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LEAD STORIES

NEW PAPER ON COMPARING AG, NAMA AMBITION STIRS CONTROVERSY IN BOTH NEGOTIATING GROUPS

A new Argentine paper on how to compare trade liberalisation in farm products and industrial goods stirred controversy in the WTO negotiating bodies on both agriculture and non-agricultural market access (NAMA) on 20 March.

Tabled in both groups (TN/MA/W/67 and TN/AG/GEN/14), the paper expands on a methodology laid out by Argentina during the 'NAMA week' at the beginning of March for evaluating the level of ambition of different proposals in the two negotiating areas (see BRIDGES Weekly, 8 March 2006, <http://www.ictsd.org/weekly/06-03-08/story1.htm>). It emphasised that the EU was demanding far deeper cuts to industrial tariffs than it was willing to offer on farm products.

Paper outlines four bases for comparison

Paragraph 24 of the Hong Kong Ministerial Declaration instructs Members "to ensure that there is a comparably high level of ambition in market access for agriculture and NAMA... in a balanced and proportionate manner consistent with the principle of special and differential treatment (S&D)."

Argentina, which was one of a group of developing countries that pushed for this provision in Hong Kong, argues in the paper that that this stipulation is necessary "to avoid the adoption of extreme opposite stances" in the two areas, "in view of the adverse effects that this would have on the negotiating process."

The submission acknowledged that such a comparison is not straightforward, not least because farm tariffs are to be cut on the basis of a tiered reduction formula which will apply different percentage reductions to products classified into each of four bands, while tariffs on a country's industrial products will be subject to a single mathematical formula.

Nevertheless, Argentina outlined four bases for making a numerical assessment: the depth of tariff reduction demanded by each proposal; the proportion of trade accounted for by the market access flexibilities on NAMA and agriculture; the maximum tariff levels sought by proposals in the two areas; and the extent to which farm tariffs end up bound in 'ad valorem' terms, i.e., as a percentage of the value of the traded commodity.

Argentina contended that the EU's favoured NAMA approach -- a simple 'Swiss formula' associated with a coefficient of 10 for developed and 'advanced developing' countries -- would slash a 35 percent tariff to 7.78 percent, while its proposal for cutting farm tariffs would reduce an identical duty to only 19.25 percent. According to the paper, the EU's agriculture proposal produces tariff reductions roughly equivalent to the effect of a Swiss formula with a coefficient of 42.78. "Such an outcome," it said, "is clearly not what ministers had in mind as a comparably high level of ambition in these two negotiating areas."

Furthermore, the EU's agriculture proposal would reduce its maximum farm tariff of over 400 percent to 100 percent, while its NAMA proposal would slash the top rate to 9.76 percent. Its average farm tariff would decrease from 22.49 percent to 12.02 percent with the former, but to 4.82 percent with the latter.

The paper contends that Japan, too, is pushing for far deeper tariff cuts on industrial goods than it is willing to offer for farm products. Even the US' agriculture proposal would leave its maximum farm tariff (currently at 439.87 percent) at 65.98 percent, while the NAMA coefficient of 10 that it is seeking would bring it to 9.78 percent.

With regard to exemptions from tariff reduction, Argentina argued that 'sensitive product' and other flexibilities that the EU was seeking in its agriculture proposals would allow it to shield a far higher share of agriculture tariff lines and import value from cuts than what was available to developing countries in the NAMA negotiations. It also said that modest cuts to high agricultural tariffs in the EU and the US were unlikely to result in expanded market access since they are effectively prohibitive, and most imports of such products are only able to enter under tariff rate quotas.

"To argue that a reduction of a prohibitive applied rate to another applied rate which is also prohibitive in agriculture must be offset by a reduction in applied rates in NAMA is indefensible," the paper emphasised, stating that Paragraph 24 meant that "any tariff reduction in NAMA will require major compensation in terms of tariff quotas."

Members respond similarly in Ag, NAMA groups

Sources report that most Members reacted favourably to the Argentine paper during the meeting of the Negotiating Group on NAMA on the morning of 20 March. Brazil reiterated the importance of Paragraph 24 and said that the proposal would assist in the negotiations, a sentiment also voiced by China.

New Zealand said that the methodology made a valid point, and stressed the need for significant market access improvements in both agriculture and NAMA.

The US said that a 'development round' does not mean that only developed countries should be required to liberalise, acknowledging that establishing comparisons was difficult. Korea, a member of the G-10, said that numerical comparisons were biased and undeliverable, and noted that industrial tariffs had been reduced over the course of several negotiating rounds, whereas agricultural tariffs had only been through one, i.e., the Uruguay Round.

The EU argued that tariff cuts needed to be judged based on their impact on applied rates, and that a comparison of levels of ambition in different negotiating areas should include trade in services as well.

When the Committee on Agriculture Special (negotiating) Session met that afternoon, discussions were similar. The EU and the G-10 expressed opposition to the methodology, as did the group of African, Caribbean, and Pacific (ACP) countries, which expressed anxiety about its potential effects on countries that have benefited from longstanding trade preferences. Echoing the earlier discussions in the NAMA group, they argued that Paragraph 24 did not envision such numerical comparisons.

Delegations including G-20 members India, Pakistan, and Thailand, along with developed country agricultural exporters Australia and the US, said that the paper demonstrated the gap between some countries' ambition on NAMA and that on agriculture.

Both the NAMA and agriculture negotiating groups are meeting this week, until 24 February.

ICTSD will provide coverage of ongoing discussions in the two negotiating areas in the next issue of BRIDGES Weekly.

ICTSD reporting.

PLURILATERAL SERVICES NEGOTIATIONS SET TO START ON 27 MARCH

The plurilateral approach to the WTO services negotiations is set to move into high gear, with negotiations between groups of demandeur and target countries to start from 27 March. The plurilateral process was jumpstarted with the submission of 22 collective requests for market access starting from 28 February, the target deadline set out in the Hong Kong Ministerial Declaration (see BRIDGES Weekly, 8 March 2006, <http://www.ictsd.org/weekly/06-03-08/WTOinbrief.htm#1>).

Of these, 16 requests pertain to specific sectors or sub-sectors, namely legal; architectural/engineering/integrated engineering; computer and related services; postal/courier including express delivery; telecommunications; audiovisual; construction and related engineering; distribution; education; environmental; financial; maritime transport; air transport; logistics; energy; and services related to agriculture.

Three of the plurilateral requests relate to the modes of supply: the cross-border supply and consumption of services (modes 1 and 2), establishment of commercial presence (mode 3) and temporary access for individual workers (mode 4).

A further three refer to the elimination or reduction of existing exemptions from most-favoured nation (MFN) treatment, which Members were, in principle, allowed to maintain for a period of ten years from the 1995 entry into force of the General Agreement on Trade in Services (GATS). The first of these requests applies across-the-board to all scheduled MFN exemptions, while the other two relate specifically to MFN exemptions maintained in the financial services and the audiovisual services sectors.

Japan, EU, US most prolific demandeurs

Japan participated in the highest number of collective requests: 13 sectors, the plurilateral request on mode 3, and all three requests on MFN exemptions.

The US and the EU each participated as requesting Members in 12 of the sectoral requests in addition to joining the plurilateral request on mode 3. Notable differences in their sectoral requests include the US' participation in the requests on education and audiovisual services. The EU refrained from joining the request on audiovisual services, in part due to sensitivities from France about the 'cultural exception'; it had also decided not to submit requests related to

education, health, and water for human consumption. On the other hand, the EU joined the request on air transport services and on maritime transport services, while the US did not because of its politically sensitive Jones Act legislation, which prohibits the use, sale or lease of foreign-built or reconstructed vessels in its national waters or its exclusive economic zone, and which benefits from a much-contested, longstanding exemption under WTO rules. Australia also participated in 12 sectoral requests, while Canada, Norway and New Zealand each joined nine sectoral requests.

Among the developing countries perceived as having a strong offensive interest in services trade, Hong Kong participated in 11 plurilateral requests involving six sectors, Mexico joined in 10 requests involving six sectors, Singapore had nine requests in seven sectors and Chile had eight requests in six sectors. India participated in plurilateral requests on computer and related services, as well as those on mode 4 and cross-border services supplied through modes 1 and 2.

Notably, Malaysia joined in 2 sectoral requests -- for education and for computer-related services -- prompting some analysts to wonder whether the country is moving away from its traditionally cautious approach to the services negotiations, at least in selected sectors.

Argentina, Brazil, Paraguay and Uruguay co-sponsored a plurilateral request on services related to agriculture. It is one of the few sectoral requests which did not arise out of previous 'Friends' Group' work. Some observers have also been quick to point out that this is the only plurilateral request so far where the requesting Members are all developing countries and the requested Members all developed, including the US, the EU, Japan, Canada, Australia, New Zealand and Switzerland.

15 developing countries back request on mode 4

Not unexpectedly, the plurilateral request on mode 4 attracted the greatest number of developing country participants, although the request on modes 1 and 2 was also backed by developing country Members. Among the targeted countries for the mode 4 request are the US, the EU, Japan, Canada, Australia, New Zealand, Switzerland, Norway and Iceland. Sponsors included Argentina, Brazil, China, India, Egypt, Morocco, and Thailand.

The mode 4 collective request focuses on the categories of contractual service suppliers and independent professionals. Among the salient features of the request is its stipulation that wage parity should not be a pre-condition for the entry of foreign workers, which observers say is likely to attract the attention of

labour unions in recipient countries. The request likewise asks that economic needs tests (ENTs) should be removed or substantially reduced. These ENTs, which allow the entry of service suppliers only upon determination that there is no domestic supplier able and willing to supply the same service, are often used to keep out workers from developing countries.

The request enumerates an indicative list of around 24 sectors/sub-sectors where improved market access is sought for these categories of service suppliers. An early criticism is that the criteria laid down for qualifying for entry as a contractual service supplier or an independent professional are quite narrow, and thus limit eligibility to workers with high skill levels. According to some sources, this has prevented a number of developing countries from joining in the collective request.

The request on computer and related services appears to be the one with the most even represented of developed and developing countries. Several negotiators point to this as evidence of the commonality of opportunities in this sector for countries across different levels of economic development.

Demandeurs presumed demanded

The 16 sectoral plurilateral requests generally share the same format, identifying the requesting Members and stating the number of Members receiving the request (without identifying them). They also explicitly say that each of the requesting Members is deemed to be a recipient of the request, which responds to the question of whether plurilateral demandeurs would be expected to undertake the same level of liberalisation commitments they were requesting from other Members. Delegates say that this was the only way that plurilateral requests could contain commitments that did not meet a 'least common denominator' of acceptability among all demandeur Members.

The requests generally refer to the the sub-sectors and activities in which binding market access is sought, as well as specific commitments sought for each mode for such sub-sectors or activities. Mostly, they seek the removal or substantial reduction of limitations and conditions to market access. In some cases, such as for maritime transport and computer and related services, model commitment schedules are attached.

Philippines receives 19 requests; Brazil 18

Sources indicate that the Philippines led all countries, receiving 19 plurilateral requests involving 15 services sectors. Indonesia and Thailand follow close behind, with 17 requests covering 15 sectors. Malaysia received 15 requests spanning 13 sectors. China

received 17 requests in 15 sectors, while India received 15 requests over 14 sectors.

Among the countries in Latin America, Brazil received plurilateral requests in all but the sector it made a request in -- a total of 18 requests. Argentina received 14 requests in 12 sectors. In Africa, South Africa received 15 requests in 13 sectors; Egypt received 14 collective requests involving 12 sectors.

None of the least-developed countries have received plurilateral requests, consistent with the Hong Kong Declaration's stipulation that they would not be expected to undertake new commitments. Sources say however that LDCs are planning to submit a collective request on mode 4, building on the request they had previously tabled in June 2005.

Plurilateral discussions of the requests will be had between the requesting Members and recipients thereof in the forthcoming cluster of services meetings scheduled from 27 March - 7 April. Already, many representatives among the requested Members have voiced concerns with regard to the time and resource constraints they anticipate during the cluster, given that they will have to prepare and be present in almost all plurilateral discussions.

ICTSD reporting.

NEW ZEALAND, BRAZILIAN FISH PROPOSALS UNDER FIRE

During sessions of the WTO Negotiating Group on Rules on 15 and 17 March, several Members criticised proposals put forward separately by Brazil and New Zealand for a fisheries-specific amendment to the Agreement on Subsidies and Countervailing Measures.

While welcoming the draft text from New Zealand (TN/RL/GEN/100) as a concrete proposal, a number of delegates said it was too broad in its scope and coverage, and inadequate in its provision of special and differential treatment (S&D) for developing countries. Most delegates also said that the proposal -- which lays out a blanket ban on fisheries subsidies along with exemptions for permissible grants, as per the 'top-down' approach favoured by the "Friends of Fish" group -- could have provided more detail about the conditions which would trigger exemptions for access payments, aquaculture, research related to fisheries management, vessel decommissioning, some infrastructure, certain social insurance programmes and natural disaster relief (see BRIDGES Weekly, 15 March 2006,

<http://www.ictsd.org/weekly/06-03-15/WTOinbrief.htm#1>).

Many developing countries, among them some small and vulnerable coastal states, were particularly concerned about the proposal's extension of disciplines to cover canned and processed fish. The Solomon Islands argued that new rules should not apply to subsidies given to such value-added activities in the interest of helping small and vulnerable economies develop their fishing industries. They also reminded Members that the purpose of the disciplines was to prevent over-fishing, and argued that they should therefore only cover capture fisheries and not aquaculture.

Approximately 25 developing countries, including Brazil, India and several Latin American and African, Caribbean and Pacific (ACP) countries, expressed disappointment with the S&D provisions in New Zealand's draft text, which exempt a certain 'de minimis' amount of developing country subsidies from the general prohibition, but do not elaborate on how much, or the types of subsidies that would be exempted. Both the EU and the developing countries claimed that a 'de minimis' exemption was unlikely to be sufficient to allow these countries to pursue legitimate developmental and social objectives, and also asked for more detail on how such a provision could be applied in practice. Sources report that New Zealand suggested in the corridors that it was developing a new proposal on a 'de minimis' approach to S&D.

While the Brazilian text (TN/RL/GEN/79/Rev.1) paid significant attention to S&D-related concerns (see BRIDGES Weekly, 7 December 2005, <http://www.ictsd.org/weekly/05-12-07/story4.htm>), its link between S&D and regional fisheries management organizations (RFMOs) raised the concern of both developing and developed countries as well as the environmental group Worldwide Fund for Nature (WWF) at an informal consultation held the night of 15 March. The proposal allows developing countries that are part of an RFMO to grant capacity-enhancing subsidies, so long as the fishing capacity remains within the sustainable level of exploitation as defined by the particular RFMO.

Norway, Japan, New Zealand and some developing countries suggested that many RFMOs do not have the capacity to determine the sustainability of fisheries for the purposes of the WTO. They also pointed out that many countries are not members of RFMOs and argued that the proposal's criteria for non-RFMO members were too strict.

One trade expert also suggested that the proposal gives the WTO too much of a role in determining

whether fisheries stocks are overexploited or not, suggesting that the eventual disciplines should rely on economic indicators. Another source noted that the vast majority of fishing takes place within countries' exclusive economic zones, which are not usually covered by RFMOs.

Brazil's proposal to carve out grants to "patently at risk" fisheries -- those considered "overexploited," "depleted," or "recovering" by the UN Food and Agricultural Organisation -- from the overall exemption for subsidies to developing-country small-scale and artisanal fisheries drew particularly heavy fire, with delegates questioning how this could be examined or proven in the WTO. Many developing country delegates pointed out that they considered artisanal and small-scale fisheries to be the same (the Brazilian paper defined them differently). A developing country delegate said that while artisanal fisheries in developing countries should be exempted from subsidy disciplines, those in developed countries should not.

Most developing countries welcomed India's submission, which contained a list of "general characteristics" of small-scale, artisanal fisheries, which it felt could be more useful than trying to develop a common definition (TN/RL/W/203). They asked India to flesh out its propositions in the form of draft legal text that could be part of an agreement on fisheries subsidies.

ICTSD reporting.

OTHER NEWS

TRIPS: MEMBERS STILL SPLIT ON RELATIONSHIP WITH CBD; GI TALKS GOING NOWHERE

WTO Members remain divided on how best to achieve the objectives of biodiversity conservation and intellectual property protection so as to minimise the granting of 'bad' patents (i.e. erroneous patents incorporating naturally-occurring genetic resources). This was apparent both in the 14-15 March formal session of the Council on Trade-Related Aspects of Intellectual Property Rights (TRIPS), as well as recent consultations hosted by Deputy Director-General Rufus Yerxa on the relationship between the TRIPS Agreement and the Convention on Biological Diversity (CBD).

Positions remain largely unchanged in the TRIPS Council Special Session, where Members are discussing the creation of a multilateral register for the protection of geographical indications (GIs) for wines and spirits, as well as in a separate set of consultations run by Yerxa on whether the higher level of GI protection currently accorded to wines and spirits should be extended to other products.

Developing countries call for negotiations in TRIPS Council

Clarification of the TRIPS-CBD relationship is one of several 'outstanding implementation issues' referred to in Paragraph 12(b) of the 2001 Doha Declaration. In discussions on this relationship, which have been taking place in a series of consultations run by facilitators (currently Yerxa) named by the WTO Director-General, India, Brazil and Peru, mainly supported by other developing countries and Norway, have long called for amending the TRIPS Agreement to require patent seekers to disclose the origin and legal source of genetic resources and associated traditional knowledge used in their invention, along with evidence of prior informed consent and benefit-sharing (see for example BRIDGES Trade BioRes, 28 October 2005, <http://www.ictsd.org/biores/05-10-28/story3.htm>).

The Doha mandate also directed the TRIPS Council to consider the relationship between TRIPS and CBD and the protection of traditional knowledge and folklore as part of their mandatory review of TRIPS Article 27.3(b), which governs the patentability (or lack thereof) of plant and animal life forms.

In the 14-15 March TRIPS Council, the amendment-seeking countries called for the start of text-based negotiations on disclosure requirements as of late April, justifying it on the basis of Paragraph 39 of the Hong Kong Declaration, which calls for "any appropriate action" on the outstanding implementation issues by the end of July. They were emphatic that the discussions had evolved to the point that appropriate action constituted such negotiations. The US and Australia, however, rejected this as premature because of the persisting divergences in opinions on the appropriateness of a disclosure of origin requirement in patent law. Argentina came out in opposition to a multinational disclosure scheme at the meeting. The EU and Switzerland, while they support national-level disclosure obligations, continue to reject the notion of TRIPS obligations to do so.

This difference came out more clearly in Yerxa's informal consultations, in which delegates responded to a set of questions that he had circulated in an attempt to focus the discussions. While Members agree on the need to avoid erroneous patents and ensure equitable

and fair benefit sharing, they disagree on the role of disclosure requirements in achieving it. The US believes that a simple and rapid 'challenge' process would be sufficient to prevent bad patents, arguing that while a disclosure requirement did not prevent the granting of a 'turmeric' patent, allowing the patent to be contested led to its revocation. India countered that patent challenge proceedings were expensive for developing countries, and that mandatory disclosure would reduce the chances of approval of erroneous patents. Yerxa's consultations are set to continue on 23 March (see BRIDGES Trade BioRes, 17 March 2006, <http://www.ictsd.org/biores/06-03-17/story4.htm>).

Deadlock persists on all GI issues

WTO Members also continued discussions on various GI-related issues over the past week, albeit with little in the way of progress.

Yerxa held informal consultations on 'GI extension' on 16 and 21 March, at which it was apparent that Members continue to disagree. Both camps sought to support their positions by referring to the positive or negative impact it would have on developing country economies. While opponents of GI extension, especially 'new world' countries such as Argentina, Brazil, Canada and Chile, reiterated concern about its high implementation costs, supporters like the EU, India and Sri Lanka pointed instead to the improved opportunities it would offer developing country producers to gain price premiums in export markets.

Countries' views also remained unchanged in the formal negotiations on establishing a multilateral register for wines and spirits at the 16-17 March meeting of the TRIPS Council Special Session. The EU, based on its June 2005 submission (TN/IP/W/11) and supported by Switzerland and partly by Turkey, favours a system where registered terms would be protected in all WTO Member countries apart from those that have challenged the terms. In contrast, countries such as Argentina, Australia, Canada, Chile, the Dominican Republic, Ecuador, Mexico, New Zealand, Taiwan, and the US, want the register to be a simple notification system that countries could consult in order to decide whether or not to protect a term (as specified in a joint paper sponsored by these and other countries, TN/IP/W/10). Under Hong Kong's compromise proposal (TN/IP/W/8), registered GIs would enjoy a more modest degree of protection, and that too only in the countries willing to participate in the system. At the meeting, Members discussed the legal effects of participation in the register and the administrative burden of implementation. Notably, even some developing countries that support GI extension thought that the cost of implementing the EU's register would be unacceptably high.

Members agreed to hold consultations among themselves and with the chair in preparation for the next Special Session, scheduled for 12-13 June of this year.

The next formal TRIPS Council meeting (regular session) will take place on 14-15 June, and will be chaired by new Chair Ambassador Trevor Clarke of Barbados.

ICTSD reporting.

CONSTRUCTIVE AMBIGUITY SAVES LMO LABELLING DISCUSSIONS AT CARTAGENA PROTOCOL SUMMIT

Following hours of negotiations, parties to the Cartagena Protocol on Biosafety managed to reach an agreement on trade-related documentation requirements for commodity shipments of living modified organisms (LMOs) -- albeit one that was deliberately vague about some contentious issues. These requirements are central to the treaty's goal to protect biological diversity and human health from potential biotech-related risks through regulating the transfer, handling, and use of LMOs. The third Meeting of the Parties (MOP-3) rather quickly resolved the other items on its agenda during its 13-17 March session in Curitiba, Brazil.

Parties widely welcomed the accord on documentation requirements for LMOs for use in food, feed, and for processing (LMO-FFP) -- a thorny issue that sunk the previous MOP in Montreal in May-June 2005, and bogged down negotiations of the Protocol itself (see http://www.trade-environment.org/page/infoxch/CPB_MOP2.htm). While many civil society groups also cautiously welcomed the agreement, they attacked the biotech industry and the trade interests of some countries for preventing more stringent requirements. The 'constructive ambiguities' in the adopted text allowed it to secure the support of countries with differing positions in the negotiations.

The key question for the future implementation and effectiveness of the Protocol is now whether the labelling decision is sufficiently broad to persuade biotech exporting non-Parties to join the Protocol.

"may contain" versus "contain" -- leaving the options open

Article 18.2(a) of the Protocol, which stipulated that LMO-FFPs must have labels stating that they "may

contain" LMOs and are not intended for release into the environment, also mandated Parties to reach a more detailed agreement on documentation requirements.

Mirroring discussions at previous meetings, much of the debate at MOP-3 again focused on the use of "contain" versus "may contain" in trade-related documentation. Biotech importers, in particular African countries, advocated the former, while biotech exporters pushed for the latter. In the end, the decision provides two options, as Brazil had proposed early in the negotiations. Thus, in cases where the identity of the LMO is known "through means such as identity preservation systems" (a series of documentation and storage-related requirements aimed at guaranteeing that a product retains particular characteristics), the shipment should be labelled as containing LMO-FFPs. In cases where the identity is unknown, the "may contain" label would apply. In both cases, exporters would be required to provide the common scientific or commercial names of the LMOs, as well as information about the specific nature of the genetic modification.

The decision's provisions apply to LMO-FFPs that are "in commercial production and authorised in accordance with domestic regulatory frameworks," but do not specify whether these frameworks refer to the exporting or importing countries. It also does not clarify how countries without a regulatory framework would be covered. In addition, given that the trigger for the "contain" label was not further clarified, the choice of which labelling option to apply will most likely rest largely with the exporter.

A Brazilian proposal to require "contain" labelling of all shipments by 2010 was diluted to a decision to review countries' experiences with the documentation requirements at MOP-5, "with a view to considering a decision" at MOP-6 to require the "contain" label.

Indirect references to accidental presence of LMOs

The documentation provisions are further qualified by an acknowledgement that the expression "may contain" does not require listing of LMOs of species "other than those that constitute the shipment." This article marked a compromise on the question of the extent to which the rules should also cover the 'adventitious' (i.e. accidental, non-intentional) presence of LMOs in shipments.

The African countries in particular had advocated strongly for the broader scale, which would effectively shift the burden of testing for accidental presence to exporting countries. The EU would have preferred at least a reference to nationally-determined thresholds for adventitious presence, which would have provided multilateral backing for its existing domestic legislation.

These proposals were met with opposition by New Zealand and Brazil, both strong supporters of further farm trade liberalisation.

The final wording of the decision seemed subject to interpretation -- some felt it did not cover adventitious presence, while others perceived it to apply to the accidental presence of all LMOs. Most non-governmental observers adopted the view that adventitious presence would be covered for LMOs of the same species (such as different types of genetically modified soy), but not for other species (such as GM corn in shipments of GM soy).

Mexico concerned over trade with NAFTA parties

Last-minute changes sought by Mexico, which, along with Paraguay, had been pushing for less stringent documentation requirements and for shifting much of the information sharing to the Biosafety Clearing House (an information exchange mechanism set up by the Protocol), threatened to derail the discussions. Many observers suggested that Mexico was motivated by concerns over the impact of new rules on its trade with the US, as well its trilateral agreement on biotech-related documentation requirements with the US and Canada -- its partners in the North American Free Trade Agreement (NAFTA) -- reached in November 2003, prior to the first Cartagena Protocol MOP. Though both countries are signatories, neither the US nor Canada has ratified the Protocol.

In an effort to accommodate Mexico's concerns, a new paragraph was inserted in the decision to address trade with non-Parties. The text notes that "transboundary movement of LMOs between Parties and non-Parties shall be consistent with the objective of the Protocol," but adds that the specific documentation requirements will not apply to such trade. The new provision also calls on Parties to "encourage non-Parties to adhere to the Protocol." While the immediate implication of this provision is somewhat ambiguous, many delegates felt that the paragraph simply reiterates what is already known, namely that the Protocol's provisions are not obligatory for non-Parties.

Emphasis on capacity building

At the insistence of some countries, particularly from Latin America, the final decision strongly emphasises the need for capacity building to help developing countries implement and benefit from documentation requirements. This reflects the interests of biotech exporting developing countries, such as Brazil and Paraguay, which have alluded to their limited capacities to implement the labelling rules. Some countries fear that the cost of complying with the Protocol could place

them at a competitive disadvantage vis-à-vis non-Parties, notably the US, Canada, and Argentina.

Changing of the guard?

Several countries appeared to depart from their traditional negotiating positions at the Curitiba meeting. While at MOP-2, the charge against stringent documentation requirements was led by Brazil and New Zealand, this role now fell to Paraguay, Peru, and Mexico. Brazil, which had produced the initial draft text that formed the basis for the final decision, was widely lauded for its spirit of compromise, while New Zealand appeared to take an increasingly constructive role in the talks.

Some speculated that Brazil's changed stance was a result of the lengthy internal consultation process that had preceded the talks, a stronger role for its environment ministry, and its political stake in concluding the negotiations at home in Curitiba. More cynical voices suggested that Brazil might be relying on gaining a commercial advantage, in particular with respect to other Latin American countries, by having the capacity to install a system that will allow Brazilian exporters to segregate biotech from conventional products.

Parties furthermore agreed to make the heretofore annual MOPs take place every other year. MOP-4 will be held in conjunction with the ninth Conference of the Parties (COP) to the Convention on Biological Diversity, the date and venue of which will be determined at the eighth COP, taking place from 20-31 March, also in Curitiba.

Documents of MOP-3 are available at <http://www.biodiv.org/doc/meeting.aspx?mtg=MOP-03>.

Daily reporting was provided by IISD Linkages, <http://www.iisd.ca/biodiv/bs-copmop3>.

ICTSD reporting.

IN BRIEF

SOUTH KOREA AND INDIA TO BEGIN NEGOTIATIONS ON FTA

South Korea and India will begin talks on a free trade agreement (FTA) on 23 March in New Delhi. Deputy trade ministers Kim Joong-keun of South Korea and S.

N. Menon of India will lead the discussions during the two-day first round of negotiations.

This comes after a February summit in Seoul where presidents Roh Moo-hyun of South Korea and APJ Abdul Kalam of India signed a memorandum of understanding to start negotiating a Comprehensive Economic Partnership Agreement (CEPA), aiming to conclude the deal by late 2007.

Negotiations are likely to cover protections for foreign investments and regulations on the movement of businesspeople between the two countries. India's existing CEPA with Singapore includes provisions on goods, standards, investment, services, and labour movement.

Indian government officials have indicated that the country is further seeking FTAs with other nations, including Japan and China. Along with Bangladesh, Pakistan, Sri Lanka, Nepal, Bhutan, and the Maldives, India is also in the process of creating the South Asian Free Trade Area (SAFTA), which seeks to cut goods tariffs among member countries to a low level by 2016.

"S Korea, India open free trade talks," ASIA TIMES, 22 March 2006; "S. Korea, India To Commence First Round of Free Trade Talks," TRADING MARKETS, 21 March 2006; "S. Korea, India Aim to Sign Free Trade Deal By End of 2007," BILATERALS.ORG, 7 February 2006; "India in Center of Effort for World's Largest Free Trade Area," BILATERALS.ORG, 22 March 2006; "Exploring New Frontiers in India-Korea Trade," DECCAN HERALD, 20 February 2006.

WTO IN BRIEF

AID FOR TRADE TASK FORCE STILL DELIBERATING ON SCOPE OF MECHANISM

On 20 March, the WTO Aid for Trade Task Force held its second meeting since its inception, to decide how to fulfil its mandate to produce recommendations on the ways such assistance can contribute to the development dimension of the Doha Round. Composed of representatives from thirteen Member countries and chaired by Ambassador Mia Horn Af Rantzen of Sweden, the Task Force is scheduled to report to the General Council in July.

Sources report that the recent gathering was primarily a brainstorming exercise about what an Aid for Trade

mechanism acceptable to both recipient and donor countries might look like. Discussions focused on the need to agree on the scope of such a package, as well as its financing, implementation, and monitoring. A representative of the Organisation for Economic Cooperation and Development presented a paper to the Task Force describing the various trade-related assistance initiatives currently being implemented by different international organisations.

The next meeting is scheduled for 18 April, where WTO Director-General Pascal Lamy is expected to report on his consultations with various international and regional financial institutions, such as the World Bank, International Monetary Fund (IMF), and the Inter-American Development Bank. The Task Force is also contemplating an open-ended consultation with all Members in mid-May.

In an ongoing but separate meeting, trade policymakers from sixty countries attended a conference on Aid for Trade organised by the Commonwealth Secretariat in Geneva from 21-22 March. Held at the UN Conference on Trade and Development (UNCTAD), the meeting considered a recent paper by Nobel Laureate Joseph Stiglitz and Andrew Charlton, which called for rich countries' Aid for Trade donation commitments to be binding under WTO dispute settlement. It suggested that such funds could be allocated to a 'Global Trade Facility,' to be administered by the World Bank but governed separately by a rotating board of WTO Members.

Stiglitz and Charlton's report on Aid for Trade for the Commonwealth Secretariat is available at http://www.unctad.org/sections/ditc_tncdb/docs/ditc_tnc_d_bpGeneva03-06_en.pdf.

ICTSD reporting; "'Aid for Trade' on the Agenda as Trade Policy Makers Meet in Geneva," COMMONWEALTH SECRETARIAT PRESS RELEASE, 21 March 2006.

LDC SUBCOMMITTEE DISCUSSES SECRETARIAT REPORTS ON MARKET ACCESS, TEXTILES

At its meeting on 16 March, the WTO Sub-committee on Least Developed Countries (LDCs) focused on two papers prepared by the Secretariat, one on market access issues related to products of export interest to LDCs (TN/MA/S/19) and the other on options for LDCs to improve their competitiveness in textiles and clothing trade (WT/COMTD/LDC/W/37).

The market access paper evaluates the impact of tariffs on LDC merchandise exports from 1995-2005. Although LDC exports increased by 34 percent in 2004, compared to 21 per cent for exports worldwide, 47 percent of LDC exports are accounted for by five oil exporting countries. Manufacturing and commodity exporters experienced growth rates of 19 and 22 per cent, respectively, while eight of the WTO's 32 LDC Members saw exports decline. The paper noted a shift from food to clothing exports over the ten year period.

In the discussion that followed the Secretariat's presentation, LDCs, represented by Nepal and Bangladesh, stressed the need to both expand their export base and receive increased market access in order to benefit from trade liberalization. They also called for more and better technical assistance. The Secretariat agreed to the LDCs' request to prepare a separate note on non-tariff barriers in time for the sub-committee's next meeting in July.

The second paper suggested that in the short-term LDCs should enhance the competitiveness of existing textile and clothing production. Looking to the future, the paper proposes that LDC governments seek to develop higher-value added activities in cooperation with international institutions.

Much of the discussion focused on the expiry of quotas on textile and clothing trade in January 2005. LDCs called for developed country Members to loosen the strict rules of origin associated with preferential market access schemes such as the EU's 'Everything But Arms' initiative and the US' 'African Growth and Opportunity Act,' in order to ensure that LDCs are actually able to benefit from them.

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: 23 March - 29 March

23 March, Maputo, Mozambique: MOZAMBIQUE NATIONAL RETREAT ON POST HONG KONG WTO NEGOTIATIONS. The meeting's objective is to discuss and brainstorm on the outcome of the 6th WTO Ministerial Conference held in Hong Kong, China. It is also expected to devise a way forward for Mozambique in the different negotiations. The event, sponsored by Joint Integrated Technical Assistance Programme (JITAP), is co-organized by the UN Conference on Trade and Development (UNCTAD) and the Mozambique Ministry of Industry and Trade. For more information e-mail: emily.mburu@unctad.org; internet: <http://www.unctad.org/Templates/Meeting.asp?intlItemID=2068&lang=1&m=11689&year=2006&month=3>.

27 March, Copenhagen, Denmark: CHINA, TRADE AND THE GLOBAL ECONOMY. As part of a series entitled 'Trade Mondays' held at the Danish Institute for International Studies (DIIS), this seminar, through three separate presentations, will explore: (1) China's new Foreign Trade Act 2004, through an evaluation of the country's WTO compliance efforts, and the challenges the nation and its trade partners are facing; (2) How the country's policies, focused on generating a more sustainable course of development under the slogan of "common prosperity," reflect the adaptation of Western values of corporate social responsibility (CSR); and (3) the role of China in Africa, through an examination of why China is interested in Africa, and what the possible impacts might be on African economies. For further information contact the coordinator, Stefano Ponte, via e-mail: spo@diis.dk; internet: <http://www.diis.dk/sw21385.asp>.

27-30 March: BETTER FINANCING FOR ENTREPRENEURSHIP AND SME GROWTH. Organized by the Centre for Entrepreneurship, Small and Medium Enterprises (SMEs), Local Development, and the Brazilian Ministry for Development, Industry and Foreign Trade, this high level conference will assess how governments can help entrepreneurs procure funds to develop their own businesses. The conference will assemble experts from governments and international organizations, as well as representatives from business and civil society. For more information, see: http://www.oecd.org/document/38/0,2340,en_2649_201185_36234726_1_1_1_1,00.html.

20-23, 27-31 March, Chiapas, Mexico: INTERNATIONAL FORUM FOR SOLIDARITY TOURISM AND FAIR TRADE. The event, sponsored by FITS, will provide visits through southern Mexico to experience community management, organic farming, responsible tourism, and fair trade. In conjunction, there will also be a meeting entitled "Towards an Integrated Regional Sustainable Tourism Policy," as well as other discussions on fair trade. For more information contact

Oscar I. Barajas Velasco, phone: (+52) 961 602 51 77;
e-mail: fits@turismochiapas.gob.mx; internet:
<http://www.fits.chiapas.gob.mx/ingles.php>.

28-29 March, London, UK: 2006 BUSINESS-NGO PARTNERSHIPS CONFERENCE. Sponsored by Ethical Corporation, this two day networking conference will facilitate discussions on managing and sustaining business partnerships, controlling finances, problem-solving, communicate internally and externally, measure progress, and overcome conflicts. For more information, contact Anyes Estay, phone: +44 (0) 20 7375 7164; e-mail: a.estay@ethicalcorp.com; internet: <http://www.ethicalcorp.com/londonpartnership/index.shtml>.

WTO Events

An updated list of forthcoming WTO meetings is posted at: http://www.wto.org/english/news_e/meets.pdf. Please bear in mind that dates and times of WTO meetings are often changed, and that the WTO does not always announce the important informal meetings of the different bodies. Unless otherwise indicated, all WTO meetings are held at the WTO, Centre William Rappard, rue de Lausanne 154, 1211 Geneva, Switzerland, and are open to WTO Members and accredited observers only.

23 March: WORKING PARTY ON THE ACCESSION OF THE RUSSIAN FEDERATION

24 March: TRADE POLICY REVIEW BODY - UNITED STATES OF AMERICA

27 March: WORKING PARTY ON THE ACCESSION OF VIET NAM

27-31 March: COMMITTEE ON GOVERNMENT PROCUREMENT

27 March: SUB-COMMITTEE ON COTTON

29-30 March: COMMITTEE ON SANITARY AND PHYTOSANITARY MEASURES

29 March: COMMITTEE ON TRADE-RELATED INVESTMENT MEASURES

Other Upcoming Events

24-25 April, Paris, France: WORKSHOP ON POLICY COHERENCE FOR DEVELOPMENT IN FISHERIES. The Organisation for Economic Co-operation and

Development (OECD) committees for Fisheries and the Development Assistance are jointly hosting this workshop, which will further explore key issues in policy coherence for development in fisheries. For more information contact Mr. Carl-Christian Schmidt, e-mail: carl-christian.schmidt@oecd.org; internet: http://www.oecd.org/document/26/0,2340,en_2649_33901_35283162_1_1_1_1,00.html.

7-8 April, New Delhi, India: WORKSHOP ON CLIMATE CHANGE AND SUSTAINABLE DEVELOPMENT. Organised by the UN Department of Economic and Social Affairs and The Energy Research Institute (TERI), with the support of the Government of India, this workshop will focus on exploring the linkages between climate change and sustainable development. Its deliberations will be reported to Commission on Sustainable Development (CSD)-14. For further information contact the UN Department of Economic and Social Affairs (ECOSOC), tel: (+1) 212-963-8102; fax: (+1) 212-963-4260; internet: http://www.un.org/esa/sustdev/sdissues/climate_change/climateChange_inter.htm.

9-12 April, Chicago, US: BIOTECHNOLOGY INDUSTRY ORGANIZATION ANNUAL INTERNATIONAL CONVENTION. This forthcoming industry convention will include an international programme with a ministerial seminar and a global biotechnology forum, as well as a business forum and breakout sessions. On 8 April, which has been labeled the "International Day of Opposition to Genetically Modified Organisms (GMOs)," a BioEthics counter-convention will also convene, organized by organizations opposing to GMOs. Internet: <http://www.bio.org/events/2006/> and <http://www.reclaimthecommons.net/article.php?list=type&type=49>.

29-30 May, Brussels, Belgium: LINKING SCHEMES: POTENTIAL IMPACTS OF LINKING THE EUROPEAN UNION EMISSIONS TRADING SYSTEMS WITH EMERGING CARBON MARKETS IN OTHER COUNTRIES. This final conference of the Joint Emission Trading as a Socio-Ecological Transformation (JET-SET) project, coordinated by the Wuppertal Institute and commissioned by the German Federal Ministry for Education and Research (BMBF), comprises state-of-the-art contributions by policy-makers as well as presentations from the research community. The objectives of the conference include providing an overview of emerging domestic schemes in other industrialised countries, identifying sensitive aspects of linking the EU's emissions trading systems with other emerging schemes, assessing the effects linking would have for emerging carbon markets, and formulating both policy recommendations and research perspectives for the national and European/regional

level. For further information contact Marcel Braun, e-mail: marcel.braun@wupperinst.org; internet: <http://www.wupperinst.org/Sites/Projects/rg2/3214.html>.

RESOURCES

STATE OF THE WORLD 2006. The Worldwatch Institute, December 2005. In the 23rd edition of State of the World -- an annual guide to our progress towards a sustainable future -- the studies pay particular attention to China and India: two of the world's most rapidly developing countries in terms of industry, population, significance to the global economy, and associated environmental impacts. . Further information available online at <http://shop.earthscan.co.uk/ProductDetails/mcs/productID/672/groupID/7/categoryID/7>.

BULGARIA'S INSTITUTIONS AND POLICIES: INTEGRATING INTO PAN-EUROPEAN MARKETS. By Bartlomiej Kaminski. The World Bank, March 2006. This paper analyses the process of institutional transformation in Bulgaria and assesses the extent to which it has established institutions and policies that foster domestic economic activity and integration into global markets. After a brief review of characteristics and achieved progress in first-generation reforms -- that is, the removal of central control over prices and the liberalisation of foreign trade and exchange rate regimes -- the paper assesses progress made in the quality of governance and structural reforms. It then examines the extent to which this has impacted foreign direct investment inflows and the ways it was translated into improved business environment in its domestic and external dimensions. Further information available online at http://www-wds.worldbank.org/servlet/WDS_IBank_Servlet?pcont=details&eid=000016406_20060223112841.

EVALUATING RECIPES FOR DEVELOPMENT SUCCESS. By Avinash Dixit. The World Bank, March 2006. This paper reviews the contradictions and conflicts in the literature on economic governance and sketches an approach for applying some of the conceptual and empirical findings from that literature towards development policy. The text offers conflicting conclusions on big questions, such as whether history and geography preordain a country's economic fate; whether democracy or authoritarianism promotes growth; whether informal or formal mechanisms are best; whether "big bang" or gradual transitions promote growth; and whether disasters and demographics are stumbling blocks or stepping stones. The author suggests a preliminary approach of combining the practitioner's detailed knowledge of country conditions

with the broader patterns uncovered by scholars, building on "growth diagnostics" that identify binding constraints to development. But he shifts from the sequential "decision tree" framework to a more directly "diagnostic" approach that recognises that policymakers must deal with many factors simultaneously. The framework he suggests combines empirical information on potential causes, estimates of their probabilities, and observed effects. As the foundation for a broader mode of thought, he proposes this framework to tackle the complexity and variance in development processes and patterns across countries and time -- one country at a time. Further information available online at http://www-wds.worldbank.org/servlet/WDS_IBank_Servlet?pcont=details&eid=000016406_20060222091716.

TRADE, GROWTH AND INDUSTRIALISATION: ISSUES, EXPERIENCES AND POLICY CHALLENGES. By Yilmaz Akyuz. Third World Network, 2005. Over the past two decades, the liberalisation of trade and investment flows has dominated policy reforms in the developing world, in the belief that rapid and full integration into the global economy would create more favourable conditions for growth. However, both theory and empirical evidence suggest there is no automatic linkage between trade liberalisation and growth. This paper explains why this is the case and, in this light, addresses the basic policy challenge facing most developing countries: how to establish a broad and robust industrial base as the key to successful development, and how best to channel trade and investment to this end. The author finds that, while developing countries' share in world manufacturing exports -- including high-tech products -- and appears to have been expanding rapidly, the incomes that these countries have earned from such activities do not share in this dynamism. To be able to progress further along the development path, therefore, these developing countries must undertake industrial upgrading and graduate from labour-intensive to higher-value-added production, thereby also allowing still-less-advanced countries to participate in manufacturing. This paper explores possible solutions to this problem, setting out policy suggestions as to how developing countries can orient their participation in international trade and production systems towards promoting economic development. Further information available online at <http://www.twinside.org.sg/title/td28.htm>.

ON THE MOVE

ACHIM STEINER, the current Director-General of IUCN - The World Conservation Union, was appointed on 16 March to the position of Executive Director of the UN

Environment Programme (UNEP). His appointment was confirmed by the UN General Assembly. Steiner will succeed Klaus Töpfer, who finishes his second term on 31 March.

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