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LEAD STORIES

SUPACHAI'S CONSULTATIVE BOARD: NON-DISCRIMINATION IN TROUBLE

The World Trade Organisation is threatened by the proliferation of discriminatory trading arrangements that could render it irrelevant, as well as by widespread public misperception about the WTO's role, benefits, and limitations. These were among the main conclusions of WTO Director-General Supachai Panitchpakdi's 'Consultative Board' (CB), in a report made public on 17 January. The 86-page report entitled 'The Future of the WTO: Addressing institutional challenges in the new millennium' also made a series of recommendations for how the functioning of the WTO might be improved, but stopped short of suggesting radical changes to the way the institution operates.

Supachai had convened the group of eight well-known trade experts led by former WTO head Peter Sutherland in June 2003. They were charged with considering the challenges that the WTO would face in coming decades, and to look at ways in which the institution could be made to function more efficiently and transparently. The group's mandate specifically excluded topics currently under negotiation.

'Spaghetti bowl' of discriminatory preferences undermining WTO

The report's biggest concern was the erosion of the multilateral trading system's founding principle of non-discrimination. The ever-increasing number of customs unions, common markets, regional and bilateral free trade areas, trade preference schemes, and other trade pacts has meant that "MFN [Most-Favoured Nation status] is no longer the rule; it is almost the exception." The EU, it notes, fully applies its MFN tariffs to only nine trading partners, although these include the world's other major economies.

This 'spaghetti bowl' of overlapping preferences not only prevents resources from being directed to where they will be most efficiently used, it imposes significant transaction costs on business -- costs that are particularly onerous for developing countries.

Furthermore, while some preferential trade agreements (PTAs) may spur liberalisation at the multilateral level, the report says that "the unregulated proliferation of PTAs tends to create vested interests that may make it more difficult to attain meaningful multilateral liberalisation."

Though the report acknowledged that some developing countries might benefit from unilateral trade preferences or regional trade agreements, it was on the whole highly critical of PTAs, particularly recent ones. It described their inclusion of 'non-trade objectives' such as "one-sided provisions on intellectual property rights" and labour and environmental standards as attempts to get issues into the WTO "through the side door" since they "cannot be justified at the front door."

The advisory group urged Members to exercise restraint in the pursuit of new preferential trade agreements. They said that PTAs (which are relative to MFN tariffs) could be made insignificant by reducing MFN tariffs and non-tariff measures in multilateral negotiations, and challenged developed country WTO Members to establish a date for eliminating all tariffs.

Proposals for institutional reform; WTO must deliver for LDCs

The CB offered a spirited defence of free trade and the WTO, broadly arguing that they promote growth and combat poverty and do not impede the pursuit of human rights, or of labour and environmental standards. They praised the WTO for providing Members with a "rules-based system with an effective adjudicating process for disputes," and asserted that the "balance between some loss of 'policy space' at the national level and the advantages of cooperation and the rule of law at the multilateral level... is already a positive for all WTO Members," a process Sutherland described as "losing sovereignty to gain strength."

Nevertheless, it also said that institutional reform could improve the organisation's effectiveness and efficiency. The CB's suggestions included increased formal, high-level participation in Geneva talks by capital-based policy-makers; the creation of a consultative body of senior trade officials to replace the 'mini-Ministerial' process; annual meetings of the WTO Ministerial Conference; a requirement that the WTO Director-General regularly report to ministers on trade policy developments; and a 'WTO Summit of World Leaders' to be held every five years. Another notable innovation proposed was modifying the process of consensus decision-making that would require a Member seeking to block consensus to specify a "vital national interest" for doing so.

Though it argues that much of the opposition to the WTO is based on misperceptions, the CB said "the moral case for the WTO as a source of good is diminished" if least developed countries (LDCs) "do not receive real benefit from membership." It said that future agreements reached in the WTO "should contain provisions for a contractual right, including the necessary funding arrangements, for LDCs to receive appropriate and adequate technical assistance and capacity building aid as they implement new obligations."

The Board also recommended closer cooperation with intergovernmental organisations, international development agencies and the World Bank, particularly to fund trade policy-related adjustment assistance programmes in developing countries that cannot afford them. It also suggested that Members clarify the Secretariat's engagement with civil society organisations.

Notably, the CB also proposed opening up dispute settlement panel and Appellate Body hearings to public. And though it saw the dispute settlement mechanism as one of the WTO's greatest successes, the panel highlighted its failure to deliver for poor countries lacking a credible retaliatory option.

DG, Secretariat should have stronger role; DG should be selected on merit alone

The CB advised Members to clarify the role of the Director-General, suggesting that the head of the WTO should play a more prominent role both in providing 'spiritual' leadership to the multilateral trading system and as an 'honest broker' in WTO negotiations. Their report strongly recommended that Members select Directors-General on the basis of technical competence and experience, rather than on the basis of geographic or political considerations.

The report makes the case for increasing the WTO Secretariat's budget, so that it can function as "the guardian of the treaties that comprise WTO law" and make a "pre-eminent intellectual input into public and political debate on trade policy matters." The CB believes that it can do so without compromising the negotiating positions of Members.

Future of the report: Supachai hopes for 'enlightened discussion'

Supachai has stressed that Members are under no obligation to consider the report's recommendations, but has expressed the hope that it would lead to 'enlightened discussion' on the systemic issues that the report addresses.

The report will be presented to Members at an informal meeting on 24 January. Supachai has said that the Members could take up the report informally without affecting the Doha Round negotiations. Members of the Consultative Board will also discuss their report at the WTO Public Symposium from 20-22 April.

In addition to Peter Sutherland, the members of Supachai's Consultative Board are Columbia University economist Jagdish Bhagwati; former Brazilian Foreign Affairs and Trade Minister Celso Lafer; Georgetown University law professor John Jackson; Yale economics professor Koichi Hamada; Reuters news agency chairman Niall FitzGerald; French Institute of International Relations chairman Thierry de Montbrial; and Kwesi Botchwey, former Ghanaian finance minister and chairman of the African development Policy Ownership Initiative. 'The Future of the WTO: Addressing institutional challenges in the new millennium' is available at http://www.wto.org/english/thewto_e/10anniv_e/10anniv_e.htm#future

ICTSD reporting. "Advisory Report Calls for WTO Push to End Tariffs to Counter Trade Preferences Threat," WTO REPORTER, 19 January 2005; "Bilateral trade agreements 'betraying' WTO ideals," FINANCIAL TIMES, 18 January 2005; "How to make world trade fairer," FINANCIAL TIMES, 18 January 2005, "WTO 'wise men' seek shake up at world trade body," REUTER 17 January 2005.

INDIAN TRIPS-COMPLIANCE LEGISLATION UNDER FIRE

A decree issued by the Indian government to bring the country into compliance with its obligations under the WTO Agreement on Trade-Related Intellectual Property Rights (TRIPS) has raised concerns that it will put access to life-saving drugs for diseases like AIDS out of the reach of poor people both in India and elsewhere in the world. Critics of the new law claim that it goes beyond the demands of the TRIPS Agreement and fails to take full advantage of existing WTO provisions for the protection of public health.

In order to meet the 1 January 2005 deadline to make its intellectual property regime WTO-compliant, on 26 December 2004 the Indian government issued an ordinance -- an executive decree not debated in Parliament -- that made several amendments to the country's patent regime. Although previous bills for TRIPS compliance were passed into law, an earlier version of the current set of amendments failed to be tabled in Parliament in December 2004 because of disagreements within the governing coalition. Under Indian law, the ordinance will lapse if it is not approved

by lawmakers within six months. Legislators will consider the bill during the budget session of Parliament that begins in February.

Drug patenting strengthened, product patents introduced

The regime introduced by the ordinance extends full TRIPS coverage to food, drugs and medicines. Most importantly, it requires patents to be granted to products, while India's previous patent regime established by the Indian Patents Act 1970 only required patents to be granted to the chemical processes that resulted in the production of a particular drug. This distinction between "process patents" and "product patents" -- in line with international patent practice before the 1995 TRIPS Agreement -- allowed for the development of a huge generic drug industry built on reverse-engineering brand-name drugs through slightly modified processes.

As per the TRIPS obligations for all countries transitioning into full implementation of TRIPS commitments, India had created a 'mailbox' for filing patent applications for pharmaceutical and agricultural chemical products invented after 1995. These applications were to start being considered when India's transition period came to an end on 1 January 2005. Estimates of the current number of pending patent applications range from 4,700 to 12,000. Even the most conservative estimates would represent more than 15 times the total number of new drugs approved since 1995. The ordinance specifies that patents granted to mailbox applications will be effective only from the date of the grant of the patent and will thus not penalise generic makers of the product who produced it up to that date.

The ordinance also modifies the procedure through which patents can be challenged before they are granted. It limits the grounds on which objections to a patent application may be made. Furthermore, though contestants can be heard and submit a written argument, they are prohibited from participation in all of the patent proceedings, unlike under the previous system.

The decree states that "mere new use" of existing drugs is unpatentable. This provision is ambiguous about what kind of "new use" will indeed be patentable - and could potentially allow companies to receive new patents for a drug that is already patented, simply by making minor changes such as adding a new chemical reactant for a marginally different purpose. This would allow companies to extend their monopoly on a drug for much longer than the standard patent protection period.

The ordinance does not substantially change the procedures required to obtain a compulsory licence from the Indian government to produce copies of products that are under patent. However, it does require countries interested in importing generic medicines produced exclusively for export under a compulsory licence issued by the Indian government to issue a separate compulsory licence for import.

Decree draws wide-ranging criticism

Critics lashed out at the non-democratic way in which the new rules were issued and described many of its provisions as "TRIPS-plus," contending that they go beyond the requirements of the TRIPS Agreement and are thus unnecessarily constraining. They believe that the more stringent intellectual property regime will lead to an increase in prices for essential drugs and hurt India's pharmaceutical industry, which relies largely on the production of generic drugs.

The Affordable Medicines and Treatment Campaign (AMTC), an Indian advocacy group, argues that the ordinance's compulsory licence scheme does not take full advantage of WTO provisions to allow countries with little or no pharmaceutical capacity to import cheap generic versions of drugs still under patent protection. The group says that the Indian patent ordinance's compulsory licence requirement for importing countries would prevent a least developed country (LDC) from requesting the export from India of generic versions of a medicine that is not under patent in the LDC in question (LDCs are not required to provide product patents for pharmaceuticals until 2010).

The head of the Indian Drug Manufacturers Association raised concerns about the impact of a sudden halt in the production of a generic medicine as a result of the granting of a patent -- say, as the result of the approval of an application in the 'mailbox' -- saying that some generic production should be allowed to prevent decreased availability or a rapid increase in drug prices.

Opponents of the new ordinance also suggested that the procedure for challenging patents needed to be strengthened in order to prevent trivial or "wrong" patents from being granted.

Government lays out its rationale for the new amendment

Commerce and Industry Minister Kamal Nath defended the new patent rules, arguing that they struck an appropriate balance among the protection of intellectual property rights, public health, and national security, and would enhance India's stature as a credible participant in the WTO.

Nath suggested that India's pharmaceutical and biotechnology industries might benefit from strengthened patent protection. He said that India's involvement in the WTO over the past decade had encouraged its pharmaceutical industry to greatly increase investment in research and development -- to the point that some players in the industry are now actively seeking patent protection.

Nath emphasised that India stands to gain from its adherence to the WTO by "grabbing a lion's share" of the some 60 billion dollars worth of drugs going off patent in the next few years. "Bona fide" membership of the international trading community would also open up opportunities for R&D based outsourcing in the biotechnology sector. Nath contended that these gains, along with in other areas such as the textiles sector, would more than offset the losses that India would sustain from implementing its WTO obligations.

Background

India is the world's fourth-largest drug market in volume, and drugs often cost seven to ten percent of what they do in the USA or Europe. While India's many generic drugs producers, such as Cipla and Ranbaxy, have thrived in an environment of limited patent protection on pharmaceuticals and exported cheap essential drugs around the world, some argue that the limited protections for intellectual property have kept foreign companies from investing in India.

The ordinance can be accessed at <http://lawmin.nic.in/Legis.htm>

ICTSD Reporting; "India: Major Amendments In The Indian Patents Law," LEX ORBIS, 12 January 2005; "Farmers oppose patent ordinance," FINANCIAL EXPRESS, 11 January 2005; "Patent ordinance weak on eligibility, pre-grant rules," FINANCIAL EXPRESS, 1 January 2005; "Govt for holistic law on data protection," SIFY FINANCE, 29 December 2004; "Concerns Regarding Patent Amendment Ordinance promulgated on 26 December 2004, by the UPA Government," AFFORDABLE MEDICINES AND TREATMENT CAMPAIGN (AMTC) PRESS RELEASE, 28 December 2004; "India changes law to implement product patents," REUTERS, 27 December 2004; "Facing Jan. 1 WTO Deadline, India struggles with patent reform," ASSOCIATED PRESS, 24 December 2004; "India's Choice," NEW YORK TIMES, January 18, 2005.

MILLENNIUM PROJECT CALLS FOR BALANCING TRADING SYSTEM

The UN Millennium Project -- an independent advisory project commissioned by UN Secretary-General Kofi

Annan to propose the best strategies for meeting the Millennium Development Goals (MDGs) -- in its final report reproached the global trading system for being "unbalanced against the interests of developing countries". Efforts to correct this should focus on improving both market access and supply-side competitiveness for low-income countries, the authors concluded, repeatedly emphasising the need for assisting poor countries in adjusting to the impacts of trade liberalisation.

Above all, the report, entitled "A Practical Plan to Achieve the Millennium Development Goals," calls for a significant increase in development aid to 0.54 percent of industrialised countries' income by 2015, and argues that the often unfocused and inefficient international development system is in need of a major overhaul. The report sets out 10 key recommendations for "quick wins" and broader aims, including a call for greater market access, building supply-side capacities, regional cooperation on trade and environmental management, and strengthening UN agencies.

Trade: Improving market access, supply-side capacity

In the chapter dealing specifically with trade, the authors single out agriculture as the "biggest and costliest aberration of the trading system", urging rich countries to deliver substantial liberalisation under all three pillars of the agriculture negotiations (domestic support, export subsidies and market access). Developed countries should aim to remove all export subsidies and decouple all support to farmers by 2010, and to cap all domestic support measures at 5 percent by 2015, while addressing tariff peaks and tariff escalation. Additional complications for poor countries resulting from agricultural liberalisation, such as increased food import costs, should be dealt with by a significant increase in international aid, the authors recommend.

The need for "economically and socially sustainable adjustment costs" was also stressed with regard to tariff reductions for non-agricultural goods and in particular the phase-out of textiles and clothing quotas. In this context, the report calls for developed countries to bind all tariffs for non-agricultural goods at zero by 2015. While acknowledging the need for less than full reciprocity, the report also notes that binding tariffs in developing countries at uniform and moderate rates would be "in their own development interests".

Regarding trade in services, the authors point to liberalisation in mode 4 (temporary movement of people to supply services) as a "major source of gains for developing countries, capable of bringing more benefits to them than perhaps any other part of the Doha

Agenda". Again, the need for managing adjustment is highlighted, requiring appropriate care to the nature, pace and sequencing of reform. While the authors suggest bilateral and plurilateral agreements as an interim step, "WTO commitments remain the best and most effective way to deliver gains to developing countries".

Moreover, the report stresses the importance of making special & differential treatment more effective and operational, including an incremental and temporary "aid for trade fund" or significantly increased contributions through existing channels "to support countries in addressing adjustment costs associated with the implementation of a Doha reform agenda.

Other issues taken up in the report include the need to reduce anti-dumping measures; assist poor countries in meeting OECD standards; replace preferences with equivalent development assistance; provide support for coping with the erosion of trade preferences; and assess the impact of intellectual property rules on developing countries.

In addition to recommendations related to the Doha Round negotiations, the report also stresses the equal - and often neglected -- importance of promoting the export supply side in low-income countries, in particular primary commodity exporting countries which have tended to stagnate compared to exporters of manufactured goods. Related policies and investments should be a central element within countries' MDG-based poverty reduction strategies.

Need for political will

Many observers, while welcoming the report, stressed the need for countries to muster the necessary political will to put the recommendations into practice. This year "must see substantial new investment to fund a war on poverty," said Jonathan Hepburn, policy coordinator of Oxfam's MDGs campaign, pointing in particular to the US, Japan and Germany. "The tiny amounts currently given by rich countries are inexcusable and the poorest are paying with their lives," he added. For some groups, the recommendations of the report do not go far enough. "Unfortunately it is still trumpeting the development model of 25 years ago even though it has not worked," said Steve Tibbett, ActionAid UK head of policy and campaigns. Others have criticised the report's emphasis on aid, pointing to bad governance as one of the key underlying causes of poverty.

Background

The MDGs are the world's targets for dramatically reducing extreme poverty in its many dimensions by 2015 -- income poverty, hunger, disease, exclusion,

lack of infrastructure and shelter -- while promoting gender equality, education, health, and environmental sustainability. The 3-year UN Millennium Project, which is directed by Professor Jeffrey D. Sachs, Special Advisor to the UN Secretary-General on the Millennium Development Goals, is an independent advisory body charged with proposing cost-effective measures for achieving the MDGs. The bulk of its analytical work has been carried out by 10 thematic task forces comprising more than 250 experts from around the world. The task force on trade was coordinated by Ernesto Zedillo, Director, Yale Center for the Study of Globalization, and Patrick Messerlin, Professor of Economics, Institut d'Etudes Politiques de Paris and Director of the Groupe d'Economie Mondiale.

The report is available at <http://unmp.forumone.com/>.

"Millennium goals," THE INDEPENDENT, 18 January 2005; "Whatever it takes," ECONOMIST, 18 January 2005; "Way exists to slash poverty, but is there the will?," IPS, 17 January 2005; "Rich must keep aid promises, says UN," GUARDIAN, 18 January 2005.

TRADE RESPONSE TO TSUNAMI DISASTER: INITIATIVES IN THE PIPELINE

Pledges of aid and debt relief for countries affected by the Indian Ocean tsunami of 26 December 2004 have been followed by calls for special trade measures to help them rebuild their economies. The measures proposed focus mainly on expanded market access for the countries' exports and a suspension of anti-dumping duties.

Tariffs pose a significant barrier to the countries hit hardest by the tsunami. Indonesia, Sri Lanka, India, Thailand, the Maldives, Burma, the Seychelles and Somalia together paid close to \$1.8 billion in duties to the US in 2003, close to triple the amount that the US has pledged in aid to the region. The Sri Lankan government is exploring the possibility of asking the US and the EU to lift duties on Sri Lankan textile and garment exports, which account for close to half of the country's export earnings.

Supachai: better market access, restraint in the use of trade remedies

In a 13 January letter to all WTO Members, WTO Director-General Supachai Panitchpakdi said that the WTO "shares part of the responsibility to assist recovery from this disaster," and asked Members to "reflect deeply and expeditiously on whether there is anything they can do at this moment in time in terms of

their trade policy to help the worst affected economies to recover." While emphasising that the nature of any such measures would be up to individual governments, he observed that "obvious possible areas" would be "market access and some restraint in use of trade remedies."

In the wake of the tsunami, the United States International Trade Commission (USITC) did agree to review its decision to impose anti-dumping duties on shrimp imports from Thailand and India. However, this move has met with opposition from the US shrimp industry.

Supachai also urged Members to conclude the Doha Round as soon as possible. He said that "market access, particularly trade in some services sectors and certain modes of supply" would be particularly valuable to tsunami-hit countries. Although Supachai acknowledged that the benefits of an early conclusion to the round would only be felt in the medium term, he said that the wealth thus generated could help to reduce poverty, which would improve the capacity of countries to mitigate the effects of natural disasters and recover from them more quickly.

UNCTAD calls for introduction of immediate trade measures

Lakshmi Puri, head of the United Nations Conference on Trade and Development's (UNCTAD's) trade division said that rich countries should immediately introduce temporary trade measures to help tsunami-hit countries generate resources to rebuild their economies. Such measures would include temporary duty-free access to their exports, scrapping of anti-dumping duties and other restrictions, temporary work permits for their citizens, and help to rebuild trade and tourism infrastructure.

EU considering ways to provide relief through trade policy: Mandelson

Supachai's comments followed a pledge by EU Trade Commissioner Peter Mandelson to actively consider ways to use European trade policy to provide relief for regions and businesses affected by the tsunami. The European Commission has been working to identify businesses affected by EU trade measures such as anti-dumping duties. These would reportedly be reviewed and possibly suspended. The EU is also considering reorienting trade-related technical assistance in areas such as sanitary and food safety standards so as to help businesses boost exports.

The EU is also contemplating speeding up the modification, adoption and implementation of its new Generalised System of Preferences (GSP) scheme that

provides preferential access to imports from certain developing countries.

EU trade sources indicate that Sri Lanka, Indonesia, Thailand and India will be among the greatest beneficiaries of the new regime, with Sri Lanka receiving duty free access to the EU for almost all its GSP exports -- including its vital textile and clothing exports. India, Indonesia and Thailand are also to benefit from reduced duties and wider product coverage, particularly on crucial seafood exports.

In addition, European Commission President Jose Manuel Barroso has stated that the EU might send old or redundant fishing boats to affected states, to replace vessels destroyed by the tsunami.

Some experts have argued for differentiating even among tsunami-hit countries, arguing that while countries such as Sri Lanka and the Maldives might benefit from such trade preferences, extending such treatment to larger countries including Thailand and Indonesia would benefit industrial and commercial centres rather than the regions affected by the disaster.

Vulnerable countries want market access; improved rules of origin

At last week's conference of small island developing states (SIDS; see related article, this issue), countries -- including many hit by the tsunami -- highlighted the need for greater market access for their products.

Many small island states are also adversely affected by stringent 'rules of origin' for their exports. A recent Oxfam report on the response to the tsunami (available at http://www.oxfam.org.uk/what_we_do/issues/conflict_disasters/downloads/bn_tsunami.pdf) points out that rules of origin requirements often rob market access provisions of any real meaning. The EU, for instance, grants duty free access to Maldivian clothing exports only if the fabric and cloth are made in Maldives -- an impossible requirement for a tiny atoll consisting largely of sandy beaches. Sri Lankan WTO Ambassador Gomi Tharaka Sendahira has said that the EU's new preference scheme would provide little real help to his country in the absence of a substantial change in the rules of origin, since Sri Lanka's garment export industry relies on imported yarn and textiles. Oxfam proposes modifying these rules so that countries can actually benefit from market access.

Sri Lankan officials have said that an increase in real market access would also help assuage fears about impending job losses in the country's textile sector resulting from the expiry of textile quotas on 1 January 2005.

"Small Islands Seek Access to Markets," ASSOCIATED PRESS, 11 January 2005; "The Asian Tsunami: The Challenge After the Jakarta Summit," OXFAM Briefing Note, 7 January 2005; "Sri Lanka to Request Trade Relief," DM NEWS, 12 January 2005; "Nations Request Trade Relief," THE WASHINGTON TIMES, 11 January 2005; "EU Trade Commissioner Seeks Trade Measures to Relieve Tsunami Victims," EU Press Release, 11 January 2005; "EU May Send Old Fishing Boats to Tsunami States," REUTERS, 12 January 2005; "Sri Lanka Seeks US Tariff Cuts To Assist in Recovery from the Tsunami," INTERNATIONAL TRADE REPORTER, 13 January 2005; "UNCTAD urges easing trade to help tsunami nations," FINANCIAL TIMES, 19 January 2005.

SUSTAINABLE DEVELOPMENT NEEDS OF SIDS ADDRESSED AT MAURITIUS MEETING

Trade featured high on the agenda at a recent meeting on small island developing states (SIDS), held from 10-14 January at Port Louis, Mauritius. The International Meeting to Review the Implementation of the Programme of Action for the Sustainable Development of SIDS, which counted UN Secretary-General Kofi Annan and presidents from 18 countries among the 2000 participants, concluded by adopting a "Mauritius Declaration" and the "Mauritius Strategy" for further implementing the Programme of Action. Given that the meeting took place soon after the devastating tsunami in Southeast Asia, participants emphasised the disaster and linked it to the needs of SIDS in areas such as early warning systems, with Kofi Annan calling for a global system in this regard.

Tough negotiations on trade text

The Strategy for the Further Implementation of the Programme of Action for the Sustainable Development of SIDS -- adopted at the end of the conference as the "Mauritius Strategy" -- had been under negotiation through a series of regional meetings and sessions of the UN Commission on Sustainable Development. The strategy covers a number of areas, including: climate change; natural and environmental disasters; management of wastes; resources, including coastal and marine; and trade - globalisation and trade liberalisation. At the beginning of the meeting, the section on trade remained one of only two not yet agreed.

During negotiations, participants debated issues related to the erosion of trade preferences and its effects on SIDS. They also addressed the question of whether a special category for small and vulnerable economies, such as the SIDS, should be created within the WTO

system. A number of SIDS pushed for this, with Anthony Severin, St. Lucia's Ambassador to the Caribbean Community arguing that preferential trade rules for small island nations could offset vulnerability resulting from their heavy dependence on exports, tiny local markets and high transportation costs. However, developed countries including the EU opposed such a designation, preferring to make commitments to help improve SIDS' trade capacities. Among statements by intergovernmental agencies, the UN Environment Programme (UNEP) stressed that environmental issues should not be used as a reason to raise trade barriers.

The Mauritius Declaration

The political outcome of the SIDS conference, the "Mauritius Declaration," which sets the context for the "Mauritius Strategy," recognises that trade is important for building resilience and sustainable development in SIDS, and calls for attention to the specific needs and priorities of SIDS in the trade realm. The declaration calls for SIDS to be supported in fully integrating into the multilateral trading system in accordance with the WTO's Doha mandate on small economies.

Mauritius Strategy

The "Mauritius Strategy" goes into more detail on follow-up and implementation. In its final version, the Strategy acknowledges the special difficulties SIDS face in integrating into the global economy due to their small size and structural disadvantages. According to the Strategy, trade liberalisation and globalisation present SIDS with both opportunities and challenges, including in terms of preference erosion. The Strategy reaffirms countries' commitment to the rules-based multilateral trading system. It welcomes the WTO July Package and Members' new resolve to fulfil the development dimension of the Doha Round, and stresses the importance of facilitating effective participation by small economies such as SIDS, which often lack representation in Geneva or are involved in the challenging accession process. The trade section of the Mauritius Strategy concludes by listing areas of key concern to SIDS: WTO accession; graduation from LDC status; capacity constraints; technical assistance; structural vulnerabilities; erosion of preferences; structural adjustment; the relationship between trade, environment and development; trade and food security; and lack of Geneva representation.

To view the "Mauritius Declaration," visit <http://www.un.org/smallislands2005/pdf/mauritiusdeclaration.pdf>

To view the "Mauritius Strategy," visit http://www.un.org/smallislands2005/pdf/sids_strategy.pdf

ICTSD reporting; "Support to small islands on disaster preparedness pledged in UN meeting," XINHUANET, 14 January 2005; "Summary Of The International Meeting To Review The Implementation Of The Programme Of Action For The Sustainable Development Of Small Island Developing States," EARTH NEGOTIATIONS BULLETIN, 17 January 2005; "Small Islands Seek Access to Markets", ASSOCIATED PRESS, 11 January 2005; "Mauritius International Meeting (BPoA+10) Press Releases," SMALL ISLAND DEVELOPING STATES NETWORK, 10-14 January 2005.

DSU UPDATE: SUGAR, GAMBLING, EC CUSTOMS PROCEDURES, REVISED APPELLATE REVIEW RULES

On 13 January, the European Communities (EC) filed an appeal against a 15 October 2004 WTO panel decision that ruled that the EC subsidises its sugar exports beyond the level formally notified to the WTO in its schedule of commitments (see BRIDGES Weekly, 20 October 2004, <http://www.ictsd.com/weekly/04-10-20/story1.htm>). The EU is appealing most of the panel's findings, including the following: that surplus sugar (so-called C sugar) from the EC benefited from export subsidies; that the EC exported sugar in excess of its commitment levels in marketing year 2000/2001; and that a footnote in the EC's schedule of commitments that exempted sugar imported from the African, Caribbean and Pacific countries (ACP) from the EC export reduction commitments had no legal effect.

On the same day, the US requested the establishment of a WTO panel to rule on the lack of uniform administration of customs laws and judicial procedures across the 25 European Union (EU) member states. This development follows unsuccessful consultations between the two countries on this matter launched in September 2004, when the US alleged that several EU council regulations on customs regulations were "complicating the efforts of US companies to export to the union." According to the US, companies in the field of agriculture, textiles and technology claimed that their products were often subject to varying sets of criteria for entry into different EU countries (see BRIDGES Weekly, 6 October 2004, <http://www.ictsd.org/weekly/04-10-06/story6.htm>).

Earlier, on 7 January, the US notified WTO Members of its decision to appeal all major findings in a November 2004 panel ruling in favour of Antigua and Barbuda (see BRIDGES Weekly, 17 November 2004, <http://www.ictsd.org/weekly/04-11-17/story5.htm>). The panel found that gambling restrictions at both the federal and state levels violated US market access

commitments under the WTO General Agreement on Trade in Services (GATS). Among the findings appealed by the US are the following: the panel's ruling that US market access commitments under its GATS schedule covering "other recreational services" included gambling services; the panel's conclusion that the US failed to accord services and service suppliers of Antigua treatment no less favourable than that provided for under the terms and conditions agreed and specified in the US GATS schedule; and the panel's finding that the US had declined Antigua's invitation to engage in bilateral and/or multilateral consultations on the dispute.

Both the Gambling and Sugar appeals will be examined under the revised Working Procedures for Appellate Review which came into force on 1 January 2005 (see BRIDGES Weekly, 13 October 2004, <http://www.ictsd.org/weekly/04-10-13/WTOinbrief.htm>). The new rules (WT/AB/WP/5 available at <http://docsonline.wto.org>) introduce, among other changes, clearer requirements in a 'Notice of Appeal,' allow for its subsequent amendment, and introduces a 'Notice of Other Appeal' where a party to the dispute other than the original appellant wants to join in the appeal proceedings. The new rules also set an earlier deadline for appellants to file submissions in support of their argument - 7 days, rather than 10 days after the filing of the Notice of Appeal.

All documents related to the above-mentioned disputes are available at <http://docsonline.wto.org>.

ICTSD reporting.

IN BRIEF

ZOELICK TO STEP DOWN AS USTR

United States Trade Representative (USTR) Robert Zoellick is leaving the office of the USTR to become the country's Deputy Secretary of State, pending Senate approval. The Bush Administration announced Zoellick's appointment as Condoleezza Rice's deputy at the State Department on 7 January.

Attention now turns to who will lead the world's largest economy through the rest of the Doha Round of trade talks. Rumoured to be high on the list of people to follow Zoellick is Gary Edson, a former White House advisor on economic affairs. Other potential successors are Josette Shiner, Zoellick's deputy at the Office of the USTR; Jim Kolbe, a Republican House Representative

from Arizona; Grant Aldonas, undersecretary of commerce for international trade; and Robert M. Kimmitt, a former senior official at the US State and Treasury departments who is currently the head of global policy at media conglomerate Time Warner, Inc.

"Bush Announces Zoellick as Deputy to Rice," WASHINGTON POST, 7 January 2005. "Trading Places," THE ECONOMIST, 7 January 2005. "U.S. Trade Rep to Be Condoleezza Rice Deputy -- WSJ," REUTERS, 6 January 2005.

AFRICAN COTTON PRODUCERS UNITE TO DEFEND COMMON INTERESTS

Following a regional conference on cotton from 21-22 December 2004 in Cotonou, Benin, West and Central African cotton producers have established an Association of African Cotton Producers (AproCA; the acronym is in French) to defend their common trade interests and enhance cooperation on issues related to cotton at the domestic, regional and multilateral levels. Among the key concerns of AproCA are the fall in world cotton prices and its connection to subsidies maintained by the US in favour of its cotton producers. As discussed at the December 2004 meeting, the association aims to coordinate the region's efforts to ensure that demands in the proposal on cotton submitted prior to the Cancun Ministerial Conference in September 2003 -- the so-called 'sectoral initiative' on cotton -- are fulfilled in the run-up to the WTO Hong Kong Ministerial Conference in December 2005.

For further information on the sectoral initiative on cotton see BRIDGES Weekly, 24 November 2004: <http://www.ictsd.org/weekly/04-11-24/story2.htm>

ICTSD reporting; "Coton: l'AproCA, pour défendre les intérêts des producteurs" AllAfrica.com, 28 December 2004.

WTO IN BRIEF

DG CANDIDATES TO MAKE PRESENTATIONS 26 JANUARY

The four candidates to succeed Supachai Panitchpakdi as Director-General of the World Trade Organization will address an extraordinary meeting of the WTO General Council on 26 January.

Nominations for the position closed on 31 December 2004. The candidates to replace Supachai when his term ends on 31 August 2005 are: former EU Trade Commissioner Pascal Lamy, former Uruguayan WTO Ambassador Carlos Perez del Castillo, Brazilian WTO Ambassador Luiz Felipe de Seixas Correa, and Mauritian Foreign Affairs and Trade Minister Jayakrishna Cuttaree.

According to procedures agreed by Members on 13 January, each candidate will face the General Council for 75 minutes -- a 15-minute introductory speech followed by an hour of questions from Member delegations. Each candidate will hold a 30-minute press conference immediately after his session with the General Council.

Members are aiming to finish the selection process by May so as to not interfere with preparatory work for December's WTO Ministerial Conference in Hong Kong.

ICTSD reporting. "WTO Members to Interview Candidates To Replace Supachai as Director-General," INTERNATIONAL TRADE DAILY, 18 January 2005.

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. Call for Questions

Call for Questions

26 January, Geneva, Switzerland: QUESTION TIME! ASK THE NEW WTO DIRECTOR-GENERAL. This public hearing is organised by a group of Switzerland-based NGOs including Oxfam International, the Institute for Agriculture and Trade Policy (IATP), 3D Trade-->Human Rights-->Equitable Economy, Declaration de Berne, and ATTAC Suisse. The four candidates for the position of WTO Director-General have been invited to attend a civil society hearing where they will face questions from NGOs and civil society groups. Their answers will then be communicated widely to the public. The organisers invite readers to submit questions to be submitted to the four candidates at the hearing; questions could be about the candidates' vision for the WTO, in particular their views on sustainable development, the Doha negotiations, and

external transparency. It will not be possible to ask the candidates additional questions on the evening itself. The hearing is public, and will be held on Wednesday 26 January, from 6.45 – 8.15 p.m., in the Maison des Associations, 15 rue des Savoises, Geneva, Switzerland. As space is limited, we ask that those wishing to participate in the hearing reserve their place in advance, by contacting Carin Smaller, tel: +41 (0)22 789 0724; email: csmaller@iatp.org.

Please send your questions for the candidates to Carin Smaller before noon on Monday 24th January, by fax: +41 (0)22 789 0733 or by email: csmaller@iatp.org

Coming Up: 20 - 26 January

24-28 January, Paris, France: INTERNATIONAL CONFERENCE ON BIODIVERSITY: SCIENCE AND GOVERNANCE. This conference is sponsored by UNESCO and organised by the French Ministry of Research and New Technologies. The Conference aims to contribute to and strengthen the implementation of the Convention on Biological Diversity, other relevant international conventions, international organisations and programmes, including through enhancing public opinion about scientific and social issues connected to biodiversity. The debate will highlight the link between biodiversity and sustainable development, poverty alleviation, and the Millennium Development Goals. For further information contact the conference secretariat, email: biodiv2005paris@recherche.gouv.fr; Internet: <http://www.recherche.gouv.fr/biodiv2005paris/en/index.htm>.

26-31 January, Porto Alegre, Brazil: WORLD SOCIAL FORUM 2005. The World Social Forum is an open meeting place where civil society groups and movements opposed to neo-liberalism and a world dominated by capital or imperialism come together to pursue their thinking, debate ideas democratically, formulate proposals, share their experiences freely, and network for effective action. The WSF is set to discuss alternative means to building globalisation in solidarity, respecting universal human rights and the environment, and is grounded in democratic international systems and institutions at the service of social justice, equality and the sovereignty of peoples. Over 1900 events have already been registered for the WSF 2005. For further information, please see <http://www.forumsocialmundial.org.br>.

26-30 January, Davos, Switzerland: WORLD ECONOMIC FORUM 2005. The 2005 World Economic Forum will focus on the theme, "Taking Responsibility for Tough Choices." Issues on the agenda include: achieving global and regional stability; enabling economic growth; building the "great company"; navigating uncertainty; and balancing global and local

considerations. Sessions will be chaired by such high-profile figures as Microsoft's Bill Gates and Citigroup's Charles Prince. For further information, contact the Forum Secretariat, tel: +41-22-869-1212; fax: +41-22-786-2744; email: annualmeeting@weforum.org; Internet: <http://www.weforum.org>.

WTO Events

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

24 January: INFORMAL MEETING TO DISCUSS REPORT BY DIRECTOR-GENERAL'S CONSULTATIVE BOARD.

24 January: WTO NEGOTIATING GROUP ON RULES - REGIONAL TRADE AGREEMENTS.

24 January: WTO TRADE POLICY REVIEW BODY - JAPAN.

25 January: WTO DISPUTE SETTLEMENT BODY.

26 January: WTO GENERAL COUNCIL (DIRECTOR-GENERAL SELECTION PROCESS).

Other Upcoming Events

31 January - 1 February, New Delhi, India: MOVING THE COMPETITION POLICY AGENDA IN INDIA. Organised by the Consumer Unity and Trust Society (CUTS) Centre for Competition, Investment & Economic Regulation (C-CIER), Jaipur, India. The conference is being organised to release a CUTS report that aims to assist the Indian government to develop a functional, 'implementable' competition policy, and to facilitate deliberations on its findings and recommendations. The meeting will draw out a framework to implement the Competition Policy Agenda in India. A background note is available on http://cuts-international.org/background_Inter-Conf.htm. For further information contact Manish Agarwal or Vikash Batham at c-cier@cuts-international.org

7-11 February, Bangkok, Thailand: TENTH MEETING OF THE CBD SUBSIDIARY BODY ON SCIENTIFIC, TECHNICAL AND TECHNOLOGICAL ADVICE (SBSTTA-10). Organised by the Convention on Biological Diversity. For further information contact the

CBD Secretariat, tel: (+1-514) 288-2220; fax: 288-6588; email: secretariat@biodiv.org; Internet: <http://www.biodiv.org/doc/meeting.aspx?mtg=SBSTTA-10>

15-16 February, Muscat, Oman: WIPO NATIONAL SEMINAR ON OMANI TRADITIONAL VALUES IN A GLOBALISED WORLD: THE INTELLECTUAL PROPERTY CHALLENGE. Organised by the World Intellectual Property Organization. For further information contact WIPO, tel: (+41 22) 338 9111; Internet:

http://www.wipo.int/meetings/en/details.jsp?meeting_id=7445

11-13 March 2005, Stresa, Italy: THE WTO AT 10: THE ROLE OF THE DISPUTE SETTLEMENT SYSTEM. Organized by the Research Centre on International Economic Organisations of the Universities of Piemonte Orientale, Torino, Genova, Milano, and Bocconi. The first in a series of regional conferences commemorating the tenth anniversary of the WTO dispute settlement system and the establishment of the Appellate Body to be hosted by a number of academic institutions in 2005 and 2006. Director-General Supachai Panitchpakdi will give the keynote address at the first conference in this series and former Director-General Renato Ruggiero will give the inaugural address. Mr. Giorgio Sacerdoti, Professor of Bocconi University and a Member of the Appellate Body, is on the conference steering committee. For further information, see http://www.wto.org/english/tratop_e/dispu_e/anniversary_conferences_e.htm

RESOURCES

GLOBAL AGRICULTURAL TRADE AND DEVELOPING COUNTRIES. Edited by M. Ataman Aksoy and John C. Beghin. World Bank, January 2005. The World Bank suggests in its latest report that agricultural sector reforms in general, and trade liberalisation in particular, are essential for improving the lives of poor people in developing countries. The fact that agricultural protection remains one of the most contentious issues in international trade negotiations is evidence of the fact that reducing agricultural trade protection in industrial and some middle-income countries is necessary for developing countries to translate investments in agricultural productivity into poverty reduction. For more information and to access the report visit <http://www.worldbank.org/prospects/globalag>

COMPILATION OF NAFTA CHAPTER 11 INVESTOR-STATE DISPUTES. Compiled by Scott Sinclair. Canadian Centre for Policy Alternatives, January 2005. This comprehensive table describes every case filed

under North American Free Trade Agreement's (NAFTA's) chapter on investment, which involves the controversial investor-state dispute settlement mechanism. The compilation provides information on the date the complaint was filed, complaining investor, issue, NAFTA articles cited, amount claimed and status. For more information and to access the compilation visit

http://www.policyalternatives.ca/documents/National_Office_Pubs/2005/chapter11_january2005.pdf

ISAAA BRIEFS 32-2004: PREVIEW: GLOBAL STATUS OF COMMERCIALIZED BIOTECH.GM

CROPS: 2004. By C. James. International Service for the Acquisition of Agri-Biotech Applications (ISAAA), January 2005. This annual update on the status of biotechnology crops provides comprehensive data on the use of biotechnology around the world. In 2004, the global area cultivated with biotech crops continued to increase for the ninth consecutive year at a sustained double-digit growth rate of 20 percent, compared to 15 percent in 2003. The estimated global area of approved biotech crops for 2004 was 81 million hectares, up from 67.7 million hectares in 2003. Biotech crops were grown by approximately 8.25 million farmers in 17 countries. For further information and to access the report visit <http://www.isaaa.org>

2005 GENEVA DECLARATION ON TRADE & ENVIRONMENT. By EcoLomics International, January 2005. This declaration proposes a ten-point action plan for the WTO aimed at reinvigorating discussions and negotiations on trade and the environment that are currently stalled because of a lack of interest and urgency among member states. For further information and to access the declaration visit <http://www.ecolomics-international.org/>

"Millennium Development Goals: Why They Matter." By Sakiko Fukuda-Parr in GLOBAL GOVERNANCE 10 (4), October-December 2004, pp. 395-402. The Millennium Development Goals are new because an unprecedented assembly of the world's heads of state generated them when they met in September 2000 and they put human development-poverty, people and their lives-at the centre of the global development agenda for the new millennium, a shift away from growth as the central objective of development. They are not just aspirations but provide a framework for accountability by defining concrete goals that can be monitored. They address not only development outcomes but also inputs from rich countries, thus forming a compact that holds both poor and rich governments accountable for opening markets, giving more aid and debt relief, and transferring technology.

WTO APPELLATE BODY REPERTORY OF REPORTS AND AWARDS 1995-2004. The WTO Appellate Body Repertory of Reports and Awards is the essential research tool for professionals involved in international trade law. Originally developed as an internal research tool to assist the Appellate Body Secretariat in carrying out its duty to provide legal support to Appellate Body Members, the Repertory is now being made available to the public in the hope that it will become a practical tool for officials from WTO Members, academics, students and private practitioners of international trade law and dispute settlement. For further information and to order, see

https://secure.vtx.ch/shop/boutiques/wto_index_boutique.html

http://www.wto.org/english/tratop_e/dispu_e/anniversary_conferences_e.htm

ON THE MOVE

Ambassador Choi Seok Young from the Republic of Korea has become the thirteenth Executive Director of the Asia-Pacific Economic Cooperation Secretariat. Choi took over the position on 1 January 2005 from Chilean Executive Director Ambassador Mario Artaza to coincide with the transition of APEC Host Economies from Chile to Korea in 2005. The Singapore-based APEC Secretariat is the principle support mechanism of the organisation of Pacific Rim countries.

Back issues of **BRIDGES Weekly Trade News Digest**© can be accessed at: <http://www.ictsd.org/weekly/archive.htm>

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