

# Geneva Watch

*An overview of the WTO negotiations on agriculture*

## Editorial: Early Negotiations' 'Stress Test'

After completing the Korea-U.S. free trade agreement (KORUS), the U.S. trade officials are setting their sights on yet another bilateral meeting, this time with China in Washington on December 14-15 at the occasion of the U.S. –China Joint Commission on Commerce and Trade (JCCT), a meeting which will involve both countries' senior agriculture, commerce and trade officials. The gathering is said, in Geneva circles, to be an early test to see how serious the Chinese are vis- a-vis the overall WTO negotiations. U.S. Ambassador, Micheal Punke, who repeatedly praised China for being constructive during the brainstorming exercise with Geneva-based ambassadors, is now poised to attest early if the Chinese are really ready to make concessions on issues such as sectorals. Without any doubt, if things go well in Washington, it could be a sign that there will indeed be significant progress on next year's intense agenda.

## Agriculture Negotiating Group

The Agriculture negotiations chairman, Ambassador David Walker, finally outlined his plan for next year during Friday's open-ended agriculture meeting of the full membership. As expected the chair invited negotiators to embark on the talks' end-game as of the week of January 17, 2011, with the aim to produce a near-final draft modalities text by the end of March. This would be followed by agreement on modalities and other texts by about June, so that at least six to seven months are made available to complete and verify Members' schedules of commitments and conclude the Doha Development Agenda (DDA) by the end of the year.

Walker described how his consultations the next four months are going to be structured. Taking into account Members' suggestion to prioritise an approach that is flexible, pragmatic, problem-solving of the "what if" type and focused, the Chair said he will essentially focus on four components:

1. The so-called outstanding topics: or "bracketed or otherwise annotated issues" contained in the revised draft modalities: Blue Box, Cotton, Sensitive Products, Tariff Cap, TRQ Creation, Tariff simplification, Special Products, Special Safeguard Mechanism, Tropical products and Preferences Erosion
2. Clarifying points that have emerged as unclear following the technical work on templates such as those raised by Argentina, China and India in a paper tabled last May
3. Correcting typographical errors
4. Completing data that will have to be attached to the modalities

Walker asked Members to do their homework over the Christmas and New Year's break, consult with each other, and report on progress when they meet on January 17<sup>th</sup>. He said the next revised text should be based on consensus, and where consensus is not possible, clear choices for decision-makers to pick would be made available.

## Members' Reactions

Members generally supported Walker's plans with most claiming that the December 2008 draft should be kept as the basis for further work and that "stabilized" issues should not be re-opened. Some, meanwhile, argued that the whole draft should not be considered agreed yet, because it has to be considered from the point of view of balance within agriculture and between agriculture and other DDA subjects.

Some Members expressed concern that their limited resources could be problematic given next year's intensive programme and asked for a more detailed timetable so that they could adequately prepare.

## Japan's Domestic Support Commitment

The past week also featured some small-group discussions on Japan's domestic support commitment. Japan said they should no longer be obliged to undertake a bigger effort in reducing their domestic subsidies because its overall support ceiling, which was more than 40% of the value of its agricultural production, has now fallen under that threshold.

The 2008 revised draft modalities text stipulates that developed countries with total AMS (Aggregate Measurement of Support) between \$15–\$40 billion, would have to undertake a 60% cut. However, the text also states that developed countries whose Amber Box support is more than 40% of the value of their agricultural production (VOP) would be subjected a bigger cut. This provision also forces Japan to make additional efforts when reducing its overall trade distorting support (OTDS = Amber + de minimis + Blue) by applying a cut halfway between the cut of their tier (i.e. 70%, for Japan) and the tier above (i.e. 80%). At that rate, Japan is required to slash its OTDS by 75%.

Japan now said that it omitted to include the value of mushrooms in the calculation of its total AMS which, when included, brings its amber box down to 39.7% of VOP, and thus no longer requires the country to undertake an additional effort in reducing their domestic support.

However, the Japanese said they stand ready to respect their original commitment if Members allow them to select 8% of tariff lines as sensitive products.

The proposal was not well received by Members as Japan was harshly criticized by some delegations who described the argument as weak. Japan was warned to stick with its commitment or be prepared to be publically blamed for attempting to reopen an issue that is considered resolved or “stable”. One official said Japan was now moving away from the idea.

## U.S. vs. Emerging Economies

Interviewed by the Bureau of National Affairs (BNA, a Washington based news agency), U.S. Ambassador to the WTO, Michael Punke, said he was encouraged by the increased engagement by China in the sectorals and services discussion. The Chinese have shown a willingness to sort out their differences with the U.S. by engaging in the recent brainstorming exercise. However, Punke said this was not the case with the other two emerging economies: Brazil and India.

Japan has tabled a proposal dubbed a “basket approach” to resolve the sectorals impasse. The proposal suggests applying different tariff cut levels to different sectoral tariff lines allowing emerging countries – Brazil, China and India – to shield some of their most “sensitive” sectoral tariff lines from the highest proposed cuts. Japan said the U.S. supports the proposal while emerging economies have rejected it.

In effect, adopting the approach would imply that the three countries would de facto accept to participate in the sectorals discussion, something they have up to now declined to do as per the 2005 Hong Kong Declaration [that allows developing countries to enter the sectorals initiative on a voluntary basis]. In addition, Brazil, China and India have repeatedly blamed the U.S. for failing to indicate what it would offer in exchange for additional access to their industrial sectors.

Punke admitted that the U.S. is particularly “frustrated” with Brazil's position on this issue. Brazil has calculated that it will be losing hundreds of millions of dollars if it opens its chemical, electronic goods and machinery sectors. Punke said he hopes that Brazil's new government, led by recently elected president Dilma Rousseff, will have a positive impact on their bilateral talks.

Punke said the U.S. is “somewhat confused” when it comes to India. “We see a lot of mixed signals – some days we see very positive signals and willingness to engage, and some days we don't. We're hoping, obviously, that India will play a real leadership role in moving the round forward,” he told BNA.

## U.S. vs. Emerging Economies (*cont'd*)

China, meanwhile, — seen as one of the countries that are likely to benefit from increased market access in electronic goods — is said to be willing to explore the basket approach and has held constructive meetings recently with the U.S. The Joint Commission on Commerce and Trade meeting, which will be held in Washington the week of December 13<sup>th</sup> between U.S. and Chinese senior officials, will be an opportunity for China to showcase whether it stands ready to continue to be serious in trying to resolve trade differences with the U.S.

## Upcoming Events

- General Council, Dec.14-15, 2010
- G-5 Ministerial Meeting, Date TBC Brussels (Belgium),
- Rules, Trade Facilitation, Trade and Environment, TRIPS and Development groups, January 10, 2011
- Agriculture, NAMA and Services Negotiating Group Meeting, January 17, 2011
- World Economic Forum, January 26 - 30, 2011, Davos (Switzerland)
- 2<sup>nd</sup> Agriculture Negotiating Group Meeting, Early February, 2011
- Regular Agriculture Committee, March 31, 2011; June, September and November 2011
- Revised Draft Modalities Texts, April 2011
- G-20 Summit on Agriculture, June 2011 Paris (France) (TBC)
- 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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