

Editorial: An April Rendez-Vous

Heading in to Davos, WTO Director General Pascal Lamy's objective was to convince trade ministers of the importance of the multilateral trading system. The swift conclusion of the Doha Round would, he said, send a signal of confidence to the market and thus help heal the ailing global economy. On this, nobody really disagreed. However, the question remains when this will be possible; incoming US trade Representative, Ron Kirk, is not expected to be confirmed before mid-February and most agreed that he should be given enough time to get direction from the Obama administration. The one thing that drew absolute consensus is the critical importance of April 2's G-20 Heads of States meeting in London.

Davos Mini-Ministerial

On January 31, key trade envoys from 18 countries¹ (counting the EU as one) attending the World Economic Forum's 2009 Annual Meeting in Davos once again reiterated their strong will to bring the Doha round to completion, particularly in light of the current global economic and financial turmoil.

During the traditional informal lunch hosted by Swiss Federal Councilor Doris Leuthard, all trade ministers¹ recognized the necessity of preserving and maintaining a rules-based multilateral trading system. In their communiqué, the ministers agreed to:

1. Achieve a successful, ambitious and balanced outcome to the Doha Development Agenda (DDA), taking into account the "major progress made in 2008 towards finalizing modalities," which they identified as providing "a sound basis for an early resolution of the remaining differences in 2009."
2. "Refrain from raising new barriers to trade in good and services, imposing new export restrictions, or implementing WTO inconsistent measures to stimulate exports and wherever possible pursue efforts to create new trade and investment opportunities." This was a repetition of the pledge made at the November 15, 2008 G-20 meeting in Washington, which many countries have not respected (see related story).
3. Support the WTO's efforts to monitor "the implementation of new trade-related policy developments" with the aim to maintain open markets.

Credibility a Concern

Following the meeting, Leuthard claimed that WTO members "have a problem of credibility" because year after year they keep going over the same issues without being able to finalize the DDA. But this year, she said, members are in a better position to accomplish this feat as "80% of the work is already done." She recommended that members swiftly conclude the Doha round in order to positively impact the global economic situation. "We all share that trade is part of the solution. Trade is an economic stimulus and has a multiplier effect – so we have to conclude the Doha Round," she said.

¹ Australia, Brazil, Canada, China, Egypt, European Commission, Hong Kong China, India, Indonesia, Japan, Korea, Mexico, New Zealand, South Africa, Switzerland, Tanzania, United Arab Emirates and USA

² Among the 18 countries, all but China, Hong Kong China and the US were represented at the ministerial level. Canada was represented by its Minister of International trade and the Asia-Pacific Gateway, Mr. Stockwell Day.

Leuthard also warned about the potential domino effect new protectionism measures could generate. “Each of us is facing protectionist pressure at home and we have to resist it” she urged, before requesting that ministers meet more frequently during 2009, starting with a ministerial meeting held alongside the second G-20 Heads of State meeting in London on April 2, and followed closely by another on the margins of the June 24-25 OECD ministerial meeting, before Lamy will “probably invite us to Geneva for July.”

April 2 G-20 Meeting seen as Pivotal

Siding with Leuthard, Director General Lamy insisted that finalizing the DDA is an “urgent and critical part of the stimulus package” and warned that throwing trade openings “out with the bath water” would be making a serious mistake. The world is in dire need of confidence, he explained, and members are faced with “a low hanging fruit” that could be in their hands if only the political willingness allows. Like Leuthard and Brazilian Foreign Minister Celso Amorim, Lamy identified April 2’s G-20 summit in London as the next big date for moving the DDA forward. If the new US Trade Representative is ready by then, Lamy would begin preparing for the next ministerial meeting.

The Fight against Protectionism

The DG admitted that countries have been under domestic pressures to implement protectionist measures. He acknowledged that the current situation begs for some sort of protection, “but not the kind that would make things worse.” Ministers require a radar picture of the protectionist measures that are being put in place; the WTO will be monitoring and reporting on these until at least April.

WTO to Serve as a “Watch Dog”

So far, nothing dramatic in terms of protection has been put in place – apart from some “dark spots” Lamy said, referring to the various bailout packages being discussed in several countries¹ and to Russia’s decision to increase tariffs on imported vehicles. In effect, in the WTO’s first report circulated on January 23, Lamy claimed that “to date most WTO members appear to have successfully kept domestic protectionist pressure under control (as) there has been only limited evidence of increases in tariffs and non-tariff barriers or increased resort to trade-remedy actions.”

However, the number of countries that have raised their duties has increased sharply since November 15’s G-20 Summit where countries pledged not to raise their trade barriers over the next 12 months. The WTO report identifies: India which increased its import duties on steel; Ecuador, which raised tariffs on 940 products including agricultural goods; Argentina which imposed licensing requirements on some products; and, the EU which has reintroduced export subsidies for cheese, skim milk powder and butter among other products. Other WTO members like Korea, Mercosur members (Argentina, Brazil, Paraguay and Uruguay) and Indonesia have also implemented some kind of protectionist measures.

Inevitably the G-20 Heads of States will have to tackle these events on April 2, Lamy said, adding that the WTO will aim to provide leaders with a clear picture of all that has transpired since their November 15’s declaration. “We will confront them with what actually happened,” he said.

Brazil’s Foreign Minister, Celso Amorim, disagreed with Lamy on what should be the primary focus of the WTO. “Monitoring ... shouldn’t be the focus of the WTO, [it] should be concluding the Round. All other things may help but not as much as concluding the Round,” the Brazilian minister claimed.

The “Buy America” Controversy

One trade subject all were discussing in Davos was the “Buy America” provision that the US House of Representatives agreed to pass in the latest stimulus package. This provision stipulates that only US-produced steel be used in the US’s \$90B stimulus package devoted to projects such as highways, rails and other infrastructure. The bill was approved despite strong opposition from the US Chamber of Commerce and from multinational companies which fear that the provision will be viewed as incompatible with WTO rules and that other countries will retaliate by forcing US companies out of their market.

³ The US, Canada, Germany, France, Australia, Argentina, South Korea, China and Sweden have announced bailout packages for their automobile industries.

During a trade panel in Davos, both ministers Amorim and Leuthard claimed that the provision was against WTO rules and that it was “massively trade distorting.” DG Lamy avoided controversy by claiming simply that the Obama administration is carefully reviewing the clause. Lamy said that he hopes the US Senate will consider the provision very carefully in order for the US to craft a stimulus package that is compatible with its international trade commitments.

NAMA Negotiating Group

On January 28, the chairman of the Negotiating Group on Market Access for Non-agricultural products (NAMA), Switzerland’s Ambassador Luzius Wasescha, held an open-ended meeting of the full membership to take stock of the NAMA negotiations and prepare the group’s 2009 work plan.

Wasescha said that he wanted to work with members to develop their action plan for the next weeks and months. He suggested that immediate work will concentrate on the large amount of outstanding technical work, leaving the issues that require political decisions for later. This technical work would involve sectorals, non-tariff barriers, the scheduling of commitments and “country-specific issues.”

Reactions

Most members identified the need to avoid a long period of hibernation and accepted the chairman’s suggestion to begin with technical work using the December 2008 NAMA draft modalities text as a reference. However, some developing countries were critical of the chair’s suggested plan, requesting that it be submitted for a consensus before it is put into effect. China claimed that it was ready to go along with the chair’s suggestions but it rejected attempts to change the mandate on the voluntary participation in the sectoral initiatives. Wasescha is expected to submit a working program to the group at their next meeting in the second half of February.

Upcoming Events

- 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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