

Revival of Stalled WTO Talks Tops APEC Meeting Agenda

Officials from the U.S., China, Japan and other Asia-Pacific countries meeting in Vietnam this week will try to help move a stalled round of global trade talks toward a resolution by the end of this year. Ministers responsible for trade from the 21-member Asia-Pacific Economic Cooperation forum will meet on June 1 and 2 in Ho Chi Minh City as part of the run-up to a leaders' meeting, to be held in November in Hanoi. The Doha Round of World Trade Organization negotiations and APEC's potential contribution to resuscitating the talks will top the agenda.

Negotiators in Paris last week tried to jump start the Doha talks, which are mired in disagreements over subsidies and tariffs. Vietnamese Deputy Foreign Minister Le Cong Phung said last night that meeting a 2006 goal for an agreement would "be very difficult". The World Bank estimates an accord would add at least \$96 billion a year to the global economy. "We are at a critical juncture in the Doha round, where progress has apparently stalled, where countries are not exhibiting the political will needed to undertake compromises," Sandra Kristoff, a policy consultant for New York Life Insurance Co. and former U.S. ambassador to APEC, told an APEC-related meeting in Ho Chi Minh City today.

There is "a risk of complete failure in the Doha round, which would leave us all with empty hands and which would damage the WTO's credibility," Kristoff told an audience including New Zealand Trade Minister Phil Goff. Developing countries want the U.S. to cut back aid to their farmers, while the U.S. wants the European Union to cut agricultural tariffs. Both the EU and U.S. have put pressure on nations such as India and Brazil to agree to reductions in duties on industrial goods.

The WTO stalemate should be the "major focus" of the APEC meeting, said Goff, speaking after Kristoff. "APEC was effective in helping draw the WTO process forward in the closing and painful end stages of the Uruguay round, when the risk of failure at that time also looked very real," Goff said. "APEC publicly stated then that if the round stalled or failed, APEC would consider proceeding to liberalize on a preferential regional basis," he said. This threat "unquestionably helped unlock the intransigent positions, enabling the Uruguay round to go on to conclude successfully," Goff said.

The U.S. and other larger economies in the Americas should talk with Australia and Asian economies about each player's interests in the Doha round, said Frank Harrigan, assistant chief economist at the Manila-based Asian Development Bank. "If there could be some agreement in APEC to bring down levels of protection in manufacturing and industrial sectors in Asia, with some commitments from the U.S. on agriculture, that would certainly give the Doha round a push," Harrigan said. A successful conclusion of the Doha negotiations represents the greatest opportunity for APEC economies to make significant progress toward achieving the Bogor goals, according to a summary of a meeting of APEC's committee on trade and investment held in Hanoi in February.

The Bogor goals, named after the Indonesian city where a 1994 leaders' summit was held, target "free and open trade and investment in the Asia-Pacific" among industrialized APEC economies by 2010 and among developing APEC economies by 2020. "In the APEC grouping, you have some of the most influential countries," said Joseph Tan, an economist at Standard Chartered Plc in Singapore. "If they want to take the agenda forward, they can."

The APEC forum was established in 1989, with the U.S. hoping to anchor itself more firmly in the Asia-Pacific region in the post-Cold War era. The U.S. sees APEC economies as "critically important," according to a statement released yesterday by the Office of the U.S. Trade Representative on the trip of Deputy U.S. Trade Representatives Susan Schwab and Karan Bhatia to Vietnam, where they will take part in the APEC meeting.

The U.S. is focused on agriculture, industrial goods and services in the WTO talks, according to the statement. An initiative by the U.S. and Japan to fight trade in counterfeited and pirated goods and on-line piracy is also on the U.S. agenda. The APEC meeting may "bring new energy and focus to the negotiations," Schwab said in a statement.

WTO Director General Pascal Lamy will attend the meeting, according to Keith Rockwell, director of the WTO's information and media relations division. Lamy has said that a U.S. pledge to scale back aid to its agriculture industry isn't enough, and that the WTO's key governments must make key concessions to rescue the talks, now in their fifth year. Still, domestic politics may make it hard for this week's meeting to make much headway in the push for an agreement on Doha, Standard Chartered's Tan said. "These days, trade tends to become a tool with a political agenda behind it," Tan said.

The U.S. says talks on the Doha round need to be finished by the end of 2006 so an accord can be submitted to Congress before President George W. Bush's negotiating authority ends in July 2007. That may be difficult because the approval of Schwab as U.S. trade representative has been held up by Senator Charles Schumer, who wants more details on how the Bush administration will push for more access to Chinese markets. In a letter to Schwab, Schumer and Senator Lindsey Graham asked how the U.S. trade office would get China to end restrictions on financial institutions investing in the world's most populous country.

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U.S., Vietnam Sign Trade Pact

The United States and Vietnam signed a trade pact Wednesday that removes one of the last major hurdles in Hanoi's bid to join the World Trade Organization.

The deal knocks down further trade barriers between the two countries, which saw bilateral trade rise 21.6 percent to \$7.8 billion last year, by ending U.S. quotas on Vietnamese textiles and garments and giving American companies greater access to a growing Southeast Asian market.

It also paves the way for Vietnam to reach its goal of becoming a member of the global trading body before Hanoi hosts the Asia Pacific Economic Cooperation summit in November, which President Bush is scheduled to attend.

Source: Houston chronicle, Associate Press 31 May 2006

Deadline set for tariff and subsidy deal

Pascal Lamy, director-general of the World Trade Organisation, set an end-of-June deadline yesterday for a deal to cut farm sub-sides and tariffs on agricultural and industrial goods, warning that global trade talks were running out of time..

Up to 40 trade ministers are expected to join the negotiations in Geneva in the last week of June, in a final attempt to wrap up an accord seen as the core of the Doha global trade round launched in 2001.

The repeated failure of WTO members to agree an interim pact setting detailed guidelines for reducing tariffs and subsidies has held up progress in all other areas of the round, ranging from services to simpler customs procedures.

However, there is general agreement that the talks must conclude this year so that the US Congress can ratify the final Doha package before US negotiating authority expires in mid-2007.

Mr. Lamy told envoys to the WTO that the tariff and subsidy guidelines had to be agreed in June to leave time in July for other key negotiations, such as on services liberalisation and special treatment for developing countries.

The rest of the year is needed to finalise the complete Doha treaty, including drawing up detailed tariff and services schedules for all 149 WTO members.

Trade officials said yesterday that the timetable for the so-called "modalities" pact was "tight but do-able". The chairmen of the negotiating groups on agriculture and industrial goods have been asked to produce draft texts on or around June 19.

Despite intensive negotiations in Geneva over the past few weeks, progress has been glacial since an earlier end-April target for reaching an accord was missed.

A large amount of technical work is still needed before ministers can make the big political decisions of how much to cut and where.

"The idea is to agree as much as we can on the framework and leave the actual numbers for ministers," said a trade official.

He said there was no question of Mr. Lamy stepping in at this stage to put forward a compromise of his own, a move seen as a last resort in the talks.

The European Union has signalled its willingness to move further in cutting agricultural tariffs, on condition that the US does more on farm subsidies and more advanced developing countries such as Brazil and India agree to significant reductions in industrial tariffs.

However, the EU and Brazil are reportedly discussing a less ambitious deal than the US says it can accept.

Source: By Frances Williams in Geneva Financial times 31 May 2006.

US refuses to improve offer on farm subsidy cut

France blamed the United States for the blockage in world trade talks on Tuesday and said concessions already offered by the European Union took it to the edge of its mandate in the trade round.

France is the biggest gainer from EU farm subsidies worth 44 billion euros (\$56.65 billion) a year and has led a campaign among EU countries for the European Commission not to go further with its farm offer in the World Trade Organization talks, particularly on cutting import tariffs." The hard-line policy of the Americans, who want to open the markets of their partners and, above all, flood all the markets of developing countries, while continuing to considerably subsidize their (own) agriculture, explains the current total blockage of the negotiations," French Trade Minister Christine Lagarde said in response to a question in parliament. The WTO's 149 members are struggling to strike a deal by mid-June on basic formulas for cutting farm subsidies and reducing agricultural and manufacturing tariffs after more than four years of talks.

The European Union and the United States are under pressure to concede more in agriculture, while rich nations want Brazil and India to offer more access to their markets for manufactured goods.

Washington says it could do more, but only if Brussels is willing to make far deeper cuts to farm import tariffs." The EU has already made a lot of concessions -- three -- which place it at the limit of the mandate given to it by the member states for these negotiations," Lagarde said." Our room for maneuver is therefore infinitely limited and in any case, it would be extremely clumsy to use this tiny margin for maneuver now before we have obtained anything in the area of manufactured goods and services."

A June deal for farm and manufactured goods would give WTO states a month to wrap up talks on a host of other issues, from services to special help for poorer states.

A treaty must be ready by the end of 2006 before the expiring next year of U.S. presidential powers to negotiate free trade deals, which Congress is not expected to renew.

Source: Reuters 2006. PARIS (Reuters) 31 may 2006, Economy Bureau.

