



Positive Developments in Agriculture

At the end of the World Trade Organization’s (WTO) October Committee on Agriculture in Special Session (COASS) gathering, the Chair of the negotiating group, Ambassador Deep Ford (Guyana), stressed the importance of the COASS given the slow progress recorded by Members thus far.

Ford insisted on the need to separate issues that are considered mature for the June 2020 Ministerial Conference in Nur-Sultan (Kazakhstan) from those that can be left out for a post-MC12 work program. Launching this selection process is important to put together a document with clear options that would ultimately set the stage for next year’s negotiations.

The week of November 25th, Members responded to the Chair’s call with no less than eight new submissions¹ circulated on various topics to be considered for MC12. This fresh impetus injected into the negotiations led Ambassador Ford to describe the November’s COASS as a “turning point” that would help the group enter an intensified and decisive negotiating phase.

The new submissions touched on all three pillars of the negotiations (market access, domestic support, export competition). In addition, cotton, public stockholding (PSH), and the special safeguard mechanism (SSM) were also raised.

Domestic Support

By far the topic that generated the most interest was domestic support, on which Members tabled five new papers. The main goal in this issue, considered as the top priority for MC12, remains the reduction of trade-distorting domestic support i.e. Final Bound Total AMS (FTBAMS) and *de minimis* support.

In a room document circulated to help the discussion moving forward, Canada calculated that only 10 of the 164 WTO countries account for 79% of the \$762 billion USD global domestic support provided through FTBAMS and *de minimis* in 2016. Of this total, 21% comes in the form of FTBAMS while *de minimis* accounts 79% of the total support.

Australia and New Zealand tabled a joint paper outlining the same message and showing that trade-distorting support (article 6.3 and article 6.4) has more than doubled since 2001, where it was estimated at around \$322 billion USD.

Their submission came in support of Canada’s analysis, by showing that today’s biggest subsidizers are from developing countries, namely China and India. In fact, in 2016, the top 10 trade-distorting support providers were China, the EU, India, the U.S., Japan, Brazil, Indonesia, Russia, Turkey and Mexico.

The analyses triggered a strong call from some to drop the developing/developed country labels and have all Members contributing to reducing trade-distorting subsidies.

Obviously, China, which is chiefly targeted here with its 8.5% *de minimis*, justified its support levels by pointing to its numerous small farmers compared to developed countries. It says that it will in turn respond with its own analysis by the time the group meets again.

The U.S., meanwhile, believes that both Canada and Australia/NZ proposals were only the first steps in Members’ much needed discussion of the impact of high subsidies on global agriculture trade.

Two New Approaches

The meeting also featured preliminary discussions on two new approaches aimed at tackling reductions in trade-distorting domestic support. Russia and Costa Rica each submitted.

Using the data provided by Canada, Costa Rica advocated for “a broad approach” to discipline all trade-distorting support given that “35% of the annual expenditure is concentrated on trade-distorting subsidies that have no limit under the AoA (Agreement on Agriculture, Articles 6.2 and 6.5).”

“A framework that tackles only the current entitlements, without considering the reality of the actual expenditure, will

¹ The eight new papers tabled are “market access” (Australia and Canada; the U.S.); “export competition” (Canada, Norway and Switzerland); “domestic support” (Australia and New Zealand, Russia, African Group, Canada and Costa Rica)

not be sustainable,” Costa Rica wrote. Therefore, a “sustainable negotiation framework” that addresses all trade-distorting subsidies should be pursued.

In addition, Members could make good use of the existing water in the usage of trade-distorting support as less than 15% of allowed TDS (trade-distorting support) rights is currently used by Members. “There is ample room available for further reforms,” it says.

Costa Rica advocates for any reduction to be proportional. This would allow to deviate from the conventional principle of S&D (special & differential) treatment applied to developing Members.

“Proportionality is the practical application of the principle of fairness in the reform process. Under proportionality, individual contributions are aligned with the trade-distorting potential of each Member. Following this principle, those that have more potential to distort global markets would contribute more to the reform process,” it wrote.

Russia for its part introduced a formula which it says is “a flexible instrument” to reduce trade distorting support (AMS and *de minimis*) as it “provides policy space with respect to reduction commitments during the implementation period.”

The formula uses coefficients and indexes based on actual performances of Members’ agricultural sectors. Reductions, Russia added, “will be performed in distinct implementation stages” each comprising “from three to seven years” with an overall implementation period to last “no longer than 21 years.”

This was the first formula tabled by Members to reduce TDS since the MC11. As such, Russia’s effort was saluted with Members requesting additional time to study the formula.

Main Takeaways on DS

Members praised Costa Rica’s ideas of “decoupling value of production from new disciplines” and pursuing a “sustainable negotiation framework”.

Pressured, China asked Members to understand that farmers in developing countries are facing “additional challenges” on top of those highlighted by the U.S. for its farmers.

Pleased with the discussions, Ambassador Ford said he wants to better frame the agriculture text. They now need to identify the components of “doable” elements on domestic support.

Market Access

There were two new submissions on market access. The first by the U.S. “Issues with tariff rate quotas (TRQs)” highlights concerns with Members’ TRQs and how they are operated and administered. The U.S. repeated its request for increased transparency in Members’ tariff schedule. By updating their TRQ notifications, Members will enhance their understanding of each other’s agricultural tariff regime, it says.

Generally speaking, Cairns Group Members (Brazil, Canada, New Zealand, Paraguay, and Uruguay) and Article XII countries (Panama on behalf of those that have recently acceded the WTO) supported the idea of making progress with a balanced outcome in the market access pillar by MC12.

China even suggested starting with some easy steps such as “tariff simplification” and “tariff peaks,” a trade official reported. On the other end of the spectrum, the EU and Japan were among the most pessimistic about a potential outcome in the market access pillar given the limited time before MC12.

The other paper jointly tabled by Australia and Canada mainly sought “transparency in tariff rate changes, and the treatment of shipments *en route*.”

In short, the submission asked Members to clarify how they notify changes in applied duties, and how they treat consignments *en route* when tariff rates are changed. Canada said the document is for transparency purposes for the time being and that it will consider submitting a similar request for industrial products.

Ambassador Ford believes that additional analysis is required before suggesting any specific options on this pillar.

Transparency is among the elements he considers “doable” for MC12 and could be linked to other areas of the negotiations.

The Chair said he will no longer issue his revised report this December, as previously mentioned, but rather next year following the Davos Mini-Ministerial meeting (January 21–24, 2020). The text will likely include “doable” elements related to domestic support, transparency, export restriction, and possibly cotton. It will be discussed at the next COASS meeting scheduled for January 28-29, after the traditional WTO Mini-Ministerial on the sidelines of the World Economic Forum in Davos.

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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