



# Bridges Weekly Trade News Digest

*Weekly trade news from a sustainable development perspective*

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## LEAD STORIES

- With Easter Looming, WTO Members  
Acknowledge “Huge Gaps” on Doha..... 1
- Impasse in Bilaterals Throws WTO Ag Talks into  
Disarray..... 4

## OTHER NEWS

- Food Prices: Report for G-20 Clears First Hurdle  
..... 6
- WTO Dispute Roundup: Panels Created on  
Seals, China..... 7

## IN BRIEF

- EU, Colombia, Peru Initial FTA ..... 9

## WTO IN BRIEF

- Panel Backs Brazil in Zeroing Dispute with US 10
- EU Appeals WTO Ruling in Steel Fastener  
Dispute..... 11

## EVENTS & RESOURCES

- Events ..... 11
- Resources..... 13

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## LEAD STORIES

### With Easter Looming, WTO Members Acknowledge “Huge Gaps” on Doha

As Easter approaches, trade negotiators’ thoughts turn to resurrection. Not of the ecclesiastical variety so much as in terms of reviving the long-struggling Doha Round of global trade negotiations. But resurrections are rare events, and recent attempts by WTO members to bridge divisions ahead of an Easter deadline have served primarily to underline how wide those differences are.

Almost a decade after the negotiations started, it remains far from clear whether there is any overlap among key members’ ‘red lines’ -- whether the concessions some are willing to make coincide at all with those others are willing to settle for.

The inconclusive nature of ongoing bilateral and other discussions calls into question whether governments will be able to meet their stated goal of concluding a multilateral trade deal by the end of the year; enthusiasm is waning even for an interim target for revised draft negotiating texts by the late-April Easter holiday. A top US trade official suggested Tuesday that it is possible that “tabling new texts in late April risks more harm than good” unless governments can quickly resolve some of their differences – and that if they cannot, “chair’s reports” may be more useful. Similar Easter deadlines for progress in the Doha Round went unmet in 2006, 2007, and 2008.

Talks over the past week involving senior officials and ambassadors from the so-called G-11 group of eleven central players in the Doha Round talks highlighted the magnitude of gaps between countries’ substantive positions – gaps that became clearer over the course of bilateral talks involving some of the trading powers, sources say.

The principal impasse in the negotiations remains a deep disagreement between the US and large developing countries like China, India and Brazil on what a Doha Round agreement should look like. Washington argues that fast-growing developing countries must offer greater market-opening for manufactured goods as well as farm products and services – demands that China, India, and Brazil have generally rebuffed as disproportionate to the reforms the US is willing to undertake, particularly on farm subsidies.

The EU, Japan, and Australia are among those who expressed the belief that the gaps could be bridged with further work. Some officials were more despondent, telling Bridges that the round was “dead” because the “gaps are too huge.” The G-11’s Monday meeting ended with no decision about whether it would continue to meet.

At a meeting of the Trade Negotiations Committee on Tuesday, WTO Director-General Pascal Lamy warned that despite intensive meetings since January, progress on developing meaningfully updated draft texts by Easter had not been sufficient. “In all honesty I must tell you we are not [on target],” he said.

Unusually for the WTO chief, he evoked the possibility that the Doha Round could fail, and urged members to consider the consequences, both for the world economy and the multilateral trading system. “Now is the time for all of you, and in particular those among you who bear the largest responsibility in the system, to reflect on the consequences of failure,” he told delegates. “To reflect on the costs of the non-Round to the world economy as well as to the development prospects of members, in particular the smaller and least-developed which are more dependent on an improved set of global trade rules. And above all, it is time to think about the consequences of the non-Round to the multilateral trading system which we have so patiently built over the last 70 years.”

### **Lamy to consult on NAMA sectorals**

Lamy announced that starting 4 April, he would undertake consultations with a number of members with a view to understanding the size of the gaps on what has emerged, following the

considerable convergence achieved in 2008, as the single most contentious issue in the negotiations: non-agricultural market access (NAMA), and specifically the ‘sectoral’ initiatives to deeply slash or eliminate tariffs across entire industrial sectors. “The absence of progress in NAMA sectorals constitutes today a major obstacle to progress on to the remaining market access issues,” he said, while emphasising that unresolved problems remained in terms of agricultural and services market access. (Some countries’ views on NAMA concessions may be informed by dissatisfaction with what is on offer on agriculture subsidies and tariffs).

The WTO director-general said that following his consultations, he would report to the entire membership. “Together — and on the basis of an across the board view of progress in all areas in the negotiation, including the regulatory part as well as market access — we will then decide on the next steps.”

The push for new draft agreements was “not about ‘texts for the sake of texts,’” Lamy said, arguing that the drafts would serve two key purposes: reflecting convergence achieved and providing “an across-the-board picture of the remaining gaps which will need to be addressed in the end game,” and serving as tool for governments to make horizontal trade-offs across different sectors, a necessary precursor to an agreement. He warned negotiators against dropping the pursuit of new texts as “an excuse for refusing to engage in negotiations” or “to remain in the comfort zone of ‘all options still open’ after ten years of negotiations.”

Lamy reminded negotiators that in many cases, their political masters had pledged to conclude the round in 2011 – heads of state from the Group of 20 leading economies have done so, a pledge reiterated by the presidents of the US and Brazil earlier this month. “You must all be in a position to answer the call from your leaders who pledged to conclude the round in 2011,” he said. “Throwing in the towel now is certainly not what ministers and leaders instructed us to do last year, neither is it what they are expecting from us.”

### **Interventions underscore differences**

Many delegations thanked Lamy for organising the informal TNC meeting, which enabled the results of discussions among small groups of countries to be shared with the broader membership. They expressed support for concluding the round this year, and warned that failure to do so would harm the multilateral trading system. Several, however, warned the chairs of the negotiating groups against taking upon themselves to identify where an agreement might lie, instead of relying on input from members – specifically stressing that convergence achieved in small group meetings but not shared multilaterally should be excluded.

Interventions from key players in the negotiations such as the US, Brazil, and China highlighted how differently they perceive the desirable ‘landing zone’ for an agreement.

“The gaps among members remain wide,” said US Ambassador Michael Punke in his statement, stressing that the gaps were neither limited to NAMA nor to bilateral differences between the US and China. “Can these gaps be bridged? I don’t have the answer to that question.”

In order to illustrate the US’s view of the gaps, he outlined the differences revealed by the US’s consultations on agriculture and NAMA with key trading partners.

On agriculture, he said that countries had signalled how they would employ flexibilities to shield products from tariff cuts, and that “unfortunately, what we learned confirmed our worst fears - that we would see no new market access on our major agricultural export interests.”

Punke also contrasted the US’s favoured ‘product basket’ approach to NAMA sectorals with the version of it backed by China. The US wanted three broad categories for products covered by such initiatives: a “very substantial” zero-for-zero basket for products on which tariffs would be eliminated; other baskets with in which products would be subject to greater tariff cuts than those required by the standard tariff reduction formula, albeit “using a range of tools to address sensitivities”; and a final basket that accommodates the use of normal NAMA flexibilities for developing countries to shield a

limited number of tariff lines and import share from the full force of tariff cuts.

In contrast, Punke said, China wanted a ‘zero’ basket only for developed countries; a ‘greater-than-formula’ basket to which developed countries would have to contribute more than developing countries; a third basket of products for which developing countries would take standard formula cuts while developed countries eliminated tariffs; and a final basket for developing country flexibilities. Developing countries would be able to self-designate which product went into which basket.

“We have carefully analyzed this structure. Ironically, it would significantly increase the imbalance beyond the July 2008 package,” he said. The perception of “imbalance” in the terms under consideration for tariff and subsidy cuts at the WTO is highly contested among different members. The US believes that the terms are tilted against it, and that this needs to be remedied via greater market access to developing countries through means such as NAMA sectorals, although the mandate specifies that participation in such initiatives is voluntary. Countries like China and Brazil, meanwhile, do not share this perception of imbalance; they believe they have pledged to do more than enough in return for the reforms offered by their trading partners, and find Washington’s demands disproportionate. This was borne out in their ambassadors’ interventions at the meeting.

Brazilian Ambassador Roberto Azevedo said that in addition to some “very remarkable” demands on services, the US was asking Brazil “essentially... to bring duties down to zero for most – or all – of the NAMA lines of certain sensitive sectors such as chemicals, industrial machinery, electronics, hospital equipment, and forestry products.” These requests, he said, covered a third of all industrial products, and would represent a dramatic increase in the level of market access upon that which Brazil had accepted in 2008. Those sectors, he added, together with sectors such as automobiles, textiles and clothing, footwear, toys on which Brazil is already supposed to reduce its applied tariffs by 33 percent, directly account for over 3.3 million jobs.

In addition, Azevedo said, further exploration revealed that Brazil's "efforts would not be reciprocated by any of the parties, either requesting or benefiting from such requests," since in the G-11 discussions, "key developed countries also unambiguously stated that they could not bring any additional contributions to the table in agricultural market access."

Azevedo said that Brazil was open to adjusting the terms discussed in 2008, as long as "the level of ambition does not change dramatically in areas that are sensitive to us," and "there is full and proportional reciprocity in areas of Brazil's interest, agricultural market access in particular." He expressed qualms, however, about Lamy's plan to consult on NAMA specifically, warning that "such [a] non-horizontal approach would discourage engagement."

China, for its part, said that three sectors in which the US and others are seeking sectoral liberalisation -- chemicals, industrial machinery and electronic & electrical products -- account for 43 percent of China's total NAMA tariff lines, and more than 55 percent of its total NAMA imports. Yi Xiaozhun, the country's ambassador to the WTO, said that participating in those sectorals would mean "fundamentally altering the level of China's tariff reduction in Doha." He reiterated the Doha mandate for sectorals, which states that participation would be "on a non-mandatory basis," that "special and differential treatment" provisions would be developed, and that sectors will be chosen "in particular on products of export interest to developing countries."

"In order to make these negotiations meaningful, major demandeurs have to come back to the earth and get realistic about their ambition," Yi said.

### Scepticism about texts

If there was one area in which the Brazilian and US envoys seemed in agreement, it was scepticism about the value of releasing new draft texts in the absence of further convergence.

"Some may be tempted to request chairs or even you, Mr. Director-General, to use those texts to test landing zones and try to facilitate convergence," said Brazil's Azevedo. "This may

well be a big faux pas with irreversible consequences. At this juncture, gaps are so wide that any attempt to 'split differences' will very likely be vehemently rejected by Members on both side of the divide. This could be an additional blow to negotiations at a moment when we can ill afford it." He suggested that decisions on how to proceed with regard to the texts could be made in April, after Lamy's consultations.

US Ambassador Punke said much the same in his TNC speech, arguing that unless members "don't quickly solve some of the problems we are encountering in our work, we will have to reassess whether tabling new texts in late April risks more harm than good."

"This is not a time for Members to look to chairs to solve problems that they themselves cannot solve. Such an approach, quite simply, will not work. Compromises that do not have buy-in from Members obscure gaps rather than making them clearer and can give a false sense of progress."

Punke warned that "putting a new date on an old text, perhaps with a few minor changes, will not contribute to progress and risks sparking acrimonious debates." In the absence of texts, he suggested that chairs' reports "could cover all areas of outstanding differences and could be equally suitable for both rules and market access issues."

ICTSD reporting.

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## Impasse in Bilaterals Throws WTO Ag Talks into Disarray

Agriculture negotiations at the WTO have been thrown into disarray following inconclusive bilateral consultations involving the US and China and India, with the width of gaps revealed responsible for the impasse reached in discussions among the 'G-11' group of key countries, sources say.

Numerous major trading powers also appear sceptical of WTO Director-General Pascal Lamy's call for revised draft negotiating texts by Easter, placing the chairs of the Doha Round negotiating

groups in an awkward position as the late-April target date draws closer.

Some officials are more than sceptical. "The round is dead," said one delegate bluntly, before hastily amending it to "almost in hibernation".

Others denied that the talks had completely collapsed, although several acknowledged that the size of "huge gaps" in negotiating positions had become clear - a phrase used by several different members to explain the sudden apparent hiatus without assigning blame to any individual country.

In a statement last Thursday following a meeting of senior officials from the G-11, US Ambassador Michael Punke said that "the gaps among members remain wide," according to a report by Reuters - a sentiment that he repeated verbatim at a meeting of the Trade Negotiations Committee on Tuesday.

### Blame game underway?

Not all trade diplomats chose to refrain from finger-pointing. "All the parties have come to the realisation that the US can't negotiate," one delegate, arguing that Washington should bear sole responsibility for the impasse. While other countries were interested in exploring trade-offs across negotiating areas, the US remained unclear on what it wanted and what it was able to pay, the source claimed.

Another delegate instead suggested that developing countries would need to provide more "transparency" on market access flexibilities if members are to make progress in narrowing the gaps, citing in particular the 'special products' that developing countries will be allowed to slate for gentler tariff cuts to protect livelihoods and food security.

US talks with China and India have reportedly involved discussions on which tariff lines could be affected by proposed new rules. The results were not satisfactory for the US, as Ambassador Punke told WTO members on Tuesday. While appreciative that key partners had transparent about how they planned to employ their flexibilities, he said that "unfortunately, what we learned confirmed our worst fears - that we would

see no new market access on our major agricultural export interests."

Developed countries such as Japan and Canada have also sought to broaden the number of 'sensitive' products that would face gentler tariff cuts in exchange for expanded import quotas.

Instead of focusing on individual tariff lines, developing countries have instead recently emphasised the importance of trying to agree broad rules for trade-offs and liberalisation commitments across and within negotiating areas - although approaches mooted by Brazil and Mexico in February appear to have failed to gain any traction.

G-11 members now felt there was "no point in negotiating," one official said. The group includes Argentina, Australia, Brazil, Canada, China, the EU, India, Japan, Mauritius, South Africa and the US.

Officials said that Lamy would now hold private individual meetings or 'confessionals' with delegations to try to develop a better understanding of what countries may be seeking to achieve, and what concessions they might be able to offer in the troubled talks. Lamy told delegates that these consultations would begin on Monday, and that members would together "then decide on next steps".

### Revised texts: now in doubt

One negotiator suggested that Lamy's determination to produce revised texts had set him on a collision course with the US and a number of other major trading powers. While the US had explicitly suggested that other tools such as chairs' reports might be more appropriate given the lack of progress so far, sources suggested that this view was shared by most other countries in the G-11.

While the chair of the agriculture negotiations, New Zealand Ambassador David Walker, was believed to be still working on a revised draft text, some negotiators queried whether he would be able to reflect much progress given the slow movement in the talks to date. Walker is reportedly working on revising the draft in four

main areas: simplifying complex tariffs; the proposed new 'special safeguard mechanism' for developing countries to guard against sudden import surges or price falls; rules on creating new import quotas; and cotton.

One negotiator told Bridges that it was unclear whether Walker would still hold further consultations next week, as had originally been planned: no invitations had yet been sent out, the source said, although it would ordinarily be "high time" for doing so. However, another official expected "something to happen," even if this involved just going "through the motions".

One delegate observed that talks on cotton "remained a real sticking point," noting that the US has still not presented a response to proposals by African cotton producers for subsidy reform and market access. The US has repeatedly said that it will only do so when it is clear on the general rules on agricultural trade that will emerge under the Doha Round.

On the special safeguard mechanism, the chair has held consultations with exporting countries, while the group of small, vulnerable economies (SVEs) has also tabled a new proposal – potentially giving him new material that could be incorporated in a revised text, said some. While the SVEs' proposal essentially restates previous negotiating demands, it did serve to remind the chair that provisions in the text that are not 'bracketed' do not necessarily command consensus amongst delegations, sources familiar with the submission said.

SVEs also submitted an additional proposal on provisions related to domestic support and export competition for a dozen small economies that are not currently listed as 'net food importing developing countries' at the WTO - Antigua and Barbuda, Belize, Bolivia, El Salvador, Fiji, Grenada, Guatemala, Guyana, Maldives, Nicaragua, Papua New Guinea and Suriname. The proponents argued that the relatively small changes being sought would not harm the balance of the Doha negotiations as the group's members "represent a very small share of global agricultural trade."

**Doha: the round that never dies?**

One delegate said that negotiators were asking themselves hard questions about the next steps in the talks. "What do we salvage? How do we get out of here?" said the source, while another acknowledged that members were divided about what to do next.

One negotiator questioned what would happen now that Lamy was "taking over the process", and wondered whether the director-general would present members with a 'Lamy Package II' - a reference to his semi-successful bid to salvage ministerial-level talks in July 2008.

"The talks will never break down," the delegate observed wryly, seemingly mocking WTO members' general reluctance ever to be seen as responsible for ending the long-running round of talks by declaring them over. "Too much has been invested to just let the system fall down".

ICTSD reporting; "Gaps still wide in WTO Doha round talks, US says," REUTERS, 24 March 2011.

## OTHER NEWS

### Food Prices: Report for G-20 Clears First Hurdle

Officials from the G-20 group of leading economies are expressing hope that the group could play a leadership role in addressing price volatility in agricultural markets, as key food exporters did not reject out of hand a call for measures disciplining the use of export restrictions, as they have in the past.

In talks last week on a draft report prepared by seven international organizations for the G-20, representatives from member countries demonstrated remarkable cohesion, according to sources present. The expert recommendations of the report inform an action plan for an agriculture ministers meeting in June.

Notably, countries that have opposed action at the WTO and in other fora to discipline the use of export restrictions, such as Russia and Argentina, voiced scant opposition to recommendations in the report calling for just that. Even its



recommendations to curb bio-fuel blending mandates seemingly passed muster without objection from producers such as the US.

Responding to questions about its role in the G-20 discussions on food security, a senior French official told Bridges that it “falls upon on the leadership of France to press the process further.” Internal documents from a developing country G-20 member appreciated that the “substance of price volatility” had been seen by the group.

[Earlier versions](#) of the report on price volatility have been shared with Bridges. The report lays out the causes of price volatility and means to mitigate it through improved market transparency, better trade policies and emergency reserves. A revised draft is expected in the third week of May.

Sources close to the talks expect the most actionable elements to be the creation of a Joint Organizations Data Initiative for Food Security (JODI), bans on export restrictions for food being purchased for humanitarian relief purposes, and an emergency food supply system.

The meetings took place over the course of the week with two separate working groups, one on development and another on agriculture, each addressing elements of food security. Senior officials from G-20 countries met with experts from the international organizations commission to prepare the report.

Circumventing the political exchanges that often accompany such collaborative reports, experts from leading international food agencies divvied up the sections by the strengths of their respective institutions. A participant described the document as one “that is independent but helpful.” Controversial claims were removed, “so that countries don’t dismiss the report based on one specific objection.”

Echoing the absence of “conflicting stances,” observed by a participant, buffer stocks were left out of the recommendations of the price volatility report which described them as “potentially very costly.”

A survey conducted by the French for the group found that eight members believed that a

conclusion to the Doha Round would help prevent crises in the future. The survey also found support for the Committee on World Food Security in Rome (CFS) peppered throughout. Noel De Luna, the committee’s Chair took part in both the development and agriculture working groups

Agriculture delegates in Geneva have spoken optimistically of the events in Paris. The representative of one G-20 member told Bridges that the process “can feed into the agriculture modalities.” He added that a “G-20 stronger political message can come out at the WTO where more negotiations are needed.”

The boom in agricultural commodities continues unabated and prices are now affecting developed as well as developing country consumers. Although developed consumers are likely to experience the shocks of suddenly higher food prices through changes in [purchasing power](#), those in developing countries may see their food security threatened.

ICTSD reporting. “Annual household incomes fall for first time since 1981” FINANCIAL TIMES, 29 March 2011.

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## WTO Dispute Roundup: Panels Created on Seals, China

WTO members last week established four panels to adjudicate disputes, two concerning import bans on seal products, one over Chinese measures on credit cards, and one concerning Chinese anti-dumping duties imposed on US steel. At the same 25 March meeting of the WTO Dispute Settlement Body, they adopted an Appellate Body ruling against US anti-dumping and countervailing duties levied on certain Chinese imports. Members also heard from China on its efforts to comply with a WTO panel ruling against its restrictions on copyrighted goods such as books, DVDs, and music.

The DSB, which meets roughly once a month, is composed of diplomats representing all WTO members. It has the authority to establish panels to adjudicate disputes, adopt panel and Appellate Body reports, assess whether members are

implementing rulings, and authorise retaliatory measures when they are not.

### **Panels established in seal products case**

Dispute panels were formally established to investigate whether an EU regulation banning imports of seal products complies with WTO rules, in a case that has received attention disproportionate to the modest commercial value at stake.

Canada initiated dispute proceedings in November 2009; and sought the creation of a panel in February of this year, after consultations failed to yield a resolution (WT/DS400/4). The EU rejected the first request, but, as per WTO rules, could not do so a second time. The EU ban on seal products is based on arguments that seal harvesting practices from commercial operations – like those in Canada – are “inherently cruel” and “inhumane.” But Canada strongly rejects that rationale, arguing that seal harvesting in Canada is done humanely and that its sealing practices are “safe, sustainable, and economically legitimate.”

Canada has also made a separate request for the establishment of a panel against Belgium’s and the Netherlands’ more stringent national-level bans on seal products (WT/DS369/2). However, the Belgian and Dutch governments are in the process of repealing their laws so that they are limited to implementing the EU regulation, at which point Canada would be expected to drop its additional claims against the two countries’ measures, EU officials said.

Norway, too, requested the establishment of a panel to decide the legality of the EU’s ban on seal products, but the EU was able to block it, as the request was Norway’s first (WT/DS401/5). Norway said that none of the species hunted were endangered, and none were listed by CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora). It added that such a ban infringes on WTO members’ right to trade in marine resources harvested in a sustainable manner.

### **Two panels to investigate Chinese policies**

Panels have been established in two separate WTO cases pitting the US against China, after Washington made its second request in both disputes.

One case (WT/DS414/2) involves anti-dumping duties imposed by China on US steel imports, specifically “grain-oriented flat-rolled electric” steel which is used by the power generating industry in transformers and other large electric machines. The US is particularly concerned with the way in which China conducted its anti-dumping investigations, arguing that Beijing failed to provide adequate details about its findings and conclusions. The US said there were profound procedural and substantive deficiencies in the investigation in violation of WTO rules.

The other case (WT/DS413/2) concerns China’s credit card market, and what Washington claims is a monopoly for supplying electronic payment services for one Chinese company, China UnionPay, in violation of Chinese commitments under the General Agreement on Trade in Services (GATS).

In each case, China countered that it consistently followed its WTO obligations and would vigorously defend its measures before dispute settlement panels.

### **China: “Tremendous efforts” to comply with copyright ruling**

As for its compliance with a 2009 WTO ruling against restrictions on copyrighted goods such as books, DVDs, and music, China told the DSB that it had complied with “most measures at issue” in the case. The US disagrees and is considering whether to impose sanctions.

In the case, the US argued that Beijing’s requirements for copyrighted publications and audiovisual products – books, journals, video games, music, DVDs and the like – to be imported and distributed via a handful of state-approved or state-run middlemen violated China’s WTO commitments and encouraged the already rampant piracy that severely hampered the ability of US producers of such products to make money in China.



China lost an Appellate Body ruling in December 2009 and the parties agreed that China would implement the decision by 19 March 2011.

“China made tremendous efforts to implement the DSB’s rulings and recommendations and so far has completed amendments to most measures at issue,” it said in a statement during last Friday’s meeting. China added that it “hoped that this would fully demonstrate its sincerity to implement the rulings.”

The US, on the other hand, said it is “troubled by the lack of any apparent progress by China in bringing its measures relating to films for theatrical release into compliance with DSB recommendations and rulings.” The US added that it “also has significant concerns about the incomplete progress relative to China’s measures relating to audio visual home entertainment products, reading materials and sound recordings.”

The US then informed the DSB membership that it has begun discussions with China about the possibility of requesting authorization to impose sanctions against China for failing to comply with the ruling.

#### **AB report favouring China over US adopted**

In a move that was largely a formality, the DSB meeting adopted the Appellate Body’s 11 March ruling that backed China in its case (WT/DS379/AB/R) against US anti-dumping and countervailing duties imposed on several types of Chinese steel pipes, off-road tyres and woven sacks. The Appellate Body overturned US victories at the panel level.

The DSB’s formal adoption of the Appellate Body ruling, which could only have been blocked by consensus among all of the WTO’s 153 members – including China, the victor – means that the US must now bring its practices into conformity with the AB’s findings or possibly face retaliatory sanctions from Beijing.

As recently reported in Bridges, appellate judges in the case determined that the US had acted inconsistently with WTO rules by simultaneously imposing both countervailing duties, or duties

used to combat illegal subsidies, and anti-dumping duties, or duties imposed to punish the practice of selling goods in foreign markets below cost, without having assessed whether the two duties amounted to “double remedies.”

The AB also restricted the definition of “public body” under the subsidy agreement, which sets out the guidelines for determining whether a subsidy in contravention of WTO rules exists. The US had argued that a public body exists when the government is the majority owner of that entity thereby controlling it. The AB, on the other hand, said that a public body is one vested with governmental authority and performing a governmental function. The new ruling therefore makes it more difficult for the US to classify state-owned enterprises in China as public bodies subsidised by the government and subject to countervailing duties.

ICTSD reporting.

### **IN BRIEF**

#### **EU, Colombia, Peru Initial FTA**

Negotiators from the EU, Colombia and Peru last Thursday initialled a comprehensive trade agreement, paving the way for the formal signing and ratification of the accord.

Talks on the deal, which will ultimately liberalise all trade in industrial and fisheries products among the participating countries, were concluded nearly a month ago. A lengthy legal review of the agreement text occurred before its initialling; a further detailed translation process is necessary before the formal signature. Officials are hopeful that the agreement could then be ratified and enter into force, as early as the beginning of 2012.

The FTA covers manufactured products, agriculture goods, services, and investment, and also includes provisions on intellectual property, trade remedies, and competition rules. According to the EU, when the accord enters into force, 80 percent of industrial goods trade will be liberalised with Peru, and 65 percent Colombia. Brussels foresees expanded market access for exporters from all three parties in sectors such as fruits and

vegetables, fisheries, automobiles, electronics and machinery, wines and spirits, along with services like telecoms and banking.

Intellectual property provisions in the agreement do not extend pharmaceutical test data exclusivity periods in Peru and Colombia – an issue that has been the subject of heated debate in the EU's FTA negotiations with India. They do, however, go beyond WTO requirements on some issues related to the enforcement of intellectual property protections.

Although the agreement is moving towards ratification, opponents of the deal have not accepted defeat. Earlier this month, 200 civil society organisations signed a manifesto against the FTA. While some NGOs object to Colombia's human rights standards, Colombian dairy producers fear they will be unable to compete against highly subsidised EU dairy farmers.

Peruvian media report that in anticipation of the FTA's entry into force, European businesses are already considering investing in Peru, ranging from brick and ceramic manufacturers keen to take advantage of cheaper energy to construction firms targeting both domestic sales and export opportunities.

FTA negotiations among the EU, Colombia, and Peru started in 2007. The prospect of imminent entry into force of the pact may influence support in Washington for Congressional ratification of the US's own deal with Colombia, which was first negotiated in 2006 but has since languished amidst objections by Democratic lawmakers about labour rights in Colombia. If the EU-Colombia-Peru accord goes ahead first, it may enable European companies to secure a toehold in the Colombian market at the expense of their US competitors.

ICTSD reporting; "Colombia and Peru closer to implementing the free trade agreement with the EU," MercoPress: South Atlantic News Agency, 27 March 2011; "More European investors eye Peru," Andina, 27 March 2011; "Negotiators initial trade agreement between the EU, Colombia and Peru," European Commission, 24 March 2011.

## WTO IN BRIEF

### Panel Backs Brazil in Zeroing Dispute with US

In a ruling released last Friday, a WTO dispute panel sided with Brazil in its dispute with the US concerning the method Washington used to calculate anti-dumping duties on Brazilian orange juice. Brazil first filed the complaint in 2008.

Following in the footsteps of several previous WTO rulings, the panel ruled that the US violated WTO rules when it used 'zeroing', a controversial method of calculating the extent to which trading partners are 'dumping' (exporting at artificially low prices) their goods in the US market. Under this methodology, US commerce authorities ignore, or 'zero out', instances in which goods command higher prices in the US market than in the country that made and exported the goods in question.

This is the second panel to condemn the US for the practice this year (the other being a panel that ruled against US levies on South Korean steel, WT/402/R). Three more disputes over zeroing are pending, one brought by China, one by Vietnam, and another by South Korea. The trend may not dissipate either, considering Washington's preference 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.

However, WTO panels have urged members involved in such disputes to find a lasting "systemic" solution to the controversial method "sooner rather than later," instead of leaving it to repeated adjudication.

In response, the US has attempted to defuse some of the anger over zeroing by proposing to eliminate the practice in administrative reviews of anti-dumping duties already in place. It had previously banned the practice for some times of investigations. The department of commerce issued the rule change late December of last year

and is currently in the process of collecting and analyzing comments.

The US addressed implementation concerns at a latest Dispute Settlement Body meeting on 25 March, saying “at this time, the US Department of Commerce is continuing with its ongoing work on the December proposal.” Speaking about Japan’s case against zeroing, it said “because of our concerns about the findings regarding zeroing in this and other disputes, responding to those findings has presented substantial challenges for the United States and required significant resources.”

The Brazilian government said in a statement that it “hopes that the United States will bring its measure into conformity without delay, as a clear sign of respect for the multilateral trade disciplines.”

ICTSD reporting: “Statements by the United States at the March 25, 2011 DSB meeting,” UNITED STATES MISSION IN GENEVA, 28 March 2011; “WTO rules against US in Brazil orange juice dispute,” ASSOCIATED PRESS, 25 March 2011.

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## EU Appeals WTO Ruling in Steel Fastener Dispute

The EU announced last Friday that it was appealing a WTO panel decision that found the 27-member bloc’s method for applying anti-dumping duties on various Chinese screws, nuts and bolts to contravene multilateral trade rules.

The panel ruling against the EU found fault with several of the procedures identified by China in its complaint, such as parts of the methodology the EU used for calculating a ‘normal value’ against which to measure whether Chinese fasteners were being sold below the cost of production, and by how much. WTO rules normally afford countries greater latitude in calculating such values for imports from non-market economies.

The ruling is a blow to the EU and its method of calculating duties for non-market economies, which include Vietnam and Cuba in addition to China.

While China initially welcomed the decision, reiterating its view that the EU policies placed an unfair burden on Chinese exports, Reuters reports that China will also appeal the WTO ruling against the EU, saying the decision does not go far enough in its favour, citing a person familiar with the case.

While the decision mostly sided with China, it dismissed Beijing’s argument that Brussels made unfair comparisons between high and low-quality screws and bolts. The person reported to Reuters that this is what prompted China to appeal. Under WTO rules, China has until Wednesday to make its appeal.

ICTSD reporting: “EU appeals WTO ruling against duties on Chinese steel fasteners,” BLOOMBERG, 25 March 2011; “China to appeal WTO fasteners ruling this week,” REUTERS, 28 March 2011.

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## EVENTS & RESOURCES

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### Events

#### Coming soon

31 March, Washington, D.C. OIL PRICES AND MIDDLE EAST TURMOIL: THE ECONOMIC CONSEQUENCES. Held by the Carnegie Endowment for International Peace, this event is the first in a two-part series on commodity prices and their broader implications. Turmoil in the Middle East has injected huge uncertainty into oil markets. Could unrest spread to Saudi Arabia, Iran, or others in the region and disrupt oil supplies? What will be the consequences for the global recovery? What can policy makers do? Carnegie’s Karim Sadjadpour and Christopher Boucek, PFC Energy’s Jamie Webster, and the World Bank’s Hans Timmer will discuss this complex set of political and economic issues. For more information, please refer to the [website](#).

4 April, London. PLANS FOR AN AFRICAN FREE TRADE AREA. This event hosted by Chatham House, in association with the APPG on Trade Out of Poverty, will discuss the prospects

for an African free trade area. Over the past years Africa has witnessed political, economic and social progress in many parts with steady modernization and greater integration into the global economy. While there is a wide recognition that regional integration is crucial for the prosperous future of African countries' economic progress, with some of the highest tariffs facing African countries being imposed by their neighbors, regional economic integration still remains a challenge and only a very small percentage of African countries exports are being traded regionally. More information can be found on the [website](#).

6 April, Washington, D.C. SOARING FOOD PRICES: CAUSES, CONSEQUENCES, AND REMEDIES. Held by the Carnegie Endowment for International Peace, this event is the second in a two-part series on commodity prices and their broader implications. After a relatively short-lived decline during the Great Recession, international food prices have soared again and reached a record-high in recent months. This price surge, coupled with a dramatic spike in the price of oil, is causing great hardship for the world's poor households. What accounts for rising food prices? Why are food prices so volatile? What are the implications? What can policy makers do? To address these questions, Carnegie has assembled a distinguished panel of experts, including Hafez Ghanem of the Food and Agriculture Organization of the United Nations, Joseph Glauber of the U.S. Department of Agriculture, Will Martin of the World Bank, and Kimberly Ann Elliott of the Center for Global Development. For more information, please consult the [website](#).

### 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.

31 March: Committee on Agriculture

31 March: Committee on Trade and Development

4 April: Services Meeting

4, 6 – 8 April: Negotiating Group on Trade Facilitation

5 – 7 April: Trade Policy Review Body – Australia

### Other upcoming events

6 – 8 April, Geneva. MUTLI-YEAR EXPERT MEETING ON SERVICES, DEVELOPMENT AND TRADE: THE REGULATORY AND INSTITUTIONAL DIMENSION. The United Nations Conference on Trade and Development's meeting will bring together experts and practitioners from governments, sector regulators and competition authorities, services policymakers, trade negotiators, research institutions, civil society and the private sector to address the development implications of regulatory and institutional frameworks in infrastructure services sectors, and to identify and clarify the key issues and relevant policy options to enhance the capacity of developing countries to benefit from services development and trade. The outcome of this session will be used as input for the final session of the multi-year expert meeting. More information can be found on the [website](#).

5 – 8 April, Melbourne, Australia. SYMPOSIUM AND ROUNDTABLE ON INVESTMENT FOR BALANCED AND SUSTAINABLE GROWTH. The Asian Development Bank Institute (ABDI), the Organisation for Economic Co-operation and Development (OECD) and the Asia-Pacific Economic Cooperation (APEC) are together organising two events concerned with improving the environment for investment in the Asia-Pacific region. Ultimately, ADBI, OECD, and APEC are meeting to better understand how investment policies can promote more balanced and sustainable growth, policy recommendations for investment policies, and closer cooperation among key stakeholders handling this issue. Further information can be found on the [website](#).

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## Resources

RECENT DEVELOPMENTS IN INTERNATIONAL INVESTMENT AGREEMENTS: NEGOTIATIONS AND DISPUTES. By Mahnaz Malik. South Centre, 2011. This paper examines the recent developments both in International Investment Treaty negotiations and investor-State disputes. It highlights the intense activity in the conclusion of new International Investment Agreements (IIAs) in 2009 and points out trends such as the effect of the entry into force of the Lisbon Treaty, the creation of regional investments areas, and the increase in renegotiation of Bilateral Investment Treaties (BITs), among others. The paper points out the continuing rise of investment treaty claims and the large number of dispute settlements as the important trends in investor-State disputes. This paper is available for download [here](#).

INDIA AND SOUTH AFRICA AS PARTNERS FOR DEVELOPMENT IN AFRICA? By Elizabeth Sidiropoulos. Chatham House, March 2011. The engagement of India and South Africa in Africa can be explained as much by the shifts in global power and realpolitik as by their desire to be seen to be playing a positive developmental role and shouldering global responsibilities. India articulates its Africa policy through a national-interest prism, especially with regard to energy security, trade and terrorism. Development cooperation is a byproduct of its engagement in Africa rather than a central driving force. South Africa is currently reassessing how it articulates its national interest in the context of its African agenda. It sees India's engagement in Africa in a positive light, especially its focus on human-resource development, ICT and agriculture. While cooperation between the two countries may be possible in certain areas such as the India Brazil South Africa Forum (IBSA), in others it may be too politically sensitive for them to be perceived to be working together. Both aim to advance their commercial interests on the continent, which implies an element of rivalry. The paper is available for download [here](#).

EXCHANGE RATE REGIMES AND THE STABILITY OF THE INTERNATIONAL MONETARY SYSTEM. Written by Atish

Ghosh, et. al. International Monetary Fund, March 2011. The member countries of the International Monetary Fund collaborate to try to assure orderly exchange arrangements and promote a stable system of exchange rates, recognizing that the essential purpose of the international monetary system is to facilitate the exchange of goods, services, and capital, and to sustain sound economic growth. The paper reviews the stability of the overall system of exchange rates by examining macroeconomic performance (inflation, growth, crises) under alternative exchange rate regimes; implications of exchange rate regime choice for interaction with the rest of the system (external adjustment, trade integration, capital flows); and potential sources of stress to the international monetary system. This paper is available for purchase [here](#).

FROM THE UNITY OF NATURE TO SUSTAINABILITY SCIENCE: IDEAS AND PRACTICE. Written by Robert W. Kates, March 2011. Published by the Center for International Development at Harvard University. The ideas of sustainability science are at least two centuries old; the practice is but a decade. This paper reviews some of those key ideas beginning with Humboldt and the unity of nature, and goes on to discuss just what is sustainability science. For its current practice, the author discusses three major tasks of sustainability science: fundamental research on use-directed problems; nurture of the next generations of sustainability scientists; and moving knowledge into action. The author illustrates each of these with some recent initiatives. This paper is available for download [here](#).

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