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LEAD STORIES

WTO: DELEGATES KICK OFF AGRICULTURE TALKS IN GENEVA

WTO Members are meeting from 23-25 June in the penultimate special (negotiating) session of the Committee on Agriculture (CoA) in the lead-up to a self-imposed deadline for agreeing on a negotiating framework by the end of July. The Chair of the CoA special session, Tim Groser, stressed at a 23 June opening plenary that he was still "nowhere near ready" to produce a framework draft. While he recognised that considerable progress had been made at the political level, he said progress at the negotiators' level was "still maturing". Members of the group of 'five interested parties' (FIPs) -- including the US, EC, Brazil, India and Australia -- had met earlier on 22 June to advance discussions on market access, which is yet the most controversial issue in the area of agriculture. According to source, the US presented a proposal on a tariff reduction formula that would merge elements of the so-called 'banded' and 'Swiss' approaches for tariff cuts at the FIPs meeting. The proposal was received coolly by G-20 leader Brazil, which called the US proposal "unbalanced" and unacceptable for the developing country grouping.

Groser denies intention to produce framework draft

Kicking off three days of consultations, CoA special session Chair Tim Groser denied recent press reports suggesting he was about to produce a draft framework text sometime during or after the 23-25 June negotiations. "I would be completely lost if I were asked to do it this afternoon," the Chair told delegates. He acknowledged that at some stage he would need to produce a draft, but his text would depend on the negotiators' positions converging much more. He further clarified that he would not try to produce a "Harbinson-type" paper by inventing possible compromises that lack any basis for agreement among Members. So far he had no fixed view on how to proceed -- this would depend on the consultations, he said.

Assessing the latest developments in the global agriculture talks, Groser welcomed the various minister-level communications and meetings over the past months, but voiced his frustration over the slow process and "lack of intensity" in Geneva. While appreciating the leadership certain Members had demonstrated, he also cautioned that the talks needed to move much faster and that contributions were needed from all Members that distort trade through tariffs or subsidies.

FIPs continue plurilateral consultations

According to trade sources, the FIPs group met on the eve of the agriculture special session to continue working towards internal consensus on the three agricultural negotiating pillars: market access; domestic support; and export competition. On market access, which is by far the most controversial issue, the US reportedly presented a new proposal outlining two options for a tariff reduction formula. Both would combine the 'banded' approach (developed by former CoA special session Chair in his 2003 modalities draft), with elements of the so-called 'Swiss' formula, which brings down all tariffs horizontally to a maximum ceiling, effectively addressing tariff peaks. Moreover, the proposed formulas would integrate the concerns of countries such as the EC, Japan and Switzerland, which demand flexibility to protect a certain number of 'sensitive' products, by applying only moderate tariff cuts to them. However, the proposal also calls for "effective" market access for sensitive products outside the formula, i.e. through tariff rate quota (TRQ) expansion.

In an initial reaction to the US paper, G-20 leader Brazil welcomed the proposal's emphasis on cutting high tariffs relatively more than lower ones. However, the G-20 still found the proposal "unbalanced" overall, and could not accept it. In particular, the G-20 objected to the fact that elements of the Swiss formula would also be applied to developing countries, an idea that G-20 member India had rejected repeatedly since the kick-in of the modalities negotiations.

Reportedly, the US intended its paper as a means to "translate into specific text" points of convergence that had emerged at the 13 June FIPs meeting held at the sidelines of the UN Conference for Trade and Development (UNCTAD) XI ministerial conference in Sao Paulo (see BRIDGES Weekly, 16 June 2004, <http://www.ictsd.org/weekly/04-06-16/story1.htm>).

According to sources, the parameters ministers agreed on at UNCTAD XI included a reference to the 'banded' formula, with the additional option to protect certain 'sensitive' products. Ministers had also decided that all Members -- developing and developed alike -- would be subject to the same general tariff reduction methodology.

The FIPs groups is continuing its consultations this week. The group may, if necessary, extend the talks over the weekend and into the following week.

The current 23-25 CoA special session will conclude with a formal plenary meeting on Friday, 25 June, afternoon. The next issue of BRIDGES Weekly will provide a report on the outcome of the negotiations.

ICTSD reporting; "Agriculture: US outlines possible compromise for market access pillar of WTO Ag talks," WTO REPORTER, 23 June 2004.

WTO ENVIRONMENT COMMITTEE MAKES SLOW PROGRESS

In what was described as a meeting "lacking in energy", the WTO Committee on Trade and Environment (CTE) convened for its regular session on 21 June, with discussions focusing on paragraph 51 of the Doha Mandate. The generally more constructive debates in the special session on 22 June revolved around approaches to clarifying the relationship between WTO rules and multilateral environmental agreements (MEAs), as well as the liberalisation of trade in environmental goods.

Direction on paragraph 51 still missing

Discussions during the two-hour regular CTE session were mainly confined to the implementation of paragraph 51 of the Doha Declaration, which mandates the CTE and the Committee on Trade and Development to ensure that sustainable development is adequately reflected in the negotiations. Members continue to lack clear ideas on how this could be done. In an effort to move the debate forward, the EC suggested holding a session with international organisations, asking them to provide their views on the sustainable development aspects of the negotiations. Members could not reach an agreement on the proposal and the EC was asked to provide further details. In addition, Chair Naéla Gabr (Egypt) will hold consultations with delegations and the Chair of the CTD before the next meeting.

MEA-WTO: Members differ on the approach

In the context of discussions under paragraph 31(i) regarding the relationship between WTO rules and specific trade obligations (STOs) in MEAs, Members debated the merits of using an 'experience-based' versus a 'conceptual' approach. In its submission (TN/TE/W/40, searchable at <http://docsonline.wto.org>), the US put forward a bottom-up approach, based on assessing national experiences in implementing the two bodies of law rather than focusing on abstract

principles. Based on its national experience, the US stressed the importance of national coordination as well as the design and implementation of STOs in particular. The proposal was generally well-received, including by the demandeurs of the need for clarification (the EC, Switzerland and Norway), who believed that both approaches could be pursued in parallel. The EC, however, stressed that simply focusing on experiences was unlikely to lead to a coherent outcome in the absence of parameters to guide the discussions.

Chinese Taipei takes on EC proposal

In response to an EC paper submitted at the April CTE meeting (see BRIDGES Weekly, 29 April 2004, <http://www.ictsd.org/biores/04-04-30/story1.htm>), Chinese Taipei expressed disagreement with a number of the EC's points (TN/TE/W/41). Chinese Taipei opposed the EC's stance that disputes over trade measures applied pursuant to an MEA should be dealt with by the MEA in question, arguing that WTO Members should have the right to pursue their complaint in either forum. The submission also took issue with the EC's interpretation of the Appellate Body's ruling in the gasoline case, which, according to the EC, had confirmed that WTO rules needed to be interpreted in a broader context of public international law including MEAs. Chinese Taipei argued that while the Appellate Body should apply public international law in the context of treaty interpretation, it should not incorporate the substantive norms created under MEAs to interpret WTO provisions. During the discussions and in response to the criticism, the EC and Switzerland cited other WTO rulings that supported this interpretation, such as the shrimp-turtle dispute.

Constructive discussions on environmental goods

The debate on environmental goods and services (EGS) was generally perceived as useful, with one observer noting a growing shift from abstract to more concrete discussions. In its statement, the EC identified two categories of environmental goods that should be included in the definition, namely goods used in pollution control and resource management; and goods that have a high environmental performance or low environmental impacts. Goods in the second category would be chosen based on objective parameters such as composition and/or environmental performance, possibly defined through standards that require certification. The EC said it would submit a more detailed proposal in the coming months.

China in its statement put forward the possibility of developing a "common" list and a "development" list of environmental goods. The common list would include goods of interest to both developed and developing countries, with priority given to products of export

interest to developing and least-developed country Members. The development list would provide for special and differential treatment, allowing developing and least developed countries to select a list of some products on the common list for no or less reduction commitment. China also stressed the importance of facilitating technology transfer when discussing trade liberalisation in environmental goods.

Members agreed to invite the OECD to give a presentation on their studies and the World Customs Organisation to speak about the harmonised system of tariff classification.

The next meeting of the CTE is currently scheduled for 11-12 October.

ICTSD reporting.

QUIET TRIPS COUNCIL FOCUSES ON HEALTH, BIODIVERSITY-RELATED ISSUES

On 16 June trade delegates convened to continue their attempt to resolve certain issues on the agenda of the Council for Trade-related Aspects of Intellectual Property Rights (TRIPS). The meeting focused on issues related to the amendment of the TRIPS Agreement to allow countries without pharmaceutical manufacturing capacity to import generic versions of drugs still under patent and the review of Article 27.3 b) (patentability of life forms), genetic resources, traditional knowledge and folklore. Although the meeting was scheduled for two days, it ended early as no real advances were made.

Decision on TRIPS amendment postponed

Soon after the introduction of the 30 August 2003 Decision on a temporary waiver for the export, under a compulsory license, of pharmaceutical products to countries lacking domestic manufacturing capacities, Members had hoped that a permanent amendment of the TRIPS Agreement could be ready by 30 June this year (see BRIDGES Weekly, 4 September 2003, <http://www.ictsd.org/weekly/03-09-04/wtoinbrief.htm#1>). However, the process still continues to stir debate, primarily on technical matters. As a result, Chair Joshua Low (Hong Kong) proposed to postpone the deadline for an amendment until the end of March 2005. The extension was agreed subject to confirmation by the end of June by those Members that had asked for more time to consult.

In the meantime, some exporting countries -- including Norway, Canada, the EC and Switzerland -- have

started implementing the 30 August 2003 Decision. Only Norway has finalised its implementation and the amended legislation entered into force on 1 June. Canada expects to do so by autumn this year (see BRIDGES Weekly, 15 October 2003, <http://www.ictsd.org/weekly/03-10-15/story5.htm>). So far no developing country has made use of the new rule.

Discussions on genetic resources, traditional knowledge and folklore remain stagnant

The session's discussion on biodiversity-related issues focused on a checklist proposed by Brazil, Ecuador, India, Peru, Thailand, and Venezuela (IP/C/W/420, searchable at <http://docsonline.wto.org>) in March this year (see BRIDGES Weekly, 10 March 2004, <http://www.ictsd.org/weekly/04-03-10/story1.htm>). The submission suggested a structure for continuing the negotiating process, outlining questions in three clusters on disclosure of origin, evidence of prior informed consent, and benefit-sharing related to genetic material and traditional knowledge. The US and Japan opposed such a process, arguing that the checklist was too detailed. At the meeting, Chair Low, supported by Kenya, Canada, Australia and New Zealand, suggested an alternative structure for how to organise the work. Specifically, he proposed that rather than focusing on a concrete set of questions, discussions could instead review national legislation on the issues, requirements of disclosure in patent filing procedures, and existing databases. The proponents of the initial checklist opposed the Chair's proposal. The EC identified three principles that should underlie the structured discussions, namely to follow the Doha mandate, to be oriented to results, and to focus on a manageable number of issues instead of broad philosophical questions.

Apart from this debate, Switzerland presented a paper (IP/C/W/423) reiterating its proposal to amend the World Intellectual Property Organisation (WIPO) Patent Cooperation Treaty (PCT) to include, in appropriate cases, declaration of origin of genetic material in patent applications as a voluntary requirement (see BRIDGES Trade BioRes, 13 June 2003, <http://www.ictsd.org/biores/03-06-13/story1.htm>). The proposal includes a concrete description of when disclosure would be relevant, as well as a penalty system for failure to comply in which case the patent would be rejected or withdrawn.

The next TRIPS Council meeting is scheduled for 21-23 September.

ICTSD reporting; "Intellectual Property - WTO Members Extend Deadline for Incorporating Medicines Deal into TRIPs," WTO REPORTER, 17 June 2004.

OTHER NEWS

END OF LONG-STANDING DISPUTE BETWEEN EC AND US DRAWING CLOSER?

On 17 June, the US House of Representatives adopted a bill known as the JOBS Act, which would repeal the Foreign Sales Corporation and Extraterritorial Income Exclusion Act of 2000 (FSC/ETI). If this bill becomes law, it could end a long-standing dispute between the EC and US over alleged WTO inconsistent tax exemptions that the US grants to certain corporations outside its territory (the so called foreign sales corporations, FSCs). EC Trade Commissioner Pascal Lamy indicated that the EC immediately would repeal the WTO-authorised countermeasures it had taken against the effect of the FSC/ETI.

On 30 August 2002, WTO arbitrators gave the EC permission to apply sanctions (in the form of duties) on US goods valued at more than USD\$4 billion until the US changed its tax policy to comply with the 'Foreign Sales Corporations' case ruling (see BRIDGES Weekly, 13 September 2002, <http://www.ictsd.org/weekly/02-09-13/story2.htm>). The arbitrator's award was adopted by the WTO Dispute Settlement Body (DSB) on 7 May 2003.

The US Senate adopted its version of the FSC/ETI repeal bill on 11 May. The Senate and House versions of this bill differ in some respects. The two versions will have to be reconciled into a final text before it can be adopted and signed by the US president. Only after this happens will it enter into force.

Background

The FSC case dates back to 1998 when the EC first requested a WTO panel to determine the WTO compatibility of special tax treatment for FSCs. In its panel request, the EC alleged that the US exempted a portion of FSC income related to exports from direct income taxes. According to the EC, this exemption, including dividends distributed to US parent companies, constituted export subsidies prohibited by the WTO Agreement on Subsidies and Countervailing Measures (SCM). The EC also argued that the FSC scheme violated the WTO Agreement on Agriculture (AoA), as it granted export subsidies to agricultural goods in excess of US reduction commitments. The WTO panel (and on appeal, the Appellate Body), agreed with the EC and found the US FSC scheme in contravention with the SCM Agreement and the AoA.

On 15 November 2000 the US passed the FSC /ETI Act to comply with the panel and Appellate Body recommendations. When the EC challenged the US compliance measures under the FSC/ETI, the compliance panel found in favour of the EC. The US further appealed this ruling, which it lost. An arbitration process followed this appeal; the process confirmed the EC's planned countermeasures.

All panel and Appellate Body reports on this case, WT/DS108, are available at <http://docsonline.wto.org>

ICTSD reporting; "USA-Foreign Sales Corporation - Pascal Lamy welcomes US Senate vote," EC RELEASE, 12 May 2004; "US-Foreign Sales Corporation(FSC) - EU Trade Commissioner Pascal Lamy Welcomes US House of Representatives Vote," EU PRESS RELEASE, 17 June 2004; "Grassley Says Key Differences Remain on ETI Bills, Predicts Tough Conference," WTO REPORTER, 9 June 2004.

UNCTAD XI TAKES ON TRADE AND DEVELOPMENT CHALLENGES

On 18 June the eleventh ministerial meeting of the UN Conference on Trade and Development (UNCTAD XI) closed with the adoption of a declaration entitled the "Spirit of São Paulo," as well as the "São Paulo Consensus," a negotiated document providing more detail on the role of UNCTAD in a globalising world. Non-governmental organisations convened at a parallel Civil Society Forum from 11-17 June, and drafted and conveyed a Civil Society Statement to UNCTAD XI.

UNCTAD holds a conference every four years to set its priorities and guidelines, and to provide an opportunity to debate key economic and development issues. UNCTAD XI opened on 13 June (see BRIDGES Weekly, 16 June 2004, <http://www.ictsd.org/weekly/04-06-16/story3.htm>), and focused on enhancing the coherence between national development strategies and global economic processes towards economic growth and development, particularly for developing countries.

Spotlight on developing countries in a globalising world

The UNCTAD XI declaration focuses on key issues developing countries currently face (see http://www.unctad.org/en/docs/tidl382_en.pdf). Although globalisation has brought unprecedented wealth and progress to the world, its benefits have not been equally distributed. The Spirit of São Paulo recognises that most developing countries, "especially African countries and LDCs (least developed countries), have remained on the margins of the globalisation process. There is a

need to focus on the ability of international trade to contribute to poverty alleviation".

The São Paulo Consensus (for the most up to date draft, see http://www.unctad.org/en/docs/tidl380_en.pdf) focuses on four topics: development strategies in a globalising world; building productive capacities and international competitiveness; assuring development gains from the international trading system and trade negotiations; and partnership for development. Each topic is analysed, and the contribution expected by UNCTAD outlined in the Consensus.

Following heated negotiation over the concept of 'policy space' during the preparatory process and at the UNCTAD XI Conference, governments reached agreement on language recognising that the national autonomy of developing countries has been constrained in the past by 'rule-based regimes for international economic relations'. The São Paulo Consensus recognises the tradeoffs between entering into such regimes and the panoply of options that may be available in the realm of national economic policy vis-à-vis trade, investment and industrial development. Some observers have suggested that this language implicitly acknowledges the possibility that the model of development embedded in the current rules-based international system may not always be optimal in delivering developmental benefits.

During the negotiations, delegates also vigorously debated the role of UNCTAD and implications of the ongoing UN reform programme. Original proposals by some developed countries recommended UNCTAD merely provide technical assistance at the national level. Developing countries pushed for a stronger role for the institution, including targeted policy research and analysis of global issues. The agreed text notes UNCTAD's "special responsibility to contribute to the achievement of the international development goals, including those contained in the Millennium Declaration," in addition to UNCTAD's role of participating effectively in "the ongoing UN reform process, which is aimed at inter alia deepening coherence and enhancing the effectiveness and impact of UN development activities. The organisation's participation in that reform process will be reviewed through the existing intergovernmental mechanisms of UNCTAD."

Civil society responses

The São Paulo Consensus received mixed reviews from civil society organisations. Among other reactions, the Institute for Agricultural and Trade Policy found a decision to establish an international task force on commodities to study mechanisms for recuperating and stabilising commodity prices "promising". A proposal to

set up a fund to help countries reliant on single or dual commodities to diversify exports also received positive feedback, although some groups felt this initiative would depend on "countries that have money".

Environmental organisation Friends of the Earth and Third World Network expressed disappointment with the lack of emphasis on corporate responsibility and accountability in the Consensus. Some organisations also would have liked to see a firmer stance against multilateral trade agreements that affect development and the conditionalities imposed by the World Bank and the International Monetary Fund through their loan schemes.

Civil society declaration

Civil society groups, meeting in a Civil Society Forum from 11-17 June, provided their own declaration to UNCTAD XI. The declaration was delivered in the form of a civil society letter (available at <http://www.forumsociedadecivil.org.br/dspMostraBibliotecas.asp?idBib=62>), read at the opening of the UNCTAD XI, accompanied by a longer text in resolution format. The letter -- based on the premise that trade should not be seen as an end in itself, but as a means to sustainable development -- responded to the official consensus document at UNCTAD XI, highlighting specific areas of concern to civil society groups left out, such as the "negative impact and the concentration of wealth that have resulted from the implementation of the neoliberal agenda and globalisation". The letter criticised the approach to transnational corporations and to investment taken in the Consensus document, providing a much more critical analysis. It also raised concern that UNCTAD lose its independent role as a forum for critical analysis, and provided a number of recommendations for action on, inter alia, global governance and coherence, policy space, commodities, and partnerships.

UN Secretary-General Kofi Annan addressed issues raised by the Civil Society Forum. In response to a question highlighting civil society concerns over the impending change in UNCTAD leadership, he invited attendees of the Civil Society Forum to send him names of suitable candidates as successor to the outgoing UNCTAD Secretary-General, Rubens Ricupero. Civil society groups are awaiting Annan's comments on their proposed set of selection criteria for Mr Ricupero's successor, announced at a press conference in São Paulo.

In related news, a number of developing countries met at UNCTAD XI to strengthen the Global System of Trade Preferences, a scheme to strengthen South-South trade (see related story, this issue).

"UN Official Blames IMF, World Bank For Poor Farmers' Crisis," UN WIRE, 18 June 2004; "UNCTAD XI Delegates Seek Trade Liberalization For Development," UN WIRE, 18 June 2004; "UNCTAD XI consensus Declaration adopted after lengthy tussles," TWN, 19 June 2004; "UNCTAD Session Closes After Adopting São Paulo Consensus," WORLD BANK PRESS REVIEW, 21 June 2004; "UNCTAD XI gives positive signal for progress of the Doha Round," GOVERNMENT OF INDIA PRESS RELEASE, 19 June 2004.

INTERNATIONAL TEXTILES COALITION CALLS FOR EMERGENCY WTO MEET

Following a meeting in Brussels from 15-17 June, a coalition of textile and clothing associations called for an emergency WTO meeting to address concerns regarding the phase-out of a worldwide quota system in this area by the end of the year. The 90-member Global Alliance for Fair Trade in Textiles and Clothing, representing associations from 47 countries, estimated that dismantling the quotas would mean the loss of 30 million jobs in the US, EU and vulnerable countries in the developing world, placing China in a near-monopoly position in a number of sub-sectors. According to the groups, India is the one other country that would benefit, while low-income countries such as Bangladesh and Cambodia are expected to feel the crunch. Women, who make up the majority of the textiles work force, would feel the brunt of the burden.

Ziya Sukun, Executive Director of ITKIB, a Turkish trade association in New York, told a press conference, "We need fair trade so the global economy can be disciplined. This is not protectionism but a fight against a monopoly by China. It is critical to note that this is an international crisis. Every major region of the world will suffer substantial job losses if nothing is done about China". The coalition alleged that China was engaging in anti-competitive practices.

In their Brussels Communiqué, the groups called for an emergency meeting to consider solutions to the "pending crises," including the possible extension of quotas. In addition, they called for "automatic and seamless transitional safeguard mechanisms" to prevent "massive disruptive surges of trade from a few countries," and for remedies to unfair trading practices "employed by certain major supplying countries".

In order to secure an emergency meeting, the coalition members are planning to lobby their governments to request it at the WTO, possibly at the next meeting of the General Council at the end of July. Only governments can request a reconsideration of the situation.

Background

The WTO Agreement on Textiles and Clothing (ATC) was set up as a transitional mechanism in 1995, with a view to phasing out quotas for trade in textiles and clothing by the end of 2004. A number of textiles groups issued an Istanbul Declaration in March this year, calling for the extension of quotas by three years (see BRIDGES Weekly, 10 March 2004, <http://www.ictsd.org/weekly/04-03-10/inbrief.htm#2>).

Bush requested to ask for extension of quotas

In related news, more than 100 US Members of Congress -- including presidential candidate John Kerry -- sent President Bush a letter on 9 June calling for an emergency meeting to extend international textile quotas. The letter cautioned, inter alia, that the phase-out would hit US partners in the war on terrorism hard, and highlighted unfair Chinese trade practices. The Bush administration responded that the US was prepared to go ahead with the phase-out as planned.

To access the Brussels Communique visit <http://www.ncto.org/newsroom/brussels02.pdf>

To view the letters sent to US President Bush see <http://www.ncto.org/newsroom/house.pdf> and <http://www.ncto.org/newsroom/senate.pdf>

"Textile Quota Lapse a Job Issue in U.S., Europe, Other Countries," REUTERS, 9 June 2004; "Bush rejects Kerry call for textile quota extension," REUTERS, 9 June 2004; "Summit on Fair Trade in Textiles and Clothing Brussels, Belgium - June 15 to 17," NATIONAL COUNCIL OF TEXTILE ORGANISATIONS RELEASE, 17 June 2004.

IN BRIEF

TALKS ON SOUTH-SOUTH TRADE DRAW PICK UP SPEED IN SÃO PAULO

A third round of talks on the Global System of Trade Preferences (GSTP) among 44 developing countries took place during a side event to UNCTAD XI on 16 June. The GSTP was launched in 1989 to reduce mutual trade barriers among its signatories. Ministers from countries including Argentina, Brazil, Uganda and Zambia declared that they "envisage a package of substantial trade liberalisation commitments on the basis of mutuality of advantages in such a way as to benefit equitably all GSTP participants". Commenting

on the GSTP scheme, Argentina's Economy Minister Robert Lavagna noted that progress in negotiations should take place parallel to multilateral trade talks, while "contribut(ing) to gradual liberalisation of world trade and enhanc(ing) the special and differential treatment concept". UNCTAD's Secretary General Rubens Ricupero remarked that the GSTP was rightfully focusing on market access, giving priority to traditional products such as agriculture, textiles and clothing in lieu of the "so-called new issues... extraneous issues, which have nothing to do with trade".

"South Leaders launch GSTP new round in optimistic mood," TWN, 17 June 2004; "UNCTAD XI Delegates Seek Trade Liberalization For Development," UN WIRE, 18 June 2004.

CIVIL SOCIETY REJECTS FAO ANNUAL REPORT AS BIG BUSINESS PR

On 16 June 650 civil society organisations sent an open letter to the UN Food and Agriculture Organisation (FAO) rejecting its annual State of Food and Agriculture report. The report, released a month earlier, focused on the potential of biotechnology to address the needs of the world's poor and food-insecure. The civil society response, however, pointed to a strong bias in favour of multinational corporations and their profits, calling it a "disgraceful public relations tool for the genetic engineering industry". According to the groups, the report, among other things, ignored evidence of negative impacts of biotech products and overlooked the fact that a single company, Monsanto, controls 90 percent of the business. The civil society groups said the report "turns FAO away from food sovereignty and the real needs of the world's farmers, and is a stab in the back to the farmers and the rural poor FAO is meant to support". The letter noted that the FAO never consulted with small farmers and civil society groups -- only with industry -- and that the intellectual and moral integrity of the UN body has been hurt.

Jacques Diouf, Director General of FAO, responded to the open letter by posting an online reply. He stressed that "while this report emphasises biotechnology, it is not meant to represent all components of FAO's broad mandate and commitment to promote agricultural development and alleviate hunger," and went on to give some procedural examples of how the FAO deals with issues related to biotechnology.

To access the open letter by civil society groups visit <http://www.grain.org/front/?id=24>

To access the response by Jacques Diouf visit <http://www.fao.org/newsroom/en/news/2004/46429/index.html>

To Access the State of Food and Agriculture 2003/4 visit <http://www.fao.org/docrep/006/Y5160E/Y5160E00.HTM>

"FAO Declares War On Farmers, Not On Hunger," GRAIN RELEASE, 16 June 2004.

WORLD BANK TO STAY IN EXTRACTIVE INDUSTRIES

On 18 June, the World Bank provided a strategy responding to proposals made by the independent Extractive Industry Review (EIR) on the Bank's involvement in the oil and gas sector. The proposals for reform in the sector are open for public comment for 30 days. While the EIR had recommended that the World Bank and its private sector arm, the International Finance Corporation, withdraw from the oil and gas sector within five years and instead concentrate on financing renewable energy projects (see BRIDGES Trade BioRes, 28 November 2003, <http://www.ictsd.org/biores/03-11-28/inbrief.htm#2>), the current response provides that "future investments in extractive industries will be more selective, with greater focus on the needs of poor people and a stronger emphasis on good governance and on promoting environmentally and socially sustainable development," allowing the Bank to set a high international standard for projects in this area.

In related news, a recent report by the World Bank -- entitled the State and Trends of the Carbon Market 2004 -- outlines the steadily growing market for carbon emission reductions. The countries that have ratified the Kyoto Protocol, as part of implementing their strategies for addressing climate change, traded 64 million tons of carbon dioxide equivalent during the first half of 2004. The report warned, however, that in order to profit from this market, developing countries and economies in transition needed to act soon. Because it takes up to seven years to develop an emissions reduction project, and there is no strategy for the time period beyond 2012, getting on board for the first commitment period required preparing projects by 2006. Already, some countries and regions have profited more from emissions trading. Half of all projects have been developed in Asia, with Latin America providing a third, while only four percent of projects have been developed in Africa.

The Extractive Industries Review is available at <http://www.eireview.org/>

The World Bank response is available at <http://www.worldbank.org/ogmc/>

The State and Trends of the Carbon Market 2004 is available at <http://carbonfinance.org/docs/CarbonMarketStudy2004.pdf>

"World Bank to Be More Selective in Oil, Gas Loans," REUTERS, 21 June 2004; "World Bank Group Proposes Reforms for Extractive Industry Investments," WORLD BANK RELEASE, 18 June 2004; "Carbon Market Going Strong, World Bank Says," UNWIRE, 10 June 2004.

COST OF MARINE PROTECTION LOWER THAN FISHERIES SUBSIDIES, STUDY FINDS

According to a new study by the environmental groups WWF and the Royal Society for the Protection of Birds, the cost of establishing global networks of marine protected areas -- estimated at US\$ 12-14 billion -- would be less than the amount annually spent on fisheries subsidies (US\$ 15-30 billion). Such subsidies are frequently cited as one of the main causes underlying overcapacity of fishing fleets, and consequently overfishing, and discussions have been underway at the WTO on how to address their negative effects (see BRIDGES Weekly, 9 June 2004, <http://www.ictsd.org/weekly/04-06-09/story3.htm>).

Networks of marine protected areas, the study's authors conclude, would help safeguard a global fish catch worth up to US\$ 70-80 billion per year, preserve marine services valued at US\$ 7 trillion annually and generate between 830,000 and 1.1 million full-time jobs. Although marine habitat loss is estimated to equal or exceed that of rainforests, only 0.5 percent of the sea is currently under protection compared to 12 percent of land area. The groups would like to see 20-30 percent of oceans protected in an effort to achieve governments' commitment made at the 2002 World Summit on Sustainable Development to create national networks of marine parks by 2012.

The study is available at <http://www.panda.org/downloads/marine/balmfordetalproofs.pdf>

"Global network of Marine parks would cost less than current government expenditures on harmful fishing subsidies," WWF-RSPB PRESS RELEASE, 14 June 2004.

EUROPEAN COMMISSION ADOPTS ACTION PLAN ON ORGANIC FARMING

The European Commission on 10 June adopted the "European Action Plan for Organic Food and Farming" in an effort to facilitate the ongoing development of organic farming in the EU. The Plan sets out 21 policy measures aimed at improving information dissemination about organic farming, streamlining public support via rural development, improving production standards, and strengthening research. Measures will include an EU-wide organic label to simplify the myriad of existing national and private schemes. In an effort to facilitate third country compliance with the EU's organic standard, the Plan proposes to step up efforts to include third countries in the equivalency list, raising the possibility of establishing a permanent Community list of inspection bodies recognised as equivalent for their activities in third countries not already on the equivalence list. In addition, further measures to facilitate trade in organic products from developing countries will be considered. The Plan also calls for continued efforts to ensure that the definition of equivalence with third countries takes into account the different climate and farming conditions and the stage of development of organic farming in each country. Regarding genetically modified organisms (GMOs), the Plan proposes to include provisions in the EU's GMO labelling regulations to explicitly exclude GM products from being labelled as organic, with a labelling threshold of 0.5 percent for products (other than seed) used in organic farming.

For further information, see http://europa.eu.int/comm/agriculture/qual/organic/plan/index_en.htm

REPORTS HIGHLIGHT MIDDLE EAST'S WEAK TRADE PERFORMANCE

On June 15, the World Bank released four new publications highlighting the trade, labour, governance and gender issues in the Middle East and Northern African (MENA) region. The reports point to problems such as a high unemployment rates despite well-educated populations, and stress the need for trade-driven economic growth. The region is lagging behind in this regard: while world trade grew by eight percent during the past ten years, trade in the MENA region only grew at three percent. Both exports -- a sector still dominated by crude oil -- and foreign direct investment fail to reach their potential. The reports label the countries as "non-integrators," noting ambivalent attitudes with regard to globalisation. In addition, internal and regional conflict, overvalued local currencies, high transaction costs and poor

infrastructure impede the prospects for trade in the region.

"Trade, Investment, and Development in the Middle East and North Africa: Engaging with the World" can be downloaded at

<http://lnweb18.worldbank.org/mna/mena.nsf>

"World Bank Reports Show Labor, Development Crisis In Mideast," UNWIRE, 16 June 2004.

WTO IN BRIEF

WTO PANEL ISSUES FINAL REPORT IN US COTTON CASE

On June 18, the WTO panel on Brazil's challenge against US cotton subsidies confirmed its findings in a final report issued solely to the parties to the dispute (see BRIDGES Weekly, 28 April 2004, <http://www.ictsd.org/weekly/04-04-28/story1.htm>).

According to WTO practise, the report will be available to the public after it has been translated into the three working languages of the WTO in the coming weeks. The panel affirmed that subsidies granted to US cotton farmers by the US government from 1999 - 2002 under various programmes, such as marketing loans, export credits, commodity certificates and direct payments, depress world market prices and are injurious to Brazil's trade interests. The issued the US with a deadline of 1 July 2005 to withdraw them.

US officials have repeatedly criticised this ruling and insisted that it is unlikely to have any immediate impact on current farm programs, a view supported by the National Cotton Council (NCC) of America. Speaking to reporters, Woody Anderson, NCC chair, added that any changes to cotton programmes only will affect future cotton crops. Brazilian officials, however, expressed their satisfaction with the decision. Roberto Azevedo, the head of the trade dispute department at Brazil's foreign ministry, was reported as saying that Brazil expects the US to comply with the ruling. The US is, however, determination to launch an appeal, a process that could drag on for over a year, especially if Brazil in turn challenges any compliance and implementation measures the US undertakes.

ICTSD reporting; "WTO Issues Final Ruling Condemning U.S. Cotton Subsidies; U.S. Plans Appeal," WTO Reporter, 21 June 2004; "W.T.O. Rules Against U.S. Cotton Subsidies," New York Times, 19 June 2004; "WTO Rules Against U.S. on Cotton,"

United Press International 19 June 2004; "WTO Again Rules for Brazil in Cotton Row with U.S.," Reuters, 18 June 2004; U.S./Brazil Dispute Final Report Expected, Press Release, National Cotton Council of America, 18 June 2004.

SAUDI ARABIA ACCESSION ENCOUNTERS LAST-DITCH HURDLES

The WTO's Working Party on the Accession of Saudi Arabia, as well as bilateral talks between Saudi negotiators and representatives of its future trading partners from 15-16 June "did not produce the expected breakthrough," according to a WTO official. The US and other Members expressed outstanding concerns during the negotiations. Washington would like to see further liberalisation of the Saudi insurance industry. In addition to these hurdles, twelve members of the US House of Representatives and five senators recently wrote to US Trade Representative Robert Zoellick to oppose Saudi Arabia's accession until the Kingdom drops its support for the Arab boycott of Israel and takes meaningful action to stop terrorism. The letter stated that "(W)e cannot ignore the critical role that Saudi Arabia must play to stem the flow of financing to terrorists around the world... We therefore urge the Administration to use its full weight during the ongoing negotiations to ensure Saudi Arabia's total cooperation in combating terrorism". The letter also mentioned that the Bush administration should oppose the accession due to Saudi government's "intolerant policies and poor human rights record."

After a previously meeting in April, Pakistan's ambassador Munir Akram, who chairs the talks, had said they were in their "final stages" (see BRIDGES Weekly, 12 February, <http://www.ictsd.org/weekly/04-02-12/wtoinbrief.htm>) and that this week's meeting would be "very substantial". According to a WTO official, negotiations on the Kingdom's accession will now continue after the summer break. Saudi Arabia has concluded bilateral negotiations with India and Panama and is hoping to conclude arrangements with all trading partners to join the WTO before the end of 2004.

"Saudi WTO bid hits new snags," AFP, 19 June 2004; "Leading Members of Congress Urge US To Oppose Saudi Arabia's Accession to WTO," WTO REPORTER, 18 June 2004.

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: 24 - 30 June

16-25 June, Bonn, Germany: TWENTIETH SESSIONS OF THE SUBSIDIARY BODIES TO THE UNFCCC. For further information contact the UNFCCC Secretariat, tel: +49-228-815-1000; fax: +49-228-815-1999; email: secretariat@unfccc.int; Internet: <http://www.unfccc.int>

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>

21-24 June, Maputo, Mozambique: FOURTH SUMMIT OF ACP HEADS OF STATE. The fourth Summit of the African, Caribbean and Pacific Heads of State will be held under the theme of "Together Shaping our Future". For further information contact the Secretariat of the African, Caribbean and Pacific Group of States (ACP Group), tel: +32-2-743-0600; fax: +32-2-735-5573; email: info@acp.int; Internet: <http://www.acp.int/maputo/>

23-24 June, Brussels, Belgium: TRIPS - TEN YEARS LATER. This year marks the tenth anniversary of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). In order to look back at these ten years and to examine the prospects for the future, the European Commission will organise a conference to bring together key actors - from industrialists to government representatives, international organisations, NGOs and academics - with an interest in intellectual property world wide. The aim is to assess

from the widest possible number of perspectives the implications of the TRIPs Agreement and future trends and challenges in global intellectual property protection. The conference is meant to offer a platform to address issues, such as the implications of the TRIPs Agreement for developing countries, enforcement challenges, the interplay between intellectual property and human rights, the relationship between intellectual property and the public domain and the question on whether the TRIPs Agreement is adequate to the challenges of globalisation and the knowledge society. For further information see http://europa.eu.int/comm/trade/issues/sectoral/intell_pr_operty/pr110604_en.htm

24 June, New York, US: GLOBAL COMPACT LEADERS SUMMIT. To be chaired by UN Secretary-General Kofi Annan, the Global Compact Leaders Summit will convene leaders of participating companies, international labour and civil society and select government officials to take stock of the Global Compact and chart its future course. Launched in July 2000, the Global Compact is an international initiative that brings companies together with UN agencies, labour and civil society to support nine agreed principles of human rights, labour and the environment. For further information contact Gavin Power, Director of Communications, tel: +1-212-963-4681; fax: +1-212-963-1207; email: powerg@un.org; Internet: <http://www.unglobalcompact.org/Portal/Default.asp>

28-29 June, Jaipur, India: MID-TERM REVIEW MEETING OF THE PROJECTS ACHIEVING BETTER MARKET ACCESS AND INTERNATIONAL WORKING GROUP ON THE DOHA AGENDA II. Organised by CUTS Centre for International Trade, Economics & Environment (CUTS-CITEE). The first project intends to look into the issues pertaining to trade and development concerns vis-à-vis the multilateral trading system. The second project deals with two complex and contentious topics: transparency in government procurement and trade facilitation. One of the aims of both projects is to assist developing and least developed countries to evolve appropriate positions at the WTO by building the capacity of negotiators and other stakeholders. For further information contact Purnima Purohit / Diana Montero Melis, email: citee@cuts-international.org

28 June to 3 July, Rome, Italy: 27TH SESSION OF THE FAO/WHO CODEX ALIMENTARIUS COMMISSION. The session is organised by the Codex Alimentarius Secretariat. For further information contact the Codex Secretariat, tel: +39-06-5705-2287; fax: +39-06-5705-3369; email: codex@fao.org; Internet: http://www.codexalimentarius.net/codex/codex27_en.htm

WTO Events

An updated list of forthcoming WTO meetings is posted at: 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.

24 June: WTO COUNCIL FOR TRADE IN SERVICES.

24 June: WTO WORKING PARTY ON DOMESTIC REGULATION.

25 June: WTO COMMITTEE ON TRADE IN FINANCIAL SERVICES.

25 June: WTO WORKING PARTY ON THE ACCESSION OF ALGERIA.

25 June: WTO COMMITTEE ON AGRICULTURE - SPECIAL SESSION.

25 June: WTO COMMITTEE ON GOVERNMENT PROCUREMENT.

28 June: WTO COMMITTEE OF PARTICIPANTS ON THE EXPANSION OF TRADE IN INFORMATION TECHNOLOGY PRODUCTS.

28 June: WTO COMMITTEE ON BUDGET, FINANCE AND ADMINISTRATION.

28 June: WTO COUNCIL FOR TRADE IN SERVICES - SPECIAL SESSION.

28 & 30 June: WTO TRADE POLICY REVIEW BODY - BENIN/BURKINA FASO/MALI.

29 June: WTO WORKING PARTY ON THE ACCESSION OF UZBEKISTAN.

29 June: WTO TECHNICAL BARRIERS TO TRADE - DEDICATED SESSION.

29 June: WTO NEGOTIATING GROUP ON RULES - REGIONAL TRADE AGREEMENTS.

29 June: WTO WORKING PARTY ON THE ACCESSION OF UZBEKISTAN.

30 June - 1 July: WTO TRADE NEGOTIATIONS COMMITTEE.

Other Upcoming Meetings

19-22 July, London, UK: **TAKING FORWARD THE WORLD TRADE NEGOTIATIONS.** This Wilton Park conference will explore issues such as the way forward in the Doha Round, ways to improve the functioning of the WTO, the roles of the various new negotiating groups, regionalism, coherence, developing country issues, and implications of EU enlargement and agricultural reform. For further information contact Susan Linfield, Conference Administration, Wilton Park, Wiston, tel: +44-1903-817728; fax: +44-1903-814217; email: susan.linfield@wiltonpark.org.uk; Internet: <http://www.wiltonpark.org.uk/web/welcome.html>

4-15 October, South Africa: **BUILDING COMPETENCIES FOR MAINSTREAMING TRADE & DEVELOPMENT WORK.** DFID in collaboration with the Trade Law Centre for Southern Africa (TRALAC) in South Africa will hold a 2-week intensive training programme on trade and development topics to around 30 trainees. The course is aimed at programme managers and advisory staff interested in developing their competence to work on trade and development. The programme will focus on key trade and development issues for developing countries at the national level and in the context of the bilateral, regional and multilateral agenda. The course aims to give participants an understanding of, inter alia, the theory and evidence linking trade, growth and poverty reduction and the principles/practice behind mainstreaming trade within national strategies for poverty reduction and sustainable development. For further information and to apply, contact Hushe Mzenda, DFID, email: h-mzenda@dfid.gov.uk or Paul Leenane, tel: +44 20 7023 0892; email: p-leenane@dfid.gov.uk.

1-2 November, Amsterdam, Netherlands: **TRADE, ENVIRONMENT AND DEVELOPMENT: THE NORTH-SOUTH DIMENSIONS.** Organised by CAT & E (Concerted Action on Trade and Environment). Over the past few years, the trade and environment agenda has expanded to include many of the WTO agreements as well as regional trade negotiations and investment agreements. This conference seeks to provide a forum for the presentation of recent research and consideration of its implications for policy. Priority topics for consideration include: social and environmental problems in production, trade and (sustainable) development; systemic issues; regional, national, and local case studies; trade in commodities, including genetically modified organisms; and Sustainability Impact Assessment. To submit papers, send abstracts no longer than 300 words by 1 July 2004 to Luke Brander, email: luke.brander@ivm.vu.nl. Decisions regarding the acceptance of abstracts will be made by

30 July. For further information regarding the call for papers and the conference see <http://www.cat-e.org/>

RESOURCES

ICTSD Resources

AGRICULTURE NEGOTIATIONS AT THE WTO: 'FRAMEWORK PHASE' UPDATE REPORT. By ICTSD (June 2004). The aim of this report is to provide stakeholders in agriculture trade and sustainable development with concise, user-friendly description and analysis of the current developments in the often very complex WTO negotiating process in agriculture. The report also looks ahead at upcoming issues in connection with the negotiations in agriculture so as to provide relevant stakeholders with an opportunity to respond to emerging themes in due time. The methodology used in compiling this report combines comprehensive in-house analytical work, on-site monitoring of key events, as well as extensive outreach to country delegates based in Geneva and representatives of local non-governmental organisations. To access the report visit

<http://www.agradepolicy.org/output/resource/agriculturenegotiations11.pdf>.

Other Resources

IPC DOHA ROUND RECOMMENDATIONS: WTO NEGOTIATORS MUST CREATE A SOLID AND SPECIFIC AGRICULTURAL FRAMEWORK THAT BUILDS ON THE VALUABLE COMMITMENTS MADE BY KEY COUNTRIES. By Robert L. Thompson and Piet Bukman (International Food and Agricultural Trade Policy Council, June 2004). After the collapse of the multilateral trade talks in Cancun, conventional wisdom said that negotiations would be stalled until 2005, well after the US elections and the change in the European Commission. Defying conventional wisdom, political leaders have breathed new life into the trade talks, most notably in agriculture. There is now an excellent chance for negotiators to agree on a framework for agriculture that goes beyond the framework on the table in Cancun. To access the full set of IPC recommendations, visit <http://www.agritrade.org/Doha/Framework.html>

FROM CANCÚN TO SÃO PAULO: THE ROLE OF CIVIL SOCIETY IN THE INTERNATIONAL TRADING SYSTEM. By CUTS Centre for International Trade, Economics & Environment (Jaipur, India, June 2004). Consumer Unity & Trust Society (CUTS) organised an "Afro-Asian Civil Society Seminar" in New Delhi from 13-15 April 2004 in preparation for UNCTAD XI. This book includes the proceedings of the conference as

well as several seminar papers, most of them written by developing country experts. The annexes comprise the Afro-Asian Civil Society Statement on Trade, an Agenda for Future Action, a description of the Afro-Asia Network of Civil Society Organisations on Trade, the UNCTAD Pre-Conference Negotiating Text, a List of Participants, a Pictorial Annex, and a List of CUTS-CITEE Publications. To order the book contact CUTS Centre for International Trade, Economics & Environment at email: citee@cuts-international.org

INTERGOVERNMENTAL NEGOTIATIONS AND DECISION MAKING AT THE UNITED NATIONS: A GUIDE. By the UN Non-Governmental Liaison Service's (NGLS, June 2004). This guide explains the governance and decision-making fora and processes of the UN system. Section One explains the principal UN organs of intergovernmental decision making; the negotiating blocs of Member States at the UN; the various types of documentation; and the nature of UN decisions and the weight they carry internationally. Section Two provides practical knowledge, advice and guidance to non-governmental representatives who wish to engage with the UN system, ranging from accreditation to the preparatory process, to engaging in follow-up activities after a meeting. The publication is available online at <http://www.un-ngls.org>. To obtain a hard copy contact Anne Kawuki, email: anne.kawuki@unctad.org.

FREE TRADE FOR THE AMERICAS? THE UNITED STATES' PUSH FOR THE FTAA AGREEMENT. Edited by Paulo Vinentini and Marianne Wiesebron (Zed Books, April 2004). The face of international trade is changing rapidly. But while much attention is focused on the new post-Doha round of WTO negotiations, there are other important developments. This book focuses on one of the most strategic - the proposed Free Trade Area of the Americas Agreement - due for completion in 2005. For further information see <http://zedweb.cybergecko.net/cgi-raw/a.cgi?1%2084277%20312%207>

IMPLEMENTATION OF THE KYOTO PROTOCOL WITHOUT RUSSIAN PARTICIPATION. By Bjart Holtmark and Knut Alfsen (Centre for International Climate and Environment Research, April 2004). This new discussion analyses likely consequences of some proposed alternatives to Kyoto implementation if the Russians decide to not ratify. The paper puts focus on cases where a limited number of the remaining Annex B parties respond to Russian withdrawal by the establishment of a new "mini-Kyoto" agreement by which these parties commit themselves to the emission caps, the rules for emissions trading, compliance etc. set out in the Protocol. The paper provides estimates of the permit price and environmental benefits that are likely if the proposed "mini-Kyoto" agreements are

implemented. To access the discussion paper, see <http://www.ssb.no/publikasjoner/Dp/pdf/dp376.pdf>

"The European Commission's regulations for genetically modified organisms and the current WTO dispute -- human health or environmental measures? Why the Deliberate Release Directive is more appropriately adjudicated in the WTO under the TBT Agreement," in the COLORADO JOURNAL OF INTERNATIONAL ENVIRONMENTAL LAW AND POLICY 15 (2, 2004) pp. 209-244. By Aaron A. Ostrovsky. This paper seeks to do two things: establish that the challenged European Commission (EC) directive, as well as environmentally concerned measures in general, are better adjudicated under the Technical Barriers to Trade (TBT) Agreement, regardless of whether the directives contain sanitary or phytosanitary elements, and assess the likelihood that the EC directives would prevail on a claim made under the TBT Agreement. It argues that the current measures do not run afoul of the TBT Agreement primarily because the EC directives are based on international standards created in the Cartagena Protocol on Biosafety (CPB) contained in the Convention on Biodiversity (CBD).

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