



# Geneva WATCH

An overview of the bilateral, plurilateral and multilateral trade negotiations

Charles Akande, Editor

## CETA to be Signed in October

**On May 13<sup>th</sup>, European trade ministers met to discuss the implications the CETA accord will have if the deal was to be considered mixed. They unanimously came to the conclusion that the agreement should be considered mixed which would then require each EU member state's parliament to ratify the deal.**

The Commission, meanwhile, will recommend that the EU Council considers CETA as a non-mixed agreement when the Council ratifies the deal this June. The same proposal would likely be made to the EU parliament after the signing ceremony, which is expected to take place this October when Prime Minister Justin Trudeau visits Brussels for the EU-Canada summit. However, diplomatic sources said EU member-states are likely to amend that proposal to make CETA a mixed accord.

The Greeks are still voicing their concerns with respect to Feta cheese not being adequately protected, but sources said Athens is unlikely to block the CETA signing. All the Greeks want is compensation from the EU. Romania and Bulgaria also complained about the Canadian visa regime, but here again, source said this will likely get resolved when Trudeau visits Brussels this fall. The “mixity” issue is a bigger problem as some like the Wallonian government have already refused to ratify the deal as it stands. The Commission fears that making CETA a mixed accord would open the door for additional complaints by member states. The EU Parliament's ratification is required for the agreement to provisionally come into force in early 2017.

### “Gradual but Discernible Shift”

The May 9<sup>th</sup> agriculture negotiations meeting was an opportunity for Members “to clear their throat”

regarding issues they want to see on the negotiating agenda for the MC11. Agriculture domestic support has emerged as a top priority for them.

Some Members of the Cairns Group circulated a paper on the trends in domestic support to help advance the discussion. The analysis shows that many Members fail to notify the WTO about the level of their subsidies as only 24 out of 162 Members provided updated notifications (less than 15%), which the Chair, New Zealand Ambassador to the WTO, Vangelis Vitalis, described as both “embarrassing and troubling.”

There now seems to be “a gradual, but discernible shift” in what members believe to be a practical way forward, Vitalis said making reference to the suggestion made by some Members to “cut water” (the difference between the bound and applied levels) in market access and domestic support as a way forward, rather than applying “real cuts”, which requires reforming current practices.

Some assert that the WTO remains the ideal place to address market access issues – including on tariff escalation, tariff peaks, and special products – given the many bilateral and plurilateral negotiations taking place elsewhere.

Canada, for its part, insists on the need to complete work on export competition by disciplining export financing support.

The Group also clashed on which approach to consider next: Rev. 4 text, as advocated by China and India, or starting everything from scratch with a new approach (supported by developed countries particularly the EU and the U.S.).

The U.S. submitted a list of questions which targeted the most pressing trade distortions in today's agricultural trade landscape, and “the benefits of

various negotiating approaches (e.g. plurilateral, multilateral, etc.) in the WTO”.

The afternoon of May 9<sup>th</sup> was devoted to the heads of delegations. There, WTO Director General, Roberto Azevêdo, pressed Members to start identifying potential outcomes for the next ministerial Conference in 2017. “I continue to hear a lot of ideas being floated regarding process and substance,” Azevêdo told the full Membership (...) “Soon it will be time to roll up our sleeves and move towards identifying concrete outcomes for our 11<sup>th</sup> Ministerial Conference. This means that the current period of reflection must soon be over,” he added.

The time has come to move “from reflection to action.”

The meetings continued throughout the week with Members tackling food security on May 10<sup>th</sup>, the special safeguard mechanism (SSM) on May 11<sup>th</sup>, before gathering again on Thursday for the General Council.

## **Constructive Discussion on Food Security**

The first discussion dedicated to public stockholding programmes for food security purposes since the Nairobi Ministerial Conference was described as a good exchange that helped refresh Members’ memories.

The MC10 declaration mandates Members to “*engage constructively to negotiate and make all concerted efforts to agree and adopt a permanent solution on the issue of public stockholding for food security purposes.*” The goal is to reach this permanent solution at the MC11. The May 10<sup>th</sup> discussion focused on the questions submitted by some of the Cairns Group members last week which specifically require Members to provide details on the portion of their public stock programs that ended up being exported and the type of safeguards put in place to ensure that the stocks do not distort trade or adversely affect the food security of other members.

On this latest point, Pakistan reminded Members that public stockholding programs should only be used as a tool to ensure availability of food during emergencies. “In our view, very big stockholding programs have negative consequences, not only for the population of the country maintaining it, but also for the other countries producing similar or competing crops,” Pakistan stressed.

Prior to the WTO Nairobi ministerial conference, the G-33 (a coalition of developing countries ) tabled two

proposals concerning the permanent solution: a proposal to move these programmes into the Green Box, and another proposal asking that such programmes be excluded in the calculation of trade-distorting domestic support.

These G-33 proposals were seen as ones that would fundamentally alter the disciplines in the WTO agriculture agreement, and thus pose “systematic concerns”.

The interim solution agreed to in Bali in 2013 requires Members to provide additional information on their programs. However, up until now, none of the users has provided this information to the WTO. The short term objective for the upcoming weeks is to encourage these countries to share more information, while avoiding entering into political and ideological debates.

## **Special Safeguard Mechanism**

The discussion on the special safeguard mechanism (SSM) showed that Members’ position on the question has not changed much since the MC-10. Proponents of the SSM – mostly G-33 countries – insisted on the importance of the mechanism given the situation of farmers in developing countries. They said that many agriculture sectors, which are already facing import surges, are being wiped out by the time the cumbersome safeguards procedures are deployed.

On the other hand, developed countries (EU, U.S.) and agriculture exporting developing countries like Argentina, Brazil, Chile, Colombia, Mexico, Paraguay, and Uruguay refuse to consider SSM on a standalone basis. They argue that, contrary to the public stockholdings issue for which a solution is expected to be reached for the MC-11, SSM remains linked to outcome market access in market access as stipulated by paragraph 7 of the 2005 Hong Kong Declaration which was inserted in the Nairobi decision on SSM: “*The developing country Members will have the right to have recourse to a special safeguard mechanism (SSM) as envisaged under paragraph 7 of the Hong Kong Ministerial Declaration.*”

SSM is not a north–south divide as many of the Latin American countries have also expressed concerns that the mechanism might be used to raise import tariffs, particularly on products they export, and therefore limit trade opportunities.

A few countries questioned the legitimacy of SSM when countries who are requesting the mechanism signed up to cut tariffs in their regional trade agreements. They asked how the tariff increases would be applied to products originating from countries in these regional

trade agreements. Members of the G-33 stressed that multilateral rules supersede regional trade agreements.

“We can’t deny these persistent gaps between Members’ fundamental positions. At the same time, we shouldn’t disregard ideas from the past that may hint at pragmatic ways forward to bridge these gaps,” Chairman Vangelis Vitalis said at the end of the meeting.

## General Council

On May 12<sup>th</sup>, Azevêdo told Members he has been very pleased with the change in tone lately, which is more conducive to finding solutions. However, he reminded them that time is running out. Five months have already passed since Nairobi and the organization needs to move towards identifying some concrete issues for the MC11. Sources say Members are expected to start discussion on the

dates and location of the 11<sup>th</sup> Ministerial Conference in July.

Some issues, such the permanent solution for public stockholding for food security purposes, are expected to be delivered at the MC11.

Azevêdo plans to engage more with delegates on the agenda for MC-11 this fall. There is a strong willingness to start work with the Nairobi Declaration as the starting point, but there are still differences on the approach – i.e. plurilateral versus multilateral. Some said they do not like this as it creates a two-track system. Others are willing to consider plurilateral on a most-favoured nation basis, but how that would apply to rule negotiations remains a question mark.

“At the end of the day, we may also follow approaches where multilateral and plurilateral commitments follow parallel tracks and substantively complement each other. I would be open-minded about this somewhat hybrid approach,” Azevêdo said.

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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