



Geneva WATCH

An overview of the bilateral, plurilateral and multilateral trade negotiations

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What's Wrong With the Cairns Group?

Is there a mutiny brewing within the ranks of the Cairns Group? The coalition composed of agricultural exporting countries from both developed and developing countries (Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand, Uruguay, and Vietnam) has, since its inception, played a key role in the agricultural negotiations. However, the early stages of the renewed discussion on how to move the Doha Development Agenda (DDA) forward have proved to be difficult as demonstrated by the Cairns Group's own struggle to table proposal endorsed by the entirety of its membership.

Divergence of views on domestic support

A year ago, following the WTO's successful Ministerial Conference (MC9) in Bali, the Cairns Group tabled a series of unofficial room documents with the aim of reigniting the agriculture negotiations. Among those documents was an analysis circulated on March 12, 2014. In that analysis, the group led by Australia demonstrated that traditional big spenders such as the EU and the U.S. have sharply reduced their domestic support over the last decade (2001-2011), although it noted that in the case of the U.S., impacts of the newly agreed Farm Bill needed a more "in-depth analysis."

By contrast, the analysis showed that developing countries such as Brazil, China, and India have become huge subsidizers with their total trade-distorting support (TTDS) doubling over the last decade. For instance, India's TTDS grew from \$8.2 billion (8% of the value of production – VOP) to \$16.4 billion (16% of VOP) between 2001 and 2008 while China registered the highest increase in TTDS with an estimated support shifting from \$320 million to a stunning \$13.9 billion between 2001 and 2008.

"[T]he trend of reductions in support among relevant Members is an opportunity that should not be missed," the Cairns Group stressed at the time, urging Members to resume negotiations on domestic support in accordance with the Doha mandate on agricultural negotiations given the recent slide in the level of subsidies observed in those key countries.

The analysis was welcomed by key Members, especially the U.S. whose officials – from Ambassador Punke to USTR Michael Froman – used its findings to illustrate emerging economies' increased agricultural spending that needed to be tackled in the negotiations.

Fast forward, almost a year later, to when Canada presented an updated analysis on domestic support, though this time on behalf of just over half the Cairns Group membership (Australia, Chile, Colombia, Costa Rica, Guatemala, Malaysia, Pakistan, Paraguay, Thailand, Uruguay, and Viet Nam). The analysis focuses on comparing the levels of domestic support based on key Members' notifications compared to the proposed disciplines contained in the draft 2008 revised modalities text, or Rev4. The results, which this time took the Farm Bill into account, show that only the U.S. would need to further reduce its domestic support to comply with its commitments.

As one could have expected, this time the U.S. officials opposed the analysis claiming that it only proved that the Rev4 is unbalanced as domestic support in developing countries distorts trade as much as in developed countries. China and India retorted that developed members' subsidies are designed for commercial purposes whereas developing countries use them for development.

A member of the Cairns Group said the coalition papers on domestic support (March 2014 and the January 2015) serve two different purposes. The first was all about showing the recent trends in agricultural subsidies in key WTO nations whereas the second focuses more on the Rev4 which has been at the center of the debate, i.e. whether to continue using it as the basis for the negotiations.

"Some countries said the Rev4 is the basis" the Cairns Group official stressed. "Fine, let's see what this is all about". That is what the analysis does, he added. It shows that the U.S. is actually the only country with a problem¹, he continued while acknowledging issues with the way India calculated its AMS in its latest notification, questioning once again the purpose of a peace clause in the public stockholding for food security debate. "If you ask the U.S. to do something that is politically difficult, you may have to provide something attractive in exchange, particularly with India and China having to do nothing [to reduce their domestic support]," he added.

This U.S. vs. China/India battle also hides another disagreement, this time among Cairns Group members. The coalition had a hard time agreeing on whether to present its latest analysis, said the member. The divide ultimately led some of them to choose not to endorse the paper.

The countries causing problems are among those not listed among the signatories of the paper, and their absence is quite stunning to

some given their roles as major agriculture exporting countries (Brazil and New Zealand).

“Brazil is super sensitive on NAMA (*non-agricultural market access*)” the source said, which explains why the South American country has not backed any of the analyses circulated thus far by the Cairns Group. The Brazilians are concerned about what will come out in the agriculture negotiations and the repercussions an eventual ambitious push in agriculture may have on the industrial market access talks where they have more sensitivities. Its relative silence on agriculture has somewhat impacted activities in its own group (the G-20 Coalition of developing Members pressing for ambitious agricultural reforms in developed countries with some flexibility for developing countries) which has not yet met, nor tabled a proposal.

Argentina most vocal

Brazil’s silence contrasts with Argentina’s active participation in the Cairns Group. Buenos Aires endorsed a paper on export competition circulated by some members of the group on February 6th. The paper simply reiterates the outcomes of the Bali Ministerial, urging Members to fulfill “the commitment set out in the 2005 Hong Kong Ministerial Declaration on export competition at the 10th WTO Ministerial Conference in December 2015.”

“A proposal on export competition is merely tabled at this stage as a logical first building block for the Membership in constructing a post-Bali work programme,” the paper states.

The export competition proposal rallied more Cairns Group members than the one on domestic support. Argentina, Colombia, New Zealand, Peru and South Africa joined the group of signatories of the domestic support analysis.

No Cairns Group market access paper for now

The Cairns Group has yet to circulate a proposal on market access. This is partly because the issue is controversial at this point, said one official. “There are still a lot of questions as to how issues such as special products will be addressed,” the member added.

To simplify market access negotiations in agriculture, services, and NAMA, Argentina suggested a new approach which it detailed in a non-paper it circulated this month. The approach calls on WTO Members to submit requests and offers either bilaterally or on a plurilateral basis, and engage in negotiations in a future limited time frame to be agreed upon.

By doing so, Members could either request:

- (i) the removal of tariffs, charges and other duties on a product(s) concerned
- (ii) the reduction of tariff, charges and other duties on a product(s) concerned
- (iii) the binding on an unbound product(s) (if applicable)
- (iv) the creation of a tariff rate quota (TRQ) or the volume expansion of an existing TRQ

“The knot of the request and offer approach proposed for services, NAMA and agriculture market access negotiations should combine in equal terms the requests and the offers,” Argentina said, while specifying that Least-Developed Countries (LDCs) will not be required to apply any of the requests.

The paper is unlikely to attract many supporters, say one Cairns Group official. Even though the agriculture tiered formula hits WTO Members’ sensitivities due to its ambition, most people were skeptical of the Argentinean proposal, the source added.

The official anticipates that the EU will also table ideas on how to simplify the talks. The Commission is currently conducting internal consultations with its member-states on this. The aim is to try to come up with a proposal that would not only simplify the agriculture market access negotiations, but also provide balance in other areas of the negotiations.

The Cairns Group has been one of the influential voices in the agriculture negotiations since the beginning of the Doha Round. The coalition, which has obstinately pushed for reforms with the aim “to meet in full the far-reaching mandate set in Doha”, has to find a way to bring its membership together. The harmony of the coalition (and its proposals) is necessary to spark discussions in the agriculture negotiating group. Failing to do so may create further complications for an already difficult debate on the DDA work program.

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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¹ Based on the January 28th paper, the U.S. would need to further reduce its domestic support to comply with its WTO commitments. This is due to the fact that the proposed reductions in *de minimis* (from 5% to 2.5% of VOP) would result in a surplus of \$4.38 billion USD which would be considered as AMS and result in an increase of \$3.6 billion of its final bound total AMS.