



Geneva WATCH

An overview of the bilateral, plurilateral and multilateral trade negotiations

Section 232 Tariffs Lifted for Canada and Mexico but Challenges Remains

After the May 17th announcement that the U.S. would lift Section 232 tariffs on steel and aluminum for both Canada and Mexico, coupled with the removal of all Canadian and Mexican retaliatory tariffs imposed on American goods, the U.S. and Canada notified the World Trade Organization (WTO) of their mutually-agreed solutions in their disputes over section 232 tariffs and the retaliatory duties on May 27, effectively bringing the dispute proceedings to a conclusion.

A similar move is expected from Mexico and the U.S. regarding their disputes on the same issues.

“The agreement provides for aggressive monitoring and a mechanism to prevent surges in imports of steel and aluminum. If surges in imports of specific steel and aluminum products occur, the United States may re-impose Section 232 tariffs on those products. Any retaliation by Canada and Mexico would then be limited to steel and aluminum products,” the office of the U.S. Trade Representative stressed in a statement released on May 17th.

The agreement paves the way for the ratification of the USMCA by the three countries’ respective parliaments. Some trade observers express the hope that other section 232-related disputes will also come down to mutually agreed solutions to help reduce current trade tensions and maybe lead to unlock the gridlock in the selection of new Appellate Body (AB) judges. However, this is very unlikely since the main reason behind the Trump Administration’s decision to lift section 232 tariffs for Canada and Mexico is to move toward a quick adoption of the USMCA by the U.S. Congress. The U.S. is in no rush to unlock the current blockage in the AB.

Washington’s unwillingness to address the AB issue was demonstrated at the May 23rd WTO ministerial meeting on the sidelines of the OECD (Organization for Economic Co-operation and Development) annual gathering in Paris. Despite numerous calls from key WTO Members who took part of the traditional mini-ministerial to safeguard and preserve the AB, the dispute settlement system, and the multilateral trading system, the U.S. maintained its position on the AB selection process – which has now dragged on for more than 2 years – arguing that it was not in the position to support a proposal from 75 Members calling for the start of the selection process to fill AB vacancies.

At a WTO Dispute Settlement Body (DSB) meeting on May 27th, the U.S. reiterated its concerns over the AB’s alleged persistent overreach, disregard for deadlines, and authorization of AB Members to decide appeals even after their term of office has expired (Rule 15), one trade official reported. This undermines the legitimacy of the system and damages the interests of all Members who care about having agreements respected as they were negotiated and agreed, the U.S. was quoted as saying.

Paris’ Informal Mini-Ministerial

In Paris, the discussions also touched on the organization’s most pressing matters – including the WTO reform as well as the ongoing negotiations on fisheries subsidies and agriculture and what to expect at the MC12 in Kazakhstan in June 2020.

On fisheries subsidies, seen by many as a litmus test for the WTO’s negotiating arm, Trade Ministers urged Members “to engage in a flexible, solution-finding mode in order to conclude the fisheries

subsidies negotiations by the deadline of December 2019.” The negotiating group is looking to finalize a consolidated text by the summer break which will allow for “intensive text-based negotiations” in the fall.

At the heads of delegation meeting convened on May 17, a majority of Members from both developed and developing countries called for a draft fisheries subsidies agreement with “fewer, clearer” options for negotiators to consider to be prepared before the summer break.

Given the lack of convergence on many of the issues at stake, the chair of the negotiating group, Ambassador Roberto Zapata (Mexico), insisted on the need to speed up work during the next few months if the end-2019 deadline is to be met. One of the key questions remains whether or not Members support a cap on their subsidies.

Agriculture Talks

Regarding the negotiation on agriculture, Ministers reiterated their goal to achieve “concrete outcomes for MC12.” They are particularly looking for “agricultural reform as an essential outcome for MC12.” A Canada-led “Ottawa Group”¹ of 13 countries brainstormed the reform needed at the WTO, also calling on Members

to address “pending and unfinished business, including market distortions caused by subsidies and other instruments.”

Trade-distorting domestic support is ranked high on Members’ agenda for MC12. Successful outcome in this particular area of the talks will depend heavily on the U.S.-China trade relationship. The most optimistic Members see China’s decision not to appeal the DSB ruling regarding the complaint brought by the U.S. on its agricultural subsidies as a positive step toward reaching an incremental outcome in Kazakhstan.

Indeed, at the May 28th DSB meeting, China simply requested a reasonable period of time to implement the ruling, which the U.S. said it was ready to work on a mutually acceptable timeframe. China also declined to appeal the DSB ruling regarding its administration of tariff rate quotas on imports of wheat, rice, and corn, another complaint brought by the U.S.

It remains to be seen whether these decisions will have a positive impact on the ongoing agriculture talks.

¹ Australia, Brazil, Canada, Chile, the EU, Japan, Kenya, Mexico, New Zealand, Norway, Singapore, South Korea, and Switzerland

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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