International-level negotiations

New deadlines and the shadow of transatlantic trade disputes

On the sidelines of the World Economic Forum in Davos, in January 2006 trade ministers repeated their intention to conclude the negotiations by the end of the year and to stick to the timetable agreed at Hong Kong. The first stage envisaged the submission by all WTO members of detailed proposals for trade liberalization on agriculture and manufactured goods by 30 April 2006. In the following stage, countries would submit their lists of ‘sensitive’ products, which would then be exempted from reductions in customs duties. Third, it was planned that preparatory meetings should take place at the end of March, mid-May, and the end of June to prepare for the two key meetings in April and July (Agence Europe, 31 January 2006).

The negotiations were, however, overshadowed by several transatlantic trade disputes. In February 2006, the WTO panel interim report considered that there was no scientific justification for the safeguard measures used by some European countries to protect themselves from GMOs imports (Agence Europe, 9 February 2006). Moreover, a verdict from the WTO dispute settlement system confirmed that the US had not taken the measures necessary to comply with a previous judgment on Foreign Sales Corporation, which allowed US companies to exclude some of their trade-related profits from taxation, considered illegal by the WTO in 2000. The WTO authorized the EU to impose additional customs duties against the US. In May 2004, the US Congress had passed a new bill, the ‘American Jobs Creation Act’, which was also incompatible with the WTO ruling of 2000 (Agence Europe, 14 February 2006).

It was in this tense atmosphere between the two major trading powers that from February until March 2006 several informal meetings between the FIPs and Japan took place, in which delegations did little more than restate their well-known positions. WTO director-general Pascal Lamy identified a basic ‘triangle’ of issues that needed to be agreed between key players in order to resolve the stalemate: the US would have to agree on deeper cuts...
in domestic farm subsidies; the EU would have to lower agricultural tariffs further; and Brazil and India would have to reduce their tariffs for industrial products (ICTSD Weekly Trade News Digest, 15 March 2006).

On the eve of an informal meeting in March of the FIPs, under French leadership 12 EU member states emphasized that the EU’s October 2005 proposal had ‘exhausted all room for manoeuvre’ on market access and domestic support (Agra Facts, 14 March 2006). They urged the Commission to rebalance negotiations towards effective access to the industrial products and services markets of large emerging countries (Agence Europe, 18 March 2006).

Before the 30 April deadline, the negotiations at the WTO’s Agricultural Committee level remained stalled as a result of three stumbling blocks. First, Brazil, India, Mexico, and South Africa asked the US to reduce its agricultural domestic support subsidies. However, the US did not move from its previous offer. Second, the G-20 and the US called on the EU to lower its agricultural tariffs on market access (Agence Europe, 20 April 2006). The EU refused to make further concessions on market access until Brazil and India agreed to reduce their tariffs on imports of industrial goods and the US presented a new offer on domestic support (Agra Facts, 14 March 2006). Finally, the EU and the US demanded further reductions in tariffs on imports of industrial goods from Brazil and India (Agence Europe, 20 April 2006) before offering further concessions on agricultural market access and on amber and blue box support. But Brazil refused to make concessions on industrial products, until the EU had made a better offer on further tariff reductions for market access and the US had reduced its amber box support.

In addition, the negotiations took place under the shadow of the announcement on 18 April that Robert Portman would leave his position as USTR and would be substituted by deputy USTR Susan Schwab. This was interpreted by the other delegations as a signal that the US administration no longer believed in the successful conclusion of the Doha round (The Economist, 20 April 2006). Susan Schwab confirmed this speculation by declaring that beyond the Doha round negotiations the US would pursue bilateral and regional trade agreements on an equal footing (Paggi et al., 2005). The chair of the House Ways and Means Committee, Bill Thomas (R-California), even suggested breaking off multilateral negotiations in favour of bilateral trade agreements, which he considered to be more advantageous to the US (Agence Europe, 20 April 2006).

After a ‘green-room’ meeting with 24 ambassadors, Pascal Lamy decided to cancel a meeting at the ministerial level scheduled for May and to adjourn it until the beginning of July because of deep divisions among delegations on domestic support and market access for agricultural commodities as well as the lowering of tariffs for manufactured goods in emerging countries. He proposed instead that, in the meantime, from May on WTO members