

# Geneva Watch

*An overview of the WTO negotiations on agriculture*

## Editorial: Rising Patriotism

With the slowing global economy, more and more countries are implementing protectionist measures by raising tariffs on various commodities rather than opening their markets to allow for new trade flows. The latest trend in the fight against economic recession and job losses is the call to economic patriotism: ask not what your country can buy for you - ask what you can buy for your country, one might say. In effect, this is the type of creed some countries are adopting in an effort to bolster their national economy. The Spanish government has advised its citizens to consume domestically-produced goods, and the new US administration is contemplating including a "Buy American" provision in its new economic stimulus package. It is in this environment of economic patriotism that trade ministers are preparing to meet in the Swiss ski resort of Davos to try to inject fresh energy to the Doha trade negotiations. "We will try to give the talks more momentum and set time lines so that we are able to achieve conclusions of the Doha Round by the end of the year," said Indian Commerce Minister Kamal Nath. Some would say that "trying" is the best one can hope for.

## Davos Ministerial Gathering

With the global economy in crisis, it is expected that this year's January 28 to February 1, 2009 World Economic Forum in Davos will be the best attended ever. About 2500 participants, including 43 heads of state such as British Prime Minister Gordon Brown, German Chancellor Angela Merkel and Japanese Prime Minister Taro Aso, are expected to take part of the five-day gathering entitled "Shaping the Post-Crisis World." One of the gathering's main objectives will be to prepare the groundwork for the second G-20 Heads of State meeting in London on April 2.

As for the Doha round, officials expect a low key discussion on the issue, with no substance resulting because no progress is foreseen before the new US administration is in place. Indeed, it is unlikely that President Obama's choice for USTR, Ron Kirk, will be in Davos. Sources said that Kirk is unlikely to be confirmed by the US Senate before early February partly because the panel will be busy crafting the new US economic stimulus package. At the earliest, Kirk's hearing could take place the week of January 26. In the meantime, US Ambassador to the WTO Peter Allgeier will act as USTR, attending the Davos meeting along with Obama's Chief Economic Adviser and Head of the US National Economic Council Lawrence Summers and National Security Advisor General James Jones.

## US Notifies Domestic Support for 2006 and 2007

The US has circulated its new levels of domestic spending for 2006 and 2007. According to these reports, US subsidies have been reduced over the last two years. In 2006, the overall trade distorting domestic support (OTDS) was \$11.3B; in 2007 this number was reduced to \$8.5B. Both numbers are well below the \$14.46B offered by then-USTR Susan Schwab at the July 2008 ministerial meeting, prompting some developing countries to argue that the US can afford to accept the low teens outlined in the OTDS bracket, i.e. \$13B. However, it must be noted that the low 2006 and 2007 figures resulted from a period of high agricultural commodity prices. Also, according to the circulated reports, the US's Amber Box support decreased from \$7.7B in 2006 to \$6.2B in 2007. The US's WTO limit in that category is currently \$19.1B; the latest agriculture revised modalities text suggests cutting this down to \$7.6B (a 60% reduction). Finally, the US's Green Box spending remained fairly constant through both years (\$76.04B in 2006 and \$76.16B in 2007).

## Lamy Visits the UK

On January 22, 2009 WTO Director General Pascal Lamy visited the UK to make a presentation at the British Department for International Development. There, the DG praised Prime Minister Gordon Brown for his unyielding support for the conclusion of the Doha Round. "(...) the UK's support for a timely conclusion of the DDA has never wavered and the leadership of your Prime Minister continues to inspire us. It is this leadership that we are counting on to ensure that the coming G-20 summit in April here in London will result in a recommitment to conclude the negotiations this year. The reality is that a further delay to conclude the DDA means that issues of interest to developing countries like cotton will remain unresolved," Lamy said.

The deteriorating global economic calls for swift action to establish a new global trade agreement as, he said, the multilateral trading system works as an "insurance policy against protectionism." "We all know that when the world decides to turn itself towards protectionism, the most vulnerable will suffer the most," the DG concluded.

## An Increase in Dispute Settlement Cases Expected

With a slumping global economy and the tendency for WTO members to protect their national industries, it is expected that the number of dispute cases will rise sharply in 2009. Already the EU has signaled the possibility of filing a case against the US's decision to bailout its automobile industry. The Obama administration, in turn, is considering challenging China's currency manipulation. Add to this the recent feud between the US and the EU over the EU's ban of chlorine-washed poultry and the US's decision to increase tariffs on Roquefort cheese, and one can expect the WTO's Dispute Settlement Body (DSB) to be busy managing trade disputes this year. Thus, as part its surveillance mandate, and to "facilitate members' discussions on coping with the economic crisis," Lamy declared that the WTO will be issuing periodic reports on global international trade trends.

## Lamy's Second Term

General Council Chairman and Australia's ambassador to the WTO Bruce Gosper has been busily brainstorming with several members on how to quickly move forward the confirmation of Lamy's second term as WTO Director General. Although Lamy is the sole candidate for the post, some members' concerns have delayed the ratification of his reappointment. Argentina, India, Venezuela and Cuba want the DG to provide an outline of his work plan for the next 4 years.

On January 23, Gosper convened a Room F meeting with representatives of WTO's major coalitions, including Brazil, Japan, China, the US, the EU, Cote d'Ivoire, Egypt, Tanzania and Mexico, in order to collect members' views on the issue. Although some are of the opinion that the situation is exceptional because Lamy is the only candidate and he already has most members' support, it is unlikely that they will be able to accelerate the procedure to confirm his second term. Members with concerns want the DG to appear before the full membership to clarify his position on the DDA and on the overall role of the WTO. Others more disposed to confirming Lamy swiftly argue that members are already aware of Lamy's position on both the DDA and the WTO and that there is no point in conducting such an exercise. No formal decision was taken on the matter but it was agreed to convene an informal trade negotiation committee (TNC) meeting on January 27 to discuss this with the full membership; agreement was also reached on scheduling a second TNC sometime in February to acknowledge Lamy's sole candidacy and commence the process to formally appoint him by May 31, 2009.

## WTO Ministerial Meeting

It is unlikely that Director General Pascal Lamy will call a ministerial meeting before July. This is partly due to the installation of the new US administration and to India's national elections, and partly because members must ensure that technical discussions have been sufficiently advanced to justify convening another ministerial meeting. Regardless, Switzerland is likely to host a WTO ministerial meeting "toward the end of the year" – if only a "business-like" meeting dealing mostly with WTO reforms.

## Upcoming Events

- Informal TNC, Jan. 27, 2009
- Informal Meeting NAMA, Jan. 28, 2009
- World Economic Forum, Jan.28-Feb.1, 2009 (Davos-Klosters, Switzerland)
- General Council, Feb. 3-4, May 27-28, July 28-29, Oct. 13-14, Dec. 17-18, 2009
- G-20's Second Meeting, April 2, 2009 (London, England)
- WTO's DG Official Appointment, May 31, 2009
- India General Elections, May 2009 (at the latest)
- EU elections, June 7, 2009
- OECD Ministerial Meeting, June 24-25, 2009 (Paris, France)
- G-8 Summit, July 8-10, 2009 (La Maddalena, Italy)

**Geneva Watch is published by Dairy Farmers of Canada, Chicken Farmers of Canada, Canadian Egg Marketing Agency, Canadian Turkey Marketing Agency 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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