



Bridges Weekly Trade News Digest

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LEAD STORIES

Ministers to Discuss Swiss 'Checklist' for Doha Talks at Davos Meeting

A new 'checklist' from Switzerland could provide a breath of fresh air for the WTO's struggling Doha Round of trade talks, but some trade officials continue to doubt whether the organisation's members will be able to meet a year-end goal for concluding the round.

On Saturday, Swiss President Doris Leuthard will host an informal meeting of trade ministers on the sidelines of the annual meeting of the World Economic Forum, which is taking place in Davos, Switzerland from 27 to 31 January.

Trade ministers have held similar meetings at all of the Davos summits in recent years. The gatherings typically end with a call for renewed efforts to bring the Doha Round talks to a swift conclusion. This year's gathering promises more of the same.

For this year's meeting, Switzerland has put forward a 'checklist' of tasks that should, "from a Swiss point of view," be completed before trade officials convene for a Doha Round 'stocktaking' that is being planned for the end of March. That exercise is meant to help WTO members assess whether they will be able to conclude the talks, which are already in their ninth year, before the end of 2010 – a deadline that world leaders have insisted on repeatedly over the past eight months.

If the 2010 goal is to be achieved, however, WTO members will have to strike breakthrough framework accords in the early part of the year, many trade observers say, so that members will have ample time to 'schedule' their specific tariff and subsidy commitments. Analysts estimate that

some developing countries might need up to nine months to complete this process.

With the clock ticking, Switzerland's checklist could help streamline the WTO's work over the eight weeks that remain before the end of March. The Swiss proposal – officially billed as a 'non-paper' – calls on the chairs of the negotiating committees on agriculture and industrial goods to produce new 'draft modalities' in advance of the stocktaking exercise. On services, the proposal calls for members to come to the end-March meeting "ready to decide...on a date to submit final revised offers" on how much and how quickly they will be willing to liberalise their services sectors.

Other items on Switzerland's wish list for March include an annotated text on domestic regulations; a revised chair's text on anti-dumping, subsidies and countervailing measures; a reduction in the number of brackets in the trade facilitation text; draft consolidated texts on trade and environment and environmental goods and services; and continued dedicated consultations on persistently divisive intellectual property issues. The checklist also identifies the "main open issues for ministerial consideration" in each area of the talks.

Saturday's meeting of ministers in the snowy Swiss ski resort will be their first opportunity this year to assess the level of ambition for pushing for a conclusion to the Doha Round before the end of 2010. How they will respond to the Swiss checklist remains to be seen.

Back at the WTO's headquarters in Geneva, negotiations are just beginning to pick up for the year; the schedule of talks for February and March has filled up quickly. But it is not yet clear whether the renewed activity will translate into tangible movement in the negotiations. Many have their doubts.

The "common impression" among WTO delegates is that "nothing will happen" in the negotiations over the coming weeks, one trade official told Bridges. There is a general feeling that, come March, there will be nothing to take stock of, the official added.

All eyes on Washington

Much of the pessimism at WTO headquarters stems from persistent questions over the United States' stance in the negotiations. WTO delegates have complained that the administration of US President Barack Obama has yet to truly engage in the Doha Round talks, and that US officials have simply asked for more from other WTO members without offering up significant concessions of their own.

US Trade Representative Ron Kirk has acknowledged that politicians in Washington seem to have little appetite for further trade opening, especially given the country's high levels of unemployment and still-fragile economy. Kirk has vowed to spend much of this year travelling the country to build support for freer trade.

"There are just too many people sceptical about how our trade works," Kirk said this week in an interview with Bloomberg News.

Speaking at an event in Washington last week, David O'Sullivan, the European Commission's Director General for Trade, offered his assessment of the US position.

"We understand fully that there is a significant lack of support in Washington for the current deal. And I honestly believe that everyone in Geneva is willing to look at what it takes to make the [Doha Round] politically acceptable to the United States," O'Sullivan said.

"But, frankly," he continued, "we can't judge whether what US critics are asking for is an adjustment others might be able to accommodate, or whether it is instead an overhaul which unpicks the whole negotiation and takes us back to square one."

O'Sullivan described himself as a Doha optimist but cautioned that "even the most optimistic have started to doubt the feasibility" of meeting the 2010 deadline. "The risk of yet another missed Doha deadline remains real," he added.

ICTSD reporting; "US trade deals falter as unemployment, Democrats mute Obama," BLOOMBERG, 26 January 2010.

OTHER NEWS

US Group Urges WTO Case to Bring down Chinese Internet Firewall

A California-based free speech group is exhorting the United States government to bring a WTO case against China's policies on internet censorship. The call for a suit came one week after Google announced that it would no longer censor its content in China; the company also threatened to pull out of the country if Beijing blocked that move.

In an opinion piece published earlier this month, Peter Scheer, executive director of the First Amendment Coalition, which is pushing for the suit, argued that 'The Great Firewall of China' – the various censors and other restrictions imposed on foreign companies – amounts to an illegal barrier to trade because it makes it harder for outside firms to reach Chinese consumers online.

Web sites based outside of China take an additional few seconds to load compared to Chinese-based sites, Scheer explained, and in the online world, "a few seconds might as well be a few extra hours."

The government firewall "halts internet commerce at China's borders just as surely as a government regulation requiring perishable agricultural exports from the US to sit for days on China's docks prior to transshipment to internal distribution facilities," Scheer wrote.

The First Amendment Coalition has brought its request to the USTR; consultations are ongoing. "This is a very complex area that we continue to think through, in consultation with interested groups including the First Amendment Coalition, and have not made any decisions one way or the other," USTR spokeswoman Debbie Mesloh said, according to a report from AFP.

Reuters reported last week that the USTR's office has been in touch with the law firm King and Spalding, which represents the First Amendment Coalition. "They've asked us for more detail about

it," said King and Spalding lawyer Gilbert Kaplan. "We are trying to put that together now."

A recent report from the Brussels-based European Centre for International Political Economy concluded that many WTO members are legally bound "to permit an unrestricted supply of crossborder internet service." A failure to do so could constitute a violation of the General Agreement on Trade in Services, the authors found, even given certain exceptions that allow governments to censor in order to protect public morals or ensure national security.

The First Amendment Coalition first approached the USTR's office more than two years ago, but no WTO case ever materialised. However, Google's recent run-in with the Chinese policies has prompted renewed scrutiny.

On 12 January, Google announced that it will no longer censor the content that it delivers to web users in China. "We recognise that this may well mean we have to shut down Google.cn, and potentially our offices in China," wrote David Drummond, a senior vice president at Google.

The statement came soon after a mid-December cyber attack against Google's Chinese operations. The "highly sophisticated and targeted" manoeuvre sought to hack into the Gmail accounts of Chinese human rights activists, the company claimed on its website.

Google originally based its Chinese operations outside the country's borders but the company decided to relocate to within China in January 2006 in order to speed up the loading time of its pages. When it made the move, Google agreed to censor certain content that Beijing found unacceptable. That promise has now been rescinded.

US Secretary of State Hillary Clinton called global attention to the matter when she scolded China, along with a handful of other nations, for boosting internet censorship in the past year. "Countries that restrict free access to information or violate the basic rights of internet users risk walling themselves off from the progress of the next century," she told an audience in Arlington, Virginia on 21 January.

China shot back with a scathing editorial in The Global Times, a pro-government newspaper. “The US campaign for uncensored and free flow of information on an unrestricted internet is a disguised attempt to impose its values on other cultures in the name of democracy,” the newspaper said, adding that “China's real stake in the ‘free flow of information’ is evident in its refusal to be victimised by information imperialism.”

ICTSD reporting; “US asked to drag China to WTO over Google dispute,” AFP, 24 January 2010; “USTR mulling WTO case on China web barriers: lawyer,” REUTERS, 22 January 2010.

WHO to Hold Meetings on Flu Virus, R&D Expert Working Group

The WHO's Executive Board (EB) meeting, which took place last week, decided to convene two important meetings before the next session of the World Health Assembly, the organisation's supreme decision making-body, which will run from 17 to 22 May.

The first meeting, an informal consultation, scheduled for 13 May, will discuss the report of the Expert Working Group (EWG) on Research and Development Financing. At the second meeting, a new intergovernmental gathering that is set to take place from 10 to 12 May, officials will discuss a proposed agreement for sharing virus-related materials and managing associated intellectual property rights in the context of the WHO strategy for responding to pandemic influenza outbreaks.

Progress in the implementation of the GSPA

During the meeting, the WHO Secretariat provided a progress report on the implementation of the Global Strategy and Plan of Action on Public Health, Innovation and Intellectual Property (GSPA).

WHO Director General Margaret Chan emphasised that she fully understood the importance that the member states accorded to the implementation of the GSPA, adding that this

was also reflected in her decision to locate the relevant WHO department directly within her office.

Precious Matsoso, Director of Public Health Innovation and Intellectual Property (PHI) in the office of the Director General, emphasised that implementation of the GSPA was proceeding with vigorous momentum. In this regard, she provided a comprehensive overview of the many activities carried out by the WHO in the context of this implementation process. These include: the implementation of a European Commission-supported project in partnership with UNCTAD and the International Centre for Trade and Sustainable Development¹, which examines the main obstacles to transfer of pharmaceutical-related technology and local production in developing countries; inter-agency collaboration on intellectual property through high-level meetings of the directors-general of the WHO, the WTO and the World Intellectual Property Organization which have resulted in capacity building and training activities; support for regional and national networks for innovation in developing countries; and capacity building, training, technology transfer and licensing activities related to vaccines.

In addition, Matsoso mentioned that the WHO is creating a monitoring and reporting framework based on the progress indicators that were accepted by member states. Countries expressed their appreciation for the activities carried out by the WHO Secretariat and underscored the priority they gave to a speedy and effective implementation of the GSPA.

Heated discussions on the R&D Expert Working Group

In the context of the GSPA implementation, the EB witnessed heated discussions concerning the report of the Expert Working Group (EWG) on Research and Development Financing, which was established by the WHO Director General. The EWG was mandated to examine current financing and coordination of research and development, as well as proposals for new and innovative sources of funding to stimulate research and development

¹ ICTSD is the publisher of Bridges Weekly.

on diseases that disproportionately affect developing countries.

The EWG has held three meetings since its establishment in November 2008. Its final report, to be submitted for consideration by the WHA through the EB, includes a number of recommendations, notably on new and innovative sources of funding such as a new indirect consumer-based tax, voluntary business and consumer contributions, and new donor funds for health research and development.

Though the report was only to be noted by the EB for transmittal to the WHA, its examination by the EB was overshadowed by several controversial matters, in particular a leak of an earlier draft of the report to an industry group. WHO Director-General Chan indicated that she had ordered an investigation to establish the source of the leak and announced that she would waive the diplomatic immunity of relevant WHO staff including herself to reach the truth. Sir George Alleyne, the Chair of the EWG, strongly denied any undue influence by the pharmaceutical industry on the work of the Expert Group.

In order to have an opportunity to fully discuss the 86-page report, which was available only two days before the start of the meeting, Bolivia, Brazil and India proposed to hold an informal consultation prior the World Health Assembly (WHA) in May.

Another point of contention related to the recommendations in the report. Several developing countries and NGOs such as Médecins Sans Frontières (MSF) and Health Action International (HAI) indicated that the EWG should have focused more significantly on the issue of intellectual property rights and access to health products. Bolivia questioned why its joint proposal with Bangladesh, Barbados, and Suriname to decouple R&D costs from drug prices was not considered by the EWG. Sir George Alleyne admitted that the EWG might have interpreted its mandate too narrowly, as it had considered access to medicines outside of the research and development system to be beyond its mandate.

Other countries, such as Canada, Japan and the EU, underlined the importance of the GSPA implementation and stressed the need for access to health products, but did not address the recommendations of the report.

An agreement was ultimately reached whereby there will be both a web-based consultation on the report as well as a short one-day open consultation to be held on 13 May, five days before the beginning of the WHA.

New meeting on sharing of influenza viruses

The WHO has been struggling in recent years to reach agreement on a pandemic influenza preparedness framework for the sharing of influenza viruses and access to vaccines and other benefits. However, consensus on issues relating to the standard material transfer agreement (SMTA) and intellectual property rights have been difficult to achieve.

Governments agreed at the EB to hold another intergovernmental meeting to address the issue from 10-12 May. Negotiations “should be conducted in the format of an open-ended working group,” and uses as its basis the final report of the first Intergovernmental Meeting to the World Health Assembly in May 2009.

Several countries emphasised the need for “problem solving” and trying to reach agreement on the remaining elements of the framework rather than repeating previous well-known positions.

The outcome of the deliberations will be submitted to the 63rd WHA the following week.

ICTSD reporting.

IN BRIEF

**Major Emerging Economies Stress
Solidarity with Poorer Nations in
Climate Talks**

Environment ministers from Brazil, China, India and South Africa met in New Delhi on Monday to hash out their strategy for this year's climate talks. The coalition of emerging economies – known as the BASIC bloc – called for quick delivery of aid to the world's poorest countries and emphasised that it stands in solidarity with all other developing nations.

The meeting came soon before an end-of-month deadline for all parties to the UN Framework Convention on Climate Change to submit their voluntary mitigation action plans to the UNFCCC Secretariat.

In a joint statement dated 24 January, the ministers stressed that the 'Copenhagen Accord' – the primary outcome document of last month's climate talks – has no legal basis but instead represents "a high level political understanding." The 'Accord', which lays out a broad framework for action on climate change, was endorsed by most rich countries but opposed by several developing nations – namely Bolivia, Cuba, Nicaragua, Sudan and Venezuela – on both substantive and procedural grounds.

Developing countries have clung to the Kyoto Protocol in recent climate talks, arguing that the 13-year-old pact represents the only existing agreement under which rich (Annex I) nations are required to make emissions cuts. Although the Protocol is widely seen as too weak to tackle the immense challenge of climate change, particularly in light of new scientific evidence on the pace and effects of global warming, some developing country delegates have criticised the more recent Copenhagen Accord for its failure to explicitly mention binding emissions cuts. The general language and lack of implementation and compliance mechanisms, they say, make for a watered-down agreement that will do little to address climate change.

Underlining their commitment to standing by the Kyoto Protocol, the BASIC ministers stressed that this year's climate talks should proceed on two tracks: the Ad Hoc Working Group on Long-Term Cooperative Action (AWG-LCA) and the Ad Hoc Working Group on further reduction commitments for developed countries under the Kyoto Protocol (AWG-KP).

The ministers called on the government of Denmark, currently serving as the chair of the Conference of the Parties under the UNFCCC, to convene meetings for both tracks in March. The two working groups should meet at least five times before the parties to the convention gather for their next full conference in Mexico at the end of the year, the ministers said.

Going to bat for the poorer nations, the ministers stressed that "funding, logistics and other procedural issues should not be allowed to become a constraint in the convening of these meetings, which are essential to make progress towards an agreement outcome" at the Mexico meeting. The ministers also called for the quick delivery of the US\$ 10 billion in aid that rich countries have promised to provide this year.

The BASIC countries – which represent four of the world's fastest-growing emitters of heat-trapping gases – also agreed to establish their own fund to help Least Developed Countries and Small Island States tackle climate change effectively.

"The resources we'll put into it will call attention to how [rich countries] are escaping their responsibilities," Brazilian Environment Minister Carlos Minc told Reuters last week.

The level of each country's contribution to the fund will be decided at the BASIC ministers' next meeting, which is to be hosted by South Africa in April.

ICTSD reporting; "China-led group may discuss climate fund for poor," REUTERS, 22 January 2010.

New Reports from OECD, IMF Reveal a Recovering Economy

Trade flows in developed countries steadied in the second quarter of 2009 then began to grow in the third quarter, but trade levels are still much lower than in 2008, according to today's release of [quarterly trade data](#) from the Organisation for Economic Cooperation and Development (OECD).

The volume of exports from the Group of Seven (G7) countries – Canada, France, Germany, Italy, Japan, the United Kingdom, United States – was up five percent since the second quarter, but compared to the third quarter of 2008, export volume had decreased 17.5 percent, according to the report.

G7 import volume followed the same pattern, increasing 3.1 percent since 2009's second quarter but falling 14.6 percent since the third quarter of 2008.

The value of exports from the 30 OECD countries increased 7.8 percent in comparison to the second quarter of 2009, and the value of their imports rose by 8.7 percent.

The trend is noticeably similar across the countries, stated the OECD's report, which supports the idea of a "synchronised trade collapse, followed by stabilisation and slight recovery." The Paris-based research organisation noted that net trade balances between G7 countries do vary significantly.

Trade values are now similar to the levels experienced in November 2008, indicating economic recovery. However, trade flows are still significantly lower in value than in the summer of 2008, before the onset of the financial crisis.

In light of the observed third-quarter growth, the International Monetary Fund revised its 26 January [global economic forecast](#) upwards since its October 2009 estimate, predicting 3.9 percent growth in 2010 and 4.3 percent growth in 2011. The new forecast is three-quarters of a percentage point higher.

The world economy is recovering faster than expected, the IMF said, although the recovery is occurring at different rates, depending on the region. The advanced economies are improving gradually, while the IMF characterised Asia's recovery as "vigorous."

The IMF stressed the importance of a "differentiated response" which would take into account the varying needs of different countries.

Advanced economies are still dependent on government stimulus measures. An unexpected increase in US consumption and the rebuilding of corporate inventories has increased their confidence, but they remain plagued by high unemployment rates and growing public debt, according to the IMF report.

For more information on OECD statistics on trade in goods, including detailed monthly trade statistics, trade in services, balance of payments statistics, trade indicators and trade expert meetings, please see [International Trade and Balance of Payments Statistics](#).

ICTSD reporting; "Data Snap: OECD Trade Flows Rose Sharply In 3Q," THE WALL STREET JOURNAL, 27 January 2010.

Efforts to Stem Bird Flu to Target Illegal Poultry Trade in SE Asia

While swine flu has captured the limelight of the global health agenda, bird flu (H5N1) remains a serious threat, particularly in Southeast Asia.

The illegal trade in poultry and poultry products across borders in this part of the world represents one pathway that the highly lethal disease is spread.

"In Cambodia, illegal or informal trade occurs along its long border with Thailand and Vietnam," says Khieu Borin, director of Cambodia's Center for Livestock and Agriculture Department. "There is that informal trade, not just in birds, but eggs and other poultry products, smuggling." Researchers from Cambodia, China, Indonesia,

Thailand and Vietnam have therefore discussed how to better track and stem the trade.

At the fifth regional meeting of the Asian Partnership on Emerging Infectious Diseases Research (APEIR), Chinese scientists also highlighted new evidence they had found of the spread of bird flu in the pathways of migratory birds. The migrating birds may spread the disease to local wild birds, which can then transmit it to poultry bread by humans, according to the researchers.

In related news, India discovered a new outbreak of bird flu in mid-January in its Murshidabad district, after being disease free for eight months and having declared itself officially free of the disease two months ago. Authorities have deployed response teams to contain the outbreak, including through culling tens of thousands of chickens. Public authorities say they fear a worst case scenario that would have bird and swine flu viruses mix and create a new, highly contagious and lethal disease.

“SEAsia To Crack Down On Poultry Smuggling To Fight H5N1,” REUTERS, 19 January 2010; “Bird flu makes a return, dead birds test positive in Murshidabad,” TIMES OF INDIA, 15 January 2010; “AI outbreak closely related to bird migration 18 Jan 2010,” WORLDPOULTRY.NET, 18 January 2010.

WTO IN BRIEF

WTO Establishes Panel in US-China Tyre Dispute

The WTO's Dispute Settlement Body has set up a panel to review the US decision to impose new tariffs on Chinese tyre imports, the organisation announced last week.

The panel was formed in response to China's second request for WTO dispute settlement procedures, filed 9 December 2009.

The dispute centres on new US tariffs on certain passenger vehicle and light truck tyres from China.

The tariffs, which US President Barack Obama announced on 11 September, come on top of Washington's standard 4 percent duty on tyres. The tariff is set to decrease over the next three years from 35 percent the first year to 25 percent the second, then 20 percent the third, before being eliminated.

Obama's decision came after the US International Trade Commission (ITC), an independent federal agency responsible for investigating trade complaints, recommended that the US impose three-year duties on Chinese tyres as a safeguard measure.

The terms of China's 2001 accession to the WTO included a 'transitional product-specific safeguard' clause that allows WTO members to protect themselves from import surges caused by China's entry into the organisation. The clause is set to expire in 2013.

The ITC decision came in response to a request from the United Steel Workers (USW), a Pittsburgh-based labour union, which asserted that imports of Chinese tyres were sufficient to cause 'market disruption'. USW maintained that Chinese tyre imports had tripled between 2004 and 2008 and caused US production to decline by 25 percent.

China requested consultation procedures three days after the new tariffs were announced, arguing that Washington's new tariffs are unjustified and inconsistent with Articles I and II of GATT 1994, as well as with US obligations under the terms of China's WTO accession.

Subsequent consultations did not result in a settlement. The US denied China's first request for the establishment of a dispute settlement panel. WTO rules dictate that members cannot block a second request, however, so China's 9 December dispute settlement application was approved.

The tyre tariffs are controversial even within the United States: labour unions are strongly in favour, but some business interests oppose them. Two US Congressmen from the Ways and Means Trade Subcommittee, Kevin Brady and Dan Boren sent a letter to US Trade Representative

Ron Kirk on 21 January requesting confirmation that the administration is comprehensively monitoring the effect of the special Chinese tyre tariff on the US economy.

“I am concerned that the administration’s tyre tax will cost us jobs in the United States and raise prices for tyres for hardworking Americans,” Brady stated. “With unemployment hovering at ten percent, we must assess what impact this tax is having on Americans.”

ICTSD reporting; “WTO to probe U.S.-China Tyre Rift,” THE WALL STREET JOURNAL, 13 January 2010.

WTO Panel Rules against US in Thai Anti-Dumping Case

A WTO dispute settlement panel has ruled on an anti-dumping dispute between Bangkok and Washington that concerns polyethylene retail carrier bags (PRCBs), or “t-shirt sacks, merchandise bags, grocery bags, or checkout bags.” In a decision released on 22 January, the panel concluded that a US Department of Commerce (USDOC) anti-dumping investigation constituted ‘zeroing’ and was inconsistent with the WTO’s Anti-Dumping Agreement.

The Anti-Dumping Agreement allows states to apply retaliatory measures against products that are sold within their borders at below normal value – a practice known as ‘dumping’ in WTO parlance. But the ADA also stipulates that a state can only impose anti-dumping measures if it can provide evidence of dumping through a “fair comparison” of the price at which the product is sold in the importing market, and the normal value or price of the product in the country where it was produced.

From 2003 to 2004, the USDOC investigated PRCBs from Thailand by comparing different ‘models,’ or “types of products based on the most relevant product characteristics” and calculated weighted average prices for the models during the period.

After concluding that dumping had occurred, the USDOC issued an anti-dumping duty-order, which put duties on PRCBs from Thailand equal to the amount the merchandise’s normal value exceeded its price in the US.

Zeroing

The case’s central problem was whether the USDOC investigation used a practice known as ‘zeroing’ in calculating the margin by which the PRCBs were being dumped in the US market. When a country uses the ‘zeroing’ methodology, it sets to zero any negative price differentials — cases in which the model good commands a *higher* than normal price in the US market. Thus, the country only sums the models with positive price differentials in determining the overall dumping margin.

Zeroing has regularly been rejected by WTO bodies because it “inflates the margin for dumping for the product as a whole.”

Quoting the earlier case of *US – Shrimp (Ecuador)*, the panel argued that “a consistent line of Appellate Body Reports, from *EC – Bed Linen* to *US – Zeroing (EC)*...holds that ‘zeroing’ in the context of the weighted average-to-weighted average methodology in original investigations (first methodology in the first sentence of Article 2.4.2) is inconsistent with Article 2.4.2” of the ADA.

Thailand demonstrated US zeroing by showing that the USDOC had used a computer programme that set negative margins to zero for particular models and accounted for the overall dumping margin by tallying only the models with positive margins.

The panel recommended that the “Dispute Settlement Body request the United States to bring its measures into conformity with its obligations under the Anti-Dumping Agreement.”

Procedural Agreement

An interesting wrinkle in the dispute was that Washington did not challenge Bangkok’s claim that it had engaged in zeroing, but the Panel still ruled on whether Thailand had made a *prima-facie* case. This was all according to the parties’ earlier

procedural agreement, which among other things states that Thailand would not request the panel suggest to the US ways to implement its recommendations, that there would be a six-month implementation of the ruling, and any recalculation would have prospective effect, only.

ICTSD Reporting; “Pleading ‘No Contest’ in the Zeroing Disputes,” Simon Lester, International Economic Law and Policy Blog, <http://worldtradelaw.typepad.com/ielpblog/2010/01/pleading-no-contest-in-the-zeroing-disputes.html>

Further Liberalisation Can Help Malaysia Ensure Economic Growth: TPR

Malaysia experienced steady economic growth from 2005 through 2007 but its economy began to slow in 2008 and contracted even more rapidly in 2009, according to the WTO’s Trade Policy Review (TPR) that was released this week.

Malaysia’s real GDP registered 6.2 percent growth in 2007 but only 4.6 percent in 2008. Exports decreased sharply in the second half of 2008, contributing significantly to the slowing of the Malaysian economy and a slight rise in unemployment.

The government reacted promptly to the crisis in 2009, relaxing restrictions on foreign investment in services and increasing public spending. Due to the combination of these factors and positive growth in private consumption, Malaysia’s economy contracted only 3.9 percent in the second quarter of 2009, compared to a 6.2 percent contraction in the first quarter. The review found that healthy foreign exchange reserves, a relatively small external debt, and ongoing financial and corporate sector restructuring are factors which helped Malaysia hold up under the pressure of the financial crisis.

However, Malaysia’s economy is still vulnerable to a downturn and several existing barriers to trade and foreign direct investment may hinder its recovery, the WTO concluded. The review

recommended that Malaysia continue to pursue a more liberal trade and investment regime.

“Malaysia’s development of export-oriented production remains highly successful, and trade plays an important role in the economy,” the report concluded. In the four years since its last review, Malaysia has also retained a very high gross national savings rate of about 37 percent of GDP—one of the highest in the world. Rising gross national saving and substantial decreases in gross domestic investment have created a growing account surplus.

Despite such recent successes, Malaysia might struggle to find new domestic sources of economic growth, the WTO warned. To contribute to the long-term health of its economy, the Malaysian government plans to continue to unilaterally liberalise trade and investment, especially by following through with reforms to its services sector, which were recently begun. However, Malaysia’s development policy still depends on trade and trade-related policy instruments, a feature the report stated was most evident in government procurement and auto manufacturing. Malaysia does have a generally liberal trade policy for the rest of its manufacturing sector as well as for agricultural products.

Growth in services has become a major goal of the Malaysian authorities, who hope to increase services’ share of GDP from around half to 60 percent by 2020. Since April 2009, the government has allowed 100 percent foreign equity in 27 services subsectors.

Other major trade objectives of the Malaysian government include increasing market access for goods and services, advancing the global competitiveness of Malaysian exports, expanding and diversifying trade with existing partners, and exploring new markets.

The WTO reviews its members’ trade policies at regular intervals; Malaysia’s last TPR was conducted in March 2006. ICTSD reporting.

EVENTS & RESOURCES

Events

Coming up this week

27-31 January, Davos, Switzerland. WORLD ECONOMIC FORUM ANNUAL MEETING. In response to new priorities, the organising theme for the 40th World Economic Forum Annual Meeting in 2010 is a call to action, "Improve the State of the World: Rethink, Redesign and Rebuild." Driving the rethink at the 40th Annual Meeting will be the Network of Global Agenda Councils comprised of over 1,000 experts active in over 70 Councils created to advance solutions to the most critical challenges facing the world. For more information, please see <http://www.weforum.org/en/events/AnnualMeeting2010/index.htm>.

28 January, Internet. UNEP FI AND PRI JOINT WEBINAR: OUTCOMES AND IMPLICATIONS OF THE HISTORIC UN CLIMATE CHANGE CONFERENCE IN COPENHAGEN. This webinar will bring together a panel of United Nations Environment Programme Finance Initiative (UNEP FI), UN Principles for Responsible Investment (PRI) and Institutional Investors Group on Climate Change (IIGCC) signatories to discuss the implications of Copenhagen for investors and the finance sector. Discussions will include the future of the flexible mechanisms, carbon markets and the new role of avoiding deforestation, and new roles and markets for institutional investors and insurers under the future international climate change regime. This event is open to UNEP Finance Initiative, UN PRI and IIGCC signatories only. For more information, please contact: tel.: +41-22-917-8467; fax: +41-22-796-9240; email: jenny.appel@unep.org; internet: <http://www.unepfi.org/events/2010/webinar/index.html>.

1 February, 2010. New York City, United States. MULTI-STAKEHOLDER DIALOGUE ON IMPLEMENTING SUSTAINABLE DEVELOPMENT. The multi-stakeholder dialogue is an innovation established by the Commission on Sustainable Development (CSD)

Secretariat to ensure a more effective and coordinated implementation of the global policy on sustainable development. This first multi-stakeholder dialogue will focus on the decisions of the CSD-17 and its implementation by all interested stakeholders making sure that implementation is done in a harmonised and systematic way. More information is available here http://www.un.org/esa/dsd/csd/csd_csd17_followup.shtml.

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.

1 February: Working Party on GATS Rules

2-3 February: Working Party on Domestic Regulation

4 February: Committee on Trade in Financial Services

Other upcoming events

5-7 February, New Delhi, India. DELHI SUSTAINABLE DEVELOPMENT SUMMIT (DSDS 2010): BEYOND COPENHAGEN: NEW PATHWAYS TO SUSTAINABLE DEVELOPMENT. This global forum will be one of the first major gatherings of leaders from various regions of the world after the Copenhagen Conference of the Parties in December 2009. DSDS 2010 will focus on the formulation and delineation of strategies to move the sustainable development agenda forward. Major themes include accelerating socio-economic development as a key to adaptation, role of technology, building institutions for effective climate governance, and financing opportunities post Copenhagen. For more information, contact the Summit Secretariat:

tel: +91-11-2468-2100; fax: +91-11-2468-2144;
email: dsds@teri.res.in; internet:
<http://dsds.teriin.org/2010/index.php>.

12-13 February, New Haven, United States. ACCESS TO KNOWLEDGE (A2K) AND HUMAN RIGHTS CONFERENCE. This conference at Yale Law School seeks to lay the conceptual and strategic groundwork for to build bridges between A2K and human rights communities and to pursue common goals of promoting greater access to knowledge, culture, technology, and tools for innovation worldwide. It will feature an international line-up of academics and practitioners addressing topics including technologies of dissent, freedom to innovate, digital education and the right to health. For more information, please contact Violette Ruppner: tel: +4122-320-21-21; fax: +4122-320-69-48; email: info@3dthre.org; or consult the website at <http://www.law.yale.edu/intellecualife/a2k4.htm>

18-19 February, Paris, France. 9TH OECD GLOBAL FORUM ON COMPETITION. This meeting will focus on state aids and subsidies and collusion and corruption in public procurement. Participants will also discuss a peer review of competition law and policy in Brazil. The GFC provides an opportunity for policy dialogue between OECD member countries and non-members. The discussion benefits from the input of the Competition Committee, whose work has already generated substantial results in many countries, such as the voluntary adoption of 'best practices', substantial analytical convergence, the establishment of strong networks of enforcement authorities, and enhanced co-operation in international merger reviews, cartel investigations and other cases. For more information, please see http://www.oecd.org/pages/0,3417,en_40382599_40393118_1_1_1_1,00.html.

25 February, Jakarta, Indonesia. TRADE KNOWLEDGE NETWORK (TKN) SOUTHEAST ASIA'S RESEARCH WORKSHOP ON TRADE, ENVIRONMENT & FOOD SECURITY. This research workshop is intended to serve as a discussion forum enabling TKN Southeast Asia to gather input from relevant policy-makers and other stakeholders in the region. The event is expected to involve relevant ASEAN-related bodies, its member government

representatives in Jakarta, the Association's dialogue partners, international organisations, industries, professional experts, and non-governmental organisations. For more information, please contact the TKN Southeast Asia Coordinator at: achandra@iisd.org.

18 March, London, UK. GLOBAL FINANCIAL SERVICES: THE IMPACT OF REGULATION ON COMPETITIVENESS. As the global financial crisis shows early signs of receding, this is a key moment to ask what will be the likely future shape and structure of financial services firms. If moves to regulate the industry more tightly are successful, what impact will this have on financial firms' ability to do business? At this event sponsored by Chatham House, policymakers and financial services industry leaders from the major economies will discuss the role, structure and regulation of the financial services industry, and which forums, mechanisms and institutions will be effective in restoring confidence in its activities. For more information, please see <http://www.chathamhouse.org.uk/gfs/>.

Resources

COMBATING ILLEGAL FISHING IN THE EU: INTERACTION WITH WTO RULES. By Heike Baumüller. Chatham House, January 2010. This briefing paper assesses the WTO implications of the two new EU fishing regulations that entered into force on 1 January 2010. Their aim is to establish a comprehensive system to close the European market to imports of illegally caught fish and to stop illegal activities by EU vessels. Some aspects of the regulations raise questions about their compatibility with World Trade Organization rules. Potential flashpoints include trade sanctions against foreign vessels and countries and the application of different rules to EU and foreign operators. The paper finds it more likely that a trade dispute would arise over the application of the regulations than over their provisions. As a result, transparent and fair implementation of the regulations will be important not only to prevent a WTO challenge, but also to ensure that the regulations meet their objective of curbing illegal fishing. To access the

paper, please refer to <http://www.chathamhouse.org.uk/publications/papers/view/-/id/826/>.

CAPITAL CONTROLS AND 21ST-CENTURY FINANCIAL CRISES: EVIDENCE FROM COLOMBIA AND THAILAND. By Bruno Coelho and Kevin P. Gallagher. Global Development and Environment Institute, January 2010. In the run up to the financial crisis of 2007-2009, many developing nations fell victim to massive inflows of capital which their financial systems found difficult to absorb. One policy option to respond to such inflows is unremunerated reserve requirements (URR), a type of 'capital control.' Two countries, Colombia and Thailand, deployed URR in the second half of the decade. This paper analyses the extent to which those URRs were successful in reducing the overall level and composition of capital inflows, reducing exchange rate appreciation and volatility, stemming asset bubbles, and granting more independence for monetary policy. It finds that URRs were modestly successful in Colombia and Thailand, though less so in Thailand than in Colombia. The paper concludes that there is still a role for capital controls in the 21st century, but such controls should be more sophisticated than in years past. The paper is available at http://www.ase.tufts.edu/gdae/policy_research/KGCapControlsPERIJan10.html.

FOSTERING THE DEVELOPMENT AND DIFFUSION OF TECHNOLOGIES FOR CLIMATE CHANGE: LESSONS FROM THE CGIAR MODEL. By Carlos M. Correa. International Centre for Trade and Sustainable Development, December 2009. The Consultative Group on International Agricultural Research (CGIAR) is a strategic partnership of international agricultural centres that mobilises scientific research to achieve sustainable food security and reduce poverty in developing countries. CGIAR is becoming the subject of increased interest on the part of stakeholders actively involved in climate change talks. In negotiations leading to last month's meeting in Copenhagen, negotiators and other stakeholders examined international partnerships in the area of joint research and development to draw lessons for fostering the development and diffusion of technologies for climate change mitigation and adaptation. This

policy brief aims to provide an overview of the CGIAR, in particular its organisation and its evolution, taking into consideration the challenges it has faced since its establishment. It also discusses a number of questions raised by the CGIAR model that may inform efforts to promote the development and diffusion of climate change mitigation and adaptation technologies. For more information, please see <http://ictsd.org/i/publications/66697/>.

SMALL AND MEDIUM-SIZED ENTERPRISES: OVERVIEW OF PARTICIPATION IN US EXPORTS. United States International Trade Commission, January 2010. The USITC has published an overview of US small and medium-sized enterprises (SME), which account for the vast majority of firms and approximately half the GDP generated by nonagricultural sectors in the US economy. The report describes the value of overall SME exports, lists the principal products, industries, and destination markets involved, and highlights data gaps that inhibit a complete understanding of SMEs' role in US exports. It found that SMEs accounted for about 30 percent of known US merchandise exports between 1997 and 2007 and that the most heavily exported goods were computer and electronic products, machinery, and chemicals. Relative to larger firms, growth in the value of SME exports was more dependent upon net new market entrants, particularly among the smallest SMEs. This publication is available at http://www.usitc.gov/press_room/news_release/2010/er0119hh1.htm.