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LEAD STORIES

AGRICULTURE: 'DEGREES' OF PROGRESS, WHILE
BROAD DIVISIONS PERSIST 1

'INTERIM' GOODS-ONLY EPAs MAY SUFFICE FOR
ACP BEFORE END-YEAR DEADLINE , EU SAYS 3

OTHER STORIES

'EXCHANGE RATE' COMES TO FORE IN NAMA
IMPASSE 4

WTO PANEL: US HAS FAILED TO COMPLY WITH
COTTON RULING IN DISPUTE WITH BRAZIL 6

IN BRIEF

EU, SOUTH KOREA RESUME FTA TALKS 7

UNCTAD'S INVESTMENT REPORT POINTS TO FDI
BOOM, HIGHLIGHTS EXTRACTIVE INDUSTRY 8

WTO IN BRIEF

CHINA FACING SCRUTINY ON MULTIPLE FRONTS
AT WTO 8

EVENTS & RESOURCES

EVENTS 9

RESOURCES 10

LEAD STORIES

AGRICULTURE: 'DEGREES' OF PROGRESS, WHILE BROAD DIVISIONS PERSIST

With WTO Members still deadlocked on the depth of Doha Round farm subsidy and tariff cuts, negotiators in Geneva are focusing on a range of secondary and technical issues in order to make it possible for governments to conclude an agreement swiftly if and when they make the concessions necessary to bridge their differences.

New Zealand Ambassador Crawford Falconer, who chairs the agriculture talks, told a meeting open to the entire WTO Membership on 15 October that the previous week's intensive consultations had seen "a reasonable degree of progress" on export competition issues. The discussions had taken place among a group of 36 delegations representing the spectrum of different interests in the negotiations.

Nevertheless, one delegate said that despite incremental advances on some specific issues within the talks, overall progress has been "very limited."

Since the beginning of September, negotiations have been based on the broad parameters for a potential deal set out in a draft text by Falconer in July. The chair has indicated that he plans to issue a revised version of the draft accord based on Members' discussions. The new draft is supposed to provide more specific provisions for the numerous issues that the July text did not address in great detail.

Delegates now suggest that Falconer may issue this revised text in the second half of November – about a month after it was originally expected. They say that the ongoing negotiations are aiming to settle a large number of still-unresolved technical issues in order to leave ministers a manageable number of 'political' questions to finalise.

The technical issues include, for example, the methodology used to calculate a country's domestic consumption of a particular food product. This is

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significant because it could become the basis for calculating future import quotas for 'sensitive' agricultural commodities, which will be sheltered from the full force of tariff cuts.

Export competition: "degree of progress"

Export competition, which covers various kinds of government support for the exportation of agricultural products, is the third and least contentious 'pillar' of the agriculture negotiations (the other two being domestic subsidies and market access). Such forms of support range from direct export subsidies to food aid, export credit programmes, and the functioning of state trading enterprises.

Sources report that Falconer told Members that last week's so-called 'Room E' consultations with representatives from roughly three dozen delegations had clarified a number of issues that had been left open in his July text. For instance, he said that negotiators were close to agreeing on the rules for a 'safe box' that would allow emergency food aid to be shielded from disciplines intended to prevent in-kind food aid from becoming a pretext for supporting agricultural exports. An unresolved political issue in the food aid debate is how to treat 'monetisation,' which refers to the sale of donated food to raise money for development projects. Fearing commercial displacement, some African countries have called for allowing monetisation only in exceptional circumstances.

New disciplines to prevent export credits from being so generous that they effectively act as subsidies have proved more difficult to agree on, with differences over the potential maximum repayment period, as well as the timeframe over which credit programmes finance themselves. Divisions also persist on whether state trading enterprises, such as the Canadian Wheat Board, should be allowed to maintain monopoly power over the export of farm commodities.

Consultations remain technical

Falconer's so-called 'Room E' consultations continued this week, with delegates reporting that they focused initially on domestic support, and were set to turn to market access.

The high-profile dollar figures for major subsidisers' spending entitlements is an extremely political issue that will have to be resolved by ministers or senior officials. Many countries believe that a concession by the US on overall trade-distorting support is essential for WTO Members to salvage a Doha deal.

Nevertheless, many other issues also need to be addressed in the subsidy negotiations. For instance,

sources said that delegates were exploring potential compromises on the rules governing 'green box' subsidies, the reduction-exempt payments that are supposed to cause no or minimal trade distortion.

Several developing countries, including the G-20 bloc, have questioned whether tens of billions of dollars in rich country 'green box' subsidies can truly have no effect on either trade or production. They have been seeking tighter rules on these payments to ensure that they are non-distorting. One negotiator said that although delegates made progress on issues such as payments for disaster relief, there was "huge divergence" on the basis for calculating income support for farmers, as well as on regional and structural aid to farmers.

Alongside the 'Room E' discussions, a group of officials from 12 influential countries kept meeting to exchange views on different aspects of the negotiations. Participants describe the sessions of the so-called G-12 – Argentina, Australia, Brazil, Canada, China, the EU, India, Jamaica, Japan, Indonesia, South Africa, and the US – primarily as a forum to further their understanding of each other's positions.

One trade diplomat said that discussions in the G-12 last week looked at the 'special products' that developing countries will be able to shield from tariff reduction, based on food and livelihood security and rural development concerns. Some countries in the room wanted to explore the possibility of narrowing the 'indicators' proposed to see whether products qualify as 'special'. Others, however, said that the overall approach to designating special products – whether it would be based solely on indicators, the number of products, or some combination of the two – needed to be discussed first.

The G-12's goals, if they extend beyond discussion, remain unclear. "The G-12 is not a negotiating platform," said one official, suggesting that although some countries might have wanted the group to produce texts to feed into the multilateral talks, others disagree.

In preparation for revising the text, Falconer is expected to start with an intensive round of negotiations with Members from 29 October, sources reported. He may convene another week of talks in the middle of November for final input into his new draft text.

Falconer's revised text is expected to be issued in conjunction with a revised draft industrial goods deal. The chairs of the other negotiating committees, such as rules, are also expected to come forward with draft texts at that time, in effect presenting Members with a

piecemeal version of a fairly comprehensive potential Doha Round package.

In one optimistic assessment, if a deal seems within reach at this point, ministers or senior officials could be summoned to Geneva in early December to try to finalise a deal.

Even if Members are able to reach a Doha accord by then, it is far from certain that the unpopular US presidential administration will be able to secure its approval by a hostile Congress, especially in an election year.

ICTSD reporting.

'INTERIM' GOODS-ONLY EPAs MAY SUFFICE FOR ACP BEFORE END-YEAR DEADLINE , EU SAYS

The EU appears to have stepped back from threats to curtail preferential market access for some of the world's poorest countries if they fail to reach comprehensive trade agreements before a key negotiating deadline at the end of the year. Interim accords limited to goods trade may suffice to preserve uninterrupted market access, Brussels now seems to be suggesting.

Until very recently, the European Commission had insisted that it would have to withdraw the trade privileges it currently grants on a unilateral basis to the African, Caribbean, and Pacific (ACP) countries if they did not agree on phasing out goods tariffs, as well as opening up their markets to EU services companies and investment.

"There is certainly no plan B" for maintaining ACP market access if the ongoing 'Economic Partnership Agreement' (EPA) talks fail to meet the cutoff date, EU Commissioner Peter Mandelson told Trade Negotiations Insights in September.

This would have affected the 31 relatively richer ACP countries, where, beginning in 2008, exporters stood to find their products slapped with the EU's 'generalised system of preferences' (GSP) tariff scheme, which is applicable to all developing countries. The rest of the 79-member group are least-developed countries (LDCs), and thus remain eligible for duty- and quota-free access to the EU market under Brussels' 'Everything But Arms' initiative.

The imminent deadline is the result of a waiver under which WTO Members allowed the EU to maintain its unilateral preference scheme for ACP states until the

end of 2007, even after it had been ruled to violate multilateral trade rules by discriminating among developing countries. The five-year exemption was supposed to give the EU and the ACP countries time to negotiate reciprocal EPAs, which would be compatible with WTO rules.

The EU had pushed for the two-way agreements to be comprehensive, covering trade in goods and services, and liberalising rules for investment and government procurement. However, the EPA negotiations have lagged with each of the six geographical ACP blocs, albeit by varying degrees; most regions have appeared on track to miss the deadline.

Now, Brussels has opened the door to the possibility of signing interim agreements covering goods alone by year's end – thus meeting the WTO's demands – with the other issues to be resolved later, as part of a 'built-in agenda'.

Early this month, the European Commission and ministers from the Pacific ACP states agreed that "in view of the short time available until the deadline of 31 December 2007, it was necessary to conclude a WTO-compatible interim agreement as a stepping stone to a comprehensive EPA." This accord, which would enter into force on 1 January, would include "agreed goods schedules, rules of origin, safeguards," as well as other issues potentially including fisheries, competition, and development cooperation provisions. It would ultimately be succeeded by a "comprehensive EPA," they said. The joint declaration also specified that Pacific states unable to sign onto the interim deal would be allowed to join it at a later date.

Similar two-stage deals might be possible with the Southern, Eastern, and Central African blocs of ACP states, where disagreements over issues such as services trade and development assistance have bedevilled the negotiations. Although a recent meeting ended inconclusively, a comprehensive agreement may be within reach for Brussels and the Caribbean states; the latter may be especially keen to conclude EPAs after seeing EU trade preferences for their bananas come under repeated legal attack from some of their Latin American neighbours.

Western African ministers, however, have decided that they are not in a position to conclude EPA negotiations by the end of 2007. During a recent ministerial meeting in the Ivory Coast on 5 October, they declared that the region wanted to keep its preferential trade access for two more years, and asked the EU to seek an equivalent extension at the WTO to allow the EPA talks to continue.

The European Commission has ruled out seeking an additional waiver, urging the region to agree to an interim 'light' EPA that would allow market access preferences to continue. However, West African governments have been unenthusiastic about the idea, suggesting that it would do little to boost competitiveness. Ghana and Nigeria are among the non-LDC members of the ACP that face the loss of EU tariff privileges.

Some observers of the negotiations have suggested that even without a waiver, the EU could conceivably choose to maintain tariff preferences for West Africa after the deadline lapses, in open violation of WTO rules. It could then seek to finalise an EPA with the region while in effect daring other WTO Members to take it to dispute settlement.

Moreover, even goods-only EPAs would not get around one of the principal criticisms of the negotiations: that the reciprocal agreements would ultimately require the tiny economies of the ACP to fully open their markets to imports from the EU. Development campaigners as well as industry and civil society groups in ACP countries have warned of unemployment and revenue losses. Brussels has promised to open its market to almost all ACP exports immediately upon implementation, and has suggested that the developing countries could be allowed up to 25 years to phase out duties on some sensitive products such as sugar and rice.

Furthermore, only weeks would remain for countries to identify sensitive products and develop tariff phase-out schedules. Behind the scenes, the Commission has said agreements must be initialled no later than 15 November if they are to come into force by the new year.

ICTSD reporting; "EU, Pacific countries to seek interim trade deal," REUTERS, 3 October 2007; "West Africa to miss EU trade partnership deadline," REUTERS, 5 October 2007; "No deal reached in EU-Caribbean trade talks," REUTERS, 6 October 2007; "EU rethink on trade threat to ex-colonies," FINANCIAL TIMES, 8 October 2007.

OTHER STORIES

'EXCHANGE RATE' COMES TO FORE IN NAMA IMPASSE

The balance between concessions demanded of rich and poor nations as part of a potential Doha Round accord has acquired heightened prominence in the talks on liberalising trade in industrial goods.

Following last week's sharp disagreement over how deeply developing countries should have to cut their bound industrial tariffs compared to developed countries, negotiators report that Canadian Ambassador Don Stephenson, who chairs the non-agricultural market access (NAMA) negotiations, has been meeting with small groups of delegations to try to find a way forward.

The consultations have focused on issues such as non-tariff barriers, lenient tariff treatment for small and vulnerable economies and recently-acceded Members, and how to address the erosion of trade preferences. They did not address the 'core' issues in the NAMA negotiations: the tariff reduction formula that will determine the depth of tariff cuts made by industrialised countries and the larger developing country economies, and the 'flexibilities' for the latter to shield some products from tariff reduction.

Members' deep divisions on the core issues were underlined on 9 October when a large group of developing countries including Argentina, Brazil, India, and South Africa argued that they should not have to cut bound manufacturing tariff rates more deeply than industrialised nations.

The developing countries implicitly turned down the terms of a draft deal set out by Stephenson in July. That text proposed a 'Swiss formula' coefficient of between 8 and 9 for industrialised countries, and between 19 and 23 for developing countries. Since the coefficients become countries' future tariff ceiling, and serve as the basis for across-the-board tariff cuts, these figures would have required developing countries to slash their average bound tariff rates more heavily than rich countries (although cuts to the former's applied rates would be lower).

In a stronger-than-usual response, the US claimed that their demands risked condemning the round to failure (see BRIDGES Weekly, 10 October 2007, <http://www.ictsd.org/weekly/07-10-10/story1.htm>). EU Trade Commissioner Peter Mandelson later called it an "unacceptable" attempt to "shift the goalposts further to the point where competitive, emerging economies will end up making next to no contribution to new trade flows."

There have subsequently been moves to smooth over the differences. Notably, Indian Prime Minister Manmohan Singh told US President George W. Bush earlier this week that India was comfortable with "most of the elements" of both the NAMA text and a related draft agriculture deal. "India can by and large live with what is on the table and has concerns only on agriculture," he said, according to the Indian government's press bureau. With regard to farm trade,

Singh highlighted New Delhi's need for greater clarity about how it will be allowed to shield its vulnerable farmers from tariff cuts and import surges.

What officials have referred to as the 'exchange rate' between agriculture and NAMA is emerging as a critical issue in the determining the concessions that some countries will make. The developing countries that signed on to the response to Stephenson's text last week emphasised that the outcome of the agriculture negotiations would set the parameters for concessions on industrial tariffs. Some officials suggest that substantial enough farm subsidy reform by rich countries could see otherwise-recalcitrant developing countries agree to deeper industrial tariff cuts.

IBSA summit criticises "disproportionate" demands

Indian Prime Minister Singh, together with Brazilian President Luiz Inacio Lula da Silva and South African President Thabo Mbeki, on 17 October stressed their commitment to the Doha talks, but said that they should not be held hostage by "disproportionate" demands from industrialised nations. Following a summit among the three democracies in Pretoria, Lula said that the US and the EU were asking developing countries to make concessions on agriculture, manufacturing, and services trade that went well beyond what they themselves were willing to do, reports the Associated Press.

Part of the problem in the 'exchange rate' determination comes from the tension between bound ceiling limits for tariffs and subsidies versus the actual duties levied and payments doled out.

Bound rates have been the traditional goalposts in WTO negotiations. Thus, EU and US demands for developing countries to slash their industrial tariff caps enough to force down applied duty rates on a substantial proportion of goods have been controversial. Years of autonomous tariff liberalisation have left India and Brazil with applied tariffs on many products low enough that they would only be 'bitten into' by deep percentage cuts to their bound ceiling rates – percentage cuts that substantially exceed those that the EU and the US have offered.

Moreover, neither Brussels nor Washington has offered to cap trade-distorting farm subsidies at levels that go substantially beyond already-planned reform. The lowest figure for the potential cap on US trade-distorting farm subsidy payments in the draft agriculture text is \$13 billion – some \$2 billion above Washington's estimated spending last year.

'Discussion paper' creates stir

Earlier this week, a stir was created in the negotiations by press reports of a potential Indian 'discussion paper' calling for a coefficient of 5 for developing countries, and a sliding scale of between 24 to 33 for developing countries, with lower coefficients accompanied by the freedom to shield a higher share of manufactured imports from tariff cuts. The figures would require both rich and poor countries to roughly halve their respective bound average tariff rates of 5.9 percent and 28.5 percent, the paper estimated.

At the bottom end of the scale, the paper envisioned allowing developing countries to subject 15 percent of tariff lines (covering a similar proportion of import value) to only half the standard tariff reduction, or to exclude 7.5 percent of lines from cuts altogether (covering up to 7.5 percent of imports). These flexibilities would go further than the corresponding 10 and 5 percent figures outlined in Stephenson's paper. At the opposite end, developing countries completely foregoing the use of these flexibilities would be permitted to apply a coefficient of 33.

However, sources say that the paper was little more than a preliminary attempt to conceptualise a sliding scale, as well as a hierarchy under which developed countries would have to cut tariffs more than the 30 or so developing nations who would apply the formula, who would in turn reduce tariffs by a greater margin than small and vulnerable economies.

It is not clear whether the NAMA-11 group, of which India is a member (as are Brazil, Argentina, and South Africa), will come forward with any new proposals for the formula and flexibilities. The group has maintained that rich country farm reform will serve as the benchmark for industrial goods liberalisation.

Regional blocs intersecting with Doha

Meanwhile, consultations on preference erosion saw four members of the Central American Free Trade Agreement (CAFTA) ask for ten tariff lines, covering clothing and textiles, to be considered in any response. The value of their duty-free access to the US market stands to be eroded by multilateral liberalisation. Sources report that a number of countries, including Thailand, Pakistan, and CAFTA member Costa Rica, expressed opposition to the idea, arguing that the mandate was supposed to address one-way trade preferences, not reciprocal market access resulting from free trade agreements.

A new sticking point in the NAMA negotiations has emerged in the shape of the potential effect of Doha Round industrial tariff cuts on developing country customs unions. South Africa, for instance, shares a customs union with four neighbours not required to

apply the tariff reduction formula. They would be disproportionately affected by a Doha-driven cut in the bloc's common external tariff.

Furthermore, members of a customs union must come up with a common list of products to shield from liberalisation, or else their common tariff would fall apart. In order to adequately address their various sensitive manufacturing sectors, Brazil and Argentina want to be permitted a longer list, although the *Estado de Sao Paulo* newspaper reports that their Mercosur partners Paraguay and Uruguay are not especially enthusiastic about the idea. The same newspaper quoted Brazilian WTO Ambassador Clodoaldo Huguene as saying that if Brazil were forced to choose between the Doha Round and the stability of Mercosur, it would have to opt for the latter.

However, one negotiator in Geneva suggested that although the Southern African Customs Union might merit special consideration, Mercosur's requests have met a cool response, in part because it is not a notified customs union at the WTO (and thus its members would be expected to calculate goods liberalisation commitments based on their national tariff structures).

A trade diplomat reported that Stephenson's separate consultations on addressing non-tariff barriers had been "more constructive." A majority of delegations seemed to be coalescing around the notion of creating a 'horizontal mechanism' to mediate quickly bilateral disagreements over non-tariff barriers that affect trade in goods. Questions remain about the scope of the mechanism – for instance, whether it could also apply to agricultural trade – as well as its relationship to the WTO dispute settlement system.

Negotiators expect NAMA Chair Stephenson to issue a revised draft agreement text in conjunction with a revised agriculture text. New Zealand Ambassador Crawford Falconer, who chairs the farm trade talks, is now expected to present Members with a revised potential deal in late November.

ICTSD reporting; "Trade talks through shadow over India, Brazil, South Africa meeting," 17 October 2007; "Developing powers mull softer stance in WTO talks," REUTERS, 17 October 2007; "Brasil diz na OMC que, pelo bloco Mercosul, abre mão de Doha," O ESTADO DE SAO PAULO, 9 October 2007.

WTO PANEL: US HAS FAILED TO COMPLY WITH COTTON RULING IN DISPUTE WITH BRAZIL

A WTO dispute panel has determined that the US failed to bring its cotton subsidy programmes fully into compliance with an earlier ruling, potentially opening the door to billions of dollars worth of sanctions from Brazil.

The panel's final report, released confidentially to the US and Brazil on 15 October, confirmed its interim findings from July, a senior Brazilian official told the Associated Press (see BRIDGES Weekly, 1 August 2007, <http://www.ictsd.org/weekly/07-08-01/wtoinbrief.htm>). The report will be made public at a later date.

The panel was examining the US' compliance with a 2004 WTO ruling against a range of its subsidy and credit programmes for cotton growers and exporters. 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>).

Since the ruling, Washington has abolished some export credit schemes, as well as the 'step 2' programme that paid US cotton mills and exporters the difference between American cotton prices and world benchmark rates. It argued that this was sufficient to bring its policy into line with the WTO decision.

Brazil disagreed, prompting the creation of the current 'compliance panel' in autumn 2006 (see BRIDGES Weekly, 4 October 2006, <http://www.ictsd.org/weekly/06-10-04/story4.htm>). It said that not only did the 'step 2' repeal come over ten months after the deadline specified in the ruling, the US had taken "no measures whatsoever" to scrap its programmes on marketing loans and countercyclical payments, which rise when world prices fall. Brazil also said that US subsidies were depressing the world price for cotton and increasing the US' share in the world market for the commodity, thus contravening WTO subsidy rules.

A US trade official 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 continue to believe that payments and export credit guarantees under our programs are now fully consistent with our WTO obligations," said the official. "We are studying the report closely." Washington is expected to appeal the ruling.

Brazil has sought the right to impose annual sanctions totalling up to \$4 billion on the US. Furthermore, it 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. Brasilia may lower the total amount since the US has stopped some of the subsidy payments. Bloomberg reports that Brazilian Agriculture Minister Reinhold Stephanes, speaking in Brussels, suggested that Brazil may even elect not to implement penalties against the US at all, settling instead for a "moral" victory. He cited the difficulty of adopting such measures against the world's largest economy.

"The US must act immediately to reform its trade distorting cotton subsidies" to preserve its credibility in international trade and avoid damage to the multilateral trading system, said international advocacy organisation Oxfam in response to the panel's decision. "This ruling reinforces the need for reductions in US cotton subsidies in both the context of the Doha Round and the 2007 farm bill," said Isabel Mazzei, head of Oxfam's Geneva office. The group also criticised the proposed new farm bill, which is still being negotiated in the US Congress, for ignoring the WTO ruling and even going back on previous reforms.

The US National Cotton Council, which represents the industry, called the compliance panel's ruling "disappointing," noting that world cotton prices had increased.

US cotton payments have been a controversial issue in the troubled Doha Round trade talks, with a group of four West African countries (Benin, Burkina Faso, Chad, and Mali) pushing for deep subsidy cuts, citing harm to their cotton growers from depressed prices.

A draft agreement put forward in July by the chair of the agriculture negotiations called for cotton subsidies to be cut by over 80 percent – more than those for other products. At the time, the US' lead agriculture negotiator described the proposed provisions as "not acceptable."

ICTSD reporting; "WTO Rules Against US Cotton Subsidies," ASSOCIATED PRESS, 15 October 2007; "US loses cotton subsidies fight," BBC NEWS, 15 October 2007; "Brazil May Avoid Punishing U.S. Over Cotton Aid, Stephanes Says," BLOOMBERG, 16 October 2007.

IN BRIEF

EU, SOUTH KOREA RESUME FTA TALKS

South Korea and the EU started their fourth round of free trade agreement (FTA) talks this week in Seoul, with differences primarily on auto trade and the extent and speed of tariff cuts.

The EU has been urging Seoul to make concessions on goods trade comparable to those in the FTA it signed with the US earlier this year (see BRIDGES Weekly, 4 April 2007, <http://www.ictsd.org/weekly/07-04-04/story1.htm>). Though local press reports suggest that both sides are using that accord as a sort of guideline for the negotiations, South Korean negotiators have been quick to assert that any agreement with the EU will be distinct from the US FTA due to very different trade volumes, structures and sensitivities.

Auto market liberalisation has been at the heart of the current negotiations. "The key to success will be how to broaden mutual understanding about differences over tariff concessions on goods, especially autos," South Korea's chief negotiator Kim Han-Soo said. Tariffs aside, automotive standards have been another sticking point in the talks. South Korean companies sold 74,000 cars in the EU market last year, but only 15,000 vehicles went in the opposite direction.

More broadly, the EU has proposed phasing out all tariffs on imports from South Korea over the next seven years, with tariffs on 80 percent of total trade volume removed within the next three years. But South Korea has only offered Brussels a 68-percent decrease over the next three years, with special exceptions for pork and dairy products. EU negotiators are unhappy with this proposal, which is lower than what Seoul agreed to with the US.

The US-South Korean FTA is set to eliminate tariffs on 94 percent of total trade volume over the next three years, but has yet to be ratified by both nations' legislatures.

Further differences at the negotiations centred on goods produced at the Kaesong industrial complex in North Korea, albeit with South Korean financing. Seoul would like those goods to be covered by the prospective deal with the EU.

Both parties are hopeful that a deal can be brokered by the end of the year.

ICTSD reporting; "S. Korea, EU resume free trade talks," AGENCE FRANCE PRESSE, 15 October 2007; "Fourth round of S. Korea-EU FTA talks opens in Seoul," THE HANKYOREH, 16 October 2007.

UNCTAD'S INVESTMENT REPORT POINTS TO FDI BOOM, HIGHLIGHTS EXTRACTIVE INDUSTRY

The United Nations Conference on Trade and Development (UNCTAD) reports that foreign direct investment (FDI) flows worldwide have increased substantially in the past year, approaching the peak levels seen in 2000, marked by a rise in South-South investment, especially in extractive industries.

Released on 16 October, the 2007 World Investment Report released noted that the high investment levels were at least partly due to the wave of mergers and acquisitions (M&As).

FDI inflows to developed countries increased by 45 percent since 2005, totaling \$857 billion; those to developing countries rose by 21 percent, hitting a new high of \$379 billion. Inward FDI growth was particularly steep in Africa and West Asia. Transition economies saw FDI inflows grow by 68 percent, totalling \$69 billion. Developed countries FDI recipients were led by the US, UK, and France. China, Hong Kong and Singapore led the developing countries, while Russia was top among the transition economies.

UNCTAD found that developing countries are emerging as a major source of FDI, led by large transnational companies (TNCs).

Soaring commodity prices, especially those for metals, oil, and natural gas, have led to a boom in FDI in the extractive industries. FDI flows to resource-rich countries, notably in Africa, have grown. Many of the TNCs involved in FDI are based in or owned by developing country governments, with China and India especially active in searching abroad for resources to fuel their rapidly growing economies.

UNCTAD cautioned that TNC investment in the extractive industry can be a double-edged sword. Such FDI can create some jobs, improve infrastructure (electricity, running water, ports and transportation systems) necessary for extraction. It can also have negative social, political, and environmental impacts. The report recommends the use of product-sharing agreements (PSAs), which allow foreign TNCs to extract resources, but also allow governments to collect revenue that can be reinvested in domestic institutions and policy goals.

Overall, the report predicts that FDI inflows and outflows will continue to rise across the board in all areas and geographic regions, though the increases are expected to be more moderate in 2007. UNCTAD's World Investment Prospects Survey of TNCs identified East, South, and South-East Asia (especially China and India) as the most attractive locations for FDI.

The report is available online at <http://www.unctad.org/Templates/WebFlyer.asp?intlItemID=4361&lang=1>.

ICTSD reporting.

WTO IN BRIEF

CHINA FACING SCRUTINY ON MULTIPLE FRONTS AT WTO

China continues to come under heavy scrutiny from its trading partners at the WTO.

The US on 11 October announced that it had requested the creation of a WTO dispute panel to examine its allegations that China's restrictions on the importation and distribution of copyright-protected goods such as books, journals, music, and movies contravened multilateral trade rules.

Specifically, Washington claims that Beijing's requirement that such goods be imported by state-approved or state-run companies discriminates against US distributors, violating WTO goods and services rules, as well as its own WTO accession commitments. It argues that by slowing the access of legitimately produced foreign books and movies, the restrictions encourage counterfeiting.

China can block the US' request for a panel, but will be unable to do so a second time.

Meanwhile, the US, the EU, and Japan called into question China's compliance with some of its market access commitments during a review of Beijing's implementation of its WTO obligations. China had to agree to such reviews as part of the price of its accession the global trade body.

At a 15 October meeting of the Committee on Market Access, the three leading industrialised powers drew particular attention to some Chinese export restrictions.

For example, the EU asked China to justify export limits on coke and certain non-ferrous metals, and to explain potential future limits on high-polluting steel industry products, including pig iron and steel scrap.

The US did the same for China's export quotas on raw materials including coke, silicon, tin, and zinc, saying the limits "significantly disadvantage" foreign producers reliant on the raw materials. Specifically, Washington expressed concern that the export limits had been imposed with "no comparable restrictions on domestic sales." Japan expressed similar concerns, suggesting that in light of Beijing's justification of the policy on "resource protection, environmental protection, and trade surplus reduction grounds," a failure to impose domestic restraint measures would leave China in violation of WTO rules on export restrictions.

The EU criticised joint venture requirements in China's auto and petrochemical sectors. Japan suggested that Chinese tariffs on some photographic products exceeded its WTO limits.

Sources report that the delegations repeated the acrimonious exchange typical of these reviews: the EU, Japan, and the US expressed dissatisfaction with China's answers, and China complained that some of the questions were inappropriate and even unrelated to its commitments or the WTO's mandate.

ICTSD reporting.

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.

Coming Up: 18-24 October

18 October, Geneva, Switzerland. BRUNDTLAND REPORT + 20, ECOLOMICS INTERNATIONAL + 5: QUO VADIS SUSTAINABLE DEVELOPMENT?. The Roundtable is organised by the Trade and Environment Research Group (T&ERG), Faculty of Law and EcoLomics International, Geneva. This Roundtable will take stock of the impact of the widely disseminated and translated publication of the Brundtland Report Our Common Future, first released 20 years ago. At the same time, the meeting will allow participants to discuss

the more focused concept EcoLomics, which designates the ecology-economics interface. The meeting will seek to enrich the debate on the opportunities and challenges of the sustainable development concept in today's legal, political, environmental and socio-economic context. Internet: http://www.ecolomics-international.org/affil_progr_brundtland_plus_20_and_ecolomics_plus_5.pdf

18-19 October, Bangkok, Thailand. HIGH-LEVEL POLICY SEMINAR ON STRENGTHENING ASEAN INTEGRATION: REGIONAL PLAYERS AND ENTERPRISE REGIONALISATION. The objective of the seminar is to discuss issues crucial to ASEAN-based firms considering regional or international expansion. The seminar will provide an opportunity for the ASEAN public and private sectors and the civil society to share experiences on enterprise regionalisation and identify policy options for enterprises to go regional. Internet: <http://www.unctad.org/Templates/Meeting.asp?intItemID=2068&lang=1&m=14456&year=2007&month=10>

18-19 October, The Hague, the Netherlands. THE FOOD ECONOMY: GLOBAL ISSUES AND CHALLENGES. This conference, organised by the OECD Directorate of Trade and Agriculture and the Dutch Government, will address the policy and research agenda of the future food supply chain, and will consider globalisation's future effect on the food economy, the main elements of future food policy, and how governments and private actors operate to determine product standards. Internet: http://www.oecd.org/document/29/0,3343,en_2649_34487_38924381_1_1_1_1,00.html

20-22 October, Washington, D.C., USA. 2007 ANNUAL MEETING OF THE WORLD BANK GROUP AND THE INTERNATIONAL MONETARY FUND. The Boards of Governors of the International Monetary Fund (Fund) and World Bank Group (Bank) normally meet once a year in the autumn for a two-day plenary session to discuss the work of their respective institutions. The Annual Meetings are preceded by the ministerial-level meetings of the International Monetary and Financial Committee (IMFC), the IMF's policy-guiding body, and the Development Committee, a joint IMF-World Bank forum. Internet: <http://www.imf.org/external/am/2007/index.htm>

21-25 October, Amman, Jordan. TRAINING WORKSHOP ON WTO ACCESSION ISSUES FOR IRAQ. In the context of its assistance to countries in the process of accession to the WTO, UNCTAD will organise a training workshop on WTO accession-related issues for Iraqi trade officials. UNCTAD will assist these government officials in the drafting of

accession-related documents and the identification of national priorities in the negotiations. Internet: <http://www.unctad.org/Templates/Meeting.asp?intltemlD=2068&lang=1&m=14417&year=2007&month=10>

23 October, Geneva, Switzerland. SYMPOSIUM ON TRADE RULES, REGULATIONS AND STANDARDS: DIFFERENT LEVELS OF RULEMAKING AND THEIR IMPACT. Organised by the UN Economic Commission for Europe, this symposium will discuss the different levels of rulemaking governing the production and exchange of products and services. "Levels of rulemaking" refers to both the substance of rulemaking, as in the differences between standards, rules and regulations, and the national, regional and international coverage. The symposium will address how the interaction between these levels can encourage or hinder economic growth and development. Internet: http://www.unece.org/trade/ct/ct_2007/symposium-programme.pdf

23-24 October, UN Headquarters, New York, USA. HIGH-LEVEL DIALOGUE ON FINANCING FOR DEVELOPMENT. Pursuant to the UN General Assembly resolution 61/191 of 20 December 2006, a 2007 High-level Dialogue on Financing for Development will be held following the modalities used in the 2005 High-level Dialogue. Internet: <http://www.un.org/esa/ffd/>

23-25 October, Taipei, Chinese Taipei. TRADE AND AGRICULTURE POLICY REFORM. This workshop is organised by the Council of Agriculture and the OECD Trade and Agriculture Directorate. Internet: http://www.oecd.org/document/49/0,2340,en_2649_34487_32618737_1_1_1_1,00.html

WTO Events

An updated list of forthcoming WTO meetings is posted at: 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.

18 October: CUSTOMS VALUATION COMMITTEE.

18 October: LEAST-DEVELOPED COUNTRIES SUB-COMMITTEE. 18-19 October: SANITARY AND PHYTOSANITARY MEASURES COMMITTEE.

19 October: TRADE POLICY REVIEW—PERU.

19 October: TECHNOLOGY TRANSFER WORKING GROUP.

22 October: COMMITTEE ON ANTI-DUMPING PRACTICES—INFORMAL GROUP ON ANTI-CIRCUMVENTION

22 October: COMMITTEE ON ANTI-DUMPING PRACTICES—WORKING GROUP ON IMPLEMENTATION.

22-23 October: COMMITTEE ON ANTI-DUMPING PRACTICES.

22 October: DISPUTE SETTLEMENT BODY.

23-24 October: COUNCIL FOR TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS.

24 October: COMMITTEE ON SAFEGUARDS.

Other Upcoming Events

UNEP CIVIL SOCIETY REGIONAL CONSULTATION MEETING. This meeting is one of six meetings to be held in the six UNEP regions, in preparation for the annual Global Civil Society Forum (GCSF) and Governing Council / Global Ministerial Environment Forum (GC/GMEF). In line with the subjects that will be discussed at the 10th Special Session of the GC/GMEF, the Regional Consultation Meeting will include sessions on Globalisation and the Environment: Mobilising Finance to meet the Climate Challenge and on the 4th Global Environment Outlook. Participants will also be invited to discuss options for "Enhancing Major Groups Participation at UNEP's Governance Level." Regional locations and dates: 25-26 October, Seoul, Republic of Korea; 31 October-2 November, Geneva, Switzerland; 1-2 November, Washington DC, USA; 11-13 November, Manama, Bahrain. Internet: http://www.unep.org/civil_society/GCSF/index.asp

RESOURCES

ECONOMIC DEVELOPMENT IN AFRICA: RECLAIMING POLICY SPACE: DOMESTIC RESOURCE MOBILIZATION AND DEVELOPMENT STATES. By the UN Centre for Trade and Development (UNCTAD), 26 September 2007. The objective of this year's report is to examine the potential of African countries to increase their total domestic financial resource envelope in order to reduce dependence on official development assistance (ODA) and diversify their development resources. A complementary objective of the report is to examine how to channel

these resources to productive investments in order to increase their efficiency. Internet: <http://www.unctad.org/Templates/webflyer.asp?docid=8996&intlItemID=2068&lang=1>

REFORM OF WORLD BANK GOVERNANCE STRUCTURES. By South Centre, October 2007. This Analytical Note discusses potential governance reforms in the World Bank's governance structures, with an understanding that some reforms become more or less imperative depending on the direction of the discussions around the long-term strategic direction of the Bank. It concludes that reforms in the governance structures of the World Bank and other global governance institutions are needed if they are to be better able to reflect and respond to the development needs and priorities of developing countries. Internet: http://www.southcentre.org/publications/AnalyticalNotes/GlobalEconomicGov/2007Sep_Reform_of_World_Bank_governance_structures.pdf

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