

Pursuing an Ambitious Services Plurilateral Agreement

On May 29-30, the 18 so-called “Really Good Friends of Services” countries (Australia, Canada, Chile, Colombia, Costa Rica, the EU, Hong Kong, Israel, Japan, Mexico, New Zealand, Norway, Pakistan, Peru, Singapore, South Korea, Switzerland, Taiwan and the U.S.) agreed to pursue a “high ambition” agreement on a wide range of sectors and services modes.

“All sectors are on the table, there are no *a priori* exclusions of any mode,” said U.S. ambassador Micheal Punke, describing the services plurilateral negotiations as “the most productive forum in town.”

There was a tacit agreement to pursue the talks on the basis of the General Agreement on Trade in Services (GATS) Article V – though they agree not to make a final decision on this until the negotiations are near completion. The legal framework under which the services plurilateral agreement would be undertaken would likely be discussed at the group’s next meeting, the week of June 25th.

The GATS Article V will allow the “Really Good Friends of Services” to avoid free riders from taking advantage of the agreement. The U.S. has not hidden its willingness to negotiate a deal which will leave emerging economies such as Brazil, China, India and South Africa on the sidelines. The EU originally insisted that the deal be open to new Members, especially emerging economies.

Attending a forum in Beijing on May 28th, WTO director General, Pascal Lamy told participants that China has great opportunities to upgrade its services sector, urging the country to take the lead in pursuing greater services opening at the WTO. Chinese leaders have also made similar pledges urging the Chinese services sector to liberalize and prepare to face increased competition. However, as it currently stands, China has yet to show any interest in joining the “Really Good Friends of Services” group as China continues to side with other emerging economies in opposing the services plurilateral negotiations.

Meanwhile, informed sources say the “Really Good Friends of Services” group did not decide whether the services plurilateral agreement would be made on the basis of the so-called “positive”(involving only limited sectors and modes) or “negative” list (covering all sectors and modes). “I would say there was a very constructive discussion, there was a better understanding among participants about various viewpoints on that issue,” Punke said.

A Clear Revival of Protectionism

A number of post 2008 after-shocks, such as the European debt crisis, contributed to the shrinking of trade growth to 5% in 2011. Prospects for this year’s growth are bleaker as the WTO predicts an even slower growth in trade set to be under 4% in volume.

“This slowdown is largely a consequence of sluggish growth in advanced economies, particularly in the Euro-zone, with repercussions for exports from emerging and developing countries, where the contribution of trade to growth is also decreasing,” Lamy said in a speech to the Thai chamber of commerce in Bangkok on May 30th. Moreover, the economic slowdown has contributed to “a clear revival of protectionist rhetoric,” Lamy said, leading to the establishment of measures such as trade remedy actions, tariff increases, import licenses and customs controls that affected global trade, albeit only 1% of world import.

“Protectionism is like cholesterol: the slow accumulation of trade restrictive measures since 2008 — now covering almost 3% of world merchandise trade, and almost 4% of G-20 trade — can lead to the clogging of trade flows.”

In a report on trade and investment issued ahead of the June 18-19 G-20 Summit in Los Cabos, the WTO, OECD and UNCTAD warned against new trade restrictions in G-20 countries which, the report said, have not witnessed any slowdown the past seven months as the prevailing economic outlook continues to “test the political resolve of G-20 governments to resist trade protectionism.”

Since last October, 124 new protectionism measures have been imposed by G-20 countries, according to the WTO.

Upcoming Events

- APEC Ministers Responsible for Trade, June 4-5, 2012, Kazan (Russia)
- CETA, Week of June 4, 2012, Ottawa, week of July 15 (TBC), September, 2012 (TBC)
- G-20 Summit, June 18-19, 2012, Los Cabos, Baja California Sur (México)
- Services Plurilateral Talks, week of June 25
- TPP Round XIII, Week of July 2, 2012, December (TBC)
- Trade Facilitation Negotiating Group, July 9–12, 2012
- WTO General Council, July 25-26, October 3-4, December 19-20, 2012
- APEC Leaders Summit, September 2-9, 2012, Vladivostok (Russia)
- Regular Agriculture Committee, September 20-21, November 14-15, 2012
- WTO Public Forum, September 24–26, 2012
- TPP Round XIV, September (TBC)

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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Legal Deposit: National Library of Canada, ISSN 1496-9254



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