



INTERNATIONAL CENTRE FOR  
TRADE AND SUSTAINABLE  
DEVELOPMENT

# Bridges

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### LEAD STORIES

#### WTO INTERIM REPORT ON US COTTON CASE: BRAZIL CLAIMS VICTORY

Brazil has claimed victory after the WTO panel hearing Brazil's challenge against US cotton subsidies released its interim report on 26 April. Briefing reporters, Clodoaldo Hugueney, Brazil's lead WTO negotiator, said the panel agreed with the key elements of Brazil's arguments. The report itself is confidential at this stage, but will be released on 18 June. Echoing the sentiment of other cotton producing developing countries, some of which are third parties in this dispute, Hugueney warned that "this panel is going to show how important it is that you really change this policy of developed nations". The wider repercussions for agricultural subsidies may also be far reaching.

#### The crux of Brazil's claim

The crux of Brazil's claim was that subsidies paid to US cotton farmers from 1999-2000 and those authorised in the 2002 Farm Bill, contravene WTO rules on Subsidies and Countervailing Measures and the Agreement on Agriculture (see BRIDGES Weekly, 2 October 2002, <http://www.ictsd.org/weekly/02-10-02/story1.htm>). Brazil argued that the US was responsible for driving down world cotton prices, consequently causing harm to Brazilian farmers while increasing the US share of the global cotton market. The US had countered this allegation by arguing that its subsidies did not encourage over production because they were 'decoupled' from output (that is, they were provided independent of the yield of farmers). Sources indicated that the US lost on this crucial point.

#### Linkages with the 'peace clause'

This dispute was initiated before the expiry of the so called 'peace clause' -- an agreement between Members to refrain from challenging each others domestic agricultural subsidies -- and is not related to its expiration. As the peace clause now has expired, trade sources speculated that a successful case against the US might contribute to opening "the

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floodgates for challenges" against developed country agricultural subsidies. Ross Denton, an attorney at law firm Baker and McKenzie in London, was quoted as saying that "there will be a number of people approaching countries to see if they want to bring a case". Brazil had argued that the peace clause only applied if subsidies stayed within limits negotiated in the Uruguay Round, and that the US had exceeded its limits. Reportedly, the panel disagreed with the US defence, which claimed it was protected by the peace clause.

### Other impacts of the ruling

In response to the interim panel report, a number of trade sources speculated that the ruling might be used as a negotiating chip by developing countries. Coining the ruling as "landmark," one trade negotiator said it should strengthen the case for the reduction and elimination of developed country subsidies in the current round of negotiations (see related story, this issue), and put pressure on developed countries in the talks. Brazil's foreign minister, Celso Amorim, noted that "this will be very important for the future of the Doha round". In fact, as the implementation of WTO rulings tend to drag on for years, countries wishing to see subsidies decrease might find this negotiating opportunity to be the greatest value flowing from the cotton decision.

Reactions from US quarters, however, played down the importance of the ruling. At a press briefing on April 27, Scott McClellan, White House spokesperson, insisted on the WTO compatibility of US cotton farm programmes, adding that the decision would have "no immediate impact" on subsidies. Allen Johnson, US chief agricultural trade negotiator, stressed that "these sorts of cases are not going to be what creates the necessary energy and momentum" in arriving at a successful conclusion of the ongoing trade talks. Some other trade sources also cautioned that the ruling was only interim at this point in time.

Civil society organisations -- some of which have been calling on the US to address the negative impact of cotton subsidies on African countries -- welcomed the interim ruling and said the decision would be key in accelerating the elimination of subsidies. In a statement on the ruling, Oxfam stressed that the ruling was a victory not just for Brazil, "but particularly for 10 million poor African farmers whose livelihoods have been crippled by unfair competition".

Benin and Chad, third parties to the case, had, along with two other West African countries, called for the end to cotton subsidies through the so called "Cotton Initiative" that was launched prior to the WTO fifth ministerial meeting last year (see BRIDGES Weekly, 4

June 2003, <http://www.ictsd.org/weekly/03-06-04/story3.htm>).

### The US likely to appeal the final report

Under WTO rules, the US may request the panel to review particular aspects of the interim report. However, panel conclusions are usually not substantially changed as a result of such requests. The final report is therefore likely not to differ much from the interim report. The US has already stated that it will appeal the ruling if it remains unchanged in the final report, expected to be issued on 18 June.

ICTSD reporting; "US Defends Cotton, Other Farm Programs After Ruling," REUTERS, 27 April 2004; "Brazil Says Wins WTO Ruling on US Cotton," FINANCIAL TIMES, 27 April 2004; "WTO Cotton Ruling May Help Subsidy Opponents," THE WALL STREET JOURNAL, 27 April 2004; "Ditching the Peace," THE ECONOMIST, 27 April 2004.

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## AGRICULTURE TALKS FAIL TO MEET EXPECTATIONS

The second set of post-Cancún negotiations on agriculture in the Committee on Agriculture (CoA) special session concluded on 23 April without making any substantive progress. As reported last week (see BRIDGES Weekly, 22 April 2004, <http://www.ictsd.org/weekly/04-04-22/story1.htm>), the talks primarily focused on market access -- the area widely considered as being most difficult to resolve. The dozens of informal meetings between various groupings of Members held from 19-23 April revealed that major divergences on an appropriate formula for tariff reductions still persist, and CoA special session Chair Timothy Groser expressed some disappointment over the outcome. Wrapping up the agriculture week in a formal session, he said that even his "modest expectations" had not been met. A source from G-10 group, which includes countries such as Switzerland and Japan, said he was "not quite sure it's a setback (...) but there are certainly more divergent views".

### Divergences persist over market access

According to trade sources, divergences are growing with regard to two major issues: first, on the potential formula for reducing agricultural tariffs; and second, on the potential increases in tariff quota volumes. On the formula, a number of Members oppose the so-called blended tariff reduction formula. The blended formula combines elements of the so-called Uruguay Round (UR) formula, with sets an average reduction with a minimum reduction per tariff line -- to be applied to certain "import sensitive" products -- and the Swiss

formula, which would bring down all tariffs horizontally to a maximum ceiling (effectively addressing tariff peaks). It also involves a commitment to provide zero-tariff access to a certain number of products. The formula originally emerged in a joint EC-US position in the lead-up to Cancún.

Instead, the G-20 and the Cairns Group of agricultural exporters have proposed reviving the so called the "banded" (or tiered) approach, originally proposed by former CoA Chair Stuart Harbinson. This approach implies different reduction commitments for different tariff bands, as well as accompanying measures to protect sensitive products from increasing competition. This approach, however, faces stiff resistance from the EC and US. While the US reportedly is trying to negotiate only small adaptations within the "blended" formula, the EC has signalled some openness to different proposals. US chief agriculture negotiator Allen Johnson said on 22 April that he was ready to discuss certain aspects of the "blended" formula, but was opposed to change the approach "just for the sake of changing formulas". The EC on the other hand would, according to a trade official, consider the possibility of replacing the "blended" formula by the "banded" formula, but only if some measures were agreed on to enable the EC to protect its most sensitive sectors.

On increased tariff rate quotas, the EC said a stand-alone provision calling for substantive increases of the tariff rate quotas would be "unacceptable".

#### **EC seeks clarification on "parallelism"**

At the margins of the meeting, the issue of "parallelism" emerged. The EC said it was willing to make "very significant commitments" in the export subsidy issue, but only if a certain parallel movement was made on tackling effectively all export subsidy components in the form of food aid, credit and guarantee programs, as well as State trading enterprises. An EC official said "we need to get a clear understanding of what other WTO Members are ready to put on the table", adding that "we want to see parallelism, and I think people are ready to engage with us now on looking at what this means".

#### **Groups reporting back**

On Friday, 23 April, Chair Groser provided the different groups the opportunity to report on the negotiations, and three groups seized the occasion. Mauritius, on behalf of the African Group, said that the discussions on market access had been too short, and that longer in-depth discussions still were needed. Furthermore, the Africans reiterated their call for a real integration of trade preferences into the framework text and a better

understanding of Special Products (SP) and a Special Safeguard Mechanism (SSM).

The G-10 thanked the G-20 for trying to bridge the gaps and injecting momentum by proposing the "banded" formula, but warned that if such an approach proved to be a "twin" of the Harbinson draft, the proposal would be unacceptable, even without any numbers. Indonesia, speaking to the G-33, reported a better understanding between the members, and reiterated its ambition with respect to operationally integrating the SP and SSM concepts in the framework negotiations.

The next agriculture negotiations are scheduled for 2-4 June, 23-25 June and 14-16 July.

ICTSD reporting; "WTO Ag chair cites disappointing outcome to farm trade talks; expectations not met," WTO REPORTER, 26 April 2004.

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### **"BYRD AMENDMENT" CROPS UP IN RULES GROUP**

The WTO Negotiating Group on Rules convened on 26 and 28 April, with delegates meeting informally between the official meetings. The Negotiation Group -- which focuses on the review and improvement of WTO rules that govern issues such as dumping, antidumping measures, subsidies and countervailing measures -- discussed antidumping at the 26 April meeting, while the 28 April meeting centred on fisheries subsidies.

#### **"Byrd Amendment" crops up, spurs controversy**

During the first day of the meeting, Members considered issues raised in a submission by the US (TN/RL/W/153, available at <http://docsonline.wto.org>). The submission sought to spur discussion around: the potential to establish regional antidumping authorities in order to bring down costs for developing countries; the right of Members to determine the disbursement of collected antidumping duties; the use of "facts available" in antidumping investigations. Many Members reacted to the second issue with concern. Referring back to a case in which the WTO dispute settlement body had ruled against a US law -- the so called "Byrd Amendment" -- which allowed for collected antidumping duties to be channelled back to the injured US company (see BRIDGES Weekly, 22 January 2003, <http://www.ictsd.org/weekly/03-01-23/story2.htm>), Korea said the issue did not belong in the rules group. Noting that a WTO panel, sustained by the Appellate Body, had ruled the "Byrd Amendment" illegal, Japan said it was "quite surprised and deeply puzzled" that the US had brought the issue up, and pointed out that the US had not implemented the ruling. Japan said that new rules on this point would never be acceptable as

the outcome of negotiations. Brazil said changing the rules to make illegal measures WTO consistent would set a bad precedent. Several other countries also echoed these concerns. The US, however, said it was "beyond question that countries have the sovereign right to distribute government revenues as they deem appropriate," but added that the US intended to implement the "Byrd Amendment" ruling.

The other two discussion topics introduced by the US were supported by other Members. The group then went on to discuss a paper (TN/RL/W/150) by the Friends of Anti-Dumping Negotiations (Chile, Colombia, Costa Rica, Japan, Korea, Norway, Singapore, Switzerland, Chinese Taipei, Thailand, and Hong Kong, China) proposing that certain provisions of the WTO Anti-Dumping Agreement related to the determination of "normal value" in anti-dumping investigations be amended. The "Friends" want to change WTO rules to prevent abuse of anti-dumping measures and burdensome or unnecessary investigations. The US, on the other hand, wishes to maintain maximum flexibility in the use of trade remedies and focuses on closing loopholes in the existing Agreement.

### **Fisheries subsidy debate revived**

New Zealand submitted a proposal on fisheries subsidies, focusing on overcapacity and overexploitation (TN/RL/W/154). The proposal noted that a number of previous submissions (see BRIDGES Weekly, 25 June 2003, <http://www.ictsd.org/weekly/03-06-25/story4.htm>) had sought to define categories of forbidden subsidies based on their contribution to overcapacity in the fisheries sector or to overfishing. New Zealand, however, stressed that explicitly addressing these issues through subsidy rules was difficult, and suggested instead an approach based on a broad prohibition of programmes that have revenue or cost impacts for the fisheries industry and thereby lead to overcapacity and overfishing. Under this broad approach, New Zealand highlighted the need for exceptions and transitional provisions, including special and differential treatment for developing countries, and suggested the negotiation of a "negative list" of exceptions to exempt environment-friendly and other subsidies.

The US, Iceland, Chile, Norway and Peru, members of the "Friends of Fish" group along with New Zealand, supported the proposal. Argentina, Thailand, the Philippines and Pakistan also supported it. The EC said that while agreeing with the idea behind the proposal, it felt it was too brutal, and stressed the need for exemptions for programmes in developing countries and in poorer regions in the EC itself. India and Malaysia also said that special and differential treatment for developing countries was essential.

Japan -- supported by Korea and Chinese Taipei -- opposed the New Zealand proposal, calling it extreme and outside the mandate agreed for the Doha round. New Zealand, however, felt that views in the debate now were less polarised than before, and called on Members to work together to find ways to limit harmful fisheries subsidies.

The next meeting of the Negotiating Group is scheduled for 7-8 June.

ICTSD reporting.

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## **OTHER NEWS**

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### **US ARGUES EC GMO MORATORIUM HURTS DEVELOPING COUNTRIES**

On 21 April, the US presented its first submission in the WTO case it has launched against the EC de facto moratorium on the approval and marketing of biotech products (see BRIDGES Trade BioRes, 25 August 2003, <http://www.ictsd.org/biores/03-08-25/story2.htm>), highlighting alleged impacts on developing countries. In the submission, the US elaborated on its claim -- first outlined in its earlier panel request (WT/DS291/23, available at <http://docsonline.wto.org>) -- that the moratorium was inconsistent with certain provisions of the WTO Agreement on Sanitary and Phytosanitary Measures (SPS Agreement). In contrast to the legal claims presented in its panel request, the US did not challenge any aspects of the moratorium under the WTO Agreement on Technical Barriers to Trade (TBT). However, the US reserved the right to prove inconsistency with the TBT Agreement should the EC argue in its submissions that the measures (both general and product specific moratoria) questioned by the US did not fall within the scope of the SPS Agreement.

The US further challenged specific measures enacted by six EC members, namely Austria, France, Luxembourg, Germany, Italy and Greece.

### **Impact of the moratorium on developing countries**

According to the US, apart from blocking developing country exports of biotech crops into the EC, the moratorium also contributed to the decisions of the southern African countries Zambia, Zimbabwe and Mozambique to reject food aid from the US that was produced using biotechnology in 2002. The US added that necessary biotech research activities "address the



agronomic and nutritional issues of particular concern to developing countries" have been impeded by the negative EC approach. The US also said that this situation has prevented the use of biotechnology by farmers in these countries, "notwithstanding the fact that scientists from the region have insisted that the technology is crucial to boosting food production in Africa and breaking the cycle of malnutrition and starvation". The US cited publications and news articles reporting on the above-mentioned causal impacts of the EC's moratorium as evidence.

### **Legal arguments under the SPS Agreement**

In its submission, the US argued that the EC has not based its moratorium on a "risk assessment" as envisaged under the SPS Agreement. The US further claimed that the EC moratorium was not based on scientific principles, and was maintained without sufficient scientific evidence. The US asserted that the "sufficient scientific evidence" obligation required that there be a "rational or objective relationship between the SPS measure and the scientific evidence," a nexus missing from the EC measure. In addition, the US argued that the EC moratorium could be considered to be causing unnecessary procedural delay, also illegal under the SPS Agreement. Moreover, the US questioned the transparency of the moratorium and said the EC had failed to promptly publish the moratorium when it was adopted.

The EC is expected to respond to these claims in its first written submission expected to be presented to the WTO panel in May this year.

ICTSD reporting.

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### **EU, RUSSIA EXTEND TRADE DEAL, DISCUSS WTO, KYOTO PROTOCOL**

Following intensive talks between Romano Prodi, President of the European Commission, and Russian President Vladimir Putin last week, the two parties struck a deal on 27 April to extend their Partnership and Cooperation Agreement (PCA). The PCA governs bilateral relations between Russia and the EU, and will now also cover the ten new members joining the EU on 1 May, many of which are former East block countries. Russia had expressed concern over the trade effects of the extension, as well as over the fate of Russian minorities in the new EU members (see BRIDGES Weekly, 31 March 2004, <http://www.ictsd.org/weekly/04-03-31/inbrief.htm#2>).

The two parties were, however, able to sign a protocol extending the PCA on 27 April -- just four days before the new members enter the EU -- and issued a joint statement acknowledging opportunities for increased

cooperation offered by EU enlargement. After the enlargement, the average tariffs on Russian products entering the new members will decrease from nine to four percent.

### **Russia's WTO accession...**

Also raised in the talks between Prodi and Putin, held from 22-23 April in Moscow, were Russia's WTO application and the Kyoto Protocol. Both issues are slated for possible inclusion in a "package deal" between Russia and the EU at a summit on 21 May.

Russia has been seeking accession to the WTO for nearly ten years, and has to clinch bilateral deals with Members that ask for them. Disagreement between Russia and the EU has centred on access restrictions to the Russian gas pipeline and subsidised Russian gas prices, which the EU considers WTO-incompatible (see BRIDGES Weekly, 8 April 2004, <http://www.ictsd.org/weekly/04-04-08/story5.htm>).

Reportedly, Russia indicated it could compromise by opening up its gas pipelines, but was not willing to agree to a binding commitment on higher gas prices. Prodi noted political will on both sides to resolve this, and some other outstanding issues related to the accession. After Russia finds agreement with the EU, it will still have to clinch deals with other Members, including the US and China.

### **... linked to Kyoto Protocol ratification**

During the meeting, Prodi urged Russia to ratify the Kyoto Protocol, which sets emissions limitations for greenhouse gases. The Protocol cannot enter into force without Russia, following the pullout of the US in 2001. Russia's ratification has been linked to progress in its WTO accession, and speaking after the meetings, a Russian official indicated that the removal of "risks" could encourage Russia to ratify: "To remove worries about EU enlargement would be taking away a risk, to remove demands about raising gas prices would be removing a risk... The quicker the risks are removed, then the quicker a decision will be made [on the Kyoto Protocol]." Prodi stressed the economic benefits the Protocol could bring to Russia, saying that "We are pressing ahead with preparations to launch the world's biggest greenhouse gas market in 2005. Ratification will allow the Russian economy to diversify, allowing the economy to move away from relying on mainly energy".

While Putin himself has not yet spoken on the Protocol, his economic advisor, Andrei Illarionov, has taken an openly negative stance. According to Illarionov, the Protocol would hamper Russia's economic growth, and in his latest public statement he said "The Kyoto Protocol is a death treaty, no matter how strange that seems, because its main purpose is to stifle economic

growth and economic activity in countries which assume its responsibilities".

The EU and Russia will hold a high-level Summit on 21 May.

To access the PCA Protocol and the Russia-EU Joint Statement, visit [http://europa.eu.int/comm/trade/issues/bilateral/countries/russia/pr270404\\_en.htm](http://europa.eu.int/comm/trade/issues/bilateral/countries/russia/pr270404_en.htm)

"EU pledges help with Russia's WTO accession, while urging Russia to ratify the Kyoto Protocol," AP, 23 April 2004; "Russia to Ease Pipeline Access for WTO Entry," MOSCOW TIMES, 26 April 2004; EU, "Russia clear last hurdles to trade deal, RUSSIA JOURNAL," 28 April 2004; "Russia and EU Strike a Deal," MOSCOW TIMES, 23 April 2004.

on promoting solutions that would effectively benefit poorer people and countries." Participants also stressed the need to better embed the trading system within the international governance structure. On commodities -- one of the thematic areas where civil society has requested a much greater role for UNCTAD -- participants called for the prohibition of commodities being sold below the cost of production and the need to guarantee remunerative prices at the international level.

UNCTAD holds a conference every four years to set its priorities and guidelines. For further information, visit <http://www.unctadxi.org> and <http://www.iatp.org/unctadxi>

ICTSD reporting; "NGOs Call for Broad UNCTAD Mandate to Assist Poor Countries: Concerns that Industrial Countries Are Trying to Undermine UNCTAD," IATP, 22 April 2004.

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## IN BRIEF

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### CIVIL SOCIETY PROVIDES INPUT AT FINAL UNCTAD XI HEARING

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On 22 April, the final hearing with civil society and the private sector was held in the lead-up to the UNCTAD XI conference -- scheduled for 13-18 June 2004 in São Paulo, Brazil (see BRIDGES Weekly, 26 February 2004, <http://www.ictsd.org/weekly/04-02-26/story4.htm>). The Geneva discussions touched on, inter alia, the appropriate balance between public policy intervention and the market; strengthening UNCTAD; the way forward for the multilateral trading system; and strengthening international commodity policies for development. Raising a variety of concerns over the "neo-liberally infused" rejection of public policy interventions in orthodox development thinking, participants stressed the importance of balancing, sequencing and properly timing the move towards a market driven economy as a way of ensuring that the liberalisation process supports development. These sentiments held, noted one observer, not only for trade but also for investment and finance.

On strengthening UNCTAD, calls were made for the organisation to continue its work of projecting into the national and international spheres a new understanding of the complexities of development and globalisation, which -- according to commentators -- "recognises the balance needed between the state and the market". This task must include, noted a civil society press release, a continued mandate for UNCTAD to be "ready to make far-reaching proposals" and to take "the lead

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### EU TO REFORM TOBACCO, OLIVE, COTTON SECTORS

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On 22 April, the EU Council of Ministers agreed on a reform plan for its Common Agricultural Policy (CAP) in the sectors of tobacco, olive oil, cotton and hops. After long hours of negotiation, ministers decided to reform the subsidy regime by partially "de-coupling" the subsidies from production. According to Agriculture Commissioner Franz Fischler, the new policy is "geared towards a competitive, environmentally friendly and quality oriented farming sector". The implementation of "single farm payments," which is consistent with the CAP reform package of last year (see BRIDGES Weekly, 3 July 2003, <http://www.ictsd.org/weekly/03-07-03/story1.htm>), will only progressively enter into force in 2006 (2005 for hops), and the de-coupling from production is only partial. The EU member states will still have the right to grant a certain percentage of production-linked subsidies, limited at 60 percent for tobacco, 40 percent for olive oil, 35 percent for cotton and 25 percent for hops. Furthermore, a transition period of four years is envisaged for tobacco. The product-specific CAP reform coincides with the ongoing WTO agriculture talks (see related story, this issue), and Fischler noted that "these reforms send a clear message to our trading partners, especially the developing countries".

In response to the EU reform plan, some critical voices have emerged. A recent report on cotton by the Overseas Development Institute argues that the proposed changes will not alleviate the problems faced by cotton-exporting developing countries. This is due to the fact that the link between subsidies and cotton production is not fully broken under the new regime, and subsidies that are only partially decoupled do not

provide sufficient incentives to farmers to move away from cotton production.

For further information on the EU CAP reform see [http://europa.eu.int/comm/agriculture/capreform/index\\_en.htm](http://europa.eu.int/comm/agriculture/capreform/index_en.htm)

To access the ODI report see [http://www.odi.org.uk/iedg/cotton\\_report.html](http://www.odi.org.uk/iedg/cotton_report.html)

"CAP reform continued: EU agrees on more competitive and trade-friendly tobacco, olive, cotton and hops regimes," EC RELEASE, 22 April 2004.

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### **WB, IMF: DEVELOPING WORLD NEEDS MORE AID AND TRADE**

Participants at the annual World Bank and International Monetary Fund (IMF) Spring Meetings, held from 24-25 April in Washington, D.C., said the developing world needs more aid and more open markets in developed countries in order to be able to meet the UN Millennium Development Goals. Despite an IMF forecast that world growth would surge in 2004, the meeting concluded that "based on current trends, most Millennium Development Goals will not be met by most developing countries, particularly in sub-Saharan Africa." On trade and new market opportunities for developing countries that would allow them to grow, a meeting communiqué supported the current Doha round of trade negotiations. The communiqué stressed the need for a "constructive and determined effort to move the multilateral trade agenda forward," including the elimination of trade-distorting subsidies in the areas of agriculture, textiles and clothing. "A weaker multilateral agenda risks further boosting regional and bilateral initiatives which, over time, can fragment the global trading system and reduce its transparency," stressed Anne Krueger, IMF acting Managing Director. Participants also highlighted the need for subsidy reduction. James Wolfensohn, World Bank President, commented on the "fundamental imbalance" affecting Africa in particular, as the world spends US\$900 billion on defence, US\$300-500 billion on agricultural subsidies and \$50-60 billion on aid annually. The Finance Minister of the Democratic Republic of Congo, Andre Futa commented that "on one hand, one is supporting free trade, the development of private markets, competition, but on the other hand, we see huge amounts that go above and beyond what should be given to us to decrease our debts. These amounts are used as subsidies".

"Africans getting poorer - G7," NEWS24.COM, 25 April 2004; "Protectionism would hamper growth, IMF," REDIFF.COM, 26 April 2004; "IMF, World Bank, EBRD and ADB release report on CIS-7 initiative," WB PRESS RELEASE, 26 April 2004; "African ministers call for

debt relief, aid, no trade barriers," UN WIRE, 26 April 2004; "IMF, World Bank concerned over failure of developing world to meet MDGs," CHINAVIEW.CN, 25 April 2004.

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### **US, CHINA TRADE MEET "REASSURING"**

Chinese Vice Premier Wu Yi met on current trade issues with US Commerce Secretary Donald Evans and Trade Representative Robert Zoellick on 21 April in Washington, D.C. The discussions, which were held under the auspices of the US-China Joint Commission on Commerce and Trade (JCCT), were "very reassuring," according to the participants. US-China trade relations have been running into some trouble over issues such as the US trade deficit with China, and the US recently filed a WTO complaint over China's value added tax rebate policy for semiconductors (see BRIDGES Weekly, 31 March 2004, <http://www.ictsd.org/weekly/04-03-31/wtoinbrief.htm#2>). Among a slate of issues discussed at the Washington meeting, Beijing agreed on an action plan to reduce intellectual property piracy and moved to certify a list of genetically modified US agricultural products. In a speech, Wu Yi noted that although China bears some responsibility for the trade imbalance between the countries, the "(expansion of) US exports to China requires more than the unilateral efforts of China... The American side should also show sincerity and take concrete actions to relax unreasonable controls on its exports to China".

Established in 1993 as a bilateral government consultative mechanism, the US-China JCCT provides an annual forum to resolve trade concerns and promote commercial opportunities. Officials from the two countries will be holding working group meetings within the next several months on insurance, structural issues and agriculture. A newly formed intellectual property body bringing together trade, judicial, and law enforcement authorities from the US and China will also meet.

"US, China hammer out deals," TAIPEI TIMES, 23 April 2004; "China: U.S. Must Limit Export Curbs," GUARDIAN UNLIMITED, 23 April 2004; "China, US strike trade accord," CNET NEWS, 21 April 2004; "US-China Business Council: Results of High-Level Trade Talks Very Reassuring," THE US-CHINA BUSINESS COUNCIL PRESS RELEASE, 23 April 2004; "China Trade Group Scores Successes," CALTRADE REPORT, 23 April 2004.

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**WTO IN BRIEF**

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**NEPAL FORMALLY 147TH WTO MEMBER**

On 23 April, the Kingdom of Nepal became the 147th Member of the WTO. Nepal is the first officially classified least developed country (LDCs) to join since the WTO was established in 1995. According to the Nepalese government, the accession will present challenges and opportunities, particularly considering its large trade deficit. Although easy access to world markets could boost exports and revive the economy, Nepal has few industries and thus very little to export. The main export industries include garments and carpets. After the accession package was approved at the fifth WTO Ministerial Conference in Cancún last year, Nepal notified the WTO on 24 March of its completion of the process of ratification and its acceptance of the Protocol of Accession. The entry into force of the Protocol automatically occurs 30 days later. Cambodia also completed negotiations last year, but its ratification is still pending. Twenty-four countries are currently in the process of negotiation for WTO accession: Algeria, Russia, Saudi Arabia, Belarus, Ukraine, Sudan, Uzbekistan, Viet Nam, Seychelles, Tonga, Kazakhstan, Azerbaijan, Andorra, Laos, Samoa, Lebanon, Bosnia Herzegovina, Bhutan, Cape Verde, Yemen, Serbia and Montenegro, Bahamas, Tajikistan and Ethiopia.

"Nepal becomes WTO member," NEPALNEWS, 23 April 2004; "Nepal takes WTO membership to 147 states," REUTERS, 23 April 2004; "Nepal becomes WTO's latest member," BBC NEWS, 23 April 2003; "WTO membership rises to 147," WTO NEWS, 23 April 2004.

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**EVENTS & RESOURCES**

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**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).

**ICTSD Events**

19 May, Geneva, Switzerland: BIOTECHNOLOGY AND TRADE - UNTANGLING KEY ISSUES. Organised by

ICTSD and the Geneva Environment Network. The roundtable will offer an informal setting for exploring a number of policy questions relating to trade and biotechnology, including: To what extent will trade considerations constrain the Parties to the Cartagena Protocol when finalising and implementing biosafety measures under the Protocol? What flexibilities does the multilateral trade regime provide for countries to implement their biosafety regulations and how will these flexibilities be impacted by the WTO dispute? Will it be possible to strike an adequate balance between a precautionary approach to policy-making and existing obligations under international trade rules? The roundtable will be held at the International Environment House. For further information, contact Sofie Flensburg; email: [Sofie.flensburg@unep.ch](mailto:Sofie.flensburg@unep.ch), Internet: <http://www.environmenthouse.ch/roundtables.htm>.

**Coming Up: 29 April to 5 May**

19-30 April, New York, US: TWELFTH SESSION OF THE COMMISSION ON SUSTAINABLE DEVELOPMENT. The 12th session of the CSD will be the first Review Session under the Commission's new Implementation Cycle. Participants will determine how a task- and action-oriented CSD will respond to the challenge of implementation and how future Review Sessions will be organised. The results of the CSD-12 review should bring about an improved understanding of priority concerns of the thematic issues selected for this Cycle - namely Water, Sanitation and Human Settlements - and pave the way for an effective policy session at CSD-13. CSD-12 will also continue the tradition of side events. For further information contact the UN Division for Sustainable Development, tel: +1-212 963-2803; fax: 963-4260; email: [dsd@un.org](mailto:dsd@un.org); Internet:

<http://www.un.org/esa/sustdev/csd/csd12/csd12.htm>

26-29 April 2004, Vancouver, Canada: IAIA'04: IMPACT ASSESSMENT FOR INDUSTRIAL DEVELOPMENT - WHOSE BUSINESS IS IT? This 24th Annual Meeting of the International Association for Impact Assessment (IAIA) will focus on the role of the private sector in impact assessments, including implications for improving the professional practice and processes of impact assessment. Impact assessment of trade policy and agreements is one of the key topics of this year's conference, including a joint session with the IAIA Biodiversity Section, on principles and practice for biodiversity impact assessment of trade. The IAIA'04 conference event offers an opportunity for experts, decision makers, industry, and professionals of different visions and expertise to explore this issue. For submission instructions or more information on IAIA'04 visit <http://www.iaia.org> or contact Bridget John, tel: +1.701.297.7908; email: [bridget@iaia.org](mailto:bridget@iaia.org).



26 April to 10 May: EFORUM ON GLOBAL REPORTS AND GLOBAL POLICY CHALLENGES. Organised by the Global Public Goods Network (gpgNet) this debate will focus on whether there has been a match or a mismatch between global reports and global policy challenges. To the extent that global reports influence (and are influenced by) policymaking, addressing this question should contribute to giving a better sense of where the world is headed, where the shortcomings and problems lie, where progress is being made and what needs to be done to ensure a better future. To participate, send a blank email to: [subscribe-gpgnet-reports@groups.undp.org](mailto:subscribe-gpgnet-reports@groups.undp.org). For further information, see <http://www.gpgnet.net/topic06.php>

2-6 May, Vancouver, BC, Canada: FOURTH WORLD FISHERIES CONGRESS. The Congress will explore issues related to the challenge of managing aquatic ecosystems in particular the reconciliation of fisheries with conservation through the promotion of scientific advice, cooperation and partnership among the world's fisheries scientists, managers, the fishing industry, and conservationists. For further information contact: Congress Secretariat; tel: +1 604 688-9655; fax: 685-3521; email: [fish2004@advance-group.com](mailto:fish2004@advance-group.com); Internet: [http://www.worldfisheries2004.org/program/congress\\_theme.htm](http://www.worldfisheries2004.org/program/congress_theme.htm)

3 May, Copenhagen, Denmark: SEMINAR ON TRADE-RELATED PROPERTY RIGHTS AND HEALTH. This seminar is organised by the 'WTO, Trade & Development' network, an initiative based at the Danish Institute for International Studies (DIIS). The aim of the network is to provide an international forum for the discussion and dissemination of research and policy-relevant information on trade and development issues. The seminar is part of the 'Trade Mondays' series, with a seminar once a month at DIIS. For further information on the network and the 'Trade Mondays', contact Stefano Ponte, Seminar Coordinator, email: [spo@diis.dk](mailto:spo@diis.dk)

3-4 May, Washington, D.C., US: WORLD BANK ANNUAL BANK CONFERENCES ON DEVELOPMENT ECONOMICS (ABCDE). The theme of the conference will be "Lessons of Experience". It will feature presentations on: the future of development - the next 10 years; a half century of development; evolution of thinking on development - lessons learned; infrastructure and development; and trade and development. An Economists' Forum will hold parallel sessions. For further information see <http://econ.worldbank.org/abcde/index.php?confid=33788>

3-7 May, Paris, France: CODEX COMMITTEE ON GENERAL PRINCIPLES, 20TH SESSION. Joint FAO/WHO food standards programme. For this

session, items on the agenda include: proposed draft revised code of ethics for international trade in foods, definition of traceability/product tracing of foodstuffs, guidelines for cooperation with international intergovernmental organisations. For further information contact the Codex Secretariat, fax: +39-6 5705-4593; email: [Codex@fao.org](mailto:Codex@fao.org); Internet: [http://www.codexalimentarius.net/ccgp20/gp20\\_01e.htm](http://www.codexalimentarius.net/ccgp20/gp20_01e.htm)

3-14 May, Geneva, Switzerland: FOURTH UN FORUM ON FORESTS. For further information, contact: UNFF Secretariat, phone: +1-212-963 3160, fax: +1-212-963-4260, email: [unff@un.org](mailto:unff@un.org), website: <http://www.un.org/esa/forests/about.html>

4 May, Washington, D.C., US: THE STORY OF CHINA AND SECTION 301: DO CHINESE LABOR CONDITIONS CONSTITUTE UNFAIR TRADE PRACTICES? The AFL-CIO - the largest labour organisation in the US - has petitioned the US Government to impose trade remedies against goods from China. The petition contends that the Chinese government's "persistent pattern of repressing labor rights" has created "a huge pool of cut-rate labor that has displaced as many as 1.2 million US jobs." Questions discussed at this event organised by the Washington International Trade Association (WITA) include: What precedent does the 301 petition set for future linkages between international trade and social conditions? How much do social conditions influence trade practices? For further information contact WITA, tel: +1 202-312-1600; email: [events@wita.org](mailto:events@wita.org); Internet: <http://www.wita.org/content.cfm?L1=4&QA=238>

## WTO Events

An updated list of forthcoming WTO meetings is posted at: [http://www.wto.org/english/news\\_e/meets.pdf](http://www.wto.org/english/news_e/meets.pdf). Please bear in mind that dates and times of WTO meetings are often changed, and that the WTO does not always announce the important informal meetings of the different bodies. Unless otherwise indicated, all WTO meetings are held at the WTO, Centre William Rappard, rue de Lausanne 154, 1211 Geneva, Switzerland, and are open to WTO Members and accredited observers only.

29 April: WTO COMMITTEE ON SUBSIDIES AND COUNTERVAILING MEASURES SPECIAL MEETING.

29-30 April: WTO COMMITTEE ON SUBSIDIES AND COUNTERVAILING MEASURES.

29-30 April: WTO WORKING PARTY ON THE ACCESSION OF SAUDI ARABIA.

30 April: WTO DISPUTE SETTLEMENT BODY - SPECIAL SESSION.

3 May: WTO WORKING GROUP ON TRADE AND TRANSFER OF TECHNOLOGY.

5 May: WTO COMMITTEE ON IMPORT LICENSING.

5 May: WTO NEGOTIATING GROUP ON RULES - REGIONAL TRADE AGREEMENTS.

### Other Forthcoming Events

16-18 May, St. Louis, Missouri, US: CONGRESS ON THE FUTURE OF THE AGRI-FOOD SYSTEM: PERSPECTIVES FROM THE AMERICAS. This World Agricultural Forum regional congress will focus on developing a new model for agriculture. Congress participants will look at agriculture in the Americas through the following lenses: Commodities, Natural Resource Management, Social Issues and Trade. For more information contact the World Agricultural Forum, tel: +1-314-206-3208; fax: +1-314-206-3222; e-mail: [wafstl@stlrcga.org](mailto:wafstl@stlrcga.org); Internet: [http://www.worldagforum.org/2004\\_homepage.html](http://www.worldagforum.org/2004_homepage.html)

29 May to 4 June, Washington, D.C., US: 36TH WORLD FARMERS CONGRESS. This Congress, organised by IFAP -- the world body gathering national farmers organisations -- will be the occasion to challenge world leaders on global issues, such as the WTO trade negotiations, water, food security and industrial concentration. For over 50 years, inter-governmental organisations have been mandated to eliminate hunger and poverty, and place the world on a sustainable path for global economic development. For further information contact IFAP-FIPA, tel: +33-1-4526-0553; fax: +33-1-4874-7212; e-mail: [ifap@ifap.org](mailto:ifap@ifap.org); Internet: <http://www.ifap.org/wfc04/index.html>

11-12 June, São Paulo, Brazil: UNCTAD CIVIL SOCIETY FORUM. As part of the official UNCTAD XI programme, a Civil Society Forum will provide an opportunity for civil society organisations (CSOs) to discuss priority issues relevant to the overall theme, subthemes and topics of the conference; to exchange information and build consensus among CSOs; to facilitate and support CSO advocacy and lobbying; and to raise public awareness of the issues at stake. CSOs are expected to present a final outcome document to UNCTAD XI. For further information contact the Brazilian Association of NGOs (ABONG), email: [abong@uol.com.br](mailto:abong@uol.com.br); Internet: <http://www.abong.org.br>

16-25 June, Geneva, Switzerland: SEMINAR ON LOCAL BUSINESS, GLOBAL POLICIES: CREATING AN ENABLING ENVIRONMENT FOR TRADE & DEVELOPMENT. Organised by the Centre for Applied

Studies in International Negotiations (CASIN), this seminar is the 26th in the "Management of Interdependence" Sseries. It will focus on business as an actor for development and explore avenues to maximise the private sector's potential to benefit the world's underprivileged. The question of what constitutes an enabling environment for trade and development will be tackled, and current global rules at play will be critically examined. Some partial and full fellowships are available for participants. For further information, contact CASIN, tel: +41-22-730-8660; fax: +41-22-730-8690; Internet: <http://www.casin.ch/inter/25management.htm>

20-23 June, Durango, Mexico: CONFERENCE ON FOOD SCIENCE AND FOOD BIOTECHNOLOGY IN DEVELOPING COUNTRIES. This conference is aimed at presenting and discussing research, carried out in developing countries, which is related to food science and biotechnology. For further information contact Instituto Tecnológico de Durango, email: [meeting\\_dgo@prodigy.net.mx](mailto:meeting_dgo@prodigy.net.mx); Internet: <http://www.itdposgrado-bioquimica.com.mx/congress2004.htm>

4 October, Copenhagen, Denmark: SEMINAR ON DEVELOPMENT IMPACTS OF REGIONAL AND BILATERAL TRADE AGREEMENTS. This seminar is organised by the 'WTO, Trade & Development' network, an initiative based at the Danish Institute for International Studies (DIIS). The aim of the network is to provide an international forum for the discussion and dissemination of research and policy-relevant information on trade and development issues. The seminar is part of the 'Trade Mondays' series, with a seminar once a month at DIIS. For further information on the network and the 'Trade Mondays', contact Stefano Ponte, Seminar Coordinator, email: [spo@diis.dk](mailto:spo@diis.dk)

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## RESOURCES

### ICTSD Resources

ENCOURAGING INTERNATIONAL TECHNOLOGY TRANSFER. By Keith E. Maskus (UNCTAD-ICTSD Project on Intellectual Property Rights and Sustainable Development Issue Paper No. 7, May 2004). This report comprehensively reviews the basic theory and evidence for how intellectual property protection affects incentives for international technology transfer (ITT). Analysis is provided of market-mediated ITT through trade, foreign direct investment, licensing, and personnel movements, along with informal means through imitation, reverse engineering, and spillovers. To access the report visit

[http://www.iprsonline.org/unctadictsd/docs/CS\\_Maskus.pdf](http://www.iprsonline.org/unctadictsd/docs/CS_Maskus.pdf)

THE SOCIO-ECONOMICS OF GEOGRAPHICAL INDICATIONS, A REVIEW OF EMPIRICAL EVIDENCE FROM EUROPE. By Dwijen Rangnekar (UNCTAD-ICTSD Project on Intellectual Property Rights and Sustainable Development Issue Paper No. 8, May 2004). This study reviews the empirical evidence from European countries with respect to the socio-economic implications of the protection of geographical indications (GIs). To this end, the paper first provides for an overview of the economic rationale behind the protection of trademarks, which in certain respects are similar to GIs. It then turns to GIs, explaining the economic principles of their protection, their key functions of promoting rural development and protecting provenance and indigenous knowledge. To access the report visit [http://www.iprsonline.org/unctadictsd/docs/CS\\_Rangnekar2.pdf](http://www.iprsonline.org/unctadictsd/docs/CS_Rangnekar2.pdf)

DEVELOPMENT IN THE INFORMATION AGE, ISSUES IN THE REGULATION OF INTELLECTUAL PROPERTY RIGHTS, COMPUTER SOFTWARE AND ELECTRONIC COMMERCE. By Ruth L. Okediji (UNCTAD-ICTSD Project on Intellectual Property Rights and Sustainable Development Issue Paper No. 9, May 2004). Information and communication technologies (ICT) pose challenges to developing countries, but at the same time offer opportunities. As the main challenges arise from international rules on copyright and database protection, this paper argues that developing countries should seek to balance effective protection of intellectual property rights (IPRs) against robust limitations of exclusive rights to encourage competition and socially beneficial uses of ICT. In this respect, the international IPRs system provides important flexibilities in the implementation of IPRs obligations. To access the report visit [http://www.iprsonline.org/unctadictsd/docs/CS\\_Okediji.pdf](http://www.iprsonline.org/unctadictsd/docs/CS_Okediji.pdf)

INTELLECTUAL PROPERTY AND COMPUTER SOFTWARE, A BATTLE OF COMPETING USE AND ACCESS VISIONS FOR COUNTRIES OF THE SOUTH. By Alan Story (UNCTAD-ICTSD Project on Intellectual Property Rights and Sustainable Development Issue Paper No. 10, May 2004). The paper puts forward five main findings. First, some forms of intellectual property protection have erected a clear barrier to the spread of software across the South. Second, free software formats are moving fast in most developing countries. Third, after comparing the license costs of proprietary and free software formats, the paper suggests that costs associated with free software are significantly lower. Fourth, free software formats might offer different advantages for technology transfer

and follow-up applications depending on the model used. Finally, free software systems are not a mere policy choice for developing countries, they are an important alternative for building, maintaining and changing rules that govern information flows. To access the report visit [http://www.iprsonline.org/unctadictsd/docs/CS\\_Story.pdf](http://www.iprsonline.org/unctadictsd/docs/CS_Story.pdf)

### Other Resources

WORLD AGRICULTURE AND THE ENVIRONMENT - A COMMODITY-BY-COMMODITY GUIDE TO IMPACTS AND PRACTICES. By Jason Clay (WWF, April 2004). The book focuses on the impact that agriculture has on the environment, paying particular attention to the stresses that agricultural practices place on environmental well-being. Twenty of the world's major crops are examined, each analysed according to criteria such as types of production, environmental impacts, and management strategies. The book also addresses the economic and social problems accompanying the agriculture industry, particularly in developing countries. It cautions against the use of agricultural subsidies and promotes better management strategies regarding agricultural policy. For further information see <http://www.islandpress.org/books/detail.html?cart=108195272732101&SKU=1-55963-370-0>

WHOSE TRADE ORGANIZATION? A COMPREHENSIVE GUIDE TO THE WTO. By Lori Wallach and Patrick Woodall (The New Press, March 2004). This publication tracks the outcomes of the WTO during its nine years of existence, with chapters on the WTO's impact on the economies and employment of rich and poor countries, as well as on the environment, food safety, public health, service sectors, agriculture and human rights. The book also details the WTO's controversial dispute resolution system and connects WTO rules with US job losses, unsafe food, attacks on domestic laws and burgeoning international inequality that makes headlines daily. For further information see <http://www.citizen.org/publications/articles.cfm?ID=7304&relatedpages=1&catID=126&secID=1185>

TRADE PREFERENCES FOR LDCs: AN EARLY ASSESSMENT OF BENEFITS AND POSSIBLE IMPROVEMENTS. By UNCTAD (January 2004). Unilateral tariff preferences in favour of developing countries are usually regarded as a "second-best" arrangement that may also divide developing countries. There have also been efforts to improve the scope and operation of various schemes, notably the Generalised System of Preferences (and more recent initiatives such as the EU's "Everything But Arms" scheme for least-developed countries (LDCs) or the US African Growth and Opportunity Act. Using new data sources

on a time series basis, this study analyses, in some detail, past and present features of preferential market access initiatives of the Quad countries. To access the report, visit <http://www.unctad.org/Templates/webflyer.asp?docid=4293&intlItemID=1397&lang=1>

**WHAT YOU CAN DO TO STOP UNSUSTAINABLE AND ILLEGAL HARVESTING.** WWF, April 2004. This online guide is intended to promote the responsible purchase, selling, and trading of timber and wood products to curb practices such as illegal logging. Advice is offered for a range of actors, including: consumers; forest companies; traders; retailers; local and national governments; builders, architects and designers; and financial institutions. Links related to threatened timber species as well as current news relating to forest management and trade are included. To access the site, go to [http://www.panda.org/about\\_wwf/what\\_we\\_do/forests/solutions/what\\_you\\_can\\_do/](http://www.panda.org/about_wwf/what_we_do/forests/solutions/what_you_can_do/)

**A GLOBAL LOOK TO THE LOCAL: REPLACING ECONOMIC GLOBALISATION WITH DEMOCRATIC LOCALISATION.** Edited by Colin Hines and Michael Pimbert (IIED, 2004). This discussion paper, part of a series on "Institutionalising Participation," attempts to identify the forms of economic organisation that facilitate the participation of people-centred processes in environment and development. It uses economic models, but is written in a non-academic, accessible style. Using food systems as an example, it asserts that localisation is intertwined with economic and electoral democracy and has the potential to increase self-determination. For more information or to order the book, visit <http://www.earthprint.com/go.htm?to=9308IIED>. To learn more about the Institutionalising Participation series, visit <http://www.iied.org/sarl/pubs/institutpart.html>

**NAFTA: TEN YEARS OF CROSS-BORDER DIALOGUES.** By David Brooks and Jonathan Fox (Interhemispheric Resource Center Americas Program Special Report, March 2004). This article focuses on The North American Free Trade Agreement's (NAFTA) myriad opportunities for civil society convergence from below. Social constituency organisations -- such as labour organisations, environmental organisations, and trade advocacy networks -- from the US and Mexico have been interacting for more than ten years under the increased economic integration stimulated by NAFTA. Their experiences illuminate some of the earliest examples of people-to-people globalisation. The article concludes that while there is a much greater civil society network after NAFTA, the level of its

organisation and its impact have been rather limited. To access the article, visit <http://www.americaspolicy.org/reports/2004/0403nafta.html>

**ASSESSING THE POTENTIAL BENEFIT OF TRADE FACILITATION: A GLOBAL PERSPECTIVE.** By Catherine Mann, Tsunehiro Otsuki and John S. Wilson (World Bank Report, February 2004). The authors measure and estimate the relationship between trade facilitation and trade flows across 75 countries through four categories: port efficiency, customs environment, regulatory environment, and service sector infrastructure. Results suggest that imports and exports for a country and worldwide will increase with improvement in these trade facilitation measures, with gains in manufacturing goods traded being US\$377 billion. Gains are best achieved, specifically in the OECD market, through a country's own trade facilitation efforts. The paper can be accessed at [http://econ.worldbank.org/files/33231\\_wps3224.pdf](http://econ.worldbank.org/files/33231_wps3224.pdf)

"The challenges facing landlocked developing countries". By Michael L. Faye, John W. McArthur, Jeffrey D. Sachs and Thomas Snow in the *JOURNAL OF HUMAN DEVELOPMENT* 5 (1, 2004) pp. 31-68. In spite of technological improvements in transport, landlocked developing countries continue to face structural challenges to accessing world markets. As a result, landlocked countries often lag behind their maritime neighbours in overall development and external trade. While the relatively poor performance of many landlocked countries can be attributed to distance from coast, this paper argues that several aspects of dependence on transit neighbours are also important. Four such types of dependence are discussed: dependence on neighbours' infrastructure; dependence on sound cross-border political relations; dependence on neighbours' peace and stability; and dependence on neighbours' administrative practices. These factors combine to yield different sets of challenges and priorities in each landlocked country. The paper concludes with a brief set of policy recommendations. A detailed appendix presents maps and regional overviews that outline key challenges facing the landlocked countries in each region.



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