

Editorial: 2011 the Providential Year?

The time has come for negotiators to get serious about closing the Doha Round next year, according to communiqués from G-20 and APEC leaders this past weekend. With the Doha Round now entering its 10th year in 2011, leaders have instructed their respective trade negotiators to ride the recent “progress” achieved during the brainstorming sessions and intensify the pace in order to fully exploit the 2011 narrowed “window of opportunity”. Past political declarations have not led to fruition – most recently the flop of KORUS FTA where both President Obama and Lee Myung-bak have not been able to “walk the talk”, to borrow the WTO Director General Pascal Lamy expression. The one thing we can be assured of is that last week’s events would likely re-ignite the negotiations and intensify their pace. However, whether these calls lead to concrete give-and-take negotiations which are critical to secure modalities... still remains to be seen!

G-20 & APEC Leaders Back Doha Conclusion

World leaders’ support for a swift Doha conclusion should not come as a surprise given the successive calls made by several countries to put trade at the forefront of the global economic recovery. As such, trade was high on leaders’ agenda at both Korea’s November 11-12 G-20 Summit and Japan’s November 13-14 Asia-Pacific Economic Cooperation (APEC) forum especially with the Obama administration’s willingness to vigorously promote trade in order to boost its own exports and foster job creation in the U.S.

The week, however, started with a major step backward as the U.S. and South Korea were unable to finalize their pending free trade agreement (KORUS FTA) which was seen by many as an indicator of how serious the Americans have become with respect to conclude trade deals. The two countries failed to resolve their differences over U.S. beef and automobile market access to South Korea.

“We agreed that more time is needed to resolve detailed issues and asked trade ministers to reach a mutually acceptable deal as soon as possible,” South Korea’s President, Lee Myung-bak said. The KORUS FTA setback has been described by observers as a “disaster” for the U.S. as this pending bilateral deal was supposed to be the highlight of President Obama’s Asia trip, leading some to question the U.S. readiness to genuinely jump on the free trade bandwagon.

Nevertheless, the failure to conclude KORUS may have somehow provided a little momentum for the Doha Round as G-20 Leaders agreed to provide WTO’s Director General, Pascal Lamy, with the “strong” signal he was seeking from them in order to push the global trade negotiations towards the end game.

G-20 leaders welcomed Geneva-based senior officials’ recent efforts to revive the negotiations through sessions of brainstorming and reiterated their “strong commitment to direct our negotiators to engage in across-the-board negotiations to promptly bring the Doha Development Round to a successful, ambitious, comprehensive, and balanced conclusion consistent with the mandate of the Doha Development Round and built on the progress already achieved.”

“We recognize that 2011 is a critical window of opportunity, albeit narrow, and that engagement among our representatives must intensify and expand. We now need to complete the end game,” G-20 leaders declared. “Once such an outcome is reached, we commit to seek ratification, where necessary, in our respective systems.”

The APEC statement on the Doha Round almost strictly follows the same line, by endorsing “the progress made by negotiating groups in Geneva and take steps to direct and empower representatives in Geneva and Senior Officials with the necessary flexibilities to further engage in active and substantive negotiations in all the appropriate fora and configurations.”

“2011 Window of Opportunity”

Both the G-20 and APEC declarations do not provide a specific date to conclude the talks, such as previous declarations where leaders urged that negotiations be completed by the end of 2010.

“Bearing in mind that 2011 will be a critically important ‘window of opportunity’, we direct our ministers to empower our representatives to engage in comprehensive negotiations with a sense of urgency in the end game, built on the progress achieved, including with regard to modalities, consistent with the Doha mandate,” said this year’s APEC declaration, recognizing that setting new deadlines have not played in their favour.

This time the emphasis was rather put on the need to exploit next year’s “window of opportunity” to increase the negotiations intensity guiding them towards the finish line before the political environment gets complicated again in 2012 (with various presidential elections scheduled to take place – most notably the one in the U.S.).

Observers however consider 2011 to be the de facto deadline for the Round, even though a date to conclude the talks is not specifically suggested in the declaration.

In fact, many leaders in Seoul have voiced their support to see Doha concluded next year. That is the case of UK Prime Minister, David Cameron, whom quoted in the Financial Times, described the Round as “an international embarrassment” stressing that it has “got to be something we achieved next year, 2011.” The same date targeted by German Chancellor Angela Merkel, who backs Doha to reach a successful ending “next year”.

Furthermore, the U.S. Federal Reserve’s quantitative easing 2 (QE2) proposal which aims at purchasing some \$600 billion in Treasury bonds through the middle of 2011 has sparked fear in Europe that the QE2 will drive down an already low U.S. dollar and subsequently hurt the Euro zone’s already fragile recovery by depressing further EU’s competitiveness (although a case can be made to exclude Germany) due to the weight of its currency versus the dollar.

As such, EU leaders believe that the most effective way to boost global growth in time of limited budget is to further liberalize world trade which explains their strong push on Doha.

The EU Trade Commissioner Minister, Karel de Gucht, told the European Parliament on November 9th, that the Commission aims to conclude Doha “as a matter of urgency, and at the latest by the end of 2011.” De Gucht expects a mini-ministerial to be convened sometime during 2011 and envisages a G-5 (Brazil, China, EU, India and U.S.) ministerial meeting soon after Seoul, to build on the momentum gained there.

The Obama administration meanwhile, maintains the same line: that Members be courageous enough “to make the compromise that are necessary so global trade works for all economies” in other words that emerging economies open their market to U.S. industrial products first.

And speaking of industrial products, U.S. Trade Representative, Michael Punke admitted that he noticed a change in behaviour from emerging economies’ negotiators – particularly China – who up until recently have refused to engage in the so-called sectoral negotiations.

Punke told the Bureau of National Affairs, a Washington-based news publisher, that China has become more engaged in discussing Japan’s basket approach proposal in NAMA sectorals and the clusters approach in Services but that has not been translated yet into actual negotiations.

“There’s a feeling that there’s a lot of interest in trying to make progress in 2011, but now we’ll have to test that. The key is what happens when we try to negotiate,” Punke told BNA.

How to interpret this?

It certainly seems easier for China to be more engaged in addressing the U.S. concerns over sectoral tariffs than say Brazil for instance. The Chinese are seen as potential winners of the so-called basket approach tabled by Japan as they could be benefiting from increased market access in areas such as electronic goods.

The analysis is hardly applicable to fellow emerging countries and particularly Brazil, which once claimed that the mandatory participation in sectorals will lead to a loss of hundreds of millions of dollars from their burgeoning sectors (chemicals, machinery and electronic goods).

Even though the G-20's declaration calls to fully exploit the window of opportunity in 2011, Brazil's Finance Minister Guido Mantega remains sceptical of the chances to conclude the DDA next year, claiming that the Round is to be considered "dead" unless an agreement is reached on the basis of what is currently on the table (draft December 2008 modalities texts).

As for India, it has already said that it was not in a position to meet the U.S.'s demands as it has "already emptied its pockets". Only incremental changes from its position are possible, Indian Ambassador to the WTO, Jayant Dasgupta declared.

Ambassadors are expected to take stock of the outcome of G-20 and APEC meeting with Director General Pascal Lamy, the week of November 22nd at which meeting a decision on how to proceed with the talks will be elaborated.

Upcoming Events

- 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, May, 2011 (TBC)
- WTO Ministerial Conference (MC8), December 15-17, 2011

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