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LEAD STORIES

DALIAN: MINISTERS RECOMMIT TO DOHA ROUND, BUT SCEPTICISM ABOUNDS

Trade ministers from thirty influential WTO Member countries promised to step up the pace of the faltering Doha Round trade negotiations at an informal summit from 12-13 July in Dalian, China.

The one concrete outcome of the meeting -- an agreement on how to move forward with the deadlocked negotiations on agricultural tariff reduction - rekindled hopes that Members might have a chance of partially meeting an end-July target date that they had seemed guaranteed to miss even the day before the 'mini-ministerial' meeting (see related story, this issue).

However, any expectations were quickly lowered by government representatives who warned that a great deal of effort would be necessary for Members to reach an agreement in time for December's WTO Ministerial Conference in Hong Kong.

Furthermore, ministers were unable to make substantial progress on non-agricultural market access (NAMA) and trade in services, leading outgoing WTO Director-General Supachai Panitchpakdi to express "grave concern" about the state of the negotiations at the end of the two-day gathering. He had expressed similar pessimism at an informal meeting of heads of WTO Member delegations on 8 July, echoing draft interim assessments of the talks released over the past few weeks by the chairs of some key negotiating groups.

Ministers reaffirm commitment to 2006 completion of Doha Round

Exhortations to conclude the Doha Round by 2006 -- which would require Members to agree a far-reaching pact in Hong Kong -- have been made regularly by senior government officials. However, as Supachai reminded Geneva-based trade delegates on 8 July, these expressions of political support have consistently failed to be translated into concrete progress in the Geneva negotiations.

Nonetheless, the ministers in Dalian once again committed to bring the ongoing round of trade liberalisation talks to a successful close in 2006, according to a summary of the meeting prepared by its co-chairs, Chinese Commerce Minister Bo Xilai and Hong Kong Trade and Industry Secretary John C. Tsang.

The bulk of the meeting was taken up by discussions on agriculture, which participants referred to as "an engine for the Doha Round." Sources report that the EU and the US agreed to use a compromise proposal on farm tariff reduction from the G-20 group of developing countries as what the co-chairs' summary called "a starting point for the work on the structure of the market access formula." Heartened to see a shared political commitment to speed up the talks in spite of some participants' reservations about the G-20 paper, ministers promised to "give specific... instructions to our negotiators in Geneva for identifying a most-favoured option" before the end of July.

NAMA, Services trouble persists through Dalian

WTO Members had agreed in February -- spurred by a decision taken at an earlier mini-ministerial gathering -- to aim to agree on fairly detailed "first approximations" of an eventual Hong Kong deal by the start of the WTO's August summer break (see BRIDGES Weekly, 16 February 2005, <http://www.ictsd.org/weekly/05-02-16/story2.htm>). These interim agreements were to have been contained in reports made by the chairs of the different negotiating groups to the WTO Membership at that time.

However, as the end-July date approached, it became clear that Members were nowhere near what they had envisioned earlier in the year, i.e., outlines of a deal in each of the negotiating areas that would give them sufficient comfort to progress with the talks through December.

An informal 8 July paper by NAMA Chair Ambassador Stefan Johannesson of Iceland on the state of play of the talks was little more than a summary of different proposals that had been made on central aspects of the negotiations. "We have reached an impasse in the NAMA negotiations on the most fundamental element, the [tariff reduction] formula," he wrote. "If this situation persists beyond July, it will be an infinitely more difficult task to engage in the essential negotiation over the actual numbers to be plugged into the formula." He said that collective guidance from Members was also required on how to deal with unbound tariffs and provide flexibilities to developing countries.

Government officials in Dalian said that there had been little movement on NAMA during the meeting. The co-

chairs' summary said that though ministers agreed on the need for convergence on the formula, they expressed differing views on its precise form. Sources report that a Pakistani compromise proposal that drew from both sides of the divide over the tariff-reduction formula was deemed unacceptable by some developed countries, although it was welcomed by many of the delegations present.

Services, too, saw little in the way of progress at Dalian. Ministers agreed, as they have in the past, that the number and extent of market-opening offers currently on the table left much to be desired. They also said that it would be necessary to set a new deadline for revised offers in 2006. Bo and Tsang noted that it seemed "very difficult for Members to agree on indicators, or benchmarks" for levels of ambition in the negotiations. These complaints were similar to those outlined in a recent assessment of the services negotiations by Services Chair Ambassador Alejandro Jara of Chile (TN/S/20), which said that "the overall quality of initial and revised offers is unsatisfactory" in terms of both depth and sectors opened to foreign competition.

Ministers express hope, impatience

"We... have not achieved everything we would have liked to, but we're seeing an openness to compromise to finding solutions to what have been very difficult problems," Canadian International Trade Minister Jim Peterson told the press on 13 July. Several ministers expressed similar views, calling for hard work in upcoming weeks on agricultural market access and subsidy reform.

Chinese Commerce Minister Bo Xilai told reporters that the meeting had narrowed divisions among Members on domestic support and tariff reduction, both issues on which he asked the EU to be "more flexible." He said that although the summit had laid out a "basic roadmap" for the way to Hong Kong, many potential difficulties lay ahead.

EU Trade Commissioner Peter Mandelson said that while it was unlikely the July deadline would be met, "hardened positions have softened," and that "lower end-of-July expectations should not reduce the ambition for Hong Kong." He also called for capital-based trade officials to play a greater role in the Geneva process.

Australian Trade Minister Mark Vaile was decidedly less enthusiastic, saying that the talks would not move forward until the EU and the US "show some leadership," on agriculture tariffs and domestic subsidies. Zambian Trade Minister Dipak Patel echoed this call, saying that developing countries were paying

the price for the two economic giants' failure to reform promptly.

International charity Oxfam criticised the US and the EU for failing to fully endorse the G-20 agriculture proposal. A press release from the group further said that any deal on NAMA should afford developing countries the ability to promote industrial development and shield nascent industries from foreign competition.

Supachai, who will leave the WTO at the end of August, sounded as pessimistic at the close of the mini-ministerial meeting as he had while proclaiming the negotiations to be "in trouble" in Geneva the week before.

Reminding negotiators that there will be little time for hashing out the details of modalities after September -- little over 13 weeks separate the end of the WTO's summer break from the start of the Hong Kong Ministerial Conference -- he called on them to work harder for consensus on agriculture and services liberalisation. He warned that the Hong Kong meeting would fail if too many issues were left undetermined until then. "We have to make decisions now... It's time now to show your political will."

ICTSD reporting; "General roadmap ready for the WTO ministerial meeting in HK: Chinese trade minister," XINHUA, 14 July 2005; "China willing to push forward DDA negotiations with other WTO members: Minister," XINHUA, 14 July 2005, "Vaile takes a swipe over farm subsidy failure," THE AUSTRALIAN, 14 July 2005; "WTO director general calls for members to show political will," XINHUA, 14 July 2005; "EU Official: WTO Meeting Making Progress," ASSOCIATED PRESS, 13 July 2005; "Ministers vow to get trade talks back on schedule," REUTERS, 13 July 2005; "Sliver of hope for global trade deal," FT.COM, 13 July 2005; "Glacial movement in trade talks not enough for world's poorest farmers," OXFAM PRESS RELEASE, 13 July 2005.

DALIAN: HINT OF PROGRESS ON AGRICULTURE

Some 30 trade ministers from influential WTO Member states agreed at a 12-13 July meeting in Dalian, China that negotiations on agriculture at the WTO should proceed on the basis of a new framework proposal by the G-20 group of major developing countries, including Brazil, China and India. The proposal focused on market access, the most challenging part of the flagging agriculture negotiations. Overall, a large amount of work needs to be done both for negotiators to reach a deal on "first approximations" for an agriculture deal at the end of July, and to develop this initial deal into

actual agriculture modalities by the Hong Kong WTO ministerial in December.

At the latest "agriculture week" in Geneva the negotiations were virtually deadlocked and the Chair, New Zealand's Tim Groser, had called for political guidance for overcoming key divisions. The Dalian 'mini-ministerial' meeting also received a strong message from the G8 Gleneagles Summit, where heads of states agreed to substantially reduce trade distorting support and improve market access, as well as set a credible end date for eliminating export support (see related stories, this issue).

In their final summary of the Dalian gathering, meeting co-chairs Chinese Commerce Minister Bo Xilai and Hong Kong Trade and Industry Secretary John C. Tsang noted convergence around the idea of making incremental progress with regard to the basic structures of the domestic support and market access 'pillars' of the farm trade talks, while the balance of the full package and overall level of ambition would be agreed later. Members also largely agreed that a minimum structure for a final deal on export competition already exists.

On market access, the co-chairs' summary indicated that ministers pledged to ask their negotiators to focus on reaching some form of consensus on the structure of the tariff-reduction formula as well a way of dealing with sensitive areas by the end of July. This work would be based on a new proposal by the G-20, though the co-chairs recognised that some Members had certain reservations about parts of it.

G-20 provides new ideas for market access formula

Market access has proven the toughest aspect of the agriculture negotiations, with wide divisions between high-tariff countries such as the EU and the G-10 net food importers and countries with strong export interests, such as the US and members of the Cairns Group. No progress was made at the last "agriculture week" in Geneva, and Members were looking for new approaches.

During the first day of the Dalian meeting, the G-20 tabled a proposal on market access, which all parties said they were willing to use as a basis for discussion. The basic idea of the formula is that developed and developing countries' tariff lines would be divided into different sets of tariff bands according to the level of duties currently levied, with each band subject to different percentage cuts. For developed countries, five different bands would be available, the first comprising tariffs of up to 20 percent and the fifth all tariffs of over 80 percent. The tariffs within each band would be subject to linear cuts of progressively higher

percentages for each band. The US and agricultural exporters have generally preferred using a harmonising "Swiss formula" for the cuts, which would cut higher tariffs more steeply even within each tariff band, but now accepted working off the G-20 proposal as a basis for further discussion. The actual percentages of the linear formula were left for further negotiation in the proposal.

Developing country tariffs, on the other hand, would fall into four different bands: those between zero and 30 percent; between 30 and 80 percent; between 80 and 130 percent; and over 130 percent. The proposal seeks to operationalise the principle of progressivity, and also aims to take into account the wide variety in tariffs across developing countries. The percentage cuts for each of the bands would be smaller -- less than two thirds of that developed countries would make in comparable bands.

In addition to the basic outline of the formula, the G-20 also suggested that individual tariffs be capped at 100 percent for developed countries and 150 percent for developing countries. This approach would address the issue of tariff peaks.

The G-20 also set developed some initial ideas for rules on the treatment of 'sensitive products,' which will be subject to relatively less ambitious tariff reductions. First, such products would be very limited in number, and second, low tariff cuts would be compensated for in the form of expanded tariff rate quotas (meaning larger quantities of the product would be imported at a lower tariff rate).

Other specifics included suggestions for: setting an end date for the current special agricultural safeguard, which has been used mainly by developed countries to protect against import surges; the identification of products subject to tariff escalation and an additional formula to deal with the issue; and the binding of all 'specific' tariffs (based on volume) in their ad valorem equivalents (AVEs, based on price). The proposal also acknowledged that work had to be done to address issues related to the liberalisation of trade in tropical products, preference erosion, and the situations of least developed countries and recently acceded Members.

Reactions

Speaking at the Dalian meeting, a number of key participants voiced support for the process and for moving towards "first approximations" by the end of July -- albeit approximations less ambitious than had originally been hoped for -- paving the way for agreement on modalities at the Hong Kong ministerial in December this year. They stressed, however, that the task at hand was daunting.

EU Trade Commissioner Peter Mandelson commented that positions had softened over the course of the meeting, and that although "we have to accept lower expectations for July" that doesn't mean to say that "we are reducing our ambition for Hong Kong... key foundations are moving into place. And as long as the work for the rest of July is carried out in earnest and with good will and with flexibility, and as long as work during the Autumn intensifies, we can get to Hong Kong in a good state."

Australian Trade Minister Mark Vaile called for leadership by the US and the EU, and urged Japan and Switzerland to show more flexibility with regard to the tariff reduction formula. Zambia's trade minister, Dipak Patel, also called for stronger leadership from the US and the EU.

International charity Oxfam stressed that the "glacial" pace of the talks was harming the poorest countries, which would fail to reap the benefits of a deal. Said Celine Charveriat, head of Oxfam's Make Trade Fair Campaign: "The Ministerial in Hong Kong is only 6 months away. At this rate members will not even have agreed a seating plan, let alone a framework for meaningful agricultural reform that helps alleviate poverty."

ICTSD reporting; "Ministers vow to get trade talks back on schedule," REUTERS, 13 July 2005; "Glacial movement in trade talks not enough for world's poorest farmers," OXFAM RELEASE, 13 July 2005; PRESS COMMENTS, EU Commissioner Mandelson, 13 July 2005; "Update 2: EU Official: WTO Meeting Making Progress," AP, 13 July 2005.

G8 AGREES ON AID, TRADE - BUT IS IT ENOUGH?

Leaders of the industrialised G8 countries concluded their annual summit on 8 July by vowing to both "substantially" reduce trade-distorting domestic farm support and eliminate agricultural export subsidies by "a credible end date." They also reached an accord on addressing climate change (see related article, this issue), and promised to increase aid to developing countries. That very day in Geneva, however, WTO Director-General Supachai Panitchpakdi warned that the ongoing Doha Round trade negotiations -- in which farm subsidies feature high on the agenda -- are "in trouble."

Trade prominent in development-focused summit discussions

UK Prime Minister Tony Blair, who holds the current presidency of the G8, set the agenda of the 6-8 July

summit in Gleneagles, Scotland, to focus on poverty in Africa and climate change. The highlight of the gathering, which took place in the shadow of the 7 July terrorist bombings in London, was a pledge from G8 member states -- the UK, France, Russia, Germany, the US, Japan, Italy and Canada -- to boost development aid by USD50 billion by 2010. Half of these additional funds are to be directed to Africa. The leaders also agreed to eliminate debts owed by the eighteen Heavily Indebted Poor Countries.

Trade was also part of the G8 leaders' strategy for tackling poverty. During the summit, they met with their counterparts from the so-called G-5 of large developing economies -- Brazil, China, India, Mexico and South Africa. They also met with Director-General Supachai Panitchpakdi. Officials attending the meeting noted that the heads of state seemed determined to move the Doha Round negotiations forward. Even French President Jacques Chirac, whose government has been hesitant to embrace agricultural liberalisation, was reported to have seemed eager for progress in the talks.

Ag support, export subsidies receive particular attention

According to the communiqué the G8 leaders issued at the end of the meeting, "a successful conclusion to the WTO Doha Development Agenda would be one of the most effective ways to generate economic growth, create potential for development and raise living standards across the world."

"In agriculture, we are committed to substantially reducing trade-distorting domestic support and substantially improving market access. We are also committed to eliminating all forms of export subsidies and establishing disciplines on all export measures with equivalent effect by a credible end date."

After the conclusion of the summit, Blair said his "preference would have been to have a date [for ending agriculture subsidies]." However, he expressed a belief that it would be possible to announce such a date at the WTO's Hong Kong Ministerial Conference in December. Earlier on 7 June, US President George Bush stated he hoped to "work with the EU to rid our respective countries of agricultural subsidies" by 2010.

The G8 leaders also stated they were "committed to opening markets more widely to trade in non-agricultural products, expanding opportunities for trade in services, improving trade rules and improving customs and other relevant procedures to facilitate trade. In this spirit, we also reiterate our commitment to the objective of duty-free and quota-free market access for products originating from LDCs."

Said EU Trade Commissioner Peter Mandelson: "I feel we should be encouraged by the fact that the G8 is focusing in such a progressive way on trade negotiations, and putting such a focus on the development element of that."

Sceptics charged that the G8 did not go far enough. The Global Call to

Action against Poverty, an international alliance of civil society organisations that had been lobbying for increased aid and debt relief as well as trade justice, compared the promises of increased aid by 2010 to "waiting 5 years before responding to the tsunami." The group described the debt forgiveness promise as a step in the right direction, but said that it needed to be expanded.

Words of warning in Geneva

The confident pro-liberalisation tone of the Gleneagles communiqué bears little resemblance to the ongoing discussions at the WTO, where negotiations in most key areas of the Doha Round trade liberalisation talks are stalled. Supachai made this point in remarks to trade ambassadors upon his return from Scotland, speaking at an informal Heads of Delegation meeting on 8 July.

Draft documents released over the past week by the chairs of the agriculture and non-agricultural market access (NAMA) negotiations indicate that significant differences persist among Members. A similar assessment from the chair of the services talks also pointed to a lack of meaningful progress.

Several Geneva-based negotiators indicated that they were looking to this week's 'mini-ministerial' meeting in Dalian, China, for guidance on a way out of the impasse. It remains to be seen if the government representatives who were there will be able to translate the rhetoric of Gleneagles into a boost for the faltering Doha Round.

ICTSD reporting; "Leaders Pledge to Double African Aid But Advocates Split Over Details of Plan", WTO REPORTER, 11 July 2005; "G-8 Vows 'Substantial' Cuts in Ag Support End to Export Subsidies, But Set No Deadline", WTO REPORTER, 11 July 2005; "Blair to push forward on climate and trade reform", THE GUARDIAN, 11 July 2005. "One small step at Gleneagles", THE GUARDIAN, 10 July 2005; "G8 mood and Doha talks 'show disconnect'", FINANCIAL TIMES, 9 July 2005; "Gleneagles Communiqué", G8 GLEANEAGLES 2005, 8 July 2005; "Supachai: 'These negotiations are in trouble'" WTO PRESS RELEASE, 8 July 2005; "WTO Ag Chair Downbeat on Prospects For

'First Approximation' Text Deal in July", WTO REPORTER, 7 July 2005.

CLOUDS OVER AGRICULTURE NEGOTIATIONS PRIOR TO DALIAN MEET

High-level talks at a 12-13 July mini-ministerial meeting in Dalian, China came on the heels of an agriculture week in Geneva that was cut short due to lack of progress. Agriculture Chair Tim Groser closed the meetings of the Committee on Agriculture (CoA) special (negotiating) session -- scheduled to run from 4-8 July - on 6 July, saying that little progress was being made and that he had nothing to add to an assessment he had made of the negotiations circulated on 27 June (see BRIDGES Weekly, 29 June 2005, <http://www.ictsd.org/weekly/05-06-29/wtoinbrief.htm>).

Groser said that in order to be able to draft a set of "July approximations" -- which would serve as a limited version of the full modalities for the agriculture negotiations to be agreed at the Hong Kong Ministerial Conference in December -- he would need political guidance. The Dalian gathering, at time of writing, appeared to have provided Members with some such direction, although expectations for the "July approximations" have been scaled down (see related story, this issue).

No progress in Geneva market access talks

The sticking point of the negotiations remained the market access formula, with some basic agreement needed in order for the rest of the talks to progress. In informal discussions of the CoA special session, delegations' positions remained entrenched, with the widest rift between proponents of a 'harmonising' formula that would bring tariffs sharply towards a particular level, such as the US and the Cairns Group of agricultural exporters, and Members such as the EU and G-10 agricultural importers, which are seeking to shield domestic agricultural markets.

Australia added a new proposal for a potential market access formula following compromise proposals by Canada and China at the last "agriculture week" (see BRIDGES Weekly, 8 June 2005, <http://www.ictsd.org/weekly/05-06-08/story1.htm>). The Australian proposal involved distributing tariffs into three tiers, with those under 20 percent in one tier, those between 20 and 80 in the next, and a final tier comprising tariffs of over 80 percent. Cuts would be progressive within the three tiers.

While several delegates felt that the discussions in the special session indeed were unconstructive and solely repeated long-held positions, some indicated that the

small informal talks in so-called "Room F" format had been more open and positive, although there still was a long way to go to reach agreement. Some also said that this "Room F" format had become the dominant forum of negotiations, and a lack of communication left delegations not inside the room without information on what was going on. Some capital-based negotiators that had come to Geneva only to see the session cut short expressed frustration at the waste of effort and resources.

Meetings of the 'five interested parties' (FIPs) -- the US, EU, Brazil, Australia and India -- as well as an expanded version of the group also failed to overcome the stalemate.

SP discussion continues

In the CoA special session Members also discussed special products (SPs), which developing countries can designate for more flexible treatment on the basis of food security, livelihood and rural development reasons. In his overview document, Groser had specified that, "at the minimum, some further elaboration of how sensitivities might be handled," should be included in the "July approximations."

The G-33 developing country proponents of SP status said they were working on indicators for such products, and would be in a position to discuss the matter further once they had developed a detailed position. Certain developing countries with export interests expressed concern that reduced liberalisation for SPs could dampen South-South trade, and suggested that the indicators should ensure that SP recognition be limited to non-commercial products. The G-33, however, opposed such limitations, arguing that the criteria of food security, rural livelihood and development did not prevent them from being commercial.

Continuing the discussion in Room F, key Members with interests in this area aired their opinions of how the designation of SPs should be limited. The Chair noted that an earlier proposal to limit SPs to crops grown by subsistence farmers living on less than one USD a day had not garnered the support of a number of G-33 countries, such as those of the Caribbean region. These countries pointed out that although they did not have a large population of farmers living on less than one USD a day, they were net food-importing developing countries (NFIDC) and were recognised to be particularly vulnerable.

Members also touched on a special safeguard mechanism (SSM) developing countries could use as protection against import surges. While Groser's assessment had suggested that the SSM should be discussed only after basic agreement on the tariff

reduction formula, some countries wanted to see some additional detail on the SSM in the "July approximations."

Room F discussions on domestic support

The Room F discussions also covered the issue of domestic farm support, with the G-20 tabling new proposals on trade-distorting support and the Blue Box (partially decoupled farm payments under production-limiting programmes).

On AMS (Aggregate Measure of Support; the level of the binding cap on aggregate trade-distorting domestic support), the G-20 suggested that the subsidies be classified into four different bands, which then would be subject to different cuts. Countries providing more than USD25 billion would be placed in the highest band (the EU), with the lowest band reserved for subsidies up to USD2 billion. The sizes of the cuts have yet to be defined, although the proposal specifies that developing countries would make less than two-thirds of the cuts that would be required of developed countries in the same category.

With regard to a timeframe, the proposal suggested "front-loading" the cuts, so as to achieve cuts in real subsidies as soon as possible. Certain countries have the right to provide higher subsidies than they actually do -- their AMS is higher than the subsidies they actually provide -- and would be making any reductions from bound levels of support rather than actual levels.

Members also discussed disciplines to reduce 'de minimis' support -- minimum permissible trade distorting support, currently at five percent of the value of production for developing countries and ten percent for developed ones. According to the G-20 proposal, developing countries without AMS entitlements would not be obliged to make cuts. The July Framework already specified that developing countries that allocate almost all de minimis support for subsistence and resource-poor farmers would be exempt.

On overall trade-distorting support (AMS, de minimis and Blue Box combined), there would be one separate band for developing countries, and three possible bands for developed countries. As is the case for AMS, countries with subsidies amounting to 40 percent of the value of production would make additional cuts (this means that small countries with subsidies that are proportionally large, rather than large in real terms, would make such cuts). The cuts would be front-loaded as part of the deal. The G-20 also stressed the need for accurate base levels and avoidance of "box shifting," or making minor changes to trade-distorting subsidies in order to move them to the Blue Box or Green Box (non-

trade-distorting subsidies) that are not subject to reductions.

Other issues addressed during the agriculture negotiations were state trading enterprises and food aid (under the export competition pillar), as well as a new proposal by low-income transition economies on the specific challenges they are facing (see related story, this issue).

Groser's role as ag chair uncertain

Meanwhile, the New Zealand government made a formal submission on 8 July (WT/GC/93, available at <http://docsonline.wto.org>) requesting the replacement of Tim Groser as chair of the farm trade talks following the end of July, saying that his position no longer will be politically or financially supported by the government. Groser resigned as New Zealand's WTO ambassador in May this year after declaring his candidacy for political office with an opposition party, but has been carrying on as agriculture chair on an interim basis. A number of countries have been in favour of him staying on in order not to disrupt the process.

Dates for the next agriculture negotiating sessions in Geneva have not yet been set.

ICTSD reporting.

DEVELOPING COUNTRIES GIVE OPINIONS ON ENVIRONMENTAL GOODS

At a meeting of the WTO Committee on Trade and Environment Special (negotiating) Session (CTE-SS) held on 7-8 July in Geneva, developing countries called for development concerns to be incorporated into negotiating proposals on environmental goods. Specifically, they felt that the list-based approach of talks in the Committee, which focused on designating certain goods for liberalisation, had failed thus far to adequately address their interests.

India continued to promote its "environmental project approach" (EPA) as the best way to ensure that EGS agreed upon in the CTE-SS address environmental and developmental goals. Cuba and Brazil focused on problems with the list approach, and proposed incorporating environmentally preferable products (EPPs) into the modalities for determining EGS.

In addition, several delegates expressed concerns regarding a Swiss submission that suggested principles for governing the relationship between multilateral environmental agreements (MEAs) and the WTO.

Project approach under scrutiny

Presenting its new paper (TN/TE/W/54), India clarified how the EPA would work and attempted to address concerns that had been raised at an informal meeting of the CTE-SS in June (see BRIDGES Weekly, 15 June 2005, <http://www.ictsd.org/weekly/05-06-15/story3.htm>). The approach would have each WTO Member designate a national authority that would select 'environmental projects' based upon criteria agreed by the CTE-SS (TN/TE/W/51). Environmental goods and services used in the selected projects would then qualify for tariff concessions for their duration.

The paper reiterates that the EPA remains rules-based, and that the criteria would be determined by the CTE-SS so as to ensure the transparency of the process. Yet, the approach would provide policy space to individual Member countries through the operations of the designated national authority, which the submission likens to the public-private partnership outlined in the Kyoto Protocol's Clean Development Mechanism. The submission contended that its proposed methodology would ensure that approved EGS were used for environmental purposes, whereas under the list approach products receiving tariff concessions could instead be used for a different 'dual' non-environmental purpose. It also notes that the project approach would enable the transfer of environmentally sound technologies as mandated by Agenda 21, adopted at the Rio Summit on Environment and Development in 1992. This would improve their ability to meet technical and sanitary requirements, which would in turn improve their export potential. It would also facilitate compliance with MEAs.

Despite India's attempt to address the concerns raised at the June informal meeting, most developed countries remained sceptical, suggesting that the EPA was not 'clear,' 'viable,' or practical enough, and would not provide sufficient predictability for their exporters. They also expressed concerns that the approach was too complicated, would transfer authority to the national level, that the results would be less obvious than in the list approach, and that it would take too long for the CTE-SS to develop criteria given the tight negotiating timeline. Most developing countries, on the other hand, expressed support for the proposal.

List approach criticised

Brazil's presentation raised concerns that negotiations had thus far privileged a definition of environmental goods focused on high-technology products of little interest to developing countries. Their submission (TN/TE/W/59) called instead for considering developing country interests through the prism of special and differential treatment (S&D) and, in particular, through

improved market access for products with low environmental impacts and/or derived from or incorporating cleaner technologies. In addition, it proposes to adopt the approach of the UN Conference on Trade and Development (UNCTAD) on environmentally preferable products (EPPs) as a basis for negotiations on environmental goods. The Brazilian paper said that liberalising trade in a number of these products, such as natural fibres and colourants and other non-timber forest products, as well as bio-fuels such as ethanol and biodiesel, would be in their interest.

Cuba's paper (TN/TE/W/55) noted that the list approach had failed thus far because developing countries were uncertain about the actual benefits of the negotiations. They attributed this to several reasons, including the need to address dual end-use; the inadequacy of proposed Asia-Pacific Economic Cooperation (APEC) and Organization for Economic Co-operation and Development (OECD) lists; a lack of S&D provisions; the poor linkage between goods and services; and the problem of non-tariff barriers such as certification and eco-labelling requirements. It also noted Cuba's interest in renewable energy or energy efficient technology and natural products.

New lists considered

Switzerland's new proposal (TN/TE/W/57) includes EPPs with "high environmental performance and/or low environmental impact" in its list. It broadly supports the inclusion of such goods in the list, specifying that they must be chosen based upon their end-use or disposal characteristics, as described by UNCTAD. Some delegates criticised the Swiss list, saying that it contained few products of interest to developing countries, and that certain products -- such as bicycle and railroad parts -- were of dubious environmental value.

The EU's new submission (TN/TE/W/56) reiterates its support for including products with high environmental performance or low environmental impact. It contains a list that includes such products. The proposal also offers to add eco-labelled products to the list of goods. New Zealand (TN/TE/W/49) noted in a similar vein that it would support the inclusion of EPPs that can be identified by end-use or disposal characteristics. The new US submission, on the other hand, does not explicitly recognise EPPs but includes seven UNCTAD-listed EPPs in their list of 158 possible products (TN/TE/W/52). A new category in their list, on natural resource protection, raised eyebrows at the meeting but Members were reassured that the three products in the category were not included because of their manufacturing process.

The US and New Zealand responded to earlier criticisms that their lists only included products of export interests to developed countries by citing statistics that they import significant percentages -- forty percent in the US case -- of listed products from developing countries.

Discussions to continue on MEA-WTO relationship

Under the Doha Declaration Paragraph 31(i) mandate to negotiate on the relationship between existing WTO rules and specific trade obligations (STOs) set out in MEAs, the EU submitted a document (TN/TE/W/53) outlining its internal policy co-ordination, development and negotiating processes in this regard. A bolder paper submitted by Switzerland on the MEA-WTO relationship (TN/TE/W/58) suggested that it was "useful and necessary" for the CTE-SS to consider three principles for the MEA-WTO relationship, namely: "no hierarchy" between the environmental and trade legal systems; "mutual supportiveness" of the two regimes; and "deference" to the framework that includes particular issues within its primary area of competence.

A number of Members, including several developing countries and the US, felt that there was little contradiction between the two regimes and expressed concern about the proposal's implications. They worried that revisiting the debate on principles might compromise the constructive discussions that have taken place in recent months on different countries' national experiences under the Paragraph 31(i) mandate, and indicated that they were content to focus on such experiences. Some developing countries pointed to clear tension between the two regimes in certain fields, such as the lack of disclosure of origin requirements in patent applications under the Agreement on Trade-related Intellectual Property Rights (TRIPS) and the provisions of the Convention on Biological Diversity (CBD), as repeatedly raised in the TRIPS Council (see BRIDGES Weekly, 22 June 2005, <http://www.ictsd.org/weekly/05-06-22/story3.htm>). Members decided to simply "continue discussions" on the relationship between MEAs and the WTO.

At an informal meeting held at the end of the CTE-SS, Members decided to hold another formal meeting in mid-September along with the planned October meeting. Several developing countries expressed concerns regarding a comment in the Chair's statement to the general council that a 'list' of EGS is the most likely result that the CTE-SS will deliver to the Hong Kong Ministerial Meeting in December, and so Members agreed that it was hard to predict the modalities that would be agreed by that point.

ICTSD reporting.

NEWLY ACCEDED MEMBERS SEEK FLEXIBILITY IN AGRICULTURE

A 29 June proposal from Armenia, Georgia, the Kyrgyz Republic and the Republic of Moldova (TN/AG/GEN/10, available at <http://docsonline.wto.org>) calls for additional flexibilities for these countries similar to those agreed for least developed countries (LDCs) and other vulnerable developing countries.

The low-income economies in transition that recently acceded to the WTO are currently not treated as developing countries. They are thus not automatically eligible to flexibilities accorded to developing countries; for example, they would not be able to designate special products (SPs) for limited tariff cuts, nor would they have recourse to a special safeguard mechanism (SSM) as protection against import surges. They also lack access to the existing agricultural safeguard (the future fate of which is under negotiation).

The four countries point out that the special challenges they face have been acknowledged in both the Doha Declaration and the July Package (WT/L/579, available at <http://docsonline.wto.org>). They point to the steep price of their accession to the WTO -- their bound agricultural tariffs were slashed to an average of 12 percent even though agriculture accounts for half of all employment, and their levels of development are similar to those of LDCs. In terms of domestic support, their de minimis levels are bound at five percent rather than the ten percent allowed to developing countries, even though their annual per capita incomes are lower than those of many developing countries.

While Members generally are sympathetic towards these concerns, the issues are not considered ripe for substantial discussion at this point. Groser, in his assessment of the agriculture negotiations (see BRIDGES Weekly, 29 June 2005, <http://www.ictsd.org/weekly/05-06-29/wtoinbrief.htm>), noted that before the special challenges faced by recently acceded Members (RAMs) can be factored in, Members would have to reach a basic agreement on the core market access formula.

The G-20 proposal discussed in Dalian suggested that RAMs should be provided special flexibility, including being exempted from further tariff reductions for certain key products of "vital importance for their food security, livelihood security and rural development" that they already have liberalised (developing countries are to designate SPs based on these criteria). The RAMs would also be required to make lower tariff reductions and would be provided longer implementation periods.

ICTSD reporting.

IN BRIEF

BRAZIL SECURES CHEAPER AIDS DRUG

Pharmaceutical manufacturer Abbott Laboratories agreed to steeply reduce the price it is charging in the Brazilian market for its antiretroviral AIDS drug Kaletra. The decision followed negotiations between the Brazilian government and the US-based company, in the course of which Brasilia had threatened to issue a compulsory licence for the manufacture of the drug if an agreement could not be reached.

Both sides claimed to have achieved their aims: Abbott stated that the agreement preserves the company's intellectual property rights, while the Brazilian government's annual expenses on Kaletra will be kept at current levels for the next six years, saving up to USD259 million.

The agreement does not specify a per-capsule price. Instead, the price will depend on the number of patients under Brazil's widely-praised AIDS treatment programme, which is expected to rise from 23,400 today to 60,000 by 2011. The number of AIDS-related deaths in Brazil has fallen by half since the government began free distribution of antiretroviral drugs in 1997, but costs have also risen steeply as more and more people have joined the programme.

The agreement also guarantees access to an improved formulation of Kaletra that Abbott plans to launch in two years, and provides for a process of technology transfer so that Brazil will be able to manufacture the drug in 2015 when Abbott's patent expires.

Under the provisions of the WTO Trade-Related Aspects of Intellectual Property (TRIPS) Agreement, countries have the right to issue compulsory licences in circumstances of a national emergency. Brazil has so far successfully used the threat of such licenses to secure large price cuts for drugs manufactured by Merck, Bristol-Myers Squibb and Roche. However, it is questionable whether developing countries with smaller markets can succeed in forcing down prices with similar tactics.

ICTSD reporting; "Brazil, Abbott Laboratories Reach Agreement On AIDS Drug," DOW JONES NEWSWIRE, 8 July 2005; "Brazil Pact on AIDS Drugs Lauded," ASSOCIATED PRESS, 11 July 2005; "Abbott Lowers Price of Antiretroviral Kaletra in Brazil; Government Drops Threat To Break Patent," MEDICALNEWSTODAY.COM, 12 July 2005.

G8 REACHES DEAL ON CLIMATE CHANGE, BUT WITHOUT BINDING TARGETS

G8 heads of state formally promised to cooperate to promote clean energy and combat climate change at their 6-8 July summit in Gleneagles, Scotland. The communiqué issued at the end of the gathering contained a section on "Climate Change, Energy and Sustainable Development" that recognised climate change as a "serious long-term challenge" that needs to be tackled with urgency and resolve. It declared that climate change is "happening now" and "human activity is contributing to it" -- the latter a point with which the US has been hesitant to agree. The document did not, however, include binding targets and timetables for cuts in greenhouse gas emissions. This reflected US President George W. Bush's insistence that his country would not agree to any obligations of the sort mandated by the Kyoto Protocol, to which it is not a signatory. The seven other G8 countries have ratified the Protocol.

The leaders' statement promotes clean energy as a priority, recognises the UN Framework Convention on Climate Change (UNFCCC) as the appropriate forum for future multilateral negotiations to address climate change, and stresses the need for G8 countries to work with each other and with emerging economies to set the world onto a path towards more sustainable energy use.

Summit host UK Prime Minister Tony Blair claimed the accord on climate change as a victory. Though they acknowledged that Blair had done a great deal to increase awareness of climate change issues, environmental groups expressed disappointment with the agreement. Friends of the Earth International said it "lacks a clear acknowledgement of the urgent need for action and fails to state any significant steps G8 leaders will take to tackle climate change."

For more on the climate change component of the G8 summit, see BRIDGES Trade BioRes, 8 July 2005, <http://www.ictsd.org/biores/05-07-08/story3.htm>.

"Climate change accord meets objectives, claims Blair," FINANCIAL TIMES, 9 July 2005.

WTO IN BRIEF

US AND BRAZIL AGREE TO SUSPEND RETALIATION IN WTO COTTON DISPUTE

On 5 July, the US and Brazil reached an agreement establishing a procedure according to which Brazil will not seek to impose retaliatory duties on US imports to compensate for US cotton subsidies that were found to be illegal by the WTO (see BRIDGES Weekly, 6 July 2005, <http://www.ictsd.org/weekly/05-07-06/story2.htm>). On 30 June and 5 July, the US had announced steps to comply with a WTO ruling in the recent cotton dispute. Brazil had nevertheless issued a statement on 5 July saying it would ask for the right to impose retaliatory measures at a 15 July meeting of the WTO Dispute Settlement Body (DSB), a step required in order for Brazil to maintain its right to retaliate under WTO rules.

According to the terms of the procedural agreement (WT/DS267/22, available at <http://docsonline.wto.org>) circulated to WTO Members on 8 July, Brazil will ask for the right to retaliate on 15 July DSB special session meeting. The US will object to the level of retaliation announced by Brazil, after which they will both request and accept that the matter be referred to arbitration. The parties will then, at the earliest possible time, call for the arbitrators to suspend their work. According to the settlement, Brazil remains entitled to request the establishment of a new WTO panel at any time after 15 July in order to determine whether the steps taken by the US to comply with the original WTO ruling are sufficient.

ICTSD reporting; "Statement of USTR Spokesperson Richard Mills on Procedural Agreement with Brazil Suspending Further Retaliation Proceedings in WTO Cotton Dispute," USTR PRESS RELEASE.

TEXTILES AND CLOTHING REPORT TABLED AT LDC MTG

A new WTO Secretariat report entitled "Options for Least Developed Countries (LDCs) to improve their competitiveness in the textiles and clothing business" was the focus of discussions at an 8 July meeting of the WTO Sub-Committee on LDCs. Drawing from the study, Members examined factors preventing LDCs from benefiting from non-reciprocal trade preference schemes, including restrictive rules of origin as well as poor coverage. Lesotho, in particular, noted the need for 'full-package' preference schemes, such as those they received from the US under the African Growth and Opportunities Act (AGOA), which included training

of officials, technical assistance and other aid to enable LDCs to qualify for the trade preferences.

The report also suggested that LDC exports could be increased by reducing developing-country import tariffs on textile and clothing products, either through non-reciprocal preferences or through regional trade agreements. India and China expressed some reservations about liberalising their textiles and clothing sectors at the WTO. India instead pointed to other initiatives to enhance south-south trade.

Members concluded that LDCs needed targeted supply-side technical assistance to ratchet up their competitiveness. The report suggested that LDCs could make proposals for such technical assistance as it relates to adjustment in the textiles sector under the Integrated Framework (see BRIDGES Weekly, 4 May 2005, <http://www.ictsd.org/weekly/05-05-04/WTOinbrief.htm>).

The report was commissioned by the LDC Sub-Committee earlier this year in response to fears that the end of quotas in global textiles and clothing trade would hurt LDC employment and development prospects (see BRIDGES Weekly, 26 January 2005, <http://www.ictsd.org/weekly/05-01-26/story4.htm>). Members agreed to continue discussions on the 167-page report at the Committee's next meeting on 29 September.

The report can be accessed at <http://docsonline.wto.org/DDFDocuments/t/wt/comtd/ldc w37.doc>.

ICTSD reporting.

EVENTS & RESOURCES

VACANCIES

The Center for International Environmental Law (CIEL) is looking to hire a Law Fellow for its Intellectual Property and Sustainable Development Project. The Law Fellow would be based in Geneva, Switzerland, and perform diverse activities and tasks, including conducting research on intellectual property-related issues and subjects; helping to prepare various substantive and programmatic documents, including background notes, commissioning briefs, work plans, and funding reports; contributing to the design, organisation, and conducting of meetings and events; liaising with different stakeholders in the intellectual

property and sustainable development debate; and providing support for project activities. The application deadline is 20 August 2005. For more information, please see http://www.ciel.org/Join/LawFellow_Position_12Jul05.html.

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: 14 - 20 July

18-20 July, Dakar, Senegal: **FOURTH AFRICAN GROWTH AND OPPORTUNITY ACT (AGOA) FORUM**. This event will bring together governments of the US and the thirty-seven AGOA-eligible countries, as well as representatives from the private sector and civil society to discuss how AGOA can continue to be a vehicle to increase trade and investment between the United States and sub-Saharan Africa. Further information available at <http://www.agoaforum.org>.

18-21 July, Bangkok, Thailand: **WORKSHOP ON THE SETTLEMENT OF INVESTMENT DISPUTES**. This workshop offers a general and up-to-date review of International Center for Settlement of Investment Disputes (ICSID) dispute settlement procedures. For further information contact Chitra Radhakishun, tel: (+41) 22 917 56 95; fax: (+ 41) 22 917 0247; email: chitra.radhakishun@unctad.org; Internet: <http://www.unctad.org/Templates/meeting.asp?intltemlD=1917&lang=1&m=10562>.

18-22 July, Hammamet, Tunisia: **FIRST MEETING OF THE CONTACT GROUP FOR THE DRAFTING OF THE STANDARD MATERIAL TRANSFER AGREEMENT**. This meeting will build upon the work of an earlier expert group to outline the contract that will set the minimum standards for access to plant genetic resources for food and agriculture (PGRFA) for the 64 crops covered by the UN Food and Agriculture Organisation's International Treaty on PGRFA. For further information contact José Esquinas-Alcázar, tel: (+39 06) 570 54986; fax: 570 53057; email: Jose.Esquinas@fao.org; Internet: <http://www.fao.org/ag/cgrfa/cgmta1.htm>.

19-22 July, Geneva, Switzerland: **JOINT INTEGRATED TECHNICAL ASSISTANCE PROGRAMME (JITAP) HIGH-LEVEL WORKSHOP OF THE INTER-INSTITUTIONAL COMMITTEES IN PREPARATION FOR THE 6TH WTO MINISTERIAL CONFERENCE IN**

HONG KONG. The objective of this workshop is to assist the Inter Institutional Committees in the JITAP beneficiary countries in their preparation for the Hong Kong WTO Ministerial Conference. For further information contact Aime Murigande, email: aime.murigande@unctad.org; Internet: <http://www.unctad.org/Templates/Meeting.asp?intltemlD=2068&lang=1&m=10582&year=2005&month=7>.

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.

15 July: DISPUTE SETTLEMENT BODY

15 July: COUNCIL FOR TRADE IN GOODS

15 July: DISPUTE SETTLEMENT BODY - SPECIAL SESSION

18 July: SUB-COMMITTEE ON COTTON

18 - 22 July: NEGOTIATING GROUP ON MARKET ACCESS

19 July: COMMITTEE ON BALANCE-OF-PAYMENTS

20 July: DISPUTE SETTLEMENT BODY

Other Upcoming Events

4-5 August, Bangkok, Thailand: **APEC WORKSHOP ON SUPPLY CHAIN MANAGEMENT OF AGRICULTURAL PRODUCTS FOR BETTER MARKET ACCESS BY SMEs**. This event is being hosted by the Asia-Pacific Economic Cooperation. For further information contact APEC Secretariat, tel: (+65) 6775 6012; fax: (+65) 6775 6013, email: info@apec.org; Internet: www.apec.org.

10-13 August, Kottayam, India: **INTERNATIONAL CONFERENCE ON SCIENCE AND TECHNOLOGY FOR SUSTAINABLE DEVELOPMENT**. Organised by St Berchmans College at Mahatma Gandhi University, this conference will be a forum for meaningful exchange of views and formulation of new ideas for interdisciplinary, multicultural, and multicriteria-based evaluation of the challenges of globalisation. For further information contact the General Coordinator, tel: (+91

481) 242-0025; fax: 240-1472; email:
 mail@conferencesbc.org; Internet:
<http://www.conferencesbc.org>.

RESOURCES

ASSESSING THE CAUSES OF SUB-SAHARAN AFRICA'S DECLINING EXPORTS AND ADDRESSING SUPPLY-SIDE CONSTRAINTS. By Calvin Manduna. Trade Law Center for Southern Africa (TRALAC), May 2005. This paper argues that unfair market access and the market-distorting effect of developed country subsidies are not the only challenges facing sub-Saharan African (SSA) countries. Perhaps an even more significant issue is that of overcoming supply-side constraints and building competitive capacity within the private sector. It compares the situation of Africa with that of Asia, which has experienced significant growth in its share of world exports. The paper attributes Africa's poor performance to the structure of international trade, the composition of sub-Saharan trade, low productivity resulting from poor governance, poor trade and economic policies pursued by SSA countries, market access constraints, and low demand for key SSA exports such as primary commodities. Available online at http://www.tralac.org/pdf/tralac_WP2.2005_Assessing_the_Causes.pdf.

ILLEGAL LOGGING. By Duncan Brack. Chatham House, June 2005. Illegal logging and the international trade in illegally-logged timber is a major problem for many timber-producing countries in the developing world. It causes environmental damage, costs governments billions of dollars in lost revenue, promotes corruption, undermines the rule of law and good governance and funds armed conflict. It retards sustainable development in some of the poorest countries of the world. This briefing paper examines initiatives to tackle the problem undertaken by timber-consuming countries, as well as international efforts such as the G8 Action Programme on Forests. Available online at http://www.illegal-logging.info/papers/SDP_BP_05_02_Revised.pdf.

GOVERNANCE FOR SUSTAINABLE DEVELOPMENT: A FOUNDATION FOR THE FUTURE. Edited by Georgina Ayre and Rosalie Callway. Earthscan, 2005. Good governance was identified at the World Summit on Sustainable Development as a critical factor for ensuring successful sustainable development. This book builds on the briefing papers which were presented at the Summit, taking further the discussions of the WEHAB agenda (Water, Energy, Health, Agriculture, and Biodiversity). It examines the role and reform of global governance institutions and processes, seeking to critically assess

the way in which we manage our interaction with the natural environment.

THE ECONOMICS OF FAILURE: THE REAL COST OF 'FREE' TRADE FOR POOR COUNTRIES. By Christian Aid, June 2005. This briefing paper argues that in real terms, the aid received by Africa has simply offset losses sustained as a result of the trade conditions attached to aid packages. It argues that these losses dwarf the USD 40 billion worth of debt relief agreed at a recent meeting of G7 finance ministers. The paper uses data from econometric studies to demonstrate the negative effects of trade liberalisation, and to show what might have happened had trade not been liberalised. Based on this evidence, it argues that African countries would be richer today if they had not been forced to open up their economies. Available online at <http://www.christianaid.org.uk/indepth/506liberalisation/Economics%20of%20failure.pdf>.

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BRIDGES Weekly Trade News Digest® is published by the International Centre for Trade and Sustainable Development (ICTSD), <http://www.ictsd.org/>.

Contributors to this issue of **BRIDGES Weekly Trade News Digest**® are Yvonne Apea, Heike Baumeuller, Trineesh Biswas, Sarah Mohan, Paul Quinlan, Malena Sell, Knirre Sogaard, and Andrew Stevenson. Editor: Trineesh Biswas, bridges_weekly@ictsd.ch. Director: Ricardo Meléndez-Ortiz, rmelendez@ictsd.ch. ICTSD is an independent, not-for-profit organisation based at: 7, ch. de Balexert, 1219 Geneva, Switzerland, tel: (41-22) 917-8492; fax: 917-8093. Excerpts from **BRIDGES Weekly Trade News Digest**® may be used in other publications with appropriate citation. Comments and suggestions are welcomed and should be directed to the Editor or the Director.

BRIDGES Weekly Trade News Digest is made possible in 2001 - 2004 through the generous support of the Government of the United Kingdom (DFID). Additional support is provided by ICTSD's core donors: the Governments of Finland, Denmark, the Netherlands and Sweden; Christian Aid (UK), MISEREOR, NOVIB (NL), Oxfam (UK) and the Swiss Coalition of Development Organisations (Switzerland). The **Weekly** also benefits from support for the **BRIDGES** series of publications including: the Rockefeller Foundation, the John D. and Catherine T. MacArthur Foundation and Swiss Development Cooperation. ISSN 1563-0

