

Geneva WATCH

An overview of the bilateral, plurilateral and multilateral trade negotiations

Members Debate Agriculture Elements & Processes for MC12

The chair of the agriculture negotiating group, Ambassador Deep Ford (Guyana), circulated his revised report on the “doable elements” to be considered by Trade Ministers at the June 8–11 Twelfth Ministerial Conference (MC12) in Nur-Sultan (Kazakhstan).

The report released on February 14th, essentially aims at “identifying elements and processes related to the options” in each of the seven areas of the agriculture negotiations designated by Members as priorities for MC12, i.e. domestic support (DS), market access (MA), export competition (EC), export prohibitions and restrictions (ER), cotton, special safeguard mechanism (SSM), and public stockholding for food security purposes (PSH).

Ambassador Ford’s second report is based on Members’ submissions and the consultations he led since December 2019. It is meant to be a dynamic document on which Members will focus their energy with the hope that it leads to the “preparation of a draft text which would form the basis of an incremental, balanced, and meaningful outcome at MC12.”

Success, the chair wrote, “would be agreed elements that advance the fair and efficient functioning of agricultural markets (...) paving the way towards wider and deeper outcomes in the future.”

Domestic Support

Reducing and possibly capping overall trade-distorting domestic support has been the priority of Members since MC11. The chair calls for increased transparency (e.g. notifications) in order for Members to work with more complete information on different components of DS, including the latest data on value of production for all products for which support is provided.

Thus far, options tabled in this area of the talks are:

1. Cap and reduce by half the sum of current global trade-distorting domestic support by 2030. An option recently tabled by the Cairns Group, including Canada
2. Eliminate AMS outlays above *de minimis* – an option suggested by China and India
3. Revisit and further limit the categorization of support
4. Formula for reduction of Trade distorting support (TDS) – Russian Federation
5. Limit product-specific support – various countries including some Cairns Group Members
6. Proportional reduction – Costa Rica

Ambassador Ford suggests that Members focus “towards capping and reducing” TDS “with numerical goals” which is closer to the Cairns Group’s suggestion which calls for a reduction by half of domestic support outlays by 2030. Members are said to be unanimously ready to address a numerical capping based on the Cairns Group’s proposal.

However, the main question in this section remains which subcategories will be considered in the cut (i.e. whether all Article 6 support should be tackled or only TDS – AMS-only or AMS + *de minimis*). The Cairns Group stressed the importance takeoff taking all article 6 entitlements into account, particularly art. 6.2 (Development Box) which is now worth about \$30 Billion (USD) according to Australia’s estimates.

The special and differential treatment (S&DT) provision is the other key matter, especially for Members like China and India. It is therefore believed that any success in reforming domestic support would largely depend on how S&DT would apply to emerging economies. Trade observers believe that some flexibilities will be needed in order for China and India for them to join the consensus.

Market Access

Ford said he sensed “that Members are not yet ready to launch discussions on the core issue of a tariff reduction modality.” However, he suggests that including market access elements in the mix would “facilitate the task of determining the contours of an MC12 agriculture package agreeable to all.” As such, the chair proposes that Members focus on the following elements for MC12:

1. Goods en route: a relatively easy issue to agree on and which concerns changes in applied tariffs of shipments already en route. Canada and others pushed for this to be agreed to as part of enhanced transparency in Members’ tariff schedule. The only concern raised was the additional workload related to the timely notification of changes in Members’ tariffs. The solution could come in the form of “an IT-enabled alert system to deal with changes in applied tariffs,” Ford suggests.
2. Tariff simplification: as part of the improved transparency in Members’ tariff schedule, some countries (China, India and Russia) suggest simplifying complex tariffs into *ad valorem*. All Members recognize that the issue is technically complex and would therefore require a long period of time to assess. The chair suggests that Members agree to include this as part of the work program for post-MC12.
3. Tariff Rate Quota (TRQ) Administration: with the objective of increasing TRQ fill rates, Russia suggests that unused volumes of the TRQ be made publicly available to exporters at an agreed timeframe before the end of the quota year. The issue here remains as to whether this would also include country specific TRQ.
4. Framework & process towards market access reforms to be agreed to as part of the post-MC12 work program.

In reaction, Members said they look for greater transparency with respect to applied tariffs. There is a general feeling that the timeline should be extended past MC12 especially on technically complex issues such as tariff simplification and the linkages that can be made between the special safeguard mechanism (SSM) and tariff reduction. However, for the immediate future, there is an agreement to resolve the underfill problem in TRQ. The EU for instance supported Russia’s proposal in that regard. However, it’s still unclear whether this will also concern

country specific TRQ. The U.S., for its part, looks for the reform on market access to go hand-in-hand with reform in domestic support. The G10 group urged Members to take non-trade concerns into account when dealing with reduction in domestic support and market access expansion.

Export Competition & Export Restrictions

Issues pertaining to EC’s unfinished business (enhance disciplines on export credits, export credit guarantees or insurance programs, agricultural exporting state trading enterprises and international food aid) are likely to be part of a post-MC12 work program.

On ER, “the exemption of foodstuffs purchased for non-commercial humanitarian purposes by the World Food Programme from the application of Export Restrictions” has been the low hanging fruit for MC12. The biggest question here remains the timeline for advance notification: “a 30-day period with flexibilities in cases of ‘force majeure’” or “an advance notice period of 30 days as a best endeavour clause.”

Cotton

The issue is closely linked to outcome in domestic support. An outcome in the latter may include a commitment to reduce cotton specific trade-distorting support.

Special Safeguard Mechanism

There has been no progress at all on this issue as Members opposing the matter (those who are not Members of the G-33 or the African, Caribbean, and Pacific countries (ACP) have suggested to address the issue as part of a broader market access discussion, i.e. there cannot be an agreement on SSM without one on a tariff reduction formula, which isn’t likely to be addressed at MC12.

Public Stockholding for Food Security Purposes

Here as well, expect no changes since Bali (MC9). G-33 continues to claim the importance of a permanent solution for its food security but it’s clear that India is comfortable with the current peace clause being maintained. Discussions here as well may be pushed to after MC12.

Next Steps

As expected, the negotiating group will meet at the end of each month in the lead up to MC12. Similar to his fisheries subsidy’s counterpart, Ambassador Ford plans to call a meeting at the head of delegations’ level coupled with direct engagement of chief negotiators to “ratchet up the discussion” as he put it. The first meeting of this type is tentatively scheduled for March 23-24. Other opportunities may come at the end of April and May 2020.

The chair's goal remains to have a draft agreed text before leaving Geneva for Nur-Sultan.

Looking for a Manageable MC12 Agenda

Outcomes on both fisheries subsidies and agriculture were reiterated as important for the credibility of the multilateral trading system (MTS). In addition to that, Members look to agree on some plurilateral initiatives such as services domestic regulation (involving 65 countries), investment facilitation for development (100 delegations) micro-, small and medium-sized enterprises (MSME) and e-commerce.

To avoid any heavy technical negotiations in Nur-Sultan, it is important to settle early on the type of ministerial document Trade Ministers will focus on at MC12. WTO Director General, Roberto Azevêdo, reminded delegates that the time will be short for Ministers to debate and resolve differences on a wide array of issues.

“Past experience shows us that leaving inadequately prepared issues on the table for Ministers to determine is, more often than not, a recipe for getting nothing,” he said,

referring to MC11 in Buenos Aires. Therefore, “making the agenda for MC12 manageable would enhance our prospects for success there. This means determining now – well in advance of the conference – which issues can realistically be harvested with ministerial input in Nur-Sultan,” Azevêdo added.

Three types of document are contemplated:

- A ministerial declaration: the most desirable outcome that would feature agreement on fisheries, agriculture and more;
- A chairman statement, a less desirable document which will summarise where Members stand and what happened at the MC12, or
- A hybrid document, mixing the above two options

The process for determining the shape and content of the document to capture outcomes from MC12 should start as soon as possible, said Azevêdo.

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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