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### LEAD STORIES

#### WTO MEMBERS LOOKING TO DAVOS FOR GUIDANCE ON HOW TO PROCEED

Trade negotiators are turning their eyes to Davos, where ministers from around 30 of the WTO's most influential Member countries will meet later this week to discuss the struggling Doha Round negotiations.

Delegates appear uncertain about what to expect from the gathering, which will take place on 27 January during the World Economic Forum summit there. One said he was "hoping to get a political message that the round is alive and kicking." Such a message would mean "clear ministerial instruction" to intensify negotiations, he clarified.

WTO Director-General Pascal Lamy told a 22 January 'green room' meeting of ambassadors representing some two dozen key countries and groups that ministers would have to decide in Davos how to proceed after the gathering of business and political leaders. He said that central players such as the US and the EU needed to clarify their domestic political situations to other countries, according to sources.

The following day, Lamy told a conference organised by the Brussels-based European Policy Centre that he did not expect the political leaders attending the 'mini-ministerial' meeting to engage in substantive negotiations. Instead, he expressed hope that they would transmit their increased "sense of engagement" to negotiators, stressing that the "window of opportunity [for reaching a deal] is rather small," due to the end-June expiry of the Bush administration's trade promotion authority.

#### Rumours of EU-US deal on agriculture denied

Hopes for the Davos 'mini-ministerial' rose significantly over the past week, amidst rumours that the EU and the US were close to reaching an agreement on farm tariffs and subsidies, the issues on which the negotiations have foundered.

A 22 January report in the Financial Times newspaper said that weeks of discussions among senior US and

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EU officials had yielded the fragile outline of a deal, under which Brussels would boost its average farm tariff cut offer to roughly 54 percent while Washington would agree to lower the cap on its trade-distorting domestic farm support to about USD 17 billion. The article stressed that the tentative bargain was not finalised, and that it was unclear as to whether it could win political backing on either side of the Atlantic.

Officials in both Washington and Brussels, for their part, denied that a deal was imminent. "While we are making progress, there is no deal at hand," said Sean Spicer, a spokesperson for the US trade representative's office. "The numbers reported were completely false."

Sounding somewhat more positive about the amount of progress made, EU Trade Commissioner Peter Mandelson told the New York Times that "we are in the endgame, but we are not in a situation where we have the outlines of an agreement." US Trade Representative Susan Schwab, however, said that "the contours of a deal" remained "many weeks away."

Senior agriculture negotiators from the US and the EU have been discussing a wide range of issues, most recently last week in Washington. These include the 'sensitive products' that Members will be able to slate for reduced tariff cuts in exchange for creating new import quotas. This is particularly contentious, since there are some commodities, such as beef and dairy products, in which the US is especially eager to boost exports, but the EU would like to keep import growth to a minimum.

Schwab recently suggested that a greater understanding of the various product-specific exceptions and rules for tariff and subsidy cuts – and less of a focus on the overall average percentage reductions – might help negotiators better understand what is on offer, and thus enable them cobble together a package that is not politically explosive (see BRIDGES Weekly, 17 January 2007, <http://www.ictsd.org/weekly/07-01-17/story1.htm>).

Sources report that negotiators have been discussing hypothetical bargains in terms of numbers and other details – what concessions from the US would require what EU concessions, and vice versa.

Asked about the numbers in the press reports, Brazilian Foreign Minister Celso Amorim, whose country heads the G-20 bloc, told the Folha de Sao Paulo daily that they "went in the right direction," though it was not clear whether they would be sufficient even if true. The G-20 favours an average tariff cut of 54 percent, but has asked the US to cap its farm subsidies closer to USD 12 billion. Amorim also mentioned that ironing out the details – such as product-specific subsidy caps and the treatment of sensitive products – would be tricky.

One Geneva-based trade diplomat observed that too much publicity about numbers too soon would be a sure way to kill off any prospective deal, since opposition from the US Congress and EU member states would be fatal.

French daily Le Monde reported on 23 January that Paris was doing everything it could to dissuade Mandelson from offering new concessions in the trade talks -- against the wishes of the German government, which currently holds the EU presidency. The article suggested that French officials were incensed by the terms of the rumoured deal, since upcoming presidential elections in April have left them reluctant to touch the issue of farm reform.

France leads a bloc of 14 EU member states that have consistently threatened to scupper a WTO agriculture deal that they deem unsatisfactory. However, France alone would not be able to exercise a veto, according to an expert quoted by the newspaper, since the vote would take place under the EU's qualified majority system.

### **Geneva-based negotiators intrigued**

Talk of a potential EU-US agreement featured prominently in discussions during a 'fireside chat' organised by agriculture negotiations Chair Ambassador Crawford Falconer (New Zealand) on 23 January. At this informal gathering of ambassadors from about two dozen countries, sources report that representatives from the EU and the US said that they had been talking in an attempt to better understand each others' positions, but had not advanced as far as the newspapers were suggesting.

Other countries expressed satisfaction that progress had been made, but some anxiety about the prospect of a deal that did not include them. They urged the US and the EU to move as soon as possible to more inclusive multilateral talks.

"They're talking seriously, they're talking detail," one delegate told Bridges later. "But in terms of a breakthrough, I don't think so. There's no breakthrough yet." Another wondered out loud whether countries might be trying to use the media to put pressure on each other – notably, for instance, on the US to relax its demands on agricultural market access.

Falconer has not yet scheduled the next meeting, but delegates expect a transparency session open to all Member delegations to be held soon.

### **Future process starting to take shape?**

WTO spokesperson Keith Rockwell on 24 January tried to downplay expectations for what the Davos mini-ministerial would do for the Doha Round. "This will be a meeting about process. This will not be a meeting about breakthroughs," he told the Associated Press. "We hope the contacts between the ministers at this meeting will move the negotiations forward. We would like to see greater clarity in terms of objectives."

Meanwhile, some ideas for how to take the informal negotiations forward have started to circulate in Geneva.

Sources report that the chair of the non-agricultural market access (NAMA) negotiations, Ambassador Don Stephenson (Canada), recently organised a dinner meeting with a dozen or so delegates to discuss how to proceed with discussions. One possibility he suggested was to follow the example of the agriculture chair, and hold informal 'fireside chats' with two dozen ambassadors. Another idea would be to hold a series of small group consultations with 5 or 6 countries, expanding to up to 12 delegations, as needed.

The same sources say that Falconer has floated the concept of similar small-group meetings in the farm trade talks, and that the EU did so at a recent meeting on trade facilitation. However, developing countries expressed reservations about the idea, suggesting that it could compromise transparency and inclusiveness.

ICTSD reporting; "WTO Chief to Leave Members to Draft Deal," ASSOCIATED PRESS, 23 January 2007; "European Trade Negotiator Sees Some Hope," NEW YORK TIMES, 23 January 2007; "Brasil vê propostas da UE e dos EUA na direção certa," FOLHA DE SAO PAULO, 23 January 2007; "La France bloque la relance des négociations à l'OMC," LE MONDE, 23 January 2007; "Doha Round consensus 'many weeks away' – US," 23 January 2007; "WTO Sets Low Ambitions for WEF Meeting," ASSOCIATED PRESS, 24 January 2007; "US and EU near agriculture trade deal," FINANCIAL TIMES, 22 January 2007.

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### SOME MEMBERS CALL FOR GREATER FOCUS ON SERVICES, AS TALKS RESUME IN GENEVA

Services talks kicked off the new year on 22 January with a two-week 'cluster' of meetings. As usual, the subsidiary bodies of the Council for Trade in Services will meet during the first week (22-26 January); the second (29 January - 2 February) will see request-offer negotiations between Members. In line with the 'soft' resumption of the Doha Round, however, all discussions will take place on an informal basis, while

delegations await concrete signals from the 'mini-ministerial' meetings being held on the margins of the World Economic Forum in Davos this week.

Market access negotiations in services are anticipated to gain some political momentum from the gathering of ministers representing about 30 Member countries. During a 'green room' meeting on 22 January, WTO Director-General Pascal Lamy agreed to a request by services demandeurs such as the US, the EU, and Japan that he emphasise in Davos that services trade is a critical component of the overall market access negotiations. They specifically asked him to stress that meaningful offers of services liberalisation could help unlock possible concessions by major developed countries in the agriculture and industrial goods talks.

### Domestic regulation takes lead in Geneva

Among the various issues being discussed in Geneva, disciplines on domestic regulation appear to have taken precedence. Domestic regulation, which refers to measures that governments apply to both local and foreign entities supplying or seeking to supply a service in their territory, has long been guarded jealously by Members as their sovereign prerogative. These measures, typically covering qualification requirements, qualification procedures, licensing requirements, licensing procedures and technical standards that suppliers have to comply with in order to be able to supply a service, have the potential to be unduly trade-restrictive. Article VI of the General Agreement on Trade in Services itself mandated Members to negotiate possible disciplines on domestic regulation. The December 2005 Hong Kong Ministerial Declaration specified that new disciplines should be developed before the end of the Doha Round.

To carry out the Hong Kong mandate, the chairman of the Working Party on Domestic Regulation has been pursuing a series of informal consultations with a number of Members through a so-called 'Room F' process, named after the room in the WTO building where the consultations are being held. Initial discussions centered on proposed texts for new disciplines, specifically on elements which seemed to be the most difficult. These relate to provisions which seek to improve the transparency of regulations by requiring governments to provide interested parties an opportunity to comment on them prior to their implementation, and to ensure that regulations meet the so-called 'necessity test', or are not more burdensome than necessary to meet national policy objectives. Other proposals would require technical standards to be based on objective and transparent criteria. The draft texts that Members are considering are taken from a July 2006 informal paper by the WPDR chair that provided different versions of potential disciplines on

transparency and the 'necessity test' (see BRIDGES Weekly, 19 July 2006, <http://www.ictsd.org/weekly/06-07-19/story2.htm>).

Trade sources say that the discussions on 'prior comment' proved quite contentious, with developing countries such as Egypt and Uruguay expressing strong reservations about such requirements. The US – the main proponent of transparency disciplines – expressed serious concern that even non-mandatory language on 'prior comment' was being opposed. From its own perspective, it said, 'prior comment' requirements were the only element of the proposed disciplines that had potential value. On the other hand, one observer pointed out that the 'best endeavour' language suggested by the WPDR chair on 'prior comment' appears even more prescriptive than what the US had tabled in June 2006, and that opponents of 'prior comment' may, ironically enough, look at the US proposal more favourably than they had before.

More recent discussions have focused on other elements of the disciplines relating to qualification requirements and procedures and licensing requirements and procedures. Significantly, qualification requirements and procedures and licensing requirements and procedures are not subject to any 'necessity test' under the proposed disciplines. Some delegates say that this is further indication that the 'necessity test' is practically 'dead in the water' and will at best be reflected only as part of the preamble to any rules adopted at the end of negotiations. Many sectors of civil society which have traditionally criticised the 'necessity test' as unduly restricting countries' right to regulate in critical sectors such as environmental protection and water distribution are expected to welcome this development.

Meanwhile, the WTO Members in the Association of Southeast Asian Nations (ASEAN) have sought to breathe new life to discussions on a possible emergency safeguards mechanism (ESM) for services trade in the Working Party on GATS Rules (WPGR), by tabling a revised draft agreement setting forth the requirements and procedures for imposing a safeguards measure. The revised draft draws on past submissions by the group in 2000 and 2004. The new draft is scheduled for deliberations in the WPGR informal meeting scheduled in the week.

ICTSD reporting.

## OTHER STORIES

### GOVERNMENTS REMAIN DIVIDED ON WIPO BROADCAST TREATY

The future of a potential global treaty expanding the rights of broadcasters remains unclear, after a World Intellectual Property Organisation (WIPO) committee failed last week to pave the way for formal negotiations on finalising an accord at the end of this year. Sources report that government negotiators were unable to reach any agreement whatsoever, and that the talks are far from consensus even on basic issues like the objectives of the eventual treaty.

The 'Standing Committee of Copyright and Related Rights (SCCR)', the WIPO committee responsible for the broadcast treaty, met from 17-19 January. This was to be the first of two sessions charged with clarifying outstanding disagreements about the proposed accord, in order to enable member governments at WIPO's autumn General Assembly to agree to proceed with a 'diplomatic conference' from 19 November - 7 December. The last stage in a WIPO treaty negotiation, this conference would make final changes to the draft agreement and adopt it as a new international treaty.

The diplomatic conference had been provisionally scheduled at last September's meeting of WIPO's senior decision making body – on the condition that it would be held only if member governments were able to resolve their differences in the interim and accordingly agree on revisions to the basic treaty proposal to be considered there (see BRIDGES Weekly, 4 October 2006, <http://www.ictsd.org/weekly/06-10-04/story1.htm>).

However, the recent SCCR meeting did not move the negotiations any closer to agreement, with countries including India and Brazil arguing that it might be best to call off the diplomatic conference altogether.

#### Chair: "now or never" for treaty

During the committee meeting, SCCR Chair Jukka Liedes (Finland) claimed that it is "now or never," suggesting that if governments cannot agree on a treaty this year, they may never do so.

In an attempt to "stir debate and move the process forward," Liedes issued a number of non-papers (unofficial documents) that he had drafted with help from the WIPO secretariat. He stressed that they were only intended to contribute to finding consensus on a treaty.

These documents provide guidelines as how to define the objectives and scope of the prospective treaty, as well as the specific protections it would offer. In accordance with the views of a majority of WIPO members, they follow a 'signal-based approach' that targets the unauthorised interception and redistribution of broadcast signals. Nevertheless, they noted that the status of so-called 'post-fixation' rights (covering, for instance, signals that have been 'fixed' by posting them on the internet) still needed to be determined. Developing countries have generally opposed including 'post-fixation' rights in the treaty. Their earlier opposition to extending the accord to cover 'webcasting,' which refers to live internet transmissions, helped ensure that the issue was split off from the main broadcast treaty talks last May (see BRIDGES Weekly, 10 May 2006, <http://www.ictsd.org/weekly/06-05-10/story3.htm>).

Another non-paper specified that "the signal-based approach by no means precludes granting some exclusive rights to broadcasting organizations." This touched upon one of the principal fault lines in the negotiations. Since discussions on a treaty started in 1997, broadcasters (wireless transmissions) and cablecasters (transmission by wire) have been seeking exclusive rights to prohibit or authorise the use of anything they transmit – implying rights over both transmissions and the content of works being transmitted. They claim that this would be a level of protection comparable to the rights enjoyed by performers and the recording industry under the 1961 Rome Convention.

Critics warn that such rights over recording and retransmission could substantially raise the costs of using broadcasted material for personal or educational purposes, inhibit creativity, and restrict the entry of information into the public domain. They argue that such a 'rights-based approach' goes well beyond what is necessary to simply prohibit the theft of signals, which has cost broadcasters and cablecasters advertising and sales revenues. Most governments have come around to supporting the signal-based approach – including the US, after a recent shift in its position.

### **Purpose of treaty remains unclear**

During the SCCR meeting negotiators asked several questions about precisely what was meant by a 'signal-based approach.' "How do you go about stealing a signal?" the EU repeatedly asked.

It is still not clear what the term "broadcast" should entail. For instance, is it the mere signal or does it include the content carried by it as well? Content, which is the expression of an idea, is supposed to benefit from

copyright protections. But should transmissions receive similar protections?

In principle, the EU remains committed to its initial position in favour of a 'rights-based' approach at least as strong as the Rome Convention. Brussels would ideally want the treaty to give broadcasters far-reaching rights over retransmission. It is also seeking to weaken the legal significance of the draft treaty's provisions for exceptions that allow governments to promote access to knowledge, address anti-competitive practices, and protect cultural diversity, by moving them from stand-alone articles into the preamble.

Despite the fact that members have only one more substantive meeting left before they are expected to formally convene the diplomatic conference to finalise the treaty, many delegations complained that there is no consensus about the proposed accord's basic objectives. India said that before considering changes to the text of the existing draft proposal, governments should reach consensus on what its 'objectives' are. The EU said that negotiators "were left in the dark as to what the objectives of a treaty might be."

Much debate during the three-day committee meeting focused on procedural issues, rather than a substantive review of the provisions in the non-papers or the basic draft treaty proposal (SCCR 15/2 Rev). To take an illustrative example, some suggested renaming the chair's 'non-papers' as 'working papers', and discussing the issues that they raise. Brazil opposed this, arguing that calling them 'working papers' would imply that the unofficial documents had some sort of formal recognition as a basis for negotiation.

The non-papers only seemed to add to delegates' confusion about what constituted the basis for discussions at the meeting, as well as in the future. Some countries, including Colombia, Algeria, El Salvador and Mexico said that negotiators should focus on the basic draft treaty proposal (SCCR 15/2 Rev.), which has been approved by all members. Nevertheless, the chair decided to proceed with the non-papers.

Many officials share the opinion that the proposed draft needs to be shortened from its current length of 108 pages before a diplomatic conference.

There were also several questions about terminology. Algeria, speaking for the Arabic group, warned that unclear terms may delay the process of negotiating a treaty. Many countries asked for more technical assistance to help them understand the terms used.

### **Conclusion: chair to draft new 'non-paper'**



On the last day of the committee meeting, the chair issued a set of draft conclusions that said that 'considerable progress' had been made. However, most countries objected to this, prompting the removal of the word 'considerable'.

India and Brazil emphasised that they were unhappy with Lieder's conclusions, and argued that since none of the procedural or substantive issues have been resolved, it would be best to call off the diplomatic conference. Both India and Brazil said that further negotiations to prepare a new document for the diplomatic conference should be based on the draft treaty proposal (SCCR15/2 Rev.). This view was supported by El Salvador, which reiterated that all WIPO members had contributed to making the basic draft.

Several countries agreed that the substantive differences on the treaty remained unresolved, and stressed that suggestions the chair made in his non-papers had no official status.

How to proceed with the negotiations? India emphasised that discussions should be driven by members rather than the chair to avoid similar confusion with regard to future non-papers. Bangladesh, on behalf of the Asian group, proposed appointing a regionally representative drafting committee to prepare a new document that would go to the next SCCR meeting. The chair welcomed the idea, but responded that at the moment it was unfeasible due to time and budget constraints.

Members ultimately agreed that Lieder should prepare a single revised non-paper to supplement the basic draft treaty proposal, with input from the various country groupings in the negotiations. Negotiators will examine both during the next SCCR meeting, scheduled for June.

ICTSD reporting; "WIPO Committee Seeks Footing For Broadcasting Treaty Talks," INTELLECTUAL PROPERTY WATCH, 17 January 2007.

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## US FTA NEGOTIATIONS WITH KOREA, MALAYSIA STRUGGLING

US negotiators failed to make substantial progress in recent bilateral free trade agreement (FTA) talks with their counterparts from South Korea and Malaysia. This has called into question whether Washington can reach an accord with either country in time for a key deadline at the beginning of April.

"There are still many differences on important issues," said South Korean lead negotiator Kim Jong-hoon on

19 January, at the end of a week-long round of discussions in Seoul. He added that there had been "no progress" on the three most divisive issues – anti-dumping rules, automobiles, and pharmaceuticals.

A round of talks between the US and Malaysia in San Francisco the week before had proved similarly inconclusive. Malaysian Trade Minister Rafidah Aziz said on 17 January that outstanding differences, notably on the liberalisation of services trade and government procurement contracts, were unlikely to be bridged in a few months.

Disagreements over agricultural commodities have been another obstacle. Both Asian nations are seeking to exclude rice from trade liberalisation under eventual agreements, in the face of demands to the contrary from Washington. Meanwhile, US officials have insisted that an FTA with Korea would be impossible unless Seoul fully reopens its market to US beef exports.

Washington's urgency arises from the end-June expiry of the Bush administration's 'trade promotion authority' (TPA). The president must notify Congress of his intent to sign a trade agreement by 2 April, ninety days before this mandate runs out, in order to require lawmakers to vote yes-or-no on the deal without the possibility of amendment.

Without TPA, governments are reluctant to sign trade deals with the US, since Congress would be free to subsequently pick them apart and vote down politically uncomfortable concessions.

### Korea: US chief negotiator still confident

While many of the US' recent FTAs have been with relatively small economies such as Morocco or very open ones like Chile and Singapore, Korea is the world's tenth largest economy and has several protected sectors, notably agriculture.

Launched in February 2006, the talks have struggled since the outset, and analysts believe that political will to conclude a deal has faded in both Washington and Seoul. A deal with Korea would be Washington's largest since the North American Free Trade Agreement (NAFTA) over a decade ago.

During the recent round of talks, the negotiating groups on anti-dumping, automobiles, and pharmaceuticals were not even scheduled to meet, due to past disagreements. However, the chief negotiators for each side did discuss these contentious issues.

Seoul wants the US to agree to restrict its use of anti-dumping measures against Korean exports, which have been used to place extra duties on some high-tech

manufactured goods from the Asian country. US officials have rejected these demands. Korea, in turn, has rejected Washington's calls for it to open its market to US exports of automobiles and pharmaceutical products. It also wants the US to relax rules of origin which currently give textiles duty-free market access only if they are made with US-produced yarn. Korean textiles tend to be made from cheaper Chinese yarn.

The week saw an embarrassing turn of events for Seoul, when a leaked government document revealed that it was willing to drop demands on anti-dumping. Instead, the paper said, Korean negotiators should try to parlay this perceived concession into gains in other areas of the talks. According to the Yonhap news agency, Korean government officials expressed regret that the classified report had been leaked to the press, and promised to keep pushing for reform to US trade remedies.

Agriculture continues to bog down the talks. Washington argues that Korea is using unfair pretexts to keep out US beef imports, even after dropping a three-year import ban it imposed after mad cow disease was found in the US (see BRIDGES Weekly, 13 December 2006, <http://www.ictsd.org/weekly/06-12-13/story6.htm>). Although the trade spat is not formally part of the negotiations, US officials maintain that resolving it is a prerequisite for an eventual accord. The Korean government reiterated during the recent round of talks that it wanted to exclude rice from the scope of a future FTA.

The two sides did manage to agree to eliminate duties within ten years on some industrial goods that had not yet been slated for tariff cuts.

In spite of the lack of breakthroughs – and the downbeat assessment of the talks from by her Korean counterpart -- lead US negotiator Wendy Cutler sounded a more optimistic note, insisting that “this deal can be done.”

### **Malaysia believes TPA deadline impossible**

The US' negotiations with Malaysia have also been languishing. Principal stumbling blocks remain services sector liberalisation and the Malaysian government's affirmative action policy for public procurement.

The latter policy gives special privileges for contracts, jobs, and housing to majority 'bumiputra' ethnic Malays, as a way to help them compete with the wealthier Chinese minority. Though often credited with promoting social peace in the country, the strategy has complicated FTA negotiations. This is because in addition to shutting out domestic non-bumiputra

companies from competing for government contracts, it also excludes US and other foreign businesses.

Trade minister Aziz said last week that differences remained substantial, suggesting that hurrying simply in order to meet the Bush administration's TPA expiry date might not be in Malaysia's interests. “If they want to finish by July, I do not see it happening because there are so many issues to cover,” she said, according to the Associated Press. “I am not optimistic. Malaysia has no deadline constraints. We can take another year if need be. Let's do it very carefully.” She insisted that the government had “stood firm” on the government procurement restrictions during recent discussions.

Washington insists that Malaysia can provide some commercial opportunities in the sector to US companies without completely gutting its decades-old preferential policies. “I think there are ways to find resolution to these issues that don't undermine the policies that have been in place for a long time and allow the Malaysian government to open the market,” US lead negotiator Barbara Weisel told Reuters. Weisel, the Assistant US Trade Representative for the Asia-Pacific, offered a more upbeat view on the talks: she said that the two sides were “within striking distance of concluding within the next few months.”

Services and investment liberalisation are also proving contentious, due to a fundamental difference in approach: while Malaysia wants a ‘positive list’ that would identify the specific sectors to be fully opened to foreign competition, the US wants a ‘negative list’ of sectors where limitations can be maintained, with the rest liberalised.

Trade minister Aziz continued to insist that rice and tobacco would not be part of an agreement, according to Bernama, the state news agency.

Negotiations to cut tariffs on industrial goods are proceeding more smoothly, with the exception of Malaysia's heavily protected auto sector.

Korea and the US seventh round of negotiations will be held in Washington from 11-14 February, with officials likely to focus on the most contentious issues. The next round of talks between Washington and Kuala Lumpur will also be next month, in Malaysia.

ICTSD reporting; “Free-Trade Pact Stuck on Beef,” ASSOCIATED PRESS, 22 January 2007; “S. Korea retracts key demand on anti-dumping rules: leaked gov't report,” YONHAP, 18 JANUARY 2007; “US-South Korea Trade Talks Head for Seventh Round,” BLOOMBERG, 19 January 2007; “S. Korea won't include rice in FTA with US: minister,” YONHAP, 12 January 2007; “US negotiator upbeat on FTA,” KOREA

HERALD, 20 January 2007; "Prospects for Seoul-Washington FTA look shaky," HANKYOREH, 12 January 2007; "Key Issues Remain in U.S.-S.Korea Talks," ASSOCIATED PRESS, 19 January 2007; "Don't raise non-existent issues on US-Malaysia FTA," BERNAMA, 17 January 2007; "Malaysia says FTA deal with US cannot be completed before July deadline," ASSOCIATED PRESS, 17 January 2007; "US-Malaysia trade deal possible by March," REUTERS, 12 January 2007.

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## IN BRIEF

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### EU, CHINA BEGIN PARTNERSHIP AND COOPERATION AGREEMENT TALKS

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The EU and China officially started talks on a Partnership and Cooperation Agreement (PCA), during EU External Relations Commissioner Benita Ferrero-Waldner's 16-18 January visit to Beijing.

The negotiations are in keeping with the European Commission's new trade policy objectives, unveiled last October (see BRIDGES Weekly, 11 October 2006, <http://www.ictsd.org/weekly/06-10-11/story4.htm>). The strategy called for deepening economic relations with China, while pushing it to fulfill its WTO obligations, continue to open its markets, liberalise investment regulations, and step up its enforcement of intellectual property rights. It stopped short of calling for a free trade agreement with the country.

During the EU commissioner's visit, the major trade issue discussed was Beijing's request for market economy status with the EU. This would give China greater protection from trade retaliation measures such as the anti-dumping duties Brussels currently levies on Chinese shoes. Ferrero-Waldner said China was making progress towards being granted market economy status, but must first further open its markets to foreign goods and services and improve intellectual property protection.

The new agreement is expected to cover sectors including energy, environment, agriculture, transport, education, science, technology, as well as some key issues in sustainable development, migration, terrorism, and weapons of mass destruction. Ferrero-Waldner also said the EU would not shy away from discussing sensitive issues such as human rights, arms embargos, and or market economy status. The PCA is to replace a 1985 Trade and Economic Cooperation Agreement, which is currently the legal basis for relations between China and the EU. The new pact, which will be legally

binding, is expected to take at least two years to complete.

EU-China trade continued to grow in 2006. The EU has become China's top trading partner, and China is now the EU's second largest. In a joint press conference on 18 January with Chinese Foreign Minister Li Zhaoxing, Ferrero-Waldner said the future pact would "provide a comprehensive basis covering the whole range of political, economic, and trade relationships between China and the European Union."

ICTSD reporting; "China, EU begins talks on partnership cooperation agreement," ZEENEWS.COM, 18 January 2007; "EU, China officially launch talks on PCA," PEOPLE'S DAILY ONLINE, 17 January 2007; "Interview: EU says new EU-China pact to encompass full scope of bilateral ties," PEOPLE'S DAILY ONLINE, 16 January 2007; "China, EU striving to map out new agreement," XINHUA, 11 December 2006; "Climate change takes centre-stage at EU-China meeting," EURACTIV.COM, 18 January 2007.

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### MERCOSUR SUMMIT HIGHLIGHTS DIFFERENCES ON ECONOMICS, TRADE

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Heads of state from across South America only served to highlight the sharp contrasts between their views on economic and trade policy, during a meeting at the end of the Mercosur trade bloc's 18-19 January summit in Rio de Janeiro.

The five full members of Latin America's largest trade bloc and customs union – Argentina, Brazil, Paraguay, Uruguay, and Venezuela – have struggled in recent years to promote integration.

Mercosur's two smallest economies, Paraguay and Uruguay, have repeatedly questioned whether they were gaining anything by remaining in the alliance. At the summit, the bloc's two largest economies, Brazil and Argentina, attempted to assuage their concerns by promising them USD 70 million in assistance, according to reports from dpa, the German press agency. "We will only consolidate integration the day we realize that, alone, the countries of South and Latin America will have no way to grow," Brazilian president Luiz Inacio Lula da Silva commented on the subsidy.

Speeches by the leaders in attendance drew attention to the fact that even putatively left-wing governments have dramatically different visions for integration on the continent. Venezuelan President Hugo Chavez, who earlier this month announced that he would start re-nationalising more of the telecommunications, electricity, and energy sectors, urged his counterparts to move expand state



involvement in their economies, calling capitalism a "road to perdition." Alvaro Uribe, the president of Colombia, an associate member of Mercosur, countered that foreign investment and open markets were far more likely to deliver the economic growth required to meet the social needs of people in the region.

While Chavez and Bolivian President Evo Morales spoke out against free trade agreements, Chile's moderate socialist president, Michelle Bachelet, praised the accords her country had signed. Also an associate member of Mercosur, Chile has signed FTAs with countries including the US, Canada, China, and Korea.

Along with Argentine President Nestor Kirchner, Lula tried to smooth over the political differences, acknowledging the cultural and economic differences between Mercosur members while calling on them to integrate economically, but also socially, politically, and culturally.

"Mercosur to tackle asymmetries with Uruguay, Paraguay," dpa - GERMAN PRESS AGENCY, 18 January 2007; "World Court denies Uruguay request to order end of Argentina end of Argentina's blockade," ASSOCIATED PRESS, 23 January 2003; "Free trade divides S. American bloc," SAN JOSE MERCURY, 20 January 2007; "The second coming," THE ECONOMIST, 10 January 2007.

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## WTO IN BRIEF

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### MORE WTO MEMBERS LINE UP TO CHALLENGE US CORN SUBSIDIES

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Governments including Argentina, Australia, Brazil, the EU, Guatemala, Thailand and Uruguay have asked to join Canada's WTO complaint against several US corn and other agricultural subsidy programmes. In requesting consultations with Washington – the first stage in WTO dispute settlement – Ottawa alleged that the US' trade-distorting farm subsidies have in recent years often exceeded legal limits. It specifically targeted the billions of dollars that Washington pays to corn farmers, charging that they have distorted world prices and hurt producers in Canada (see BRIDGES Weekly, 17 January 2007, <http://www.ictsd.org/weekly/07-01-17/story2.htm>).

Brazil, which pioneered WTO challenges against US farm policy with a successful case against cotton subsidies in 2005, had been expected to join the consultations. "This is not just about corn," Brazilian WTO Ambassador Clodoaldo Huguene Filho told the

Associated Press, noting that his country was the world's largest producer of ethanol – which is produced in increasing quantities in the US from subsidised corn.

In its request to join the consultations, Brazil, a major corn exporter in its own right, noted that the export credit programmes that Canada was challenging were identical to those that it had targeted in the cotton case (the US' compliance with that ruling is now being examined by a separate panel).

Trade analysts believe that the Canadian complaint was timed to influence future farm spending by Washington, where Congress is currently working on a farm bill for the next five years. By joining Canada's request for consultations, some of the WTO's largest Members appear to be warning US policymakers that even if they do not end up having to cut subsidies as part of the stalled Doha Round trade talks, they might have to do so under order from WTO dispute settlement – or else risk retaliatory sanctions.

After his country joined the complaint, Australian Trade Minister Warren Truss told Reuters that if the negotiations could not be resurrected, "the lawyers will have a field day... The negotiators will give way to the lawyers, who will take advantage of the expiry of the so-called peace clauses to exploit elements of the US and current European programmes in particular."

ICTSD reporting; "EU joins WTO complaint against U.S. corn subsidies" INTERNATIONAL HERALD TRIBUNE, 22 January 2007; "Doha round failure will set loose lawyers-Australia," REUTERS, 24 January 2007; "Global coalition joins U.S. subsidy challenge," GLOBE AND MAIL, 23 January 2007.

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## EVENTS & RESOURCES

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### EVENTS

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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](mailto:events@ictsd.ch).

#### Upcoming Events: 25-31 January

30-31 January, Geneva, Switzerland: THE THIRD GLOBAL CONGRESS ON COMBATING COUNTERFEITING AND PIRACY. The World Intellectual Property Organization, Interpol, and the World Customs Organization and the world business community jointly convened this meeting for government officials, policy makers, and stakeholders

from NGOs and industry. The congress aims to formulate practical strategies to tackle the challenges posed by the worldwide trade in counterfeit and pirated products which threaten economic development and consumer safety. This year's theme is "Shared Challenges... Common Goals. internet: <http://www.ccapcongress.net/>

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

29-30 January, Nairobi, Kenya: REGIONAL CONFERENCE ON CAPACITY BUILDING FOR THE FAST TRACKING OF THE EAST AFRICAN COMMON MARKET. Organized by the Consumer Unity and Trust Society's Nairobi Resource Centre (CUTS-NRC), with the support of the Canadian International Development Agency (CIDA) and the United Kingdom's Department for International Development (DfID) in agreement with the East African Community (EAC). The goal of this conference is to provide a platform for regional stakeholders from agriculture, business, government, and civil society to discuss and debate practical and policy issues regarding the proposed East African common market. internet: <http://www.cuts-citee.org/events.htm>

### WTO Events

An updated list of forthcoming WTO meetings is posted at: [http://www.wto.org/meets\\_public/meets\\_e.pdf](http://www.wto.org/meets_public/meets_e.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.

31 January - 2 February: TRADE POLICY REVIEW BODY - JAPAN

### Other Upcoming Events

5-6 February, Manila, Philippines. INVESTING IN ASIA'S URBAN FUTURE. Hosted by the Asian Development Bank (ADB) and German Federal Ministry of Economic Cooperation and Development (BMZ), this conference will discuss and recommend programs to support sustainable urban development and address poverty in many Asian countries. Participants include high level officials from national and local governments, civil society, private sector, academia, and international organizations with presentations from various experts on urban development. A Memorandum of Understanding will be discussed and signed, signifying intent of the ADB, BMZ, and interested parties to collaborate on urban development issues. internet: <http://www.adb.org/Documents/Events/2007/asia-urban/default.asp#participants>

28 February- 2 March, Wels, Austria. WORLD SUSTAINABLE ENERGY DAYS 2007. Organized by the O.Ö. Energiesparverband, four concurrent conferences offer a range of events and seminars on sustainable energy production and use, the future of renewable energy technology, efficiency and renewable energy sources, and rural sustainable energy development. internet: [www.wsed.at](http://www.wsed.at)

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## RESOURCES

WHO BENEFITS FROM GM CROPS?: AN ANALYSIS OF THE GLOBAL PERFORMANCE OF GM CROPS (1996-2006). Friends of the Earth International, January 2007. This report seeks to answer two questions: What benefits have genetically modified (GM) crops brought the world? And for whom? Presenting studies of GM crops in the United States, GM soybeans in South America, and GM cotton around the world, the report concludes that the main beneficiaries of GM crops are the corporations that market them, particularly Monsanto. GM crops have increased pesticide use, are becoming increasingly unsustainable, and have not helped to alleviate poverty or hunger. The report can be viewed online at <http://www.foei.org>.

STATE OF THE WORLD 2007: AN URBAN PLANET. By the Worldwatch Institute, , December 2006. The 24th edition of the Worldwatch Institute's State of the World pays particular attention to city studies, because in 2007 the world's population will shift from being mostly rural to mostly urban. Already, one in three urbanites live in slums and the world's most developed city centers already abuse limited resources. Order online from <http://www.earthscan.co.uk/>

POLICY SPACE: ARE WTO RULES PREVENTING DEVELOPMENT? By Sheila Page. Overseas Development Institute Briefing Paper, January 2007. The principle areas where trade agreements restrict

developing countries are tariffs, TRIPs, and investment. This short brief examines the need for “policy space” by developing nations and the WTO rules that, in some cases, have limited development options. The brief can be viewed at [http://www.odi.org.uk/publications/briefing/bp\\_jan07\\_policy\\_space\\_wto.pdf](http://www.odi.org.uk/publications/briefing/bp_jan07_policy_space_wto.pdf).

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

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