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ON

TRADE MISSION TO THE WTO MINISTERIAL
MEETING IN CANCUN

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OVERVIEW OF THE MISSION

From September 10 through 13, 2003, a delegation of the House Ways and Means Committee visited Cancun, Mexico, to conduct a fact-finding mission. The primary purpose of the trip was to participate in the Ministerial Meeting of the World Trade Organization (WTO), to oversee U.S. trade officials during negotiations, to explore issues related to international trade, and to discuss trade positions with WTO delegates from other countries. The Congressional delegation had the opportunity to discuss WTO issues with delegations from other WTO members, including Australia, New Zealand, the European Union, Ecuador, Africa, and Brazil.

The Ministerial Meeting began cautiously because there had been little progress in negotiations in the year leading up to the Ministerial as many countries had refused to yield from their initial positions. Consequently, several negotiating deadlines in 2003 had not been met, most notably the deadline to determine modalities for negotiations of agricultural trade liberalization. The United States made efforts to contribute to the trade negotiations in advance of the Cancun meeting, including reaching agreement on a text providing access to medicines for the least developed countries, which was an important goal of the Doha agenda, and showing a willingness to make concessions on agriculture.

Ultimately, the negotiations at Cancun collapsed on September 14, 2003, for various reasons. Ostensibly, failure of the negotiations was the result of an impasse on whether to include one or more of the so-called “Singapore Issues” (trade facilitation, investment, competition, and government procurement) in the Round’s negotiating mandate. Deeper problems existed, and several other factors contributed to the collapse:

- The inability, or unwillingness, of the European Union, Japan, and Korea to negotiate ambitious liberalization in agricultural tariffs and cuts in domestic supports and export subsidies;
- Efforts by some countries to stall, delay, and obstruct further trade liberalization in general;
- Refusal of the newly created G–21, a group of approximately 21 (the numbers fluctuated as countries joined or left the group) developing countries,¹ to consider market access liberalization in addition to its otherwise liberal position on cutting agricultural subsidies and domestic supports. Many of these countries were frustrated that the joint U.S.–EU paper on agriculture, developed after the Montreal mini-ministerial, did not go nearly far enough in liberalizing agriculture trade;

¹At the end of the Cancun Ministerial, the following countries were G–21 members: Argentina, Bolivia, Brazil, Chile, China, Colombia, Costa Rica, Cuba, Ecuador, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, the Philippines, South Africa, Thailand, and Venezuela.

- Reluctance of some developing countries to embrace trade liberalization because of the resulting erosion of their trade advantages created by preference programs granted by developed countries. Some developing countries proposed “compensation” for loss of their preferential advantage, an unacceptable option for developed countries; and
- Insistence by several western African nations on the immediate elimination of supports and subsidies on cotton plus compensation as opposed to dealing with the cotton sector in a broader context.

DISCUSSION OF TRIP MEETINGS

Thursday, September 11, 2003

Briefing by Adriana Velasquez, Director of the Mexican National Institute of Archaeology (INAH) at the Tulum archaeological site

Ms. Velasquez provided the delegation with a briefing on Mayan culture, Mexico’s efforts to preserve and study Mayan archaeology, and trade issues related to antiquities. She also provided a brief tour of the Tulum archaeological site, which is located 81 miles south of Cancun. Tulum was a Mayan city that flourished even during the early period of the Spanish conquests. Tulum was an important trading city, and although it was never conquered by the Spanish, the city eventually died out and was abandoned because the Spanish prevented the Mayan traders from using ships.

INAH is the Mexican government bureau established in 1939 to research, preserve, protect, and promote the historical heritage of Mexico. Mexican law prohibits the export of archaeological monuments without the authorization of the INAH. Violators are subject to a maximum fine of 50,000 pesos (approximately \$5,500) and 12 years imprisonment. The United States and Mexico entered into a bilateral treaty for the recovery of stolen archaeological, historical, and cultural properties in 1971. President Nixon issued a Presidential Proclamation in 1971 implementing the treaty. Among other obligations, the United States agreed to help recover and return cultural property taken from Mexico.

Briefing by Jim Grueff, member of the U.S. Foreign Agriculture Service

Because of the importance of trade in agriculture to Members of the delegation and its key position in the WTO negotiations, Mr. Grueff of the U.S. Foreign Agriculture Service gave the first briefing to Members of the various Congressional delegations about the status of agricultural negotiations leading up to Cancun. He focused his comments on the draft Ministerial Declaration prepared by WTO General Council Chairman Carlos Perez del Castillo. The Declaration drew partially from a framework paper proposed jointly by the United States and the European Union but had many important changes that Mr. Grueff noted.

Mr. Grueff remarked that modalities for market access and the expansion of tariff rate quotas would be focal points for the agriculture negotiations. U.S. trade officials have said many times that

the United States wants to be aggressive and ambitious in cutting domestic supports and export subsidies but only if substantial market access occurs at the same time. Developing countries were expected to oppose opening their markets and will instead concentrate on demands for developed countries to eliminate supports and subsidies.

Overall, Chairman Castillo did a good job according to Mr. Grueff, but Castillo dropped many important provisions that were either in the U.S.–EU framework or were in the detailed March draft text proposed by Stuart Harbinson, chair of the agriculture negotiations. For example, the Castillo text relegated many important issues such as treatment of state trading agencies to a vague paragraph in the text that simply noted “other” issues that Members were interested in. Other omitted provisions included those related to food aid, export credits, and expansion of tariff rate quotas. The Castillo text also dropped language proposed by the United States and EU to distinguish between developing countries that are competitive in the world market versus those that are not. The United States proposes to provide less or no special and differential treatment for developing countries that are net food exporters. In the U.S. view, relatively developed countries such as Argentina, Korea, and Brazil should not receive the same special and differential treatment as the poorest African least developed countries.

Friday, September 12, 2003

Briefing by Ann Veneman, U.S. Secretary of Agriculture

Secretary Veneman provided an update on the status of agriculture negotiations. The WTO Ministerial Conference Chairperson, Mexican Foreign Minister Luis Ernesto Derbez, had announced the day before that he invited five ministers to act as “facilitators” to help him with negotiations on various subjects. The facilitator for the agriculture negotiations was George Yeo, Singapore’s Trade and Industry Minister.

Secretary Veneman noted that the U.S. priorities for the negotiations remained harmonization for domestic support levels and significant market access for U.S. agricultural products. Minister Yeo was in the process of meeting with various delegations individually and in groups to see where the flexibilities were in order to prepare a revised draft agriculture text, which was scheduled for release on Saturday, September 13.

The most significant issue in the agriculture negotiations was the emergence of the G–21. This group was pushing strongly for the elimination of export subsidies, limitations on domestic support that went beyond the draft ministerial text, and the elimination of any requirements for developing countries to increase market access. Leaders of the group included South Africa and Brazil, and it was unclear at that time whether these countries would play a constructive or destructive role in the process. A group of 32 Asian developing countries had also formed in an attempt to exert increased influence on the agriculture negotiations. Secretary Veneman emphasized that the Cairns Group had not joined with the G–21.

Briefing by Linnet Deily, Deputy U.S. Trade Representative

Ambassador Deily provided an overview of the negotiations and U.S. activities to date. The Ministerial meeting began unofficially on Monday, September 8, with a series of bilateral meetings and group sessions. By Friday, September 12, the United States had met with all of the regional groups and topical groups such as the Cairns Group.

Minister Derbez had announced the day before that he had invited five ministers to act as “facilitators” to help him with negotiations on various subjects. These groups and chairmen were: (1) Agriculture: George Yeo, Singapore’s Trade and Industry Minister; (2) Non-agricultural market access (NAMA): Henry Tang Ying-yen, Hong Kong’s Financial Secretary; (3) Development issues: Mukhisa Kituyi, Kenya’s Trade and Industry Minister; (4) Singapore issues: Pierre Pettigrew, Canada’s International Trade Minister; and (5) Other issues: Clement Rohee, Guyana’s Foreign Trade and International Cooperation Minister.

The United States assigned one U.S. negotiator to have primary responsibility for each topic: (1) Agriculture, Chief U.S. agricultural negotiator Allen Johnson; (2) Non-agricultural market access, Deputy U.S. Trade Representative Peter Allgeier; (3) Development issues, Deputy U.S. Trade Representative Linnet Deily; (4) Singapore issues, Commerce Undersecretary Grant Aldonas; and (5) Other issues, State Department Undersecretary Alan Larson.

The key action was in agriculture, with work in the other groups somewhat on hold until progress was made in agriculture. In the non-agricultural market access group, the two main issues were the nature of the formula for tariff reduction and whether there would be sectoral initiatives. The United States, EU, and Canada met with the chair as a group to push for their joint proposal, which advocates the use of a simple, ambitious formula for cutting tariffs and the use of sectoral initiatives.

On the Singapore issues, the negotiating dynamic from Geneva had carried through to Cancun. The issues were bundled, but the only connection among the four issues was that all were originally raised in the Singapore Ministerial in 1996. Delegates from many countries expressed a greater desire to unbundle the issues. Many strong voices opposed moving forward on any of the four issues. Seventeen countries led by Malaysia held a press conference opposing negotiations on the issues, and they were supported by the African Group, although it was difficult to tell if this opposition was tactical or substantive. The U.S. role in the negotiations was to act as a bridge between developing countries that opposed moving forward and the EU and Japan, which strongly favored initiating negotiations.

In the group on other issues, three issues were initially discussed. On trade and the environment, the United States was satisfied with the draft text, but the EU pushed for more discussion of environmental issues. On the issue of the wine registry, delegates focused more on establishing the next deadline in the process than debating the substantive issue. On the TRIPs (Trade in Intellectual Property Rights) non-violation clause, the most likely outcome was to push action on this issue to the next ministerial meeting.

In the development group, it appeared that members would probably agree to accept a package of 25 items to provide special and differential treatment to developing countries. These items had been discussed prior to Cancun and were of such a technical nature that it was unlikely they would be changed at the ministerial.

Ambassador Deily and the congressional delegation discussed the need for constructive engagement from Brazil and for all sides to practice the art of compromise.

Meeting with Mark Vaile, Australian Minister for Trade

Minister Vaile began the meeting by expressing his optimism that an acceptable framework would be agreed to. He also gave the delegation his analysis of the structure and negotiating positions of certain key country blocs. For example, Australia is the leader of the Cairns group,² and Vaile stated his belief that Cairns would remain an important negotiating bloc because of the discipline of its membership to act in a unified manner. Nevertheless, he noted that 11 Cairns members were also in the newly formed G-21 led by Brazil, and how the G-21 would function in the negotiations was subject to much speculation by all delegations. In comparing the two groups, Minister Vaile explained that the G-21 and Cairns group are both very ambitious regarding agriculture reform and the elimination of subsidies, but the G-21 is defensive on opening market access on agriculture because the G-21's membership is broad and has several protectionist-oriented members that are less interested in opening their markets. Minister Vaile expressed the concern that when negotiations occur, the divisions among these G-21 members will be apparent and might lead to fractures in the group.

Minister Vaile ended the meeting by hoping that Minister Yeo's draft text on agriculture would be the text from which Ministers would negotiate. He agreed with Chairman Thomas' parting remark that the formation and position of the G-21 could be a constructive "opening gambit," but much remained to be seen on how the group would participate in complex negotiations.

Minister Vaile also mentioned his government's appreciation of the high level of engagement by the U.S. government, including Congress, in the bilateral free trade agreement negotiation.

Lunch Meeting with Parliamentarians from the European Union

Steve Pfister, Senior Vice President, Government Relations of the National Retail Federation, hosted an informal lunch for Members of Congress and Members of the EU Parliament. He made brief remarks about his hope that the continuing barriers to trade would be addressed in the WTO. Chairman Thomas thanked members of the business community for hosting the event.

Yim van Welzen, the Vice President of the European Parliamentarian delegation, mentioned his focus on small and medium-sized enterprises. He then argued that U.S. Members of Congress need

²The Cairns group is comprised of agriculture exporting countries that favor elimination of all support to agriculture trade and are often aligned with the United States. The members include Argentina, Australia, Bolivia, Brazil, Canada, Chile, Columbia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand, and Uruguay.

to do more to be involved in inter-parliamentary organizations like the Inter-Parliamentary Union. He noted that his delegation had meetings scheduled with parliamentary delegations from Canada, Australia, and New Zealand, but not with the U.S. delegation. He also stressed the need for everyone to make concessions on agriculture in particular and noted that trade is particularly important now given that many countries are experiencing recessions.

Chairman Goodlatte expressed that the U.S. delegation was happy to participate in any way that it could. He shared the concern that discussions must move forward and stressed the importance of addressing all three pillars in the agriculture negotiations. He noted that the United States has a trade deficit with the EU overall and in the agriculture sector and that the United States has the most open market in the world.

Meeting with Group of African Ministers

The delegation met with ministers from Madagascar, Mozambique, Lesotho, Sierra Leone, Nigeria, Chad, Uganda, Mauritius, Cote d'Ivoire, Namibia, and Senegal. Representatives of each country expressed the importance of extending the African Growth and Opportunity Act (AGOA) beyond the current expiration of 2008. They noted that a longer period of time is needed to attract investment. The delegations differed on the issue of extending the third country fabric provisions. Lesotho, Sierra Leone, Uganda, Mauritius, and Senegal expressed support for extending the third country fabric provisions, but Nigeria opposed on the ground that the African fabric sector must become integrated.

Minister Razafimihary of Madagascar noted that his country has taken steps to encourage investment through tax holidays providing investors with the ability to purchase land. Minister Morgado of Mozambique stated that his country has not benefited much from AGOA and that AGOA has not encouraged U.S. investment in Africa, which is much needed. Minister Malie of Lesotho argued that loans from the World Bank and the African Development Bank should be expedited with respect to infrastructure. Under the current procedures, the loan processing takes too long and investors pull out. He also noted that Lesotho needs more investment from the United States and Asia but does not expect much investment from the EU.

Minister Sesay of Sierra Leone discussed the need for assistance in meeting sanitary and phytosanitary standards and extending the opportunity to use third country fabric. He noted that the other problems Sierra Leone faces include supply-side constraints and the lack of capital. The country also has infrastructure and electricity problems. The government has held workshops to train exporters but needs to send groups of businessmen to the United States. He also noted that it would be helpful to attract investment if the U.S. government did not provide warnings that travel to Sierra Leone is dangerous and instead put more positive content on government websites. Chairman Thomas noted that the other countries at the table had significant experience with AGOA and had faced some of these problems, so Sierra Leone should seek advice from these successful users of AGOA to try to avoid their early mistakes.

Minister Waziri of Nigeria said that AGOA is a priority. Although the country is not currently eligible to take advantage of any of the textile and apparel provisions, it has passed the necessary laws and still needs to make a few technical changes. The minister also noted the importance of addressing the treatment of folkloric items.

Minister Mahamadi of Chad noted that the country is not eligible to use third-country fabric, but it has passed the necessary legislation and is moving forward on the administrative level. The most important thing for Chad is investment. Although it is a big country, it is an enclave. The minister argued in favor of the cotton initiative that Chad had proposed with three other Western African nations. He noted that the U.S. proposals are helpful in the long-term, but in the meantime, Chad's farmers cannot maintain their livelihoods and will end up leaving the farming sector. He requested special consideration for the humanitarian concerns in the short-term.

Minister Rugumayo of Uganda expressed the need for more U.S. investment and the need for more visas for Ugandan businessmen to visit the United States. He noted that the process for getting visas is very involved.

The representative from Mauritius noted that Mauritius is currently Chairman of the African Union. He stated that the textile industry in his country faces difficult times and that Mauritius is seeking to be allowed to use third-country fabric. He also discussed the importance of Africa's tariff preferences and concern about preference erosion. He believes that products from Africa or products of interest to Africa should be excluded from any sectoral initiatives in the non-agricultural market access negotiations.

Minister Soumahoro of Cote d'Ivoire expressed the need for more trade capacity building assistance and the need for training on enhancing the business environment to attract American investors. Minister Nyamu of Namibia expressed the need for more U.S. investment and the country's desire to expand exports beyond textiles to items like grapes and dates. Minister Agne Pouye of Senegal said that the current AGOA rules are difficult for small and medium-sized enterprises, which are experiencing difficulties in getting products into the United States. She also noted that they need assistance in connecting with U.S. buyers.

Chairman Thomas noted that small and medium-sized enterprises in the United States also find it difficult to obtain investment and that electricity, infrastructure, and financing are universal problems. He said that before investing, U.S. companies closely examine a country's laws on investment and repatriation; if a company can bring money back to the United States, it will invest. He also noted that many barriers exist between developing countries and that it is important to lower those barriers for regional integration. Developing countries could get a double benefit with freer trade among themselves.

Congressman Kolbe discussed the importance of rule of law, transparency, and anti-corruption measures and said that the Millennium Challenge program would provide funding for these purposes.

Meeting with Ivonne A-Baki, Trade Minister of Ecuador

Ambassador A-Baki defended Ecuador's role in the G-21 group of developing countries. She argued that "things are stuck" in agriculture. She claimed that it was beneficial for the United States and the WTO process that Latin American countries are part of the G-21 because they could work within the G-21 and would change language to moderate what the G-21 was doing. She also noted that the goals of the G-21 are primarily focused on the EU position and the fact that the EU did not want to move off of that position. She said that it would be up to the G-21 to determine whether the draft ministerial text produced by agriculture group facilitator George Yeo is something the group could accept. She said that Ecuador would leave the G-21 group if it proved to be unhelpful in moving the process forward.

Congressman Kolbe expressed doubts that Brazil, which is leading the G-21, wanted to move the process forward, noting that nothing Brazil had done thus far indicated such a goal. He also said that he had not seen the G-21 pushing the EU. Ambassador A-Baki responded that the United States had told Brazil in the context of the Free Trade Area of the Americas (FTAA) negotiations that the issue of agriculture would be dealt with in the WTO, and the Brazilians are prepared to deal on it.

Congressman Levin asked the Ambassador what Ecuador wanted that differed from the demands of Brazil, India, and China. Ambassador A-Baki responded that Ecuador had scaled down demands on export subsidies and domestic support and that Ecuador was willing to offer something on market access.

At the conclusion of the Cancun Ministerial Meeting, the G-21 did not accept the Yeo text and instead produced its own revised text. Ecuador remains a member of the G-21, and Ambassador A-Baki was quoted as saying, "We have won a lot. It's not the end; it's the beginning of a better future for everyone."

Meeting with Tim Groser, New Zealand Ambassador to the WTO and Chairman of WTO Rules negotiations

Ambassador Groser is the Chairman of the WTO Rules negotiations group, which has purview over trade remedies. He began the discussion by putting the current negotiations into perspective, saying that the Doha Round is actually much easier than the Uruguay Round in many ways because the WTO now has various standing agreements covering such topics as agriculture and services. Such agreements provide a framework for the first time for the WTO's current work on these subjects. This framework itself, just created in the Uruguay Round, was much more difficult to negotiate. Ambassador Groser then quickly reiterated the positions of several negotiating Members and blocs in relation to the current negotiations. He noted that New Zealand, as a Cairns member, is staunchly free-market oriented.

Ambassador Groser commented on the mandate for the trade remedies' negotiations from the Doha Declaration, which says the Members "agree to negotiations aimed at clarifying and improving disciplines under the Agreements . . . , while preserving the basic concepts." Ambassador Groser candidly commented that the United States is under considerable pressure from many countries because

of its use of antidumping laws. The few countries that might have an interest in defending the current antidumping rules are less engaged than the United States because they are internally divided by groups that rely upon trade remedies and those that oppose them. He noted that certain industries, such as steel and chemicals, suffered from fundamental economic problems that could not be solved through antidumping rules alone, and he raised the issue of whether the final agreement related to steel might become a WTO obligation subject to the WTO dispute settlement system.

In response to questions from Members about recent U.S. losses of WTO dispute resolutions in the trade remedy area, Ambassador Groser noted that the United States has won the overall majority of cases litigated. In the cases it has lost, the United States often wins the majority of issues in the case but loses on one or a few points, often technical and correctable. Thus, the losses seldom have policy consequences for the United States. Ambassador Groser referred to reports by the U.S. General Accounting Office and the Department of Commerce to support his points.

Chairman Thomas commented that improvements in transparency might be appropriate and advantageous to all members and might fall within the Doha Declaration's mandate of clarifying while preserving basic concepts in the current Agreement. Congressman Levin expressed support for improvements in the antidumping rules to increase transparency. Congressman English stated that the United States wants a rules-based regime, so it is critical to overhaul the dispute settlement mechanism, especially in order to make it more transparent. In particular, he expressed concern that the United States had gone through a very careful and protracted process on steel, implemented a "compromise" solution, and still lost the dispute settlement proceeding at the WTO. He concluded that there must be a sound antidumping regime in place in order for Americans to feel comfortable participating in the world trading system.

Briefing by Ambassador Zoellick, U.S. Trade Representative

At the end of the day, Ambassador Zoellick briefed the delegation on the day's developments. He emphasized that he is ambitious and keen on an aggressive schedule. He said that his strategy is to tell countries that he is flexible if they are and that he will move if others do. He continues to be focused on agriculture, services, and goods, and he noted that the United States is the only country that is ambitious on all three issues.

He stated that several weeks ago, the WTO "broke the back" of the pharmaceutical issue due to U.S. flexibility. He emphasized that WTO members need to improve health care systems in order to implement the new policy well.

Ambassador Zoellick reiterated that WTO members are in the difficult phase of moving from negotiating proposals to a negotiating framework, and they must do so by consensus. Members are working off texts that are generally agreed, with the exception of agriculture. He noted that the EU had to get through its Common Agriculture Policy reform this summer, and then the EU had to translate that reform into a WTO position. In the Montreal mini-ministerial in late summer, he said that the United States and the

EU were asked to come together with a framework agreement, which they were able to do. A number of the developing countries, known as the G-21, were not satisfied with that framework.

He said that the United States and the EU have been meeting with the G-21. He noted that the EU is in a defensive posture, while the United States can take an offensive position. Specifically, he has asked the G-21 where they are willing to make concessions in return for the concessions they are demanding.

He discussed with Members a strategy for dealing with the G-21. His primary concern is that the G-21 demands concessions in export subsidies and domestic supports but has not shown sufficient willingness to open developing country markets. Such market access should be especially valuable to developing countries because 70 percent of duties paid by developing countries are to other developing countries. He also said that some developing countries, particularly Brazil, realize they need to make concessions in order to open their own economies and move towards development. Ambassador Zoellick noted that he is willing to be flexible and to consider the sensitivities of developing countries.

With respect to non-agriculture market access, Ambassador Zoellick noted that the United States hopes for an ambitious formula with reference to sectoral liberalization. With respect to the EU demand for expanded protection for geographical indications, Ambassador Zoellick stated that the EU continues to press and the United States does not intend to concede. He seemed optimistic.

Ambassador Zoellick then discussed the demand by four West African countries (Chad, Mali, Benin, and Burkina Faso) that cotton subsidies and supports be eliminated immediately and that they be provided with payment to compensate for prior subsidies. He noted that the United States does not want to deal with cotton in isolation but wants to consider the sector as a whole by examining cotton tariffs as well as trade in manmade fibers and apparel. He emphasized the need to deal with the demand side by having apparel manufacturing countries lower tariffs on cotton.

Ambassador Zoellick and Congressmen Kolbe and Levin then discussed the so-called "Mode 4" issue, relating to the movement of persons.

Additionally, Congressman English stated that he is glad that the Administration is resisting pressure to change the antidumping laws. Ambassador Zoellick responded that if there is no movement on the entire Round, he will certainly not move on antidumping issues.

Finally, Congressman Shaw and Ambassador Zoellick discussed orange juice tariffs and the threat posed by Brazil.

Saturday, September 13, 2003

Meeting with Josette Shiner, Deputy USTR

Ambassador Shiner briefly commented on the status of negotiations in Cancun. She noted that some countries were showing more interest in the Singapore issues. She added that the EU was on the defensive on many fronts. Most countries were firmly against the EU's positions on geographical indications, ecological labeling, and

most of the Singapore issues. Moreover, developing countries were taking a stronger stance against the EU's farm support programs.

Regarding the African cotton proposal, she reiterated the U.S. position that compensation was out of the question but that the United States could address this issue in a larger negotiating context. Low cotton prices are caused by many factors, including subsidies in the manmade fiber industry, recent poor weather, and textile industry market distortions. While U.S. subsidies may exacerbate the problems, they are by no means the primary cause. The African countries that made this proposal are heavily dependent upon cotton in their economies, and only Mali is eligible for benefits under AGOA. She noted that these countries should recognize that their interests would be better served by getting the global economy moving than by focusing on U.S. subsidies.

Meeting with Celso Amorim, Foreign Minister of Brazil

Chairman Thomas opened the meeting by asking the Minister for the views of the new Brazilian government as to its role in Cancun, on agriculture, and in the FTAA.

Minister Amorim said that Brazil has an interest in a successful conclusion of the Doha Round. Brazil has evenly distributed trade relations: the United States accounts for about 25 percent of Brazilian trade, the EU also accounts for about 25 percent, Asia accounts for about 18 percent, and other Latin American countries account for about 10 percent. He emphasized that the WTO is very important to Brazil; in fact, Brazil pushed for its creation.

With regard to agriculture, Minister Amorim said that Brazil's ambitions would not be met by the Geneva text. Brazil seeks the elimination of export subsidies and further reductions in domestic support. He believes that for the Round to make progress, there must be an understanding between the EU and the United States. He also noted that the United States has two interests: to keep its internal support in proportion to the EU and to force supports and subsidies down because the United States is more competitive than the EU.

Chairman Thomas noted that the Cairns Group has traditionally pushed for more liberalization. The Chairman questioned how the actions of the G-21 had moved negotiations forward. He also asked whether Brazil was prepared to liberalize with respect to agriculture tariffs.

Minister Amorim said that reducing tariffs was not a problem for Brazil so long as it was not forced to import subsidized production. If the United States and EU are able to significantly reduce domestic support and eliminate export subsidies, reducing tariffs would not be a problem for Brazil. He also stated that the Cairns Group has always been ineffective because the EU discredited it by arguing that liberalization would hurt poor farmers in developing countries. The G-21 group puts more pressure on the EU by taking away those arguments. Chairman Thomas said that he was encouraged to hear that Brazil could move on tariffs and noted that this willingness to move would make it easier to make progress on the FTAA.

Minister Amorim noted that Brazil approaches the FTAA with some caution. Just as the United States does not want to discuss

antidumping in those negotiations, Brazil does not want to discuss intellectual property. Brazil does not want to change trade rules in the FTAA, just negotiate market access.

Chairman Thomas asked whether the Minister meant that Brazil did not want an agreement like the U.S. agreement with Chile or what was under negotiation with Central American countries. In response, Minister Amorim argued that Brazil could not have one rule on intellectual property with the United States and another with the EU. Chairman Thomas countered that in fact, it could, if the United States and Brazil had a better, closer working relationship.

Minister Amorim contended that the United States could not exclude issues that are sensitive in the United States from the negotiations and not allow Brazil to exclude the issues that are sensitive to Brazil. Chairman Thomas asked if Brazil would be willing to negotiate on these issues if the United States put everything on the table. Minister Amorim said it would not then be realistic to finish the agreement by the end of 2004.

Senator Hatch asked what Brazil would gain if it left Cancun without a deal. Minister Amorim said that Brazil would gain nothing, but Brazil would lose if a final deal is not a good deal so that Brazil has to wait 20 years for real action. Brazil would prefer to maintain ambition even if it takes longer to reach agreement.

Meeting with Pascal Lamy, European Union Trade Commissioner

Commissioner Lamy opened by commenting optimistically on the recent movement of the negotiations towards a text that built upon the agricultural framework paper proposed by the EU and the United States in August. That framework proposal was largely adopted in Chairman Castillo's draft ministerial declaration and, at the time of this meeting, was anticipated to remain in any final declaration. Commissioner Lamy emphasized that the negotiations are at a mid-point and that continued U.S.-EU synergy is crucial in order to continue the momentum of the Round. He then proceeded to describe various WTO issues and the positions of the EU.

Regarding industrial tariffs and services, he believes the EU and the United States have similar objectives, namely ambitious and aggressive liberalization. He emphasized that these two trade components constitute 90 percent of worldwide trade, and with cooperation there should be a successful outcome in framing text for this Ministerial and in the eventual final agreement of the Doha Round. Nevertheless, he noted, these two issues are never mentioned in the press and receive far less notice despite their importance. Instead, agriculture remains the focus and dominates the agenda, and it is an issue on which the EU and United States now have agreement within a common framework.

Commissioner Lamy remarked that the African proposal related to cotton had wide political appeal, but there is concern within the EU that it could be applied to other products such as sugar and tropical fruits. Regarding the newly formed G-21, he commented that the G-21 countries will have to compromise once negotiations begin.

Referring to aspects of the Minister Yeo text expected later that day, Commissioner Lamy mentioned that the text might go beyond his “red line” if it included provisions to cap green box subsidies, eliminate blue box subsidies, and did not preserve the EU–U.S. agriculture framework.

Responding to critical comments from the Members of the delegation about the EU’s farm support system, Commissioner Lamy defended the system. He said the EU’s different agricultural policy is the result of such factors as the relative smaller farm size in Europe, European culture, eating and product preferences, and its export mix. For all of these complex reasons, he said, Europeans have created a unique agriculture system that meets their objectives. Moreover, the United States has less need for a support system because it has three times as much arable land as in Europe while Europe has three times as many farmers. According to Lamy, these circumstances justify the greater expenditure by the EU on farmers. He said that Americans have great difficulty in understanding how and why European farms may be only a few hectares in size. Europeans seek to maintain a traditional and rural population and one that has the incentive to protect the land and provide humane treatment for farm animals.³

Congressman Hulshof raised concerns about the issue of market access for American agriculture into the EU, including beef and biotech products. Commissioner Lamy responded that the United States has access to the European market although “not as much as you want.” On biotech goods, he said that the EU will be authorizing more agricultural products, and GMO maize has been authorized. European concerns are not trade but health and safety related, and Europeans insist on being allowed to control those risks related to their food.

Congressman English asked whether the EU would be active in opposing the reopening of the antidumping agreement. Commissioner Lamy said that some member states of the EU were supporters of stronger disciplines on use of antidumping cases while others wanted more flexibility. He characterized the EU system as already more restrictive than required by the WTO agreement (“WTO ++”) while the U.S. law was on par with the WTO agreement, which is why the United States had not been required to make many changes to its antidumping laws in past negotiating rounds.

³The delegation met with representatives from other delegations on the trip, who were critical of the EU’s farm policy and its refusal to cut agriculture subsidies further than it had in the recent CAP reform; indeed, the formation of the G–21 with its aggressive stance on eliminating agricultural export subsidies and domestic support was due in part to developing countries’ frustrations with EU intransigence. European attempts to garner credit for the recent CAP reform were soundly rejected by other WTO members with some developing countries maintaining that developed countries should unilaterally drop all their domestic supports and export subsidies because they are morally wrong. Developing countries argue that they should not have to “pay for” developed countries to stop causing this harm. Regarding Commissioner Lamy’s comments about the special needs and tastes of Europeans as a justification for Europe’s unique system, for many countries none of these reasons justifies the harm caused to farmers around the world by these trade distorting supports and subsidies.

Meeting with Grant Aldonas, Undersecretary of Commerce for International Trade

Undersecretary Aldonas, who attended the meeting with Commissioner Lamy, responded afterwards to Lamy's claims that the EU's rules system is WTO++, by saying that nothing about the EU system is WTO++. What the EU would like to see required by WTO rules is the system the EU currently has, which involves a high level of discretion and arbitrariness. The U.S. system, Undersecretary Aldonas said, is more legalistic, and the EU is concerned when the United States talks about transparency that it will decrease the ability of the EU to be arbitrary and flexible.

Congressman Shaw asked whether seasonal antidumping rules are on the table. Undersecretary Aldonas said that they are. Congressman English asked whether existing WTO disciplines already allow for the consideration of seasonality. Undersecretary Aldonas replied that they do, although they do not provide the flexibility that the United States wants.

Chairman Thomas asked Undersecretary Aldonas to comment on the G-21 and whether the emergence of this group was a surprise. He also asked whether the group could be a positive force if it ended up pushing the EU towards greater liberalization. Undersecretary Aldonas said that the group could be positive. He added that part of the reason that the Brazilians have been unclear about their goals is that they lacked clear signals from the leadership at home.

Chairman Thomas asked what kind of progress would be made in Cancun. Undersecretary Aldonas replied that the progress would be based on assuring that nothing the United States wants to negotiate is taken off the table for the future, as opposed to assuring gains now.

Undersecretary Aldonas summarized the state of play on the Singapore issues. With respect to trade facilitation, the WTO already has three articles that cover this area, so developing countries cannot legitimately argue that they lack the capacity to negotiate this new area. Government procurement is essentially an anti-bribery provision, so no nongovernmental organizations should oppose negotiations in this area, but it is hard to make it a priority when no one wants to pay for good government as a trade concession. With respect to competition, there is no support for moving forward. More work must be done to make people comfortable, and it does not necessarily benefit the United States to have the restrictions being proposed. With respect to investment, Aldonas said that he has not seen any interest from U.S. domestic industries. He added that the EU has not seen such interest either, so it is hard to understand why the EU insists it must have it.

Meeting with Rufus Yerxa, WTO Deputy Director-General, and Bruce Wilson, Director, WTO Legal Affairs Division

Deputy Director-General Yerxa outlined the process for the negotiations in Cancun including the Heads of Delegation meetings, Minister Derbez's proposed text, and the various large and small group meetings that would follow. He emphasized, as others had done, that the goal is to agree to a framework for further negotiations, not modalities and certainly not specific quantitative cuts in

tariffs or subsidies. Given that so many earlier deadlines were missed, it would be very difficult to meet the future negotiations deadlines. The scope and proposal on the Singapore issues will be an important discussion among the ministers. Even if there is agreement this weekend, a framework on even some of these issues will require a lot of time and commitment.

Congressman Levin mentioned that the dispute settlement system is “opaque” and requires reforming. Yerxa responded that this is largely a developing versus developed country issue. Many developing countries view the WTO as a government-to-government venue; private entities have no place and instead should approach their own governments, not the WTO. Nonetheless, there is pressure to make the system more transparent, and some WTO Members already put their briefs on websites.

Congressman Hulshof noted that the period of compliance is vague and lengthy. Mr. Wilson responded that the dispute settlement understanding provides for six to nine months for compliance, which compares favorably to domestic U.S. law. He noted that the United States has been the primary advocate for the rules-based, legalistic system and in shaping the WTO dispute settlement rules like U.S. law.

Meeting with George Yeo, Trade Minister of Singapore

Minister Yeo noted that the mood in Cancun was not good when the delegates arrived, although reaching agreement on access to medicine and TRIPS defused an important issue.

Minister Yeo was given the task of revising the draft text on agriculture. To that end, he held intensive consultations with delegations to determine the flexibilities. He urged delegations to show him where they are flexible—without such intelligence he would be forced to guess. He described that there was a succession of encounters among the United States, the EU, and the G-21, but Friday morning was the first time that there was any real attempt to understand each other’s political needs.

Minister Yeo briefly described the draft text he produced, which had just been made available. He said that the text was ambitious and that the G-21 would benefit greatly from what he had produced.

Meeting with Supachai Panitchpakdi, WTO Director-General

The Congressional delegation met with Director-General Supachai shortly after the new Yeo text was circulated among Members. Director-General Supachai described the new text as balancing the many interests of the Members. He noted that the text contains a high level of ambition with a non-linear formula to address countries with high tariffs. At the same time, the text has strong special and differential components throughout. He expressed concerns about the provisions related to the Singapore issues because some developing countries maintain they are not ready to move on these issues.

Senator Craig Thomas asked whether the text contains a definition of least developed country, alluding to the issue of the scope of application of certain special and differential treatment provi-

sions. Director-General Supachai said that the WTO relies upon the internationally accepted definition of least developed country, but he noted that applying this definition is different because of the wide spectrum of economies involved; classifying countries has almost become taboo.

Visit to Isla Contoy Wildlife Preserve and National Park (Spouse Program)

A tour of Isla Contoy was provided to spouses by the U.S. Agency for International Development (USAID), Mexico. Isla Contoy is a tropical biodiversity project in partnership with the Mexican National Commission for Protected Areas (CONANP) and Amigos de Sian Kaan, a Mexican non-governmental organization (NGO).

The site visit was conducted by USAID Daniel Evans, Team Leader for Environment Programs; John Beed, Deputy Director; Omar Ortiz, Director of Isla Contoy National Park; and the Fundo Mexican's Conservation Director Jorge Rickards. Jorge Rickards provided a brief overview of the operations of the Fund and activities throughout Mexico, as well as more in depth discussion of the efforts to promote conservation and eco-friendly economic opportunities in Cancun and the Yucatan Peninsula. The brief was conducted in conjunction with a site visit to Isla Contoy for the purpose of viewing the protected habitat and learning firsthand about the educational programs and facilities created to preserve the habitat for over 70 species of birds, six species of sea turtles, and a host of marine and animal life.

Access to the island is limited by requiring passes and group tours only. The revenue raised through access and visitation passes directly supports the fund for the National Park. By preserving the habitat, marine and animal life is able to thrive while ecotourism is promoted. Ecotourism has created a commercially viable program for boat tours from the Yucatan Peninsula to Isla Contoy, Isla Mujeres and other sites as well.

BACKGROUND

Following the enactment of the North American Free Trade Agreement (NAFTA) P.L. 103-182, the United States and Mexican governments pledged \$10 million and \$20 million respectively to capitalize an endowment fund for environmental conservation in Mexico, resulting in the Fondo Mexicano Para la Conservacion de la Naturaleza (FMCN). USAID provided the \$20 million in capital to honor the U.S. commitment and was instrumental in working with other organizations to generate ideas and additional financial and technical support for the fund.

As of today, the Fondo Mexicano is the largest conservation fund in Latin America, having a total endowment of greater than \$80 million. It is playing a leading role nationally in conserving endangered species, encouraging sustainable economic opportunities in ecotourism and agroforestry, protecting threatened biodiversity areas and sensitive eco-systems, and promoting restoration and erosion control activities in highly-degraded areas of Mexico. The idea to form a Mexican environmental conservation fund was identified by the United States and Mexican governments to support

NAFTA and to address environmental issues that arise from enhanced regional development.

USAID undertook the project in support of the idea to create an endowment fund. The fund was designed by a consultative committee comprised of Mexican business people, academics and conservationists. The objective of the Fund is to provide long-term, sustained financing to strengthen the capacity of Mexico's agencies and become self-sustaining by attracting private donors in the international community to contribute to the fund. The Mexican Conservation Fund "Fundo" was incorporated in 1994 as a non-profit civil organization. Following the contributions of the U.S. and Mexican governments, the World Bank Global Environment Facility and private foundations, the fund has raised \$80 million in endowment funds with a goal to reach a total endowment of \$100 million.

USAID Development Cooperation with Mexico

USAID manages a \$30 million annual program of development cooperation in Mexico. For 2003–2008, USAID's program is supporting Mexican Development and reform initiatives in the following key areas:

- Improved governance and a strengthened rule of law;
- Strengthened higher education partnerships in support of bilateral U.S. and Mexico development priorities, particularly trade and commerce;
- Improved management of natural resources, including energy efficiency and promotion of renewable energy sources;
- Broadening access to finance, particularly for Mexican micro-enterprises; and
- Prevention and control of infectious diseases such as Tuberculosis (TB) and HIV/AIDS.

USAID works with a wide range of Mexican and U.S. partner organizations to implement these programs, including Mexican Federal, state and local governments, universities, NGOs and the private sector.