

**Committee on Agriculture
Special Session**

**REPORT TO THE TRADE NEGOTIATIONS COMMITTEE
BY THE CHAIRMAN OF THE SPECIAL SESSION OF THE COMMITTEE ON
AGRICULTURE, AMBASSADOR CRAWFORD FALCONER**

I. INTRODUCTION

1. As foreshadowed at the meeting of the Trade Negotiations Committee held on 30 July this report has been prepared in light of the work on agriculture that was undertaken during the period 21 to 29 July.

2. Overall, there was a credible basis for conclusion on very many (and possibly one could have said “nearly all”) issues. But even “nearly all” is not all. And, as a matter of plain fact, there was decisive disagreement on certain matters while other very significant issues were not even dealt with. So there was no possibility to put a judgement on the “other” matters to the final test.

3. That said, had the “outstanding” matters been resolved (and that would have been no small matter), I do think the rest could have “fallen into place”. But such a judgement is a function of a very particular situation. That situation was one where, at the time, Members were conscious that there was a genuine endgame scenario. Members were, accordingly, prepared to accept compromises that were not generally their preferred options. That was a mind-set that applied as of yesterday. As of today that remains at best moot.

4. We were also in a position to have tabled precise texts as a basis upon which we could have finalised the negotiations over agriculture modalities. But the inescapable fact is that, with the impasse that occurred, we are manifestly not now, or at least we are no longer, in circumstances where such precise texts could in and of themselves secure such an outcome. That is dictated by the fact that there are issues where substantive disagreement remains and there are others where we did not get to substance at all. For the rest, it is not to say that all Members concerned have retreated from the substance of their positions. On the contrary, it is precisely because Members might yet be prepared to live with those positions that it would be counter-productive to oblige them now to react to precise text which alleges their agreement.

5. Such precise texts are, of course, still on the hard drive. But that is where they do and must remain, at least for the time being. That is because, as is clear from the above, those texts only had a rationale for their existence in circumstances where Members were in genuine final decision-making mode, as they were at that time. Regrettably, time has moved on. It is, of course, my fervent hope that a moment of genuine decision making will in fact recur and, more to the point, will recur very soon. If so, those texts will, hopefully, still serve the purpose for which they were intended. Unless and until that moment arrives, the existing texts remain, as do the particular negotiating moves made by Members, which, of course, did not solidify into actual agreement. Outlined below is a brief summary account of where that has left us for the time being on the main issues.

II. MARKET ACCESS

A. TARIFF CUTS

6. As regards the tariff cut in the top band of the tiered formula, the output from the G7 and the Green Room discussion have been well reported regarding a 70% cut.

B. SENSITIVE PRODUCTS

7. On Sensitive Products for developed country Members, the output from the G7 and the Green Room discussion based on the concept of "4 +2" for the number has been well reported. There remained some Members outside that G7 process for whom such an approach would have required at least some further discussion.

8. On Sensitive Product treatment for developing country Members, a revised tripartite structure could have been a basis for an agreement in my view. Under this structure, a developing country Member would be able to select a limited number of its Sensitive Products (between one-third and two-thirds of its Sensitive Product tariff lines) to take lesser reductions than required by the tiered formula. The basic concept being that the greater the deviation from the formula the fewer products and the shorter the implementation period. At the same time they would also be able to opt for the full tariff cut with a longer implementation period and/or the deviation and tariff quota creation option for any remaining tariff lines.

9. On Paragraph 76, the output from the G7 and the Green Room discussion has been well reported.

10. There was no new basis for resolution of the disagreement on whether there could be new tariff quota creation. Certain bilateral discussions may have taken place, but nothing that came to a multilateral forum, even informally.

C. TARIFF SIMPLIFICATION

11. There was no new basis for resolution of tariff simplification.

D. IN-QUOTA TARIFFS

12. On in-quota tariffs I believe we had a sound basis for concluding, based on going to the lower of a threshold or a formula cut with a single tariff rate for all the tariff lines covered by a quota. The more detailed elements on starting point and phasing were also developed so that an agreement on all features was in the offing. I believe that we had an equivalent basis for elements relating to developing country Members, although some very specific elements would have needed finalisation.

E. TARIFF QUOTA ADMINISTRATION

13. As regards the tariff quota under fill mechanism, I believe we had a basis for agreement on the outstanding issue of application to developing country Members.

F. SPECIAL AGRICULTURAL SAFEGUARD

14. As regards the SSG, the output from the G7 and the Green Room discussion has been well reported regarding reducing the maximum number of products eligible for the SSG and eliminating it after seven years. Had that been finalised, it was likely that the SSG would have been retained at a very low percentage of tariff lines for developing countries generally and at a somewhat higher percentage for SVEs.

G. SPECIAL PRODUCTS

15. On Special Products, the output from the G7 and the Green Room discussion has been well reported regarding the percentage of tariff lines that could be declared Sensitive Products, the percentage that would not take a tariff cut and the overall average cut for them.

H. SPECIAL SAFEGUARD MECHANISM

16. On the SSM, the output from the G7 and the Green Room discussion has been well reported. Within the G7 itself there simply proved to be unbridgeable differences regarding the triggers for breaching the pre-Doha bound rate. The other key questions of how far you could go above that rate and how often you could do it could not be a source of any convergence in the absence of any common ground on the fundamental issue of what conditions would need to be met for you to even breach it in the first place.

17. It is perhaps worth underlining that such differences were not some purely “technical” matter. Of course, like all fundamental political differences, there are consequent technical differences, but the impasse was not technical. It was political. The fundamental issues were, on the one hand, whether you can breach pre-Doha bound rates and, if so, on what terms and conditions and, on the other hand, how you can make a SSM mechanism genuinely operational for developing country Members if there is an a priori ceiling constraint of such a kind. These issues remained-as they have throughout the negotiations - substantive, and essentially political, divisions. SSM was always going to be one of the three or four potential deal-breaker items and so, alas, it proved to be.

I. TROPICAL AND DIVERSIFICATION PRODUCTS

18. The list of tropical and diversification products had been essentially stabilised. There could have been consensus around a formulation on treatment that had support among the key participants. The particularly sensitive matter of so-called “overlap” between tropical products and preference erosion product lists would have been resolved on the basis of specific understandings developed over those few days.

J. PREFERENCE EROSION

19. That same understanding as far tropical and diversification products would have been reflected in preference erosion modalities. Beyond the so-called “overlap” issue, there would have been a basis to have concluded on the treatment of other nominated preference erosion products.

K. LEAST-DEVELOPED COUNTRY MEMBERS

20. The treatment as regards least-developed country Members would have been resolved (as sought by LDC’s themselves) on an essentially equivalent basis to NAMA as and when NAMA was resolved.

III. DOMESTIC SUPPORT

21. The output from the G7 and the Green Room discussion has been well reported regarding developed country Members’ domestic support commitments, in particular as relates to OTDS and, in the case of the United States, the base period for AMS. These were essentially the mid-point and, where necessary, rounding-up to the nearest whole percentage the bracketed numbers for OTDS cuts and removing the brackets for the base period.

22. Questions still remained as regards the “head room” for Blue Box product-specific commitments and the starting point for product-specific AMS commitments. My sense was that those latter matters would, however, have been resolved also in terms of an overall agreement.

23. As regards developing country Members and RAMs OTDS scheduling and Blue Box entitlements, I believe we had developed a basis for agreement.

IV. EXPORT COMPETITION

24. On export competition, I believe that, in the context of a total overall package, there was a specific and balanced outcome on the outstanding elements on food aid, export credits, STE's and phase out of export subsidies that was ripe and ready to go.

V. EXPORT RESTRICTIONS

25. On temporary export restrictions there was, I believe, a fine-tuned text that would have been acceptable to Members.

VI. COTTON

26. There was no new basis for an outcome on cotton. Although there was a renewed commitment to seriously engage in negotiations by all the Ministers that represent those countries that have been most heavily involved in this issue, it was, regrettably, not addressed in a substantive way by the time that negotiations had broken down overall.

VII. CONCLUSION

27. Where to now? I see no alternative to picking ourselves up, dusting ourselves off, and trying again. Sure, there are plenty who would see that as a tall order. They are right. But it seems self-evident to me that even a small chance of success is sufficient to warrant the effort, given what is at stake. Moreover, I do detect a genuine willingness to test to the uttermost whether there is indeed still scope to make this work for all Members.

28. Of course, this cannot be done naively. Indeed it has to be done in full awareness of the enormity of the task facing us. Above all, any such effort has to be invested with realism as regards what has happened and why. It will not succeed if it is approached in some kind of sunny pollyannaish belief that we had an unexpected minor technical hitch but, with a bit of sleep and rest, normal service will be resumed as soon as possible. Nor can it be done if there is a denial of reality, therefore precluding us from tackling the real problems confronting us.

29. As noted above, we did make real progress in the last week of July in wrapping up where the intensive work since the previous July had brought us. Yes, we were on the verge of finally resolving a score of things that, one year previously (Post-Potsdam), few if any observers would have believed at all conceivable, let alone inside twelve months. That progress can be acknowledged and, hopefully, kept on life support for a little bit longer. But that is not the main message. The main message is that we did not go on to finish the job. That is where our real efforts must now lie.

30. Clearly, we need to revisit the SSM as part of that effort. But in doing so we must recognize that it was not, for any of the participants involved (and those participants include Members that were not in the G7, it should be added), a purely technical breakdown. It was a political divide. In fact there was progress made on it politically, and technically, during that week. But it was simply not sufficient to bridge a political divide that had been enduring since at least Hong Kong. So illusion number one to guard against is that it can be resolved essentially technically. The technicalities will

need to be addressed but will only work with the same level of political investment that was evident in many other issues where technical and political are inseparable.

31. But our task does not begin and end with SSM. I need only mention Cotton - one of the other three or four potential deal-breakers, which was not at all seriously addressed before things broke down with SSM. There is tariff quota creation. There is tariff simplification. Yes, one might well take the view that these can fall into place. But we also have to actually make that happen. And, while one might well rightly have held the view that key elements elsewhere were essentially on the brink of resolution, not all of those affected were in the room, and that would have needed further effort to ensure finalisation.

32. The precise technique for addressing these matters needs some further reflection. But two general elements seem to be clear. First, if we want to fix this in something less than a three year time horizon (which I hope we want to do), it has to be done in the very near term. Each day that passes takes us further and further away from the preparedness to compromise that was certainly evident in that last week of July for much of the time. Second, the only way we have ever fixed seemingly intractable problems in this House has been through intensive work at senior officials' level: hard grind and no waiting for divine interventions from Olympus. That was the post-Potsdam lesson, and a lesson that we learnt well. I do not see things as in any way different this time around. If you feel the same way, your Chair will be ready to continue that effort with you over coming weeks. I do not believe we have anything to lose by at least making the effort.
