

# Geneva Watch

*An overview of the WTO negotiations on agriculture*

## Editorial: A Little Prayer for an Agonizing Round

Members have reached a new low in their objective to conclude the Doha Round by the end of the year. The latest strategy to get there, the so-called “cocktail approach” consisting of bilateral, small group and multilateral meetings, has shown its limits with the dismantling of the G-11 and the anticipated pause in the bilateral meetings between the U.S. and emerging economies. Many trade observers think the Round is near death and with Easter approaching fast, only the most optimistic of them hope that the revised draft modalities texts can bring it back to life... 3 days after they are circulated on Good Friday.

## G-11 has bit the Dust

The G-11 group of key countries (Argentina, Australia, Brazil, Canada, China, India, Japan, the EU, Mauritius, South Africa and the U.S.), many identified as pivotal to advancing the Doha Round toward the finish line this year, failed to bridge their differences after a week of critical discussion, plunging the negotiations further into doubt.

The group met on March 22<sup>nd</sup> but focused solely on process rather than substance. The aim was to brainstorm on possible scenarios now that the bilateral encounters between the U.S. and emerging economies failed to produce the spark needed for the Doha Round to progress past its December 2008 stalemate. But such was not the case.

The U.S. bilateral discussions with China that many saw as a prerequisite to any progress in the negotiations almost hit a “point of no return” according to one official. The U.S.’s willingness to move from a total elimination of tariff on several sectoral products of its interest – i.e. chemical, industrial machinery, pharmaceutical and electronic goods, to name a few – to the so-called “basket approach” proposal, first floated by Japan has not permitted to alter the divergence between the two economic super powers. The basket approach allows for different treatments to be applied to different products, enabling emerging countries to shield their most sensitive lines from drastic cuts.

In effect, China rejected the U.S.’s demands at the bilateral meetings held March 15–17. China said it would only consider a basket approach in sectors like chemical and machinery goods if other emerging countries (Brazil, India) agreed to participate. In addition, the Chinese want developed countries to undertake the same process, but only if their efforts would be greater than that of emerging economies.

Essentially these crucial bilateral meetings have not moved a notch since the beginning of the year.

“In light of this week’s consultations, we share with other Members a significant concern that the Doha negotiations have not made the progress we had all hoped they would achieve by now. The fact is that the gaps among Members remain wide,” U.S. ambassador Michael Punke said, adding that “the United States is fully committed to working hard in coming weeks to find productive ways forward.”

## The Problem with the Way Forward

At this point in the negotiations, one can safely assume that the G-11 process is dead and that the bilateral meetings between the U.S. and emerging economies are likely to take a break. The challenge therefore remains how Members define what comes next. On March 24<sup>th</sup>, the G-11 tried to brainstorm potential scenarios and came up with four possible options.

1. **Maintain the current cocktail approach** even if it proved to be inefficient and time-consuming. According to officials, this so-called “hard landing” approach suffers from a huge problem and it lacks credibility based on its past performances.
2. **Develop a new methodology** with the aim of establishing a new “miracle” solution. Sources say this option is the one sought by key players but they remain vague on how this would be shaped. Among the ideas floated is the proposal to directly involve the WTO Director General, Pascal Lamy, to specifically table compromise proposals to break the impasse. However on this, Members remain extremely divided sources said.
3. The third option would be **the blame game** with each major Member claiming that it is the “good guy” and declaring its continuous intention to conclude the Round.
4. The last option would be to **elaborate a “soft landing” approach**, which could as well include a “Doha Light.” However, sources say there was no agreement among the G-11 on how this would be crafted.

The G-11 concluded their meeting without deciding on one particular option for the way forward. The one thing officials said they agreed on was that the remaining gaps were too wide and cannot be resolved by the tools and means previously used. In addition, the group agreed to suspend their meeting.

## Revised Texts Still on Target for Easter

It is no secret that many among the G-11 Members do not support the release of revised draft modalities texts. But for Lamy, the chairs should nevertheless maintain the course and table new texts by Easter, which in turn will serve as the basis for future negotiations “in such a way that a more horizontal process of negotiation closes the gaps that remain to be closed,” he said.

“I do not expect, nor does anybody expect, the drafts to be clean. But we need to go through a stage of tabling language and numbers, even if there remain differences here and there, across the board so that the end game starts with a full slate of what remains to be done.”

No one in the G-11 said it is ready to throw in the towel. As such, Lamy can count on Members’ support not to declare the agonizing Doha Round prematurely dead.

It is expected that developing countries, will mostly support Lamy’s initiative as no other process is currently available.

Sources say, Kenya, on behalf of the African Group, will support the release of new texts. The group is likely to develop an approach on the way forward, as for them any decision on the fate of the Doha Round should remain in the hands of Ministers. Furthermore, developing countries also believe that the fate of small and vulnerable countries should not be held hostage to the interests of the developed Members.

Lamy will convene a Green Room on Monday (March 28<sup>th</sup>) and an informal TNC on Tuesday to essentially outline the new process which is likely to include him undertaking a series of confessionals with G-7 Members.

The challenge he faces is to make sure the multilateral trading system is not weakened by a possible failure of the Doha Round.

“In the current turbulent times, the WTO must act as a catalyst of trust and global unity. A WTO in crisis is not what is expected of responsible Members of the international community. Let us not weaken one of the best examples of functioning international co-operation,” Lamy told attendees at the annual Parliamentary Conference on March 22<sup>nd</sup>.

At Tuesday’s informal TNC, The full membership will be made aware of how/whether the Round can be salvaged.

## Upcoming Events

- Informal TNC, March 29, 2011
- Regular Agriculture Committee, March 31, 2011; June, September and November 2011
- Revised Draft Modalities Texts, April 2011
- WTO General Council, May 3-4, July 27-28, October 12-13, December 1-2, 2011
- OECD 50th Anniversary Forum and Council, May 23-27, 2011, Paris (France)
- 37<sup>th</sup> G-8 Summit, June 2011, Deauville (France)
- G-20 Summit on Agriculture, June 22-23, 2011, Paris (France)
- Third Global Review of Aid for Trade July 18-19, 2011
- Potential DDA Mini-Ministerial Meeting (Modalities), July 2011 (TBC)
- WTO Public Forum, September 19-21, 2011
- G-20 Summit, November 3-4, 2011 Cannes, (France)
- 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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