

## 2002 Kananaskis Interim Compliance Report Economic Growth – Free Trade

### Commitment:

Working toward the objective of duty-free and quota-free access for all products originating from the Least Developed Countries (LDCs), including African LDCs, and, to this end, each examining how to facilitate the fuller and more effective use of existing market access arrangements.

### Background:

This commitment was made as part of the Africa Action Plan. Economic stability for Africa can only be achieved if the members of the G8 give LDCs the opportunity for economic growth through increased trade by decreasing trade barriers. Increased economic stability provides a favourable climate for political and overall stability which, after the events of September 11<sup>th</sup>, is of paramount importance to the G8 members.

### Assessment:

Score	Lack of Compliance -1	Work in Progress 0	Full Compliance +1
<b>Country</b>			
<i>Canada</i>			1
<i>France</i>		0	
<i>Germany</i>		0	
<i>Italy</i>		0	
<i>Japan</i>		N/A	
<i>Russia</i>		0	
<i>United Kingdom</i>		0	
<i>United States</i>		0	
<b>Overall</b>			<b>+0.14</b>

### Individual Country Compliance Breakdown:

#### 1. Canada: +1

The government of Canada has thus far complied fully with the commitment to work toward duty and quota-free access for products originating from the Least

Developed Countries. There has been public reaffirmation of this commitment on numerous occasions, in both domestic and international fora. While all products are not free for export without duties, the Government of Canada's LDC Market Access Initiative extends duty-free and quota-free access to Canadian imports from 48 LDCs for most goods, excluding supply-managed agricultural products. This initiative takes effect as of January 1, 2003.<sup>134</sup> While further commitment to making existing trade more efficient and conducive to LDC interests is needed, Canada has taken significant steps in working towards this commitment.

## **2. France: 0**

France has not made any progress towards compliance independent of the initiatives of the European Union. The proposal issued by the European Commission to open up duty and quota-free access for all LDC exports except arms by 2003 remains a goal that countries are working toward, but have not yet achieved. Despite reforms, European farmers and agricultural firms are still subsidized, particularly fisheries, thereby driving their poorest competitors out of the market.<sup>135</sup>

## **3. Germany: 0**

Germany is in the process of complying with this commitment. External economic policy is a major component of the government's policy.<sup>136</sup> "Alongside the overall treatment of fundamental issues of foreign trade and payments, as well as those of bilateral economic relations to countries outside the European Union, Directorate-General V has included as one of its tasks: the liberalization of foreign trade within the framework of the European Union and the World Trade Organization."<sup>137</sup> "On December 16, 2002, the German Government pledged an additional donation of 1 EUR million (about CHF 1.45 million) over two years – 2005 and 2006 – to the WTO Doha Development Agenda Global Trust Fund. This brings the total of contributions pledged to CHF 4.15 million."<sup>138</sup>

## **4. Italy: 0**

Italy is in the process of complying with this commitment. The Italian government contributed 1 million euros for the year 2002 to the WTO Doha Development

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<sup>134</sup> Department of Foreign Affairs and International Trade, Canada, "LDC Initiative Backgrounder" <[http://www.dfait-maeci.gc.ca/tna-nac/ldc\\_back-en.asp](http://www.dfait-maeci.gc.ca/tna-nac/ldc_back-en.asp)>.

<sup>135</sup> The Guardian Unlimited Observer, "The Hypocrisy Behind our Compassion," 20 October 2002, <<http://www.observer.co.uk/comment/story/0,6903,814946,00.html>>.

<sup>136</sup> Federal Ministry of Economics, Germany, <<http://www.bmwi.de/Homepage/English%20Pages/the%20ministry/DG05.jsp#service>>

<sup>137</sup> Federal Ministry of Economics, Germany, <<http://www.bmwi.de/Homepage/English%20Pages/the%20ministry/DG05.jsp#service>>

<sup>138</sup> WTO, "Germany to Contribute Another 1 Million Euros to the Doha Trust Fund," 18 December 2002, <[http://www.wto.org/english/news\\_e/pres02\\_e/pr326\\_e.htm](http://www.wto.org/english/news_e/pres02_e/pr326_e.htm)>.

Agenda Global Trust Fund.<sup>139</sup> In doing so, Italy is working toward duty-free and quota-free access for all products by using existing market access arrangements by helping LDCs become part of the WTO where they will be able to participate in trade negotiations with other members. As Ambassador Negrotto Cambiso states: it will help LDCs and low-income countries in transition to "...adjust to WTO rules and disciplines, implement obligations and exercise the rights of membership, including drawing on the benefits of an open, rules-based multilateral trading system".<sup>140</sup>

## 5. Japan: 0

Japan has been unable to focus on increased market access for LDCs due to its numerous internal economic difficulties. Plagued by deflation, a declining trade surplus and a burgeoning fiscal deficit, Japan is currently focusing on internal economic reforms.<sup>141</sup> There is therefore inadequate data on Japan's efforts to secure duty-free and quota-free access for emerging LDC markets.

## 6. Russia: N/A

Russia is in the process of compliance. In order for Russia to be able to comply with this commitment, it first needs to tackle some crucial domestic economic issues – which it is steadfastly doing. Chairman Ambassador Kåre Bryn announced on December 18, 2002, that he feels that the WTO is ready to put in place an accelerated program for accession for Russia – it currently holds observer status. He has proposed three weeklong meetings, all before Easter, in order to discuss this process.<sup>142</sup> Russia has also recently been taken off the Financial Action Task Force's (FATF) blacklist. FATF is an international group dealing with financial abuse.<sup>143</sup> This is a big step for Russia as it shows its serious dedication to becoming a fair market economy and moving away from its money-laundering past. It will bring increased confidence in its financial institutions and its overall economic climate.<sup>144</sup> Russia has also made the elimination of trade barriers as an area that will require its focus.<sup>145</sup> Further to this, Sergei Lavrov, Russia's Permanent Representative to the UN claims that

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<sup>139</sup> WTO, "Italy Contributes 1 Million Euros to the WTO Doha Development Agenda Global Trust Fund," 6 June 2002, <[http://www.wto.org/english/news\\_e/pres02\\_e/pr296\\_e.htm](http://www.wto.org/english/news_e/pres02_e/pr296_e.htm)>.

<sup>140</sup> WTO, "Italy Contributes 1 Million Euros to the WTO Doha Development Agenda Global Trust Fund," 6 June 2002, <[http://www.wto.org/english/news\\_e/pres02\\_e/pr296\\_e.htm](http://www.wto.org/english/news_e/pres02_e/pr296_e.htm)>

<sup>141</sup> Bloomberg News, "Falling Trade Surplus Clouds Japan Rebound," 24 October 2002, <[http://www.iht.com/ihtsearch.php?id=74740&owner=\(Bloomberg%20News\)&date=20021223171814](http://www.iht.com/ihtsearch.php?id=74740&owner=(Bloomberg%20News)&date=20021223171814)> and International Herald Tribune, "In Brief", 17 July 2002, <<http://www.iht.com/ihtsearch.php?id=64667&owner=&date=20020718141056>>.

<sup>142</sup> WTO, "Working Party on the Accession of the Russian Federation," 18 December 2002, <[http://www.wto.org/english/news\\_e/news02\\_e/accession\\_russian\\_18dec02\\_e.htm](http://www.wto.org/english/news_e/news02_e/accession_russian_18dec02_e.htm)>.

<sup>143</sup> Pravda, "Financial Action Task Force Takes Russia of Its Money-Laundering List," 12 October 2002, <<http://english.pravda.ru/economics/2002/10/12/38066.html>>.

<sup>144</sup> Pravda, "Financial Action Task Force Takes Russia of Its Money-Laundering List," 12 October 2002, <<http://english.pravda.ru/economics/2002/10/12/38066.html>>.

<sup>145</sup> Pravda, "Russia-EU Cooperation Models Might Be "Test-Run" in the Baltic Region," 10 June 2002, <<http://english.pravda.ru/politics/2002/06/10/30087.html>>.

Russia has abolished customs duties on commodities imports and lifted quantitative restrictions on imports from LDCs.<sup>146</sup> The Ministries of Finance and Trade have yet to corroborate this however, and so Russia is left with a Work in Progress for this commitment.

## 7. United Kingdom: 0

The United Kingdom is currently in the intermediate stages of achieving compliance. There has been official reaffirmation of the commitment, most notably in the Department of Trade and Industry 2003 expenditure plan, which states that "The Department works closely with the Department for International Development (DfID) to ensure that developing countries benefit more from, and participate more fully in, the world trade system."<sup>147</sup> Further progress includes encouraging a Commonwealth consensus in favour of the development of the multilateral trading system, in particular by alleviating cost barriers that exclude LDCs from full participation in the global market. However, British agricultural subsidies remain high, and tariffs on agricultural imports remain one of the highest of all OECD countries.<sup>148</sup>

## 8. United States: 0

The United States is in the process of complying with this commitment. It took a giant step towards increased power for its President in trade negotiations as the Trade Promotion Authority (TPA) was approved by Congress this past summer. This gives the President the ability to negotiate new trade deals.<sup>149</sup> Previous TPA had lapsed in 1994, which sidelined the US while other countries brokered trade deals.<sup>150</sup> Former Director-General of the WTO, Mike Moore commented that the new TPA would forge WTO negotiations ahead.<sup>151</sup> Overall, this means that the US will be better equipped administratively to comply with its G8 trade commitments. At Global trade negotiations in December, however, little progress was made on some very important issues that would help eliminate trade barriers. "The question of whether developing countries have the right to override foreign patent protections for essential medicines has become an overarching issue."<sup>152</sup> This is a contentious issue in the US where industry lobby groups apply pressure to the government. "The agricultural talks, too, are stuck,

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<sup>146</sup> <<http://www.ln.mid.ru/BI.nsf/arh/B47750523A80C4F143256C47002DD452?OpenDocument>>.

<sup>147</sup> UK Department of Trade and Industry, "The Government's Expenditure Plans, 2001-02 to 2003-04, Chapter 8," <[http://www.dti.gov.uk/expenditureplan/expenditure2001/objective\\_c/chapter8/section6.htm](http://www.dti.gov.uk/expenditureplan/expenditure2001/objective_c/chapter8/section6.htm)>

<sup>148</sup> The Guardian Unlimited Observer, "The Hypocrisy Behind our Compassion," 20 October 2002, <<http://www.observer.co.uk/comment/story/0,6903,814946,00.html>>.

<sup>149</sup> Office of the United States Trade Representative, "USTR Zoellick Statement Regarding Crane TPA Bill," 13 June 2001, <<http://ustr.gov/releases/2001/06/01-37.htm>>.

<sup>150</sup> Trade Promotion Authority, United States, "The President's Call to Action on Trade," <<http://www.tpa.gov/Call-to-Action.htm>>.

<sup>151</sup> WTO <[http://wto.org/english/news\\_e/pres02\\_e/pr308\\_e.htm](http://wto.org/english/news_e/pres02_e/pr308_e.htm)>.

<sup>152</sup> New York Times <<http://query.nytimes.com/search/article-page.html?res=9B02EEDA103BF934A35751C1A9649C8B63>>.

mainly over reluctance in Europe and the United States to reduce subsidies and lift trade barriers. For its part, the United States, which irritated many trade partners last year with a huge new farm-subsidy bill and a protective tariff on steel imports, has been making a number of proposals, including cutting tariffs on farm goods in half and eliminating export subsidies. The Bush administration also proposed elimination of tariffs on all manufactured goods, including two of the most protected categories, shoes and textiles, but the European Union dismissed it as unrealistic.<sup>153</sup> The December 31<sup>st</sup> deadline, however, was not met in the negotiations so a complete analysis cannot yet be done.

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<sup>153</sup> New York Times, <<http://query.nytimes.com/search/article-page.html?res=9B02EEDA103BF934A35751C1A9649C8B63>>.