players," as highlighted in Trade Facilitation consolidated text which features 850 remaining square brackets.

Punke believes Members should continue engaging in direct bilateral meetings to sort out their differences on NAMA, agriculture and services market access. "We continue to believe – that a vigorous element of bilateral engagement among key Members is one vital element of the cocktail approach," the U.S. ambassador told the full membership.

Next Steps

The meeting ended without any decision taken on the way forward, or which new strategy Members should adopt in replacement of the cocktail approach. As suggested by Lamy, Members gave themselves the whole month of May to brainstorm on these.

During that period, Lamy will pursue his consultations with Members, including ministers participating to consecutive weeks of ministerial gatherings of the Asia-Pacific Economic Cooperation (APEC) in Montana (U.S.) on May 19-20 and the 50th anniversary of the Organisation for Economic Co-operation and Development (OECD) the week of May 23rd in Paris (France).

Lamy is then expected to report back to the full membership on May 31st. In the meantime, he urged Geneva-based officials to continue to actively engage in the negotiating groups, with the aim to further narrow the remaining differences included in the "Easter Package".

If anything, this past week's meetings represented the early stages of the new process, one that prioritizes a frank dialogue among Members with the aim of examining the current situation and coming up with clear recommendations on what to do next.

Upcoming Events

- Informal TNC, April 29, 2011
- WTO General Council, May 3-4, July 27-28, October 12-13, December 1-2, 2011
- APEC Ministers Responsible for Trade Meeting, May 19-20, 2011, Montana (U.S.)
- OECD 50th Anniversary Forum and Council, May 23-27, 2011, Paris (France)
- Regular Agriculture Committee, June 23, September 29, and November 2011
- 37th G-8 Summit, June 2011, Deauville (France)
- G-20 Summit on Agriculture, June 22-23, 2011, Paris (France)
- Third Global Review of Aid for Trade, July 18-19, 2011
- Potential DDA Mini-Ministerial Meeting (Modalities), July 2011, (TBC)
- WTO Public Forum, September 19-21, 2011
- G-20 Summit, November 3-4, 2011, Cannes (France)
- APEC Ministerial Meeting, November 11, 2011
- WTO Ministerial Conference (MC8), December 15-17, 2011

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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