

LEAD STORIES

GENEVA NEGOTIATIONS INTENSIFY AS DALIAN MINI-MINISTERIAL NEARS	1
S&D PROPOSALS NEED REDRAFTING, CLARIFICATION, MEMBERS SAY	2
TRIPS COUNCIL: EU PROPOSAL ON IP ENFORCEMENT MEETS RESISTANCE	3
COST, SECURITY AND TECHNICAL ASSISTANCE RAISED IN TRADE FACILITATION TALKS	5

IN BRIEF

AGRICULTURE: OECD CALLS FOR PROGRESS IN WTO NEGOTIATIONS	7
CAFTA MOVES FORWARD IN THE US	7
UNCTAD PROPOSES "TRADE MARSHALL PLAN" FOR POOREST COUNTRIES	8

WTO IN BRIEF

DEVELOPING COUNTRY TEXTILES DEMANDS CLASH AT GOODS COUNCIL	8
DSB SPECIAL SESSION: CHAIR TO SUBMIT REPORT TO GENERAL COUNCIL	9
TBT COMMITTEE: EU CHEMICALS LEGISLATION REMAINS A CONCERN	9

EVENTS & RESOURCES

EVENTS	9
ICTSD RESOURCES	11
OTHER RESOURCES	11
ON THE MOVE	12

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LEAD STORIES

GENEVA NEGOTIATIONS INTENSIFY AS DALIAN MINI-MINISTERIAL NEARS

Informal discussions among WTO Members continued over the last week, with the EU hosting talks among senior delegates from 20-21 June covering issues such as agriculture, non-agricultural market access (NAMA) and services. A meeting of the Trade Negotiations Committee (TNC), scheduled for 21 June, was put off and will reconvene later as progress is made in the negotiations. Informals are ongoing, with, inter alia, a range of agriculture topics being covered in smaller group. The agriculture Chair, Tim Groser, is preparing specific negotiation-related questions for delegates to respond to, providing him guidance as he sets out to prepare a first draft of the "July approximations" towards the end of the next agriculture week, scheduled for 4-8 July. The "July approximations" will serve as a limited version of the full modalities for negotiations, which Members hope to agree on at the Hong Kong Ministerial meeting in December this year. Initial drafts, or stock-taking exercises across negotiating areas, are set to be debated at a mini-ministerial meeting in Dalian, China, from 12-13 July.

EU hosts senior officials meeting

The EU senior officials meeting, which was attended by, among others, Brazil, Canada, Hong Kong, India, Japan and Kenya, saw discussion on all three pillars of the agriculture negotiations (market access, domestic support and export competition). Among issues brought up at the meeting was a suggestion by the US that delegates focus on areas where it is realistic to expect progress in the lead-up to Hong Kong. The EU, on the other hand, has been stressing the need to agree on a balanced package, both among the three agricultural pillars, within the three pillars -- especially within the export competition pillar, where the EU has agreed to phase out its direct export support on the condition that other countries phase out other forms of export support in parallel -- and between agriculture and other areas of negotiation.

The services negotiations, an area which has been lagging behind, was also addressed at the senior officials meeting. The participants supported an approach recently proposed for the services talks, based on a set of minimum "benchmarks" that could be used to encourage less ambitious Members to raise their standards (see BRIDGES Weekly, 15 June 2005, <http://www.ictsd.org/weekly/05-06-15/wtoinbrief.htm#2>). The meeting participants will seek to have this idea included and further debated at the ministerial-level talks at Dalian.

EU budget talks stall over agriculture

Still railing from the rejection of the new EU constitution in French and Dutch referenda, EU leaders hit another hitch, failing to agree on the Union's 2007-2013 budget during a 16-17 June summit. Central to the budget disagreement was the funding of the agriculture sector, the European Common Agricultural Policy (CAP). The EU spends 40 percent of its budget on agricultural subsidies. The UK, fiercely opposed by France, argued that the budget as such was too large, and that too much of it was being channelled into the agriculture sector and rural development. The UK is a net payer to the EU, and has received relatively limited support for its agricultural sector, due to the sector's small size in the UK compared with other countries, such as France. In the end, the negotiations collapsed because the UK refused to go along with freezing its budget rebate until broader budget overhaul was agreed, including for agriculture.

On his return home, UK Prime Minister Tony Blair addressed the reform of the CAP, stressing that "it is not just important and right and relevant for the European Union that there is change in the Common Agricultural Policy, it is an essential part of getting a fairer deal for the poorest countries in the world."

Next steps in the WTO negotiations

The Dalian mini-ministerial will provide the third opportunity for ministers to move the discussions forward, following one such meeting at the sidelines of the World Economic Forum in January (see BRIDGES Weekly, 2 February 2005, <http://www.ictsd.org/weekly/05-02-02/story2.htm>) and another in conjunction with the OECD annual meeting in April (see BRIDGES Weekly, 11 May 2005, <http://www.ictsd.org/weekly/05-05-11/story2.htm>). Around 30 delegations have been invited by the Chinese, including the EU, US, Argentina, Bangladesh, Barbados, Brazil, Canada, Costa Rica, Egypt, Hong Kong, India, Indonesia, Japan, Kenya, Nigeria, Pakistan, South Africa, South Korea, Switzerland, Thailand, and Zambia.

In the meantime, informal negotiations are continuing in Geneva. In addition, the Services Council Special (negotiating) Session is convening on 27 and 30 June, talks on non-agricultural market access will be held from 28 June to 1 July, and an 'agriculture week' is scheduled for 4-8 July. The TNC is expected to convene ahead of the Dalian mini-ministerial, taking stock of the state of play. This assessment, and possible text from different negotiating groups, will serve as relevant input at the Dalian meeting.

ICTSD reporting; "Blair Calls EU Farming Subsidies Reform," GUARDIAN UNLIMITED, 22 June 2005; "China to Host WTO Mini-Ministerial Meeting," DALIAN PRESS RELEASE, June 2005; "U.S. Suggests Focusing Agriculture Talks On 'Doable' List for Hong Kong Preparations," WTO REPORTER, 21 June 2005; "Key WTO Members Agree to Push Services 'Benchmarks' Concept at China Mini-Ministerial," WTO REPORTER, 22 June 2005.

S&D PROPOSALS NEED REDRAFTING, CLARIFICATION, MEMBERS SAY

The WTO Committee on Trade and Development Special (negotiating) Session (CTD-SS) met in informal mode on 16 and 17 June and looked at revised versions of agreement-specific proposals from least-developed countries (LDCs) as well as all the remaining agreement-specific proposals from other Members. Although the LDC revisions were welcomed, many Members expressed concerns that the agreement-specific proposals on the table needed work to clarify and update the proposals and ensure that the text addresses the stated needs of developing countries.

Emphasis on LDC proposals continues

The CTD-SS has been proceeding in recent meetings by looking informally at the five agreement-specific proposals made by LDCs (see BRIDGES Weekly, 5 May 2005, <http://www.ictsd.org/weekly/05-05-18/story2.htm>), but waiting for delayed revised language from the LDCs (see BRIDGES Weekly, 5 June 2005, <http://www.ictsd.org/weekly/05-06-08/wtoinbrief.htm>). The LDCs tabled new language on the proposals on 15 June. Several Members said, however, that they did not have enough time to consult with their capitals and examine the text in order to respond by the 16 June meeting. Initial responses at the 16 June meeting suggested that the changes to the text that had been considered at the May meeting were relatively minor and cosmetic.

Members raised questions regarding the automaticity of some of the LDC proposals, including redrafted text on proposals number 22 and 23 regarding "Understanding in Respect of Waivers of Obligations under the GATT 1994," where the redrafted text says that requests for waivers of obligations from LDCs, as well as from other Members acting "in favour of LDCs", should be given special consideration. Members feared this could open the door to claims for waivers from WTO disciplines for measures that are allegedly, but not in fact, in the interest of LDCs. In addition, Members continued to raise questions regarding proposal 84's demand for the exemption of LDCs from the disciplines of the Agreement on Trade-Related Investment Measures (TRIMS). Sources suggested that the US, EU, Canada and Japan were unwilling to concede to such a comprehensive exemption owing to fears that this would create a precedent of exceptions to the rule and different treatment of different developing countries. Members suggested, however, that additional work was necessary to align the language of the proposal with the stated needs of LDCs and what other countries were willing to agreed to.

Nonetheless, there was a renewed impetus at the meeting to examine the LDC proposals in the hopes of agreeing on text on at least four of the five proposals by the end of July. An informal meeting of the CTD-SS was held on 21 June to further consider these proposals.

All agreement-specific proposals examined

The Chair suggested, and Members agreed on 17 June that -- given the July 2005 deadline for a step forward in the negotiations in the lead-up to the December Hong Kong ministerial -- the group move to address the other remaining agreement-specific proposals, beginning with those by the African Group and moving on to others. The proposals, which have not been examined since the Cancun ministerial meeting, went through a cursory reading, including a first reading of some of the more difficult proposals, collected in a "category III."

The tension between the so-called "horizontal" or "cross-cutting" issues and the agreement-specific proposals surfaced during discussions. Members commented that, similarly to the LDC proposals, much of the language in the other agreement-specific proposals did not match the stated needs of developing countries and more particularly the country or group that submitted the proposal. A number of developed country Members said that in many cases, the underlying objective behind the proposals was not clear and this made it difficult to ascertain the exact problems that the proposals were actually attempting to address. They suggested that the proposals needed to be more targeted and specific. In addition, Members suggested

that several proposals were outdated and failed to take into account agreements reached in the July Package.

Next steps

CTD-SS Chair Faizel Ismail will be holding small group consultations in the coming weeks to continue discussions on the LDC agreement-specific proposals to explore language that could provide a basis for possible recommendations in July or thereafter. Once work on LDC proposals is completed, the CTD-SS will shift its attention to agreement-specific proposals from the African Group.

ICTSD reporting.

TRIPS COUNCIL: EU PROPOSAL ON IP ENFORCEMENT MEETS RESISTANCE

At a 14-15 June meeting of the WTO Council on Trade-related Aspects of Intellectual Property Rights (TRIPS), a new EU submission proposing that the Council monitor Members' compliance with the enforcement provisions of the TRIPS Agreement met with strong resistance from developing countries, which argued that the TRIPS Council had no competence for such monitoring. Disagreement also persisted over how to address the relationship between the TRIPS Agreement and the Convention on Biological Diversity (CBD), and over how to turn the transitional waiver on generic medicines into a permanent solution.

Similarly, discussions on the multilateral register for geographical indications (GI) were "not going anywhere," according to the Chair of the TRIPS Council Special Session, Ambassador Manzoor Ahmad of Pakistan. Informal consultations on GI extension also encountered a deadlock.

EU moves on enforcement

Introducing a new and controversial issue of discussion at the TRIPS Council, the EU noted that it "would like the TRIPS Council to carefully examine compliance of Members with the enforcement provisions of the TRIPS Agreement, pursuant to Article 68 of the TRIPS Agreement" (IP/C/W/448, available at <http://docsonline.wto.org/>). Such examination would include assessing "the implementation of TRIPS provisions on enforcement in detail, and make recommendations on ways to improve the situation (for instance by laying down benchmarks to evaluate the progress made by national administrations towards a higher level of intellectual property enforcement, suggesting best practices, etc) to ensure a full implementation of TRIPS obligations in this field."

Even though all Members agreed that intellectual property (IP) counterfeiting and piracy constituted a serious problem, developing countries -- including Brazil, Argentina, Cuba, the Philippines, Malaysia, India, Bolivia, Venezuela and Peru -- strongly opposed the EU proposal, arguing that this would result in a de facto norm setting role of the Council, which would go beyond its field of competence. In addition, developing countries noted that a discussion on enforcement was premature, given that many developing countries are still struggling with the challenge of implementing the TRIPS obligations. Finally, countries raised the concern that the EU proposal might lead to a loss of TRIPS flexibilities in the area of enforcement. This item will be taken up again at the next meeting of the Council in September.

New proposals on TRIPS-CBD relationship

Also at the TRIPS Council session -- which was preceded by informal consultations on the topic -- Members continued discussions on the relationship between the TRIPS Agreement and the CBD and related issues under the review of Article 27.3(b) (patentability of life forms) and the protection of traditional knowledge (TK) and folklore (see BRIDGES Weekly, 16 March 2005, <http://www.ictsd.org/weekly/05-03-16/story1.htm>). The debate focused on earlier proposals by a group of developing countries led by Brazil and India to require patent applicants to disclose the country of origin of genetic resources and/or TK used in an invention, and evidence of prior informed consent (PIC) and benefit-sharing.

The proponents would like to see the issue feature in the July "first approximations" of the Doha Round negotiating modalities, allowing it to be included in the Hong Kong Ministerial Conference package. They requested the Chair of the informal consultations, Tony Miller of Hong Kong, China, who is acting as the "friend of the Director-General," to remain available to hold more consultations that would contribute to the July exercise. The US reiterated its view that disclosure requirements were not the best way of preventing "bad" patents or ensuring PIC and benefit sharing (IP/C/W/449). Australia and Japan concurred with the US position. While the EU generally supports a disclosure requirement in patent applications, they oppose an obligation on patent applicants to provide evidence of fair and equitable benefit sharing, due to concerns that patent offices would not have the expertise to determine what is "fair and equitable."

In a new submission Peru elaborated on ideas for how to prevent cases of poor-quality patents and "biopiracy" (IP/C/W/44/Rev.1). A new Swiss paper raised questions

relating to proposals made by other Members (IP/C/W/446).

Public health debate remains divisive

Discussions on TRIPS and public health continued based on two interlinked submissions by the African Group put forward at the December 2004 and March 2005 TRIPS Council meetings. The proposals focus on how to turn the interim waiver of 30 August 2003 -- aimed at facilitating export of pharmaceutical products produced under compulsory license -- into a permanent solution (see BRIDGES Weekly, 16 March 2005, <http://www.ictsd.org/weekly/05-03-16/story1.htm>). Members largely reiterated views expressed in previous meetings of the Council.

Several developed countries, such as Canada, the EU, Switzerland and the US, opposed the African proposal on the grounds that it leaves out elements they see as an integral part of the 30 August compromise and they feel must be reflected in a permanent solution. Among other issues, the African proposal does not include the Statement of the Chair of the General Council that accompanied the adoption of the 30 August waiver. Developed countries consider this statement, together with other elements of the interim waiver, as a safeguard against trade diversion of low-cost medicines into their domestic markets, while developing countries view these elements as procedural obstacles to a workable and fast system to access affordable medicines. The EU announced that it would soon submit a new proposal, suggesting a technical conversion of the 2003 waiver into an amendment of the TRIPS Agreement. African countries expressed hope that this issue could be dealt with by the summer break, after Members missed the latest deadline in March this year.

To date, no developing country has submitted a notification to the TRIPS Council to make use of the transitional waiver issued by the General Council in 2003 for the implementation of paragraph 6 of the Doha Declaration on TRIPS and Public Health (see BRIDGES Weekly, 4 September 2003, <http://www.ictsd.org/weekly/03-09-04/wtoinbrief.htm#1>). Canada and India informed the TRIPS Council about recent changes in their domestic legislation implementing the waiver. Norway has already implemented the waiver, while the EU and Switzerland are in the process of amending their patent laws. Korea has completed revising its domestic law and the changes will take effect in December 2005.

Maldives first LDC to be granted extension for TRIPS implementation

The Council approved a proposal made by the Maldives on 15 April 2004 (IP/C/W/425), in which they applied for an extension of the transition period under Article 66.1 of the TRIPS Agreement allowing least-developed country (LDCs) Members to request an extension of their transition period for implementing the agreement. The country will graduate from its current LDC status on 21 December 2007. As Article 66.1 only applies to LDCs, Maldives was granted an extension only until 20 December 2007. The Maldives is the first country to make use of Art 66.1 and may thus serve as a precedent for other LDCs.

Members remain in deadlock over GIs

WTO Members made no substantive headway in their discussions on extending the higher level of protection already accorded to geographical indications for wines and spirits to other products (GI extension) at a meeting on 17 June. This issue is being discussed in separate informal consultations dealing with outstanding "implementation" issues. The consultations are chaired by WTO Deputy Director-General Thompson-Flôres, who will report directly to the General Council and Trade Negotiations Committee. Similarly, limited progress was made on the establishment of a multilateral register for GIs for wines and spirits during the Special Session of the TRIPS Council from 16-17 June, leading the Chair to conclude that "differences appear to be as large as ever and not have narrowed since prior to Cancun" (see BRIDGES Weekly 29 September 2004 <http://www.ictsd.org/weekly/04-09-29/WTOinbrief.htm#2>).

The EU submitted its first detailed proposal covering both GI extension and the multilateral register (TN/IP/W/11). On extension, the proposal discusses possible amendments to Articles 23 and 24 of the TRIPS Agreement (dealing with the higher level protection and exceptions, respectively). Regarding the register, the submission proposes a new annex to the TRIPS Agreement, laying down the details of registration and legal effects. The EU's proposal on extension met with resistance from other Members opposing GI extension, such as Argentina, Australia, Brazil, Canada, Chile, New Zealand and the US. These countries felt the paper was "premature" given that there had been no agreement to actually negotiate on this issue. Other Members such as Bulgaria, India, Kenya, Romania, Switzerland and Turkey supported the EU proposal. Mirroring these divisions, the EU's proposal on the multilateral register was opposed by Australia, Argentina, Brazil, Canada, Chile, Chinese Taipei, Costa Rica, Guatemala, Japan, Mexico and the US, which argued that the paper exceeded the Council's mandate.

The next formal session of the TRIPS Council is currently scheduled for 25-26 October. The Special Sessions will be held on 16 September and 27-28 October. Further informal consultations on TRIPS-CBD and GI extension might be held in the lead-up to the July General Council meeting.

ICTSD reporting.

COST, SECURITY AND TECHNICAL ASSISTANCE RAISED IN TRADE FACILITATION TALKS

The WTO Negotiating Group on Trade Facilitation discussed nine new proposals at a 13-14 June meeting. The proposals covered issues related to Article V of GATT 1994 (transit of goods), Article VIII (fees and charges) and Article X (transparency in the publication and administration of trade regulations), which aim to further expedite the movement, release and clearance of goods, including goods in transit. While several proposals suggested measures to facilitate the speedy clearance of goods, Members also raised concerns with regard to security and control. Many developing country Members emphasised the need for technical assistance, noting that earlier proposals had failed to adequately reflect the issue.

Joint Latin American proposal on implementation

In a joint submission (TN/TF/W/41, available at <http://docsonline.wto.org/>) 16 Latin American countries - Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, EL Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru, Uruguay -- outlined preliminary ideas for ensuring that developing countries will benefit from trade facilitation provisions and the scope of commitments will be linked to capacity to implement. The proposal underlines the inter-relatedness between trade facilitation rules on the one hand, and the identification of Members' needs and priorities, technical assistance, capacity-building and special and differential treatment (S&D) on the other. The proposal goes on to outline a new form of co-operation necessary for developing countries and least developed countries (LDCs) to build the capacity to implement new trade facilitation commitments.

Argentina, in a submission of its own on the clarification and improvement of Article X on transparency (TN/TF/W/40), proposed the creation of a web-link on trade facilitation that would include all WTO Members and their relevant national authorities. Argentina highlighted a list or inventory of trade facilitation measures and the bodies involved in their

implementation. According to Argentina, setting up services for the notification, collection and translation of data from Members should be a technical assistance and capacity-building priority in the area of trade facilitation, and stressed the value of such a system to Small and Medium Enterprises (SMEs) in the developing world.

Proposals address risk management, admin expenses

Japan (TN/TF/W/42) and China and Korea (TN/TF/W/49) focused on risk management in their submissions. Japan highlighted risk management as a tool to simultaneously realise both trade facilitation and customs control goals. Japan suggested a system allowing in-depth inspection when risks are considered high, while providing immediate import permits in low-risk situations.

Singapore (TN/TF/W/47) raised the issue of the permissible scope of 'administrative expenses' for transit traffic. These charges are one of the few transit fees permitted. The proposal called for strengthening international co-operation with respect to transit and recognised the need for S&D in this area.

The EU submitted a new proposal on Article VIII (TN/TF/W/46) focusing on improved procedures and requirements related to charges and fees. Norway (TN/TF/W/48) highlighted customs border co-operation between the Nordic countries as an example of efficient practice, where the national border authorities of each country are allowed to exercise legal powers and provide services not only on behalf of their own state but for their neighbours as well.

Turkey (TN/TF/W/45) emphasised -- as key elements of an agreement on trade facilitation -- enhanced consistency and predictability; transparency and acceleration of customs clearance procedures; and the adoption of common international trade requirements and procedures.

Chinese Taipei highlights express shipments as a priority

In its proposal (TN/TF/W/44), Chinese Taipei revealed the results of a survey conducted among several hundred stakeholders, including manufacturers, traders, brokers and forwarders on the issue of trade facilitation. Among those surveyed, more than half listed "immediate clearance of express consignments" as one of three top priorities for the negotiations. According to the submission, the establishment of an Express Division at the Taipei Customs Office provided clear benefits, with clearance times dropping from 48 hours

in 1996 to 2 hours at present and express entries increasing by 58.7 percent between 2001 and 2003.

Discussions security concerns, need for technical assistance

In discussions at the trade facilitation meeting, a number of Members emphasised the need to balance expeditious clearance of goods at the border with legitimate security and control needs. India, supported by Malaysia, said transit issues should not undermine the Members' security interests. India was particularly concerned about leaving the choice of route and mode of transport to the operator and said the number of transit points on the international boundary should be identified bilaterally by the two countries concerned. Another developing country trade delegate said that public interest concerns should be safeguarded with regard to choice of route. While Article XX (General Exceptions) and Article XXI (Security Exceptions) could apply to trade facilitation provisions, their application was subject to legal interpretation and it would make sense to consider similar provisions specifically in the trade facilitation context.

Kenya and Jamaica expressed concern over additional expenditures that the new trade facilitation obligations may lead to, with Kenya adding that very little attention had been given to technical assistance in the various proposals tabled so far, let alone concrete suggestions for identifying needs and priorities in this regard. Kenya cautioned that a lack of focus on technical assistance could undermine the negotiations. Another developing country trade delegate suggested that trade facilitation proposals should include information on infrastructural and other cost-related elements they entail, and technical assistance that Members were willing to provide. Countries could then undertake realistic assessments of the cost implications of proposals and decide whether they had the capacity to implement them in light of the technical assistance offered. Japan outlined its technical assistance activities underway in the area of trade facilitation.

The way forward

According to trade sources, Members are likely to agree on a progress report or update on the state of play of the trade facilitation negotiations at the end of July, rather than some form of "first approximation" of negotiating modalities aimed for in some other areas of the negotiations. This, according to the source, is because the area of negotiation is new, and a clearer understanding of the implications of the various proposals is needed. In addition, developing countries are still actively submitting proposals -- despite not being the 'demandeurs' of the negotiations -- and it

would thus be unwise to decide on a cut-off point for submissions.

In related news, Andrew Stoler, Director of the Trade-Facilitation Alliance (TFA), which includes, among others, the US Express Delivery and Logistics Association, the International Federation of Pharmaceutical Manufacturers Associations, and the Philippine Exporters Confederation, said his group was "particularly heartened" by the good pace of the negotiations, and added that the TFA hoped to see an agreement in Hong Kong on a framework for trade facilitation. This framework would set out the main chapter headings and the basic concepts of the agreement, with the details -- including how to address the demands of developing countries for technical assistance to implement any future agreement -- to be worked out later.

The next meeting of the Negotiating Group on Trade Facilitation is due to take place from 25-26 July 2005.

ICTSD reporting; "Trade Facilitation: Industry Group Welcomes Progress In WTO Talks on Trade Facilitation," WTO REPORTER, 17 June 2005.

IN BRIEF

AGRICULTURE: OECD CALLS FOR PROGRESS IN WTO NEGOTIATIONS

Thirty OECD member countries met with Brazil, China, India and South Africa for a high-level meeting of the OECD Committee for Agriculture in Paris from 14 -15 June, and called for rapid progress in the multilateral trade negotiations. The meeting underlined the need for agriculture policy reform in order to fulfil the development dimension of the ongoing WTO negotiations. To this end, the participants stressed the need for enhanced market access and reduced trade distortions due to export competition measures and non-tariff barriers. In order for developing countries to fully benefit from agricultural trade liberalisation, well targeted technical assistance would be required, according to the participants. The meeting also called for national and multilateral assistance mechanisms to compensate potential losers and ensure that all nations profit from the global welfare gains brought about by the liberalisation process.

In related news, OECD released the two publications in Geneva on 21 June: the "OECD-FAO Agricultural Outlook 2005-2014," and "Agricultural Policies in OECD

Countries: Monitoring and Evaluation 2005." These reports project an increase in competition and efficiency in the agricultural sector that will bring about a drop in the real price of most agricultural commodities. Furthermore, agricultural trade among developing countries is stipulated to grow over the next ten years, as rising exports from low-cost food-producing developing countries will offset most of the growing demand from the rest of the developing world. The reports also indicate that agricultural support in OECD countries remains high -- at 30 percent of farm receipts -- but that the support has shifted towards less trade-distorting measures with transfers less linked to prices and specific commodities.

The Chair's summary of the high-level meeting of the OECD Committee for Agriculture is available at http://www.oecd.org/document/37/0,2340,en_2649_201185_35007397_1_1_1_1,00.html

The new reports are available from the OECD bookshop
<http://www.oecdbookshop.org/oecd/display.asp?lang=EN&sf1=identifiers&st1=512005021e1>

"Agriculture export competition will intensify, with rising share of trade by developing countries," OECD RELEASE, 21 June 2005; "OECD-FAO Agricultural Outlook: 2005-2014, Highlights," OECD, June 2005; "Agricultural Policies in OECD Countries: Monitoring and Evaluation 2005," OECD June 2005; "High-Level Meeting of the OECD Committee for Agriculture, 14-15 June 2005 - Chair Franz Fischler's Summary," OECD RELEASE, 16 June 2005.

CAFTA MOVES FORWARD IN THE US

The Central America Free Trade Agreement-Dominican Republic (CAFTA-DR) recently made important in the US Congress. Draft legislation of the agreement between the US and six nations -- Costa Rica, Honduras, Nicaragua, El Salvador, Guatemala, and the Dominican Republic -- received support from the US Senate Finance Committee in an 11-9 informal vote on 14 June. The US House of Representative Committee on Means and Ways followed suit by voting 25-16 in favour of the legislation in an informal poll on 15 June. With the committee approvals, the White House can submit the legislation to Congress for a final vote that must be taken within 90 days.

CAFTA-DR faces more opposition than other free trade agreement negotiated by the Bush administration. Labour groups, sugar growers, and many textile manufactures oppose the treaty as they fear it will lead to a loss of jobs. As a result, the legislation is expected to face a close vote in the House of Representatives.

US Trade Representative Rob Portman stated, however, that "I feel good about the progress we've made in the last few weeks. I think the votes will be there in the end."

"Concern at narrow approval for CAFTA," FINANCIAL TIMES, 15 June 2005; "White House waiting for Congress' signal on CAFTA," REUTERS, 20 June 2005; "Bush Appeals to Senators on CAFTA," GUARDIAN UNLIMITED, 16 June 2005; "Cafta overcomes important hurdle," FINANCIAL TIMES, 15 June 2005.

UNCTAD PROPOSES "TRADE MARSHALL PLAN" FOR POOREST COUNTRIES

The UN Conference on Trade and Sustainable Development (UNCTAD) released a report on 14 June proposing a "Trade Marshall Plan" designed to help the world's 50 poorest countries escape the poverty trap. The report argued that the condition least-developed countries (LDCs) is similar to that of Europe after the Second World War, and warrants a similarly strong response. Implementing an initiative like the Marshall Plan for LDCs would require an estimated US\$62.5 billion per year in additional resources, according to the report. The Trade Marshall Plan, which is centred around three 'pillars,' could deliver around US\$40 billion of this amount. The first pillar of the proposed plan is the provision of WTO bound, duty-free and quota-free treatment of LDC exports by developed countries, coupled with effective standards-related capacity building in LDCs to overcome market entry barriers. The second pillar is a liberalisation package in services that would include measures to operationalise LDC priority areas, specifically movement of services providers, in sectors of special interest. The final pillar proposes a US\$1 billion 'Aid-For-Trade Fund.'

UNCTAD contends a favourable political climate exists for its Trade Marshall Plan and urges action at the upcoming UN Millenium+5 Summit in September 2005 and at the WTO Hong Kong Ministerial in December.

The report, entitled "Towards a New Trade 'Marshall Plan' for Least Developed Countries," is available at http://www.unctad.org/en/docs/ditctabpov1_en.pdf.

ICTSD reporting

WTO IN BRIEF

DEVELOPING COUNTRY TEXTILES DEMANDS CLASH AT GOODS COUNCIL

Several developing countries clashed with China at a meeting of the WTO Goods Council on 15 June regarding the role the WTO should play in addressing the problems of Members that have been adversely affected by the January 2005 elimination of quotas in the textiles and clothing sector. Jordan, Morocco, Tunisia and Turkey suggested that the WTO should "deal urgently" with the problems small developing countries are facing, including lower world prices, fierce competition from China and India, and the risk of losing markets in the US and EU because of liberalisation in the sector. The intervention was based on a paper presented -- however never formally taken up -- at the last Goods Council meeting, as China, India, Brazil and Hong Kong objected to its inclusion on the agenda (see BRIDGES Weekly, 18 May 2005, <http://www.ictsd.org/weekly/05-05-18/story3.htm>). The Chinese responded forcefully against the idea of continued work in the Goods Council on textiles, noting that the quota system, which expired with the Agreement on Textiles and Clothing on 1 January 2005, discriminated against China and hurt the Chinese people. The WTO's job, argued China, was to promote trade competition, not to stabilise market prices. Indian diplomats also said that their country opposed special measures for particular industries. Turkey has said that they are preparing a new paper to present to the next Goods Council meeting on 15 July.

In related news, Ahmed Parkar, Chair of the Mauritius Export Processing Zone (MEPZA), welcomed the recent agreement between the EU and China to restrain textile imports from China (see BRIDGES Weekly, 15 June 2005, <http://www.ictsd.org/weekly/05-06-15/story2.htm>). "We are obviously very happy," he said. "This will allow our industry some more time to adapt to the new trading environment." In addition, the US and China held consultations on 16 June regarding seven safeguards the US has placed on Chinese imports. According to trade sources, China indicated its willingness during the meeting to negotiate a broad agreement on textiles with the US, a move they previously refused to consider. The two countries have agreed to hold a second round of negotiations shortly.

"Turkey, other developing countries, press WTO over Chinese textiles," XFN, 16 June 2005; "Mauritius welcomes EU-China textile pact," REUTERS, 15 June 2005; "ILO to Host Conference on Impact Of Textile Quota Removal on Employment," WTO REPORTER, 16 June 2005; "China Signals Openness to Broad

Textile Pact in Talks with United States," WTO REPORTER, 21 June 2005.

DSB SPECIAL SESSION: CHAIR TO SUBMIT REPORT TO GENERAL COUNCIL

The Special (negotiating) Session of the WTO Dispute Settlement Body (DSB) met on 21 June to continue discussions on how to improve and clarify the rules governing dispute settlement. At the meeting, which ended within an hour with very little discussion among Members, Japan answered questions submitted by Members at the last meeting on the EU-Japan joint proposals regarding "sequencing" and post-retaliation issues (see BRIDGES Weekly, 11 May 2005: <http://www.ictsd.org/weekly/05-05-11/WTOinbrief.htm#1>). The Chair stated his intention of submitting a report on his own responsibility to the General Council at the end of July. According to the Chair, the report would state that while there had been progress on some proposals and issues, work would need to be intensified if substantial results were to be reached by the December Hong Kong Ministerial.

According to trade sources, delegates are consulting among themselves, outside the context of the DSU review talks, in informal groups to arrive at consensus on some proposals.

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TBT COMMITTEE: EU CHEMICALS LEGISLATION REMAINS A CONCERN

The EU's proposed new chemicals legislation REACH (Registration, Evaluation and Authorisation of Chemicals) figured among the trade concerns raised by WTO Members at the Committee on Technical Barriers to Trade (TBT), meeting in Geneva from 16-17 June. Since the EU notification to the TBT Committee in January 2004, the REACH proposal has repeatedly been debated, with some Members expressing concerns that the regulation may be in violation of obligations under the TBT Agreement (see <http://www.trade-environment.org/page/ictsd/news/chemicals.htm>). The proposed legislation would require any company that produces or imports more than one tonne of a chemical substance per year to register it in a central database. Mexico felt that the rules could be in breach of the National Treatment principle. This concern relates to a clause in the draft that exempts substances "that have already been registered for that use by an actor up the supply chain." Several countries share the opinion that in reality this will only apply to producers already

operating within the EU. Australia also criticised the legislation for being more trade restrictive than necessary. Some developing countries worried about the cost implications for their exports. The EU delegate said that all the issues raised by the Members had been addressed previously. The proposal is now being considered by the European Parliament and the European Council for adoption under the so-called co-decision procedure.

The next meeting of the TBT Committee is scheduled from 2-3 November.

For more information regarding REACH, visit http://europa.eu.int/comm/enterprise/reach/index_en.htm

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EVENTS & RESOURCES

EVENTS

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

Coming Up: 23-29 June

23-25 June, Livingstone, Zambia: PRE-HONG KONG LDC CIVIL SOCIETY CONSULTATIVE FORUM. This event, organized by the Consumer Unity and Trust Society-Africa Resource Centre (CUTS-ARC), is a part of the ongoing constructive dialogue for promoting, supporting and advancing the interests of the LDCs in global trade. The forum will examine the role trade can play in enhancing development and reducing poverty in LDCs. For further information, contact the Forum Co-coordinator: tel: (+260 1) 224992; fax: 225220; email: cutsarc@zamnet.zm; Internet: <http://www.cuts-international.org/forthcoming-events.htm#hong23jun05>.

23-25 June, Dublin, Ireland: WHAT WILL WE EAT AS THE OIL RUNS OUT? FOOD SECURITY IN AN ENERGY-SCARCE WORLD. This conference will explore threats to world food security, examine global food supply systems, and seek to answer the crucial question: how can we feed the world population without extensive reliance on fossil fuels? For further information contact Feasta, the Foundation for the Economics of Sustainability, tel: (+353 0)1 4053615;

email: food@feasta.org; Internet:
http://www.feasta.org/events/foodconf/food_conference.htm.

23-25 June, St. Petersburg, Russia: 7TH INTERNATIONAL CONFERENCE 'GLOBALIZATION, NEW ECONOMY AND THE ENVIRONMENT. BUSINESS AND SOCIETY CHALLENGES FOR SUSTAINABLE DEVELOPMENT'. This conference is organised by the Russian Society for Ecological Economics will offer an opportunity to discuss advances in ecological economic approaches to environmentally sustainable policy making. For further information contact Dr. Stanislav Shmelev; e-mail: s.shmelev@open.ac.uk; Internet: <http://www.rsee.org>.

26 June - 2 July, Montreal, Canada: EXTRAORDINARY MEETING OF PARTIES TO THE MONTREAL PROTOCOL / TWENTY-FIFTH MEETING OF THE OPEN ENDED WORKING GROUP. The extraordinary meeting of parties to the Montreal Protocol on Substances that Deplete the Ozone Layer will attempt to resolve disagreements over exemptions allowing methyl bromide use in 2006. The meeting, organised by the Ozone Secretariat at UNEP, will also include the open ended working group and the 2nd Meeting of the Bureau of the 15th Meeting of the Parties to the Montreal Protocol. For further information contact the Ozone Secretariat, tel: (+1 54) 262-3850; fax: 262-3601; email: ozoneinfo@unep.org; Internet: http://www.unep.org/ozone/Meeting_Documents/oewg/25oewg/25oewg-general-info.asp.

27-29 June, Montreal, Canada: WORKSHOP ON THE JOINT WORK PROGRAMME ON MARINE AND COASTAL INVASIVE ALIEN SPECIES. This event is jointly hosted by the Secretariat of the Convention on Biological Diversity, Global Invasive Species Programme, and Regional Seas Programme of UNEP. For further information contact Mr. Hamdallah Zedan, Executive Secretary, tel: (+1) 514 288 2220; fax: 514 288 6588; e-mail: secretariat@biodiv.org; Internet: <http://www.biodiv.org/meetings>.

27 June - 1 July, Geneva, Switzerland: THIRD PART OF THE UN CONFERENCE ON THE NEGOTIATION OF A SUCCESSOR AGREEMENT TO THE INTERNATIONAL TROPICAL TIMBER AGREEMENT, 1994. Parties to the ITTA will continue negotiations towards the creation of a successor agreement regarding tropical timber. For further information contact the UNCTAD Secretariat, tel: (+41-22) 917-5809; fax: 917-0056; email: correspondence@unctad.org; Internet: <http://www.unctad.org/Templates/Meeting.asp?intItemID=3323&lang=1%20>.

28-29 June, Bridgetown, Barbados: OECD GLOBAL FORUM ON SPECIAL AND DIFFERENTIAL TREATMENT. This conference will explore concrete options for precise, effective and operational special and differential treatment in different areas, with a view to contributing to on-going trade discussions at the multilateral and regional levels. Topics to be addressed include agriculture, services, trade facilitation, smallness and vulnerability, among others. For further information contact Martina Abderrahmane from the OECD, tel: (+33) 1 44 24 89 31; fax: +33 1 44 30 61 63; email: martina.abderrahmane@oecd.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.

23 June: COMMITTEE ON TRADE IN FINANCIAL SERVICES.

24 June: COUNCIL FOR TRADE IN SERVICES.

24 June: WORKING PARTY ON THE ACCESSION OF THE RUSSIAN FEDERATION.

27 June: COUNCIL FOR TRADE IN SERVICES - SPECIAL SESSION

29 - 30 June: COMMITTEE ON SANITARY AND PHYTOSANITARY MEASURES

29 June: COMMITTEE ON BUDGET, FINANCE AND ADMINISTRATION

Other Upcoming Events

3 July, Edinburgh, UK: G8 ALTERNATIVES SUMMIT. This summit aims to unit civil society in order to highlight G8 policies and to present alternative solutions. For further information contact G8 alternatives, tel: (+44 01) 31 220 6259; email: marada@btinternet.com; Internet: <http://www.g8alternatives.org.uk/admin/test/g8Mambo>.

4-9 July, Rome, Italy: CODEX ALIMENTARIUS COMMISSION (28RD SESSION). The session is organised by the Codex Alimentarius Secretariat. For further information contact: the Codex Secretariat, tel:

(+39 06) 5705 2287; fax: 5705 3369; email: codex@fao.org; Internet: http://www.codexalimentarius.net/web/index_en.jsp.

6-10 July, Ravello, Italy: AGRICULTURAL BIOTECHNOLOGY: TEN YEARS AFTER. This meeting is being organized by the International Consortium on Agricultural Biotechnology Research. The event will focus on, inter alia, the impact of agricultural biotechnology on international trade, public acceptance of biotechnology, the impact of science, intellectual property rights, biotechnology and developing countries, and regulation of biotechnology. For further information contact Vittorio Santaniello, tel: (+39 06) 72595843; fax: 72-595-721; email: icabr@economia.uniroma2.it; Internet: <http://www.economia.uniroma2.it/conferenze/icabr2005/Default.asp>.

12-13 July, Dalian, China: WTO INFORMAL MINISTERIAL MEETING. China's Ministry of Commerce will be hosting a WTO "mini-ministerial" meeting which will aim to lay the groundwork for the December Ministerial Meeting in Hong Kong. For further information see http://www.mofcom.gov.cn/wto/index_e.shtml.

ICTSD RESOURCES

DEFINING ENVIRONMENTAL GOODS AND SERVICES AND THEIR TRADE AND SUSTAINABLE DEVELOPMENT IMPLICATIONS: A CASE STUDY OF MEXICO. By Enrique Lendo, Commissioned by ICTSD and the North American Commission on Environmental Cooperation (CEC), June 2005. This study assesses the potential impacts of EGS trade liberalisation against Mexico's own sustainable development goals and strategies. The analysis presented addresses the sustainable development patterns experienced by Mexico over the last three decades; the current debate regarding the liberalisation of the EGS sector and its implications for Mexico; the market structure and trade flows of the Mexican EGS market; as well as the potential of some environmentally preferable products of export interest to the country. The study proposes and implements a methodology to carry out a sustainability impact assessment under two definition/classification approaches. Based on this analysis, the study also explores options for Mexico's possible strategies in the EGS negotiations at the WTO. The study is available at http://www.ictsd.com/pubs/ictsd_series/env/EGSMexican_Study.pdf

OTHER RESOURCES

THE WTO NEGOTIATIONS ON INDUSTRIAL TARIFFS: WHAT IS AT STAKE FOR DEVELOPING COUNTRIES? By Yilmaz Akyyuz (Third World Network, June 2005). This paper focuses on the implications of the WTO negotiations on industrial tariffs or NAMA (non agricultural market access) for developing countries. The report argues current proposals will erode present policy flexibility to use tariffs for industrial development and also affect the possibility for long term industrialization in developing countries. The paper proposes a simple alternative formula that can reconcile policy flexibility with multilateral discipline. It also explains how the negotiations can accommodate immediate needs and longer-term interests of developing countries. Available online at http://www.twinside.org.sg/title2/akyuz_papers/NamalndFin.pdf.

A ROUND FOR FREE: HOW RICH COUNTRIES ARE GETTING A FREE RIDE ON AGRICULTURAL SUBSIDIES AT THE WTO. By Oxfam, June 2005. The Uruguay Round at the WTO was supposed to cut the subsidies that lead to dumping, but it failed to do so -- as did reforms of Europe's Common Agricultural Policy and US agricultural policy. This report argues history is set to repeat itself as the Doha Round of negotiations is again giving rich countries a 'free ride' to continue dumping subsidised produce on poor countries and that the WTO meeting at Hong Kong should put an end to this damaging practice. Available online at http://www.oxfam.org/eng/pdfs/bn050615_dumping_roundforfree.pdf.

THE CURRENT NEGOTIATIONS IN THE WTO OPTIONS, OPPORTUNITIES AND RISKS FOR DEVELOPING COUNTRIES. By Bhagirath Lal Das (Third World Network 2005). The ongoing WTO negotiations present developing countries with an opportunity to redress imbalances in the existing WTO rules which have denied them a fair share of the benefits arising from international trade. This book examines the current state of play in the talks and discusses how the developing countries can best make use of this opportunity. For each of the subjects under negotiation, this book puts forward detailed suggestions on negotiating positions the developing countries can take to advance their development interests and guard against the risk of new commitments which will only add to the prevailing inequities. This book is available for purchase at <http://www.twinside.org.sg>.

MAKING WTO MEMBERSHIP WORK FOR VIET NAM: GLOBALIZATION AS CRITICAL DISCOURSE. By Thomas Jandl (Mekonginfo, 2005). This paper asks

what mechanisms are at work to turn formerly anti-capitalist leaders of Vietnam into supporters of globalisation. It concludes that globalisation is in fact a critical -- liberating -- discourse, providing the poor with positive examples of progress and imbuing them with the 'capacity to aspire.' The paper goes on to consider how Vietnam can continue to be successful in its quest for further integration when it becomes clear that integration has become a must. Available online at http://www.mekonginfo.org/mrc_en/doclib.nsf/0/E37843CE6659316E4725700B000DD41D.

BUILDING ON THE JULY FRAMEWORK AGREEMENT: OPTIONS FOR AGRICULTURE. By International Policy Council, June 2005. This publication draws from three commissioned pieces by members of the International Agricultural Trade Research Consortium. The paper intends to provide negotiators and other interested stakeholders with an independent analysis of options as negotiations lead towards the development of concrete modalities at the Hong Kong Ministerial in December 2005. Available online at <http://www.agritrade.org/Home.html>.

AFRICA: UP IN SMOKE? By Working Group on Climate Change, June 2005. This the second report from the Working Group on Climate Change and Development. It draws attention to the fact that climate change is a particular challenge for Africa, where many of the world's poorest countries are located. The report says that global warming threatens to reverse human progress, and make the Millennium Development Goals target of halving global poverty by 2015 unattainable. Available online at <http://www.neweconomics.org/gen/uploads/4jgqh545jc4sk055soffcq4519062005184642.pdf>.

CASE STUDIES OF SUCCESSFUL COMPANIES IN THE SERVICES SECTOR AND LESSONS FOR PUBLIC POLICY. By OECD, June 2005. The success of individual firms can illustrate lessons learned from economy-wide research on how public policy and private company policy affect the development of the services sector. This review of some 14 case studies of large international services firms shows that three factors are common to their success. First, many successful services companies owe their existence and success to the opening up of markets. Second, the opening up of markets enabled new entrants to take innovative steps to differentiate themselves from other, often more traditional, firms. Third, case studies also highlight the importance of factors internal to a firm, such as entrepreneurial management, the motivation of workers, and the company culture. Available online at <http://www.oecd.org/dataoecd/56/12/35009221.pdf>.

AFFINITY AND INTERNATIONAL TRADE. By Marcus Noland (Institute for International Economics, June

2005). This paper examines the impact of American public attitudes toward foreign countries on the volume of trade. The issue is whether popular attitudes, as elicited in these surveys, convey any information about trust, risk, or transactions costs beyond what can be explained through standard economic models. The findings of this paper suggest a correlation as a feeling of 'warmth' for a country was associated with increased volumes of trade. Available online at <http://www.iie.com/publications/wp/2005/wp05-3.pdf>.

ON THE MOVE

US Trade Representative Rob Portman selected Deputy US Trade Representative Peter Allgeier to become the US Representative to the WTO on 15 June. Allgeier replaces Ambassador Linnet Deily, who held the post since 2001.

New Zealand's Foreign Minister Phil Goff has announced that Crawford Falconer will replace Tim Groser as the country's next Ambassador to the WTO. Groser, who is also the Chair of the WTO Committee on Agriculture, was forced to resign following his announcement that he would run for political office in upcoming national elections (see BRIDGES Weekly, 25 May 2005, <http://www.ictsd.org/weekly/05-05-25/story3.htm>).

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