

Geneva WATCH

An overview of the bilateral, plurilateral and multilateral trade negotiations

Trade Ministers Meet in Davos, Identify 2020 Priorities

Trade Ministers from 35 World Trade Organization (WTO) countries¹ gathered on the sidelines of the January 21–24 World Economic Forum (WEF) in Davos (Switzerland) to resume discussions on trade priorities for this year.

The informal meeting which took place the last day of the WEF, provided Members with the opportunity to address the preparations for the 12th Ministerial Conference (MC12) in Nur-Sultan (Kazakhstan) in June 2020.

The bulk of the discussions focused on negotiations currently taking place at the WTO (i.e. fisheries subsidies and agriculture negotiations) as well as the ongoing efforts to reform the organization.

On the ongoing negotiations, several ministers (African Group and Cairns Group) reiterated their wish to see outcomes in agriculture and particularly in domestic support, market access, export competition, cotton, public stockholdings for food security purposes (PSH), and the special safeguard mechanism (SSM), among other issues. Members of the Cairns Group, meanwhile, warned that they won't be in position to accept a MC12 package that does not contain "some meaningful reform agreement in agriculture."

Along with the need "to foster greater transparency" of Members' trade policy measures and "stimulate the deliberative function of the WTO," several Ministers called for the adjustment of "WTO rules and commitments to today's realities." This, in a nutshell, refers to the

importance of revisiting the developing country self-designation rule to make sure that emerging countries like China and India do not systematically benefit from the special and differential treatments (S&DT) reserved for developing and least-developed countries.

In addition, the need to explore new approaches on various topics – such as plurilateral negotiations – was also validated by Ministers who insisted on the openness and inclusiveness aspect of each initiatives. In that context, they praised the progress achieved thus far on e-commerce, investment facilitation, micro, small and medium-sized companies as well as services domestic regulation, some of which are also expected to be delivered in Nur-Sultan.

Of course, the rehabilitation of the Appellate Body (AB) was also raised as a group of key countries² – who are, for some, frequent users of the WTO's dispute settlement mechanism – announced that they will join Canada, the EU, and Norway in using Article 25 of the WTO Dispute Settlement Understanding as a temporary arbitration measure in the absence of a functioning AB.

"We believe that a functioning dispute settlement system of the WTO is of the utmost importance for a rules-based trading system, and that an independent and impartial appeal stage must continue to be one of its essential features," the group said in a statement released the same day, adding that they will work in the meantime towards putting in place "a multi-party interim appeal arrangement based on Article 25 of the WTO Dispute Settlement Understanding, and which would be in place only and until a reformed WTO Appellate Body becomes fully operational."

¹ Argentina, Australia, Botswana, Brazil, Canada, Chad, Chile, China, Colombia, Costa Rica, Egypt, the European Union, Hong Kong, India, Indonesia, Jamaica, Japan, Kazakhstan, Korea, Malaysia, Mexico, Morocco, New Zealand, Nigeria, Norway, Pakistan, Philippines, Russian Federation, Saudi Arabia, Singapore, South Africa, Switzerland, Thailand, Turkey, the U.S.

² Australia, Brazil, Canada, China, Chile, Colombia, Costa Rica, the European Union, Guatemala, Republic of Korea, Mexico, New Zealand, Norway, Panama, Singapore, Switzerland, and Uruguay

This move was widely expected by trade observers and did not come as a surprise. In fact, many expect additional countries to join the coalition to put pressure on the U.S.

Agriculture Talks Also Resume

The Agriculture negotiating group resumed its talks the following week (week of January 27th) with the goal of identifying a set of doable elements for MC12. For this first gathering of the negotiating group since the beginning of the new year, a number of proposals were circulated to stimulate discussions.

Proposed Framework for Domestic Support Negotiations

Reminding that Final Bound Total Aggregate Measures of Support (AMS) has more than doubled between 2001 and 2016 (from \$341B to \$772B) and could reach \$2 trillion by the end of this decade, the Cairns Group – or at least some of them³ – suggested that Members strongly consider its proposed framework “to cap and reduce the sum of current global agricultural trade-and production-distorting domestic support entitlements by at least half by 2030.” This should be done by taking into consideration all forms Article 6 support, including art.6.2 (development box); *de minimis*, Blue Box, and Green Box subsidies.

Even though the Cairns Group called for the reduction “to be proportionate to the size of those Members' current entitlements and their potential impact on global markets,” its proposed framework remains challenging for many. The EU for instance opposed the inclusion of Green Box subsidies in the equation saying that it intends to continue using the measure to support its farmers. It joined Norway in asking that Members focus solely on article 6.3 (AMS) and article 6.4 (*de minimis*). Although, the group called for flexibility to be granted to countries who require some TDS to cover “individual development needs,” the G33 group reiterated that priority should be put on tackling AMS only while others developing countries echoed the importance to leave untouched Article 6.2 subsidies.

The U.S., for its part, fears that Members might not get enough time to resolve differences on domestic support. It reiterated the need to tackle transparency issues (such as updated and timely notifications) and asked for more engagement on other “equally important” pillars, such as market access.

Market Access

On market access, Canada joined several countries including Australia the EU, New Zealand, Paraguay, Russia, and the U.S., in demanding enhanced transparency in applied tariffs. Russia called for further improvement in TRQs – particularly country-specific TRQs.

“Since the adoption of the Bali Decision in 2013, TRQ fill rates have not demonstrated significant increase. Instead, they declined from 55% in 2013 to 51% in 2016,” Russia stressed. Russia claims that country specific TRQs remain also constantly underfilled with an average fill rate of about 61%. It therefore suggests that Members also provide information on their unused amount left on their TRQs before the quota year ends. This enhanced transparency will improve market predictability and provide incentive for importers to bring in additional products to fill the TRQ.

The EU meanwhile asked that the scope of discussion be broadened to avoid cherry-picking. For instance, it urged Members to address the “water” between bound tariffs and applied tariffs. China and India, for their part, asked to put the priority on tariff simplification given developed countries' complicated tariff regimes.

PSH & SSM

The discussions on PSH and SSM were disappointing, particularly on PSH for which Members received a clear mandate from Ministers at MC11. Agriculture negotiation chairman, Ambassador Deep Ford (Guyana) stressed that PSH needs “more details, flexible and creative ideas and new angles.” The chair is ready to take a personal risk to push for an outcome on this important topic, according to one WTO trade official. Similarly, more analysis and robust conversation will be needed to move SSM forward, Ford declared.

Export Restrictions

One of the elements that could be agreed to in Nur-Sultan is improving transparency on Members' export restrictive measures. Japan and some G-10 countries have been big proponents on this. They question the rationale behind long implementation periods of certain export prohibitions and restrictions (an average of 995 days in the 2013–2018 period and some even longer than 1000 days) which are meant to be temporary. On the other end, measures that last 30 days or less, are sharply declining.

³ Agreed by Argentina, Australia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Pakistan, Paraguay, Peru, the Philippines, Thailand, Ukraine (as an aspiring member of the Cairns Group), Uruguay and Vietnam.

Chair's Framework Paper Expected Mid-February

Despite the challenging restart, Ambassador Ford was “very pleased” with the “spirited and frank” discussions that took place at this first informal meeting. The Chair is confident that progress could be made between now and Nur-Sultan and intends to pursue his consultations with Members in the coming days with the goal to finalise his revised report on the doable elements in agriculture.

This “framework paper” is expected to be circulated to Members in mid-February and will be used as the basis for further negotiations in the lead up to MC12.

It does not have to be something agreed upon by everyone, but “hopefully by May, we will have something stabilized for Nur-Sultan,” he said of his framework paper.

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.

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