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Agriculture: Week's talks end on stormy note on Special Products
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By Martin Khor, Geneva, 22 Feb 2008

A week of agriculture meetings held in a small-group (Room E) format ended on Friday (22 February) with a stormy session on Special Products (SPs), with proponents and opponents clashing on the extent to which developing countries can use SPs in terms of numbers and special treatment.

The week's meetings concluded without progress being made in narrowing differences among members on the market access issues.

In the first half of the week, trade diplomats reported a significant trend of the European countries (in the EC and the G10) "backsliding", presumably after the move by 20 EU members led by France to reportedly discipline the EC from making concessions in the current phase of the agriculture negotiations.

At the discussion on special products at the Room E meeting on Friday morning, nine WTO members led by the United States sprung a minor surprise by presenting a joint paper that would severely restrict the number of SPs, the conditions using this concept, and the special treatment to be accorded to SPs.

The G33 developing countries (coordinated by Indonesia), which are the main advocates of SPs, also presented their views on the revised text of the Chair of the agriculture negotiations, Ambassador Crawford Falconer of New Zealand.

Members of the G33 reacted strongly to the proposal of the US and 8 other countries (Australia, Canada, Costa Rica, Malaysia, New Zealand, Paraguay, Thailand and Uruguay).

According to trade diplomats, at the end of the meeting, Falconer apparently said that the views of the nine countries were not new, indicating that he would not accord significance to their position in the process of reviewing his revised modalities text.

The Room E process was convened this week for the 36 WTO members invited to the process to give their response to Falconer's 8 February text. The focus this week was on market access. Discussions on domestic support and export competition are expected later.

Falconer indicated at the start of the week that he would like to narrow differences by removing brackets in his text (there are some 160 areas where bracketed text show lack of agreement).

However, there was no success in the discussions on the tiered formula for reducing tariffs, nor on sensitive products and other issues such as tariff simplification.

Complicating the situation further was the special products discussion on Friday.

In its response to the Chair's paper, the G33 (led by Indonesia) said that it was encouraged by how some of the text had taken on board the G33's concepts and positions, such as the hybrid approach (with a minimum number of SPs regardless of the Indicators), the G33's list of 12 Indicators (now placed in Annex F), a graded approach on the treatment of SPs, and a mechanism to transfer unused sensitive products to increase the number of special products.

The G33 presented its views paragraph by paragraph on the differences between its views and those in the Chair's text and proposed changes accordingly.

[The G33 had earlier submitted a proposal that developing countries can self-designate up to 12% of agricultural tariff lines as SPs, without having to refer to indicators; and with the use of indicators, the number of SPs can be a maximum of 20%. Its proposal on treatment is that there be 3 grades: in grade 1, there be no tariff cut on up to 8% of agricultural tariff lines; in grade 2, there be 6% of tariff lines with 8% cut; and in grade 3, there be 6% of tariff lines with 12% cut.]

On para 123 (of the Chair's text), the G33 asked that its position that SPs can constitute a minimum of 12% and a maximum of 20% of tariff lines be adopted.

It wanted the whole principle of a zero cut treatment for some SPs to be recognised, and not to be regarded as an option and not to be put in square brackets. The G33 retained its position that at least 8% of agriculture tariff lines shall be eligible for zero tariff cut.

On treatment of SPs, the G33 said that the Chair's suggested ranges for Grades 2 and 3 (6% of tariff lines to be cut by 8% or 15%; and another 6% of tariff lines to be cut by 12% or 25%) go far beyond the G33's proposal. It would not be possible for the G33 to accept the higher end of the range under any circumstances.

The lower range of 8% and 12% for Grades 2 and 3 is appropriate and it should be so agreed, said the G33.

The G33 also wanted it to be clearly stipulated in the text that there will be no TRQ commitments and no tariff capping on SPs.

The G33 was of the view that the Chair's Footnote 15 represents a misleading notion on an appropriate architecture of the exchange mechanism from sensitive to special products. It wanted that a provision of such an exchange mechanism not to be a footnote but to be incorporated into the body of the text.

Moreover, the inability of Members not to use indicators should not be a pre-condition to recourse to the exchange mechanism; this contradicts with the principle and mandate of SPs designation.

The G33 was also of the view that converting sensitive to special products means that the former is not being utilized. Therefore, the conversion or transfer should be over and above the agreed maximum number of SPs.

The G33 also believed that there should be no new differentiation of SPs due to the exchange mechanism. It maintained that the group's proposal on the exchange mechanism and rate of transfer is the most appropriate architecture.

On the Chair's Paragraph 124, the G33 was of the view that this para should be clarified in order to clearly state that the small and vulnerable economies (SVEs) have the alternative of not applying the tiered formula, in order to designate as many tariff lines as they choose as SPs, provided that they meet the overall average cut of 24%. In addition, it should be clear that the SVEs will not be obliged to apply any minimum tariff cut per tariff line in general, and not only on SPs.

On the Chair's paragraph 125, the G33 noted certain flexibilities provided for recently acceded members (RAMs) in individual elements of SPs, and said it was still assessing the implications and would work towards a balanced outcome which would fully address the particular concerns of RAMs.

The paper circulated by the US and 8 other members was titled "Elements of Special Product Modalities." On selection, the paper said that entitlement is up to a maximum of 8% of tariff lines, guided by indicators to be agreed.

On treatment, there be two tiers. In Tier 1, the entitlement is 4% of tariff lines, with a 25% cut each. In Tier 2, there be 4% of tariff lines with a 15% cut each.

There is also to be a category of "Super Specials". The paper says that if there is to be consideration of a smaller cut than required under Tier 2, it shall be limited to 1% of tariff lines (accommodated within the overall 4% for Tier 2 special products).

In addition, products will not be eligible for a minimum cut if:

-- imports of that product account for more than [a] per cent of the value of total agricultural products;

-- imports of all such products collectively account for more than [b] per cent of the value of total agricultural products;

-- imports of that product from other developing countries account for [c] per cent or more of total agricultural imports;

-- the bound tariff for that product is [d] per cent higher than the applied tariff rate.

In addition to the above, the US paper also says that special product cuts shall be included in the average cut referred to in the Chair's para 65. [Para 65 states that the maximum overall average cut by developing countries as a result of applying the formula is [36] per cent].

According to trade diplomats, some G33 members in the meeting responded strongly to the US presentation.

Venezuela asked the proponents of the paper to "get real", referring to the call by Australia the day before at the NAMA meeting to members to "get real" in that it would not agree to a NAMA coefficient below 9.

Venezuela said that such last-minute papers was not acceptable, and if countries wanted to put in last-minute papers like this one, it could also put in papers stating that whatever is now illegal in the WTO must remain illegal (referring to the issue of zeroing in the rules negotiations).

It also said that it would wait to see what the US would offer on domestic support next week, for it to be able to make such a demand on SPs today.

Diplomats said that India also gave a strong response to the proposal by the US and other countries. +