

Geneva Watch

An overview of the WTO negotiations on agriculture

Editorial: Seeking Political Support

WTO director General Pascal Lamy started his diplomatic tour to save the ailing Doha Round with a first stop in Istanbul (Turkey) on May 9th, where the United Nations' Conference on Least-Developed Countries (LDCs) was taking place.

Lamy spent his time there reminding countries of the importance of the Doha Round for LDCs and how it can help improving their still very small share of world trade (only 1%). The decision on potential benefits for LDCs like duty free quota or cuts in developed countries' agricultural subsidies such as the one used by the U.S. regarding its cotton industry, are essentially blocked because of "disagreements between the developed countries and the emerging countries on other subjects," namely sectorals.

Indeed, WTO Members continue to disagree on how to resolve their differences within this section of the non-agricultural market access (NAMA) negotiations. The EU proposal tabled recently was discussed among key countries including Brazil, China, the EU, India and the U.S. Emerging developing countries continue to oppose the proposed cuts in chemicals, electronics and machinery tariffs. India, who described the EU proposal as unfair, claimed that it is also one-sided; serving only developed countries' interests. On May 11th, the same message was conveyed to Lamy.

In Istanbul, Lamy told attendees that it was "both essential and urgent that we unblock these decisions in favour of the LDCs," and that he sincerely hopes that the UN Conference on LDCs will send a clear message to the negotiators on that specific point.

Lamy will next attend the Asia Pacific Economic Cooperation (APEC) ministerial gathering in Montana (U.S.) to continue brainstorming on the next steps for the Doha Round.

The Relationship between Exchange Rates and International Trade

Brazil's Ambassador, Roberto Azevedo, presented his country's proposal on the links between exchange rate and international trade on May 10th after months of complaint that the U.S. and other developed countries manipulate their respective currencies to gain a competitive edge on the world market.

Azevedo claimed that Brazil's recent economic difficulties were aggravated by the appreciation of its currency – the real – and which ultimately led to a drastic drop in its trade balance versus the U.S. dollar, shifting from a surplus of almost \$10 billion in 2006 to a deficit of \$7.8 billion today.

Brazil's Finance Minister Guido Mantega has once warned he would bring the so-called "currency war" to the WTO as he accused advanced countries – including the EU, Japan and the U.S. – of implementing policies to devalue their currencies in order to increase exports.

The "conspiracy theory" was first floated after the U.S. Federal Reserve decided to implement its quantitative easing 2 (QE2) proposal – which aims at purchasing some \$600 billion in Treasury bonds through the middle of 2011. This sparked fear that it would drive an already low U.S. dollar down further and subsequently boost the competitiveness of the country's export products.

On May 10th, the working group on trade debt and finance took a first look at the Brazilian proposal tabled on April 13th for a detailed debate on a two pillar work programme aiming at studying the relationship between exchange rates and international trade.

The first pillar will focus on a review of literature examining the relationship between exchange rates and international trade, featuring some concrete experiences and case studies of WTO countries.

The second pillar will focus the debate on an institutional approach, looking into global coherence of international trade and financial policies and related global governance matters based on discussion papers prepared by independent experts as well as the WTO, the International Monetary Fund and the World Bank on how the “coherence mandate” (that calls for the WTO to cooperate with the international organizations responsible for monetary and financial matters, to achieve greater coherence in global economic policy-making) is being implemented.

All members (except Japan that asked for more time to consider the matter) supported the first pillar of the proposed work programme. A few others (Chile, China and the U.S.) expressed caution or concern, mainly with regard to the potential implications of the second pillar. They don't want the Working Group to revisit “the coherence mandate” or get into the business of other organizations.

Brazil said this is not the intention of the proposed work programme and said it would frame the second pillar differently in a way that is acceptable to Members. In the meantime, Brazil proposed to start with the first pillar and later get into the revised second pillar.

There was consensus for incorporating this working programme into the agenda of the Working Group for 2011/12.

Upcoming Events

- APEC Ministers Responsible for Trade Meeting, May 19-20, Montana (U.S.)
- OECD 50th Anniversary Forum and Council, May 23–27, 2011, Paris (France)
- 37th G8 Summit, May 26-27, Deauville (France)
- Regular Agriculture Committee, June 23, September 29, and November 2011
- G-20 Summit on Agriculture, June 22-23, 2011, Paris (France)
- Third Global Review of Aid for Trade July 18-19, 2011
- WTO General Council, July 27-28, October 12-13, December 1-2, 2011
- WTO Public Forum, September 19–21, 2011
- G-20 Summit, November 3-4, 2011, Cannes (France)
- APEC Ministerial Meeting, November 11, 2011
- WTO Ministerial Conference (MC8), December 15–17, 2011

Geneva Watch is published by Dairy Farmers of Canada, Chicken Farmers of Canada, Egg Farmers of Canada, Turkey Farmers of Canada and Canadian Hatching Egg Producers to report on the various events occurring in Geneva, particularly on the WTO negotiations on agriculture.

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