

LEAD STORIES

WTO AG TALKS: PROGRESS ON SUBSTANCE MUST DETERMINE DEADLINES, WARN MEMBERS	1
PERSISTENT DIVISIONS, CROWDED AGENDA LOOM OVER DOHA MODALITIES PUSH	3
OTHER NEWS	5
EU EPAS COULD INHIBIT SOUTH-SOUTH TRADE INTEGRATION, BRAZIL ALLEGES	5
INTERIM WTO RULING GOES AGAINST CHINA IN AUTO PARTS DISPUTE	7
IN BRIEF	
AMID NEW TALKS, RUSSIA COULD COMPLETE WTO ACCESSION THIS YEAR	8
BRAZIL, EU IN SPAT OVER BEEF IMPORTS	9
WTO IN BRIEF	
US APPEALS COMPLIANCE PANEL RULING IN COTTON DISPUTE	9
EVENTS & RESOURCES	
EVENTS	10
RESOURCES	10

LEAD STORIES

WTO AG TALKS: PROGRESS ON SUBSTANCE MUST DETERMINE DEADLINES, WARN MEMBERS

If trade ministers are indeed to meet in the foreseeable future to try to hammer out a Doha Round deal on cutting tariffs and farm subsidies, their gathering must be scheduled on the basis of substantive progress in the talks and not on arbitrary deadlines, agriculture negotiators from several countries stressed last week.

Most WTO Member delegations broadly welcomed a new potential draft deal from the chair of the agriculture negotiations as a basis for further talks, though they also pointed to areas where they disagreed with his assessment of where consensus might lie.

The 15 February meeting of the agriculture negotiating committee, open to all WTO Members, was their first opportunity to exchange views on the draft text, which set out different options for tariff and subsidy reforms, as well as much-contested exceptions to them (see BRIDGES Weekly, 13 February 2008, <http://www.ictsd.org/weekly/08-02-13/story1.htm>). Many delegations simply reiterated established positions, sources said.

WTO Director-General Pascal Lamy has said that "it is substance which drives the timing" of the negotiating process. However, he has also proposed that the 8 February release of draft texts on agriculture and industrial tariffs should lead to a 'horizontal' negotiating process involving trade-offs across the two negotiating areas (and possibly others), culminating in a ministerial meeting to finalise a 'modalities' deal around Easter (23 March this year). Earlier this month, he said that Members had demonstrated "a collective determination to conclude the talks by the end of 2008," which would require a framework deal on agriculture and industrial goods trade six to eight months earlier.

Agriculture negotiations chair Ambassador Crawford Falconer (New Zealand) has echoed this approach. He told Members at the meeting that starting 18 February, he would begin one or maybe two weeks of informal

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, or by telephone at: (41-22) 917-8498

consultations with an invited group of 37 delegations, representing all the major negotiating blocs. He would hold another 'transparency meeting' open to all Members at the end of the week on 22 February, when he would decide whether enough progress was being made to justify another week of informal so-called 'room E' consultations.

Many negotiators seem already to be anticipating a second week of discussions.

A number of delegates told Bridges that negotiators would have to do much more to remove from the text the square brackets that indicate areas on which there is no consensus – the number of which many put at around 170. However, this does not necessarily correspond to the number of issues to be resolved, since the text often includes multiple different bracketed options for single issues. Some negotiators have noted that many of the square brackets surround just a few issues that have only recently been discussed in detail – such as the special safeguard mechanism.

Falconer warned Members that the number of unresolved issues would have to come down to around half a dozen to a dozen before ministers could reasonably be invited to Geneva to take decisions on the text.

One source also reported that a number of developing countries - Brazil, India, Pakistan and the African Group - asked the chair to produce a revised version of his text, incorporating any progress achieved in the current room E talks. The chair indicated that he would be open to doing this. The timing for any such revision remained unclear, however. If senior officials are to be presented a text containing fewer options for unresolved issues when they meet, some sort of revision of the text would be necessary, whether as a publicly available text or an informal negotiating document.

Falconer has suggested that Members could remove many of the remaining brackets relatively easily, if really determined to do so. "On a wet Sunday afternoon in Geneva, people with a good will could actually do this in an hour or two", he told journalists at a press conference after the draft text was released, giving product-specific subsidies as an example.

However, the chair is now focussing discussion on the more complex and controversial questions in the market access talks, whose resolution is widely seen as being less straightforward.

Some negotiators warn that there is "still a lot of work to be done" before the numerous outstanding technical issues, particularly on market access, can be resolved. These include the 'special products' which developing

countries will be able to shield from tariff cuts on the basis of food security, livelihood security and rural development; the special safeguard mechanism which will allow developing countries to raise tariffs temporarily in the event of import surges and price depressions; and the 'sensitive products' which both developed and developing countries will be able to slate for gentler tariff cuts in exchange for expanded import quotas. It remains unclear, however, precisely which issues could be dealt with at a technical level and which would require ministerial involvement.

Some suggested that a sort of two-track process might be envisaged, in which senior negotiators could begin to discuss trade-offs across negotiating areas, while technical work continued on issues such as sensitive agricultural products..

Average tariff cut and SSM controversial

The chair's inclusion of a 54 percent minimum average tariff cut for developed countries was "hotly debated," said one negotiator, with another describing this as one of the few "surprises" that the new text had to offer. This provision would require countries to make additional duty cuts in order to meet this figure, in case their tariff structures mean that the tiered reduction formula would result in a lower average reduction.

Whilst the G-20 group of developing countries that had originally proposed this provision welcomed the move, others, such as the EU and G-10 group of countries with highly-protected agricultural sectors, opposed it.

The controversy over this issue continued in the room E consultations held on 18 February, where the EU and G-10 also advocated deleting a footnote that would have excluded from the 54 percent average calculation the extra-steep cuts made on tropical products and products subject to 'tariff escalation'.

Also controversial was the special safeguard mechanism. The G-33 told the 15 February meeting that the draft text on the special safeguard mechanism (SSM) was "extremely inadequate," and would "only provide a stringent, restrictive, burdensome, ineffective and non-operational mechanism for developing countries and LDCs". The group warned that restrictions – the text has options for limiting the range of products to be covered, making the safeguard harder to 'trigger', or caps on the additional safeguard duties themselves – should not compromise the mechanism's effectiveness and operability. The safeguard should be permanently available "as long as there is abnormality and imbalances in the world trading system," the group said, in a coded reference to rich country farm subsidies. One delegate characterised the chair's

proposal for the SSM as “useless” because of the various potential restrictions.

In meetings on Monday, the EU and G-10 also argued that their permitted allowance of sensitive products should be defined as a percentage of all tariff lines – and not just a share of ‘dutiabale’ tariff lines, as currently proposed by the text, which would amount to a lower number. In contrast, the Cairns Group of agricultural exporters argued that tariff lines already bound at zero should be excluded from the calculation.

One trade source also suggested that sensitive products were likely to be discussed further by a small group of countries, outside the room E process convened by Falconer. A group of around eight countries, including Argentina, Australia, Brazil, Canada, the EU, India, Japan and the US, had earlier been meeting on an irregular basis since September to try to achieve greater convergence in their positions. While these meetings have led to some progress, most notably by providing a forum for Members to share information on the domestic consumption data that will be used as the basis for import quota expansion, numerous technical issues remain unsolved (see for example BRIDGES Weekly, 16 January 2008, <http://www.ictsd.org/weekly/08-01-16/story1.htm>).

Many trade diplomats remain sceptical about prospects for a successful ministerial meeting around Easter, pointing to recent comments by Japan and the US referring to the need to strike a modalities deal by June or July. Each year since 2005 has seen efforts to achieve a modalities breakthrough before the WTO’s August summer holiday. Nevertheless, some developed country negotiators pointed to external political factors such as November’s US presidential elections and the appointment of new EU Commissioners in late 2009 to justify the emphasis on an Easter ministerial and subsequent completion of the round this year.

Next steps

Members were reported to have discussed the tariff reduction formula and sensitive products on 18 February, with tariff escalation, commodities, tariff simplification, the special agricultural safeguard, and tariff rate quota administration for discussion the following day. Special products and the special safeguard mechanism would be discussed later in the week, sources reported. Subsequent developments would depend on Falconer’s verdict on how much progress was being achieved, due in the ‘transparency meeting’ planned for 22 February.

ICTSD reporting.

PERSISTENT DIVISIONS, CROWDED AGENDA LOOM OVER DOHA MODALITIES PUSH

WTO Member delegations are still behaving as though a ministerial-level meeting will be held between mid-March and mid-April to reach a framework accord that would make it possible for the Doha Round negotiations to be concluded by the end of the year.

But while trade missions in Geneva keep an eye on hotel availability for their capital-based colleagues, wide-ranging divisions make it far from clear whether top officials would actually be in a position to hammer out a deal, even if they did find themselves summoned to WTO headquarters.

In order for ministers to have a realistic chance of striking a ‘modalities’ accord – formulae and figures for cuts to agricultural tariffs, farm subsidies, and manufacturing duties, as well as exceptions to these – they must be presented with a limited number of issues on which to make tradeoffs. This is the view broadly shared by WTO Director-General Pascal Lamy, the chairs of the agriculture and industrial goods negotiating committees, and trade diplomats.

Though ministers alone are empowered to decide headline issues such as where to cap their own countries’ industrial tariffs in return for concessions others make on limiting farm spending, few of them are likely to be able (or inclined) to address arcana such as product-specific subsidy rules or tariff quota administration. Nevertheless, these technical issues have the potential to significantly affect the value of countries’ liberalisation offers, particularly on farm trade. They need to be resolved in order to enable more straightforward comparisons and tradeoffs.

Geneva-based delegates are currently trying to resolve many of these underlying technical issues, based on draft agreement texts issued on 8 February by the chairs of the negotiating committees on agriculture and non-agricultural market access (NAMA). Discussions in the two committees, starting this week, were supposed to set the stage for a ‘horizontal process’ of cross-sectoral tradeoffs, first among negotiators and senior officials, and ultimately among ministers themselves.

However, little subsequent headway has been made thus far on agriculture, even though Crawford Falconer, the New Zealand ambassador who chairs the negotiations, had suggested that agreeing on at least some of the numerous issues would not be overly difficult (see related story, this issue).

In the NAMA negotiations, far fewer numbers are necessary for Members to directly determine their pain and gain: the formula 'coefficients' that will determine future tariff ceilings for industrialised and developing countries, and the 'flexibility' figures that will determine how many products the latter will be able to shield from liberalisation. Indeed, this clarity – quite distinct from the foggy off agriculture concessions – has likely contributed to the contentiousness of the talks. Chair Canadian Ambassador Don Stephenson's new text removed any potential figures for these flexibilities, and suggested that given the utter deadlock, Members might try to pursue consensus by exploring ways to trade off higher coefficients against lower flexibilities, and vice versa (see BRIDGES Weekly, 13 February 2008, <http://www.ictsd.org/weekly/08-02-13/story2.htm>).

Initial reports from sources who attended Members' first discussion of the NAMA text, on 20 February, suggest that several delegations, irrespective of whether they wanted the flexibilities expanded or further restrained, were critical of the chair's decision to remove the figures altogether. They said it left no basis for negotiation.

To the extent that they have featured in the discussions, 'horizontal' comparisons between agriculture and NAMA have consisted primarily of complaints about the 'exchange rate' between the two.

French Agriculture Minister Michel Barnier created a stir this week when he called the new farm text "unacceptable," and said in Brussels that twenty of the EU's 27 member states agreed that it gave up too much on agriculture without getting concessions in the NAMA draft or on protections for regionally-linked foods.

Thailand took the opposite view in the WTO agriculture negotiating committee, alleging that while most developing country manufacturing duties would be brought down into the 20s, some farm tariffs could remain as high as 500 percent if Brussels gets its way and avoids a tariff cap. The NAMA-11 alliance has unfavourably contrasted the developing country flexibilities on NAMA to those available to rich nations in the agricultural negotiations – the latter are not subject to an import volume limit.

Sources say that Falconer and Stephenson will consult with Members for the rest of the week, and announce on 22 February whether they intend to continue talks in their respective negotiating committees, in order to further revise the draft texts.

'Christmas tree' threatening Easter modalities?

Also threatening to crowd the scope of a potential modalities drive is the ballooning list of issues that

different WTO Members are saying that they want addressed during the horizontal process.

For instance, the EU and the US have been demanding a 'signalling conference', at which major target markets would indicate how much they were willing to open up their services sectors to foreign competition. Japan and Canada want anti-dumping rules to be included. Brussels wants geographical indication protection for regional food names, India and Brazil point to a proposal to reform WTO patent rules for inventions that use biological resources, and so forth, with different countries highlighting different priorities.

WTO chief Lamy has warned that bringing a 'Christmas tree' of different issues onto the table would decrease Members' chances of reaching a breakthrough on agriculture and NAMA modalities.

Moreover, even on these other issues, Members' positions remain far apart.

According to the terms of a 12 February report on the services negotiations issued by Chair Ambassador Fernando de Mateo (Mexico), Members agree on little other than principles and guidelines which they already adopted in the past, from the 2005 Hong Kong Ministerial Conference through to the Doha mandate and the GATS agreement itself. "Significant divergences persist" on newer proposals, be it a call from primarily rich countries for the depth of services market-opening to be comparable to that on agriculture and NAMA, or an appeal from mostly developing countries to be granted greater access in Mode 1 (cross-border supply of services, like business process outsourcing) or Mode 4 (temporary international labour movement).

The rules talks are also divided. Countries including Japan, Brazil, the EU, Canada, China, Taiwan, Korea, and Norway have been heavily critical of a draft anti-dumping text that Chair Ambassador Guillermo Valles Games (Uruguay) issued last November. They object to the fact that it would, under certain circumstances, explicitly legalise 'zeroing', a controversial US calculation methodology that they claim inflates anti-dumping duties (see BRIDGES Weekly, 30 January 2008, <http://www.ictsd.org/weekly/08-01-30/story2.htm>). The US, on the other hand, is content to use the text as a basis for further talks.

Earlier this week, Japan, Canada, the EU, India, and Korea urged Valles Games to issue a new rules text as soon as possible. The chair, however, said he would do so "in due time." Notably, these countries have also been among the most critical of the reforms proposed in Valles Games' draft text on another component of the

rules negotiations: disciplines on fisheries subsidy spending.

Those potential disciplines would ban a broad range of support for fisheries, in an attempt to curb overcapacity and overfishing. Developing countries would, however, be allowed to maintain several ordinarily-banned payments if they establish a national fisheries management system and have it peer reviewed at the Food and Agriculture Organisation (FAO). India and the group of African, Caribbean, and Pacific (ACP) countries say that these requirements are so onerous that they render the exception useless. This week, they proposed (TN/RL/W/217) relaxing the disciplines for artisanal and small-scale fishing, arguing that making it too difficult to support them could threaten the livelihoods of millions.

Other Members, such as Norway, Korea, and the EU, stressed the importance fisheries management schemes. Australia said that establishing a good fisheries management system was not impossible for developing countries.

If Members are trying to reach a breakthrough on agriculture and NAMA, why are they making all of these demands on other issues now? The WTO's 'single undertaking' principle that "nothing is agreed until everything is agreed" means that a government could veto an eventual Doha package that it found unsatisfactory, even after a modalities deal on those two issues.

"A lot of countries, [such as] the US and the EU, think that the greatest leverage [to achieve their goals] is in the horizontal process, regardless of the single undertaking," explained one delegate. "Thus, it is not surprising that relatively less powerful delegations also feel the same way." Small countries would find their options even more constrained after a modalities deal was struck, the source said, since they would come under "heavy pressure not to block the round," on the grounds of, say, unsatisfactory progress on development issues such as duty- and quota-free market access for least-developed country exporters.

The official suggested that if services trade comes to figure seriously in the horizontal process, then other countries may push for having their own priorities included in those discussions as well. The former, at least, seemed likely, since the EU had expended "a lot of political capital" in its pursuit of a signalling process. "We're preparing to have to deal with all issues."

Meanwhile, Lamy is believed to be consulting with Members on the scope and timing of a potential horizontal process.

Each of the past three years has seen a failed push for a Doha Round modalities breakthrough. Although negotiators point out that this year, significantly more of the necessary underlying technical work has been completed, some are taking a wry attitude towards the current target of 'around Easter' for a 'mini-ministerial' meeting. "Which Easter?" runs the joke. "Catholic or Orthodox?"

Catholic Easter is on 23 March this year; Orthodox Easter on 27 April.

ICTSD reporting; "France rallies EU partners against world trade pact," EURACTIV, 19 February 2008.

Other News

EU EPAs COULD INHIBIT SOUTH-SOUTH TRADE INTEGRATION, BRAZIL ALLEGES

Brazil has alleged that a clause in the EU's recent trade agreements with several former colonies could discourage these countries, among the world's poorest, from pursuing deeper trade integration with other developing nations.

This would run counter to a WTO principle aimed at increasing poor countries' participation in global commerce, Brazil claims, adding that it sits uneasily with the EU's oft-stated commitment to promoting South-South trade.

The concerns raised by Brazil, though downplayed by the EU, underline another potential source of tension between the rapidly growing number of bilateral and regional trade arrangements and multilateral trade rules.

Under the so-called 'MFN clause' at issue, African, Caribbean, and Pacific (ACP) states that struck economic partnership agreements (EPAs) with Brussels late last year are required to extend to the EU any deeper market access terms that they negotiate with other significant economies in the future.

MFN clause discourages South-South FTAs

In Brazil's view, this requirement would leave ACP countries "no incentive to negotiate agreements with other developing countries containing market access conditions that are more favourable than those the [EU] might enjoy." It would "discourage or even prevent third countries from negotiating FTAs with EPA parties and will create major constraints to South-South trade."

This, Brazil argues, goes against the WTO 'Enabling Clause,' a 1979 agreement allowing members of the GATT, the WTO's predecessor, to grant favourable treatment to developing countries while not doing so to wealthy ones. In addition to North-South trade preference schemes, the Enabling Clause specifically refers to "regional or global arrangements entered into amongst less-developed contracting parties for the mutual reduction or elimination of tariffs."

The Brazilian delegation voiced these arguments at a 5 February session of the General Council, the WTO's top permanent decision-making body. It added that MFN clauses in EU EPAs would "severely undermine" the Enabling Clause, which would be "ironic, to say the least" in the middle of a 'development round'. Several developing countries echoed Brazil's concerns, including China, Pakistan, Paraguay, India, and Argentina. On behalf of the ACP group, Jamaica said that their concerns could be discussed further in the WTO's new regional trade agreement transparency mechanism (although the EPAs would have to be formally notified to the WTO first).

Brazil has a direct interest in the MFN clauses, since it would stand to be affected by them if it negotiated a free trade agreement with any ACP country that already has an EPA with the EU.

Although the legal texts of most of the EPAs are still being finalised for formal signing, after being initialled in a hurry to beat a key deadline at the end of last year, the EU's agreement with 15 Caribbean nations has been completed. Its terms limit the MFN clause to EPA signatories' future agreements with "major trading economies" that account for over 1 percent of world merchandise exports, or blocs of states that account for over 1.5 percent. According to WTO data, Brazil accounted for 1.5 percent in 2006, compared to 16.4 percent for the EU and 11.5 percent for the US.

Other developing countries affected would include China, the source of 10.7 percent of world exports that year, as well as Mexico, Malaysia, India, and Indonesia, which also crossed the threshold, albeit by much narrower margins (between 2.8 and 1.1 percent).

EU defends policy

A European Commission official said that "the MFN clause does not contradict the Enabling Clause in any legal aspect. The Enabling Clause permits trade preferences among developing countries, but it contains nothing that prohibits the extension of such preferences to other WTO Members." "The Enabling Clause does not cover free Trade Agreements," the source claimed.

"The MFN clause only applies to concessions made under a free trade agreement between ACP countries and a 'major trading economy'," the European official continued. "Therefore, it has no effect on regional integration between ACP countries or agreements between ACP and other small or poor developing economies."

Brazil and the EU are likely to have ample opportunity to repeat their arguments in the future, since Brazil is expected to ask for the issue to be placed on the agenda for the General Council's next meeting. Legal action is less likely, not least because the Enabling Clause – an exception to standard GATT rules – is not an agreement covered by the WTO Dispute Settlement Understanding.

Systemic issue needs solving

Nevertheless, the MFN clauses in the EPAs do present a "real problem," said Carmen Pont-Vieira Dos Santos, a former WTO official in charge of regional trade agreements, EU protestations notwithstanding.

Leaving aside the question of whether such a liberalisation requirement would be economically desirable, she said "the fact is that it is a disincentive to South-South [free trade] agreements."

Under the MFN clauses, she explained, if Brazil reached an FTA with Cote d'Ivoire that included tariff phaseouts faster than those in the latter's EPA with Brussels, then the EU would automatically be entitled to the same treatment.

"Brazil would be reluctant to make concessions in exchange for concessions that will be extended to the EU," she explained. India would think twice about giving up anything in exchange for far-reaching, prompt access to an ACP country's automobile market, if it knew it would have to compete on identical terms with European cars.

In effect, she suggested, the MFN clauses "'unable' the Enabling Clause in some cases." While the EU was probably motivated by concerns that Japan and the US would gain better terms in trade agreements with the ACP, she conjectured, it was relatively less competitive "medium powers" such as Brazil and India who stood to be more affected.

She said that if such clauses "become a practice, it could contribute to fewer South-South agreements, and maybe more North-South agreements."

Pont-Vieira Dos Santos said that instead of a legal problem, the tension between the EU EPAs and South-

South agreements was a “systemic problem that could best be resolved in a global context.”

The same was true for the relationship between regional trade agreements and the WTO more broadly. “Many questions about RTAs exist beyond the definition of ‘substantially all trade’,” she said, in a reference to the woolly and untested WTO rules for determining whether a bilateral or regional trade accord is WTO-compliant. These questions can only be resolved by negotiation.

She expressed hope that Brazil’s complaints would “draw attention to the need for a negotiated solution to this and other issues before the end of the Doha Round.”

“Regional trade agreements could ultimately collide with the WTO or other regional trade agreements,” she said.

WTO Members “can’t leave this or other questions open forever.”

ICTSD reporting.

INTERIM WTO RULING GOES AGAINST CHINA IN AUTO PARTS DISPUTE

A WTO dispute panel has issued an interim ruling against China, largely upholding the complaints by the US, the EU and Canada that Beijing was levying inappropriate tariffs on imported auto parts, thus boosting its domestic industry.

At issue are Chinese trade measures which charge a 25 percent tariff on automobile parts if they account for 60 percent or more of the value of the whole vehicle, in comparison to what would otherwise be a 10 percent tariff on the parts.

The US, the EU and Canada complained that these policies discriminated against foreign auto parts, effectively subsidising domestic production, and went against China’s accession-related promise “not to treat parts as whole cars.” The three complainants have also argued that the Chinese tariffs “discourage automakers from using imported parts for the vehicles they assemble in China,” resulting in earnings and job losses as production shifts to China. The complaints date back to spring 2006, although the panel was not created until January 2007 (see BRIDGES Weekly, <http://www.ictsd.org/weekly/06-04-05/wtoinbrief.htm>, 5 April 2006).

The panel found that the measures accorded “imported auto parts less favourable treatment than like domestic

auto parts” or subjected them “to an internal charge in excess of that applied to like domestic auto parts,” reports the London Free Press.

A US trade official confirmed that “in all major respects, the panel agreed with the United States that China has acted inconsistently with its WTO commitments.”

China’s mission to the WTO said that it “will not make comments on the case until the final ruling is made.” Mei Xinyu, of China’s Trade and Economic Cooperation Institute, affiliated with the commerce ministry, said that Beijing should appeal the ruling.

The final ruling is expected to be released in March. However, it is extremely rare for panels to change their findings between the interim and final decisions.

Chinese experts have defended the tariff measures. Zhao Yumin, also of the Trade and Economic Cooperation Institute said that the differential tariff rates were designed to “prevent tax evasion by companies who import whole cars as spare parts to avoid higher tariff rates.” “Leveling the tariff gap is to publicly encourage auto smuggling,” added Mei Xinyu.

Jia Xinguang, a senior analyst with China Auto Consultation Co. added, “only those foreign high-grade auto manufactures will benefit” from the ruling, even if the interim decision is not changed.

David Emerson, Canada’s trade minister, welcomed the decision as it would help Canada’s “ailing auto parts industry” by giving it greater access to a growing market. Emerson said that the Chinese trade practices “cost the Canadian sector hundreds of millions of dollars” in revenue.

Buzz Hargrove, president of the Canadian Auto Workers Union added, “any decision that recognizes the unfair trade with Asia, including China, [is] good news.” However, Hargrove also said that the problem is not limited to China, but extends to Japan and South Korea as well.

EU Trade Commissioner Peter Mandelson, expressed hope that China “complies fully and puts itself right by the WTO, not only in this question concerning auto parts, but in other respects where it is falling short in its WTO commitments.”

US officials have indicated that the panel’s decision, which is being followed by manufacturers of all sorts of car parts, may have “ramifications beyond auto manufacturing.” Max Baucus, chairman of the US Senate Finance Committee, called the interim ruling a “victory for open markets and American workers.”

Argentina, Australia, Japan, Mexico, Taiwan, Brazil and Thailand were third-parties to the dispute.

The US has turned up the heat on China at the WTO over the past two years, targetting several aspects of Chinese trade policy. They settled one out of court in November 2007, when China agreed to withdraw a series of tax rebates and subsidies that were promoting exports and discouraging imports of steel, wood, and information technology products. Another pending dispute at the WTO involves US allegations that China is tolerating piracy and maintaining trade barriers against books, music, and other copyrighted goods (see BRIDGES Weekly, 18 April 2007, <http://www.ictsd.org/weekly/07-04-18/story4.htm>).

As trade between the two nations continues to grow – China just surpassed Canada to become the US' largest source of imports – trade lawyers expect the US to launch more cases against Beijing, in response to rising anxiety from US industry.

ICTSD reporting; "China's Auto Tariff Policy Not Violating WTO Rules," XINHUA NEWS AGENCY, 16 February 2008; "WTO Rips Chinese Practices," LONDON FREE PRESS, 14 February 2008; "WTO's Interim Ruling Condemns China for the First Time," ASSOCIATED PRESS, 13 February 2008; "China Studying WTO Interim Ruling on Auto Parts Dispute," XINHUA NEWS AGENCY, 14 February 2008; "WTO China Ruling Could Save Canada Auto Part Sector: Official," AGENCE FRANCE-PRESSE, 13 February 2008; "US Wins Auto Parts Case Against China – US Official," REUTERS, 13 February 2008; "China: WTO's Ruling Unfair," CCTV, 18 February 2008; "WTO Defeat for China May Signal More Trade Complaints (Update 1)," BLOOMBERG, 15 February 2008; "US Export Fact Sheet," US DEPARTMENT OF COMMERCE – INTERNATIONAL TRADE ADMINISTRATION, 11 January 2008.

IN BRIEF

AMID NEW TALKS, RUSSIA COULD COMPLETE WTO ACCESSION THIS YEAR

Hoping to complete WTO accession negotiations as soon as possible, Russian negotiators held a series of bilateral and multilateral talks in Geneva this week.

Russian officials met with representatives from Saudi Arabia, the United Arab Emirates, and Georgia to discuss bilateral trade relations. WTO accession procedures require applicant countries to sign bilateral agreements with any Member that wishes to do so, with

the deepest concessions thus agreed extended to the rest of the WTO Membership. Russia signed a deal with Georgia in 2004, but Tbilisi threatened a veto after a border trade dispute.

The Russian government hopes to wrap the process up before Ukraine gains the status of a full Member, possibly by this summer. Relations between Kiev and Moscow are tepid at best, and as a full Member, Ukraine, whose accession package was accepted by WTO Members this month, would have the ability to request a bilateral deal of its own, prolonging Russia's accession talks. As with most WTO decisions, any single Member would be able to block Russia's accession.

A separate obstacle in Russia's accession process is its ongoing disagreement with the EU over timber duties – EU member state Finland has complained of rising prices of timber due to export duties. EU Trade Commissioner Peter Mandelson, speaking in Moscow last Friday after two days of meetings with Russian officials, announced that timber was the last major hurdle that the two parties must overcome, after signing a bilateral deal in 2004.

Mandelson insists that the EU will not allow its companies to be hurt by Russian export tariffs. The two countries plan to meet again next month to continue discussions.

Mandelson also expressed the belief that Russia could join the WTO this year, provided that no new countries make unreasonable demands. "We've got to make sure that the requests being made to Russia are proportionate and reasonable," he said, reports Reuters.

The EU trade chief noted that WTO membership for Russia would benefit others. "Frankly, we want to see Russia in the WTO, it's the largest economy of its size and importance outside of the organisation, there are benefits, substantial benefits, both for Russia and its trading partners to see Russia in the WTO," he said.

The EU hopes to begin free trade agreement negotiations with Russia after it joins the WTO; it launched on a similar deal with Ukraine this week.

ICTSD reporting, "EU's Mandelson says backs new Russia WTO Bid Push," REUTERS, 15 February 2008. "Ukraine PM won't hinder Russia's Bid to Join WTO," AGENCE PRESS FRANCE, 20 February 2008.

BRAZIL, EU IN SPAT OVER BEEF IMPORTS

Discussions between the EU and Brazil to resolve a spat over beef imports came to a halt last week, after Brussels rejected a second list of cattle farms that Brazil claimed met EU health standards.

The EU banned all Brazilian beef imports on 31 January, after declaring in December, following complaints from Irish farmers, that it would only accept imports from farms that met new EU guidelines.

Citing concerns with Brazil's current traceability systems and sanitation guidelines, Brussels imposed the ban after deeming a list of 2681 farms submitted by Brazil to lack clear data and farm audits.

Brazil admitted last week to having exported both inspected and un-inspected beef to Europe, including Beef that was still in transit after 1 February, when the new guidelines entered into force.

On 14 February, Brazil sent a revised list of 600 farms to Brussels. However, it was rejected the next day. There is speculation as to why the EU acted so quickly, but one generally accepted reason is that it has said that it will only allow up to 300 exceptions for Brazilian farms, after traceability and veterinary standards have been certified. Brazil argues that this number is arbitrary, and violates WTO rules on quantitative import restrictions.

The European Commission insists that the ban is only temporary, and it has agreed to send an EU Food and Veterinary Organization commission to Brazil on 25 February in order to assure that complete farm audits are taking place.

European farming organisations were pleased with the ban, and have asked that it continue until full audits of all Brazilian farms can be accomplished.

Meanwhile, European importers are concerned with rising prices and possible shortages, though EU agriculture spokesman Michael Mann says that the EU has plenty of domestic and foreign suppliers ready. Many agricultural analysts forecast a rise in prices, at least in the short term.

Brazil argues that the ban is purely commercially motivated, as EU farmers try to gain market share after European BSE and hoof-and-mouth disease scares. Brazilian beef costs about \$1 per kilo, which is about half the cost in the US and a third the cost of European beef.

Earlier this month, Brazilian WTO Ambassador Clodoaldo Hugueneu threatened to challenge the beef import ban at the WTO. Following Brussels' rejection of the second list, Celso Amorim, Brazil's foreign minister has suggested that he too would support taking the ban to the global trade arbiter.

ICTSD reporting; "Brazil Sold Beef That Wasn't Inspected to the EU, O Estado Says," BLOOMBERG, 14 February 2008; "Brazil admits exports of uninspected beef to EU," XINHUA, 14 February 2008; "Brazil offers EU new farm list in bid to get beef ban lifted," EUBUSINESS, 7 February 2008. "Stand Firm on Brazilian Beef Ban, EC urged". UK DAILY POST, 15 February 2008.

WTO IN BRIEF

US APPEALS COMPLIANCE PANEL RULING IN COTTON DISPUTE

The US has appealed a WTO decision which found that Washington had failed to comply with earlier rulings against US subsidies to cotton farmers.

Gretchen Hamel, a spokesperson for the US trade representative's office, said the US was appealing the ruling because it believed that its cotton sector reforms had "brought its programs into full compliance with the WTO's recommendations and rulings in the original cotton case."

If it loses the appeal, the US could face trade sanctions from Brazil.

In the dispute, which dates back to 2002, both a WTO dispute panel and the Appellate Body ruled in favour of Brazil's allegations that US support for domestically grown cotton, including subsidies and export credit guarantees, for cotton farmers violated the US's WTO obligations (see BRIDGES Weekly, <http://www.ictsd.org/weekly/05-03-09/story1.htm>, 9 March 2005).

In April 2005, the US said that it intended to comply with the rulings. Brazil however did not believe that the US had taken adequate measures to comply with the ruling and requested to have a compliance panel convened. In December 2007, the compliance panel ruled that the US had failed "to take appropriate steps to remove the adverse effects" of the subsidies and agricultural support programs provided to US cotton farmers. It found that the US had eliminated the 'Step 2' payments to mills and exporters to encourage them to buy more expensive US cotton. However, other subsidy

programs had yet to be eliminated or brought into compliance with the WTO ruling.

ICTSD reporting; WTO Dispute Settlement Gateway; "US Files Appeal at WTO Over Cotton Subsidies Dispute," AGENCE FRANCE-PRESSE, 14 February 2008; "Statement from Gretchen Hamel, USTR Spokeswoman, Regarding the Appeal of the WTO Final Compliance Panel Report in United States – Subsidies on Upland Cotton," USTR PRESS RELEASE, 13 February 2008; "Brazil's WTO Case Against the U.S. Cotton Program: A Brief Overview," CRS REPORT FOR CONGRESS, 25 January 2008.

EVENTS & RESOURCES

EVENTS

For a more comprehensive list of events in trade and sustainable development, please refer to ICTSD's web calendar at: <http://www.ictsd.org/cal/index.htm>. If you would like to submit an event, please email events@ictsd.ch.

Coming up: 21-27 February

21-22 February. Nairobi, Kenya. EXPERT GROUP MEETING ON LAND FOR SUSTAINABLE URBANIZATION IN AFRICA This expert group meeting will contribute to the sixteenth session of the UN Commission on Sustainable Development (CSD 16). For more information contact: e-mail: gltn@unhabitat.org; Internet: <http://www.gltn.net/en/newspage/en/newspage/expert-group-meeting-on-land-for-sustainable-urbanisation-in-africa-2.html>

21-22 February, Paris, France. GLOBAL FORUM ON COMPETITION 2008. This conference, hosted by the Organisation for Economic Cooperation and Development, is organised by the Directorate for Financial and Fiscal Affairs. Internet: http://www.oecd.org/document/25/0,3343,en_2649_34487_39410201_1_1_1_1,00.html

21-22 February, Geneva, Switzerland. AD HOC GROUP OF EXPERTS ON ENERGY EFFICIENCY INVESTMENTS FOR CLIMATE CHANGE MITIGATION. The first day of the meeting will be dedicated to a special seminar on Financing Energy Efficiency Investments with the European Clean Energy Fund. Internet: <http://www.unece.org/ie/> and www.ee-21.net

25-27 February, New Delhi, India. INTERNATIONAL SEMINAR ON MOVING TOWARDS GENDER

SENSITISATION OF TRADE POLICY. The seminar will provide a forum to international trade and gender experts, policy makers, academia and civil society to discuss gender concerns in the context of trade liberalization and globalisation, with particular reference to India and generally to developing countries. Internet: <http://www.unctad.org/Templates/Meeting.asp?intlItemID=2068&lang=1&m=15066&year=2008&month=2>

25-29 February, Geneva, Switzerland. INTERGOVERNMENTAL COMMITTEE ON INTELLECTUAL PROPERTY AND GENETIC RESOURCES, TRADITIONAL KNOWLEDGE AND FOLKLORE : 12TH SESSION. The Committee, hosted by the World Intellectual Property Organisation, will focus in particular on issues faced by local and indigenous communities. Internet: http://www.wipo.int/meetings/en/details.jsp?meeting_id=14802

WTO Events

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

20-21 February: SYMPOSIUM ON TELECOMMUNICATIONS

25+27 February: TRADE POLICY REVIEW BODY – BRUNEI DARUSSALAM

25 February: COMMITTEE ON TRADE AND DEVELOPMENT – SESSION ON AID FOR TRADE

26 February: COMMITTEE ON BUDGET, FINANCE AND ADMINISTRATION

RESOURCES

A CUT ABOVE; BUILDING THE MARKET FOR FREE TRADE TIMBER. By Duncan McQueen. International Institute for Environment and Development, 2008. Unlike coffee and cotton, timber has yet to become a fair trade commodity. But now its time has come. Rights over forest resources are increasingly ceded to small-scale community forest enterprises (CFEs), as large-scale industrial logging is now largely discredited in the sustainable development context. The fair trade

emphasis on just pricing for poorer producers is exactly what CFEs need as incentive to invest in sustainable forest management — and secure environmental and poverty reduction benefits at one stroke. With fair trade timber, CFEs could boost their entrepreneurial capacity using democratic business models with in-built social and environmental responsibility. The Fair Trade Labelling Organizations International and Forest Stewardship Council are exploring the ways and means through a new partnership, but more is needed. Consumers must be made aware of why paying higher prices is key to creating CFE incentives for sustainable forest management and poverty reduction. Time and money are needed for consumer education and installing fair trade timber in producer country forest policies, market segregation and procurement policies at all levels. For more information, please see <http://www.iied.org/pubs/display.php?o=17033IIED&n=1&l=71&c=trade>.

EPA NEGOTIATIONS IN THE CARRIBBEAN REGION: SOME ISSUES OF CONCERN. South Centre Analytical Note, 2008. This analytical note explores some of the main challenges related to the EPA negotiations in the CARIFORUM ACP region, particularly with respect to Market Access and regional integration, Agriculture, Manufacturing, and trade in Services. This note highlights some of the region's main concerns and explores some possible positive linkages between the EPA's and the WTO Doha Round of negotiations in an effort to increase negotiators' understanding about the EPA developmental implications. For more information, please see http://www.southcentre.org/publications/AnalyticalNotes/Other/2008Jan_CARIFORUM_EU_Background_Note.pdf.

TERMS OF TRADE SHOCKS AND ECONOMIC RECOVERY. By Norbert Funke, Eleonara Granziera, and Patrick Imam. International Monetary Fund, February 2008. This paper focuses on the macroeconomic impact of negative terms of trade shocks and tries to identify factors that contribute to a fast recovery in growth after persistent negative shocks. It is well known that sizable terms of trade shocks, which reflect a sudden, large, and enduring change either in import or export prices tend to affect income. Though at times it is difficult to determine whether a shock is transitory or permanent, governments need to be ready to respond to a shock. While some countries seem to suffer for a prolonged period from a negative terms of trade shock, others have recovered quickly or even managed to increase average growth. The paper assumes that appropriate macroeconomic policy, supported by structural reforms and solid institutions, can help revive growth after a terms of trade decline. It also attempts to differentiate between policies needed immediately after the shock and policies needed to

keep growth momentum alive. The paper is available online at <http://www.imf.org/external/pubs/ft/wp/2008/wp0836.pdf>

BILATERALISM IN SERVICES TRADE; IS THERE FIRE BEHIND THE (BIT-) SMOKE? By Rudolph Adlung and Martin Molinuevo. WTO Working Paper, January 2008. In most of the current literature, the spread of regionalism in international trade relations is discussed in terms of a rapidly rising number of preferential trade agreements (PTAs). Far less attention is given to the even more rapid proliferation of bilateral investment treaties (BITs) and their overlap with obligations assumed by WTO Members under the General Agreement on Trade in Services (GATS). About 60 percent of world foreign investment stocks are in services and, thus, covered by mode 3 (commercial presence) of the GATS. A closer look reveals that BITs generally apply across a far wider range of sectors, in particular in the case of LDCs and developing countries, than those scheduled under the GATS. Furthermore, a number of obligations enshrined in BITs go beyond their potential counterparts under the GATS. At the same time, since most WTO Members have not listed relevant exemptions from the Most-Favoured-Nation (MFN) clause of the Agreement, their BIT obligations are to be applied on an MFN basis. While this extension may not cause problems in many cases, given generally liberal investment regimes and the focus of most treaties on protecting rather than liberalizing access, inconsistencies remain between the two frameworks. Based on an assessment of relevant provisions, this article discusses options on how WTO Members could proceed. The paper is available online at http://www.wto.org/english/res_e/reser_e/ersd200801_e.htm.

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, Fleur Claessens, Rob Cottrell, Naomi Fortis, Alicia Handy, and Jonathan Hepburn. Editor: Trineesh Biswas. Assistant Editor: Caitlin Zaino. 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