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### LEAD STORIES

#### EU MINISTERS REACH DEAL ON CAP REFORM, TRADING PARTNERS RESPOND CAUTIOUSLY

After a 16-hour negotiating marathon concluding more than a year of heated internal debate, EU farm ministers finally agreed on a compromise deal outlining the future of the European Common Agricultural Policy (CAP) on 26 June in Luxembourg. While trading partners, such as the US, New Zealand and Brazil have cautiously welcomed the EU's decision, many civil society groups rejected the reform plan as being half-hearted and not going far enough to curb over-production in Europe or to halt dumping of agricultural products on developing countries.

#### Original Fischler decoupling proposal watered down

The European Commission in its original proposal had suggested fully de-coupling agricultural subsidies as of 2004. However, the compromise reached allows EU member states to maintain a limited link between subsidies and production under defined conditions so as to avoid the abandonment of production. Supporters of de-coupling have blamed the linking of subsidies and output for Europe's notorious 'wine lakes and butter mountains', while opponents believe that de-coupling would expose European farmers to market forces and put many of them out of business (see BRIDGES Trade BioRes, 7 February 2003, <http://www.ictsd.org/biores/03-02-07/story1.htm>).

Most of the old premiums paid under the CAP will be merged into a 'single farm payment' that will be independent from production and that will be linked to compliance with environmental, food safety and animal welfare standards (cross-compliance). The single farm payment will enter into force in 2005, although member states can apply for a transitional period until 2007 at the latest. Funds saved through cutting support to big producers will be shifted to the rural development pillar of the CAP (modulation). However, overall EU support paid to the farming sector is not likely to decrease significantly. Rather, the changes will allow most

subsidies to be shifted to the 'green box' under the WTO Agreement of Agriculture. Green box subsidies are exempt from reductions as they are considered to be non trade-distorting or minimally trade-distorting.

EU Agriculture Commissioner Franz Fischler described the ministers' decision as "the beginning of a new era". He said, "we are saying goodbye to the old subsidy system which significantly distorts international trade and harms developing countries," and added that the EU would now be in a much stronger position in the current Doha Round negotiations. However, he also stressed that the EU could only use its increased negotiating capital if the Union received something in exchange. "Unilateral disarmament is not on," he warned. "The ball is now in the camp of other countries, such as the US, whose agricultural policies continue to be highly trade-distorting and have even become increasingly so," he stated, referring to the 2002 US farm bill, which is estimated to increase subsidies to the agricultural sector by 80 percent to the tune of at least USD 82 billion over the next decade.

#### **Lukewarm support by trading partners...**

While most trading partners cautiously welcomed the reform package, they were reluctant to speculate what impacts the EU decision would have on the ongoing negotiations. Carlos Perez del Castillo, Chair of the WTO General Council, described the reformed CAP as "a step in the right direction," noting that deeper analysis was needed to determine the effects it would have on the WTO agriculture talks. Australian Trade Minister Mark Vaile welcomed the move as a small but positive step. Fellow Cairns Group member Brazil called the EU farm minister's decision "a sign of flexibility," whereas Canada's Trade Minister found the deal "encouraging" and expressed his hope that it could lead to progress in the Doha Round negotiations. WTO Director-General Supachai Panitchpakdi welcomed the agreement, saying it could help break the current deadlock in the agriculture negotiations.

The US called on the EU to translate the reform package into new and ambitious negotiating proposals at the WTO. "It is crucial that the EU press forward with significant trade reform promptly," US Trade Representative Robert Zoellick stated. Only then could the US "work with the EU and others to advance the WTO negotiations at the next ministerial meeting in Cancun in September," Zoellick added. According to an EU spokesman, Fischler did not see a need to get a new negotiating mandate for the WTO negotiations, although he said he would explore this issue further with EU member states.

#### **...while several civil society groups condemn CAP reform deal**

In their reactions to the freshly released compromise agreement, numerous European and international environment, development and consumer groups expressed their deep dissatisfaction with the decision made by EU agriculture ministers. The groups said the deal would bring no benefits to developing countries. "These proposals confirm our worst fears," said Phil Bloomer, Head of Advocacy at Oxfam GB. "European agriculture will still be subsidised to the tune of GBP 30 billion [USD 50 billion], creating vast surpluses that will be dumped on poor countries". Barry Coates, Director of the World Development Movement, noted that the reform package "falls short of what is needed to stop the agricultural dumping that destroys the livelihoods of small farmers in the poorest countries". Consumers International accused the EU of contradicting its commitment to development issues, describing the deal as "anti-development, anti-trade and anti-consumer".

Brazilian sugar producers also came out against the deal, noting that the sugar sector was left out of the CAP reform. Eduardo Pereira de Carvalho of the Sao Paulo Cane Agroindustry Union said, "for us [sugar producers] it doesn't signify anything, though it may be the symbolic start of EU farm reform". Brazil has complained to the WTO against the EU's subsidised sugar exports (see BRIDGES Weekly, 2 October 2002, <http://www.ictsd.org/weekly/02-10-02/story1.htm>).

#### **Additional Resources**

For further information on the CAP reform, see the DG Agriculture website at [http://europa.eu.int/comm/agriculture/mtr/index\\_en.htm](http://europa.eu.int/comm/agriculture/mtr/index_en.htm).

ICTSD reporting; "WTO chief says EU farm deal to help trade talks," REUTERS, 26 June 2003; "Lamy: EU to bargain hard for Ag concessions in Doha talks," DOW JONES, 26 June 2003; "US says EU farm reform needs second act," REUTERS, 26 June 2003; "Australia, NZ: Eu farm policy may revive world trade talks," AP, 27 June 2003; "Brazil says EU farm reform may aid WTO talks," REUTERS, 26 June 2003; Canada says EU reform deal could spur WTO progress," REUTERS, 26 June 2003; "EU fundamentally reforms its farm policy to accomplish sustainable farming in Europe, EU PRESS RELEASE, 26 June 2003; "INTERVIEW-Brazilian producers impatient for EU sugar reform," REUTERS, 27 June 2003.

## **AGRICULTURE: WTO MEETING TAKES STOCK OF PROGRESS, DISCUSSES WAY FORWARD**

The WTO Committee on Agriculture (CoA) special negotiating session met for a formal meeting on 1 July, following a number of informal meetings after Members failed to meet an end-March deadline for agreeing on negotiating modalities (see BRIDGES Weekly, 2 April 2003, <http://www.ictsd.org/weekly/03-04-02/story1.htm>). The session met to take stock of developments and agree on a progress report to the next Trade Negotiations Committee (TNC) meeting on 14-15 July. During the most recent informal meetings, held between 26 and 28 July, delegates discussed, inter alia, special safeguards and special products for developing countries, and the draft report to the TNC.

### **EU CAP reform raises prospects for future agreement?**

During the CoA special session, Members failed to budge from old positions on a number of issues. The recent EU agreement on reforming its Common Agricultural Policy (CAP -- see related story, this issue), did however provide some hope for movement, though no substantive issues were directly addressed. Stuart Harbinson, Chair of the CoA, noted that, "recent reforms agreed among EC member states are a timely and welcome development. While essentially taken in response to internal requirements, they should also give some impetus to our negotiations". The US and the Cairns group of agriculture exporters gave a cautiously positive response to the CAP reform, noting however that it didn't go far enough, and focussed on internal support only, failing to address market access and export subsidy issues (see related story, this issue). The EU itself called on its trading partners to reciprocate. Japan, which also subsidises its agriculture sector heavily, welcomed the EU proposal, and called for flexibility in WTO negotiations, saying these should not be undermined by unrealistic demands.

Also at the meeting, Members discussed whether the most recent draft on agriculture modalities -- setting the framework for negotiations -- should serve as the basis for negotiations. This issue had surfaced at a mini-ministerial meeting in Egypt in late June, where Singapore requested a new draft be drawn up (see BRIDGES Weekly, 25 June 2003, <http://www.ictsd.org/weekly/03-06-25/story1.htm>). At the CoA meeting, the EU, Switzerland, Norway, Japan and Barbados insisted that a new draft was needed, and wanted this to be reflected in the group's report to the TNC. Egypt asked what alternative there was to the latest Harbinson from March, and wondered how far

negotiations would have to backtrack in order to start producing a new text. Zimbabwe and Uganda agreed, stating their confusion at the idea of scrapping the current draft. Chair Harbinson indicated that before Members moved forward in negotiations among themselves, there could be no new document.

### **Developing country issues under debate**

On issues of interest to developing countries, Members discussed the proposed special safeguard mechanism (SSM) included in the Harbinson draft, which would allow developing countries to block imports in response to surges with regard to certain products. They also considered a proposed category of special products (SP) with much lower tariff cuts. Despite informal meetings on these issues, delegates continued to differ on the mechanisms. Some developing countries, including Indonesia, India and China, preferred a system under which there would be no external criteria, and Members would themselves decide what products would fall within the SP category. They argued this was necessary in order for countries to protect their vulnerable farmers, in particular with regard to imports of cheap products that had received export subsidies in their countries of origin. Latin American countries and the Cairns group objected, as they felt that the focus should be on dismantling subsidies rather than setting up a new protectionist regime. They felt such protectionist tools could end up hurting prospects for South-South agricultural trade. Colombia suggested a system under which countries that made steeper cuts would benefit more from the SSM and SP.

Chair Harbinson will report on progress to the TNC from 14-15 July. The next meeting of the special session of the CoA will be held from 16-18 July.

ICTSD reporting.

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**OTHER NEWS**

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**GMO UPDATE: EU TRACEABILITY AND LABELLING ONE STEP CLOSER; CODEX ADOPTS STANDARDS; US CONTINUES AGGRESSIVE BIOTECH STANCE**

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**European Parliament adopts biotech regulations on traceability and labelling**

The European Parliament on 2 July adopted in its second reading two Commission proposals on the labelling and traceability of genetically modified (GM) food and feed (see BRIDGES Trade BioRes, 11 December 2002, <http://www.ictsd.org/biores/02-12-11/inbrief.htm>). Specifically, they approved the thresholds adopted by the Environment and Agriculture Ministers in late-2002, i.e. a threshold of 0.9 percent, below which GM products would be exempt from labelling, and 0.5 percent for the adventitious presence of GM organisms (GMOs) that are unauthorised but have nevertheless been assessed as risk-free. They also amended the draft regulations to allow EU member states to impose "appropriate measures" to avoid the unintended presence of GMOs in other products.

While the amendment to allow co-existence measures to be implemented was hailed as an important step forward by civil society groups that have long been campaigning for strong measures to prevent contamination (see BRIDGES Trade BioRes, 10 March 2003, <http://www.ictsd.org/biores/03-03-10/story1.htm>), they called for such measures to be made mandatory rather than optional. Friends of the Earth also criticised the 0.9 percent threshold as too high and called for strict liability regulations.

US farm groups strongly criticised the Parliament's decision, which they fear will create an even greater barrier to trade than the current de facto moratorium on the approvals of GMOs, currently being challenged by the US and others at the WTO (see BRIDGES Weekly, 14 May 2003, <http://www.ictsd.org/weekly/03-05-14/story1.htm>). "With this new labelling and traceability requirement, the EU has only made a bad situation worse," said the American Farm Bureau, which urged the US administration to continue to "aggressively prosecute" the WTO case.

The Parliament's vote will now have to be approved by the European Council of Ministers, expected for later this month. The regulation would then enter into force in September with a six-months compliance period. While the European Commission has repeatedly noted that the de facto moratorium would be lifted once the

regulations entered into force, it remains unclear whether the US and others would drop their WTO challenge even if approvals resumed.

**Codex Commission adopts biotech risk analysis standards**

The Codex Alimentarius Commission -- the body charged with setting international standards related to food safety -- which is currently meeting in Rome, Italy, from 30 June to 7 July, has approved three risk analysis standards for biotech food. The standards had been forwarded by the Codex Ad Hoc Intergovernmental Task Force on Food Derived from Biotechnology in March 2003 (see BRIDGES Trade BioRes, 21 March 2003, <http://www.ictsd.org/biores/03-03-21/story2.htm>).

The standards include references to the "tracing of products" and food labelling as risk management tools. Many observers believe that the agreement reached at the Codex meeting might mark a breakthrough in international negotiations on the use of traceability systems and at least partially vindicate the EU's insistence on introducing a labelling and traceability system for genetically modified foods, which has repeatedly come under criticism in the WTO from the US, Canada, Argentina and others (see BRIDGES Trade BioRes, 27 June 2002, <http://www.ictsd.org/biores/02-06-27/story3.htm>). This perception of the Codex standard assumes that 'tracing of products' and 'traceability' are the same. However, the US -- supported by the food industry -- has insisted that the two terms are not equivalent, arguing that 'product tracing' is limited to 'one step forward and one step back'. To date, there is no agreed Codex definition for traceability and/or product tracing. Consumer groups welcomed the adoption of the Codex guidelines. "These standards are a tremendous victory for consumers, for science, for good regulation and for common sense," said Julian Edwards, Director-General of Consumers International, which represents more than 250 organisations in 110 countries.

**US continues its biotech push**

The US Department of Agriculture organised a ministerial conference on agricultural science and technology in Sacramento, California, from 23- 25 June. Ministers from 75 countries -- mainly developing -- attended. At a parallel industry event in Washington DC, US President Bush spoke on the issue of biotechnology, stating that "acting on unfounded, unscientific fears, many European governments have blocked the import of all new biotech crops". Referring to the famine in Africa, he went on to urge Europe to accept genetically modified (GM) food, and said "we



should encourage the spread of safe, effective biotechnology to win the fight against global hunger".

Critics, however, gathered to protest around these events, noting links between the Bush administration and big agribusiness that stands to gain from promotion of their GM crops, and stressing that there is sufficient food to feed the world -- fair distribution is the problem. Walter Kessler of the Family Farm Defenders said that US family farmers have suffered losses from GM products, "but the truth... is being buried in the slick multi-million dollar public relations campaign being waged by the biotechnology industry and promoted by the USDA, primary sponsors of this conference".

Biotech also gained a significant amount of intense debate -- without resolution -- at a 25 June EU-US summit in Washington, DC. US representatives reiterated their frustration with the EU's failure to lift its de facto moratorium on imports of GMOs. US President Bush suggested that Europe's policy on GMOs was worsening the starvation problem in Africa and hampering potential African exports of GMOs to the EU, an argument rejected by EU Trade Commissioner Pascal Lamy. The US administration on 13 May launched legal proceedings against the EU at the WTO over the issue. "The EU's moratorium is illegal, denies access to Europe's markets for healthy, nutritious biotech products from America and around the world, and denies choices to European consumers," said US Trade Representative Robert Zoellick. European officials mentioned differences in mentality, perception and attitudes among European and American consumers vis-à-vis bioengineered food products.

"Wallström and Byrne welcome EP acceptance of a trustworthy and safe approach to GMOs and Gm food and feed," EU PRESS RELEASE, 2 July 2003; "US unimpressed and unconvinced by new GMO legislation in the EU," EurActiv, 3 July 2003; "MEPs back tougher GM labels," FOEE, 2 July 2003; "UN Food Standards Body Approves GMO Regulations," AP, 1 July 2003; "Global Ag Ministers Assemble for Biotech Promotion," ENS, 23 June; "Global Biotech Food Fight Moves to California," REUTERS, 23 June; "US in new global GM push," BBC NEWS, 23 June; "Africa Becomes Battleground in Global Biotech War", Reuters, 25 June 2003; "E.U. says Bush's accusations on biotech policy are untrue," ENN, 25 June 2003; "U.S., EU pledge to make WTO talks 'success'", REUTERS, 25 June 2003; "US-EU rift over biotech foods widens", AFP, 25 June 2003; "U.S., EU Agree on Need to Spur Trade Talks, But Disputes Persist Over GMOs, Other Issues", INTERNATIONAL TRADE DAILY, 26 June 2003; "EU, Parliament Reach Compromise On GMO Tracing, Labeling Regulations", INTERNATIONAL TRADE DAILY, 27 June 2003.

## **US RUMoured TO CONSIDER CHANGE IN TACTIC ON TRIPS & HEALTH**

According to trade sources, the US is considering changing its approach to the discussions on paragraph 6 of the Declaration on the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPs) and public health, shifting its focus from disease coverage to eligibility. This change reflects the position of US pharmaceutical industries, which have reportedly called on the US government to limit the use of the paragraph 6 solution to the world's poorest countries and to implement strong measures that prevent diversion of cheap drugs to developed country markets.

According to paragraph 6 of the Doha Declaration on the TRIPs Agreement and Public Health, the TRIPs Council must find an expeditious solution by the end of 2002 to the problems countries may face in making use of compulsory licensing (i.e. the practice by a government to authorise itself or third parties to use the subject matter of a patent without the authorisation of the right holder for reasons of public policy) if they have insufficient or no pharmaceutical manufacturing capacity. The perceived need to address this issue arose from concerns related to Art. 31(f) of the TRIPs Agreement, which requires that production under compulsory licensing must be primarily for the supply of the domestic market.

In a letter to the US government, 22 US and European pharmaceutical companies and three trade associations noted that the number of countries eligible to take advantage of the paragraph 6 solution should be limited, based on criteria such as a country's gross national product or whether a certain percentage of the country's population is affected by a disease. Eligible countries would include least-developed countries and some low-income developing countries, but would likely exclude mid-level income countries such as Malaysia and the Philippines, both of which constitute potential markets for the pharmaceutical companies.

The letter also stressed the need for strong safeguards that would prevent the diversion of cheap medicines to developed country markets. Such safeguards could include mandatory special packaging for products traded under the mechanism. A 16 December 2002 draft text -- which all countries, with the exception of the US, were able to agree on -- put forward by former TRIPs Council Chair Ambassador Perez Motta currently only calls for the use of special packaging and/or special colouring or shaping of products "provided that such distinction is feasible or does not have a significant impact on price".

The suggestion to limit the number of eligible countries, or differentiate between developing countries, is not new and has in the past been strongly opposed by economies in transition and high-income developing countries. These have objected to the inclusion of any categories of countries that are not officially recognised by the WTO (see BRIDGES Weekly, 20 December 2002, <http://www.ictsd.org/weekly/02-12-20/story1.htm>). However, the US' rejection of Motta's draft text has so far focused exclusively on disease coverage, which the US was seeking to limit to HIV/AIDS, malaria, tuberculosis and similar infectious diseases. Developing countries say the TRIPs and Public Health Declaration refers to "public health problems," and therefore should not be limited in the scope of its disease application. It remained unclear whether the US would drop its demand for limiting the disease coverage of the solution or whether they would propose changes to the 16 December draft decision. Developing countries have repeatedly stressed that they would only be willing to accept the draft in its current form and that once the text was re-opened on disease coverage or eligibility, they would also demand changes to other parts of the draft.

The 16 December draft solution is available at [http://www.ictsd.org/ministerial/cancun/docs/TRIPs\\_par\\_a6\\_16-12-02.pdf](http://www.ictsd.org/ministerial/cancun/docs/TRIPs_par_a6_16-12-02.pdf).

ICTSD reporting.

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### **DSU UPDATE: ANTIDUMPING, US-ANTIGUA/BARBUDA GAMBLING, INDIA-US TEXTILES**

#### **US granted 11 months to implement 'Byrd Amendment' decision**

On 27 June, a WTO arbitrator gave the US time until 27 December this year to implement an earlier WTO ruling against its Continued Dumping and Subsidy Offset Act, upheld by the Appellate Body (WT/DS217/14, available at <http://docsonline.wto.org>). The ruling called for the repeal of the law, which provides US companies with anti-dumping fines collected from foreign exporters judged to be selling products at artificially low prices (see BRIDGES Weekly, 22 January 2003, <http://www.ictsd.org/weekly/03-01-23/story2.htm>). The US Continued Dumping and Subsidy Offset Act of 2000, also known as the 'Byrd Amendment,' has resulted in hundreds of millions of dollars being handed over to US companies -- notably steel, candles and pasta firms. The formal complainants to the case included the EU, Australia, Brazil, Chile, India, Indonesia, Japan, South Korea, Thailand, Canada and Mexico. According to them, the 'Byrd Amendment'

punished exporters twice, first by fining them and secondly by giving these fines to US competitors. The US law, they contend, allows the money to be used for a wide range of purposes, including purchase of equipment, research, training, health care and pension benefits. According to the complainants, the act was inconsistent with the obligations of the US under several provisions of the GATT, the Anti-Dumping Agreement, and the Subsidies and Countervailing Measures Agreement (see BRIDGES Weekly, 17 July 2001, <http://www.ictsd.org/html/weekly/17-07-01/wtoinbrief.htm>).

The arbitration was triggered over a failure to agree on a "reasonable" period to repeal the law, the US claiming 15 months for implementation after the WTO's adoption of the decision in January 2003 as opposed to the six months put forward by the complainants.

#### **Small-Island state requests panel against the US**

On 24 June 2003, Antigua and Barbuda made a first request for the establishment of a panel on US measures affecting the cross-border supply of gambling and betting services. The move came a fortnight after the US House of Representatives voted to ban credit-card payments to internet casinos, most of which are based overseas. The dispute marks the first time a measure concerning electronic commerce is brought to the WTO, and the second relating to the General Agreement on Trade in Services (GATS).

In the request for the establishment of a panel (WT/DS285/2), Antigua and Barbuda said that while US laws permitted operators of US origin to offer all types of gambling and betting services in the US (sometimes via exclusive rights or monopolistic structures), foreign operators were prohibited from supplying gambling and betting services from outside the US. This, claimed Antigua and Barbuda, constituted a violation of GATS obligations under provisions within Articles VI (Domestic Regulation), VIII (Monopolies and Exclusive Service Suppliers), XI (Payments and Transfers) XVI (Market Access) and XVII (National Treatment) and the US Schedule of Specific commitments. The US measures were hurting the island state's internet gaming industry, a source of employment and government revenues.

According to Ronald Sanders, Antigua's chief foreign affairs representative, Antigua had been trying to reduce its dependence on tourism, its main export earner, which was vulnerable to hurricanes. He added that Antigua deliberately aimed to attract electronic commerce, including internet gaming, in order to provide jobs for young people who might otherwise turn towards the flourishing drugs trade. The WTO

Agreement does contain provisions designed to encourage developing countries to diversify away from "illicit narcotic crops" but only within the Agreement on Agriculture.

According to Washington, US law prohibits cross-border gambling because of the "social, psychological dangers and law enforcement problems that they create," and the "financial and social risks posed by such activities to its citizens, particularly but not exclusively children". The US denied that its prohibitions violate WTO rules on services, stressing that it had made no legal commitments on gaming under the GATS. While the US blocked Antigua's first request for a WTO panel to rule on the dispute, WTO dispute settlement rules do not permit it to block a second request -- expected next month.

### **Panel turns down India's Appeal Against US Textiles Rules of Origin**

In a first-of-its-kind victory for the US in a WTO textiles case, a WTO dispute settlement panel turned down a complaint by India against US Rules of Origin for import of cotton bed-sheets. India had claimed that the US unfairly differentiated between products, distorted trade and discriminated between countries. The US Rules of Origin -- which determine how imported textiles and apparel are accounted for in filling quotas for individual countries -- were upheld by a WTO panel. Issued on 20 June, the panel report found that India had failed to establish inconsistency of the US measures with the WTO Agreement on Rules of Origin (ROA).

India had contended that US Rules of Origin had the effect of restricting previously quota-free trade under the WTO Agreement on Textiles and Clothing (ATC). Under the "fabric forward rule" in the US, the country of origin, in the case of non-apparel textiles such as bed sheets, was assigned to the country where the greige fabric was woven. The majority of Indian exports are in greige fabric, which then undergoes processing in other countries before being exported to the US. An exception to the Rules of Origin was introduced in 2000 in the US for products such as silk, cotton, and man-made fibres in order to address EU concerns. Here, origin was assigned to the country where these fabrics were dyed, printed and subject to two or more finishing operations. These products were a major export item of the EU to the US.

India claimed, inter alia, that the US rules had shifted from those of its major trading partners, such as the EU and Canada, and did not advance the goals of harmonising international rules of origin as set out in the WTO ROA. The WTO ROA provides for assigning origin to the country where the "last substantial

transformation" was carried out. US Rules of Origin were different from this provision. Further, by providing different treatment to products based on their fibre composition, the rules favoured products of export interest to the EU over products of export interest to developing countries.

The US argued that the WTO ROA does not prescribe the specific rules of origin Members must use, but provides guiding principles, including clarity, predictability, transparency, conciseness, completeness and neutrality of rules. According to the US, it met all these criteria. The US stated that the rules were based on the simple principle that the process resulting in the creation of a new textile product and therefore a change in the country of origin was "Assembly". The WTO ROA also did not prescribe that Members had to use the same rules to determine origin of different products. The US further contended that changes to Rules of Origin were not precluded by the ROA. The US rules that had been changed in order to settle an EU-US dispute applied to all WTO Members on a most favoured nation (MFN) basis and thus were non-discriminatory. The panel concluded that India had failed to establish that the US Rules of Origin as well as US Customs Regulations were inconsistent with specific provisions of Article 2 of the WTO ROA. One of the points raised by the Panel in response to the trade distorting effects created by the US measures, was India's failure to establish a competitive relationship between individual goods of export interest to developing countries on the one hand and developing countries on the other (WT/DS243/R).

ICTSD reporting; "WTO Gives US Till Dec 27 To Repeal Unfair Price Fixing Law," AP, 13 June 2003; "Arbitrator gives US until 27 December to implement ruling in 'Byrd Amendment' dispute," WTO PRESS RELEASE, 13 June 2003; "WTO Upholds US Textile Origin Rules In Dispute With India," DOW JONES, 20 June 2003; "Antigua and Barbuda requests panel against US on gambling and betting," WTO PRESS RELEASE, 26 June 2003; "The Americas & International Economy: Minnow bets on beating US at internet gambling," FINANCIAL TIMES, 25 June, 2003; "Online Gambling sparks trade war," BBC NEWS, 25 June 2003.

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**IN BRIEF**


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**STRATEGY DEVISED TO INCREASE  
CAPITAL FLOWS TO AFRICA**


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The Commission on Capital Flows to Africa -- an initiative set up by the US Corporate Council of Africa and the Washington D.C.-based Institute for International Economics -- released a report in late June entitled "A 10-Year Strategy for Increasing Capital Flow to Africa". The report makes recommendations for policy changes in the US and other industrialised countries to increase capital flows to Africa, and also invites African countries to establish the certain 'preconditions' for investment. According to the report, a better and safer investment climate is key to attracting public, and then private investment. The authors stress that increased capital flows could contribute significantly to Africa's development by fighting poverty and encouraging growth across the continent. Among the recommendations are: a 10-year extension of the US African Growth and Opportunity Act beyond its current expiration date in 2008; the completion in 10 years of a free trade agreement between the US and Africa; the publication of "best practices" for African governments seeking to increase foreign direct investment; and other guidelines related to official development assistance, privatisation, export credit financing and debt relief.

Chaired by James Harmon, former chair of the US Export-Import Bank, the Commission on Capital Flows to Africa was launched in September 2002. It is composed of 28 members from Africa, North and Central America, Asia, and Europe, with leadership experience in business, banking, policy research, government, academia, non-governmental organisations, and international institutions.

The report can be accessed at:  
<http://www.iie.com/publications/papers/africa-report.pdf>.

"Commission On Capital Flows Report Released Today", MEDIA ADVISORY, 23 June 2003; "Strategy Issued For Increasing Investment In Africa", UNECA RELEASE, 23 June 2003.

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**NEW ENVIRONMENT CHARTER IN  
FRENCH CONSTITUTION**


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On 25 June the French Council of Ministers adopted a proposed charter that would change the preamble of the French Constitution to mention preservation and protection of the environment. This move was promoted

by President Jacques Chirac, who is seeking to make France a "pioneer among major countries" with regard to environmental protection. The French constitution has not been changed since 1958, and adding reference to the charter would put environment on par with human rights, enshrined in the French constitution in 1789. The ten articles of the charter refer to, inter alia, citizens' right to live in a balanced environment that is favourable to their health, and their duty to preserve and improve the environment. The polluter pays principle is included in the charter, as is the controversial precautionary principle, obliging officials to take temporary measures to stop practices that may or may not be risky to the environment. On this point, some industry groups expressed concern that innovative companies may choose to avoid France. The charter still has to be examined by the parliament in September, and once approved, ratified either by the congress or by referendum.

"Chirac en Vert," LE MONDE, 25 June 2003; "Chirac sanctuarise l'environnement," LE FIGARO, 26 June 2003; "Chirac enclenche la 'révolution verte'," LE FIGARO, 25 June 2003; "French Cabinet approves plan for a new environmental charter," ENN, 26 June 2003.

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**US PROMOTES FREE TRADE DEAL WITH  
MIDDLE EAST**


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In conjunction with a "Global Reconciliation Summit," organised by the World Economic Forum in Jordan from 21-23 June, the US set out a plan for creating a US-Middle East Free Trade Area (MEFTA) by 2013. In unveiling a "roadmap" to achieve this end, US Secretary of State Colin Powell stressed that "we want peace in the region, with peace you need economic development or people will not benefit from peace," linking the MEFTA to the larger peace process in the troubled region and following up on earlier US proposals (see BRIDGES Weekly, 21 May 2003, <http://www.ictsd.org/weekly/03-05-21/inbrief.htm#2>). US Trade Representative Robert Zoellick outlined how the free trade area would be created through a gradual process, with individual states first agreeing bilateral free trade agreements (FTAs) with the US. While Egypt and Bahrain had been slated as the most likely candidates for the first bilateral FTAs with the US -- which already has FTAs in place with Jordan and Israel -- the US has recently indicated a lack of interest in negotiating an FTA with Egypt, after Egypt decided not to join the US in a WTO challenge against the EU over genetically modified organisms (see BRIDGES Weekly, 25 June 2003, <http://www.ictsd.org/weekly/03-06-25/story3.htm>).



"US unveils "roadmap" to free trade with Middle East", AFP, 23 June 2003; "Trade takes centre stage at forum," BBC, 23 June 2003.

### **HONG KONG, MAINLAND CHINA SIGN FREE TRADE PACT**

On 30 June, Hong Kong and mainland China signed a bilateral free trade agreement (FTA) aimed at boosting the Asian financial centre's ailing economy. Taking effect on 1 January 2004, the deal will cover three areas, namely trade in services, trade in goods, and trade facilitation. Tariffs on many goods will be eliminated and restrictions on trade in a number of services areas will be removed. According to Hong Kong's leader Tung Chee-hwa, the so-called Closer Economic Partnership Arrangement (CEPA) will help boost the confidence of people in Hong Kong, where the economy has been negatively affected by the outbreak of Severe Acute Respiratory Syndrome (SARS) in March earlier this year, and will increase the market for Hong Kong's exports. However, some business leaders remain pessimistic, and believe the pact will have at best only marginal benefits for the economy. This, according to Felix Chan, president of the Hong Kong Chamber of Small and Medium sized businesses, is "because the rest of the world will also stand to enjoy zero tariffs in China eventually due to its entry into the WTO in 2001".

"HK, China Trade Agreement To Help Boost Economic Revival," JANG GROUP, 30 June 2003; "Hong Kong Signs Trade Agreement With China," REUTERS, 30 June 2003; "Free Trade Pact To Renew Confidence In HK," JANG GROUP, 17 June 2003.

### **INDIA AND CHINA AGREE TO WORK IN CONCERT AT WTO**

The commerce ministers from India and China, meeting in Beijing on 25 June, decided to intensify their bilateral trade ties and work in cooperation to forward developing country interests at the WTO. During their talks, the ministers highlighted common positions, and said they would work to safeguard developing country priorities with a view to the fifth WTO Ministerial in Cancun, Mexico in September. They highlighted in particular the issues of public health and access to essential drugs, agriculture, and investment. Indian commerce minister Arun Jaitely said that "I hope that the voice of India and China, which together constitute one-third of the world's population, should have a say in affairs of global trade". The meeting was part of a one-week visit by India's Prime Minister Atal Behari Vajpayee in China, aimed at improving the often

troubled relationship between the two countries characterised by, inter alia, territorial disputes. Business and trade were at the core of the issues the leaders dealt with during the visit.

"India, China to cooperate at WTO", SUN NETWORK, 25 June 2003; "India and China to join forces at WTO, Indian official says," AP, 30 June 2003.

"Whales Win No Sanctuary From Acrimonious Commission" ENS, 19 June 2003. "End in Sight for the IWC" High North News, 19 June 2003.

## **EVENTS & RESOURCES**

### **EVENTS**

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

#### **Coming Up: 3 - 9July**

3 July, Brussels, Belgium: BRIEFING SESSION ON INVESTMENT RULES, SUSTAINABLE DEVELOPMENT AND THE WTO. This IISD/RIIA briefing session, part of the EU Civil Society Dialogue, will focus first on experiences with the bilateral investment treaties, and the NAFTA's investment provisions, asking whether there are lessons for the WTO negotiations, and what the relationship would be between the existing treaties and a WTO agreement. It will then ask: what are the elements of a positive agenda? That is, what sort of investment rules and institutions would foster quality investment? And what would be the challenges faced by the WTO in trying to broker an agreement with such a focus? The briefing session will highlight the outcome of discussions held during a meeting in London in April. For further information and registration, visit: [http://trade-info.cec.eu.int/civil\\_soc/intro1.php](http://trade-info.cec.eu.int/civil_soc/intro1.php).

3-5 July, Istanbul, Turkey: INTERNATIONAL CONFERENCE ON POLICY MODELLING. EcoMod, a research network in the area of advanced modelling for policy-making and analysis, is hosting this conference. The event aims to cover all sectors of applied modelling for economics, finance, and decision making in the government and also in the business world. Special attention will be paid to European enlargement, WTO

trade negotiations, monetary policy, econometrics, and applied general equilibrium modelling. For further information, visit: <http://www.ecomod.net>.

7 July, Geneva, Switzerland: 7TH WTO INTRODUCTION DAY. The WTO Secretariat will present the basic legal principles, the website and documents on line, and the current activities of the WTO. This event is intended for delegates newly arrived in Geneva, non-governmental organisations, as well as the interns currently working in the Secretariat and new staff members. Other interested WTO staff members are also welcome to attend the presentations. To confirm your participation contact Mandy Syrat, email: [mandy.syrat@wto.org](mailto:mandy.syrat@wto.org); tel: +41 22 739 56 31.

7-21 July: ONLINE DISCUSSION FORUM ON THE MULTILATERAL TRADE REGIME SEEN THROUGH A GLOBAL PUBLIC GOODS LENS: NEW INSIGHTS ON OLD PROBLEMS. This discussion will be held on the global public goods network platform at <http://www.gpgNet.net>. To subscribe to the discussion forum, send a blank email to [subscribe-gpgnet-trade@groups.undp.org](mailto:subscribe-gpgnet-trade@groups.undp.org).

8 July, Geneva, Switzerland: BRIEFING ON IPC'S RECOMMENDATIONS FOR THE CANCUN MINISTERIAL MEETING. The briefing will be held by the International Food & Agricultural Trade Policy Council (IPC) at the World Trade Organisation Headquarters. The International Food & Agricultural Trade Policy Council promotes an efficient and open global food and agricultural system. The IPC Statement of recommendations for Cancun represents the IPC's views on how various elements of might be brought together in a common framework for Cancun. The Statement is available at: <http://www.agritrade.org>. For further information contact Kari Richman, tel: +1 202 328 5056; fax: +1 202 328 5133; email: [richman@agritrade.org](mailto:richman@agritrade.org).

8-11 July, Alajuela, Costa Rica: THINK TANK ON SUSTAINABLE TOURISM. The organisation of Business Enterprises for Sustainable Travel (BEST) is hosting a conference to educate the next generation of tourism professionals on issues of sustainability in their work. The event, entitled "The Role of Tourism in Community Development, and Cultural and Environmental Stewardship," is part of BEST's ongoing commitment to sustainable tourism education and training. For further information, please visit: [http://www.sustainabletravel.org/academia/mtg\\_thinktank3\\_about.cfm](http://www.sustainabletravel.org/academia/mtg_thinktank3_about.cfm).

9-11 July, San Francisco, California: WORLDWIDE SYMPOSIUM ON GEOGRAPHICAL INDICATIONS. The World Intellectual Property Organisation (WIPO), in

cooperation with the United States Patent and Trademark Office (USPTO), is organising this symposium in order to facilitate the exchange of information on geographical indications at the national, regional and international levels. For more information, please visit: <http://www.wipo.org/meetings/2003/geo-ind/en/index.html>.

### WTO Events

2-3 July, Geneva, Switzerland: WTO SPECIAL SESSION OF THE COUNCIL FOR TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS.

3 July, Geneva, Switzerland: WTO COUNCIL FOR TRADE IN SERVICES.

4 July, Geneva, Switzerland: WTO SPECIAL SESSION OF THE COUNCIL FOR TRADE IN SERVICES.

7 July, Geneva, Switzerland: WTO COMMITTEE ON TRADE AND ENVIRONMENT.

7 July, Geneva, Switzerland: WTO COMMITTEE ON TRADE IN FINANCIAL SERVICES.

8 July, Geneva, Switzerland: WTO SPECIAL SESSION OF THE COMMITTEE ON TRADE AND ENVIRONMENT.

9-11 July, Geneva, Switzerland: WTO NEGOTIATING GROUP ON MARKET ACCESS.

### Other forthcoming meetings

4-5 September, Hamburg, Germany: CONFERENCE ON POST-2012 CLIMATE POLICY OPTIONS: EUROPEAN PERSPECTIVES. Organised by the Hamburg Institute of International Economics, this conference is part of a global conference series in the framework of the project "Developing a post-2012 policy architecture". Different policy scenarios will be discussed. To register, email: [climate@hwwa.de](mailto:climate@hwwa.de). For more information visit: [http://www.hwwa.de/Projekte/Forsch\\_Schwerpunkte/FS/Klimapolitik/PDFDokumente/hwwa-ws9-03.pdf](http://www.hwwa.de/Projekte/Forsch_Schwerpunkte/FS/Klimapolitik/PDFDokumente/hwwa-ws9-03.pdf).

25-26 March 2004, Jeju, Republic of Korea: MEETING ON TRADE, ENVIRONMENT AND SUSTAINABLE DEVELOPMENT. This meeting is to be held before the 8th Special Session of the UNEP Governing Council and the Global Ministerial Environment Forum. For further information see <http://www.unep.org>.

## RESOURCES

**THE NORTHERN WTO AGENDA ON INVESTMENT: DO AS WE SAY, NOT AS WE DID.** By Ha-Joon Chang and Duncan Green (South Centre/Catholic Agency for Overseas Development, June 2003). The authors review the history of investment regulation in successful economies and argue that investment negotiations should not be included in the Doha Agenda at the next ministerial in Cancun. The authors stress that when they were net recipients of foreign investment, all of today's developed countries imposed regulations on foreign investment in order to ensure that such investment contributed to their long-term national development. One common factor is that they all took a strategic approach to foreign investment. Such a strategic approach also meant that their policy stances changed over time, according to their evolving economic structure and external conditions. The paper is available at: <http://www.cafod.org.uk/policy/doaswesay200306.pdf>.

**COMMON FISHERIES POLICY COMPLIANCE SCOREBOARD.** By the European Commission (June 2003). The European Commission has launched a public scoreboard on compliance with EU fisheries rules. The scoreboard is part of the new, more transparent and efficient Common Fisheries Policy (CFP). This Commission initiative represents a clear and accessible source of information about Member States' compliance with their obligations in a number of areas of the CFP. It also provides information about the state of infringement procedures in relation to fisheries. It highlights the problem of over fishing. The scoreboard is available online at: [http://europa.eu.int/comm/fisheries/scoreboard/index\\_en.htm](http://europa.eu.int/comm/fisheries/scoreboard/index_en.htm).

**SUSTAINABILITY IMPACT ASSESSMENT STUDIES.** By the Institute for Development Policy and Management (May 2003). The Final Reports for the current sustainability impact assessment (SIA) studies of proposed WTO negotiations by the IDPM are now available. These include sector studies for market access, environmental services and competition, and a preliminary overview of potential impacts of the Doha agenda. To access the reports visit: <http://idpm.man.ac.uk/sia-trade>. For further information contact Colin Kirkpatrick, tel: +44 (0)161 275 2807.

**A HANDBOOK FOR VALUE CHAIN RESEARCH.** By Raphael Kaplinsky and Mike Morris (IDRC, 2003). The objective of this Handbook is to assist researchers in formulating and executing value chain research, particularly with a view to framing a policy environment which will assist poor producers and poor countries to participate effectively in the global economy. Value

chain analysis focuses on the dynamics of inter-linkages within the productive sector, especially the way in which firms and countries are globally integrated. The first part of the report gives some basic definitions and context of value chains; the second part is concerned with underlying theoretical constructs in value chain analysis; and the third part lays out a methodology for undertaking value chain research. The handbook is available for download at: <http://www.ids.ac.uk/ids/global/pdfs/vchnov01.pdf>.

**OPEN TRADE WITH THE U.S. WITHOUT COMPROMISING CANADA'S ABILITY TO COMPLY WITH ITS KYOTO TARGET.** By Zhongziang Zhang (East-West Centre, June 2003). This paper aims to address competitiveness concerns brought about by the different level playing field, where Canadian industries face mandatory emissions constraints but US industries' emissions are uncapped. Although this study focuses on the US and Canada, the results are highly policy relevant to Japan and the EU as well. The paper can be downloaded at: [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=412200](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=412200).

**DEVELOPING PERSPECTIVES ON CLIMATE CHANGE: ISSUES AND ANALYSIS FROM DEVELOPING COUNTRIES AND COUNTRIES WITH ECONOMIES IN TRANSITION.** By the International Institute for Sustainable Development Climate Change Knowledge Network (May 2003). This new section of an existing on-line Climate Compendium provides in-depth policy analysis and research to further broaden climate change discussions, to involve a wider audience interested in considering and promoting emerging ideas from areas already feeling the impacts of climate change or facing critical policy decisions related to mitigation and adaptation. Seven new papers are available, focusing on topics ranging from "Issues and Options: The Kyoto Protocol's Second Commitment Period" to "Emissions Trading and Poverty Alleviation - The Role of Clean Technologies". The papers are available at: [http://cckn.net/compendium/comp\\_papers\\_03.asp](http://cckn.net/compendium/comp_papers_03.asp).

**CAN PERMANENCE BE INSURED? CONSIDERATION OF SOME TECHNICAL AND PRACTICAL ISSUES OF INSURING CARBON CREDITS FROM AFFORESTATION AND REFORESTATION.** By Jenny Wong and Michael Dutschke (Hamburg Institute of International Economics, 2003). This paper discusses the practicality and potential difficulties of the insurance approach for addressing non-permanence of sequestered carbon stocks and the validity of Certified Emission Reductions (CERs) generated. The paper can be downloaded at: [http://www.hwwa.de/Publikationen/Discussion\\_Paper/2003/235.pdf](http://www.hwwa.de/Publikationen/Discussion_Paper/2003/235.pdf).

## POSITION VACANCIES

Quaker Peace & Social Witness and Friends World Committee for Consultation (QPSW) is currently hiring for a Representative, Global Economic Issues for the Quaker United Nations Office in Geneva (QUNO). The candidate, will be tasked with continuing and developing the programme of work on global economic issues, taking forward areas of Quaker concern and issues relating to these concerns within the UN and other international organisations based in Geneva. The candidate should possess, inter alia, experience of at least one major area of work within global economic issues, and experience of fundraising and work with international and governmental institutions. The application deadline is 1st August, with the position being filled in January 2004. For further information please contact the personnel office, email: [viviens@quaker.ork.uk](mailto:viviens@quaker.ork.uk), quoting reference: QPSW 16. A full application pack is available at <http://www.quaker.org.uk>.

The British Institute of International and Comparative Law invites applications for the post of Fellow in Public International Law. The successful candidate will be developing the international law work of the Institute, carrying out research, and organising international law conferences, seminars and other events. The Fellow should possess an appropriate first degree and a postgraduate degree in international law. Candidates should also have a proven ability to write good, accurate and lucid English. A qualification to practice law, and experience of practice or research would also be desirable. The application deadline is 15 July. For more information, contact Anthony Aust, email: [aiaust@aol.com](mailto:aiaust@aol.com); and Liane Hoogland, email: [l.hoogland@biicl.org](mailto:l.hoogland@biicl.org). For an application please e-mail your c.v. to both of them.

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