



Bilateral and Regional Free Trade Initiatives:
Political and Sectoral Issues



Bilateral and Regional Free Trade* Initiatives: Political and Sectoral Issues

* Definitions of "Bilateral and Regional Free Trade" are provided in section V of this paper.

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Bilateral and Regional Free Trade Initiatives: Political and Sectoral Issues

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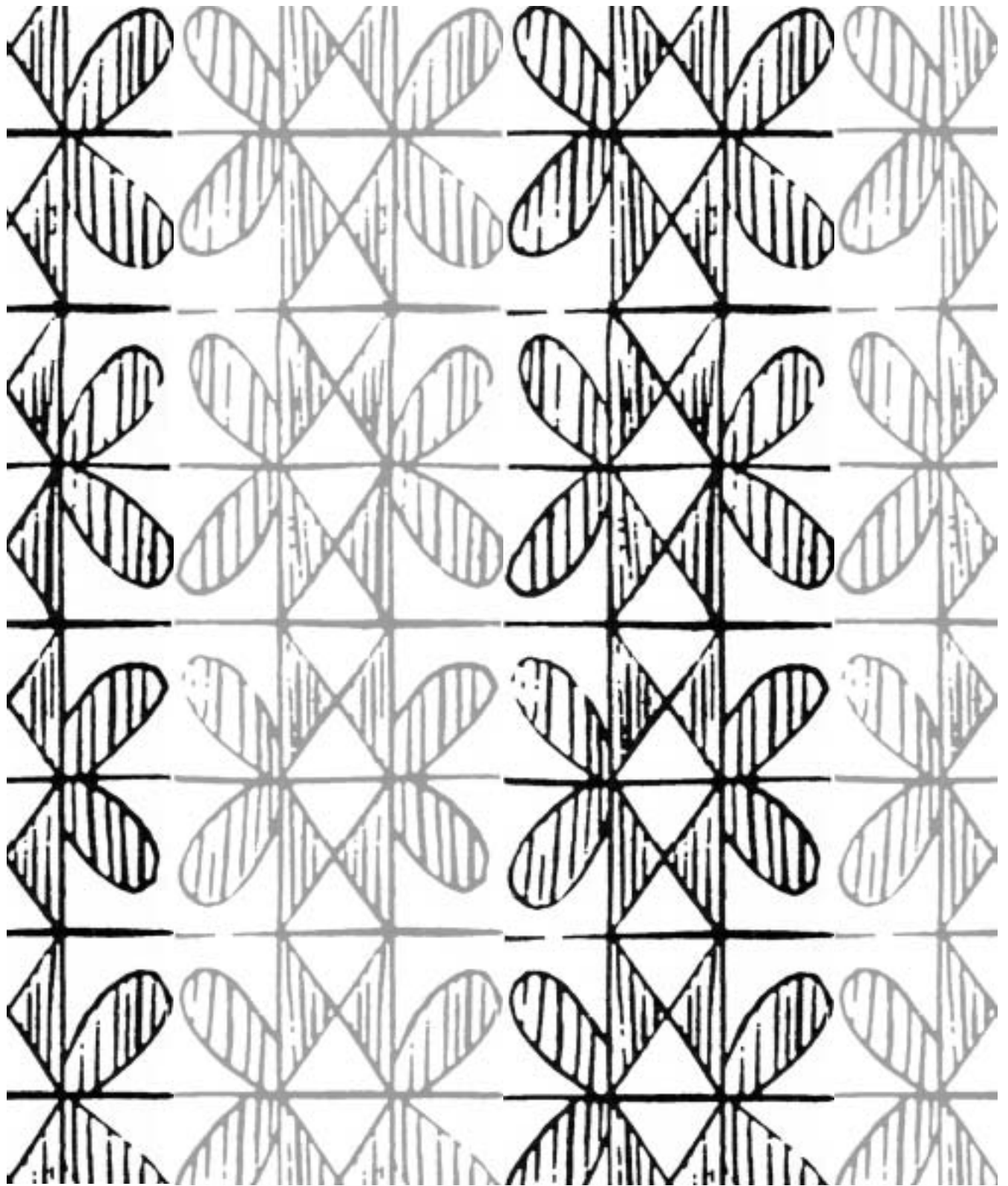


List of Abbreviations

APC	Africa, Caribbean and Pacific countries
ASEAN	Association of Southeast Asian Nations
DDA	Doha Development Agenda
DSB	Dispute Settlement Body
EC	European Communities*
EU	European Union
EPAS	Economic Partnership Agreements
FTAs	Free Trade Agreements
GATT	General Agreement on Tariffs and Trade
GATS	General Agreement on Trade in Services
LDCs	Less Developed Countries
IPRs	Intellectual Property Rights
MED	Mediterranean Countries
MERCOSUR	Southern Common Market

* European Communities was the name given collectively to the European Economic Community (EEC), the European Atomic Energy Community (Euratom) and the European Coal and Steel Community (ECSC), when in 1967, their organs were merged with the Merger Treaty. The term now technically only refers to the EEC and Euratom, as the ECSC expired in 2002.

MEFTA	Middle-East Free Trade Agreement
MFN	Most Favored Nation
MTS	Multilateral Trading System
NAFTA	North America Free Trade Agreement
NGOs	Non Governmental Organizations
RTAs	Regional Trade Agreements
SACU	Southern African Custom Union
TRQ	Tariff Rate Quota
TRIPs	Trade-Related Intellectual Property Rights
US	United States of America





I. Introduction

The increasing number of free trade agreements involving both developed and developing countries has raised political and economical concerns, while increasing inconsistencies in international trade law. Non governmental organizations (NGOs) and social movements have strongly criticized these processes as well as the existing unbalanced trade rules resulting from unbalanced power relations between developed, developing and less developed countries (LDCs).

The acceleration of bilateral and regional initiatives pushes even further existing asymmetries in both political and economic leverage that different groupings of countries can exercise in the world economy, thus exacerbating existing national and international unbalances.

Indeed, these processes are unbalanced in their nature as parties involved do not have the same leverage or political and economic influence in the world economy. The suspension of the WTO trade negotiations in July 2006 accelerated this trend, which was not reversed after the recommencement of multilateral talks in January 2007.

Although the official discourse argues that regional and free trade agreements are *stepping stones* towards the objectives pursued in the Doha Development Round, in reality these initiatives create further constraints on developing countries' capacity to exercise their sovereignty and policy making to promote socially and gender-sensitive strategies.

Furthermore, these negotiations affect both directly and indirectly on-going negotiations in the context of the Doha Development Agenda¹.

¹ The existing WTO multilateral trading negotiations and rules have been extensively criticized by the social movements and the NGOs, particularly with regard to their implications on development policies and gender relations. This paper is not intended to focus on the multilateral trading system but rather to highlight the inconsistency and the strategies employed by major players to instill their interests in the multilateral arena through RTAs and FTAs.



They raise at least two questions:

The first question relates to RTAs and FTAs' push for the idea of trade as *The Means for Development*, while often linking trade to political and investment issues². This trend towards further and faster liberalization can result in further undermining of developing and LDCs' capacity to regulate and choose their development strategies. This is a political interference, through economic agreements.

The second question regards the real impact of RTAs on developing and LDCs' leverage in multilateral negotiations. One could wonder whether developed countries are now pursuing their interests through RTAs and FTAs because of emerging developing countries' groupings and coalitions that are attempting to rebalance existing rules, power dynamics and agreements multilaterally.

This evolution in the MTS might indeed be the reason why the stronger partners of the world economy prefer to make deals outside of this context. Indeed, this might be another strategy to divide developing countries' coalitions by providing separate deals that might then be injected in the multilateral context with further *strings attached*.

In relation to substance, issues of particular interest to developing and LDCs, such as subsidies in agriculture can only be dealt with multilaterally as their impact is spread worldwide, thus affecting world prices that undermine incomes of small agriculture producers, most of which are women. The same argument is evident in the area of TRIPs. However, the MTS has yet to provide real trade opportunities for developing countries, and to materialize its developmental promises.

Developed WTO Members continue engaging in regional agreements that are often times not reported to the WTO until concluded. Many times the content of such agreements remain unknown to third parties that might be affected by trade distortion and trade diversion measures. This does not foster transparency in the world trading system³.

² IGTN has published two papers related to these issues, available at: www.igtn.org/page/703, and www.igtn.org/page/732.

³ Another approach would consist of working towards tackling a number of structural unbalances that feed in the international trading rules and regulations. These are: First, the international division of labour, second the post-modern era of industrialization in developed countries that has as *pendant* de-industrialization of developing and LDCs, third unequal terms of trade, which are still fixed independently from production and livelihood considerations. These issues are not tackled by the existing trade agreements, which tend rather to foster existing inequalities, unbalanced production systems and industrial relations both in industrialized, developing and LDCs. This paper will not tackle these issues.





II. Objectives

This study has the following main objectives:

- (i) Highlight systemic and legal issues that the move toward regionalism poses both from the point of view of consistency as well as from a developmental and gender-friendly perspective;
- (ii) Point out both systemic and rules-related dangers from a gender perspective. It is worth highlighting critical systemic and legal issues, while exemplifying political guidelines that underpin economic *official discourse on development and integration of developing countries in the world trading system as a means for development*;
- (iii) Expose main policy guidelines on free trade initiatives of the European Communities (EC⁴) and the United States (US).



⁴ For legal reasons, in the WTO the European Union is known officially as the European Communities. The EU is a WTO member in its own right as are each of its 27 member States, making 28 WTO members altogether. While the member States coordinate their position in Brussels and Geneva, the European Commission alone speaks for the EU and its members at almost all WTO meetings and in almost all WTO affairs. For this reason, in most issues, WTO materials refer to the “EU”, or the legally-official “EC”. However, sometimes references are made to the specific member States, particularly where their laws differ. This is the case in some disputes when an EU member’s law or measure is cited, or in notifications of EU member countries’ laws, such as in intellectual property (TRIPS). Individual EU members speak in committee meetings or sponsor papers, particularly in the Budget, Finance and Administration Committee. This situation creates a legal and institutional controversy related to democratic control of decisions taken by the European Commission in the area of trade policy. Sometimes individuals’ nationalities are identified, for example the nationalities of WTO committee chairpersons. Available at: www.wto.org/english/thewto_e/countries_e/european_communities_e.htm.



III. Methodology

This study's analysis will focus on the interregional agreements as promoted by the two major economic powers in the global economy, the EU and the US.

This choice is justified by the empirical observation of dynamics and official discourses on the reasons and the objectives of interregional integration in the context of the multilateral trading system as well as by the need to question such official reasons for promoting North-South interregional trade agreements.

In our view, this trend responds again to an attempt to expand geopolitical influence in the different regions. It does not tackle *developmental issues* in the multilateral trading system, while pushing even further the idea of ***Trade as The Tool for Development*** through market opening.

This methodological choice is based on the fact that interregional and free trade agreements (definitions are provided in section V) are mostly *WTO plus*⁵ and tend to link economic and trade to political cooperation.

In spite of some attempts towards the integration of people, particularly in Latin America, regional integration initiatives push the WTO neo-liberal economic scheme of trade liberalization even further as a means for development.

This approach has been constantly criticized by civil society and social movements⁶.

⁵ They include commitments that go further than trade rules as existing in the international trade Agreements, while creating parallel Dispute Settlement Systems for exemple on Investment.

⁶ Further information on these critics is available at: www.igtn.org.



IV. Structure

This study will be structured around the following sections.

- (i) Definitions
- (ii) Political issues
- (iii) Issues regarding sectors
- (iv) Political and Trade Guidelines of the EU and the US
- (v) What are the implications from a gender perspective?
- (vi) Conclusions.



Annexes 1 and 2 are to provide an indicative list of the types of agreements and sectors covered by existing agreements or agreements that are under negotiation.



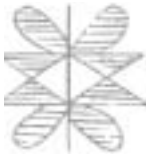
V. Definitions

Before entering in the core of our analysis, it is worth recalling the economic definitions⁷ of terms used in this paper:

- (i) A Free Trade Agreement is defined as a contractual arrangement between two or more countries under which they give each other preferential market access, including for sensitive products;
- (ii) A Custom Union is defined as an international association organized to eliminate customs restrictions on goods between its member nations, and to establish a uniform tariff policy toward non member nations;
- (iii) The *pure interregionalism*: links two free trade areas or two custom unions, i.e. the EU-MERCOSUR;
- (iv) The *hybrid interregionalism*: links a custom union and a group which is neither a free trade area nor a custom union, i.e., the EPAs between the EU and the ACP countries.



⁷ Dictionary of Trade Policy Terms, Walter Goode, Centre for International Studies, University of Adelaide, 1998.



VI. Political Issues

On one hand, the proliferation of interregional and free trade agreements raises concerns with regard to the inconsistencies that they create at the international level. On the other hand, concerns are geared towards the weakening of political leverage of weaker parties, including developing countries and LDCs.

The following issues are worth highlighting when analyzing the implications of asymmetrical RTAs:

- (i) The creation of self-contained regional legal frameworks within RTAs likely leads to a *progressive erosion of the negotiating scope for solving development-related aspects of the Doha Development Agenda*. They further weaken developing and LDCs' efforts to rebalance existing unbalanced international trade rules;
- (ii) RTAs result in different approaches to trade, and *in a great heterogeneity and inconsistency at the national policy level*. This further endangers the sovereignty exercise of developing countries and LDCs in choosing their own economic and social policies;
- (iii) The use of *competition or anti-trust policy measures* in RTAs intra-trade, in cases where anti-dumping measures would apply to third parties, creates a dual system (of anti-dumping duties for third parties and of competition policy among RTA parties). These rules distort trade where different criteria and conditions apply to the invocation of anti-dumping and competition policies and measures. This undermines developing and LDCs' efforts to renegotiate fairer rules on dumping under Article VI of the GATT. Anti-dumping measures are a controversial issue in the context of the Doha Development Agenda, and are under negotiation as part of the *single undertaking*;
- (iv) *Contingency protection instruments*⁸, *technical barriers to trade and sanitary and phytosanitary measures* increase as a result of RTAs, particularly in regard to their potential impact on



⁸ WT/REG/W/26, Annex VI, paras. 39-53.

- third-party trade. Indeed, as in many cases, conditionalities are put forward before signing these agreements, thus limiting the weaker party's capacity to export;
- (v) *Notification* is also a systemic and political issue. At which point in time, should an RTA be notified to inform third parties of their content and implications? A number of RTAs and FTAs currently in force have not been notified. This situation could be cited as hindering any comprehensive and precise evaluation of the RTAs implications and impacts;
 - (vi) Dispute settlement provisions contained in the *new generation* of RTAs, could build jurisprudence conflicting with existing international rules, while putting governments in developing countries and LDCs at the mercy of international corporations that can launch complaints against local authorities. This is an aberration that must be stopped.



VII. Sectoral Issues

These agreements also raise a number of issues in relation to sectors⁹. They are the following:

- (vii) *Agriculture*: RTAs raise the question of the vacuum left by the *Agreement on Agriculture (AoA)* with regard to reduction of domestic support and export subsidies in the context of RTA. Proliferation of RTAs could provide a window to escape from the debate of domestic support and export subsidies that are now under negotiation in the Doha Development Round. This is a key issue for development, and is also the most controversial as developed countries are meeting expectations of developing and LDCs with regard to reduction of domestic support and export subsidies that undermine their capacity to export;
- (viii) *Rules of Origin*: *The Agreement on Rules of Origin* does not contain disciplines on non-preferential rules of origin. Apart from the Common Declaration with Regard to Preferential Rules of Origin, annexed to the agreement¹⁰, no guideline agreed upon multilaterally.
- (ix) *GATS*: RTAs can allow derogation from transparency, fair administration of domestic regulations and emergency safeguards. They can push further the liberalization of public services through the opening of local service providers with foreign service providers.



⁹ These are as identified in the document: WT/REG/W/26, Annex VI, paras. 39-53.

¹⁰ The preamble to the Agreement recognizes that clear and predictable rules of origin and their application facilitates the flow of international trade, and states the desirability that rules of origin themselves do not create unnecessary obstacles to trade. The Common Declaration provides disciplines for preferential rules of origin; in particular, Article 3(c) requires that laws and regulations relating to them be published "as if they were subject to, and in accordance with, the provisions of Article X of GATT 1994".



VIII. Political and Trade Guidelines of the EC¹¹ and the US

(A) THE EC'S POLITICAL AND TRADE GUIDELINES

The EU's actions and political positioning with regard to trade policy result from a variety of factors that range from its institutional framework and the influence of different interest groups related to different countries as well as by political factors. Such factors include the influence of Europe in the international arena and the construction of the European regional identity through regional agreements.

The EU has used trade policy as an instrument of its *foreign policy*, to ensure regional stability, and to further its political influence throughout the world. In 2005, the Lisbon strategy sets out steps that the Commission deems as fundamental to deliver growth and jobs, including *the need to ensure open markets around the world*¹². The internal and the external agenda are complementary. In this perspective, the neo-liberal credo of market opening is a means to both internal and external welfare.

On the assumption that *globalization collapses distinction between the domestic and international policies*¹³, the Commission has chosen trade policy as a means to contribute to its external goals, in particular in development and neighbourhood policy objectives.

In this perspective, the Commission identifies as key economic criteria for FTAs and RTAs with third parties: (i) market potential (size and growth); (ii) level of protection against EU export interests (tariff and non tariff barriers).

¹¹ The legal authority in trade negotiations for the EU is the Commission as mandated by the Treaty of the European Community, signed in Rome in 1957 in its Article 133, which creates a Common Commercial Policy (CCP). Member countries shifted their competence to negotiate external commercial agreements, and bound themselves to seek changes in these policies through the Council of Ministers or the Commission. However, this article has to be read in connection with Articles 177 and 181 related to development issues, Article 300 that sets rules on cooperation and association agreements, and Article 310 that regulates reciprocal agreements to be negotiated by the Commission.

¹² Global Europe, Competing Around the World, A contribution to the EU's growth and Jobs Strategy, European Commission, External Trade, April 2007.

¹³ Ibid.

Negotiations with MERCOSUR, ASEAN and South Korea are based on these principles (see Annex 1 on details and status of these negotiations).

The EU's rules and procedures make its trade policy complex, while due to institutional and political overlapping that flaws some of its external trade negotiations. The *least common denominator* resulting from internal bargaining among the 27 member states limits the EC positioning in trade negotiations both at regional and multilateral levels.

The EU has been using RTAs in order to improve and maintain its market share in developing countries' markets.

Economic official considerations can be distinguished in three types: (i) restoring a *level playing field* and neutralizing trade diversions suffered as consequence of other RTAs; (ii) Strategic links with emerging markets; (iii) Enforcing existing international trade rules. Beyond these official objectives, however, the Commission has been pursuing political influence and expansion of its development model.

(B) THE US'S POLITICAL AND TRADE GUIDELINES

The US's interest in entering into free trade agreements with developing countries can mainly be explained by its desire to achieve multilateral economic objectives through regional integration, while pursuing further market access objectives. This is consistent with its belief in economic liberalism as a means for development.

To achieve its objectives, the US adopted a *three dimensional trade strategy*, which sees bilateral, regional and multilateral talks as interrelated and mutually supportive. Thus, *promoting convergence of interests in more open trade*, while ensuring that RTAs partners *have areas of common interest that they should want to further liberalize at the multilateral level*.

We bear in mind the Geopolitical and security considerations are to be recalled with regard to agreements with the Middle East nations. Trade agreements with these countries are seen as a vehicle for deepening political relationships. Bilateral fast-track authority, as amended by the Trade and Tariff Act of 1984, requires US potential partner to request free trade negotiations.

The US has established criteria to be used when entering RTAs, such as¹⁴:

- (i) Will the FTA help broaden support for US trade initiatives among members of Congress and private-sector interest groups?
- (ii) Will the FTAs promote US economic interests?
- (iii) Is the prospective FTA partner ready?
- (iv) Will the FTA promote US foreign policy objectives?

¹⁴ Schott, J. J., (2004), "Free trade agreements: US strategies and priorities", Washington, D.C. Institute for International Economy, pp. 365-369.

This first question is related to “*the political filter that targets members,*” and directs its focus on whether any new FTA will help to broaden support for US trade initiatives among members of Congress and private-sector interest groups.

The second question relates to investment interests of US businesses and exporting companies. The third question considers the willingness and ability of developing country partners to: (i) change its policies to meet the requirements of reciprocal free trade pacts that usually go beyond their respective WTO commitments; and (ii) work cooperatively with the US negotiators to pursue positive results in WTO negotiations. The fourth question concerns democratic governance and political relations between those countries.

These are not development actions for developing countries or LDCs, but rather a boost for European or American businesses. The objective of creating new markets must be kept in mind when assessing these agreements.



IX. What are the implications from a gender perspective?

From a systemic and political point of view, RTA and FTA initiatives have implications for women. The following reasons are mainly systemic.

- (i) *Interregional and bilateral initiatives often go beyond the WTO commitments.* In this respect, it is worth highlighting the danger of the *top-down*, or the *negative list approach* that is adopted in RTAs and that differs from the GATS *positive list*;
- (ii) *The negative list approach* demands developing and LDCs to have a greater national assessment capacity and regulatory framework to be aware of which specific sectors are not to be liberalized. This approach is very dangerous for developing and LDCs that lack capacity to forecast consequences of unilateral liberalization of services including public services that are of particular relevance to women. Thus, these actions endanger even further women's access to basic services, while jeopardizing their livelihoods;
- (iii) *Interregional initiatives reflect unbalanced relations of power.* As the two major trading actors in today's economy, the EC and the US respond to their own business and interest groups' prerogatives, namely transnational corporations. These actors push their government representatives to pressure their developing country partners into entering in burdensome agreements, while promoting further trade liberalization. This is particularly true in relation to investment and competition-related disciplines (not in the WTO rules) as well as Intellectual Property Rights (IPRs) and contingency and environmental protection;
- (iv) Protection of traditional knowledge and national infant industries is fundamental in providing a chance to developing countries' industrial and employment promotion, while providing a chance for women's stable and sustainable incomes as well as local traditional knowledge;



- (v) *Interregional and bilateral initiatives increase the incoherent developmental discourses and actions* as promoted by developed countries¹⁵ in terms of global governance. Thus, undermining further the prospects for economic and social development in developing countries linked to lack of coherence in development discourses. In the case, for example, of rules of origins, a country may have to apply different sets of rules when determining how to classify the *origin of goods* being traded, depending on the specific RTAs it belongs to;

The plethora of *interregional and bilateral initiatives* replicates the political use of trade policy as an instrument for development and job creation as well as a social catalyst. This consequently undermines any alternatives in policy choices making. It does not respond to a real regional integration effort towards the integration of the peoples and cultures. They are underpinned by the usual logic of the business corporations and only strict business vision of adapting international, regional and national rules to the profit-making perspective and deeper market;

- (vi) The push towards *foreign direct investment and the consumerism* model often without the appropriate regulatory framework in the receiving countries has, in most cases, contributed to the weakening of national policy-making and to the lack of social consultation to guarantee equitable distribution of gains deriving from such investment. Thus, these actions reinforce the existing international division of labor;
- (vii) Solve the dilemma of how to reconcile a gender and socially sensitive development for all. Most of these initiatives push towards a quicker and deeper liberalization that only takes into account the needs of a wealthy minority.

From the point of view of sectors, RTAs and FTAs initiatives raise a number of issues that negatively impact both gender-sensitive development and developing countries' policy space.

- (i) *Reduction of commitments on domestic support and export subsidies in agriculture* are the central pillar of the WTO Doha Development Round, and are highly controversial between developed and developing countries. The existing legal vacuum could profit to developed countries that are part of a Custom Union to escape WTO commitments, while weakening developing country coalitions in this area. Thus further endangering female small farms livelihoods in most developing countries;
- (ii) The following issues are central to LDCs policy making: GATS, MFN departures, fair administration of domestic regulation and emergency safeguards and existing conflicts between national, regional and international rules related to modes of supply as subject to the GATS disciplines. These issues are central to developing countries' policy space. Indeed, the issue of services sup-

¹⁵ See IGTN Paper on Global Governance, International Development Discourses and National Policy-Making: Highlight of Critical Issues. Available at: www.igtn.org.

plied under government authority (Article I:3) of the GATS is fundamental as it affects services of public interests, such as transport, education and health. They play a central role in human development capital in developing countries, including women's quality of life throughout developing countries. Unfair administration of domestic regulations can be detrimental to efforts made in the multilateral system to improve implementation of Mode 4 , thus undermining even further the possibility of remittances in developing countries.



X. Conclusions

The suspension of the Doha Round in July of 2006 marked a point of crisis in multilateral trade negotiations. This raised a number of systemic and implementation issues related to its effectiveness in responding to development needs as expressed and negotiated by its developing country-members in the context of the Doha Development Agenda (DDA)¹⁶.

This trend can best be explained by the following factors:

- (i) *The emergence of developing countries' coalitions*, including the G33 and negotiating positions that clearly advocate for the rebalancing of the MTS' decision-making process as well as of the existing trade rules;
- (ii) *Under influence from the business community*, governments have developed the belief that regionally negotiated cycles correspond more to the quick product cycles as they can be agreed upon in a shorter time frame. In this perspective, the two big blocks push for quicker and *more efficient* agreements to be negotiated regionally with fewer or even one country;
- (iii) *The there exists the fear of the economic powers to loose of losing market opportunities and shares* in emerging developing countries. This trend is determined by the specific export-oriented interest groups that advocate for regional agreements;
- (iv) *The desire by economic powers to use regional agreements as political and economic tools* to promote national reforms in developing countries towards trade liberalization.

The MTS will have to face questions related to its adequacy in response to the challenges of development and existing inequalities, including the impact of trade rules on national policy-making and equal treatment.

¹⁶ Further information on the Doha Development Agenda and the on-going negotiations is available at: www.igtn.org.

Although they involve a limited number of countries compared to multilateral agreements, regional and free trade agreements and initiatives remain international agreements. In this sense, they pose a number of systemic and coherence issues.

In our view, from a political perspective, this represents, a turning point in the WTO systemic approach. Indeed, since the GATT the main emphasis of the world trading system has been on increasing market access through liberalization of trade.

Since 2001, development-related issues have gained more attention in relation to trade negotiations thanks to strategic alliances among developing countries and global social movements. Over time, indeed the social movements as well as civil society have influenced the trade negotiating agenda

This systemic evolution poses a question related to the existing WTO agreements as well as to the functionality of the multilateral trade negotiations: how can its Members reconcile the traditional market access approach with the stronger development needs approach?

The proliferation of interregional trade agreements, particularly between the North and the South, puts in question the existing decision-making and agenda of the MTS. Indeed, the underpinning principles of the multilateral trading system operate in a context of asymmetrical means and possibilities of its Members.

It is therefore important to tackle some of the following issues (i) scope and impact of trade agreements; (ii) inclusiveness and transparency of its decision-making; (iii) impact of existing and forthcoming trade rules on existing asymmetries and inequalities both at the global and national levels.

Development related rules and issues have been eroded over time by the push towards the generalization of the MFN principle even to countries that do not have the necessary regulatory capacities, and nor the necessary level of development.

If negotiations are slow, it is probably because as never before Members do have a chance to rebalance international inequalities resulting from the international division of labor, unbalanced international trade rules, and inconsistent development discourses.

The time has nevertheless come to put development at the forefront of the WTO trade negotiations so as to avoid that developing countries are further caught into even more burdensome agreements than those they are attempting to rebalance in the context of the DDA.

This is the challenge that will determine the relevance of the multilateral trading system in the global policy-making arena in the coming years.



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Annex 1*

List of EC Free Trade Initiatives

Agreements into Force			
Parties involved	Chile	Mexico	South Africa
Name of the Agreement	EU-Chile Association Agreement	EU-Mexico Association Agreement	Trade, Development and Cooperation Agreement (TDCA).
Date of Entry into Force	01.02.03	01.07.00	The TDCA was signed on 11 October 1999 and has been in force, provisionally and partially, since January 2000 and fully since May 2004.
Sectors			
Trade in Agriculture	<p>Tariff concessions: Duty elimination with transitional period of 0, 4, 7, 10 years. Products covered by denominations in the EU (wine, cheese, etc.) are excluded from liberalization.</p> <p>Tariff rate quotas: for several products excluded from liberalization;</p> <p>Special safeguard clause may be applied in case of emergency.</p>	<p>Agriculture will be liberalized by 2010, 80% of EU imports and 42% of Mexico's imports. Fishery liberalized 100% of EU' imports and 89% EU imports%.</p> <p>The agreements contains tariff quotas for certain agriculture products that are not subject to full liberalization, as well as review clauses for further liberalization.</p>	<p>Agriculture to be liberalized within twelve years on the side of South Africa and ten years on the side of the EU. The reduction duties take place in six different reduction schemes in the case of the EU, and four reduction schemes in the case of South Africa. Duties on the more sensitive products are liberalized either partially or more slowly.</p> <p>Tariff rate quota concessions are implemented for some of the products that are excluded from the overall liberalization process.</p> <p>Specific agricultural safeguard clauses emphasize the sensitivity of agricultural markets and the right to take provisional measures in exceptional circumstances;</p> <p>Products whose denomination is protected within the EU are excluded from liberalization.</p>

* This is an indicative list that might not be exhaustive, and that would need regular updating. Information provided in this table are taken from the following links: trade.ec.europa.eu/doclib/docs/2006/december/tradoc_111588.pdf and www.ecdpm.org/Web_ECDPM/Web/Content/Navigation.nsf/index2?readform&http://www.ecdpm. This table is based on data collected before June 2007.

<p>Trade in Goods</p>	<p>Trade in goods is underpinned by transparent and strong rules, including provisions which aim at facilitating trade in particular in the area of wines and spirits and sanitary and phytosanitary measures. Specific provisions regulate customs standards, technical regulations and conformity assessment procedures.</p>	<p>Liberalization of 100% of trade in industrial goods (by 112003 on the EU side and, by 112007 on Mexico's side). Mexico obtained preferential access for 82% of industrial goods since July 2000 and by January 2003 for the other 18%.</p>	
<p>Trade in Services</p>	<p>Promotion of development and diversification of productivity and competitiveness in Chile's service sector;</p> <p>Confirms the principle set out in the GATS (definitions, market access, national treatments);</p> <p>Covers all sectors and contains commitment to further liberalization;</p> <p>The provisions related to Telecommunications reflect the GATS telecommunication referent paper.</p> <p>Separate articles cover: training programs, exchange of information and technical assistance</p>	<p>Liberalization took place in two phases: 1) since the entry into force of the agreement a stand still clause have prevented both parties from introducing new discriminatory measures or reinforcing the existing one;</p> <p>After three years from entry into force of the agreement, the parties agreed on a scheduled elimination of the remaining discriminations within a maximum period of ten years;</p>	<p>Coverage of trade in services is limited to three articles which confirm the commitments undertaken under the GATS;</p> <p>Confirmed also is the commitments of both parties to the GATS fourth Protocol on basic Telecommunications and GATS fifth protocol on Financial Services;</p> <p>Vague reference to further liberalization but it does not establish a timeframe.</p>

IPRs and Investment	Liberalization of investment and capital flows, protection of IPRs in conformity with TRIPs.	<p>Confirmation of commitment to TRIPs and the existing international conventions.</p> <p>Mechanism to ensure cooperation.</p> <p>Completion of the undertakings already made by both Parties at the OECD and through bilateral Agreements signed between Mexico and most of the Member States.</p> <p>Elimination of restrictions on payments related to investment;</p> <p>Review within 3 years to explore possibilities of further liberalization.</p>	
Other provisions	Built-in agenda securing the evolution of trade provisions. Numerous chapters provide for concrete actions to be taken, including review in the future of the situation with a view to even further deepen the level of preferences granted under the agreement.		Additional Agreement on automotive, on Trade in Spirits and on Trade in Wine.

Under negotiations

CHINA (People's Republic of)	Partnership and cooperation agreement with China.	Trade in goods including aspects of trade and investment.	Negotiations formally launched at EU-China Summit, September 2006	No meeting has been scheduled yet. Negotiation modalities still to be agreed upon.
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Yet to enter into Force

Parties involved	Euro-Med: Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority, Syria and Tunisia.
Name of the Agreement	The Euro- Mediterranean Agreements
Date of Entry into Force	By 2010
Sectors	
Trade in Agriculture	<p>In general, agricultural liberalization is still limited compared to that of industrial products;</p> <p>Numerous exceptions and advanced concessions are strictly defined for single products and countries;</p> <p>Specific rules of origin for agricultural products ensure the exclusive application of preferences only on FTA members.</p>
Trade in Goods	
Trade in Services	<p>General trend towards liberalizing trade in services;</p> <p>Observance of GATS Art. V:1 (a) which requires further liberalization</p>

Under negotiation					
Parties involved	Type of Agreement	starting of negotiations	Possible coverage and objectives	Current status of negotiations	Comments
Gulf Cooperation Council (GCC)*	FTA	In 1991 the Council of the EU adopted a negotiating mandate setting for a FTA. A new mandate was adopted ten years later which extended the scope of the negotiations	Liberalization of trade in goods and services, public procurement, competition and Intellectual Property Rights.	No target date has been set for the establishment of the FTA	The EU's interests in the area are not simply commercial but also strategic since these countries are important energy suppliers and the security issue is also crucial.
MERCOSUR (Southern Common Market)**	FTA	Negotiating began in 2000	WTO-plus covering all the most important issues: Services, FDI, Intellectual property Rights, and Agriculture.	After several rounds, the parties failed the crucial request and offer phase in October 2004. Negotiations are still ongoing.	The negotiations for the EU MERCOSUR FTA envisage a first ever reciprocal interregional North-South association between two custom unions.
ACP (Africa, Caribbean and Pacific countries)	Economic Partnership Agreements - EPAS	1st phase "all ACP" launched on 27 September 2002. 2nd phase "regional negotiations" began in October 2003.	North-South RTAs which provide gradual openness of ACP markets to the goods and services coming from the EU. Other objectives are i) fostering regional integration among ACP countries, ii) establishing simple and transparent rules for doing business.	Negotiations to be concluded by December 2007. A framework on trade in goods will enter into in the beginning 2008.	
ASEAN***	Trans regional Trade Initiative	July 2003	The partnership foresees a gradual deepening of the cooperation among the two blocs starting with: trade and investment facilitation and promotion, industrial products standards, sanitary and phytosanitary standards, custom procedures, IPRs, Tourism, trade and environment and forestry products.		

* The GCC was established in 1981 by six countries, namely: Bahrain, Kuwait, Oman, Qatar Saudi Arabia and United Arab Emirates.

** Argentina, Brazil, Paraguay, Uruguay

*** Countries that are part of the agreement are: Brunei, China, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Thailand, and Vietnam.

Andean Community	Association Agreement under consideration.
Central America	In 2006 the EC proposed negotiations directives for an Association Agreement. Negotiations started mid-2007.
India	In December 2006 the EC requested negotiation for a FTA. Agreement to be concluded in 2009.
South Korea	In December 2006 the EC requested negotiation for a FTA. Expected to be completed in 2008.



Annex 2*

List of US Free Trade Initiatives

Agreements into Force			
Parties involved	Chile	Jordan	Morocco
Name of the Agreement	US-Chile Free Trade Agreement	US-Jordan	US-Morocco
Date of the entry into force	January 2004	October 2004	January 2006
Sectors			
Trade in Agriculture	<p>More than three-quarters of U.S. farm goods will enter Chile duty-free within 4 years and all duties on US products will be phased out over 12 years. US access to Chile is as good as or better than the European Union or Canada, both of which also have FTAs with Chile.</p> <p>Chilean price bands will be phased out. Eliminates the use of export subsidies on US-Chilean farm trade, but preserves the right to respond if third countries use export subsidies to displace US products in the Chilean market. An agricultural safeguard provision helps protect US farmers and ranchers from sudden surges in imports from Chile.</p> <p>Both parties renewed their commitment to continue the work on resolving important sanitary and phytosanitary issues.</p>	<p>The parties agreed to progressively eliminate (within ten years) customs duties on originated goods as agreed upon in the respective schedules;</p>	<p>Moroccan Commitments on Market Access: Morocco will provide preferential market access on all agricultural products according to schedules negotiated on a product-specific basis. Preferential tariff phase-outs on most products will occur in equal annual installments over the following phase-out periods: immediate, five years, eight years, ten years, 12 years, 15 years, and 18 years.</p> <p>Tariffs on other products will be phased out using non-linear formulas applied over six years, 18 years, 19 years and 25 years.</p> <p>US Commitments on Market Access:The United States will provide preferential market access on all agricultural products according to specific schedules negotiated on a product-specific basis. Preferential tariff phase-outs will be immediate, five years, eight years, ten years, 12 years, 15 years, and 18 years. Except for products in the 18-year period, US tariffs will be reduced in equal annual installments over the phase-out period.</p> <p>Export subsidies. The United States and Morocco have agreed to not use agricultural export subsidies in each other's markets, unless the exporter believes that a third country is subsidizing its exports into the other FTA country's market. In such cases, special provisions provide for measures to counter the third country's subsidies.</p>



* This is an indicative list that might not be exhaustive, and that would need regular updating: This table is based on data collected before June 2007. Information provided in this table are taken from the website of the USTR

			Sanitary and phytosanitary measures, under the agreement, the United States and Morocco affirm their existing rights and obligations under the WTO SPS agreement. In addition, they forego recourse to the agreement's dispute settlement procedures for any SPS issues arising under the SPS Section of the agriculture chapter, and affirm their desire to create a forum on SPS matters through the Joint Committee..
Trade in goods	<p>More than 85% of bilateral trade in consumer and industrial products became duty-free immediately upon entry into force of the agreement, with most remaining tariffs eliminated within four years. Key US export sectors gain immediate duty-free access to Chile, such as agricultural and construction equipment, autos and auto parts, computers and other information technology products, medical equipment, and paper products. Chile's "luxury tax" on automobiles will be phased out in 2008. In the meantime, the number of vehicles to which this tax applies was sharply reduced as soon as the Agreement took effect. Immediate duty-free is provided for textiles and apparel if they meet the Agreement's rule of origin. A limited yearly amount of textiles and apparel containing non-US or non-Chilean yarns, fibers or fabrics may also qualify for duty-free treatment.</p>	Elimination of all tariff and non-tariff barriers to bilateral trade in virtually all industrial goods within ten years.	<p>More than 95% of bilateral trade in consumer and industrial products will become duty-free immediately upon entry into force of the agreement, with all remaining tariffs to be eliminated within nine years.</p> <p>Key US export sectors gained immediate duty-free access to Morocco, such as information technologies, machinery, construction equipment and chemicals. Textiles and apparel trade are duty-free if imports meet the agreement's rule of origin.</p>
Trade in Services	<p>Chile undertook market access commitments across a range of sectors. Traditional market access to services is supplemented by strong and detailed disciplines on regulatory transparency. Regulatory authorities must use open and transparent administrative procedures, consult with interested parties before issuing regulations, provide advance notice and comment periods for proposed rules, and publish all regulations. The "Financial Services" chapter includes core obligations of non-discrimination, most-favored nation treatment, and additional market access obligations. US insurance firms have full rights to establish subsidiaries or joint ventures for all insurance sectors with limited exceptions. A new principle of expedited availability of insurance services means that prior regulatory product approval is not required for insurance sold to the business community. Expedited procedures are available in other cases when prior product approval is necessary.</p>		<p>Key services sectors covered by the agreement include audio-visual, express delivery, telecommunications, computer and related services, distribution, construction and engineering.</p> <p>Liberalization in trade services include banks, insurance, security and related services.</p>

	US banks and security firms may establish branches and subsidiaries may invest in local firms without restriction, except in very limited circumstances		
Investment	<p>The agreement establishes a secure, predictable legal framework for US investors operating in Chile. All forms of investment are protected under the agreement. US investors enjoy, in almost all circumstances, the right to establish, acquire and operate investments in Chile on an equal footing with Chilean investors. The right to receive a fair market value for property in the event of an expropriation. The agreement prohibits and removes certain restrictions on US investors, such as requirements to buy Chilean rather than US inputs.</p> <p>These investor rights are backed by an effective, impartial procedure for dispute settlement that is fully transparent.</p>		<p>Each government commits to apply fair procedures in administrative proceedings covering trade and investment directly affecting companies from the other country.</p> <p>Both governments must ensure that traders and investors from the other country can obtain prompt and fair review of final administrative decisions affecting their interests.</p>
IPRs	The US-Chile agreement contains IPR provisions that go beyond the TRIPs agreement	The US-Jordan Agreement contains IPRs provisions that go beyond the TRIPs agreement.	The US-Morocco Agreement contains IPRs provisions that go beyond the TRIPs agreement.
Dispute Settlement	All core obligations of the agreement, including labor and environmental provisions, are subject to the dispute settlement provisions of the Agreement. An innovative enforcement mechanism includes monetary penalties to enforce commercial, labor, and environmental obligations of the trade agreement.		<p>All core obligations of the agreement, including labor and environmental provisions, are subject to the dispute settlement provisions of the agreement.</p> <p>The agreement includes strong enforcement mechanisms, including the ability to suspend trade concessions or establish monetary assessments.</p>
Other provisions	Government procurement provisions: requires that covered Chilean ministries, regional and municipal governments not discriminate against US firms, or in favor of Chilean firms, when making government purchases in excess of agreed monetary thresholds. Imposes strong and transparent disciplines on procurement procedures, such as requiring advanced public notice of purchases, as well as timely and effective bid review procedures.		<p>Government procurement provisions: the agreement includes disciplines on the purchases of most Moroccan central government agencies, as well as the vast majority of Moroccan regional and municipal governments.</p> <p>US and Moroccan suppliers will have increased certainty due to strong and transparent disciplines on procurement procedures, such as requiring advance public notice of purchases, as well as timely and effective bid review procedures.</p>

	<p>Labor and Environmental Provisions: environmental obligations are part of the core text of the trade agreement. U.S. professionals will be able to enter Chile without a numerical limit.</p> <p>Activities to Promote Workers Rights: both parties reaffirm their obligations as members of the International Labor Organization (ILO), and shall strive to ensure that their domestic laws provide for labor standards consistent with internationally recognized labor principles. The agreement makes it clear that it is inappropriate to weaken or reduce domestic labor protections to encourage trade or investment.</p>	<p>Commitments and Cooperation to Protect the Environment - each government will require the effective enforcement of its own domestic environmental laws, and this obligation is enforceable through the agreement's dispute settlement procedures.</p> <p>Each government commits to establish high levels of environmental protection, and to not weaken or reduce environmental laws to attract trade or investment.</p> <p>The agreement also promotes a comprehensive approach to environmental protection. Procedural guarantees that ensure fair, equitable and transparent proceedings for the administration and enforcement of environmental laws are combined with provisions that promote voluntary, market-based mechanisms to protect the environment.</p> <p>Cooperative Activities to Promote Worker Rights: the agreement reaffirms the obligations of members in the International Labor Organization (ILO) and commits to strive to ensure that its domestic laws provide for labor standards consistent with internationally recognized labor principles.</p> <p>The agreement makes it clear that it is inappropriate to weaken or reduce domestic labor protections to encourage trade or investment.</p> <p>Each government will be required to effectively enforce its own domestic labor laws, and this obligation is enforceable through the agreement's dispute settlement procedures. Procedural guarantees in the agreement require each government to provide access for workers and employers to fair, equitable and transparent labor tribunals or courts.</p>
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Parties involved	Canada and Mexico
Name of the Agreement	NAFTA - North America Free Trade Agreement
Date of entry into Force	January 1st, 1994.
Sectors	
Trade in Agriculture	All non-tariff measures affecting agricultural trade between the US and Mexico were eliminated on 1st January 1994. These barriers, including Mexico's import licensing system (which had been the largest single barrier to US agricultural sales) were converted to either tariff-rate quotas or ordinary tariffs.

All agricultural tariffs between Mexico and the United States were immediately eliminated and others were to be phased out over transition periods of 5, 10, or 15 years. The immediate tariff eliminations applied to a broad range of agricultural products. In fact, more than half the value of agricultural trade became duty free when the agreement went into effect. Tariff reductions between the United States and Canada had already been implemented under the CFTA. Both Mexico and the United States protected their import-sensitive sectors with longer transition periods, tariff-rate quotas, and, for certain products, special safeguard provisions. NAFTA also provides for rules of origin to ensure that maximum benefits accrue only to those items produced in North America.

In addition to a transition period of up to 15 years for certain products, NAFTA utilized special safeguards to protect import-sensitive crops. For example, NAFTA liberalized trade with Mexico in all products. Initially, Mexican exporters were granted a small duty-free quota for TRQ products in the U.S. market. A relatively high tariff is charged for any sales over that amount. The duty-free quota grew at a 3-percent compounded annual rate over NAFTA's transition period, while the over-quota tariff was gradually phased out. The phase-out period was 10 years for dairy products, cotton, and sugar-containing products and 15 years for peanuts. NAFTA side agreements also contain special provisions for sugar and frozen concentrated orange juice (FCOJ).

U.S. and Mexican tariffs on sugar are to be phased out in conjunction with treatment of US and Mexican border protection on sugar. During the first 6 years, the US reduced its second-tier tariffs on sugar imports from Mexico by 15 percent, while Mexico aligned its tariff regime with that of the United States. Under the NAFTA formula, from the 7th through the 14th year of the agreement, a ceiling of 250,000 tons was placed on Mexico's sugar exports to the United States. Mexico will be determined to be a net surplus producer when production of sugar exceeds consumption of sweeteners.

The United States has a tariff-rate quota for FCOJ that gives Mexico annual access for 40 million gallons at a reduced tariff rate, and a higher (normal trade relations) tariff rate for over-quota volumes. There will be no growth in the quota volume over the 15-year transition period. The over-quota tariff, however, declined by 15 percent during the first 6 years, remained constant from the 7th through the 10th year, and is being phased out over the remaining 5-year period. A price-based safeguard also comes into effect when specified quantity triggers are reached.

Sanitary and Phytosanitary (SPS) Measures The NAFTA imposes disciplines on the development, adoption, and enforcement of SPS measures. These are measures taken to protect human, animal, plant life or health from risks that may arise from animal or plant pests or diseases, or from food additives or contaminants.

Disciplines contained in NAFTA are designed to prevent the use of SPS measures as disguised restrictions on trade, while still safeguarding each country's right to protect consumers from unsafe products, or to protect domestic crops and livestock from the introduction of imported pests and diseases.

Although NAFTA encourages trading partners to adopt international and regional standards, the agreement explicitly recognizes each country's right to determine the necessary level of protection. Such flexibility permits each country to set more stringent standards, as long as they are scientifically based. NAFTA also allows state and local governments to enact standards more stringent than those adopted at the national level, so long as these standards are scientifically defensible and are administered in a forthright, expeditious manner.

Export Subsidies The United States and Canada will be allowed to provide export subsidies into the Mexican market to counter subsidized exports from other countries. Neither Canada nor the United States is allowed to use direct export subsidies for agricultural products being sold to the other, and both countries are required to consider the export interests of the other whenever subsidizing agricultural exports to third countries.

Internal Support Under NAFTA, the parties should endeavour to move toward domestic support policies that have minimal trade or production distorting effects, or toward policies exempt from domestic support reduction commitments under the World Trade Organization.

Grade and Quality Standards: The United States and Mexico agreed that when either country applies a measure regarding the classification, grading, or marketing of a domestic product destined for processing, it will provide no less favourable treatment for like products imported for processing.

Rules of Origin NAFTA improves incentives for buying within the North American region and ensures that North American producers receive the primary benefits of all newly established tariff preferences. Goods not originating from the United States, Mexico, or Canada must be significantly transformed or processed in one of those countries before they receive NAFTA's lower duties for shipment to one of the two other countries. The NAFTA rules of origin for agricultural products were constructed to prevent Mexico from becoming an export platform for processed products made from subsidized raw materials originating in non-NAFTA countries. There are also strong rules of origin for U.S. import-sensitive commodities, such as citrus and dairy items.

Bulk Commodities: All bulk agricultural commodities, and certain processed products such as orange juice and cheese, are exempt from the *de minimis* provision, which otherwise allows up to 7 percent of non-NAFTA-origin product to be included in final NAFTA goods. **Citrus** All single-fruit juices (fresh, frozen, concentrated, reconstituted, fortified) must be made from 100-percent NAFTA-origin fresh citrus fruit. The *de minimis* provision does not apply to any citrus products. **Dairy Products:** Only US or Mexican milk or milk products can be used to make cream, butter, cheese, yogurt, ice cream, or milk-based drinks traded under NAFTA preferential rates. **Vegetable Oils** With the exception of certain industrial fatty acids and acid oils, refining of crude oils within a NAFTA country does not confer NAFTA origin. Making margarine and hydrogenated oils from imported crude oils does not confer origin. **Sugar** Refining does not confer origin. In order for sugar to be considered of North American origin, all processing of sugarcane or sugar beets must take place in NAFTA territory. **Peanut Products** Mexico must produce the peanuts to qualify for NAFTA preferential rates on peanuts and peanut products exported to the United States. U.S. exports of peanut products to Mexico are subject to this same rule.

The NAFTA Committee on Agricultural Trade monitors and promotes cooperation on the implementation and administration of the agricultural provisions. The committee provides a forum for the three countries to consult regularly on trade issues and other matters related to the implementation of the agreement.

The NAFTA Committee on Sanitary and Phytosanitary (SPS) Measures promotes the harmonization and equivalence of SPS measures, and facilitates technical cooperation, including consultations regarding disputes involving SPS measures. This committee meets periodically to review and resolve issues in the SPS area.

The NAFTA Advisory Committee on Private Commercial Disputes Regarding Agricultural Goods provides recommendations to the three governments for resolving private commercial disputes that arise in connection with transactions in agricultural products. The intent is to achieve prompt and effective resolution of commercial disputes, with special attention to perishable items. The committee is composed primarily of private sector representatives but also has government participants.



Yet to enter into Force

Parties involved*	Peru	Colombia	Panama	Republic of Korea
Name of Agreement	US-Peru Trade Promotion Agreement	US-Colombia Trade Promotion Agreement	US-Panama FTA	US-Korea FTA
Date of sign of the Agreement	December 2005. Entry into force is foreseen for 1 January 2009.	Nov 2006 (negotiations were terminated in Feb 2006).	Sept 2006	April 2007

* Information available at: http://www.ustr.gov/assets/Document_Library/Fact_Sheets/2005/asset_upload_file490_8547.pdf

Sectors				
Trade in Agriculture	<p>More than two-thirds of current U.S. farm exports to Peru will become duty-free immediately.</p> <p>Tariffs on most remaining U.S. farm products will be phased out within 15 years, with all tariffs eliminated in 17 years.</p> <p>The United States and Peru have worked to resolve sanitary and phytosanitary barriers to agricultural trade, including on food safety inspection procedures for beef, pork, and poultry.</p>	<p>Colombia will progressively eliminate customs duties on originated goods as agree in the schedules</p> <p>The United States and Colombia have worked to resolve sanitary and phytosanitary barriers to agricultural trade, including on food safety inspection procedures for beef, pork, and poultry.</p>	<p>More than half of US farm exports to Panama will become duty free immediately;</p> <p>Tariffs on most remaining US farm products will be phased out within 15 years;</p>	<p>Parties agreed to exclude rice on their concession lists.</p> <p>South Korea will maintain current tariffs on oranges, beans, powdered milk and other imported agricultural products.</p> <p>South Korea will maintain safeguard measures and a tariff rate quota (TRQ) on such goods as pork, beef and other agricultural products.</p> <p>Both sides agree to establish a body that deals with the Sanitary and Phytosanitary (SPS) issues. But they agree to carry out scientific assessment of any SPS-related risks and carry out technical consultation before the body gets involved in the issues</p>
Trade in goods	<p>Eighty percent of U.S. exports of consumer and industrial products to Peru will be duty-free immediately upon entry into force of the agreement, and the remaining tariffs will be eliminated within ten years.</p> <p>Key U.S. exports, such as agriculture and construction equipment, auto parts, information technology, equipment, medical and scientific equipment, and forest products will gain immediate duty-free access to Peru.</p> <p>Peru will join the WTO's Information Technology Agreement (ITA), which removes tariff and non-tariff barriers to information technology products.</p> <p>Under the Andean Trade Preference Act (ATPA), many products from Peru already enter the United States duty-free. The agreement will make duty-free treatment permanent, providing certainty for businesses and investors, and will allow nearly all non-textile consumer and industrial products made in Peru to enter the U.S. duty free immediately upon implementation of the agreement.</p>	<p>Over eighty percent of U.S. exports of consumer and industrial products to Colombia will become duty-free immediately, with remaining tariffs phased out over 10 years. Key US exports will gain immediate duty-free access to Colombia.</p> <p>Colombia agreed to allow trade in remanufactured goods, and will join the WTO Information Technology Agreement.</p> <p>Textiles and apparel will be duty-free and quota-free immediately if the products meet the agreement's rule of origin.</p>	<p>Over 88 percent of U.S. exports of consumer and industrial goods to Panama will become duty-free immediately, with remaining tariffs to be phased out over 10 years.</p> <p>The agreement includes "zero-for-zero" immediate duty-free access for key US sectors.</p> <p>Apparel products made in Panama will be duty-free under the agreement if they use US or Panamanian fabric and yarn, thereby supporting US fabric and yarn exports and</p>	<p>Both sides agree to abolish about 94 percent of tariffs on commodities within three years after the FTA goes into effect, and scrap all tariffs on traded goods over time. In the case of automobiles, the US will immediately abolish tariffs on passenger cars with an engine capacity of below 3,000 cc and auto parts. Tariffs on automobiles with an engine displacement of 3,000 cc or more will be abolished in three years. In return, South Korea will overhaul its auto-related tax scheme under which a flat special excise tax of 5 percent is levied on automobiles. South Korea will also streamline its auto-related taxation scheme.</p>

	<p>Textiles and apparel will be duty-free and quota-free immediately if the products meet the agreement's rule of origin.</p> <p>Rules of origin are generally based on the yarn forward standard.</p> <p>A "de minimis" provision will allow limited amounts of specified third-country content to go into U.S. and Peruvian apparel, giving producers in both countries needed flexibility.</p> <p>A special textile safeguard will provide for temporary tariff relief, if imports under the Agreement prove to be damaging to domestic producers.</p>			<p>The United States will immediately abolish 61 percent of tariffs on textiles and garments in terms of its import value, and exclude South Korea's major textile export items such as men's shirts and women's jackets from the yarn-forward rule of origin.</p>
<p>Trade in Services</p>	<p>Peru will accord substantial market access across its entire service regime, subject to very few exceptions, using the so called "negative list approach"</p> <p>Key services sectors covered by the Agreement include audiovisual, express delivery, telecommunications, computer and related services, distribution, and construction and engineering.</p> <p>Further liberalization of bank, Insurance, Security and Related services.</p>	<p>Colombia will accord substantial market access across their entire services regime, including financial services.</p> <p>Colombia agreed to eliminate measures that require US firms to hire national rather than US professionals and phase-out market restrictions in cable television.</p> <p>Users of Colombian telecom networks are guaranteed reasonable and non discriminatory access to the network. This prevents local firms from having preferential or "first right" of access to telecom networks.</p> <p>US phone companies obtained the right to interconnect with Colombian dominant suppliers' fixed networks at nondiscriminatory and cost-based rates.</p>	<p>Panama will accord substantial market access across their entire services regime, including financial services.</p> <p>Panama agreed to eliminate measures that restrict investment in retail trade to Panamanian nationals, and to grant new access in professional services that previously had been reserved exclusively to Panamanian nationals.</p>	<p>South Korea will not open public services such as education and medical care. However, it will push to open accounting, law and broadcasting services in a phased manner. Restrictions on Hollywood movies will be maintained, requiring local theaters to run domestic movies for at least 73 days a year.</p>

<p>Investment</p>	<p>The agreement establishes a legal framework for US investors in Peru and contains a commitments to develop an appellate mechanism for investor-state disputes.</p>	<p>The agreement establishes a stable legal framework for US investors operating in Colombia.</p> <p>All forms of investment are protected under the agreement. US investors will enjoy in almost all circumstances the right to establish, acquire, and operate investments in Colombia in an equal footing with local investors.</p> <p>Investor protections will be backed by a transparent, binding international arbitration mechanism.</p>	<p>The agreement establishes a stable legal framework for US investors operating in Panama.</p> <p>All forms of investment are protected under the agreement. US investors will enjoy in almost all circumstances the right to establish, acquire, and operate investments in Panama on an equal footing with local investors.</p> <p>Investor protections will be backed by a transparent, binding international arbitration mechanism.</p>	<p>South Korea will maintain regulations that bar foreign investors from owning more than 49 percent of the country's major telecommunications firms that provide core networks and services</p>
<p>IPRs</p>	<p>The agreement provides standards for the protection and enforcement of a broad range of intellectual property rights, which are consistent with both US standards of protection and enforcement, and with emerging international standards.</p>	<p>The agreement provides for improved standards in the protection and enforcement of a broad range of intellectual property rights, which are consistent with both US standards of protection and enforcement along with emerging international standards.</p>	<p>The agreement provides for improved international standards for the protection and enforcement of a broad range of intellectual property rights, which are consistent with both US standards of protection and enforcement, and with emerging international standards.</p>	<p>South Korea will not guarantee the minimum price of new US drugs. Seoul will introduce a system that calls for assessing the violation of patents when it reviews applications by local drug makers for the sale of copied drugs</p> <p>The two sides agree to extend their copyright protection period from 50 to 70 years after the author's death, but the agreement will go into effect two years after the implementation of the FTA.</p>

Dispute Settlement	The agreement's dispute settlement mechanisms call for open public hearings, public access to documents, and the opportunity for third parties to submit views.	The agreement's dispute settlement mechanisms call for open public hearings, public access to documents, and the opportunity for third parties to submit views.	The agreement's dispute settlement mechanism calls for open public hearings, public access to documents, and the opportunity for third parties to submit views.	
	The Agreement includes strong enforcement mechanisms, including the ability to suspend trade concessions or establish monetary assessments.	The Agreement includes strong enforcement mechanisms, including the ability to suspend trade concessions or establish monetary assessments.	The agreement also contains strong anti-corruption commitments, including criminalization of bribery.	

Under negotiation

Parties involved	Date of initiation	Comments
Thailand	October 2003	During two rounds of FTA negotiations between the United States and Thailand in 2004 and four rounds in 2005, good progress was made on the text of all chapters of the FTA, although significant work continues.

CAFTA (Central American Free Trade Agreement)

Parties involved	Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Dominican Republic US-Dominican Republic-CAFTA
Signed	August 5, 2004.
Sectors	
Trade in Agriculture	More than half of current US farm exports to Central America and the Dominican Republic will become duty-free immediately. Tariffs on most US farm products will be phased out within 15 years, with all tariffs eliminated in 20 years. The US will work with Central America and the Dominican Republic to resolve sanitary and phytosanitary barriers to agricultural trade, especially in relation to problems in food inspection procedures for meat and poultry.
Trade in Goods	Eighty percent of US exports of consumer and industrial goods will become duty-free in Central America and Dominican Republic immediately with remaining tariffs phased out over 10 years. Key US export sectors will benefit from immediate duty elimination. Duties on autos and auto parts will be phased out within five years. Apparel made in Central America will be duty-free and quota-free is made with US or regional fabric and yarn.

Trade in Services	Central America and the Dominican Republic will accord substantial market access across the entire services regime, offering new access in sectors such as telecommunications, tourism, energy, transport, and construction. Central American countries and the Dominican Republic have agreed to change “dealer protection regimes” and loosen restrictions that lock US firms into exclusive or inefficient distributor arrangements.
Investment	The agreement establishes a secure, predictable legal framework for US investors in Central America and the Dominican Republic, and contains a commitment to develop an appellate mechanism for investor-state disputes.
Dispute Settlement	The agreement’s dispute settlement mechanism call for open public hearings, public access to documents, and the opportunity for third parties to submit views. The agreement also contains strong anti-bribery commitments, including criminalization of bribery.

Not finalized or suspended		
Name of the Agreement	Starting of negotiations	Objectives
FTAA (The Free Trade Area of the Americas)	November 1994 This agreement was suspended in November 2003 in Miami. MERCOSUR countries made official their non availability to negotiate in Argentina in the Presidential meeting in Mar de Plata.	The FTAA is a proposed agreement to eliminate or reduce trade barriers among all nations in the American continents (except Cuba, Venezuela and later Bolivia and Nicaragua, which entered the Bolivarian Alternative for the Americas in response). In the latest round of negotiations, officials of 34 nations met in Miami, on November 16, 2003 to discuss the proposal. The proposed agreement was an extension of the North American Free Trade Agreement (NAFTA) between Canada, Mexico and the United States.
MEFTA (Middle-East Free Trade Agreement)	May 2003	Increase trade and investment between the United States and Middle East countries. Deepen economic ties will be create through Trade and Investment Framework Agreements (TIFAs), Bilateral Investment Treaties (BITs), and comprehensive Free Trade Agreements (FTAs)*, and will enhance the Generalized System of Preferences (GSP) program for eligible countries.
ASEAN (Association of Southeast Asian Nations)**	October 2002	This initiative envisages bilateral free trade agreements (FTAs) between the United States and ASEAN countries that are committed to economic reforms and openness. The goal is to create a network of bilateral FTAs, which will increase trade and investment.



* US-Israel Free Trade Agreement (in force), US-Jordan Free Trade Agreement (in force), US-Morocco Free Trade Agreement (in force)
US-Bahrain FTA: signed September 2004, entry into force in 2006, US-Oman FTA: negotiations concluded September 2006, US-UAE FTA: launched negotiations March 2005.

** Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

<p>SACU* (Southern African Custom Union)</p>	<p>June 2, 2003</p>	<p>By moving from one-way trade preferences to full partnership through a reciprocal free trade agreement, the U.S. and SACU want to expand market access, further link trade to southern Africa's economic development strategies, encourage greater foreign investment, and promote regional economic integration and growth. The FTA will cover not only tariffs, but also establish new disciplines on trade related issues, including services, investment, government procurement, electronic commerce, labor and the environment. It will help to level the playing field in areas where US exporters are disadvantaged by the European Union's free trade agreement with South Africa, and to engage SACU countries as partners in multilateral market-opening initiatives through the WTO.</p>
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* Botswana, Lesotho, Namibia, South Africa and Swaziland.



Annex 3

A Brief Account of GATT/WTO Rules and Procedures on RTAs

ARTICLE XXIV OF THE GATT AND THE ENABLING

WTO provisions governing Members' participation in customs unions, free-trade areas (FTAs), and interim agreements are contained in paragraphs 4-11 of *GATT Article XXIV*. During the Uruguay Round, a number of provisions contained in the original Article XXIV, drafted in 1947, were clarified or interpreted, as contained in paragraphs 1-12 of the 1994 Understanding.

Rules with respect to reciprocal (tariff and non-tariff) preferential arrangements on trade in goods among developing countries are found in paragraphs 1, 2(c), 3(a & b) and 4 of the *Enabling Clause*.

GATS Article V lays down the rules governing economic integration agreements in the area of trade in services, including those implemented in stages.



NOTIFICATION REQUIREMENTS

WTO Members are required to notify the RTAs they conclude.

«Any contracting party deciding to enter into a customs union or free-trade area, or an interim agreement ... shall promptly notify ...» [GATT Article XXIV:7(a)]

«Any contracting party taking action to introduce an arrangement ... shall: (a) notify ...» [Paragraph 4(a) of the Enabling Clause]

«Members which are parties to any agreement referred to in paragraph 1 shall promptly notify ...» [GATS Article V:7(a)]

PROVISION OF INFORMATION

Members are required to submit information on their agreements:

«Any contracting party deciding to enter into a customs union or free-trade area, or an interim agreement ... shall make available to [the CONTRACTING PARTIES] such information regarding the proposed union or area as will enable them to make such reports and recommendations to contracting parties as they may deem appropriate.» [GATT Article XXIV:7(a)]

«Any contracting party taking action to introduce an arrangement ... shall: (a) ... furnish [the CONTRACTING PARTIES] with all the information they may deem appropriate relating to such action.» [Paragraph 4(a) of the Enabling Clause]

«Members which are parties to any agreement referred to in paragraph 1 ... shall also make available to the Council [for Trade in Services] such relevant information as may be requested by it.» [GATS Article V:7(a)]

These legal texts do not characterize what the information to be provided to the WTO by RTA participant Members should encompass.

PERIODIC REPORTING

Periodic reporting on the operation of customs unions and FTAs was introduced by the GATT Council in 1971. During several years thereafter, reports of varying comprehensiveness were submitted and considered by the Council, though generally not attracting much attention. The 1994 Understanding, in paragraph 11, reiterates the obligation of providing such biennial reports. However, no existing record details the objectives pursued in 1971, and no further explanation was provided in the 1994 Understanding.

MULTILATERAL SURVEILLANCE

RTAs notified to the WTO are subject to surveillance in various Bodies, at various levels of depth and complexity, depending upon which provision the notifying Member avails itself of:

- No GATT 1947 provision did textually refer to any kind of "examination" or "review" of notified RTAs. As noted above, Article XXIV:7(a) foresees that members will need information «to make such reports and recommendations ... as they may deem appropriate», and requires RTA parties to make such information available to them. A practice has been developed of mandating a working party to «examine in the light of the relevant provisions of the GATT» each RTA notified under Article XXIV, and to «report thereon».* In the WTO context, paragraph 7 of the 1994 Understanding clarified that all RTAs notified under GATT Article XXIV shall be «examined ... in light of the relevant provisions of GATT 1994 and paragraph 1 of this understanding» and that a report shall be submitted to the CTG with «findings in this regard».** The 1994 understanding also restated a neglected GATT procedure relating to the periodic reporting on the operation of RTAs covered under Article XXIV.
- The Enabling Clause (paragraph 4(b)) envisions the possibility of bilateral or multilateral consultations in the case of RTAs among developing countries in the area of trade in goods.

* This was the standard text in the terms of reference of GATT working parties.

** Today, similar language is found in the standard terms of reference for the examination of individual RTAs notified under GATT 1994.

- As to RTAs in the area of trade in services, the wording of GATS Article V:7(a) makes it clear that, whenever so decided by the Council for Trade in Services (CTS), an individual EIA will undergo examination with the aim «to report ... on its consistency» with GATS Article V.*

RTA EXAMINATION PROCEDURES UNDER THE GATT

For RTA seeking legal cover under Article XXIV of the GATT 1947, the process consisted of the following steps:

- The notification of an agreement (of which the text was also made available) was considered by the Council, which delegated the examination to a working party and invited contracting parties to ask written inquiries to the respective parties. The responses to such inquiries should also be written.
- Once a formal document is produced with all these questions and responses, the working party should began its work.
- Working party meetings (usually with the participation of party experts from capitals) comprised a further exchange of questions and replies, political statements and legal comments. Sometimes, the parties submitted further information in writing (usually, statistics). This information was in some cases reproduced in a formal document.
- The working party's report on the examination, once agreed upon, was transmitted to the Council, for adoption.

The process was confidential, internal to the working party, except for the documents produced and the agreed report. There were no recorded minutes of the debates. Interested contracting parties had to request membership in each working party; in general, only a few contracting parties (and usually the same) were active in RTA-related working parties.

Within those common procedures, each working party decided on its own respective method of work. The format of working party reports reflected those differences: some favoured a more descriptive approach of the work done, mixing factual information and judgments on consistency, while others had a more structured approach in line with Article XXIV provisions/requirements. Although, in most cases, working party conclusions merely recorded divergent views on the assessment of the RTA's full compatibility with the rules (usually by summarizing elements detailed in previous sections), these could take up a single paragraph or a whole section.

CURRENT RTA EXAMINATION PROCEDURES

Today, the process through which RTAs are dealt with after its notification and distribution of its text has changed, partly because of developments in WTO rules and partly as a consequence of the creation of the CRTA and the procedures developed therein:

* This is also reflected in the corresponding terms of reference for the examination.

- The notification of an agreement (together with its text) is considered by the CTG (if notified under GATT Article XXIV), the CTS (if notified under GATS Article V) or the Committee on Trade and Development, if notified under the Enabling Clause). If examination of the agreement is needed, the relevant body adopts the terms of reference for the examination and transfers the examination task to the CRTA.*
- The parties to the RTA are invited to submit preliminary information on the agreement in the form of a Standard Format, which is published as a formal document. This is the initial step of what is called the “factual” examination.
- During (at least one or two) CRTA regular sessions, there is an exchange of oral questions and replies on the examined RTA, as well as more general statements by the parties and other Members. Detailed minutes are produced in each meeting devoted to the RTA examination, and published as formal documents.
- Between each of those meetings, usually a round of additional written questions and answers takes place. These are also published as a formal document.
- Once the CRTA feels that the factual part of the examination has concluded, the Secretariat is requested to draft a report on the examination, as the basis for consultations among members (in open-ended informal CRTA meetings).
- The consensual CRTA report on a given agreement would then be sent to the WTO body which requested the examination, for adoption.

Information supplied by the parties, as well as questions and replies answers exchanged among members in writing are issued as official, restricted WTO documents and, later, derestricted. The same applies to proceedings of formal examination debates, where members are identified in their interventions. The CRTA formal sessions are open to members and observers, and consultations on draft reports are held as informal CRTA meetings (open to all members).

* In the case of services agreements and those notified under the Enabling Clause, examination is not automatic but should be decided by Members. To date, decision to submit RTAs to examination was taken for all EIAs notified and already considered by the CTS, and for a single RTA notified under the Enabling Clause.

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