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LEAD STORIES

AGRICULTURE WEEK: MEMBERS FOCUS ON LAGGING MARKET ACCESS TALKS

WTO Director-General Pascal Lamy identified market access as the most divisive area of the agriculture negotiations in his 13 October report to the Trade Negotiations Committee (TNC). Despite a flurry of new proposals on tariff reduction (see BRIDGES Weekly, 12 October 2005, <http://www.ictsd.org/weekly/05-10-12/story2.htm>), Members remain deeply divided in this area, and the current 'agriculture week,' which began on 17 October, has focused on market access.

In the words of one trade negotiator, there has been no give and take -- positions are truly polarised and the various market access proposals floated do not build on one another. In addition, the offers on subsidy reduction by key Members such as the US, are conditioned on a certain level of ambition in market access. Therefore, even the hint of movement in the direction of consensus on domestic support remains fragile, as it is contingent on convergence on market access.

Over the past week, Geneva-based negotiations have continued in various formats, with smaller groups of countries meeting to discuss all of the issues on the table. On 14 and 18 October, agriculture Chair Ambassador Crawford Falconer of New Zealand held meetings for transparency purposes, at which new proposals and developments in the talks were shared with the full WTO Membership.

Meanwhile, ministerial-level negotiations among the US, EU, Brazil, India and Australia (Five Interested Parties, FIPs) are taking place in Geneva from 19-20 October.

France called an emergency meeting of EU foreign ministers on 18 October, at which it insisted that EU Trade Commissioner Peter Mandelson had overstepped his mandate in the WTO talks. However, they were able to defuse the potential crisis, and Mandelson arrived in Geneva on 19 October able to pick up the talks where they had left off.

Lamy focuses on agriculture at TNC meeting

In his remarks to the TNC, Lamy outlined the steps necessary before, at, and after the Hong Kong Ministerial Conference in December to successfully conclude the Doha Round, highlighting the central role of agriculture (see related story, this issue).

Referring to developments in the past week, he said that "the engines of the negotiation plane have been switched on again." Lamy said that following the US offer on domestic support, this area is now "in negotiating shape" (see BRIDGES Weekly, 12 October 2005, <http://www.ictsd.org/weekly/05-10-12/story1.htm>). The new proposals on market access, however, still show deep divisions among Members (see BRIDGES Weekly, 12 October 2005, <http://www.ictsd.org/weekly/05-10-12/story2.htm>). Lamy said that Members would have to agree on the general level of ambition they want to see on market access before they can start real negotiations on it. Falconer largely echoed these sentiments in his report to the TNC.

US subsidy offer still not convincing to all

During Falconer's 14 October 'transparency clinic,' several Members remained sceptical about whether the US proposal on cutting domestic support would lead to a real reduction in its subsidy expenditures (see BRIDGES Weekly, 12 October 2005, <http://www.ictsd.org/weekly/05-10-12/story1.htm>). Indian trade minister Kamal Nath has made clear that developed country subsidies would have to be substantially reduced before developing countries could agree to lower their tariffs. Speaking to reporters in Geneva on 13 October, he said "India cannot open its markets so that the Indian farmer who earns a dollar a day now earns 50 cents a day or nothing. We cannot have the Indian farmer competing against the US government, rather than the US farmer."

At the 14 October meeting, the US insisted that its proposal would require it to significantly reduce subsidies. The US delegate said that a 60 percent cut to trade distorting Amber Box support would leave its subsidy cap at USD 7.6 billion, and halving Blue Box (partially decoupled) support to 2.5 percent of the value of total agricultural production would allow subsidies of up to USD 4.8 billion. These limits would be lower than current US spending on such programmes, including its controversial 'counter-cyclical' payments that boost grants to farmers when world prices drop.

At the same meeting, countries such as Costa Rica and Colombia distanced themselves from the US' proposal to reactivate the so called 'peace clause,' under which Members would commit to refrain from challenging

each other's agricultural subsidies through dispute settlement.

At another meeting called by Falconer on 18 October, the group of African WTO Members called for briefings on the various proposals on the negotiating table, so as to be able to engage better in the discussions. Cotton-producing West African countries expressed concern that the treatment of cotton had barely been addressed in the proposals now being discussed, emphasising the need for a decision on the matter in Hong Kong. Recently acceded WTO Members pointed to special needs resulting from the tough commitments on agriculture that they took on when they joined the global trade body.

Mandelson under fire from member states

On 18 October, European foreign ministers gathered in Luxembourg for a crisis meeting called by France. At the meeting, the French, backed by several other countries, suggested that a special expert committee be set up to review EU WTO proposals on behalf of member states. The idea did not, however, garner sufficient support to go ahead. In the words of British Foreign Secretary Jack Straw, "No negotiations are possible if you have to negotiate with people in the room and at the same time negotiate with your own side... that would make the negotiating team powerless." Mandelson, for his part, said that such a committee would "stop the world trade talks in their tracks."

The same day, US President George W. Bush and EU Commission President Jose Manuel Barroso met in Washington. Among the topics they discussed were the ongoing agriculture negotiations, about which Barroso said "We will be ready to move if there is an ambitious and balanced agreement on other issues." Meeting with Brazilian President Lula da Silva two days before, Barroso had emphasised the same issues, asking Brazil to take the lead in moving forward in areas such as industrial market access and services.

US Trade Representative Robert Portman, however, had said on 14 October that progress on these other issues was unlikely "unless we can untie the Gordian knot of agriculture. And the only way to untie it is for the European Union now to come forward with a substantial market access proposal."

Negotiations continue in Geneva

The FIPs are meeting in Geneva from 19-20 October. Falconer has called a meeting on the morning of 21 October to focus on market access specifically, and will hold a stocktaking session in the afternoon for Members to share information on the talks.

High-level talks are expected from 7-8 November, a week or two before Lamy hopes to table a first draft of the ministerial declaration for Hong Kong.

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

ICTSD reporting; "Lamy says the engines of negotiations are buzzing again," WTO RELEASE, 13 October 2005; "Indian trade minister says U.S. must make improved farm subsidy cuts," ASSOCIATED PRESS, 14 October 2005; "U.S. presses G20 countries for better WTO offer," REUTERS, 13 October 2005; "EU's Mandelson between rock and hard place on trade," REUTERS, 17 October 2005; "Indian Minister Sees U.S., Not EU, As Problem in WTO Farm Subsidy Talks," WTO REPORTER, 14 October 2005.

TNC: LAMY OUTLINES DOHA ROUND ROADMAP FOR HONG KONG AND BEYOND

Outlining the steps necessary to bring the Doha Round to conclusion by the end of 2006, WTO Director-General Pascal Lamy cautioned Members on 13 October that even an agreement at the Hong Kong Ministerial Conference in December would leave them with a great deal of work to do.

Speaking to the WTO Trade Negotiations Committee (TNC), which he chairs, Lamy hailed the US proposal on domestic farm subsidies for switching "the engines of the negotiation plane" back on. However, though he welcomed all of the new proposals on agricultural market access, he warned that Members were so far apart on the issue that they could not even be said to be truly negotiating on it (see BRIDGES Weekly, 12 October 2005, <http://www.ictsd.org/weekly/05-10-12/story1.htm> and <http://www.ictsd.org/weekly/05-10-12/story2.htm>).

The WTO chief's "roadmap for Hong Kong" would have Members start to come up with "approximations" for what they want to achieve at the Ministerial Conference by mid-October. It sets out a mid-November target for producing a "comprehensive draft" version of an eventual Hong Kong declaration. This would require the chairs of the Doha Round negotiating groups to put forward texts by that time.

Looking ahead: much to do even after Hong Kong

Lamy has said elsewhere that the Hong Kong summit must take Members "two-thirds" of the way to completing the round. However, he told the TNC that

even if general formulae are agreed upon this December, a great deal of technical work would be necessary for Members to translate those promises into specific, binding liberalisation commitments.

He outlined how this work would unfold for the agriculture negotiations. Countries would likely take a month to agree on a common format for listing their commitments, and then a further three to produce draft commitment schedules. Two to three more months would be required for Members to verify these draft schedules, followed by three months to convert them into final legal texts.

The equivalent process for the non-agricultural market access (NAMA) talks may take even longer than this ten-month "best case scenario" for agriculture. Members would also have to simultaneously do the same for new commitments on rules and services -- on top of finishing up negotiations on issues left over from Hong Kong. Lamy pointed out that this would be particularly taxing for developing countries with limited negotiating capacity.

The urgency to finish this technical work by the end of 2006 springs largely from the need to give a Doha Round package time to receive US Congressional approval before 1 July 2007, when President George W. Bush's 'trade promotion authority' is set to expire. After that date, the Bush administration will no longer be able to submit a Doha Round deal to Congress for a yes-or-no vote without the possibility of amendment. Rising protectionism in Congress means that these rules for expediting the passage of trade agreements are unlikely to be renewed.

Members express differences on ag, NAMA

Agriculture Chair Ambassador Crawford Falconer of New Zealand expressed hope that upcoming meetings on the farm trade talks would lead to progress on market access (see related story, this issue). The US took the floor during the TNC meeting to emphasise that its proposal on domestic support was conditional on reduced farm tariffs in other developed and developing countries, as well as substantial trade liberalisation in services and industrial goods. This could potentially conflict with the view expressed by the G-20, on whose behalf Brazil said that they could not slash farm tariffs by more than the 36 percent average level outlined for developing countries in their proposal. The EU said that it had already significantly deepening its market access offer by giving up its demands for certain flexibilities in the application of the tariff reduction formula -- however, even this offer has already been dismissed as insufficient by US trade negotiators. Japanese Minister of Agriculture, Forestry and Fisheries Mineichi Iwanaga made clear that his

government would not accept disciplines that would destroy its heavily-protected agriculture sector.

Non-agricultural market access (NAMA) Chair Ambassador Stefan Johannesson of Iceland warned Members against assuming that there will automatically be progress on industrial goods if there is forward momentum in the agriculture talks. India, Brazil, and Argentina contested Lamy's assessment that the NAMA talks were moving towards consensus on a 'Swiss' tariff-reduction formula associated with a "limited number of coefficients," observing that if there were indeed such a consensus, they were not part of it.

Lamy briefly touched upon other areas of the talks, urging the chairs of the different negotiating groups to "refine their agenda and focus on the main items for Hong Kong." On services, he said that Members must define their level of ambition in Hong Kong, specifying that it "must match the rest of the negotiations," and work out how it can then be achieved.

Transparency and inclusiveness emphasised

Although he acknowledged that high-level meetings among small numbers of influential WTO Members are "essential as a catalyst to the progress we urgently need," Lamy stressed that they were "no substitute for the deliberations of the full membership." He said that such meetings should aim only to "bring back fresh ideas and opportunities to the Membership as a whole in full transparency and inclusiveness," and promised to continue his efforts to promote transparency among all Members.

The General Council is meeting on 19-20 October. Trade ministers from the US, the EU, Brazil, India and Australia will be in Geneva at the same time, in an attempt to find common ground in the agriculture negotiations.

ICTSD reporting.

MEMBERS LARGELY FAVOURABLE TO NEW APPROACH ON SMALL ECONOMIES' PROBLEMS

Most WTO Members responded positively to a two-track approach for considering the problems faced by small, vulnerable economies in the multilateral trading system, at a 17 October meeting of the Committee on Trade and Development Dedicated Session -- Small Economies (CTD-DS). A group of 21 Members*, most of them sponsors of earlier proposals on the work plan for small economies in the Doha Round, put forward a two-track approach (WT/COMTD/SE/W/14) that would

have small economies make proposals on how to address their particular problems directly to the relevant WTO bodies, while the CTD-DS would continue to monitor the progress of these proposals. This approach essentially corresponds to a longstanding demand of many developed countries, a point first conceded by the sponsors of the new paper in a 29 July press release.

Chair Ambassador Gomi Tharaka Senadhira of Sri Lanka started informal consultations on 19 October on the group's recommendations for future work. This report will be submitted to the General Council, which will in turn report on it to the Hong Kong Ministerial Conference in December.

The CTD-DS is mandated by Paragraph 35 of the Doha Declaration to "frame responses to the trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system, and not to create a sub-category of WTO Members."

Proposals directed to negotiating groups

At the committee's May meeting, Members including the EU, New Zealand, and Japan had suggested that small economies would be better off putting their proposed solutions to agreement-specific problems to the relevant negotiating bodies rather than to the CTD-DS (see BRIDGES Weekly, 1 June 2005, <http://www.ictsd.org/weekly/05-06-01/story3.htm>).

The new proposal describes how they have done so, citing papers that its sponsor countries have submitted to the WTO negotiating groups on agriculture, non-agricultural market access (NAMA) and rules since July. The agriculture submission stressed the importance of the farm sector to food security and employment in small, vulnerable economies, and called for a tariff reduction formula flexible enough to accommodate their need to provide protection. The paper on NAMA said that small economies "would wish to see" a NAMA outcome that did not impact their applied tariff rates and exempted small economies from commitments on "products which have strategic value for their economic development." Both documents were attached as appendices to the new submission. The third, a proposal on fisheries subsidies, was discussed in the Negotiating Group on Rules in September (see BRIDGES Weekly, 5 October 2005, <http://www.ictsd.org/weekly/05-10-05/story3.htm>).

At the meeting, the EU, US, China, India and Brazil expressed tentative support for the two-track approach.

Mauritius indicated that it, along with ten other Members, was going to submit proposals on technical barriers to trade, sanitary and phytosanitary measures,

accession and intellectual property rights to relevant WTO bodies.

Small economies: we are not seeking to create new category

Sources indicate that a handful of delegations including Peru complained that the proposal would introduce differentiation among developing countries in the WTO, a longstanding objection of many developing country WTO Members.

The proponents of the approach, as in earlier submissions (WT/COMTD/SE/W/12 and W/13), denied that they were seeking to create any such new categories, or to take anything away from other developing countries. Acknowledged that no single problem they faced was unique to small and vulnerable economies, they argued that they were simply seeking the sort of variable treatment among developing countries that already exists in the WTO Agreements and the July Package (WT/L/579, http://www.wto.org/english/tratop_e/dda_e/draft_text_gc_dg_31july04_e.htm). Certain WTO subsidies obligations, they noted, do not kick in for developing countries until their per capita annual gross national income surpasses USD 1000. The July Package calls for "differential treatment" for net food-importing developing countries.

The road to Hong Kong... and beyond

The small economies' proposal urged the WTO negotiating bodies and other committees examining their concerns "to give meaningful consideration to appropriate responses." Group chairs were asked to ensure that such responses are reflected in draft versions of a Hong Kong ministerial declaration, "so that enhanced special and differential treatment concessions are extended to small economies where appropriate." It also called on the Ministerial Conference to specifically mention the work of the CTD-DS, and to instruct WTO bodies "to continue to address the concerns of small, vulnerable economies.

Senadhira circulated a preliminary 'zero draft' of the group's recommendations for the Ministerial Conference to delegates at the meeting. It is said to be similar to the committee's Doha mandate, urging Members to continue work to "facilitate the fuller integration of small, vulnerable economies into the multilateral system." It does not specify a particular date for the CTD-DS to complete its work.

*The sponsors of the proposal are: Antigua and Barbuda, Barbados, Bolivia, Cuba, Dominica, Dominican Republic, El Salvador, Fiji, Grenada, Guatemala, Honduras, Jamaica, Mauritius, Mongolia,

Nicaragua, Papua New Guinea, Paraguay, Solomon Islands, St. Kitts and Nevis, St. Vincent and the Grenadines, and Trinidad and Tobago.

ICTSD reporting; "WTO Work Programme on Small Economies," PRESS RELEASE (from proponents of the small economy work plan), 29 July 2005.

OTHER NEWS

CTE REMAINS DIVIDED ON HOW TO DEFINE ENVIRONMENTAL GOODS

WTO Members remain divided on how to define 'environmental goods' so as to liberalise trade in them under Paragraph 31 (iii) of the Doha Declaration. Discussions in the Committee on Trade and Environment Special (negotiating) Session (CTE-SS) on 14 October once again looked at the two main approaches for defining such goods: the multilateral identification of a list of environmental goods; and a project-based approach, which would temporarily liberalise trade in environmental goods for use in particular environmental projects of fixed duration (see BRIDGES Weekly, 15 June 2005, <http://www.ictsd.org/weekly/05-06-15/story3.htm>).

Some delegates suggested that Members were unlikely to reach consensus on the issue in time for the Hong Kong Ministerial Conference in December.

Renewable energy receives wide support; strong opposition to PPMs

Chair Ambassador Toufiq Ali of Bangladesh had previously invited delegates to focus on five broad areas: wastewater management; solid and hazardous waste management; air pollution control; renewable energy products; and environmentally preferable products (EPPs, distinguished by their low environmental impacts). Negotiators found this suggestion very helpful in structuring their discussions.

Delegates report that the single thing that stood out during a 12 October gathering on environmental goods was the strong consensus among all delegations, including least-developed countries (LDCs), about the environmental and economic benefits of renewable energy technologies. Almost as stark was Members' rejection, with notable exceptions including the EU, of distinctions based on production and processing methods (PPMs) in the definition of environmental goods. With regards to EPPs, Members generally agree that the definition has to be tightened.

Argentine bridging proposal finds little support

At the formal meeting on 14 October, Argentina presented a new proposal (TN/TE/W/62) that sought to bridge the gap between India's Environmental Project Approach and the list-based methodology favoured by several developed countries. Argentina's so-called "integral approach" seeks to incorporate the merits of both approaches. The proposal would have national authorities decide on whether to temporarily eliminate tariffs for environmental products used in particular environmental projects. However, as in the list approach, Members would multilaterally pre-identify categories of both environmental projects and environmental goods that could be used in them.

The US, the EU and Canada argued that the Argentine proposal was simply a variant of India's project proposal. Subsequent discussions thus focused on broader issues related to project-based approaches rather than the specifics of Argentina's proposal. The US and Hong Kong were particularly forceful in their opposition, contending that it was overly bureaucratic and difficult to implement. They also argued that it would grant no market access to small- and medium-sized enterprises, since the large scale necessary for many environmental projects would mean that only big multinational companies would export the equipment needed for them. While the EU was less negative, it nevertheless defended the merits of a list approach over a project-based one in terms of achieving environmental objectives. It also pointed out that project-based liberalisation would constitute a form of case-by-case tariff cuts that is outside the scope of the Doha Mandate. Brazil attempted to point out positive aspects of both approaches.

India refines project approach

India responded to concerns about how to implement its favoured project approach in a new proposal that elaborates on procedural and technical aspects of it (TN/TE/W/60). The submission describes the role of the Designated National Authorities that Member countries would set up in order to appraise environmental project proposals. These authorities would examine project proposals, including the quantity and type of goods required, to determine whether they are appropriate for achieving the project's stated objectives. The document also suggests that Members devise a fast-track approval process for small- and medium-sized enterprises, and create a database of approved projects.

Some Members complained that there was still not enough information about how it would be implemented. India expressed disappointment with their reaction, and suggested that countries that still found the approach unworkable were misunderstanding it.

The list approach, India reiterated, would not appropriately address the real environmental mandate of the negotiations.

Cuba, South Africa and Côte d'Ivoire said that the project approach was more compelling than the one based on lists, given that most goods that figure in existing lists are of export interest mainly to developed countries.

Preliminary lists by Hong Kong unlikely

Debates on the lists that several countries have drawn up continued to focus on the issue of dual or multiple use, i.e., that listed goods might not be used for environmental purposes.

In light of Members' differences on which approach to take, several trade diplomats consider consensus by December unlikely. While developed countries hope to come up with a preliminary list before then, many developing countries consider it premature to talk about specific lists before the Ministerial Conference. According to one developing country delegate, developing countries have yet to clearly define their interests and come up with corresponding criteria. They therefore regard talk about expectations for Hong Kong as premature.

During the meeting, New Zealand presented a modified version of its list of environmental products (TN/TE/W/49/Rev.1). Switzerland circulated a communication outlining the relationship between WTO rules and MEAs (TN/TE/W/61) in response to requests from New Zealand and other Members to clarify the meaning of the principles of no-hierarchy, mutual supportiveness and deference in international law. Referring to general principles of international law, Switzerland argued that rules in both MEAs and the WTO must be interpreted in ways that maintain their compatibility with both sets of rules in order ensure the integrity of each.

Although no more formal CTE-SS sessions have been scheduled before Hong Kong, informal meetings are likely to take place during the first week of November.

ICTSD reporting.

LAMY MEETS WITH ASIAN CIVIL SOCIETY ORGANISATIONS IN HONG KONG

In Hong Kong to examine preparations for the WTO's upcoming Ministerial Conference there, Director-General Pascal Lamy exchanged views on 16 October

with representatives from dozens of civil society organisations, many of them sceptical about the developmental effects of trade liberalisation.

At a forum hosted by the University of Hong Kong, Lamy was joined as keynote speaker by John Tsang, Hong Kong's secretary for commerce, industry, and technology, who will chair the 13-18 December summit. Both stressed the urgency of the current negotiations, and the benefits that an eventual agreement would hold for developing countries. Lamy reiterated that Hong Kong "must take us two-thirds of the way" if Members are to meet an end-2006 deadline for adopting a Doha Round trade pact, since a great deal of technical work would be required, even after the Ministerial Conference, "to translate Members' promises into binding commitments." Focusing on the need for farm trade liberalisation, Tsang warned that "time is running out" for the US and the EU to work out their differences on agricultural trade, and that "a once in a generation opportunity to do serious good for the developing world" was in danger of being lost. He did caution that liberalisation would be risky for economies dependent on preferential market access schemes.

Lamy defends WTO against sceptics

During the panel discussion that followed, Chong Chan-yau, executive director of Oxfam Hong Kong, expressed pessimism with the US and the EU's conduct in the negotiations. He argued that the US' much-ballyhooed proposal on domestic farm subsidies would actually allow it to increase such expenditures by some USD 8 billion (see BRIDGES Weekly, 12 October 2005, <http://www.ictsd.org/weekly/05-10-12/story2.htm>). In return for such questionable offers, he continued, rich countries were asking developing countries to open their markets. "This is not how a development round should function." He stressed the need to place poverty concerns at the centre of the negotiations.

Richard Wong, deputy vice-chancellor of the University of Hong Kong, contended that trade liberalisation was difficult because "the losers, who see their losses looming immediately, are better organised than the [more numerous] potential winners." Echoing Lamy's earlier comments that a substantial aid for trade package would "help translate theoretical trade gains into real trade gains," Wong said that the ongoing talks were "really about negotiating the compensation for the short-run losers so that in the intermediate and long run, everyone is better off."

The audience included migrant workers, Chinese farmers, trade unionists, and members of local business groups. Many charged that trade liberalisation had devastated livelihoods and exacerbated income inequalities in developing countries, arguing that the

WTO's agenda was determined largely by rich countries and international corporations. One Filipino migrant worker said that many of them had been forced to leave their countries by trade liberalisation, so it was "stupid" to suggest that they should support the WTO because their lives were an example of economic globalisation.

Lamy defended the role of a rules-based trading system in protecting the interests of developing countries, suggesting that rich country agricultural export subsidies would not be facing the axe as part of the Doha Round negotiations if the WTO did not exist. He noted that income distribution and social welfare were matters for national governments, saying that "we [the WTO] are in the business of creating wealth... our Member-states remain in the business of distributing this."

Participants address civil society participation in the WTO

With regard to civil society participation in the WTO, Tsang said in his opening remarks that more than 1000 non-governmental organisations (NGOs) had received accreditation for the Hong Kong summit -- ten times more than at the WTO's first Ministerial Conference in 1996. Lamy pointed to the WTO's public symposium, his own meetings with NGO representatives, and civil society organisations' ability to submit 'amicus curiae' or 'friends of the court' briefs to the WTO Appellate Body.

Elizabeth Tang, chair of the Hong Kong People's Alliance (HKPA) on the WTO, an umbrella group coordinating civil society activities around the Ministerial Conference, pointed out that civil society participation in trade policy formation was often determined by national governments, since some EU and African countries -- and perhaps even the WTO Secretariat -- were far more open to hearing NGO concerns than their Asian counterparts. Lamy said that he was open to an expanded relationship with NGOs. However, he pointed out that all NGO participation in the WTO would depend, in the end, on the organisation's Members. "NGOs have a voice, and Members have a vote. Having a voice and having a vote is not the same," he concluded.

Demonstrators blocked Lamy's car as he was leaving the meeting. The HKPA's Tang told the South China Morning Post that activists had not had the chance to submit petitions to the WTO chief, as promised by the Hong Kong government. Lamy responded to the protestors by getting out of his vehicle and accepting their letters.

ICTSD reporting; "Activists confront new WTO chief," SOUTH CHINA MORNING POST, 17 October 2005;

"WTO head lends an ear to NGOs in Hong Kong," UNITED PRESS INTERNATIONAL, 17 October 2005.

IN BRIEF

VENEZUELA TO FULLY JOIN MERCOSUR, ABANDON ANDEAN BLOC?

Venezuela is set to become the fifth full member of the Common Market of the South (Mercosur). However, before its membership in the South American trade bloc can be formalised in December, Caracas will have to reform customs duties to meet Mercosur requirements.

Venezuelan President Hugo Chavez broke the news at a 16 October summit in Spain, announcing that "Venezuela will go to the next Mercosur summit in December as a full member." Uruguayan Foreign Minister Reynaldo Gargano, who currently occupies Mercosur's rotating presidency, confirmed Chavez's announcement, saying that Venezuela's application had the unanimous support Argentina, Brazil, Paraguay and Uruguay, the four members of the trade bloc.

Currently the world's fifth-largest exporter of oil, Venezuela believes that membership in Mercosur will place it in a prime position to boost its supply of energy to South America. Chavez has been actively seeking new markets for the country's oil and natural gas exports in an attempt to reduce its dependency on the US, which currently imports two-thirds of Venezuela's oil production.

Venezuela's accession to Mercosur is complicated by its full membership in the Andean Community (CAN), a separate regional alliance comprised of Venezuela, Peru, Columbia, Bolivia and Ecuador. Both Mercosur and CAN are working towards establishing customs unions which would require members of each trade bloc to establish a common external tariff. As it is not possible for countries to be members of two separate customs unions, it is unclear what Venezuela's accession means for its future with CAN.

Venezuelan Deputy Foreign Trade Minister Roger Figueroa acknowledged that Venezuela would have to choose between abandoning CAN customs duties and joining Mercosur, though his preference would be for the two blocs to move closer on external tariffs.

"Venezuela to Join Mercosur, Expanding South America Trade Group," BLOOMBERG, 16 October 2005; "Venezuela to Become Full Member of Mercosur-Chavez," REUTERS, 16 October 2005; "Venezuela to Fully Join Mercosur," BBC NEWS, 17 October 2005; "Venezuela's Full Mercosur Membership to Require

Special Arrangements - Official," AFX NEWS, 17 October 2005.

OIL, BRETTON WOODS REFORMS DOMINATE G20 TALKS

Fears over the possible long-term impacts of soaring oil prices dominated discussions at the latest meeting of finance ministers from the Group of 20 (G20) industrialised and developing nations -- not to be confused with the WTO bloc of major developing countries. Participants at the October meeting in Xianghe, China called for more concrete commitments on trade liberalisation and made progress in advancing an agenda for increasing the influence of developing countries over international financial institutions.

At the end of the summit, representatives from the G20 -- whose membership includes finance ministers and central bank governors from the Group of Eight industrialised nations and key developing country economies such as Brazil, China, India and South Africa -- issued a statement expressing deep concern that "long-lasting high and volatile oil prices could increase inflationary pressures, slow down growth and cause instability in the global economy."

The G20 statement also called for meaningful farm subsidy reduction, urging "all parties concerned to provide the necessary political impetus to promote trade liberalisation, fight protectionism, and make real progress at the [December] WTO Ministerial Conference."

The meeting established a roadmap for global economic reform geared at providing developing countries with a more influential relationship with the International Monetary Fund and the World Bank. The plan seeks to reform the 60-year old Bretton Woods institutions, which have been criticised for lacking transparency, serving the interests of developed countries, and exacerbating economic crises in the South.

"Oil Dominates G20 Talks as Yuan Takes Back Seat," REUTERS, 16 October 2005; "G20 Nations Agree Emerging Markets Need Bigger Say in IMF, World Bank," AFX NEWS, 16 October 2005; "G20 Meeting Reflects Shift in World Economic Balance," TODAY ONLINE, 17 October 2005; "G20 Nations Demand Freeing Up World Trade," THE INDIAN EXPRESS, 17 October 2005.

CIVIL SOCIETY GROUPS ADOPT 'DHAKA DECLARATION' ON LDC INTERESTS IN DOHA ROUND

The Committee on Trade and Development Special Civil society groups called on rich countries to grant least-developed country (LDC) exports duty-free and quota-free market access through the WTO, following a 3-5 October seminar in Dhaka on how to advance LDC interests at the Hong Kong Ministerial Conference in December. They also asked "developing countries in a position to do so" to provide non-reciprocal tariff- and quota-free market access to LDC agricultural and industrial products.

Expressing concern about the "continuing marginalisation of LDCs" in global trade fora, the forum's "Dhaka Declaration" exhorted developed countries to mitigate the effects of preference erosion by creating a fund to help LDCs with adjustment costs, and to relax their rules of origin requirements in ways that would improve LDCs' ability to take advantage of open market access. With regard to services, it rejected the benchmark concept and demanded expanded temporary international movement of LDC service providers, particularly lower-skilled workers. Notably, it also called for LDC exports to be completely exempt from WTO trade remedies.

Participants called for a phase-out to market-distorting farm subsidies -- particularly to cotton -- coupled with action to help net food-importing LDCs. Furthermore, they suggested that it should be mandatory for rich countries to provide special and differential treatment to developing countries. The forum stressed LDCs' need for greater trade-related capacity building, including supply-side assistance, and asked developed countries to allocate 0.15 percent of national income to overseas aid to LDCs.

Dhaka-based think tank Centre for Policy Dialogue organised the seminar, which was attended by representatives from Bangladeshi non-governmental organisations (NGOs), trade unions, business organisations, and women's groups as well as international NGOs such as Oxfam International and Action Aid.

The declaration is available at <http://www.cpd-bangladesh.org/dclfnl.pdf>.

ICTSD reporting.

ADELPHI CHARTER LAUNCHED ON CREATIVITY, INNOVATION AND INTELLECTUAL PROPERTY

A commission of artists, scientists, lawyers, politicians, academics and business experts has developed a new set of guiding principles for copyright and patent rules that they claim would serve as a fairer and more efficient basis for protecting intellectual property and spurring innovation in the 21st Century. The principles, officially launched on 13 October at the Royal Society for the Encouragement of Arts, Manufactures, and Commerce in London, are now referred to as the Adelphi Charter.

The Charter seeks to remind policymakers that the original purpose of intellectual property (IP) law was to "...ensure both the sharing of knowledge and the rewarding of innovation..." The Charter emphasises the importance of striking an appropriate balance between private rights and the public interest, challenging those who design IP laws to step back from the presumption that the expansion of IP protection is naturally a positive thing. Citing the general absence of conclusive proof that stronger IP protection is correlated with increased innovation, commission member James Boyle recently described IP policy as an "evidence-free zone," writing in the Guardian that "policy should be evidence-based."

The Adelphi Charter will now be presented to IP negotiators at permanent missions in Geneva.

Additional information on the Adelphi Charter is available at <http://www.adelphicharter.org>.

"Protecting the public domain," THE GUARDIAN, 14 October 2005; "Free ideas," THE ECONOMIST, 13 October 2005; "IP Charter With 'Public Interest Checklist' For Governments Launched," INTELLECTUAL PROPERTY WATCH, 19 October 2005.

WTO IN BRIEF

US SEEKS ARBITRATION IN COTTON DISPUTE WITH BRAZIL

On 17 October the US formally asked the WTO Dispute Settlement Body for arbitration (WT/DS267/27) in its dispute with Brazil over cotton subsidies, arguing that both the type and amount of retaliation that the latter was seeking were inappropriate.

This was an expected step after Brazil asked for permission to cross-retaliate against US intellectual property rights holders and services providers earlier this month (see BRIDGES Weekly, 12 October 2005, <http://www.ictsd.org/weekly/05-10-12/story3.htm>). That request sought annual sanctions worth USD 1.037 billion until the elimination of the offending measures. Arguing that this amount was disproportionate to the damage caused by its cotton subsidies, the US contended that Brazil had not followed the required procedures for cross retaliation. Brazil maintains that it was not practicable for it to retaliate against US goods, as imposing additional duties on imported goods would hurt Brazilian industry and encourage inflation.

Notably, Brazil insists that the new arbitration will not supersede the two countries' July 2005 arbitration on a different set of subsidies in the same dispute. That arbitration was suspended by mutual agreement in July, after the US announced legislative changes to the subsidy programme in question (see BRIDGES Weekly, 13 July 2005, <http://www.ictsd.org/weekly/05-07-13/wtoinbrief.htm>).

ICTSD reporting; "WTO Asks Arbitrator To Settle Brazil Sanctions Request Against US," FORBES, 18 October 2005; "U.S. Starts Arbitration in Cotton Case To Determine Scope of Brazilian Retaliation," WTO REPORTER, 19 October 2005.

EVENTS & RESOURCES

EVENTS

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

Upcoming Events: 20 October - 26 October

24-26 October, Geneva, Switzerland: EXPERT MEETING ON DYNAMIC AND NEW SECTORS OF WORLD TRADE. This UN Conference for Trade and Development (UNCTAD) intergovernmental expert meeting will review national and international policies and actions to enhance developing-country participation in dynamic and new sectors of international trade such as electronics, marine products and steel and related specialty products. For further information contact UNCTAD Meetings at e-mail: meetings@unctad.org; internet:

<http://www.unctad.org/Templates/Meeting.asp?intItemID=1942&lang=1&m=10492&year=2005&month=10>.

25-26 October, New York, USA: UNEP FINANCE INITIATIVE GLOBAL ROUNDTABLE. The 2005 UN 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>.

25-27 October, Tokyo, Japan: WTO AT 10: DISPUTE SETTLEMENT, MULTILATERAL NEGOTIATION, REGIONAL INTEGRATION. The Fair Trade Center and Tokyo Keizai University, in collaboration with Aoyama Gakuin University, the UN University Institute of Advanced Studies, and the Institute for International Studies and Training is hosting the third of a series of regional conferences commemorating the 10th Anniversary of the WTO Dispute Settlement System and the establishment of the Appellate Body. For further information contact Takashi Iwamoto tel: (+81) 3-3591-4550; fax: (+81) 3-3501-8066; e-mail: fvb6745@infoweb.ne.jp; internet: <http://www.iist.or.jp/info/wto10/index-e.html>.

26-27 October, Bangkok, Thailand: FINAL CONSULTATION FOR THE SOUTH-SOUTH ECONOMIC COOPERATION "EXPLORING MEKONG-GANGA RELATIONSHIP (MGR)" PROJECT. Organised by the Jaipur, India-based Consumer Unity and Trust Society Centre for International Trade, Economics & Environment (CUTS-CITEE), the conference will discuss key findings from background research and current business perceptions on the present and future scope for economic cooperation between India and Greater Mekong Sub-region countries. For further information contact Pooja Sharma or Swati Dhoot, tel: (+91) 141-2282821; fax: (+91) 141-2282485; email: citee@cuts.org; internet: <http://www.cuts-citee.org/events2005.htm#mgr26oct05>.

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.

20 October: COMMITTEE OF PARTICIPANTS ON THE EXPANSION OF TRADE IN INFORMATION TECHNOLOGY PRODUCTS

21 October: WORKING PARTY ON THE ACCESSION OF ALGERIA

24-25 October: DISPUTE SETTLEMENT BODY - SPECIAL SESSION

24-25 October: NEGOTIATING GROUP ON TRADE FACILITATION

24 October: COMMITTEE ON SANITARY AND PHYTOSANITARY MEASURES

24-25 October: NEGOTIATING GROUP ON RULES

25-26 October: COUNCIL FOR TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS

26 October: INTEGRATED FRAMEWORK STEERING COMMITTEE

Upcoming Events

5-6 November, Bishkek, Kyrgyz Republic: FOURTH MINISTERIAL CONFERENCE ON CENTRAL ASIA REGIONAL ECONOMIC COOPERATION (CAREC). This Fourth Ministerial Conference will review progress in regional cooperation activities since the previous one in 2004, and set the direction and medium- to long-term priorities for regional economic cooperation. The conference will produce a joint ministerial statement. Participation is by invitation only. For further information contact the CARECU Secretariat, tel: (+632) 632-5857, (+632) 632-6368; fax: (+632) 636-2387; e-mail: carec@adb.org; internet: <http://www.asiandevbank.org/Documents/Events/2005/CAREC/4th-Conference/default.asp>.

23-25 November, Dhaka, Bangladesh: NATIONAL CONSULTATION: REGIONAL ECONOMIC COOPERATION IN SOUTH ASIA. This consultation, organised by the Jaipur, India-based Consumer Unity and Trust Society Centre for International Trade, Economics & Environment (CUTS-CITEE), is designed to involve representatives from business groups, government, civil society and academia primarily from Bangladesh to create awareness and momentum towards regional cooperation with a view to influence the future direction of policies on trade and investment promotion within the country and amongst other South Asian countries. For further information contact Dr. Prasad P. Ranade, tel: (+91) 141-228-2821; fax: (+91) 141-228- 2485; e-mail, citee@cuts.org; internet: <http://www.cuts-citee.org/events2005.htm#nc23nov05>.

13-17 December, Hong Kong, China: HONG KONG TRADE AND DEVELOPMENT SYMPOSIUM. The goal of this symposium, co-convened by the International Centre for Trade and Sustainable Development (ICTSD) and the University of Hong Kong in collaboration with the Institute for Agriculture and Trade Policy (IATP), is to encourage innovative thinking on issues related to trade and development that could subsequently be translated into constructive inputs for the ongoing Doha Round negotiations. The main topics for discussions will be drawn from key development-related issues in the trade policy and trade rules arena. For further information contact Patrick Lunt, e-mail: plunt@ictsd.ch; internet: <http://www.ictsd.org/ministerial/hongkong/tds/>.

RESOURCES

EXPANDING NATIONAL POLICY SPACE FOR DEPARTMENT: WHY THE MULTILATERAL TRADING SYSTEM MUST CHANGE. By Robert M. Hamway. South Centre TRADE Working Paper 25, September 2005. This paper examines the concept of "policy space" by illustrating how a developing country's development policy options may be limited by, for example, the WTO agreements. It demonstrates that trade agreements that purport to put in place a level playing field for all countries may, in fact, provide a much smaller policy space for developing countries, thus limiting the range of their development policy choices. Available online at: <http://www.southcentre.org/publications/workingpapers/paper25/wp25.pdf>.

GENERATION LOST: YOUNG FINANCIAL ANALYSTS AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES. By the World Business Council for Sustainable Development Young Managers Team (WBCSD-YMT), 2005. This executive summary of a joint project between the WBCSD-YMT and the UN Environment Programme's Finance Initiative aims to assess whether young financial analysts might be more amenable to integrating environmental, social, and governance issues into their work than their older colleagues. The authors ultimately find that young analysts appear unconvinced over the materiality of most environmental, social, and governance issues to business; unable to consider them because of inadequate information, training, or tools; and unwilling to depart from business as usual because of conflicts with remuneration, career advancement, or culture. Three approaches are offered as a means to counteract this trend. Available online at: http://www.unepfi.org/fileadmin/documents/ymt_summary_2005.pdf.

POLICY RESPONSES TO PREFERENCE EROSION: FROM TRADE AS AID TO AID FOR TRADE. By Bernard Hoekman and Susan Prowse. Presented at the international symposium "Preference Erosion: Impacts and Policy Responses," Geneva, June 13-14, 2005. A large number of non-reciprocal preferential market access schemes have been put in place by industrialised countries, in addition to an ever-expanding set of reciprocal bilateral and regional trade liberalisation arrangements. These include the EU's Everything but Arms (EBA) initiative, as well as its special arrangements for developing countries such as the Cotonou convention with African, Caribbean, and Pacific (ACP) countries. This paper tackles the debate between middle-income countries that feel they are confronting discrimination in developed-country markets, and least-developed countries (LDCs) and non-LDC ACP countries' concerns that general, multilateral trade liberalisation and the removal of trade-distorting farm policies by rich countries will erode the value of current preferential access regimes. Available online at <http://www2.dfid.gov.uk/pubs/files/hoekman-prowse.pdf>.

MODERN GATT LAW. By Raj Bhala. Sweet & Maxwell, Thomson, August 2005. This book provides an article-by-article explanation of the legal texts of the General Agreement on Tariffs and Trade. It explains the meaning of each article, examines relevant business issues, and discusses all related interpretive and adjudicatory decisions. It also considers alternative theoretical underpinnings to each article. Areas of uncertainty and ambiguity are highlighted throughout. More information is available at <http://www.sweetandmaxwell.co.uk/details?prodid=107875&unitid=127367&search=gatt&format=all&publisher=all&subject=all&from=1&to=50>.

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