



NAFTA's Six-Month Clause

A day after rumours circulated that an executive order was being drafted to allow the U.S. to withdraw from the North American Free Trade agreement (NAFTA) President Donald Trump told his Canadian and Mexican counterparts that he was not contemplating a U.S. retreat from the agreement at this juncture.

The NAFTA renegotiation process has been slowed by several congressional issues, starting with the complication in the confirmation of the next United States Trade Representative (USTR) Robert Lighthizer.

President Trump can still change his mind and decide to withdraw from the pact. To do so, informed U.S. sources say that the NAFTA agreement includes a clause that allows the president to withdraw by providing six months' notice to Canada and Mexico. In addition, U.S. law also requires six months' notice be given to Congress, thus giving lawmakers enough time to react and maybe decide to take a different direction.

If Trump does terminate the NAFTA deal with Canada and Mexico, the bilateral free trade agreements (FTAs) that were suspended when NAFTA took effect would be automatically revived. Therefore, U.S. tariffs on Mexican imports would revert to the World Trade Organization (WTO) bound rate and U.S. agricultural products, automobiles and auto parts, textiles and steel, would most likely face significantly higher tariffs.

Withdrawing from the NAFTA agreement will be extraordinarily complicated as it will have huge economic consequences for the U.S., both in terms of jobs and affordability of products, U.S. insiders said. That's the main reason why renegotiating the pact looks like the best option for President Trump.

Members Confirm Kenyan Ambassador Stephen Karau as New Agriculture Negotiations Chairman

At the first meeting of the agriculture negotiation group since New Zealand Ambassador to the WTO Vangelis Vitalis, left his position as Chair of the group to return to his home country in November 2016, the full Membership gathered on April 26th to formally appoint Kenyan Ambassador Stephen Karau as the new Chair of the WTO's negotiation group on agriculture, as well as the Chair of the subcommittee on cotton.

"I am humbled by the confidence shown in me by the Members and would like to assure you that I will carry out my tasks with determination and dedication," Ambassador Karau stressed at the meeting.

"The technical and policy issues involved in the negotiations are complex, but that is not the end of it. Agriculture fills a central place in our discussions at the WTO. And food is an essential part of lives. Therefore everyone has a stake in these negotiations," he added, acknowledging the challenging workload ahead and the central role played by the negotiating group in the ongoing talks leading up to the next WTO ministerial conference (MC11) in Buenos Aires this December.

"I know that trust is absolutely essential in my new role as Chair and I commit to working fairly, objectively, and transparently with all delegations. I will always listen to you and respect all our points of view," he said, adding that he is firmly committed to the consensus and transparency principles in agriculture talks.

Members are now expecting to resume their work on the issues they want to see included in the MC11 agenda. Ambassador Karau plans to convene an informal open-ended meeting in the second half of May to discuss this, as well as other issues such as the public stockholding for food security purposes and the special safeguard mechanism (SSM).

“I know that there is no time to waste with the Buenos Aires Ministerial meeting just around the corner,” Ambassador Karau concluded.

Concerns Grow About Slippage in Subsidy Notifications

At the April 25th meeting of the committee on subsidies and countervailing measures, the Chair, Korean Ambassador to the WTO, Jin-dong Kim, once again expressed concerns about the “discouraging” record of Members in meeting their obligations to notify their subsidies to the WTO on an annual basis.

Citing the latest report prepared by the WTO secretariat, the Chair reminded the committee that 79 Members have yet to make their 2015 subsidy notifications, despite the mid-2015 deadline for making submissions, 60 had not yet submitted notifications for 2013, and 55 had not submitted notifications for 2011. Many of these Members either have never notified or have done so only in the distant past.

The U.S. supported by Australia, Canada, Chinese Taipei, the EU, New Zealand said the compliance rate with notification requirements was “alarming” and that the figures for 2015 were the worst since 1998.

Separately, the U.S. reintroduced a proposal which would set deadlines for Members to respond to questions about their subsidy levels. The proposal, which was first made informally in 2014, would require written answers to be provided to written questions within 60 days and written replies to follow up questions to be provided within 30 days.

China and the U.S. continue to spar over U.S. criticisms of China’s subsidy notifications.

TPP Senior Officials to Meet in Toronto Next week

At the end of the TPP meeting in Vina del Mar (Chile), TPP trade ministers instructed their senior officials to “meet and consult in preparation for the Ministers to meet again in the margins of the APEC (*Asia-Pacific Economic Cooperation*) meeting of Ministers Responsible for Trade, on May 20-21 2017.”

The next meeting of the senior officials is expected to take place in Toronto on May 2-3 according to an informed source. Senior officials from the 11 countries are expected to continue their brainstorming on the path ahead for the TPP pact now that the U.S. has withdrawn from the agreement. The group is expected to come up with suggestions to be discussed by Trade Ministers later that month in Hanoi (Vietnam) on the sidelines of the aforementioned APEC Ministerial meeting.

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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