

Editorial WTO Closes 2009 without “Major” Surprises

With its last General Council of the year, the WTO essentially closed 2009 without many surprises as there were hints from day one that the entire year would likely be lost given the impact of the economic crisis and the lack of engagement of the U.S. in the Doha negotiations. Of course, one could argue that this week’s agreement on the long standing dispute on bananas could easily go down as a major achievement for the organisation, but suffice is to say that the implications for the Doha negotiations are not quite clear for the moment. The deal itself has one minor hurdle to overcome - that is to be ratified by each party’s legislature involved in the agreement. Once fully in place, whether this deal reveals itself to be a game changer in the negotiations in 2010, remains to be seen.

Deal Reached on Banana

The EU and 11 Latin America countries (Brazil, Colombia, Costa Rica, Ecuador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru and Venezuela) signed a deal on bananas on December 15th, effectively bringing to an end the WTO’s longest standing dispute which started back in 1991 when Costa Rica challenged the EU banana regime claiming that it discriminates against Central American countries. This has been “one of the longest running “sagas” in the history of the post-WWII multilateral trading system. After lengthy consultations, legal examinations, negotiations, and gentle prodding by an “honest broker”, a solution has been found,” WTO Director General, Pascal Lamy, declared.

The deal will gradually reduce the European tariff from its current level of 176€/ton down to 114€/ton in 2017¹. In exchange, the Latin American countries agreed to drop their current disputes against the EU regime, an accord that was also accepted by the U.S. The deal will de facto allow the Community to continue to provide ACP² countries with duty-free access to its market and, in order to compensate them for the loss of market share generated by the reduced tariffs; the EU will provide 200 million euros in financial assistant to its former colonies.

Lamy welcomed the news as he hopes to “re-invigorate” the sluggish Doha Development Agenda (DDA). The banana feud, he stressed, has been “one of the most technically complex, politically sensitive and commercially meaningful legal disputes ever brought to the WTO (...) this proves that there is no trade issue which lies beyond the reach of WTO Members. I hope that the same spirit of pragmatism, creativity and diplomacy will re-invigorate the Doha Round negotiations,” he said.

DDA Implications

The banana deal was said to have also permitted negotiators to lock down an agreed list of products that would exclude banana from ongoing negotiations on preferences erosion and tropical products. However, at the last General Council meeting of the year that took place on December 17th, several countries, including Dominican Republic, India and Pakistan said they do not consider the language on preferences erosion/tropical products a done deal that could be incorporated in a revised draft modalities as they have not been consulted on the issue. India went as far as to say that this was not an agreement that would deliver an equal level of comfort to every party involved as it will cause pain to some countries and in some cases, will wipe out the entire sector.

¹ The agreement stipulates that the EU banana tariff will be reduced as follows: from December 15, 2009 until December 31, 2010: 148€/ton. As of January 1, 2011: 143€/ton; January 1, 2012: 136 €/ton; January 1, 2013: 132€/ton; January 1, 2014: 127€/ton; January 1, 2015: 122€/ton; January 1, 2016: 117€/ton, and January 1, 2017: 114€/ton.

Meanwhile, if Doha modalities are not reached by the end of 2013, the cuts will be delayed for 2 years, freezing the applicable tariff rate to 132 €/ton until modalities are agreed upon. After 2015, (“or immediately after Doha Modalities are established, whichever occurs first”) the tariff will be established to 127€/ton, followed by the agreed rate for the next three years (i.e. 2017: 122€/ton; 2018: 117€/ton, and 2019: 114€/ton respectively).

² The African, Caribbean and Pacific Group of States (ACP) is a group of countries (currently 79: 48 African, 16 Caribbean and 15 Pacific) 1

General Council

In his last report of 2009, Lamy provided a little retrospective of the evolution of the negotiations during in the last couple months, starting with the 7th Ministerial Conference which he said was successful given the number of bilateral meetings - "more than 250" - that took place among ministers. The meeting, he said, provided the kind of reality check Members needed to conclude Doha in 2010 and in order to achieve that feat, the DG shared his thoughts on how he sees the way forward.

Lamy said a combination of 4 elements is required to arrive at the so called stock-taking meeting scheduled for the end of March:

- 1- **Members must intensify the bilateral, trilateral and quadrilateral meetings early in 2010 in order to feed the multilateral process:** what is mostly targeted here is primarily the U.S. meetings with emerging developing countries – India, Brazil, China and South Africa whether done on a one-on-one basis (bilateral) or in small group (trilateral /quadrilateral)
- 2- **The chair of each negotiating group needs to resume its activities “starting from the end of January and running through to March”:** Agriculture Chairman, David Walker has planned to recommence his consultations on modalities issues (such as the special safeguard mechanism (SSM), sensitive products, tariff simplification, tropical products and preferences erosion) the first week of February (most likely Feb 1-12, 2010) and hold another “fortnight” the first week of March (March 1-12, 2010). Walker will also resume discussions on templates the last week of January. As for NAMA, Wasescha wants to pursue his consultations on Non Trade Barriers (NTBs) “early February” with another NAMA week also scheduled for March.
- 3- **The continuous implication of senior officials:** Lamy wants two senior officials meetings (SOM) to take place the week of Feb 15, 2010 and the week of March 22, 2010 to “facilitate” senior officials’ “substantive engagement”.
- 4- **Finally, the DG wants to “reserve” the last week of March for the so-called “stock-taking” meeting which level of participation (ministers or senior officials) remains to be defined:** “At this juncture, my sense is that we should keep open the format and exact content of the stock-taking while keeping in mind that, at this stage, the aim of such an exercise is to assess whether 2010 remains doable,” Lamy said. Trade observers pointed out that ministers need to be given a heads up weeks in advance if they are to gather again in Geneva at the end of March. But, the problem with taking that decision is because there are still differences among Members as to what the stock-taking session would deliver. Some think Walker should incorporate the banana deal in a revised draft modalities text which – along with revised drafts in other areas of the DDA – will serve as the basis for ministerial discussion at the stock-taking session. Others meanwhile, perhaps more realistic, claimed that there has been little progress on the technical matters that will require yet another ministerial meeting.

Upcoming Events

- World Economic Forum, January 27-31, 2010
- Agriculture Consultation, February 1-12, March 1-12, 2010 (TBC)
- and NAMA consultations, February 1-5, 2010, March 15-19, 2010 (TBC)
- Senior Officials Meeting (SOM), February 15-19, 2010 March 22-26, 2010
- Regular Agriculture Committee, March 11-2, June 10-11, September 16-17, November 18-19, 2010
- G-20 Summit, June 2010



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