State of Play – WTO Agricultural Negotiations

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Friday 28 September 2018

WTO Agriculture Negotiations Update

(1) Introduction - The Negotiations Environment
(2) Update on 7 areas of the Ag. Negotiations
(3) Conclusions – Way Forward

Message 1: Mandates - Trade is key to SDGs - SDG 1 and 2

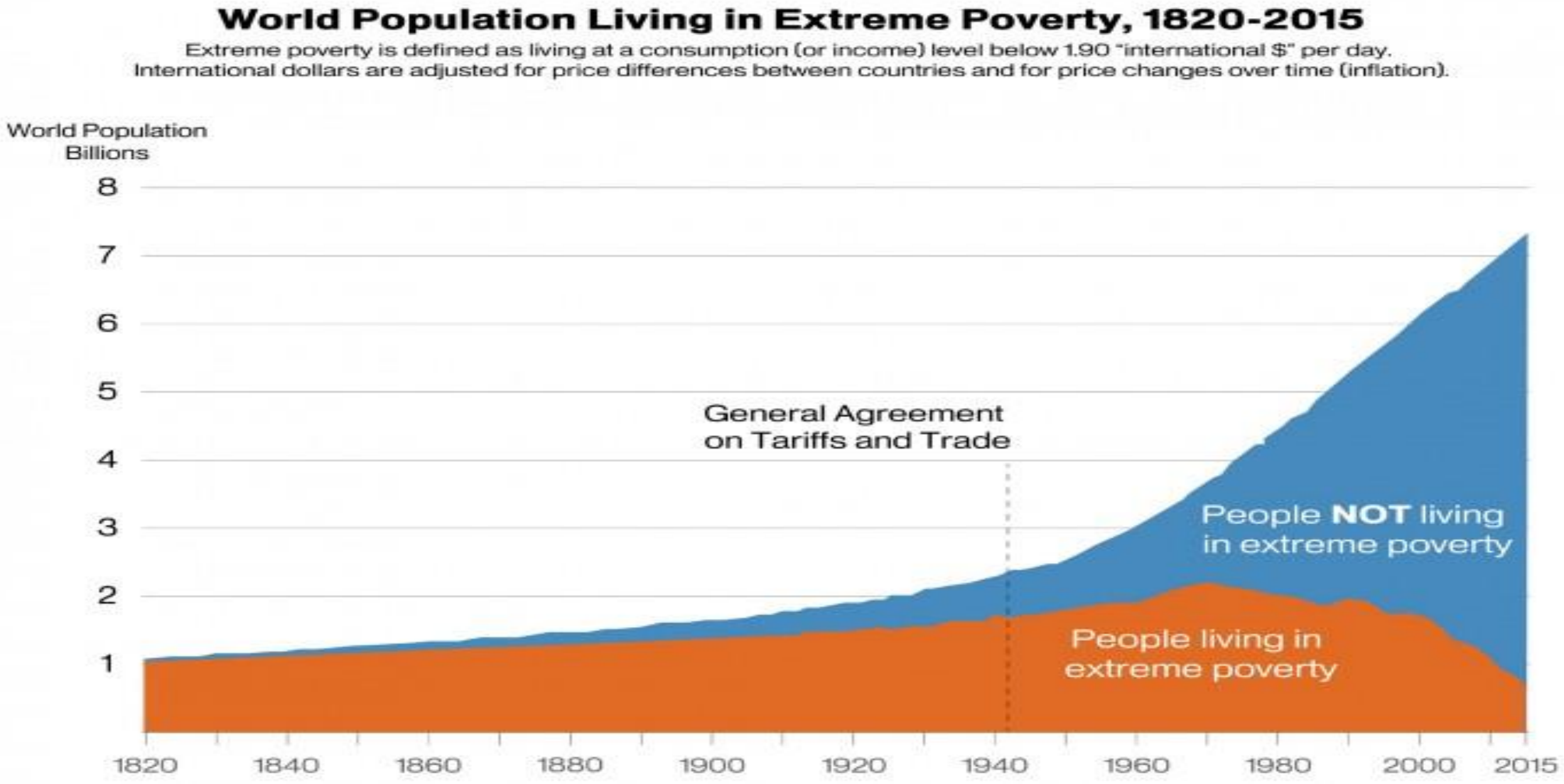
SDG 1: End poverty in all its forms everywhere

SDG 2: commits governments to end hunger, achieve food security and improved nutrition and promote sustainable hunger:

2(b): "Correct and prevent trade restrictions and distortions in world agricultural markets, including through the parallel elimination of all forms of agricultural export subsidies and all export measures with equivalent effect, in accordance with the mandate of the Doha Development Round."

2(c): "Adopt measures to ensure the proper functioning of food commodity markets and their derivatives and facilitate timely access to market information, including on food reserves, in order to help limit extreme food price volatility." Also other global goals, including SDG 17 (means of implementation).

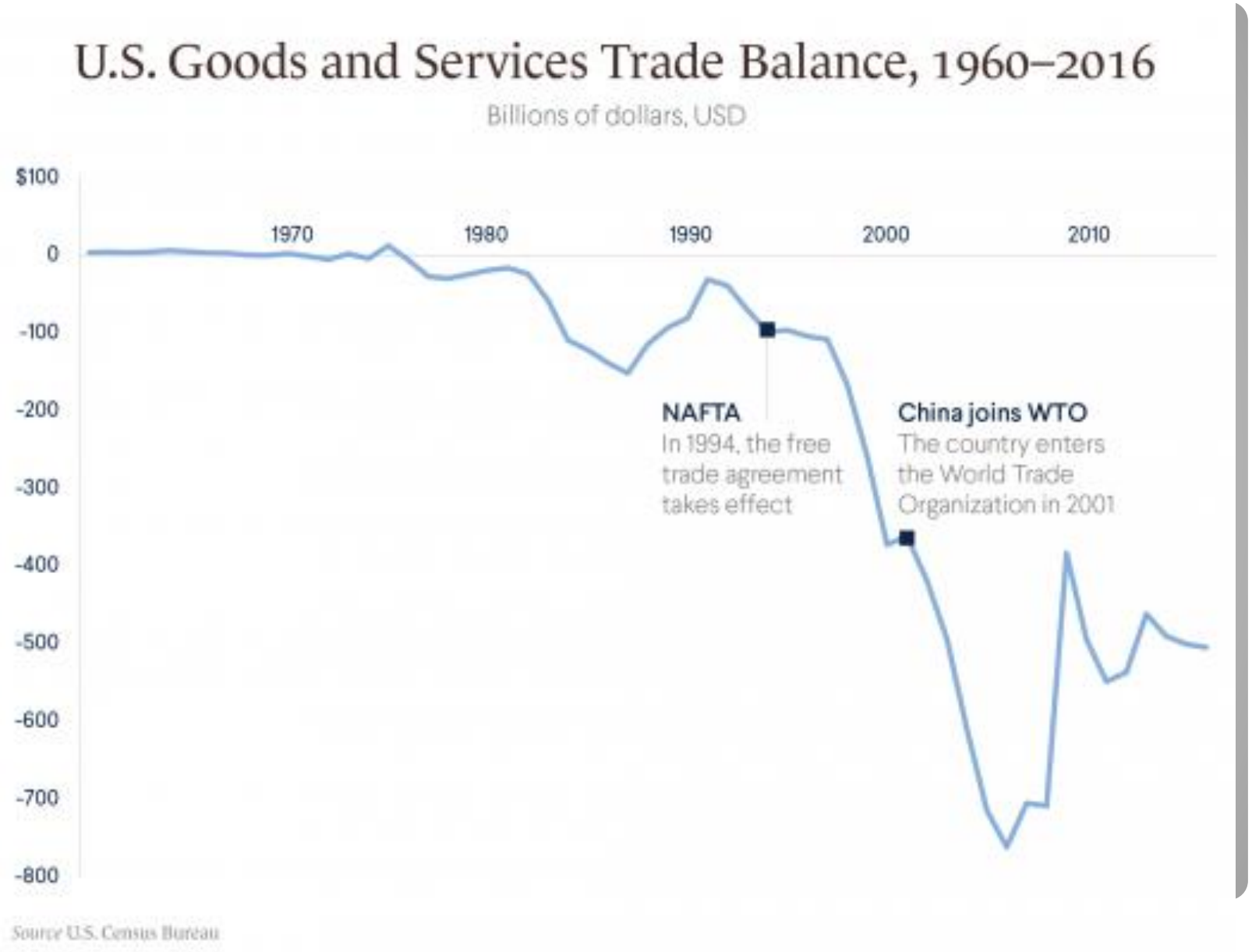
AoA Article 20: Continuation of the Reform Process



A stable,predictable global trading environment has contributed to increased global welfare

Message 2 :

The political and economic environment is not conducive to negotiations.



The WTO is in crisis, under threat, needs to be protected.

- **WTO is the guardian of the member driven rules-based, transparent, non-discriminatory, open and inclusive multilateral trading system**

1. Negotiations
2. Monitoring
3. Enforcement

- Rules
- Accountability
- Consequences

- Transparency
- Predictability
- Redress

Change inside the WTO – Reform Proposals

- Negotiations – DDA, Development, New Issues
- Monitoring – Notifications lagging, assessment difficult
- Enforcement – DSU struggles, Rules not observed

The World has changed since 1996, 2001, 2008, 2016 – negotiations need to change in process and substance

Factors shaping international agricultural trade environment

Affecting Supply/Trade/Demand

- Climate change
- Migration

- Evolution of agricultural policies and support
- Sanitary and phytosanitary challenges
- New technologies

- Agricultural markets and trends in international agricultural trade
- Evolution of overall trading environment (trade wars?)
- Development of Global Value Chains

- Growing population and economic growth
- New consumption habits

Message 3: In spite of the environment the agricultural negotiations are fully attended with meaningful engagement

- Sept. 19 and 20 CoASS – DS, PSH, Cotton
- Technical Presentations made and challenged
- Sharp and frank exchanges
- Clear messages for the next round of negotiations

- October CoASS
  -Market Access
  -SSM
- November CoASS
  - Export Competition
  - Export Restrictions
- Ongoing, Several Formats

(2) Update on 7 areas of the Agriculture Negotiations

The main steps – to where we are today and what's next after BA

1. Domestic support*
2. Public stockholding for food security purposes
3. Market access
4. Special safeguard mechanism
5. Export Competition
6. Export restrictions
7. Cotton

Agricultural negotiations in the WTO – main steps

- **March 2000**: CoA S Special Session - continuation reform process (art. 20)
- **November 2001**: Doha Ministerial Conference
- **July 2004**: Geneva, July package
- **December 2005**: Hong Kong Ministerial Conference
- **2006-December 2008**: Draft texts
- **December 2013**: Bali Ministerial Conference
- **December 2015**: Nairobi Ministerial Conference
- **December 2017**: Buenos Aires Ministerial Conference

Agricultural negotiations in the WTO what's next after Buenos Aires?

- **Buenos Aires**: Absence of outcome on agriculture

- **Lessons learnt ?**
  - **Change nature of engagement, spirit of compromise, flexibility & realism**
  - **Commitment at both political and technical levels**

  - **Anticipate the deadlines. Not wait for the last minute**
  - **Incremental outcomes / linkages**

  - **Improve and update available information plus analytical work**

  - **Priorities -- Agriculture**

(2) Update on 7 areas of the Agriculture Negotiations

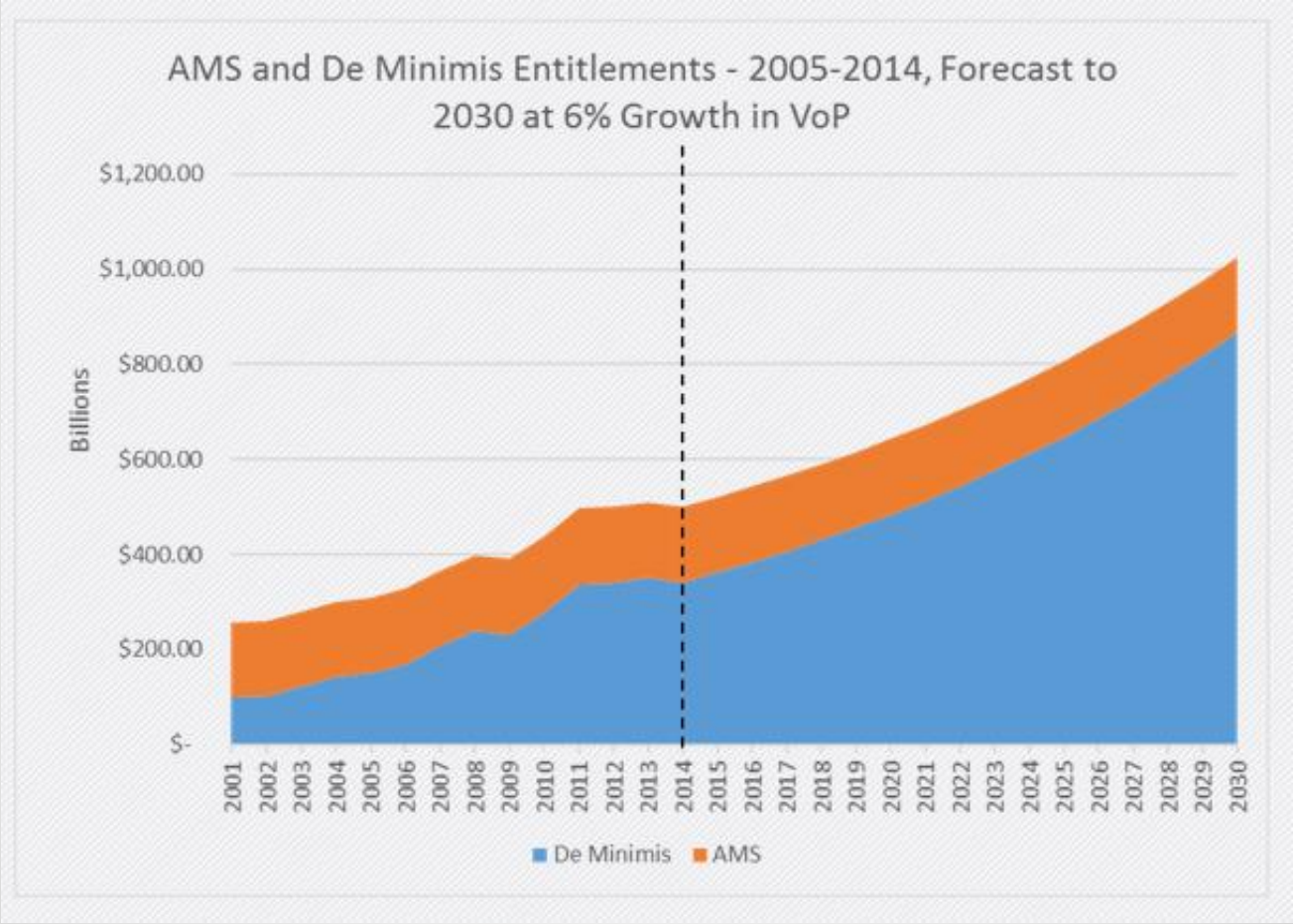
1. Domestic support*

Domestic Support (DS)

- **The priority issue for the vast majority of Members**
- **Many submissions by Members – before and after MC11**
- Data shows that **trade distorting domestic support (TD DS)** remains:
  - high (around USD 100 billion in 2001-2010)
  - highly concentrated in some countries and some products

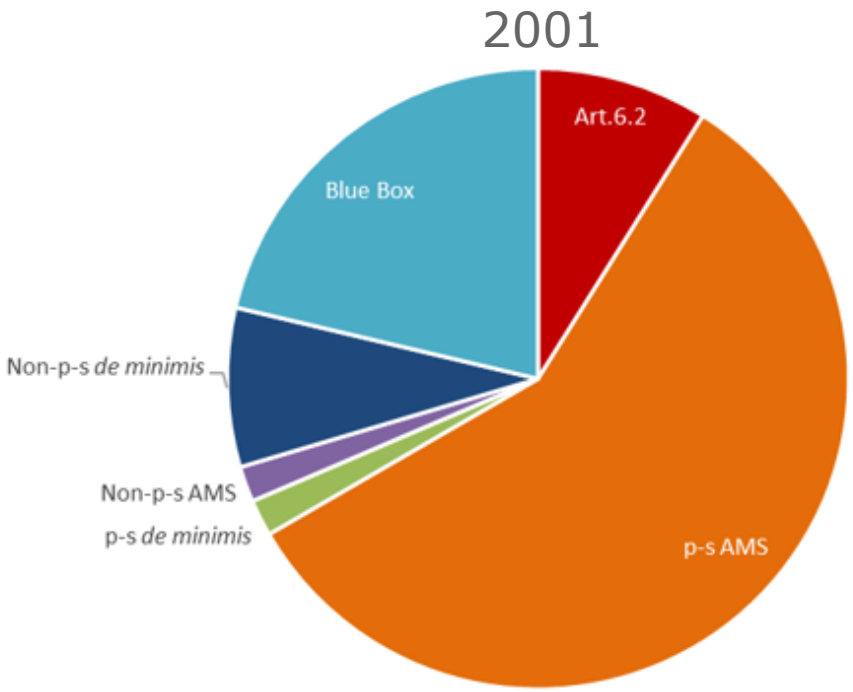
    and
  - relative shares of key subsidizers are changing
  - relative shares of different categories of support are changing

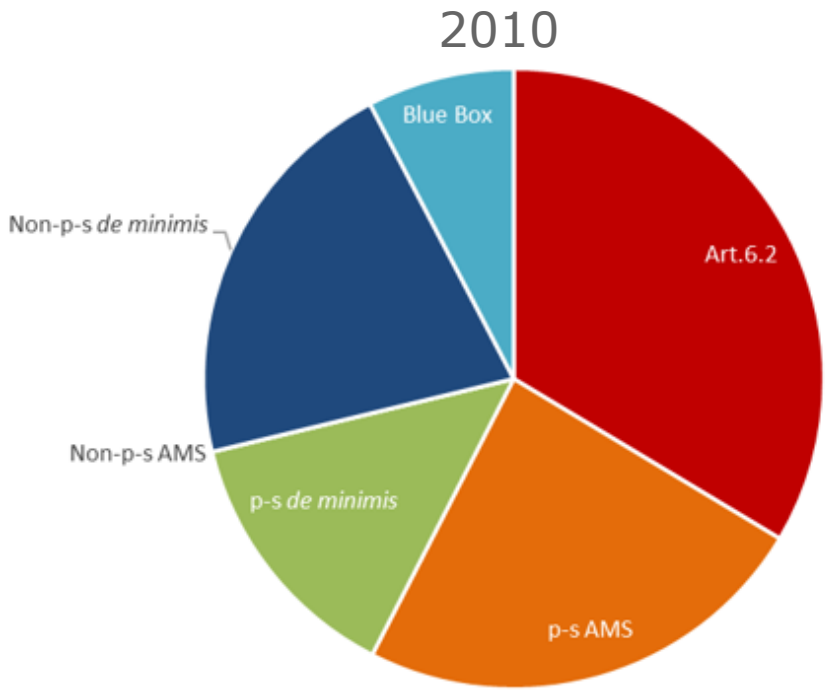
AMS and *de minimis* entitlements



Source: presentation by Australia

Global Article 6 Support by Category: 2001 and 2010





Source: WTO document Job/AG/143

DS: Negotiations

- **Common objective:**
  - Further constraining the use of TD DS
- **Key divergences (from the past):**
  - How to constrain?
    - Introducing a new limit ?
    - Reducing existing limits?
  - If a new limit, what type of support should it apply to?
    - AMS and *de minimis*?
    - AMS, *de minimis* and Blue Box?
    - All Art.6 support (incl. Art.6.2 *i.e.* development programmes)?
  - If reducing existing limits, then which ones?
    - FBT AMS only?
    - FBT AMS and *de minimis*?

Green Box – unlimited – no change ? Review ? Strengthen ?

Overall Limit to Total Trade Distorting Support

DS: recent (post-MC11) submissions

Domestic support		
JOB/AG/137	22 June 2018	**China and India:** Elimination of AMS beyond *de minimis* to reduce distortions in global agricultural trade – some incremental steps
JOB/AG/138	11 July 2018	**Canada, Argentina, Australia, Brazil, Guatemala, New Zealand, Paraguay, Peru and Uruguay**: Domestic Support in the WTO Agreement on Agriculture
JOB/AG/143	17 September 2018	**Australia, Canada, Chile, Colombia, New Zealand, Peru and Vietnam**: Trends in Global Trade-Distorting Support

DS: Process

- **Dedicated discussions:**
  - 20-21 September 2018
    - Good engagement based on the technical papers by Cairns Group members
    - Next dates to be decided
- **Consultations in other formats**
- **Goal:** prepare the ground for moving to “options” when appropriate

(2) Update on 7 areas of the Agriculture Negotiations

2. Public stockholding for food security purposes

Public Stockholding for Food Security Purposes (PSH)

- **Top priority for G33**
- **Seen as a gateway issue by many**
- **Mandates from Bali and Nairobi to find a Permanent Solution**
- **Deadline (end 2017) - missed**

Public Stockholding for Food Security Purposes

- **Key ideas put forward in the past:**
  - Exempting support to producers provided under PSH programmes from AMS calculations within the Green Box
  - Exempting support to producers provided under PSH programmes from AMS calculations in a new Annex to AoA (i.e. Annex 6)
  - Bali type solution ("Peace clause") with stronger safeguards and/or "less onerous" transparency provisions
  - One of the key concerns of non-proponents: **transparency** and potential exports from stocks

Key PSH Proposals submitted in 2017

- **JOB/AG/99** (incl. Domestic Support & Cotton), 17 July 2017

  Brazil, EU, Colombia, Peru and Uruguay: Proposal on Domestic Support, Public Stockholding for Food Security Purposes and Cotton
- **JOB/AG/105**, 19 July 2017

  G33: Proposed permanent solution on Public Stockholding for Food Security Purposes
- **JOB/AG/118**, 30 October 2017

  Russia and Paraguay: Public Stockholding for Food Security Purposes - Draft Ministerial Decision of 13 December 2017
- **JOB/AG/125**, 20 November 2017

  Norway and Singapore: Public Stockholding for Food Security Purposes

→ Gradually moved towards Bali type of solution

Key issues: country and programme coverage, product coverage, safeguards, transparency, legal certainty

PSH: Process

- **Dedicated session:**
  - 21 September 2018
    - No new submission, no fundamental change in positions
    - G33 recognised the need for a technical conversation
    - Next dates to be decided
- **Consultations in other formats**
- **Goal:** find a Permanent Solution by MC12 (June 2019)

(2) Update on 7 areas of the Agriculture Negotiations

3. Market Access

Market Access

- **Importance of market access reforms acknowledged by Members**:
  - After all no multilateral outcome to reduce the existing tariff bindings since the conclusion of Uruguay Round some 25 years ago!

- **Limited engagement among Members in the market access pillar over the recent period:**
  - Negotiating priority of a majority of Members in domestic support reforms
  - Majority of WTO Members (both developed and developing) have defensive position in this pillar

Market Access

- **This pillar has enormous technical complexity:**
  - Use of non-*ad-valorem* and other forms of complex tariffs
  - Excessive role of TRQs in agricultural market access commitments
  - Use of special agricultural safeguard (SSG)

- **Multiplicity of issues to be addressed:**
  - Core issue of tariff reduction modality
  - Numerous additional issues: tariff escalation, tariff peaks, in-quota tariffs, tariff simplification, access for Tropical Products, status of SSG etc.
  - A step-by-step approach was proposed by some Members towards 'incremental' outcome

Market Access

- **Involvement of many major Members in preferential trade negotiations (incl. in some mega regionals):**
  - lessened negotiating momentum in multilateral market access negotiations
  - How to organize priorities in the two negotiations; logistical constraints of limited national experts
- **Recent discussions emphasize the importance of enhanced transparency and updated market access information**

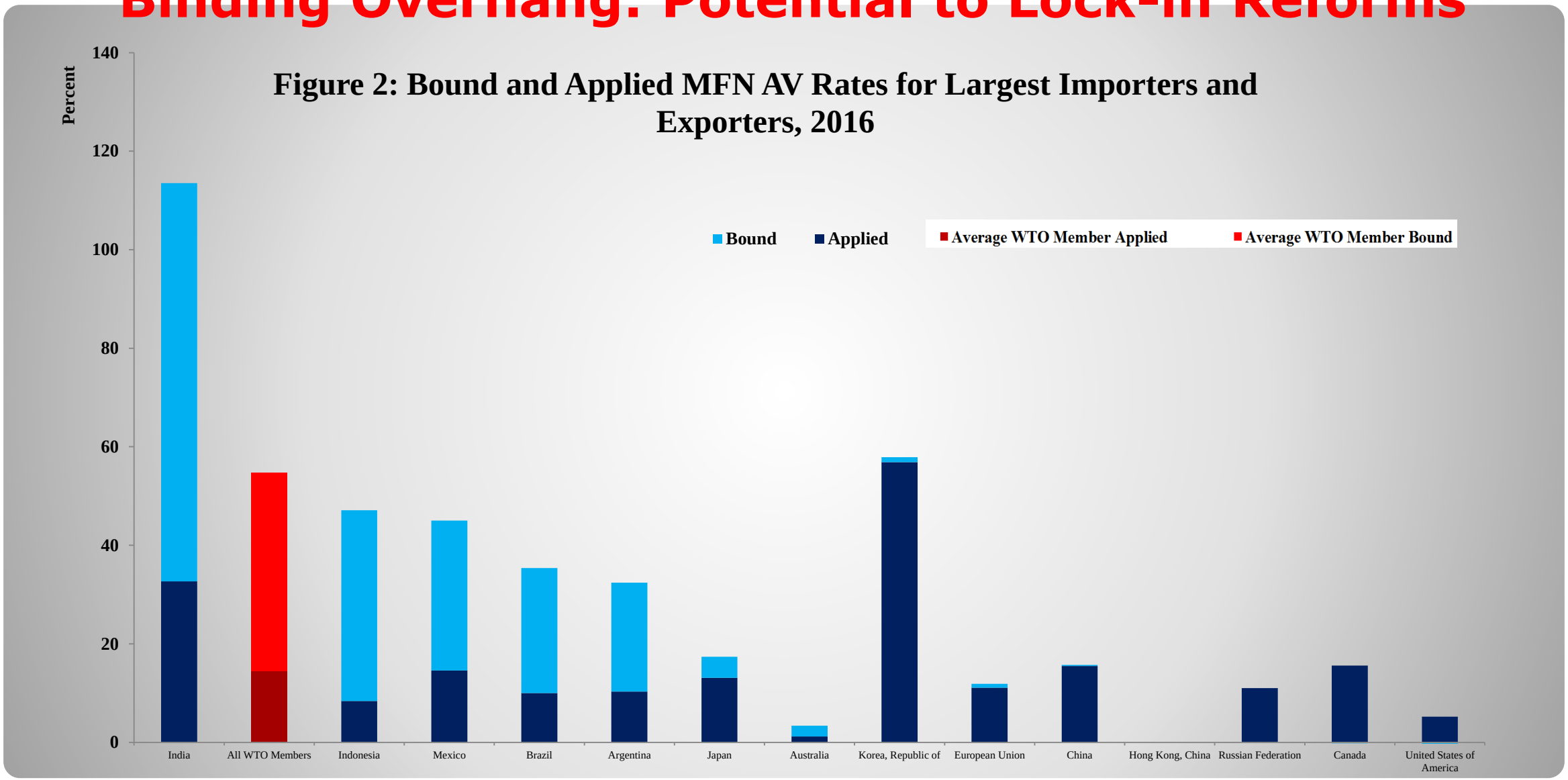
Two MA submissions in 2018

- **JOB/AG/139,** 13 July 2018 by Paraguay and Uruguay
  Market Access Alternatives

- **JOB/AG/141,** 20 July 2018 by United States
  Tariff Implementation Issues-June 2018 Update

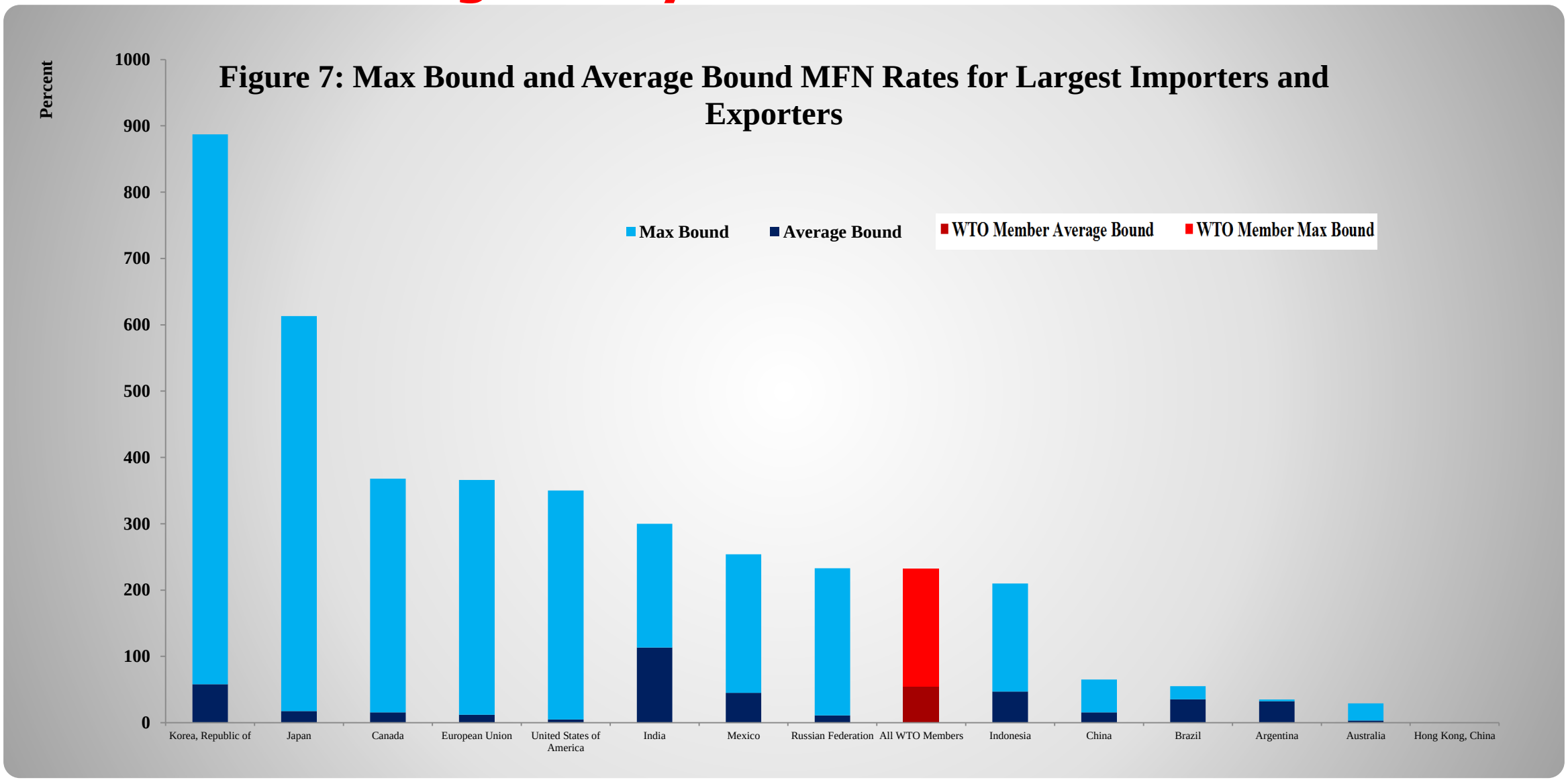
Key issues raised: Assessment of current state of Members' tariff regimes, identification of major challenges, possible negotiating approaches

Binding Overhang: Potential to Lock-in Reforms



Source: Communication from the United States (JOB/AG/141)

Averages may mask Tariff Peaks



Source: Communication from the United States (JOB/AG/141)

MA: Process

- **Dedicated discussions:**
  - 22-23 October 2018
- **Consultations in other formats**
- **Goal:** Reinvigorate market access discussions; Arrive at possible MA elements that Members may agree to target under an 'incremental' approach

(2) Update on 7 areas of the Agriculture Negotiations

4. Special Safeguard Mechanism (SSM)

Special Safeguard Mechanism

- **Establishing an SSM for developing countries has remained an important issue from the beginning of the agriculture negotiations**
- **Developing country proponents insist on SSM:**
  - To counter negative effects of import surges and price declines esp. for poor small-scale farmers
  - To remedy existing distortions and use of subsides in agricultural trade
- **Agreement that developing countries will have access to SSM:**
  - Technical parameters(trigger, remedies, duration etc.) to be negotiated
- **Mandate at Nairobi (2015) for dedicated session negotiations on SSM**

Special Safeguard Mechanism

- **Technically, SSM was always sought to be modelled on the lines of SSG:** To have both volume-based and price-based components
- **Numerous outstanding technical issues:**
  - Capping of SSM remedies do not lead to reversal of existing tariff reform undertakings/bindings (i.e. not to exceed the so-called pre-Doha bound rates)
  - Treatment of trade under FTAs
  - Product coverage, etc
- **Most fundamental issue preventing progress in SSM negotiations arises from a contrasting reading of the Nairobi mandate with regard to linkage between SSM and market access**

SSM: Process

- **Dedicated discussions:**
  - 22-23 October 2018
- **Consultations in other formats**
- **Goal:** Prepare the ground for the commencement of substantive discussions on various outstanding issues

(2) Update on 7 areas of the Agriculture Negotiations

5. Export Competition

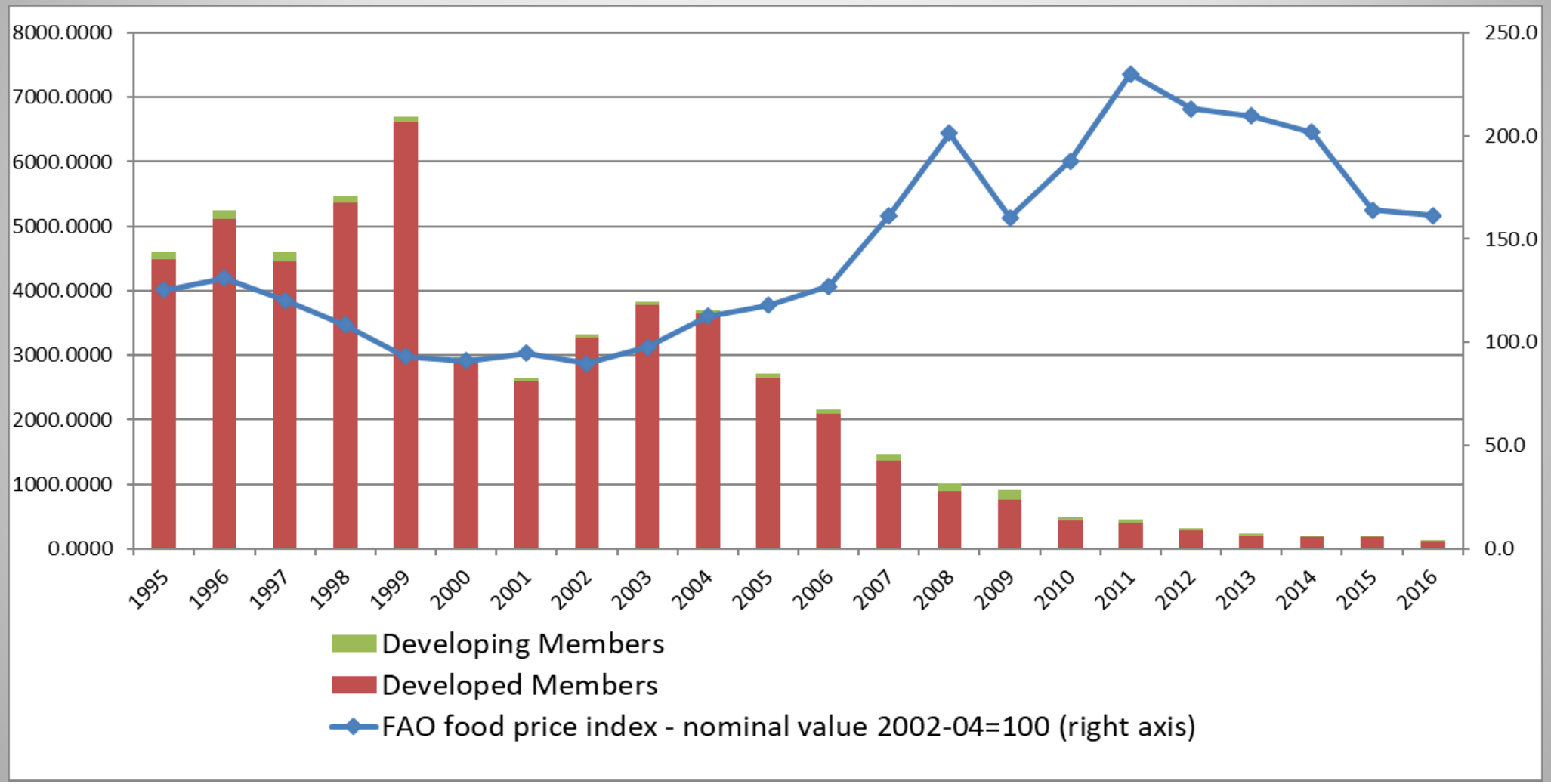
Export Competition
December 2015 Nairobi outcome

- **Elimination of export subsidies**
  - **Developed Members, immediately - exceptions until end of 2020**
  - **Developing Members, by the end of 2018 - exceptions until end of 2022**
  - **Article 9.4 until end of 2023 – LDCs and NFIDCs until end of 2030**

- **Implementation:**

  Out of 16 Members with ES entitlements in their schedules:
  - **4 Members with certified revised schedules**
  - **6 Members have submitted their revised schedules**
  - **6 Members still to submit their schedules**

Notified total export subsidies budgetary outlays (US$ million)



Export Competition – other areas
Nairobi outcome
Some Members consider unfinished business?

- **Export Finance**
  - Maximum repayment term 18 months
  - Self financing
  - SDT for importing LDCs and NFIDCs (36-54 months)

- **International food aid**
  - Prevent or minimize commercial displacement
  - Maintain adequate levels of food aid
  - Take into account local markets and production
  - Monetization

- **Exporting State Trading Enterprises**
  - Best efforts to minimize trade distorting effects export monopoly powers

Export Competition: Process

- **Dedicated discussions:**
  - 15-16 November 2018
- **Possibly consultations in other formats**
- **Goal:** Discuss way forward

(2) Update on 7 areas of the Agriculture Negotiations

6. Export Restrictions

Export Restrictions (ER)

- Impact on domestic and international **prices**
- Source of **uncertainty** on markets?
- Link with Domestic and International **food security**

"export prohibitions or restrictions temporarily applied to prevent or relieve critical shortages of foodstuffs…" (Art XI.2 a)

Covered by article 12 of the Agreement on Agriculture

Export Restrictions (ER)

- **Before Buenos Aires:**
  - **6 submissions by Singapore** between July 2016 and December 2017
  - One submission by Israel, Japan, Korea, Switzerland and Chinese Taipei

  Main issues before Buenos Aires
  - Improved transparency – advance notice requirements
  - Applicability of ER to WFP purchases for non commercial humanitarian purposes

- **Other issues:**
  - Duration of measures, definition of "foodstuffs" covered by ER…

Export Restrictions: Process

- **Dedicated discussions:**
  - 15-16 November 2018
- **Possibly consultations in other formats**
- **Goal:** Continue on this issue taking into account past discussions

(2) Update on 7 areas of the Agriculture Negotiations

7. Cotton

Cotton - Overview

- **Origin**: C4 2003 Sectoral initiative on Cotton

August 2004: "address cotton ambitiously, expeditiously and specifically"

- **2015 Nairobi Ministerial Decision on Cotton**
  - **Export Competition:** Early implementation for cotton - Immediate elimination for developed Members & no later than 1/1/2017 for developing Members
  - **Market Access:** duty-free and quota-free market access for exports of cotton and cotton-related agricultural products from least-developed countries (LDCs) by developed Members and developing country Members in a position to do so
  - **Implementation:** biannual dedicated discussions (transparency and monitoring)

- **2017 Buenos Aires Ministerial Conference**
  - Launch of a **Cotton Portal** (**www.cottonportal.org**): a single-entry point for all available cotton-specific information on market access *trade statistics, country-specific business contacts, development-assistance related information, links to relevant documents and webpage etc.*

Cotton – Outstanding Issues

- **Domestic Support**

→ **Most recent notifications available on cotton specific trade distorting support**

United States (2015): **853 Million US$** (AMS support)
China (2010) : **2977 Million RMB (440 MUS$)** (*De minimis)*
European Union (2015):**244 Million € (270 MUS$) (**Blue Box)
Other Members: Brazil, Colombia, India, Israel, Mexico, Peru, South Africa, Turkey, Viet Nam

→ **Recent Cotton specific submissions**

JOB/AG/144 by the United States, 18 September 2018 "the situation in Cotton"
TN/AG/GEN/46 by the C4, 11 October 2017 "Draft Ministerial Decision on Cotton"
(Other Domestic Support related submissions with cotton component)

→ **Issues/Options**

- New disciplines on trade-distorting Cotton specific support?
- Cap expressed as a % of the cotton value of production?
- Elimination of cotton specific AMS beyond *de minimis* threshold*?*
- Fixed cap? Reduction formula from level of reference?
- AMS vs De minimis vs Blue Box
- Address Green Box support benefiting cotton producers?

Cotton – Outstanding Issues

- **Market Access**
  - Expand list of cotton-related products covered by DFQF regime?
  - Initiative on cotton-related products (incl. projects, technology transfer)?

- **Export Competition**
  - Implement the Nairobi Decision

Cotton - Ongoing Process

- **Consultations:**
  - 20 September 2018
    - New submission by the United States
    - Discussions on how to improve data, information collection and analysis
    - Search of possible options/submissions.
  - Next dates to be decided
- **More consultations in various formats**
- **Goal:** prepare the ground for defining “options” when appropriate

Cotton - Development

- The development-related aspects of cotton aims at developing and integrating in global value chains the cotton sectors of cotton-producing developing countries.

- **Process**:
  - **Monitor** commitments in relation to cotton projects by the development community.
  - **Encourage** increased **assistance**, where necessary and possible.
  - Enhance **coherence** at every level, by both beneficiaries and donors.
  - Facilitate **South-South Cooperation** for Cotton Sector Development.
  - Encourage and support continued **domestic reform** among recipients of cotton assistance.

- **A Forum**:The Director-General's Consultative Framework Mechanism on Cotton

FAO contribution to the WTO negotiation process?

- Call for better understanding current state of play of agricultural policies & trade to inform the negotiation: updated data, information and analysis

- FAO work can be helpful in this regard:
  - Data
  - Studies (e.g. SOCO 2018, Agricultural trade, climate change and food security)
  - Workshops, seminars (e.g. 2 October: 3rd session FAO Geneva agriculture trade talks on *Agriculture Trade, Climate Change and Food Security)*

Conclusion

- **The differences are genuine**
- **Equitable and beneficial option the only way**
- **Incremental path is the most likely**

Way forward

- 22-23 October 2018: MA, SSM…
- 15-16 November 2018: ER, EC and other…
- 6-7 December 2018: Continuation and wrap up

- Fisheries subsidies: "*with a view to adopting, by the Ministerial Conference in 2019…*"
- June 2020: **12th Ministerial Conference Astana**

Sense of urgency !

Thank you for your attention

Comments/Questions?