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LEAD STORIES

TNC REPORTS SCANT PROGRESS; DRAFT TEXT FOR CANCUN TO BE RELEASED SHORTLY

The WTO Trade Negotiations Committee (TNC) met from 14-15 July for its last session prior to the fifth WTO Ministerial meeting to be held from 10-14 September in Cancun, Mexico. The TNC heard reports from the chairs of five negotiating bodies established under it, and considered the general status of negotiations with a view to Cancun. WTO Director-General Supachai Panitchpakdi informed Members that a first draft of a potential ministerial declaration for Cancun would be released at the end of the week. The TNC also considered outstanding implementation issues, on which negotiations have picked up again (see related story, this issue of BRIDGES Weekly).

Addressing delegates to the TNC, the Director-General pointed to the obvious lack of progress and urged Members to engage in real negotiations, stressing that "overall we do not yet have a real negotiation". He said "the time has come for delegations to start seriously communicating with each other and searching for compromise solutions to their substantive problems". Members remained split on most issues, however, and observers are questioning whether the Doha round of trade negotiations can be concluded according to plan by the end of 2004. Cancun would mark the midpoint in this regard.

The Chairs of the negotiating groups on agriculture, rules, services, environment and trade related aspects of intellectual property rights (TRIPs) submitted written updates on the work in the various bodies. Stuart Harbinson, Chair of the special session of the Committee on Agriculture (CoA) reported that Members' positions remained entrenched (see BRIDGES Weekly, 10 July 2003, <http://www.ictsd.org/weekly/03-07-10/story1.htm>). The CoA special session is convening from 16-18 July, for a last meeting prior to Cancun. Pierre-Louis Girard, Chair of the Working Group on Market Access, reported that during the recently concluded meeting of his group "Basic concerns have been expressed openly and clearly, and innovative

ideas have been presented" (see related story, this issue).

Chair Yolande Biké of the special session of the Committee on Trade and Environment (CTE), emphasised the need to focus now on environmental goods and services in the negotiations, "in particular the identification by countries of environmental goods for import or export with a view to negotiating the reduction or elimination of tariff and non-tariff barriers according to the modalities to be defined by Members based on the progress made in the Negotiating Group on Market Access for Non-Agricultural Products" (TN/TE/7 and TN/TE/7/Suppl.1, [searchable at http://docsonline.wto.org](http://docsonline.wto.org)). She said given the workload, the group would have to consider holding additional sessions, and Members would have to engage in substantive work.

Chair Alejandro Jara of the special (negotiating) session of the Council for Trade in Services (CTS), outlined progress related to negotiations on specific commitments and rule-making, and pointed to outstanding issues and future work (see related story, this issue of BRIDGES Weekly). Chair Eui-yong Chung of the TRIPs Council outlined progress (TN/IP/7 and TN/IP/8), focusing on negotiations on a multilateral system of notification and registration of geographical indications for wines and spirits. He noted that Members still were split on this issue, which had been mandated to be resolved for the Cancun meeting, and said the process should continue. "It will be necessary to determine the level of ambition within the mandate which is acceptable to all sides, especially as regards legal effects and participation, and to finalise the more technical aspects concerning the multilateral system", Eui-yong said.

First draft of Cancun declaration by end of week

During the meeting, the Director-General also informed participants that he and General Council Chair Carlos Perez del Castillo would release a first, "skeletal" draft of a ministerial text for Cancun on 17 July. The paper would basically lay out the issues, and would, according to Supachai, focus on "actions necessary to provide momentum and guidance for the negotiations" -- a brief and operational document. He warned that the paper "will not provide any magic solutions to major problems of substance in key areas". More substance, mainly focussing on process, would be added to each issue area following negotiations in bilateral meetings and among smaller groups of Members. The next General Council meeting, scheduled for 24-25 July, is likely to focus heavily on the draft text.

ICTSD reporting; "WTO chief has stern words for negotiators, two months before Cancun," AFP, 14 July 2003; "Supachai Intends to Issue First Draft Of Cancun Ministerial Declaration by July 18," WTO REPORTER, 15 July 2003.

SERVICES: CHAIR JARA REPORTS ON POST-DOHA PROCESS, DEVELOPING COUNTRIES DISAPPOINTED

In a report presented to the Trade Negotiations Committee (TNC) on 14 July, Ambassador Alejandro Jara, Chair of the special (negotiating) session of the WTO Council for Trade in Services (CTS), wrapped up the work under the mandate of the Doha Declaration undertaken by the CTS, as well as its subsidiary bodies, since the last Ministerial Conference in November 2001. Jara also addressed in his report -- prepared under his own responsibility -- key issues related to future work to be undertaken for Members to successfully conclude the services negotiations by the end of 2004. The report will be further synthesised to provide language on services for the Cancun Ministerial Declaration. While the report suggests that the Ministerial Conference should set "landmark dates" to accelerate the market access negotiations in the services area, many developing countries reportedly voiced their frustration at the lack of a matching degree of ambition with respect to rule-making, the issue of assessment and other areas of particular importance for developing countries, such as mode four (movement of natural persons). Meanwhile, the EU tabled a new submission on possible disciplines for licensing procedures at the Working Party on Domestic Regulation (WPDR).

Low level of participation and commitments

According to Jara's report (TN/S/10, [searchable at http://docsonline.wto.org](http://docsonline.wto.org)), only "thirty initial offers have so far been received by the Secretariat, including 15 from developing country Members," despite a 31 March deadline having passed. The report therefore called on those Members who had not yet tabled their offers do so as soon as possible, so that a "higher level of participation and engagement by all Members" could be achieved in the negotiations. Moreover, Jara deplored the low quality of some of the offers in terms of coverage of sectors and modes of supply, as well as depth of commitments. So as to accelerate the market access negotiations, the report suggests that trade ministers at Cancun should set "landmark dates by which Members would improve their initial offers and finally revise them with a view to concluding the negotiations". However, a trade source reported that some developing countries had criticised the report for

not making a clearer reference to the need to significantly improve the "more than disappointing" offers tabled by Members such as the EU and US on movement of natural persons (so-called mode four) -- an area which is of high importance for many developing countries.

Rule-making neglected?

The General Agreement on Trade in Services (GATS), as well as the Negotiating Guidelines, mandate Members to conclude negotiations on an emergency safeguard mechanism (ESM), subsidies, government procurement and domestic regulation before the end of the ongoing services round (scheduled for 1 January 2005). Despite this commitment to address market access and rules-related aspects in parallel, Members are -- in all four rule-making areas -- still far apart on key questions such as whether or not it is actually politically desirable and practically feasible to develop disciplines. Notably, Chair Jara's report does not make any reference to the deadline set out in the Negotiating Guidelines, although original draft language had reportedly addressed Members' commitment to conclude negotiations on rules and domestic regulation by end-2004. Some Asian developing countries complained about this understatement with regard to the rule-making process, demanding clear guidance from trade ministers at Cancun on the issue of desirability, and called for similar "landmark dates" in the rules area as suggested by Jara in the market access context. These countries also expressed frustration regarding their "disregarded efforts to include specific comments to the reports aimed at addressing existing asymmetries" in the services process. Many developing countries see progress on an ESM as well as multilateral disciplines on subsidies in services as a precondition for accepting ambitious new market access commitments in services.

Special treatment of LDCs still to be agreed

According to the GATS (Article XIX.3), modalities need to be established for the special treatment of least-developed countries (LDCs) in the market access negotiations with a view to implementing GATS Article IV (increasing participation of developing countries) as well as to design new LDC commitments which are commensurate with their specific "development, trade and financial needs". Although such modalities were originally designed to be developed before the adoption of the Negotiating Guidelines in 2001, no agreement has so far been reached on this issue (BRIDGES Weekly, 10 July 2003, <http://www.ictsd.org/weekly/03-07-10/story3.htm>). Due to this "remaining piece of the negotiating architecture," LDCs have not yet considered themselves in a position to submit their initial requests

and offers to trading partners. Therefore, Jara in his report called on Members to reach an agreement on LDC modalities before the Cancun Ministerial Conference. Accordingly, Members agreed to continue both formal and informal talks on LDC modalities over the forthcoming weeks.

Assessment discussion revisited

The GATS as well as the Negotiating Guidelines require Members to conduct an assessment of trade in services with reference to the objectives of the GATS -- with particular focus on the facilitation of increasing participation of developing countries in global services trade. According to Chair Jara's report, "the Council has been pursuing this exercise since 1998", and "some 145 submissions have been made" on this subject. Nevertheless, several developing countries, including Pakistan, reportedly contested that most of these submissions could not be qualified as "assessments," and they further criticised the fact that so far no conclusions had been extracted from the ongoing assessment exercise on whether or not services trade liberalisation has actually lived up to the expectations Members had attached to it. Pakistan and others repeatedly called for a multilateral assessment of services liberalisation prior to entering into a new round of services negotiations.

EU presents proposal for disciplines on licensing procedures to WPDR

At a 1 July meeting of the WTO Working Party of Domestic Regulation (WPDR), the EU presented a proposal (S/WPDR/W/25) outlining possible disciplines on licensing procedures. According to the EU, the submission was meant to contribute to creating a conducive and transparent regulatory framework for licensing procedures under the negotiating mandate under GATS Article VI.4 (domestic regulation). However, other measures covered by VI.4 such as technical standards and qualification procedures were addressed in the proposal.

However, other measures covered by VI.4 such as technical standards and qualification procedures were addressed in the proposal. The EU's submission used language contained in Article VI.4 itself, the Disciplines on Domestic Regulation in the Accountancy Sector (S/L/64), the WTO Agreement on Import Licensing Procedures, as well as the Reference Paper for Telecommunications Services. The content of the proposal did not address the substance of regulations; it simply sought to ensure that procedures under which a license is obtained are subject to some basic common rules, and to avoid a situation in which the procedures would become unnecessary obstacles to

trade. While some of the features of the EU proposal also can be found in a recent submission tabled by trading partner Japan (Bridges Weekly, 28 May 2003, <http://www.ictsd.org/weekly/03-05-28/story4.htm>), the emphasis in the EU paper was placed on reasonable and automatic procedures, time frames, transparency and due process.

Members' initial reactions to the EU submission reportedly were cold on the part of countries such as the US and Canada, who would like to see domestic regulation issues dealt with bilaterally or through agreed reference papers. Several developing countries, for their part, voiced their deep dissatisfaction regarding the lack of reference to visa procedures in either of the proposals presented by Japan and the EU.

ICTSD reporting.

OTHER NEWS

WTO MARKET ACCESS GROUP DELIBERATES NEGOTIATING APPROACH

WTO Members used a 9 - 11 July meeting of the WTO Negotiating Group on Non-agricultural Market Access (NAMA) to advance further reactions to the NAMA Chair's draft paper outlining how the market access negotiations might be structured. Chair Pierre-Louis Girard had submitted his 'Draft Elements of Modalities' (TN/MA/W/35, available at <http://docsonline.wto.org>) on 16 May in advance of an end-May deadline for countries to agree on modalities for reductions in tariff and non-tariff barriers on non-agricultural goods, a deadline that passed without agreement (see BRIDGES Weekly, 28 May 2003, <http://www.ictsd.org/weekly/03-05-28/story1.htm>). While most countries view the document as a good start, agreement on modalities continues to elude negotiators.

It is primarily gaps in positions between developed and developing countries that are dogging the discussions. Developing countries, in particular the African group, say that Girard's draft modalities paper goes too far, too fast and doesn't address their concerns in the sense that they need protection for their industries and the ability to maintain fiscal revenue from tariffs.

Many developed countries say the formula -- which *inter alia* calls for across-the-board tariff cuts, gradual elimination of tariffs in certain sectors and a formula to

slash higher tariffs by larger margins -- does not address effectively the mandate to reduce high tariffs and will not produce effective market access.

The meeting saw some concrete proposals submitted by smaller states, including Fiji and Papua New Guinea. These countries reminded the group of ensuring appropriate special and differential treatment for small, vulnerable economies, as well as on the need to preserve existing margins of preference -- i.e. through market access schemes between developed and developing countries -- for products exported by poorer states. In its proposal (TN/MA/W/39), Papua New Guinea said that developing countries should be able to allocate up to 10 products as 'sensitive', where tariffs on these products would be exempted from reduction under the formula.

However, the US said exemptions should not be allowed to govern the tariff reduction talks, but that they should be seen as a "small window" to address market access sensitivities. The US delegation supported the idea of giving credit to countries that have conducted autonomous liberalisation, for instance through structural adjustment programmes, and also extending the benefits envisaged for least-developed countries (LDCs) to other Members with special needs. "It doesn't mean a new category of Members but a recognition of their needs," the US said. On this point, South Africa proposed a new categorisation of WTO Members that would reflect the capabilities and particular circumstances of smaller economies for the application of a formula for tariff reductions.

On the question of a sectoral approach (i.e. the seven sectors proposed by the chair for a complete elimination of tariffs), positions are far apart. Developing countries would like a voluntary approach to participating in these sectoral tariff reductions, while developed countries prefer it to be mandatory. Some countries would like more sectors added, while others want some deleted. Korea, Japan and Taiwan insisted they had serious problems with including the sectors of fish and fisheries and leather. Most Members said they wanted to address the sectoral approach only once the overall tariff reduction formula had been approved.

On non-tariff barriers (NTBs), the Chair said he would extend until October the period for notifications. There has been relatively little discussion thus far on NTBs, although the US has been pushing for a 'vertical' non-tariff barrier modality, an approach it elaborated at the 9-11 July meeting with its submission to the NAMA (TN/MA/W/18/Add.3). A vertical NTB modality, according to the US, would bundle together a number of NTB issues relevant to a single industry and address them in the context of that industry. The US has

suggested automotive products and textiles and apparel as possible priority areas for vertical NTB agreements, noting that there are other highly-globalised industries that might also be appropriate for the vertical approach.

Sources say it is unlikely that Members will reach an agreement on modalities before the WTO's Cancun Ministerial in September. However, Girard, speaking at the Trade Negotiations Committee on 14-15 July (see related article, this issue), said he intended to "develop some options" for various elements of his draft modalities, which could be first treated in an informal way at the next meeting of the NAMA on 13- 15 August. Following the August meeting, he said he might then put forward a revision of the draft elements of modalities for further consideration, though he declined to say when the revised draft might be circulated.

ICTSD reporting; "Supachai Intends to Issue First Draft Of Cancun Ministerial Declaration by July 18," WTO REPORTER, 15 July, 2003; "WTO Members Fail to Bridge Gap on Nonfarm Trade Talks in Geneva," KYODO NEWS, 12 July 2003.

PROGRESS ON S&D SLOW, DISCUSSIONS CONTINUE

Heads of Delegations met on 2, 4, & 9 July to review the latest drafting of language aimed at strengthening WTO provisions on special and differential treatment (S&D) for developing countries. With a "Friend of the Chair" group -- comprising Brazil, Kenya, Bangladesh, the US, EU and Norway -- assisting General Council Chair, Ambassador Pérez del Castillo (Uruguay) in the re-drafting process (see BRIDGES Weekly, 12 June 2003, <http://www.ictsd.org/weekly/03-06-12/story3.htm>), Members were able to agree on an additional proposal related to the Agreement on Import Licensing. This brought the tally of 'agreed' provisions to 15 out of an original 85-plus, which have been under review since February 2002. An updated Chair's text on Members' positions on the 38 proposals targeted for possible agreement at or before the Cancun Ministerial Conference is expected by the end of the week. The crux of recent debates reportedly circled around the issue of developed countries providing automatic flexibilities, exceptions, and/or assistance to developing countries.

Reducing burdens

The newly agreed proposal on import licensing (IL) deals with Article 1.2 of the Agreement, and aims to ensure that Import Licensing Procedures do not result in adverse trade effects on developing countries. To

this end, import licensing procedures are to be as expeditious as possible. However, the true development impact of such an elaboration of existing language, which requires Members to take into account the "development purposes and trade needs of developing country Members" with respect to the administrative procedures for IL regimes, remained debatable, according to one trade expert. The obligation of Members to take explicit action to operationalise such a reduction in the administrative procedures, continued the expert, was virtually non-existent. As such, he felt that the effective outcome of this new language was ambiguous.

On this issue, as well as on the other 14 agreed proposals, numerous developing country delegates indicated their continued frustration with what they saw as a pervasive lack of progress on proposals that carried meaningful and economically valuable benefits to them.

Redrafting continues

With Brazil taking the lead in the "Friend of the Chair" group, the six countries have been meeting extensively over the last month and a half in attempts to find a way forward on proposals that have been essentially trapped in a state of perpetual standstill since July 2002 (see BRIDGES Weekly, 6 August 2002, <http://www.ictsd.org/weekly/02-08-06/story2.htm>). General Council (GC) Chair Pérez del Castillo indicated that he hoped that by the next GC meeting on 24-25 July, Members would have a clearer idea of where they stood. In that drive for clarity, an updated text on the various proposals is expected by 18 July. It is unknown as of yet whether this update will simply reflect latest drafting language or will include Members' specific positions.

Background

The 85-plus proposals over which Members have disagreed since mid-2002 are currently being dealt with in three categories. The first category, which a Heads of Delegations process is addressing, tackles 38 proposals that 'could' be agreed upon before or at the Cancun Ministerial (12 proposals were 'agreed' in principle in December 2002, and another two on 21 May 2003). The second category, comprising another 38 proposals, has been sent to relevant WTO subsidiary bodies, which are to report back to the GC just prior to Cancun (these would be open to early harvest). Category three, the 15 proposals on which delegates have had most difficulty in finding consensus, would be examined with regard to how they might be redrafted in a way more suitable to agreement, while preserving the concepts they embody (see full proposal

at
<http://www.ictsd.org/issarea/development/resources/Latest-SDT-proposals.pdf>.

The original mandate on S&D emanates from the 2001 Doha Ministerial Conference, where Ministers agreed that all S&D provisions should be reviewed with a view to strengthening them and making them more precise, effective and operational.

ICTSD reporting.

DSU UPDATE: EU-SUGAR; US-COTTON; AUSTRALIA-FRUIT; US-STEEL

Cairns group trio to launch complaint against EU sugar subsidies.

Brazil, the world's largest sugar producer and exporter, has announced its intent to challenge EU sugar subsidies at the WTO. Joined by Australia and Thailand, Brazil will request an arbitration panel at the next meeting of the dispute settlement body (DSB) on 21 July. Brazil is attacking the European sugar subsidy policy on two fronts; first, Brazil claims that the EU unfairly favours raw sugar imports from African, Caribbean and Pacific (ACP) nations; and second, Brazil alleges that the EU sugar export quota system violates WTO rules and unfairly supports European sugar exports that drive down world prices. While Brazil stressed that the request for a WTO panel was not "an attempt to question the concession" by the EU for ACP countries, it accused the EU of subsidising exports of sugar equivalent to the quantity of sugar it imported from ACP countries with preferential tariff access without including these subsidies in its reduction commitments under WTO accords. Brazil, which began its challenge to EU sugar policy in early 2002, estimates its sugar industry loses USD 900 million annually due to Europe's sugar export subsidies. Australia and Brazil contend that despite high production costs, EU sugar export quotas have driven down world prices, enabling high-cost EU sugar producers to out-compete more efficient Brazilian and Australian producers. Australian Cane Farmer's Association (ACFA) Chair, Ross Walker, said "Australian farmers are understandably angry that inefficient EU sugar producers receive three times the price we do and distort the world market in the process".

While the EU last month announced farm subsidy reform plans under the Common Agricultural Policy (CAP), sugar was not included (see BRIDGES Weekly, 3 July 2003 <http://www.ictsd.org/weekly/03-07-03/story1.htm>). EU Farm Commissioner Franz Fischler

will reportedly unveil a sugar reform proposal before the end of the year, although he faces opposition from the EU sugar lobby. According to the European Commission, the case against it would threaten its special trade arrangements with ACP. The EU is the world's largest importer of sugar, buying more from developing countries than the US, Japan, Canada and Australia combined.

US wins procedural victory in upland cotton case

The US was handed a procedural victory by a WTO dispute settlement panel in a case against US subsidies on upland cotton brought by Brazil. In a 20 June decision, the panel stated that it would first determine whether the US subsidies challenged by Brazil met the conditions of the so called 'peace clause' (Article 13) of the Agreement on Agriculture (AoA) before considering the substantive issues raised by Brazil. These issues included whether the US violated the Agreement on Subsidies and Countervailing Measures (SCM Agreement) with subsidies that injured Brazil's exports through lowering world market prices and creating a loss of market share. According to Brazilian government sources, the panel set a target date of 1 September for its peace clause decision, but noted that this could be extended. The panel added that while it would tackle the issue of the peace clause first, this did not preclude parties from addressing other substantive issues in their submissions. This approach could further complicate deliberations, according to one source.

The 'peace clause' exempts most agricultural subsidies (domestic support measures and export subsidies) that conform with certain conditions from dispute settlement under the General Agreement on Tariffs and Trade and the SCM Agreement. The US and Brazilian perspectives differ, however, on the scope of the 'peace clause'. While the US insists that Members do not have recourse to a dispute settlement panel to examine claims of violation of commitments on subsidies, Brazil claims that the 'peace clause' does not prevent Members from bringing a case but only sets conditions to obtaining a remedy. Brazil also points to the non-listing of Article 13 of the AoA in Annex 2 of the Dispute Settlement Understanding, which identifies the WTO agreements that establish special rules and procedures for dispute settlement outside of the normal procedure.

Brazil's request for the establishment of a panel was accepted by the DSB on 18 March (see BRIDGES Weekly, 2 April 2003, <http://www.ictsd.org/weekly/03-04-02/story3.htm>). The panel is expected to hold a hearing on the issue from 22-24 July, and a hearing in August.

Philippines to launch case on bananas and paw-paws

The Philippines has declared its intention to initiate dispute settlement proceedings against Australia over its allegedly unfair use of quarantine laws to keep out bananas and paw-paws from the Philippines. The decision came in the wake of three years of bilateral talks between the two countries. Australia claims that it is unsafe to import bananas and paw-paws because of certain diseases endemic in the Philippines. The Philippines contended that Australian quarantine laws breached WTO rules, as they were not scientifically based nor in line with international standards. However, Australian Trade Minister Mark Vaile stressed that "we stand by our quarantine system and maintain that it is science based and is not trade distorting". The EU has also claimed that Australian quarantine laws act as a de facto trade barrier.

The WTO Sanitary and Phytosanitary (SPS) Agreement states that sanitary or phytosanitary standards that conform to international standards, guidelines or recommendations shall be deemed necessary to protect human, animal or plant life or health and deemed to be consistent with the relevant provisions of the GATT and SPS Agreements. While Members could set standards higher than international ones, SPS obligations provide for such protection to be based among other things on 'scientific justification' and taking into account the need for minimising negative trade effects.

According to sources, the WTO will consider the Philippines request on 21 July.

Panel rules against US in dispute on steel safeguards

A DSB panel dealing with the "US - Definitive Measures on Imports of Steel" case issued its report on 11 July, concluding that the safeguard measures imposed by the US on the imports of certain steel products were inconsistent with the WTO Safeguards Agreement and GATT 1994. Rejecting US arguments, the panel of three independent experts found that the US had failed to provide a "reasoned and adequate explanation" of a link between increased imports and "serious injury" caused to US producers. The panel also found that by excluding Canada, Mexico, Israel and Jordan from the measures, the US broke the WTO's core principle of non-discrimination. The panel report recommended that the measures be brought into conformity with its obligations under both Agreements.

The case was brought to the WTO by the EC, Japan, Korea, China, Switzerland, Norway, New Zealand and

Brazil and a panel on the case was established on 3 June 2002 following the initial request from the EC (see BRIDGES Weekly, 4 June 2002, <http://www.ictsd.org/weekly/02-06-04/story3.htm>). Panels established following requests from other WTO Members were successively integrated into a single panel.

The complaints filed were over US steel tariffs that were up to 30 percent above normal duties and which the US maintained were necessary to protect US steel producers from injury. USTR spokesman Richard Mills said that the US would appeal the decision and in the meantime safeguard measures would remain in place. He added that WTO rules permitted protecting an industry under certain conditions.

"Brazil To Lodge WTO Complaint Against EU Sugar Subsidies", OSTER DOWJONES, 2 July 2003; "Australia, Brazil, Thailand launch WTO action against EU sugar aid", AFP, 8 July 2003; "Brazil to request WTO panel on EU sugar July 21", REUTERS, 8 July 2003; "Brazil vows to press on with bid for WTO probe into EU sugar subsidies", AFP, 9 July 2003; "World sugar prices below Australia costs-farmers", REUTERS, 9 July 2003; "Europe likely to cut sugar output quota in '04-ISO", REUTERS, 9 July 2003; "EU says WTO sugar dispute will hurt poor states", REUTERS 10 July 2003; "Philippines to take Australia to WTO over fruit imports", PHILIPPINE ENQUIRER, 14 July 2003; "Panel report out on US safeguard measures on steel products", WTONEWS, 11 July 2003; "WTO finds U.S. steel tariffs break trade", REUTERS, 11 July 2003; "EU, Japan, China, others hail WTO ruling against US steel tariffs", AFP, 11 July 2003; "Steel Caucus chair accuses WTO of 'Yankee bashing' on tariff ruling", AP, 11 June 2003.

IN BRIEF

**DISCUSSION ON NEW EU CHEMICALS
LEGISLATION PICKS UP SPEED**

The review and consultation period on proposed European chemicals legislation, which ended on 10 July 2003 (see BRIDGES Trade BioRes, 5 March 2003, <http://www.ictsd.org/biores/03-05-15/story5.htm>), attracted a large number of comments from a wide range of stakeholders. Termed REACH (Registration, Evaluation, Authorisation and Restrictions of Chemicals), the legislation, which is based on a White Paper adopted by the Commission in June 2001, would replace 40 different pieces of current legislation. Among

the most fundamental changes are provisions that would shift the burden of proof for the safety of chemicals from public authorities to companies that produce, import and use chemicals. A major coalition of European civil society groups -- including consumers, trade and women's groups -- handed in a declaration on 8 July to support the draft legislation, and 60 US-based organisations signed onto a separate declaration that supported the legislation and criticised the US government, which had rejected the legislation. European and US-based industry dismissed the proposal, while British scientists proposed a compromise approach. It is now up to the European Commission to consolidate the inputs by the various groups, finalise the proposal and forward it to a first hearing in the European Parliament and Council within the next five months.

For a detailed report on the EU chemicals legislation, see BRIDGES Trade BioRes, 11 July 2003, <http://www.ictsd.org/biores/03-07-11/story2.htm>.

ICTSD reporting; "Chemical groups set to reject EU environment laws," FT, 9 July 2003; "Protect us from hazardous chemicals, say European citizens," WWF, 8 July 2003; "Americans Declare Independence From Hazardous Chemicals," WWF-US, 1 July 2003; "Reducing the Risks," Process Engineering, 30 June 2003.

US: IMPROVED MARKET ACCESS FOR POOREST COUNTRIES

The US concluded its annual review of its Generalised System of Preferences (GSP) for imports from developing countries in early July, expanding the list of products allowed to enter its market duty-free to include new products such as cheese, chemicals, and cutlery. The US estimates that benefit of the GSP to developing countries will reach USD900 million next year. A special review was made to consider products imported from Argentina, the Philippines and Turkey. President Bush also announced his intention to seek an extension of the African Growth and Opportunity Act (AGOA) beyond 2008. Throughout his six-day trip in Africa in mid-July, he promised US support for combating HIV/AIDS, strengthening Africa's economies and boosting security for the fight against terrorism. In related news, Australia abolished tariffs on goods and quotas on imports from the 49 least-developed countries (LDCs) and East Timor beginning 1 July. "Economic growth is the best way to attack poverty, and this initiative will help the poorest to increase their exports and living standards," Australian Trade Minister Mark Vaile said in a statement.

"Bush Increases Trade Preferences For Developing Countries," DOW JONES, 1 July 2003; "Argentina Benefits From US Removal Of Tariffs On 15 Items," OSTERDOWJONES, "Bush Promotes His Plans to Help Africa," NEW YORK TIMES, 11 July 2003; "Bush Ends Africa Tour With Promises to Help," ALLAFRICA.COM, 12 July 2003; "Bush Lauds Mogae", DAILYNEWS, 11 July 2003; "Poorest Nations To Get Free Access To Australia", AAP, 30 June 2003.

EUROPEAN COUNTRIES TO COURT OVER GMOS

On 15 July, the European Commission decided to take eleven EU member states to the European Court of Justice for failing to adopt new rules on GMO permits at the national level. The revised law, known as the Framework Directive on Genetically Modified Organisms, entered into force in October 2002, and permits the import of GMO crops. So far 11 out of the 15 member states have not implemented the new legislation into their national legal structures. These are Austria, Belgium, Finland, France, Germany, Greece, Italy, Ireland, Luxembourg, the Netherlands, and Spain. "This legislation has been the result of a transparent and democratic process and provides a solid answer to public concerns," EU Environment Commissioner Margot Wallstrom said. "But our credibility will be severely undermined if we are not able to demonstrate that we can implement it". In May, the US administration launched legal proceedings against the EU at the WTO over the issue. Therefore Margot Wallstrom urges all member states to "bring their national laws into line with the EU law". However, some anti-GMO countries have expressed the need for further regulations on labelling and tracing GMO crop shipments and on rules for agricultural coexistence with non-GMO crops, before they re-start issuing permits. EU officials say those rules will be in place in the coming months. According to Italian agriculture minister Giovanni Alemanno, new approvals of GMOs could be made by the end of this year.

"European Countries Land in Court Over GMO Law," ENS, 15 July 2003; "EU Takes Member States to Court Over GMOs," Reuters, 15 July 2003; "EU Takes 11 Member Governments to Court," AP, 15 July 2003.

REPORT URGES PUBLIC PARTICIPATION TO SAVE ENVIRONMENT

A new report released on 10 June calls for public participation to stop the deterioration of the world's environment and to address increasing global poverty. The report, "World Resources 2002-2004: Decisions for

the Earth - Balance, Voice and Power", is the fourth in a series and was published jointly by the World Resources Institute, the World Bank, the United Nations Development Program (UNDP) and the United Nations Environment Program (UNEP). It stresses that the world's poor often are the most affected by the impacts of failed environmental governance. According to the authors, governments should include the local community in decisions affecting ecosystems and integrate environmental impacts into economic decision making. "Democratisation of environmental decision making is one of the most direct routes to better environmental decisions," said Jonathan Lash, president of the World Resources Institute. In addition, fundamental changes, such as greater transparency and accountability, are essential to better management of natural resources, which in turn can help overcome poverty. The report highlights that public access to information from governments, business, and non-governmental organisations can improve the protection of ecosystems.

To access the report, visit http://pubs.wri.org/pubs_description.cfm?PubID=3764.

"Public Participation Needed To Save Environment," ENS, 10 June 2003; "Landmark Report Urges Governance Reforms To Arrest Decline Of World's Environment," WRI NEWS RELEASE, 10 June 2003.

WTO IN BRIEF

KEY DEVELOPING COUNTRIES SUBMIT PAPER ON SINGAPORE ISSUES

Twelve developing countries -- Bangladesh, Cuba, Egypt, India, Indonesia, Kenya, Malaysia, Nigeria, Pakistan, Venezuela, Zambia, and Zimbabwe -- submitted a paper in early July on the four Singapore issues of investment, competition, government procurement and trade facilitation (WT/GC/W/501, searchable at <http://docsonline.wto.org>). The paper responds to an EU paper on modalities (WT/GC/W/491), i.e. the scope of negotiations, the methodology to be followed during the process, and the end-results expected submitted in February (see BRIDGES Weekly, 5 February 2003, <http://www.ictsd.org/weekly/03-03-05/wtoinbrief.htm>). The developing country paper stresses that the 'explicit consensus' among Members required to launch negotiations does not exist, and criticises the EU's superficial treatment of modalities, which only lays out procedural matters and lists relevant elements. Instead,

the developing countries call for a substantive definition of modalities, including the nature and direction of the obligations involved. They conclude that "the exercise of clarification of certain elements relating to the four Singapore issues is still on going. Differences of opinion still abound, even amongst proponents. It is therefore clear that more discussion and clarification would be necessary so that Members are in a position to look at the issue of modalities for each of the Singapore issues in an informed manner". The paper quotes similar positions in the statements made at recent ministerial summits: the Eastern and Southern Africa meeting held in Nairobi, Kenya 28-29 May; the LDC Trade Ministers meeting held from 31 May - June 2 in Dhaka, Bangladesh; and the Trade Ministers of the African Union meeting from 19-20 June at Grand Baie, Mauritius.

ICTSD reporting; "12 Developing Countries Challenge EU Approach To WTO Singapore Issues", THIRD WORLD NETWORK REPORT, 7 July 2003.

PROCESS ON IMPLEMENTATION ISSUES FINDS NEW SPARK

Following a Heads of Delegations meeting on 7 July, WTO Director General Supachai Panitchpakdi announced that discussions on certain implementation-related issues will resume, with some continuing under the auspices of the Trade Negotiations Committee (TNC) and others returning to subsidiary bodies for further technical work. Of greatest significance to developing countries is an issue related to trade-related investment measures (TRIMs). On this, Members agreed to proceed in the TNC, considering a proposal by India and Brazil (G/TRIMS/W/25, available at <http://docsonline.wto.org>) that seeks to re-open spaces for developing countries to use certain trade-related investment measures in their development policies (see BRIDGES Weekly, 12 December 2002, <http://www.ictsd.org/weekly/02-12-12/story5.htm>). However, the proponents (mainly developing countries) and the opponents (mainly developed countries) remain widely divergent on the issue. Other issues being revitalised include two on technical barriers to trade, and one on traditional knowledge and genetic resources. According to sources, some other implementation-related areas look less likely to move forward, including customs valuations, safeguards, textiles, and review of the provisions related to countervailing duties in the subsidies agreement. Prior to the 7 July meeting, implementation issues had been stalled due to EU demands that the issue of extending geographical indications (itself an implementation issue) be resolved as a top priority (see BRIDGES Weekly, 12 December 2002, <http://www.ictsd.org/weekly/02-12-12/story1.htm>). Members had agreed to address the approximately 80

outstanding implementation issues in a decision at the ministerial conference in Doha.

ICTSD reporting.

CAMBODIA READY TO ENTER WTO BY CANCUN MEETING

On 15 July officials announced the impending accession of Cambodia to the WTO. Negotiations with six Members -- including the EU, Japan and South Korea -- out of the required nine Members had been completed. The US, India and Panama are expected to sign the bilateral agreements with Cambodia by 22 July, which would complete the process. All formalities for Cambodia's accession to the WTO could then be completed by the fifth WTO Ministerial Conference in Cancun on 10-14 September. Cambodia would then ratify the agreement, becoming a member 30 days after informing the WTO that its parliament had ratified the documents. Cambodia would be the first LDC acceding since the creation of the WTO in 1995. Cambodia applied to join the WTO in December 1994, but negotiations effectively started only in May 2001 with the first meeting of a specifically designated Working Party. According to Cambodian Secretary of State for Commerce Sok Sophana, WTO membership would protect the country's lucrative garment industry, the most significant source of foreign income. Other LDCs currently negotiating accession to the WTO include Bhutan, Cape Verde, Ethiopia, Laos, Nepal, Sudan, Vietnam and Yemen.

"Cambodia to become first of world's poorest countries to enter WTO- minister," AFP, 15 July 2003; "Cambodia closer to WTO membership," BUSINESSDAY, 17 July 2003; "EU And Cambodia Conclude Bilateral Package For Cambodia's Accession To The WTO," EUROPA, 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.

Coming Up: 17 – 25 July

14-18 July, Geneva, Switzerland: SEVENTH SESSION OF THE INTERGOVERNMENTAL NEGOTIATING COMMITTEE OF THE STOCKHOLM CONVENTION. For further information, contact: Interim Secretariat for the Stockholm Convention, tel: (41 22) 917-8191, fax: 797-3460, email: ssc@chemicals.unep.ch, Internet: <http://www.chem.unep.ch/pops/>.

17-19 July, Fort Lauderdale, Florida, US: BELL CONFERENCE - ECOSYSTEMS AND ENTERPRISE: PERSPECTIVES ON EDUCATION FOR SUSTAINABLE BUSINESS. This conference organised by the World Resources Institute seeks to examine lessons arising from the interplay between enterprises seeking sustainability and the context in which they operate. For more information contact: Oretta Tarkhani, Event & Conference Services; email: oretta@wri.org; Internet: <http://about.wri.org/event.cfm?eid=368>.

18 July, London, England: PROSPECTS FOR THE INTERNATIONAL CLIMATE REGIME DISCUSSION MEETING. At the meeting organised by the Royal Institute of International Affairs, panellists will present their perspectives on: progress and stumbling blocks at the June climate negotiations; prospects for Russian ratification and the Moscow Climate Conference; and emerging issues for COP9 and beyond. To attend please contact Sam Usiskin, tel: +44 (0)20 7957 5711; email: sam.usiskin@riia.org.

23 July, Mexico City, Mexico: INTERNATIONAL WORKSHOP ON SUSTAINABLE DEVELOPMENT CRITERIA FOR CARBON-BASED FORESTRY PROJECTS AND THE MEXICAN CLIMATE CHANGE POLICY PROCESS. This workshop will be organised by researchers at the School of Development Studies at the University of East Anglia (UK) and the Tyndall Centre for Climate Change Research (UK), in cooperation with the Instituto Nacional de Ecologia, to inform the Mexican policy process and discuss a set of sustainable development criteria for carbon-based forestry projects. A range of institutions and organisations, including government, international consultancies and NGOs, will participate and present their views on forestry carbon-based projects and sustainable development. For further information contact Yatziri Zepeda, email: yatzem@ine.gob.mx or Esteve Corbera, email: e.corbera-elizalde@uea.ac.uk.

WTO Events

16-18 July, Geneva, Switzerland: WTO SPECIAL SESSION OF THE COMMITTEE ON AGRICULTURE.

17 July, Geneva, Switzerland: WTO COMMITTEE ON TRADE AND DEVELOPMENT - DEDICATED SESSION.

18 July, Geneva, Switzerland: WTO COMMITTEE ON TRADE-RELATED INVESTMENT MEASURES.

21 July, Geneva, Switzerland: WTO NEGOTIATING GROUP ON RULES - REGIONAL TRADE AGREEMENTS.

21 July, Geneva, Switzerland: WTO TEXTILES MONITORING BODY.

21 July, Geneva, Switzerland: WTO DISPUTE SETTLEMENT BODY.

22-23 July, Geneva, Switzerland: WTO COUNCIL FOR TRADE IN GOODS - TRADE FACILITATION.

22-23 July, Geneva, Switzerland: WTO NEGOTIATING GROUP ON RULES.

24 July, Geneva, Switzerland: WTO COMMITTEE ON SAFEGUARDS.

24-25 July, Geneva, Switzerland: WTO GENERAL COUNCIL.

Other forthcoming meetings

11 September, Hong Kong, China: FINANCING SUSTAINABLE DEVELOPMENT. This conference is organised by Global Knowledge Ventures and the Business Environment Council of Hong Kong, and seeks to find an interactive, practical and commercial approach to financing Sustainable Development in Hong Kong and China. For more information contact: Peter Castellas; tel: +613-9754-1862; email: pcastellas@gkv.com.au; Internet: <http://www.enviroseries.com/2003/fsd/index.html>.

4-5 November, London, England: DELIVERING CLIMATE TECHNOLOGY: PROGRAMMES, POLICIES AND POLITICS. This two-day international conference is organised by the Royal Institute of International Affairs (RIIA) in association with the Carbon Trust. It will address the emerging questions surrounding delivering climate technology. Building on the success of earlier RIIA climate change conferences, this year's focus on delivery will provide a key international forum for debate as the attention moves from general commitments to specific implementation. For further information contact RIIA, tel: +44 (0)20 7957 5700; fax: +44 (0)20 7957 5710; email: contact@riia.org; Internet: <http://www.riia.org/index.php?id=5&cid=36>.

RESOURCES

TRADE AND DEVELOPMENT AT THE WTO: ISSUES FOR CANCUN. By the International Development Committee (July 2003). As the fifth WTO Ministerial Conference is approaching, this report indicates the three elements the so called development round should feature to be successful: development-friendly agreements on a range of trade issues; effective participation by developing countries; and flexibility and policy space for developing countries within the WTO's rules. The report can be viewed at: http://www.parliament.uk/parliamentary_committees/international_development.cfm.

TRADE AND DEVELOPMENT BRIEFS. By IISD (Spring 2003). These briefing papers aim to set out what is at stake in the WTO Doha Round of negotiations in the areas of international development and environment. There are six briefs in the series, each of which focuses on an issue of particular importance for sustainable development: non-trade concerns relating to agriculture; special and differential treatment; trade facilitation; government procurement; development and agriculture; and investment. The series will be updated periodically as the negotiations proceed. The briefing papers are available for download at: http://www.iisd.org/trade/wto/sdc_briefing_may_2003.asp.

CORPORATE CONQUISTADORS IN CANCUN - THE EU OFFENSIVE FOR WTO INVESTMENT NEGOTIATIONS. InvestmentWatch Info Brief (July 2003). With a view to the ministerial meeting of the WTO in Cancun, Mexico from 10-14 September -- where Members will decide whether to start negotiations on a multilateral investment agreement -- this document analyses the push led by the European Commission for a WTO investment agreement to consolidate the expansion of EU-based multinational corporations. The document stresses, however, that civil society remains strongly opposed to such an agreement. The document is available at: <http://www.corporateeurope.org/mai/conquistadors.html>.

HUMAN DEVELOPMENT REPORT 2003. By UNDP (2003). Adopted by 189 countries at the UN Millennium Summit in September 2000, and number of goals -- ranging from halving extreme poverty to halting the spread of HIV/AIDS to enrolling all boys and girls everywhere in primary school by 2015 -- are transforming development. The Human Development Report 2003, entitled Millennium Development Goals: A Compact Among Nations To End Human Poverty, details how, despite efforts from governments, aid

agencies and civil society organisations, a huge amount of work remains to be done. The report assesses the greatest problems and analyses what needs to be done to reverse current setbacks. It also offers concrete proposals on how to accelerate progress. The report is available for download at: <http://www.undp.org/hdr2003/>.

HOW TO BUILD A BETTER TRADE PACT WITH CENTRAL AMERICA. By Sandra Polaski (Carnegie Endowment for International Peace, July 2003). The US is currently negotiating with Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua to create the US-Central American Free Trade Agreement (CAFTA). The author argues that the success of the CAFTA will depend on US proposals in four specific areas: agricultural trade; adjustment assistance to help those who lose from trade to adapt; labour law reform; and monitoring of the agreement's start-up phase. Each of these topics is discussed and concrete solutions are offered to negotiators to achieve positive outcomes. This issue brief -- in English and Spanish -- is available online at <http://www.ceip.org/trade>.

ENVIRONMENT AND DEVELOPMENT IN MEXICO: RECOMMENDATIONS FOR RECONCILIATION. By Jan Gilbreath (CSIS Press in cooperation with the Yale Center for Environmental Law and Policy, June 2003). The author notes that the Mexican government substantially reinforced its environmental regulations throughout the 1990s and developed programs and techniques to address the nation's environmental challenges. However, the policy changes did not compensate for environmental deterioration that occurred over decades of rapid industrialisation. Like many nations that have experienced a compressed period of development, Mexico now faces challenges of water supply and contamination, deforestation, and desertification. This book examines the continuing natural resource problems that threaten to undermine Mexico's future economic development and offers recommendations for reversing those resource trends. For further information visit: http://www.csis.org/pubs/2003_environment.htm.

SPECIAL PRODUCTS: THINKING THROUGH THE DETAILS. By Tim Ruffer (Oxford Policy Management, June 2003). This paper is intended to assist ongoing discussions on the design of the Special Product (SP) modality in a revised Agreement on Agriculture. The paper questions the extent to which maintaining high trade barriers on agricultural goods will necessarily address two objectives: to protect and enhance developing countries' domestic food production, and to sustain and enhance the employment, food security and livelihood opportunities for the rural poor. The paper can be accessed at:

http://www.opml.co.uk/economic_policy/trade_policy/et787_spec_produ.html

ANNOTATED VERSION OF "NEGOTIATIONS ON AGRICULTURE: 1ST DRAFT OF MODALITIES FOR THE FURTHER COMMITMENTS". Comments on the Harbinson draft for agriculture modalities by Sophia Murphy (IATP, June 2003). The version is available at: http://www.ictsd.org/issarea/ag/resources/NEGOTIATIONS_ON_AGRICULTURE/FIRST_DRAFT_OF_M_2.pdf.

MARKET ACCESS FOR ORGANIC AGRICULTURE PRODUCTS FROM DEVELOPING COUNTRIES - ANALYSIS OF THE EC REGULATION (2092/91). By the Swedish National Board of Trade, Kommerskollegium. The authors note that organic agriculture in developing countries is beneficial for sustainable development, but costly and complicated certification procedures hinder market access in developed countries. The purpose of this discussion paper is to review EC regulation 2092/91 in this regard and make some suggestions for future reforms. The paper is available at: <http://www.ictsd.org/issarea/ag/resources/Organic%20a%20kommerskollegium.pdf>.

3RD EDITION OF THE WORLD COMMODITY SURVEY 2003-2004. By UNCTAD (2003). The World Commodity Survey examines the global factors that have had an impact on raw material markets, whether for metals, farm products or energy. This survey is intended especially for policy makers in developing countries who wish to enhance the operation of the commodities sector. It analyses the principal trends in raw materials, the evolution of the oil market, the role of the state in the present international context and market instability as new risks emerge. The survey also addresses company governance through a detailed study of the Enron case. For further information visit: <http://www.unctad.org/infocomm>.

COMPENDIUM OF STUDIES OF EIA PRACTICE IN DEVELOPING COUNTRIES. By UNEP (May 2003). This document contains a series of case studies of Environmental Impact Assessment (EIA) practice in developing and transitional countries. The case studies have been prepared by EIA specialists from developing and transition countries to exemplify how the EIA process is implemented in different parts of the world and to identify difficulties that are commonly encountered in EIA practice in this context. Requests for copies should be sent to: <http://www.EarthPrint.com>. For further information visit: <http://www.unep.ch/etu/publications/Compendium.htm>.

A STRATEGIC ASSESSMENT OF THE KYOTO-MARRAKECH SYSTEM. By Michael Grubb, Tom

Brewer, Benito Müller, John Drexhage, Kirsty Hamilton, Taishi Sugiyama and Takao Aiba (RIIA, June 2003). This paper summarises the main findings of a study on strategic aspects of the international system for addressing climate change established under the Kyoto Protocol, and elaborated at Marrakech, after US withdrawal. The paper covers four modules: the real-world economics of the Kyoto-Marrakech system; business participation and influences; US engagement (prospects and influences); and future emission limitation commitments. It also explores the implications of possible future development scenarios. The synthesis paper and four module papers are available at: <http://www.iccept.ic.ac.uk/a5-1.html>.

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