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LEAD STORIES

AG CHAIR PREPARING TO REVISE TEXT, AS LAMY SAYS 'HOUR OF TRUTH RAPIDLY APPROACHING'

The chair of the troubled Doha Round agriculture talks has given Member governments until 2 November to iron out their differences. After that, he will put together a detailed new potential draft deal for make-or-break final negotiations, guessing where consensus might lie on issues for which negotiators fail to point the way to compromise.

"We're moving incrementally in the right direction, albeit three years later than we should have," New Zealand Ambassador Crawford Falconer told delegations on 19 October, reporting on the week's consultations with a representative group of 36 countries.

This incremental (but nonetheless rare) progress has been the product of intensive discussions since early September. On the most crucial issues in the negotiations, however – future caps on farm subsidy spending, for instance – governments remain deadlocked, leaving Falconer with a great deal of guesswork.

With time running out for a deal – it is widely believed that a breakthrough is needed before the end of the year for the Doha Round to have a chance of being saved from a potentially indefinite hiatus – Falconer defended his decision to cut consultations short. Not only were negotiators largely repeating their positions, he told them "there's no point in saying you've got seven weeks because you'll take 23."

The chair was not being unkind. When the Doha Round talks were launched in late 2001, the deadline for agreeing on formulae and figures for cutting agricultural subsidies and tariffs – what governments are trying to do now – was March 2003. The entire round was originally supposed to be wrapped up by the end of 2004.

Falconer emphasised that he would allow discussions to continue past 2 November if negotiators started to

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make meaningful new concessions. Some developing countries – Cuba, Paraguay, the Philippines and Venezuela – had asked for the chair's consultations to continue an additional week or two. They suggested that fewer delegations were likely to find themselves shut out from Falconer's 36-Member 'Room E' consultations than from a potential ministerial-level meet to hammer out an accord on the most controversial issues in the talks.

The new draft that Falconer is to issue will revise the potential agreement he presented to Members in July. In particular, it is expected to flesh out the specific parameters for a number of issues that were not dealt with in great detail in the earlier text. These include future provisions for the 'special products' that developing countries will be able to shield from the full force of tariff reduction, and the 'special safeguard mechanism' to help them protect vulnerable farmers from import surges. These issues have been contentious, pitting exporters eager for more market access such as the US and Malaysia against countries wary about major displacement in their agricultural sectors.

Falconer pointed out to Members that when revising his text, there were two options for dealing with issues on which they remain far apart: for them to come up with compromises on their own, or for him to guess what an acceptable agreement might look like. In the event of the latter, he warned, it was probable that half of his guesses would be wrong.

Unless Members found the text to be at least tolerable, extremely fraught negotiations would ensue. "The prospect of imminent death will focus your minds wonderfully," he told negotiators, expressing hope that they would finally be motivated to find common ground.

Common ground was in very short supply, said one official, expressing concern that Falconer would have to essentially draft the new text on his own, with no help from Members, and that the text could contain significant ambiguities even when sent to ministers.

Another delegate noted that Falconer risked ending up in the same situation as the chair of the industrial goods negotiations, whose July draft text met a frosty response from many developing countries, bringing those talks to a near-standstill. Although the New Zealander's initial paper had not raised virulent opposition, the official said that extreme care would be necessary to strike a balance on issues such as the special safeguard mechanism, on which there was no agreement whatsoever. "He has to be very careful not to sink the paper," the source noted.

Geneva-based trade diplomats draw a distinction between the 'political' questions that can only be resolved at the ministerial level – subsidy spending caps, say – and lesser (though often related) issues that they can clarify themselves. The ongoing talks 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.

Even on the technical issues, negotiators say progress has been modest indeed, with the principal advance simply to bring differences into more precise relief. For instance, although Members have more or less agreed to use domestic consumption as a basis for calculating import quota expansion for the 'sensitive' agricultural commodities eligible for lower-than-normal tariff cuts, they disagree on the methodology used to determine consumption levels. The EU and other reluctant importers want to be able to pinpoint protection on very specific products, and not use up their allotment of sensitive products on others – something which exporters predictably oppose. Falconer told Members that he would have to determine the matter himself if they failed to sort out their differences.

After a pause in the agriculture talks this week, Falconer is planning to resume consultations for a final week between 29 October and 2 November. Negotiators expect him to circulate his draft text some time after the middle of next month. It will be accompanied by a linked draft deal on industrial goods, as well as draft documents for further negotiations on rules and services.

Lamy: "hour of truth" is fast approaching

In theory, if Members seem to have an agreement within reach, ministers could be summoned to Geneva to finalise a deal in December.

Is this likely? Many Geneva-based trade negotiators are pessimistic. Divisions remain wide, notably on how deeply developing countries like Argentina, India, and South Africa should have to cut their industrial tariffs in return for the agricultural reforms the US and the EU deem acceptable.

Brazilian WTO Ambassador Clodoaldo Huguene this week told Agence France Presse that "the situation is currently extremely dangerous." Brazil is one of a group of many developing nations complaining that the industrial goods draft text would require them to cut tariffs more deeply than rich countries. "If the [new] texts are unbalanced, there will be a risk of failure, and this will be a definitive failure," Huguene warned.

Nevertheless, WTO Director-General Pascal Lamy insists that a development-friendly Doha deal remains

"doable." He told an International Monetary Fund (IMF) meeting on 20 October that "very encouraging progress" had been made. However, he warned that "the hour of truth is very rapidly approaching," and that the "next few weeks" would probably represent governments' "last chance to move this round to a successful conclusion."

Also at the World Bank-IMF summit in Washington, African finance ministers called for a "speedy conclusion" to the Doha Round, with "deep cuts in agricultural subsidies and tariffs by advanced economies... [and] reduced non-agricultural tariffs by all countries."

Even if negotiators reach a deal by the end of the year, it is not clear that the deeply unpopular George W. Bush administration will be able to win approval for it -- in an election year to boot -- from a hostile Congress in which both parties appear increasingly uncomfortable about economic globalisation. After that, the US campaign in 2008, followed by Indian elections in 2009, are widely expected to put the Doha Round on ice indefinitely.

In any event, sources report that delegations are engaged in informal talks on a near-continuous basis, often with the participation of senior capital-based officials. They say that the intensity and seriousness of the discussions is unprecedented in this round. Tactical positioning continues, with governments repeatedly stressing their commitment to reaching an agreement, hinting that they will make the necessary concessions if only their trading partners to the same. What remains to be seen is whether the positioning is preparation for the Doha Round end-game, or the blame game.

ICTSD reporting; "Brazil warns WTO talks in 'extremely dangerous' phase," AGENCE FRANCE PRESSE, 23 October 2007; "WTO's Lamy says Doha deal possible, time is short," REUTERS, 20 October 2007; "Doha Round negotiators face 'last chance' to salvage talks: Lamy," AGENCE FRANCE PRESSE, 20 October 2007; "Africa calls for 'speedy conclusion' of Doha trade talks," PANAFRICAN NEWS AGENCY, 21 October 2007.

EUROPEAN PARLIAMENT RATIFIES TRIPS AMENDMENT

The European Parliament on 24 October endorsed an amendment to WTO intellectual property rules aimed at easing poor countries' access to essential medicines, after the EU's 27 member governments promised to help developing nations manufacture and import affordable drugs.

Legislators from across the political spectrum had thrice postponed voting on the amendment, pending additional pledges of monetary and political support for developing country public health programmes from EU member states and the European Commission (see BRIDGES Weekly, 18 July 2007, <http://www.ictsd.org/weekly/07-07-18/story3.htm>).

Council statement enables passage

MEPs' assent was finally secured when the Portuguese presidency of the EU Council, which represents all member governments, read out a statement in a plenary session of parliament committing to several of their demands. The parliament had earlier received similar guarantees from the Commission, officials said.

Alexandra Heumber, a Brussels-based access to medicines campaigner for Médecins Sans Frontières (MSF), said she was pleased with the outcome, though cautioned that the Council's statement "needs to be put into practice."

Following months of wrangling, the parliamentary vote clears the way for EU member states to ratify the amendment to the WTO Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS) agreed by the global trade body in December 2005.

The TRIPS amendment would make permanent a procedure established in 2003, which spells out the conditions under which it is legal for WTO Members to issue compulsory licences for the production and export of cheap generic copies of patented medicines to poor countries unable to manufacture them.

Council reaffirms TRIPS flexibilities

The Portuguese presidency's statement declared that EU members "support the use of the so-called flexibilities built into the TRIPS Agreement" -- and reaffirmed in the 2001 Doha Declaration on TRIPS and Public Health -- for poor countries "to be able to provide essential medicines at affordable prices under their domestic public health programmes."

It added that "the European Union is not asking, and does not foresee asking, to negotiate pharmaceutical-related provisions (sometimes referred to as TRIPS + provisions), affecting public health and access to medicines," either in its ongoing economic partnership agreement (EPA) negotiations with the African, Caribbean, and Pacific countries, or in future accords with "poor developing countries and LDCs."

A pledge not to oppose developing country governments that use WTO flexibilities in order to produce or import generics for public health purposes

had been one of MEPs' key demands. Earlier this year, the European Commission had publicly questioned the appropriateness of compulsory licences issued by Thailand for two HIV/AIDS drugs and one heart disease treatment, even though the WTO-legality of Bangkok's decision was hardly contested.

However, the Council's specification of "poor" developing countries could conceivably exclude nations such as Thailand and China, which the World Bank classifies as 'lower-middle-income economies,' or Brazil and South Africa, which are 'upper-middle-income economies'.

Notably, the Portuguese presidency's statement recognised that the TRIPS amendment "represents just a part of the solution to the problem of access to medicines and public health." "We look favourably upon initiatives encouraging the transfer of technology, research, capacity strengthening, regional supply systems and help with registration, in order to facilitate and increase the production of pharmaceutical products by the developing countries themselves," it added, also alluding to budgetary support. MEPs had argued that such complementary measures would have to accompany the amendment if it were to promote public health.

While the European Parliament's international trade committee had initially hoped for a joint declaration with the Council emphasising the EU's commitment to the use of TRIPS flexibilities, it settled for the Portuguese presidency's statement, which may ultimately be submitted in writing. MEPs voted heavily in favour of the amendment, although some Communists and Greens abstained because they wanted a more formal declaration.

The successful extraction of additional promises from member states was seen as a step forward for the parliament, which has often played second fiddle to the Council and the Commission in setting the direction of EU policy.

Erika Mann, trade spokesperson for the Socialist Group, described the compromise as "an historic victory and an extraordinary advance for the European Parliament." "For the first time, the [parliament] has managed to secure tangible results from the Council of ministers in an area regarded by the member states as their exclusive reserve," she added.

MSF pleased, but cautious

MSF's Heumber also suggested that the back and forth over the TRIPS amendment marked "really the first time that the European Parliament took such a strong position, negotiating with the Council and the

Commission" to push pro-public health policies. She said that it had forced the EU to engage in a broader debate on access to medicine.

However, Heumber noted that the EU had made similar statements in the past, and that the proof of its sincerity would lie in the health-related policies it pursues henceforth. She said that one potential test of Brussels' latest promises would be for it to provide "strong political support" to the World Health Organization's Intergovernmental Working Group on Public Health, Innovation and Intellectual Property (IGWG).

This WHO committee is in the process of developing a new plan aimed at galvanising innovation that targets health problems that predominantly affect poor countries. Health activists say that these problems are poorly served by the patent-based innovation model, since research and development costs cannot practicably be recouped from high drug prices. Some see the IGWG's deliberations as an opportunity to consider alternatives to the patent system, for example prize funds, as a means of encouraging and rewarding pharmaceutical innovation. Heumber observed that de-linking research and development costs from drug prices for diseases that disproportionately affect developing countries would obviate at least some of the potential for tension over compulsory licences and patent rights.

TRIPS Council extends amendment deadline

In a related development in Geneva, WTO Members on 23 October agreed to push back the deadline for ratifying the TRIPS amendment by two years, to the end of 2009. As per the original agreement in 2005, the amendment needs to be ratified by two-thirds of the WTO Membership – some 100-odd countries – in order to enter into force on schedule this December. Thus far, however, only 11 Members have done so. If all of the EU's member states ratify, the total would rise to 38.

Rwanda and Canada are currently in the process of trying to use WTO procedures identical to those in the potential TRIPS amendment in order to allow a Canadian company to export generic copies of a patented HIV/AIDS drug to the African country (see BRIDGES Weekly, 10 October 2007, <http://www.ictsd.org/weekly/07-10-10/story4.htm>).

ICTSD reporting.

NAMA TALKS REMAIN DIVIDED, WITH TIME RUNNING OUT

WTO Members are showing few signs of narrowing their differences on manufacturing tariff cuts, the chair

of the contentious talks said on 22 October, warning that the Doha Round would fail if they could not reach an agreement by the end of the year.

Canadian Ambassador Don Stephenson, who chairs the negotiations on non-agricultural market access, told a meeting of all Member delegations that his recent consultations with them had yielded little input for how he might revise the terms for a potential agreement he had set out in July.

He nevertheless intends to issue a revised text in mid-November, in conjunction with a revised agriculture draft agreement from the chair of that negotiating committee. This leaves negotiators only a few weeks to try to influence its contents.

One trade diplomat observed that Stephenson was in a difficult position. His July text was criticised by several developing countries including Brazil, India, and South Africa, which charged it was too demanding of developing countries, too easy on industrialised nations, and out of all proportion to the farm subsidy reform provided for in the related draft agriculture deal. Yet, since then, no one had clearly given ground.

The official explained that unlike the agriculture negotiations, in which dozens of 'blanks' still had to be filled in before countries could assess how they would be affected by the draft deal, the NAMA talks had far fewer moving parts. "Nothing is missing" in the text, the source said, "the problem is that what is there isn't conducive to consensus."

"What is there" in Stephenson's July text is a 'Swiss formula' coefficient of 8-9 for industrialised countries and one between 19 and 23 for developing countries. Coefficients essentially become Members' future ceiling duty, and serve as the basis for across-the-board tariff cuts.

Earlier this month, however, developing countries accounting for over half of the WTO's Membership, including Argentina, Brazil, India, and South Africa, formally argued that they should not be required to cut their bound manufacturing tariff rates more deeply than industrialised nations. This demand sits uneasily with the terms of Stephenson's text, which at their very strictest would cut dutiable bound rates in the EU and the US by an average of roughly 40 percent, but slash Brazil and India's (substantially higher) bound tariffs by at least 50 to 60 percent.

Sources say that while some of the countries resisting deeper industrial tariff cuts might be offering what they deem is fair in return for the farm reforms proffered by the US and the EU, others have real constraints in their

manufacturing sectors that may be constraining them from going further.

Stephenson told delegations that in his consultations, developing countries were seeking a coefficient below 8 or 9 for industrialised nations. He said that Canada had suggested that it could accept a coefficient of 5.

A coefficient of 5 would begin to slash the US and the EU's bound tariffs by margins comparable to those set out for Brazil and India in Stephenson's paper. It would make a relatively minor difference to the low duties that the industrialised giants currently levy on most manufactures: a 2 percent duty, for instance, would be cut to 1.4 percent, representing a 60-cent difference on a \$100 product. However, a coefficient of 5 would entail sharp – and thus unpopular – cuts to the 'tariff peaks' on the handful of industrial goods on which rich countries still maintain a high level of protection. Several of these protected industries are politically influential, and manufacture the same products, such as textiles and t-shirts, that developing countries export efficiently.

Stephenson told Members that some developing countries were seeking additional 'flexibilities' to shield manufacturing products from the full force of tariff reduction. For instance, Brazil and Argentina recently surprised many countries by arguing that they needed extra flexibilities in order to preserve the integrity of the Mercosur customs union (see BRIDGES Weekly, 17 October 2007, <http://www.ictsd.org/weekly/07-10-17/story3.htm>). Some other developing countries, the chair said, appeared content to accept the terms set out in the July text, under which they would be allowed to subject 10 percent of tariff lines to only half of the reduction demanded by the formula (albeit limited to a tenth of total manufacturing imports), or to exclude 5 percent of tariff from cuts altogether (but restricted to only 5 percent of imports).

Stephenson warned delegations of potentially dire consequences if they sent too many unresolved issues to a 'green room' meeting of selected ministers and senior officials convened to examine the revised texts. High-pressure ministerial meetings in the Doha Round talks have collapsed before, notably in Potsdam in June this year, and in Geneva in July 2006. Stephenson said that he would continue to meet with delegations bilaterally, since they seemed to be more forthcoming about their bottom lines in these 'confessionals'.

As things stand right now, the NAMA chair will be obliged to guess where consensus might lie on core issues in the talks when preparing his revised text – including the potentially explosive figures for coefficients and flexibilities.

Negotiators expect to receive the NAMA text at the same time as a revised agriculture deal, some time in mid-November. New draft documents on rules and services are also expected to provide guidelines for further talks at some point around then. Negotiators say that the potential content of a services text remains to be determined – for instance, whether it would have a date for revised offers, or call for a ‘signalling conference’ at which significant players in the negotiations would provide an indication of future market opening. However, countries seem to appreciate more broadly that certain Members need to show vocal domestic services industries some sort of tangible progress, delegates indicated.

One source reported that agriculture Chair Ambassador Crawford Falconer said that a services text might be inappropriate at the same time as draft deals on farm and manufactures trade. The official suggested that the different negotiating group chairs would likely coordinate with each other about the order in which to present Members with their respective sections of a potential basis for finalising the Doha Round.

ICTSD reporting.

OTHER STORIES

FISHERIES NEGOTIATING TEXT DUE SOON, SAYS CHAIR

The chair of the Doha Round negotiations on rules governing fisheries subsidy spending has said that he is ready to issue a draft agreement text to serve as the basis for future discussions, though this would depend to some extent on the agriculture and industrial goods talks.

Chair Ambassador Guillermo Valles Games (Uruguay) closed four days of meetings on 18 October by saying that Members’ discussions on each others’ proposals were starting to yield “diminishing returns,” and that a text would be necessary in order to move the negotiations forward.

He acknowledged that the negotiations on rules – which cover fisheries subsidies as well as anti-dumping and industrial subsidies -- were not “operating in a vacuum,” and would be linked to the evolution of other key issues, notably agriculture and non-agricultural market access (NAMA). Revised versions of the agriculture and NAMA draft texts issued in July by the negotiating committee chairs are now expected sometime in mid-November, officials suggest.

Valles Games had said in late September that he would not issue a rules text before the agriculture and industrial goods draft deals were available. Sources say that he now suggested that the rules group should not wait too long to move its work forward.

Government payments to fishing fleets have been blamed for encouraging overfishing, thus contributing to the dramatic depletion of global marine fish stocks. Some claim that creating strong rules to restrict fisheries subsidy spending could be the Doha Round’s single greatest contribution to the environment.

Several delegates have complained that the level of ambition in the fisheries discussions has been waning. They also say that the mood is increasingly pessimistic, particularly following meetings last week, which focused primarily on an Indonesian proposal for fisheries subsidy rules that many called confused, unhelpful, and overly complex.

The principal cleavage in the negotiations is between advocates of a ‘top-down’ general prohibition on fisheries subsidy payments with negotiated exceptions, and countries that want a ‘bottom-up’ ban only on specific kinds of subsidies.

Indonesian revision generates opposition

Indonesia claimed that its paper (TN/RL/GEN/150/Rev.2) represented a “solid middle ground” between the two approaches. The new proposal was a revised version of a paper that delegates had strongly criticised in September (see BRIDGES Weekly, 3 October 2007, <http://www.ictsd.org/weekly/07-10-03/story4.htm>).

The current version reinserts a more extensive subsidy prohibition – absent from the paper’s previous incarnation – banning payments to support the construction of fishing vessels or to offset their operating costs. Indonesia told Bridges that the latest paper received a warmer reception because of this wider prohibition.

Even so, support was limited and came mostly from the Japanese delegation. During last week’s talks, Japan said that the Indonesian paper represented a compromise between members’ positions and thus could be the basis for further discussion. Japan, Korea, and Taiwan have been the most vocal opponents of a top-down blanket ban on fisheries subsidy payments, in opposition to a far larger group of countries including the US, New Zealand, Chile, Argentina, Brazil, and Australia.

In addition to the prohibitions, the Indonesian proposal spelled out detailed procedures for determining whether

subsidies were causing injury to fisheries resources for the purposes of introducing countervailing duties. It also included a provision allowing subsidies for small fishermen from developing countries and permitting their exemption from fisheries resource management programmes.

For many delegates, the special and differential treatment component in the Indonesian proposal remained too loose. Switzerland, Canada, and the EU in particular expressed concern about too many exemptions for developing countries. India thought the notification requirements the paper called for were too burdensome. New Zealand and Malaysia said that they would rather see a broad-based prohibition than Indonesia's lists of actionable and non-actionable subsidies.

Korea and Taiwan, on the other hand, complained that the proposed rules were too restrictive. They said that assistance to support operating costs – such as fuel, bait, and ice – should not be prohibited unless they directly harm marine resources. They added that subsidies for small fishermen should not be limited to developing countries.

Generally, while delegates expressed polite appreciation for Indonesia's work, they said that its proposals – which some told Bridges had floundered “from one end of the spectrum to the other” – underlined the need for a text that will establish a platform for more focused, constructive negotiations.

Argentina revises proposal

Argentina introduced a revised version of a paper on special and differential treatment (S&DT) for developing countries it initially released with Brazil in early September, adding a second article focused on ‘adverse effects’ to fisheries.

The earlier joint proposal called for permitting subsidies for developing countries that could demonstrate that their fisheries production was too small to significantly deplete fish stocks. The new version now includes a provision that would oblige developing countries that apply S&DT exceptions to take into account any adverse effects on fish stocks. Under this stipulation, developing countries are allowed to provide subsidies in order to increase their fishing capacity, but not above the maximum sustainable yield – the highest catch that can be taken from a fish stock over an indefinite period. The text would thus require all developing countries to apply some sort of national fisheries management system.

The Argentinean delegation presented the new paper as an informal room document rather than a formal

submission, due to time limitations. The proposal was not debated at the recent meeting; discussions on it were limited to private consultations among delegations.

The crystal ball epoch

Sources report that the next step in the negotiations will be Valles Games' view on the talks, though exactly what his negotiating draft will look like remains somewhat of a mystery. As in other areas of the Doha Round talks, with Members far from consensus on crucial issues, the chair will have to exercise his own judgement about what might prove broadly acceptable – what one delegate described as “crystal ball stuff.” Though negotiators all expect provisions on certain issues, such as S&DT, how these will be constructed is anyone's guess, they say.

They may not have to wait for too long to find out: Valles Games said that he would likely issue the text in time for delegates to discuss it at the next meeting of the Negotiating Group on Rules, tentatively scheduled for the week of 3 December. Sources say that the Uruguayan ambassador emphasised that his text was not intended to be a near-finalised deal, but a tool to encourage more focused, result-oriented work – not the end of the road, but the beginning.

ICTSD reporting.

AG NEGOTIATORS HAGGLE OVER BASE PERIODS FOR GREEN BOX PAYMENTS

The mediator of the struggling Doha Round farm trade talks says that Members are at long last moving forward, albeit incrementally. However, the movement has been on ‘technical’ issues rather than the big ‘political’ questions, such as subsidy spending caps, which negotiators say can only be resolved at the ministerial level.

Even on these technical issues, officials indicate that progress has been modest, serving principally to make clearer the obstacles to agreement.

For example, the Cairns Group of farm exporters and the G-20 developing countries continue to disagree with some heavy subsidisers on the rules governing the ‘base period’ for calculating three types of direct payments to farmers: decoupled income support payments, regional development assistance, and investment aid to help disadvantaged farmers restructure operations. Such payments fall into the ‘green box’ for subsidies that cause not more than minimal trade distortion.

The G-20 and the Cairns Group want payments to be based on income or production levels during a “fixed and unchanging” base period. They are concerned that the existing stipulation for periods to be “defined and fixed” has allowed countries to periodically update base periods – notably the US in its 2002 farm bill -- thus encouraging farmers to increase production in expectation of future payouts. Negotiations Chair Ambassador Crawford Falconer (New Zealand) used the phrasing they proposed in his July draft text.

Countries' positions in the debate have unsurprisingly reflected their current payment schemes. The EU, for instance, is believed to be particularly concerned about the proposed changes' ramifications for its ongoing attempts to shift farm payments into the green box under its 2003 Common Agricultural Policy reform. Restrictions on investment aid and regional assistance programmes could affect this. The EU also expects to increase its use of decoupled income support; it has called for clear rules for ‘newcomers’ to initiate green box subsidy programmes, echoing comments made by some developing countries.

The US was reportedly less vocal in the recent consultations on the green box, though delegates said it was unclear whether this indicated a softened stance, or whether Washington was merely content to hide behind the objections voiced by the EU and the G-10 countries (which have heavily protected farm sectors).

The US and the EU both expressed opposition to the chair's proposal to allow base periods for decoupled income support to be exceptionally updated only if they did not lead to increased payments to producers, sources say. Falconer told negotiators that, even if exceptional updates were eventually permitted, payments would still have to conform to the basic requirement to cause no more than minimal trade distortion.

Some Cairns Group countries argued that the subsidisers' concerns arose from a misunderstanding of the issue. For instance, they emphasised that prohibiting base period updates would not affect eligibility for regional assistance programmes, but only the relationship between payments and production volumes. Sources say that Canada had sought to bridge differences by suggesting that genuinely new programmes would not be covered by the restrictions, but it remained unclear what this would mean in practice.

A different potential amendment to green box provisions in Falconer's draft text drew concern from the EU as well as Argentina - an extremely competitive exporter and Cairns Group member. Both said that the chair's suggested change to rules for government

disaster relief payments under crop insurance schemes could actually lower the bar for support to qualify for the green box. Under existing rules, such payments only qualify if losses resulting from a disaster exceed 30 percent of average production over some or all of the preceding five years. Falconer's text would change the period against which losses would be measured to one “demonstrated to be actuarially appropriate,” a modification which the EU and Argentina reportedly believe could open the door to increased payments.

Members also debated a G-20 proposal to allow developing countries to exempt food security-related stockholding purchases from counting towards their spending entitlements for trade-distorting ‘amber box’ support, when this food is purchased from poor farmers. Developing countries are allowed to place public food stockholding in the green box, so long as the difference between the price they pay and world market rates is classified as amber box spending. China, India and Indonesia in particular make significant use of domestic stockholding. However, several developed countries opposed the notion of exempting any price premium for domestic purchases from the amber box, arguing that it would effectively allow trade-distorting price support into the green box. The chair has proposed a compromise solution, requiring the support to be categorised as ‘de minimis’ - still trade-distorting (and thus not exempt from reduction), but affording developing countries a greater measure of flexibility than the amber box.

Well concealed behind the arcane rules that govern them is the fact that green box payments account for the bulk of farm spending in Japan and the US, and a substantial proportion in the EU – dwarfing by far the amounts of trade-distorting subsidies that have been such a bone of contention in the Doha Round negotiations. Although much green box spending goes to environmental protection or programmes such as the US' food stamps for poor people, several developing countries have questioned whether billions of dollars in direct payments to farmers can truly fail to affect trade or production. The G-20 and Cairns Group have long sought tighter rules on these payments to ensure that they are non-distorting.

Falconer has given Member governments until 2 November to iron out their differences in consultations. He is expected to issue a revised draft text for final-stage negotiations in mid-November. He has warned negotiators that he will be compelled to guess where agreement might lie on issues where they fail to approach consensus. With regard to the green box, at least, some delegates suggested that in the absence of any real convergence, provisions resembling those in the chair's current draft text may prevail.

ICTSD reporting.

WTO IN BRIEF

EGYPTIAN ANTI-DUMPING PROPOSAL UNDER FIRE BECAUSE OF 'ZEROING'

An Egyptian proposal to reform WTO rules for anti-dumping investigations has raised the ire of several countries, which argue that it would open the door to legalising a controversial duty calculation practice known as 'zeroing'.

The WTO allows Member governments to place extra duties on goods exported at a price lower than what they command in their home market. However, before they can do so, government authorities in the importing country need to prove that the goods in question are indeed being 'dumped'. They also need to calculate the 'dumping margin' (the gap between home market and export prices), and show that the dumped goods are injuring the competing domestic industry.

Currently, the WTO anti-dumping agreement requires government authorities that suspect dumping to compare home market costs and export prices either in terms of weighted averages, or on a 'transaction-to-transaction' basis.

Egypt's proposal (TN/RL/GEN/152), dated 5 October, effectively called for modifying WTO rules to explicitly allow some export transactions to be ignored when carrying out these calculations, so that average home market costs can be compared to only a subset of export-import transactions. It said that this would be responsive to situations where only certain "product types" are dumped, or are dumped especially severely. It would also respond to "targeted dumping" limited to certain purchasers or geographical areas, Egypt claimed.

Referring to itself as "a relatively new user of the anti-dumping instrument," Egypt said that it would benefit from clarified rules.

During last week's session of the Negotiating Group on Rules, sources report that delegates from countries including Canada, Chile, China, Korea, Japan, India, Israel, Malaysia, Switzerland, Taiwan and Thailand expressed opposition to the Egyptian paper, arguing that it would legalise 'zeroing'. This refers to a controversial methodology used by the US to calculate dumping margins, in which government trade

authorities simply ignore ('zero out') instances where prices are lower in the US than in the export market, and only consider comparisons where the 'dumping margins' are positive.

Critics say that 'zeroing' allows Washington to impose higher anti-dumping duties than might otherwise have been possible, and point to repeated WTO rulings against the practice (see BRIDGES Weekly, 3 October 2007, <http://www.ictsd.org/weekly/07-10-03/story5.htm>). The US, on the other hand, wants zeroing to be effectively legalised (TN/RL/GEN/147). Australia said that zeroing could be permitted under certain circumstances.

Chair Ambassador Guillermo Valles Games (Uruguay) said he would likely present Members with a draft negotiating text by early December.

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: 25-31 October

26 October, Manila, Philippines. **INEQUALITY AND GROWTH**. The seminar will provide updated cross-country evidence on the relationship between income inequality and economic performance in the context of globalization. The presence of an inverse-U-shaped relationship, the Kuznets curve, between income inequality and GDP per capital has been found across many countries and over time. Yet the Kuznets curve fails to explain much of the variation in income inequality. In terms of the impact of income inequality on GDP growth rates, existing theories provide little clear empirical predictions on the overall relationship. In fact, there is some evidence that inequality is bad for growth in poor countries and good for growth in rich countries. Internet:

<http://www.adb.org/Documents/Events/2007/Inequality-Growth/default.asp>

26-28 October, Waterloo, Ontario, Canada. **CONFERENCE ON INTERNATIONAL GOVERNANCE INNOVATION**. The Centre for International Governance

Innovation is hosting a conference, dubbed "The Moment of Truth," that will explore issues related to energy and the role of international governance institutions in addressing environmental sustainability. Internet: <http://www.cigi07.org/>

29 October, Geneva, Switzerland. FINANCIAL REPORTING AND TRANSPARENCY IN THE EXTRACTIVE INDUSTRIES. The workshop will include updates on recent technical developments in the areas of International Financial Reporting Standards and International Standards on Auditing, the importance of revenue from extractive industries for many developing countries, explore the broader policy dimensions of revenue transparency, address technical accounting issues related to improving the comparability of financial reporting in the extractive industries and discuss possible courses of action for promoting comparability in financial reporting and transparency in extractive industries. Internet: <http://www.unctad.org/Templates/Meeting.asp?intItemID=2068&lang=1&m=14387&year=2007&month=10>

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.

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

24 October: COMMITTEE ON SAFEGUARDS.

25 October: RULES OF ORIGIN COMMITTEE

25 October: SUBSIDIES AND COUNTERVAILING MEASURES COMMITTEE

26 October: CAPE VERDE: MEMBERSHIP NEGOTIATION (ACCESSION WORKING PARTY).

26 October: COMMITTEE ON SUBSIDIES AND COUNTERVAILING MEASURES

Other Upcoming Events

19-20 November, London, UK. SCALING UP RENEWABLES: FINANCE, POLICY AND MARKET GROWTH. In the context of recent agreements at EU level and record levels of renewable energy investment,

this conference will create an opportunity for policymakers, investors and financiers to examine perspectives on market trends and political drivers, as well as exploring how the sector may be scaled up still further. Internet: www.chathamhouse.org.uk/renewables.

RESOURCES

PROCESS MATTERS: SUSTAINABLE DEVELOPMENT AND DOMESTIC TRADE TRANSPARENCY. Edited by Mark Halle and Robert Wolfe. International Institute for Sustainable Development, 2007. Broad public education and focused solicitation of information from economic actors contribute to a trade policy that will be both legitimate and effective. This book contributes to a growing literature on the national trade policy process. Does an open and transparent process alter the way a government perceives the public interest? Or is trade policy still dominated by whoever has the ear of government? These questions are addressed in case studies of Canada, Norway, the Netherlands, Brazil, India and South Africa. The authors assess the policy process both in terms of transparency and of opportunities for meaningful participation by stakeholders ranging from export-oriented commercial organizations to rejectionist NGOs. The book also illuminates how the policy process can contribute to sustainable development by ensuring that the needs of growth, the environment and social cohesion are all considered. If trade policy is made in the light of day, then there is a chance that it will not merely serve the interests of a narrow elite. Available online at http://www.iisd.org/pdf/2007/process_matters.pdf.

FOOD MILES OR POVERTY ERADICATION: THE MORAL DUTY TO EAT AFRICAN STRAWBERRIES AT CHRISTMAS. By Benito Müller. Oxford Institute for Energy Studies & Oxford Climate Policy, October 2007. This article looks at the recent controversy about discouraging consumers particularly in the UK from buying produce of least developed countries because of their 'food miles', i.e. the transport carbon emissions (especially from air freight), and the effect that such an environmental consumer boycott has on the efforts to eradicate poverty in these countries. He proposes a solution to the dilemma which offers a 'double development dividend', not only in terms of clean exports, but also in promoting much needed Clean Development Mechanism (CDM) activities in these poorest and most vulnerable countries. Internet: <http://www.oxfordclimatepolicy.org/publications/mueller.html>

AT THE CROSSROADS: THE WORLD TRADING SYSTEM AND THE DOHA ROUND. By Stefan Grillier.

European Community Studies Association of Austria Publication Series, Vol 8. This book discusses both fundamental problems of world trade law, like its position in the system of public international law or problems of legitimacy and democratic control, and some of the more practical items on the agenda: Does the “Doha-Development-Round” really foster development? Is it possible to reconcile intellectual property protection with the health protection for the poor? Renowned international lawyers and economists discuss these and other problems, providing some new answers a lot of food for thought. Internet: <http://www.springer.com/dal/home/springerwiennewyork/law?SGWID=1-40636-22-52106666-detailsPage=ppmmedia|toc>

MANDATORY DISCLOSURE OF THE SOURCE AND ORIGIN OF BIOLOGICAL RESOURCES AND ASSOCIATED TRADITIONAL KNOWLEDGE UNDER THE TRIPS AGREEMENT. South Centre, October 2007. The discussion on TRIPS and CBD in the WTO demonstrates the growing convergence on content, scope, relevance and effectiveness of an international mandatory obligation on disclosure of source and country providing biological resources and traditional knowledge. Remaining divergences focus on the substantive and procedural functions of the disclosure requirement and in particular, the legal consequences on the processing, granting and validity of a patent. Internet: <http://www.southcentre.org/info/policybrief/11Mandatory%20Disclosure.pdf>

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