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LEAD STORIES

DOHA: MEMBERS SOUND MORE OPTIMISTIC, BUT WILL IT LEAD TO ANYTHING?

Trade officials from the world's major economies are sounding more optimistic about the Doha Round than at any point since talks broke down last July, even though governments have yet to openly shift their bargaining positions.

An EU-US summit in Washington last week was notable for the absence of the finger-pointing that has marked exchanges on trade in recent months. EU Trade Commissioner Peter Mandelson indicated that meetings with the administration and Congressional officials had given him cause to believe "there is fresh hope for the Doha Round." US Trade Representative Susan Schwab, though sounding somewhat less enthusiastic, also suggested that there had been progress.

US President George W Bush had been particularly emphatic about his desire to see an agreement, the EU trade chief said, telling him and Schwab "Go to it, Susan. Go to it, Mandelson. Just get it done."

The rhetoric has sparked hopes that the two sides were moving towards bridging their differences on farm subsidies and agricultural market access – the issues on which the negotiations have foundered.

In the same week, Schwab and Mandelson met separately with their Japanese counterpart Akira Amari. All stressed the importance of achieving quick progress in the multilateral trade talks. Earlier in January, Schwab and Celso Amorim, Brazil's foreign minister, had some 'preliminary' discussions to explore how the deadlock might be broken.

As discussions resume at WTO headquarters in Geneva following the holiday season, negotiators appear cautiously optimistic that the improved atmospherics will translate into concrete progress in the talks. One warned against over-enthusiasm, saying that this could make failure even more disappointing.

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Informal meetings on agriculture and non-agricultural market access are set to start next week.

Window of opportunity open, breakthrough uncertain

Most countries believe that they have until early April to demonstrate that a deal is within reach. This 'window of opportunity' arises from the end-June expiry of the US presidential administration's 'trade promotion authority' (TPA), and with it, the ability to submit trade deals to Congress for a yes-or-no vote without the possibility of amendment.

It is not clear whether the new Democratic Congress will agree to extend TPA, although Bush administration officials have described securing renewal as a high priority. Speaking in Geneva on 12 January following a meeting with WTO Director-General Pascal Lamy, Schwab reiterated that substantive progress in the Doha talks would likely make "Congress and US constituencies much more enthusiastic" about TPA. However, she warned that a deadlock-breaking accord was far from imminent. "Are we near a breakthrough? No. We've got a long way to go for a breakthrough," she said.

Schwab: focus less on "bumper sticker numbers"

A breakthrough would require governments to wriggle out of the rhetorical corners that many have painted themselves into by vehemently vowing not to make further concessions. The EU and many developing countries, including India and Brazil, insist that the US should lower its proposed future ceiling level on trade-distorting subsidies. Washington has thus far maintained that it would not agree to further cuts unless they offer substantially deeper reductions to their agricultural import tariffs.

In Geneva, Schwab pointed to one potential way to soften the tenor of the debate. Downplaying the significance of the "bumper sticker numbers that hung us up in July," she called for a wider focus on clarifying the "many moving parts" in the negotiations. This would entail concentrating less on the overall average percentage cuts to tariffs and subsidies, and more on the various exceptions and rules that will determine how import volumes might expand for some products but not for others, or how governments will be prevented from making certain payments to farmers.

Schwab indicated that such technical discussions are now taking place bilaterally between several countries. Greater clarity about Members' specific export goals and import sensitivities might help them cobble together a package that is ambitious but not politically explosive, she suggested.

The agriculture negotiations had a particularly high number of "moving parts," Schwab said. These include the 'sensitive products' that all Members will be able to shield from standard tariff reductions in exchange for the expansion of import quotas, as well as the 'special products' that developing countries alone will be able to slate for lenient tariff treatment based on food security, livelihood security, and rural development concerns. The US has been a staunch proponent of minimising the extent of both types of flexibilities in the agriculture negotiations, particularly the 'special products' for developing countries.

The "bumper sticker numbers" are well known. The G-20 group of developing countries want rich countries to slash the binding caps on their farm tariffs by an average of 54 percent. The EU initially offered an average reduction of roughly 39 percent. Mandelson has hinted – albeit without ever tabling a formal offer – that it could go as high as about 51 percent, but no further. Led by France, several EU member states insist that even this might already go too far. All the same, Washington has been seeking tariff cuts of close to 66 percent, offering in return subsidy cuts that both the EU and the G-20 have deemed insufficient.

New paper urges US to moderate demands

The US' focus on deep tariff cuts and minimal exceptions is misguided, argues a new paper by Sandra Polaski, a researcher at the Carnegie Endowment for International Peace. She points out that not only do farm products account for less than 5 percent of US exports, there is "not a close relationship between agricultural imports and applied tariff rates." Instead, she contends, the main factor in driving up a country's demand for farm imports is domestic income growth. Chinese and Indian agricultural imports have increased with the rise in per capita income, irrespective of shifts in each country's agricultural tariff levels. The study notes that the US is already the world's top exporter of farm products to developing countries. Polaski suggests that Washington's demands could have the perverse effect of lowering incomes in poor households in developing countries – thus impeding future demand for US farm products. She urged Washington to moderate its proposal in order to break the stalemate in the negotiations.

Nevertheless, market access remains at the heart of US political debates on the Doha Round. Max Baucus, the Montana Democrat who chairs the Senate committee with jurisdiction over trade, said last week that "enhanced market access in agriculture is a key priority," and that existing proposals appeared to be inadequate. Baucus is not a reflexive opponent of trade agreements: earlier this month, he wrote in the Wall Street Journal calling for TPA to be extended,

accompanied by beefed-up adjustment measures to help workers affected by liberalisation.

Meanwhile, US lawmakers need to write new legislation mapping out future agricultural spending to replace the subsidy-rich 2002 farm bill, which expires this year. Coupled with high commodity prices, this would in theory be an opportunity to scale down farm payments in the face of the overall budget deficit, the threat of WTO lawsuits, and the demands of a potential Doha Round deal. However, the powerful farm lobby has been pushing Congress to maintain spending levels, and House Agriculture Committee Collin Peterson, a Democrat from Minnesota, is advocating only minor changes to the current farm bill (see BRIDGES Weekly, 15 November 2006, <http://www.ictsd.org/weekly/06-11-15/story3.htm>).

Davos meeting to produce another road map?

Ministers from some 30-odd influential WTO Member countries are set to meet in Davos on 27 January, on the sidelines of the World Economic Forum conference there. The Swiss government said that the session would give ministers a chance to discuss the talks and exchange ideas on "how to advance the process." Reuters reports that WTO head Lamy has indicated that the meeting would probably focus more on procedural issues such as a schedule for future talks, rather than on Members' substantive differences. Such 'mini-ministerials' have become a standard feature of the annual summit of government and business leaders. Last year's gathering produced a 'road map' of deadlines for resolving different issues in the negotiations, almost all of which were missed.

What if governments fail to bridge their differences during the 'window of opportunity'?

Lamy said late last year that the Doha Round would fail without "some sort of extension" to the Bush administration's TPA (see BRIDGES Weekly, 6 December 2006, <http://www.ictsd.org/weekly/06-12-06/story1.htm>). In the course of his ongoing shuttle diplomacy with governments around the world, he has continued to argue that even the more conservative offers currently on the negotiating table would be of unprecedented commercial value.

Schwab thinks that a lapse in TPA would not be fatal to the WTO negotiations. "There are various things we use trade promotion authority for," she told a press conference in Geneva. "It will ultimately get extended. Again, we'd like to see it sooner. It would not be the end of the Doha Round."

One option that Lamy has not definitively ruled out would be to come up with a compromise agreement of

his own, based on where he thinks agreement might be found. In 1991, the then-Director-General of the GATT, Arthur Dunkel, drafted a comprehensive agreement text in an ultimately successful attempt to break a deadlock in the Uruguay Round negotiations. However, Lamy has maintained that he has no plans to do so, insisting that it is a "last resort option" (see BRIDGES Weekly, 20 December 2006, <http://www.ictsd.org/weekly/06-12-20/story1.htm>). In a recent comment to the Financial Times, he likened the so-called 'nuclear option' of international trade negotiations to "performing surgery on a patient who is already in a bad way. If the patient is going to die the next day anyway then it may be worth it, but not at this stage."

The Carnegie Endowment paper, "Breaking the Doha Deadlock," is available online at: http://www.carnegieendowment.org/files/Polaski_final_formatted.pdf

ICTSD reporting; "U.S., Japan agree quick action needed for Doha: USTR," REUTERS, 11 January 2007; "Preliminary' WTO discussions between US and Brazil," MERCOPRESS, 3 January 2007; "Devil is in the detail amid Doha détente," FINANCIAL TIMES, 11 January 2007; "Trade ministers seek revive WTO talks at Davos," REUTERS, 16 January 2007; "A Democratic Trade Agenda," WALL STREET JOURNAL, 4 January 2007.

CANADA INITIATES WTO DISPUTE PROCEEDINGS AGAINST US FARM SUBSIDIES

Canada has initiated WTO dispute proceedings against a wide range of US agricultural subsidy programmes, in a move that appears calculated to influence future farm spending by Washington.

The Canadian government alleges that the US has exceeded its legal limit for trade-distorting subsidies in five of the past eight years. It is also specifically targeting the billions of dollars that Washington pays to corn farmers, charging that they have distorted world prices and hurt producers in Canada.

On 8 January, Canada requested consultations with the US, the first step in WTO dispute settlement procedures. If the two sides cannot resolve their differences, Canada would be free to seek the creation of a panel to adjudicate the dispute.

The complaint appears to follow along the lines of Brazil's successful WTO case against US support for cotton growers in 2005. In that decision, the Appellate Body ordered Washington to cancel certain subsidy and

export credit programmes that violated its WTO commitments, and distorted production and depressed global cotton prices to the detriment of Brazil's trade interests (see BRIDGES Weekly, 9 March 2005, <http://www.ictsd.org/weekly/05-03-09/story1.htm>).

Canada trying to affect next US farm bill

Ottawa has strongly hinted that it is trying to influence US lawmakers as they write new legislation this year mapping out future agricultural spending. "The United States has been providing subsidies to its agricultural producers that create unfair market advantages," said David Emerson, Canada's minister for international trade. "We hope to see the US live up to its obligations, particularly given that it has the opportunity to do so when it rewrites its farm bill this year."

The Bush administration has been trying to convince Congress and the US' powerful agricultural lobby to accept some changes to existing farm subsidy programmes in order to head off several potential WTO challenges. Although US Agriculture Secretary Mike Johanns called Canada's announcement "troubling" and vowed to "aggressively defend" subsidy programmes, he told farm groups that the request was another indication that a failure to reform could mean that "the safety net that you rely upon could be pulled out from underneath you."

Trade analysts have long believed that US corn subsidies would be vulnerable to challenge at the WTO. In a November 2005 report, civil society group Oxfam claimed that US marketing loan and counter-cyclical payments (the latter rise when world market prices fall) had both pushed up production and depressed world prices. Oxfam argued that other major corn exporters, as well as some countries with vulnerable corn producers, would both be able to claim that their interests were being harmed by Washington's subsidy programmes.

Corn singled out...

Ottawa is alleging that US subsidies hurt Canadian farmers and violate its own WTO obligations. It is targeting several types of payments under the US' 2002 farm bill, its 1996 equivalent, and a raft of disaster assistance bills and other legislation on agriculture dating as far back as 1978, according to the letter requesting consultations that Canadian WTO ambassador Don Stephenson sent to his US counterpart, Peter Allgeier.

Specifically with regard to corn, Canada claims that direct and indirect governmental support to the US corn industry allows US producers to undercut their Canadian counterparts and cause 'serious prejudice' to

their interests, in violation of the WTO Agreement on Subsidies and Countervailing Measures (SCM; Articles 5(c) and 6.3(c)). Such support, in the form, for example, of direct and counter-cyclical payments, marketing assistance loans, market loss assistance, and export credit guarantees, pushed down the price of corn in the Canadian market between 1996 and 2006.

...but domestic support broadly targeted

Canada also contends that the US, through the "improper exclusion" of some payments from its domestic support calculations, was actually in excess of its annual limit for providing trade-distorting support to farmers in 1999, 2000, 2001, 2004 and 2005. This would violate both the SCM Agreement and the Agreement on Agriculture.

Since 2000, the US has been allowed to provide its farmers up to USD 19.1 billion in 'amber box' subsidies – which cover most payments thought to distort production and trade. Allegations about US subsidy spending are complicated by the fact that Washington has not formally notified its agricultural subsidies to the WTO since spending under the 2002 farm bill came into effect.

Ottawa argues that a series of US domestic support programmes – direct payments, production flexibility contract payments, counter-cyclical payments, market loss assistance payments (under 'emergency' legislation compensating farmers for low prices) – are linked to production decisions and thus should properly be classified as amber box support. Counting these programmes against the limit for amber box spending, however, puts the US over the allowable total.

In Brazil's case against US cotton subsidies, the WTO ruled that both direct payments and production flexibility contracts were not eligible for classification as non-trade-distorting – and therefore vulnerable to legal challenge – since they were related to the type of production undertaken, even if not linked to the volume of output (see BRIDGES Weekly, 15 September 2004, <http://www.ictsd.org/weekly/04-09-15/story1.htm>). For instance, fruit growers are not eligible for direct payments. It has not been determined, however, whether such support definitely belongs in the amber box.

In a further claim, Canada's request said that the US provides some better-than-market-rate loans specifically to exporters. This, it contended, is incompatible with Washington's own export subsidy commitments, as well as the SCM Agreement's prohibition of subsidies contingent on export performance.

Canadian farmers look to WTO

Canadian corn farmers have for years sought to convince national trade authorities to impose long-term tariffs to give them a measure of protection against cheaper US imports. However, their attempts were ultimately unsuccessful. In April 2006, the Canadian trade remedy system concluded that Canadian farmers were not being injured by imports US corn.

US trade officials have pointed to this decision to bolster their claims that their subsidy programmes are WTO-compliant. Gretchen Hamel, a spokesperson for the US trade representative's office, said "Canada's own international trade tribunal found just last year that Canadian corn growers have not been injured by imports of US corn," reports the Globe and Mail.

Trade officials in Ottawa, however, pointed out that a WTO case would be based on a different set of issues and legal standards. While the Canadian tribunal based its investigation on domestic law, a WTO panel would address the US' compliance with its obligations under WTO agreements. "As the world's largest producer, consumer and exporter of corn, the United States exerts a very significant influence in the global market for corn. In this regard, we believe that the trade-distorting effects inherent in US corn subsidies result in serious prejudice to the interests of Canadian corn growers," said Renee David, a spokesperson for Canada's department of foreign affairs and international trade.

In the course of the troubled Doha Round trade negotiations, the US has been attempting to win legal shelter for counter-cyclical payments of the sort that Canada is now targeting. It has also sought a 'peace clause,' which would protect countries' farm subsidies from many kinds of legal challenge for some years.

ICTSD reporting; "Canada set to challenge US farm subsidies at WTO," GLOBE AND MAIL, 9 January 2006.

OTHER STORIES

WILL WTO AG NEGOTIATORS LEAP THROUGH 'WINDOW OF OPPORTUNITY'?

As trade diplomats entered the much-vaunted January to March 'window of opportunity' for making progress in the troubled Doha Round of WTO talks, they made several positive noises about the possibility of moving ahead. However, while they claimed some progress on technical issues, broad agreement remains elusive on

farm subsidy and tariff cuts, as well as on the number and extent of exceptions to these. Meanwhile, an informal brainstorming process among a handful of Member countries has come up with three imaginary scenarios for how a deal might be struck.

Most trade observers consider that a breakthrough during the first quarter of the year is critical if the US Congress is to be enticed into renewing the Bush administration's 'trade promotion authority' before it expires at the end of June (see related story, this issue).

At an 8 January press conference following an EU-US summit in Washington, US Trade Representative Susan Schwab stated that negotiators are "clearly making progress," while her EU counterpart Peter Mandelson observed that a series of meetings in the US capital had given both of them "renewed confidence that the Doha deal is doable and that it can be done within the narrow timeframe that has opened up." The two officials had also attended an earlier meeting between US President George W Bush and European Commission President José Barroso. Mandelson noted afterwards that the two leaders had demonstrated the sort of political will that would be essential to completing the Doha negotiations.

Mandelson warned that negotiators would be "in real danger" if they failed to break the deadlock "in the first quarter of this year." Schwab, however, emphasised that the substance of the negotiations would matter more than any timelines: "Nobody is going to reach an agreement on the basis of an artificial deadline if the content isn't there that is substantively and politically viable," she said.

Speaking in Geneva a few days later, Schwab also seemed to lower expectations of any major advance in the immediate future by categorically stating that negotiators had "a long way to go for a breakthrough".

Washington's top trade official nonetheless noted that a succession of meetings between WTO Members at different levels of government had led to some progress. She indicated that these meetings had sought to enable negotiators to "get behind some of the bumper sticker numbers that hung us up in July" – the hotly contested average percentage cuts for farm subsidy and tariff reductions – by building consensus on technical issues that would permit Members to "move up the ladder" towards some of the more intractable negotiating challenges.

This appears to be premised on the notion that Members may feel more able to accept a particular average reduction to either tariff or subsidy cuts if they are clearer about the extent to which other rules and

exceptions will allow them to continue protecting or subsidising specific products.

Trade sources in Geneva suggested that EU and US negotiators may have made some progress on technical issues around the treatment of 'sensitive products', which both developed and developing countries will be able to slate for gentler tariff treatment in exchange for creating new import quotas. However, significant differences are believed to remain between them on tariff cuts. A substantial divide also remains between some major farm exporters - including the US - and those developing countries that would like to shield a limited number of 'special products' from the full force of tariff cuts on the basis of food security, livelihood security and rural development concerns.

Both Schwab and Mandelson have stressed that progress in the talks would require more than an agreement between Brussels and Washington. Mandelson warned that all Members would have to work together, and not rely on "some EU/US bilateral deal being cooked up and then passed out to the rest of the WTO." Schwab, for her part, has stressed that the larger WTO membership must be involved, comparing the negotiations to a "tremendously complicated... three-dimensional chess game".

Trade officials in Geneva nonetheless pointed out that, since July 2006, developing countries had repeatedly emphasised that the onus was on developed countries to make the first move to restart the blocked talks.

'Non-G6' discuss outline of possible Doha deals

A document describing different potential compromise scenarios or 'landing zones' that could win Members' support, was circulated to the so-called 'non-G6' or 'Oslo' group of countries in December. The 'non-G6' is a group of mid-sized countries with a range of different interests in the agriculture negotiations, comprising Canada, Chile, Indonesia, Kenya, New Zealand and Norway (see BRIDGES Weekly, 25 October 2006, <http://www.ictsd.org/weekly/06-10-25/wtoinbrief.htm#1>). The sobriquet is meant to differentiate them from the 'G-6' group of key players - Australia, Brazil, the EU, India, Japan and the US - whose inability to agree on farm subsidy and tariff cuts led to the negotiations' suspension in July.

Sources indicated that the document, although produced by New Zealand, did not reflect that country's position, nor that of any of the other non-G6 participants. The document was simply put forward as part of a brainstorming process.

The scenarios represent packages of concessions on domestic support and market access at three different

broad levels of ambition, varying in terms of the size of subsidy and tariff cuts and the extent of exceptions. Although the scenarios did provide details on some of the specific flexibilities and rules for tariff and subsidy cuts, they did not touch upon other key areas - such as special products and the 'special safeguard mechanism', which would allow developing countries to guard against import surges.

Under the least ambitious 'scenario A', the document foresees a 65 percent cut in US overall trade distorting support, to USD 17 billion. The current US proposal would cut its own ceiling level for these subsidies by 53 percent, to roughly USD 22.5 billion - still higher than the USD 19.7 billion spent in 2005. EU subsidies would be cut by 70 percent, which corresponds to what it has tabled in the negotiations.

In return, the EU (and other developed countries) would have to cut tariffs by an average of 52-54 percent. This is close to the 54 percent average tariff reduction sought by the G-20 group of developing countries. It is also higher than Brussels' original proposal of 39 percent, as well as slightly above an informal offer of about 51 percent which it made immediately before the talks collapsed in July 2006. Countries would be allowed to shield 5 to 8 percent of their tariff lines as 'sensitive products', and would have to expand tariff rate quotas for these products by 2-3 percent of domestic consumption - closer to the EU's aims than to those of the US.

The most ambitious 'scenario C' option envisages an 80 percent subsidy cut by the EU and a 70 percent subsidy cut by the US, which would cap its subsidy spending at USD 15 billion. While this would exceed the subsidy cuts proposed by the EU, which has called for a 60 percent cut in US and Japanese subsidies and an 80 percent cut in its own, it is close to the reductions sought by the G-20, which seeks an 80 percent cut in EU subsidies and a 75 percent cut by the US and Japan. The scenario would impose a 60 percent average tariff cut - closer to the 66-odd percent sought by Washington. Under scenario C, countries would be allowed to designate no more than 4 percent of their products as sensitive, and would have to expand tariff rate quotas for these products by at least 6 percent of domestic consumption.

A medium ambition 'scenario B' would permit the US to cut subsidies by somewhere between 65-70 percent, reducing spending limits to between 15 and 17 billion USD. Tariffs would be reduced by a figure between 55 and 59 percent, and countries would be allowed to designate 4 or 5 percent of their products as sensitive, and would have to expand tariff rate quotas by between 3 and 5 percent of domestic consumption.

The non-G6 are expected to meet again this week. A broad of trade negotiators will also meet on 22 January, the date scheduled for the next in the series of informal 'fireside chats' convened by agriculture negotiations Chair Crawford Falconer (New Zealand). Around twenty ambassadors usually attend these meetings.

ICTSD reporting.

APPELLATE BODY CONDEMNS US FOR 'ZEROING' ON ANTI-DUMPING DUTIES

The WTO Appellate Body on 9 January ruled that the US' controversial methodology for calculating anti-dumping duties was incompatible with multilateral trade rules, in what is widely seen as the clearest blow yet to Washington's use of 'zeroing.' The global trade body's equivalent of an appeals court overturned aspects of an earlier panel decision, handing a comprehensive victory to Japan.

'Dumping,' in trade parlance, refers to the practice of exporting goods at below the price that they command in their home market. WTO rules allow Member governments to place extra duties on dumped goods, so long as they can prove that dumping is indeed taking place and that it is injuring the competing domestic industry. Governments also have to be able to calculate the 'dumping margin' – the gap between the home market price and the export one.

It is the US government's method for making this calculation that Japan had challenged -- specifically, its practice of ignoring ('zeroing out') instances where prices are lower at home than in the export market, and only taking into account cases where the 'dumping margins' are positive. The US had in this case imposed anti-dumping measures against some steel products and ball bearings.

Countries including Canada, the EU, and Korea have brought WTO cases against the US' zeroing methodology, most of which finished with a rap on the knuckles for Washington. In the current dispute, however, a September 2006 panel ruling had rejected some of Japan's arguments.

The US argued to the adjudicative bodies a general prohibition on 'zeroing' had not been established in WTO law. However, both the earlier panel and the Appellate Body rejected its argument that 'zeroing' is not a measure that can be challenged 'as such' in WTO dispute settlement.

The September panel ruling had already agreed with Japan's claim that the US government's use of zeroing

violated the Anti-Dumping (AD) Agreement's provisions for calculating dumping margins, a finding which was upheld by the Appellate Body. However, the panel had rejected Japan's claim that zeroing was only allowed in original investigations of whether anti-dumping was taking place, and was prohibited for other kinds of examinations of whether it was persisting, such as periodic reviews, new shipper reviews, and sunset reviews.

The Appellate Body reversed the aspects of the panel's decision that had gone against Japan. It found that the US' use of 'zeroing' in all four areas – original investigations, periodic reviews, new shipper reviews and sunset reviews – was incompatible with its WTO obligations. It found that the US had acted in violation of the AD Agreement and the General Agreement on Tariffs and Trade (GATT). It directed the US to bring its measures into conformity.

Japan's Foreign Affairs Minister Taro Aso welcomed the Appellate Body's decision, saying that it would help maintain and promote the rules-based multilateral trading system.

Some trade observers who oppose zeroing as a form of unfair protectionism have described the Appellate Body's rulings as a contribution to free trade that would have been difficult to achieve in negotiations. Talks on changing WTO anti-dumping rules have faltered alongside other issues in the Doha Round, with the US particularly reluctant to accept reforms that would have made it harder to impose extra duties.

Unsurprisingly, the report did not receive a favourable reception in some sections of the US. Sander Levin, a senior Congressional Democrat from Michigan, said that the Appellate Body was overstepping its mandate, "changing the rules in the middle of the game." He added that "the Appellate Body is required to apply obligations that the United States and other WTO Members have negotiated – not create obligations out of thin air."

Even before this latest ruling the issue had been making waves in Washington. On 11 December 2006, 11 House representatives submitted a letter to Secretary of Commerce Carlos Gutierrez and US Trade Representative Susan Schwab. In it, they expressed concern that the WTO was overreaching on US trade remedy laws, with regard to zeroing in particular. They noted that implementing the Appellate Body rulings on 'zeroing' would "result in a dramatic weakening of the antidumping laws." The lawmakers urged the Bush administration officials to be "steadfast in this continuing assault on our ability to effectively address unfair trade imports," to "vigorously defend the rights of the US" and

to “work to persuade the Appellate Body to do the right thing”.

Later that month, however, a senior Commerce Department official indicated that the US would change its ways to comply with its WTO obligations.

The US is already facing a series of new challenges on zeroing, with countries such as Ecuador and Thailand already having filed formal complaints with the WTO. The Appellate Body's recent decision appears to have made the outcome of these cases seem easier to predict.

The Appellate Body ruling and all relevant documents on the US-Japan Zeroing dispute is available at http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds322_e.htm.

ICTSD reporting; “U.S. Changes Anti-Dumping Duties After WTO Decision,” BLOOMBERG, 22 December 2006; “WTO rules against U.S. anti-dumping trade policy,” LA TIMES, 10 January 2007.

IN BRIEF

ASEAN TO ENHANCE REGIONAL INTEGRATION, LIBERALISE SERVICES TRADE WITH CHINA

The ten members of the Association of Southeast Asian Nations (ASEAN*) ended their annual summit on 15 January, with promises of greater integration within the bloc and expanded trade liberalisation with China and other major economies in the region.

Heads of state from member countries on 13 January vowed to push for the establishment of an ASEAN Community by 2015, five years earlier than originally planned. In addition to liberalised flows of goods, services and investments, this would involve the region-wide institutions and industrial integration, comparable to the early stages of the EU. They signed a separate declaration committing their countries to developing an ‘ASEAN Charter’ that would lay the foundation for regional cooperation “by providing an enhanced institutional framework as well as conferring a legal personality to ASEAN.”

China and ASEAN signed an agreement to cut barriers to trade in services sectors such as telecommunications, transport, and tourism, to be implemented in July. This follows an earlier agreement that cut tariffs on some 7000 types of industrial goods in mid-2005 (see BRIDGES Weekly, 6 July 2005,

<http://www.ictsd.org/weekly/05-07-06/inbrief.htm#7>).

The two want to create a free trade area in goods and services encompassing close to 1.8 billion people by 2015. The six relatively richer members of ASEAN – Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand – would be required to open their markets five years earlier.

ASEAN has also made progress in negotiating a free trade agreement with India, now expected to be signed in July 2007. Both sides have agreed to bring down tariffs on sensitive products such as black tea, pepper, and palm oil to below 5 percent by 2018, reports the Hindustan Times. They have not, however, agreed on the proportion of tariff lines to be made duty free by 2015 – ASEAN is seeking 85 percent of all product categories, while New Delhi has offered 77 percent.

In addition to China and India, ASEAN is pursuing deeper trade relations with Australia, Japan, South Korea, and New Zealand.

* Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam.

Documents from the ASEAN summit are available at <http://www.12thaseansummit.org.ph/innertemplate3.asp?category=documents>.

ICTSD reporting; “ASEAN, China agree to cut barriers to services,” REUTERS, 15 January 2007; “China and Asean sign trade deal on services,” FINANCIAL TIMES, 15 January 2007, “India, ASEAN break ice on tariff cut,” HINDUSTAN TIMES, 17 January 2007; “China, ASEAN sign agreement,” THE HINDU, 15 January 2007.

WTO IN BRIEF

VIETNAM BECOMES 150th MEMBER OF WTO

Vietnam on 11 January became the 150th member of the WTO, 30 days after ratifying its accession agreement.

The last hurdle to normalised trading relations between Hanoi and the US also fell, when Washington withdrew its invocation of a WTO provision that allowed it to refrain from applying multilateral rules to its trade relations with Vietnam. Before it could do so, the US government had to wait for Congress to approve ‘permanent normal trading relations’ with Vietnam. This happened in December, during the ‘lame-duck’ session of the former Congress.

Vietnam's accession caps twelve years of negotiations which wrapped up this fall. WTO Members finished negotiating the terms of Vietnam's membership on 26 October; the WTO General Council formally approved its entry into the international trade body on 7 November (see BRIDGES Weekly, 8 November 2006, <http://www.ictsd.org/weekly/06-11-08/story2.htm>).

Immediately upon its accession, Vietnam reduced tariffs on some 1800 categories of products, including textiles, jewellery, footwear, and automobiles. Under its new membership obligations, it will be required to scrap certain subsidies and other protective trade barriers as well. In exchange, other WTO members will be open up their economies to Vietnamese imports, and Vietnam will have recourse to WTO laws and institutions in settling trade disputes.

"In the WTO, when people work hard, things happen – and Vietnam is a good example of that," said WTO Director-General Pascal Lamy of the country's accession. He suggested that similar determination would be necessary for the troubled Doha Round negotiations.

"After Jan 11: tariffs lower, but goods prices unchanged," VNECONOMY, 4 January 2007; "Bush signs Vietnam trade bill," BANGKOK POST, 20 December 2006; "Viet Nam joins WTO with Director-General's tribute for true grit," WTO NEWS, 11 January 2007.

EVENTS & RESOURCES

EVENTS

For a more comprehensive list of events in trade and sustainable development, please refer to ICTSD's web calendar at: <http://www.ictsd.org/cal/index.htm>. If you would like to submit an event, please email events@ictsd.ch.

Upcoming Events: 18-24 January

24-28 January, Davos, Switzerland: WORLD ECONOMIC FORUM ANNUAL MEETING 2007: SHAPING THE GLOBAL AGENDA, THE SHIFTING POWER EQUATION. Be it in geopolitics from west to east, or in business from producers to consumers, power is shifting at a tremendous pace, raising questions of how we are to organize and operate in a changing global environment. This year's World Economic Forum Annual Meeting summit is a unique opportunity will bring together leaders from all walks of life -- business, government, the media, academia, the arts and civil society -- to examine global shifts in power

-- in geopolitics from west to east, as well as in business from producers to consumers. They will address questions of how to organize and operate in a changing global environment, and seek to this shift and shape the 2007 global agenda. Internet: <http://www.weforum.org/en/index.htm>.

20-25 January, Nairobi, Kenya: WORLD SOCIAL FORUM 2007. The seventh World Social Forum aims to bring together activists in social justice, economic justice, and environmental sustainability from all over the globe for five days of workshops, symposia, and cultural events. The theme for this year's forum is "People's Struggles, People's Alternatives". Internet: <http://wsf2007.org>.

22-24 January, New Delhi, India: SEVENTH DELHI SUSTAINABLE DEVELOPMENT SUMMIT. Organised by the Energy and Resources Institute (TERI) Focusing on the sustainability of natural resources, this summit will bring together decision makers from government, business, civil society, the media, the research and scientific community to discuss and debate long term sustainable development. Themes include climate change and health, technology for the poor, prudent use of natural resources, and water management systems. Internet: <http://static.teriin.org/dsds/2007/about.htm>

23-27 January, Chiang Mai, Thailand: INTERNATIONAL DIALOGUE ON SCIENCE AND PRACTICE IN SUSTAINABLE DEVELOPMENT: LINKING KNOWLEDGE WITH ACTION. Organised by the Initiative of Science and Technology for Sustainability (ISTS), the Academy of Sciences for the Developing World (TWAS), and the Sustainable Europe Research Institute (SERI). Sustainable development is only possible with the knowledge and collaboration of science and practitioners at the global, regional, and local levels. This dialogue aims to bring together these actors to discuss the quality and effectiveness of sustainable development activities and further promote implementation of sustainable technologies. Internet: <http://www.scidev.net/events/index.cfm?fuseaction=reaevents&itemid=672&language=1>.

WTO Events

An updated list of forthcoming WTO meetings is posted at: http://www.wto.org/english/news_e/meets.pdf. Please bear in mind that dates and times of WTO meetings are often changed, and that the WTO does not always announce the important informal meetings of the different bodies. Unless otherwise indicated, all WTO meetings are held at the WTO, Centre William Rappard, rue de Lausanne 154, 1211 Geneva, Switzerland, and are open to WTO Members and accredited observers only.

22-24 January: TRADE POLICY REVIEW BODY - CHAD

Other Upcoming Events

31 January-1 February, Geneva, Switzerland: EXPLORATORY DIALOGUE ON PROMOTING SUSTAINABLE LAND MANAGEMENT THROUGH TRADE. Convened by the Global Mechanism of the UNCCD in collaboration with the International Centre for Trade and Sustainable Development (ICTSD), this dialogue aims to promote investment in sustainable land management in dryland regions through market access, trade, and knowledge mobilisation. For further information please contact Marie Chamay, e-mail: mchamay@ictsd.ch or Eleonora Canigiani, e-mail: e.canigiani@ifad.org; internet: <http://www.global-mechanism.org/news--events/events/promoting-slm-through-trade-workshop/>.

RESOURCES

BUSINESS SERVICES, TRADE, AND COSTS (OECD Trade Policy Working Paper No. 46). By Molly Leshner & Hildegunn Nordås. Organisation for Economic Cooperation and Development, 13 December 2006. This technical paper analyses the role of business services in 32 select OECD and non-OECD economies. It reinforces the view that business services are important drivers in the global economy. The analysis suggests that access to a wider variety of business services increases productivity in manufacturing. In small OECD and developing countries, the gains from trade in business services follow mainly from access to broader and more specialised business service suppliers than their domestic bases can sustain. In larger OECD countries, gains from trade in business services follow from the lower costs of imported services and, to a lesser extent, from an increase in variety. Business services are catching up with manufacturing in terms of their contribution to GDP, showing that business services are an increasingly dynamic sector in many OECD countries. The authors conclude that all countries benefit from lowering trade barriers to business services through lower costs and greater variety. To access the paper, visit <http://www.oecd.org/dataoecd/17/9/37885564.pdf>

GLOBAL SUBSIDIES INITIATIVE (GSI) DATABASES. The Global Subsidies Initiative (GSI), a project of the International Institute for Sustainable Development, has launched a series of on-line searchable databases on literature that relates to subsidies to agriculture, energy, fisheries and services. The databases allow users to search for research on subsidies by country, commodity, and types of economic support. A searchable database for WTO subsidy notifications has

also been launched recently. This database provides a link to the WTO's new and full notifications, indicating the date of publication, the period in which those subsidies are reported, and sectors to which subsidies were granted. A database for literature on transport subsidies will be available in early February 2007. All of these databases are available from the research section of the GSI's website: <http://www.globalsubsidies.org/research-platform>.

CALL FOR PAPERS

TRADE AND ENVIRONMENT IN NORTH AMERICA: PUBLIC CALL FOR PAPERS ON SERVICES AND THE ENVIRONMENT. The Commission for Environmental Cooperation (CEC) has issued a call for papers examining trade and environmental issues related to the services sector in North America. They should examine the relationship between services sector liberalisation under NAFTA and environmental conditions and policy. Researchers are invited to submit proposals in English, French, or Spanish no later than Thursday, 1 February 2007. Paper topics may address any service sector however, the CEC will only consider proposals that test hypotheses using robust empirical or legal analyses, or that employ new methodologies seeking to answer questions in the defined areas. Final papers will be presented by the authors at the fourth North American Symposium on Assessing the Environmental Effects of Trade in 2008. For more information or to submit a proposal, visit <http://www.cec.org/symposium>.

Back issues of *BRIDGES Weekly Trade News Digest*® can be accessed at: <http://www.ictsd.org/weekly/archive.htm>.

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