

Trade Negotiations Move Quietly Forward On All Fronts In Spite Of War In Iraq

The recent world attention on the war in Iraq seems not to have deterred the steady advance of trade negotiations in the World Trade Organization (WTO), Free Trade Area of the Americas (FTAA) and the Central American Free Trade Area (CAFTA).

WTO

The WTO is preparing for a crucial meeting in September in Cancun, Mexico. At the end of April, US Trade Representative, Robert Zoellick, told a press conference in Paris that to improve the chances for this meeting's success, many ministers share the strategy of narrowing the focus to a few issues, to "move forward what can be moved forward." He added that, to generate progress, it would be essential to reform the EU's agriculture subsidy program CAP (Common Agricultural Policy) as it would enable the US Government to move ahead with eliminating export subsidies and cutting tariffs.

According to Zoellick, the US and EU have been working on reducing tariffs on non-agricultural goods. The US proposes a four-step approach: using a formula for harmonizing tariffs at a lower level to ensure all countries cut tariffs; eliminating tariffs in some sectors by a significant number of countries (zero-for-zero); eliminating tariffs below a specified level (the US prefers 5%); and giving special and differential treatment for developing poor countries. Zoellick emphasized that there was good EU-US cooperation in goods trade, but that ultimate success in this area depends on the EU moving ahead with CAP reform.

FTAA

The negotiations could be perhaps characterized as entering their last stage after the FTAA Trade Negotiating Committee meeting April 7-11 in Puebla, Mexico (new location of the FTAA Secretariat). The TNC is now co-chaired by the US and Brazil. Deputy USTR, Peter Algeier, said the meeting covered a full range of issues including market access, agreement text, assistance to smaller economies and civil society participation. For example, to improve FTAA transparency, civil society meetings are planned throughout the hemisphere. The TNC will meet again July 7 in El Salvador. The Trade Ministers of the 34 member countries will meet November 20-21 in Miami.

Brazilian Co-chair Huguene explained that the TNC agreed to discuss agriculture in the context of the hemisphere and the FTAA as well as alternatives that allow compatibility with what is happening in the WTO. The Negotiating Group on Agriculture was instructed to intensify its discussions of all issues on the agenda, especially export subsidies. Algeier said the US recognized the importance of agriculture when it made what he thinks is "indisputably the most ambitious proposal before the WTO on agriculture."

Regarding market access, FTAA countries apparently reached an important milestone on February 15, when they presented tariff elimination offers that do not exclude any agricultural or industrial product. Counteroffers will be presented June 15, including harmonization of base tariffs and the initial offers, and revised tariff phase-out offers. Also at the July 7 meeting, the TNC will look at the overall architecture of the agreement to see how the chapters fit together. In the meantime, it instructed the Technical Committee on Institutional Issues to prepare a "template for the draft chapters."

Extensive discussion was held regarding the issue of size disparity and development among the 34 negotiating countries. The Committee discussed technical and economic assistance, including the February offer from the US Government to fast pace tariff phase-outs for the poorest countries. The Hemispheric Cooperation Program for technical assistance to less developed nations was also discussed. For future meetings, the Consultative Group on Smaller Economies is developing an action plan that includes the participation of international financial institutions. The Central American and Caribbean countries are preparing similar national action plans in this regard.

Observations

The deadline for completing the FTAA negotiation is looming closer, causing more focus on the work ahead. Algeier praised his cooperative working relationship with the Brazilian Co-chair. However, Algeier admitted that Brazil was still reviewing its trade strategy to determine whether it should focus its efforts on multilateral talks in the WTO, regional talks in the FTAA or sub-regional talks in the MERCOSUR context. On the positive side, the US has surpassed the EU as the main destination for Brazilian exports. Brazil will be key to whether or not the FTAA will be a successful negotiation. Brazil continues to grumble that the US enjoys advantages yet complains of barriers to trade without looking hard at its own barriers. Venezuela remains a wild card, but its participation is less crucial as any objections to the FTAA are likely to dissipate with the end of the Chavez Administration.

CAFTA

The US and the five Central American governments held a third Ministerial meeting on CAFTA in San Salvador, April 29-May 3. This was preceded by a meeting of the Central American governments and private sector organizations in Guatemala just days prior to the meeting. The Central Americans were preparing to present their tariff reduction proposal during a fourth round, held in Guatemala, May 12-16. They planned to hold negotiations on the most difficult products during the sixth and seventh meetings and finish the negotiation during the eighth. The timetable for completion of the negotiation of a free trade agreement is December 2003.

During a meeting in March, the presidents of the Central American countries agreed to make agriculture and the asymmetry between their countries and the US high priorities in the negotiations. The Central Americans did not present a text on telecommunications, deciding to wait instead for the American proposal. The

Central Americans made observations in areas where the US had already tabled texts, such as market access, intellectual property, the environment, rules of origin, customs procedures, sanitary measures, technical barriers to trade and textiles. Regarding textiles, one major goal is to encourage the US Government to give national treatment to regional products from Central America. Although the group on phito-sanitary rules did not meet during this meeting, it is evident that clearer rules for lowering technical barriers to trade are a primary concern in Central America. The group recognizes the needs to strengthen sanitary organizations, laws, and regulations and guarantee that the systems of agricultural sanitary inspection are on a par with those in the United States.

The private sector was concerned with the treatment of specific products. However, prior to the meeting, the Minister of Economy of El Salvador explained this meeting would deal with the mechanisms of how to approach specific products, their categories, and how much tariff reduction to give them, leaving the fourth meeting to deal with specific products. During this third meeting, each country made a presentation on its labor regime (laws, regulations, etc.). In regard to services, the Central American countries are interested in opening up the American market to their financial institutions and in discussing trans-border commercial transactions.

Observations

The CAFTA enjoys support in the Administration, Congress and most of the American private sector. For example, the Coalition for US-Central American Trade, a broad-based group of American companies, sent a strong letter of support for CAFTA to the Bush Administration. Nonetheless, the timetable is ambitious, as there is much that needs to be covered, and these five small economies are wary of competition from the enormous American economy.

Andean Trade Preference Act

The first bi-annual report to Congress covering 2000 and 2001 (required under the ATPA as amended by the Andean Trade Promotion and Drug Eradication Act) was sent to Congress on April 30. The US is the leading export market for Bolivia, Peru, Ecuador and Colombia, designated eligible for beneficiary status by a Presidential Proclamation of October 31, 2002. The US is also the leading import source for these countries. The report to Congress evaluates the beneficiary countries' compliance with the eligibility criteria (Chapter 3). This same chapter finds that the ATPA is having a positive effect on the economic development of the member countries, helping support their counternarcotics efforts. Chapter 4 contains comments from the private sector and NGOs on continuing to extend the benefits of the Act or opposing their extension.

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