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LEAD STORIES

CHAIR'S AG MARKET ACCESS PAPER SPARKS FIERCE DEBATE ON TARIFF CUTS

The EU and the G-10 have rejected the idea that a proposal from the G-20 group of developing countries could form the basis for an eventual Doha Round deal on farm tariff cuts, rebutting a suggestion to this effect from the chair of the WTO agriculture talks. While the EU and G-10 argued that the G-20 cuts were too deep, trade negotiators from the Cairns Group of farm exporters expressed support for the chair's informal assessment, in an apparent departure from their long-held position in favour of substantially sharper tariff cuts.

The chair, Ambassador Crawford Falconer (New Zealand), made the controversial observation in a 'consolidated reference paper on possible market access modalities' circulated to Members on 9 May. The bulk of the document contained passages of draft text that encompassed most proposals Members had made on virtually every issue in the negotiating mandate on agricultural market access. Falconer accomplished this by placing large swathes of text within square brackets to indicate the continuing absence of agreement, and providing wide ranges of figures for tariff cuts and the number of products to be excepted from standard tariff treatment.

Falconer observed that the sections of draft text simply summed up Members' proposals and were thus "of rather limited operational use to anybody who wants seriously to reach a negotiated outcome." Stressing his commitment to the 'bottom-up process' and not trying to "invent solutions out of thin air," Falconer proffered some comments of his own -- "observations of where things were at" -- in an attempt to broadly identify where consensus might lie in certain areas of the negotiations. It is these personal observations that provoked strong reactions from a number of Members.

Members are under growing pressure to meet an end-June deadline for an agreement on agriculture 'modalities' -- formulae and figures for subsidy and tariff

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cuts. Falconer is set to produce an initial draft modalities text by the week of 19 June. He has repeatedly urged Members to narrow enough of their differences to enable ministers and senior trade officials to iron out a deal at a meeting scheduled for the end of the month.

Tariff cuts: the G-20 proposal a halfway house?

Members have proposed substantially different cuts to farm tariffs. For instance, while the US has called for rich countries to slash tariffs by between 55 and 90 percent, the EU has proposed reductions of 20 to 60 percent. The G-20 group of developing countries is seeking cuts of 45-75 percent, with the deepest cuts to tariffs over 75 percent.

In spite of the wide range of proposals on the table, Falconer observed in his paper that a "much narrower real potential zone" of agreement existed within the extremes. He said that this "real zone of engagement" would have to be "around the G-20 [proposal]." Precisely how close to the G-20 proposal was "moot," he continued, "but if we are going to have an agreement I have the sense that that is where the real negotiations will have to take place." Indeed, there have been some suggestions recently that the EU might be willing to move at least some way in the direction of the G-20 offer (see BRIDGES Weekly, 24 May 2006, <http://www.ictsd.org/weekly/06-05-24/story1.htm>).

At the 12 June meeting, the EU and the G-10 (a group of countries with highly protected farm sectors, including Japan, Norway, and Switzerland) rejected Falconer's analysis, arguing that they had never considered the G-20 proposal to represent the 'middle ground' in the negotiations. Falconer had acknowledged in his paper that some G-10 countries "may just not prove to be able to make it" close enough to the vicinity of the G-20 proposal. Underscoring that the group was fully entitled to maintain its existing position, he noted that if Members did indeed eventually converge around the G-20 proposal, the G-10 would be obliged either to "swallow hard and accept" or block consensus.

The G-10 reiterated its opposition to the idea of an absolute cap on farm tariffs -- the G-20 and the EU have proposed 100 percent for developed countries, while the US has suggested a 75 percent limit.

Most other delegations also repeated established positions. However, the Cairns Group, represented by Australia, intervened to agree with the chair's assessment - even though its members have been seeking deeper cuts. The group of farm exporters includes Canada and New Zealand, as well as several G-20 countries such as Argentina, Brazil and South Africa.

Furthermore, Canada suggested a possible response to the concerns of countries with a large number of high tariffs that would fall into the formula tier slated for the steepest percentage reductions: they could be allowed to limit the deepest tariff cuts to no more than 25 percent of their products. Canada also said that some sort of arrangement might be possible for countries that find it particularly difficult to implement a tariff ceiling.

Sources report that the US did not directly address Falconer's contention that the G-20's proposal constituted the likely middle ground. However, in an interview the day after her 8 June confirmation as US Trade Representative, Susan Schwab told the Financial Times that the US would simply not accept a "Doha lite" deal that cut farm tariffs by less than the 54 percent average cut sought by the G-20. Furthermore, US farm groups have urged the Bush administration to scale back its offer to reduce agriculture subsidies -- already criticised as insufficient by the G-20 -- unless other WTO Members came close to its proposal to slash farm tariffs by around 66 percent.

Falconer: cuts to be made from bound levels

Delegates who spoke at the meeting seemed largely to agree with Falconer's stated impression that the notion that developing countries should make tariff cuts two-thirds the size of those made by developed ones "has a certain resonance as broadly 'about right.'" Some emphasised that other issues would need clarifying first, such as the specific thresholds for the tiers into which developing countries will classify their tariffs for the purposes of reducing them. While the EU and the G-20 have more or less followed the two-thirds rule in their proposals, the US has simply said that developing countries should make cuts "slightly less" than those demanded of developed countries.

The chair directly took aim at the argument that developing countries need to make larger cuts in order to force reductions in their actual tariff levels, as some developed countries have contended. Many developing countries have considerable gaps -- termed 'water' in WTO parlance -- between the tariff rates they apply and the maximum permitted ceiling that is 'bound' at the WTO. These gaps are in many cases the result of substantial autonomous liberalisation undertaken since the Uruguay Round.

Falconer said that bound tariffs had always been the common reference point in WTO negotiations and were the product of past bargains "to which all -- including developed countries -- have subscribed." "This negotiation cannot be expected to 'make up' for any regrets Members might have had about where past negotiations got them," he added. If Members accept "that a bound tariff is a bound tariff is a bound tariff and

those are the only apples that we are comparing, life would be a lot simpler."

He further noted that, if Members were to establish the principle that tariff cuts should be made from bound rather than applied levels, this would also apply to agricultural subsidies. Few of the proposed subsidy cuts currently on the negotiating table would substantially affect the actual level of payments given to farms.

Sensitive products still controversial

Negotiators continued to disagree strongly on the number and treatment of 'sensitive' products which, in return for the expansion of import quotas, each Member will be allowed to shield from the full force of tariff cuts.

Falconer noted that Members would be unlikely to reach agreement on positions at either end of the spectrum -- from the G-10's desire for developed countries to be able to designate as many as 15 percent of tariff lines as sensitive to the G-20 and US' favoured 1 percent. The negotiating dynamic appeared to be pointing towards "a more medial number," he suggested.

Sources report that the G-10 has suggested that it might come down from 15 percent, depending on the tariff cuts required by the overall reduction formula.

Falconer also cautioned delegations that they would need to decide how to account for the fact that they do not all have the same number of tariff lines, as a result of which, for example, three percent of tariff lines would mean more sensitive products for one Member than for another. He suggested that this represents an equity issue "that cannot be easily brushed under the carpet."

In his reference paper Falconer notes that Members have made no concessions on the extent to which tariff cuts on sensitive products should be lower than those for other products. Attempting to estimate where middle ground could lie, he said "I frankly find it difficult to avoid the sense that the general zone we will end up negotiating is between 30 percent and 70 percent of the [standard] cut." The EU, for instance, has proposed deviations of 20 to 80 percent. However, he warned that "ministers -- or whomever is in the room when we finally run out of time and simply have to make a decision" would have an "overwhelming temptation" to settle on a single number, which he suggested could well be 50 percent. If Members do not like this prospect, he added, they would do well to start more concrete negotiations now.

At the meeting, Members also made little progress on the basis for calculating tariff-rate quota expansions for

sensitive products (see BRIDGES Weekly, 17 May 2006 <http://www.ictsd.org/weekly/06-05-17/story2.htm>). Falconer said that it was unlikely that this issue could be resolved in "one final convulsion at the end of June," and that it would require "very intensive work over the next few days."

Developing country flexibilities still contentious

Familiar disagreements persisted during the discussion on rules for 'special products' (SPs), which developing countries will be able to designate for more gradual liberalisation on the basis of food security, livelihood security and rural development. Countries were similarly divided on the proposed 'Special Safeguard Mechanism' (SSM) to help developing countries protect farmers from import surges.

The G-33 group of developing countries, the strongest proponents of both, remained at odds with Southern exporters such as Thailand and Malaysia, which have argued that the flexibilities could undermine South-South trade (see BRIDGES Weekly, 10 May 2006, <http://www.ictsd.org/weekly/06-05-10/story1.htm>). The G-33, which includes China, Indonesia, Mauritius, and Peru, would like at least 20 percent of tariff lines to be eligible for SP status; at the other extreme of the proposals on the table, the US wants SPs to number no more than 5 tariff lines -- a fraction of 1 percent in many cases. The G-33 expressed disapproval of Falconer's text for placing both proposals in square brackets adjacent to each other, arguing that the equivalence failed to reflect that the former was supported by many more countries.

The paper's bracketed list of tropical products and crops that could be grown in the place of illicit narcotics -- the July Framework mandates Members to address the "implementation of the long-standing commitment to achieve the fullest liberalisation of trade" in both -- also proved controversial (see BRIDGES Weekly, 24 May 2006, <http://www.ictsd.org/weekly/06-05-24/story3.htm>). The list was based on a proposal from a group of Latin American countries pushing for deep tariff cuts on such products. The EU argued that the list included too many products, and instead proposed reverting to a list that had been negotiated but never agreed during the Uruguay Round.

Members are expected to conclude the discussion of market access issues on 16 June. At the same meeting, they are also due to discuss a new consolidated reference paper on export competition issues.

ICTSD reporting; "Farm groups: Scale back Doha if talks falter," DELTA FARM PRESS, 9 June 2006; "US

not prepared to accept 'Doha lite,'" FINANCIAL TIMES, 10 June 2006.

NAMA: MEMBERS APPEAR NO CLOSER TO CONVERGENCE

Developing countries including Brazil, India, and South Africa have vehemently rejected a new proposal aiming to ensure that Doha Round liberalisation leaves them with industrial tariff ceilings no more than 5 percent higher than those of industrialised nations.

WTO Members appear no closer to consensus on industrial tariff cuts, with little over two weeks to go before an end-June deadline for a framework deal. Indeed, some delegates suggest that positions have become even more entrenched and might even be drifting further apart.

Tabled last week by Canada, Hong Kong, New Zealand, Switzerland, Taiwan, and the US, the new paper called for the coefficient associated with the non-agricultural market access (NAMA) tariff reduction formula to be no more than five points higher for developing countries than for developed ones. Furthermore, it suggested that the coefficient for developed countries should no higher than ten.

The value of the coefficient becomes a Member's future bound industrial tariff ceiling, and determines the extent to which tariffs will be reduced. In effect, the proposal would set a maximum tariff ceiling of 10 percent for developed countries, and 15 percent for developing ones. Coefficients of 10 and 15 would cut an 8 percent tariff to 4.4 and 5.2 percent respectively.

In discussions first at an informal 8 June meeting of 40-odd delegations and then at a larger gathering the following day, trade diplomats from many developing countries slammed the proposal as unfair. They argued that it would require developing countries to cut their industrial tariffs more deeply, in percentage terms, than developed countries.

Brazil argued that limiting the difference between the two coefficients to 5 would effectively invert the July 2004 Framework mandate for 'less than full reciprocity in reduction commitments' by developing countries. Speaking on behalf of the NAMA-11 group, South Africa suggested that the sort of deep tariff cuts it would imply could potentially lead to immense adjustment costs and de-industrialisation in developing countries.

According to recent calculations by the WTO Secretariat, a coefficient of 15 would require Brazil to cut its average bound tariff by between 61.7-65.2 percent, depending on how many products it is

permitted to shield from the full force of tariff cuts. The same coefficient would require India to do so by 63.5-70.4 percent. A coefficient of 30, in contrast, would cut both countries' bound tariff levels by around 45-55 percent.

Argentina and Brazil also said that the proposal's demands were out of proportion to what was currently in offer in the agriculture negotiations. Brazilian Ambassador Clodoaldo Hugueneu criticised recalcitrant farm tariff liberalisers for demanding heavy cuts to duties on industrial goods. He appeared to implicitly target Members such as Switzerland, which sponsored the new paper, and the EU, which expressed support for it. The EU has formally offered farm tariff cuts of 46 percent, though many Members believe that its proposal would amount to a 39 percent reduction. Argentina noted that cuts of this magnitude would be equivalent to a coefficient of almost 45 in the NAMA negotiations (see BRIDGES Weekly, 22 March 2006, <http://www.ictsd.org/weekly/06-03-22/story1.htm>).

The US, too, linked the agriculture and the NAMA negotiations, saying that a Doha Round deal which cut its own farm tariffs but did not reduce other countries' applied industrial tariff rates would be politically unsaleable.

Korea, a member of the relatively protectionist G-10 group in the farm trade negotiations, called for the two coefficients to be as close as possible.

Paragraph 8 flexibilities still undetermined

Paragraph 8 of the NAMA mandate in the July 2004 Framework (WT/L/579) contained provisional figures -- in square brackets to signify the absence of agreement -- that would allow developing countries to make cuts half as deep as those demanded by the formula to 10 percent of tariff lines, or to completely exempt 5 percent of tariff lines from cuts (or to keep them unbound), so long as they did not account for more than 10 or 5 percent of total import value respectively.

Members have been unable to agree on whether to accept these figures -- some want to bump them higher up, while others want them reduced. Sources report that they remained unable to do so at the June 9 meeting when Chair Ambassador Don Stephenson (Canada) asked if the brackets could be removed.

Chinese proposal for RAMs creates stir

At a meeting on 13 June, several delegations gave a cold welcome to a new informal paper from China seeking to grant it and other recently-acceded WTO Members a higher formula coefficient and the ability to

shield more products from tariff reduction than other developing countries.

Countries that joined the WTO following its establishment in 1995 generally had to agree to stringent liberalisation commitments as the price of admission. They have asked for leniency with regard to tariff cuts under the Doha Round. The July Framework and the Hong Kong Declaration both direct countries to address recently-acceded Members' (RAMs') concerns.

Discussions on treatment for RAMs have been complicated by the fact that China and Taiwan would qualify for any such treatment, along with countries including Croatia, Ecuador, Georgia, Jordan, the Kyrgyz Republic, Moldova, Mongolia, Oman, Panama, and Saudi Arabia.

China has called for the RAMs' coefficient to be one-and-a-half times higher than that agreed for all developing countries -- e.g., 45 if the standard coefficient were 30. It also called for RAMs to be allowed to shield a higher percentage of products from tariff cuts than other developing countries: China asked for RAMs to be able to make cuts half of those demanded by the formula on 15 percent of tariff lines if other developing countries are able to similarly shield 10 percent, or to completely exempt up to 10 percent from reductions if other developing countries could do so to 5 percent. The paper also provided for giving RAMs three more years than other developing countries to implement their liberalisation commitments, as well as a three-year grace period before having to start doing so.

One negotiator suggested that many developed and developing countries are uncomfortable about granting substantially different treatment to a major trader like China. This appeared to be borne out during the meeting, when the US said that not all RAMs should receive the same treatment since some had taken "extensive advantage" of the trading system. Norway expressed discomfort with one of the world's biggest exporters asking for a coefficient 50 percent higher than that for other developing countries, as did Costa Rica. Brazil questioned whether all RAMs should receive expanded flexibilities to protect products from tariff reduction.

Several other delegations also found China's demands excessive, including Canada, Switzerland, New Zealand, and the EU. Fellow RAM Croatia expressed support for the Chinese proposal.

Turkey and Mexico indicated that they were open to granting RAMs an extended implementation period, but not a higher coefficient.

As a result of its accession commitments, China has an average bound tariff level of 9 percent, which is roughly equal to its applied rate. The WTO Secretariat estimates that a coefficient of 20 would slash this bound rate by 25.5-28.3 percent, bringing it to 5.6-6.4 percent. A coefficient of 30 -- one-and-a-half times higher -- would engender a reduction of around 20 percent, producing a bound rate of 6.4-7 percent. Applying a Swiss formula with a coefficient of 45 to a 9 percent tariff would reduce it to 7.5 percent, implying a 15 percent cut.

The chair is expected to produce an initial draft modalities text the week of 19 June. One negotiator told Bridges that in light of Members' differences at this stage, Stephenson appears only to be in a position to summarise the different proposals currently on the negotiating table. This delegate suggested that he may follow the lead of the agriculture chair and offer a few informal personal observations of his own about where consensus might ultimately be possible (see related story, this issue).

Sources report that Stephenson has been holding consultations with small groups and individual countries on a variety of issues in the negotiations. A meeting of all Member delegations is scheduled for 15 June.

ICTSD reporting.

MEMBERS TABLE DRAFT ARTICLES FOR FUTURE AGREEMENT ON TRADE FACILITATION

The outlines of a future WTO draft agreement on trade facilitation are starting to take shape, as Members proposed text for several potential articles during the 6-7 June meeting of the negotiating group.

The trade facilitation negotiations aim to simplify customs procedures and cut commerce-related red tape, as well as to enhance developing countries' ability to participate in international goods trade. The July 2004 Framework (WT/L/579) specified that developing and least-developed countries would not have to implement future trade facilitation obligations unless they received the technical assistance necessary to do so. During the recent meeting, a loose group of developed and developing countries responded to this unprecedented link by outlining a possible mechanism through which developing countries could seek and receive technical assistance before having to comply with new commitments.

Members are specifically mandated to clarify three articles of the General Agreement on Tariffs and Trade

(GATT) 1994: freedom of transit for goods from other Member states (Article V), trade-related fees and formalities (Article VIII), and transparency in the regulation and administration of trade regulations (Article X).

Proposals suggest text for future agreement

Many of the papers tabled during the meeting built upon already-revised submissions to propose specific wording for different sections of a future agreement on trade facilitation. Several of them emphasised that general exceptions to WTO rules would also apply to the disciplines proposed.

For instance, the EU, Korea, and Switzerland (TN/TF/W/107) tabled a series of prospective rules governing the type and amount of trade-related fees and charges governments could levy, specifying that they must not exceed the approximate cost of the import- or export-related service they ostensibly pay for.

In an attempt to get countries to speed up customs clearance times, EU, Japan, Korea, Mongolia, and Taiwan proposed rules that would require them to periodically calculate and publish the length of their average periods for releasing goods, and commit to trying to reduce them. This provoked a response particularly from Australia and India, which said that they did not want any such commitment to be mandatory.

Japan, Mongolia, and Switzerland (TN/TF/W/114) tabled a series of potential disciplines that would require Members to clearly publish all trade-related laws and regulations. Their proposal lists the precise kinds of information that governments would be required to provide, and calls for the establishment of enquiry points where traders from any country would be able to find out about documentation and other requirements. Along with Korea, they also put forward draft articles (TN/TF/W/115) that would require Members to allow traders and other governments to comment on new or amended trade-related procedures, and publish adopted rules well in advance of their entry into force. The four countries jointly submitted another textual proposal (TN/TF/W/115) on 'pre-arrival processing,' which provides for customs and other border agencies to accept and examine import-related documentation submitted by traders before the goods arrive, in order to expedite their eventual clearance.

With regard to the transit of goods from other WTO Members -- a key problem for landlocked countries -- Armenia, the EU, the Kyrgyz Republic, Macedonia, and Moldova (TN/TF/W/113) put forward comprehensive disciplines to regulate how governments treat such goods. Specifically, they wanted countries to treat

goods from all Members equally for transit purposes. Many Members were uncomfortable with the notion of according traders who would likely be from other countries the freedom to choose transit routes. They also criticised the proposal's call for goods in transit to be treated identically to domestic merchandise. One delegate told Bridges that locally-manufactured products might not require the sort of mandatory inspections which could be necessary for foreign goods.

Other potential rules proposed included disciplines from the EU, Switzerland, and Taiwan (TN/TF/W/109) that would oblige countries to provide expedited inspection clearance to "authorised traders" that meet certain criteria for past compliance. The EU and Taiwan (TN/TF/W/108) outlined a procedure for the progressive elimination of 'pre-shipment inspections,' which refers to requirements that the quality, quantity, or price of goods be verified before they can be exported.

New Zealand (TN/TF/W/111) tabled a provision that Members would have to apply objective criteria for the tariff classification of goods to ensure that they are not "arbitrary or unjustifiable," and "do not constitute a disguised restriction" to trade. It suggested that classifying all tariffs on the basis of the World Customs Organisations' HS Convention would achieve this.

Mechanism proposed for implementation

An informal group of developed and developing countries co-sponsored an informal 'non-paper' that spelled out a multi-stage process for the implementation of a future agreement on trade facilitation, specifically with regard to commitments that some Members might be unable to put into place on their own.

Canada, Chile, China, the EU, Guatemala, Honduras, Japan, Mexico, Pakistan, Paraguay, Sri Lanka, and Uruguay proposed that developing countries should, as soon as the agreement enters into force, formally commit to obligations conforming to measures that they already had in place and implement any minimal set of 'core' disciplines that might arise from the new rules.

The paper provides for developing countries to notify the WTO of any obligations that would require additional time or technical assistance to implement, after identifying them through a 'capacity self-assessment.'

Developing countries would not have to implement obligations requiring additional time until the end of the period specified in their notification.

For measures that would be impossible to implement without technical assistance, the paper would have developing countries formulate a 'capacity-building plan' in cooperation with donors and international organisations, and notify it along with specific implementation periods. At the end of the implementation period for such a plan, a developing country would have to verify whether it had indeed acquired the capacity to implement a particular obligation, and, if so, notify its newly-acquired ability to the WTO. Following this, it would become subject to legal challenge on the basis of the commitments in question.

In cases where Members disagree with another's assessment of its capacity to implement an obligation, the paper specifies that "a mechanism is to be developed" to resolve their differences. It also provides for 'multilateral dialogue' on countries' initial notifications of specific needs.

Sources report that interventions on the proposed mechanism were largely positive, with Barbados, Bolivia, India, New Zealand, and the US welcoming the proposal.

Comprehensive text likely in July

One trade diplomat described prospects for a comprehensive text on trade facilitation by July as good, since text-based proposals have now been made on roughly half the issues in the negotiations. The delegate suggested that Members are aware that they need to bring all of the text-based proposals together in a single document; some have wondered aloud whether the WTO Secretariat could do so, as it did for an earlier compilation of Members' less-evolved submissions (now TN/TF/W/43/Rev.7).

One delegate expressed doubt that all delegations were in a position to submit proposals in the form of draft legal text, but suggested that the simple fact that Members had already started text-based discussions was notable. The negotiator acknowledged the concern among some developing and least-developed countries that trade facilitation negotiations were almost proceeding 'too speedily,' and said that an agreement would have to wait for a deal on agriculture and industrial tariffs. Another trade diplomat said that if ministers and senior trade officials scheduled to meet at the end of June made a breakthrough in these two areas, Members would probably call upon the Secretariat to draft a comprehensive trade facilitation text based on their submissions.

Sources report that Chair Tony Miller (Hong Kong) suggested that he was not planning to come forward with a comprehensive text of his own, as some of his

counterparts in other negotiating areas have been asked to do. He urged Members to keep producing text-based proposals until the end of June, ahead of an informal meeting of the negotiating group scheduled for 10-11 July.

ICTSD reporting.

IN BRIEF

US AND KOREA HOLD FIRST ROUND OF FTA TALKS

The US and South Korea wrapped up the first round of comprehensive free trade agreement (FTA) negotiations on 9 June, with disagreements over issues including pharmaceuticals, agriculture, and goods produced in a North Korean industrial park. The prospective deal has been hailed as the US' biggest since the North American Free Trade Agreement (NAFTA) in 1994.

While senior officials from both sides expressed cautious optimism, an uphill struggle remains. One of the most sensitive issues is the phase-out of Korea's agriculture tariffs, which average 52 percent, compared to 12 percent in the US. Korean farm unions have warned that tariff cuts would have dire consequences for farming households. At the same time, US farmers are seeking access for beef products, which were banned from Korea following a mad cow disease scare.

Korea's pricing and reimbursement policies for prescription drugs are another sticking point. Assistant US Trade Representative Wendy Cutler expressed "grave concern" over new Korean draft regulations that do not guarantee that the national insurer will reimburse patients for purchases of imported drugs. Some Korean officials expressed concern that US demands on pharmaceutical patents and pricing would increase drug prices and insurance costs.

Seoul wants a deal to cover goods produced at the South Korean-owned Kaesong Industrial Complex in North Korea, which it considers an important component of bilateral economic cooperation. Washington, which imposes economic sanctions on North Korea, opposes this, suggesting that the "FTA should cover the Republic of Korea and the US."

Nevertheless, new US Trade Representative Susan Schwab said that the negotiations were progressing "at a far faster pace than some of our other FTAs in the past."

In order to complete the deal before the Bush administration's 'fast-track' authority to negotiate trade pacts expires in July 2007, the two countries must reach an accord by March. The next round of talks is expected in Seoul in July.

"South Korea US Makes Progress in FTA Talks, With Partial Concerns," FINANCIAL TIMES INFORMATION, 11 June 2006; "Korea trade talks off to a fast start, US says," REUTERS, 9 June 2006; "US and South Korea Open High-Stakes Talks," INTERNATIONAL HERALD TRIBUNE, 6 June 2006; "Statements at a Press Conference Challenging the US-Korean Free Trade Agreement," THE OAKLAND INSTITUTE, 7 June 2006; "Ministry Fears Effects of FTA on healthcare system," THE HANKYOREH, 6 June 2006; "Bumpy Road for US-Korea Talks," ASIA TIMES, 3 June 2006; "US Lauds Progress in First Week of South Korea Trade Talks," AGENCE FRANCE PRESSE, 9 June 2006.

AGOA FORUM: US TO PURSUE FTA WITH AFRICA?

Senior US officials indicated that they were mulling free trade agreement (FTA) negotiations with African countries, during meetings with thirty seven African ministers in Washington for the fifth African Growth and Opportunity Act (AGOA) Forum from 6-7 June. AGOA is a preferential trading scheme that the US offers to 37 eligible African countries (see BRIDGES Weekly, 14 July 2004, <http://www.ictsd.org/weekly/04-07-14/story1.htm>).

In her opening remarks to the forum, US Secretary of State Condoleezza Rice emphasised that AGOA aimed to combat poverty. Referring to the ongoing Doha Round talks at the WTO, she said that Washington was "at the forefront of a worldwide effort to increase market access for developing country products, including agricultural goods." She urged her own government to do more to help African farmers expand their exports by increasing their capacity to meet US agricultural standards. In calling on African countries to continue diversifying their economies, she pointed to the AGOA Diversification Fund which the US launched last year.

Speaking at an AGOA private sector gathering the day before, Deputy USTR Karan Bhatia indicated that the US was looking to enter into a free trade agreement with Africa. He noted that while preference programs such as AGOA had their benefits, they were in steady decline "as a result of free trade agreements,

autonomous liberalisation, a prospective Doha Agreement, and changes such as the end of global apparel quotas." He underscored the need to preserve and build on the momentum created by AGOA by finding other ways to strengthen and deepen US-Africa trade and investment relations. Bhatia further said that while many African countries were probably not yet ready for FTAs with the US, Washington would "work with those key African partners that are interested in taking steps toward a more meaningful trade relationship characterised by mutual commitments."

In a speech to the forum, the Senegalese Foreign Minister Cheikh Tidiane Gaudio cautioned that while Africa was ready for free trade, fair trade was the preferred option.

All speeches from the forum can be found here: http://www.agoa.gov/agoa_forum/agoa_forum5_speeches.html

ICTSD reporting, "African Nations Wary of Closer Embrace with U.S." YAHOO NEWS, 8 June 2006.

WTO IN BRIEF

BRAZIL FILES FIRST SUBMISSION IN RETREADED TYRES CASE

Brazil has defended its import ban on retreaded tyres on health and environment-related grounds, in its first written submission to the WTO regarding a dispute with the EU.

In November 2005, the EU formally challenged the WTO consistency of Brazil's import ban on retreaded tyres, as well as related fines targeting the importation and subsequent marketing, transportation and storage of such tyres. Furthermore, the EU targeted Brasilia's exemption of some countries -- Mercosur partners Argentina, Paraguay, and Uruguay -- from these measures, arguing that it violated WTO rules (see BRIDGES Trade BioRes, 3 February 2006, <http://www.ictsd.org/biores/06-02-03/story1.htm>)

At issue are car tyres that have been reprocessed for a second use. Brazil has argued that since retreaded tyres have a shorter life-span than new ones, they are more strongly linked than the latter to the adverse environmental and health effects caused by all waste tyres.

In its 8 June submission, Brazil justified the import ban under GATT Article XX(b)'s general exception for measures necessary to protect human life and health

and the environment, arguing that no reasonable alternatives were available. Furthermore, it maintained that the fines were required to secure compliance with the import ban -- and thus protected by GATT exceptions for measures that governments take to ensure conformity with WTO-consistent laws and regulations, outlined in Article XX(d).

Brazil argued that the exemption for Mercosur countries was necessitated by its obligations under the regional pact, a WTO-authorised customs union. Furthermore, it contended that since those obligations formed part of its domestic legislation, the Mercosur-specific exemption was central to compliance with its international obligations and domestic laws, and hence justified under Article XX(d).

According to WTO jurisprudence, an Article XX defense would require Brazil to prove that the measures were indeed 'necessary,' and that they were not being applied in an arbitrary or unjustifiably discriminatory fashion.

The first hearing of the panel is expected to take place in early July.

For more information, please see <http://www.trade-environment.org/page/theme/tewto/tyrescase.htm>.

ICTSD reporting.

FOUR LATIN AMERICAN COUNTRIES TABLE NEW PAPER ON TROPICAL PRODUCTS

Colombia, Costa Rica, Guatemala and Panama presented a new formal proposal (TN/AG/GEN/19) on the tariff treatment of tropical products, stepping away from earlier calls for duty- and quota- free trade that they had made as part of a larger group of eight Latin American countries (see BRIDGES Weekly, 24 May 2006, <http://www.ictsd.org/weekly/06-05-24/story3.htm>).

The July 2004 Framework Agreement (WT/L/579) mandates Members to address the "full implementation of the long-standing commitment to achieve the fullest liberalisation of trade in tropical agricultural products" and 'alternative products' which could replace the cultivation of illicit narcotic crops.

While the late-April informal paper (JOB(06/129)) had argued that "fullest liberalisation" entailed the complete elimination of all duties and quotas, the 9 June submission simply stated that it meant that an eventual

deal "must bring about tariff reductions that are substantially more ambitious" than those required by the general formula (see BRIDGES Weekly, 3 May 2006, <http://www.ictsd.org/weekly/06-05-03/wtoinbrief.htm>).

Specifically, the paper called for tropical products to face the maximum level of tariff cuts provided for under the eventual formula. For example, under the G-20 proposal, in which the highest tariffs are slated to be cut by 75 percent, the sponsors suggested that duties on tropical and alternative products should be slashed by that amount irrespective of where their current tariffs would have placed them in the tiered formula.

Furthermore, the submission stipulates that tropical products subject to tariff escalation -- when countries levy higher tariffs on processed products than on unprocessed ones -- should be subject to an additional 10 percent cut. This would amount to an 85 percent cut in the case of the G-20 formula.

The sponsors argued that developed countries should not be able to designate tropical and alternative products as 'sensitive' and thus shield them from the full effect of tariff reduction.

Furthermore, the submission would require Members to implement liberalisation commitments for tropical and alternative products in half the time granted to developed countries for other farm products.

ICTSD reporting.

EVENTS & RESOURCES

EVENTS

For a more comprehensive list of events in trade and sustainable development, please refer to ICTSD's web calendar at: <http://www.ictsd.org/cal/index.htm>. If you would like to submit an event, please email events@ictsd.ch.

Upcoming Events: 15-21 June

15-16 June, Geneva, Switzerland: WORLD INTELLECTUAL PROPERTY ORGANISATION (WIPO) WORKSHOP FOR MEDIATORS IN INTELLECTUAL PROPERTY DISPUTES. This Workshop will consist of an intensive two-day training course in mediation techniques. It will be based on simulated mediation exercises in the intellectual property field. For further information contact the WIPO Arbitration and Mediation

Center, tel: +41 22 338 8247; email: arbiter.meetings@wipo.int; internet: <http://arbiter.wipo.int/events/workshops/2006/mediation/index.html#5>.

16 June, Washington DC, US: OECD BREAKFAST SERIES: INTERNATIONAL STEEL TALKS. Organised by the Organisation for Economic Cooperation and Development (OECD). A series of discussions under the auspices of the OECD on a proposed agreement to curtail subsidies to the steel sector have made significant progress. However, they also revealed that there remain significant differences among the participants (which included non-OECD steel producers such as Brazil, India, and Russia) in key areas such as environmental subsidies, trade remedies, special and differential treatment, etc., rendering impossible the successful conclusion of an agreement in the immediate future. The purpose of the meeting is to inform how, where and when policy work on key issues areas will be undertaken and discuss whether and under what conditions the negotiations could be resumed. For further information contact Susan Fridy, tel: +1 202 785 6323; email: susan.fridy@oecd.org; internet: <http://www.oecdwash.org/NEWS/EVENTS/EVENTS2006/jun16-2006.htm>.

17-23 June, Bryn Mawr, Pennsylvania, US: GLOBALISATION, CULTURE, AND COMMUNITY. This seminar, sponsored by A World Connected, aims to encourage discussion about a wide range of current issues with top students from around the world. It will explore the dynamics of development, customs, and traditions including how trade and development affect people and cultures around the world. For further information contact A World Connected, tel: +1 703 993 4880; fax: +1 703 993 4890; e-mail: info@aworldconnected.org; internet: <http://www.aworldconnected.org/subcategory.php/107.html>.

19-20 June, Geneva, Switzerland: WORLD INTELLECTUAL PROPERTY ORGANISATION (WIPO) ADVANCED WORKSHOP FOR MEDIATORS IN INTELLECTUAL PROPERTY DISPUTES. This workshop will focus on helping participants further develop two central skills that apply throughout the mediation process: "looping" or active listening skills; and probing for, and appropriately framing, the underlying interests of the parties that provide the foundation for solutions. Participants will have the opportunity to develop and hone these skills through the use of role play in small groups as well as through demonstrations. For further information contact the WIPO Arbitration and Mediation Center, tel: +41 22 338 8247; email: arbiter.meetings@wipo.int; internet:

<http://arbiter.wipo.int/events/workshops/2006/mediation/index.html#5>.

20-21 June, Helsinki, Finland: SUBSIDY REFORM AND SUSTAINABLE DEVELOPMENT. Workshop organised by the Organisation for Economic Cooperation and Development (OECD) Programme on Sustainable Development and the Finnish Ministry of Finance. This one-and-a-half day workshop will provide input to the analytical and policy dimensions of the OECD horizontal work programme on sustainable development. Through issues papers and case studies, it will examine how to use integrated analysis and decision-making – in the environmental, economic and social spheres – to enable reform of harmful subsidies and manage the reform process. For further information contact Kaisa Koponen, tel: +358 9 160 34739; fax: +358 9 1603 4888; email: kaisa.koponen@vm.fi; internet: http://www.oecd.org/LongAbstract/0,2546,en_2649_37425_36472831_70408_119808_1_37425,00.html.

20-23 June, Bangkok, Thailand: INTENSIVE COURSE ON WTO DISPUTE SETTLEMENT MECHANISMS. Organised by the Asian Development Bank (ADB). The purpose of the course is to enable developing member countries to fully understand the WTO dispute settlement mechanisms and practices so they can exercise their rights under the WTO trading system. The course will: review trends in recent dispute cases; examine dispute settlement mechanism principles; discuss judicial and panel proceedings; provide case studies; and offer practical information for when complaints are filed against developing countries. For more information contact Ging Cuevas, tel: + 632 632 6653; fax: + 632 636 2357; email: lecuevas@adb.org; internet: <http://www.adb.org/Documents/Events/2006/WTO-Dispute-Settlement-Mechanisms/default.asp>

WTO Events

An updated list of forthcoming WTO meetings is posted at: http://www.wto.org/english/news_e/meets.pdf. Please bear in mind that dates and times of WTO meetings are often changed, and that the WTO does not always announce the important informal meetings of the different bodies. Unless otherwise indicated, all WTO meetings are held at the WTO, Centre William Rappard, rue de Lausanne 154, 1211 Geneva, Switzerland, and are open to WTO Members and accredited observers only.

15 June: WORKING PARTY ON THE ACCESSION OF UKRAINE

16 June: WORKING GROUP ON TRADE AND TRANSFER OF TECHNOLOGY

19-23 June: SERVICES WEEK

19-23 June: RULES WEEK

19 June: DISPUTE SETTLEMENT BODY

19-20 June: WORKING PARTY ON DOMESTIC REGULATION

20 June: TRADE POLICY REVIEW BODY - CHINESE TAIPEI

21 June: WORKING PARTY ON GATS RULES

21 June: COMMITTEE ON IMPORT LICENSING

Other Upcoming Events

29 June - 1 July, Lima, Peru: 3rd MEETING OF THE BIG-LEAF MAHOGANY WORKING GROUP. Organised by the Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES). Big-leaf mahogany (*Swietenia macrophylla*) is the most commercially important of the mahoganies, and generates over USD 100 million per year in export sales. It is threatened by illegal logging and unsustainable export levels. Big-leaf mahogany is now subject to international trade regulations under CITES Appendix II. For further information contact the CITES Secretariat, (+41) 22 917-8139; fax: (+41) 22 797 3417; email: cites@unep.ch; internet: <http://www.cites.org/eng/news/calendar.shtml>.

11-14 July, Portsmouth, UK: INTERNATIONAL INSTITUTE OF FISHERIES ECONOMICS AND TRADE - BIENNIAL CONFERENCE. This event will provide a forum for professionals to discuss the current state of the world's fisheries and exchange ideas on the means to rebuild those that have been damaged by natural disasters or human activities. For further information contact Nicola Waterman, tel: +44 23 9284 4087; fax: +44 23 9284 4614; email: nicola.waterman@port.ac.uk; internet: <http://oregonstate.edu/Dept/IIFET/index.html>.

and fenced borders is relatively new in history, and never used to be regarded as necessary. The US, Canada and the Latin American countries were built on migration, while Europe has over the past fifty years actively encouraged large scale immigration. The author puts the arguments in favour of free mobility, and counters those against. His conclusions are clear and profound: free international migration can lessen the huge inequalities and injustices of globalisation. <http://zedbooks.co.uk/book.asp?bookdetail=3881>

"Asia's Winds of Change, Finance And Development," featured in FINANCE AND DEVELOPMENT, Vol.43, No. 2. By David Burton, Wanda Tseng, and Kenneth Kang. International Monetary Fund, June 2006. After recovering from the 1997-98 crisis, Asia is now facing new challenges of globalisation. While the region has undergone a remarkable transformation over the past 50 years and has become a driving force in the global economy, the authors contend that governments in the region must reform to become flexible enough to reap the benefits of globalised production while minimising the associated dislocations, so as to achieve more sustainable growth. To access this publication visit: <http://www.imf.org/external/pubs/ft/fandd/2006/06/index.htm>.

FARMWORKERS FROM AFAR - RESULTS FROM AN INTERNATIONAL STUDY OF SEASONAL FARMWORKERS FROM MEXICO AND THE CARIBBEAN WORKING ON ONTARIO FARMS. By the North-South Institute (NSI), 2006. In 2003, The NSI did a major study of the Canadian Seasonal Agricultural Workers Program (CSAWP). Two main goals of that study were to find out what parts of the program worked well and what parts were not working well for both farmworkers and farm owners. Another goal was to suggest ways to improve living and working conditions for farmworkers. The researchers worked in Canada, Mexico and a number of Caribbean countries. This report summarizes findings about how the program operates in Ontario. It describes what workers said about their experiences working on Ontario farms and suggests ways to help make working and living conditions better for the workers. To access this publication visit http://www.nsi-ins.ca/english/pdf/Farmworkers_Eng.pdf.

RESOURCES

INTERNATIONAL MIGRATION: GLOBALISATION'S LAST FRONTIER. By Jonathon W. Moses. Zed Books, March 2006. Abolish border controls? Let in large numbers of immigrants? Can this author can be serious? That may be the immediate response to this book's evidence in favour of getting rid of costly, often inhumane and only partially effective barriers. The book points out that the whole apparatus of passports, visas

ON THE MOVE

Susan Schwab has formally taken up her duties as US Trade Representative, following Senate confirmation of her nomination on 8 June. She had been a deputy USTR prior to the current appointment.

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