

Editorial: On Second Thought...

Negotiators began this week with a little sense of momentum sparked by several good news items such as new signs of an upward recovery of global trade that some think could boost production for the first time since the beginning of the economic downturn. There was also the “banana deal” that has long divided the EU and Latin American countries over the gradual diminution of EU’s tariffs from 176€ to 114€ over a period of 10 years. This could have set up a positive atmosphere for a constructive discussion in Geneva. Instead, the first of three weeks of special consultations on agriculture showed that there is still a long way to go. Indeed, the U.S. itself launched a dagger during an October 14th small group consultation on sensitive products by expressing their second thoughts on the number of tariff lines it would need to shelter from the general tariff reduction formula. The news created new controversy that could lead to reopening some of the issues many consider settled. Even miles away from his office, WTO Director General, Pascal Lamy, seems to be starting to realise that concluding the Doha Development Agenda (DDA) in 2010 will be difficult task after all unless Members agree to seriously accelerate the pace. But, with no decisions expected to be taken on Doha at this upcoming Ministerial conference, one wouldn’t bet on a breakthrough coming anytime soon, especially knowing how long the talks usually take to restart after the Christmas break.

Agriculture Consultations

In the open-ended meeting of the full Membership convened on Friday October 16th, agriculture negotiations chair, David Walker, briefly outlined the consultations he has been holding privately with some 22 delegations on various issues considered unsettled in the current draft modalities. The topics covered in October 14-15 small group consultations were: sensitive products (SeP), tariff caps and possible payment for exceeding these caps, tariff quota expansion and tariff simplification.

It has been reported that the U.S. has made a stand, stating that they don’t like the idea of allowing only a few countries to benefit from the possibility of designating additional sensitive tariff lines. The U.S. said that the additional 2% of tariff lines should be made available to all Members, should they wish to pay for it. This statement apparently sparked reaction from exporters such as New Zealand, Brazil and a few others. For the U.S., which in the past has advocated for a limited number of tariff lines under the sensitive products category, this represents a change in position which some countries do not hesitate to describe as “very bad” for the DDA and Members’ efforts to conclude the negotiations in 2010. U.S. representatives, they said, are “sending signals that they’re not interested in getting a deal.” But conversely, sources said importing countries like Japan and South Korea welcomed the move, which they described as an increased flexibility from the U.S. that takes into consideration the sensitivities in agriculture.

Under the sensitive product provision outlined in the December 2008 draft modalities, Members will be entitled to designate 4% of their tariff lines as sensitive. Along with the flexibility granted to developed countries that have more than 30% of their tariff lines in the first band of the general tariff reduction formula, both Canada and Japan have requested more sensitive tariff lines – 6% and 8% respectively.

The U.S. did not provide any explanation as to why it has reversed policy on that particular provision. But, according to officials who attended the meeting, the U.S. said domestic pressure with regard to what the U.S. has offered in other areas has not been matched in terms of market access. Certainly the collapse of the dairy market in the U.S. also plays a role as well, said one U.S. insider, who added that a shift in positions and objectives under the new U.S. administration have to be taken into consideration.

Another explanation may be simply that the U.S. realized that it will need to protect more sensitive agricultural sectors given the current state of the global economy and the proposed cut in subsidies it is currently facing. Dairy and sugar lines are key targets for SeP tariff lines. Beyond that, maybe orange juice and one or two lines for fruits and vegetables will be necessary but, for now, all those could be covered under the proposed 4% tariff lines for SeP.

So why increase? Maybe the collapse of the dairy market makes the USTR think it will need more lines. Maybe they are thinking of ethanol or maybe it is all strategic to re-open some issues many think are locked in.

The U.S. does not consider this as a change in its position. Rather, they indicated that they were supporting provisions in the text that allow "others" to buy more lines – if they pay. Nevertheless, this “new” position does not necessarily imply that the U.S. would actually designate 6% of their tariff lines as SeP, one source said, since the payment attached to it is expected to be severe.

The issue is expected to be discussed among the small group of countries that are interested in that particular subject.

Templates

In the meetings open to all Members on October 12 and 13, Members, particularly Australia, the EU, the U.S. and Canada circulated additional papers to help define what data would be needed for the scheduling phase and how they might be presented in this first step of the work on templates.

Officials reported that negotiators have continued to progress on that highly technical issue that will allow them to put their forthcoming commitments down on paper, and could move on to the next step next month. Delegates said the discussion continue to be among a handful of Members including Canada, the U.S., Australia, the EU, Switzerland, Norway and Brazil. But, at the end of the latest week of talks, some delegations warned on October 16th that although the technical work is essential, it must not hold up progress on the substance of the negotiations.

Walker hopes this first round of discussion on identifying the data needs can be finished when negotiators meet again in the week of November 16th.

Upcoming Events

- Agriculture Consultations week of Oct 12, Nov. 16 and Dec. 7, 2009
- General Council, Oct. 13-14, Dec. 17-18, 2009
- FAO CSO Forum, November 12-13, 2009 (Rome)
- FAO World Food Summit, November 16-18, 2009 (Rome)
- Regular Agriculture Committee, November 19, 2009; March 11-2, June 10-11, Sept. 16-17, November 18-19, 2010
- 7th WTO Ministerial Conference, November 30–December 2, 2009

Geneva Watch is published by Dairy Farmers of Canada, Chicken Farmers of Canada, Canadian Egg Marketing Agency, 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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