

Principal's Message

In the five years since the launch of the Trade Policy Monitor, I have refrained from doing what I am now doing – speaking to you in the first person. Mostly, I have avoided speaking directly to avoid the appearance of merely issuing a rant periodically, either for or against free trade, globalisation, or what have you. In truth, my views on the whole affair have altered quite steadily over the last twenty years.

I admit that in the youthful and naïve phase of my career I really did believe that the multilateral trading system was absolutely fundamental to the functioning of a peaceful, prosperous global system. Now of course, I am a good deal more circumspect on that view. Certainly, the mass mobilization against globalisation, however misguided that may be, has given me pause. It is an indicator in my view of underlying discontents we ignore at our peril. However, my view has shifted principally as a result of the surprisingly difficult birth of the WTO, and the failure of the multilateral system to self-correct in the interests of humanity as a whole. Four years after Seattle the issues of internal and external transparency are still not resolved. This is a failure that should be setting off alarms.

This seems to have had the rather perverse effect of constraining individual and collective freedom rather than contributing to the extension of it around the globe. In the months to come, we will explore this subject in these pages.

And speaking of these pages, I did want to take note of the road traveled thus far. Between 1999 and 2002, the Trade Policy Monitor was issued as a hard copy publication, and air

mailed to subscribers' addresses around the world twelve times (or more) a year. As work loads increased, it was apparent that both the expense and the time required were becoming management challenges.

In 2002, we started a process to meet the challenge of improving our communications with subscribers, while ensuring that costs remained firmly under control. After gathering website user input and consulting with colleagues, we realised that the product would be acceptable as an electronic publication. This eliminated time-consuming printing and packaging, and substantial cost savings on materials and postage. Good for us, and good for the environment.

From our experience over the last year, the decision to go electronic is the right one for us. The product is well received, and the subscriber base continues to grow every month.

Now we are introducing a more refined format and presentation to the electronic version. Longtime subscribers will recognise that the format actually is based on the original hard copy look. This is the first electronic issue to sport the new look. I hope you all like it.

In future issues, we will be presenting several feature articles by Igoris Jelisejenko. He is a young entrepreneur and trade and economic policy analyst based in Riga.

You will recall that Mr. Jelisejenko has already appeared in these pages, with articles on "[The Baltic States and the WTO Doha Round: Overview of the Key Issues](#)" and "[Latvia's Integration with the European Union](#)". In this month's issue, he overviews the perceptions and concerns of the Latvian farm community and the Ministry of Agriculture regarding the state of play in the agriculture negotiations with the EU.

I also take this opportunity to invite readers to submit brief articles or points of view, and we will do our best to include them in future issues of the newsletter. Greater involvement by readers of the Trade Policy Monitor will ensure its continued success. Thank you in advance for your participation.

Best regards,

David L. Cook



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WTO Fifth Ministerial Conference, Cancún, Mexico, 10-14 September 2003

Key Themes

The November 2001 Declaration of the Fourth Ministerial Conference in Doha, Qatar, provides the mandate for negotiations on a range of subjects, and for other work including issues concerning the implementation of existing agreements.

Collectively, these subjects comprise the Doha Development Agenda. This “agenda” is ostensibly directed at addressing the grievances of the majority developing world membership of the WTO.

However, the preparations and discussions over the last year have been disappointing and disheartening. The subjects include:

- Agriculture
- Services (GATS)
- Financial Services
- Market access
- Implementation issues
- Trade-related aspects of intellectual property rights (TRIPS)
- Trade and investment
- Trade and competition
- Trade facilitation
- Transparency in government procurement
- Anti-dumping and subsidies
- Regional trade agreements
- Dispute Settlement Understanding
- Trade and environment
- Electronic commerce
- Trade, debt and finance
- Capacity building and technical co-operation
- Less Developed Countries (LDCs) and small economies

As in the Uruguay Round, substantive progress on the Doha Development Agenda is actually associated not with developing country issues per se but rather with the persistent struggle among developed country exporters of agricultural products.

The Significance of Cancún

There should be a full appreciation that a great deal is hanging in the balance at the WTO Fifth Ministerial Conference. As we noted in January 2002, “...there is a significant likelihood that the 5th WTO Ministerial Conference to be held in Mexico next year will be a critical meeting for the multilateral trading system.” (See [LAUNCH PROSPECTS FOR THE DOHA ROUND](#))

At that time it was noted that, “... the launch phase of the Doha Round of Multilateral Trade Negotiations will be very difficult. With competing regional negotiations fora, disagreements over the interpretation of the Doha Declaration, and an inadequate basis for cross-sectoral trade-offs, negotiations progress on the WTO front in 2002 will be hard won. The 5th WTO Ministerial slated for Mexico next year already is shaping up as the most crucial of meetings for the future of the multilateral trading system.”

Developments in 2003 have not altered the situation, and may actually have highlighted even more starkly the very deep and real divisions that exist among developed countries over the direction that the multilateral trading system should be moving.

The three informal meetings of trade ministers held in 2003, including the last one in Montreal July 28 – 30, reveal that the wide gaps that exist in trade in agriculture country positions have not been bridged in a meaningful way over the last two and a half years. With less than three weeks to go before the WTO's 146 member states meet in Cancún, large gaps also exist on the role of environmental concerns in trade, industrial goods tariff cutting, special provisions to accommodate developing countries, and further elaboration on the rules for trade in services.



Negotiation Results In Agriculture Between Latvia And EU

By [Igoris Jelisejko](#), Riga

Agriculture is one of the most important and the largest of the negotiation chapters for European Union candidate countries.

Direct payments in agriculture attract substantial public attention in Latvia. The new member states will gradually phase in EU agricultural direct payments between 2004 and 2013. Direct payments will start at 25% in 2004, in 2005 Latvian farmers will get 30% and 35% in 2006 of the present system and increase by 10 percentage steps to reach 100% of the then applicable EU level in 2013.

Within carefully defined limits, Latvia along with others new member states will have the option to "top-up" these EU direct payments with national subsidies. In 2004-2006, a new member state has the possibility to top-up EU direct payments. In 2004 farmers will receive 55% of EU level (direct payments level in the year 2004 will be 1.5 times higher than the present level), in 2005 60% and 65% in the year 2006.

From 2007 Latvia may top-up EU direct payments by 30 percentage points above the applicable phasing-in level in the relevant year or to the total level of direct support the farmer would have been entitled to receive, on a product by product basis, in the new member state prior to accession under a like national scheme increased by 10 percentage points. In no case should the payment be higher than 100% of present EU members' level of direct payments.

During a limited period Latvia has an option of granting farmers CAP (Common Agricultural Policy) direct payments in the form of a decoupled area payment (a simplified payment scheme). An annual financial envelope will be calculated according to agreed criteria and then divided between the utilized agricultural areas.

Despite its importance, direct payments are only a small part of financial support that Latvian farmers will receive after accession to the EU. In the year 2004, direct payments will make about 20% of all the funds available for Latvian agricultural sector.

Farmers will get guaranteed prices. For example, price for milk products will be 1.5 times higher than the average price in Latvia. Considerable financial aid also will be provided for rural development.

Certain rural development measures have been adapted or created in order to reflect better the requirements of the new member states in the first years following accession. This means that for a limited period, new member states will be able to use rural development funds for schemes specifically designed to help restructuring of the rural sector. For example, there is support for semi-subsistence farms undergoing restructuring as well as specific measures to assist farmers in meeting EU standards.

Latvia's Minister of Agriculture Martins Roze considers Common Agricultural Policy reform is favorable for Latvian farmers. CAP will allow Latvia to choose suitable policy for cattle breeding. The new reform includes support of seeds desiccation. Also advantageous for Latvia is EU financing of rural development. At present the Ministry of Agriculture is analyzing the possibilities offered by new EU agricultural policy, and the way to use those possibilities with better efficiency.

Before this year September European Commission promised to prepare the resolution about inclusion of EU candidates into CAP. On June 25 2003, the EU Candidate Countries Agriculture Ministers signed a declaration on the reform debates' conclusion. The declaration states that EU candidates consider that the final compromise agreement should address the question of a complete compensation for price intervention reduction in the milk and seeds sectors. It also declares that quotas for milk should be increased for new EU members if quotas increase for the EU-15, and give the opportunity of transitional periods for new members, so that they would be able to meet all EU standards before reaching 100% of the then applicable EU direct payments level in 2013.

Minister of Agriculture Martins Roze, speaking at the EU Candidate Countries Agriculture Ministers' Meeting, emphasized that new EU members should have equal conditions with present EU members as well as receive an equal compensation to farmers for price lowering.

The head of the Latvian negotiation delegation, Ministry of Foreign Affairs State Deputy-Secretary

Andris Kesteris considers that Latvia got the best EU accession conditions. The Agriculture Ministry estimates the negotiations results as positive. Quotas for agricultural products at least secure the present production level, and in many sectors exceed the present level (in average 27% higher 2002 production level). Latvia gets many transitional periods (35 in total) and will gradually phase into the EU regime. The last transitional period will expire in 2015 (giving an opportunity to Latvia to reach EU standards for drinking water).

The Ministry of Agriculture supports the concept of “multifunctionality” of agriculture and, in cooperation with the Cabinet of Ministers and Hipoteku bank, grant loans for rural development.



The official government position for the WTO agriculture negotiations was to have been approved by the Latvian Cabinet in mid August, but could not be confirmed before our publication date.

However, it is known that the position is being crafted with consideration for EU interests, and will be close to the general EU position concerning subsidies and other questions.

On the possibility of reviving Article 8 of the Agreement on Subsidies and Countervailing Measures, it appears the Latvian government is unmoved by such a proposal – ed.

Softwood: Notes from the Front

Almost two and a half years after the expiry of the 1996 Softwood Memorandum, this trade issue is not resolved. It bears recalling that it was in May 2002 that anti-dumping duties were imposed on Canadian exports to the US. Given the outrageous pace of the bilateral Canada – US negotiations on the softwood lumber trade, the information below is still relevant. The following was reported out of Oregon by email April 16, and is reproduced for information:

“I can't speak for the housing market since I'm not in involved it. I can speak for our business and it's {sic} direct line to the lumber mills around the country. The utilization, lbs produced, and the general bad conditions are real - we just went into a complete capital spending freeze and hiring freeze.

My group puts out the monthly utilization for the entire US and Canada - they look like they fell off a cliff. Today, we discussed the most recent shutdowns, slow downs and such that was passed to the production folks from our sales reps. The list of mills scaling back keep growing and our orders keep dropping. The mills are full of inventory because they produced to their limit before going into the shutdown mode.

It may not be reflected in the micro view many here have, but the macro view is starting to look frightening to those involved with the lumber products.”

The point is that firms on both sides of the border are now suffering from the softwood lumber dispute. However, in some quarters it is believed that Canada's posture associated with the Iraq hostilities may have slowed matters down coincidentally until at least the autumn of 2003.

With Paul Martin assuming the mantel of Prime Minister in November, look for an intensification of efforts to resolve this nightmare early in 2004. Mr. Martin has a deeper appreciation of the Canada – US relationship than his indelicate predecessor.



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