



Geneva WATCH

An overview of the bilateral, plurilateral and multilateral trade negotiations

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The Threat of a Trade War

The World Trade Organization's (WTO) full Membership gathered on March 5th in an informal head of delegations session to discuss the recent trade developments ahead of the March 7th General Council meeting. Generally speaking, Members expressed strong concerns with respect to the status of the negotiations, as well as the recent trade actions announced by the U.S. administration.

Post MC11 Negotiations

Most delegates reiterated their disappointment with the lack of concrete outcomes at the 11th Ministerial Conference (MC11) in Buenos Aires (Argentina) last December, calling for flexibility and more creative approaches in tackling the next set of issues on the agenda. Some warned against the agreed set of plurilateral initiatives – including e-commerce and investment facilitation; each of which has attracted more than 70 delegations – as they run the risk of fragmenting the Membership.

The EU, which aims to be very much involved in moving the negotiations forward, calls for the plurilaterals to be negotiated on a MFN (most-favoured nation) basis i.e. that all Members benefit from the outcome. Canada for its part was disappointed by the outcome in both agriculture and fisheries at the MC11, adding that the two remain top priorities for Ottawa.

The new U.S. Ambassador to the WTO, Dennis Shea, was confirmed by the Senate to serve as Deputy USTR on March 1st and he acknowledged that Members were off to a slow start, but believes this was due to their desire to avoid duplicating the same mistakes as the past.

On the way forward with the negotiations after the MC11, the U.S. stressed that the MC11 has opened a discussion on development, particularly self-designated developing countries and the differentiation to be made among them.

On fisheries subsidies, which most delegations said they foresee a multilateral outcome by the MC12 in 2019, the U.S. said Members are currently operating in the dark because of the lack of notifications.

In its annual report released last week, the USTR call on WTO Members to “improve the transparency of their policies and programs by providing mandated notifications on a timely basis.” The same goes for agriculture, which the U.S. claimed work cannot advance on without some clarity on the global trade.

“The administration’s major focus at the WTO on agriculture in 2018 will be to enhance notifications and transparency to inform discussions about the problems that face agricultural trade today,” the USTR wrote in its report released last week.

That being said, the U.S. welcomes the fact that the WTO has taken a new turn as it considers the Doha Round outdated. In its 2018 Trade Policy Agenda, the USTR urges Members to consider the following priorities for 2018:

1. identify, analyze, and agree on the issues facing agricultural trade today
2. identify unfair agricultural trade policies that the WTO could address such as high tariffs, trade distorting subsidies, and the application of non-tariff measures
3. identify the reasons for WTO agriculture negotiations failure in recent years
4. identify a new trade approach to address these problems in the WTO

WTO Director-General Roberto Azevêdo encouraged delegates to learn from past experience and “find ways of increasing the levels of flexibility that they show to each other.”

Members expect to have a new agriculture negotiating group chair to replace Ambassador Karau who will return to Kenya. However, they have been unable to agree on a candidate. Officials now hope that agreement on a replacement could be reached before the March 7th General Council meeting.

Appellate Body Impasse

Nearly every Member expressed concerns with the status of the Appellate Body (AB) where the U.S. has blocked the selection process for new Members. The AB currently has four judges and needs at least three to function. The next Member to step down will do so this September and a year later the body will be down to one single judge, an official said.

The EU said it is extremely important that Members address this issue. The fact that delegates are not even negotiating is due to tactical block by some (i.e. the U.S.) on the AB, the EU stressed. Mexico hoped that the issue will be addressed at the March 19-20 mini-ministerial meeting in Delhi (India) in order to avoid what it called “the law of the jungle.”

Azevêdo, who has been discussing options and alternatives with Members to arrive to a solution on the AB impasse, urged Members to get active and to formulate and discuss solutions on what he described as an “extremely serious and urgent concern for us all” as the dispute settlement function underpins the whole trading system, the Director-General said.

Section 232

11 countries – Australia, Brazil, Canada, China, the EU, India, Japan, Korea, Mexico, Norway, and Venezuela – expressed strong concerns about U.S.’s rising protectionism

and its decision to impose tariffs on steel and aluminium. Australia blame the U.S.’s unilateral action – which it said can only damage the MTS. Three countries in particular – Canada, China, the EU – warned against the impact this measure may generate citing serious consequences.

Canada said it is strongly concerned by U.S. measures taken on the basis of national security, adding that both Prime Minister Justin Trudeau and Foreign Affairs Minister, Chrystia Freeland, voiced concerns against what was seen as an unacceptable attack on Canada’s steel and aluminum industries.

The EU called the U.S.’s move illegitimate, adding that taking such action on the basis of national security could trigger a process that will not be in anybody’s interest. “We can all smell the smoke of a trade war,” China said, adding that only the Dispute Settlement Body (DSB) could avert terrible retaliations. If the DSB is not functioning, it would impact all area of the negotiations, China stressed.

“In light of recent announcements on trade policy measures, it is clear that we now see a much higher and real risk of triggering an escalation of trade barriers across the globe,” Azevêdo said.

“We cannot ignore this risk and I urge all parties to consider and reflect on this situation very carefully. Once we start down this path, it will be very difficult to reverse direction. An eye for an eye will leave us all blind and the world in deep recession. We must make every effort to avoid the fall of the first dominoes,” he added, reminding delegates that there was still time to reverse direction.

The U.S. did not react to the concerns expressed by the Membership.

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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