



Geneva WATCH

An overview of the bilateral, plurilateral and multilateral trade negotiations

Back on Track?

“We’re right back on track” said U.S. President Donald Trump, following his bilateral meeting with Chinese President Xi Jinping on June 30th in Osaka (Japan). The anticipated meeting between the two leaders led to what many trade observers expected: another (sort of) truce in their heightened trade tensions.

Trade war between the two economic superpowers has reached such a degree of intensity that almost every negotiation taking place at the WTO depends on a positive outcome in the bilateral talks between Beijing and Washington.

After a sudden halt in May and President Trump’s decision to impose additional tariffs on more than \$300 billion worth of Chinese goods, the outcome of this latest meeting between Trump and Xi has boosted observers’ confidence that the resumed talks are likely to finally lead to something positive.

“With respect to China, basically we agreed today that we are going to continue the negotiation,” Trump said after the meeting adding that the talks were “fairly advanced.”

Reform and AB Top Priorities

The G-20 Summit in Osaka this weekend also provided an opportunity for leaders to agree on a range of trade priorities including the need to reform the WTO and address the blockage of its Appellate Body (AB) which is down to only three judges with two scheduled to end their mandate this December.

“We reaffirm our support for the necessary reform of the World Trade Organization (WTO) to improve its functions. We will work constructively with other

WTO Members, including in the lead up to the 12th WTO Ministerial Conference,” the G-20 final communiqué stresses.

On the AB issue, leaders “agree that action is necessary regarding the functioning of the dispute settlement system consistent with the rules as negotiated by WTO Members.”

In addition, leaders also “recognize the complementary roles of bilateral and regional free trade agreements that are WTO-consistent” and aim to “work to ensure a level playing field to foster an enabling business environment.”

WTO Director-General, Roberto Azevêdo, strongly welcomed the communiqué.

“Leaders have again recognised the importance of the WTO by reaffirming their support for its necessary reform so its functions can be improved,” he said, adding that the fact that they “also addressed the critical situation in the WTO dispute settlement system by agreeing that action is necessary regarding the functioning of the system consistent with the rules negotiated by WTO members,” is equally important.

Azevêdo believes the WTO’s 12th Ministerial Conference (MC12) next June in Kazakhstan “will be an important benchmark” in the work undertaken by Members as they “strive to realize a free, fair, non-discriminatory, transparent, predictable and stable trade and investment environment, and to keep our markets open.”

“I am committed to work with all WTO Members to do everything possible to achieve progress by then,” Azevedo declared.

Mercosur & EU Strike Trade Agreement; Next Up Canada?

On June 28th, the EU and the four Mercosur countries (Argentina, Brazil, Paraguay, and Uruguay) finally reached a deal on their long-standing (20 year long) trade negotiation. The deal is expected to remove the majority of tariffs on EU exports to Mercosur, saving European businesses more than €4 billion worth of duties per year, the Commission's communiqué said.

In agriculture, the pact will slash existing Mercosur tariffs on various agri-food products including chocolates and confectionery, wines, spirits, and soft drinks. Furthermore, the pact will put in place "duty-free access subject to quotas for EU dairy products (currently 28% tariff), notably for cheeses," the communiqué added. As in previous EU agreements, the Commission also secured protection for 357 food and drink products to be recognized as Geographical Indications (GIs).

On the other side, the EU will liberalize 82% of its agricultural imports, "with the remaining imports subject to partial liberalization commitments including tariff-rate quotas for more sensitive products." Among these sensitive agricultural sectors, the EU conceded the following market access:

- Beef: 99 000 tonnes carcass weight equivalent (CWE), subdivided into 55% fresh and 45% frozen with an in-quota rate of 7.5% and elimination of at entry into force of the in-quota rate in the Mercosur-specific WTO "Hilton" quotas. The volume will be phased in in six equal annual stages.
- Poultry: 180 000 tonnes CWE duty free, subdivided into 50% bone-in and 50% boneless. The volume will be phased in in six equal annual stages.
- Sugar: elimination at entry into force of the in-quota rate on 180 000 tonnes of the Brazil-

specific WTO quota for sugar for refining. No additional volume other than a new quota of 10 000 tonnes duty free at entry into force for Paraguay. Specialty sugars are excluded.

- Ethanol: 450 000 tonnes of ethanol for chemical uses, duty-free. 200 000 t of ethanol for all uses (including fuel), with an in-quota rate 1/3 of MFN duty. The volume will be phased in in six equal annual stages.
- Cheese: 30 000 tonnes duty free. The volume will be phased in in ten equal annual stages. The in-quota duty will be reduced from the base rate to zero in ten equal annual cuts starting at entry into force.
- Milk powders: 10 000 tonnes duty free. The volume will be phased in in ten equal annual stages. The in-quota duty will be reduced from the base rate to zero in ten equal annual cuts starting at entry into force.

"For this agreement to be a win-win, we will only open up to agricultural products from Mercosur with carefully managed quotas that will ensure that there is no risk that any product will flood the EU market and thereby threaten the livelihood of EU farmers," said EU Commissioner for Agriculture and Rural Development, Phil Hogan in an obvious attempt to comfort EU stakeholders who are concerned about the concessions made in beef, poultry, sugar, and ethanol sectors.

"In the midst of international trade tensions, we are sending today a strong signal with our Mercosur partners that we stand for rules-based trade," outgoing President of the European Commission, Jean-Claude Juncker added.

Both sides are set to perform a legal review of the agreement before submitting the accord to their respective parliament for approval.

Geneva Watch is published monthly by Dairy Farmers of Canada, Chicken Farmers of Canada, Turkey Farmers of Canada, Canadian Hatching Egg Producers, and Egg Farmers of Canada to report on the various events occurring in Geneva, especially on agriculture.

For more information or comments, please visit: dairyfarmers.ca, chickenfarmers.ca, eggfarmers.ca, turkeyfarmersofcanada.ca, chep-pois.ca

Legal Deposit: National Library of Canada, ISSN 1496-9254

