

## **What Obama Re-Election Means for Global Trade**

Now that Barack Obama has been re-elected president of the United States, many expect the Obama administration to be more aggressive on the trade front in the next four years, starting with the Trans-Pacific Partnership Agreement (TPP).

A TPP deal is unlikely to be struck in 2013; however negotiations are set to intensify early next year with the possible inclusion of Japan in the group. Indeed, rumors have it that Japan may decide to join the TPP after all. Japanese Prime Minister, Yoshihiko Noda, will attend the East Asia summit on November 18–20, in Cambodia, and may present a formal request to join the TPP after meeting U.S. President Barack Obama on the sidelines of the summit.

With the objective to spur the U.S. economy and reduce the jobless rate, trade could be the one area that can attract bi-partisan support (the U.S. House of Representatives is controlled by the Republicans). As such, the Obama administration could opt to start expanding its bilateral agreement with the EU early next year, following recommendations of the working group chaired by both EU Trade Commissioner Karel De Gucht and U.S. Trade Representative Ron Kirk, set to be released in December.

On the WTO front, the Obama administration is set to continue pressing for a services plurilateral deal which is expected to heat up early next year, as well as pushing for a new information technology agreement (ITA) which would involve China. As for the rest of the Doha Development Agenda, all will depend on the state of the global economy, i.e. if it continues to improve, observers say. In any event, intensive negotiations would likely have to wait on who will replace Pascal Lamy at the head of the WTO.

Other questions remain to be answered as well, such as who will lead the U.S. Trade Representative office and whether the Obama administration will seek a trade promotion authority. The administration said it would ask for a fast track at “the appropriate time” – which many observers think is now. As for Ron Kirk, rumors have it that he is on his way out. The question is how active the next USTR will be, given the new trade agenda.

## **Brazil Tables New Paper on Exchange Rate Misalignment**

Brazil tabled a new paper on the relationship between exchange rates and international trade which “focus on the role the WTO could play in tackling distortive trade effects provoked by enduring and significant exchange rate misalignments”.

Brazil said the WTO is currently not equipped to deal with this issue, describing its existing provisions and mechanisms (antidumping, countervailing and safeguard remedies) as “inadequate” to handle the 21<sup>st</sup> century exchange rate volatility. The proposal is expected to be discussed this month within the WTO’s Working Group on Trade and Finance.

To consider the need for exchange-rate trade remedies and to start some analytical work to that effect, Brazil suggests that the working group focuses on a non-exhaustive list of key elements such as:

- Measuring currency misalignment: define methodologies to assess currency misalignments and to establish triggers/benchmarks for specific action.
- Product-specific/sector-specific or economy-wide scope: should corrective measures be applicable only to a specific product or sector in the country affected or to its entire economy?
- Time-frame: an appropriate time-frame for the application of corrective measure.

## Services Plurilaterals

At their latest meeting (November 5–9) the “Real Good Friends” of Services (RGFS: Australia, Canada, Chile, Colombia, Costa Rica, the EU, Hong Kong, Israel, Japan, Mexico, New Zealand, Norway, Pakistan, Panama, Peru, South Korea, Switzerland, Taiwan, Turkey and the U.S.) discussed, among other issues, a joint proposals from Australia and the EU that identifies 10 services areas to be tackle in priority including: mode 4, government procurement, financial services, information and communications services and transport and logistics services.

The group is still pounding on the so-called “hybrid approach” under which the negotiations will take place. On that, Canada has submitted a paper seeking clarification on how the “stand-still” (provision that aims to maintain existing services market access in the accord) and “ratcheting” (provision that seeks to automatically extend any additional services opening made by a member to all RGFS participants) would work. There are still some technical issues that remain to be resolved before the group can agree on a fully developed model, Canada said.

So far the focus has been on clarifying the parameters of the plurilateral agreement. The group is expected to start formal negotiation in 2013.

## Upcoming Events

- Agriculture Special Session, mid-November (TBC)
- Regular Agriculture Committee, November 14-15, 2012
- CETA Ministerial Meeting, November 22-23, 2012
- Services Plurilateral, December 2012
- TPP Round XV, December 3–12, 2012, Auckland (New Zealand)
- WTO General Council, December 19-20, 2012
- MC9, December 2013, Bali (Indonesia)

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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