



INTERNATIONAL CENTRE FOR  
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### LEAD STORIES

#### WTO: GENERAL COUNCIL SETS STAGE FOR RESUMPTION OF DOHA NEGOTIATIONS

The WTO General Council (GC) met for the first time in 2004 on 11 February. The meeting, attended by a number of high-level officials from capitals, decided on a new slate of chairs for the various WTO bodies. They also took a decision to postpone Iran's request for accession to the WTO, while granting Iraq observership at the trade body. The GC was not yet prepared to take a decision on when to hold the next WTO Ministerial meeting, and postponed this item for a later session.

#### Japan to chair the GC

Over the past few weeks, Members had consulted informally to select new chairs for the regular WTO bodies as well as the negotiating bodies under the Trade Negotiations Committee (TNC), which the last GC in December 2003 had decided to reactivate after a period of suspension following the failed Ministerial meeting in Cancun in September (see BRIDGES Weekly, 17 December 2003, <http://www.ictsd.org/weekly/03-12-17/story1.htm>).

Japan's Shotaro Oshima was elected the new chair of the GC. Members agreed that Amina Mohamed (Kenya) would serve as chair of the Dispute Settlement Body (DSB), Joshua Law (Hong Kong) would head the Council for Trade Related Intellectual Property Rights (TRIPs), Naéla Gabr (Egypt) would chair the Committee on Trade and Environment and Trevor Clarke (Barbados) would chair the Committee on Trade and Development. While Members agreed on the new slate of chairs at the GC, each WTO body will formally adopt their new chair at their next meeting. The chairs of the subsidiary bodies under the Council for Trade in Services and the Council for Trade and Goods will be nominated later.

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As for the negotiating bodies under the TNC, Members agreed that Tim Groser (New Zealand) would head talks on agriculture, with Stefán Jóhannesson (Iceland) chairing the negotiating group on market access, Eduardo Pérez Motta (Mexico) the negotiating group on rules, Alejandro Jara (Chile) the special session of the Council for Trade in Services, Manzoor Ahmad (Pakistan) the special session of the TRIPs Council, David Spencer (Australia) the special session of the DSB, Taoufiq Ali (Bangladesh) the special session of the Committee on Trade and Environment and Faisal Ismail (South Africa) that of the Committee on Trade and Development.

The GC did not suggest chairs for the working groups on the contentious Singapore issues (trade facilitation and transparency in government procurement, which enjoy some support, as well as investment and competition). Members did not reach consensus on the status of these issues at the end of last year, and at the 11 February GC meeting, Chair Perez del Castillo noted that the issue of nominees for these chairs had not been discussed so as not to complicate the selection of the rest of the chairs. He noted that informal exploratory talks at the GC level would continue with the assistance of the WTO Secretary-General, without prejudice to the outcome of the talks or the opinion of any Member.

Addressing the plenary, Shotaro Oshima stressed that he would build on the groundwork done by outgoing Chair Perez del Castillo, and said he would focus on providing for a transparent process.

### **Status of Iran, Iraq discussed**

Also at the meeting, Members considered Iran's request to start accession negotiations. The US opposed the request. Tanzania, speaking for a number of developing countries, expressed the hope that Iran's request could be accepted at the next GC. The EC, supported by China, Cuba, Malaysia, India, Venezuela, Pakistan, Switzerland, Indonesia, Haiti and New Zealand, said Iran fulfilled all criteria for beginning accession negotiations, and noted that the beginning should not be a political consideration. The EC added a request that the chair of the GC and the Director General conduct informal consultations on the issue to allow for Iran to begin the accession process, as consensus is needed for this.

Members then accepted, by consensus, Iraq's request for observership at the WTO, allowing it to follow WTO proceedings. Iraq then entered the room and thanked the membership for accepting its request to attend as an observer.

### **No consensus on the date of the next Ministerial**

The US, in a letter from Trade Representative Robert Zoellick, had suggested early in the year that the sixth Ministerial meeting be held already in 2004 (see BRIDGES Weekly, 14 January 2004, <http://www.ictsd.org/weekly/04-01-14/story1.htm>). At the GC, the US said it would be useful to hold the Ministerial within 2004 in order to keep up the momentum in negotiations. The Chair noted, however, that he had not found consensus on this issue during informal consultations, with some countries finding the setting of an early date unrealistic, and a decision on the date of the sixth Ministerial was postponed until mid-year, when Members will have a clearer picture of progress made.

The various negotiating bodies are expected to begin their work in March, most likely in conjunction with the meetings of the regular bodies they are affiliated with. The next GC will be held in May.

ICTSD reporting.

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## **OTHER NEWS**

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### **US, AUSTRALIA CONCLUDE FTA FOLLOWING DRAWN-OUT TALKS**

The US and Australia announced on 8 February that they have concluded a free trade agreement (AUSFTA), following a final three weeks of intense negotiations (see BRIDGES Weekly, 4 February 2004, <http://www.ictsd.org/weekly/04-02-04/story4.htm>). Australian Trade Minister Mark Vaile said the agreement was a "historic achievement" linking Australia to the world's largest economy. Topics covered under the agreement include agriculture, dairy, investment, manufacturing, pharmaceuticals, government procurement and services. Although some observers hailed the agreement as a success, critics expressed concern over its lack of comprehensiveness and the fact that no specific environmental provisions were spelled out in the AUSFTA.

### **Australia gives in on sugar**

Some of the most controversial elements of the agreement are related to agricultural products, of which Australia is a large exporter. In the final agreement, Australia gave up its demands for significant US market access for sugar. However, the agreement does not include changes to the Australian Wheat Board

originally demanded by US producers. In-quota tariffs on beef will be eliminated immediately, while over-quota restrictions will be phased out over 18 years. These quota increases will not take effect until US beef production returns to its 2003 pre-BSE (bovine spongiform encephalopathy) scare level, or until three years after the date of agreement, whichever occurs first. A price-based safeguards mechanism has been included, operating in the event of significant price decreases for certain Australian imports to the US. According to US Trade Representative Robert Zoellick, a side letter to the agreement will address Australia's pledge to cooperate in international organisations to develop BSE standards. In dairy products -- including certain cheeses, butter, milk, cream and ice cream products -- there will be a five percent average yearly rise in quotas, starting with an initial threefold increase in tariff quota on dairy products. When the AUSFTA comes into effect, all US agricultural exports to Australia will also benefit from duty free access. The agreement includes elimination of tariffs on other products such as lamb, oranges, cottonseeds, cut flowers, soybeans, fresh and processed fruits, vegetables and nuts, alcohol and processed food products.

### **Manufacturing, PBS and Audio Visual Services**

Ninety-nine percent of US exports of manufactured goods to Australia, and 97 percent of Australian exports to the US will be duty free from the day the agreement enters into force. This will lead to an estimated USD two billion boost of US exports to Australia. The Australian Department of Foreign Affairs and Trade noted that tariffs on textiles, some footwear and a "handful of other items" would be phased out by 2015. Australia was able to maintain its Pharmaceutical Benefits Scheme (PBS), which the US had hoped it would drop, including the price and listing arrangements that ensure Australians access to affordable medicines. The Australians were also able to maintain their right to ensure local content in Australian broadcasting and audiovisual services, including in new media formats.

### **Investment, services and government procurement**

In terms of investment provisions, national interest screening of proposed US acquisitions in Australia has been maintained in a number of areas, although in some the threshold level for screening has increased. Recognising that both countries have "robust, developed legal systems for resolving disputes between foreign investors and government," the agreement contains no investor-state dispute settlement provisions. In services, with the exception of providing subsidies and grants, US-owned service providers operating in Australia must be treated equal to Australian providers. In government procurement, US

federal government contracts over USD 6 725 000 in construction and over USD 58 550 in other sectors will be open to Australian companies. Procurement preferences for small businesses and indigenous people will remain.

### **Public concerns raised over agreement**

Observers expressed varying opinions on the new agreement. US Senator Chuck Grassley, Chair of the Senate Committee on Finance, and Congressman Cal Dooley expressed their disappointment with the agreement, saying it was not comprehensive enough, as it establishes the precedent of completely excluding one product -- sugar -- from the agreement. According to Dooley, "it is a disgrace that (the sugar) industry, representing less than one-half percent of all US farms, is exempted from this agreement".

The Tasmanian Greens Political Party opposed the Free Trade Agreement, claiming that it could "open the Genetically Engineered (crop) floodgates...Tasmania could lose the right to determine that it will continue to be a GE-free producer. Once the GE genie is out of the bottle, it is impossible to get it back in". Gilles Stockton, speaking for the US Western Organisation of Resource Councils, said "this agreement will put many family livestock producers out of business... it gives more economic power to multinational corporations... [and] the process is blatantly undemocratic". The Humane Society International expressed concern over the fact that increased exports could increase fishing pressure on Australia's marine life and tuna stocks in particular.

To find out more about the agreement, visit <http://www.dfat.gov.au/trade/negotiations/us.html> or <http://www.ustr.gov/new/fta/australia.htm>

ICTSD reporting; "NZ congratulates Australia, US on FTA" NZ GOVERNMENT PRESS RELEASE, 9 February, "US, Australia strike free trade deal," REUTERS, 8 February 2004; "Greens at odds with Free Trade Agreement," CHECKBIOTECH.ORG, 10 February 2004; "US Australia trade pact may have environmental consequences," ENVIRONMENT NEWS SERVICE, 11 February 2004.

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## **FTAA NEGOTIATIONS ENCOUNTER HURDLES**

From 3-6 February, high-level government officials met in Puebla, Mexico to continue negotiations for finishing the 34-nation Free Trade Agreement of the Americas (FTAA) by its January 2005 deadline. No framework for moving negotiations forward was agreed upon, and trade officials decided to "suspend" the meeting and to reconvene in Puebla in the first week of March for new

discussions. Market access, agriculture, investment and services were among issues still remaining unresolved.

### **Mercosur/G-14 differences**

During the talks, five negotiating proposals were on the table. The proposals of the Group of 14 (led by the US, Mexico, Canada, Chile and Costa Rica) and of the Mercosur bloc (led by Brazil and Argentina) were most hotly debated. The G-14 countries wanted certain products to be granted temporary trade protection. US officials insisted that the farm topic be negotiated within the WTO, and asked for significant strengthening of protections for copyrights and patents. However, a participant at the talks noted that, "the Group of 14 has lowered its ambition in market access and in agriculture and in everything [to reach a compromise]".

For its part, Mercosur pushed for a neutralisation of "trade distorting" effects of domestic agricultural price supports and export credits from the US and Canada, and requested a total opening of markets and the elimination of all tariffs on the continent, while "countries like the United States and Canada are asking for exclusions," according to Argentine Trade Secretary Martin Redrado. Mercosur also demanded measures such as compensatory tariffs to protect their markets from the price effects of domestic US farm payments. To reach a compromise, they reportedly offered to allow tariff or quota protections for about ten percent of goods, dropped demands for an end to all farm subsidies and proposed a 15-year phase out of tariffs on all products in later stages of negotiations. Redrado said there would be no FTAA without an agreement on agriculture, requiring the US to abandon most farm subsidies. One trade source criticised the Mercosur proposal as having "lowered ambitions everywhere but in market access and in agriculture, where it is very ambitious".

After the collapse of WTO talks in Mexico last fall, the November FTAA meeting in Miami agreed on an outline for an accord dubbed "FTAA Lite," which involves a two-tiered approach to negotiations (see BRIDGES Weekly, 26 November 2003, <http://www.ictsd.org/weekly/03-11-26/story3.htm>). Instead of drafting a single high-level agreement covering all nine areas of the negotiation -- including agriculture, manufactured and consumer goods, services, investment, government procurement and copyright protections -- all 34 countries would agree on a "balanced and common set of rights and obligations," which all parties would take. In addition, countries wishing to do more in some areas would negotiate separate pacts to do so. According to one US official, there was disagreement over procedures for the plurilateral negotiations under the "second tier" (higher set of obligations). Although the group has reached an

agreement on basic procedures, areas that remain ambiguous include observer rights and degree of flexibility to newcomers in existing plurilaterals. The impasse during these talks led to fears that the pact might become what critics called an "FTAA Ultra-Lite," an agreement lacking in substance. Despite the absence of a deal at the meeting, negotiators decided to continue to aim at their 2005 deadline for the FTAA. They also agreed that smaller, less-developed countries would need special assistance to complete the pact.

### **G-14 plurilateral talks**

US trade officials said on Saturday that they planned to negotiate a high-level trade agreement with 13 other countries in the Americas, hoping Brazil and other members of Mercosur would offer more concessions in the FTAA talks. This plurilateral agreement would include Canada, the US, Mexico, Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, the Dominican Republic, Colombia, Ecuador, Peru and Chile. In a teleconference, a US trade official stated that the plurilateral agreement would cover, at a minimum, market access, services, government procurement and investment.

### **Opponents of FTAA state their case**

The FTAA meeting was accompanied by a number of protests. Over a thousand people from throughout the Americas also gathered in Havana, Cuba from 26-29 January for the Third Hemispheric Meeting to Fight against the FTAA. Participants represented organisations ranging from social protest and lobby groups to trade unions and student organisations. Speaking at the Havana meeting, Cuban President Fidel Castro stressed that the growing foreign debt of "semi-colonial" countries now surpasses USD 2.5 trillion, including USD 750 billion in Latin America, and noted that the FTAA may exacerbate the situation. Cuba has not been included in the FTAA negotiations. Many delegates lauded the approach taken at the FTAA talks by Brazil and Argentina. Noting that the left is making progress in Latin America, they felt that the demands that Brazil and Argentina are making were in the interests of the poor. A final declaration and "action plan" of the conference included a call for a series of anti-FTAA protests and forums leading up to the next round of negotiations.

ICTSD reporting; "FTAA talks in Mexico Stall over US Farm Subsidies," DOW JONES, 5 February 2004; "Mexico FTAA talks hit bumps in race for Jan accord," REUTERS, 4 February 2004; "Mexico trade talks at impasse on access, subsidies," REUTERS, 5 February 2004; "Havana conference opposes FTAA pact," THE MILITANT, 4 February 2004.



## **EAST & SOUTHERN AFRICAN COUNTRIES, EU LAUNCH EPA NEGOTIATIONS**

On 7 February 2004, 16 East and Southern African (ESA) countries from the Africa, Caribbean, and Pacific (ACP) group of states officially launched bilateral trade negotiations with the EU towards WTO-compliant 'Economic Partnership Agreements' or EPAs. The meeting, which took place in Port Louis, Mauritius, aimed at agreeing on the structure and roadmap of the negotiations, as well as discussing regional priorities and mainstreaming development concerns into the negotiating process. While the European Commission and many of the Ministers from the African countries welcomed the launching of talks, a number of local civil society groups voiced concerns over the potential negative impacts of reciprocal trading arrangement with the EU on the majority of the African people. The launching of these negotiations makes the ESA configuration the third group to launch such EPA negotiations, following ECOWAS and CEMAC in early October 2003 (see BRIDGES Weekly, 8 October 2003, <http://www.ictsd.org/weekly/03-10-08/story5.htm>).

### **Expectations**

Speaking prior to his departure for Mauritius, EU Trade Commissioner Pascal Lamy said "The EPA negotiations with Eastern and Southern Africa will follow a hands-on approach: development is the objective, trade one of the tools". Echoing similar sentiments in his opening address to Ministers, ACP Secretary-General, H.E. Jean-Robert Goulongana outlined his expectation that EPAs should "act as instruments of sustainable development in ACP countries," promoting "increase[ed] production and supply capacity, thereby facilitating their integration into the world economy".

In contrast, a number of local and international civil society organisations voiced concerns as they believed that the EU was using EPAs to open markets in ACP countries before local producers were ready and able to compete with their EU counterparts. They have also voiced concern over, inter alia, items under the EPA banner that have received a cool response at the WTO -- namely issues such as investment and competition, and stressed the need to finalise key negotiations at the multilateral level (for example rules on regional trading agreements) prior to proceeding at the ACP-EU level. Another issue raised was the power imbalance that results when one negotiating party is dependant on the other for the bulk of its aid (as the African countries

are). Finally, concerns were highlighted over the perceived artificiality of the ESA configuration, which did not exist prior to these negotiations, saying it would undermine existing regional integration schemes by drawing all resources to the EPA negotiations (and away from regional processes).

### **ESA configuration -- COMESA, SADC, etc.**

The ESA configuration includes members of the Common Market For East And Southern Africa (COMESA): Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Rwanda, Seychelles, Sudan, and Uganda; as well as members of COMESA which are also members of the Southern Africa Development Community (SADC): the Democratic Republic of Congo, Malawi, Mauritius, Zambia, and Zimbabwe. The remaining members of SADC, including Angola, Botswana, Lesotho, Mozambique, Namibia, Swaziland, and Tanzania are expected to launch a separate EPA with the EU in mid-March 2004 (see Trade Negotiations Insights, January 2004, <http://www.ictsd.org/tni>). As South Africa already has a 'Trade and Development Cooperation Agreement' with the EU, it will sit as a "learned observer" in the SADC-only talks.

### **Background**

The ACP-EU Partnership Agreement, known more commonly as the Cotonou Agreement, is a comprehensive aid and trade agreement signed in Cotonou, Benin on 23 June 2000 between 77 ACP countries and the EU. Its central objective is to reduce and eventually eradicate poverty while contributing to sustainable development and to the gradual integration of ACP countries into the world economy.

The Cotonou Agreement provides the framework for the negotiation of new reciprocal WTO-compatible trading arrangements between the EU and the ACP. ACP countries are able to enter into such arrangements individually, or as part of a group -- the latter intended to build upon existing regional integration schemes.

Negotiations towards the new reciprocal EPAs -- or other alternative trade arrangements -- commenced on 27 September 2002, and are scheduled to conclude at the end of 2007. The EPAs are mandated to enter into force from 2008 until 2020. At the WTO's Fourth Ministerial in 2001, WTO Members granted a waiver for the Cotonou Agreement to allow for the continuation of the non-reciprocal preferential trade arrangements (see BRIDGES Weekly, 15 November 2001, <http://www.ictsd.org/weekly/01-11-15/story2.htm>), which were put in place by Cotonou's predecessor, the Lomé Convention (this extension of preferences does not apply to South Africa, which has a separate bilateral

deal with the EU, the 'Trade and Development Cooperation Agreement').

For more information on the ACP-EU process, including statements from civil society groups, visit <http://www.epawatch.net>

ICTSD reporting; "EU Opening a 'Back Door' to WTO," IPS UN JOURNAL, 10 February 2004; "Kenyan Civil Society Statement on ESA-EU negotiations" VARIOUS, 4 February 2004.

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## IN BRIEF

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### EC TO SET NEW RUSSIA POLICY COVERING TRADE RELATIONS, KYOTO PROTOCOL

On 9 February the European Commission adopted a communication on EU policy towards Russia. The communication focused on areas in which Russian and EC positions have drifted apart, such the extension of the Partnership and Cooperation Agreement (PCA) following EU enlargement to encompass ten new members. Russia has a number of demands, such as higher EC import quotas for grains and steel and rights for the Russian minorities in Estonia and Latvia, which it would like to see implemented. Trade relations between Russia and the EU countries are significant, with two-way amounting to EUR 78 billion in 2002. Russia believes it will lose EUR 150 million annually as a result of EU enlargement, while the EC has stressed that Russia will gain from it. The EC has initiated compensation talks with WTO Members who believe they will be negatively affected by the enlargement process (see BRIDGES Weekly, 4 February 2004, <http://www.ictsd.org/weekly/04-02-04/wtoinbrief.htm#3>). Russia is not a WTO Member, and its trade relations with the EU are governed by the PCA.

Other areas where Russian and EC positions diverge include the Kyoto Protocol -- which the EC would like to see Russia ratify (see BRIDGES Weekly, 4 February 2004, <http://www.ictsd.org/weekly/04-02-04/wtoinbrief.htm#1>) -- and issues such as the human rights situation in Chechnya and the freedom of the Russian press. The EC communication, established in response to a December 2003 European Council request for an assessment of Russia-EU relations, is set to strengthen policy coherence and proposes that the EC "discuss frankly any Russian practices that run counter to European values, including those on human

rights, media freedom and cooperation on the environment". The communication will form the basis for discussions at by foreign ministers at the next EU General Affairs and External Relations Council on 23 February. Some EC officials have hinted that an overall deal on EU enlargement, Russia's WTO accession, and the Kyoto Protocol could be struck prior to 1 May.

"Commission calls for the strengthening of EU-Russia relations," EC RELEASE, 9 February 2004; "EU Sets Out Tough Terms on Relations with Russia," REUTERS, 11 February 2004; "Chechnya Adds to EU Tensions," MOSCOW TIMES, 6 February 2004; "Wider EU May Create 'Vacuum'," ST PETERSBURG TIMES, 6 February 2004.

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### COMMONWEALTH, APEC BUSINESS LEADERS CALL FOR DOHA ROUND REVIVAL

On 9 February, four trade ministers from Commonwealth countries urged WTO Members to continue the Doha round talks, stressing the importance of trade to poverty alleviation. "Everyone has come to realise that you cannot do without the multilateral trading system. We need to create wealth and we think that trade can do the magic" said Commerce Minister Idris Adamu Waziri of Nigeria, who was in Geneva with his counterparts from Bangladesh, Barbados and Fiji in anticipation of the 11 February WTO General Council meeting. Waziri went on to stress the crucial role of removal of agricultural subsidies in developed countries as well as market guarantees for developing countries in this context. Commonwealth Deputy Secretary-General Winston Cox said, "we aren't negotiating. We are a mission that is designed to build and reinforce the political momentum for a multilateral trade round". The group was also set to visit Washington, Brussels and Tokyo. This is the second Commonwealth trade mission, the first one having taken place in 1993 towards the close of the Uruguay round.

Meanwhile, meeting from 3-6 February in Miami, Florida, business leaders from the 21 members of the Asia-Pacific Economic Cooperation (APEC) stressed the importance of the successful completion of the Doha round. The Chair of the APEC Business Advisory Council (ABAC), Hernan Somerville of Chile, said, "these talks are simply too important to be allowed to fail". ABAC members noted that the increased number of regional trade agreements may reflect recent stagnation in the WTO. They supported WTO negotiations on trade facilitation, and called for the inclusion of provisions on corruption in the WTO though an agreement on government procurement.

"Commonwealth states call for trade talks to resume," REUTERS, 9 February 2004; "Commonwealth ministers on a mission to boost global trade talks," AP, 9 February 2004; "Asia Pacific Business Executives Seek to Jumpstart Global Trade Talks," ABAC RELEASE, 6 February 2004; "APEC To Address Ways To Revive Doha At ABAC Meeting In Miami Later This Month," ABAC RELEASE, 3 February 2004.

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### **COLOMBIA TO GUARANTEE PUBLIC PARTICIPATION IN TRADE NEGOTIATIONS**

The Ministry of Trade and Commerce of Colombia has accepted a petition from the association of small and medium-sized enterprises (SMEs) and civil society organisations to include the Office of the Attorney General in the trade negotiation process with the US. The final details of the arrangement have not been made, but the Minister of Commerce and Trade has sent a formal invitation to the Attorney General to participate permanently in the briefings that the Ministry organises with the private sector and civil society organisations. The presence of the Office of the Attorney General would provide an additional oversight of the process. The Attorney General has accepted this invitation as well as an offer made by the Ministry to organise a seminar on trade negotiations exclusively for the personnel of the Attorney General's Office.

During the last Ministerial Meeting of the FTAA, held in Miami in November 2003, the US announced its interest to begin talks with Colombia with the aim of commencing negotiations leading to a bilateral trade agreement between the two countries.

ICTSD reporting; EL TIEMPO, February 4, 2004.

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### **WTO IN BRIEF**

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#### **RUSSIA ACCESSION TALKS LAG; SAUDI ARABIA'S BID CLOSER TO COMPLETION**

On 5 February, Russia finished its latest round of accession talks in its ten-year bid to join the WTO. The meeting of the Working Party on the Accession of the Russian Federation ended with few signs of substantive progress. The negotiations stalled, according to some trade diplomats, over issues related to Russia's restrictions on imports of beef, pork, and poultry, its refusal to sign the WTO's Agreement on Trade in Civil

Aircraft, and its reluctance to open up its services sector to foreign firms. However, Russia's chief negotiator, Maxim Medvedkov, said progress was made on compatibility of Russia's taxation system, application of export duties, and transparency in trade rules. Certain sensitive issues, such as Russia's dual energy pricing system, were not discussed during the meeting of the Working Party. Before joining the WTO, Russia must also complete bilateral deals with WTO Members. Medvedkov said Russia had completed deals with 13 of the 50 Members requesting bilateral talks. Russia has yet to reach a deal with the EC and the US, its two major trading partners. Scant progress was made in talks between the EC and Russia held in Brussels prior to the meeting of the Working Party meeting. The EC is currently reviewing its Russia policy, including the issue of Russia's WTO accession (see related story, this issue).

Contrary to Russia's sluggish negotiation process, Saudi Arabia's accession is now an "imminent reality," with membership likely before the end of this year, according to WTO Director-General Supachai Panitchpakdi. Saudi Arabia recently agreed to drop some of its restrictions on foreign investment and open up some of its service sectors to overseas firms, as requested by its trading partners. The new Saudi Working Report, released in late January, contains new information on pricing policies, monetary and fiscal policies, investment rules, intellectual property protection, import and export restrictions, and rules governing the provision of services. Many items that are still on the "negative list", according to Saudi officials, "would be removed upon accession". Saudi Arabia has still refused to liberalise its financial services sector, but promised not to raise any ceilings on tariffs agreed to as part of any final accession deal. There are some exceptions in the accession agreement, such as pork and alcohol products, which are illegal in Saudi Arabia for religious reasons. The next meeting of the WTO Working Party on the Accession of Saudi Arabia is scheduled for 24-26 February.

"No to WTO Russia Accession Talks - Putin Needs to Give Kyoto the Green Light," 5 February 2004; "WTO Russian Accession Talks Evince Few Signs of Progress," WTO REPORTER, 6 February 2004; "Saudis Flexible on Easing Investment Curbs During WTO Accession Talks, Report States," WTO REPORTER; "Russian Official Says Tax Burden on Oil Companies Will Rise," ASSOCIATED PRESS, 4 February 2004.

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## US PREPARING FIRST WTO CASE AGAINST CHINA

Last week, a US trade official warned that the US was actively preparing a case against China on its value-added tax (VAT) policies for semiconductors. According to Charles Freeman, deputy assistant US Trade Representative, Chinese VAT policies severely limit US semiconductor access to the Chinese market. However, he added that the US was willing to give China "one last shot" in bilateral negotiations at an upcoming meeting between US and Chinese trade and economic officials in April. The US is arguing that China is violating the WTO's national treatment rules by refunding almost all of the 17 percent VAT that it levies on semiconductors to companies that operate within China, while imported chips pay the full tax. Both sides would like to work the issue out bilaterally, but if the case is brought to the WTO court it would be the first action taken against China since Beijing's entry to the WTO in 2001.

Anne Craib, director of international trade and government affairs for the Semiconductor Industry Association, stressed that China's policies have caused US-made chips to face a price disadvantage on the Chinese market, and also said she believed that if the current policy continued many US companies would relocate to China to receive the tax break. Chinese officials, however, said their VAT policies were WTO-compatible, and asked the US to wait until after their April meeting before taking any legal action. Freeman and other US officials also continued to condemn what they consider to be China's lax enforcement of intellectual property rights (IPR). However, the US has no plans to bring a case against China on IPR to the WTO, because China has promised to enforce its laws, which generally meet WTO requirements. Some US sources charge that American businesses have lost USD 1.8 billion in revenue due to China's copyright piracy and other IPR violations.

"USTR warns China on semiconductor tax rebates," REUTERS, 5 February 2004; "United States Preparing WTO Case Over Chinese VAT Policies, Official Says," WTO REPORTER, 6 February 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).

### Coming Up: 12-18 February

until 27 February 2004: EU TRADE NEWS PUBLIC CONSULTATION: IMPROVING SUSTAINABILITY IMPACT ASSESSMENTS. All interested parties are invited to take part in an online public consultation helping to shape EU policy. The Directorate General Trade wants to improve the current methodology used for assessing trade policy impacts on sustainable development. Written comments are invited on a draft consultation paper and may be submitted to [eric.peters@cec.eu.int](mailto:eric.peters@cec.eu.int). To see the public consultations page and download the document, see: <http://trade-info.cec.eu.int/consultations/index.cfm>

9-20 February, Kuala Lumpur, Malaysia: 7TH CONFERENCE OF THE PARTIES TO THE CONVENTION ON BIOLOGICAL DIVERSITY. Priority issues include: mountain biological diversity; protected areas; and technology transfer. For further information, contact the CBD Secretariat, tel: +1-514-288-2220; fax: 288-6588; email: [secretariat@biodiv.org](mailto:secretariat@biodiv.org); Internet: <http://www.biodiv.org/meetings/cop-07/>

10-14 February, Bremen, Germany: 9TH SESSION OF THE UN AGENCY'S SUB-COMMITTEE ON FISH TRADE. Established in 1985 by FAO's Committee on Fisheries -- the body responsible for setting FAO's work agenda related to fisheries and aquaculture -- the Sub-Committee functions as a multilateral forum for discussion of policy issues related to the global trade in fishery products. Topics to be discussed by the Sub-Committee at Bremen include: trade in fisheries products as a means of alleviating food insecurity and hunger and the safety and quality of globally traded fisheries products, including farmed fish, and options for developing science-based, fair and transparent safety-monitoring and labelling systems for seafood products. For further information contact: George Kourous, FAO Information Officer; email: [george.kourous@fao.org](mailto:george.kourous@fao.org); tel: +39 06 570 53168; Internet: <http://www.fao.org/fi/meetings/cofi/cofitr.asp>

12-13 February, Geneva, Switzerland: MEETING BETWEEN THE G-20 AND EC. The G-20 and the EC are meeting to discuss ways forward in the Doha round of trade talks.

13 February, Addis Ababa, Ethiopia: SEMINAR ON EPA NEGOTIATIONS BETWEEN ESA STATES AND THE EU--CHALLENGES AND REALITIES. Held at the UN Economic Commission for Africa (ECA), the seminar will look at least developed country and developing country prospects within Economic and



Partnership Agreements (EPAs) with the EU. It will also focus on market access issues, reciprocity, development issues, fiscal implications and the role of parliamentarians. For further information contact Peter Robleh ECA, email: [PRobleh@uneca.org](mailto:PRobleh@uneca.org)

16-19 February, Addis Ababa, Ethiopia: SEVENTH SESSION OF THE ACP-EU JOINT PARLIAMENTARY ASSEMBLY. The full agenda can be found at: [http://www.europarl.eu.int/intcoop/acp/60\\_07/pdf/oj\\_en.pdf](http://www.europarl.eu.int/intcoop/acp/60_07/pdf/oj_en.pdf)

18 February, Brussels: DG TRADE/CIVIL SOCIETY DIALOGUE. Discussion will revolve around the trade and environment portion of the Doha round of trade negotiations. It is part of the European Commission Directorate General for Trade's Civil Society Dialogue programme, which holds regular meetings on trade issues in Brussels with European Commissioners, senior officials and negotiators. Registration can be completed online at [http://trade-info.cec.eu.int/civil\\_soc/meeting.php?action=consult](http://trade-info.cec.eu.int/civil_soc/meeting.php?action=consult). If any difficulties are encountered, email: [belgin.bingol@cec.eu.int](mailto:belgin.bingol@cec.eu.int)

18-20 February 2004, Vienna, Austria: FOURTH GLOBAL FORUM ON SUSTAINABLE ENERGY (GFSE-4). The proposed working title for GFSE-4 is "Energy for Sustainable Development: Reconsidering the Role of Subsidies". As GFSE-4 will take place about three months prior to the German-sponsored international conference on renewables - Renewables 2004 - in Bonn in June, GFSE-4 may devote at least one day to the issues specifically connected with renewables. For further information contact: Irene Freudenschuss-Reichl; tel: +1-212-963-6890; fax: +1-212- 963-7904; e-mail: [freudenschuss-reichl@un.org](mailto:freudenschuss-reichl@un.org); Internet: <http://www.gfse.at/>

## 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.

13 February, Geneva, Switzerland: WTO INTEGRATED FRAMEWORK STEERING COMMITTEE.

17 February, Geneva, Switzerland: WTO DISPUTE SETTLEMENT BODY.

18 February, Geneva, Switzerland: WTO COMMITTEE ON TRADE AND DEVELOPMENT.

## Other Forthcoming Events

25 February, London: SUSTAINABLE DEVELOPMENT PROGRAMME DISCUSSION MEETING. The Sustainable Development Programme of the London-based Royal Institute of International Affairs (RIIA) will hold a meeting entitled "UK Bilateral Investment Treaty Programme and Sustainable Development: Implications of bilateral negotiations on investment at a time when multilateral talks are faltering". Particular attention will be given to the impact of bilateral investment treaties on sustainable development. Attendance is free of charge, but pre-registration is necessary. For further information contact Sam Usiskin, tel: +44 (0) 20 7957 5711; email: [sustainable-development@riia.org](mailto:sustainable-development@riia.org)

4-5 March, Brussels: GREENS/EUROPEAN FREE ALLIANCE CONFERENCE: REMAKING THE GLOBAL TRADING SYSTEM. The conference, held in the European Parliament, will focus on opportunities to redefine the global trading system with more emphasis on fair trade and sustainable development. It will discuss structural and procedural reforms that may be available within the stalled trade talks of the WTO. Advance registration is necessary for security reasons. For more information, email: [GreensTradeConference@europarl.eu.int](mailto:GreensTradeConference@europarl.eu.int); Internet: <http://www.greens-efa.org>

9-12 March 2004, Dar-es-Salaam, Tanzania: UNEP-GEF SUB-REGIONAL WORKSHOP ON DEVELOPMENT OF NATIONAL BIOSAFETY FRAMEWORKS FOR ANGLOPHONE AFRICA. This workshop aims to help participants acquire a better understanding of the different options for regulatory regimes and administrative systems for biosafety, as well as legal and administrative requirements of the Cartagena Protocol. For further information contact Christopher Briggs, tel: +41-22-917-8411; fax: +41-22-917-8070; email: [chris.briggs@unep.ch](mailto:chris.briggs@unep.ch); Internet: <http://www.unep.ch/biosafety/devsubregwrkshops.htm>

20-23 April, Ouagadougou, Burkina Faso: UNEP-GEF SUB-REGIONAL WORKSHOP ON DEVELOPMENT OF NATIONAL BIOSAFETY FRAMEWORKS FOR FRANCOPHONE AFRICA. This workshop aims to help participants acquire a better understanding of the different options for regulatory regimes and administrative systems for biosafety, as well as legal and administrative requirements of the Cartagena Protocol. For further information contact Christopher Briggs, tel: +41-22-917-8411; fax: +41-22-917-8070; email: [chris.briggs@unep.ch](mailto:chris.briggs@unep.ch); Internet: <http://www.unep.ch/biosafety/devsubregwrkshops.htm>

3-4 June, Cambridge, Massachusetts, US: INTERNATIONAL CONFERENCE ON TECHNOLOGICAL INNOVATION AND DEVELOPMENT: LESSONS FROM TAIWAN. Sponsored by Science, Technology and Innovation Project Centre for International Development, Harvard University and Science, Technology and Globalization Project, Belfer Center for Science and International Affairs, Kennedy School of Government. The conference builds on ongoing research and outreach activities on the role of science, technology and innovation in economic transformation. Other related activities include the Task Force on Science, Technology and Innovation of the United Nations Millennium Project commissioned by the UN Secretary General and supported by the UN Development Group. For further information contact: Brian Torpy, email: [stg@ksg.harvard.edu](mailto:stg@ksg.harvard.edu); tel: 617-496-5574, fax: 617-495-8963; Internet: <http://www.cid.harvard.edu/cidbiotech/taiwan/announce>

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## RESOURCES

"The Effects of Alternative Proposals for Agricultural Export Subsidies in the Current WTO Round," by Piero Conforti and Beatriz E. Velazquez in the ESTEY CENTRE JOURNAL OF INTERNATIONAL LAW AND TRADE POLICY (Volume 5, Number 1). The article is aimed at assessing the impact of reducing and/or eliminating EU export subsidies within the next WTO round. The Global Trade Analysis Project (GTAP) model and database are employed to study the effects of the two main proposals put forward on this matter by the EU and the US. Results of the simulations confirm the common knowledge that the elimination of EU export subsidies would bring about increases in prices, exports and production for several net exporters of agricultural products. For further information see <http://www.esteyjournal.com/>

"Homeland Security and the Rules of International Trade," by William A. Kerr in the ESTEY CENTRE JOURNAL OF INTERNATIONAL LAW AND TRADE POLICY (Volume 5, Number 1). International trade law is very clear: national security concerns take precedent over any commitments in trade agreements. Trading partners may be frustrated by what they perceive as protectionist measures and tempted to reply with trade-restricting measures of their own, imposed under the guise of national security. Thus, governments have a vested interest in being willing to listen to the comments of their trading partners and ensuring that the policies put in place achieve their goal in the least-trade-distorting manner - even if they are not obliged to do so. For further information see <http://www.esteyjournal.com/>

"Developing Countries' Changing Participation in World Trade," by Will Martin in the WORLD BANK RESEARCH OBSERVER 18 (2, 2003) pp. 187-203. Recent years have seen substantial reductions in trade policy and other barriers inhibiting developing country participation in world trade. Lower barriers have contributed to a dramatic shift in the pattern of developing country trade -- away from dependence on commodity exports to much greater reliance on manufactures and services. In addition, exports to other developing countries have become much more important. These changes have profound implications for the role played by developing countries in the world economy and trade system.

MARKET POWER WITH INTERDEPENDENT DEMAND: SALE OF EMISSION PERMITS AND NATURAL GAS FROM THE FORMER SOVIET UNION. By Cathrine Hagem, Steffen Kallbekken, Ottar Mæstad and Hege Westskog (CICERO, 2004). With the implementation of the Kyoto Protocol, the states of the Former Soviet Union, and Russia in particular, will most likely be able to exert market power in the emission permit market. However, since these countries are also big exporters of fossil fuels, their incentives to boost the permit price may be weak. However, a significant share of Russia's fossil fuel exports are natural gas. A high permit price may boost the demand for natural gas through substitution from more polluting fuels and thus increase gas profits. To access the study visit <http://www.cicero.uio.no/publications/detail.asp?2597>

"Peace, Security, and Middle East Trade: Is Discrimination the Problem or the Solution?" by Craig VanGrasstek in the JOURNAL OF WORLD INVESTMENT 4 (5, 2003) pp. 737-766. US President George W. Bush has proposed "the establishment of a US -- Middle East free trade area (FTA) within a decade". Trade discrimination has long been part of the problem in US relations with the Middle East, but this latest offer aims to make it a part of the solution. This article seeks to place the current initiative in context by reviewing the development of three distinct but related strands of discrimination in US -- Middle East trade relations: negative discrimination, especially in relation to the Arab Leagues boycott of Israel; a combination of negative and positive discrimination in the critical petroleum trade; and positive discrimination in the form of bilateral free trade agreements with some Middle East States.

"Determining the Trade-Environment Composition Effect: The Role of Capital, Labour and Environmental Regulations" by Matthew A. Cole and Robert J. R. Elliott in the JOURNAL OF ENVIRONMENTAL ECONOMICS AND MANAGEMENT 46 (3, 2003) pp. 363-383. This paper argues that pollution-intensive sectors may be subject to opposing forces of

comparative advantage since these sectors are also typically capital intensive, yet regions with low environmental regulations tend to be those that are the least capital abundant. We examine therefore, whether compositional changes in pollution arising from trade liberalisation originate due to differences in capital-labour endowments and/or differences in environmental regulations.

"Trade Liberalisation, Corruption, and Environmental Policy Formation: Theory and Evidence" by Richard Damania, Per G. Fredriksson, John A. List in the *JOURNAL OF ENVIRONMENTAL ECONOMICS AND MANAGEMENT* 46 (3, 2003) pp. 490-512. This study explores the linkages between trade policy, corruption, and environmental policy. We begin by presenting a theoretical model that produces several testable predictions, including: (i) the effect of trade liberalisation on the stringency of environmental policy depends on the level of corruption; and (ii) corruption reduces environmental policy stringency. Using panel data from a mix of developed and developing countries from 1982 to 1992, we find evidence that supports these conjectures. We view these results as representing an attempt at understanding the myriad of complex relationships that exist in an open economy.

### Electronic Resources

**CBD PAGES ON ECONOMICS, TRADE AND INCENTIVES.** Pursuant to Article 17 and Article 18.3 of the Convention on Biological Diversity (CBD) and in support of work related to the programme of work on incentive measures (Article 11), the Secretariat revised the presentation of information on its website on economics, trade and incentives. A new database on case studies and related information on incentive measures has been created. The information database on incentive measures is available on the Convention's website at <http://www.biodiv.org/programmes/socio-eco/incentives/case-studies.aspx>

**UNISÉRA INTERNATIONAL CENTRE WEBSITE.** Unisféra International Centre is an independent not-for-profit research center based in Montreal, Canada. Its mission is to contribute to the advancement of knowledge on sustainable development law and policy, with a focus on the links between socio-economic development and the environment. Its work is policy-oriented with a view to assisting public and private entities in the development and implementation of policies at the national and international levels. Unisféra International Centre has just launched its bilingual English/French website, <http://www.unisfera.org/?ln=1>, with downloadable publications.

**FAO LOGE WEBSITE.** The Liaison Office of the UN Food and Agriculture Organisation (LOGE) has

launched a new website, which aims to complement the main FAO website. It offers a more focused platform for reporting trade policy developments in Geneva and elsewhere and provides guided access to the vast amount of specialised information and resources available in the main FAO website (<http://www.fao.org>) from the perspective of the interests of the Geneva trade community. The website also contains a calendar of events related to agricultural trade, with links to background information and material that may be available from the sponsors of such events. To access the website go to <http://www.faologe.ch>

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