

# Geneva Watch

*An overview of the WTO negotiations on agriculture*

## Editorial: Currency War & Doha

Most Members' domestic political issues have little direct impact on the WTO, but when this country happens to be the U.S. or China, it's not quite the same story. Nowadays, it's all about the looming "Currency War" between the U.S. and China which could have a tremendous impact (negatively speaking) on the current round of trade negotiations. Without a doubt, the currency debate will be one of the central subjects in Seoul, Korea (alongside the banking regulation) especially after some key countries including Brazil and the EU, joined the debate.

As former Indian ambassador to the WTO, Ujal Singh Bathia, rightly put it, it is clear that Doha needs the U.S.-China battle to be resolved politically in order to move forward and the G-20 Summit in Seoul represents the best place to do so. However, as observers also pointed out, this as well runs the risk of relegating trade and the Doha Round to a far lesser importance than originally planned by the Koreans. In effect, it is highly unlikely that China agrees to do more in sectorals if it feels disadvantaged in the outcome of the currency war. French President Nicolas Sarkozy has already announced that he will push for a new global currency exchange agreement when he takes the reins of the G-20 presidency in 2011, which suggests that the issue may be carried over into next year, complicating further the chances of reaching a Doha Round deal in 2011.

## U.S. Agriculture Negotiator Warns about Doha's Slow Progress

U.S. Chief Agriculture Negotiator, Islam Siddiqui told the audience at a meeting of European farm associations in Brussels on October 5, that there was no "shortcut" to a Doha success and that the challenge facing Members in the months ahead will be to "move successfully from process to substance."

Siddiqui maintained that "serious differences continue to exist" among countries and especially between the U.S. and China on the SSM and this, along with other outstanding issues contained in the agriculture text, have not progressed despite Walker's small group consultations.

The U.S. official believes Members should not set themselves deadlines to conclude the talks, but warned that if no agreement is reached by 2012, "the next [U.S.] Farm Bill will have, as its guidepost, our current Uruguay Round commitments."

The December 2008 draft modalities text calls for the U.S. to cut its overall trade distorting support (OTDS) by 70% (from \$48.2 billion to \$14.46 billion). The latest U.S. notification showed the U.S.'s OTDS spending was \$11.34 billion in 2006 and \$8.52 billion in 2007.

## Small Group Meetings

The small group discussions held over the past week came down to a showdown between two blocks: developed countries on one side (mostly the U.S., Japan on NAMA and the U.S. again, with G-10 Members and Canada on agriculture) and emerging economies on the other (Brazil, India, and China for the most part).

The two sides are colliding over several issues where they have polarized interests. Developed countries – the U.S. took the lead – pressed emerging economies on the issue of sectorals and particularly chemical and electronic goods, where both the U.S. and Japan see potential market access gains.

The suggestion tabled recently by Japan, to apply different tariff reduction levels to different tariff lines, was discussed with the usual stiff opposition from emerging developing countries' ambassadors who argued that this would simply create unbalances between what it is offered in agriculture versus NAMA, especially when sectoral negotiations are deemed to be voluntary.

In the agriculture small group meeting, it was the turn of Brazil, China and India to flex their muscles and attack developed countries' request for flexibilities in various areas of the agriculture negotiation including: the U.S. on domestic support and particularly the Blue Box head-room where the U.S. limits for product specific support are 10% or 20% more than estimates of maximums under the 2002 Farm Bill. But also, G-10 Members were targeted on the capping issue on which the 2008 draft modalities text stipulates that for Iceland, Japan, Norway and Switzerland, a limit of 1-2% of non-sensitive product tariff lines' tariffs could exceed 100%. Now, sources say emerging developing countries requested that two firm caps be imposed for both developed (100%) and developing countries (150%).

Canada and Japan were also in the spotlight with respect to their request for additional tariff lines in the sensitive products provision as was the EU, for their creation of new TRQs. Developing countries mainly restated the G-20 position which firmly opposed the creation of new TRQs, although the group previously had indicated being in a position to consider that new TRQs be set to a maximum of 1% of tariff lines within the numerical limits accepted for sensitive products and that a list of potential products for which new TRQs will be created be submitted before further decision can be concluded on this particular matter.

Emerging countries' firm stance has to be put in the context of the current political environment where Brazil, India and China feel they are being cornered by the U.S. (and other developed members for that matter) to drop their flexibilities while developed countries continue to request their own additional flexibilities in agriculture.

This has transformed into an eye-for-an-eye type of negotiations, one delegate said, but in reality the small group discussions on the both NAMA and agriculture were redundant: "nothing new that we haven't heard before, with no particular solutions proposed," the official added.

## Upcoming Events

- General Council, Oct. 21, Dec. 14-15, 2010
- US Mid-Term Election, November 2, 2010
- G-20 Summit, November 11-13, 2010 Seoul, (South Korea)
- Asia-Pacific Economic Cooperation (APEC) November 13-14, 2010 Yokohama (Japan)
- Regular Agriculture Committee, November 18, 2010, March, June, September and November 2011
- NAMA Week, November 22, 2010
- OECD Global Forum on Agriculture, November 29-30, 2010, Paris
- Agriculture Consultations, Week of December 6, 2010
- G-20 Summit on Agriculture, March 18, 2011 (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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