

Working to Get Back on Track: An Update on the WTO Agriculture Negotiations

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■ Seeking a Level International Playing Field

Achieving a level international playing field is Canada's primary objective in the World Trade Organization (WTO) agriculture negotiations. Canada is seeking the complete elimination of export subsidies as quickly as possible, the maximum possible reduction or elimination of trade-distorting domestic support, and substantial market access improvements for all agriculture and agri-food products. For Canada's negotiating position, visit www.agr.gc.ca/cb/news/1999/n90819ae.html.

■ Recalling the Doha Mandate for Agriculture

In November 2001, WTO Members agreed to launch a new broad-based round of multilateral trade negotiations called the Doha Development Agenda (DDA), which incorporated the on-going agriculture negotiations that had begun in 2000. WTO Members agreed to an ambitious mandate and timetable for the agriculture negotiations. They committed to comprehensive negotiations aimed at, "substantial improvements in market access; reductions of, with a view to phasing out all forms of export subsidies; and substantial reductions in trade-distorting domestic support." One element of the Doha timetable was the establishment of modalities by March 31, 2003. Modalities in their context refer to the nature of the commitments that WTO Members will undertake to reduce trade-distorting domestic support and export subsidies and to make improvements in market access.

■ Preparing for Cancun

Members were unable to establish modalities by the March 31, 2003, deadline due to the large differences that remained between them on many of the central

issues in the negotiations (e.g., the approach to tariff reductions, the level of ambition on reducing trade-distorting domestic support). Discussions were held at the Ministerial and officials level during the spring and summer 2003 in an effort to narrow those differences in preparation for the fifth Ministerial Conference that was held in Cancun, Mexico, from September 10-14, 2003.

By the end of July 2003, it became clear that Members would not be able to draft modalities in time for the Cancun Ministerial. Consequently, a number of WTO Members, including the U.S., European Community, and a new group of developing countries known as the G-20, proposed “framework” texts that would, if agreed to by Ministers, guide the subsequent development of modalities after Cancun.

The Chairman of the WTO General Council, Carlos Perez del Castillo, developed his own draft agricultural framework from these and other proposals. Del Castillo’s framework was subsequently revised by Mexico’s Foreign Relations Minister Derbez in Cancun. This text, which was on the table during the Cancun Ministerial, has become known as the “Derbez” text. For the complete text, visit http://www.wto.org/english/thewto_e/minist_e/min03_e/draft_decl_annex_rev2_e.htm.

For Canada, while the Derbez text included some positive elements, we continued to have serious concerns on a few important points. The Derbez text was clearer in signalling that the negotiations must decide when, and not whether, all export subsidies in agriculture must end. There were some useful ideas related to the blended approach to market access, with the idea that terms and conditions for the expansion of tariff quotas were to be negotiated. However, much more work remains to be done on these issues. In the area of domestic support, the idea that those with the highest levels of trade-distorting domestic support should reduce the most appeared to be generally accepted, but Canada has some concerns with the specifics of the approach to reducing trade-distorting domestic support.

■ A Setback in Cancun

The agriculture negotiations, indeed the entire DDA, suffered a setback in Cancun. The Conference ended before Ministers had the opportunity to engage in detailed discussions of the Derbez text. This was primarily because of the failure of Members to reach consensus on whether to launch negotiations on the four so-called “Singapore Issues” (investment, competition policy, transparency in government procurement, and trade facilitation). Nevertheless, Ministers agreed that the valuable work up to, and at, the Cancun Ministerial Conference would be brought forward into the next phase of the negotiations. They undertook that, in areas where they had reached a high level of

convergence, they would maintain this convergence while working towards an overall acceptable result.

■ **Moving Beyond Cancun - The Del Castillo Process**

In the months following Cancun, Chairman del Castillo consulted with many WTO Members in an effort to move the negotiations forward to a timely and successful conclusion. In mid December 2003, he tabled a report to the WTO General Council in which he summarized his consultations, underscored what he saw to be the key outstanding issues in the negotiations, and set out his views as to what the next steps in the negotiations should entail.

Del Castillo's consultations revealed that while all WTO Members continued to express their commitment to the negotiations and their willingness to demonstrate flexibility, the discussions were impeded when they turned to substance on the key outstanding issues. He noted that WTO Members had generally accepted the Derbez text as the starting point for further negotiations, even though wide divergences remained on key issues of substance.

As next steps, Del Castillo called for a resumption of work within the negotiating groups set up in the wake of the Doha Ministerial (including agriculture). The agriculture negotiating group – the WTO Committee on Agriculture in Special Session – will assume a new Chairperson, and will hold its first meeting in late March 2004.

■ **The Negotiating Dynamics**

Since the conclusion of the Uruguay Round in the early 1990s, the WTO has grown to a membership of 148 countries, almost two-thirds of which are developing countries. The growth in the WTO's membership has substantially changed the dynamics in the negotiations, and has put developing countries at the centre of the negotiations.

Gone are the days when a small number of developed, western countries could agree amongst themselves on the rules that shape global agricultural trade. The U.S., European Community, and Cairns Group have now been joined by a number of coalitions or groups of developing countries, the most notable of which is the recently formed "G-20." These new groups of developing countries are still relatively fluid, but are tangibly demonstrating that achieving significant agricultural trade reform – generally one of the areas where developing countries have important comparative advantages – will be a key part of delivering on the DDA.

The key agricultural issues dividing Members remain similar to those that prevented the establishment of modalities in the lead-up to Cancun. Canada, and most other WTO Members, want the negotiations to result in a certain date for the elimination of all export subsidies on agricultural products. The approach to market access, and whether it should be the same for developed and developing countries, remains a critical issue. A key issue will be how to achieve an ambitious market access result while providing some flexibility in how to improve market access for sensitive products. Canada has suggested some ways forward in this regard. Finally, while it has been generally agreed that those with the highest level of distorting domestic support should reduce the most, this must apply to all forms of trade-distorting domestic support.

■ **Canada's Efforts to Influence the Negotiations**

Canada's strength lies in our ideas and our potential to attract support for our constructive and practical approaches to levelling the international playing field. We continue to work hard at building strategic alliances with a wide range of countries that hold very different domestic and international interests. These strategic alliances offer Canada a good opportunity to continually work to demonstrate that our negotiating position presents a practical approach to achieving a fair and equitable outcome that benefits all Members.

We have been successful in bringing some of our negotiating objectives to the table as a result of our work to build alliances with a wide range of countries. For example, the Canadian concept of a flexible approach to improving market access has gained general acceptance in the negotiations, as has the idea of a "harmonizing" approach to reducing trade-distorting domestic support. We also successfully obtained the inclusion of Canadian language on exporting state-trading enterprises in the Derbez text. Work remains to obtain the maximum possible reduction in trade-distorting domestic support and the elimination of export subsidies. Canada will also work to iron out some of the technical details regarding the rules on market access improvements.

■ **Importance of a Government-Industry Partnership**

A good working relationship has developed between many of Canada's agri-food industries. This has been a very positive development, and the Government will continue to work closely with the entire sector as the negotiations progress.

One aspect of this partnership has been the work that has been undertaken by both Government and industry to promote Canada's message about the need for agricultural trade reform and a level international playing field. The

Government of Canada has been pleased that industry representatives have been actively discussing their views on the negotiations with foreign industry representatives and government officials. The Government will continue to do what it can to facilitate that kind of important work.

■ Looking Ahead

In summary, there is still a long way to go in the negotiations and the road ahead will continue to present challenges. The amount of progress that can be made in the coming year still remains to be seen. Unless WTO Members can make some progress on the difficult issues in the agriculture negotiations in the coming few months, it is unlikely that any movement will be made until after the U.S. presidential election, and change in the leadership of the European Commission, conclude in November 2004. Consequently, the negotiations are now widely expected to go beyond the January 2005 deadline set by Ministers in Doha.

Nevertheless, many WTO Members have been working to get the negotiations back on track since Cancun. The U.S. and European Commission have both, for example, made very public, high level appeals to get the negotiations moving again in the past few months. Canada has been stressing that WTO Members must collectively work to get the agriculture negotiations back on track, in particular by emphasizing the centrality of agriculture to the broader DDA, and the importance of leveling the international playing field for producers around the world.

