

GAO Says Delay in WTO Negotiations Could Help Other Trade Agreements

The General Accounting Office (GAO), the investigative arm of Congress, released a report Friday stating that delay in World Trade Organization (WTO) negotiations could intensify momentum for concluding bilateral, subregional and regional trade agreements.

The GAO pointed to the United States, which despite the failure of the Cancun Ministerial Conference last summer concluded three trade agreements with Chile, Singapore and Central America in 2003, is currently negotiating with Australia, Morocco and Southern African Customs Union, and will begin negotiations with the Dominican Republic, Bahrain, Thailand, Panama and the Andean region, in addition to the 34-nation Free Trade Area of the Americas (FTAA).

The report, requested by Senate Finance Committee Chairman Charles Grassley (R-Iowa) and House Ways and Means Committee Chairman Bill Thomas (R-Calif.), went on to state that "the effect that a proliferation of these kinds of agreements would have on the WTO is unclear."

As to why the Cancun conference failed, the GAO blamed a complex agenda, a large number of participants with shifting alliances, competing visions of the talks' goals, and North-South tensions that made it difficult to reach consensus on the issues.

European Union Seeks Trade Sanctions Against United States

The European Union (EU) placed a request with the WTO Thursday to slap trade sanctions on the United States, in order to force the U.S. to revoke the "Byrd Amendment," which uses income from anti-dumping duties is given to local companies who brought the dumping complaint. The EU was joined by nine other nations including Japan, China, Brazil, India and South Korea.

The WTO has repeatedly ruled the Byrd Amendment illegal, and the U.S. missed a December deadline to revoke the scheme. Since the Byrd Amendment passed in 2000 and was signed by President Clinton, U.S. ball bearing, steel, seafood, pasta, candle and other companies have received about \$710 million from anti-dumping duties on "unfairly traded" imports. The EU now seeks to impose hundreds of millions of dollars on these same products.

The WTO's disputes settlement body will hear the EU's request at a special session on January 26, although the EU has been careful not to commit to imposing sanctions immediately if the WTO grants its request. Meanwhile, Brussels has warned that the U.S. could face \$4 billion in retaliatory duties over the FSC/ETI provisions in the U.S. tax code, which give tax breaks to companies that export.

The U.S. is expected to oppose the new request from the EU, which would send the case to arbitration, delaying any decision for 60 days.

The Bush administration is expected to recommend eliminating the Byrd Amendment as part of its annual budget recommendations to Congress in early February.