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LEAD STORIES

AG SUBSIDIES ON NEGOTIATING TABLE; HAGGLING UNDERWAY	1
US, EU DIVIDED ON AGRICULTURAL MARKET ACCESS	3
BRAZIL ASKS FOR CROSS-RETALIATION UNDER TRIPS, GATS IN COTTON DISPUTE WITH US	5

OTHER NEWS

TRADE FACILITATION: SOME DIVERGENCE ON TECHNICAL ASSISTANCE, SCOPE AND EXTENT OF COMMITMENTS	6
ASEAN SUMMIT DRAWS ATTENTION TO SLOW PACE OF REGIONAL TRADE LIBERALISATION	7

IN BRIEF

AREA AROUND HONG KONG WTO MINISTERIAL CONFERENCE ORDERED CLOSED TO PUBLIC	8
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WTO IN BRIEF

SIDESTEPPING HONG KONG, GMO RULING DELAYED UNTIL JANUARY 2006	9
LDCS, AFRICANS ASK FOR MORE TIME TO REVISE S&D PROPOSALS	9
EU LINKS PROGRESS ON AG TO DEEP NAMA TARIFF	10
CTD ADOPTS TECHNICAL ASSISTANCE PLAN, EXAMINES OVERALL NEGOTIATIONS	10
MEMBERS RENEW DOHA MANDATE ON TRADE, DEBT, AND FINANCE	11

EVENTS & RESOURCES

EVENTS	11
RESOURCES	12

LEAD STORIES

AG SUBSIDIES ON NEGOTIATING TABLE; HAGGLING UNDERWAY

Back-and-forth number-based negotiations are well and truly underway in the WTO agriculture talks, with the US and the EU making offers and counter-offers for cuts to subsidies and tariffs, first at a 10 October 'mini-ministerial' meeting in Zurich and then in a series of meetings in Geneva.

Ministers from the 'five interested parties' (FIPS: the EU, the US, Brazil, India, and Australia) met for discussions on 12 October. Later that day, the Group of 20 developing countries (G-20) announced that they had agreed on a proposal of their own for subsidy and tariff reduction.

While the EU and the US appear to be inching towards each other in their proposals on domestic subsidies, they remain sharply divided on the depth of tariff cuts that they are willing to accept (see related article, this issue). Although the meetings did not lead to any real agreement, ministers said they would reconvene in Geneva next week.

US, EU, G-20 put forward plans for subsidy reduction

In Zurich, the US tabled a new negotiating proposal covering all three pillars of the agriculture negotiations (domestic support, market access and export competition), calling for the complete elimination of trade-distorting agricultural policies over a fifteen-year period. The initial period of five years would see significant reductions in domestic support and tariffs. Export subsidies would be eliminated by 2010. After the first five years, Members would have another five years to review the effects of the reductions undertaken. They would then completely phase out remaining tariffs and trade-distorting domestic support during the final five-year phase.

The key feature of the offer was the US' newfound willingness to reduce the bulk of its trade-distorting domestic support -- the total 'aggregate measure of support' (AMS), or the Amber Box -- by 60 percent over

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the first five-year period, so long as the EU and Japan reduce theirs by 83 percent.

The proposal would also require reductions to the two other smaller categories of trade-distorting subsidies that are not banned under WTO rules: it would halve 'de minimis' support -- the maximum level of exempted trade-distorting subsidisation -- to 2.5 percent of the value of total farm production in developed countries, and set an identical cap for Blue Box (partially decoupled) support.

Taken together, these cuts would slash the US' allowed level of overall trade-distorting domestic support by 53 percent. The US says that it is prepared to implement this -- if the EU agrees to a 75 percent cut in its own overall ceiling for trade-distorting subsidies.

In response to the US' demand in Zurich that it reduce Amber Box subsidies by 80 percent, the EU offered to do so by 70 percent, up from an earlier offer of 65 percent, contingent on "proportionate reductions" by the US and Japan. It also proposed a 65 percent cut to developed countries' allowance for de minimis support. The EU demanded clearer limits and definitions for Blue Box support, in order to curtail the US' controversial counter-cyclical payments, which cushion farmers from downward turns in world market prices.

Other major subsidiser Japan found the US proposal excessive. Japanese Minister of Agriculture, Forestry and Fisheries Mineichi Iwanaga said that the US' demands of the EU and Japan were "out of balance with the level of reduction the US itself is ready to make." Canada and Australia, however, welcomed the US initiative.

The G-20, contrary to Japan, felt that the US offer did not go far enough. Brazilian Foreign Minister Celso Amorim and Indian Commerce Minister Kamal Nath suggested that it did not do enough to cut actual payments, as opposed to merely lowering ceiling levels. Amorim also rejected the proposal's suggestion that Members in compliance with their subsidy reduction commitments should be protected by a renewed 'peace clause' that would bar countries from taking each others' farm subsidies to WTO dispute settlement.

The G-20's 12 October proposal would classify ceilings for overall trade-distorting domestic support by developed countries into three bands of under USD 10 billion, USD 10-60 billion, and over USD 60 billion, slating them for cuts of 70, 75, and 80 percent respectively. This would have the EU lower its ceiling for the sum of Amber Box, Blue Box, and de minimis support by 80 percent, while the US would do so by 75 percent. It is not clear into which of the top two bands Japan would fall.

Notably, the G-20's new proposal on market access suggests that developing countries should have recourse to remedial action (which could potentially take the shape of anti-dumping or countervailing measures) against subsidised imports from developed countries. It does not, however, provide specifics for how such a mechanism might work.

Deep percentage cuts necessary to reduce actual spending

WTO negotiations deal with cuts to the ceiling level for subsidisation rather than the actual amounts governments pay out. The large gap between the two, 'water' in WTO parlance, means that even deep percentage cuts to domestic support might lead to very little in the way of reduced subsidy expenditures, perhaps none at all.

Indeed, World Bank economists Kym Anderson and Will Martin project that, based on 2001 subsidy levels, a 75 percent reduction in Amber Box support levels would require the US to cut actual subsidies by 28 percent, and the EU to do so by 18 percent. They suggest that the EU's post-2001 subsidy reform might even allow them to meet that target without further changes (see BRIDGES Monthly, June/July 2005, pp. 3, <http://www.ictsd.org/monthly/bridges/BRIDGES9-6-7.pdf>). Civil society groups including Oxfam made similar points when slamming the US proposal for requiring negligible reductions in the sums paid out through its farm support programmes.

US Trade Representative Robert Portman rejected the charge that the US proposal would do no more than cut 'water,' telling the press in Geneva on 12 October that a 60 percent cut in Amber Box spending limits would bring the US' ceiling down from USD 19.1 billion to USD 7.6 billion. This, he continued, would represent a "46 percent cut in muscle and bone" from the USD 14 billion in the US' most recent notification to the WTO, and an even steeper reduction from the USD 17 billion that he said the country was actually spending on such support. "We are cutting from applied rates here, we are cutting into our programs."

However, Argentine Secretary of Trade and International Economic Relations Alfredo Chiaradia had earlier suggested that the US proposal would allow Washington to spend USD 23 billion on overall trade-distorting domestic support (Blue Box and de minimis support in addition to the Amber Box) -- USD 2 billion higher than the total levels it notified to the WTO in 2001.

The seemingly conflicting projections for the magnitude of actual subsidy cuts stems in part from a lack of

reliable data on Members' subsidies. The US has not notified its expenditures to the WTO since 2001 -- a year before the passage of the 2002 Farm Bill, which instituted the counter-cyclical payments. The other large subsidisers are also lagging behind with their notifications.

Some fear that the US and the EU will be able to simply reclassify their subsidies in order to shield them from steep reduction commitments, thus avoiding substantial cuts to current expenditures.

US, EU face domestic resistance to subsidy reform

EU efforts to cut subsidies are facing increasingly vocal opposition from member states. Agriculture ministers from thirteen EU member states sent a letter of protest to Agriculture Commissioner Mariann Boel Fischer on 7 October, saying that while the EU already had made substantial reforms to its domestic support and offered to phase out export subsidies, other countries had done little to match these efforts.

The US, too, is facing domestic resistance to its proposed subsidy reduction package. Senate Agriculture Committee Chair Saxby Chambliss and House Agriculture Committee Chair Bob Goodlatte criticised the proposal, insisting that any reforms should be homegrown rather than driven by WTO policy, should keep farmers' safety-net intact, and should be contingent on the expansion of market access in the round.

The next official 'agriculture week' is set to begin on 17 October, and ministerial-level talks are expected to take place in Geneva. The General Council is scheduled to meet on 19-20 October.

ICTSD reporting; "U.S. Proposal for Bold Reform in Global Agriculture Trade," US TRADE REPRESENTATIVE FACT SHEET, 10 October 2005; "Key trade ministers end farm meet, no breakthrough," REUTERS, 12 October 2005; "Developing countries say they will ask U.S., EU to make deeper cuts in farm aid," ASSOCIATED PRESS, 11 October 2005; "WTO Talks Might Flop, Says Minister," EAST AFRICAN STANDARD, 12 October 2005; "Press Release," US MISSION TO THE WTO, 12 October 2005; "G-20 Urges More U.S. Farm Subsidy Cuts; U.S. Wants Better Market Access Proposals," WTO REPORTER, 12 October 2005; "France says EU has already done its part to cut farm subsidies," FORBES, 10 October 2005; "Oxfam: US farm subsidies offer 'smoke and mirrors'," PRESS RELEASE, 10 October 2005.

US, EU DIVIDED ON AGRICULTURAL MARKET ACCESS

The US and the EU are sharply divided on the extent to which they want farm tariffs reduced in the Doha Round WTO negotiations, following three days of high-level meetings in Zurich and Geneva that saw the two economic heavyweights exchange new and revised proposals on agricultural market access.

The G-20 added to the discussions on 12 October, when it agreed on a market access proposal that provided for significantly different treatment for developed and developing countries.

The G-10 countries, which heavily protect their agriculture sectors, put forward a proposal that rejects maximum levels for tariffs, so called tariff caps.

US tables formula in Zurich; cuts too high for EU's comfort

US trade officials have insisted that in order to agree to "substantial" reductions in domestic support, they would have to see a marked expansion of market access for farm products. The EU and the US have been discussing 'scenarios' for tariff reduction in recent weeks, all of them based on a tiered formula that would require steeper cuts to tariffs classified in higher bands (see BRIDGES Weekly, 5 October 2005, <http://www.ictsd.org/weekly/05-10-05/story1.htm>).

At a 10 October 'mini-ministerial' meeting in Zurich, the US tabled a formula that established four identical bands for developing and developed countries -- below 20 percent, 20-40 percent, 40-60 percent, and above 60 percent. It would have tariff cuts rise progressively through each band, with developed countries making reductions of 55-65, 65-75, 75-85, and 85-90 percent respectively within the four bands. The US did not specify the depth of tariff cuts it would seek from developing countries, but said that they would only be "slightly" lower than those undertaken by developed countries. It also suggested capping developed country tariffs at 75 percent and limiting the number of 'sensitive products' that Members can designate for relatively low tariff reductions to one percent of dutiable tariff lines.

The EU responded at an 11 October informal meeting in Geneva, with an offer to give up its demand for "pivots" that would have provided Members a measure of flexibility in cutting tariffs on particular products within each band (see BRIDGES Weekly, 28 September 2005, <http://www.ictsd.org/weekly/05-09-28/story1.htm>). Its proposal would cut tariffs on products in the lowest band by 20 percent, rising to 50 percent for tariffs above 90 percent. However, although the EU signaled

that it was willing to lower its number of sensitive products from ten to eight percent of tariff lines, the 160 products that this would cover remained far higher than the one percent figure put forward by the US. A 10 October memo circulated to ministers in Zurich indicated that the EU accepts the G-20's proposed farm tariff caps of 100 percent for developed countries and 150 percent for developing ones.

US Trade Representative Robert Portman dismissed the EU proposal, arguing that it did not do enough to cut tariffs. Stressing the importance of market access to Hong Kong and the Doha Round, he alleged that the EU's approach would lower its tariffs by an average level of 24.5 percent, saying "I don't think anybody considers that adequate." Australian Trade Minister Mark Vaile also challenged the EU to come up with a more ambitious market access proposal.

On the same day, EU Trade Commissioner Peter Mandelson told journalists that he would consult with member state governments in order to produce a new proposal on tariff reduction next week. He has stressed that the EU wants large developing countries such as Brazil, China, and India to open their markets to non-farm exports, saying that without it "no outcome on agriculture or other parts of our negotiation" is possible.

Indian Commerce Minister Kamal Nath told the Financial Times on 9 October that the US and the EU were "offering postdated cheques on subsidies but asking for cash up front on [industrial] market access." Nath expressed opposition to the US proposal for progressively higher tariffs within each band, arguing that it was tantamount to the harmonising Swiss formula approach that Members had already rejected.

G-20 proposal

The G-20's market access proposal of 12 October is substantially different in structure, calling for an average minimum tariff reduction of 54 percent in developed countries and an average maximum tariff cut of 36 percent in developing countries. To accomplish this, the G-20 proposes establishing different sets of tiers for developing and developed countries, coupled with higher tariff cuts for the latter. It would have developing countries make cuts of 25, 30, 35, and 40 percent in respective bands of under 30 percent, 30-80 percent, 80-130 percent, and over 130 percent. In their tiers of under 20 percent, 20-50 percent, 50-75 percent, and over 75 percent, developed countries would be required to make higher cuts of 45, 55, 65, and 75 percent respectively.

The G-20 proposal says that the different thresholds and tariff reductions are necessary in order to ensure that developing countries do not end up with a

disproportionate burden of commitments. However, a developed country trade negotiator, when asked to comment on the paper, expressed disappointment with its proposed level of access to developing country markets.

Tariff caps -- present in the US, EU, and G-20 proposals -- are anathema to the G-10 countries, which reject "the notion of capping agricultural tariffs" in their proposal. The G-10, which includes Switzerland, Japan, Norway, and Korea, does not put forward specific percentages for tariff cuts, but proposes a 'credit'-based model that could potentially grant countries a significant measure of flexibility for cuts within each tariff band in exchange for a slightly higher average tariff reduction.

G-33 calls attention to developing country issues

Following the Zurich meeting, Kenyan Trade and Industry minister Mukhisa Kituyi called for more attention to developing country issues, warning that "The [Hong Kong] meeting runs the risk of failure unless the developed world stops treating developing countries' concerns as an afterthought."

The G-33 group of developing countries, which support allowing developing countries to designate 'Special Products' (SPs) for low tariff cuts based on food security, livelihood security and rural development criteria, expressed their deep disappointment with the negotiations "both in terms of substance and process." The group, which also supports the creation of a 'Special Safeguard Mechanism' (SSM) to help developing countries protect themselves from import surges, called for a more inclusive process that would fully reflect special and differential treatment (S&D) in the talks. Regarding the market access formula, the G-33 said the different tariff structures of developed and developing countries need to be taken into account, and that tariff thresholds for developed and developed countries must be set at different levels. It also called for proportionality in the commitments undertaken by developing and developed countries.

In its market access proposal, the G-20 reiterated its commitment to both SPs and the SSM as a form of S&D for developing countries.

A number of issues flagged by the G-20 and G-33 are likely to see further discussion in the near future. The G-20's market access paper said the group would submit proposals on topics including remedial action developing countries could take against subsidised imports from developed countries, tariff escalation, and tropical products. The G-33 is set to table an illustrative proposal on indicators for food security, livelihood security and rural development, the three criteria on which SPs would be based. According to the group, the

proposal will provide guidelines for developing countries in their national processes for selecting SPs, as the three criteria have to be considered in the context of differing conditions across countries and even regions within them.

ICTSD will provide an updated report on the agriculture negotiations in the next issue of BRIDGES Weekly.

ICTSD reporting; "U.S. Proposal for Bold Reform in Global Agriculture Trade," US TRADE REPRESENTATIVE FACT SHEET, 10 October 2005; "Key trade ministers end farm meet, no breakthrough," REUTERS, 12 October 2005; "Developing countries say they will ask U.S., EU to make deeper cuts in farm aid," ASSOCIATED PRESS, 11 October 2005; "WTO Talks Might Flop, Says Minister," EAST AFRICAN STANDARD, 12 October 2005; "Press Release," US MISSION TO THE WTO, 12 October 2005; "G-20 Urges More U.S. Farm Subsidy Cuts; U.S. Wants Better Market Access Proposals," WTO REPORTER, 12 October 2005; "France says EU has already done its part to cut farm subsidies," FORBES, 10 October 2005; "Oxfam: US farm subsidies offer 'smoke and mirrors'," PRESS RELEASE, 10 October 2005; "EU offers counter-bid on farm trade," FINANCIAL TIMES, 10 October 2005; "Kamal Nath Rejects New US, EU Agri Market Access Proposals - Protects India's Agri Concerns In WTO," GOVERNMENT OF INDIA PRESS INFORMATION BUREAU PRESS RELEASE, 12 October 2005; "India rejects US, EU offers for farm tariff reduction," 13 October 2005.

BRAZIL ASKS FOR CROSS-RETALIATION UNDER TRIPS, GATS IN COTTON DISPUTE WITH US

Alleging that the US has missed the 21 September deadline to comply with a March WTO ruling on its cotton subsidy programme, Brazil has formally requested the right to retaliate against US patents, copyrights, and services providers. On 6 October, Brazil asked the WTO Dispute Settlement Body (DSB) for permission to suspend obligations under WTO rules on services and intellectual property rights. Members will discuss Brazil's request to impose USD 1.037 billion worth of sanctions at a DSB meeting scheduled for 18 October.

It is likely that the US will contest the type of retaliation or the level of sanctions that Brazil is seeking. This would force the issue to arbitration, in which case either the panel that first ruled on the dispute or an arbitrator appointed by the WTO Director-General would determine whether Brazil's demands are appropriate.

Meanwhile, at a 6 October press conference, US Deputy Secretary of State and former trade chief Robert Zoellick hinted that retaliation might cause Brazil to lose its preferential access to the US market under the Generalised System of Preferences.

On 3 March, the WTO Appellate Body upheld a previous panel ruling that US cotton subsidies were in violation of WTO rules on agriculture and subsidies (see BRIDGES Weekly, 9 March 2005 <http://www.ictsd.org/weekly/05-03-09/story1.htm>).

Brazil: Retaliation under GATT not practical

Prior to applying trade sanctions, Members seeking to induce a country to meet its WTO obligations must seek authorisation to retaliate against it from the DSB. Such sanctions generally take the form of tariff surcharges on imports from the offending country. Standard retaliation occurs against items that come within the remit of the violated agreement; where possible, against products within the sector that is the subject of the dispute.

'Cross-retaliation' is the term given to retaliatory measures applied under WTO agreements different from the ones being violated. According to WTO rules, Members may be granted permission to cross-retaliate when it is not "practicable" or "effective" for them to impose penalties under the violated agreement. Whether this is indeed the case depends on the likely effects of retaliating against the same sector in the same agreement -- for example, in this case, retaliating under the General Agreement on Tariffs and Trade, or the GATT, which governs trade in agricultural and non-agricultural products.

In principle, since it is retaliating against the effects of US cotton subsidies, Brazil should thus first retaliate by imposing higher tariffs on agricultural or non-agricultural products, which are counted as a single sector under the GATT. Brazil, however, has argued that imposing additional duties worth the entire USD 1.037 billion on goods imported from the US would be harmful and place the country at a competitive disadvantage by increasing the cost of inputs and capital goods. It argued that such import duties would hurt Brazil more than the much larger US economy, in addition to impeding its efforts to curb inflation. Brazilian imports from the US amounted to USD 11.3 billion in 2004.

Brazil is therefore seeking to suspend concessions under two other sets of WTO rules: the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS) and the General Agreement on Trade in Services (GATS). This would enable it to target US intellectual property such as patents, copyrights, trademarks, industrial designs, and the protection of undisclosed information. Brazil also proposes to make

up for damages it has suffered by denying access to US enterprises in the business, communication, construction, distribution, financial, tourism, and transport services sectors. It has, however, reserved the right to seek retaliation against US goods exports as well.

If granted permission to cross-retaliate, Brazil would, for example, have the right to suspend the effects of US patents, which would clear the way for companies in Brazil to make generic copies of medicines. Cross retaliation would also give Brazil much greater leverage in forcing the US to bring its cotton subsidies into compliance with WTO rules.

Most experts on the WTO dispute settlement system agree that retaliation in the same sector or under the same agreement is not effective between economies of vastly different sizes: the larger country might hardly feel the pain of lost exports, while the smaller one might cause serious harm to its own economy if it increases the cost of imports from the offending Member. Cross-retaliation provides a tool in such cases for smaller economies to induce compliance by larger ones.

If Brazil receives the right to cross-retaliate and actually does so, it would become the first country in WTO history to impose such measures. In 2000, a WTO dispute arbitrator granted Ecuador permission to impose cross-retaliatory sanctions worth USD 200 million against the EU for the latter's failure to comply with a WTO ruling against its banana import regime. However, Ecuador chose not to avail itself of this right to retaliate.

ICTSD reporting; "Brazil Requests \$1.04 Billion in Sanctions Over U.S. Cotton Aid," BRAZIL BLOOMBERG, 6 October 2005.

OTHER NEWS

TRADE FACILITATION: SOME DIVERGENCE ON TECHNICAL ASSISTANCE, SCOPE AND EXTENT OF COMMITMENTS

At a 5-6 October informal session, the WTO Negotiating Group on Trade Facilitation discussed the content of a possible report that it could submit to the December Ministerial Conference in Hong Kong. Exchanges at the meeting were described as being more opinionated than in the past, with the scope and extent of commitments emerging as potential points of disagreement.

Japan called on Members to take a 'text-based' approach to the report, which could, after receiving ministerial input in Hong Kong, serve as the basis for future negotiations.

Members consider new submissions

Delegations dedicated the first part of the meeting to discussing new submissions. Norway, New Zealand and Switzerland made a submission (TN/TF/W/67) on the need to simplify and standardise trade documentation, though they acknowledged that the WTO might not be the most competent body in which to develop a standard format. The EU warned that some Members would require flexibility and a transition period in order to comply. Brazil added that some would need technical assistance in order to do so.

Australia (TN/TF/W/66) elaborated on an earlier paper outlining principles for 'advance rulings,' i.e., binding rulings that customs agencies can issue in advance to traders in connection to the planned importation of goods, relating to issues such as tariff classification, valuation, origin or eligibility for preference. Several countries including India said that the concept was difficult to apply and pointed to the potential expense for developing countries.

Hong Kong report: "The devil is in the details"

During the second part of the meeting, Members reviewed the Secretariat's compilation (TN/TF/W/43 Rev3) of the different proposals Members have made thus far. The Secretariat also circulated an informal room document (JOB OS/222) containing the questions and answers about these proposals that Members had submitted. Chair Ambassador Muhammad Yacob Noor (Malaysia) urged Members to come forward with their views, since their input would determine the substance and general shape of the Hong Kong report.

Members expressed objections to the proposals similar to those voiced in earlier meetings, arguing that some of the proposed disciplines would fall afoul of existing domestic law. India, for instance, said that a requirement to consult with business before introducing new trade-related legislation would tread on territory normally reserved for parliament, though it admitted that this would not be an issue with regard to non-legislative decisions. Others suggested that issues such as corruption among customs officials were outside the purview of the WTO.

Many delegations expressed concerns about the technical feasibility and cost of the proposals, particularly those on the publication of information, simplification of customs procedures and expedited clearance. Tanzania reportedly pointed out that some

countries relied more than others on customs duties for fiscal revenue and thus could not agree to a binding agreement to set minimum charges. With regard to transit, India called for 'balance' among the concerns of transit operators and transit-providing countries. Bolivia, a land-locked country, stressed that this balance was missing at present.

In the words of one trade source, the discussions made it clear that the 'devil is in the details.'

Differences over scope, extent of commitments; technical assistance

A developing country trade negotiator expressed the private view that for any report to emerge in time for Hong Kong, Members would have to agree on the pace and scope of the negotiations, the extent of potential commitments, and the provision of technical assistance.

Some countries would like greater clarity by Hong Kong about which issues would finally be subject to negotiations, as well as the potential extent of commitments. On the other hand, other delegations seem to be more in favour of a report that reflects different countries' positions on various issues, leaving the 'scope' and 'extent of commitment' flexible. Proponents of the former approach argue that a firmer decision on scope now would reduce future uncertainty about what would end up in an eventual agreement.

The negotiator expressed the desire for 'greater clarity' from developed countries about how, to whom, how much, and what sort of assistance would be provided before agreeing to binding commitments. In contrast, he said, many developed countries seem to want to see some sort of concrete commitments before providing details about technical assistance. This dilemma would need to be resolved before Members can agree on any Hong Kong report.

The next formal meeting of the Negotiating Group on Trade Facilitation is scheduled for 8-9 November. Trade sources indicate that informal meetings will be held before then, with one expected next week.

ICTSD reporting.

ASEAN SUMMIT DRAWS ATTENTION TO SLOW PACE OF REGIONAL TRADE LIBERALISATION

Economic ministers from the ten members of the Association of Southeast Asian Nations (ASEAN) concluded their recent meeting with a message that rang overwhelmingly clear: economic liberalisation

within ASEAN must proceed at a faster pace if the economic bloc hopes to compete with regional powerhouses China and India. Ministers at the proceedings, held in the Lao PDR capital of Vientiane, managed to move forward on removing impediments to trade amongst themselves and expanding regional commercial linkages. However, some analysts criticised the moves as insufficient. Progress in ASEAN's ongoing free trade talks with Australia, New Zealand, Japan, Korea and India was also mixed.

ASEAN fails to clinch deal on new internal trade facilitation measure

The ASEAN free trade agreement (AFTA), signed in 1992, aimed to strengthen the region's status as an export-oriented production base and destination for foreign investment by eliminating tariff and non-tariff barriers to trade among members. Tariffs are to be supposed to be cut to 5 percent among the six richer ASEAN countries -- Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand -- by 2007. Vietnam, Laos, Myanmar, and Cambodia are to be afforded longer transition periods.

The 28-30 September meeting in Vientiane set the groundwork for establishing an ASEAN 'single window' (ASW), a customs initiative intended to expedite imports by electronically processing trade documents among the bloc's members. Participants also advanced talks on establishing a small and medium enterprise fund aimed at bolstering sectors such as electronics, textiles and the automotive industry.

However, neither initiative was actually implemented at the summit, adding credence to assertions that ASEAN is not initiating change quickly enough. At the group's annual summit last year, ministers tackled tariffs on 11 categories of goods but were unable to make progress on key tariff and non-tariff barriers. In spite of AFTA, trade among ASEAN states has grown at a rate similar to their trade with the rest of the world. In fact, it has been considerably outpaced by their trade with China.

ASEAN losing international clout?

This latest ASEAN meeting was notable for the absence of trade ministers from important trading partners, which some media sources interpreted as a sign that the bloc is losing clout in international trade circles. Trade ministers from Japan, China, India and New Zealand decided to bypass the meeting -- mainly citing domestic responsibilities -- and send their deputies instead. Their absence recalled US Secretary of State Condoleezza Rice's decision to skip an important ASEAN summit in July of this year.

Unlike organisations such as the EU, ASEAN has consistently rejected the notion of establishing a supra-national governmental structure. Nonetheless, a lack of meaningful institutional support may be hampering the bloc's ability to achieve its stated goals -- for instance AFTA, which has often been panned as a paper tiger for its lack of enforcement mechanisms.

ASEAN looking elsewhere

A potential trade alliance joining ASEAN with China, Japan and South Korea -- dubbed "ASEAN+3" -- has elicited more attention of late than trade within ASEAN itself. ASEAN+3 has seen limited progress since late 2004, when ASEAN followed up a tariff-cutting agreement with China by announcing plans for large-scale trade liberalisation measures with Japan and India (see BRIDGES Weekly, 1 December 2004, <http://www.ictsd.org/weekly/04-12-01/story4.htm>).

ASEAN's recent FTA negotiations with Korea have been positive. In early September, the two parties announced "significant progress." However, little emerged on the talks from the meeting in Vientiane.

Talks with Japan have been at a protracted standstill over rules of origin. Japanese Trade Minister Shoichi Nakagawa's absence in Vientiane was seen as particularly problematic for the Japan-ASEAN negotiations by observers who had been hoping for progress at the summit.

China-ASEAN free trade, in contrast, is progressing steadily. A framework agreement to cut tariffs in stages was established and signed in 2002 and already thousands of tariffs on industrial goods have been dismantled (see Bridges Weekly, 6 July 2004, <http://www.ictsd.org/weekly/05-07-06/inbrief.htm>). Plans are currently underway to cut tariffs on as many as 7000 agricultural products.

Free trade talks with India have been in the works since 2003. While negotiations have tended to be sluggish but stable, the FTA suffered a setback at the Vientiane meeting when the date of implementation had to be pushed back from 1 January 2006 to 1 January 2007.

ASEAN is in the process of negotiating still more FTAs, such as that with Australia and New Zealand which was initially proposed in February 2005 (see BRIDGES Weekly, 23 February 2005, <http://www.ictsd.org/weekly/05-02-23/inbrief.htm>).

Progress was made on the issue in Vientiane and the Australian government has pegged 2007 as the target for implementation. Australia regards the FTA as essential to the country's trade future in the region. "It's very, very important that we [remove trade barriers], in

a world that is changing dramatically in terms of trade," said Australian Trade Minister Mark Vaile.

With ASEAN's internal and external liberalisation processes looking uncertain, some of the bloc's members have also started to pursue FTAs bilaterally with other countries. Malaysia and Japan have been negotiating an accord since 2003, and Thailand is looking to conclude a comprehensive FTA with the US by next year (see BRIDGES Weekly, 5 October 2005, <http://www.ictsd.org/weekly/05-10-05/inbrief.htm>).

"China-ASEAN Tariff Cuts Not to Affect Chinese Agro-Products Much," PEOPLE'S DAILY, 9 October 2005; "Joint Media Statement of the Thirty Seventh ASEAN Economic Ministers' (AEM) Meeting," ASEAN MEDIA STATEMENT, 28 September 2005; "Japan, China, India, New Zealand ministers to skip ASEAN meeting in Laos," INDIA DAILY, 26 September, 2005; "Rice 'Snub' of ASEAN Meeting Unfortunate," HONOLULU ADVERTISER, 26 July 2005, "Vaile Talks Up ASEAN Free Trade Deal," AUSTRALIAN BROADCASTING CORPORATION, 5 October 2005; "More Effort Needed," THE ECONOMIST, 29 July 2004; "Every Man For Himself," THE ECONOMIST, 31 October 2002; "Shame on the Summiteers," THE ECONOMIST, 2 December 2004; "Asean Economic Ministers Chalk Up Progress At Vientiane," MALAYSIAN NATIONAL NEWS AGENCY, 1 October 2005.

IN BRIEF

AREA AROUND HONG KONG WTO MINISTERIAL CONFERENCE ORDERED CLOSED TO PUBLIC

The Hong Kong government has issued a decree restricting public access to the area around the venue for the WTO's December Ministerial Conference. The restricted zone includes both land and sea and will extend approximately one square kilometre around the Hong Kong Convention and Exhibition Centre (HKCEC), located in the city's Wanchai district.

Hong Kong police will issue accreditation badges to approximately 11,000 participants including delegates, press members and civil society representatives. Badges will also be issued to conference support staff and residents living within the cordoned-off area. Members of the public wishing to gain access to the zone for "justifiable purposes" may apply for a permit with local police.

Hong Kong government officials say that the security measure is needed due to police intelligence reports

indicating that large numbers of local and foreign protesters will conduct demonstrations during the summit. "To safeguard public safety and public order in the conference venue and its surroundings, the Administration considers it necessary to set up a closed area," said a government spokesperson. "Entry into the area will be allowed only with permission from the Commissioner of Police."

The 'public order ordinance' was issued by Hong Kong Chief Executive Donald Tsang, who will have the authority to similarly close any other area in Hong Kong if he believes it is necessary to protect public safety and maintain public order.

The Ministerial Conference will be held from 13-18 December. Access restrictions will come into effect at 6 pm on 12 December and will remain in place on a 24-hour basis until 5 am on 19 December.

A full copy of the Closed Area (Hong Kong Ministerial Conference of World Trade Organization) Order is available at: http://www.gld.gov.hk/cgi-bin/gld/egazette/gazettefiles.cgi?lang=e&year=2005&month=10&day=7&vol=09&no=40&gn=160&header=1&part=0&df=1&nt=s2&newfile=1&acurrentpage=12&agree=1&gaz_type=ls2.

"Closed Area Order Gazetted for WTO Conference," HONG KONG SPECIAL ADMINISTRATIVE REGION PRESS RELEASE, 7 October 2005.

WTO IN BRIEF

SIDESTEPPING HONG KONG, GMO RULING DELAYED UNTIL JANUARY 2006

The WTO dispute panel adjudicating the case brought by the US, Canada, and Argentina against EU regulations on genetically-modified products has once again pushed back the date for issuing its preliminary ruling, this time to January 2006. Panel Chair Christian Haberli informed the parties to the dispute on 3 October that the panel would be unable to meet the 10 October deadline that it had announced in July (see BRIDGES Weekly, 3 August 2005, <http://www.ictsd.org/weekly/05-08-03/wtoinbrief.htm#2>). This means that the much-awaited ruling will not be released before the Hong Kong Ministerial Conference in December.

The controversial case springs from the complainants' allegation that the EU's failure to approve any genetically-modified organisms (GMO) between 1998 and 2004 constitutes a de facto moratorium that, along with marketing and import bans within the EU, is not scientifically justified and thus contrary to WTO rules.

Some see the dispute as a test case for how the WTO will deal with precautionary decision-making. The panel was originally expected to make its report in September 2004.

Haberli's statement cited the same reasons that had been given in the previous three postponements, namely that the panel had to consider a large volume of information, including analyses from specialists and experts.

Trade sources speculate that the ruling was delayed out of fear that its findings could adversely affect negotiations in Hong Kong, especially given that civil society reactions to the verdict are expected to be significant.

ICTSD reporting; "WTO Postpones Ruling on EU Restrictions On GMOs Until After Hong Kong Ministerial," WTO REPORTER, 5 October 2005.

LDCs, AFRICANS ASK FOR MORE TIME TO REVISE S&D PROPOSALS

The Committee on Trade and Development Special (negotiating) Session (CTD-SS) adjourned after less than an hour on 12 October because least-developed countries (LDCs) and the African Group asked for more time to redraft their proposals for enhanced special and differential treatment (S&D). Chair Faizel Ismail of South Africa expressed disappointment and concern that they were unable to table the modified proposals at the meeting, noting that formal meetings of the committee had already been postponed several times for the same reason (see BRIDGES Weekly, 5 October 2005, <http://www.ictsd.org/weekly/05-10-05/WTOinbrief.htm#1>).

The LDCs and African Members have been revising the texts of their agreement-specific S&D proposals for several weeks, in response to calls for the documents to better express the needs that motivated them. The LDC group appears to be closer to new language, since they asked other Members for new comments. The Egyptian delegate said that he was unable to express a collective position on behalf of the African Group, because the countries had not started consulting amongst themselves.

Pointing out that only two weeks remained before Members are supposed to start putting together draft text for the December Ministerial Conference in Hong Kong, Ismail urged the two groups to accelerate their work.

The EU suggested that one part of the development package to be considered at Hong Kong could be duty-

free and quota-free market access for LDC products, suggesting that it could partially relieve the effects of the erosion of their preferential access to some markets, an issue that was brought up in CTD-SS negotiations in July (see BRIDGES Weekly, 27 July 2005, <http://www.ictsd.org/weekly/05-07-27/story2.htm>).

ICTSD reporting.

EU LINKS PROGRESS ON AG TO DEEP NAMA TARIFF

The EU has called for the Doha Round WTO negotiations on non-agricultural market access (NAMA) to cap industrial tariffs at 10 percent for developed countries and 15 percent for certain developing countries, in a statement circulated to representatives of influential WTO Member governments during a 10 October meeting in Zurich.

The EU is effectively proposing a 'simple Swiss' formula (which cuts higher tariffs more steeply than lower ones, leaving final tariffs 'harmonised,' or closer to each other) with dual coefficients: 10 for developed countries and 15 for developing countries that "can afford to offer greater market access." Notably, the EU explicitly supports allowing "some developing countries" to make lower tariff cuts than others -- such differentiation among non-LDC developing countries has generally been a politically explosive issue in the WTO.

Senior US government officials suggested at a 7 October press conference in Geneva that they too would like to see industrial tariffs for developed and developing countries capped at 10 and 15 percent respectively.

The average industrial tariff for developed country WTO Members is close to 6 percent. However, the corresponding figure for developing country Members is closer to 30 percent -- roughly twice as high as the potential cap.

Meanwhile, WTO NAMA Chair Ambassador Stefan Johannesson of Iceland told delegations at an informal 11 October meeting of the Negotiating Group that there had been no breakthroughs in the talks. Members remain divided on the on the structure of the tariff reduction formula and the flexibilities in its application to be accorded to developed countries (see BRIDGES Weekly, 28 September 2005, <http://www.ictsd.org/weekly/05-09-28/story2.htm>).

In Zurich, EU Trade Commissioner Peter Mandelson warned participants that if the EU is not satisfied with the level of cuts to industrial tariffs, "there will be no

outcome on agriculture or other parts of our negotiations."

ICTSD reporting.

CTD ADOPTS TECHNICAL ASSISTANCE PLAN, EXAMINES OVERALL NEGOTIATIONS

The WTO Committee on Trade and Development adopted the Technical Assistance and Training Plan (TATP) for 2006 (WT/COMTD/W/142, available online at <http://docsonline.wto.org>) at a meeting on 5 October. Delegates praised the plan's focus on high-quality technical assistance, emphasising that it must be driven by nationally-determined needs and priorities. In contrast to previous years, when arguments over the content of the plan have delayed its approval, Members adopted the 2006 TATP promptly (see BRIDGES Weekly, 22 December 2004, <http://www.ictsd.org/weekly/04-12-22/story2.htm>). The plan will now move to the WTO budget committee, which will attempt to secure funding for its implementation.

Delegates also examined a new WTO Secretariat paper (WT/COMTD/W/143) that they had commissioned in May. It reviews the developmental aspects of most Doha Round negotiating areas, looking at the different arguments and proposals that have been made.

Some Members asked for changes to the document: Canada for the inclusion of geographical indications in the section on intellectual property rights; Benin, Cote d'Ivoire and Burkina Faso for modifications to the text on cotton; and the African, Caribbean, and Pacific countries for greater attention to issues such as public health and technology transfer, which are part of the Doha Agenda but not the subject of formal negotiations. Colombia and Costa Rica suggested that the document's analysis of the farm trade talks focused excessively on developing countries' defensive interests, even though they have a number of offensive interests in agriculture, such liberalising trade in tropical products. The US urged Members to minimise interventions in order to preserve the document's neutrality.

Countries disagreed about how the CTD should move forward with the document. Japan opposed China's suggestion that the CTD regular session should be the focal point for the developmental aspects of the talks, arguing that it was not a negotiating body.

ICTSD reporting.

MEMBERS RENEW DOHA MANDATE ON TRADE, DEBT, AND FINANCE

At a very brief meeting on 10 October, the WTO Working Group on Trade, Debt, and Finance (WGTF) adopted a report that it will submit to the General Council (though not to the session scheduled for next week). The General Council will ask the Hong Kong Ministerial Conference in December to simply renew the WGTF's mandate in the Doha Declaration. This formally ends a disagreement among some Members about the group's future work that had been preventing them from agreeing on the text of the report. A compromise was reached at a 5 October informal consultation hosted by Chair Ambassador Kweronda Ruhemba of Uganda, as reported last week (see BRIDGES Weekly, 5 October 2005, <http://www.ictsd.org/weekly/05-10-05/story5.htm>).

The report's recommendations to the General Council will repeat, word for word, the mandate given to the WGTF when it was created in Doha.

A new addition to the report was a four-page paragraph in the section on the group's work since the Cancun Ministerial Conference. The addition summarises the different positions Members have taken in discussions over the past year. Specifically, it mentions submissions from the group of African, Caribbean, and Pacific (ACP) countries (WT/WGTF/W/30 and W/32) and Argentina (W/33), which called for the group to be transformed into a permanent WTO Committee on Trade, Debt, and Finance with a specific mandate. The report refers to the positions that different countries voiced during the meetings, notably that Members including the US opposed the ACP and Argentine ideas.

ICTSD reporting.

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.

Upcoming Events: 13 October - 19 October

16 October, Hong Kong, China: NGOs ROUNDTABLE FORUM ON THE SIXTH WTO MINISTERIAL CONFERENCE (MC6). This roundtable is intended to provide non-governmental organisations (NGOs) with a

platform to express, discuss, and exchange views on various issues related to the MC6, which will be held from 13-18 December in Hong Kong. WTO Director General Pascal Lamy will be a keynote speaker at the event. The roundtable will be broadcast live online at www.wtomc6.gov.hk. For further information contact the WTO Sixth Ministerial Conference Co-ordination Office, tel: (+852) 2911-0374; fax: (+852) 3426-3571; e-mail: ngo@wtomc6.gov.hk; internet: <http://www.info.gov.hk/gia/general/200510/05/P200510050201.htm>.

18-19 October, Colombo, Sri Lanka: ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD) GLOBAL FORUM ON TRADE: NEGOTIATING ON TRADE FACILITATION: IMPLICATIONS FOR DEVELOPING COUNTRIES. This conference, organised by the OECD, aims to bring together a wide variety of stakeholders to discuss the implications for developing countries of the ongoing WTO negotiations on trade facilitation, and to explore ways for matching resulting commitments to countries' capacities. Participation is by invitation only and is welcome from all WTO member economies. For further information contact Avril Ellis, tel: +33-1-45-24-8938; fax: +33-1-44-30-6231; email: avril.ellis@oecd.org; internet: http://www.oecd.org/document/15/0,2340,en_2649_37431_35152335_1_1_1_37431,00.html.

19 October, Washington, DC: SOUTH ASIA LOOKING UP AND AHEAD: A REGIONAL UPDATE ON TRADE ISSUES INVOLVING SOUTH ASIAN COUNTRIES. This event, organised by the Washington International Trade Association (WITA), will look at the future of trade cooperation and regionalism in South Asia. It will also consider the impacts of lifting textile quotas on Pakistan, possible outcomes of Indian Prime Minister Manmohan Singh's influence on international trade, South Asian-US trade issues and India and Pakistan's perceptions of what is needed to ensure a successful Doha Round. For further information contact WITA events, tel: (+1) 202-312-1600; fax: (+1) 202-312-1601, e-mail: wita@wita.org; internet: http://www.wita.org/index.php?tg=addon/4/form&idx=2&id_app=25&id_step=79&id_form=62&form_row=277&popup=0&parent_id_form=40&parent_id_step=78&form_menu=&trt_step=1&form_value=South+Asia%3A++Loo+king+Up+and+Ahead.

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.

13-14 October: TRADE NEGOTIATIONS COMMITTEE

13-14 October: COMMITTEE ON TRADE AND ENVIRONMENT - SPECIAL SESSION

14 October: TRADE POLICY REVIEW BODY - GUINEA

14 October: WORKING PARTY ON THE ACCESSION OF UZBEKISTAN

14 October: FAX COMMITTEE ON GOVERNMENT PROCUREMENT

14 October: COMMITTEE ON BALANCE-OF-PAYMENTS

17 October: COMMITTEE ON TRADE AND DEVELOPMENT - DEDICATED SESSION

18 October: COMMITTEE ON CUSTOMS VALUATION

18 October: DISPUTE SETTLEMENT BODY

19 October: WORKING PARTY ON THE ACCESSION OF THE RUSSIAN FEDERATION

19-20 October: GENERAL COUNCIL

Upcoming Events

25-26 October, New York, USA: UNEP FINANCE INITIATIVE GLOBAL ROUNDTABLE. The 2005 United Nations Environment Programme (UNEP) Finance Initiative Global Roundtable will provide a forum for the exchange of ideas and information in the fields of finance, insurance and sustainability. This will include a strong focus on the issues of global carbon markets and responsible investment. For further information contact the UNEP FI Roundtable Secretariat, tel: (+41) 22-917-8178; fax: (+41) 22-796-9240; e-mail: roundtable@unepfi.org; internet: <http://www.unepfi.org/events/2005/roundtable/index.html>.

28 October, Paris, France: TRADE FOR DEVELOPMENT: THE FUTURE OF SPECIAL AND DIFFERENTIAL TREATMENT OF DEVELOPING COUNTRIES. This international conference is jointly organised by the trade policy unit of the Institut Français des Relations Internationales (IFRI) and the Agence Française de Développement (AFD). The conference will focus on two key topics: the future of

non-reciprocal trade preferences and differentiation among developing countries under Special and Differential Treatment rules. Discussions will be in English and French and are expected to contribute to public debate on the Doha Agenda in the months before the Hong Kong Ministerial Conference. For further information contact Anne-Sophie Novel, tel: (+33) (0)1-40-61-72-88; fax: (+33) (0)1-40-61-60-60; e-mail: novel@ifri.org; Internet: http://www.ifri.org/frontDispatcher/ifri/manifestations/intentions_ext_rieur_1031842993962/publi_P_manif_eco_trade_and_dev_1127477193712?language=us.

24 November, Geneva, Switzerland: INTERNATIONAL SYMPOSIUM ON LINKAGES BETWEEN TRADE DEVELOPMENT AND POVERTY REDUCTION. Organised by the Jaipur, India-based Consumer Unity and Trust Society Centre for International Trade, Economics & Environment (CUTS-CITEE) in association with the UN Non-Governmental Liaison Service, the symposium will discuss stakeholder perceptions on linkages between trade, development and poverty. For further information contact Ms. Pooja Sharma and/or Mr. S. K. Soni, tel: (+91) 141-228-2821; fax: (+91) 141-228-2485; e-mail: tdp@cuts-international.org; internet: <http://www.cuts-citee.org/events.htm>.

RESOURCES

DOHA SCENARIOS, TRADE REFORMS, AND POVERTY IN THE PHILIPPINES: A COMPUTABLE GENERAL EQUILIBRIUM ANALYSIS. By Caesar B. Cororaton, John Cockburn and Erwin Corong. World Bank Policy Research Working Paper, October 2005. Since the early 1980s the Philippines has undertaken substantial trade reform. The authors of this paper expect that the current Doha Round of WTO negotiations will bring further reform and shocks to world import prices and export demand. The impact of all these developments on the poor is not very clear and is the subject of intense debate. The authors use a detailed economy-wide computable general equilibrium (CGE) model to run a series of policy experiments and find that poverty increases slightly with the implementation of the prospective Doha scenario. Available online at http://econ.worldbank.org/external/default/main?pagePK=64165259&piPK=64165421&theSitePK=469372&menuPK=64166093&entityID=000016406_20050930154415.

TRADE POLICY AND HUMAN DEVELOPMENT: LEARNING FROM THE ASIA-PACIFIC. By the United Nations Development Programme Regional Centre in Colombo (UNDP RCC), September 2005. This paper

draws on the experiences from the Asia-Pacific region to discuss the links between international trade, economic growth and human development. The paper highlights the role of trade in the establishment of material progress in the region and the human development impacts that have emerged as a result of the interaction between trade and economic growth. Areas that are explored in this discussion include the temporary movement of labour, agricultural subsidies, access to energy and health services, bilateral and regional trade agreements, and technological upgrading and innovation. For information contact the UNDP RCC at rcc.request.lk@undp.org.

WHO'S RICHER, WHO'S POORER? A JOURNALIST'S GUIDE TO THE POLITICS OF POVERTY REDUCTION STRATEGIES. By the Panos Institute. London, 2005. This paper is the first in a series of briefing documents for journalists on poverty reduction strategies, and is published in the run up to the WTO's 13-18 December Ministerial Conference in Hong Kong. The Panos Institute is working with the media to stimulate inclusive public debate on whether, and how, poverty reduction strategy papers (PRSPs) can tackle poverty. This brief is part of a Panos project, "Raising Debate: Transparency and Ownership in Poverty Reduction Strategies", which aims to strengthen communication and dialogue about poverty and strategies to address poverty, particularly the PRSPs. Available online at <http://www.panos.org.uk/files/prsptoolkit1.pdf>.

TRADE AND STRUCTURAL ADJUSTMENT. By the Organisation for Economic Co-operation and Development (OECD), 2005. This paper identifies the requirements for successful trade-related structural adjustment in both developed and developing countries, via the reallocation of labour and capital to more efficient uses, while limiting adjustment costs for individuals, communities and society as a whole. It is based on a longer study that incorporates detailed sectoral case studies. A number of elements of a policy framework are found to be applicable across different countries. The paper finds that poorest countries, in particular, should focus on building sound institutions, fostering an appropriate macroeconomic framework and removing any anti-export bias, improving firms' access to finance and infrastructure, enforcing core workers' rights and developing human capital and reducing their own, often high, barriers to trade. Available online at <http://www.oecd.org/dataoecd/58/40/34753254.pdf>.

REMITTANCES: DEVELOPMENT IMPACTS AND FUTURE PROSPECTS. Edited by Samuel Munzele Maimbo, and Dilip Ratha. World Bank, 2005. This publication explores policy options for enhancing the poverty alleviation impact of remittance money in

recipient countries, and addresses concerns about increasing migration and inequality. It looks at new technologies that allow remittance service providers to reduce direct transaction costs and open new channels, enhancing convenience for remitters and improving levels of transparency and accountability for regulators and policy makers. The book also establishes a baseline for further research and collaborative efforts, showing the areas where international financial institutions, particularly the World Bank, can add value to enhance the positive impact of remittance flows and minimise less welcome effects. For further information visit

http://publications.worldbank.org/ecommerce/catalog/product?item_id=2434711.

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