



INTERNATIONAL CENTRE FOR  
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# Bridges

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### LEAD STORIES

#### DG CANDIDATES MEET WITH GENERAL COUNCIL

The race to replace Supachai Panitchpakdi as Director-General (DG) of the WTO officially got underway on 26 January, as the four candidates went before a formal meeting of the WTO General Council to promote their respective cases for the job.

Former Uruguayan WTO Ambassador Carlos Perez del Castillo; Mauritian Foreign Affairs and Trade Minister Jaya Krishna Cuttaree; Brazilian WTO Ambassador Luiz Felipe de Seixas Correa; and former European Trade Commissioner Pascal Lamy of France each made fifteen-minute presentations to the General Council, followed by an hour of questions and answers with Member delegations and a thirty-minute press conference.

In stark contrast to the more commonly heard refrain that "the WTO is not a development organisation," the need to make trade more supportive of development was the foremost theme in every candidate's introductory speech. All of them declared that their highest priority as DG would be the swift, successful conclusion of the ongoing Doha Round of trade negotiations.

#### Perez del Castillo: touts skills as consensus-builder, experience as GC Chair

Perez del Castillo put himself forward as the "consensus candidate that the WTO needs," pointing to his involvement in the Doha Round from its very beginning and his experience, as General Council Chair, with helping Members "search for common ground and understanding."

He emphasised the need to expand the WTO's membership and to ensure that the multilateral trading system (MTS) offers all of its Members "concrete opportunities for trade and development," saying that one of the organisation's most important responsibilities is to "give a concrete meaning to the development dimension beyond special and differential treatment." Perez del Castillo also stressed that the WTO must

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"confront the growing fragmentation... of the MTS" resulting from the preferential trade agreements that are undermining the WTO's fundamental principle of non-discrimination.

The former WTO envoy for Uruguay said that his first priority as DG would be to finish the Doha Round by 2006 in a way that is "worthy of being called 'the development round.'" Other priorities would be to promote increased coherence with other international organisations, including joint action with the World Bank (WB) and International Monetary Fund (IMF).

### **Cuttaree: 'the right mix'**

The Mauritian foreign affairs and trade minister -- whose candidacy has already been endorsed by the group of African, Caribbean, and Pacific countries that comprise 79 of the WTO's 148 Members -- insisted that if WTO negotiations fail to take into account the interests of all of its members, their very legitimacy will be undermined. He portrayed himself as a bridge-builder between rich and poor countries, whose overarching priority as DG would be to successfully complete the Doha Round.

Cuttaree said that the benefits of trade liberalisation had not been evenly distributed, and that developmental concerns must be "duly entrenched in the system as a whole." He also talked about the need to bridge the differences on major issues because of the diversity of interests in the MTS, and emphasised that WTO decision-making had to be made more transparent and inclusive. Cuttaree defended regional trade agreements, arguing that "effective regional integration is a stepping-stone to the MTS," and argued that the goal of global policy-making should be to ensure the "right mix between providing a multilateral framework of rules for free trade on the one hand and assisting countries to mainstream into the MTS on the other."

### **Seixas Correa: "mainstream the development dimension"**

The Brazilian Ambassador said that the successful conclusion of the Doha Round would require Members to "mainstream the development dimension into the WTO to the benefit of all developing countries," with specific provisions to help least-developed countries (LDCs) and vulnerable economies "enhance their national structures for development." He said that the next DG must be particularly careful when working in his capacity as Chair of the Trade Negotiations Committee to ensure the participation of all delegations in negotiations and technical work. He also stressed that the WTO must remain a Member-driven,

consensus-oriented organisation, unlike the WB and the IMF.

Seixas Correa said that the MTS must also provide "an overarching normative structure, capable of effectively harmonising the growing number of trade agreements...being concluded throughout the world" if it is to retain its pre-eminence.

### **Lamy: "re-balance the international trade system in favour of developing countries"**

Lamy, too, reiterated that the MTS must retain its primacy in international trade. He reminded the General Council of his role as "one of the authors" of the 'Doha Development Agenda,' and said that leading the Round towards fruition is "our priority number one, our priority number two, our priority number three." He noted that while trade liberalisation in and of itself is not enough to promote development, it is a 'necessary condition' for it, if accompanied by a rules-based system and appropriate national-level policies -- a view he termed the 'Geneva consensus.' He stressed the need to 're-balance' the MTS in favour of poor countries.

Lamy said that the WTO needs to improve its coherence with the Bretton Woods institutions as well as "better integrate its work in the landscape of actors, states, and international governance organisations which are working for development."

Like Seixas Correa, the Frenchman agreed that the WTO must remain Member-driven and consensus-based, and said that major institutional reforms were not necessary in spite of his past characterisation of the institution as 'medieval.' In another comment that may have been intended to distance himself from his controversial record at the WTO, he declared that during his career, he had always "respected his authorising environment."

### **GC Chair will consult Members in effort to establish consensus**

A General Council meeting has been set for 26-27 May to formally approve Supachai's successor. According to the rules for the DG selection process (WT/L/509, available at <http://docsonline.wto.org>), the months before this date will see the new Chair of the General Council -- likely to be Kenyan WTO Ambassador Amina Mohamed -- repeatedly consult all Member delegations with the ultimate aim of identifying a candidate on whom Members can reach consensus. The most unpopular candidate after each round of consultations is expected to withdraw.

The nightmare scenario for many trade diplomats is a repeat of the rancorous DG race of 1999. Members' inability to reach consensus on a single candidate paralysed the work of the WTO for months and contributed to the collapse of the Seattle Ministerial Conference later that year. This year's leadership race may also prove divisive. Seixas Correa explicitly told the General Council that he believed that the next DG of the WTO should come from a developing country, since people from developed countries are already in charge of the WB and the IMF and the current round is supposed to be a 'development round.' Cuttaree revealed similar sentiments during a press conference following the meeting. This view is said to be shared by many developing countries.

### Rumours abound

Trade sources indicate that Lamy and Perez del Castillo are the frontrunners in the race at this early juncture, but cautions that this could change dramatically after the elimination of one candidate. The Johannesburg daily Business Day has suggested that a stalemate among Members may open the way for the emergence of a 'white knight,' noting that the Financial Times recently called Alec Erwin, South Africa's public enterprises minister, the best man for the job.

Supachai's successor's four-year term will start on 1 September.

The candidates' statements and biographies are available [here](#).

Sources:

ICTSD reporting. "Director-General Candidates for Top WTO Job Make Case To Win Member Representatives' Support," WTO REPORTER, 27 January 2005; "Race for leadership of WTO heats up," FT.com, 26 January 2005; "Four in Line for Top WTO Post, But Who Will Get SA's Vote?", BUSINESS DAY, 25 January 2005; "Four trade diplomats battle to win top job at WTO," AGENCE FRANCE PRESSE, 26 January 2005; "In race for WTO Chief, a Frenchman faces off against 3 from developing nations," INTERNATIONAL HERALD TRIBUNE, 27 JANUARY 2005.

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## DG CANDIDATES FOLLOW UP GC HEARING WITH CIVIL SOCIETY MEETING

As part of the overall negotiations during the In a meeting that marked a new step in the relationship between civil society and the WTO, candidates for the position of WTO Director-General (DG) attended a

public hearing in Geneva on 26 January to respond to questions sent in from around the world regarding their vision for international trade. Three of the four candidates for the position -- former European Trade Commissioner Pascal Lamy of France, Mauritian Foreign Affairs and Trade Minister Jaya Krishna Cuttaree and Brazilian WTO Ambassador Luiz Felipe de Seixas Correa -- attended the meeting organised by the Institute for Agriculture and Trade Policy (IATP), Oxfam International and 3D --> Trade - Human Rights - Equitable Economy. The fourth DG candidate, former Uruguayan WTO Ambassador Carlos Perez del Castillo, was unable to attend.

The organisers had issued an open call for questions for the DG candidates, and adapted the responses into five questions which were posed to them at the meeting, described by Lamy as a 'beauty contest.' The questions focused on the candidates' personal qualifications and commitment to increasing the WTO's transparency and accountability; coherence between the WTO and concerns about human rights, the environment, and labour standards; the role of the DG in trade negotiations; corporate control of the WTO agenda; and the WTO agricultural liberalisation mandate. The meeting was simultaneously webcast.

### Candidates: DG's power limited

All three candidates stressed that the WTO is a Member-driven organisation, accountable to the governments of its Member states. They asserted that the ability of the DG to influence the issues raised in the questions is limited, since they can only act within the mandate agreed by WTO Member states. Members themselves are constrained, they noted, by the need to reach consensus.

### Transparency, accountability, and legitimacy

Differentiating between accountability and transparency, Lamy said that although the DG is accountable only to WTO Member governments (which are in turn supposed to be accountable to their citizens), transparency with regard to civil society has been and will continue to be a priority for him. He noted that the WTO's transparency towards civil society had increased since Seattle.

Cuttaree said that there is a general perception that the WTO in general is not transparent, and called for more transparency in both national policymaking and the functioning of the WTO.

Seixas Correa said that "good chairmanship" and transparent communications within the WTO would increase the legitimacy of the decisions taken by the organisation in the eyes of Members. He said that

though the July Package was largely the work of five countries (Australia, Brazil, the EU, India, and the US), communication about the process via groupings such as the G-20 and the G-90 gave the framework agreement enough legitimacy to receive support.

### **Increasing coherence amongst international institutions necessary**

The candidates struggled to respond to the request to put forward concrete proposals for improving coherence between trade rules and concerns such as human rights, the environment, labour standards, and cultural diversity, i.e., issues beyond those addressed by the International Monetary Fund (IMF) and the World Bank (WB).

Seixas Correa "fully conceded" that trade liberalisation "can have harmful effects on these areas," but noted that protectionism could as well. He pointed to the positive links between trade liberalisation and reduced pressure on natural resources. He said that the WB and IMF were crucial institutions for development, but that this "other side of coherence" could be enhanced by deepening institutional dialogue with other intergovernmental organisations.

Cuttaree said that though "we live in a world where international trade will drive the development process," such issues, though central to developmental policy, should be the responsibility of national governments. He pointed to the role of civil society organisations, particularly "a strong trade union movement," in ensuring that governments pay sufficient attention to them. He said that bringing issues like labour standards into the WTO would be wrong, and questioned whether the Member-driven WTO is even capable of adequately dealing with these issues.

Lamy observed that coherence with the IMF and the WB was part of the WTO's mandate, even though it "has not worked well." Other kinds of coherence, however, have simply not been mandated by Members -- and for it to happen, "countries need to push the bar higher." He said that as the EU's trade chief, he had pushed for sustainability impact assessments to look at trade liberalisation's potential effects. He also mooted granting observership status to other international institutions as a way to enhance coherence between trade and non-trade issues.

### **Multinational corporations and the WTO**

All three candidates rejected the notion that the WTO is a front for the interests of multinational corporations, the IMF, and the WB. On the question of whether they thought that the WTO should develop an agreement on anti-competitive business practices, Lamy and Cuttaree

referred to past WTO discussions on competition policy. Lamy, who as European Trade Commissioner was in favour of launching negotiations on the issue, said that though "there are reasons for such an agreement," "the question was put to the Membership, and the answer was 'no.'" Cuttaree, who opposed such negotiations, said that the developing countries that rejected competition policy talks did not trust the potential outcome of the negotiations, and preferred instead to keep the matter in the domestic realm.

### **Agriculture liberalisation concerns**

The candidates' positions on agricultural liberalisation also appeared to carry echoes of the views that they had previously espoused in trade negotiations. Cuttaree, the standard-bearer of the African, Caribbean, and Pacific countries, emphasised that only a small number of developing countries are likely to benefit from agricultural liberalisation. He said that Africa is a continent of peasant farmers whose "ability to compete is non-existent," in the absence of roads, ports, and refrigeration facilities. He said that these supply-side constraints would have to be addressed, with help from the IMF, the WB, and donor countries, for African farmers to benefit from any increase in market access.

Seixas Correa noted that while some may be harmed by agricultural liberalisation, many farmers in developing countries have been adversely affected by subsidised imports from developed countries and could thus gain from the elimination of such distortions.

Lamy, for his part, said that "there is no agreement among the WTO Members that the purpose of the WTO is to liberalise agricultural trade" -- they only agree that there is a mandate to make agricultural trade more liberalised than it is at present. He said that some farmers might want WTO disciplines on cotton subsidies while those elsewhere may be less enthusiastic. He also noted that "80 percent" of the reductions in developing countries' barriers to agricultural imports were not negotiated at the WTO, but rather came in response to demands by the IMF and the World Bank, which he referred to as 'unilateral liberalisation.' He said that these countries might actually feel that bringing these negotiations into the WTO would offer them some protection.

The event concluded with all candidates confirming their support of continued dialogue with civil society as a matter of both personal belief and as WTO policy.

The meeting's organisers stressed that the point of the hearing was not to endorse a particular candidate, but merely to give civil society a forum to hear what the DG candidates had to say. "IATP's Carin Smaller said after

the meeting, "As members of civil society, we are stakeholders in this decision."

The webcast of the hearing is available at: <http://www.iatp.org/>

ICTSD reporting; "WTO Director General Candidates Seek to Woo Civil Society," OXFAM, IATP, 3D PRESS RELEASE, 26 January 2005.

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## MEMBERS, CIVIL SOCIETY REACT TO PROPOSALS FOR WTO REFORM

Many WTO Member governments would not object to some informal discussions on the recommendations of the report on WTO reform released last week by WTO Director-General Supachai Panitchpakdi's 'Consultative Board,' so long as they do not come at the expense of work for the Doha Round negotiations. At an informal heads-of-delegation meeting on 25 January, Members gave the report a generally positive reception, in spite of disagreements over its trenchant criticism of trade preferences and preferential trade agreements (see [BRIDGES Weekly](#)). Civil society organisations, on the other hand, were more critical of some of the eight-member panel's recommendations.

Consultative Board chair and former WTO head Peter Sutherland opened the meeting with a presentation on the 'Future of the WTO' report. Although many Members are still discussing the report with their respective capitals, several delegations took the opportunity to make statements about the report and to challenge the five panel members in attendance about its contents. Members acknowledged that several of the recommendations, such as opening up dispute settlement hearings to the public, were controversial; they stressed the need to proceed with caution, particularly in the run-up to the Hong Kong Ministerial Conference in December.

### Members say their FTAs support the WTO, not undermine it

Several Members echoed the report's primary concern that a 'spaghetti bowl' of overlapping commitments arising from bilateral and regional trade agreements were undermining the WTO's core principle of non-discrimination. These Members included countries that have actively been pursuing such agreements. Chilean Ambassador Alejandro Jara said that his country's many preferential trade agreements were part of a constructive approach to the multilateral trading system. He said that Chile was pursuing the Free Trade Area of the Americas (FTAA) because it simply could not wait

for the multilateral system to agree on liberalisation. The US similarly praised its numerous bilateral free trade agreements (FTAs) for advancing, rather than hindering, the cause of multilateral trade liberalisation. It did not address the report's criticism of preferential trade agreements for 'non-trade objectives' including strong labour, environmental, and intellectual property protections -- all three of which have been hallmarks of recent US FTAs.

Panel member and Columbia University economist Jagdish Bhagwati said that the benefits of these trade agreements could be overrated. He noted that the North American Free Trade Agreement (NAFTA) had not led to the expected income gains in Mexico, and suggested that this was perhaps an indication that even NAFTA -- cited by the report as a preferential trade agreement that spurred the development of the multilateral system -- might be trade-diverting rather than trade-creating. He also pointed out that the Chile-US FTA talks took longer than the Uruguay Round.

Australia said that it would like to see more clarity in WTO law about what is acceptable in bilateral and regional free trade agreements.

### ACP countries disagree with panel's conclusions on preferences

Kenya and Jamaica challenged the Consultative Board's analysis that unilateral trade preferences were undesirable. Both delegations said that they had found preferences to be useful in the past and would continue to pursue them in the future. Bhagwati countered that countries seeking such market access should "look preferences in the eye" -- they may find that preferences help the donor countries more than the recipients. Sutherland clarified that the panel had not proposed getting rid of preference schemes; it had simply suggested that rich countries reduce tariffs to zero so as to restore the principle of non-discrimination.

Notably, Thailand took the opposite position in the largely South-South debate on unilateral trade preferences, arguing that preferences that discriminate between countries at the same developmental level are not really useful.

Some developing country sources disagreed with the report's inclusion of special and differential treatment (S&D) for developing countries in its section on trade preferences. They argued that strengthening S&D is necessary, and would not undermine the principles of the WTO. In its statement to the meeting, Peru described the report's conclusion that Members will have to contemplate graduated S&D for different developing countries as "very sensitive," and said that



Members will have to address the issue with "extreme caution."

### **Members reflecting on proposals for reforms to decision-making processes**

With regard to the report's recommendations on improving the efficiency of decision-making at the WTO, Members stressed the need to preserve the principle of making decisions by consensus. Sutherland concurred, but said that consensus needed to be made to work better. Delegations expressed the need for caution with regard to the report's suggestion that Members re-examine the use of plurilateral agreements.

Most Members agreed to reflect on the report's proposal for annual Ministerial Conferences. China was of the view that the five-year summit of world leaders proposed by the Consultative Board would simply attract protesters. Some suggested that ad hoc ministerial involvement, as during the July 2004 negotiations that re-started the Doha Round talks, might be more effective than annual meetings. A few Members felt that more ministerial participation in Geneva-based processes, another recommendation of the report, would do more harm than good.

The panel's proposal that Members establish a 30-member consultative body to provide political guidance to negotiators proved controversial. The report had envisioned permanent seats for senior trade officials from major trading nations and rotating seats for those from other Member countries. At the meeting, Members asked several questions about how such a board would be composed.

Argentina and Brazil were uncomfortable with the Consultative Board's insistence that Directors-General of the WTO be selected without regard to geographical distribution, since alternation between developed and developing countries had worked well in other institutions. Sutherland said that ability must be the most important criterion for the position -- if the requisite ability is present all over the world, so be it, but the most important thing is for the Director-General to be the 'guardian of the [WTO] treaties.'

### **Where to go from here**

A large number of delegations agreed with Australia's suggestion for an informal heads-of-delegation 'retreat' where delegates could discuss the report with the members of the Consultative Board. Some said that institutional issues could be effectively discussed alongside the Doha Round talks, while others said that they were open to the idea of a one-off 'retreat,' but that the institutional questions would best be left until later. Supachai said that he would look into whether there

was enough agreement among Members for such a retreat to be held, and when and how it could be organised.

### **Civil society sceptical about many of the report's recommendations**

Martin Khor of international NGO Third World Network (TWN) said that the report was right to attack FTAs, a sentiment echoed by Oxfam International. However, Khor argued that it erred in failing to differentiate between North-South FTAs, which are often unfavourable to the poor country partner, and initiatives like the Association of Southeast Asian Nations, which promote South-South trade. He also said that unilateral trade preferences and the principle of S&D for developing countries should not have been "lumped together" with FTAs.

The Minneapolis, US-based Institute for Agriculture and Trade Policy welcomed the reform initiative, pointing out that WTO Members and civil society have long called for changes in the functioning of the WTO. It particularly praised the report's call for Members to provide adequate assistance to least-developed countries. However, it criticised the report for "failing to adequately explore the limitations of trade liberalisation." IATP also suggested that the report's separation from the ongoing negotiations meant that it seemed "unlikely" that its contents "will ever feature on the WTO negotiating agenda."

### **Sources:**

ICTSD reporting. "Future of WTO report launched, with some controversial proposals," SOUTH-NORTH DEVELOPMENT MONITOR, 18 January 2005; "The Sutherland Report: a call for change?" INSTITUTE FOR AGRICULTURE AND TRADE POLICY, 19 January 2005.

## **OTHER STORIES**

### **POST-QUOTA TRADE STARTS TO TAKE SHAPE**

In response to the elimination of quotas on textile and clothing at the end of 2004, Turkey and Argentina moved this month to protect domestic textile manufacturers by imposing limits on Chinese textile imports. US textile importers managed to receive a court injunction against the imposition of similar measures by the US government. Meanwhile, the WTO Secretariat received Members' authorisation to prepare a report on how least developed countries (LDCs) can

improve their competitiveness in the textiles and clothing sector.

### **Turkey, Argentina impose quotas on Chinese imports**

On 14 January, Turkey started implementing measures aimed at limiting to 7.5 percent the rate of increased imports from China of 42 categories of textiles. The Turkish government had published its decision to use this 'China textile safeguard,' provided for in China's WTO accession agreements on 23 December 2004 (for more information about the safeguard, see [BRIDGES Weekly](#)). The Turkish foreign trade department had said that booming imports from China threatened fair trade, squeezing out local manufacturers and driving down prices.

The Chinese government reacted strongly and vocally to the Turkish import restrictions. "We are shocked and strongly oppose this wrongful decision," Chong Quang, spokesperson for the Chinese trade ministry, said. "We can solve the textile trade issue through dialogue and co-operation rather than impeding bilateral economic and trade relations." The Chinese government has argued that the China textile safeguard can only be legitimately invoked after actual market disruption has taken place, and has previously threatened to challenge safeguards imposed merely because of the threat of such disruption at the WTO's Dispute Settlement Body.

Turkish textiles and apparel exports amount to some USD 20 billion a year and the government's action has, according to EU officials, led to pressure for the EU to do the same. EU trade officials and politicians were meeting on 26 January to consider whether to follow Turkey's lead.

As per two 16 December presidential decrees, on 1 January 2005 Argentina started imposing product quotas that limit imports of certain Chinese textile and garment products into Argentina. Like the Turkish quotas, Argentina is using the China textile safeguard to limit the growth of these imports to 7.5 percent per year.

### **US court rules against safeguards**

US textile and clothing importers received a court injunction at the end of 2004 against attempts by the US Commerce Department to consider at least 11 controversial petitions from textile manufacturers to block Chinese textiles and clothing products on the basis of the threat of import surges. The importers, represented by the US Association of Importers of Textiles and Apparel (USA-ITA), have for now foiled attempts by the American Manufacturing Trade Action Coalition (AMTAC), which represents US-based

manufacturers, to have quotas imposed on Chinese imports.

### **WTO Secretariat to study LDC textile competitiveness**

At a meeting of the WTO sub-committee for least-developed countries on 20 January, WTO Members agreed to ask the WTO Secretariat to prepare a report on how least developed countries can improve their competitiveness in the textiles and clothing sector. The move followed an October 2004 request by the LDCs that the Secretariat prepare a report suggesting ways to maintain LDC market share in the sector, to ensure a smooth transition after the expiry of quotas (see *BRIDGES Weekly*, 3 November 2004, <http://www.ictsd.org/weekly/04-11-03/story2.htm>). The final mandate for the Secretariat study is considerably watered down from the LDCs' original request, and focuses on coherence programs of the IMF and World Bank, rules of origin, and technical cooperation as means to enhance LDC competitiveness in textiles and clothing.

### **First impacts of quota expiry felt**

Some of the fears about the quota expiry resulting in job losses in smaller, less competitive developing countries appeared to be borne out in recent weeks when six textile factories closed in Lesotho after their foreign owners (from Taiwan, China, Mauritius and Malaysia) left the country, leaving some 6,650 workers jobless. Similarly, Esquel, a Hong Kong-based multinational, recently closed its factory in Mauritius and relocated to Vietnam.

Nonetheless, the fear of trade wars -- over safeguards, export duties and WTO actions -- appears to be inhibiting any drastic shifts in trade flows. Some industry sources have said that orders are little changed from last year because importers are placing their orders cautiously and not putting "all their eggs in one basket."

In China, fifty major textile exporters agreed at the end of December to set up bodies that will establish fixed price floors for six important categories of textiles to ensure quantities do not increase too rapidly. In combination with the decision of the Chinese government in December to put an export tax on certain textile exports, these measures signal that the Chinese are attempting to reduce the chances of trade frictions with importing countries.

ICTSD reporting; "WTO Committee Agrees to Launch Study On Improving Competitiveness in Textiles," WTO REPORTER, 24 January 2005; "China's textile rivals await outcome of 'terrible prophecies'," FINANCIAL

TIMES, 21 January 2005; "Turkish Curbs On China Textiles Up Pressure For EU Action," DOW JONES, 14 January 2005; "USA: US government barred from limiting Chinese clothing and textile imports," FIBRE2FASHION, 3 January 2005; "USA: AMTAC decries USCIT ruling – fears textile and apparel manufacturing job losses," AMTAC, 1 January 2005; "Panels to watch textile export orders," CHINA DAILY, 30 December 2004;

"Turkey asked not to set import quotas on textiles," CHINA DAILY, 26 December 2004; "Turkey sets quotas against Chinese textile imports," REUTERS, 26 December 2004; "Argentina : Sanctions on Chinese textile imports ordered by Prez Nestor Kirchner," FIBRE2FASHION, 18 December 2004.

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### WTO HEAD URGES AFRICA TO STRENGTHEN PARTICIPATION IN TRADE TALKS

Addressing a meeting of African and Nordic trade ministers in Tanzania on 20 January, WTO Director-General Supachai Panitchpakdi urged African countries to take a long-term view in the ongoing negotiations on agriculture. He pointed out that liberalisation of agricultural trade heralded potentially big gains for the continent. Supachai further noted that gains in agriculture within the Doha Round talks would be particularly important for Africa in view of the current Economic Partnership Agreement negotiations (EPAs) with the European Union (EU). According to Supachai, a deal on agriculture in the Doha Round could level the playing field when the time came for Africa to fully liberalise that sector under the EPAs. Supachai further expressed hope that "special treatment" would be given to the issue of cotton within the agriculture talks. On the erosion of trade preferences, Supachai noted the division among developing countries, some of which were seeking tariff reductions on the very products for which African Members were wishing to preserve preferences. He pointed out the need to reconcile these conflicting objectives in future modalities.

With regard to services, Supachai urged Africa to submit more offers. Commenting on international textiles trade which has now been fully liberalised due to the phase out of quotas on 1 January 2005, the Director-General noted the role of the World Bank and the IMF in helping with domestic adjustment processes and reforms, the importance of South-South cooperation and the contribution of the WTO Secretariat. However, he acknowledged that there would be "no simple solutions." On trade related aspects of intellectual property rights (TRIPS), Supachai drew the attention of African Ministers to the

importance of "playing a leadership role" in replacing the "waiver decision" with a permanent solution in the form of an amendment to the TRIPS Agreement as part of the fight against HIV/AIDS in Africa. The '30 August Decision' by the General Council spells out the circumstances under which countries without pharmaceutical manufacturing capacity can import generic versions of drugs still under patent (see BRIDGES Weekly, 8 December 2004: <http://www.ictsd.org/weekly/04-12-08/story1.htm>).

Finally, Supachai highlighted the fact that mainstreaming trade into overall poverty reduction strategies and programmes was a priority on which the WTO would collaborate with the World Bank, the IMF and other agencies to achieve results.

The full text of the speech is available at: [http://www.wto.org/english/news\\_e/spsp\\_e/spsp34\\_e.htm](http://www.wto.org/english/news_e/spsp_e/spsp34_e.htm) [http://www.wto.org/english/news\\_e/spsp\\_e/spsp34\\_e.htm](http://www.wto.org/english/news_e/spsp_e/spsp34_e.htm)

ICTSD reporting.

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### IN BRIEF

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#### EU ADVISES TANZANIA TO RESOLVE OVERLAPPING CUSTOMS UNION MEMBERSHIP

During his visit to Tanzania on 20 January 2004, senior European Union trade official Karl Falkenberg advised Tanzania, currently a member of both the Southern Africa Development Community (SADC) and the East African Customs Union (EACU), to stick to just one customs union in order to maximise potential economic gains from the ongoing Economic Partnership Agreement (EPA) negotiations between the EU and the African, Caribbean and Pacific Countries (ACP). Mr. Falkenberg's concern arose from the fact that although Tanzania was negotiating the EPAs as part the SADC custom union, it was also a member of the EACU (For more on the SADC EPA process see [Bridges Weekly](#))

In the context of the EPAs, overlapping regional configurations, especially among Southern African groupings, have been a source of concern for some trade observers. They contend that these overlapping commitments have the potential come into conflict with each other, impose greater transaction costs on business and governments, and give rise to coordination problems. More significantly, trade experts have pointed out that while overlapping free trade areas



are technically possible, overlapping customs unions are not, by their very definition -- a customs union is formed when two or more countries agree to remove all barriers to free trade with each other, while establishing a common external tariff against other nations. Addressing SADC journalists during a December seminar in Brussels on the EU-SADC EPAs, EC Commissioner for Trade, Peter Mandelson, is reported to have said that the overlapping membership of SADC countries could give rise to "a huge confusion."

Overlapping trade commitments have recently come under great scrutiny: last week, a high-profile report on WTO reform identified the 'spaghetti bowl' of overlapping commitments resulting from bilateral and regional trade agreements as the single greatest threat to the multilateral trading system.

ICTSD reporting; Tanzania advised to choose either SADC or EA Customs Union, IPP Media, 21 January 2005; "SADC Configuration a Nightmare," AllAfrica.com, 14 December 2004.

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## INDIGENOUS COMMUNITIES' RIGHTS TO POTATO STRAINS RECOGNISED

A groundbreaking agreement in Peru has recognised the rights of indigenous communities over potato strains that they had developed. The pact signed by six Peruvian indigenous communities with the International Potato Center (IPC), a Lima-based agricultural research centre and gene bank, would prevent companies from patenting the potato strains as well as the related traditional knowledge.

Under the agreement -- the first of its kind -- the gene bank returns the genetic resources and knowledge associated with the potato strains to the six communities, which have established a 'potato park' in a conservation area to grow and manage the plants. It also specifies that they should not become "subject to intellectual property rights in any form". Alejandro Argumedo from the Association for Nature and Sustainable Development (ANDES), which helped broker the deal, described it as "a first legal sign of the restoration of rights that indigenous people once had." He stressed that the communities were not interested in patenting the potato strains, since patents "represent a model of property that does not fit into their worldview" which is based on the open exchange and sharing of information.

The London-based International Institute for Environment and Development (IIED) hailed the agreement for allowing the indigenous communities to "unlock the potato gene bank and repatriate biological diversity to farming communities and the natural

environment for local and global benefit," and suggested that it might inform similar processes elsewhere.

The text of the agreement is available at <http://www.grain.org/bio-ipr/?id=429>

"Potato Capital of the world offers up new recipe," IPS, 18 January 2005; "New Potato Deal in Peru Signposts Global Drive to Open Up Food Genebanks to Indigenous Peoples," INTERNATIONAL INSTITUTE FOR ENVIRONMENT AND DEVELOPMENT, 18 January 2005; "Indians in Peru regain potato rights," NEW SCIENTIST, 22 January 2005.

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## EC SUGAR REFORM: EC PROPOSES TRADE, DEVELOPMENT MEASURES FOR ACP ADJUSTMENT

On 24 January, the European Commission (EC) presented its "action plan" for mitigating the potential impacts of the European Union (EU) sugar reform to ministers of the African Caribbean and Pacific (ACP) sugar exporting countries in a meeting held in Brussels. The EC's action plan consists of a set of trade and development measures aimed at assisting ACP countries through their adjustment process when the EU sugar reform enters into force (see [BRIDGES Weekly](#)).

EC Commissioner for Development and Humanitarian Aid, Louis Michel stated that the plan would be implemented "on the basis of the actual needs of the countries concerned." The EC also revealed that the trade dimension of the mitigation efforts would be addressed in the Economic Partnership Agreements (EPAs) currently being negotiated between the EU and the ACP countries. The development measures, on the other hand, would consist of development assistance targeted at enhancing the competitiveness of the sugar sector in ACP countries where this is sustainable, promoting diversification of the sugar industry in countries dependent on it, and addressing broader adjustment needs.

The EC emphasised that while the ACP countries would be responsible for designing and implementing country specific strategies so as to ensure that adjustment schemes are both relevant and efficient, the Commission's role would be to define the principles of its collaboration, propose a broad range of assistance options and deliver efficient support. The EC also reassured the ACP countries that it had already budgeted for supporting such initiatives, with preparatory support to be granted from 2006.

ICTSD Reporting: "The Commission outlines its support to ACP Sugar Protocol countries," EU Press release, 24 January 2005.

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### UNCTAD SEMINAR -EXAMINES TRADE, POVERTY LINK IN LDCS

Presenters and participants at a 20 January seminar on UNCTAD's 2004 Least Developed Countries (LDC) Report entitled "Linking International Trade with Poverty Reduction," said that the current narrow global and national focus on free trade and poverty is insufficient to analyse the long-term growth that is necessary for sustained poverty reduction.

Trying to create a broader understanding of the relationship between trade and development in LDCs, presenters observed that though there is a positive association between export growth and output growth in LDCs, this relationship is weaker than in other developing countries and may not lead to poverty reduction. The relationship depends on many factors including the composition of exports, import vulnerability, civil conflict, the sequencing and speed of trade liberalisation, the trade-aid relationship and the investment-growth link.

The report states that in LDCs, if exports are falling, the incidence of poverty is almost certainly increasing -- but if exports increase, the incidence of poverty does not necessarily decrease. For example, massive export growth in Lesotho has actually been accompanied by a decrease in private consumption. While the IMF says that LDCs are on average more open to trade than high-income OECD countries such as the US or EU, export-oriented sectors in such countries are often not connected to the rest of the economy and the poor. The meeting concluded that the nature of integration into the world economy, and not just liberalisation per se, needs to be on the agenda to ensure that trade is made an engine of poverty reduction in LDCs.

ICTSD reporting.

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### UNCTAD: NAMA TALKS COULD BENEFIT DEVELOPING COUNTRIES, BUT UNEVENLY

A new study on industrial tariff reductions has concluded that both developed and developing countries stand to gain from an ambitious agreement in the non-agricultural market access negotiations at the WTO. However, the benefits to developing countries are likely to accrue to only a handful of them. "Coping with Trade Reforms: Implications of the WTO Industrial

Tariff Negotiations for Developing Countries," released last week by the United Nations Conference on Trade and Development (UNCTAD), looks at 10 different scenarios based on degree and scope of tariff reductions.

According to the study, the greatest export gains would come from the elimination of all tariffs on industrial goods. Under this scenario, overall export revenues could increase by 8.1 percent. The second best option would see a "Swiss formula" for reducing tariffs (the higher the tariff, the greater the reduction), eliminating all tariffs under two percent, and agreeing to eliminate tariffs in sectors such as textiles and clothing, electronic goods, among others. The study projects that this could lead to a 4.3 percent increase in global export revenues.

The study underlined the fact that most of the benefits from tariff cuts would be distributed among a small group of countries, especially China, India, and other countries in Southeast Asia. The gains projected for Zambia, on the other hand, were minimal. It warned that many developing countries could face important structural adjustment costs, such as loss of tariff revenue, employment losses and reductions in real wages.

In terms of the negotiation process, the report pointed out that current talks face several challenges and that the large number of variables to be negotiated make it difficult to identify what countries will be required to do - and consequently, what benefits they will receive.

A draft version of the report is available online at: <http://192.91.247.38/tab/namameeting/NAMAstudy.pdf>

ICTSD Reporting; "Study Cites Benefits to Both Developed, Developing Countries from Tariff Cuts", WTO Reporter, January 21, 2005; "Press Release: Coping With WTO Trade Reforms: Mixed Impact for Developing Countries", UNCTAD, January 18, 2001.

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### WTO IN BRIEF

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#### "FRIENDS" GROUP MEETS ON ANTI- DUMPING TO PREPARE FOR RULES TALKS

A group of countries sharing a common interest in tightening rules governing anti-dumping investigations and measures met in Geneva from 18-20 January to

strategise ahead of negotiations during the upcoming year. The group agreed to keep anti-dumping high on the agenda, describing it as a market access issue of equal importance to those being negotiated by the agriculture and non-agricultural market access (NAMA) groups.

The group also discussed -- without agreeing to go ahead -- whether to issue a text compiling the 22 submissions the group had made since negotiations began and whether to prioritise among issues. Following the meeting, some participants noted that with the liberalisation of international textiles trade, some countries are becoming more concerned about the right to maintain effective WTO-compliant antidumping measures to shield from cheap imports. The "Friends of Anti-dumping Negotiations" include Brazil, Canada, Japan, South Korea, Taiwan, Thailand, Singapore, Hong Kong, Mexico, Chile, Costa Rica, Israel, Norway, Switzerland, India and Colombia. The US remains at the opposite camp, considering the right to use anti-dumping measures to be a high priority in ongoing talks.

The next meeting of the Negotiating Group on Rules, which covers antidumping and subsidies and countervailing measures, is scheduled for 21-23 February.

"Senior 'Friends' Group Officials Hold Talks On Advancing WTO Antidumping Negotiations," WTO REPORTER, 24 January 2005.

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#### FOUR WTO MINI-MINISTERIALS PLANNED FOR 2005

Trade Ministers from the US, EU, Brazil, India, Australia, Canada, Japan, Kenya and Switzerland will meet on 29 January during the annual summit of the World Economic Forum in Davos, Switzerland for a three-hour 'mini-ministerial' meeting on the Doha Round of WTO negotiations. The Swiss government, which is hosting the talks, refuses to describe the short meeting as a substantive 'mini-ministerial.' It suggests that the session will only involve a 'stock-taking' of the negotiations thus far, and discussion of preparations and objectives for the December 2005 WTO Ministerial Conference in Hong Kong.

At the meeting Kenyan trade minister Mukhisa Kituyi is expected to hand out invitations for the first full-length mini-ministerial, due to take place on 2-4 March in Kenya, to a similar group of countries.

A mini-ministerial is also planned for the sidelines of the Organization for Economic Cooperation and Development's annual ministerial gathering on 3-4 May.

Although China declined the invitation to the Davos mini-ministerial, it has offered to host a mini-ministerial in late June/early July or in September.

"Ministerial Officials Play Down Prospects For WTO Mini-Ministerial in Davos," WTO REPORTER, 25 January 2005.

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## EVENTS & RESOURCES

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### EVENTS

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

Coming Up: 27 January - 2 February

24 January – 4 March: WTO E-TRAINING COURSE FOR GOVERNMENT OFFICIALS. The WTO e-training program is offering a six-week online course for 61 government officials from developing countries from January 24 to March 4 2005. The course, entitled "Introduction to the WTO and its Basic Principles," will be held in English. The objective of the course is to familiarize participants with the World Trade Organization, the multilateral trading system and its legal framework. For further information contact the WTO, tel: + 41 (0)22 739 51 11; fax: +41 (0)22 731 42 06; email: [enquiries@wto.org](mailto:enquiries@wto.org); Internet: [http://www.wto.org/english/tratop\\_e/devel\\_e/train\\_e/train\\_e.htm](http://www.wto.org/english/tratop_e/devel_e/train_e/train_e.htm).

26-28 January, Amsterdam, the Netherlands: SUMMIT FOR THE FUTURE. This conference is organised by the Club of Amsterdam, an independent, international think-tank that organises regular high-level discussions on 'preferred futures'. Is globalisation the single biggest factor affecting our visions and strategies for 2020? Is it a threat to the fabric of society - or are those who do not join the people we should be keeping an eye on? The conference will examine the movement of knowledge centres around the world. The trade stream of the conference will examine trade in services, the WTO General Agreement on Trade in Services (GATS), and knowledge exchange in detail. For further information contact the Club of Amsterdam, tel: +31-20-615 4487; fax: +31-20-408 0733; email: [summit2005@clubofamsterdam.com](mailto:summit2005@clubofamsterdam.com); Internet: <http://www.clubofamsterdam.com/press.asp?contentid=373&catid=61>

28 January, Paris, France: THE DEVELOPMENT DIMENSIONS OF AFRICAN COTTON. Organised by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) as a contribution to the follow-up of the WTO African Regional Workshop on Cotton held in Cotonou, Benin, in March 2004, this meeting aims to bring together key stakeholders from bilateral donor agencies; multilateral agencies and international financial institutions; regional organisations and development banks; representatives of African countries involved in cotton production and trade; African producer association and private sector representatives; the WTO Secretariat; and WTO agriculture negotiations chair Ambassador Tim Groser of New Zealand. It aims to examine whether cotton is appropriately reflected in the development policies and poverty reduction strategies of African countries, share information on emerging approaches to development assistance programmes and discuss how to increase aid effectiveness. For further information contact Ebba Dohlman, tel: 33 (0) 1 45 24 98 48; email: [ebba.dohlman@oecd.org](mailto:ebba.dohlman@oecd.org); Internet: [http://www.wto.org/english/news\\_e/meets.pdf](http://www.wto.org/english/news_e/meets.pdf)

#### 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.

27 January: TRADE POLICY REVIEW BODY – JAPAN.

31 January: NEGOTIATING GROUP ON MARKET ACCESS.

1 – 4 February: NEGOTIATING GROUP ON MARKET ACCESS.

#### Other Upcoming Events

14-18 February, Geneva, Switzerland: SECOND SESSION OF THE UNITED NATIONS CONFERENCE FOR THE NEGOTIATION OF A SUCCESSOR AGREEMENT TO THE INTERNATIONAL TROPICAL TIMBER AGREEMENT, 1994. This meeting is organised by UNCTAD and seeks to create a second agreement to strike a balance between trade in tropical timber and the conservation and protection of natural forests from destruction, degradation and excision,

thereby acting as a driver of sustainable development by providing valuable foreign exchange and supporting environmental goals. For further information contact UNCTAD Secretariat, Intergovernmental Affairs and Outreach Service, tel: 41-22-917-5809; fax: 41-22-917-5809; email: [correspondence@unctad.org](mailto:correspondence@unctad.org); Internet: <http://www.unctad.org/Templates/Meeting.asp?intItemID=3322&lang=1>

7-8 March, New York City, United States: MULTI-STAKEHOLDER CONSULTATION ON "SOVEREIGN DEBT FOR SUSTAINED DEVELOPMENT: ISSUES FOR COUNTRIES THAT ACCESS FINANCIAL MARKETS". This consultation is organised by the Financing for Development Office, United Nations Department of Economic and Social Affairs, in cooperation with the Economic Commission for Latin America and the Caribbean, UNCTAD, the International Monetary Fund and the World Bank, and is part of the follow-up process to the International Conference on Financing for Development. It will comprise a series of informal meetings, including panel discussions and interactive round tables, with the participation of experts private sector, the UN, academia and civil society. For further information contact the Financing for Development Office, tel: 1-212-963-2587; fax: 1-212-963-0443; email: [ffdoffice@un.org](mailto:ffdoffice@un.org); Internet: <http://www.un.org/esa/ffd/09multi-stake-consul-flyer-debt.htm>.

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## RESOURCES

APPELLATE BODY ANNUAL REPORT FOR 2004. WTO, January 2005. The Appellate Body Annual Report for 2004 includes appeals, amendments to the working procedure and appellate body reports. There were five appeals filed in 2004, including the EC - Tariff Preferences, the Canada - Wheat Exports and Grain Imports and the US -Softwood Lumber V appeals. For more information and access to the report visit [http://www.wto.org/english/tratop\\_e/dispu\\_e/wt\\_ab3\\_e.doc](http://www.wto.org/english/tratop_e/dispu_e/wt_ab3_e.doc).

GLOBAL GOVERNANCE INITIATIVE ANNUAL REPORT, 2005, January 2005. The report was developed by the Centre for International Governance Innovation and the United Nations Foundation, and was to be presented at the World Economic Forum meeting in Davos, Switzerland on January 25. A panel assessed global progress in peace and security, hunger and poverty, education, health, environment, and human rights, scoring each category based on the world's efforts to achieve its goals. For more information and to access the report visit <http://www.ifpri.org/PRESSREL/2005/ggi2005.pdf>.



**INNOVATION: APPLYING KNOWLEDGE IN DEVELOPMENT.** By Calestous Juma and Lee Yee-Cheong, UN Millennium Project Task Force on Science, Technology and Innovation, January 2005. This report highlights the importance of knowledge and innovation for development, outlining how science and technology can contribute to achieving the Millennium Development Goals. It stresses the need to create space for policy experimentation and learning in developing countries, noting that development is a learning process and an expression of local initiative and international partnership. For more information and to access the report visit [http://bcsia.ksg.harvard.edu/BCSIA\\_content\\_stage/documents/TF-Advance2.pdf](http://bcsia.ksg.harvard.edu/BCSIA_content_stage/documents/TF-Advance2.pdf).

**LESSONS FROM RECENT ECONOMIC RESEARCH ON INTELLECTUAL PROPERTY AND DEVELOPMENT.** Edited by Editors Keith E. Maskus and Carsten Fink, World Bank and Oxford University Press, 2005. As trade agreements around the world establish new rules on the protection of intellectual property rights (IPRs), "Intellectual Property and Development: Lessons from Recent Economic Research" argues that a 'one size fits all' approach is unlikely to work, and that developing countries should opt for different standards of protection than those prevailing in high-income countries. The book brings together recent studies on the effects of changing IPR regimes on economic and social performance in the developing world. To download the book, visit [http://www.worldbank.org/research/IntellProp\\_temp.pdf](http://www.worldbank.org/research/IntellProp_temp.pdf)

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