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LEAD STORIES

EU SIGNALS SOME WILLINGNESS TO MOVE ON AG MARKET ACCESS; TALKS STILL BLOCKED

The chair of the WTO agriculture negotiations concluded on 19 May that Members were making very gradual progress, and that much remained to be done for them to reach a framework deal with specific figures for farm tariff and subsidy cuts. Recent signs from the EU that it might sweeten its offer on agricultural market access appeared to prove unable, at least initially, to break the deadlock in the talks.

After months of largely unchanged positions, the negotiations witnessed a rare moment of excitement late last week when EU officials suggested that Brussels was willing to deepen, albeit not by a great amount, its offer to cut farm tariffs. Several countries have blamed the impasse in the Doha Round on the EU's unwillingness to do more on agricultural market access.

Since then, the EU has been sending conflicting signals. A spokesperson for EU Trade Commissioner Peter Mandelson told the Financial Times on 19 May that Brussels was considering "moving towards but certainly not as far as" the 54 percent average reduction in rich country farm tariffs currently sought by the G-20. The EU says that its own proposal would entail a 46 percent reduction, but others claim that the real cut would amount to only 39 percent (see BRIDGES Weekly, 2 November 2005, <http://www.ictsd.org/weekly/05-11-02/story1.htm>).

On 22 May, EU Agriculture Commissioner Mariann Fischer Boel denied that any new offer would be forthcoming unless something was promised in return. "To be crystal, crystal clear: the EU is not going to make any unilateral offers. It is out of the question," she said. The EU has criticised the US for not offering greater cuts to its farm subsidies, and has also attacked developing countries such as India and Brazil for not opening their markets further to industrial goods and services.

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In spite of this, press reports suggest that the very next day, Mandelson, speaking on the sidelines of the Organisation for Economic Cooperation and Development's 23-24 May summit in Paris, indicated that the EU would indeed be able to improve upon its offer. Reuters reports that an EU official said Mandelson outlined possible moves to future US Trade Representative Susan Schwab in an informal meeting, adding that it was now the US' turn to move on subsidy cuts.

In a statement issued that evening, US WTO Ambassador Peter Allgeier said that the unspecified "small improvements" the EU was hinting at would be insufficient. "A minimal change would not be nearly sufficient to the level that we believe is needed for there to be new trade flows," he said. The US maintains that the EU needs to arrive at a point between the G-20's 54 percent cut and its own proposal on agricultural market access, which calls for an average reduction of over 60 percent.

One Geneva-based trade diplomat thought it highly unlikely that the EU would come forward with a "revolutionary" new proposal on agricultural market access, given the reluctance of several of its member states to support the current offer. However, it might present increased export opportunities to other Members by making small changes to its tariff reduction formula, or expanding the size of the new import quotas for the 'sensitive products' that will not bear the full brunt of tariff cuts. A decrease in the total number of sensitive products -- the EU has been seeking eight percent of tariff lines -- would also lead to increased market access for others' exports.

This week has been marked by a temporary lull in the Geneva negotiations, as representatives from many Member delegations went to Paris. They were joined there by ministers and senior officials from several countries, including a number of developing countries not part of the OECD's club of primarily industrialised nations. Although trade ministers from Australia, the US and Kenya attended the meeting along with Mandelson, their counterparts from India and Brazil were not present -- a move that Indian government officials attributed to the lack of progress in the negotiations. Several informal consultations on WTO issues were held on the sidelines of the formal OECD events.

Simulations show proposals' impact on applied subsidies, tariffs

The results of a new informal 'simulation' exercise to assess how the main proposals in the agriculture negotiations would affect the current subsidy and tariff policies of a small group of Members were circulated to all delegations on 22 May. A group of senior trade

officials from 12 countries had met to discuss the data on 17 May.

Developing country delegates in Geneva said that the domestic support calculations only confirmed what they already knew: that the proposals by the EU, the US, and Japan would have little to no effect on the sums they were actually planning to pay to farms over the next few years. Canada conducted the simulation examining the implications of the US, EU, G-10 (which includes Japan) and G-20 domestic support proposals on the WTO's three biggest subsidisers. It revealed that only the G-20's would require the US to make cuts to its current level of overall trade-distorting subsidies.

At the Hong Kong Ministerial Conference, governments agreed to classify Members into three tiers for the purposes of subsidy reduction: the first containing the EU, which would have to make the biggest cuts; the second containing the US and Japan; and the third containing all other countries.

Under this structure, the G-20 would require the EU to cut the spending limit for overall trade-distorting support (OTDS) by 80 percent, while the US and Japan do so by 75 percent. The G-10 proposal calls for a 75 percent cut in EU support and a 65 percent cut in US and Japanese support. The US proposes a 75 percent cut for the EU and a 53 percent cut for itself and Japan -- the largest difference between the two tiers. The EU would cut its own OTDS ceiling level by 70 percent, and slated the US and Japan for corresponding cuts of 60 percent.

The simulation also calculated the effect of each set of proposed cuts to 'amber box' trade-distorting support, as well as those to the other components of OTDS: partially-decoupled 'blue box' payments and 'de minimis' support, the permitted level of trade-distorting support allowed under WTO rules. Under the July Framework, 'blue box' payments are capped at 5 percent of the total value of production. A similar limit exists on non-product-specific and product-specific 'de minimis' spending by developed countries. Proposals on the table seek to halve the limit for blue box payments. Members including the G-20 are seeking to limit both kinds of 'de minimis' support to 1 percent of the value of production; others, such as the US, have offered 2.5 percent. Since the changes to spending limits will be calculated on the basis of the value of production, the time period chosen for determining production values becomes significant. Several Members want calculations to be based on production values from 1995-2000; sources report that the US would prefer 1999-2001. The simulation therefore examined the outcomes that would result for either base period.

The results of the simulation demonstrated that the US proposal would force no changes to the overall amount of money that Washington spends on trade-distorting support. Indeed, for either base period the US' post-reform permissible limit for OTDS would be in the neighbourhood of USD 22.5 billion -- significantly higher than the USD 19.6 billion that it spent in 2005. In contrast, the G-20 proposal would cut US OTDS to approximately USD 12 billion.

The US proposal would cut amber box support substantially, even from actual spending levels. However, if de minimis support were capped at 2.5 percent of the value of production, the US would be able to count roughly USD 4.8 billion worth of payments against its non-product-specific de minimis limits alone. Additional spending could be exempted as product-specific de minimis support. Furthermore, the US would controversially be allowed to shelter its countercyclical payments to farmers (which rise when world market prices fall) in the 'new blue box,' created in the July 2004 Framework (WT/L/579).

According to the simulations for the different proposals, the EU would see its OTDS levels reduced from EUR 58.1 billion in actual spending in 2004 to a future cap of EUR 22-34 billion. However, these seemingly substantial cuts would necessitate few real changes to EU practices: Brussels' ongoing reform of the Common Agricultural Policy (CAP) has already planned to reduce trade-distorting subsidies for the coming years to levels close to those foreseen by the proposals. Much of this will be accomplished by de-linking farm payments from production, so they can be shifted into the 'green box,' in which subsidies are exempt from reduction obligations on the grounds that they are minimally trade-distorting. The EU has opposed attempts to revisit the eligibility criteria for the green box (see related story, this issue).

None of the proposals will cut into Japan's actual spending levels, which are far below its binding caps as a result of domestic reforms.

A similar exercise, conducted by Australia, examined applied agricultural tariffs in Australia, Brazil, Canada, the EU, India, Japan and the US. It found that for Australia, Brazil, and India, the four major proposals on the table -- from the G-10, the EU, the G-20, and the US -- would leave them with average bound tariff levels that would still be higher than their current average applied rate.

According to the simulation, the US proposal, which demands far deeper tariff cuts from developing countries than any other, would leave India's bound tariff average at 38.3 percent, marginally above its current applied average of 37.9 percent. The G-20

proposal would reduce Brazil's bound tariff rate from 35.7 percent to 25.7, well above its applied tariff average of 10.13 percent. The same formula would cut India's bound rate from 113.8 to 74.8 percent.

However, this does not mean that other proposals would effectively exempt products from tariff reduction. The simulation shows that the G-20 and EU proposals, both of which ask developing countries to cut tariffs by an average of 36 percent, would 'bite' into 18.1 percent of India's dutiable tariff lines, leaving 21.7 percent of total farm imports subject to new reduced applied tariff rates. The US proposal would cut into almost a quarter of tariff lines, affecting 26.5 percent of agriculture imports.

India complained that no mandate existed for the simulation's use of applied tariffs, although it did not block the results of the exercise from being circulated to all Members. Many countries are reluctant to discuss applied tariffs, which are often considerably lower than the bound legal maximum rates. This is because WTO subsidy and tariff reductions have traditionally been made from bound rates, and they fear that a focus on applied rates could pave the way for a formula that effectively ends up penalising them for any autonomous liberalisation they may have carried out.

Discussions on bound versus applied tariffs often mirror those on subsidies, with developing countries countering rich country demands for 'real' market access by pointing to the absence of 'real' subsidy cuts.

Options for Ministers

The 19 May meeting of all delegations at the WTO in Geneva came at the end of the third in a six-week cycle of intensive talks aimed at producing an agreement on modalities. Trade diplomats are unclear as to whether an agreement will be possible in the three weeks that remain.

Chair Ambassador Crawford Falconer (New Zealand) set out two options which could be used to enable ministers to take a decision on the final modalities package. The first approach would be to provide a draft text containing square brackets to indicate areas of continuing disagreement: ministers would then need to make the political choices required to reach consensus. The second approach would be to offer instead alternative scenarios, with specific linkages between, for instance, the depth of subsidy and tariff cuts. Ministers would then have to decide on appropriate trade-offs.

Falconer was also due to prepare new or revised 'reference papers' on domestic support this week, describing areas of agreement and disagreement, and

perhaps proposing initial draft text. Negotiators expect to discuss them next week. Market access discussions are to resume from 5 June.

ICTSD reporting; "WTO Ministers Seek Common Ground to Resuscitate Stalled Talks," BLOOMBERG, 23 May 2006; "Australia's Vaile says WTO colleagues welcome EU flexibility," AFX NEWS, 23 May 2006; "Simulations Show Projected Impacts Of Proposed Cuts in Ag Subsidies, Tariffs," WTO REPORTER, 18 May 2006; "Trade talk impasse: EU makes move," REUTERS, 23 May 2006; "India, Brazil opt out of WTO meet," FINANCIAL EXPRESS, 22 May 2006; "EU signals bigger cuts in farm tariffs in Doha round," FINANCIAL TIMES, 20 May 2006.

NAMA: MEMBERS TO TURN TO CORE ISSUES EVEN THOUGH MINOR ONES REMAIN UNRESOLVED

Another week of intense negotiations on non-agricultural market access (NAMA) has yielded little concrete progress, Chair Ambassador Don Stephenson (Canada) reported to Members on 19 May.

Despite the absence of agreement on the various minor issues that trade negotiators have been discussing in recent weeks, Stephenson asked them to expand their focus to include the 'core modalities' that will determine how much countries will have to cut industrial tariffs, how many products developing countries will be able to shield from the tariff reduction formula, and the treatment of tariff lines not currently subject to binding caps. The chair insisted that an agreement by the middle of June remained "doable."

According to the schedule for six weeks of continuous NAMA negotiations that Stephenson set out at the end of April, Members were supposed to agree on a range of relatively minor issues before turning to the more contentious ones in time to reach an agreement on modalities by 16 June.

They have been unsuccessful so far. Recent consultations have proved inconclusive on issues such as the precise exceptions to standard tariff treatment to accord least-developed countries (LDCs), small and vulnerable economies (SVEs), and countries that have bound fewer than 35 percent of their tariff lines. Nor have they been able to agree, for instance, on whether developed country Members will have to indicate how they will fulfil their obligation to provide duty- and quota-free access to LDC exports when scheduling their product-specific liberalisation concessions, or at some later stage.

Stephenson has nevertheless asked Members to turn their attention to the three core issues, and will hold meetings on them from next week. He acknowledged that the eventual level of ambition in NAMA was inevitably linked to that in the also-deadlocked agriculture talks, but suggested that these discussions could be delayed no further.

One delegate said that turning to the ambition-defining core issues may actually stimulate progress. Discussing exceptions in isolation from the overall package is difficult, the negotiator explained, suggesting that the flexible tariff treatment to grant to, say, SVEs, would be hard to determine without any idea about what flexibilities will be available to all developing countries. Putting exceptions on the backburner and focusing on ambition, therefore, might help.

In any event, Members are deeply divided on the core modalities. The US and the EU have called for developing countries to use a 'simple Swiss' tariff reduction formula associated with a coefficient of 15. This would slash all of their industrial tariffs to below 15 percent, with higher tariffs reduced more sharply. It would also require cuts to tariffs already bound below that level. While Brazil and India remain formally committed to a formula that would link each Member's future tariffs to its current average tariff level (see BRIDGES Weekly, 20 April 2005, <http://www.ictsd.org/weekly/05-04-20/story2.htm>), they have informally suggested that they could accept a 30 percent cap for developing country tariffs. A coefficient of 15 would cut a 10 percent tariff to 6 percent; a coefficient of 30 would lower it to 7.5 percent.

The US and the EU have proposed an absolute tariff ceiling of 10 percent for developed countries. Brazil and India have argued that a coefficient of 15 would force developing countries to make far greater adjustments than a coefficient of 10 would require of industrialised countries.

Furthermore, several developing countries insist that they should be allowed to designate no fewer than 10 percent of products for tariff cuts that are half those required by the overall formula, or to exclude 5 percent from reduction commitments altogether, under the provisions of Paragraph 8 of the NAMA mandate set out in Annex B of the July 2004 Framework (WT/L/579). However, most developed countries and some developing ones believe that Members should have to give up access to these flexibilities in return for a higher formula coefficient (and thus future tariff ceiling).

Sources report that Stephenson denied rumours that he was planning to table a 'chair's text,' i.e., a draft set of potential compromise modalities, by emphasising that it was simply impossible at this juncture. Members would

need to narrow the differences between their positions to give him enough material to develop a text to put forward under his own responsibility, he indicated. Stephenson told delegates that while a final decision on numbers might have to be left to ministers, they should set the stage for such a decision by resolving enough of the underlying issues to make a fairly detailed text possible.

Some delegates had been hoping for a measure of guidance on ways out of their current impasse from the 23-24 May meetings of senior trade officials from several influential WTO Member countries on the sidelines of the Organisation for Economic Cooperation and Development (OECD) summit in Paris. However, little of substance emerged from those discussions.

The chair is expected to continue his consultations this week, with very small gatherings bringing together the strongest supporters of some proposals and their most vocal opponents, in addition to meetings open to all delegations. Stephenson will also hold so-called 'confessionals' with individual delegations during which he will ask precise questions about their 'bottom lines' in the negotiations. Discussions on the core issues -- the formula, flexibilities for developing countries, and unbound tariffs -- will start from 29 May.

ICTSD reporting.

AG: MEMBERS TRYING TO BRIDGE PERSISTENT GAPS ON TROPICAL PRODUCTS, PREFERENCE EROSION

WTO Members appear willing to try to bridge persistent differences on how to liberalise trade in tropical products while also addressing the effects of trade preference erosion, the chair of the agriculture negotiations said on 19 May, following consultations with negotiators from about 20 delegations.

Both sets of consultations were based on 'reference papers' that Chair Ambassador Crawford Falconer (New Zealand) had circulated to delegations earlier in the week. He has already produced such documents on most of the issues in the agriculture negotiations, identifying convergence, continuing divisions, and possible paths to compromise. Falconer intends for these reference papers to serve as the basis of an eventual draft agreement.

In one of his recent reference papers, Falconer acknowledged that there was "clearly going to be some overlap" between the two issues, since the negotiations have involved a few of the same products.

However, the two mandates have neatly placed some Members in opposing camps: while some want developed countries to remove all tariffs and quotas on 'tropical products' such as sugar and bananas, others have long benefited from trade preferences for these very commodities, and thus stand to lose from across-the-board liberalisation. While the preference beneficiaries would like rich countries to be able to slate these products for lower tariff cuts, thus preserving more of their margin of preference, the others would like to prohibit the same products from being designated as 'sensitive.' The latter tend to argue that preference erosion should only be dealt with through aid payments and other assistance.

Falconer calls for 'realism' on tropical products

The July 2004 Framework commits Members to pursue the "full implementation of the long-standing commitment to achieve the fullest liberalisation of trade" in tropical farm products as well as crops that farmers could grow instead of narcotics -- so-called 'diversification products.'

Members still need to identify which products will qualify, and agree on their treatment. Falconer told the 19 May meeting of all delegations that negotiators generally agreed with his assessment that agreement on an exhaustive list was unlikely, given the lack of time available and the fact that Members had not been able to agree on one in the half-century history of the multilateral trading system.

One approach under consideration would have Members establish a "core set" of products that individual countries could build on when scheduling specific liberalisation commitments. Since some products are controversial, Falconer suggested in his paper that "we could begin by developing a list of products for which agreement exists," before deciding on any others. He pointed to rice's absence from Members' different lists of tropical products as an example of the "realism" that would be necessary for Members to reach a compromise. Sources report that the chair is encouraging Members to differentiate between products that currently face high barriers -- the lowering of which would be politically controversial and economically significant -- and those that do not.

Falconer's paper said that Members' positions on the treatment of tropical products were "quite some way from a realistic approach zone." In it, he suggested that while the mandate for 'fullest liberalisation' would be "difficult to reconcile with something that is less than the 'default' liberalisation treatment," the complete elimination of duties and quotas sought by a group of eight Latin American countries was also unrealistic (see BRIDGES Weekly, 3 May 2006,

<http://www.ictsd.org/weekly/06-05-03/wtoinbrief.htm>).

For instance, he observed, developed countries were not likely to eliminate all tariffs on sugar as part of the Doha Round.

Although participants at the small-group meeting did repeat their past positions, one negotiator said that Members could recognise -- informally -- that it would be hard to eliminate tariffs and quotas on all products, as Falconer suggested. They could then focus on pursuing duty- and quota-free access for tropical products where it was achievable. For the rest, they could try to agree on some sort of treatment that would still be beyond the requirements of the overall formula, but not go as far as complete liberalisation.

Preference erosion problems should not be overstated

Falconer said that the problems posed by the mandate to address preference erosion should not be overstated, since only a handful of products would be significantly affected, generally with respect to a single export market (the EU in most cases, the US for a handful).

The chair's paper referred to a March 2006 publication by the WTO Secretariat that found that there were 12 Members for which losses from preference erosion would exceed four percent of their total agriculture exports to the EU, the US, Japan, and Canada. For these countries, which included Cameroon, Fiji, Guyana, and Mauritius, sugar and bananas would account for the lion's share of lost revenue -- close to 80 percent -- although Botswana and Namibia stood to suffer reductions in their beef exports to the EU. For other products, Falconer told delegates that the issue was "a solution in search of a problem."

In its mandate on preference erosion, the July 2004 Framework asks Members to refer to the provisions set out in Paragraph 16 of the 'Harbinson text,' the draft agreement put together in March 2003 by its namesake, the then-chair of the agriculture negotiations, in preparation for the Cancun Ministerial Conference later that year (TN/AG/W/1/Rev.1).

This text, which was never adopted when that meeting ended in collapse, asked Members granting tariff preferences to maintain them "to the maximum extent technically feasible" while implementing their liberalisation commitments. It also provided for this implementation to be delayed and carried out over a longer period for products "of vital export importance for developing country [preference] beneficiaries." To be eligible, products would have had to account for a certain minimum percentage -- the text contained the figure 20, in brackets -- "of the total merchandise

exports of any [preference] beneficiary." It also called for preference-granting countries to provide targeted technical assistance to beneficiaries.

Some countries believe that steps taken to help preference beneficiaries should be limited to 'non-trade' measures such as aid and technical assistance.

Falconer's paper noted that some ideas not present in the Harbinson text had also been proposed. These included lower tariff reductions for affected products, possibly by having preference-granting countries select them as 'sensitive.'

Allowing sugar and bananas to be designated as 'sensitive' would be anathema to the countries pushing for duty- and quota- free access for tropical products. The chair has suggested that the divisive issue of whether or not Members would be able to designate tropical products as 'sensitive' could be left to ministers. A draft agreement text could simply include a bracketed section (signifying a lack of agreement) stating that they could not; ministers would decide whether or not to retain it.

Members are expected to focus on domestic support and market access over the next two weeks.

ICTSD reporting.

G-20 CIRCULATES NEW PAPERS ON BLUE BOX, GREEN BOX FARM SUBSIDIES

In two informal papers issued on 16 May, the G-20 group of developing countries fleshed out their views on how farm subsidies could be reformed through the WTO agriculture negotiations.

Specifically, the group proposed some conditions for payments under the 'blue box' (which include subsidies that are partially decoupled from production), aimed at ensuring that they are indeed less trade-distorting than 'amber box' support. They are also seeking to prevent blue box payments from being concentrated on particular crops.

The G-20 also reiterated its ideas for reforming the reduction-exempt 'green box,' to ensure that it remains minimally trade-distorting and becomes more useful for developing countries.

Both submissions commented on the 'reference papers' issued on 12 and 13 April by agriculture Chair Ambassador Crawford Falconer (New Zealand). These

papers described the state of the negotiations on the two subsidy categories.

Blue box: G-20 wants cap lower than 2.5 percent

Developed countries with significant levels of domestic support have been keen to maintain an important role for the 'blue box,' arguing that it serves as an essential stop in the process of shifting domestic support away from the more heavily trade-distorting 'amber box' (which includes all payments that have not been even partially decoupled from production).

In order to avoid the possibility that developed countries might simply reclassify subsidies from one box to another in order to dodge reduction commitments -- a practice known as 'box-shifting' -- the G-20 is seeking disciplines on many kinds of farm payments.

In their submission, the G-20 expressed support for Falconer's assessment that an agreement to halve blue box support to 2.5 percent of the average total value of agricultural production would be an important step towards an agreement on restraining subsidies. Furthermore, the group would like this 2.5 percent ceiling to enter into force from the moment Members begin to implement their Doha Round commitments, and wants to retain the possibility of capping it at an even lower level by the end of the implementation period.

G-20 members also contend that a cap on overall spending alone will not be sufficient to discipline blue box support effectively. Instead, they believe that new rules are necessary to prevent such payments from distorting trade. Most significantly, they called for rules to prevent the concentration of support on particular products.

To address this, the group proposed a 'double trigger' for Members' blue box spending on a particular product: it must not exceed a certain proportion of their total blue box spending limit, and should also remain below a threshold proportion of the value of production of the product in question.

The G-20 cited US cotton subsidies to bolster its case for this double trigger. It noted that a WTO dispute panel found that USD 1.2 billion in countercyclical payments (grants that rise when world market prices fall) had been sufficient to cause 'serious prejudice' to the interests of other Members. This sum, it pointed out, would amount to only 25 percent of the US' blue box spending entitlement -- and therefore a substantially lower threshold percentage would be required to inhibit concentration effectively.

For Members that have never used the blue box before, the G-20 supports the chair's recommendation that a mechanism be established requiring new or additional blue box expenditure to be offset by a corresponding reduction in amber box support.

In the paper, the G-20 implied that it would be open to some compromise in the case of one Member -- commonly understood to be the EU -- "that has placed an exceptionally large percentage of its trade-distorting trade support in the blue box," as a result of which slashing such spending would affect it relatively more than other countries. It stressed that this did not mean that the EU should be allowed to make no contribution at all.

The G-20 reaffirmed its commitment to a blue box spending cap for developing countries that is no less than 5 percent of the value of production. It also called for blue box-specific monitoring and surveillance requirements to ensure that Members adhere to the new disciplines.

G-20 outlines ideas for 'development-friendly' green box

The paper on the green box focused on two issues: making it more accessible to developing countries, and ensuring that payments classified in it have no, or at most minimal, effects on production and trade.

Arguing that certain agricultural policies typical of developing countries are not trade-distorting, the G-20 has called for payments associated with land reform and related measures to be exempt from reduction commitments. Members are largely favourable to this, as Falconer noted in his reference paper.

The G-20 also seeks to exempt some other measures from reduction commitments, including: developing country government purchases from low-income or resource-poor farmers to establish public stockpiles for food security; as well as the subsidisation of 'domestic food aid' -- the subsidised sale of food procured from such farmers "with the objective of fighting hunger and rural poverty." Both have elicited some concerns from other Members; however, the group emphasised its willingness to work towards language that would address these concerns. The G-20 submission also implied that some of the objections raised with regard to these ideas held the 'small money' involved to a different standard than the 'more lenient approach followed in relation to the 'big money'" -- that is, developed countries' far bigger subsidies to their farmers and agribusiness.

Current rules on green box payments for income safety net programmes or relief from natural disasters are too technically complex for developing countries to use, contend the G-20. They therefore urged Members to look at their proposed amendments, and to engage in discussions on how they could be improved. More broadly, the G-20 called for an 'expert discussion' to look at making green box provisions more 'development-friendly.'

Stresses need for green box to be de-linked from production

G-20 members are sceptical that subsidies in the green box really have no trade-distorting effects. They would like to see a combination of cuts, disciplines and strict notification requirements to assuage their concerns. In contrast, the EU and the G-10, with their heavily-subsidised agriculture sectors, emphasise the importance of the green box as a means to address various 'non-trade concerns' such as the protection of the environment, poverty alleviation and food safety, and have opposed calls for reform.

The G-20 reiterated that in order to remain non-trade distorting, direct payments to farmers cannot be linked to production and production inputs. They argued that the existing rules effectively encourage "farmers to bet in favour of frequent update of the basis for the direct payments," and that to prevent this, Members need to establish "fixed and unchanging" reference points for areas, yields and animal numbers." Finally, they warned that the updating of base areas and yields could end up effectively 're-coupling' grants to production. The group did acknowledge that such fixed parameters may be inappropriate for the purposes of 'newcomers' seeking to create green box subsidy programmes, as well as for regional assistance schemes.

The new paper responds to criticism of the group's June 2005 proposal to amend the conditions under which decoupled income support payments would be eligible for the green box. Specifically, it emphasises that the group's proposed stipulation that land should not have to be 'in agricultural use' in order for farmers to receive income support referred to "active commercial production," and would certainly allow for minimal usage necessary to avoid environmental degradation.

G-20 members also indicated willingness to consider expanding the range of 'green box' programmes to include payments to farms in the event of sanitary and phytosanitary emergencies caused by natural disasters -- on condition that the production affected is destroyed.

Falconer is expected to issue revised reference papers on a range of domestic support issues this week, and hold consultations on them next week.

ICTSD reporting.

IN BRIEF

LATIN AMERICAN HEALTH MINISTERS STRESS LINKS BETWEEN IP AND HEALTH

On 23 May, health ministers from Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay and Venezuela issued a joint declaration on the links between intellectual property (IP) protections, access to medicine and public health, during the annual General Assembly of the World Health Organization in Geneva.

The ministers highlighted the significant increase in costs incurred to government health programmes and to people in general as a result of the rise in the prices of patented essential drugs. They reaffirmed that ensuring access to essential medicines and related raw material was a fundamental responsibility of governments, and an essential part of the basic human right to health.

In the declaration, the ministers committed themselves to implementing the Doha Declaration on TRIPS and Public Health, particularly the mechanisms necessary for issuing compulsory licenses and executing the parallel importation of drugs.

Furthermore, the declaration called for greater international cooperation for the promotion of scientific research, technological innovation, and technology transfer, as well as the formation of a joint network for providing technical assistance on issues related to IP and public health.

Finally, the ministers stressed their determination to preserve flexibilities present in the WTO Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS) in their bilateral and regional free trade pacts, to seek the active participation of health ministries in bilateral trade negotiations, and to arrange capacity building for public health officials on IP and its impacts on access to medicine.

The link between IP and public health is also highlighted at this year's World Health Assembly in the ongoing discussions on a plan for implementing the recommendations of the recent report by the

Commission on IP, Innovation and Public Health. Participants will also consider setting up a working group of interested member states to look at proposals to establish a global framework for supporting research and development.

The ministers' declaration can be found at <http://www.iprsonline.org>.

ICTSD reporting.

UN COMMISSION ON SUSTAINABLE DEVELOPMENT FOCUSES ON ENERGY

The 1-12 May session of the UN Commission on Sustainable Development (CSD) saw clear rifts among government, non-governmental organization (NGO) and industry representatives on the relative importance of fossil fuels and renewable energy to industrial development. The role of the private sector and governmental regulation were also controversial. The fourteenth annual CSD focused on energy issues, including energy security, renewable energy, industrial development, pollution, and climate change.

The commission was established to carry on the work of Agenda 21, a programme of action for sustainable development adopted at the 1992 'Earth Summit.'

Industry groups called for regulatory structures that would encourage private investment in energy services, prompting several African countries to express scepticism about energy provision by the private sector. Developing countries in the Group of 77 stressed that future policies needed to address both environmental and developmental concerns.

Several small island developing states (SIDS) highlighted the impacts of energy use on climate change and their development prospects. Several delegates and analysts suggested that a move to biofuel crops could help the SIDS make up for reductions in traditional exports caused by Doha Round preference erosion. Switzerland echoed these points, and suggested that special and differential treatment for SIDS in the WTO could bolster their efforts to mitigate the effects of climate change, and also help them reform their energy sectors.

The G-77 stressed that sustainable energy could be promoted by enhancing incentives and removing disincentives to its use, for instance by encouraging transfer and trade in renewable energy technologies, as well as removing subsidies to fossil fuel use. Major oil exporters including Kazakhstan, Kuwait and Saudi Arabia countered that fossil fuels were here to stay. In an address to the meeting, WTO Director-General

Pascal Lamy noted that multilateral trade negotiations on environmental goods could facilitate the spread of renewable energy technologies, with positive impacts on sustainable development.

Daily reporting is provided by IISD Linkages at <http://www.iisd.ca/csd/csd14/>

Documents from CSD-14 are available at <http://www.un.org/esa/sustdev/csd/review.htm>

ICTSD reporting; ENVIRONMENTAL NEGOTIATIONS BULLETIN, Vol. 5 No. 238, 15 May 2006.

WTO IN BRIEF

US AND VIETNAM REACH AGREEMENT 'IN PRINCIPLE' ON WTO ACCESSION

The US and Vietnam have reached an agreement 'in principle' on the Southeast Asian nation's terms of accession to the WTO, clearing one of the last major hurdles for it to join the global trade body. They concluded the accord in Washington on 14 May.

Pending US Congressional approval, the agreement wraps up Vietnam's bilateral market access negotiations with individual WTO Members, a mandatory part of the accession process. Vietnam will extend to all Members equally the deepest liberalisation commitments it agreed to under the different bilateral deals. Since the WTO requires consensus to take decisions, each Member effectively has a veto over an applicant's accession.

The agreement will reduce Vietnam's tariffs on several industrial and agricultural products, as well as open services sectors such as telecommunications, energy, and banking to increased foreign competition. In return, Vietnam's trade will be subject to WTO rules, which should, for example, lock in access for its garment exports to the US market, where they have heretofore been subject to quotas.

Civil society organisations such as Oxfam have criticised the accession process for allowing existing Members to extort "the maximum number of concessions out of all applicants," resulting in "some of the poorest countries in the world [having] more onerous WTO regulations than the richest" (see BRIDGES Weekly, 22 December 2004, <http://www.ictsd.org/weekly/04-12-22/story3.htm>).

Vietnamese Trade Minister Truong Dinh Tuyen appeared to concur. "There is unfairness in talks to join

the WTO," he said, pointing out that Vietnam's commitments were deeper than those of countries that joined the WTO between 1995 and 2000.

Outgoing US Trade Representative Robert Portman described it as "a very good agreement for the United States," saying that it would open "a new and growing market" for US farm products and services.

US textiles manufacturers have criticised the deal, arguing that it would lead to surges of unfairly subsidised Vietnamese imports.

Nevertheless, the US and Vietnam expect to formally sign the agreement in June.

ICTSD reporting; "US to sign Vietnam deal despite textile protests," REUTERS, 22 May 2006; "Vietnam reaches agreement to join WTO," ASSOCIATED PRESS, 14 May 2006; "US agrees to deal for Vietnam to join WTO," REUTERS, 14 May 2006; "Vietnam Reaches Accord to Join WTO," NEW YORK TIMES, 15 May 2006; "Vietnam criticises 'unfairness' in WTO entry talks," AFP, 22 May 2006; "Make Extortion History," OXFAM BRIEFING PAPER 79.

DSU REVIEW: NO EMERGING CONSENSUS YET

At the 22 May meeting of the Special (negotiating) Session of the Dispute Settlement Body (DSB-SS), WTO Members continued discussions on proposed changes to the global trade body's dispute procedures. They focused on a proposal outlining rules for 'post-retaliation,' which refers to the period after a complainant has been granted the right to retaliate against the Member it had targeted. Argentina, Brazil, Canada, India, New Zealand, and Norway built upon their 2004 paper to set out possible procedures to govern the withdrawal of the authorisation to retaliate, as well as what to do when the offending Member has already taken steps to comply with the ruling. Delegates present at the meeting reported that there was still no clear consensus on any of the proposed changes.

Japan indicated that it was working on a proposal on the participation of third parties during the consultations that are the first stage in the WTO dispute resolution process. The Japanese paper will respond to the 'all or nothing' approach advocated by a group of countries calling itself the "G-7," under which Members would be allowed to accept or reject all requests for participation, but prohibited from discriminating among would-be third parties (see BRIDGES Weekly, 29 March 2006, <http://www.ictsd.com/weekly/06-03-29/story6.htm>).

Chair Ambassador Ronald Saborio Soto (Costa Rica) urged Members to intensify the talks and to revise proposals ahead of the WTO's August summer break.

Despite the relative lack of progress within the DSB-SS, a group of countries have been discussing positions key issues in a series of informal "off campus" meetings organised by the Mexican mission. In one such recent discussion, sources indicate that participants focused on the "sequencing" of procedures relating to the compliance phase of dispute settlement. Some delegates believe that the "off campus" meetings may well have a major influence on the eventual outcome of the Dispute Settlement Understanding (DSU) review.

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: 25-31 May

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>

30 May, Geneva, Switzerland: DIALOGUE ON THE MEXICO SOFT DRINKS DISPUTE: IMPLICATIONS FOR REGIONALISM AND FOR TRADE AND SUSTAINABLE DEVELOPMENT. Organised by the

International Centre for Trade and Sustainable Development (ICTSD), this meeting will focus on the jurisdictional issues raised by the ruling, the potential implications for regional trade agreements, and the systemic implications of the Appellate Body's interpretation of GATT Article XX(d). Given the limited seating, kindly confirm your availability to Knirre Sogaard, e-mail: ksogaard@ictsd.ch; fax: +41 22 917 80 93. The agenda is available at: http://www.ictsd.org/issarea/dsu/dialogue%20materials/Mexico_Soft_Drinks_dialogue_programme.pdf.

30-31 May, Makati, Philippines: **PATHWAYS TO AGRICULTURAL AND RURAL DEVELOPMENT: INTELLECTUAL PROPERTY RIGHTS AND IMPLICATIONS**. This conference will discuss major intellectual property rights (IPR) issues and concerns in Southeast Asia, with a focus on biotechnology, biodiversity, and farmers' rights. It is expected that the conference will provide policy directions toward ensuring fair and equitable access to the benefits of harvesting biodiversity. The conference hopes to "pave the way" for a regional collaboration on IPR initiatives. The conference is being organized by the Southeast Asian Regional Center for Graduate Study and Research in Agriculture (SEARCA), the International Plant Genetic Resources Institute (IPGRI), and the International Service for the Acquisition of Agri-biotech Applications (ISAAA). For further information contact SEARCA, tel: (+63 49) 536-2290; fax: 536-4105; email: post@agri.searca.org; internet: http://www.bic.searca.org/events/IPR_2006.pdf.

30 May - 2 June, Santiago de Compostela, Spain: **COFI SUB-COMMITTEE ON FISH TRADE - 10TH SESSION**. The Committee on Fisheries (COFI) is a subsidiary body of the Food and Agriculture Organisation (FAO) Council that was established in 1965. Meeting every two years, COFI is the only global intergovernmental forum where major international fisheries and aquaculture problems are examined and recommendations are addressed to governments, regional fishery bodies, fish workers, NGOs and the international community. It has also been used as a forum for the negotiation of global agreements and instruments, such as the Code of Conduct. For further information contact William Emerson, e-mail: william.emerson@fao.org; internet: http://www.fao.org/fi/NEMS/events/detail_event.asp?event_id=31581.

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.

29-31 May: RULES DAYS

30 May: DISPUTE SETTLEMENT BODY

31 May: COMMITTEE ON BUDGET, FINANCE AND ADMINISTRATION

Other Upcoming Events

12-14 June, Ithaca, New York: **AGRICULTURAL BIOTECHNOLOGY: ECONOMIC DEVELOPMENT THROUGH NEW PRODUCTS, PARTNERSHIPS AND WORKFORCE DEVELOPMENT**. This event is organized by Cornell University and will address the role universities, and state and federal governments play in developing and moving research into the marketplace. For further information contact Nancy Long, tel: (+1 315) 787-2288; email: npl1@cornell.edu; internet: <http://www.nysaes.cornell.edu/ent/nabc/>.

20 July, London, UK: **ILLEGAL LOGGING UPDATE AND STAKEHOLDER CONSULTATION NUMBER 8**. The agenda will cover the range of recent developments under the EU Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan, private sector initiatives and the research agenda. The meeting is free and open to all but registration is essential. For further information contact Gemma Green, tel: (+44 020) 7957 5700; fax: 7957 5710; email: ggreen@chathamhouse.org.uk; Internet: <http://www.chathamhouse.org.uk>.

RESOURCES

PROTECTING TRADITIONAL KNOWLEDGE: PATHWAYS TO THE FUTURE. By Graham Dutfield. International Centre for Trade and Sustainable Development, April 2006. Traditional knowledge provides the underpinning for successful ways of subsisting in what are often hostile natural environments. Indeed, there is growing recognition that traditional knowledge, technologies and cultural expressions are highly evolutionary, adaptive, creative and even novel. Traditional proprietary systems relating to land, resources and goods, along with knowledge and cultural expressions, are often highly complex and varied. This paper explores solutions to the protection of traditional knowledge in IPR law, including positive and defensive protection. To access this paper, visit <http://www.iprsonline.org/ictsd/Dialogues/2006-04-26/Formatted%20version%20of%20GD%20paper.doc>.

NEW GROUPS IN THE WTO AGRICULTURAL TRADE NEGOTIATIONS: POWER, LEARNING AND INSTITUTIONAL DESIGN. By Robert Wolfe. Canadian Agricultural Trade Policy Research Network, May 2006. One significant way in which the Doha Development Agenda differs from earlier trade rounds is the proliferation of small negotiating groups. In agriculture, the central blockage in the round, press reports still include transatlantic recriminations about whether the EU or the US is doing enough to make a new trade deal possible, and the Cairns Group still issues hortatory statements, but the stories now also refer to such new entities as the 'five interested parties' (FIPs), G-6, G-10, G-11, G-20, G-33, G-90, the African, Caribbean, and Pacific (ACP) Group, and the African Group. In discussing the role of these groups I show that the agriculture process evolved to accommodate changing configurations of power, more complex issues, and new negotiating modalities. The lessons now being learned in the agriculture negotiations on how to ensure all Members of the WTO are part of the process will be valuable whether the Doha round succeeds or fails in the end. Available online at http://www.uoguelph.ca/~catprn/PDF/commissioned_paper_2006-2.pdf.

MANAGING THE CHALLENGES OF WTO PARTICIPATION: 45 CASE STUDIES. Edited by Peter Gallagher, Patrick Low, and Andrew L. Stoler. Cambridge University Press, December 2005. This compilation of forty-five case studies documents disparate experiences among economies in addressing the challenges of participating in the WTO. It demonstrates that success or failure is strongly influenced by how governments and private-sector stakeholders organize themselves at home. The contributors, mainly from developing countries, give examples of participation with lessons for others. They show that when the system is accessed and employed effectively, it can serve the interests of poor and rich countries alike. However, a failure to communicate among interested parties at home often contributes to negative outcomes on the international front. Above all, these case studies demonstrate that the WTO creates a framework within which sovereign decision-making can unleash important opportunities or undermine the potential benefits flowing from a rules-based international environment that promotes open trade. For more information, see http://www.wto.org/english/res_e/booksp_e/casestudies_e/casestudies_e.htm.

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