



Geneva WATCH

An overview of the bilateral, plurilateral and multilateral trade negotiations

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Cairns Group Members Table Revised Domestic Support Proposal

Several Cairns Group Members (Australia, Canada, Chile, New Zealand, and Paraguay) circulated a revised version of their proposal on trade distorting domestic support on October 17th. The group said they have taken into account the numerous comments made by their colleagues and are looking forward to constructive modifications that would help bridge the gaps between Members.

The group chooses to target the overall trade distorting support (OTDS), as a limit there would represent a meaningful, incremental reform, without impacting any Member's existing programs. The group recognized that imposing fixed or floating caps on Members' overall support come with issues: "an OTDS limit fixed for all Members on the basis of their historical value of production achieves criteria one by cutting future entitlements, but does not provide sufficient flexibility to smaller Members whose values of production are growing rapidly." Whereas "a floating OTDS calculated yearly based on a Member's value of production (VoP) may not meaningfully constrain future spending, lacks predictability and, unless set at an ineffectively high level, would require cuts to existing programs from some Members (most notably those in the G10)," the group illustrated.

Thus, in order to provide an effective, realistic outcome for the MC11, the group suggested three options:

- Option A. Double the Member's *de minimis* percentage of its average value of total agricultural production in the period [2011-2015]
- Option B. [110%] of the average article 6 support notified by the Member for [the most

recent three notified years at the date of adoption]

- Option C. For developing country Members, [US\$2.0 billion] or equivalent in local currency (exchange rate to be provided)

Option A will apply to most major spenders who have historically spent only a small percentage of their VoP, the group suggests, citing the U.S. as an example of a country that has historically spent between 2 and 4% of their annual VoP on Article 6 support. The second option will mostly target Members whose historic spending has been high as a percentage of their VoP. The G-10 group which includes Japan, Norway, and Switzerland has voiced concerns over the cut in its sensitive programs. "By creating an OTDS based on their spending, this option imposes an effective standstill on their expenditure. A modest buffer is incorporated to provide reasonable flexibility without expanding entitlements," the Cairns group said. The final option will apply to the vast majority of the membership with a VoP of under \$10 billion.

A developing Member who does not notify its preference would automatically fall under option C whereas a developed country would automatically fall under option B, the proposal stresses, adding that Members will agree to a future work programme that would seek a cut in the base cap to be adopted at the next ministerial Conference (MC12).

Agriculture Special Session

The Cairns Group proposal was well received by some developed countries, including G-10 Members. However, the October 19-20 informal agriculture special session demonstrated that a gap still exists between those like the EU, Brazil and Cairns

Members favouring an overall limit on trade-distorting domestic support (OTDS) and those (China, India, The African, Caribbean, and Pacific – ACP) calling for the elimination of the aggregate measure of support (AMS) first.

The ACP tabled a paper of their own, calling for the elimination of existing AMS entitlements, new limits on de minimis and blue box support for developed and developing countries, and possible new restrictions on green box support at MC11.

Many – but not all – developing countries voiced support for the ACP proposal as well as an earlier joint proposal from India and China, which both call for the elimination of AMS entitlements. Others, however, said both proposals (as well as the C4 proposals on cotton) were not realistic. The Cairns proposal, meanwhile, was described by some developing

countries as too weak, as it will allow developed Members to continue concentrating support on a handful of products, and undermining flexibilities for developing countries' domestic spending.

The Chair of the agriculture negotiating group, Ambassador Karau, welcomed the dynamic created by the Marrakesh Ministerial meeting, but warned that a lot of work remained in the seven weeks left before MC11. He reminded delegates about the objective they have in hand for the MC11, which should be to submit a limited number of issues to ministers in Buenos Aires (Argentina) for their consideration and a clear understanding of what can be achieved. Depending on the issue, he said, the outcome could be a substantive one, a post-MC11 work program or a combination of the two.

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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