

String of Pearls or Multi-Car Pile Up?

The U.S. Negotiates New Trade Agreements with 15 Countries

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In the next two years, the Bush administration hopes to conclude seven free trade agreements (FTAs) with 15 countries: Australia, the five Central American states, Chile, Morocco, Singapore, the five members of the Southern African Customs Union, and Bahrain.¹ If successful, this would triple America's list of FTAs and quadruple our list of FTA partners.

Meanwhile, larger trade initiatives are struggling. Europe's farm lobby has stalled the World Trade Organization's (WTO) Doha Round. The Free Trade Area of the Americas (FTAA) faces both an economic crisis in much of South America and an apparently indifferent administration. And Russia has slowed the pace of its negotiations on membership in the WTO.

In such an environment, an already ambitious FTA program becomes still more important. If designed carefully, it can help spark export growth and support larger trade or foreign policy goals. If not, it can do more harm than good. At home, theory argues strongly that trade policy helps the economy not only by opening export markets, but by lowering trade barriers to create more competition, productivity growth, and better living standards. Because FTAs reform policy for only one country at a time, though, they can leave the trade regime more complicated rather than simpler. Also, FTAs can do as much harm as good overseas as well, through unintended snubs and unwitting economic damage to friendly countries left off the list. The program's metaphorical result can be a "string of pearls," adding glamour and value to trade policy; or a "multi-car pileup" that injures drivers, passengers, and pedestrians alike.

Thus, the United States needs to proceed with some care. With debate months away on the first two FTAs, those with Chile and Singapore, there is

time to develop principles to guide the program as a whole. Three points are central:

▶ **Remember the Big Issues.** First, FTAs are not a substitute for success on genuinely big issues. In economic terms, the 15 partners make up about only 2.5 percent of the world economy and population. In political terms, the program's significance is less than that of global agreements at the WTO or broad regional trade policies. While FTAs can help, four major initiatives—the Doha Round, the FTAA, Russia's integration into the WTO, and a reshaped approach to the Muslim world—must remain the central pillars of trade policy. Ultimately, the FTAs should be steps toward such broader global and regional visions rather than aims in themselves; the Chile and Singapore agreements, for example, are important steps toward the FTAA and an open Pacific economy.

▶ **Better Analysis.** Second, government analysis needs to improve. Unlike broader agreements concluded at the WTO, FTAs can have unintentional effects on countries left off the list by diverting trade, jobs, and investment to the FTA partners. The current FTA list, combined with America's current preference programs, yields a policy weighted heavily toward Latin America, Africa, and, to an extent, Southeast Asia. As a result, large Muslim countries and very poor Asian nations are likely victims of these diversion effects. In turn, this has implications for U.S. humanitarian and national security interests. To avoid such results, the U.S. government needs to give more attention to forecasting potential trade-diverting effects as well as changes in trade flows, U.S. employment, import competition, and overall growth, and should address these effects before agreements are approved.

► **High Quality.** Third, the agreements individually should be good ones on their merits, combining spurs to export growth with contributions to domestic economic reform and creative approaches to new issues beyond those suited to larger agreements.

Remember the Big Issues

The first of these points is most important. The FTAs, even at their best, are not substitutes for strategic trade initiatives. Instead they are secondary, though potentially valuable, efforts.

In economic terms, the long-term ideal is an open world trading economy based on fair and commonly accepted rules, rather than one crisscrossed by lots of smaller agreements. For America's shorter-term export growth and market-opening purposes, the biggest gains will come from the biggest countries and economies. As Table 1 notes, about two-thirds of U.S. trade is with five partners: Canada, China, the European Union, Japan, and Mexico. Canada and Mexico are already covered by NAFTA, and the other three (barring some truly bold development) are not potential FTA partners.

Likewise, large and relatively closed economies like India, Indonesia, Nigeria, or Russia, where we now conduct relatively small volumes of trade, but with which export growth potential may be high, are not potential FTA partners. The fourteen FTA partners together make up about 2.5 percent of world population and 2.5 percent of the world economy—fractions almost identical to those of Russia alone. So the economic value of the agreements, while real, is limited.

Further, the FTA program touches only incidentally on strategic questions. Trade policy is obviously no substitute for security policy, but it can help create common interests among great powers, reduce regional tensions, and strengthen alliance relationships. Achieving these results requires dealing on a large scale with major powers or entire regions. The FTA program's foreign policy benefits can be real, but FTAs are unlikely to have a decisive effect on the foreign policy "A-list" issues: reshaping relations with the Muslim world, cementing democracy in the Western Hemisphere, healing the rifts in the North Atlantic Treaty Organization (NATO), integrating Russia into the West, and maintaining American leadership in Asia.

Table 1: The FTA Program in Context

	U.S. Goods Trade	Population	GDP (PPP basis)
Total	\$1,858 billion	6,060 million	\$44,460 billion
United States	--	280 million	\$9,600 billion
NAFTA	\$604 billion	130 million	\$1,700 billion
European Union	\$370 billion	380 million	\$8,880 billion
China	\$147 billion	1,260 million	\$3,920 billion
Japan	\$172 billion	125 million	\$3,440 billion
<i>Russia</i>	<i>\$9 billion</i>	<i>146 million</i>	<i>\$1,170 billion</i>
<i>15 FTA partners</i>	<i>\$82 billion</i>	<i>151 million</i>	<i>\$1,386 billion</i>
All Others	\$483 billion	4,130 million	\$4,330 billion

Source: Trade statistics from U.S. Department of Commerce; population and GDP figures from World Bank, *World Development Indicators 2002*, Table 1.1, pp. 18-20.

For both economic and strategic reasons, therefore, success on a few major regional and global trade initiatives means more than success on many small FTAs. This is not, of course, a reason to abandon the FTA program. It is, however, a good reason to remember that the center of trade policy lies elsewhere. The Doha Round, the WTO membership negotiations with Russia, broad unilateral trade programs, and regional agreements like the FTAA will have much greater effects for the U.S. economy and foreign policy goals. If they fail, the FTA program cannot take their place.

Better Analysis: Averting the “Tuna Fish Effect”

Second, the administration and Congress need to improve economic analysis of trade agreements to anticipate and avert potential trade diversion. These diversions occur when investment and jobs shift from one country or region to another to take advantage of tariff inequalities. Such effects are most likely in light manufactured goods with low fixed costs and high tariff rates; clothes are the leading example. Large Muslim countries and poor Asian nations rely most heavily on these products, and, at least in the short term, are not on the FTA list. They therefore are especially vulnerable to these effects.

A recent real-life example of the trade diversion phenomenon comes from commercial rivalries over tuna fish, pitting South America against Southeast Asia. This particular problem emerged in 2002 when the United States renewed the Andean Trade Preference Act (ATPA)—a partial duty-free program for Bolivia, Colombia, Ecuador, and Peru.

Ecuador requested an exemption from tariffs for canned tuna, which is a labor-intensive good subject to tariffs ranging from 6 percent to 35 percent. Dropping the tuna tariffs for Ecuador was only mildly controversial in Congress, but proved deeply and unexpectedly troublesome for Thailand and the Philippines. These countries found canneries in relatively low-income, Muslim-majority areas Mindanao and Songkhla threatening to close and move to Ecuador to take advantage of the ATPA benefits themselves.² This threat was only identified and eventually

fixed through the initiative of a *New York Times* reporter who publicized the fears of the Thai and Filipino cannery workers and of Filipino President Gloria Macapagal-Arroyo, who commented that the bill “would deal a severe blow to the economy while handing a propaganda victory to the Abu Sayyaf movement.”³

Such diversion effects, it should be noted, are not always important. And when they are important, they are not always bad. For example, about one-quarter of America’s wine imports come from prospective FTA partners Australia, Chile, and South Africa. Most of the rest are from vineyards in France, Italy, and Spain, which suck up more than \$2 billion in the EU’s “Common Agricultural Policy” subsidies a year. The FTAs can thus create a sort of rough justice in wine trade, and might conceivably prompt Europe to take WTO talks on farm trade reform a little more seriously.

Eliminating tariffs on Moroccan olive oil might have a similar effect, helping Morocco compete against heavily subsidized exporters in Spain, Greece, and Italy. But this case also shows the dangerous side of trade diversion. Moroccan olive oil exporters compete for U.S. market-share not only with Europe, but Turkey, Lebanon, and Tunisia—none of which are either subsidizers or FTA candidates. An olive oil benefit for Morocco alone would present these countries with a new challenge at a time when America needs to develop, rather than degrade, Muslim-world relationships.

The most serious trade diversion threat, though, is in the clothing industry. Clothes are high-tariff products with very low fixed costs. Thus, investment and jobs in this industry can move very fast. Deeper preferences for Central America and southern Africa, for example, might make the Caribbean islands and other African nations less able to take advantage of the Caribbean Basin Initiative (CBI) and African Growth and Opportunity Act (AGOA). But the largest problems are likely to appear in Asia and the Middle East.

This is because the countries that depend most on clothing exports are (1) large majority-Muslim countries like Egypt, Turkey, Indonesia, and Pakistan, and (2) very poor Asian nations such as Bangladesh, Cambodia, Mongolia, and

Nepal. None benefit from AGOA or CBI, and only two (Morocco and Bahrain) are on the FTA list. And, while canned tuna involved \$230 million in Southeast Asian imports and a few thousand Thai and Filipino jobs, clothing imports from the least-developed Asian countries and the Muslim world total \$7 billion. These countries count garment jobs in the millions.⁴

A “tuna-fish effect” in clothing would thus not be limited to a few factories and cities. Rather, it could have systemic effects on national growth and development prospects, government stability, and American security interests. It could even complicate the war on terrorism, if urban unemployment grows rapidly in Muslim nations and especially if this can be attributed more or less directly to American policy decisions.⁵

With some care, such issues can be addressed without making FTAs impossible. A solution could have two parts:

- ▶ **Better analysis.** The government should upgrade and formalize its means of forecasting trade diversion effects. This should be simple. The Trade Promotion Authority law authorizing the new trade agreements directs the International Trade Commission (ITC), an independent and highly professional agency, to conduct formal reviews of the likely effects of new trade agreements before they are approved. Under the statute, these reviews cover American employment, trade balances, effects on specific industries, and the overall economy.⁶ The ITC also, often on its own initiative, does some studies of potential diversionary effects on third countries. These should be systematized and made an important element of all final reports to Congress, the administration, and the public.
- ▶ **Remedial action.** These trade diversion studies should reveal any potential harm to development in poor countries or to American national security. If such effects exist, the United States should give the worst-affected countries compensation by eliminating tariffs on their most important products. This could be achieved through a

new regional preference program for Muslim countries and the least-developed Asian states covering treatment for clothes, other local manufactured goods, and some farm products.⁷ With this in place, remaining diversion effects would be more like tuna than clothes—that is, they would be not be systemic and dangerous, but incidental and readily addressed.

High Quality

Third, the FTAs should be high quality in three ways. They should promote export growth, reform the domestic economy to the greatest extent possible, and take advantage of new policy opportunities.

Export Growth

Obviously, new trade agreements should mean new exports. The theoretical case for this is well established. As firms reach larger markets, they develop economies of scale that support research and investment. Academic studies often find that export-related jobs pay workers better wages than other jobs. And in practical terms, the need for export growth is especially important today, with American exports down by \$90 billion since 2000.⁸

Here, FTAs are a reasonably good second-best approach. The largest benefits, especially for overall global economic growth, come from multilateral agreements through the WTO, or big regional agreements like NAFTA and the prospective FTAA. But such agreements are slow, usually arriving only once or twice a decade. In the interim, smaller FTAs can provide benefits much more rapidly.

While the list of new FTA partners does not include any of the world’s six or seven largest economies, it does count at least one big economy in Australia and three medium-sized ones in Chile, Singapore, and South Africa. Removing trade barriers in these countries (though Singapore is almost entirely open in goods already) could rapidly bring considerable results. Other interested countries with significant economies—notably Egypt, New Zealand, the Philippines, and Thailand—might also be considered. This would be especially

important if the administration cannot bring the Doha Round and FTAA to conclusion on schedule.

Domestic Reform

Next, trade policy should promote reform at home by reducing import barriers. Here, FTAs must be approached with some caution, and carefully planned as stepping-stones to larger regional or global liberalization.

Obviously, more FTAs mean more tariff policies. At present, we have at least five. About 50 countries have Normal Trade Relations (NTR) tariff status only. Another 50 are eligible for the Generalized System of Preferences (GSP), which eliminates tariffs on about 5,000 of the 7,000 products subject to tariffs. Sixty others participate in one of the three regional trade programs, which eliminate tariffs on some clothes and other products; four countries have full free trade agreement relationships with the United States; and the four that are denied NTR status have older and higher rates (see Appendix). New FTAs will create a still more cluttered system.

More important still, unless FTAs are ultimately rationalized in a larger regional agreement or the WTO, they can vastly increase paperwork and regulatory burdens through proliferating “rules of origin.” These are complicated and ultimately arbitrary judgments on whether particular products are ‘from’ particular countries—e.g., the qualifications that make a car built in Bangkok with Taiwanese computer chips, American/Japanese design, Chinese metal, and a Malaysian-made radio/CD player officially “Thai.”

The prospective U.S.-Singapore FTA (USSFTA) devotes a full chapter and three annexes, totaling 293 pages, to such definitions. Much of the textile chapter of the agreement covers these issues as well.⁹ Some typical cases, illustrating the difficulties they can cause, include:

- ▶ Peanut butter cannot be counted as originating from Singapore at all, unless the peanuts themselves were actually grown there.¹⁰

- ▶ Shirts made in Singapore count as Singapore-made only if 93 percent or more of their cloth is made of yarn from Singapore or the United States. On the other hand, if the shirt contains any foreign “elastomeric” yarn at all, it is disqualified.¹¹ To prove compliance with these rules, factories hoping to export duty-free clothes to the United States must register with the Singapore government and stand ready at 14-days notice to produce bills of lading from fabric suppliers and subcontractors involved in cutting, customs clearance records for materials imported into Singapore, commercial invoices, production records and purchase orders for raw materials, mill certificates for Singapore-spun yarn, cutting records, time cards, employee pay stubs, and sewing tickets.

- ▶ Chemicals count as made in Singapore (or the United States) under the USSFTA only if their makers can show that molecules have been “spatially transformed” or provided with new atomic bonds.

For most products, therefore, FTAs may clutter American trade policy rather than improve it. Agreements like NAFTA that cover a large fraction of U.S. trade are probably an exception, as are provisions of smaller agreements covering some services industries. Another exception would be for products (like kangaroo meat and leather in the case of Australia) which are sold only by an FTA partner.¹²

An important case is temperate fruit. Chile provides the United States with 95 percent of imported cherries and plums, 98 percent of imported peaches, and two-thirds of all imported grapes and avocados.¹³ In practice, the Chile trade agreement will create an open market for temperate fruit and berries.

But on the whole, bilateral agreements are weak options for domestic reform, unless they are firmly placed in a larger regional or global strategy. The Chile and Singapore agreements are good examples, intended to speed completion of a Western Hemisphere free trade zone and an open Pacific economy. Other FTAs need similar convincing contexts.

Creativity: New Issues and Regional Strategies

Third, agreements should be creative. While trade agreements have limits, they present a chance to assess relationships as a whole and upgrade them in areas beyond traditional goods trade policy.

The North American Free Trade Agreement, for example, presented opportunities to improve border infrastructure development, U.S.-Mexico-Canada cooperation on migratory bird protection, and clean water. The 2000 agreement with Jordan, as another example, set precedents by addressing electronic commerce and high-tech intellectual property issues, covering services trade policy more thoroughly than had any previous agreement, and including chapters on labor and environmental policies as well. Future FTAs—like those with Singapore and Australia—will provide similar openings.

▶ ***U.S.-Singapore Free Trade Agreement.*** One of Southeast Asia's strategic problems is a five-year trend of disinvestment in Indonesia—the largest country in Southeast Asia, the world's most populous Muslim state, and a nation working hard, if unevenly, to solidify democratic reform in the midst of economic crisis. Every year since the financial crisis of 1997, Indonesia has lost \$1 billion to \$4 billion of foreign investment, with especially rapid losses in clothing and shoes. This means a great deal of suffering as men and women lose jobs that support families. In a political sense, it means higher tensions, deeper challenges to democratization, and wider fields of opportunity for radicals and fundamentalists.

Both the United States and Singapore have a strong interest in restoring investment and growth to Indonesia—an interest based in national security, anti-terror goals, and sympathy for a tentative new democracy. Accordingly, an innovative and important element of the U.S.-Singapore agreement is an Integrated Sourcing Initiative (ISI) allowing electronics, telecommunications equipment, and medical goods made with components from two Indonesian islands near Singapore (Bintan and Batam) to benefit from duty-free treatment through the agreement.

Normally, to get duty-free status on a color TV that carries a 5 percent tariff, Singapore would have to show that most components came from Singapore itself. Under the ISI, Indonesian-made components from these islands would qualify the TV as well. This is a relatively small, and to some extent controversial, initiative, but one that can help provide some international confidence in Indonesia and help return some investment and jobs to the country. To some degree, it can help ease Indonesia's national challenges of maintaining stability and helping democratization succeed.

▶ ***U.S.-Australia Free Trade Agreement.*** The talks with Australia are also a chance to go beyond traditional agreements. Two important areas to consider might be a more strategic Pacific Basin policy and a greater effort to include indigenous peoples in trade policy.

Pacific Basin: As the U.S.-Australia FTA takes up the basic issues like butter quotas or commercial travel, it is also a chance to assess and upgrade U.S.-Australian collaboration on Pacific regional issues. Together with New Zealand, the United States and Australia share the Pacific Basin with 13 small island states: East Timor, Fiji, Kiribati, the Marshall Islands, Micronesia, Nauru, Palau, Papua New Guinea, Samoa, the Solomon Islands, Tonga, Tuvalu, and Vanuatu. These are picturesque, but often very poor, countries. Their governments have limited resources and face severe challenges ranging from environmental threats to fisheries and island species, to financial crimes and fraud on the Internet. The U.S.-Australia agreement is a chance to develop a more coherent approach to such issues, combining:

- Economic development, perhaps through a provision like that developed for Indonesia in the Singapore agreement, to spur investment in the small island countries;
- Environmental capacity-building for island governments in trade-related areas like fisheries management, sustainable forestry, and oversight of the Convention on International Trade in Endangered Species (CITES);¹⁴ and

- Training for island governments and private sectors in electronic commerce and Internet crime-fighting.

Indigenous people: The United States and Australia have two of the developed world's largest indigenous populations. Given the worldwide appeal of traditional arts and clothing, trade offers these communities considerable potential for economic development and cultural continuity, but some practical difficulties limit these benefits. Tribal communities need access to electronic commerce, government trade promotion programs, and other means of reaching world markets. Their ability to take advantage of the popularity of traditional crafts, meanwhile, suffers from widespread piracy of jewelry designs, clothing patterns, and tribal names.

Trade policy is well-suited to address these problems. In conjunction with the trade agreement, the American and Australian governments could consider a Memorandum of Understanding, to improve protection of tribal intellectual property rights and help native communities improve their ability to reach Asian and other worldwide markets through electronic commerce, trade fairs, and other means.

Conclusion

As the administration and Congress pursue the FTA program, however, the most important point to remember is that such agreements are

not the heart of trade policy. Rather, they are adjuncts to larger and broader initiatives.

An ambitious FTA program comes with some inherent risks. If it is poorly designed, it can do some damage to our own trade regime, and considerable damage to other countries. Both problems can be avoided with little effort. The United States has talented professional negotiators who regularly produce high-quality agreements. If the government takes the trouble to conduct adequate early analysis of the agreements, and is prepared to provide some cushion to countries unintentionally damaged, the United States can readily avoid the worst results. The risk of a multi-car pileup becomes low, and the probability of a string of pearls outcome is more likely.

The real risk is something different: In concentrating on pearls, the government may forget to wear clothes. Negotiating FTAs cannot lead to neglecting the most important issues and agreements. No matter how good each specific agreement may be, and no matter how big the program becomes, the truly central issues for American trade policy will not change: the Doha Round, the Free Trade Area of the Americas, the integration of Russia into the World Trade Organization, and a reshaped relationship with the Muslim world.

The FTA program can serve as a complement and an ornament for these central initiatives. But if the larger initiatives fail, FTAs alone will not make trade policy a success.

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Appendix: The Current U.S. Trade Regime

The FTA program will modify an American trade policy that now has four salient points: the basic NTR policies, four FTA relationships, four special duty-free programs, and several ongoing negotiations. For context, the list follows.

- ▶ **NTR Policies:** American trade barriers are generally low, and kept at these low levels through WTO agreements. Overall, tariffs average 1.6 percent, and for a large range of products are nonexistent or trivial. These include high-tech goods, natural resources, agricultural products (e.g. coffee, tea, raw chocolate) not made in the United States, toys, and furniture. U.S. services markets are likewise generally open. Significant trade barriers are clustered in a few agricultural and light industry sectors, notably clothes, shoes, fabrics, plywood, watches, butter and cheese, peanuts and peanut butter, and sugar.
- ▶ **Four Free Trade Agreements:** The United States has free trade relationships with Israel, Jordan, Canada, and Mexico. With restrictions for rules of origin and trade remedy laws, and exceptions for a few products, these eliminate most trade barriers. The FTAs cover about 40 percent of America's goods trade (\$650 billion in two-way trade, compared to \$540 billion covered by the EU's 27 agreements¹⁵) and 15 percent of services trade.
- ▶ **Four Special Trade Programs:** The United States has four partial duty-free programs for developing countries. Most comprehensive are the CBI, applied to 23 countries in the Caribbean and Central America, the ATPA, covering four South American countries; and the AGOA, giving somewhat greater privileges to 38 African countries. The GSP eliminates mid-range tariffs on manufactured goods and some farm products (but excludes high-tariff items like clothing and shoes) for 140 countries. These programs cover about 5 percent of American goods imports.
- ▶ **Ongoing Negotiations:** The United States is participating in several large trade negotiations. The largest, the WTO's Doha Development Agenda, is aimed at comprehensive reform of agricultural trade, elimination (at least under the current U.S. proposal) of tariffs on manufactured goods, and opening of services industries, and also covers anti-dumping laws, trade and the environment, and several other issues. Second, the FTAA is aimed at a Western Hemisphere free trade zone that would cover fewer countries but result in deeper and more comprehensive agreements than the WTO talks. Talks on Russia's WTO accession aim to reform Russian trade policy and fully integrate Russia into world trade institutions; similar negotiations are underway with 26 other prospective WTO members.

Endnotes

¹ Bilateral agreements with Australia, Chile, Morocco, Singapore, and Bahrain, together with agreements linking the United States, the Southern African Customs Union (Botswana, Lesotho, Namibia, South Africa, and Swaziland), and Central America (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua).

² The Mindanao canneries employ about 15,000 people. "Pimentel on U.S. tuna bill: Not the Way to Treat a Friend," *MindaNews*, Davao City, July 27, 2002.

³ Bradsher, Keith, "Terror and Tuna: How Interests Clash," *The New York Times*, May 16, 2002. Conde, Carlos, "Tuna bill could worsen terrorism in RP, Say U.S. Solons," *MindaNews*, June 7, 2002.

⁴ Virtually all of Cambodia's 200,000 industrial jobs, and half the four million industrial jobs in Bangladesh, depend on clothing exports to the United States.

⁵ The administration, to its credit, proposes to eliminate tariffs on manufactured goods by 2015. If this initiative succeeds, diversionary effects will last at most for a decade and probably less, depending on the rate at which tariffs are phased out. But even a five-year diversionary effect would be quite serious; and the tariff proposal is inextricably entangled with farm trade reform, anti-dumping, and other controversial issues. If it does not succeed, the diversionary effects will be permanent.

⁶ For the relevant instruction to the ITC, see "Bipartisan Trade Promotion Authority Act of 2002," PL 107-210, page 81. The instruction reads: "Not later than 90 calendar days after the President enters into the agreement, the Commission shall submit to the President and the Congress a report assessing the likely impact of the agreement on the United States economy as a whole and on specific industry sectors, including the impact the agreement will have on the gross domestic product, exports and imports, aggregate employment and employment opportunities, the production, employment and competitive position of industries likely to be significantly affected by the agreement, and the interests of United States consumers."

⁷ For a more detailed look at trade relations with the Muslim world and a possible new preference program: Gresser, Edward, "Blank Spot on the Map," *Progressive Policy Institute*, January 2003, <http://www.ppionline.org>.

⁸ The exports of U.S. goods and services totaled \$1,064 billion in 2000 and \$972 billion in 2002. Most of the loss is in manufacturing, and agricultural exports in particular have dropped by 15 percent.

⁹ U.S.-Singapore Free Trade Agreement, http://www.ustr.gov/new/fta/Singapore/consolidated_texts.htm.

¹⁰ *Ibid*, Annex: Product-Specific Rules of Origin, page 1, Note 4(ii)(b).

¹¹ *Ibid*, Chapter 5, part iii, pg. 1.

¹² These exist because a general 6.4 percent tariff applies to most meats other than large-volume commodities like beef, pork, chicken, turkey, and so on. Emu products are another example.

¹³ U.S. International Trade Commission, <http://dataweb.usitc.gov>.

¹⁴ As a case in point, the 60-man Papua New Guinea National Fisheries Agency is supposed to enforce bans on trade in seven endangered marine species (five sea turtles, the dugong, and the giant clam) and permitting for dozens of threatened species.

¹⁵ *Direction of Trade Statistics 2002*, International Monetary Fund, pp. 70-75 (for EU), 480-482 (for United States).