



An overview of the bilateral, plurilateral and multilateral trade negotiations

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TPP – U.S.–Japan Resume Bilateral Talks; Chiefs Negotiators to Meet in New York

The U.S. and Japan resumed their parallel discussions in the context of the Trans-Pacific Partnership (TPP) negotiations when Acting Deputy U.S. Trade Representative, Wendy Cutler, travelled to Tokyo on January 13th to meet with Ambassador Hiroshi Oe (agriculture) and Ambassador Takeo Mori (autos) to discuss market access issues pertaining to agriculture and motor vehicle trade. The three day meeting was the first time the two TPP powerhouses met since TPP leaders gathered in China last November to review the state of the negotiations and inject political impetus into the talks.

Cutler said the meeting was the opportunity for the U.S. to debrief their Japanese counterparts on the recent developments occurring in Washington D.C., particularly with respect to the trade promotion authority (TPA) which the Obama administration is looking to secure by working closely with the Republican-led Congress. Japan has recently stated that securing TPA was critical in order to speed the pace of their bilateral talks with the U.S., as well as the larger TPP negotiations.

The U.S.–Japan parallel talks – seen as a pre-requisite for the TPP to conclude – continue to progress on agriculture market access, Cutler said after the meeting. Last December, officials claimed that the two TPP powerhouses were at loggerheads over the automobile sector – where the U.S. maintains a 2.5% tariff on passenger cars and a 25% tariffs on light trucks – with the U.S. unwilling to move on its proposed tariff reduction due to Japan's weak market access offer in agriculture.

Informed sources say the three day meeting helped narrow the gap in autos, particularly with respect to non-tariff measures, but that the “snap-back” or “delayed tariff reduction mechanism” in the context of dispute settlement in the auto text remains a key sticking point. In the area of agriculture, meanwhile, the two sides spent a lot of time clarifying each other's proposals so that they can be ready to

make additional – and more advanced – offers in the coming weeks.

“[W]e narrowed gaps and we narrowed the number of outstanding issues. And with respect to the remaining outstanding issues, we worked intensively on trying to identify ‘landing zones’,” Cutler said after the meeting. “The issues remaining are tough, and they're proving difficult to resolve, but I sensed a real commitment by my Japanese colleagues to make efforts to do so, and I was encouraged by that,” she added.

“I sense a real sense of commitment on the part of my Japanese colleagues about working hard to resolve the outstanding issues. My government is certainly committed to do the same, and this comes from the President on down, and so just in concluding, we had a productive week, and we look forward to re-engaging very soon with Japan to make further progress,” Cutler said.

Japanese sources say the two sides will meet again in Washington D.C. early in February, right after TPP Chief Negotiators wrap their upcoming negotiations in NY.

Chief Negotiators to meet in NY

The Chief Negotiators will also resume their discussion in New York from January 26th to February 2nd. As per usual, several negotiating groups will meet alongside the Chief Negotiators sessions including: state-owned enterprises (SOEs), intellectual property (IP), financial services, rules of origin (RoO), and investment. Although the market access negotiating group is not listed among the key experts traveling to NY, various sources say TPP countries will nevertheless meet bilaterally on the issue.

This latest gathering comes amid rumours that the twelve countries (Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam) will gather at a ministerial level in early March as the USTR is looking to conclude the negotiations as early as possible this year.

U.S. Trade Representative, Michael Froman, has already started engaging bilaterally with several of his TPP counterparts. The USTR travelled to Lima on January 12th to meet with Peru's Minister of Trade and Tourism, Magali Silva. On January 18th, he met with Andres Rebolledo, the Chilean Minister of Trade, and is set to travel to Mexico City on January 19th to meet with Ildefonso Guajardo, Mexican Minister of Economy, to spur the TPP negotiations.

TPA before TPP?

Froman has also started engaging with U.S. Members of Congress to accelerate the passing of the trade promotion authority, widely seen as critical in order to get other TPP nations tabling their best offers. Chief among those asking for TPA before TPP is Japan, to whom Cutler delivered her President's recent statements regarding the "importance of working with Congress to secure trade promotion authority." According to various U.S. sources, the TPA bill is set to be introduced late January or early February.

However, opinions varied on when exactly the authority will be actually granted to President Obama. Some believe it could be done in the next three months, while others are of the opinion that this will be an uphill battle and unlikely to be resolved before mid-year.

In any case, the prevailing opinion seems to be that the TPA would likely be agreed before the TPP is concluded. However, many observers now anticipate a strong

argument to include currency manipulation in the bill, particularly after last week's shock in the financial world when the Swiss National Bank decided to scrap its currency floor against the euro in anticipation of the upcoming European Central Bank's quantitative easing (QE) which would undoubtedly result in inflating the value of the U.S. dollar and further complicate exports of U.S. products.

Switzerland's move may signal the start of a new currency war. Given the state of the global economy, many countries have reverted to artificially lowering their currency to bolster their economy. This is the case of Japan, whose budgetary outlays have forced the yen to lose one third of its value vis-a-vis the U.S. dollar.

Financial experts now believe other Asian economies such as South Korea and Taiwan (both candidates to enter the TPP) will apply the same strategy after suffering competition from a weak yen which benefited their Japanese competitors.

That being said, the intensity of the global currency battles will depend a lot on the strategy of the U.S. Federal Reserve following the adjustment of the euro after the ECB potentially announce its QE on January 22nd.

The value of the dollar is key: if lawmakers see the rise in the U.S. currency as damaging for the U.S. economy, it may force them to severely revise their position on the issue of currency manipulation in the upcoming TPA bill, which in turn may further complicate the Obama administration's aim to complete the TPP early this year.

KEY UPCOMING EVENTS

- [WTO Informal Trade Negotiations Committee](#), January 21
- [Informal Ministerial Gathering in Davos](#), January 24, Davos-Klosters (Switzerland)
- [TPP Chief Negotiators Meeting](#), January 26 – February 1, New York, New York (U.S.)
- [U.S.-Japan Bilateral Negotiations](#), early February (TBC)
- [TPP Ministerial meeting](#), Early March (date and location TBC)
- [APEC Ministers Responsible for Trade Meeting](#), May 23-24, Boracay (Philippines)
- [OECD Forum \(WTO mini-ministerial\)](#), June 2-3, Paris (France)
- [Post-Bali Work Program Deadline](#), July 31
- [WTO Public Forum](#), September, 30 – October 2
- [G20 Summit](#), November 15-16 Antalya (Turkey)
- [APEC Leaders' Summit](#), TBD, Manila (Philippines)
- [WTO's 10th Ministerial Conference](#), December 15–18, Nairobi (Kenya)

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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