



# Geneva WATCH

An overview of the bilateral, plurilateral and multilateral trade negotiations

Charles Akande, Editor

## TPA Uncertainty Casts Doubts over TPP Ministerial Meeting in Guam

**The weeklong debate on the Obama administration's quest for trade promotion authority (TPA) which would allow the U.S. President to submit trade deals such as the Trans-Pacific Partnership agreement (TPP) for straight up or down vote, with no amendments by lawmakers, took a hit on May 13<sup>th</sup>, when the Senate voted against the bill, defeating it by eight votes. This meant the bill fell short of the required 60 votes.**

Among the concerns cited by Democrats is the need to include an amendment to the language on currency manipulation to make it subject to countervailing duties – a move largely seen to target Japan and potentially future TPP partners such as China. Both the Obama administration and Republican leaders, such as Paul Ryan (R-Wis.) who chairs the Ways and Means Committee, have spoken against the measure. Federal Reserve Chair, Janet Yellen, has recommended not including a currency manipulation provision in trade deals, even though it may give a country a competitive advantage when keeping the value of its currency lower vis-a-vis other currencies. The provision could hamper or hobble the U.S.'s own monetary policy, she added.

The Federal Reserve, which has undertaken a number of quantitative easing measures over the last number of years – seen by some as manipulating the dollar to keep its value low vis-a-vis other currencies – has claimed that its interventions have been “designed for valid domestic objectives and price stability and maximum employment”, but not as a currency manipulation. President Obama, for his part, is said to be in favor of some sort of language on currency “that does not end up having a blowback effect” on the U.S.'s ability to maintain its own monetary policy.

The U.S. Senate is set to continue its debate on TPA legislation the afternoon of May 18<sup>th</sup>, after which lawmakers will vote on two amendments including the trade adjustment assistance (TAA) program which provides training and compensation to workers negatively impacted by trade deals.

The whole week will be devoted to discussing the 23 amendments that have so far been offered since the filing process started on May 14<sup>th</sup>, and because no deadline has yet been set for the filing of amendments, additional amendments may be added as Democrats try to delay the final vote on the bill until after the Memorial Day recess. This in turn would make passage of TPA harder in the House according to Washington insiders. Feta cheese.

### Ministers to gather in Guam?

For many observers, the passage of the TPA before May 22<sup>nd</sup> is critical for the 12 TPP countries (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore, the U.S. and Vietnam) wanting to hold a ministerial meeting in Guam at the end of the month. The key question is whether the ministerial would still take place if TPA is not passed. Sources said the final decision on this would be left to the U.S.

However, many think the 12 countries will nevertheless hold the ministerial meeting because it will look too bad if one is not organized. One Japanese government official indicated that the U.S. Trade Representative's office asked Japan to prepare for a ministerial meeting in Guam, just in case.

New Zealand Trade Minister, Tim Groser, is another one who is planning to attend the meeting. In an interview with Radio New Zealand, Groser said the U.S. had to pass the TPA legislation for the TPP countries to enter the so-called endgame where difficult and politically sensitive issues of the negotiations are going to be addressed. Failing to do so will cause a delay in that process, he added.

“How much of a delay is very difficult to say” Groser stressed adding that the U.S. lawmakers need to clean their act up for the 12 countries involved in the TPP to move forward with the negotiations before the U.S. summer break happens at the beginning of August.

“Behind all this of course is a really intriguing strategic question about the United States' leadership on trade,” Groser said.

“That’s my clear sense of it. Actually, New Zealand and some of the smaller players and I think Australia would have been prepared to do it [*hold a ministerial meeting to conclude the talks*], but it’s quite clear to us that politically the Japanese and the Canadians would not and they are number two, number three or number four [*biggest economies in the TPP*].

Given the uncertainty surrounding the passage of the TPA, Ministers may choose to make some other distracting announcement in lieu of the previously anticipated conclusion of the negotiations. For instance, the group may elect to announce something on transparency of text that dilutes criticism.

### **Pressure on Canada?**

In Guam, everyone expects the pressure to be on Canada. Some have reported that dairy has become one of the biggest concerns lately as market access in this sector

involves three of the TPP’s largest economies: U.S., Japan and Canada – and New Zealand. According to Japanese officials, Japan has settled most of its market access issues with all TPP countries except Canada, the U.S. and New Zealand. Japan has shown certain flexibility on how it could accommodate the U.S., but demands from New Zealand, which is stridently calling for the Japanese to open their butter market, has somewhat complicated the situation.

The U.S. is waiting to see what it would get out of Canada before starting to negotiate with New Zealand, describing the Guam Chief Negotiators meeting as “the last chief negotiators gathering.” According to Washington insiders, the USTR believes the talks have entered the endgame, thus the United States may try to use the upcoming chief negotiator’s meeting to put major pressure on Canada, up to the level of threatening to orchestrate pushing Canada out of the negotiations altogether.

**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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Legal Deposit: National Library of Canada, ISSN 1496-9254



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