

Editorial: Sharp Divergences on LDCs Issues

After a week of Green Room/ small group brainstorming sessions, Members have not been able to secure an agreement on elements that would compose the December Package. It is apparent that the impasse rests on the payment to be extracted for pursuing the LDCs' core concerns. So far, the informal consultations have revealed 3 issues that have a relatively strong chance to be addressed in December: duty free quota free for LDCs (DFQF), LDC Services Waiver and Cotton. However, there is a discernible divide among Members over the inclusion of trade facilitation, an issue developed countries – particularly the US and the EU – want to see included in the December deliverables to “balance” the package.

“We can have no illusions that navigating the road ahead will be easy, or that it will be accomplished as quickly as many of us would like,” US Ambassador Michael Punke told the full membership warning that the work ahead “will be hard, and probably very messy.” A blunt statement that came as a reminder that negotiators are far from digging themselves out of the hole they have been stuck in the past few years.

Trade Negotiations Committee

Summarizing all of that was discussed the past two weeks, WTO Director General Pascal Lamy told the full membership on May 31st that the following elements have emerged from his consultations: First, no one wants to drop either Single Undertaking (SU) or the DDA mandate. Secondly that there is consensus around the need to produce an early harvest with a strong development content, mostly benefiting the Least Developed Countries (LDC), for the WTO 8th Ministerial Conference (MC8) scheduled for December 15-17. Also, that clarity is needed on the roadmap concerning the remaining subjects just so the negotiations continue after MC8.

On issues, Lamy said the consultations thus far, have indicated a way of approaching substantial issues through three speed lanes: fast, medium and slow.

- (i) Fast lane: priorities should be given to LDC issues (DFQF, including rules of origin – (ROOs)); Services waiver and a “step forward on cotton”.
- (ii) Medium lane: an LDC “plus” outcome with significant development component and a number of issues are candidates.
- (iii) Slow lane: market access in NAMA, Agriculture and Services, trade remedies and TRIPS issues are not seen as vindicates for this year. Members will need to develop a work programme that would address these issues beyond MC8 by December 2011.

He asked Members to avoid lengthy negotiations among the slate of issues to be included in the December package or they could find themselves going round in circles.

Reactions

Most countries acknowledged the need to reach a successful package for the December MC8 in order to inject fresh confidence into the DDA. Developing countries in general welcomed the idea of prioritising their concerns through an early harvest. There is a broad agreement on the slate of LDC issues including cotton, DFQF, simplified ROOs and Services waiver – which, with appropriate political will, could be secured without compromising the single undertaking, Bangladesh said, speaking on behalf of LDCs. However there is no clear consensus yet on all the issues that would compose the December package, notably on what is understood by “plus” in the LDC “plus” outcome.

What's the "Plus"?

Among the topics that could be included in the "plus" are trade facilitation, special and differential treatment for developing countries, export competition, fisheries subsidies, regional trade agreements (RTAs), liberalized trade in environmental goods and services or NAMA NTBs.

Several countries like India and China warned that the "plus" issues should not require strenuous negotiations. Members in that case should refrain from raising expectations that could be considered unrealistic, India said.

Australia and the EU for their part believe that the package should be both credible and substantive. The "plus" in that context should be attractive enough to generate the full interest of all Members, Australia said. As such, issues like trade facilitation and export competition have both strong development component and are worthy inclusions in the December package.

For Brazil meanwhile, agriculture must be a component of any LDC "plus" set of deliverables which must be small and realistic. "Each attempt to add issues to the "plus" will be met with requests to include other elements to rebalance the package," Brazil said.

For the US, an ambitious outcome on fisheries subsidies is a fundamental element of what constitutes a credible package. In addition, the US wants to see a vigorous discussion of environmental goods and services be addressed as well as trade facilitation, which Punke said "continues to represent a bright spot in our otherwise bleak landscape."

Thorny Cotton Issue

The issue of cotton is without question the topic that could generate the most complication. Speaking on behalf of the Cotton-4 countries (Benin, Burkina Faso, Chad and Mali), Burkina Faso told Members that they could not contemplate an early harvest without the inclusion of the cotton issue which they requested to be treated ambitiously, expeditiously and specifically, most notably by slashing the US trade distorting subsidies.

US ambassador, Michael Punke somewhat disagreed, as the context has changed since the Hong Kong Ministerial Declaration in 2005, he said.

"The commitment at Hong Kong with respect to domestic support was that trade distorting domestic subsidies for cotton production would be reduced more ambitiously than under whatever general formula is agreed and that it would be implemented over a shorter period of time than generally applicable," Punke told delegates.

"We are now in a new context, with no generally agreed formula and no generally applicable period of time. Our discussion must recognize this new and starkly different context," Punke said admitting that it will be "very hard" for his country to address the issue of cotton in isolation from other elements of the DDA.

"If we are going to have a discussion about cotton, it must be a comprehensive discussion about all forms of market distorting practices in all three pillars (i.e. direct subsidization; import licenses, sliding tariff scales, and reserves management)," the deputy USTR added.

In addition, everyone's cotton programs must be on the table, Punke said in reference to China, "the world's largest market for cotton" which Punke said, "has failed to meet its WTO obligation to notify agricultural subsidies it has provided since 2004 and has initiated or significantly expanded subsidies benefiting its cotton sector."

"The US will not negotiate in the dark," he concluded.

Lamy said he will accelerate his own consultations on the December deliverables as well as on the way forward before reporting back to the full membership at the June 9 informal TNC. Members only have 15 working weeks remaining to reach a consensus on an early harvest.

Upcoming Events

- Informal TNC, June 9, 2011
- G-20 Summit on Agriculture, June 22-23, 2011, Paris (France)
- Regular Agriculture Committee, June 23, September 29, and November 2011
- Third Global Review of Aid for Trade, July 18-19, 2011
- WTO General Council, July 27-28, October 12-13, December 1-2, 2011
- 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

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