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LEAD STORIES

US AND SOUTH KOREA CONCLUDE FREE TRADE AGREEMENT

The US and South Korea concluded a free trade agreement (FTA) on 1 April, barely in time for the Bush administration to submit the accord for Congressional approval under its fast-track authority on trade.

If ratified by legislatures in both countries – likely to prove harder in the US – the FTA is projected to have the potential to boost bilateral trade by as much as USD 29 billion. It would liberalise trade in most industrial products, including automobiles and textiles, and further open up services markets and public procurement contracts. Many US farm products will get greater access to Korea's traditionally-protected market, with the notable exception of rice.

However, some see the high-profile bilateral agreement as yet another blow to the multilateral trading system.

Trade officials reached the deal after two days of virtually continuous negotiations in Seoul. They agreed to extend the deadline for the talks repeatedly after missing the original target of 30 March.

The conclusion of the talks left President George W. Bush only an hour and a half before midnight in Washington to send Congress a letter notifying his intent to sign an FTA with Korea. Had this deadline been missed, it would have been too late for any pact to undergo an obligatory 90-day review before the end-June expiry of the administration's 'trade promotion authority' mandate to submit agreements to Congress for a yes-or-no vote without specific changes.

Bush's letter to Congress said that the accord would "generate export opportunities for US farmers, ranchers, manufacturers, and service suppliers, promote economic growth and the creation of better paying jobs in the United States, and help American consumers save money while offering them greater choices."

In a televised statement, South Korean President Roh Moo-hyun called the FTA a "stepping stone for the

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country to make a leap toward becoming an advanced economy.”

Negotiators from the two sides had in recent weeks met repeatedly to try to bridge remaining differences, principally on automotive trade, agriculture, and pharmaceuticals.

“Neither side obtained everything it sought,” Deputy US Trade Representative Karan Bhatia said of the final compromise. “But I believe both sides can be confident that this agreement is in the best interests of the people of each country.”

Rice excluded, Seoul yields on beef

Washington agreed to exclude rice from the FTA – a major demand of South Korea on behalf of its politically influential, and heavily protected, farmers. Bhatia said that US negotiators had pushed for rice to be included almost until the end, and would raise the issue again in the future.

Seoul responded to US demands on beef trade by consenting to eliminate its 40 percent tariff on beef over the next 15 years. More significantly, it suggested that it may relax its stringent import restrictions on US meat, pending a May ruling by the World Organisation for Animal Health (OIE) that is expected to declare US beef safe. South Korean Agriculture Minister Park Hong-soo said that after the ruling, his government planned “to engage in negotiations that could rewrite existing import rules for American beef.” The restrictions date back to an import ban that Seoul put in place three years ago after a mad cow disease scare in the US. Although they were not officially part of the negotiations, US officials had maintained that Congress would not approve the FTA unless beef exports fully resumed (see BRIDGES Weekly, 13 December 2006, <http://www.ictsd.org/weekly/06-12-13/story6.htm>).

One of Washington’s main bones of contention in the negotiations was the lopsided balance of bilateral automotive trade. South Korean manufacturers sold over 700,000 cars in the US last year, while only 5000 automobiles went in the opposite direction. The US blamed this on Korean duties and tax measures. Seoul has agreed to eliminate an 8 percent tariff on US cars, and will abolish taxes that have discriminated against larger US cars. The US will immediately remove duties on Korean cars with small engines (less than three litres), and phase out tariffs on larger cars over the next three years as well as those on trucks over the next ten. According to the US trade representative’s office, the accord includes an expedited dispute settlement process for auto-related measures that would allow tariffs to “snap back” to the regular pre-FTA level in the case of a violation.

Many types of Korean textiles appear set to eventually receive duty-free access to the US market, although they may need to be made of US or Korean fabric and yarn to qualify. The FTA includes a special textile safeguard that could be used to temporarily protect domestic manufacturers in the event of import surges.

The US trade representative’s office claimed that the FTA “contains provisions on pharmaceutical market access that go far beyond what has ever been obtained in other FTAs,” including a review mechanism for Korea’s drug pricing and reimbursement system.

There appears to be some ambiguity about the status of goods produced at the Kaesong industrial complex in North Korea, which is run by South Korean firms as a cornerstone of Seoul’s policy of engaging Pyongyang with an ultimate view to reunification. Bloomberg reports that the two sides agreed to discuss goods made there “at a later stage.” The daily Chosun Ilbo indicated that the Korean trade minister and president said that Kaesong products would in principle be eligible for treatment as South Korean, under a provision in the FTA for an ‘outward processing zone’. However, Bhatia insisted that there was nothing in the FTA that would “allow goods processed or made in North Korea to enter the US.”

The accord would eliminate tariffs on 95 percent of industrial goods within three years, and phase out most of the remaining ones within ten. Korea will immediately lift tariffs on US farm exports including wheat, cotton, bourbon whiskey, and orange juice, and remove duties on several other products over a five-year transition period. Milk powder, soybeans for food, and cheese will benefit from expanded import quotas. Washington said that Korea “vastly improved” access to its services sector for US companies, for instance, by allowing foreign ownership of financial services and telecommunications enterprises. As is typical for US trade agreements, the Korea FTA appears to contain strong protections for foreign investors, intellectual property rights, and trademarks.

Mixed welcome in US, Korea

Although the ten-month negotiations have been marked in Korea by vociferous protests from farm groups, a Chosun Ilbo survey showed that the recent deal was supported by 58.5 percent of those polled, while 30 percent were against it. President Roh’s unpopular government is receiving rare political accolades for securing the accord, and members of the pro-business opposition party in the legislature have promised to back the deal.

Support in the US Congress may prove more difficult. Leaders in the Democratic majority have indicated that

they would be willing to support trade deals if the administration compromised with their concerns, primarily on labour and environment issues. However, some influential members of the party have expressed opposition to the Korea FTA, generally arguing that it does not do enough to secure agriculture and automotive exports.

Max Baucus, the Montana Democrat who chairs the Senate committee with jurisdiction over trade, described the outcome as "entirely unacceptable." "I will oppose the Korea Free Trade Agreement, and in fact I will not allow it to move through the Senate, unless and until Korea completely lifts its ban on US beef," he vowed. Baucus' home state is a major producer of beef.

Michigan Representative Sander Levin, chair of the House trade subcommittee, said that the agreement failed to "assure elimination of the barriers against US automotive products and the opening of Korea's iron curtain around their market." The Democrat, whose state is the declining bastion of US auto manufacturing, promised to oppose the deal unless changes were made to rectify this during the 90-day Congressional review period.

However, tweaking the concluded agreement may not be possible. "There is no wiggle room [for modifications]," a US official told Bridges. "We believe that the auto agreement is very strong. It tears down all tariff and non-tariff barriers." The same official expressed hope that Levin would change his position. The two sides are currently finalising the legal texts of the FTA in both languages.

US auto manufacturers said that they were disappointed with the deal. The American Farm Bureau, for its part, indicated that it would not consider supporting the FTA until Korea puts in place "commercially viable trade for US beef based on World Organization for Animal Health (OIE) guidelines."

Other business groups were considerably more enthusiastic. John Engler, president of the National Association of Manufacturers, said that "initial reports indicate that many manufacturers will benefit from the most significant trade agreement in decades."

The FTA with Korea, the world's tenth-largest economy, would be the US' most commercially significant since the 1994 North American Free Trade Agreement (NAFTA) with Canada and Mexico. Washington's recent trade accords have been with smaller economies, such as Colombia, Panama, and Peru. Korea is also far richer than the US' recent FTA partners, with a per capita GDP estimated at over USD 24,000 in purchasing power terms.

The conclusion of talks between the US and South Korea has prompted both Japan and Canada to consider restarting trade negotiations with Seoul. The prospect of even more bilateral FTAs has sparked renewed fears for the health and viability of the multilateral trading system, especially at a time when the Doha Round WTO negotiations remain deadlocked.

ICTSD reporting; "S. Korea, US reach free trade agreement," YONHAP NEWS, 2 April 2007; "S. Korean man attempts self-immolation against FTA with US," YONHAP NEWS, 1 April 2007; "Negotiators extend deadline for South Korea trade pact," NEW YORK TIMES, 31 March 2007; "FTA shifts focus of S. Korea-US alliance to economy from military," YONHAP NEWS, 2 April 2007; "US, South Korea agree trade deal," CNN, 2 April 2007; "S.Korea, US will renegotiate beef import rules in June: agriculture minister," YONHAP NEWS, 2 April 2007; "South Korea, US seal trade deal at last minute," REUTERS, 2 April 2007; "US and S Korea reach landmark trade deal," FINANCIAL TIMES, 2 April, 2007; "Korea, U.S. Still at Odds Over Kaesong Goods," CHOSUN ILBO, 4 April 2007; "Praise, for a change, for Seoul's Roh on trade deal," REUTERS, 3 April 2007; "US and South Korea in Landmark Trade Deal," 3 April 2007; "US Reaches Free-Trade Agreement With South Korea," BLOOMBERG, 2 April 2007; "South Korea trade deal gets mixed response in US," REUTERS, 3 April 2007; "A tangled trade web," FINANCIAL TIMES, 3 April 2007.

AG CHAIR TO ENGAGE MEMBERS IN 'HARD TALK' ON KEY ISSUES

The chair of the troubled WTO agriculture negotiations has indicated that the paper (or papers) he plans to give Members in mid-April to serve as a basis for further talks will be 'hard talk' texts aimed at making them spell out their positions on the difficult decisions that will have to be taken.

Sources report that Ambassador Crawford Falconer (New Zealand) on 30 March told a group of some two dozen WTO ambassadors, assembled for one of his regular 'fireside chats', that the documents would be "something to challenge delegations."

Falconer to ask pointed questions

Falconer is expected to ask delegates short and focused questions about key issues in the negotiations, in an attempt to get a clearer impression of what the real 'landing zones' for an agreement might be.

One negotiator thought that Falconer would prepare more than one paper, with the first likely to resemble

the 'reference papers' he issued during last year's push for an accord between April and June (see, for example, BRIDGES Weekly, 31 May 2006, <http://www.ictsd.org/weekly/06-05-31/story2.htm>).

These relatively short documents spelled out areas of convergence and divergence between Members on specific issues in the talks. However, trade sources speculated that the new text would be more pointed, with questions to challenge negotiators in key areas.

Single, consolidated paper unlikely?

Another trade diplomat suggested that at least the initial new papers are unlikely to address all of the many outstanding issues at once, noting that it is far from clear that Falconer has enough information to be able to produce an all-encompassing document. Instead, it seems more likely that each paper will focus on one issue, such as domestic support or market access, or even on specific topics within these broad areas such as 'blue box' subsidies or overall trade-distorting support. The same delegate speculated that after receiving reactions to issue-specific papers, Falconer might move towards a broader text covering more or even all of the negotiating areas.

A new, broader text would have to be more specific than the comprehensive 'modalities' document Falconer produced last June to nudge countries closer to an agreement: that 74-page paper contained virtually every proposal that Members had tabled, pointing to hundreds of unresolved differences covering all negotiating areas.

Events elsewhere may affect paper

Falconer has indicated that he will probably issue a paper the week of 13-20 April. It is possible that he will do so only after the 16-18 April meeting in Lahore of ministers from the Cairns Group of agricultural exporters.

Even more important for the timing of his papers, suggest some negotiators, might be the upcoming New Delhi meeting of ministers from the EU, the US, India, and Brazil.

The representatives from the so-called 'Group of Four' (G-4) major trading powers are set to meet in the Indian capital on 11-12 April. It has not yet been decided whether all four will sit down together, or only meet bilaterally as they did at a similar gathering in London at the beginning of March.

In spite of the fact that the London meeting yielded little in the way of concrete progress, EU Trade Commissioner Peter Mandelson appeared to place substantial expectations on the upcoming discussions

in New Delhi. "These talks are timely and important," he said in a statement on 4 April. "If we are to use the remaining window of opportunity open to us, we need to intensify and accelerate the process of negotiation. If we fail, Doha's prospects for this year will be lost."

In order to prepare for next week, senior officials from the G-4 countries met in Paris from 2-4 April. Spokespersons for both Washington and Brussels declined to comment on the proceedings there. One EU source said that the required "key dynamic" was nonetheless apparent: "there needs to be a recognition that we need to unlock the agricultural negotiations with a final move on special products and subsidies. All sides need to show further flexibility." The G-4 would then be able to take such a 'move' back to the WTO Membership at large and work with them to develop it into a broader agreement.

The US insists that it will not offer greater cuts to its agriculture subsidies unless developing countries such as India accept tighter limits on their ability to shield 'special' farm products from tariff reduction for food and livelihood security concerns. New Delhi counters that food security is not negotiable, and that concessions on 'special products' are in any case unthinkable until rich countries agree to deeper subsidy cuts. The US also wants the EU to reduce its farm tariffs more deeply.

At time of writing on the evening of 4 April, WTO Director-General Pascal Lamy is believed to have convened a 'green room' gathering of ambassadors representing about two dozen countries and negotiating blocs. Sources say that this followed a snap heads-of-delegation meeting that was called after the G-4 officials' talks in Paris. Some trade diplomats are looking to the evening's discussions for indications about whether the Doha Round might be concluded in the foreseeable future.

ICTSD reporting; "India to host summit of big trade powers," REUTERS, 30 March 2007.

DEVELOPMENT AID SPENDING FELL IN 2006: OECD

Overall government spending on development aid fell by 5.1 percent in 2006 to mark the first decline since 1997, the Organisation for Economic Co-operation and Development (OECD) reported on 3 April. The decrease potentially jeopardises commitments made by the Group of Eight (G8) industrialised nations to increase official development assistance (ODA) by USD 50 billion per year by 2010.

Total aid equalled USD 103.9 billion in 2006, falling from USD 106.8 billion the previous year. The figures

for 2005 were inflated by exceptional debt relief to Iraq and Nigeria. They were also boosted by reconstruction expenditures in Iraq and Afghanistan, as well as by the response to the December 2004 Indian ocean tsunami. Notably, even with debt relief excluded from calculations, aid spending by members of the OECD's Development Assistance Committee (DAC) – that is, most major donor governments – dropped in 2006 by 1.8 percent.

"Rich countries are breaking the promises they made to increase aid to the world's poorest countries," said development campaign group Oxfam International in response to the figures. "Like last year, today's figures are also massively inflated by one-off debt cancellations to Iraq and Nigeria." Although acknowledging the vital role of debt forgiveness in fighting poverty, Oxfam explained how the USD 14 billion in debt relief to the two countries overstated the true extent of assistance. Iraq was not paying back its debt anyway and thus gained little in real terms. It estimated that Nigeria, on the other hand, stood to benefit by approximately USD 1 billion each year, implying that ODA figures for 2006 were inflated by about USD 13 billion on account of the two countries alone.

Nevertheless, even with the reported decline in ODA, aid to least-developed countries (LDCs) peaked in 2006. Overall spending for the year represents the second-highest recorded level of assistance, following 2005.

The OECD projected that the relative decline from the debt relief-driven 2005 figures will continue, and that in 2007 ODA will also fall slightly.

The recent decline in aid has raised questions about whether the commitments made by G8 governments at the 2005 Gleneagles summit have any realistic chance of being met. Current spending is far short of where it would need to be to fulfill the commitments. "The promises will not be credible unless we begin to see substantial rises in 2007 and 2008," said Richard Manning, chair of the OECD's Development Assistance Committee.

More than half of the increased assistance promised at Gleneagles was slated for sub-Saharan Africa. In 2006, bilateral net ODA to sub-Saharan Africa increased to near USD 28 billion, or 23 percent in real terms. However, again, a significant portion of this rise was due to debt relief grants. Once these were excluded, aid spending to the region grew by just 2 percent. ODA to sub-Saharan Africa apart from Nigeria had actually fallen by 2.1 percent in 2005 (see BRIDGES Weekly, 13 December 2006, <http://www.ictsd.org/weekly/06-12-13/inbrief.htm>).

Few countries meet UN target for ODA

In 2006, the only countries to reach or exceed the United Nations target of spending 0.7 percent of GDP on official development assistance were Sweden, Luxemburg, Norway, the Netherlands, and Denmark.

In contrast, US and Japanese aid fell drastically. Net ODA from the US fell by 20 percent in real terms to USD 27 billion. Again, most of this is explained by exceptionally high bilateral debt relief in 2005, with Washington forgiving its outstanding debt with Iraq. In reaction to the report, a US official reiterated that Washington maintained the world's highest expenditures on foreign aid, and had doubled spending on it since 2000. The official declined to comment on whether the global downward trend in spending was likely to continue.

Japan's net ODA spending in 2006 was USD 11.6 billion, representing a 9.6 percent fall in real terms since 2005 partly due to extraordinary expenditures for tsunami and other humanitarian relief.

The UK increased non-debt relief ODA by nearly 22 percent to emerge as the world's second largest donor in net terms after the US. In gross terms, the US (USD 24 billion) and Japan (USD 18 billion) remained the largest donors, followed by the UK (USD 13 billion), France and Germany (USD 12 billion each). Total aid spent by the European Commission rose by 5.7 percent to USD 10.2 billion, reflecting increased budgetary support from member states and a strengthened disbursement capacity.

The OECD predicts that once exceptional spending on debt relief stabilises, other types of aid should increase and donors will be more effectively able to fulfill their promises. Max Lawson, policy advisor for Oxfam, warned that this would require prompt action. "The G8 must prove its promises were more than empty rhetoric and set binding timetables which clearly show when and how it will deliver real aid increases," he said.

ICTSD reporting; "Development aid from OECD countries fell 5.1% in 2006," ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT, 3 April 2007; "Rich countries guilty of breaking promises as aid falls warns Oxfam," OXFAM, 3 April 2007; "Africa aid stalls in spite of G8 pledge," FINANCIAL TIMES, 4 April 2007.

OTHER STORIES

NAMA: MEMBERS FOCUS ON NON-TARIFF BARRIERS

With the absence of clear progress in the Doha Round making it impossible for WTO delegates to seriously bargain on cuts to their industrial tariffs, they are instead trying to focus on other complex but secondary issues in the talks on non-agricultural market access (NAMA).

The current situation in the negotiations is unclear, NAMA Chair Ambassador Don Stephenson (Canada) told Members on 30 March at the end of a week's discussions. Talks on cutting agricultural tariffs and subsidies remain stalemated, making new negotiating stances on industrial goods unlikely (see BRIDGES Weekly, 28 February 2007, <http://www.ictsd.org/weekly/07-02-28/story3.htm>). Stephenson noted that this could in principle change quite quickly, and thus recommended that delegates try to resolve unanswered technical questions about non-tariff barriers (NTBs) and sectoral liberalisation initiatives.

Members discuss specific NTBs

As one trade diplomat explained, Members have already carried out detailed mathematical calculations for the three core NAMA issues: the numbers plugged into the tariff reduction formula that will determine the depth of cuts; flexibilities for developing countries to shield some products from tariff reduction; and the treatment of unbound tariffs (see BRIDGES Weekly, 15 March 2006, <http://www.ictsd.org/weekly/06-03-15/story2.htm>). With this 'homework' done, they know how a wide range of different figures and formulae will affect them. However, equivalent work has not been done on non-tariff barriers and sectoral liberalisation.

For instance, countries have notified several NTBs to the WTO, arguing that different standards, labeling systems, and other policies are serving to unjustifiably restrict their exporters' market access. What they have not sufficiently done, the delegate said, is describe the new multilateral rules that they want introduced to reduce these barriers. This, in turn, has left other Members unable to fully assess "what it is that's being asked," or, in other words, how they would stand to be affected.

Negotiators report that the discussion started to become more specific last week, the bulk of which focused on NTBs. Members looked at a variety of text-based documents from some countries spelling out

what future rules might look like; the Secretariat had compiled them into a single report. The chair took pains to emphasise that this was not a text-based negotiation on a future agreement – such negotiations are typically the final stage – but merely a discussion.

To take one example of the NTBs under consideration, the US called for an agreement that would limit the kind of information that Members could require on labels for textiles, clothing, and footwear. The EU put forward a similar paper. Under such an accord, governments would not be allowed to require clothing labels to provide any information beyond the country of origin, fibre content, washing instructions, and consumer safety information. The US would restrict mandatory footwear labels to the country of origin. Many Members expressed scepticism about the proposals' content. Argentina, Cuba, and China said it was too soon for a text-based discussion.

Other proposals suggested measures for dealing with, for instance, differing standards on electronic and forestry products. Not all sought new binding agreements.

The most controversial proposals dealt with restrictions that governments place on exports (rather than imports). Japan called for creating a set of WTO rules to ensure that governments do not discriminate when granting export licences, based on the institution's existing rules on import licencing procedures. Although the EU and Korea expressed support for the idea, countries including China, Malaysia, and Kenya voiced opposition, questioning whether it fell within the market access-focused mandate for the negotiations.

The EU met an even more unfavourable response when it repeated its longstanding call for a ban on export taxes except in emergencies (see BRIDGES Weekly, 26 April 2006, <http://www.ictsd.org/weekly/06-04-26/story4.htm>). As before, many developing countries strongly rejected the proposal, including Argentina, Brazil, Bangladesh, India, and Malaysia. Some developing countries place taxes on the export of certain goods, especially primary commodities, to generate revenue and promote specific kinds of domestic industrial development. Sources report that the EU hinted that Members' responses would affect its stance in other areas of the negotiations.

Greater support for NTB facilitation?

There now appears to be greater support for the notion of a 'facilitation mechanism' to rapidly broker compromise in disagreements over NTBs, as proposed separately by the EU and the NAMA-11 (see BRIDGES Weekly, 17 May 2006, <http://www.ictsd.org/weekly/06-05-17/story6.htm>). 'Facilitators' would try to resolve

problems where goods were blocked in a port of entry without having to make a more serious ruling on the NTB's legality. Other Members had in the past expressed scepticism about the need for such a mechanism.

Nevertheless, countries continue to ask questions about how NTB facilitation would actually operate. Thailand suggested that it could entail dozens of cases per day with a huge administrative and financial burden for the WTO, claims that were rejected by the EU.

On the basis of the standards notified by Members as NTBs, environmental group Friends of the Earth International has argued that the negotiations "could undo decades of campaigning for increased environmental, health and social standards."

Sectoral 'architecture' in need of clarification

Another issue that negotiators may try to clarify in the absence of progress elsewhere is the specifics of how sectoral tariff liberalisation might work. Although it is clear that these voluntary initiatives seek to either heavily reduce or eliminate tariffs on a particular sector of goods once enough countries sign onto them, some technical details still need to be worked out.

One such detail could be specifics about flexible treatment for developing countries that choose to join an initiative. This could include a longer implementation period, a final tariff average for covered goods higher than that for developed countries, or even the ability to subject some tariff lines within the sector to the regular tariff reduction formula rather than the deeper cuts that otherwise would have been demanded.

A delegate said that the point of this work was "so that if and when we have a breakthrough, we won't have so much [technical] work to do."

The next NAMA week is set to start on 7 May, and is expected to focus mainly on NTBs and sectoral liberalisation. Nevertheless, Chair Stephenson did acknowledge that irrespective of whether or not there are breakthroughs in other areas, Members would have to return to the core issues of the tariff reduction formula and flexibilities for developing countries "in the not too distant future."

ICTSD reporting.

IN BRIEF

JAPAN, THAILAND SIGN FTA

The prime ministers of Japan and Thailand on 3 April signed a free trade agreement (FTA) in Tokyo, bringing three years of negotiations to a close. The accord is set to remove tariffs on more than 90 percent of trade between the two countries over the next ten years.

Under the agreement, Japan will eliminate 92 percent of its tariffs on Thai imports. Thai agricultural exports are expected to be a major beneficiary: Japan's duties on shrimp and tropical fruits are set to be eliminated immediately, as is its 12 percent tariff on textiles. The duty on Thai chicken will be halved in five years. Japan succeeded at excluding its highly-protected rice sector from the agreement. It will maintain tariffs on Thai flour as well.

Thailand will remove tariffs on 97 percent of Japanese goods over the next 10 years, including steel, automobiles and auto parts.

The FTA also pledges cooperation in labour, technology, and environment issues. Under the agreement, visa requirements will be relaxed for Thai cooks, entertainers, and boxing instructors, allowing them to work in Japan. The two countries have promised to continue talks on labour mobility in other sectors.

Critics claim the agreement will permit Japan to dump industrial waste in Thailand. They have also warned that it may raise the cost of medicines in the poorer country, and provide Japanese investors with excessive rights. Thailand's steel industry has expressed concern about the ability of small and medium sized businesses to compete with Japanese firms.

A group of NGOs in Thailand unsuccessfully attempted to secure a legal injunction to prevent the military-installed government from signing the agreement, claiming that officials had failed to make information about the deal public. Although the negotiations were completed in 2005, the agreement was not signed amidst political instability in Thailand that culminated in last September's military coup.

Bilateral trade between the two nations is currently about USD 45 billion annually. Japan is the leading export market for Thai goods and the largest foreign investor.. Bangkok hopes that the FTA will improve their credibility with investors globally.

The FTA has been approved by the Thai cabinet and is expected to win approval in Japan's parliament.

"Japanese cabinet approves free trade pact with Thailand," ASSOCIATED PRESS, 3 April, 2007; "Japan, Thailand ink free trade agreement," ASSOCIATED PRESS, 3 April, 2007; "Japan, Thailand sign trade agreement," UNITED PRESS INTERNATIONAL, 3 April, 2007; "Japan free trade deal to help shore up investor confidence in Thailand," AFX NEWS, 4 April, 2007; "FTA with Japan seen as a threat to SMEs," THE NATION, 2 April, 2007; "Court rejects petition against FTA," THE NATION, 30 March 2007; "What's the rush to ink the Japan FTA?," BANGKOK POST, 2 April 2007; "Japan-Thai FTA to phase out tariffs," JAPAN TIMES, 4 April 2007; "Japan, Thailand to sign free trade pact; cut car, food tariffs," BLOOMBERG, 3 April 2007.

WTO IN BRIEF

DEMANDEURS LOOK FOR GREATER MOMENTUM ON SERVICES

WTO services negotiators are scheduled to have a two-week 'cluster' of meetings from 16 April. Members seeking new formally-bound market opportunities for their service providers in the Doha Round negotiations are hoping that this cluster can build on the high-level political discussions in the series of 'enchilada' talks convened by services Chair Ambassador Fernando de Mateo over the last several weeks.

These 'demandeur' countries are intent on moving away from the 'informal' nature of recent clusters, and want to go into formal negotiating mode. Sources say that the upcoming cluster will probably be an effort to lend substance and momentum to the services talks, which are seen as 'losing steam' in spite of the efforts of de Mateo and a number of key demandeurs.

Demandeurs are asking their trading partners to bring in capital-based services experts and regulators for the bilateral and plurilateral negotiations planned for the two-week cluster. Countries such as Canada have been at the forefront of trying to maintain the prominence of the plurilateral approach to the market access negotiations, in which a group of countries collectively request liberalisation commitments from another group of Members. Meanwhile, the US has indicated in various small-group consultations with trading partners that it intends to focus on bilateral negotiations during the upcoming cluster.

Other WTO Members, however, have been reluctant to change their stance on services in the absence of progress in the more contentious negotiations on agriculture and non-agricultural market access (NAMA). Sources indicate that they are keen to see the outcome of the 'green room' discussions on the latter two issues that were set to take place the evening of 4 April. These discussions, to which WTO-Director General Pascal Lamy invites ambassadors representing about two dozen countries and negotiating alliances, come on the heels of a meeting in Paris of senior officials from the EU, the US, Brazil, and India – the so-called G-4. Some diplomats are looking to the meeting for indications of whether the Doha talks are likely to proceed to a successful conclusion or get stalled indefinitely.

ICTSD reporting.

COMMITTEE ON TRADE AND DEVELOPMENT DISCUSSES AID FOR TRADE

Progress on the WTO's Aid for Trade initiative was on the agenda at the 2 April meeting of the Committee on Trade and Development.

The WTO Secretariat presented its work plan for the upcoming months, which will include three regional Aid for Trade reviews. These reviews will examine selected case studies incorporating views from recipient countries, the donor community, and the private sector.

Sources report that there is a growing consensus on the role of the Committee on Trade and Development (CTD) in the WTO's work on trade-related assistance: it could become a sort of 'Aid for Trade forum' where work plans, comments, complaints and ideas would be debated.

At the same meeting, the Organisation for Economic Cooperation and Development (OECD) made a presentation on its findings for a potential Aid for Trade reporting mechanism, following a recent session of its Technical Working Group on the Monitoring Framework on Aid for Trade.

The discussion revolved around the OECD's current reporting system for development assistance, and how it should be revamped to fit the needs of the WTO's Aid for Trade initiative. Delegates recognised that modifications would in any case require an agreement on the scope and limits of what constitutes Aid for Trade, which has not yet been reached. One source noted that a monitoring and evaluation system would need a far more detailed definition than the very broad one present in the Aid for Trade Task Force's report.

The CTD meeting followed the recent creation of an advisory group on Aid for Trade at the WTO (see BRIDGES Weekly, 28 March 2007, <http://www.ictsd.org/weekly/07-03-28/wtoinbrief.htm#1>).

Elsewhere, the Conference of African Ministers of Finance, Planning and Economic Development, which took place in Addis Ababa from 29 March-1 April, described Aid for Trade as central to their countries' efforts to deal with trade-related challenges and opportunities.

ICTSD reporting.

CTE: CANADA SUGGESTS 'MIDDLE GROUND' APPROACH ON MEA OBSERVER STATUS

WTO Members appear to remain divided on precisely what they are mandated to do in Doha Round negotiations on the relationship between multilateral environmental agreement (MEA) secretariats and the WTO. A 30 March informal meeting of the Committee on Trade and Environment-Special Session (CTE-SS) saw Canada submit a 'non-paper' (JOB (07)/38) in an attempt to bridge the principal gaps.

Paragraph 31 (ii) of the Doha Declaration mandates Members to negotiate granting observer status to MEA secretariats, as well as the less contentious issue of setting out procedures for information exchange between them and relevant WTO committees.

The US argues that this only provides for Members to determine the criteria for granting observer status. It is believed to be supported by developing countries such as Argentina, Brazil, Egypt, and India. The EU wants countries to decide on which 'core' MEAs should receive observer status.

Canada describes its position as a middle-ground: it concurs with the view that the CTE-SS's role is limited to developing criteria for observership, and that issue of observer status in the WTO rests exclusively with the General Council, the institution's top permanent decision-making body. However, it also agreed with the EU that certain 'core' MEAs that had participated in past informal information exchange be immediately granted observer status (i.e. also for the remainder of Doha negotiations), following written requests from each MEA secretariat. Canada's informal paper also added to past suggestions for 'indicative' questions that could aid WTO bodies in making 'reasoned' decisions on observership on a case-by-case basis, such as "Is the MEA's work relevant to the WTO body's work and vice-versa?"

Canada also suggested that WTO bodies that entertain observership requests would include the Committee on Technical Barriers to Trade, the Committee on Sanitary and Phytosanitary Measures, the Committee on Trade and Development, the TRIPS Council, and the Committee on Agriculture.

According to trade sources, Canada promised to come up with an official submission in time for the formal CTE-SS scheduled for 3-4 May.

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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.

Coming Up: 5-11 April

9-10 April, Doha, Qatar. ARAB WORLD COMPETITIVENESS ROUNDTABLE. In an effort to advance economic reform in the Middle East, the World Economic Forum will release its third Arab World Competitiveness Report at an exclusive roundtable meeting. Top policy-makers, business leaders, researchers, and the authors will discuss the recommended practices and barriers to growth identified by the report and translate the results of the report into a plan of action for the Middle East. This event is a precursor to the World Economic Forum on the Middle East which will be held 18-20 May in Jordan. e-mail: arabroundtable@weforum.org internet: <http://www.weforum.org/en/events/ArabWorldCompetitivenessRoundtable/index.htm>

WTO Events

An updated list of forthcoming WTO meetings is posted at: http://www.wto.org/english/news_e/events_e/events_e.htm. 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.

10 April: DISPUTE SETTLEMENT BODY

12 April: WORKING GROUP ON TRADE AND TRANSFER OF TECHNOLOGY

Other Upcoming Events

14-15 April, Washington, DC. JOINT WORLD BANK-IMF DEVELOPMENT COMMITTEE AND IMF INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE. At their annual spring meetings, the International Monetary and Financial Committee and the World Bank Development Committee will meet to discuss the progress on the work of the Fund and Bank. A Program of Policy Dialogues for Civil Society Organizations will be held concurrently from 12-16 April. For more information, email bfcoffice@worldbank.org. internet: <http://www.imf.org/external/spring/2007/index.htm>

16 April, New York, US. SPECIAL HIGH-LEVEL MEETING OF THE UN ECONOMIC AND SOCIAL COUNCIL (ECOSOC) WITH THE BRETTON WOODS INSTITUTIONS, WTO, AND UNCTAD. This tenth annual meeting, organized by the UN Financing for Development Office, brings together ECOSOC and international finance and trade institutions to address issues related to financing for development, realising the Doha agenda through effective trade and investment policies, and achieving the Millennium Development Goals. A civil society preparatory forum will be held the day before. For more information, contact Nikhil Seth, Director for ECOSOC Support and Coordination, tel. +1 212 963 1881, email: ecosocinfo@un.org; or Oscar de Rojas, Director of the Office of Financing for Development, tel. +1 212 963 2587, email: ffdoffice@un.org. internet: <http://www.un.org/esa/ffd/>

19 April, Brussels, Belgium. FAIR TRADE PUBLIC PURCHASING AS A TOOL FOR SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS. The final conference of the Fair Procura Project aims to examine the policies and practices of fair trade procurement, the impact of fair trade on the producer's communities, and the further steps the EU can take to ensure coherence between EU policy and fair trade promotion. The conference will be of particular interest to European and National authorities, fair trade and consumer associations, and universities. The conference is organized under the auspices of the European Fair Trade Association, CTM Altromercato, Fair Trade Original, IDEAS, and OXFAM Wereldwinkels with the financial support of the European Commission and EuropeAid. For more information, email fair-procura@eftafairtrade.org. internet: <http://www.european-fair-trade-association.org/FairProcura/events.php>

24-26 April 2007, São Paulo, Brazil. SECOND IBERO-AMERICAN CONFERENCE ON SUSTAINABLE DEVELOPMENT. Organized by the World Business Council on Sustainable Development (WBCSD) and its Brazilian affiliate (CEBDS), with the support of UNESCO, UN University, and UNEP, the conference will bring together businesses, academics, specialists, policy makers, and NGOs from Latin America to address the challenges of sustainable development for society, business, and government, and share experiences with sustainable practices. internet: <http://www.sustentavel.org.br> (in Portuguese) or <http://www.wbcsd.ch>.

25-27 April, Geneva, Switzerland. JOINT ADVISORY GROUP ON THE INTERNATIONAL TRADE CENTRE (ITC), 40th SESSION. Trade promotion authorities from the Member states of the WTO and the UN Conference on Trade and Development (UNCTAD) will meet to examine the activities of the ITC and make recommendations to the UNCTAD Trade and Development Board and the WTO General Council. internet: <http://www.unctad.org/Templates/meeting.asp?intlItemID=1942&lang=1&m=13301&info=not>

26 April, International. WORLD INTELLECTUAL PROPERTY DAY. The World Intellectual Property Organization (WIPO) will celebrate the link between intellectual property (IP) and creativity; this year's theme is 'Encouraging Creativity'. The IP system is what sustains and nourishes the world's creative community. The day will be celebrated through various seminars and ceremonies organized by national IP authorities to promote understanding and respect for intellectual property. internet: http://www.wipo.int/about-ip/en/world_ip/2007/

30 April-11 May, New York, US. UN COMMISSION ON SUSTAINABLE DEVELOPMENT. The fifteenth session of the UN Commission on Sustainable Development (CSD-15) will focus on the areas of energy for sustainable development, industrial development, air pollution/atmosphere, and climate change. For further information contact the Division for Sustainable Development, Department of Economic and Social Affairs; tel: +1 212 963 8102; fax: +1 212 963 4260; e-mail: dsd@un.org; internet: <http://www.un.org/esa/sustdev/csd/policy.htm>.

2-3 May, Minneapolis, US. TOWARD A GLOBAL FOOD AND AGRICULTURAL POLICY FOR AN OPEN INTERNATIONAL ECONOMY. The worldwide tendency to consider food and agricultural policies from a national or domestic perspective has created barriers to the efficient use of the world's agricultural resources and reduced the contributions that agriculture can make to global economic welfare. This symposium to honour

University of Minnesota Regents Professor Emeritus G. Edward Schuh will bring together scholars and policy experts to discuss how to move toward a global food and agricultural policy for an open international economy. For more information, including presenters and paper topics, please see internet: http://www.hhh.umn.edu/schuh_symposium/index.html.

RESOURCES

EXPLORING FAIR TRADE TIMBER: A REVIEW OF ISSUES IN CURRENT PRACTICE, INSTITUTIONAL STRUCTURE, AND WAYS FORWARD. By Duncan Macqueen, Annie Dufey, and Bindi Patel. The International Institute for Environment and Development, 2006. In this book, the authors explore current practices and institutional structures relating to fair trade in timber, exploring options for making progress towards fair trade timber. The authors encourage forest certification schemes that give more consideration to producer support mechanisms in order to increase access to certified markets and to look for new product lines and market chains that give special attention to responsible forest management. Download the book at <http://www.iied.org/pubs/pdf/full/13530IIED.pdf>

ASIAN FOREIGN DIRECT INVESTMENT IN AFRICA: TOWARDS A NEW ERA OF COOPERATION AMONG DEVELOPING COUNTRIES. UN Conference on Trade and Development and UN Development Programme, 2007. This report explores economic cooperation between developing countries in Asia and Africa and the promising potential of increasing Asian investment in Africa. To capitalize on increasing Asian interest, the report urges African countries to enhance and diversify productive capacities. The volume also assesses the experiences of some African economies and how they could best attract FDI from Asia. Download the report at http://www.unctad.org/en/docs/iteiia20071_en.pdf.

BEYOND MICROFINANCE: GETTING CAPITAL TO SMALL AND MEDIUM ENTERPRISES TO FUEL FASTER DEVELOPMENT. By David de Ferranti and Anthony J. Ody. The Brookings Institution, March 2007. Small and medium sized enterprises (SMEs) are the backbone of modern economies and, through innovation, are vital engines for development. In the developing world, however, SMEs are often stifled by distorted regulatory environments and limited access to inputs and capital. This policy brief discusses new options for meeting SMEs' financial needs and how governments can reform regulatory environments to foster SME development. Access the brief online at <http://www.brookings.edu/comm/policybriefs/pb159.htm>

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