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LEAD STORIES

DOHA ROUND NEGOTIATIONS 'FULLY' RESUME;
LAMY SEES FAVOURABLE CONDITIONS FOR DEAL
BUSH ADMINISTRATION TABLES FARM BILL
PROPOSALS; TRADING PARTNERS DISSATISFIED
AMIDST INCREASED FOCUS, SERVICES TALKS TO
INTENSIFY 6

OTHER STORIES

US FILES WTO CASE AGAINST CHINESE
INDUSTRIAL SUBSIDIES 7

LANDMARK CLIMATE REPORT ISSUES STRONG
WARNING ON GLOBAL WARMING 8

IN BRIEF

FAO CALLS FOR MAJOR CHANGES TO FOOD AID
SYSTEM 9

WTO IN BRIEF

INTERIM INFORMAL DISCUSSIONS ON TRADE
FACILITATION PICKING UP MOMENTUM 9

US CONCEDES DEFEAT IN SHRIMP ANTI-DUMPING
DISPUTE WITH ECUADOR 10

GENERAL COUNCIL APPOINTS COMMITTEE CHAIRS
FOR 2007 10

EVENTS & RESOURCES

EVENTS 11
RESOURCES 12

LEAD STORIES

DOHA ROUND NEGOTIATIONS 'FULLY' RESUME; LAMY SEES FAVOURABLE CONDITIONS FOR DEAL

Six months after the Doha Round talks broke down in acrimony, trade diplomats have restarted negotiations in another push for a deal. "I am pleased to be able to report some positive news," WTO Director-General Pascal Lamy told Member delegations on 7 February. "We have resumed our negotiations fully across the board."

"Political conditions are now more favourable for the conclusion of the Round than they have been for a long time," Lamy told a session of the General Council, the WTO's highest permanent decision-making body. "Political leaders around the world clearly want us to get fully back to business," he added, referring to his recent discussions with top government officials, most notably in Davos in late January (see BRIDGES Weekly, 31 January 2007, <http://www.ictsd.org/weekly/07-01-31/story1.htm>).

The multilateral trade talks have been suspended since talks between six key Members broke down last July, primarily over deep divisions on farm trade. Officials in Geneva have continued to meet informally since then, particularly after Lamy gave the green light to a 'soft' relaunch of discussions in November (see BRIDGES Weekly, 22 November 2006, <http://www.ictsd.org/weekly/06-11-22/story1.htm>). With the full-scale resumption of talks, the negotiating bodies focusing on each of the areas in the Doha Round will once again start to meet regularly, under the leadership of their respective chairs.

The WTO chief drew particular attention to the 'mini-ministerial' gathering in Davos, where representatives from close to 30 governments demonstrated "a renewed commitment on all sides to put the Doha Round back on track." In addition to expressing support for resuming negotiations, he said that all of the ministers present "declared that flexibilities were available within their mandates." When the negotiations were frozen last year, Lamy said that they would remain

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on ice until governments came forward with specific new concessions, especially on agriculture.

Bilateral meetings necessary, but so is transparency

Members have not come forward with new formal offers of deeper tariff or subsidy cuts, hints at flexibility notwithstanding.

Now, instead of focusing on 'headline' percentage figures for overall tariff and subsidy cuts, negotiators from several countries have been attempting to flesh out details about the various product-specific exemptions and rules that will determine the potential extent to which market access will grow and subsidy spending be restrained. The resulting knowledge about how their principal concerns stand to be affected would, at least in theory, allow Members to determine tolerable outcomes, and then "reverse engineer" the outlines of an overall accord. However, sources report that broad differences persist even in these talks.

Nevertheless, Lamy acknowledged these quiet bilateral and plurilateral discussions, describing their search for "possible areas of convergence" as a "vital input" at the current stage in the negotiations. He also stressed the need for transparency vis-à-vis other Members, and the centrality of the multilateral process in which all delegations participate.

Exactly a week before, during a speech to an informal heads of delegation gathering in which he first recommended resuming across-the-board negotiations, he stressed that Members needed more clarity were the various bilateral discussions were "going, both in terms of substance and of process, especially timing."

At that meeting, Lamy nodded to the progress that had been made in the informal technical talks, saying that he had "detected the start of a new discussion" on the relationship between the [overall trade-distorting domestic support] number and the product-specific elements." He added that Members were "taking a slightly broader view" of the links between the farm tariff cutting formula and the associated ability to shield some products from reduction. Lamy also emphasised that the services negotiations must "not lag behind agriculture and NAMA [non-agricultural market access]." (see related article, this issue)

No deadlines, but urgency obvious

"In my view we should not attempt to set ourselves any false deadlines," Lamy told the General Council. "We are all very much aware of the urgency of the task ahead, but it is also important to reach a substantive outcome which is acceptable to everyone."

Although Members have missed deadlines more frequently than not since the Doha Round was launched over five years ago, sources report that negotiators are taking the current 'window of opportunity' to make progress seriously.

The 'window' arises from the end-June expiry of the US presidential administration's mandate to negotiate trade agreements and submit them to Congress for a yes-or-no-vote without the possibility of amendment. US President George W. Bush indicated last week that he would ask Congress to extend this 'trade promotion authority.' It is believed that a breakthrough in the negotiations would help convince Congress to agree, which would in turn greatly simplify the process of finalising any eventual Doha Round deal.

Members broadly welcome resumption

Many delegations intervened to welcome the resumption of talks and stress the need to translate the various statements of political support into concrete progress in the talks.

Barbados sounded a note of caution about the 'reverse engineering' process, saying that developing countries had never asked for it. It suggested that the approach risked adding complexities to the negotiations at an inappropriate juncture, and that it might not address development concerns appropriately. The US said that it was aware of need to multilateralise the outcome of bilateral and plurilateral discussions, and stressed that it remained available to meet informally with other delegations.

Some Members commented on the Bush administration's recently-unveiled proposals for future farm spending. Along with the debate on trade promotion authority, negotiators are closely watching to see how Congress will write the next farm bill. Sources report that Australia said on behalf of the Cairns Group that it would closely examine the Bush administration's proposals, since the farm exporters' ultimate objective is to remove all forms of trade-distorting support. The G-20 said that the proposed reforms did not go far enough (see recent story, this issue).

Talks are now getting underway in each of the Doha Round negotiating groups. Agriculture negotiations Chair Ambassador Crawford Falconer (New Zealand) has called an informal meeting of all Member delegations for 9 February. Sources report that the chair of the NAMA talks was planning to convene a gathering of a small group of ambassadors, modelled after Falconer's 'fireside chats', in order to help determine how to proceed. The services chair met with Members last week, and has scheduled a new round of discussions starting from 26 February.

Lamy, for his part, has repeatedly urged Members to address all of the issues on the negotiating table in a constructive manner, "in the full, and shared conviction that this deal is doable."

The head of the WTO also announced that a high level meeting on cotton would be held in Geneva on 15-16 March.

ICTSD reporting.

BUSH ADMINISTRATION TABLES FARM BILL PROPOSALS; TRADING PARTNERS DISSATISFIED

Several of the US' top trading partners have expressed dissatisfaction with the Bush administration's proposed reforms for future agricultural subsidy spending, unveiled on 31 January. They had hoped for a clearer signal from Washington that it wanted to move towards reducing trade-distorting farm subsidies, a key issue in the Doha Round trade talks. Although the administration has said that the plan would reduce farm payments by some USD 17.5 billion over the next five years, most of the savings are simply the result of higher commodity prices.

The reforms, which include changes to practices that have come under fire at the WTO as well as an end to handouts for the wealthiest farmers, have received praise as a step in the direction of reducing overproduction and trade distortions. However, even though other governments say that they do not go far enough, some farm groups have complained that the changes would already cut too deep, and insist that they will not find favour in Congress. The administration intends for its proposal to form the basis of the legislation that Congress will create to replace the current 2002 farm bill, which is set to expire in September.

Rich country farm subsidies have been at the heart of the deadlock in the multilateral trade negotiations. The eventual shape of the new farm bill will affect Washington's ability to offer domestically sellable subsidy reduction in the talks, but could be overridden by subsequent laws implementing cuts agreed to as part of a potential Doha Round accord. The EU, Brazil, India, and others have been insisting that the US must lower the ceiling on its trade-distorting support well below the USD 22.5 billion cap that it has already offered. Washington insists that they would have to agree to accept substantially more agricultural imports before it puts further subsidy reduction on the table.

Even if the US is unable to negotiate subsidy cuts in exchange for concessions from other countries as part of a successful Doha agreement, its farm payments will be under pressure: Canada has initiated a WTO dispute against US corn and other agricultural subsidies, arguing that they violate multilateral trade rules and illegally distort prices (see BRIDGES Weekly, 17 January 2007, <http://www.ictsd.org/weekly/07-01-17/story2.htm>).

Insulating US from WTO challenges key aim

Indeed, insulating US policy from further disputes was one of the administration's central objectives. In his introduction to the 183-page document setting out the proposals, US Agriculture Secretary Mike Johanns said that he wanted to make farm spending "more equitable, predictable and better able to withstand challenge."

Brazil has successfully sued US cotton subsidies at the WTO, winning a landmark ruling in 2005 (see BRIDGES Weekly, 9 March 2005, <http://www.ictsd.org/weekly/05-03-09/story1.htm>).

Johanns has long warned that support programmes under the current farm bill would be vulnerable to further such challenges unless reformed. In contrast, many farm groups – as well as influential members of Congress – would like to see the generous subsidies in the 2002 farm bill extended.

Some crucial US subsidy programmes are based on price supports for the 'programme commodities' such as corn, wheat, cotton, rice, and soybeans that receive more than 90 percent of total payments. This policy aims at supporting farmers' incomes: for instance, if the price floor for corn is USD 5 per bushel, but the market price is USD 2 per bushel, the government will pay farmers the difference, irrespective of the cost of production. This gives them an incentive to produce more, thus distorting both production and trade. The most trade-distorting subsidies currently permitted under WTO rules are placed in what is called the 'amber box', where they face both strict limits and the steepest cuts under a potential Doha accord.

The administration's proposed changes sought to make some of these 'trade-distorting subsidies' less so. Price floors for specific commodities under the 'marketing assistance loan' scheme are set to change from fixed levels to 85 percent of the average market price over the preceding five years (excluding the highest and lowest year). This programme provides farmers subsidies that compensate for the gap between the market price and the price floor; they simply forfeit the commodities grown to the government if they cannot repay the loans. According to the US department of agriculture, "this change minimises market distorting and encourages farmers to plant crops based on

market prices instead of the level of subsidy payment.” Critics claim that the change will in reality not be very significant.

Also targeted by the proposed changes are Washington’s current price-based ‘countercyclical payments,’ which rise when world prices fall. The administration has suggested replacing the price-based payments, which reward farmers for heavy production, with revenue-based grants that would kick in when national revenue per acre for a commodity falls below a target level. However, the target revenue per acre for different commodities would still be linked to the 2002 farm bill’s target prices, leading some to question the real extent of the reform. Currently, countercyclical payments are classified as ‘blue box’ subsidies, thought to be less trade-distorting than ‘amber box’ ones, and thus facing milder cuts. Preserving the ability to maintain countercyclical payments has been a major US objective in the Doha Round subsidy negotiations.

Aspects of the countercyclical payments were ruled illegal in Brazil’s cotton case. The rice lobby has complained that the administration’s proposed reforms to countercyclical payments and marketing loans would weaken the “viable safety net” provided to farmers by the current legislation.

In any event, higher prices for most commodities mean that subsidy payments would have been set to fall even without the changes. This is what allowed the administration to project that the new proposals would cost USD 10 billion less than what was spent under the current farm bill. The rest of the savings are accounted for by the additional USD 7.5 billion in ‘ad hoc disaster aid’ that was allotted to US farmers over the past five years.

The administration seeks to remove planting limitations. In the cotton case, the WTO ruled that certain ‘direct payments’ not targeted at any specific crop nonetheless fell within the amber box of trade-distorting capped payments -- precisely because some ‘specialty’ non-programme crops such as fruits and vegetables were not eligible for them. Since this limitation could influence planting decisions, the payments were deemed ineligible for classification as ‘green box’ support that distorts neither production nor trade, and is exempt from either limits or cuts.

In a direct nod to the threat of WTO litigation, the farm bill proposal called for reforming certain export credit guarantee programmes “to bring them into compliance with the findings of the World Trade Organization dispute resolution panel in the Brazil cotton case.”

US domestic laws that enforce existing multilateral trade rules allow the agriculture secretary to adjust

expenditures under certain farm subsidy programmes (peanuts, sugar, and dairy) to ensure that Washington does not exceed its allowable limit on trade-distorting domestic support at the WTO. The administration’s proposal would extend the agriculture secretary’s authority to modify spending to cover all payments that could count as ‘amber box’ support – in addition to expanding it to cover commitments under future WTO agreements, including a potential Doha Round deal.

Cotton subsidies likely to remain high

Even if Congress were to accept these reforms, the administration acknowledged that US cotton subsidies – the focus of Brazil’s WTO victory and the subject of special attention in the Doha Round talks – are likely to remain high, due mainly to low prices and high yields.

“While program crop prices are generally expected to remain firm or increase over the next few years, upland cotton is an exception,” the document stated. “The combination of increases in upland cotton yields per acre and declining US upland cotton textile production is expected to limit price gains and result in substantial cotton program expenditures, compared to other commodities.”

New money for ‘specialty crops’, conservation, biofuels

Producers of fruits, vegetables, and other so-called ‘specialty crops’ have traditionally received virtually no government assistance, even though the crops they grow are now worth more than the heavily-subsidised – but politically influential – programme commodities. The administration proposes USD 5 billion in new spending over the next ten years on fruit and vegetable producers, including support for research and a programme to boost purchases of such produce by schools.

The proposal also called for USD 7.8 billion in new spending on conservation schemes, including expanded protection for wetlands and water quality. Such measures appear to fall into the ‘green box,’ since they do not directly affect production or trade.

In keeping with its new focus on reducing gasoline use by replacing it with biofuels, the administration seeks to earmark USD 1.6 billion in new funding for renewable energy research, development and production. USD 500 million each would be invested in bioenergy research and renewable energy systems for farmers and rural small businesses. USD 210 million would be used to support USD 2.1 billion in guaranteed loans for cellulosic ethanol projects (see BRIDGES Weekly, 31 January 2007, <http://www.ictsd.org/weekly/07-01-31/story4.htm>).

The proposal would also dedicate USD 400 million "to expand exports, fight trade barriers, and increase involvement in world trade standard-setting bodies."

Beefed up payments under other non-trade-distorting programmes mean that the proposed farm bill would actually spend USD 5 billion more than the existing one would if it were to be extended.

Subsidy cap proposed

Notably, the farm bill proposal called on Congress to agree to cut off subsidy payments to farmers or corporations who earn more than USD 200,000 per year after expenses. A related proposal would cap total payments to individual farmers at USD 360,000.

The administration pointed out that 97.7 percent of all US taxpayers earn less than USD 200,000, emphasizing that the cutoff would affect only 71,800 of the roughly 2 million tax filers who declared farm income in 2003. The current limit is USD 2.5 million, and comes with a sizable loophole for beneficiaries who derive more than three-quarters of their income from farming or related activities.

Nevertheless, the plan has drawn opposition from some farm groups. Mary Kay Thatcher, a lobbyist for the American Farm Bureau Federation, expressed "serious concerns" about the cutoff to the New York Times. She said that large-scale farming had become an economic necessity.

On the other hand, the Shelbyville, Tennessee-based Times-Gazette reported that local cattlemen were untroubled by the prospect of the change, since they were not going to be affected by it.

Whether the proposal can receive Congressional approval remains to be seen. EU member states have been unable to agree on a similar cutoff for subsidy payments.

Trading partners lukewarm

International relief and advocacy group Oxfam welcomed the administration's proposals as "a first step toward unlocking the paralysis in multilateral trade negotiations." However, the organisation cautioned that it was not yet clear whether the plan would reduce US exports of subsidised farm products even if it managed to win support in Congress.

"Although this proposal signals a shift away from trade-distorting subsidies towards more WTO-friendly farmer supports, much more needs to be done to align the Farm Bill with existing international trade rules," said Celine Charveriat, head of Oxfam's Make Trade Fair

campaign. "The devil is in the details, and at this point it is unclear how far these reforms would reduce the trade-distorting effects of the current subsidy system and allow the poorest farmers of the world to benefit from trade."

Oxfam also praised the administration's request to convert 25 percent of the food aid budget to cash in order to facilitate purchase from regional sources in beneficiary countries (funds from the US' principal food aid programme can currently only be used to buy US-grown food). It said that shipping food in from the US is not only inefficient, but can also destabilise local food production. In the Doha Round negotiations on food aid, the EU and other countries have urged Washington to switch to primarily cash-based assistance.

Reactions from some of the US' main trading partners were less optimistic. Canadian Agriculture Minister Chuck Strahl told the Globe and Mail newspaper that the Bush administration's plan deserved praise for trying to bring "more discipline" to farm spending, but that the USD 87 billion price tag remained unacceptably high.

"So far as Doha is concerned, it is not possible for us to form a clear view from this proposal of what the Administration's negotiating approach will be," noted the European Commission in a statement. It pointed out that if commodity prices start to decline, "trade distorting farm support would rise again under these proposals." However, Brussels acknowledged that "this is not the end of the story: further steps are not precluded by these initial proposals."

At a 7 February meeting of the WTO General Council in Geneva, the Brazilian delegation, on behalf of the G-20 group of developing countries, said that the US administration's proposals did not appear to restrain farm spending enough to meet the bloc's objectives. The G-20 would like to see subsidy expenditures cut to below current levels, accompanied by rules preventing payments from being concentrated on a handful of products. The group observed that this would not necessarily prevent the US from agreeing to deeper cuts as part of the ongoing negotiations, and subsequently modifying the new farm bill.

US officials have consistently maintained that its new farm legislation would "not be written at the WTO," and that further subsidy cuts would be possible based on what was on offer in the Doha Round talks. They say that the reform proposals were made with farm policy in mind, not the ongoing trade negotiations. Sources report that the US delegation made a similar point at the Geneva meeting.

Members of Congress – including Minnesota Democrat Collin Peterson, who chairs the powerful House agriculture committee where the farm bill will ultimately be written – have given the administration's proposal a cautious welcome. Peterson, who had made no secret of the fact that he would like the next farm bill to strongly resemble the existing one, said "it is better than what I thought it was going to be."

ICTSD reporting; "Give farm policy new direction," WISCONSIN STATE JOURNAL, 3 February 2007; "Farm bill proposals draw mixed responses," SHELBYVILLE TIMES-GAZETTE, 6 February 2007; "Agriculture Dept. Urges Big Overhaul in Farm Policy," NEW YORK TIMES, 1 February 2007; "Farm bill doesn't go far enough," LA TIMES, 4 February 2007; "'Less than meets the eye' in Bush's farm bill," FINANCIAL TIMES, 5 February 2007; "Brazil says US farm bill lacks punch for Doha," REUTERS, 3 February 2007.

AMIDST INCREASED FOCUS, SERVICES TALKS TO INTENSIFY

A two week-long 'informal' cluster of services meetings concluded on 2 February, with an informal session convened by negotiations Chair Ambassador Fernando de Mateo of Mexico (see BRIDGES Weekly, 24 January 2007, <http://www.ictsd.org/weekly/07-01-24/story2.htm>).

The discussions came at a time of increased focus on the services negotiations. In remarks to an informal heads-of-delegation meeting on 31 January, WTO Director-General Pascal underscored the need to ensure that the negotiations in the services sector "do not lag behind agriculture and NAMA [non-agricultural market access]."

The US and the EU had made precisely this point to Lamy in limited-attendance 'green room' consultations prior to the 27 January 'mini-ministerial' meeting in Davos where representatives from close to 30 leading Members called for intensifying the Doha Round negotiations. The two economic superpowers led other services demandeurs in emphasising the importance of substantial services liberalisation as an integral part of an overall market access package in the multilateral talks. In anticipation of the extent of work required in the event of a breakthrough in agriculture and NAMA negotiations, they called upon other Members to put more effort in fleshing out commitments in services trade.

However, one observer of the talks noted that the US and the EU did not appear to have given Members a clear idea of what would be entailed by the substantial

outcome they referred to. On the other hand, developing country demandeurs like Mexico and India were far more explicit in identifying the improved liberalisation commitments they seek as key ingredients to a services deal, specifically referring to the cross-border supply of services (mode 1 under the GATS), labour mobility (mode 4) and disciplines on domestic regulation. Some developing countries led by Argentina however cautioned against trying to move the services talks forward too quickly, without any indications about the parameters of a possible agreement on agriculture and NAMA.

At the 2 February informal meeting, which was open to all Member delegations, de Mateo announced his plan of holding 'high-level' substantive discussions involving ambassadors and deputies of key developed and developing countries in the next few weeks, with a view to establishing the possible contours of an eventual services package. These discussions are intended to lead to a 'high-level' meeting of the Council for Trade in Services - Special Session (CTS-SS), which will be the highlight of a 'mini-cluster' of services meetings the chair has scheduled for the week of 26 February. Some delegates expect that the process leading up to that meeting will provide a sense of direction on the timing for the submission of revised liberalisation offers, which Lamy has suggested would be helpful.

Unlike previous clusters, the 'mini-cluster' will focus primarily on the non-market access aspect of the negotiations, i.e., disciplines on domestic regulation and GATS rules relating to an emergency safeguard mechanism, subsidies disciplines and government procurement in services. There will also be an informal meeting dedicated to finding ways to effectively operationalise the modalities for the special treatment of least-developed countries (LDCs) in the services negotiations.

Some trade experts opine that this focus on the rules-based component of the negotiations is meant simply to appease those developing countries that have expressed concern about the increasing political momentum of the market access discussions. Nevertheless, they suggest that it is highly unlikely that the rules-based talks, with the exception of new disciplines on domestic regulation, will make progress, much less produce a new agreement, in the Doha Round.

While the mini-cluster is not intended to cater to request-and-offer negotiations on market access commitments, some delegates say that is almost certain that interest-specific 'friends groups' will hold informal meetings. Sources say that some of these groups have been meeting even outside scheduled clusters.

A more conventional two-week cluster of services meetings has also been scheduled for the second half of March.

ICTSD reporting.

OTHER STORIES

US FILES WTO CASE AGAINST CHINESE INDUSTRIAL SUBSIDIES

US Trade Representative Susan Schwab announced on 2 February that Washington has initiated WTO dispute settlement proceedings against China, alleging that a range of subsidy programmes illegally support the export of manufactured goods as well as discriminate against imports.

The US requested formal WTO consultations with China after bilateral talks on the issue failed. Beijing has made no comment other than to say that it was a 'pity' that the issue could not be resolved bilaterally. Consultations are the first step in WTO dispute procedures. If the two sides cannot resolve their differences within 60 days, the US would be free to seek the creation of a panel to adjudicate the matter.

Both domestic manufacturing groups and the Democratic-led Congress have been putting pressure on the Bush administration to take sterner action on trade with China. They blame unfair Chinese competition for industrial job losses and the US' yawning trade deficit.

Washington alleges that the nine Chinese government programmes in question use a series of tax refunds, reductions, and exemptions to subsidise exports by foreign investors in China and their Chinese business partners, and encourage the consumption of domestic equipment and other manufacturing inputs over imported equivalents.

According to the US trade representative's office, these programmes are available for all products made in China, but are particularly used for steel, computers, clothing, and other manufactured products. The partly foreign-owned companies that are eligible for these subsidies account for some 60 percent of Chinese manufactured exports. Chinese exporters who meet certain requirements are exempted from sales tax, it added.

The US claims that these programmes violate a number of prohibitions against export subsidies and import substitution subsidies laid out in the WTO Agreement

on Subsidies and Countervailing Measures (SCM). The WTO definition of a subsidy includes fiscal incentives such as tax credits.

"The United States believes that China uses its basic tax laws and other tools to encourage exports and to discriminate against imports of a variety of American manufactured goods," said US Trade Representative Schwab. "China's subsidies can particularly distort trade conditions for small- and medium-sized American enterprises and their workers," she added. Article 5 of the SCM Agreement prohibits the use of subsidies which cause "injury to the domestic industry of another Member."

A representative of the National Association of Manufacturers told a 31 January Senate hearing that "some of our members see prices of Chinese products so low – sometimes even lower than the cost of the raw materials – that it is difficult for them to see how they can compete." Other manufacturing groups have made similar complaints.

The US' trade deficit with China in 2006 was over USD 230 billion. Many US politicians argue that this is fueled in part by Chinese subsidies and a yuan-to-dollar exchange rate that Beijing keeps artificially low. China's exchange rate is not part of the new WTO challenge.

Several senators applauded the Bush administration for taking action against China for policies that were hurting US workers and manufacturers. Max Baucus, a Montana Democrat who chairs the Senate committee with jurisdiction over trade, remarked, "I hope that today's action is a signal that the US trade representative will take more vigorous action in the future when China, or any other country, fails to abide by trade agreements." The committee's top Republican, Iowa Senator Charles E. Grassley also praised the move. "American businesses and consumers stand to lose if we overreact. But when the case is clear, we need to take strong action. That's what we're doing today," he said, according to a report in the Washington Times.

Trade sources report that other major economies, including Japan and the EU, declined requests from the Bush administration to join the case.

If the US wins in a dispute settlement hearing, it would be allowed to impose retaliatory tariffs on Chinese products in an attempt to induce compliance. A Chinese victory would allow it to maintain its policies.

China has moved quickly to resolve past US complaints at the WTO. One, regarding a value-added tax on semiconductors, was resolved during the consultation phase. Another, over anti-dumping duties on US kraft

linerboard (used in the construction on cardboard boxes), was settled even before a formal complaint was filed.

The only US complaint against Beijing to reach the stage where a dispute panel was established, a joint challenge with the EU and Canada of China's tariff treatment of auto parts, is still in progress (see BRIDGES Weekly, 20 September 2006, <http://www.ictsd.org/weekly/06-09-20/wtoinbrief.htm>).

In related news, US Undersecretary of Commerce for International Trade Frank Levin said that Washington was also considering bringing a WTO case against China over the piracy of American goods.

ICTSD reporting; "United States files WTO case against China over prohibited subsidies," UNITED STATES TRADE REPRESENTATIVE NEWS, 2 February 2007; "US takes WTO action against China," MWC NEWS, 3 February 2007; "China calls WTO case of subsidies 'a pity'," REUTERS, 4 February 2007; "US starts legal action against China at WTO over subsidies," BLOOMBERG NEWS, 2 February 2007; "US taking China to WTO over subsidies," THE WASHINGTON TIMES, 3 February 2007; US steel, electronics may benefit from WTO case, " ASSOCIATED PRESS, 4 February 2007.

LANDMARK CLIMATE REPORT ISSUES STRONG WARNING ON GLOBAL WARMING

A group of the world's top climate scientists has issued its strongest ever warning that human activity is to blame for climate change, and that global temperatures and extreme weather phenomena will increase unless greenhouse gas emissions are substantially reduced.

In a report issued on 2 February, the Intergovernmental Panel on Climate Change (IPCC) – the scientific body examining global climate research – said that evidence for the "warming of the climate system is unequivocal," from rising sea levels to increased temperatures. The panel, which comprised 2500 scientists from more than 130 nations and representatives of 113 governments, said that it was more than 90 percent certain that global warming was caused by human activity. An earlier study in 2001 had only been able to peg the probability at somewhere above two-thirds. Climate scientists are now more confident about their ability to project future warming and weather patterns, the report said.

The IPCC's findings are regarded as the 'most authoritative science' on global warming. Entitled "Climate Change 2007: The Physical Science Basis,"

the report states that "most of the observed increase in globally averaged temperatures since the mid-20th century is very likely due to the observed increase in anthropogenic (human-generated) greenhouse gas concentrations." These levels are the highest seen in 650,000 years.

The report forecasts a probable temperature rise between 1.8-4C by 2100, though this could vary from 1.1C to 6.4C. The 2001 report forecasted a more limited range, between 1.4 and 5.8C. It projects a rise in sea levels of between 18 and 59 cm this century, the disappearance of Arctic summer sea-ice in the second half of the century, an increase in heatwaves and in the intensity of tropical storms, and increased desertification.

Rajendra Pachauri, the IPCC chair, noted that as the report was discussed and debated by governments and the final content based on consensus, it had the stamp of acceptance by all governments. This provided credibility to what he termed a 'massive scientific undertaking.'

Sharon Hays, associate director of the White House Office of Science & Technology Policy, called the report "a comprehensive and accurate reflection of the current state of climate change science." She added that US President George W. Bush had "put in place a comprehensive set of policies to address what he has called the 'serious challenge' of climate change" and that the current set of policies were working (see BRIDGES Weekly, 31 January 2007, <http://www.ictsd.org/weekly/07-01-31/story4.htm>). The US is the world's leading emitter of greenhouse gases, responsible for about a quarter of the global total. However, it has not put in place binding requirements to reduce emissions, whether through the Kyoto Protocol or under domestic law.

"We are on the verge of the irreversible," said French President Jacques Chirac. David Milliband, the UK environment secretary, declared that the "debate over the science of climate change is well and truly over," calling for international political commitment to take action. He stated that the report would provide "a strong evidence base needed to move the prospects of agreement closer."

Sounding a warning note, Stephanie Turnmore from Greenpeace remarked that if the last IPCC report was a wake-up call, this one was a screaming siren.

This report is the first of four reports that will together constitute the IPCC's Fourth Assessment Report. While it looks at the science of climate change, the forthcoming ones will look at impacts, adaptation and vulnerability and mitigation. Finally, a synthesis report

will also be released in time for the December conference of parties (COP-13) to the UN Framework Convention on Climate Change (UNFCCC) in Indonesia. According to Pachauri, the synthesis report would not be 'policy-prescriptive' but would be 'highly policy relevant'.

The IPCC was established by the UN Environment Programme and the World Meteorological Organisation in 1988 with a role to assess the scientific basis for the risk of human-induced climate change, its potential impacts and options for adaptation and mitigation. The IPCC's assessments are based on peer-reviewed and published scientific and technical literature. The first assessment report was published in 1990.

A 21-page summary of the IPCC report is available at <http://www.ipcc.ch>.

ICTSD reporting; "Human Blamed for Climate Change," BBCNEWS, 2 February 2007; "At a Glance: IPCC report," BBCNEWS, 2 February 2007; "U.N. Climate Panel Says Warming is Man-made," REUTERS, 2 February 2007; "FACTBOX-U.N. Climate Panel Report," REUTERS, 2 February 2007; "Q&A: The IPCC Report on Global Warming," GUARDIAN UNLIMITED, 2 February 2007.

IN BRIEF

FAO CALLS FOR MAJOR CHANGES TO FOOD AID SYSTEM

Major changes in the way international food aid is managed and delivered are necessary, said the UN Food and Agriculture Organisation (FAO) in its latest annual report. "The State of Food and Agriculture 2006," released on 24 January 2007, focused on food aid effectiveness because 39 countries currently require emergency food assistance, twice as many as two decades ago, said FAO Director-General Jacques Diouf at the launch of the report.

Currently, the bulk of food aid is provided on the condition that it be purchased and processed in the donor country. This is often expensive and slow: the FAO estimates that in 2006, one-third of the world's total food aid budget went to developed nations. Not only does such food aid often take 6 months or longer to reach the needy population, it can also distort local markets and undermine the stability of local food systems by arriving at the wrong time or displacing commercial exports. Food aid has been a controversial issue in the Doha Round WTO negotiations.

The FAO urges donors to provide food aid in the form of cash or vouchers, and to source food locally. The report also criticised tying food aid to political or social goals, and neglecting longer term strategies to address the root of food shortages.

The US accounts for more than 50 percent of the global budget for food aid. In its proposals for future farm spending, the Bush administration has called for allowing up to 25 percent of food aid to be provided in cash to the recipient country, to buy food locally and from certain other developing countries.

The EU welcomed the US administration's step towards cash aid, in spite of dissatisfaction with other parts of the farm bill proposal.

Luther Tweeten, a professor at Ohio State University, argues that that cash aid facilitates corruption. He told South African daily Business Day that the real barriers to boosting agricultural production and feeding the hungry in needy nations are trade barriers and the absence of economic freedoms. The Alliance for Food Aid, responsible for delivering US food aid, is calling for a pilot programme to test the proposed changes.

ICTSD reporting; "South Africa: Food aid and the roots of scarcity," BUSINESS DAY, 2 February 2007; "Showdown ahead on Bush's bid for food aid reform," REUTERS, 2 February 2007; "EU criticizes US farm policy proposals," EURACTIV.COM, 1 February 2007; "Aid groups say Bush budget skimps on hunger relief," REUTERS, 5 February, 2007; "FAO urges food aid reform," FAO NEWSROOM, 24 January 2007.

WTO IN BRIEF

INTERIM INFORMAL DISCUSSIONS ON TRADE FACILITATION PICKING UP MOMENTUM

The WTO Negotiating Group on Trade Facilitation met on 31 January for informal consultations on all elements of the mandate to cut red tape and other obstacles to the flow of goods, including, special and differential treatment, technical assistance and capacity building and customs cooperation.

Trade delegates report that discussions essentially revolved around 33 'new generation' proposals, much-revised versions of earlier ones that had been refined with the objective of becoming draft text for a potential agreement. One developing country negotiator said that although Members had not yet zeroed in on drafting a

text, they would reach that stage between mid-March and the end of April.

Another official highlighted two submissions on implementation mechanisms for trade facilitation commitments and related technical assistance. The first (TN/TF/W/142) came from a 'core group' of 21 small and large developing and least-developed countries. The second was submitted by a 23-member group of developed and developing (TN/TF/W/137).

Both propose textual language and detailed steps for the implementation of trade facilitation obligations, based on a self-assessment of technical assistance and capacity needs, and the provision of aid. The 'core group' proposal also divides provisions into mandatory and 'best endeavour', with some of the mandatory obligations kicking in only after the necessary capacity has been acquired and duly notified to the WTO. The trade facilitation mandate is unique in that Members will not be required to implement commitments unless they receive the technical assistance necessary to do so.

The Secretariat reported that 17 Members had requested needs assessments for technical assistance related to trade facilitation. The EU reportedly agreed to help fund seven regional workshops on the issue.

Trade sources indicate that Chair Tony Miller (Hong Kong) stated that the talks seemed to be moving up a gear. He also stressed that successfully concluding the talks would benefit all parties.

This was the last meeting under Miller's chairmanship; he will retire as Hong Kong's top WTO representative later this month.

Dates for the next trade facilitation meeting have not been confirmed, but sources suggest that it will likely be around 12-14 March.

ICTSD reporting.

US CONCEDES DEFEAT IN SHRIMP ANTI-DUMPING DISPUTE WITH ECUADOR

US policies for calculating anti-dumping duties have received another blow, as a WTO dispute panel on 30 January ruled in favour of Ecuador in a spat over shrimp exports. As per an unusual agreement between the two feuding parties, Washington will not contest Ecuador's claim. In return Ecuador agreed not to ask the panel to suggest ways in which the US could bring its policies into WTO compliance.

The panel report is the latest in a series of unfavourable WTO rulings against US practices of employing 'zeroing' when calculating dumping margins. Past panels have ruled that the US government's practice of ignoring ('zeroing out') 'negative dumping margins', where prices are lower at home than in the export market, and only taking into account 'positive dumping margins', unfairly inflates the result and results in unduly high anti-dumping duties (see BRIDGES Weekly 17 January, 2007, <http://www.ictsd.org/weekly/07-01-17/story4.htm>).

Unparalleled in WTO dispute settlement proceedings, the US used the procedural agreement, dated 25 October 2006 after the panel was established, to effectively concede the case to Ecuador. Without going so far as to instruct the panel on how to rule in the case, the US declared that it would not contest Ecuador's claim that it was violating the WTO Anti-dumping Agreement, and spelled out how it would recalculate the dumping margins (and resulting duties) in a manner "not inconsistent with the findings of the panel." In the agreement, the parties also agreed on working procedures to expedite the dispute settlement process.

One observer described the agreement as an indication that the US, in spite of its vigorous past defence of zeroing, has perhaps accepted that it is incompatible with its WTO obligations.

Members retain substantial control over the WTO dispute settlement process, and adjudicative bodies usually respect party requests on procedural issues. It is, however, the first time parties have formally struck a deal anticipating the panel's decision and setting out how they will proceed thereafter.

The panel report (WT/DS335/8), including the "Agreement on Procedures between Ecuador and the United States" is available at http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds335_e.htm.

ICTSD reporting.

GENERAL COUNCIL APPOINTS COMMITTEE CHAIRS FOR 2007

WTO Members on 7 February formally approved the list of chair appointments for 2007 to the thirteen regular WTO committees.

Ambassador Muhamad Noor Yacob (Malaysia) replaces Ambassador Eirik Glenne (Norway) at the head of the General Council, the organisation's top permanent decision-making body. His foremost task will

be to work with Director-General Pascal Lamy to help guide the troubled Doha Round negotiations through to conclusion. Australian WTO Ambassador Bruce Gosper replaces Yacob as chair of the Dispute Settlement Body, and Ambassador Vesa Himanen (Finland) becomes the new head of the Trade Policy Review Body.

Nigeria's WTO ambassador, Yonov Frederick Agah will chair the Council for Trade-related Aspects of Intellectual Property Rights (TRIPS), replacing Ambassador Trevor Clarke (Barbados) who will now head up the Council for Trade in Services. Danish Ambassador Karsten Vagn Nielsen replaces Agah as chair of the Council for Trade in Goods. Ambassador Manuel Teehankee (Philippines) will take over the Committee on Trade and Environment. The Committee on Trade and Development will be chaired by Mauritian Ambassador Shree Baboo Chekitan Servansing.

The chairs of the eight Doha Round negotiating bodies will remain unchanged, with the exception of the Negotiating Group on Trade Facilitation. Ambassador Eduardo Sperisen-Yurt (Guatemala) will take over from Hong Kong Permanent Representative Tony Miller, who will retire at the end of month. Like the other negotiating committee heads, Sperisen-Yurt's term will run until the next Ministerial Conference, which has not been scheduled.

The slate of candidates was put together by outgoing General Council Chair Glenne, on the basis of consultations with Members.

The complete list of chairs for 2007 is available online at http://www.wto.org/english/news_e/pres07_e/pr466_e.htm.

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.

Upcoming Events: 8-14 February

9-10 February, Essen, Germany. G-7 FINANCE MINISTERS MEETING. In addition to central fiscal policy issues, the first meeting in 2007 of finance

ministers and central bank governors from the Group of Seven leading industrialised nations will address the development of capital markets in emerging economies, improvement of public finance in developing countries, fiscal policy for the promotion of energy efficiency and renewable energy, and how the International Monetary Fund (IMF) and World Bank will adapt to changing global conditions. internet: http://www.bundesfinanzministerium.de/lang_de/nn_54/nsc_true/DE/Internationale_Beziehungen/Informelle_Gremien_der_Zusammenarbeit/G7_G8/001_en.templateId=renderPrint.html.

12-14 February, Berlin, Germany. TIME TO ADAPT: CLIMATE CHANGE AND THE EUROPEAN WATER DIMENSION CONFERENCE. Hosted by the German Federal Ministry for Environment, Nature Conservation, and Nuclear Safety, for government representatives, scientists, researchers, and non-governmental organisations, this conference aims to discuss the future impacts of climate change on water management and water dependent sectors such as agriculture, energy, inland navigation, and tourism. internet: <http://www.climate-water-adaptation-berlin2007.org/index.htm>

13 February, Washington, D.C. THE 2007 CONGRESSIONAL AID AGENDA. The Washington International Trade Association (WITA) and International Gateway present an off-the-record discussion of the US Congress' trade agenda for the upcoming year, ongoing free trade agreement negotiations, and the Doha Round. Speakers include staff and trade counselors of the House Ways and Means Committee and the Senate Finance Committee. For more information, visit http://www.wita.org/index.php?tg=addon/4/form&id_app=25&trt_step=1&id_step=163

WTO Events

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

9 February: COMMITTEE ON AGRICULTURE - SPECIAL SESSION (INFORMAL)

12-14 February: TRADE POLICY REVIEW BODY- ARGENTINA

Other Upcoming Events

16 February, Washington, D.C. **THIRD ANNUAL SYMPOSIUM ON INTERNATIONAL TRADE.** The ABCI Institute- Brazilian International Trade Scholars, Inc. and Brazil Institute of the Woodrow Wilson Center will present this event featuring Brazilian government officials and expert analysts discussing major issues in international trade. Four panels will discuss the 2007 trade policy outlook, developments in antidumping and countervailing duty investigations, WTO dispute settlement and compliance issues, and ethanol production and trade. The event will be webcast live. internet: www.wilsoncenter.org

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

19-24 February, Nicosia, Cyprus. **INTERNATIONAL CONFERENCE ON ENVIRONMENT: SURVIVAL AND SUSTAINABILITY.** Organized by the Near East University, the conference features more than 100 keynote speeches, including three by Nobel laureates, which address environmental threats and challenges. The aim of the conference is to create a multi-disciplinary discussion between policy makers, researchers, and academics in order to produce policy options and materials for decision makers seeking to combat environmental problems. internet: <http://www.neuconference.org>.

21 February, Washington, D.C. **THE FARM BILL AND THE DOHA ROUND.** Organised by the Washington International Trade Association, this event features the participation of US Agriculture Secretary of Mike Johanns. It will address the many questions about the 2007 Farm Bill and its implications on the Doha Round. Internet: http://www.wita.org/index.php?tg=addon/4/form&id_app=25&trt_step=1&id_step=163

RESOURCES

NEW TRENDS IN TECHNOLOGY TRANSFER: IMPLICATIONS FOR NATIONAL AND INTERNATIONAL POLICY. By John Barton. International Centre for Trade and Sustainable Development, February 2007. One in a series of publications aimed at promoting a better understanding of the proper role of intellectual property in a knowledge-based economy, the objective of this study

is to explore how technology is transferred to developing countries and barriers that affect its transfer. To this end, it identifies policy approaches that might be of assistance in overcoming such barriers by addressing the flow of human resources, the flow of public-sector technology support, and the flow of private technology embodied in goods and services. The study can be viewed online at <http://www.iprsonline.org/resources/docs/Barton%20-%20New%20Trends%20Technology%20Transfer%202007.pdf>

THE STATE OF FOOD AND AGRICULTURE 2006 (SOFA). Food and Agriculture Organisation of the United Nations (FAO), 2006. In its latest annual report, the UN FAO has proposed major changes to the way international food aid is organized and delivered. The report recommends eliminating conditions for food aid, and providing aid in the form of cash or food vouchers instead of food shipments, which can distort local markets. Other suggestions include eliminating government-to-government food aid that is not specifically targeted to needy groups, stopping the practice of selling food aid in local markets to generate funds for development, and improving the system of assessing monitoring need. The FAO SOFA Report can be downloaded at: <http://www.fao.org/docrep/009/a0800e/a0800e00.htm>

EXAMINING THE TRADE EFFECT OF CERTAIN CUSTOMS AND ADMINISTRATIVE PROCEDURES. By Norbert Wilson, OECD Trade Policy Working Paper No. 42. Organisation for Economic Cooperation and Development, 26 January 2007. Using metrics of customs and administrative procedures, this paper formulates gravity models to estimate the effects that these procedures have on trade flows between bilateral trade partners. The paper concludes that improving the efficiency of customs and administrative procedures facilitates trade, but warns that methods of improving efficiency will vary to a great extent across nations. The paper can be viewed at http://www.oecd.org/departement/0,2688,en_2649_3370_5_1_1_1_1,00.html..

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