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# Bridges

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### LEAD STORIES

DOHA ROUND: MIDYEAR MEETING TO ESTABLISH  
NEGOTIATING FRAMEWORKS? 1

DSU REVIEW: MAY 2004 DEADLINES SLIPPING OUT  
OF REACH 2

### OTHER NEWS

SACU-US FTA NEGOTIATIONS FOCUS ON "PHASE  
ONE" ISSUES 3

TRADE DEBATE HEATING UP IN THE US 4

### IN BRIEF

BIOSAFETY MEETING MOVES ON LABELLING AND  
COMPLIANCE MEASURES 5

US-MOROCCO FREE TRADE PACT CONCLUDED 6

FIRST GLOBAL CONFERENCE TO DEVELOP ANIMAL  
WELFARE STANDARDS 6

ENERGY SUBSIDIES IN THE SPOTLIGHT 6

KENYAN FLOWER INDUSTRY WARY OF EC  
RESTRICTIONS 7

### WTO IN BRIEF

SAUDI ACCESSION CLOSER FOLLOWING  
SUCCESSFUL BILATERALS 7

INITIAL SERVICES OFFERS SHOW LOW LEVEL OF  
COMMITMENT 8

EC IMPOSES SANCTIONS ON THE US 8

### EVENTS & RESOURCES

EVENTS 9

RESOURCES 10

### LEAD STORIES

#### DOHA ROUND: MIDYEAR MEETING TO ESTABLISH NEGOTIATING FRAMEWORKS?

WTO Director-General Supachai Panitchpakdi, US Trade Representative Robert Zoellick and EC Trade Commissioner Pascal Lamy have all recently commented on the desirability of establishing negotiating frameworks by midyear at the latest for bringing the Doha round to a conclusion. Following public speeches at different venues around the world, the political pressure to get on with negotiations will soon be put to the test in Geneva, where various negotiating groups are scheduled for March and April.

#### Frameworks midyear or May?

Speaking to journalists on 27 February in Washington, DC, Director-General Supachai indicated his support for holding a high-level General Council meeting at the WTO in July -- possibly attended by ministers, without being an official ministerial meeting -- where Members could agree on a framework for negotiations of a kind they had hoped to adopt at the failed Ministerial Conference in Cancun in September 2003. Prior to the meeting, officials in Geneva should work under the guidance of their trade ministers. By midyear -- which most observers assume to mean before the WTO's August recess -- it should also be clear whether or not the negotiations could be finished in time to meet the January 2005 deadline, or whether the deadline would need to be extended, according to Supachai. Supachai also supported the idea of getting trade ministers together at the sidelines of the annual Organisation for Economic Cooperation and Development (OECD) meetings in April to take stock of progress in negotiations.

In a speech to the European American Business Council in Washington, DC on 26 February, EC Trade Commissioner Pascal Lamy went further that Supachai, suggesting negotiators "should aim at the WTO General Council in May as the latest point at which we aim to

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secure 'Cancun-like' outcomes on modalities". He stressed the need to translate recently demonstrated political will to move the Doha round forward into concrete work in Geneva, saying time is limited, with "a brief window of opportunity from now to the end of August," after which the US presidential elections and the changeover in the European Commission would come in the way of progress.

Supachai felt that holding the meeting in May might press Members too hard, as "[Y]ou cannot be too over-hasty. Some countries will need a maturing of the process".

Robert Zoellick, during a tour of capitals of a number of key WTO Members where he discussed the Doha round (see BRIDGES Weekly, 19 February 2004, <http://www.ictsd.org/weekly/04-02-19/story1.htm>), initially proposed holding a high-level meeting in Geneva in July.

#### **Framework agreement to leave specific numbers out**

If a framework agreement were to be reached in July, the specific numbers --relating to cuts in tariffs in the various areas under negotiation, as well as subsidy cuts, notably in agriculture -- would be left for Geneva-based negotiators to fill in during the second half of the year and until the end of the round. The critical area where movement is needed is agriculture (see BRIDGES Weekly, 26 February 2004, <http://www.ictsd.org/weekly/04-02-26/story1.htm>).

#### **Dates set for WTO negotiating groups**

The formal work of the special sessions and negotiating groups at the WTO are now also set to continue. A General Council meeting on 11 February re-activated the groups (see BRIDGES Weekly, 12 February 2004, <http://www.ictsd.org/weekly/04-02-12/story1.htm>), and the various chairs have scheduled talks for 16-17 March on trade rules, for 22-26 March on agriculture, for 29 March to 1 April on industrial market access and for 2 April on services. A meeting of the Trade Negotiations Committee (TNC), to be chaired by t Director-General Supachai, is tentatively scheduled for the week of 19 April.

For the full text of Commissioner Lamy's speech, visit [http://europa.eu.int/comm/commissioners/lamy/speeches\\_articles/spla210\\_en.htm](http://europa.eu.int/comm/commissioners/lamy/speeches_articles/spla210_en.htm).

ICTSD reporting; "WTO chief sees new momentum to world trade talks," REUTERS, 27 February 2004; Agreement in WTO Talks This Year Unlikely, Supachai Says, but July 'Framework' Possible, WTO REPORTER, 24 February 2004; WTO Director-General

Says OECD Ministerial Offers Useful Forum for Pushing Trade Talks; WTO REPORTER, 1 March 2004.

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### **DSU REVIEW: MAY 2004 DEADLINES SLIPPING OUT OF REACH**

When the special (negotiating) session of the WTO Dispute Settlement Body (DSB) met on 1 March to continue the review of the Dispute Settlement Understanding (DSU), the meeting focused on organisational issues. Mirroring the last session held on 26 January this year (see BRIDGES Weekly, 28 January 2004, <http://www.ictsd.org/weekly/04-01-28/wtoinbrief.htm>), the meeting had originally been scheduled for two days from 24-25 February, but lasted just over an hour. Despite an invitation by former Chair Péter Balás to Members at the 26 January meeting to submit specific proposals to bridge positions and inject momentum into the negotiations, no such proposals were forthcoming at this meeting. Rather, the agenda focused on the election of a new Chair and organisation of the DSB special session's work. The new Chair, Ambassador David Spencer (Australia), has held off any discussions on substantive issues until he has met with delegates either on an individual basis or as a group to discuss 'any matter' relating to the work of the special session, including any thoughts on the best way to move the process forward. The Chair has made himself available for these discussions on 5 March.

#### **Disagreement over suggestions aimed at injecting momentum**

At the meeting, the Chair also suggested that Members negotiate among themselves as a way of bridging positions. Some developing country delegates were of the opinion that this suggestion would not work. In their opinion, that option has always been available to negotiators, yet it has not yielded any results. Furthermore, they argued, there was a need for an impartial arbiter in the negotiations -- hence the role of the Chair. Frustrated by the slow pace of the negotiations, some Members suggested that the scope of the talks be limited so as to allow for a more realistic outcome and an early harvest. This idea was rejected by some developing country groups, which did not want to compromise their agenda of negotiating a thoroughly revised DSU that resolves the constraints faced by developing countries in accessing the dispute settlement system.

#### **Extension of May 2004 deadline imminent?**

The current deadline for the completion of the negotiations is May 2004. Some delegates have expressed concern that this deadline is unlikely to be

met, while others maintain that there is still a possibility, provided Members garner the political will to push the negotiations forward.

Originally, Paragraph 30 of the Doha Ministerial Declaration set the target date for the conclusion of the DSU negotiations for no later than May 2003, while the rest of the negotiations are to be concluded before 1 January 2005. The fact that this date has been extended four times so far has raised questions about the willingness of and commitment by Members to clarify and improve the DSU. Opinion on why the pace has slowed is divided. Some delegates point to lack of progress in agriculture talks and other key components of the Doha round, despite the fact that negotiations on the DSU are separate. Others point to a lack of political will and complex proposals tabled by Members.

Trade sources indicate that when talks on substantive issues resume, the negotiations are expected to build on areas of convergence in the Chair's text of 28 May 2003 -- a compilation of proposals on which there has been a relatively modest level of support, such as the enhancement of third-party rights and implementation and compliance issues discussed at the 26 January meeting (a copy of this text is available as an annex to the report TN/DS/9, online at <http://docsonline.wto.org>). New proposals will also be accepted and discussed. The next meeting of the special session of the DSB is scheduled for 25 March.

ICTSD reporting.

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## OTHER NEWS

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### SACU-US FTA NEGOTIATIONS FOCUS ON "PHASE ONE" ISSUES

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The fourth round of negotiations between the US and the Southern African Customs Union (SACU) aimed at establishing a free trade agreement (FTA) was held in Walvis Bay, Namibia on 23-26 February. The negotiations have been divided into two phases. The first phase, including the latest round of negotiations, focuses on market access issues, including industrial and agricultural tariffs, trade remedies, rules of origin and customs procedures. The second phase will focus more on services, investment, intellectual property, government procurement, labour and the environment.

#### Benefits and scope of the agreement

US chief negotiator Florizelle Liser stressed the historic importance of the negotiations as "we are not simply negotiating market access... but working to create an infrastructure, such as services investment and labour that will bring prosperity and provide for our common economic future". SACU's chief negotiator, Xavier Carim, said the negotiations were important in deepening the regional integration of the customs union. The US-SACU FTA will be additional to the existing US Africa Growth and Opportunity Act (AGOA), an agreement allowing 38 sub-Saharan African countries duty-free access to the US market for a range of goods including fibres, yarns, threads, fabrics, footwear, wine and motor vehicle components. Currently the reduction or elimination of preferences is permitted on any product, as the AGOA is a unilateral offer from the US. The current AGOA agreement, dubbed "AGOA II," will be phased out in 2008, although there are two bills in the US Congress proposing the extension of benefits to 2015 or 2020.

In terms of specific negotiating items, the US has proposed the inclusion of an "investment chapter" outlining rights and obligations in order to provide clarity and guarantees for US companies investing in the region. SACU has stated its desire to include antidumping in the negotiations, as the Union considers such action by the US in the past to have hampered South African exports. Although the US believes this issue should be discussed during WTO negotiations, SACU negotiators will be awaiting an official response from the US in May during the next round of talks.

Other sticky issues include agriculture and sensitive industrial products and services. SACU negotiators have made it very clear that liberalisation of US agricultural trade is extremely important for the region. The US has, however, indicated that it wants to consider agricultural export subsidies only within the WTO framework, a line it has also taken in talks on a Free Trade Area of the Americas (FTAA). For trade in industrial goods, the US is seeking to remove tariffs and other duties, including elimination of non-tariff barriers. In services, the US also intends to push for the elimination of discriminatory barriers to trade in SACU countries' services markets. SACU's approach on this matter has been divergent of US objectives, as the regional grouping prefers a 'positive list' approach to services liberalization, where market access commitments apply only to scheduled commitments, as opposed to the 'negative list' preferred by the Americans, who are not ruling out applying market access commitments across all sectors.

The next round of SACU-US negotiations is scheduled for May in Maseru, Lesotho. Future talks may be scheduled at closer intervals, with a final "super round" in December to meet the proposed year-end deadline

to ink the deal only 18 months after the start of negotiations.

### **Civil society expresses wariness on services, investment**

The South Africa-based Treatment Action Campaign (TAC) and the AIDS Law Project submitted a memorandum in early February to the South African International Trade Negotiating Team, raising their concern in areas of intellectual property, trade in services, investment and government procurement. The organisations fear that the FTA with the US might undermine the financing and provision of health care services in SACU countries, stressing that "the investment chapter would provide the back door for a pharmaceutical company, for example, to sue a SACU member state for failing to amend its legislation in line with the chapter on intellectual property". They also raised concern that "rules on procurement may unfairly preclude necessary and urgent action, such as procurement of essential medicines for dealing with a health emergency, such as a cholera outbreak".

### **SACU background**

SACU consists of Botswana, Swaziland, Lesotho, Namibia and South Africa. Established in 1969 -- based on custom union arrangements in force since 1910 -- SACU aims to promote economic development for the Southern Africa area, particularly in its less developed members. SACU's trade with the US has grown more than 300 percent since 1994. SACU exports to the US under the AGOA amounted to US\$ 1.7 billion and imports to US\$ 2.5 billion in 2002. SACU is also negotiating agreements with the European Free Trade Association, the Latin American trade bloc Mercosur, India and China.

To access the memorandum from TAC and the Aidslaw project, see: <http://lists.essential.org/pipermail/ip-health/2004-February/005904.html>

ICTSD reporting; "Antidumping On SACU Agenda," BUSINESS DAY JOHANNESBURG, 27 February 2004; "SACU Urged to Push for US Free Trade Deal," BUSINESS REPORT, 26 February 2004; "Accord Could Result in Huge Economic Boost," NEWS ERA, 27 February 2004; "US Wants to Finalise Free Trade Pact With Southern African Countries," XINHUANET, 17 February 2004; "Namibian Trade With US Insignificant," NEW ERA, 27 February 2004; "AGOA Trade Bills May Now Be Harmonised," THE NATION (NAIROBI), 2 March 2004.

## **TRADE DEBATE HEATING UP IN THE US**

In a speech to the National Press Club in Washington DC on 26 February, WTO Director-General Supachai Panitchpakdi touched on a number of hot topics, highlighting the importance of the US's role within the WTO and cautioning that the belief that there is an alternative to the organisation is "naïve and dangerous". The address was delivered as the US faces a crucial impasse in its trade policy stance. With many jobs moving overseas, concerned workers are likely to be a key component of the voters in the upcoming presidential election.

### **Message to the US**

In his speech (available at [http://www.wto.org/english/news\\_e/spsp\\_e/spsp22\\_e.htm](http://www.wto.org/english/news_e/spsp_e/spsp22_e.htm)), Supachai highlighted the challenges facing the US in the current Doha negotiations, as well as the round's significance. He stressed the economic benefits that would flow from a deal, however placing even greater significance on the institutional ramifications of the negotiations. A successful conclusion of the Doha round would give the WTO enhanced credibility as the principal forum for global trade negotiations, he said, while failure to do so would cast a shadow of doubt over the future of multilateral trade and the effectiveness of the institution.

The Director-General went on to discuss the dangers of a global trading system based on bilateral and regional arrangements, stressing that "bilateral deals inevitably beget more bilateral deals, as countries left outside are forced to seek their own preferential arrangements, or risk further marginalisation". Supachai said a system should be avoided for two main reasons. First, the integration of the US economy with that of the rest of the world is higher than at any level in history and is dependent on international trade. Thus it is paramount that the US attempts to broaden the multilateral system because it cannot seek prosperity on its own. Second, a strong global trading system would coincide with many of the US's global objectives, such as "fighting terrorism, reducing poverty, improving health, [and] integrating China and other countries in the global economy". The US has recently concluded and is currently involved in negotiating a number of bilateral and regional trade negotiations (see related articles on the US-SACU FTA and the US-Morocco FTA in this issue of BRIDGES Weekly).

### **An uneasy situation in the States**

The Director-General's comments came at a critical time for the future of trade policy in the US. Americans have lost 2.9 million manufacturing jobs since January



2001, though it is unclear exactly what proportion of these were due to the effects of trade as opposed to factors such as increased productivity. In addition, there is growing concern over the outsourcing of employment in the service and high tech sectors. As a result, with presidential elections looming, international trade has risen as a significant campaign issue, with much support to be gained from unions clamouring for the restoration of job growth in the manufacturing sector and many white collar workers uneasy about the future. Incumbent George W. Bush intends to campaign as a proponent of free trade, arguing for the economic benefits of an open economy as well as the political benefits of encouraging democracy in countries that otherwise might threaten the US. Further trade concessions would, however, be politically costly given the large number of jobs already lost under the guise of his administration.

Democrats have recognised this dilemma, with many accusing President Bush of selling out US interests in deals that benefit low-wage economies at the expense of high-wage American workers. At a recent poverty forum held in South Carolina, Senator John Edwards of North Carolina expressed what seems to be the sentiment of the Democratic position for the upcoming elections: "We've been so focused on free trade we don't ask for fair trade". Even formerly vocal proponents of free trade recognise that it has become an important question. Mickey Kantor, former trade representative under President Bill Clinton, said, "There may be a lot of heated rhetoric out there, but this is a serious issue, and the Democrats have the correct position to challenge some of the rules".

In his speech, Director-General Supachai acknowledged the controversy brewing within the US by recommending that policymakers stress the gains to be had from liberalisation rather than its costs. "We need to be reminded of the advantages of America's openness and its trade with the world -- about the economic growth tied to exports; the inflation-fighting role of imports, the innovative stimulus of global competition," he remarked. Still, recent surveys suggest American public opinion is less than satisfied with the Bush administration's trade policy, leaving the door open for challengers to exploit this sentiment (see BRIDGES WEEKLY, 4 February 2004, <http://www.ictsd.org/weekly/04-02-04/inbrief.htm#3>).

ICTSD reporting; "American Leadership and the World Trade Organisation: What is the Alternative?" WTO RELEASE, 26 February 2004; "Outsourcing ban would put trade talks at risk," FINANCIAL TIMES, 17 February 2004; "Globalism minus jobs equals campaign issue," NEW YORK TIMES, 31 January 2004; "Bush caught in dilemma over jobs and free trade," FINANCIAL TIMES, 13 January 2004; "Americans on Globalization, Trade,

and Farm Subsidies," PIPA SURVEY, 22 January 2004; "Help not wanted," NEWSWEEK, 1 March 2004.

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## IN BRIEF

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### BIOSAFETY MEETING MOVES ON LABELLING AND COMPLIANCE MEASURES

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The first Meeting of the Parties to the Cartagena Protocol on Biosafety (MOP-1), convening from 23 to 27 February in Kuala Lumpur, Malaysia, took the first step towards establishing an operational framework for the implementation of the Biosafety Protocol. The meeting made important progress on documentation requirements, compliance, liability and redress and the Biosafety Clearing House. Governments reaffirmed existing documentation requirements for shipments of living modified organisms (LMOs) for use in feed and food and for processing, which need to be labelled as "may contain" LMOs, as not intended for introduction into the environment and include a contact point and the name of the importer, exporter or other appropriate authority. In addition, the Decision expands on existing requirements by urging Parties and other governments to require information on the name of the organism and the transformation event or unique identifier code. An expert group will elaborate the documentation requirements further, including labelling thresholds and additional information, for the next MOP in 2005. Moreover, MOP-1 established a 15-member Compliance Committee, which will submit reports and make recommendations to the MOP. Many delegates and observers, including the usually critical non-governmental groups, generally welcomed the agreement reached in Kuala Lumpur. The US, in contrast, expressed disappointment "that countries are moving down a path away from practical steps very quickly in the direction that could have consequences," according to Deborah Mala of the US State Department's Biotechnology Trade Policy Division.

A more detailed report of MOP-1 will be published in the forthcoming issue of BRIDGES Trade BioRes, available at <http://www.ictsd.org/biores/index.htm>.

ENB Vol. 9 No. 289; "Europe OKs new rules for biotech labels," AP, 27 February 2004.

## **US-MOROCCO FREE TRADE PACT CONCLUDED**

On Tuesday 2 March, Morocco and the US concluded a free trade agreement (FTA) after thirteen months of talks. The agreement is similar to the agreements the US has reached with five Central American countries in the CAFTA and the Australian-US FTA. According to Robert Zoellick, US Trade Representative, "It's a groundbreaking (agreement) that not only slashes tariffs, but also sets a new high standard for the protection of intellectual property rights, opens markets for services, ensures government transparency and provides effective labour and environment enforcement". More than 95 percent of bilateral trade in consumer and industrial products will become free of duties immediately, with all remaining tariffs to be eliminated within nine years when the accord comes into effect. The US will phase out all agricultural tariffs under the agreement, most in fifteen years. In response to Moroccan fears over the effects of cheap American imports on sensitive agricultural products, new tariff rate quotas will be applied to durum and common wheat, and quotas for US poultry and beef exports will be established, gradually increasing over time.

The Morocco deal will "send a powerful signal to the Middle East and the rest of North Africa that the US is firmly committed to supporting tolerant, open and more prosperous Muslim societies," according to Zoellick. Taib Fassi-Fihri, Moroccan Minister of Foreign Affairs and Cooperation, hopes the deal will be viewed as a sign of trust for a number of economic and human rights reforms undertaken by the country. Morocco is the second Arab country with which the US has been able to reach a free trade agreement. The first was with Jordan in 2001. The US exports an annual average of US\$ 475 million worth in products -- including aircraft, corn and machinery -- to this Muslim North African nation. Moroccan exports to the US have been in the same range, consisting mainly of transistors, semiconductors, phosphates and other minerals.

To access the fact sheet outlining specifics of the agreement, please see:  
<http://www.ustr.gov/new/fta/Morocco/2004-03-02-factsheet.pdf>

"US Concludes Trade Pact With Morocco," AP, 2 March 2004; "US Completes Free Trade Agreement With Morocco," CROPDECISIONS, 2 March 2004; "US Morocco Reach Free Trade Agreement," THE NEW ZEALAND HERALD, 3 March 2004.

## **FIRST GLOBAL CONFERENCE TO DEVELOP ANIMAL WELFARE STANDARDS**

The first Global Conference on Animal Welfare, organised by the OIE (International Animal Health Organisation) took place from the 23-25 February in Paris. The first of its kind, the meeting brought together 166 member countries, both developing and developed. Participants focused on developing international standards and guidelines on the welfare of animals, including in the areas of transport by sea, transport by land, humane slaughter for consumption, and the killing of animals for disease control. Due to the recent outbreak of avian flu in Asia, the issue of killing for disease control drew particular attention. The standards and guidelines are expected to be finalised by 2005. The conference sought to provide an introduction to the science of animal welfare and its application in the form of standards and principles, addressing concerns that standards are not scientifically based or used as a tool in order to restrict foreign competition. Animal welfare standards are rarely defined on an international level; WTO provisions currently take little account of such standards.

During the conference, the European Commission obtained official observer status at the OIE, which will allow the Commission to participate actively in future meetings. According to Health and Consumer Protection Commissioner David Byrne, European citizens care deeply about animal welfare. Italian consumer magazine "Il Salvagente" noted that "The food scares that have occurred all over the world, and increasing media interest in breeding techniques, have changed the requirement for minimum standards of animal welfare... Recent statistics have revealed that one in two EU citizens is suspicious of meat and other products of animal origin and has doubts about animal welfare conditions." In early March, Research Commissioner Philippe Busquin announced a EUR 43 million investment plan to improve the food supply chain, integrating animal welfare and food production objectives.

"EU Standards Are Flawed – Nicholson," FARMING LIFE, 31 January 2004; "EC Gains Animal Observer Status," FOOD PRODUCTION DAILY, 24 February 2004; "World Animal Welfare Standards Under Negotiation," ENS, 24 February 2004.

## **ENERGY SUBSIDIES IN THE SPOTLIGHT**

UNEP's Economics and Trade Programme recently completed a report on "Energy Subsidies: Lessons Learned in Assessing their Impact and Designing Policy

Reforms". Based on case studies from a variety of developing and transition economies, the report shows that traditional subsidies to the fossil fuel sector often come at a significant cost to both the environment and state finances, and often do not effectively reach their (low-income) audience. On the other hand, well-targeted, temporary subsidies could support more sustainable energy production and use, as well as other development objectives. The report outlines methodologies for analysing the impact of subsidies and their reform. It provides lessons learned and provides guidance to policy-makers on how to design and implement energy subsidy reform.

In related news, the Global Forum on Sustainable Energy (GFSE) held its fourth meeting from 18-20 February in Vienna, Austria, on "Energy for sustainable development: reconsidering the role of incentive measures". With its focus on sustainable forms of energy and energy to support development goals, the meeting took stock of developments to date, and considered case studies and areas for action. Panellists noted, among other things, the tensions between the strong lobbies securing continued subsidies to traditional fossil fuel producers and the need for more resources for energy efficiency and renewable energy research and innovation. A concluding panel stressed that the environmental and social benefits of renewable energy are underestimated in the conventional energy debate, and stressed the need for necessary framework conditions -- including legislation, policies, and incentives -- to secure sustainable energy. The panel also noted that energy should be seen as part of an integrated system, and the need for an overall energy strategy. The meeting served as an input to the International Conference for Renewable Energies in Germany in June this year.

The UNEP report will be available shortly at <http://www.unep.ch/etu/etp/index.htm>.

A full IISD report of GFSE-4 is available at <http://www.iisd.ca/sd/gfse4/>

ICTSD reporting..

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### **KENYAN FLOWER INDUSTRY WARY OF EC RESTRICTIONS**

Kenyan officials have expressed concern that proposed restrictions on flower imports by the EC could have severe implications for its successful flower industry. Kenya has been the leading supplier of flowers to the region since 2001, holding 25 percent of the market. The flower industry employs over 500,000 people and has experienced steady growth over the last 30 years, even though Kenya's economy as a whole has been on

the decline. The concern, however, is that this could change as a result of measures notified by the EC to the WTO, which are designed to prevent the introduction of pests and diseases harmful to plants or plant products in its member countries. Under amendments to the EC Plant Health Directive (Council 2000/29/EC), all flower imports from developing and non-EC countries would have to pass inspections in their countries of origin, certifying that they are free of newly-classified disease causing organisms. According to the EC, the restrictions are designed to "protect humans from plant pests and diseases and to protect the EC against damage from imported pests". Furthermore, says the EC, they are consistent with "the standards, guidelines and recommendations of the International Plant Protection Convention of the United Nation's Food and Agricultural Organisation (FAO)".

A senior assistant director in Kenya's Department of External Trade, Elijah Manyara, said, "We have opposed this 100 per cent testing of our exports as the resultant delays will mean loss of quality, low price and shrinking of our markets". Mr. Manyara went on to call the new measures "discriminatory," citing the fact that some organisms listed under the notification exist in some EU member states, such as Portugal and Spain. However, addressing journalists after meeting with African Trade ministers and WTO officials in Mombassa in late February, EC Trade Commissioner Pascal Lamy sought to reassure his audience that these restrictions would not harm Kenya's flower industry. Lamy pointed out that the restrictions were not new, and that Kenya's flower industry had coped with the standards that came into effect in April 2003. He further noted that none of the organisms listed under the directive had been found in Kenya and that there was no cause for alarm.

ICTSD reporting; "Flowers: Kenya Faces New EU Threat," THE EAST AFRICAN, 16 February 2004; "Flowers: Kenya Satisfies EU's Flower Rules" THE NATION (NAIROBI), 23 February, 2004..

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### **WTO IN BRIEF**

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#### **SAUDI ACCESSION CLOSER FOLLOWING SUCCESSFUL BILATERALS**

The WTO Working Party on the Accession of Saudi Arabia met on 25 February, following two weeks of bilateral talks between Saudi officials and representatives from its trading partners. At the meeting, Saudi diplomats expressed their desire to finalise accession talks by the annual August break at

the WTO. Sources indicated that two more rounds of official talks may suffice, allowing Saudi Arabia to conclude its accession deal by the second half of 2004. The accession talks have been going on since 1993, but picked up speed in mid-2003. Saudi Arabia, Russia and the Ukraine are the largest economies still outside the WTO.

Saudi Arabia has to sign bilateral agreements before it enters the WTO with those of its trading partners that request it, and wrapped up deals with 14 countries including Canada, Switzerland, Norway, Thailand, Ecuador, Cuba, Sri Lanka, and Poland just prior to the meeting of the working party, bringing up the number of bilateral agreements to 30. The kingdom reached a deal with the EC in September 2003 (see BRIDGES Weekly, 25 September 2003, <http://www.ictsd.org/weekly/03-09-25/inbrief.htm#6>), but still has to find agreement with China, Panama, Indonesia, the Philippines, and, crucially, the US. Issues related to insurance, financial services, telecommunications, intellectual property protection and non-tariff barriers remain the sticking points.

The next meeting of the working party is tentatively scheduled for 26 April.

ICTSD reporting; "Officials Report Further Progress With Saudis on WTO Accession Talks," WTO REPORTER, 26 February 2004; "Saudi Arabia expected to join WTO as early as this summer," MENAFN, 28 February 2004.

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### **INITIAL SERVICES OFFERS SHOW LOW LEVEL OF COMMITMENT**

A meeting on 1 March of the WTO Council for Trade in Services (CTS) initiated a stocktaking exercise of the status of the initial offers presented thus far. The services negotiations are currently in a request-offer phase, with offers having trickled in before and after a deadline at the end of March 2003 (see BRIDGES Weekly, 2 April 2003, <http://www.ictsd.org/weekly/03-04-02/story2.htm>). According to Ambassador Jara, the new Services Council Chair, "most of the offers presented so far do not really imply new liberalisation. The type of commitments included in the initial offers basically represents a small step forward for the consolidation of existing liberalisation. Only a few countries have offered new liberalisation in mode 4 (movement of persons). The current negotiations are not really offering new opportunities for business".

Although trade in services has been considered one of the main engines of the Doha round of negotiations, trade sources stress that most of the offers have proven to be very cautious, containing only a low level of

commitments. This phenomenon applies to the offers of both developed and developing countries. The US, for example, did not offer anything new on mode 4, which is of critical interest to developing countries, and India, in its recent offer, maintained a number of development buffers (see BRIDGES Weekly, 28 January 2004, <http://www.ictsd.org/weekly/04-01-28/story3.htm>). Of about 24 offers made so far, 11 are from developed countries, two from economies in transition and 11 from developing countries.

ICTSD reporting; "U.S. Official Laments Slowness Of WTO Negotiations on Services", WTO REPORTER, 2 March 2004.

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### **EC IMPOSES SANCTIONS ON THE US**

On 1 March, the EC imposed sanctions on the US in retaliation for tax breaks for US companies ruled illegal by the WTO. , with a dispute over US tax break system for firms such as Boeing and Microsoft, formerly known as the. The EC has the right to impose up to US\$4 billion in sanctions on the US in the case of the Extraterritorial Income Exclusion Act (ETI), formerly known as the Foreign Sales Corporation (FSC) (see BRIDGES Weekly, 13 November 2003, <http://www.ictsd.org/weekly/03-11-13/story3.htm>.) The European Commissioner Pascal Lamy said the EC would apply only gradual pressure as "The name of the game is not retaliation, it is compliance... the day the new measures are passed by Congress, we will stop the sanctions". The sanctions imposed by the EC will aim to pressure the US Congress into changing the tax laws, while limiting the impact on European companies and consumers. Tariffs imposed by the EC start at five percent and go up by one percent a month until they reach 17 percent next March.

In a letter to the US Congress last week US Treasury Secretary John Snow, Commerce Secretary Don Evans and US Trade Representative Robert Zoellick stress that, "the retaliatory tariffs on American exports pose a threat to... growth and may retard the creation of jobs in certain sectors of the economy". Items affected include machinery, paper, fruits and vegetables, meat and dairy products, cotton and textiles, leather, tools, toys and sport equipment, with jewellery exports to be the category impacted the most. Although the sanctions could cost US companies US\$ 315 million this year and US\$ 666 million in 2005 if they remain in place, the sanctions could also backfire through increased prices in Europe or disruption of production if alternative suppliers cannot be found. The Senate is expected to begin debate next week on a bill to repeal the provisions. If the repeal bill cannot be considered before the March recess, the Senate is expected to take it up before its April recess.



ICTSD reporting; "EU Sanctions On US Set to Bite," PA NEWS, 27 February 2004; "EU Sanctions On US To Deepen Trade Row," THE TELEGRAPH, 1 March 2004; "EU Slaps Sanctions On US Goods," CNN MONEY, 1 March 2004; "US, Morocco Complete Negotiations On Free-Trade Pact," DOW JONES, 2 March 2004.

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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>

## EVENTS & RESOURCES

### EVENTS

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

#### Coming Up: 4-10 March

2-5 March 2004, Concepción, Chile: GLOBAL BIOTECHNOLOGY FORUM. Organised by UNIDO and the Chilean Government. This event will bring together representatives from the scientific, public, private and social sectors as well as high-level decision makers to review opportunities and challenges in biotechnology for the developing world. For further information contact: tel: +56 41 204-649; fax: 214-288; e-mail: [gbf2004@udec.cl](mailto:gbf2004@udec.cl); Internet: <http://www.gbf2004.cl>

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 -10 March, Pretoria, South Africa: CONFERENCE ON BIOTECHNOLOGY, MEDIA AND THE PUBLIC. Organised by the US Embassy and the Public Understanding of Biotechnology Programme, this conference will comprise a debate on aspects of biotechnology, specifically interfaces between biotechnology and society in South Africa. The event is primarily targeted at journalists and media representatives along with stakeholders in the biotechnology field. For further information contact

#### 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.

4 March: WTO WORKING PARTY ON THE ACCESSION OF KAZAKHSTAN.

5 March: WTO TRADE POLICY REVIEW BODY - SRI LANKA.

8 March: WTO COMMITTEE ON CUSTOMS VALUATION.

8-10 March: WTO COUNCIL FOR TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS.

9 March: WTO SUB-COMMITTEE ON LEAST-DEVELOPED COUNTRIES.

10 March: WTO WORKING PARTY ON THE ACCESSION OF SUDAN.

#### Other Forthcoming Events

1-3 April, Kampala, Uganda: ASSURING FOOD AND NUTRITION SECURITY IN AFRICA BY 2020. Organised by the International Food Policy Research Institute and the government of Uganda, this all-Africa conference will bring together the traditional and new actors and stakeholders to deliberate on how to bring about change and action to assure food and nutrition

security. For more information see <http://www.ifpri.org/2020africaconference/index.htm>

19-23 April, Trieste, Italy: WORKSHOP ON INTRODUCTION TO BIOSAFETY AND RISK ASSESSMENT FOR THE ENVIRONMENTAL RELEASE OF GMOS. This workshop is organised by the International Centre for Genetic Engineering and Biotechnology (ICGEB) and focuses on providing a theoretical/scientific approach. For more information contact: tel: +39-040 -375-7333; fax: +39-040-226-555; e-mail: [courses@icgeb.org](mailto:courses@icgeb.org); Internet: <http://www.icgeb.org/~bsafesrv/bsfn0309.htm#anchor442802>

24-25 April, Washington DC, US. 2004 SPRING MEETING OF THE IMF AND THE WORLD BANK GROUP. The International Monetary and Financial Committee Meeting will take place on 24 April, and the Development Committee Meeting will be held on 25 April. For more information contact Annual Meeting inquiries, tel: +1-202-473-7272; fax: +1-202-623-4100; email: [bfcoffice@worldbank.org](mailto:bfcoffice@worldbank.org); Internet: <http://www.imf.org/external/am/>

25-27 May, Geneva, Switzerland: WTO SYMPOSIUM: MULTILATERALISM AT A CROSSROADS. The annual WTO public symposium is intended for participants from governments, parliaments, civil society, the business sector, academia and the media, who are invited to debate the stakes and challenges ahead in the most crucial and final phase of the Doha Round of negotiations. For further information contact Bernie Kuiten, tel: + 41 22 739 56 76; email: [symposium2004@wto.org](mailto:symposium2004@wto.org); Internet: [http://www.wto.org/english/tratop\\_e/dda\\_e/symp\\_devagenda\\_04\\_e.htm](http://www.wto.org/english/tratop_e/dda_e/symp_devagenda_04_e.htm)

28-29 May, Guadalajara, Jalisco, Mexico: III SUMMIT OF LATIN AMERICA & THE CARIBBEAN AND THE EU. The summit seeks to strengthen the LAC-EU partnership. For further information see [http://www.alcue.org/alcue/web/home\\_EN.php](http://www.alcue.org/alcue/web/home_EN.php)

17-19 June, Washington DC, US: SEVENTH ANNUAL CONFERENCE ON GLOBAL ECONOMIC ANALYSIS: TRADE, POVERTY, AND THE ENVIRONMENT. The Seventh Annual Conference is jointly organised by the World Bank and the Center for Global Trade Analysis, with additional support from the U.S. Environmental Protection Agency (EPA), the USDA Economic Research Service (ERS), the Inter-American Development Bank (IDB), and the U.S. International Trade Commission (ITC). The goal of the conference is to promote the exchange of ideas among economists conducting quantitative analysis of global economic issues. Particular emphasis will be placed on applied general equilibrium methods, data, and application.

Related theoretical and applied work is also welcome. For further information see <http://www.gtap.agecon.purdue.edu/events/Conferences/2004/default.asp>.

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## RESOURCES

A FAIR GLOBALISATION - CREATING OPPORTUNITIES FOR ALL. World Commission on the Social Dimension of Globalisation (February 2004). The World Commission on the Social Dimension of Globalisation, chaired by Finnish president Tarja Halonen and Tanzanian president Benjamin William Mkapa was established by the International Labour Organization (ILO) in February 2002. After undertaking extensive consultations on the impact of globalisation across the world, the Commission delivered a final report, which concludes that "The current process of globalisation is generating unbalanced outcomes, both between and within countries. Wealth is being created, but too many countries and people are not sharing in its benefits". The report goes on to recommend reforms at all levels, from the local to global governance, in its vision, and strategy, for change. For more information and to access the report, visit <http://www.ilo.org/public/english/wcsd/index.htm>

TRADE AND ENVIRONMENT IN THE WTO: AFTER CANCEL. By Duncan Brack & Thomas Branczik (RIIA Sustainable Development Programme Briefing Paper, February 2004). The story of the trade and environment debate in the WTO is one continued failure to make any substantial progress in rewriting WTO rules - but significant changes in the way in which existing rules have been interpreted to deal with environmental concerns. This briefing paper examines the ways in which the expansion of trade may sometimes conflict with and sometimes support environmental regulation; highlights the main areas of trade-environment tensions, over product standards, processes and production methods, and trade measures in multilateral environment agreements, and considers the politics behind the debate. To access the report visit <http://www.riia.org/pdf/research/sdp/T&EFeb04.pdf>

US TRADE STRATEGY AFTER CANCEL: PROSPECTS AND IMPLICATIONS FOR THE SACU-US FTA. By Peter Draper and Mills Soko (South Africa Institute of International Affairs, 24 February 2004). This report examines contemporary US trade strategy; its prospects; and implications for the proposed SACU-US FTA negotiations. To this end, it deals with six issues. First, the paper traces the historical origins of US trade policy. Second, it explains the shifts which US trade policy underwent in the 1970s and 1980s, laying the foundations for contemporary US trade strategy. Third, it discusses American trade strategy under the present

Bush administration. Fourth, it analyses the motivations of both the US and SACU for the mooted FTA negotiations. Fifth, it outlines potential consequences for SACU of the FTA negotiations, drawing on lessons learnt from the experiences of the North American Free Trade Area (NAFTA), the Central American Free Trade Area (CAFTA), the Free Trade Area of the Americas (FTAA), and the US–Australia FTA. It concludes by reflecting on some future challenges stemming from the envisaged SACU–US trade deal. To access the report visit <http://www.wits.ac.za/saiaa/online.htm>

**SUGAR POLICIES: OPPORTUNITY FOR CHANGE.** By Donald Mitchell (World Bank Policy Research Working Paper, February 2004). Noting that sugar is one of the most policy distorted of all commodities, the author argues that internal changes in the EU and US sugar and sweeteners markets and international trade commitments make change unavoidable and provide the best opportunity for policy reform in several decades. The nature of reforms can have very different consequences for developing countries. The benefits of sugar policy reform are greatest under multilateral reform, and according to recent studies, the global welfare gains of removal of all trade protection are estimated to total as much as \$4.7 billion a year. In countries with the highest protection net imports would increase by an estimated 15 million tons a year, which would create employment for nearly one million workers in developing countries. World sugar prices would increase by as much as 40 percent, while sugar prices in countries that heavily protect their markets would decline. To access the report visit <http://www.worldbank.org/prospects/workingpapers/Sugar%20Policy%20Opportunity%20for%20Change%20-%20WP%203222%20Feb%202004.pdf>

"Trade, the Pollution Haven Hypothesis and the Environmental Kuznets Curve: Examining the Linkages". By Matthew A. Cole in *ECOLOGICAL ECONOMICS* 48 (1, 2004) pp. 71-81. This paper examines the extent to which the EKC inverted U relationship can be explained by trade and specifically the migration or displacement of 'dirty' industries from the developed regions to the developing regions (the pollution haven hypothesis (PHH)). Using detailed data on North-South trade flows for pollution intensive products the evidence for the PHH is assessed. Emissions of 10 air and water pollutants are then estimated, controlling for trade openness, structural change and 'dirty' North-South trade flows. Evidence of pollution haven effects is found, although such effects do not appear to be widespread and appear to be relatively small compared to the roles played other explanatory variables.

"The Growth and Distributional Consequences of International Trade in Natural Resources and Capital

Goods: A New-Austrian Analysis". By John Proops in *ECOLOGICAL ECONOMICS* 48 (1, 2004) pp. 83-91. The problem explored is the role of natural resources in economic growth. A neo-Austrian model is constructed which can represent either a single, autarchic country, or a pair of trading countries, one of which can export natural resources and the other can export manufactured capital. It is shown that under autarchy, the price of the natural resource has no effect on economic growth, while under conditions of trade, it has a significant influence. Falling natural resource prices slow the growth in the resource exporting country and stimulate it in the capital exporting country. Some policy implications of this finding are explored.

"The Globalisation Timeline". By Ward Rennan and Pim Martens in *INTEGRATED ASSESSMENT* 4 (3, 2003) pp. 137-144. Globalisation is a complex phenomenon; it is the interactive co-evolution of millions of technological, cultural, economic, social and environmental trends at all conceivable spatiotemporal scales. Given this complexity, any attempt to give a satisfactory definition of globalisation is doomed to failure. Rather, it makes sense to take a pluralistic approach, analysing past and current processes taking place in multiple domains. In this paper we therefore identify key historical landmarks of economic, political, technological, social-cultural, and environmental developments that have pushed the process of globalisation further. Using the globalisation timeline prevents a simplification of the complexities involved in approaching globalisation, while allowing a flexible definition of contemporary globalisation

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