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Building the capacity of ACP Countries in Trade Policy Formulation, Negotiations and implementation ("Hub and Spokes") Project

Tonga's WTO membership doubtful

Tonga's plan to become a member of the World Trade Organisation WTO in July this year is now very doubtful, according to Paulo Kautoke, the Chief Executive Officer for the Ministry of Labour Commerce and Industries.

Paulo said this morning that nothing has been done to Tonga's application for a WTO membership since it was deferred last June for 12 months. He said that the event of November 16 last year and the reconstruction of Nuku'alofa has preoccupied government, but "hopefully by the end of this month or early next month, Government will be in a good position to make a firm decision with regards to Tonga's accession to the WTO," said Paulo.

Tonga was scheduled to accede to the WTO in July last year, but it was deferred to enable Tonga to fulfil some essential requirements, such as the implementation of a new taxation system, and a new tariff system. The numerous disruptions in the proceeding of the Tongan parliament last year and its abrupt closure in November left a number of legislations which were essential for the economic development of the country unattended to.

Tonga, since 1995 has been restructuring its economy with the intention of eventually becoming a member of the WTO and be part of the Global Economy, but the event of 16/11 has forced a halt on a number of these development programs.

Source: Tonga News, and Ministry sources, 8 February 2007

Uganda to lead Africa in WTO talks

Uganda has been chosen to head African countries in negotiations with the World Trade Organisation (WTO), its director general, Pascal Lamy, has said.

Lamy said Uganda was chosen because of its political and economic stability. “Uganda has a record of open trade policy, technical and political recognition,” he told a press conference at Kampala Serena Hotel on Saturday. Lamy said Uganda would coordinate the African negotiators in Geneva up to the next session of ministerial conference later this year.

He was in the country for two days to follow up resumption of ‘soft’ negotiations after suspension of the Doha talks last year.

The Doha Development Agenda was established in 2001, in Doha, Qatar.

It contains a comprehensive programme on agriculture, industrial tariffs, regional trade agreements, technical cooperation and assistance and others.

Lamy appealed to the Government to address bottlenecks in clearance of goods through a comprehensive approach.

Source: WTO News, Geneva, 5 February 2007.

Malaysian elected chairman of WTO General Council

Malaysia's Permanent Representative to the World Trade Organization (WTO) has been elected chairman of the general council of the world trade body.

Muhamad Noor Yacob is the first Malaysian to hold the chair since the WTO was set up in 1995, local newspaper the New Straits Times (NST) reported Thursday.

The General Council is the WTO's highest-level decision-making body in Geneva, meeting regularly to carry out the functions of the WTO.

It has representatives (usually ambassadors or equivalent) from all member governments and has the authority to act on behalf of the ministerial conference which only meets about every two years.

"This election is in recognition of Malaysia's active role in the WTO and the positive contributions made to the negotiations," Malaysia International Trade and Industry Ministry was quoted by the daily as saying in a statement.

Muhamad will be working closely with the WTO director-general, chairs of negotiating groups and WTO members to bring the Doha negotiations to a successful conclusion, the ministry said.

Source: WTO News, Geneva, 8 February 2007

Fair Trade Coffee Price Review: the way forward.

Over the last two months, Fairtrade Labelling Organisations (FLO) International has been carrying out a review of Fairtrade Minimum Coffee Prices. The review process was initiated with a proposal presented to the FLO Board by the Coordinadora Latino Americana y del Caribe de Comercio Justo (CLAC), the network of Fairtrade Certified Producer Organizations for Latin America. The CLAC presented a cost of production study, which was the basis of the review process. The two months review involved a stakeholder consultation – with coffee traders, Labelling Initiatives as well as producer organizations.

FLO Standards Committee, in which stakeholders from FLO's member organizations, producer organizations, traders and external experts participate, was due to take a decision on new coffee prices in its January 16th Meeting. After analyzing the information provided by the different stakeholders and the data currently available on production costs, FLO's Standards Committee members have unanimously decided not to change the Fairtrade Minimum Prices and Premiums at this early stage. It was also decided that a more extensive review on coffee prices will be carried out during 2007. The Standards Committee based its decision on a lack of consensus among the different stakeholders as well as on the lack of key data of production costs and market impact for coffee. The Committee noticed the "wide variety of views among stakeholders about the need to increase the price, and the rationale, timing and wisdom of doing so", and in particular the view held by many stakeholders that "the result of a rapid or large increase of the price would be to significantly reduce sales or limit growth, which would actually harm producers most." The Standards Committee members identified the need to obtain more extensive cost and market data on coffee, currently not available.

However, the Committee recognized the urgent need for a robust review of Fairtrade Coffee Minimum Prices and acknowledged the value of the data submitted by the CLAC. In view of the diversity of Fairtrade coffee-producing regions and coffee-consuming markets, a team at FLO will now obtain and study cost of production data for all coffee regions (including the study provided by the CLAC), seeking further data where necessary, and obtain information to allow a proper assessment of the market impact of different pricing options. Andreas Kratz, Director of FLO's Standards Unit says: "The decision of the Standards Committee has a clear intention. A proposal shall be put forward giving time for a more thorough research and consultation process with the aim

of greater consensus amongst stakeholders and more insight into the risks of prices changes particularly for producers.”

The Chair of FLO’s Board, Barbara Fiorito supports the decision taken: “The Board recognizes the essential importance of the process and decisions taken by the FLO Standards Committee. The producer’s request has been very seriously considered by the Board and the Standards Committee. I am encouraged that this request will be taken forward in an inclusive, robust and timely manner with the aim to reach as constructive a broad stakeholder consensus as possible.” The project on coffee prices, which will involve extensive input and collaboration from all of FLO’s stakeholder groups – producers, traders, Labelling Initiatives, and staff – has the aim of implementing new prices in October 2007 latest.

FLO: a truly multi-stakeholder association

Unlike other certification systems, FLO guarantees the producers a Minimum Price for their produce, which takes into account the costs of sustainable production (COSP). Producers also receive the ‘Fairtrade Premium’, which is invested for the benefit of the producers, their organizations or their communities, and an extra payment for organic production. When a group of stakeholders notify the need to review a Standard or the Fairtrade Minimum Prices and Premium, FLO Standards Unit studies the proposal and initiates a broad consultation process involving all Fairtrade Labelling stakeholders. FLO actively encourages all its stakeholders to take an active role in the development of Fairtrade Standards and Prices for the benefit of producers in the South.

Source: Fairtrade Labelling Organisations (FLO), 6 February 2007.

Japan says it is considering joining the US in filing a complaint with the World Trade Organization against China.

It is concerned over claims that China, its largest trading partner, gives national firms preferential taxes, giving them an unfair advantage. The US has already complained to the WTO that China is essentially subsidising some of its industries. Washington argues this means US firms cannot compete fairly and last week started legal action against China. Japan said it was now trying to find out more about the claims after the issue was raised by US trade representative Susan Schwab. "Based on our findings we hope to decide as soon as possible whether to join (the US complaint) as a third party." said Akira Amari, Japan's minister for economy, trade and industry.

Talks due

Last week, Ms Schwab said China used tax legislation to "encourage exports and discriminate against imports", and called for a "level playing field". Industries including IT, steel and paper are among those affected by China's stance, says the US. Japan depends on China as a centre for manufacturing and, as the Chinese become richer, as a market for its consumer electronics. Analysts observed that the US's stance against China came shortly after the Democrats, who have historically been more critical of Chinese trade policies, took power in Congress. The US is due to enter bilateral talks with China and could then go to the WTO settlement panel.

Source: Reuters, Geneva, 7 February 2007

WTO's 150 members to meet amid uncertainty about the U.S.

Two weeks after world powers pledged to re-energize global free trade talks, the WTO's 150 members meet Wednesday to assess the degree of progress or lack thereof toward an agreement that would liberalize the world economy.

But much hinges on two major decisions pending in just one country: the United States, where Congress will debate whether to extend President George W. Bush's authority to agree on trade deals and whether to adopt a new farm bill that has received a lukewarm response from major trading partners such as Brazil and Europe. "Congress is going to be watching the trade talks very closely," said Rita Hayes, Washington's top WTO negotiator during U.S. President Bill Clinton's second term. "I think everybody is in agreement that a new trade deal is desirable. But the issue for Congress is how to ensure that it protects U.S. workers."

The so-called Doha round has stumbled since its inception five years ago in Qatar's capital. Rich and poor countries have clashed over clearing barriers to trade in goods and agriculture, and nearly incessant sniping between the European Union and United States has repeatedly stalled progress. One of the main stumbling blocks has been the level of U.S. government subsidies paid out to American farmers. Poorer nations contend the handouts prevent them from selling their farm goods and developing their economies. The 27-nation EU and other competitors say they cannot significantly open their lucrative markets to American beef, poultry and other exports until the subsidies are reduced.

Hayes, who follows trade issues for a U.S. law firm in Geneva, told The Associated Press that she believed the next meeting of the World Trade Organization would be important for Congress. The Bush administration has proposed cutting farm support programs by US\$18 billion (€13.9 billion) over the next five years. The bill is expected to face a stiff challenge from Democrats controlling Congress, who have criticized previous free trade deals for including too few protections for workers.

Since Bush took office in 2001, one in five manufacturing jobs in the United States has disappeared, a total of 2.96 million, with U.S. automakers and textile companies particularly hard hit. The administration is also facing a swelling trade deficit,

particularly with China, and has brought two complaints against the Asian nation to the WTO in the last year. "The general council meeting will be a sort of test for seeing what some of the (WTO) member states are going to say they are ready to do," Hayes said, adding that it was a question of "not just rhetoric, but if they are serious in moving forward."

In U.S. politics, Republicans generally are more pro-business and Democrats more pro-labor. Bush and U.S. Trade Representative Susan Schwab have repeatedly called for an ambitious result to the long-struggling trade talks, but have up to this point staunchly defended the farm subsidies paid primarily to growers of five major crops — corn, soybeans, wheat, rice and cotton maintaining that greater cuts would have to be matched by Brazil, India, China and other emerging economies in areas such as industrial goods and services. While the richest U.S. farmers would lose out, the new farm bill is not a radical departure from current programs. A number of WTO negotiators already have expressed their disappointment. "There are some positive elements in the proposal," said Ambassador Clodoaldo Hugueneu of Brazil, which stands to profit from greater agricultural liberalization. "But it falls short of the need for substantial real cuts. There are not the many changes we had hoped for."

Brazil, which has successfully challenged Washington at the WTO over U.S. cotton programs, recognizes that the farm bill "is an internal U.S. debate that will take months," Hugueneu told the AP. "The hope is that we'll get a result here in the Doha negotiations and that the result will be incorporated into the law in the U.S." The farm bill also was criticized last week by the EU for among other things failing to act on trade-distorting dairy and sugar programs. Some analysts and officials have expressed scepticism whether the U.S. Congress would shift its focus as WTO powers make inch-by-inch progress, especially as the debate is now fully under way. WTO negotiators are trying to forge the blueprint of an accord before July, when the U.S. president's authority to make trade deals that can be sent to Congress for a simple yes-or-no vote expires.

Bush announced last week he would ask Congress to renew the so-called "fast track" option, which makes it much easier for a trade treaty to gain congressional approval.

Source: Associated Press, Geneva, 7 February 2007

WTO sees determination over talks

The head of the World Trade Organisation said today he sensed fresh determination to conclude the Doha round of talks, but added he would wait for "substance" before calling ministers together. The WTO negotiations on lowering barriers to commerce were halted in July after major powers failed to break a long-running deadlock over the politically sensitive issue of farm trade.

However, a series of bilateral sessions between major trading states and blocs - such as the United States, Brazil, the European Union and Japan have indicated flexibility, and trade ministers recently agreed in Davos to resume talks. WTO chief Pascal Lamy said that pushing the talks forward would depend on the numbers negotiators come up with in cutting subsidies and industrial tariffs. "My sense is that they are actively engaged, but I haven't yet seen or heard enough numbers that would allow me to say: you guys come back round the table to negotiate the final details," Lamy said in an interview. "It all depends on the substance."

The round was launched in the Qatari capital in 2001 to boost the global economy and lift millions out of poverty. Mr Lamy, concluding a tour of east Africa, said the continent would benefit most if the talks successfully led to a reduction of farm subsidies, industrial tariffs, removal of tariff escalation and improvement of customs procedures. "There are a lot of potential benefits from this round for the vast majority of African countries which if the negotiations conclude will be there at no cost in terms of their own commitment on new market opening," Mr Lamy said. The key to a deal lies in getting deeper US cuts in farm subsidies, which developing countries say give farmers there an unfair market advantage, and in securing similar reforms from the EU, Japan and other big importers on farm tariff. Developing countries such as Brazil and India would have to open their markets mainly to industrial goods and services. Mr Lamy said although Africa will suffer erosion of key preferential trade deals, often criticised by anti-globalisation activists, in the end it would come out the winner. "You cannot stop opening trade for the sake of keeping preferences. The benefits of opening trade are huge," he said.

Source: Ireland. Com News, 6 February 2007

Ethiopia moves step to joining WTO

Although Ethiopia must fulfil a lengthy process before getting the World Trade Organisation (WTO) membership, the horn of African nation has taken the first key steps to become WTO's 151st member, officials said on Tuesday. "Ethiopia has started its accession process, the first stage was completed in December," the WTO's Director General Pascal Lamy told journalists in an interview in Kenya.

Lamy said Ethiopia had applied for membership and tabled details of its trade regime, legislation and practices which were circulated to all WTO members. The members are expected to seek clarifications on various aspects. According to Lamy, the next stage is to assess the kind of commitment Ethiopia is willing to undertake in bilateral negotiations before its policies come under scrutiny from the world trade body's secretariat on whether its trade system meets WTO standards. "It is a rather long process," Lamy said. "When I was in Addis, I saw clear determination by the Prime Minister (Meles Zenawi) and the government that things should move forward, although as usual there will be difficult moments when some (members) will ask them to open their telecoms system or banking system."

If the deal is completed, Ethiopia would be the latest nation to join the WTO after it accepted Vietnam as its 150th member in January. Last year in November, economists said Ethiopia's major issue of concern was how to overcome WTO's rule that member states open up foreign investment in the financial sector.

But Ethiopia currently closes the door to foreign investment in banking. Ethiopia's capital Addis Ababa is the headquarters of the 53-member African Union (AU).

Ethiopian Prime minister Meles has predicted the Ethiopian economy would grow by nearly 10 percent in 2006/07, led by the farm sector. Meanwhile, Ethiopia is Africa's top producer of coffee. (Reuters)

Source: WTO, Somali NET, 6 February 2007.

Japan considers joining the US in trade complaint against China to WTO

Japan is considering whether it should back the US in filing a complaint with the World Trade Organization against China, its largest trading partner. Like the US, Japan is concerned over China providing national its businesses subsidies and preferential taxes.

The US has already referred its complaint to the WTO for consultations. It says that China subsidises some of its industries depriving US firms the opportunity to compete fairly. Japan, which depends on China as a centre for manufacturing and as a market for its consumer electronics, said it was now trying to find out more about the claims after US trade representative Susan Schwab raised the issue.

Akira Amari, Japan's minister for economy, trade and industry, said, "Based on our findings we hope to decide as soon as possible whether to join (the US complaint) as a third party."

Last week, Schwab charged China of using tax legislation to "encourage exports and discriminate against imports", and called for a "level playing field". The US says its industries including IT, steel and paper are among those affected by China's stance.

Analysts observed that the US's stance against China came shortly after the Democrats, who have historically been more critical of Chinese trade policies, took power in Congress. The US is due to enter bilateral talks with China and could then go to the WTO settlement panel.

Source: Associated Press, Brussels, 7 February 2007

AIA Supports Renewed WTO Talks

The American Insurance Association (AIA) commends the recent announcement of the resumption of the Doha Development Round of World Trade Organization (WTO) talks in Geneva, Switzerland, and supports efforts by the U.S. Trade Representative (USTR) to further open global insurance markets through service industry negotiations.

The Doha Round had effectively been suspended since July 2006, when talks over agriculture issues broke down. “This stymied the progress being made on service industry talks, including insurance,” said David Snyder, AIA vice president and assistant general counsel. “Resumption of the talks is the most positive development in months and now we must push it through to conclusion.”

“We believe that the WTO Doha Development Round offers great opportunities not only for the industries, but also for developing countries that need services and specifically insurance,” Snyder continued. “And more open markets for U.S. services suppliers are good for the U.S. economy.”

Source: AIA, Washington, 6 February 2007

USAID to Help Lebanon's Accession to WTO

U.S. Agency for International Development and the economy ministry have signed a memorandum of understanding to assist the Lebanese government to accede to the World Trade Organization.

The MOU was signed at the Grand Serail by USAID/Lebanon Mission Director Raouf Youssef and Economy and Trade Minister Sami Haddad on Tuesday. "The MOU extends U.S. assistance to the government of Lebanon to prepare for Lebanon's accession to the World Trade Organization (WTO)," the U.S. embassy said in a statement. "This assistance will also help the government of Lebanon meet the reform goals it outlined at the international donors' conference in Paris last month. "United States assistance aims to support the government of Lebanon's efforts to strengthen the economy, increase job creation and extend economic prosperity to all of Lebanon's citizens," the statement added.

It said in the past seven years, USAID has provided the economy ministry with more than \$5 million in technical assistance.

Source: Reuters, Beirut, 7 February 2007

WTO members to Study trade deal progress

Two weeks after world powers pledged to re-energize global free trade talks, the WTO's 150 members meet Wednesday to assess the degree of progress or lack thereof toward an agreement that would liberalize the world economy.

But much hinges on two major decisions pending in just one country: the United States, where Congress will debate whether to extend President George W. Bush's authority to agree on trade deals and whether to adopt a new farm bill that has already received a lukewarm response from major trading partners such as Brazil and Europe. "Congress is going to be watching the trade talks very closely," said Rita Hayes, Washington's top WTO negotiator during U.S. President Bill Clinton's second term. "I think everybody is in agreement that a new trade deal is desirable. But the issue for Congress is how to ensure that it protects U.S. workers." The so-called Doha round has stumbled since its inception five years ago in Qatar's capital. Rich and poor countries have clashed over clearing barriers to trade in goods and agriculture, and nearly incessant sniping between the European Union and United States has repeatedly stalled progress

One of the main stumbling blocks has been the level of U.S. government subsidies paid out to American farmers. Poorer nations contend the handouts prevent them from selling their farm goods and developing their economies. The 27-nation EU and other competitors say they cannot significantly open their lucrative markets to American beef, poultry and other exports until the subsidies are reduced. Hayes, who follows trade issues for a U.S. law firm in Geneva, told The Associated Press that she believed the next meeting of the World Trade Organization would be important for Congress

The Bush administration has proposed cutting farm support programs by US\$18 billion (euro13.9 billion) over the next five years. The bill is expected to face a stiff challenge from Democrats controlling Congress, who have criticized previous free trade deals for including too few protections for workers.

Since Bush took office in 2001, one in five manufacturing jobs in the United States has disappeared, a total of 2.96 million, with U.S. automakers and textile companies particularly hard hit. The administration is also facing a swelling trade deficit, particularly with China, and has brought two complaints against the Asian nation to the WTO in the last year. "The general council meeting will be a sort of test for seeing what some of the (WTO) member states are going to say they are ready to do," Hayes said, adding that it was a question of "not just rhetoric, but if they are serious in moving forward." In U.S. politics, Republicans generally are more pro-business and Democrats more pro-labor. Bush and U.S. Trade Representative Susan Schwab have repeatedly called for an ambitious result to the long-struggling trade talks, but have up to this point staunchly defended the farm subsidies paid primarily to growers of five major crops -- corn, soybeans, wheat, rice and cotton -- maintaining that greater cuts would have to be matched by Brazil, India, China and other emerging economies in areas such as industrial goods and services.

While the richest U.S. farmers would lose out in the new farm bill, the plan is not a radical departure from current programs. A number of WTO negotiators already have expressed their disappointment." There are some positive elements in the proposal," said Ambassador Clodoaldo Huguency of Brazil, which stands to profit from greater agricultural liberalization. "But it falls short of the need for substantial real cuts. There are not the many changes we had hoped for." Brazil, which has successfully challenged Washington at the WTO over U.S. cotton programs, recognizes that the farm bill "is an internal U.S. debate that will take months," Huguency told the AP. "The hope is that we'll get a result here in the Doha negotiations and that the result will be incorporated into the law in the U.S." The farm bill also was criticized last week by the EU for -- among other things -- failing to act on trade-distorting dairy and sugar programs. Some analysts and officials have expressed scepticism whether the U.S. Congress would shift its focus as WTO powers make inch-by-inch progress, especially as the debate is now fully under way

WTO negotiators are trying to forge the blueprint of an accord before July, when the U.S. president's authority to make trade deals that can be sent to Congress for a simple yes-or-no vote expires. Bush announced last week he would ask Congress to renew the so-called "fast track" option, which makes it much easier for a trade treaty to gain congressional approval. While some senior Democrats have said they would seek a bipartisan trade solution, it is unclear what conditions would be attached to the renewal of fast track. Countries with low labor costs such as China and India would surely resist attempts to include work or environment standards in a global trade deal

At the World Economic Forum two weeks ago -- where negotiators representing some 50 countries made only a vague commitment to liberalizing global trade British Prime Minister Tony Blair and Brazilian Luiz Inacio Lula da Silva warned that failure to reach a deal would be catastrophic.

Trade specialists say failure would risk a surge in protectionism and ill will among the U.S., EU and others. The world's poorest nations would lose out the most as rich and emerging WTO members shift their focus to separate pacts with one another

Source: AFX, Geneva, 6 February 2007

WTO Agricultural Committee to Meet Informally

Crawford Falconer, New Zealand's Ambassador to the World Trade Organization, told embassies that he would like to hold an "informal special session of the WTO Agriculture Committee" - the formal name for the negotiations - starting at 11 in the morning Friday in Geneva, Switzerland, trade sources say, speaking on condition of anonymity. The Doha round talks were suspended last July after negotiators failed to break a deadlock over how far to cut import tariffs and farm subsidies. Ambassadors to the WTO agreed last week to resume the multilateral talks, even though there has been no evidence that last July's subsidy - tariff impasse has been settled.

Falconer has held several sessions with groups of negotiators since last July's suspension, and two updating meetings open to all delegations. Friday's talks will be the first time agricultural negotiations from all 150 WTO member governments will return to work. It appears unlikely that the resumption of the talks on Friday signals any breakthrough, trade observers say.

Source: Farm Futures News, 6 February 2007.

Uganda to Lead Africa in WTO Talks

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Lamy said Uganda was chosen because of its political and economic stability. "Uganda has a record of open trade policy, technical and political recognition," he told a press conference at Kampala Serena Hotel on Saturday. Lamy said Uganda would coordinate the African negotiators in Geneva up to the next session of ministerial conference later this year. He was in the country for two days to follow up resumption of 'soft' negotiations after suspension of the Doha talks last year. The Doha Development Agenda was established in 2001, in Doha, Qatar. It contains a comprehensive programme on agriculture, industrial tariffs, regional trade agreements, technical cooperation and assistance and others. Lamy appealed to the Government to address bottlenecks in clearance of goods through a comprehensive approach.

Source: New Vision (Kampala), 5 February, 2007.

Relief in Sight for Maize Exporters

South African maize growers and exporters have been battered on virtually all fronts in recent years. A strong rand has meant that they have struggled to remain competitive in the global economy; at the same time they have had to battle rising input costs and weak global prices. The latter factor has been blamed squarely on the massive level of support which the developed countries, the US in particular, extend to their maize farmers.

However, a case brought by Canada to the trade court of the World Trade Organisation (WTO) recently may bring some respite.

In early January Canada announced that it had asked for an official consultation to take place with the US on maize subsidies and on the total level of trade-distorting agricultural support. Canada believes that the extent of US subsidies to maize farmers is suppressing the global maize price. If these consultations fail, Canada will ask the WTO to appoint a dispute settlement panel to arbitrate the matter.

The US is the world's largest producer and exporter of maize. In 2005-06 it accounted for 41% of global maize production and 68% of all maize exports. Support to US maize producers over the last two years has averaged nearly \$9bn a year and, while world maize prices declined significantly over the last three years, the US's maize production actually increased from 256-million tons in 2003-04 to a record 300-million tons in 2004-05, slightly decreasing to 282-million tons in 2005-06.

In recent months maize prices have increased considerably, partly on the back of an ethanol production boom as concerns about climate change have sparked a scramble for alternative fuel sources. A recent report by JP Morgan predicted that average corn prices this year would be more than 60% ahead of last year's average price. But Johan Willemse of the agricultural economics department at the University of the Free State says despite the growing demand for feedstock to the biofuels industry, the US will still export maize while its industry remains subsidised. If the US were to stop supporting its industry, however, US maize exports would cease, studies have shown.

In the absence of an arbitrated trade deal, an increase in litigation had been anticipated by international observers.

It is not the first time that the US has been hauled before the trade court. Two years ago Brazil, joined by west African countries, successfully challenged the US on cotton subsidies. However, Hilton Zunckel, a senior trade adviser with law firm Floor Inc .Attorneys, says that the Canadian action is the first time a case is brought against the US concerning a basic food product. Much is at stake for SA, and Zunckel believes maize

growers might be eager to see SA join Canada as a third party in the case. The trade and industry department says it has not yet decided, but will consider doing so.

Consultations represent the first stage in the WTO dispute settlement process. This phase allows parties to discuss the measures at issue with a view to resolving their dispute outside the formal adjudicative process. If they fail to reach an agreement at the consultative stage, Canada could request that a WTO dispute settlement panel be appointed to adjudicate the matter.

Gunther Muller, a trade adviser with the agriculture department, says SA could join as a third party in the case as a "matter of principle". But he points out that the matter is still a long way off. "This is a highly complicated matter. Injury must be proven and there must also be proof that the US went beyond its commitment in terms of the agreement reached in the Uruguay Round." Observers agree that the case is not necessarily clear cut for Canada. However, Canada believes it has a case. It says that the US maintained export credit guarantees that essentially serve to subsidise the exportation of some agricultural products, and that these are inconsistent with the US's WTO obligations.

Furthermore, Canada maintains that total US trade-distorting domestic support, specifically the Total Aggregate Measurement of Support, exceeds its WTO commitment levels for certain years. As a result, it says, the US is not in compliance with certain provisions of the WTO Agreement on Agriculture. The US's total AMS consists of subsidies for a number of agricultural products, which apart from maize include wheat, Soya beans and sugar. Most of the US support programmes affecting the production and exportation of agricultural products emanate from the US's Farm Bill. Canada's case is timeous, as the US is set to draft a new Farm Bill this year, which will be the foundation of US domestic support programmes for the next five years. Observers say pressure at a multilateral level may push the US to formulate a more benign Farm Bill.

The Canadian government is also pushing for this. Announcing its intended action against the US, Canadian International Trade Minister David Emerson said there was now a "unique opportunity" for the US to ensure a more level playing field for international trade in agriculture. Canada's timing is strategic for a related reason, says Zunckel. With the main players in the multilateral trade talks moving to get the negotiations back on track, pressure is mounting on the US to review its stance on agricultural subsidies.

These have been at the heart of a stalemate which last year led to a total breakdown in trade talks. It's believed that the pressure on the US may incline Washington to make substantial concessions.

Source: Business Day Johannesburg, 5 February 2007.

WTO Chief Hopeful On Global Trade Deal Despite US Farm Plan

The WTO chief said Wednesday he is optimistic about the prospects of a new global trade deal as Washington sought to allay fears that the proposed new U.S. farm bill outlined its limits on cutting agricultural subsidies.

Two weeks after world powers pledged to re-energize the long-struggling negotiations, Pascal Lamy told the World Trade Organization's 150 members that there are now "clear signals" of commitment to a new treaty that would remove barriers to trade in manufactured and agricultural goods. "I am pleased to report some positive news: we have resumed our negotiations fully across the board," said Lamy, the WTO director-general, who called on members to suspend the so-called Doha round in July after talks between top commercial nations collapsed acrimoniously. "Political conditions are now more favourable for the conclusion of the round than they have been for a long time," he said.

The talks have stumbled since their inception five years ago in Qatar's capital. Rich and poor countries have clashed over clearing barriers to trade in goods and agriculture, and nearly incessant sniping between the European Union and U.S. has repeatedly stalled progress. Lamy told the WTO general council meeting that it was important to reach an outcome that is acceptable to all members.

But much at the moment hinges on two major decisions pending in just one country - the U.S., where Congress will debate whether to extend President George W. Bush's authority to agree on trade deals, and whether to adopt a new farm bill that has received a lukewarm response from major trading partners such as Brazil and Europe. U.S. Ambassador Peter Allgeier told delegations that Washington was still ready to offer deeper cuts in farm support programs than those outlined in the bill proposed by the Bush administration last week.

He said further U.S. concessions were dependent on improved offers from other countries on their agricultural subsidy and tariff levels, according to officials present at the closed-door meeting. Poorer nations contend the government handouts by the U.S. and other rich countries prevent them from selling their farm goods abroad and developing their economies. Negotiators for the 27-nation E.U. and other potentially lucrative farm markets say they cannot significantly ease access for U.S. beef, poultry and other exports until the subsidies are reduced.

The Bush administration has proposed cutting farm support programs by \$18 billion over the next five years. The bill is expected to face a stiff challenge from Democrats

controlling Congress, who have criticized previous free trade deals for including too little protection for workers.

While the richest U.S. farmers would lose out, the new farm bill is not a radical departure from current programs. A number of WTO negotiators already have expressed their disappointment. "There are some positive elements in the proposal," said Ambassador Clodoaldo Hugueneu of Brazil, which stands to profit from greater agricultural liberalization. "But it falls short of the need for substantial real cuts. There are not the many changes we had hoped for."

Brazil, which has successfully challenged Washington at the WTO over U.S. cotton programs, recognizes that the farm bill "is an internal U.S. debate that will take months," Hugueneu told The Associated Press. "The hope is that we'll get a result here in the Doha negotiations and that the result will be incorporated into the law in the U.S." The farm bill also was criticized last week by the E.U. for - among other things - failing to amend trade-distorting dairy and sugar programs. While the U.S. has indicated further flexibility, some analysts and officials have expressed scepticism whether the U.S. Congress could shift debate on the farm bill as WTO powers make inch-by-inch progress.

WTO negotiators are trying to forge the blueprint of an accord before July, when the U.S. president's authority to make trade deals that can be sent to Congress for a simple yes-or-no vote expires.

Bush announced last week he would ask Congress to renew the so-called "fast track" option, which makes it much easier for a trade treaty to gain congressional approval. The renewal of the authority also faces an uphill battle in Congress.

Source: Dow Jones Newswires, 8 February 2007

Why the Islands need to push for Doha.

2006 was a long year for the Doha Development Round (DDR); but it failed to excite. It was the year the cracks burst open, deep differences surfaced, and Geneva trade negotiators finally accepted that time has again run out to conclude the DDR.

After six years of negotiations they are weary and eager to see some light at the end of what has been a long, dark and bumpy tunnel.

Trade negotiators therefore hope the year 2007 will provide that defining moment. A hope against hope since the dominant issue on the negotiating table is deep cuts on import duties and farm subsidies, an agenda of significantly greater interest and benefit to developed countries.

One should rightly wonder whether there is enough on the table to persuade members that it is worth concluding an agreement. For Pacific Islands Countries (PICs) one of the issues which they have a defensive interest in the DDR negotiations is fisheries subsidies. Since the WTO Doha Ministerial Conference held in November 2001, the so-called “Friends of Fish” have focused on banning fisheries subsidies such as fishing access fees and financial support to the fisheries sector.

These subsidies, they argued, are partly responsible for the alarming depletion of many fish stocks and should therefore be banned.

But banning access fees and government financial support to the fisheries sector would be a disaster for PICs, particularly those where fish is about the only tradable resource they have and have in abundance.

The revenue which access fee payments generate for these countries and the need to develop their own domestic fishing industries so that they can fish their own seas are huge. For some it would therefore be better that the DDR stay buried.

BETTER OPTION: But the catch here is the likelihood of members resorting to the WTO dispute settlement mechanism for redress. And this can be a very costly exercise and the outcome unpredictable. A better option is to negotiate the rules.

Besides, the negotiations are not just about fisheries subsidies. There are a host of other issues that are also of interest to Pacific Islands Countries (PICs). One of these is the “development package” that was put together for least-developed countries at the WTO’s Ministerial Conference in Hong Kong in December 2005.

That package includes more technical assistance, capacity building and a commitment by rich countries to provide duty-free, quota-free access for goods from the world’s poorest countries. And this includes the 5 LDCs (Least Developed Countries) from the Pacific. Bury the DDR and you bury this commitment. And of particular interest to Fiji and Papua New Guinea is a request both made, along with other small vulnerable economies, for the WTO to extend their export subsidy programmes to 2018. These programmes, which under the current rules should be phased out completely by the end of 2009, would enable their manufacturing industries to diversify, produce more

goods for export, create more jobs and assist them in integrating into the multilateral trading system.

Phase these programmes out and industries at the infant stage will simply close for lack of competitiveness. There is of course the work programme on Small Economies that was launched in 2001 and which requires WTO members to look at the trade-related problems of small, vulnerable economies and how best to address them.

In trying to ensure the interests of all PICs are taken on board, the proponents of the work programme which includes Fiji, Papua New Guinea and Solomon Islands (as WTO members) have tabled proposals on agriculture, industrial products, fisheries subsidies, services, trade facilitation, and rules. These proposals seek equal and equitable treatment for small and vulnerable countries.

Being small and vulnerable, their plea here is for WTO rules to basically treat equal members equally and unequal members unequally. It's called Special and Differential Treatment (SDT) in WTO jargon, but this is a terrible misnomer. And closer to home is the ongoing Economic Partnership Agreement (EPA) negotiations with the EU. The WTO and EPA negotiations are closely related. Both are about trade distortions and the crafting of rules to address them. And both claim to advance development.

Besides, the WTO defines the rules of the game for EPAs and it therefore influences their principles and dynamics. With the rules of the game still being negotiated in Geneva, it is uncertain if an EPA will be WTO-compatible if it is signed off ahead of the DDR. When WTO boss Pascal Lamy suspended the DDA negotiations on 24 July 2006, he had hoped it would create a crisis situation that would put pressure on the major trading powers to quickly soften their stances on import duties and farm subsidies. But after three and a half months, there was no evidence that this has happened. No government was embarrassed, let alone intimidated, by the suspension.

On the contrary, the suspension took the pressure off governments to pursue bilateral and regional trading arrangements. Fearing the prospect of the DDR being buried and following pleas by developing countries, Lamy decided to start informal technical discussions on all issues of the Round in mid-November.

But "full-fledged" negotiations would however remain on hold until members come up with new numbers on import duty cuts and domestic support in agriculture. The 'window of opportunity' for the full resumption of the DDR negotiations is still limited although a meeting of trade ministers from 30 countries at the World Economic Forum held in the Swiss skiing resort of Davos in late January has given a new breath of life to the DDR many said were effectively dead. For developing countries, there is a lot at stake in the DDR and much remains to be achieved.

It is their round and this presents a golden opportunity to redress the shortfalls and shortcomings of the Uruguay Round, which most of them were not party to. But for this to happen, the issue of development must be at the DDR's centre of gravity. The rich countries will just have to deliver on development issues. And developing countries have to be convinced that the major trade powers are offering more than before. Here the proof of the pudding will be in the eating; when the negotiations resume and conclude, that is. Hopefully this will be sooner rather than later. **Source: Robert Sisilo is the Permanent Representative of the Pacific Islands Forum to the WTO, based in Geneva, Switzerland. The views expressed here are his own.**