

### LEAD STORIES

PROSPECTS FOR DOHA ACCORD DIM, AS WTO  
HEADS INTO SUMMER RECESS 1

DRAFT NAMA AGREEMENT TEXT CRITICISED BY  
MANY DEVELOPING COUNTRIES 4

### OTHER NEWS

US DEMOCRATS SEEK GREATER ASSISTANCE FOR  
WORKERS HURT BY TRADE 6

### WTO IN BRIEF

US COTTON SUBSIDIES STILL NOT WTO-  
COMPLIANT: INTERIM RULING 8

RUSSIA FACES CONTINUED CHALLENGES TO WTO  
ACCESSION 8

TONGA BECOMES WTO'S NEWEST MEMBER 9

### EVENTS & RESOURCES

EVENTS 9

RESOURCES 11

### LEAD STORIES

#### PROSPECTS FOR DOHA ACCORD DIM, AS WTO HEADS INTO SUMMER RECESS

Prospects for salvaging an accord in the Doha Round of global trade talks remain dim as the WTO heads into its annual August recess, even though Director-General Pascal Lamy insists that a deal is within governments' grasp, should they be willing to make it.

Member delegations should return to Geneva in September "ready to engage in intensive negotiations", Lamy chief told them at meetings of the Trade Negotiations Committee and General Council late last week.

These talks will be based on the potential compromises outlined in draft agreement texts by the chairs of the negotiating committees on agriculture and non-agricultural market access (NAMA). Governments have been asked to spend August reflecting on the worth of the tradeoffs set out in the two texts, and return to WTO headquarters prepared to work towards the concessions necessary to finalise a deal (see BRIDGES Weekly, 18 July 2007, <http://www.ictsd.org/weekly/07-07-18/story1.htm>).

Not all delegations are comfortable with proceeding from the parameters for tariff and subsidy reduction identified in the texts. Most Members gave a guarded welcome to the agriculture draft prepared by Chair Ambassador Crawford Falconer (New Zealand), despite various qualms. In contrast, several developing countries were heavily critical of the NAMA text, saying that the tariff cuts it sought from them were disproportionate both to the demands it made of industrialised nations and to the farm subsidy reform on offer in the agriculture paper. Argentina and Venezuela went so far as to say that they could not accept the NAMA text as a basis for talks in September.

As if to underline the sharp polarisation of the manufacturing tariffs debate, some industrialised states including the US, the EU, Canada, and New Zealand argued that the NAMA text drafted by Chair

**BRIDGES Weekly Trade News Digest** is [also available online](http://www.ictsd.org/weekly) and is updated every week. To subscribe to BRIDGES Weekly Trade News Digest, please visit the ICTSD website at <http://www.ictsd.org/subscribe>. If you require any assistance setting up your BRIDGES Weekly Trade News Digest subscription, please contact Trineesh Biswas, Editor, by email at: [bridges\\_weekly@ictsd.ch](mailto:bridges_weekly@ictsd.ch), or by telephone at: (41-22) 917-8498

Ambassador Don Stephenson (Canada) actually let developing countries off too easily.

### Ag should set ambition in other areas: G-20

The 'exchange rate' between potential Doha outcomes on agriculture and NAMA has featured prominently in the debate on the two draft agreement texts, specifically, the extent to which 'ambition' - WTO-speak for the depth of tariff and subsidy cuts - in rich-country farm reform should lead that for industrial tariff cuts by developing nations.

At the 26 July meeting of the TNC, the G-20 bloc of developing countries, which normally focuses its remarks on farm trade, stressed that "the ambition in agriculture must determine the negotiations in other areas - and not the other way around."

The NAMA-11 group, a developing country alliance in the industrial goods talks that includes South Africa, Brazil, India, and Argentina, has also insisted that substantial reform of trade-distorting agriculture policies by rich countries should be the yardstick against which industrial tariff liberalisation is measured.

In effect, these groups are telling the US and the EU: do little more than pretend to reform your farm subsidies by reducing spending limits to well above current or planned expenditures, and we will do little more than pretend to cut our industrial tariffs.

A wide array of developing country groups accounting for a large majority of the WTO's 151 Members -- the G-20, the G-33, the African, Caribbean, and Pacific (ACP) states, the least-developed country group, the African Group, the small and vulnerable economies, the NAMA-11, and the 'cotton four' - issued a statement saying that major reductions to trade-distorting farm support in rich countries were "central to delivering on the development dimension of the round." So-called 'green box' subsidies deemed not to distort trade or production - which make up the bulk of payments to EU and US farmers - are not facing the axe as part of the Doha Round.

The US, for its part, claims that the NAMA text's cap of between 19 to 23 percent on most developing country industrial tariffs is disproportionate to the \$13 billion or \$16.4 billion ceiling on trade-distorting farm support provided for in Falconer's paper.

Washington has come under particularly heavy fire for refusing to cap trade-distorting agriculture subsidies at a level close to the \$11 billion it spent last year - its formal offer has been a \$22.5 billion ceiling, with \$17

billion broached informally.  
Work in other areas necessary

Whether any overlap exists between Members' so-called 'red lines' on agriculture or NAMA - the absolute minimum beyond which each would walk away from the negotiating table - remains to be determined in September and beyond. Virtually any accord would require most major governments to back down from oft-repeated public statements, and effectively acknowledge that they had merely been jockeying for position all along.

Nevertheless, Lamy emphasised that in autumn, Members would have to also work on other issues in the talks, such as services, rules and trade facilitation, in order to set the stage for concluding the round.

During last week's TNC meeting, some delegations outlined their priorities for fall, should signs of an agreement on agriculture and NAMA begin to emerge.

India said that in conjunction with the finalisation of agriculture and NAMA modalities, there should be "a parallel green room process to enable Members, particularly those involved in the plurilateral request-offer negotiations, to clearly indicate how they propose to respond to the requests put on them." This would be combined with work on special treatment for least-developed countries, domestic regulation, and a date for a new round of market access offers, to "form the core of the services text to be formalised in the TNC."

The EU and the US also called for some sort of services document to be adopted alongside a framework agriculture and NAMA agreement. Both have expressed dissatisfaction with the negotiations' focus on agriculture, and to a lesser extent industrial trade, echoing complaints from their respective services industries that there is little of value on the Doha bargaining table.

However, India has complained that developed countries' own market access offers are wanting. It told Members last week that "developed countries need to provide clear signals of market openings in sectors and modes of interest to developing countries, particularly mode 4 [temporary cross-border labour movement]," in keeping with past promises.

India suggested that it could "only envisage losses in both [agriculture and NAMA], and would need to balance... accounts through possible gains in other areas." Such gains, it said, could come from services, rules, and a modification of WTO intellectual property rights protections to make it mandatory for patent applicants to disclose the use of any biological

resources or associated traditional knowledge in their inventions.

EU Ambassador Eckart Guth singled out the importance of geographical indications - Brussels wants to see the extra level of protection accorded to wines and spirits associated with particular places (like Champagne) to be extended to other products, such as Parma ham.

Notably, US Ambassador Peter Allgeier reiterated a controversial demand for a new 'peace clause', declaring that "it is only logical that Members who are in compliance with their domestic [farm] support obligations should not be subject to dispute settlement action over such measures." Under the previous such clause, which expired at the beginning of 2004, farm subsidies conforming to WTO spending limits were shielded from potential disputes - even if they distorted world prices and caused 'serious prejudice' to trading partners, and would thus normally be prohibited by multilateral trade rules. Many developing countries and agriculture exporters are adamantly opposed to a new peace clause.

### **US political obstacles loom large**

Although they might differ on whether or not the negotiations ought to be rushed, trade diplomats widely share the belief that the Doha Round needs to be concluded by early 2008, or else face a lengthy hibernation period due to elections in the US and India.

However, even if negotiators manage to wrap up a deal at WTO headquarters, it will still need to be ratified by Member governments.

This could prove especially complicated in the US: the George W. Bush administration's 'trade promotion authority' (TPA) expired with the end of June, and with it, the ability to negotiate trade agreements and submit them to Congress for a yes-or-no vote without amendments. Other governments want the White House to have this mandate in order to ensure that US lawmakers cannot pick apart already-agreed trade deals, as they would otherwise be able to do.

Moreover, many other countries view the prospects for TPA renewal as a barometer of Washington's seriousness as a credible negotiator in the Doha Round, even though technically speaking, 'fast-track' authority is only required when Congress is actually ratifying agreements.

Although the Republican White House has indicated that it wants a new TPA mandate, it is far from clear

whether it can convince the Democrat-controlled Congress to agree. Indeed, senior Democratic lawmakers in late June said that renewing fast-track authority was not among their "legislative priorities," giving voice to growing ambivalence and outright opposition within the party to trade liberalisation. US labour groups, which remain influential in Democratic circles, do not support TPA extension.

With the Bush administration's dismal approval ratings and less-than-cordial relationship with Congress, it may even be unable to sell lawmakers on a Doha-specific TPA to ratify a WTO deal. However, some analysts think that Democrats would be more wary of rejecting a multilateral accord than the bilateral ones they openly oppose.

Another potential roadblock for a Doha accord emerged last week, when the House of Representatives, the lower chamber of Congress, voted to largely continue and expand lavish agriculture subsidy practices over the next five years.

The farm bill approved by the House on 27 July faces revision in the Senate as well as a veto threat from the White House, which has called for modest reductions in order to insulate farm spending from challenges at the WTO (see BRIDGES Weekly, 7 February 2007, <http://www.ictsd.org/weekly/07-02-07/story2.htm>).

Nevertheless, the recent House vote serves to underline that attempts at major subsidy reform, whether via the Doha Round talks or elsewhere, will have a rough ride in Congress. Earlier last week, House representatives from both parties rejected a proposal led by Ron Kind (Democrat-Wisconsin) to dramatically reorient spending away from traditional subsidy programmes towards income insurance, conservation, nutrition, and rural development initiatives.

The ongoing process to write a new farm bill has been seen, in conjunction with the Doha Round negotiations, as a window of opportunity for reforming US agriculture support. Once the farm bill is finalised, the political cost of cutting promised subsidies in order to comply with new WTO obligations will increase even more.

Negotiations on agriculture are set to start from 3 September at WTO headquarters, with a range of open and invitation-only meetings, along with informal consultations. NAMA talks are expected to start the following week.

International advocacy group Oxfam argues that a changed attitude on the part of industrialised countries will be necessary for these talks to have a chance of yielding a compromise that supports development

concerns, reports Reuters. "Rich countries ... must stop treating development-friendly policies as a concession. Development should be front and center in these talks, otherwise the resulting deal will not help to reduce poverty," said Bernice Romero, Oxfam International's policy director.

ICTSD reporting; "House Passes Farm Bill, Expanding Food Stamps," NEW YORK TIMES, 28 July 2007; "US, Britain optimistic for global trade," REUTERS, 31 July 2007.

---

### DRAFT NAMA AGREEMENT TEXT CRITICISED BY MANY DEVELOPING COUNTRIES

A potential Doha Round compromise on industrial goods trade set out by the chair of the negotiating committee came under heavy fire from several developing countries last week.

Countries such as South Africa, Argentina, Brazil, India, Nigeria, and El Salvador decried the tariff cuts set out in the draft negotiating text put together by non-agricultural market access (NAMA) Chair Ambassador Don Stephenson (Canada) as unfairly deep for developing countries, too easy on industrialised nations, and out of all proportion to the farm subsidy reform provided for in a related potential deal on agriculture.

In contrast, rich countries such as the US, the EU, Canada, and New Zealand were generally more favourable in their remarks at a 25 July meeting of the NAMA negotiating committee, though they argued that the text's parameters for tariff cuts let developing countries off too gently.

Some developing nations, including Mexico, Malaysia, and Costa Rica, said that Stephenson's paper struck an appropriate balance.

At a Trade Negotiations Committee meeting on 26 July, Argentina and Venezuela went so far as to say that they could not accept the NAMA paper as a basis for talks in September, when Members are set to start intensive negotiations on both draft texts in a last-ditch attempt to salvage a multilateral trade accord. However, the issue of whether they would actually use their veto did not arise, since no formal decision was taken on the paper's status. Delegates expect the negotiations in September to start on the basis of Stephenson's text.

### 'Less than full reciprocity' disputed

The NAMA text prescribed a 'Swiss formula' coefficient of 8 or 9 for industrialised countries, while assigning developing nations a coefficient between 19 and 23 (see BRIDGES Weekly, 18 July 2007, <http://www.ictsd.org/weekly/07-07-18/story1.htm>).

Under the Swiss formula, a Member's coefficient effectively becomes its new tariff ceiling, and is the basis for across-the board cuts: for instance, a coefficient of 8 would slash all duties, irrespective of how high, to below 8 percent, with lower ones reduced more gently.

Many of the divisions in the debate hinge on the interpretation of the mandate for "less than full reciprocity in reduction commitments" by developing countries. The NAMA-11 group, which includes South Africa, Brazil, and India, takes this to mean that the average cut to developing country bound tariff rates should be lower than that for industrialised countries. This, they insist, requires a 'gap' of at least 25 points between the coefficients for developed and developing countries, for example, 10 and 35.

In contrast, developed countries like the EU and the US want coefficients of 10 and 15, arguing that the "less than full reciprocity" mandate would be fulfilled by allowing developing countries to maintain a higher future tariff ceiling through the modestly higher coefficient. They insist that a NAMA agreement must bite into applied tariff rates to create "new trade flows" or "real market access."

To take some of the examples in Stephenson's text, a coefficient of 8 would cut the US' average bound tariff rate (which largely overlaps with its applied duties) by about a third, from 3.3 percent to 2.3 percent. Developing countries would face larger percentage cuts to their bound tariff rates. Brazil's average bound tariff would fall by close to two-thirds -- from 30.8 percent to 11.75 percent with a coefficient of 19, and to 13.1 percent with a coefficient of 23. Brazil's current average applied rate is 12.6 percent.

### NAMA-11: text too demanding of developing countries

Speaking on behalf of the NAMA-11, South Africa said that the chair's text, with its 10-15 point gap in coefficients for the two groups of countries, would "turn the concept of less than full reciprocity on its head" and require developing countries to contribute more to the round than industrialised ones. The text "precludes any real negotiation" instead of prompting it, the group contended, noting that its own bargaining positions had been "largely excluded." It also took issue with the

chair's assertion that the provisions in the paper reflected the views of large numbers of Members, noting that the numerous members of the African Group and the group of African, Caribbean, and Pacific countries had also expressed major reservations about the paper.

Specifically, the NAMA-11 criticised the "asymmetry" with the agriculture text. Although Stephenson had acknowledged in his text that the farm trade outcome remained a "moving target," he encouraged Members dissatisfied with the level of ambition on agricultural subsidy and tariff cuts to address this in the agriculture negotiations, rather than lowering the level of 'ambition' in NAMA.

Not only was this a "tall order," said the group, it inverted the principle that the depth of reform to trade-distorting agricultural practices by developed countries should serve as the baseline for the extent of liberalisation in other areas of the negotiations, which it described as "one of the cornerstones of the development mandate."

Pointing out that several crucial issues in the agriculture talks remained unresolved, the NAMA-11 insisted that its members could not run the risk of "an unfair and disproportionate outcome" that could lead to unemployment and de-industrialisation.

#### **US: "whole lot" of less than full reciprocity**

US Ambassador Peter Allgeier, on the other hand, said that there was "a whole lot of less than full reciprocity" in Stephenson's text. The 19 to 23 coefficients for developing countries did not provide the "magnitude of real new market access" Washington was seeking, he said. "We think that has to come down."

Speaking to journalists on the sidelines of the negotiating committee meeting, he noted that developing countries would be allowed to "maintain very high tariffs including tariffs as high as 60 percent," under the paper's terms for so-called 'Paragraph 8' flexibilities allowing them to subject up to 10 percent of tariff lines to only half of the regular reduction, or to exclude 5 percent of tariff lines from cuts altogether. Allgeier did not acknowledge that these flexibilities were limited, respectively allowed to cover no more than a tenth or 5 percent of a developing country's manufactured imports.

The senior US negotiator downplayed the NAMA-11's concerns about de-industrialisation, saying that for countries like Brazil and Argentina, the gap between bound and applied tariffs would combine with extended implementation periods to leave applied rates

untouched until about 2016 or 2017. "You've got eight, nine years to work out adjustments," he said.

Other developed countries also weighed in on the coefficients in Stephenson's paper. The EU, like the NAMA-11, claimed that the text lacked balance, except it claimed that the bias was in favour of the 30-odd developing countries that would have to apply the standard tariff reduction formula.

New Zealand said that a coefficient of 8 or 9 would be difficult. Although industrialised countries generally have average manufacturing tariff levels well below this level, most have protected a handful of politically sensitive products -- often those, such as textiles, that developing countries export competitively -- throughout half a century of liberalisation. These tariffs face being cut sharply to below 8 percent.

#### **SVEs complain cuts too deep**

El Salvador, speaking on behalf of the group of small and vulnerable economies (SVEs), criticised the text's provisions for demanding unacceptably deep liberalisation from non-LDC developing countries that account for less than 0.1 percent of world manufactures trade.

As per the terms of the compromise outlined by Stephenson, SVEs with a bound NAMA tariff average above 50 percent would reduce this average to 22 percent (unlike the Swiss formula, they would be able to maintain high tariffs on some products and make up the difference elsewhere). Those with a bound average of 30 to 50 percent would have to cut it to 18 percent; those with an average below 30 percent would have to slash it to 14 percent. Furthermore, 95 percent of all NAMA tariff lines would be subject to a reduction of at least 10 percent.

Recipients of a separate form of special treatment for non-LDC developing countries were also unsatisfied. Nigeria, one of the 12 non-LDC developing countries which have bound fewer than 35 percent of their industrial tariff lines, said that the text's requirement for them to bind 90 percent of tariff lines at an average of 28.5 percent covered an unacceptably high proportion of products.

#### **China: gap between coefficients too narrow**

China too was critical of the coefficients, suggesting that 8 or 9 was too high for developed countries. It noted that a requirement for both developed and developing countries to halve their bound tariff levels would entail coefficients of 5 and 35.



Like other recently-acceded Members, China had been seeking a higher coefficient than other developing countries, to compensate for the wide-ranging tariff cuts it had to make as the price of joining the WTO. Although Stephenson's paper called for exempting some RAMs from further tariff reduction, it only granted China, Taiwan, and others extra-long implementation periods, not special coefficients. China said that additional flexibilities were necessary.

China has been the unmentioned elephant in the room during the NAMA negotiations. Officials from some developing countries privately confess that they are wary of agreeing to deeper tariff cuts not only out of anxiety about competition from goods manufactured in industrialised countries, but also because they fear a flood of Chinese imports.

Some developing countries may be willing to soften their positions on NAMA if more of their objectives are met in the agriculture negotiations. However, this may not hold true for others.

Argentina, a NAMA-11 member, was particularly vocal in its opposition to the coefficients in Stephenson's text, stressing that they would be unacceptable both now and at any point in the Doha Round negotiations. According to WTO data, although Argentina's average applied tariff rate is 12.2 percent, it levies duties of above 15 percent on more than a third of its tariff lines. These would be forced down by a significant margin by a coefficient between 19 and 23.

South Africa has relatively little space between its bound tariff rates and those it applies, as a result of liberalisation carried out in order to accede to the WTO. Stephenson asked Members to consider giving the country special treatment on the grounds that it would be disproportionately affected by the tariff reduction formula.

Stephenson reminded delegations that no accord would be possible unless they budged from their negotiating positions. He suggested that he would be surprised if they managed to find consensus on a set of numbers very far from those he had proposed.

The NAMA chair has announced that consultations and bilateral meetings on the text would start on 10 September, with sessions of the entire Membership to start the following week.

ICTSD reporting.

---

## OTHER NEWS

---

### US DEMOCRATS SEEK GREATER ASSISTANCE FOR WORKERS HURT BY TRADE

US Senators from both parties have jointly introduced a bill that would greatly expand governmental assistance to workers who have lost their jobs as a result of either increased imports or the relocation of their jobs overseas.

Most significantly, the proposed legislation would extend benefits to service sector workers such as computer programmers and call-centre employees who lose their jobs as a result of foreign competition.

Senate Finance Committee Chair Max Baucus (Democrat-Montana) and Senator Olympia Snowe, Republican of Maine, on 23 July submitted a bill that would expand the scope and funding of federal government's Trade Adjustment Assistance (TAA) programme. This scheme, first established in the 1960s, offers a variety of services and benefits, including training, health services, and monetary assistance to workers displaced by economic globalisation. The legislation authorising TAA is set to expire on 30 September.

"We need to update TAA for the 21st century to reflect the challenges of job markets that are no longer local, but global," Baucus said in a written statement. "TAA should be flexible enough to respond to workers' needs regardless of what they do, or where challenges are coming from."

According to current TAA rules, only manufacturing sector workers - defined as those who produce a physical 'article' - are eligible for the programme's benefits. To apply for TAA, a group of workers must first formally petition the US Labor Department for certification that they have been adversely affected by international trade. If the petition is accepted, workers in that group are then eligible to apply for individual services and benefits.

In 2006, the Labor Department approved 1,400 of the 2,200 petitions for assistance under the TAA programme; the requests it denied were primarily linked to the fact that the petitioners did not fully qualify as manufacturing workers. Furthermore, although the approved petitions covered about 400,000 workers, less than a quarter of those who qualified actually sought and received benefits.

The Baucus-Snowe bill would expand TAA to include service-sector workers. The proposed legislation would also double annual funding for individual retraining, triple spending to help companies deal with the effects of more open trade, and establish a \$300-million programme to assist communities that have been adversely affected by foreign competition. Other proposed modifications include a provision to allow the Labor Department to certify workers industry wide, instead of on a group-by-group basis, as well as amendments to increase wage insurance and make health coverage more affordable.

Taken together, all of the proposed changes would amount to a doubling of the \$1 billion that the government spent on TAA last year.

### **A response to fears of economic globalisation**

The move to expand TAA is seen by some as part of a larger campaign to ease middle America's fears about the adverse effects of increased foreign trade and economic globalisation.

These fears have found an echo in a wider shift among Democrats toward more populist stances on trade liberalisation. Indeed, many Democrats attribute their party's success in last November's Congressional elections in part to the fact that many candidates espoused more protectionist policies on the campaign trail, playing to the concerns of voters afraid of losing jobs to cheaper overseas competitors.

Looking forward to 2008, leading Democratic presidential contenders Hillary Clinton, Barack Obama, and John Edwards have all publicly expressed reservations about how deeper global economic integration might adversely affect US workers.

Since coming to power in Congress, Democrats have introduced legislation attacking Chinese currency policy, suggested that they may not extend the White House's 'fast-track' trade promotion authority, and dragged their feet on approving bilateral free trade deals, even after having them re-negotiated to include new provisions on the environment, labour, and access to medicine (see BRIDGES Weekly, 16 May 2007, <http://www.ictsd.org/weekly/07-05-16/story2.htm>).

US Democrats' waning support open trade has emerged as one of many substantial obstacles to concluding the faltering Doha Round of global trade talks at the WTO.

Critics argue that the Democrats are making trade a scapegoat. Leading Democrats counter that they are

not opposed to trade, but are making a priority of addressing increased economic insecurity among families in the US and ensuring that the benefits of economic globalisation are more broadly distributed.

In this context, the Baucus-Snowe bill to expand TAA appears tailored to respond to public insecurity and resentment over free trade.

Some researchers have suggested that citizens of countries with stronger systems of social protection are less likely to fear the negative effects of trade than those who live in countries with weaker safety nets. Along those lines, Democrats say that expanding TAA could help assuage people's fears of the adverse effects of an increasingly global economy

TAA extension has in the past been linked to a renewal of the White House's trade promotion authority (TPA) (see BRIDGES Weekly, 6 August 2002, <http://www.ictsd.org/weekly/02-08-06/story3.htm>). This time around, Senator Charles Grassley, the ranking Republican on the Senate Finance Committee, has said he would oppose renewing TAA unless it is once again tied to an extension of the presidential administration's ability to negotiate trade agreements and submit them to Congress for a yes-or-no vote without the possibility of amendments. Senator Baucus, however, has insisted that TAA deserves to be considered on its own merits. For its part, the Bush administration has urged Congress to renew both TPA and TAA.

The bill's supporters in Congress are hoping to get legislation passed before the 30 September deadline. However, the two-month timeline may be a bit short, especially given the upcoming August recess. A similar bill is currently being finalised in the House of Representatives.

ICTSD reporting; "Senators propose expanding worker aid program," REUTERS, 23 July 2007; "Aid May Grow for Laid-Off Workers," WASHINGTON POST, 23 July 2007; "Bipartisan Legislation Aims To Help Displaced Workers," WALL STREET JOURNAL, 23 July 2007; "Bill Aims to Support Outsourcing Victims," EWEEK.COM, 25 July 2007; "The Case for Trade," NEW YORK TIMES, 27 July 2007; "A New Populism Spurs Democrats on Economy," NEW YORK TIMES, 16 July 2007.

---

**WTO IN BRIEF**

---

---

**US COTTON SUBSIDIES STILL NOT WTO-COMPLIANT: INTERIM RULING**

---

A WTO dispute panel has in a preliminary ruling found that the US has failed to reform cotton subsidy programmes enough to comply with an earlier decision, potentially opening the door to billions of dollars worth of sanctions from Brazil.

The panel issued the confidential interim report to the two parties on 27 July. The final ruling is expected in September. It is rare, though not unprecedented, for panels to reverse their findings between the preliminary and final verdicts.

A statement from the US trade representative's office in Washington confirmed that "the Panel found that the changes made by the United States were insufficient to bring the challenged measures - certain support payments under the 2002 farm bill and export credit guarantees - into conformity with US WTO obligations. We are very disappointed with these results."

Brazilian officials welcomed the decision. Roberto Azevedo, a senior trade official in Brasilia, told Reuters that Washington had not altered some of the principal support programmes that had been found to violate WTO rules. "We expect the United States to comply fully and immediately," he said. "Brazil reserves its right to retaliate."

The earlier WTO ruling at issue dates back to 2004, when a panel found that a range of US support measures for cotton growers and exporters violated Washington's WTO obligations. That decision was confirmed by the Appellate Body in 2005 (see BRIDGES Weekly, 9 March 2005, <http://www.ictsd.org/weekly/05-03-09/story1.htm>).

Washington abolished the 'step 2' programme that paid US cotton mills and exporters the difference between American cotton prices and world benchmark rates, as well as some export credit schemes. However, Brazil and the US disagreed on the latter's compliance with the overall ruling, leading to the creation of the current 'compliance panel' in autumn 2006.

Brazil has indicated that it would seek not only to impose retaliatory duties on US goods, but also to 'cross-retaliate' against services providers and intellectual property such as patents and trademarks (see BRIDGES Weekly, 12 October 2005, <http://www.ictsd.org/weekly/05-10-12/story3.htm>).

The US National Cotton Council described the interim ruling as "incomprehensible," arguing that cotton acreage had declined and world cotton prices were at a three-and-a-half year high.

Many developing countries, especially four West African cotton-producing states, are pursuing deep reduction to US cotton subsidies as part of the faltering Doha Round negotiations.

ICTSD reporting; "WTO largely rules against US in cotton dispute with Brazil," ASSOCIATED PRESS, 27 July 2007; "WTO Rules Against US in Cotton Dispute with Brazil," BLOOMBERG, 27 July 2007; "Brazil issue warning to US over WTO cotton ruling," REUTERS, 27 July 2007.

---

**RUSSIA FACES CONTINUED CHALLENGES TO WTO ACCESSION**

---

Russia's 14-year quest for membership in the WTO continues to face roadblocks, but trade officials in Moscow are optimistic that an official accession package can be finalised in the next six months.

Russia's entry into the global trade body has been repeatedly blocked by disputes with the EU and the US over a number of issues, including intellectual property, trade in energy, and a general chill in relations following the assassination in London last year of former Russian spy Alexander Litvinenko (see BRIDGES Weekly, 29 November 2006, <http://www.ictsd.org/weekly/06-11-29/story3.htm>).

The country's food health regulations, and resulting bans on some imports from Poland, Thailand, and the US, have also been a source of friction in accession negotiations. So have Moscow's agricultural subsidies, which amounted to \$4 billion in 2006 (see BRIDGES Weekly, 22 November 2006, <http://www.ictsd.org/weekly/06-11-22/wtoinbrief.htm>).

A more recent challenge has come from neighbouring Georgia, which has demanded that Russia lift its import ban on Georgian wines and mineral water and end its unauthorised trade with Georgia's breakaway regions Abkhazia and South Ossetia (see BRIDGES Weekly, 25 October 2006, <http://www.ictsd.org/weekly/06-10-25/story2.htm>).

According to WTO accession rules, any new member of the global trade body must negotiate market access agreements with all countries that request one. To date, Moscow has arrived at deals with 50 WTO Members,



including both the EU and the US. Only Russia's agreement with Saudi Arabia has yet to be finalised.

Maxim Medvedkov, Moscow's lead negotiator on WTO accession, said Thursday that he hopes that Russia will be able to "complete negotiations by the end of this year."

Russia is currently the world's only major economy that does not belong to the WTO. Neighbouring Ukraine is also in talks to become a WTO Member; trade officials say that those negotiations are on track to wrap up by the end of the fall.

ICTSD reporting; "A New WTO Roadblock," RUSSIA PROFILE, 30 July 2007; "Ukraine ahead of Russia in WTO Bid," FINANCIAL TIMES, 26 July 2007; "Ukraine, Russia, and the WTO," KOMMERSANT.COM, 24 July 2007.

---

## TONGA BECOMES WTO'S NEWEST MEMBER

The tiny South Pacific kingdom of Tonga became the 151st member of the WTO on 27 July, following more than a decade of negotiations on its terms of entry.

The 169-island archipelago located roughly one-third of the way from New Zealand to Hawaii joined the global trade body in the hopes of resolving trade disputes with other countries and diversifying its agriculture-dependent economy.

Tonga agreed to its terms of entry into the WTO in December 2005, but delayed formal accession to give itself time to reform its tariff system. According to its accession package, Tonga will reduce all of its import tariff lines to 15 or 20 percent, and will do away with industrial subsidies schemes that are forbidden under WTO rules.

Agricultural products, primarily squash, coconuts, bananas, and vanilla beans, comprise nearly two-thirds of all Tongan exports. Roughly 70 percent of Tonga's 117,000 citizens work in the agricultural sector.

With a gross domestic product of \$195 million in 2004, Tonga is the third-poorest member of the International Monetary Fund. In recent years, the country, whose economy depends on foreign aid and remittances from Tongans working abroad, has struggled with growing poverty rates and unemployment among its youth.

Fiji and New Zealand are the source of more than half of all of Tonga's imports; the country's exports go primarily to the US, Japan, and New Zealand.

Only a few of the world's major economies remain outside the WTO. Russia and Ukraine have submitted their applications and are currently negotiating entry; Iran is also currently not a member.

ICTSD reporting; "Tonga, One of World's Poorest Nations, to Be WTO's 151st Member," BLOOMBERG, 27 June 2007; "Tonga to Become WTO's 151st Member," ASSOCIATED PRESS, 27 June 2007; "Tonga to become WTO's 151st member next month," REUTERS, 27 June 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](mailto:events@ictsd.ch).

#### Coming Up: 2 August - 5 September

6-8 August, Bangkok, Thailand. ASIA-PACIFIC TROPICAL FOREST INVESTMENT FORUM: ISSUES AND OPPORTUNITIES FOR INVESTING IN NATURAL TROPICAL FORESTS. This regional forum, hosted by the International Tropical Timber Organisation, offers an opportunity for participants to discuss ways to generate private and public investment in natural tropical forests. Plenary presentations and panel discussions will focus on regional investment trends, constraints and opportunities for increased investments in natural tropical forests, methodologies, case-studies, analysis and legislation that influence investments for revenue generation, including markets for forest services and non-timber forest products. internet:

<http://www.itto.or.jp/live/PageDisplayHandler?pageId=223&id=3289>

22-25 August, Jaipur, India. BUILDING SKILLS ON COMMERCIAL & ECONOMIC DIPLOMACY - TRAINING SEMINAR FOR MID-LEVEL CIVIL SERVANTS AND EXECUTIVES. This training seminar, organised by the India-based CUTS Institute for Regulation and Competition, will impart knowledge and information on multiple aspects of commercial and

economic diplomacy in the context of globalisation and economic relations among countries. The seminar will feature presentations from experts of various backgrounds, who will conduct sessions with case studies and hands-on exercises. The seminar is aimed for mid-level government officials (from trade and other economic ministries), representatives from intergovernmental and multilateral agencies, and other stakeholders such as business persons. internet: [www.circ.in/pdf/BrochureCDS02.pdf](http://www.circ.in/pdf/BrochureCDS02.pdf)

27-31 August, Vienna, Austria. UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE DIALOGUE AND KYOTO PROTOCOL AWG 4. This will be the fourth workshop of the 'Dialogue on long-term cooperative action to address climate change by enhancing implementation of the Convention' and the fourth session of the Ad Hoc Working Group on Further Commitments for Annex I parties under the Kyoto Protocol (AWG). internet: [www.unfccc.int](http://www.unfccc.int)

3-14 September, Madrid, Spain. EIGHTH SESSION OF THE CONFERENCE OF THE PARTIES TO THE UN CONVENTION TO COMBAT DESERTIFICATION (COP-8). COP-8 of the CCD will consider the following agenda items: programme and budget for the biennium 2008-2009; review of the implementation of the Convention; review of the report of the Committee on Science and Technology; review of activities for promotion of relationships with other relevant organisations; follow-up to the World Summit on Sustainable Development; Regional Coordination Units; and review of the 2006 International Year of Deserts and Desertification activities. internet: <http://www.unccd.int/>

## 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.

## NO SCHEDULED WTO EVENTS

## Other Upcoming Events

17-23 September, Oxford, England. CLIMATE CHANGE: SCIENCE, POLITICS AND THE MANAGEMENT OF UNCERTAINTY. Even with the latest Intergovernmental Panel on Climate Change

report making ever clearer the scientific consensus about humanity's contribution to global warming, the severity of its impact remains highly uncertain. This conference, hosted by Deutsche Wissenschaft, the Deutsche Forschungsgemeinschaft, and the UK Foreign and Commonwealth Office, will consider the difficulties of making policies to address the problems of global warming within a context of such uncertainty. internet: <http://www.21stcenturytrust.org/2007.html#1>

4-5 October, Geneva, Switzerland: WTO PUBLIC FORUM 2007: "HOW CAN THE WTO HELP HARNESS GLOBALISATION?" The WTO Public Forum 2007 will address how the WTO can help harness globalisation. The sub-themes are: 1. Global Governance: the challenges that interdependence and globalisation present and the role the WTO can play to ensure that globalisation works to the benefit of all peoples; 2. Coherence: (a) the need for national and international coherence; and (b) the contribution of the WTO to the construction of a coherent multilateral system; 3. Economic Growth: trade as a vehicle for growth and development; and 4. Sustainable Development: the interaction of trade and sustainable development. internet: [http://www.wto.org/english/forums\\_e/public\\_forum2007\\_e/forum07\\_e.htm](http://www.wto.org/english/forums_e/public_forum2007_e/forum07_e.htm).

22-23 November, Brussels, Belgium. 2007 CONFERENCE ON SUSTAINABLE AGRICULTURE. As global food demand is likely to rise significantly over the coming decades, sustainability has become a matter of necessity, whilst at the same time also offering a range of opportunities to act. This conference will bring to the forefront key aspects of sustainable agriculture and address issues that are challenging the food and drink industry now and in the future - from legislation, to consumer positions, industry outlook, farmers engagements and progress measurement. Conference participants will have the opportunity to network with industry players and listen and debate with representatives from EU institutions, NGOs and academia. Mariann Fischer Boel, Commissioner for Agriculture and Rural Development, will deliver the keynote opening speech on the first day of the conference. internet: <http://www.sustainableagriculture2007.eu/>

3-14 December, Bali, Indonesia: THIRTEENTH CONFERENCE OF THE PARTIES TO THE UNFCCC AND THIRD MEETING OF THE PARTIES TO THE KYOTO PROTOCOL. UNFCCC COP 13 and Kyoto Protocol COP/MOP 3 will coincide with the 27th meetings of the UNFCCC's subsidiary bodies and the Ad Hoc Working Group on Further Commitments from Annex I Parties under the Kyoto Protocol. COP 13 and COP/MOP 3 are also expected to be accompanied by a UNFCCC Dialogue on Long-Term Cooperative Action

on Climate Change and various other events. For more information contact: tel: +49-228-815-1000; fax: +49-228-815-1999; email: [secretariat@unfccc.int](mailto:secretariat@unfccc.int). internet: <http://www.unfccc.int>

---

## RESOURCES

**HOW TO APPROACH THE MONITORING OF THE ACP-EU ECONOMIC PARTNERSHIP AGREEMENTS: AN OVERVIEW.** By S. Bilal, F. Rampa, F. Jerosch, and D. Makhan. European Centre for Development Policy Management, 2007. The African, Caribbean, and Pacific (ACP) states and the European Union (EU) countries have agreed to negotiate new WTO-compatible Economic Partnership Agreements (EPAs). These agreements should not be an end in themselves, but be first and foremost instruments for development. While these new free trade arrangements offer new development opportunities, they also pose considerable challenges for the ACP. To ensure that the development dimension of the EPAs is fulfilled, close monitoring - of both the negotiation and the implementation of these new partnership agreements - will be of prime importance. This InBrief presents a preliminary overview of some methodological issues linked to the design of a monitoring mechanism for the EPAs. The report is available at [http://www.ecdpm.org/Web\\_ECDPM/Web/Content/Navigation.nsf/index2?readform&http://www.ecdpm.org/Web\\_ECDPM/Web/Content/Content.nsf/0/F311DF7D6853B9ECC12570D20036AC44](http://www.ecdpm.org/Web_ECDPM/Web/Content/Navigation.nsf/index2?readform&http://www.ecdpm.org/Web_ECDPM/Web/Content/Content.nsf/0/F311DF7D6853B9ECC12570D20036AC44)

**VAT, TARIFFS, AND WITHHOLDING: BORDER TAXES AND INFORMALITY IN DEVELOPING COUNTRIES.** By Michael Keen. The International Monetary Fund, July 2007. This paper explores the implications of a distinctive feature of the value added tax (VAT): that it functions, in part, as a tax on the purchases of informal operators from formal sector businesses and, not least, on their imports. The paper stresses the potential importance of the creditable withholding taxes that are levied by many developing countries. If both of these instruments are optimally deployed, it is shown, then the usual prescription that a small economy should not deploy tariffs remains valid even in the presence of an informal sector. A simple strategy is established for deploying these instruments so as to preserve government revenue and increase welfare in the face of efficiency-improving tariff cuts. The report is available at <http://www.imf.org/external/pubs/ft/wp/2007/wp07174.pdf>.

**INDICATORS FOR THE SELECTION OF SPECIAL PRODUCTS: SOME EMPIRICAL EVIDENCE.** By the

International Centre for Trade and Sustainable Development and the UN Food and Agricultural Organisation, July 2007. Most of the discussions so far on the selection of special products at the WTO have focused on the need to limit self-designation to a specific number or proportion of tariff lines. Existing proposals range from five individual tariff lines to 20 percent of all agricultural tariff lines. The FAO and ICTSD have conducted empirical research to try to shed light on the practical workings of the proposed special products mechanism. In particular, the organisations have undertaken country studies using a wide range of indicators, in an effort to help developing country governments identify the products that might most appropriately be designated as 'special'. The results of this experience are presented in this paper. The report is available at [http://www.agtradepolicy.org/output/resource/ICTSD\\_FAO\\_Final.pdf](http://www.agtradepolicy.org/output/resource/ICTSD_FAO_Final.pdf).

**THE ACP EXPERIENCE OF PREFERENCE EROSION IN THE BANANA AND SUGAR SECTORS: POSSIBLE POLICY RESPONSES TO ASSIST IN ADJUSTING TO TRADE CHANGES.** By Paul Goodison. International Centre for Trade and Sustainable Development, July 2007. The purpose of this paper is to situate the process of preference erosion in ACP-EU trade relations in the context of internal EU policy adjustments designed to prepare the EU agricultural and food products sector for trade liberalisation at the multilateral and bilateral levels. The paper seeks to analyse the sources and impacts of preference erosion on ACP banana and sugar sectors and reviews the experience of the EU policy response to the impact of preference erosion in ACP economies and societies. It also seeks to draw lessons from the various experiences of the policy response to preference erosion in the different circumstances faced in ACP countries. The paper is available at <http://www.agtradepolicy.org/output/ictsd/goodison.pdf>.

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

*BRIDGES Weekly Trade News Digest*® is published by the International Centre for Trade and Sustainable Development (ICTSD), <http://www.ictsd.org/>.

Contributors to this issue of *BRIDGES Weekly Trade News Digest* are Trineesh Biswas and Paige McClanahan. Editor: Trineesh Biswas. Director: Ricardo Meléndez-Ortiz. ICTSD is an independent, not-for-profit organisation based at: 7, ch. de Balexert, 1219 Geneva, Switzerland, tel: (+41-22) 917-8492; fax: 917-8093. Excerpts from *BRIDGES Weekly Trade News Digest*® may be used in other publications with appropriate citation. Comments and suggestions are welcomed and should be directed to the Editor or the Director.

*BRIDGES Weekly Trade News Digest* is made possible through the generous support of the Government of the United Kingdom (DFID) and ICTSD's core donors including the Governments of Finland, Denmark, the Netherlands and Sweden; Christian Aid (UK) and NOVIB (NL). *BRIDGES Weekly* also benefits from support for the *BRIDGES* series of publications from donors including the Rockefeller Foundation and the Swiss Agency for Development and Cooperation. ISSN 1563-003X

