



# Bridges Weekly Trade News Digest

*Weekly trade news from a sustainable development perspective*

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## LEAD STORIES

### Deeply Divided, WTO Members to Search for Common Ground on Doha

A meeting of senior officials from 19 WTO members last week was valuable primarily for helping participants reach “a common diagnosis” of the “seriousness and depth” of the problem governments face in trying to conclude the Doha Round trade talks, officials said.

Several of the exchanges during the gathering, which was jointly hosted by the European Union and India at the EU's mission to the WTO in Geneva on 19-20 May, served to underline the gaps separating central players such as the US and large developing countries like Brazil, China, and India.

Many were “dumbfounded” by the depth of the differences, said one official who attended the “very educational” meeting. “There is a huge gulf separating the sides, and for the time being it is insurmountable,” the source told Bridges. Countries were divided not just on the substance, but on how to approach the negotiation. “They cannot negotiate yet – they need to agree on how,” the source added.

The meeting was the latest attempt by WTO member governments to see how they might revive the Doha Round negotiations. In late April, officials from the US, the EU, China, Brazil, and India met in Paris to examine the state of the talks. Those countries were represented at last week's meeting, along with officials from Argentina, Australia, Barbados, Burkina Faso, Canada, Egypt, Gabon, Indonesia, Japan, Mauritius, Mexico, Switzerland South Africa, and Zambia.

The first day of the gathering was devoted largely to countries' well-established views on the negotiations.

US Ambassador Michael Punke said that the terms for cutting subsidies and tariffs outlined in draft texts dating back to 2008 would not be politically saleable in Washington. He repeated the US's call for developing countries like Brazil, China and India to provide greater market access, particularly for industrial goods. Punke did suggest that the US would be prepared to offer additional concessions of its own, suggesting that Washington did not expect to get what it was seeking for free. He did not, however, provide details about what these concessions might look like.

Canada and Australia also called for greater 'ambition' – a euphemism trade negotiators often use for deeper tariff or subsidy cuts – albeit not as comprehensively, sources said.

Brazil, meanwhile, said that it was already at the outer limits of what it could agree to in terms of industrial market access. And India warned that if the package on the table unraveled, it would take another decade to conclude the round. Picking apart one aspect of the draft texts -- industrial goods, say -- would open up others, such as farm subsidies, India said, according to sources.

On the second day of the meeting, officials recognised the impasse. They agreed that there should be a dialogue aimed at finding and defining what one participant described to Bridges as a "common area" in which a final Doha deal could then be negotiated.

"There is a common diagnosis of the problem," the trade diplomat said, suggesting that the officials present accepted that they needed to define a shared playing field, as opposed to "the US defining its field and the Indians defining their own."

However, they made little headway towards agreeing on "common terms of engagement." The meeting ended early in the afternoon on the second day, hours ahead of schedule.

Delegations appear set to meet in a variety of configurations in an attempt to develop shared understandings about the broad parameters within which a Doha agreement could be finalised. Argentina stressed the importance of multilateral meetings alongside the bilateral and plurilateral ones that will take place.

Participants at last week's meeting agreed that the various Doha Round negotiating groups should keep meeting at the WTO, though they acknowledged the current stalemate on agriculture and non-agricultural market access (NAMA). Switzerland and the EU asked whether it would be possible to reinvigorate talks in other sectors, such as services and rules, sources report. Some developing countries, notably Brazil, stressed that since the ambition on agriculture and NAMA would set the tone for concessions elsewhere, members would be unlikely to show their hands on services without knowing what they stood to get in terms of agricultural and industrial market access and farm subsidy reduction.

The Doha Round will be discussed by ministers participating in an Organisation for Economic Co-operation and Development summit on economic recovery and sustained growth later this week. It is also on the agenda for the G-20 summit in Toronto next month, although trade will take a back seat there to financial system reform.

Nevertheless, nine years into the multilateral trade talks, it remains unclear whether the inviolable 'red lines' of prominent WTO members overlap enough to make a Doha Round agreement possible.

ICTSD reporting.

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### **North-South Split over R&D Financing and Counterfeits at World Health Assembly**

Controversial issues related to intellectual property rights (IPRs), innovation, and access to medicine dominated debates at last week's meeting of the World Health Assembly, the top decision making body of the World Health Organization (WHO). Particularly contentious were discussions on the implementation of a 2008 plan to create new

incentives to drive innovation and to finance health research and development for diseases afflicting the world's poorest people.

Talks on the implementation of the plan, called the Global Strategy and Plan of Action on Public Health, Innovation and Intellectual Property, witnessed a wide divergence of views between developed and developing countries about how to move forward the WHO's activities.

A separate issue, WHO policies to combat counterfeit medical products, polarised countries along similar lines. The issue has been in the spotlight over the past year and a half, after customs authorities in Europe seized and temporarily held several shipments of generic medicines that were en route from India to Brazil, inaccurately claiming they were counterfeit. Brazil and India recently launched a WTO case against the EU, arguing that its customs regulations violated WTO rules on freedom of transit (<http://ictsd.org/i/news/bridgesweekly/75730/>).

### **Pandemic flu preparedness**

Also discussed during the World Health Assembly was pandemic influenza preparedness and the related policies for sharing influenza viruses and access to vaccines.

Responding to criticism that the WHO had overreacted to the H1N1 outbreak, Director-General Margaret Chan defended the organisation's response, noting that it had simply been a matter of chance the virus did not mutate to become more lethal, and that cases of drug resistance remained rare. "Sometimes, we are just plain lucky," she said.

Countries praised the WHO for its efforts on pandemic influenza preparedness in their statements at the WHA.

During the proceedings, member states stressed the need for timely and equal access to vaccines. Several developing countries expressed the view that considerations about intellectual property rights should be set aside when dealing with a pandemic.

For several years, WHO members have been seeking to finalize a pandemic influenza preparedness framework for sharing influenza viruses and access to vaccines and other benefits. Pending issues include a Standard Material Transfer Agreement (SMTA) and relations with influenza vaccine manufacturers, as well as intellectual property rights. Consensus was easily attained on a resolution calling for the WHO to continue deliberations in an 'open-ended working group' on these issues with a view towards reaching a final agreement.

### **Research and development financing**

Talks on the WHO-led efforts to find options for financing research and development, and for creating new incentives for medical innovation to address the health needs of poor countries, were considerably rockier.

Early in the week, discussions began on the report of a WHO Expert Working Group on R&D Financing (EWG), established in November 2008 as part of the implementation of the Global Strategy and Plan of Action on Public Health, Innovation and Intellectual Property,

Many developing countries including India, Brazil, Thailand, and the Union of South American Nations (UNASUR) bloc expressed dissatisfaction with the report. They argued that the EWG had not properly followed its mandate, and that the report lacked detail and clear justification for its recommendations.

Furthermore, they said, the EWG report failed to address important IP-related issues such as the idea of de-linking the R&D costs from the price of medical products. It also did not do enough to present developing countries with options for sustainable funding mechanisms.

Amidst the discontent, regional groupings of developing countries tabled two different proposals for future efforts in this area. The Union of South American Nations proposed establishing an intergovernmental working group to continue and deepen the work on R&D financing. The African Union and the Eastern Mediterranean region called for the creation of a new expert working group.

In contrast, the European Union and the US welcomed the EWG's report, noting that the panel's mandate was subject to interpretation. They expressed reservations about spending more resources on an intergovernmental process.

With member states split on how to take the work forward, a drafting group was created, chaired by Switzerland. Following intensive consultations, the group reached agreement on Friday afternoon on a draft resolution calling for the establishment of a 'consultative' expert working group. This new group will take forward the work of the EWG by deepening the analysis on proposals included in the report as well as on those that were left out. The consultative group will also look at brand new proposals. WHO members are to nominate experts for appointment to the new group by the WHO Executive Board. The group is scheduled to submit its report to the 2012 World Health Assembly.

Several civil society organizations that had been critical of the EWG report welcomed the outcome of last week's discussions.

Health Action International (HAI), for instance, sees the consultative expert working group as a real chance to "address some of the inefficiencies and flaws of the current R&D system, which does not meet the health needs of many people in the developing world."

We now have a "brand new opportunity and a fresh and strong mandate to de-link R&D costs from product prices" said James Love on behalf of Knowledge Ecology International (KEI).

### Counterfeit medical products

Discussions on counterfeit medical products centered on the WHO's role in combating counterfeit medical products, particularly its partnership with the International Medical Products Anti-Counterfeiting Taskforce (IMPACT).

As with the EWG report on R&D financing, the week opened with member states unable even to agree on the way forward. Small groups of countries met informally to hash out some ideas on how and where to discuss the issue.

The heated, sometimes aggressive, discussions were largely led by Brazil and India with the support of some African countries such as Kenya. Brazilian Ambassador M.N. Farani Azevêdo was applauded for insisting that "we must call a spade a spade," by which she meant that countries should not promote commercial interests under the guise of combating medical products of compromised quality, safety and efficacy.

There was widespread agreement among delegates that the term "*counterfeit*" in the context of the discussions should be replaced so as not to be confused with patent-related issues. Since agreement on a new definition during the WHA was impossible, delegates followed WHO chief Chan's suggestion to use the term "*spurious/falsely-labeled/falsified/counterfeit medical products*" in the meantime.

Developing countries stressed that the WHO's role should strictly be to look at counterfeits from a public health perspective, and that it should stay away from intellectual property aspects. They also complained about the WHO's relationship with IMPACT, with some suggesting the WHO "divorce" itself from this partnership, which includes groups that represent the interests of major pharmaceutical firms.

"The role of IMPACT is controversial," said India, adding that governments should be the ones in charge of the fight against counterfeit medicines.

Despite the initial standstill, members were ultimately able to reach a compromise on the way forward. An informal drafting group chaired by Iran finally proposed a single draft decision late on Friday afternoon. As per the decision, a time-limited and result-oriented intergovernmental working group will be established to address, from a public health perspective: a) the WHO's role in ensuring availability of safe efficacious and quality medical products, b) its relationship with IMPACT, and c) its role in the prevention and control of medical products of compromised quality, safety, and efficacy. The working group will report back to next year's session of the World Health Assembly.

In her closing remarks, the WHO director-general thanked countries for reaching consensual outcomes on the two contentious issues. "We have just seen two examples, shall I say hot off the press, of this spirit of collaboration and consensus-seeking," she said. "Thank you for finding a way forward on the issues of research and development financing and substandard, spurious, falsely-labelled, falsified, counterfeit medical products."

The decisions reached during the WHA open a new programme of work for the WHO on R&D financing and counterfeit products. Both are likely to be the subject of increased interest in light of the controversy at this year's assembly.

ICTSD reporting.

## OTHER NEWS

### WTO Panel to Examine EU Anti-Dumping Duties on Chinese Footwear; Zeroing Under Fire Again

When their economies hit downturns, WTO members' use of anti-dumping measures tends to increase. So too, it seems, does the number of dispute settlement cases challenging the extra duties.

Three WTO dispute panels were established last week to scrutinise a range of anti-dumping measures: duties levied by the European Union on Chinese footwear, and by the United States on Korean steel and Vietnamese shrimp.

Despite months of consultations – the first step in WTO dispute settlement procedures – the various governments concerned were unable to resolve their differences. And so, a meeting of the WTO Dispute Settlement Body on 18 May created panels to adjudicate the cases (a country targeted by a potential dispute can block the creation of a panel once, but cannot do so a second time).

Beijing argues that EU anti-dumping duties ranging as high as 16.5 percent on certain leather shoes violate WTO rules, by discriminating against China and Chinese companies.

The EU introduced the duties in 2006, claiming they were necessary to shield European shoemakers from being harmed by below-cost, or 'dumped' imports from China and Vietnam. In December 2009, Brussels decided, after a review, to prolong the punitive measures by an additional 15 months. That decision prompted Beijing to initiate WTO dispute proceedings in February, by requesting consultations on the matter with the EU

(<http://ictsd.org/i/news/bridgesweekly/70138/>). Vietnamese shoes on average face somewhat lower duties than Chinese ones (a point not lost on China); Hanoi criticised the extension but has thus far stopped short of launching its own WTO case.

China's case centres on allegations that the EU used inappropriate methods to calculate the 'dumping margin' and the consequent value of duties. China also argued that the EU failed to adequately account for the fact that domestic industry may have been hurt by factors other than the dumping of Chinese goods, such as changing consumption patterns, the removal of an import quota on Chinese footwear, shifts in demand, and exchange rate fluctuations.

As has been the case for anti-dumping duties on other Chinese products, such as clothing and energy-efficient light bulbs, EU members and the European footwear industry have been divided on support for the extra duties on Chinese and Vietnamese shoes. Support has come primarily from Mediterranean countries, such as Italy, where producers have been hit by competition from imports. The European Footwear Alliance, which represents global brands such as Adidas, Ecco and Timberland, has argued that the extra duties – and consequently, higher prices – hurt European businesses and consumers.

In March, a branch of the European Court of Justice ruled against Chinese footwear companies seeking the removal of the anti-dumping duties, ordering the companies to pay their own and the EU's legal costs.

China it is not just an unhappy target of EU anti-dumping duties. The dissatisfaction goes both ways. The most recent example of this came earlier this month, when Brussels initiated WTO dispute proceedings against anti-dumping duties levied by China on EU 'steel fasteners' like screws, nuts, and bolts. The duties cover EU exports worth some 140 million euros per year. The EU's request for consultations cited flawed calculations and procedural inadequacies. Last year, China launched a WTO dispute against the EU's anti-dumping duties on Chinese steel fasteners; that case is now in the process of adjudication.

### **'Zeroing' under fire, again**

'Zeroing', a controversial method that the US has long used to calculate dumping margins and the resulting duties, was the subject of two other panels created at the 18 May meeting of the Dispute Settlement Body. The term refers to a practice under which US commerce officials, while calculating dumping margins, do not reflect ('zero out') instances where the price of an imported product is higher in the US than in its home market, instead of averaging these instances into an overall comparison. Critics argue that this unfairly inflates dumping margins and anti-dumping duties, or creates dumping margins where there would have been none. WTO dispute panels and the Appellate Body have repeatedly ruled that zeroing is inconsistent with multilateral trade rules.

While a significant irritant to many of the US's trading partners, anti-dumping is a deeply sensitive issue in the US Congress, where many lawmakers see US anti-dumping law as a valuable means of protection from unfair trade. Indeed, anti-dumping has emerged as a major sticking point in the Doha Round rules negotiations, as the US, with little support, has tried to negotiate clear rules permitting zeroing.

Vietnam's case (WT/DS404/1) challenges several aspects of the anti-dumping duties the US is levying on certain kinds of frozen Vietnamese shrimp, including Washington's use of zeroing. The case marks Vietnam's first use of the WTO dispute settlement system since it joined the global trade body in 2007. Vietnam, like China, had to agree to be designated a 'non-market economy'

for several years when it acceded to the WTO; this makes both countries easier targets for anti-dumping measures.

The Korean case focuses exclusively on the US's use of zeroing while levying anti-dumping duties on some Korean steel products (WT/DS402/1).

In theory, WTO disputes should take up to a year and a half to be adjudicated, if a ruling is appealed. In practice, however, many cases are settled 'out of court', while others can take much longer.

### **Do the cases represent a new trend?**

Asked whether the disputes represented a new trend, Jasper Wauters, a Geneva-based associate at White and Case, an international law firm, explained that trade remedy cases have always been an important part of WTO dispute settlement, accounting for about half of the docket.

Wauters, who used to work in the WTO secretariat's rules division, distinguished between the zeroing cases and the disputes brought by China.

Zeroing cases are far from new, and seem likely to continue, he said. Washington has preferred to defend anti-dumping measures involving zeroing on a case-by-case basis, repeatedly arguing that its domestic legal structures prevent it from amending the relevant orders absent a WTO ruling calling for changes to the particular anti-dumping order.

What was newer, he told Bridges, was China's willingness to use WTO dispute settlement to aggressively defend itself from trade remedy determinations (both anti-dumping and countervailing duty determinations) by major players like the US and the EU. "It's clearly a decision by China to fight back," Wauters said.

### **EU, US clash over zeroing**

Zeroing was also at the heart of a separate disagreement being addressed at the WTO last week: an arbitration to determine the amount of retaliatory sanctions the EU can levy against the US for the latter's use of zeroing.



The arbitration, which started on 20 May, marked the first time in WTO history that an arbitration on retaliatory measures was open to the public. In the past, a number of dispute panel and Appellate Body hearings had been opened up, but never an arbitration.

The arbitration is the final stage of a long running dispute between the US and the EU over zeroing. The EU estimates its losses resulting from the practice at over \$300 million annually, and proposed to the arbitrator two potential sets of sanctions to make up for those losses. A US lawyer contested this, arguing that the amount “should not be greater than \$2.87 million” and that the EU’s proposed retaliatory sanctions “grossly exceed the level of nullification or impairment in this case.”

Pointing to past WTO rulings against zeroing, the EU stressed that the US was in the wrong. “The parties do not appear before you as equals today” an EU lawyer appealed to the arbitrator. “It is the United States... that has been found... to have adopted no fewer than 32 WTO inconsistent measures. It is the United States... that has publicly stated that it will not comply.”

Reuters noted that the arbitration was embarrassing for the United States: having to admit that it had failed to comply with past WTO rulings and was still using zeroing did not sit easily with the Obama administration’s vocal emphasis on the enforcement of international trade rules.

Several WTO members not involved in the EU-US dispute followed the proceeding with great interest. For countries such as Japan, South Korea and Vietnam, which have launched similar cases against the US, the arbitration proceeding will be significant, since the US is having to acknowledge that it is still using the illegal zeroing methodology. Arbitral decisions normally take up to 60 days, but in this case it is not clear when the arbitrator will reach a decision.

ICTSD reporting; “WTO Agrees to Probe EU Duties on Chinese Footwear,” BLOOMBERG, 18 May 2010; “Court backs EU anti-dumping duties on Chinese shoes,” AGENCE FRANCE PRESSE, 4 March 2010; “U.S., EU clash over trade sanctions at WTO,” REUTERS, 20 May

2010; “China Escalates Trade Fight Over European Shoe Tariff,” NEW YORK TIMES, 4 February 2010.

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### Special Safeguard Mechanism Could ‘Seriously Impede’ Normal Farm Trade, Say Exporters

A new informal paper from Canada and Australia argues that an unconstrained agricultural safeguard mechanism for developing countries could “seriously impede” normal trade, if stripped of various proposed curbs on its use.

The paper has received a cool reception from the G-33 developing country group, which favours a simple, easy-to-invoke ‘special safeguard mechanism’ (SSM) to enable developing countries to raise duties beyond bound ceiling levels to protect farmers in the event of a surge in import volumes or a price depression.

“It’s re-packaging”, said one G-33 delegate, who suggested that the paper essentially re-stated ideas from an Australian paper circulated last December.

The new submission warns that an “unconstrained SSM” could be triggered on “a large majority” of tariff lines. Unless it is targeted to “a specific problem of import surges”, normal trade growth could be seriously impeded, the sponsors argue. They further claim that “for some agricultural products... an SSM could trigger almost every year.”

The latest draft WTO farm trade deal and an accompanying paper by the chair of the agriculture negotiations, both of which date back to December 2008, include a raft of proposed constraints aimed at curbing potential abuse by import-sensitive developing countries. These would condition the imposition of safeguards on the co-existence of a volume surge and price depression, for example, or limit the number of tariff lines on which safeguard duties can be imposed in any given year. The exporters’ latest

draft examines how the safeguard might affect trade in the absence of these constraints.

“They're assuming that the SSM is one hundred percent effective, but it's not”, cautioned one G-33 negotiator, who pointed out that, even if additional safeguards duties are 'triggered' by higher-than-average import volumes, they may still be insufficient to raise import prices to levels that are close to domestic prices. WTO members are also negotiating over the maximum size of additional safeguard duties that countries will be allowed to impose under the SSM.

### **Soybean, palm oil, bananas**

The Canadian-Australian paper simulates the possible effect of applying safeguard duties to soybeans, palm oil and bananas, and concludes that “the SSM could trigger every year and result in significant trade losses”. The exporters examine how often import duties would be impossible if the safeguard were triggered by import volumes that are 10, 20 or 40 percent higher than average levels in the preceding years.

According to the paper, for India between 2003 and 2008, a 20 percent increase threshold could have triggered SSM duties covering 40.2 percent of tariff lines and some 57.9 percent of farm imports. Over that period, 85 percent of tariff lines could have been triggered at least once.

In comments to Bridges, G-33 officials questioned why these high-growth products had been selected for the analysis. They suggested that sustained high domestic demand for these commodities would make them unlikely candidates for safeguard duties.

“These are highly-traded products - ones that exporters are most concerned about”, retorted an official from an exporting country. Rules to prevent abuse needed to be built into the planned safeguard, said the negotiator, who warned that exporters could not simply be expected to 'trust' that developing countries would only apply the extra duties in particular circumstances.

Growth in normal trade would be maintained, argue G-33 representatives: according to the group's proposal, safeguard duties would only be

applied if import volumes exceed a threshold that is higher than the previous three-year rolling average. Furthermore, imports would continue to enter the developing country concerned in the period up until safeguard duties are actually applied.

Exporting countries nonetheless warned that, unless the calculation of average import volumes is 'pro-rated' so as to discount months in which safeguards had been imposed, the SSM could still affect growth in normal trade. The G-33 had previously argued against pro-rating import calculations in this way (see Bridges Weekly, 10 March 2010, <http://ictsd.org/i/news/bridgesweekly/71997/>).

“We need to start talking to each other, not past each other” sighed one negotiator, bemoaning the slim chances of making progress on technical issues in the absence of political leadership in the WTO's faltering Doha Round.

“I think you need some sort of momentum, potentially leading up to a bigger decision-making point”, said the official.

A major high-level push to conclude the round is widely considered to be unlikely ahead of US Congressional elections this November.

ICTSD reporting.

## **WTO IN BRIEF**

### **After Delay, Russian Accession Talks to Resume in June**

After a year-long suspension of negotiations with WTO members, Maxim Medvedev, lead negotiator in Russia's WTO accession process, announced this week that talks would resume on 17 June.

The announcement comes almost immediately following Russian Prime Minister Vladimir Putin's statement that Moscow's planned customs union with neighbouring Belarus and Kazakhstan would not take effect on July 1, as previously believed.



Taken together, the statements have caused speculation that Russia might attempt to join the WTO on its own, abandoning an earlier attempt to join the global trade body as a bloc along with its two neighbours.

The failure of the recent customs union talks between Russia and Belarus has largely been blamed on arguments over duties on oil.

Even if Russia does set aside the plan to join the WTO as part of a customs union, Moscow will still need to modify several of its policies before it can expect its application to be approved by existing WTO members.

One of the major policy areas causing contention is whether Russia will agree to the WTO's rules on agricultural subsidies. WTO rules prevent acceding countries from imposing subsidies higher than their average for the previous three years. However, Russia's recent bailout package for its agricultural sector, which had been on the verge of bankruptcy, included heavy increases in subsidies.

Other obstacles include Russia's high export duties on timber, and some WTO members' insistence that Russia, as part of its accession commitments, require state companies trading in services to abide by commercial criteria.

Russia's interest in joining the WTO stems largely from a desire to diversify its energy and commodity-focused economy towards trade in faster-growing markets, specifically in new technologies.

The upcoming EU-Russia summit has been heralded as an opportunity for the EU to help Russia modernise its economy. Given Russia's apparent desire to join the WTO sooner rather than later, this summit could help resolve some irritants in the accession process prior to the resumption of negotiations at the WTO.

While European scepticism persists over Russia's commitment to free trade, Medvedev has expressed optimism about the renewed negotiations, according to the Financial Times. Medvedev claimed that it "is technically possible to complete the negotiations in eight-nine months. As long as there is the will."

"Russia's WTO bid tests US relationship," ASIA TIMES, 19 May 2010; "Europe to help Russia modernize economy," BUSINESS WEEK, 18 May 2010; "Russia eyes deep end of world trade," FINANCIAL TIMES, 18 May 2010; "Russia to resume WTO negotiations in June – official," THE GUARDIAN; "Russia's Putin says customs union delayed," REUTERS, 22 May 2010

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## DSU Review Negotiations Inch Forward, Despite Doha Lull

Geneva-based trade officials working on WTO dispute settlement issues were kept busy last week. Besides establishing three new panels at a Dispute Settlement Body (DSB) meeting and monitoring a high-profile arbitration between the US and the EU, they also met as part of the ongoing negotiations on updating the rules governing WTO dispute settlement.

A group of around 42 members has been moving forward with negotiations, based on a draft text compiling countries' various proposals that the chair of the negotiating group put together in July 2008.

Some of the proposed reforms would, for example, ease administrative burdens on developing countries, make it simpler for members to become 'third parties' to disputes of interest to them, formalise procedures for civil society groups to file 'friends of the court' briefs, and establish a fund to help developing countries make better use of WTO dispute settlement. The formal talks on the text were supplemented by informal, 'off campus' discussions at the Mexican mission to examine the legal implications of different proposals.

While countries participating in the talks have found significant common ground on many issues, two remain untouched. The first, 'sequencing', refers to a design flaw in current rules that has created uncertainty about whether, prior to levying retaliatory sanctions, a country that has won a trade dispute must first obtain a multilateral determination that its would-be target has failed to comply with its WTO obligations. In

practice, countries have sidestepped the issue by reaching bilateral agreements, but members continue to aim for a negotiated solution. The second issue, 'post-retaliation', refers to the rules governing situations where a country facing retaliatory measures asserts that it has brought policies into compliance and that the retaliatory measures should be lifted.

Once draft provisions on these two issues are developed, WTO members would have a full suite of options for potential future DSU rules. This would serve as the basis for future negotiations. The week's negotiations attracted a number of senior capital-based delegates for plenary and bilateral meetings.

Despite the progress, the DSU review is far from being finalised. Consensus would need to include members not among the 42 that were participating in the discussions. The chair of the talks, Costa Rican Ambassador Ronald Saborio Soto, has urged delegations to meet bilaterally to bridge positions and achieve consensus on critical issues, delegates reported. These meetings will have to address issues such as panel composition, mutually agreed solutions, cross-retaliation and special and differential treatment.

The DSU review negotiations, which were launched in part to improve developing countries' ability to take advantage of the WTO's dispute settlement mechanism, are not formally part of the Doha Round. Nevertheless, there is a de facto link between them and progress in other WTO negotiations. Sources say only a few Members have articulated support for an 'early harvest' that would see DSU issues agreed and implemented in isolation. A new round of DSU negotiations is expected to take place within the next two months.

ICTSD reporting.

## EVENTS & RESOURCES

### Events

#### Coming up this week

26 – 27 May, Paris, France. ANNUAL ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD) FORUM: ROAD TO RECOVERY: INNOVATION, JOBS & CLEAN GROWTH. The OECD's annual forum will focus this year how to develop practical policy and regulatory frameworks so that governments, international organisations, trade unions, and the like can use new innovations and green growth strategies to boost economic recovery. This event aims to set a stage in which participants from all sectors of government and society can discuss best practices and potential ideas for the future, in advance of a final report that the OECD plans to release in 2011. For more information, please see [http://www.oecd.org/site/0,3407,en\\_21571361\\_44354303\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/site/0,3407,en_21571361_44354303_1_1_1_1_1,00.html).

28 May, Geneva, Switzerland. GENEVA ROUNDTABLE SERIES: EXPLORING STRATEGIES FOR AN ENHANCED DEVELOPMENT AND SUSTAINED POVERTY REDUCTION IN THE CONTEXT OF TRADE AND CLIMATE CHANGE. This roundtable discussion will focus on the various inter-linkages between trade, poverty, and climate change, with the goal of developing policy proposals in these fields. This event is part of the Geneva Roundtables Series on Climate Change, Trade and Development 2010-2011. To learn more, please see <http://ictsd.org/i/events/dialogues/75554/>.

28-30 May, Bonn, Germany. FIRST WORLD CONGRESS ON CITIES AND ADAPTATION TO CLIMATE CHANGE. Jointly hosted by Local Governments for Sustainability, the City of Bonn and the World Mayors Council on Climate Change, Resilient Cities 2010 will offer an opportunity for participants to share the latest scientific findings, state-of-the-art approaches and effective programmes on climate change adaptation and resilience-building in cities and urbanised areas. Case examples of local adaptation practice will illustrate approaches and experiences. The conference aims at setting the direction for future planning of and investment in urban infrastructure. For more information, please see <http://resilient-cities.iclei.org/bonn2010/home/>.

30-31 May, Doha, Qatar. GLOBAL REDESIGN SUMMIT 2010. This event, hosted by the World Economic Forum, will focus on proposals for improved international cooperation. The summit will build upon the results of previous brainstorming sessions regarding a range of issues, from moving the climate change agenda forward to bank capitalisation and regulation on an international level. Experts from backgrounds such as academia, policy, and business will attempt to take these ideas and develop them into proposals that governments and businesses can then adopt. To learn more, refer to <http://www.weforum.org/en/events/GlobalRedesignSummit2010/index.htm/>

31 May – 11 June, Bonn, Germany. UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE SUBSIDIARY BODIES. New documentation to facilitate the multilateral climate negotiations will be available to Parties at the session on the Ad Hoc Working Group on the Kyoto Protocol (AWG-KP). Prepared by the AWG-KP chair, it will draw on the draft text forwarded to the meeting as part of the group's report on its tenth session in Copenhagen in December 2009. A new text prepared by the Ad Hoc Working Group on Long-term Cooperative Action (AWG-LCA) to facilitate negotiations among Parties will be on the table at the tenth session. For more information, please see <http://unfccc.int/meetings/sb32/items/5573.php>.

### 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.

27 May: Committee on Trade and Development – Session on Aid for Trade

31 May + 2 June: Trade Policy Review Body – China

31 May + 4 June: Negotiating Group on Trade Facilitation

### Other upcoming events

6-7 June, Ho Chi Minh City, Vietnam. WORLD ECONOMIC FORUM ON EAST ASIA: RETHINKING ASIA'S LEADERSHIP AGENDA. The programme for the 19th World Economic Forum on East Asia will explore the many facets of the region's rising economic influence, such as how high-growth economies can improve their competitiveness through developing innovation-driven, green economies. At the same time, the discussions will consider to what extent ongoing regional integration will serve as the basis for Asian leaders to assume a greater leadership role in global co-operation. For more information, please visit <http://www.weforum.org/en/events/WorldEconomicForumonEastAsia2010/index.htm>.

7-11 June, Stockholm, Sweden. THE FIRST SESSION OF THE INTERGOVERNMENTAL NEGOTIATING COMMITTEE TO PREPARE A GLOBAL LEGALLY BINDING INSTRUMENT ON MERCURY. The government of Sweden, on behalf of the Nordic Council of Ministers, will be hosting the first session of the Intergovernmental Negotiating Committee to prepare a global legally binding instrument on Mercury (INC1). The goal is to complete the negotiations before the 27th regular session of UNEP's Governing Council/Global Ministerial Environment Forum in 2013. More information is available at <http://www.respoint.se/itp/event/inc1/9475;jsessionid=C836E798F1295D75ED7A479552DE7304>

16-17 June, Lisbon, Portugal. ACCESS AFRICA FORUM 2010. This two-day conference sponsored by the African Development Bank features business and government leaders from Portugal, the United States and Lusophone Africa to promote partnerships for increased trade and investment in Angola, Cape Verde and Mozambique. For more information, please see

<http://www.afdb.org/en/news-events/article/access-africa-forum-2010-6731/>

26-27 June, Toronto, Canada. G20 SUMMIT. Under the theme of "Recovery and New Beginnings," the G20 Toronto Summit will focus on recovery from the global economic and financial crisis and the implementation of commitments from previous G20 summits, while laying the foundation for sustainable and balanced growth. For more information, please see <http://g20.gc.ca/home/>.

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## Resources

HOPES AND FEARS: INDONESIA'S PROSPECTS IN AN ASEAN-EU FREE TRADE AGREEMENT. By Alexander C. Chandra, the International Institute for Sustainable Development, 2009. This study provides a thorough examination of ASEAN and the EU's plan to establish a free trade agreement. More specifically, the author attempts to assess the economic impacts of this proposed FTA on one of ASEAN's developing member countries, Indonesia. Although numerous studies have attempted to analyse the feasibility of an AEUFTA, little critical research on the subject has been carried out. To get more information about this publication, or to download it, please visit <http://www.tradeknowledgenetwork.net/research/pub.aspx?id=1272>.

A TRADE AGENDA FOR THE G-20. By Jeffrey J. Schott. The Peterson Institute for International Economics, May 2010. G-20 summit planners seem to be giving trade issues short shrift on the already-full agenda for their two scheduled meetings in 2010, Jeffrey Schott argues in this policy brief. He recommends three concrete actions that G-20 leaders should take to demonstrate their commitment to deterring protectionism and advancing multilateral trade liberalisation: "topping up" Doha offers, especially on services; expanding existing offers to provide duty-free/quota-free access for the poorest countries; and extending the G-20 trade standstill commitment by declaring a temporary moratorium on climate change related border measures. The policy brief is available at

<http://www.iie.com/publications/pb/pb10-11.pdf>.

MIDDLE EAST AND NORTH AFRICA REGION – A REGIONAL ECONOMIC UPDATE. The World Bank, April 2010. This report from the World Bank concludes that the Middle East and North Africa (MENA) region is recovering from the financial crisis along with the global economy. Growth in 2010 is expected to be 4.4 percent region-wide, driven by domestic absorption as well as a positive contribution from external demand. The report finds that recovery from the crisis differs by country depending on initial conditions and the intensity of the impact via the three principal channels through which the global financial crisis affected MENA economies - the financial sector, the price of oil, and the balance of payments, reflecting the impact on trade, remittances and FDI flows. The publication is available at <http://siteresources.worldbank.org/INTMENA/Resources/MENAREcoveringFromCrisispub5-12-10webFINAL.pdf>.

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