Editorial: Vicious Circle

In analyzing the trends of the global economy, WTO Director General, Pascal Lamy, claimed that the propensity of countries to implement protectionism measures is highly correlated with the situation prevailing in their respective job markets. Thus, as we anticipate a continuous rise in the unemployment rate in the months and maybe in the year or two to come, Lamy claimed that the most immediate solution to alter countries’ penchant for protectionism would be to – yes – conclude the Doha Round. Yet, the problem with this analysis is that it does not apply well to the U.S., albeit politically speaking. Indeed, for the Obama administration and more importantly, for the Democratic-led Congress (eyeing mid-term elections in November), trade is negatively correlated with the situation on the job market i.e. when the unemployment rate rises, Democrats tend to shy away from signing new trade deals, particularly during an electoral year.

Agriculture Talks Resume in Geneva

On January 21st, Agriculture negotiations chairman David Walker called on negotiators to resume their discussion on templates. Members met for about an hour on each of the 21st and the 22nd to attend presentations on how to collect data and prepare their so-called blank forms which later will serve to spell out their commitments in agriculture. Australia and Canada were called on to make the presentation on domestic support while the U.S. also pitched in with a presentation on market access.

As it was expected, Walker set aside discussions on modalities issues for the first two weeks of February and March when he plans to hold consultations among smaller groups in various formats during the fortnight. The chair did not provide details as to which topics will be tackled in priority, but issues such as the special safeguard mechanism (SSM) are expected to be first on the agenda as Members agreed last November to undertake additional analysis on the real impact of the mechanism. In addition, sensitive products (SeP), tariff simplification and tropical products & preferences erosion are also to be addressed.

In a document circulated on November 23, 2009, the G-20 (group of developing countries at the WTO) identified several topics which in their view still remained unresolved. Among those are new TRQ creation, tariff capping, cotton and blue box headroom.

Positions also remained divided on the number of special products (SPs) developing countries can select. The draft modalities text of December 2008 stipulates that developing countries will be entitled to select 12% of their tariff lines as SPs with 5% exempted from any tariff cuts. However, a number of countries including Malaysia, Thailand and Costa Rica have recently expressed concerns with respect to the fact that some products will be subjected to no cuts at all.

In order to make the March stock-taking meeting a success, real progress will have to be made on all the items listed above.

Mr. O’Sullivan Goes to Washington

Visiting Washington this week, EU’s Director General for Trade, David O’Sullivan was reminded how tough it will be to get the U.S. engaged in the Doha negotiations. Speaking at a conference hosted by the Washington International Trade Association, O’Sullivan told audience the package currently on the table already includes good concessions for the U.S.
We fully understand that there is a significant lack of support in Washington for the current deal (…) but frankly it would be an illusion to believe that this late in the day, we trade negotiators have a better, much more attractive deal in the drawer waiting to be taken out on demand. It doesn’t work that way,” O’Sullivan said.

The U.S. has requested that emerging developing countries provide more market access in the areas of agriculture and particularly NAMA (industrial products or manufactured goods) before considering concluding the talks. However, China, Brazil and India have claimed that in their respective bilateral meetings with the U.S., the U.S. Trade Representative failed to spell out clearly what exactly the U.S. is looking for, and accused the U.S. of trying to buy more time before returning to the negotiating table.

This has prompted O’Sullivan to highlight Members’ reluctance to engage in a more constructive discussion. “…[N]egotiating partners are somewhat hesitant to engage because nobody wants to propose a top-up of the package, only to be told, ‘Thank you very much. We still need more time and we’ll come back to this next year,” the EU official declared.

Although no one in Geneva is talking about freezing the talks if the March stock-taking meeting does not provide a clear picture as to whether the talks could be wrapped up by the end of this year, O’Sullivan believes that “the daunting political calendar of the Obama administration inevitably means that this may be a question for 2011 rather than 2010.” This, among other issues – such as a discussion on trade and climate change post-Copenhagen – is expected to be discussed at the mini-ministerial meeting hosted by the Swiss government alongside the January 27-31 World Economic Forum in Davos.

## Davos’ Trade Agenda

It has been said before, this year’s Davos trade gathering is expected to be a low-key affair; an event at which WTO’s Director-General, Pascal Lamy, will as per usual outline the state of play of the Doha Round. This will be immediately followed by two rounds of discussion, each expected to last an hour. The first will invite participants to brainstorm “What are the areas where convergence still needs to be found?” given that 80% of the talks are said to have been stabilized. Ministers will be called to identify the missing links in all areas under negotiations that would hopefully help bringing Doha to an end.

The second round of discussion will focus on Members’ domestic political agendas and how this might affect the Doha Round. Outlook in this section looks rather bleak this year as several elections are anticipated in some key countries like Brazil, Japan, Canada (potentially), and more importantly in the U.S. with the upcoming mid-term elections. In addition, the foreseen complication in the vote of the health care reform following the Democratic Party loss of the Massachusetts Senate seat as well as the delay in the confirmation of a new U.S. Ambassador to Geneva and a new U.S. Chief Agriculture Negotiator (Mr. Punke and Mr Siddiqui respectively) may create further delays in the U.S. readiness to engage in global trade discussions.

## Upcoming Events

- **Agriculture Consultation**, February 1-12, March 1-12, 2010
- and NAMA consultations, February 1-5, 2010, March 15-19, 2010
- **Senior Officials Meeting (SOM)**, February 15-19, March 22-26, 2010
- **Regular Agriculture Committee**, March 11-2, June 10-11, September 16-17, November 18-19, 2010
- **Stock-Taking Meeting**, Last week of March, 2010
- **G-20 Summit**, June 2010