

STATEMENT TO THE COMMITTEE ON AGRICULTURE IN SPECIAL SESSION

AMB. VANGELIS VITALIS

9 May 2016

1 INTRODUCTION

Welcome to our second meeting of the Committee on Agriculture in Special Session (CoASS) in our post-Nairobi MC10 Geneva process.

I see this meeting as having three inter-related objectives:

1. For me to report back to you on what I have heard so far from the consultations I have been engaged in since our last meeting on 8 March this year;
2. For you to listen to one another about your respective priorities and perspectives on the way ahead;
3. For us collectively to begin to shape and inform our forward agenda on agriculture.

Against that background, and as is customary, I will now provide my report on my consultations to date, with reference to: *context*; and *substance*. Finally, I will outline my proposed way forward in *process* terms.

2 CONTEXT

For transparency, let me record that my report back to you today is based on 46 bilateral consultations undertaken since 8 March. These were supplemented by meetings with the following Groups in no particular order:

- GRULAC;
- LDCs;
- ACP;
- Africa Group;
- Asian Group of Developing Members
- Cairns Group;
- G-10;
- Article XII Members;
- G-33;
- SVEs;
- Arab Group;
- Informal Group of Developing Countries;
- Mercosur, and
- CARICOM.

These consultations have been extremely helpful to me. What I am hearing from you has, in part, confirmed what I reported to you at our last meeting, but there are also some new elements.

3 SHARED OBJECTIVES

Let me begin by sharing with you my understanding of what you have told me about our *shared objectives* for these negotiations. I am pleased to note that these remain largely as reported at our 8 March CoASS meeting as follows:

1. Agriculture should form part of any outcome at MC11;
2. Ministerial expectations should be delivered to, including as set out in the various relevant Nairobi Ministerial Decisions, the Ministerial Declaration, as well as Article 20 of the Agreement on Agriculture;

3. An outcome at MC11 on agriculture is difficult to envisage without progress in other areas of the negotiations, even if these other areas may move at different speeds, and
4. Members want to avoid as far as possible polarising debates here in CoASS that could result in paralysis, not simply in agriculture but more generally.

With these objectives in mind, Members have identified a number of contextual elements that are informing their approaches to the negotiations. I have distilled these into the following seven themes:

1. **Impact of Rising Trade Protection**: Many of you have expressed concern to me during our consultations about the rise in trade protectionism internationally and indeed the apparent decline in global trade flows. A recent WTO report underlines your concerns that the risks to the international trading system "are tilted to the downside".¹ A separate report from the WTO, OECD and UNCTAD has also observed the troubling rise in trade protectionism. It was interesting to note the conclusions Members have drawn from this evidence. Some of you fear that these kinds of expanding restrictions and falling trade flows could have a chilling effect on progress multilaterally. Others have concluded that this situation underlines the urgency of our negotiations.
2. **Rise of Preferential Trade Agreements**: Preferential Trade Agreements (PTAs) emerged very strongly as a contextual element for many of you, in at least three different ways. First, some of you have pointed out that a focus on PTAs may be very convenient for some Members given that issues like domestic support cannot be addressed through such negotiations. Second, some Members have made it clear that you have no substantive interest in negotiating new agricultural market access at the WTO. To be very direct about it, these Members wish to withhold their "negotiating coin" in market access tariffs and prefer to pay these down only in their preferential agreements. A third group of Members has a more immediate defensive concern about preference erosion resulting from PTAs.
3. **Sustainable Development Goals**: For the first time in my consultations since I took on this role in September last year, some Members drew my attention to the UN Sustainable Development Goals which our Leaders agreed to last year. In particular, many Members have emphasised that they expect our negotiations to contribute to the achievement of these Goals, including in particular the Goal 2 target. This target reminds us of the need to "correct and prevent trade restrictions and distortions in world agricultural markets".² I would observe that Members are to be congratulated on having already delivered on part of the Goal 2 target which related to the elimination of agricultural export subsidies.
4. **Two-year Ministerial Cycles**: Many of you have noted that outcomes have been delivered in Bali and Nairobi and that our next Ministerial Council meeting at the end of 2017 (MC11) should therefore be no different. While Members generally agreed with that ambition, several of you told me that MC11 should be seen as a stepping stone and not an end-point to the reform of the distortions in global agricultural markets.
5. **The Known-knowns**: This is my reference to what all of you have been saying to me directly or indirectly about the impact of various domestic political cycles that are occurring this year and into the next.
6. **Domestic Policy Reform**: As part of the wider Article 20 agricultural reform process, several Members reminded me of the importance of the negotiating process we are engaged in here, not least because of the way it can inform domestic reforms. I strongly share that perspective – this is what the Agreement on Agriculture is intended to do, i.e. to have a dynamic effect on policy evolution over time.
7. **Supporting the multilateral trading system**: Finally, Members expressed very clearly to me their commitment to supporting and sustaining the multilateral trading system. This was identified by many groups as a key priority.

¹ https://www.wto.org/english/news_e/pres16_e/pr768_e.htm.

² <http://www.un.org/sustainabledevelopment/hunger/>.

With regard to substance, my report today will be very similar to the one I presented at our last meeting in March. This is a positive development as it suggests an emerging consensus around what is do-able.

One observation that I do want to make before I move to the specific elements of our negotiation, however, is the interesting evolution of views about what we should be working on. During my initial rounds of consultations in September last year, there was a strong view from the overwhelming majority of Members – if not quite all – that the focus of negotiations in agriculture should be on "real cuts" – in market access and in domestic support.

Since Nairobi, I have detected a gradual but discernible shift in what Members believe is practical and do-able, at least at this early point in the negotiating arc to MC11. Many Members consider that looking at ways to "cut water" in market access and domestic support might be a pragmatic and realistic way forward, at least initially. On the other hand, at least two groups indicated that their objective had always been and remains "real cuts" – in both market access and domestic support.

Before I proceed to the detail, let me remind you that negotiations on public stockholding (PSH) and the Special Safeguard Mechanism (SSM) will take place in dedicated sessions of the CoASS as mandated by our Ministers in Nairobi. The first such meeting will take place tomorrow, followed by another the day after. I intend therefore to report back on my consultations on these two issues in each of these dedicated sessions. Please note that I also intend for the questions that have been posed by Cairns Group Members in RD/AG/41 and RD/AG/42 on these issues to be taken up in those dedicated sessions tomorrow and the day after.

Turning to the classical three pillars of the Agreement on Agriculture overall, the situation is as follows:

Domestic Support

Negotiations on *domestic support* remain the clear priority for the overwhelming bulk of Members. In fact, domestic support has been identified by many of you quite explicitly as a key potential outcome for MC11. This includes in particular cotton as an area of priority for a large number of Members, though a couple of Members have expressed some caution in that regard.

Unfortunately, and as I said last time, I have not heard so far any specific ideas for how to proceed on domestic support at this stage. And this is why today's submission and questions from Cairns Group Members listed in RD/AG/43 and in Job/AG/69 is a very useful development. I trust these can help us initiate a discussion on the kinds of issues Members believe we should be focusing on.

Finally, on Domestic Support, I want to make explicit one further important point. We cannot negotiate in the dark. Our negotiation needs to be well informed. It must therefore be based on recent and up-to-date data on Members' policies and levels of Domestic Support. This is a point on which I have insisted several times in the context of the cotton dedicated discussions, but it applies *mutatis mutandis* to Domestic Support overall. I must say the record today in that regard is far from satisfactory.

Many of you have heard me on this subject bilaterally and in my consultations with Groups. But let me state it clearly here. We cannot conduct a meaningful negotiation on agriculture, let alone Domestic Support, when, in an organisation of 162 Members, only twenty-four can be considered as being up-to-date in their notifications. By this I mean that the latest notification covers at a minimum the year 2014. Put simply to have only 24 Members up to date is embarrassing and troubling.

So let me urge you very directly, as the Chair of the regular Committee on Agriculture has already done: please get up to date in your notifications, especially in the field of Domestic Support. The Secretariat is here to assist you if you have any questions about this.

Market Access

Negotiations on *market access* remain a priority for many Members and some of you have raised and are discussing some specific issues of interest to you, including work on Tropical Products, tariff escalation, tariff peaks, the conversion of non-*ad valorem* rates to *ad valorem* rates and Special Products.

At the same time, however, and going back to a point that I alluded to in my contextual remarks about the impact of PTAs, some Members have defensive concerns here. There is a concern about the risk of preference erosion arising from a multilateral outcome in agricultural market access. Conversely, other Members have made it clear they have only a limited interest in multilateral negotiations on agricultural market access because they see the greatest value accruing to them from preferential negotiations.

While this conjunction of sceptical views may make it more challenging to find a pathway forward, I would remind members that our Ministers were very clear in their Declaration (paragraph 31) where they identified the need to advance work "in all three pillars of agriculture". This of course explicitly includes market access.

It is in this context therefore that I welcome the questions posed on market access by Cairns Group Members listed in RD/AG/40. I look forward to an initial exchange of views on these today.

Export Competition

Further negotiations on *export competition* remain a low priority for most Members, but a small group of you still consider this a high priority. In particular, export credits continue to be identified as an issue of "unfinished business".

I should also report, however, that at least two Members have made it clear to me that they do not consider that a focus on export competition or indeed export credits is particularly helpful or fruitful at this point.

My response has been straightforward to those Members. As with Market Access, Ministers were clear in their Declaration at Nairobi that work should be advanced on all three pillars of the agriculture negotiations. Paragraph 31 explicitly refers to export competition. It is now up to Members to crystalize what precisely they would like to focus on. In this regard I welcome the submission from Canada contained in JOB/AG/68 and look forward to a good discussion on the issues that this submission raises. It will be up to Members to determine how to proceed on this, but I trust that I have been clear that this is a legitimate matter for our collective consideration given the Ministerial direction provided to us by paragraph 31 of the Nairobi Declaration.

Other Issues

A minority of Members has raised with me what might be termed "other issues". These include export restrictions; SPS; private standards for agricultural products; disciplines on subsidies for biofuels and bio-energy and, more recently, Geographical Indications.

Some of the members who raised these issues with me made it clear that they expect shortly to have a specific proposal for the negotiations in one or other of these areas and I look forward to seeing those in due course.

4 PROCESS

I want to now give you a sense of my expectations for the way ahead.

In particular, let me begin by reminding you of the four broad elements which informed our process in the run-up to the Nairobi Ministerial Conference. I intend that these will again guide our process.

These are:

1. *Parallelism*: We will address a range of issues within the overall agriculture context. Ministers instructed us in Nairobi, for instance, to hold separate dedicated sessions of the CoASS on

public stockholding and on the special safeguard mechanism. As I noted earlier, the first such open-ended dedicated session of the CoASS following the Nairobi Ministerial Conference will take place tomorrow for public stockholding (PSH). This will be followed the day after by a dedicated session on the special safeguard mechanism (SSM). We will therefore be, as we have been in the past, in a situation where we have several negotiating processes taking place in parallel on various issues. I do not regard this as problematic. Indeed, it is a singular advantage since this parallelism allows us to focus in substance on specific issues of interest.

I also invite you during this process not to place excessive importance on procedural matters. As far as I am aware, none of us has the gift of ubiquity – we cannot have all the meetings taking place in parallel at the same time simply because we can't all be in the same place at the same time. I have therefore had to make some decisions about when to schedule meetings. To this end, I formulated the current meeting schedule based on what I had heard from groups and bilaterally.

Let me emphasise, as I have done during my group consultations, the scheduling of meetings has been informed by my judgement as to what is in the best interests of the wider negotiations. I also took into account what will best sustain these negotiations going forward.

That is not a one-size-fits-all prescription for all issues and the way ahead. Instead I have in mind an organic and evolving process that will respond to what I hear from you members and the conclusions I draw about the rhythm of our process going forward. To state the obvious, none of this changes the fact that all of our negotiations take place in parallel.

2. *Without prejudice engagement*: it is fully understood by us all that Members' engagement on one issue will be entirely without prejudice to their position on the overall agriculture negotiations – whatever that might look like. I expect therefore that Members will engage courteously and respectfully on the issues in substance and without prejudice to where they believe an issue will end-up.
3. *No presumption*: Until the end of the negotiation process leading to MC11, there is no presumption of the content and contours of an outcome or Members' position thereon. Outcomes are a matter for negotiation, not assumption, let alone presumption.
4. *Transparency*: Let me emphasise again my commitment to fully respect and deliver on the principles of transparency and inclusiveness. You have my commitment therefore that this will continue to be the case. As I have said before, this will not be a Melian Dialogue.

Let me also repeat that, given the sensitivities we are all aware of, I intend to advance with all due caution and care. In particular, my intention is for us collectively to engage in a process of what I have been calling "defining by doing". I introduced this concept at our last meeting. It means that we proceed in a careful and constructive way to initiate an iterative and granular process by focusing on the substance and not the process, with a view to helping us to better define and do what may be achievable in the current context, while at the same time identifying how, and what seems at this stage still out of reach, taking into account both Members' priorities and their sensitivities.

It is with this concept of "defining by doing" in mind that I invited you at the end of our last meeting to come to this CoASS with written questions identifying in a crisp and clear manner what the current issues are.

I am very pleased to note that we now have several such contributions. These are in the form of questions and a specific data-based submission on Domestic Support, supplemented by questions on Market Access and on the SSM and PSH by Members of the Cairns Group.

We also have a contribution from Canada on *the Case for Stronger Disciplines on Export Financing*.

I appreciate of course that many Members will not have had time to fully consider the questions posed and issues raised by these submissions given that these were only circulated in the middle of last week and just ahead of the Ascension Holiday.

I intend therefore to use our meeting today as an opportunity for Members to offer their initial and general reactions on the questions posed and issues raised by these submissions by Cairns Group

Members, as well as on Canada's submission with regard to export financing. I also would welcome any other comments Members may wish to make and I propose that these can be done in a single general statement.

At our next CoASS, however, I will structure the discussion more deliberately.

To be clear, this will mean that next time we will have a single CoASS meeting with an agenda that is divided into separate segments designed to facilitate a more focused discussion of the questions being posed and any issues Members want to raise. I will be expecting a more free-flowing discussion and will be encouraging Members to come to the meeting fully briefed, but prepared to engage in a conversation rather than reading out prepared statements.

In short, today I am seeking Members' general observations and any specific responses they may have to the submissions on Domestic Support, Market Access and Export Financing which we have before us, as well as any other issues as a prelude to a more structured engagement at our next CoASS.

May I also remind you again that I intend for the questions that have been posed by the Cairns Group members listed in the relevant documents on the SSM and PSH to be the focus for our engagement tomorrow and the day after. Again, I expect a more structured engagement at a subsequent dedicated session on each issue.

I now invite the sponsors of the latest submissions to present these, followed by a presentation by Canada on its submission.

Australia you have the floor, followed by Canada.
