US misses deadline for morocco and australia agreement.

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US misses two year-end bilateral trade deadlines
By Edward Alden in Washington
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The US has missed two year-end deadlines for concluding bilateral free trade agreements and is in the midst of difficult negotiations to avoid missing a third.

The delays could rob the US of momentum in the bilateral negotiations that have become the pillar of its trade policy since the breakdown in the Doha round trade negotiations and the watering down of plans for a comprehensive Free Trade Area of the Americas.

Negotiators for the US and Morocco announced earlier this week they would be forced to reconvene next month to resolve a series of outstanding issues, focusing primarily on Morocco's unwillingness to open its market for US wheat, beef and poultry.

The US and Australia also said last week they would miss the deadline.

A host of issues remain unresolved, including US opposition to greater imports of Australian beef, sugar and dairy products, and US demands that Australia weaken local content rules for television and consider revisions to its price controls on drugs.

Those delays have put new emphasis on concluding negotiations now under way in Washington on a central American free trade agreement (Cafta).

Trade ministers from the US and five central American nations are hoping to wrap up the pact by early next week.

In an effort to increase the pressure, US lead negotiator Regina Vargo warned this week that it would be very difficult to persuade Congress to pass the deal in an election year unless it was wrapped up by the year-end deadline.

But the Cafta talks may be the toughest of the three to conclude.

The sensitivity of the negotiations is underscored by the fact that negotiators are considering an unprecedented 15-year transition period for phasing out import protections on a wide range of agricultural products, including beef, poultry, dairy, corn and rice.

The US sugar industry is also warning that opening the US market to imports from central America could devastate the industry.

In addition, the US is demanding the opening of highly protected service sectors in central America such as telecommunications and energy, and is taking aim at regulations that prevent foreign companies from freely choosing local distributors. A Salvadoran negotiator told US business leaders this week that the dealer issue was a make-or-break one for his country in the talks.

The bilateral deals, while relatively small in terms of their economic impact on the US, have proved to be more difficult to negotiate than Washington expected.

Calman Cohen, a business lobbyist with the Emergency Committee for American Trade, said the difficulties were partly caused by US demands for extremely thorough agreements that touch on politically sensitive issues. He said US companies would rather have such comprehensive deals than be bound by rigid deadlines.

The Cafta talks have also highlighted problems with the tactic of trying to pursue freer trade incrementally through bilateral deals rather than through larger global or regional pacts.

Each includes complicated rules of origin intended to ensure that only goods made in the participating countries receive the benefits - provisions that are particularly important in the apparel industry that provides the bulk of Cafta's exports.

But US clothing importers and portions of the US textile industry are insisting on what is known as "cumulation", arguing that fabric from other free trade partners such as Canada and Mexico should be permitted to be assembled in the Cafta countries and then exported duty-free to the US.

The majority of US textile companies, however, say this would turn Cafta into "a job-destroying agreement".

Nor have the politics of the bilateral deals proved easy.

Even if the Cafta can be done this year, the daily protests from labour and human rights groups during the negotiations in Washington show how tough it will be to push the deal through Congress.