

Editorial: And Now What? Post U.S. Mid-Term Election Analysis

Now that the November 2nd U.S. mid-term election is behind us, what can we expect from the U.S. on the trade front? Or in other words, how will last Tuesday's results impact the current trade negotiations? The democrats' defeat last week was overwhelmingly attributed to the slump in the U.S. job market. Some say voters have grown frustrated with the Obama administration's incapacity to quickly get the economy fully back on the rails again. Thus, the U.S. President promised to boost the economy by promoting exports and, to show his willingness to do so, he called for a rapid resolution of the U.S.-Korea free trade agreement (KORUS) ahead of the G-20 Summit in Seoul this week.

With the Republicans now in control of the House of Representatives and because they live by the mantra that more trade liberalisation equals more job creation, it is very likely that they will push for bilateral and multilateral agreements to be ratified in the months to come unless the so-called "Tea Party" Republicans, who are believed to be more worried about firms outsourcing jobs overseas, dictate the House position. In any case, Tuesday's results are seen as good news for all pro-Doha observers who look for the G-20 leaders to send yet another strong political signal to conclude the Round next year and fully exploit the 2011 window of opportunity before things get complicated again in 2012.

So far, so good, one could say as President Obama's government, willing to shake off its so-called "anti-corporate America" stance, vigorously promoted trade between the U.S. and India this past weekend in Mumbai. However, it's the outcome of KORUS FTA that would most likely set the tone of how serious the U.S. has become in closing trade agreements.

Brainstorming Part II

The latest round of ambassadors' brainstorming sessions on Doha's outstanding issues did not lead to any sort of breakthrough. In fact, Members' differences over the special products (SPs) provision and the special safeguard mechanism (SSM) for developing countries as well as the issue of sectoral agreements in the NAMA talks continue to persist.

According to sources, countries that took part in the brainstorming sessions clashed on the number of tariff lines to be considered as SPs. This issue, which was once considered as stable following the outcome of the 2008 July ministerial, is now beginning to create some problems. Some agriculture exporting Latin American countries, such as Costa Rica, are fighting for the SSM and SPs to be less generous than currently proposed in the draft modalities texts, claiming that allowing 5% of developing countries tariff lines to be subjected to zero cuts would greatly affect their ability to export agriculture goods to other developing countries.

Discussions on NAMA did not land any better results either as the usual suspects in the sectoral initiatives – Brazil, China, India and the U.S. – continued to agree to disagree on how to resolve the issue. The ambassadors took their feud public while attending a workshop on the potential benefits Doha could bring to the global economy.

Same Old NAMA Story

Emerging countries ambassadors – Brazil's Roberto Azevedo, China's Sun Zhenyu and India's Jayant Dasgupta continued with their refusal to commit on improving their industrial products market access requirement saying that the U.S. will have to be "realistic" and content itself with something close to what is currently on the table. "You can't expect at this point in the negotiations that you're going to change the results in any of the areas under negotiation by several orders of magnitude. It's not going to happen" said Roberto Azevedo

Sun Zhenyu for his part insisted on the fact that Doha's final accord would have to be somewhat similar to what is contained in the 2008 draft modalities texts if Members are serious about concluding a deal "sometime next year."

"There can only be incremental changes in a few things here and there," said Jayant Dasgupta, India's new ambassador to the WTO, making reference to the U.S.'s substantial demands in industrial products market access, an area where he said developed countries have a competitive edge over their developing counterparts. This is "not feasible" at this stage of the talks the Indian official said.

The U.S. ambassador to the WTO, Michael Punke, stressed that the current market access offers were "not insignificant, but nor are they sufficient." He claimed the U.S. has no idea what they will be getting out of the Round, which further complicates support for the Doha Round. "The problem is that for us, what is very clear is the pain and what is not so clear is the gain, and part of that is inherent in the modalities that we've embraced in this round," Punke declared.

The U.S. has already warned WTO Members that without improved offers from emerging economies, there was little hope of securing support for a final Doha deal from the U.S. Congress or from the U.S. business community.

All ambassadors meanwhile expressed support for the current effort being made to rejuvenate the talks. They look for G-20 leaders in Seoul to send a strong signal with the view to fully exploit 2011's window of opportunity.

Upcoming Events

- G-20 Summit, November 11-12, 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 (France)
- Agriculture Consultations, Week of December 6, 2010
- General Council, Dec.14-15, 2010
- G-20 Summit on Agriculture, March 18, 2011 (TBC)
- WTO Ministerial Conference (MC8), December 15-17, 2011

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