



Global trade was at the center of this year’s World Economic Forum (WEF) discussions in Davos (January 22–25) due to the slowdown in the world economy’s growth and more importantly, the impact of the U.S.-China trade war on the global economy and the stock market.

Heading to Davos, all eyes were on the potential bilateral meeting between high officials from the top two economic superpowers who have given themselves 90 days to resolve their trade tensions. However, due to the U.S. government shutdown, the meeting did not take place, delaying attention toward the January 30-31 meeting between China’s Vice-Premier, Liu He – a close advisor to President Xi Jinping – and U.S. Treasury Secretary, Steven Mnuchin and U.S. Trade Representative, Robert Lighthizer.

In Davos, meanwhile, three separate ministerial meetings took place, focusing on the reform needed at the World Trade Organization (WTO) as well as the exploratory work on e-commerce plurilateral negotiations and the WTO’s ongoing agenda.

“The Word We Keep Hearing is ‘Reform’”

The U.S. has succeeded in forcing the WTO to evolve or run the risk of becoming irrelevant in today’s global economy. The organization’s Director General, Roberto Azevêdo, acknowledged it.

“We must do more to make the WTO work faster, and be more flexible and responsive to Members’ needs,” Azevêdo said, calling on Members to exploit this “political window” to make the necessary reforms needed to modernize the organization.

A first group of trade ministers addressed the issue on January 24th, at the invitation of Canada’s Minister of International Trade Diversification, Jim Carr. The so-called “like-minded” group¹ continued its discussion

undertaken last October in Ottawa, with the goal of finding ways to safeguard and strengthen the organization’s Dispute Settlement Body (DSB), its monitoring and transparency function as well as reinvigorating its negotiating arm.

The group, which excludes both the U.S. and China, provided its support to the General Council’s consultations on the Appellate Body (AB) reform, looking for Members to engage wholeheartedly in order to achieve progress ahead of the upcoming G-20 Ministerial and Leaders’ meetings in Japan this June.

The group also pledged to engage in the fisheries subsidies talks and looks for others to do so with the view to deliver an outcome at the end of this year. They urged delegates to address “pending and unfinished business, including market distortions caused by subsidies and other instruments.”

Fisheries and Agriculture Lead the Way

The fisheries subsidies negotiation is viewed as the litmus test for Members as to whether they are willing to deliver on the negotiation this year (as early as this December through the General Council, or at the MC12 in Astana, Kazakhstan). To improve their chances of reaching an outcome this year, the chair, Ambassador Zapata-Barradas (Mexico), urged delegates to “engage in the negotiations in a genuine consensus-seeking manner,” with the goal to prepare the ground for Heads of Delegation (i.e. ambassadors) to engage on the substance before the summer break.

“The exact timing for this will depend on how quickly we can make progress at the technical level in the Negotiating Group,” Zapata-Barradas said.

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

Similar to the fisheries subsidies working group, agriculture negotiating group chair, Ambassador Deep Ford (Guyana), also circulated a work plan for the January–April 2019 period. The aim of this new process, he said, is “to build on the high level of interactive engagement during the fall and to deepen and intensify our discussions with the aim of making progress towards concrete, inclusive, and meaningful outcome in the agriculture negotiations.”

Ambassador Ford plans to follow two parallel tracks consisting of monthly open-ended meetings (COASS) and working groups gatherings (WGs) focusing on specific topics: domestic support (DS), public stockholding (PSH), market access (MA), special safeguard mechanism (SSM), export competition (EC), export restrictions (ER), and cotton.

The first two WGs (DS and PSH) will start meeting late January, early February, with the goal of reporting at a COASS meeting scheduled for February 14-15.

E-Commerce Plurilateral

The other announcement made on the sidelines of the WEF came from 70 or so WTO countries who on January 25th, welcomed the progress achieved toward the launch of a plurilateral negotiations on e-commerce, one of the new issues on the WTO’s negotiating table.

“We confirm our intention to commence WTO negotiations on trade-related aspects of electronic commerce,” the group said in a statement, adding that it seeks “to achieve a high standard outcome that builds on existing WTO agreements and frameworks with the participation of as many WTO Members as possible.”

There were doubts as to whether China would be willing to participate, given Beijing’s restrictions on cross-border data flows for instance. China’s WTO Mission even declared that the country was not ready to enter a plurilateral discussion on e-commerce. However, on January 25th, China was listed among the countries looking to launch this new negotiation.

The USTR, Robert Lighthizer, welcomed the move as the U.S., he said, is seeking an enforceable “high-standard agreement that creates strong, market-based rules in this area and reduces the barriers around the world that threaten to undermine the growth of the digital economy, including restrictions on cross-border data flows and data localization requirements.”

Observers expect this plurilateral negotiation to be formally launch this June on the sidelines of the G-20 ministerial meeting in Japan.

“2019 would be a crucial year”

Gathering at the traditional Davos Mini-Ministerial discussion on the WTO agenda, Trade Ministers from 32² countries pledged to find a suitable solution to the current trade tensions. They agreed to reform and modernize the WTO by restoring its Appellate Body while striving to achieve tangible progress in negotiations on longstanding issues and to deliver on fisheries subsidies. The group also approved the establishment of new negotiating ways to achieve progress on issues of interest to Members (i.e. plurilateral).

“We are working hard on all of this,” WTO Director General, Azevêdo said.

“2019 will be a crucial year for global trade and for the WTO. We have an opportunity to tackle the systemic challenges before us and strengthen the WTO for generations to come. Ultimately our success will depend on whether Members are ready for the system to evolve,” Azevêdo concluded.

² Argentina, Australia, Brazil, Canada, Central African Republic, Chile, China, Colombia, Costa Rica, Egypt, the European Union, Hong Kong, India, Indonesia Japan, Kazakhstan, Korea, Malaysia, Malawi, Mexico, Morocco, New Zealand, Nigeria, Norway, Philippines, the Russian Federation, Saudi Arabia, Singapore, South Africa, Switzerland, Thailand, Turkey, WTO General Council Chair Ambassador Junichi Ihara, and WTO Director-General Roberto Azevêdo.

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