

### LEAD STORIES

WTO MEMBERS REACH 'MOMENT OF TRUTH' ON SENSITIVE FARM PRODUCTS	1
US DEMOCRATS VOTE TO INDEFINITELY SUSPEND ACTION ON COLOMBIA FTA	3

### OTHER NEWS

CLIMATE TALKS IN BANGKOK SEE COMPETITIVENESS CONCERNS RAISED	5
--	---

### WTO IN BRIEF

EU LOSES ON BANANAS AGAIN, THIS TIME TO ECUADOR	6
---	---

### EVENTS & RESOURCES

EVENTS	7
RESOURCES	8

### LEAD STORIES

#### WTO MEMBERS REACH 'MOMENT OF TRUTH' ON SENSITIVE FARM PRODUCTS

A handful of key agricultural exporters and importers have reached an outline agreement on expanding trade in 'sensitive' farm products as part of the Doha Round global trade talks.

The six co-sponsors of the new approach - Australia, Brazil, Canada, Japan, the EU and the US - shared their proposed compromise with other WTO Members on 4 April, along with data revealing the likely extent of new market access under the approach.

It remains to be seen whether the compromise will be able to win support from the wider WTO Membership. Although the chair of the agriculture negotiations described the paper as a significant development, preliminary talks have seen several delegations ask questions about - and voice some criticism of - the complex mathematical approach.

The issue has been holding up the ongoing push for a framework 'modalities' deal on agriculture and industrial goods trade. Though confusingly technical, it is of crucial importance: some exporting countries say that any market access gains they achieve in the agriculture talks will be determined largely by how the matter is resolved.

WTO Members will be allowed to undertake lesser tariff cuts on products designated as 'sensitive', in exchange for expanded tariff quotas. They have yet to agree on how many such products each will be allowed: the most recent draft deal circulated by the chair of the negotiating committee suggests allowing developed nations 4 to 6 percent of tariff lines.

While Members now accept that domestic consumption levels should be the basis for calculating the size of future import quotas, agreeing on how to represent consumption data has proved problematic.

Part of the reason for this has been a disagreement on the level of specificity at which sensitive products should be designated. While exporters wanted

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

countries to do so at the 6-digit level of the harmonised system of customs classification, import-sensitive Members such as the EU preferred the highly detailed 8-digit level, since designating, say, particular cuts of beef (instead of frozen beef in general) would allow importers to pinpoint protection across a more diverse range of commodities. However, little consumption data is available at the 8-digit level, forcing countries to explore the use of various estimates and proxies.

Also controversial has been how to account for processed products in domestic consumption figures. Efficient producing countries, which are most interested in exporting relatively unprocessed commodities like sugar and wheat, have expressed concern that including more highly-processed products like sugary drinks and biscuits could end up reducing the consumption figures (and thus future quotas) for the raw materials. On the other hand, countries seeking to minimise sugar imports would have an interest in allocating as much as possible of the overall figure for domestic consumption of 'sugar' to processed products, so as to reduce by a corresponding amount the share of consumption that is allocated to the primary commodity.

The data issue is central because exporters want to be able to judge accurately what would happen if a target market designated a certain product as sensitive. This is necessary for them to make a full assessment of potential gains from a Doha Round accord. When importers released basic import data a month ago, exporters complained that it implied even less market-opening than they had expected.

### Compromise text?

Broadly speaking, the compromise reached by the subset of the 'friends of the chair' group would require the vast majority of domestic consumption -- at least 90 percent -- to be counted as relatively unprocessed 'core' products. Processed products would only be allowed to make up the remainder.

For sensitive products designated at the 8-digit level, the outline agreement sets out a method for calculating the equivalent amount of primary product they contain: for instance, one hundred grammes of a butter-based dairy spread might be found to contain 60 grammes of butter equivalent. This latter figure could then be added to the domestic consumption total for butter, in order to calculate tariff rate quota expansion.

The six countries, two seeking to maximise market access and four attempting to protect import sensitivities, agreed to divide some 481 tariff lines into 'categories' such as barley, wheat, butter, and ice

cream. These categories were then further divided into 'core' products - generally raw materials, with some processed foods like butter - and 'non-core', more processed products. The purpose of this division was to ensure that the majority of countries' estimates of domestic consumption would count as relatively basic commodities.

The document proposes separate methodologies for calculating domestic consumption of dairy products and for fruit and vegetables.

During the first wider talks on the paper, at a 4 April 'room E' meeting that the chair convened with some three dozen Members representing a cross-section of the different negotiating blocs, it became apparent that a number of areas of the proposed approach were controversial.

While many Members are still waiting for capitals to finish analysing the complex paper, certain concerns were already clear.

The six co-sponsors of the approach had been discussing sensitive product issues since last September as part of an eleven-member group informally dubbed the 'friends of the chair' (see BRIDGES Weekly, 19 March 2008, <http://www.ictsd.org/weekly/08-03-19/story2.htm>). Their decision to circulate a draft by themselves immediately prompted speculation that its contents were unacceptable to the other members of the 'friends' group (which also included exporters Argentina, New Zealand, and Uruguay, and importers Norway and Switzerland).

Sources report that some exporters that are part of the broader 'friends' group are upset that their export interests have not been taken into consideration. These countries complain that because the text is an agreement between only some exporters and importers, its compromises reflect the interests of these Members, but not necessarily those of others. The degree of market opening therefore falls short of these countries' expectations.

The share of domestic consumption allocated to the different core products within a particular category could well affect would-be exporters differently. For instance, the 'beef and veal' category includes no less than nine 'core' products, such as frozen boneless beef and fresh bone-in beef. Each is assigned a percentage of domestic consumption. It is conceivable that one beef exporter might prefer a higher percentage for frozen meat, while another would want fresh meat to receive a higher weighting.

A delegate from one country displeased with the paper described it as 'self-serving', claiming that it represented "a huge reduction in ambition."

Others said that the most divisive issue was the question of sub-categorisation of product categories and sub-allocation of tariff quotas. According to the paper, Members are allowed to divide no more than two product categories into two, subject to certain conditions. For any given product category or sub-category, Members are required to establish a single tariff quota, with one exception: they would be allowed to 'sub-allocate' two tariff quotas each for up to three undivided product categories.

Splitting tariff quotas into allocations for different kinds of beef, for example, makes some would-be exporters anxious, since it could mean higher commercial opportunities for lower-quality meat that would have been unlikely to displace higher-quality meat in a single tariff quota.

Notably, the paper states that Members would have to specify any products to be sub-categorised or sub-allocated 'in advance of modalities,' i.e., before a framework deal on agriculture and industrial goods trade is struck.

A third issue that led a number of Members to criticise the draft was the relationship between sensitive products, which are slated for slower liberalisation, and tropical products, on which tariffs are supposed to be reduced more quickly. A number of countries in the 4 April meeting complained that the data shared by the paper's sponsors included a number of tropical products. Tropical product exporters that do not receive trade preferences for their exports have argued that these commodities should not be eligible for designation as sensitive. Australia responded that the paper was in no way intended to prejudice the outcome of the separate negotiations on tropical products.

Sources reported that some countries welcomed the new paper. Those reportedly expressing concerns about it included 'friends' group members Argentina, Norway and Uruguay, as well as other exporting countries such as Ecuador, Paraguay and South Africa. Also expressing reservations were importers such as South Korea and proponents of tropical product liberalisation such as Costa Rica and Colombia.

One delegate emphasised in particular that Argentina "was still very far from agreeing to this", a view echoed by others. However, other sources reported that the sponsors had warned against tampering with their proposed compromise as it "reflects an overall balance". Still others warned that dissenting voices

risked being "sidelined" in the interests of quickly reaching a Doha deal.

Countries in the 'friends of the chair group' are continuing to meet bilaterally to determine what future market access would be for specific products. One senior delegate described this as a "moment of truth" for the negotiations, in which countries' actual offers would become clearer.

Agriculture negotiators are expected to discuss sensitive products in another 'room E' meeting at the end of the week

Members have asked the paper's sponsors to prepare an explanatory note to "walk people through" some of the complicated concepts it contains. One delegate said it was not surprising that officials who had not been part of the 'friends group' discussions would react to the compromise paper by saying "I don't understand a word of it".

While the explanatory note is currently under preparation, sources say that capitals are still "trying to digest the paper" and work out what it means for specific products, in specific markets.

ICTSD reporting.

---

## **US DEMOCRATS VOTE TO INDEFINITELY SUSPEND ACTION ON COLOMBIA FTA**

Earlier this week, the Bush administration took a gamble: it sent a free trade agreement with Colombia to the US House of Representatives for consideration, in the face of objections from the leaders of the Democratic majority.

The administration was betting that if it forced a vote, enough rank-and-file Democrats would support the agreement to secure its passage. Alternatively, they would vote against the deal, opening the party to accusations of betraying one of the US' few staunch allies in the region.

However, the maneuver did not unfold smoothly. Instead, it has ballooned into an acrimonious partisan debate, with potentially significant ramifications for the future of US trade policy.

The Colombia trade deal became hostage to deep ongoing disagreements between the White House and Congressional Democrats on issues such as a potential domestic economic stimulus package, aid to workers, and spending in Iraq.

## TPA process compromised?

On 10 April, House Democrats overwhelmingly backed a successful 224-195 vote to eliminate rules requiring Congress to approve or reject the Colombia FTA within 90 legislative days, thus indefinitely postponing any action on the agreement.

This is significant, since the Colombia FTA was negotiated under the Bush administration's 'trade promotion authority' (TPA), which expired in mid-2007.

Countries seeking to finalise trade deals with Washington are generally keen for US presidential administrations to receive such a 'fast-track' mandate from Congress, which allows them to put trade deals to lawmakers for expedited consideration and a yes-or-no vote without the possibility of amendments.

But this week's vote may have shaken other countries' faith in the credibility of the TPA process, suggested Kim Elliott, a joint senior fellow with the Center for Global Development and the Peterson Institute in Washington. "This reveals the dirty little secret that the TPA is not really a law. It's a rule in the House, a rule that the House can change."

"This is one of the big costs of the administration's gamble to introduce the agreement [in the House] without [Speaker Nancy] Pelosi's assent, if not endorsement," she told Bridges. "A country negotiating with the US has to wonder, 'can the president deliver what he or she promises?'"

## Administration, Democrats trade criticism

The administration was harshly critical of the House vote. President George W. Bush called it "unprecedented and unfortunate," saying that it was "damaging to our economy, our national security, and our relations with an important ally."

"Today's action by the House of Representatives also sends a damaging message to the world that Congress cannot be counted on to keep its promises," he continued.

Speaking from Crawford, Texas, Bush accused the House of severing a decades-old "bond of trust" between Congress and the executive. "In order to negotiate trade agreements, we empower our trade representatives with the promise that Congress will consider trade agreements with a timely up-or-down vote. By breaking this bond, Democrats have undercut not just this administration, but future administrations as well."

US Trade Representative Susan Schwab said that the House had chosen to change the trade promotion authority rules "in the middle of the game."

Administration officials stressed that the bilateral FTA would benefit US farmers and workers by instantly easing access for exports to Colombia; most Colombian products already enter the US market duty-free under a unilateral preference scheme.

Democratic leaders stressed their support for Colombia, and argued that they had been compelled to remove the timeline by the Bush administration's attempts to force the issue without seeking a compromise with the House.

Pelosi said that she had asked Bush to consider steps to address "the economic concerns of America's working families," which are facing declining incomes and rising costs of living, before putting the trade agreement to Congress.

"This rule is necessary because the president violated protocol under trade promotion authority that has served so well in the past," said Representative Charles Rangel of New York, who chairs the powerful Ways and Means Committee. "He specifically ignored the views of this body, instead choosing to take a gamble and demand a vote within 90 days."

Many Congressional Democrats, including Pelosi, voted to approve a similar deal with Peru last November, after it was re-negotiated to strengthen provisions on labour, environment, and access to medicine, in line with a May 2007 trade policy compromise between Democratic leaders and the administration (see [BRIDGES Weekly, 14 November 2007](#)).

Even though it was similarly re-negotiated, the Colombia deal is more problematic, since the country's high (though significantly declining) rates of violence against labour leaders have earned the FTA the opposition of US labour groups, a key Democratic constituency. While Democratic presidential nominees Barack Obama and Hillary Clinton supported the Peru agreement, they have both expressed opposition to the Colombia FTA.

The Centre for Global Development's Elliott said that there was a "perfect storm" of circumstances making it complicated for the Democrats to support the Colombia FTA at this time.

If elections had not been imminent, she suggested, the Colombia deal might have received just enough Democratic support to narrowly pass on foreign policy



grounds, since the country is a US ally and a bulwark against Venezuelan President Hugo Chavez's attempts to increase his influence in the region. However, in an election year, US unions opposed to the deal "cannot or will not let the Democrats off the hook." By the same token, the Democrats cannot ignore the unions who provide them both financial contributions and organisational muscle.

Furthermore, the "bad luck" of the Democratic presidential primary calendar has meant that the Colombia FTA debate has taken place against the backdrop of crucial, high-profile, votes in Ohio and Pennsylvania. The two rust belt states have lost many manufacturing jobs in recent years, in part due to overseas competition, and both candidates have sounded critical notes on trade, particularly the North American Free Trade Agreement (NAFTA), in an attempt to win support.

The Congressional Democrats' recent move may be a function of these circumstances as much as of conviction: analysis in the New York Times suggests that as many as 50 House Democrats might ordinarily have been tempted to vote for the Colombia FTA, but that they were keen to avoid a divisive vote at this juncture.

### **Colombia FTA may still be considered**

Democrats are not ruling out that the Colombia deal could come up in Congress this year, potentially after the 4 November elections, especially if the White House is more responsive to their economic agenda.

"The President's attempt to force a vote on the Colombia agreement has produced the opposite result," said Max Baucus of Montana, who chairs the Senate finance committee. "With the Colombia agreement in a holding pattern, the most productive thing to do now is to focus on what is right for America's workers, and work together on solid expansion of Trade Adjustment Assistance [for workers displaced by globalisation]. Once that's done, we should consider the Colombia agreement on its merits."

Representative Rahm Emanuel (Democrat-Illinois) said that "a new deal for the new economy for the American worker" - involving more support for healthcare, college, pensions, and other economic security measures - would help ensure that trade deals are "not seen as a cost to the American people, but seen as an opportunity to succeed" in the globalised economy.

As for the struggling Doha Round of multilateral trade talks at the WTO, analysts differ on the potential implications of the House vote. Some believe that if

governments can wrap up an accord this year - very far from a sure thing - any future administration would find it difficult to make more than minor adjustments to it. Others disagree, suggesting that recession fears in the US would make any Doha deal vulnerable to a contentious debate on the benefits of trade liberalisation.

ICTSD reporting; "House Votes to Delay Colombia Trade Pact," REUTERS, 10 April 2008; "Partisan Tangle Over Trade Pact With Colombia," NEW YORK TIMES, 10 April 2008; "Democrats Stall Trade Pact With Colombia," NEW YORK TIMES, 10 April 2008; "Clash of the Titans," NATIONAL JOURNAL, 10 April 2008; "¿Qué futuro le espera al TLC después de su congelación en el Congreso de E.U.?", EL TIEMPO, 10 April 2008.

---

## **OTHER NEWS**

---

### **CLIMATE TALKS IN BANGKOK SEE COMPETITIVENESS CONCERNS RAISED**

Five days of contentious climate change talks in Bangkok concluded last week with an agreement on a timetable for negotiations that are supposed to culminate in a new United Nations accord on reducing greenhouse gas emissions by the end of 2009.

Meeting under the auspices of the United Nations Framework Convention on Climate Change (UNFCCC), delegates from close to 200 governments agreed on a detailed work programme for 2008. They also discussed approaches to slash global emissions amid concerns about how such reductions might affect the economic competitiveness of countries or particular sectors.

The Bangkok talks, which ran from 31 March through late into the night on 4 April, marked the first official negotiations since the landmark Bali conference last December, which launched negotiations on a successor agreement to the Kyoto Protocol, due to expire in 2012. The 'Ad Hoc Working Group on Long-term Cooperative Action under the Convention' (AWG-LCA), which includes all UNFCCC parties, held its first session. The 'Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol', which includes industrialised nations that already have taken on reduction commitments, met for the fifth time.

**Discussions on "sectoral approaches" give rise to competitiveness concerns**

Some countries have suggested a sectoral approach to reducing emissions for industries such as steel, aluminium, pulp and paper, cement and agro-chemicals. Proponents say that this would ensure that effective reductions are achieved in emissions-heavy sectors.

How sectoral reductions would be implemented, however, remains divisive. While developing countries have stressed that the sectoral cuts should be part of industrialised nations' reduction obligations, others argue that developing countries should also participate in global reduction efforts by controlling emissions from their high-emitting sectors. Some analysts say that a worldwide reduction effort across all major emitting sectors would contribute to preventing 'carbon leakage', the term given to the relocation of polluting industries to places where they face laxer emissions standards.

Developing countries such as Brazil and India, however, cautioned against sectoral approaches that led to the development of international standards that developing countries would be forced to comply with, hampering their exports. Brazil noted that this would conflict with the notion of "common but differentiated responsibilities" that underlies the climate regime. India stressed that there was no legal basis under the UN Framework Convention on Climate Change to deal with competitiveness issues.

In general, several developing countries emphasised that in efforts to mitigate greenhouse gas emissions, there is a difference in the nature of the obligations on developed and developing countries. Brazil and South Africa noted developed countries need to reduce greenhouse gas emissions. In contrast, developing countries should take action to reduce growth in emissions, it being understood that their total emissions will have to continue growing as their economies develop.

Delegates ultimately agreed that cooperative sectoral approaches and sector-specific actions would be further discussed at future sessions of the working groups.

**Intellectual property issues divisive**

The development and transfer of environmentally friendly technologies, such as those for increasing energy efficiency or generating renewable energy, has emerged as a major aspect of the climate negotiations.

In Bangkok, delegates grappled with mechanisms and funding for the development, deployment and transfer of technologies. While addressing barriers to

technology transfer and diffusion, several developing country delegates raised concerns about barriers posed by intellectual property (IP) rights.

India and Pakistan called for a relaxation of intellectual property standards for all climate-related technology, in order to support their rapid diffusion and facilitate access by developing countries. Going further, Saudi Arabia suggested that countries should be able to issue compulsory licenses for climate change technologies - meaning they would be allowed to unilaterally authorise companies to copy patented technologies, against payment of a royalty to the patent-holder.

Others took different views. The US argued that intellectual property has not been a barrier to the diffusion of climate technologies and that those criticising the IP system were the very countries that benefited from it. The US also called for the elimination of tariffs and non-tariff barriers to trade in environmental goods and services as a way to foster access to technology.

China, a significant importer of environmental technology but also a rapidly growing producer and exporter, called for a balanced approach, saying the technology transfer discussion should not be allowed to get stuck on the single issue of intellectual property.

In order to better understand the issue, delegates have agreed to further exchange on technology development and transfer, including at three of the scheduled eight in-session workshops under the AWG-LCA.

The next round of climate talks is due to take place from 2-12 June, in Bonn, Germany.

ICTSD reporting; EARTH NEGOTIATIONS BULLETIN (available at <http://www.iisd.ca/climate/ccwg1/>).

---

**WTO IN BRIEF**

---

---

**EU LOSES ON BANANAS AGAIN, THIS TIME TO ECUADOR**

---

A second WTO panel has ruled that the EU's reformed banana import regime remains out of compliance with international trade rules, potentially opening the door to trade sanctions from Ecuador, the world's largest banana exporter.

Cesar Montano Huerta, of Ecuador's WTO mission, said that the ruling was a "big victory" but that Ecuador was "still hoping to come out with a solution and negotiations for this issue."

European Commission agriculture spokesperson Michael Mann said that Brussels disagreed with the panel's findings and that the EU would consider an appeal.

Dating back to 1996, in what has become the WTO's longest running dispute, Ecuador, along with other Latin American countries and the US, have repeatedly challenged the EU's banana import regimes which grant preferential market access to banana imports from former colonies in Africa, the Caribbean and the Pacific (ACP).

This most recent dispute, which follows a similar US dispute (see [BRIDGES Weekly, 13 February 2008](#)), concerns the EU's introduction in 2006 of a tariff of 176 euros (\$258) per tonne along with a 775,000 tonne duty-free quota for ACP bananas.

The panel ruled that the import regime was inconsistent with the EU's most-favoured nation (MFN) obligations requiring it to accord equal treatment to bananas from all countries.

It did not rule on whether the EU's new import regime maintained total market access for MFN banana suppliers. It also refrained from commenting on whether the new system violated the GATT prohibition against the discriminatory administration of quantitative restrictions when it granted duty-free access to 775,000 tonnes of ACP bananas; or if the tariff imposed exceeded the EU's legal obligations.

ICTSD Reporting; "EU May Appeal Against WTO's Ecuador Banana Ruling," REUTERS, 7 April 2008; "WTO Rules Against EU in Bananas Dispute," REUTERS, 7 April 2008; "EU Suffers Defeat in Banana Wars," BBC NEWS, 7 April 2008.

---

## EVENTS & RESOURCES

---

---

### EVENTS

---

#### Coming up: 11 - 16 April

14 April, New York, New York, USA. SPECIAL HIGH LEVEL MEETING OF THE UN ECOSOC WITH THE WORLD BANK, IMF, WTO AND UNCTAD. The overall theme of the meeting will be "Coherence, coordination

and cooperation in the context of the implementation of the Monterrey Consensus, including new challenges and emerging issues". The meeting will substantively cover the following sub-themes: New initiatives on financing for development; Supporting development efforts and enhancing the role of middle-income countries, including in the area of trade; Supporting development efforts of the least developed countries, including through trade capacity-building; Building and sustaining solid financial markets: challenges for international cooperation; Financing of climate change mitigation and adaptation. For more information please refer to the conference website at <http://www.un.org/esa/ffd/ecosoc/springmeetings/2008/index.htm>.

15-16 April, Cancun, Mexico. WORLD ECONOMIC FORUM ON LATIN AMERICA. Co-hosted by the Government of Mexico under the patronage of President Felipe Calderón, this top-level gathering will include leaders from business, government, international organizations as well as civil society representatives and regional experts. Latin America just concluded a long period of sustained 5%+ economic growth, booming capital markets and unusually solid fundamentals. The short-term impact of a US recession, and the long-term impact of a shift in the global power equation, however, are not clear and there are many important reforms that are not taking place or taking place too slowly. The meeting in Mexico will focus on discovering and highlighting the business opportunities brought about by the successful execution of a priority reform agenda. For more information please refer to the conference website at <http://www.weforum.org/en/events/WorldEconomicForumLatinAmerica2008/index.htm>

16-18 April, Dakar, Senegal. THE INTERNATIONAL RENEWABLE ENERGY CONFERENCE IN AFRICA. As Africa continues to register consistent and positive economic growth rates, there are serious concerns that energy supply and access challenges are already encumbering the continent's overall growth prospects. It should, however, be noted that Africa has vast renewable and non-renewable energy resources that largely go unexploited. Making use of lessons learnt and experience gained with renewable energy projects in Africa and elsewhere, the conference will examine how bottlenecks to renewable energy market related to policies, technologies, financing and capacity can be addressed so as to increase access to energy in Africa. It will bring together high-level decision makers to provide visible leadership and commitment to a common strategy for market-based scaling up of renewable energies that is informed by lessons learnt from concrete case studies and the energy situation that obtains in Africa. The conference is jointly organized by the African Union, the Government of

Senegal, the German Ministry of Economic Cooperation and Development and UNIDO. The focus of the meeting is "Making renewable energy markets work for Africa Policies, Industries and Finance for Scaling-Up." For more information, please visit the conference website at <http://www.unido.org/en/doc/76539>.

### WTO Events

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

10 April: PANEL DS294 (ZEROING) PUBLIC VIEWING

14 April: NEGOTIATING GROUP ON MARKET ACCESS

### Other Upcoming Events

12 May, Bogor, Indonesia: FOOD, FUEL AND FORESTS: A SEMINAR ON CLIMATE CHANGE, AGRICULTURE AND TRADE. Organized by the International Food & Agricultural Trade Policy Council (IPC). Recognizing that economic, environmental, and social sustainability are becoming increasingly difficult objectives to balance in the agricultural and forestry sectors, IPC will convene key Indonesian agriculture and trade government officials, academics, and private sector representatives with other international experts to discuss solutions to these conflicts. The dialogue will center around the themes of climate change, biofuels, agriculture, and trade. For further information, contact Christine St. Pierre, tel: +1 202 328 5117; email: [stpierre@agritrade.org](mailto:stpierre@agritrade.org); internet: [www.agritrade.org](http://www.agritrade.org).

---

## RESOURCES

THE HARMONIZED SYSTEM: AMENDMENTS AND THEIR IMPACTS ON WTO MEMBERS' SCHEDULES. By Dayong Yu. World Trade Organization, 2008. As an internationally standardized product nomenclature, the Harmonized System (HS) is used by WTO Members in their schedules of concessions and in the definitions of product coverage for a number of WTO agreements. The Harmonized System is normally amended by the World Customs Organization every four to six years. These amendments pose considerable challenges for the WTO and its Members. On the one hand, Members need to periodically update their historical schedules of

concessions into the latest nomenclature. On the other hand, these amendments may have implications for the definition and thus also the implementation of some WTO agreements where the product coverage is defined in terms of the HS. In either case, the product codes and/or descriptions in the old HS version need to be transposed precisely into those in the new version of HS nomenclature in order to retain the historical concessions or the product coverage unchanged. Given the complexity of HS amendments, this process could be very technical and sometimes tricky. The paper is available online at [http://www.wto.org/english/res\\_e/reser\\_e/ersd200802\\_e.htm](http://www.wto.org/english/res_e/reser_e/ersd200802_e.htm).

TRADE CREATION AND DIVERSION REVISITED: ACCOUNTING FOR MODEL UNCERTAINTY AND NATURAL TRADING PARTNER EFFECTS. By Theo Eicher, Christian Henn, and Chris Papageorgiou. International Monetary Fund, March 2008. Trade theories covering Preferential Trade Agreements (PTAs) are as diverse as the literature in search of their empirical support. To account for the model uncertainty that surrounds the validity of the competing PTA theories, we introduce Bayesian Model Averaging (BMA) to the PTA literature. BMA minimizes the sum of Type I and Type II error, the mean squared error, and generates predictive distributions with optimal predictive performance. Once model uncertainty is addressed as part of the empirical strategy, we report clear evidence of Trade Creation, Trade Diversion, and Open Bloc effects. After controlling for natural trading partner effects, Trade Creation is weaker - except for the EU. To calculate the actual effects of PTAs on trade flows we show that the analysis must be comprehensive: it must control for Trade Creation and Diversion as well as all possible PTAs. Several prominent control variables are also shown to be robustly related to Trade Creation; they relate to factor endowments and economic policy. The paper is available online at <http://www.imf.org/external/pubs/cat/longres.cfm?sk=21806.0>.

ECONOMIC PARTNERSHIP AGREEMENTS: A 'HISTORIC STEP' TOWARDS A 'PARTNERSHIP OF EQUALS? By Mareike Meyn. Overseas Development Institute 2008. This paper argues that the (interim) EPAs initiated between the EU and less than half of all ACP states at the end of last year do not represent a 'historic step' in EU-ACP relations. The majority of EPAs concluded to date are neither complete nor comprehensive trade agreements. Almost all signatory states were countries that would bear substantial economic costs if they lost their preferences in the EU market. Many ACP states submitted hastily drawn up liberalisation schedules that did not consider whether their liberalisation commitments were in line with their neighbour. This has significant implications for future



regional integration processes. To revise individual timetables and bring them into line on a regional basis, as envisaged by the Commission, will be a mammoth task. It is further argued that the enforcement of the EPA implementation is unlikely in some cases given the decreasing attractiveness of the EU market, and the Commission's dwindling capacity to sanction non-compliance by withdrawing preferences. If the EU wants to see EPAs implemented, it is vital that both the process and outcome are owned and supported by both sides. The paper is available online at [http://www.odi.org.uk/publications/working\\_papers/WP288.pdf](http://www.odi.org.uk/publications/working_papers/WP288.pdf).

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

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

Contributors to this issue of **BRIDGES Weekly Trade News Digest** are Trineesh Biswas, Rob Cottrell, Alicia Handy, Jonathan Hepburn, and Gueye Kamal. Editor: Trineesh Biswas. Director: Ricardo Meléndez-Ortiz. ICTSD is an independent, not-for-profit organisation based at: 7, chemin de Balexert, 1219 Geneva, Switzerland, tel: (+41-22) 917- 8492; fax: 917- 8093. Excerpts from **BRIDGES Weekly Trade News Digest**© may be used in other publications with appropriate citation. Comments and suggestions are welcomed and should be directed to the Editor or the Director. **BRIDGES Weekly Trade News Digest** is made possible through the generous support of the Government of the United Kingdom (DFID) and ICTSD's core donors including the Governments of Finland, Denmark, the Netherlands and Sweden; Christian Aid (UK) and NOVIB (NL). BRIDGES Weekly also benefits from support for the BRIDGES series of publications from donors including the Rockefeller Foundation and the Swiss Agency for Development and Cooperation. ISSN 1563-003X