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LEAD STORIES

AG: WTO MEMBERS FIRE OPENING SALVOES ON MARKET ACCESS AS COUNTDOWN TO END-JUNE BEGINS

WTO Members kicked off a fresh round of discussions on agricultural market access at the end of last week, with the clock ticking towards an end-June deadline for a framework deal. The chair of the negotiations announced on 2 June that he would suspend all small group consultations -- barring any sudden moves towards compromise -- in order to focus on preparing a document to guide the discussions on market access issues.

Market access remains one of the most divisive areas of the agriculture negotiations, as Members with high tariff barriers seek to fend off calls for cuts. While the US and the G-20 group of developing countries have long asked the EU in particular to sweeten its farm tariff offer, there have been some suggestions in recent weeks that the EU and G-20 may be moving closer together -- to the dismay of the US (see BRIDGES Weekly, 24 May 2006, <http://www.ictsd.org/weekly/06-05-24/story1.htm>).

Although positions remain largely unchanged on the extent of tariff reduction and exceptions to the cuts, the 2 June meeting saw Members discuss a barrage of new documents on other market access issues. These papers -- all from members of the Cairns Group of farm exporters -- focused on tariff escalation and the administration of import quotas.

Director-General Pascal Lamy has asked agriculture chair Ambassador Crawford Falconer (New Zealand) to produce, by the week of 19 June, a detailed initial draft of a potential agreement on 'modalities' -- the figures and formulae for tariff and subsidy cuts, as well as the number and treatment of products which countries will be able to shield from the full force of tariff reduction. However, Falconer has repeatedly emphasised that Members must narrow their differences for him to be able to produce a detailed draft text. Agreement on several of the relatively minor issues in the negotiations would leave fewer decisions up to ministers and senior

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trade officials scheduled to meet at the end of the month, thus improving their chances of brokering a deal.

High on Falconer's priority list as he works to develop this comprehensive draft is a 'compendium' document on a range of issues in the market access talks. The paper is due to be produced this week in time for a discussion on 9 June.

New submissions, but positions remain unchanged

Canada presented a detailed proposal for addressing 'tariff escalation' -- when countries impose higher tariffs on processed products (such as chocolate) than on raw materials (such as cocoa). By discouraging movement from primary to value-added production, tariff escalation can serve as a disincentive to industrialisation in developing countries. Reminding Members that the July 2004 Framework committed them to address tariff escalation "through a formula to be agreed," the informal paper proposes a three-step process: identifying a set of primary products that face higher tariffs when processed, deciding how far along a product's processing chain to go in addressing the problem, and finally negotiating an appropriate formula to tackle escalated tariffs.

Canada suggests that the percentage tariff reduction required by the overall formula could be multiplied by a factor of 1.3 for processed products thus identified. According to the paper's hypothetical example for this approach, an oil that would ordinarily have been subject to a 60 percent tariff reduction would instead be subject to a 78 percent cut, thus pushing its final tariff level closer to the lower duty levied on the unprocessed oilseed.

The Cairns Group -- minus one member, Canada -- put forward a document on a range of market access issues. The document welcomed initiatives to address tariff escalation, and called for tariffs not expressed in terms of a percentage value -- such those expressed in 'dollars per tonne' -- to be converted and bound in ad valorem terms. It also argues that the 'Special Safeguard' in the Agreement on Agriculture -- established during the last round of trade negotiations to help governments protect farmers against import surges -- should be abolished from the start of the period for implementing Doha Round commitments. The Cairns Group argues that this safeguard was only intended to be a transitional mechanism, and is therefore no longer needed. The US, too, has called for eliminating the Special Safeguard; Members including the EU have argued for its preservation.

Notably, the submission proposes eliminating all in-quota tariffs for developed countries -- including those

on the 'sensitive' products which are to be subject to shallower tariff cuts. The 'tariff rate quotas' (TRQs) maintained by many Members allow the annual entry of a certain volume of imports at a tariff rate that is lower than that for over-quota imports (but not necessarily zero). Trade sources suggest that Canada may have been reluctant to co-sponsor the paper because of its use of TRQs to regulate trade in its heavily-protected poultry, dairy and egg sectors.

An independent submission from Australia builds on the Cairns Group TRQ proposal to push for specific disciplines on the administration of import quotas. Australia has argued that Members' TRQs often go unfilled due to various administrative restrictions applied on in-quota imports.

To ensure that "the market access opportunities represented by [TRQ] commitments are made fully and effectively available," the Australian submission proposes a series of penalties for Members that consistently fail to fill their import quotas. For instance, it proposes that if a Member fails to fill a to-be-negotiated proportion of its quota in a given year -- Australia suggested 85 percent -- the underfilled portion should be added to its import quota for the following year. If it fails to meet the target over a number of consecutive years, the Member would have to reduce tariffs on out-of-quota imports to the in-quota level for at least a certain time. It would also have to reform its practices for administering TRQs in order to facilitate imports.

Although the EU and Switzerland recognised the need to discipline TRQ administration, they opposed several of the measures proposed by Australia.

Delegates will discuss market access on 9 June. Falconer has warned them that the Friday meeting could continue into the weekend. Members are set to return to the issue of export competition on 16 June, only days before the initial draft modalities text is expected.

ICTSD reporting.

DEVELOPING COUNTRIES PROPOSE TRIPS AMENDMENT REQUIRING DISCLOSURE IN PATENT APPLICATIONS

Several developing countries led by India on 31 May formally proposed text for an amendment to WTO intellectual property rules that would make it mandatory for patent applicants to disclose the use of any biological resources or associated traditional knowledge in their inventions. However, it has not affected

Members' basic disagreement on how best to achieve the objectives of biodiversity conservation and intellectual property protection, as was apparent during an informal 6 June gathering (see BRIDGES Weekly, 22 March 2006, <http://www.ictsd.org/weekly/06-03-22/story4.htm>). Countries including the US, Japan, and Canada insisted that in light of the substantial differences on what approach to take, it was too early to start negotiating on a specific text.

Draft TRIPS article would make disclosure mandatory

The sponsors of the proposal -- Brazil, India, Pakistan, Peru, Thailand, and Tanzania, subsequently joined by China and Cuba (WT/GC/W/564/Rev.1) -- believe that mandatory requirements for disclosure and proof of benefit-sharing are the best way to curb biopiracy and the uncompensated use of genetic resources. They seek to modify the conditions for patent applicants set out in Article 29 of the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS) with the express purpose of "establishing a mutually supportive relationship" between it and the Convention on Biological Diversity (CBD).

Specifically, they have proposed adding an 'Article 29bis.' This new article would oblige WTO Members to require patent applicants to disclose the source (provider) and country of origin of any biological resources or associated traditional knowledge used in their invention. Patent-seekers would also have to demonstrate that they had received permission to use the genetic material or traditional knowledge as per the domestic laws of the country where they obtained it, along with proof of "fair and equitable benefit-sharing arising from the commercial or other utilisation" of the resources. Even after their applications were accepted, patent-holders would be obliged to disclose any "new information of which they become aware." Members would have to publish the disclosed information.

Significantly, the proposed amendment would require Member governments to empower domestic authorities to deny and revoke patents "when the applicant has, knowingly or with reasonable grounds to know, failed to comply" with the disclosure requirements, or provided false information.

Divisions make future of proposal unclear

The proponents of the amendment had been calling for text-based negotiations on the issue for several months, during sessions of the TRIPS Council as well as the separate informal discussions on the issue conducted by WTO Deputy Director-General Rufus Yerxa. They have been opposed by countries which argue that a new disclosure requirement would not help

prevent 'bad' patents (i.e. erroneously granted ones) incorporating naturally-occurring genetic resources, and could instead generate burdensome procedures.

During Yerxa's consultations on 6 June, negotiators reiterated these positions, albeit this time in reference to the new proposal. Non-sponsors Ecuador and Colombia expressed support for the proposal. Delegations including Australia, New Zealand, Singapore, and Taiwan, in addition to Canada, Japan, and the US, countered that Members remained too deeply divided to start text-based negotiations.

Norway, which has been supportive of demands for disclosure requirements both in the WTO and the World Intellectual Property Organisation (WIPO), expressed sympathy for the proposal but indicated that it would come forward with one that was less far-reaching.

The EU, in statements at the WTO and WIPO over recent years (see IP/C/W/383), has indicated interest in an option which would make disclosure of the country of origin mandatory, but not enforceable by the potential revocation of patents. It has expressed support for amending WIPO agreements on patent law to include obligations on disclosure, but specifically insisted that incorrect or incomplete information should not have any effect on the validity of patents granted. Furthermore, the EU would not require proof of compliance with access and benefit sharing regulations. The "demandeurs" for a disclosure requirement within the TRIPS Agreement have been unenthusiastic about the EU's preferred approach.

Explicit link to GI extension

Notably, Switzerland has explicitly linked the new proposal to ongoing discussions on whether the higher level of geographical indication (GI) protection currently accorded to wines and spirits should be extended to other products. Switzerland would prefer for disclosure to be dealt with under the auspices of WIPO. During the consultations, Switzerland reminded Members that 'GI extension' was its priority, and it would want to see progress on the issue if it were to start negotiating disclosure requirements in the TRIPS Agreement.

Several trade observers have posited the notion of a potential tradeoff between GI extension and the TRIPS-CBD relationship to break the deadlock on both issues. Switzerland and the EU believe that commercial opportunities arising from expanded GI protection for products such as 'Parma ham' could partially compensate their agricultural producers for subsidy and tariff cuts under the Doha Round. However, 'new world' countries such as Argentina, Brazil, Canada, Chile, and the US, remain adamantly opposed to GI extension.

Some of them are opposed to disclosure requirements as well.

GI extension and the relationship between the TRIPS Agreement and the CBD are both 'outstanding implementation issues' under the Doha mandate. Yerxa indicated that he would convene further consultations on each of the two issues on 13-14 June. The TRIPS Council may also discuss disclosure requirements during its 14-15 June session.

ICTSD reporting.

DOMESTIC FARM SUBSIDIES: MEMBERS CONTINUE TO TINKER ROUND THE EDGES WTO

Members remain broadly divided on how to cut farm payments, less than two weeks before the chair of the negotiations is supposed to produce a draft framework agreement on both agricultural subsidies and tariffs. They did, however, signal some flexibility on minor technical issues related to relatively less trade-distorting forms of support during informal discussions on 1 June.

Countries have an end-June deadline to agree on agriculture 'modalities' -- the formulae and figures that will determine the depth of tariff and subsidy cuts, as well as any exemptions from these measures (see BRIDGES Weekly, 31 May 2006, <http://www.ictsd.org/weekly/06-05-31/story1.htm>).

Director-General Pascal Lamy has asked agriculture Chair Ambassador Crawford Falconer (New Zealand) to produce a first draft of a potential modalities deal around 19 June. This text is intended to be a key stepping-stone on the way towards an overall agreement, which WTO officials hope that ministers and senior trade officials will be able to hammer out during a meeting at the end of the month. Falconer has stressed that the high-level gathering must be presented with a manageable number of political decisions; this would require Geneva-based negotiators to resolve several underlying issues before then.

At the 1 June meeting, Members responded to Falconer's revised 'reference papers' on 'green box' and 'blue box' subsidies. The two documents are part of a series intended to structure debate between Members, whilst gradually evolving into the basis for draft text.

Green box: Members show some flexibility

Members continue to struggle with the question of how to ensure that green box subsidies fulfil the "fundamental requirement" that they have no, or at

most minimal, distorting effects on trade or production. The green box covers expenditures such as government programmes for research, infrastructure, and building public food stocks, as well as specific kinds of direct payments to farmers which are supposed to be de-linked from production.

The G-20 developing countries and the Cairns Group of farm exporters have expressed scepticism about the purported absence of distorting effects, especially with regard to direct payments. They have proposed reforms aimed at minimising any distortion. The EU, in contrast, opposes extensive changes to the green box. These differences persisted at the recent meeting.

Falconer's 30 May reference paper on the green box contains a section with text incorporating Members' proposed changes to parts of the existing provisions for such payments in the WTO Agreement on Agriculture. These include some of the G-20's suggestions for making it easier for developing countries to make use of the green box (see BRIDGES Weekly, 24 May 2006, <http://www.ictsd.org/weekly/06-05-24/story4.htm>). For instance, under existing rules, direct payments for income insurance and compensation for natural disasters qualify for the green box only after losses cross a certain threshold percentage of farm income or production value. However, developing countries often lack data for farm households. The proposed amendments would establish different eligibility criteria for developing countries, allowing them to assess income losses over the agricultural sector as a whole rather than for individual farms.

The fact that Members are at a stage where they can discuss concrete textual changes may signify some convergence. However, in his reference paper the chair challenged Members to decide quickly whether or not to negotiate on all of the proposed amendments, noting that they had not even started technical discussions on some of them.

Some movement came when Cairns Group member Canada offered to drop its pursuit of changes to the rules governing some kinds of direct payments to farmers -- specifically those seeking to place constraints on environmental and regional assistance grants, as well as those in support of restructuring farm operations. Instead, Canada urged Members to focus on its outstanding proposals to introduce new ceilings and time limits on payments for income support and relief from natural disasters.

Canada also clarified its compromise proposal on the contentious issue of the 'base periods' for areas, yields and animal numbers used to calculate various green box payments. The G-20 has argued that these base periods must be 'fixed and unchanging,' in order to

prevent farmers from altering production decisions in anticipation that governments will update these periods, thus effectively establishing a link between subsidies and production. Countries such as Switzerland -- a heavy subsidiser -- have nonetheless resisted this move, arguing that the G-20 proposal could mean they might never again be able to revise their base period figures, even long in the future when programmes may have become irrelevant.

The Canadian proposal would permit new base periods for new subsidy programmes, if it could be clearly shown that these were indeed different from their predecessors. Canada argues that this should allay Members' concerns about being left unable to restructure subsidy programmes. It would also allow existing programmes to use new base periods if the old ones were sufficiently far in the past. Although some Members expressed their willingness to consider these options, others responded less warmly.

Blue box discussed briefly

Members also repeated longstanding differences in the brief discussions on 'blue box' payments, which currently cover grants that are partially de-linked from production requirements.

Falconer's 24 May revised reference paper on the issue noted that it "appears that Members would be open to" halving the amount of permissible blue box spending from the 5 percent of production value set out in the July 2004 Framework (WT/L/579) to 2.5 percent.

The paper paid significant attention to the issue of how to "prevent concentration of permitted support on a single product or a narrow range of products," a major demand of several Members including the Cairns Group and G-20. The two groups favour a "double trigger" approach which would impose two ceilings on blue box support to a particular commodity: a maximum share of total blue box entitlements along with a proportion of the production value of the product in question. They have generally supported new disciplines on the blue box that go over and above the lowered cap.

The 'concentration' of payments was high on the agenda during the meeting on 1 June. The US indicated that it would be willing to discuss the double trigger, so long as it did not turn into a pretext for pushing the effective limit on blue box payments to lower than 2.5 percent of the value of production. One source said that the US currently spends 40 percent of its blue box entitlements on corn. Japan and Korea also indicated that they would be open to talking about the double trigger, though they sought assurances that the needs of Members that produced only a limited number

of agricultural products would be taken into account. Both are part of the G-10 group of primarily developed countries that afford a high degree of protection to their farm sectors.

During the meeting, the G-20 and New Zealand suggested another potential option for preventing the concentration of trade-distorting support on particular commodities: capping the sum of blue box and amber box subsidies for individual products. Amber box payments are the most trade-distorting form of support permitted under WTO rules.

In his paper, Falconer outlined some potential options for draft blue box modalities text. He reported that he had the impression Members would want to see their counterparts required to specify their blue box entitlements in value (rather than percentage) terms in their schedule of Doha Round commitments. One of the sections of potential rules includes a bracketed option -- which ministers could ultimately decide to retain -- reflecting the G-20 proposal to reduce the cap on blue box payments further than the 2.5 percent level towards which Members are currently leaning.

Sources report that the US and the EU indicated a willingness to engage with Benin, Burkina Faso, Chad and Mali, the four West African countries that have called for the ceiling on blue box cotton payments to be one-third of the overall cap. Falconer's reference paper observed that the ultimate treatment of cotton would be "intimately related" to the overall agreement.

When summing up the week's discussions on 2 June, Falconer reported that Members had engaged on some of the green box issues, though he had heard little that was new. In spite of the persistent divisions on domestic support, Members have now turned their attention to market access, on which they are, if anything, even further apart.

ICTSD reporting.

THREE YEARS LATER, COMPROMISE STILL ELUSIVE ON "HARDER" S&D PROPOSALS

Compromise remained far off as delegates considered eight proposals for specific changes to special and differential treatment (S&D) provisions in WTO agreements for the first time since 2003. "The middle ground is not visible," said Chair Ambassador Burhan Gafoor (Singapore) in his gloomy summary of the discussions at a 1 June meeting of the Committee on Trade and Development Special Session (CTD-SS).

The eight so-called 'Category III' proposals were separated from the other agreement-specific proposals in 2003 by then-chair of the General Council, Carlos Perez del Castillo, on the grounds that Members disagreed on them enough that "a certain degree of redrafting" would be necessary for progress to be made (see BRIDGES Weekly, 14 May 2003, <http://www.ictsd.org/weekly/03-05-14/story2.htm>). The proposals Perez del Castillo deemed most likely to be agreed on were termed 'Category I,' while 'Category II' proposals were sent to the relevant Doha Round negotiating groups.

At the meeting, however, the sponsors of the proposals in question drew attention to the nature of Perez del Castillo's assessment in 2003. They stressed that Members had never approved the categorisation of the proposals by a consensus decision, and that Perez del Castillo's move was not supposed to preclude debate and eventual agreement on their texts.

The US, however, suggested that many of the proposals still needed extensive technical work -- particularly those seeking to make it mandatory for developed countries to provide technical assistance under the Agreement on Technical Barriers to Trade (TBT) and the Agreement on Sanitary and Phytosanitary Measures (SPS). It recommended sending those proposals to the TBT and SPS Committees for modification, arguing that continued discussion on the current texts in the CTD-SS was pointless given that there seemed to be no possibility of moving forward.

Developing countries countered that in spite of the divergent views on the proposals, willingness from both sides of the debate to take up the needs expressed in them could provide a foundation for progress in crafting text.

The chair acknowledged that the meeting was just the first reading of the proposals, and said that he would encourage informal consultations between proponents of the revisions to WTO agreements and developed country delegates, in order to facilitate the development of revised language.

In addition to requirements to provide developing countries with technical assistance to support compliance with the TBT and SPS Agreements, the eight texts include proposals to: clarify how much longer the time period for compliance with new SPS measures should be for products of export interest to developing countries (under SPS Article 10.2); extend the exemptions set out in Article III of the Agreement on Trade-related Investment Measures to include "co-operation arrangements" which could include regional and preferential trade agreements, quantitative

restrictions and "measures taken to improve living standards in developing country"; and make technical assistance mandatory for the Agreement on Subsidies and Countervailing Measures and allow for delayed implementation.

Rules of origin proposal tabled by LDCs

As part of their ongoing efforts to clarify the parameters of how Members will implement the Hong Kong Ministerial Declaration's mandate to provide duty- and quota-free access to their exports, least developed countries (LDCs) tabled a detailed proposal on rules of origin. Paragraph 47 of the Hong Kong Ministerial Declaration stipulates that Members will provide unrestricted market access to LDC products, including through "simplified and transparent rules of origin," but many of the details of the decision's implementation -- including when it will enter into force -- remain unresolved.

The new paper outlines the various requirements products currently have to fulfil in order to benefit from preferential agreements, suggesting that stringent rules of origin have left LDCs unable to take advantage of the opportunities provided by such accords. It goes on to propose text for a possible set of parameters for rules of origin to be linked to the mandate to provide duty- and quota-free access to LDC exports.

LDC delegates argued at the meeting that supplemental rules were necessary to ensure that their countries benefit from duty- and quota-free access to other markets, since existing WTO rules of origin do not cover one-way market access concessions.

The chair asked delegations to consult with each other on the rules of origin proposal. Sources indicate that in bilateral negotiations with the LDCs, the US has suggested that it would implement the duty- and quota-free decision along with the rest of the eventual Doha Round package (and not earlier as the LDCs had hoped), and that there would be no further negotiations on rules of origin.

ICTSD reporting.

NEW PROPOSALS ON SVEs TABLED AS MEMBERS REMAIN DIVIDED ON NAMA

Countries remain divided in the WTO negotiations on industrial tariffs, with only a few weeks remaining before a new end-June deadline for a framework agreement. A 2 June meeting at the end of a week's non-agricultural market access (NAMA) talks saw several delegations repeat longstanding positions. Each claimed its own views were vindicated by a new set of 'simulations' for

the likely effects of a range of different proposals on Members' tariff structures.

The past week has nevertheless seen a number of new proposals for the treatment to accord to small economies, one of many issues that need to be resolved in the negotiations.

NAMA Chair Ambassador Don Stephenson (Canada) is working to produce an initial draft of a potential 'modalities' deal the week of 19 June, in time for ministers and senior trade officials to settle remaining differences during a high-level meeting at the end of the month. Modalities for NAMA would entail specific figures that 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.

Simulations yield no revelations

The simulations, carried out by the WTO Secretariat, projected the effects of different proposed reductions on the bound and applied tariffs of most of the 77 Members that will have to apply the tariff reduction formula (the rest, such as least-developed countries, are exempt). They considered different values for the 'coefficient' associated with a 'Swiss' tariff reduction formula (which cuts higher tariffs more sharply) for developed and developing countries. The value of the coefficient becomes a Member's future industrial tariff ceiling, and determines the extent to which tariffs will be cut. The simulations followed a similar exercise carried out for ten countries in March (see BRIDGES Weekly, 15 March 2006, <http://www.ictsd.org/weekly/06-03-15/story2.htm>). The results were first circulated to Members on 30 May.

While delegates generally agreed that the calculations were useful because they would help Members clarify their analysis of the negotiations, several felt that the discussion of the results simply repeated past positions. One negotiator suggested that the simulations would help ground discussions of the potential effects of various proposed reductions in reality rather than doomsday predictions. Another said that "the simulations gave everyone reason to support their own position."

For example, the NAMA-11 group of developing countries took the simulations to demonstrate that the effects of letting developing countries shield some products wholly or partially from the tariff reduction formula would be quite modest. "It is clear from the simulations," South Africa said on behalf of the group, "that there should be sufficient space between the coefficients" for developed and developing countries, in

order to fulfil the mandate for "less than full reciprocity in reduction commitments" for the latter. The NAMA-11 has argued that rich countries should have to make larger percentage tariff reductions than poor ones.

The US and the EU drew the precise opposite lesson from the simulations. They argued that the calculations demonstrated that their own proposal -- a coefficient of 10 for developed countries and 15 for developing ones - would lead to substantial new commercial opportunities without causing undue harm to developing countries. These coefficients would require many developing countries to make steeper percentage reductions to their bound tariffs than developed countries. The US and the EU argued that this would nonetheless account for "less than full reciprocity" since it would still leave developing countries with relatively higher final tariff levels.

New approaches put forward for SVEs

The Hong Kong Declaration instructs Members to "establish ways to provide flexibilities" for small, vulnerable economies (SVEs), but "without creating a sub-category of WTO Members." Negotiators are yet to agree on how to identify SVEs, let alone the treatment to accord them (see BRIDGES Weekly, 10 May 2006, <http://www.ictsd.org/weekly/06-05-10/story2.htm>).

Paragraph 8 of the NAMA mandate in Annex B of the July 2004 Framework (WT/L/579) provides for letting all developing countries make tariff cuts half as deep as those required by the overall formula to a to-be-determined percentage of products. Alternately, it would let them choose to exempt a smaller percentage of tariff lines from reduction altogether.

Uruguay and Costa Rica would have these percentages be higher for SVEs than whatever is eventually agreed for all developing countries, allowing them to shield relatively more industrial products from tariff cuts. Apart from these products, SVEs would be subject to the overall tariff reduction formula.

The NAMA-11 has reportedly expanded upon this: it would let SVEs shelter a supplemental number of tariff lines, and also grant them recourse to the two kinds of flexibilities (other developing countries will have to choose between them). In other words, the group would let SVEs subject some products to partial tariff cuts, and exempt other ones completely.

Sources report that on 7 June, Norway outlined an alternative approach that would exempt SVEs from the standard tariff reduction formula. Instead, they would be obliged to bind all of their tariff lines at a certain average level. They would also have to make a minimum, to-be-negotiated reduction to each of their

individual tariff lines. Norway's proposal is similar to what the SVEs have sought in the past. It is also comparable to the treatment mandated for developing countries that currently have binding caps on fewer than 35 percent of their industrial tariffs (the 'Paragraph 6' countries, after the relevant section of the July 2004 Framework).

Stephenson holding consultations, confessionals

The chair has urged Members to narrow their differences on enough issues to allow him to put together a draft text that would leave ministers with a manageable number of political decisions. One source said that Stephenson had indicated that he would observe Members' positions until 16 June. If there were sufficient convergence by then, he would prepare a detailed draft modalities text. If not, he would simply put forward a report commenting on areas where Members remained divided, with draft text where possible.

Delegates indicate that the chair is holding a series so-called 'confessionals' -- meetings during which he asks individual Members questions in an attempt to gauge their true (as opposed to stated) 'red lines' in the negotiations.

Stephenson is set to convene a 'Room E' consultation with about 40 delegations on 8 June, to discuss the core issues that will define the ambition of the NAMA negotiations. No modalities deal will be possible without an agreement on the tariff reduction formula, flexibilities for developing countries, and the treatment of unbound tariff lines.

ICTSD reporting.

IN BRIEF

APEC MINISTERS CALL FOR DOHA ROUND RESUSCITATION

Pacific Rim trade ministers tried to give a boost to the WTO's tortuous Doha Round negotiations during a meeting on 1-2 June in Ho Chi Minh City. The representatives from the 21-members of Asia-Pacific Economic Cooperation (APEC), representing 47 percent of world trade, reaffirmed their commitment to the multilateral trade talks.

For industrial goods, the ministers endorsed a 'Swiss' tariff-reduction formula "with two ambitious coefficients applying to developed and developing Members delivering real and meaningful market access improvements." Under this approach, the coefficients

would set the ceiling level for Members' industrial tariffs, slashing high tariffs more steeply.

With regard to farm trade, they pointed to the offers of subsidy cuts on the table. They called for more work on agricultural market access in particular, with specific attention to the 'special safeguard mechanism' and 'special products' for developing countries

The ministers stressed the importance of the new end-June deadline for a WTO framework agreement on agriculture and industrial tariffs, which had been set by WTO Director-General Pascal Lamy only two days prior to the meeting (see BRIDGES Weekly, 31 May 2006, <http://www.ictsd.org/weekly/06-05-31/story1.htm>).

Vietnam Trade Minister Truong Dinh Tuyen said that APEC, like the WTO, represented "a diverse spectrum of interests and levels of economic development," and expressed hope that the ministers' would help the Doha Round negotiations forward.

In addition, APEC ministers discussed ways to achieve the bloc's goal to liberalise trade and investment flows among members by 2020; improve the transparency and quality of regional trade deals; promote trade facilitation; address intellectual property piracy; and avoid avian flu-related crises.

One day before the meeting began, the US and Vietnam formally signed a bilateral agreement on the latter's WTO accession.

"Trade Ministers' Personal Commitment to Break WTO Impasse," APEC NEWS RELEASE, 2 June 2006; "APEC Agrees Farm Subsidy Cuts to Jolt Stalled WTO," REUTERS, 2 June 2006; "APEC Trade Ministers Meet in Vietnam," ASSOCIATED PRESS, 1 June 2006.

WTO IN BRIEF

EU IN COMPLIANCE WITH SUGAR RULING, BRUSSELS INSISTS

In a 2 June status report to WTO Members, the EU insisted that it had "fully complied" with the dispute ruling against its sugar regime, within the 22 May deadline that an arbitrator had set for doing so.

Brussels points to its formal adoption in February of regulations (Council Regulation No. 318/2006) reforming its sugar sector -- most significantly, lowering the guaranteed price given to domestic sugar producers -- in support of its assertion that it had implemented the

recommendations of the Dispute Settlement Body (DSB). It said that the EU was therefore now "in a position to maintain its subsidised exports of sugar within its commitments as from the marketing year 2006/2007, as well as applied on a pro rata basis for the remaining of the marketing year 2005/2006."

This report comes after a 17 May DSB meeting where the co-complainants in the sugar case, Brazil, Australia and Thailand had expressed concern that the EU would not be able to comply by the 22 May date. They had also maintained that the EU's budget expenditures and exports of subsidised sugar were still in excess of the limit formally notified to the WTO in its so-called "commitment schedule."

In April 2005 a WTO Appellate Body confirmed a panel ruling that the EU subsidised sugar exports beyond legal limits in violation of the WTO Agreement on Agriculture (see BRIDGES Weekly, 4 May 2005, <http://www.ictsd.org/weekly/05-05-04/story5.htm>). On 10 May 2006, the EC announced that from 23 May it would reduce its exports of excess-quota sugar in accordance with the ruling while providing financial compensation to the African, Caribbean, and Pacific countries that export sugar to the EU under a preferential arrangement (see BRIDGES Weekly, 10 May 2006, <http://www.ictsd.org/weekly/06-05-10/inbrief.htm>).

The EC's 2 June communication (WT/DS265/35/Add.1, WT/DS266/35/Add.1, WT/DS283/16/Add.1)

can be found at <http://docsonline.wto.org>.

ICTSD reporting.

RULES: INDUSTRIAL SUBSIDY NEGOTIATIONS HEAT UP

WTO negotiations on industrial subsidies were enlivened during the 29-31 May rules group meeting by an EU proposal to prohibit governments from making local inputs -- including fuel -- available to domestic industries at prices below international market rates. It would also prohibit governments from making below-cost loans to domestic manufacturers (TN/RL/GEN/135).

One negotiator said that the submission had given the group "something big to talk about." Another said that the practices targeted caused "the same types of trade distortions as conventional subsidies." The proposal, which implicitly aims at measures such as export taxes, received mixed reactions: some developing countries

and major oil producers complained that it would limit their ability to protect their natural resources.

Negotiators discussed submissions directed at the group's Doha mandate to clarify and improve WTO disciplines on subsidies, disagreeing on some of them. Both Brazil and Canada suggested reinstating a lapsed provision that would specify some additional grounds for making subsidies subject to legal challenge (TN/RL/GEN/113 and TN/RL/GEN/112). Australia proposed clarifying what constitutes the withdrawal of a subsidy in cases where production is affected for several years, such as one-time grants for the purchase of factory equipment (TN/RL/GEN/115). Egypt, India, Kenya, and Pakistan submitted a paper (TN/RL/GEN/136) linking the requirement for developing countries to phase out export subsidies to changes in their level of export competitiveness.

A US proposal (TN/RL/GEN/130) outlining potential ways in which to determine whether subsidies should be counted in the year in which they are granted or over a period of several years was largely well-received, according to sources.

Delegates indicate that while "an enormous amount of work" lies ahead, they expect the rules group to agree on a draft text on schedule by the end of July, so long as Members are able to reach an agreement on agriculture and industrial tariffs.

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: 8-14 June

8 June, Washington DC, US: THE WORLD BANK IN TRADE: AN OVERVIEW OF THE NEW TRADE AGENDA. Organised by the Washington International Trade Association. Four leading World Bank economists will give an overview of their work and discuss how it is useful to the international trade and business communities. Speakers include Richard Newfarmer, Kym Anderson, Julia Nielson, and Simeon Djankov. For further information contact the Washington International Trade Association, tel: +1 212 312 1600; email: events@wita.org; internet:

http://www.wita.org/index.php?tg=addon/4/form&id_app=25&trt_step=1&id_step=163.

8 June, Paris, France: INTERNATIONAL MIGRATION OUTLOOK. The International Migration Outlook will be released at a news conference at the headquarters of the Organisation for Economic Cooperation and Development (OECD). The report includes statistics and analysis on immigration to OECD countries. Focussing on policies to manage the inflow of migrants, the Outlook notes the growing number of people moving to OECD countries from Central and Eastern Europe, Russia, the Ukraine, China, the Philippines and Latin America. It also contains a special chapter on remittances, with an overview of the amount, trends, and economic effects of the money which migrants send to families and friends in their country of origin. For further information contact OECD Media Division, tel: +33 1 45 24 97 00; email: news.contact@oecd.org; internet:

http://www.oecd.org/document/10/0,2340,en_2649_201185_36829514_1_1_1_1,00.html.

9-10 June, St. Petersburg, Russia: G8 FINANCE MINISTERS MEETING. Finance ministers from the eight leading industrial nations -- Russia, Canada, France, Germany, Italy, Japan, the UK, and the US -- will be meet under Russia's first-ever presidency of the G8. The ministers are expected to discuss major international issues, including global energy security, infectious diseases, and education. For further information visit G8 Summit 2006, tel: +7 812 335 47 30; email: info@register.g8finance.ru; internet: <http://www.g8finance.ru/home.htm>.

9-13 June, Stockholm, Sweden: THE GLOBAL MONITORING REPORT, 2006: STRENGTHENING MUTUAL ACCOUNTABILITY, AID, TRADE AND GOVERNANCE. At this joint Swedish International Development Cooperation Agency (Sida) and World Bank meeting, the lead author will discuss the report's findings with Swedish researcher and economist Stefan de Vylder and with the audience. The report highlights economic growth, better quality aid, and trade reforms, as well as governance. For further information contact Sida, tel: +46 8 698 50 00; fax: +46 8 20 88 64; email: gunilla.larsson@sida.se; internet: <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20943490~menuPK:34482~pagePK:2524753~piPK:51421526~theSitePK:4607,00.html>.

12-16 June, Geneva, Switzerland: UNCTAD TRADE AND DEVELOPMENT BOARD, TWENTY THIRD SPECIAL SESSION. The purpose of this mid-term review is not only to review the implementation of the São Paulo Consensus, but also to take into account major events and new developments in the two years since UNCTAD XI and to give clear indications as to the

direction the institution should take in its work for the next two years in the run-up to UNCTAD XII. For further information contact the UNCTAD Secretariat Intergovernmental Affairs and Outreach Service, email: correspondence@unctad.org; fax: + 41 (0)22 917 02 14; internet: <http://www.unctad.org/Templates/meeting.asp?intltemlD=1942&lang=1&m=11823&info=highlights>.

14 June, Washington DC, US: OECD BREAKFAST SERIES: OECD INVESTMENT POLICY REVIEW: CHINA OPEN POLICIES TOWARDS MERGERS AND ACQUISITIONS. Organisation for Economic Cooperation and Development (OECD) Senior Economist Ken Davies will present the 2006 OECD Investment Policy Review, which evaluates progress made to date in developing an effective institutional framework for cross-border mergers and acquisitions in China, takes stock of remaining obstacles, and offers policy options to address them. For further information contact Susan Friday, tel: +1 202 785 6323; email: susan.friday@oecd.org; internet: <http://www.oecdwash.org/NEWS/EVENTS/EVENTS2006/jun14-2006.htm>.

14 June, Beijing, China: 2ND JOINT COMMITTEE MEETING OF GREATER MEKONG SUBREGION (GMS) CROSS-BORDER AGREEMENT: The GMS Agreement is a multilateral instrument for the facilitation of cross-border transport of goods and people. Formulated under the auspices of an Asian Development Bank technical assistance programme, the GMS Agreement provides a practical approach, in the short- to medium-term, for streamlining regulations and reducing nonphysical trade barriers in the GMS. For further information, contact the GMS secretariat, email: gms@adb.org; internet: <http://www.adb.org/Documents/Events/Mekong/2006.asp>.

14-16 June, Manila, Philippines: 4TH MEETING OF THE ASEAN EXPERTS GROUP ON THE CONVENTION ON INTERNATIONAL TRADE IN ENDANGERED SPECIES OF WILD FAUNA AND FLORA (CITES). This meeting, organised by the Protected Areas and Wildlife Bureau of the Department of Environment and Natural Resources and the Department of Agriculture's Bureau of Fisheries and Aquatic Resources, will discuss the status of the implementation of the Association of Southeast Asian Nations (ASEAN) Regional Action Plan on Trade in Wild Flora and Fauna 2005-2010. For further information contact Virgilio V. Vitug, tel: +632 925 8952; fax: +632 924 0109; internet: http://www.cites.org/common/news/2006/4th_ASEAN_EXP_GRP_2.pdf.

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.

8 June: SERBIA - MEMBERSHIP NEGOTIATION (ACCESSION WORKING PARTY)

9 June: ICELAND - TRADE POLICY REVIEW BODY

9 June: COMMITTEE ON TRADE-RELATED INVESTMENT MEASURES (TRIMS)

9 June: DISPUTE SETTLEMENT BODY

12-13 June: COMMITTEE ON TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS (TRIPS) - SPECIAL SESSION

12-14 June: COMMITTEE ON TRADE AND ENVIRONMENT - SPECIAL SESSION (TECHNICAL DISCUSSIONS)

12-16 June: RULES WEEK

14-15 June: COMMITTEE ON TRADE AND ENVIRONMENT - SPECIAL SESSION.

14-15 June: COUNCIL FOR TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS

Other Upcoming Events

20-21 June, Helsinki, Finland: OECD WORKSHOP ON SUBSIDY REFORM AND SUSTAINABLE DEVELOPMENT. This one-and-a-half day workshop will provide input to the analytical and policy dimensions of the Organisation for Economic Cooperation and Development (OECD) horizontal work programme on sustainable development. Through issues papers and case studies, it will examine how to use integrated analysis and decision-making -- in the economic, environmental and social spheres -- to enable reform of harmful subsidies and manage the reform process. For further information contact Kaisa Koponen, tel: +358 9 160 34739; fax: +358 1603 4888; email: kaisa.koponen@vm.fi; internet: <http://www.oecd.org/dataoecd/14/59/36628088.doc>.

31 August- 1 September, Stockholm, Sweden: OECD/UNCSD EXPERT MEETING ON INSTITUTIONALISING SUSTAINABLE DEVELOPMENT. This workshop will provide input to the work programmes of the Organisation for Economic Cooperation and Development (OECD) and the United Nations Commission on Sustainable Development (UNCSD) on national sustainable development strategies, specifically the identification of effective governance structures and implementation measures. The workshop is sponsored by the governments of Sweden and Canada. For further information contact Yvonne Wennerstrom, tel: fax: +46 8 543 569 77; email: Yvonne.wennerstrom@sustainable.ministry.se; internet: <http://www.oecd.org/dataoecd/11/20/36773742.pdf>.

RESOURCES

THE COFFEE PARADOX: GLOBAL MARKETS, COMMODITY TRADE AND THE ELUSIVE PROMISE OF DEVELOPMENT. By Benoit Daviron and Stefano Ponte. Can developing countries trade their way out of poverty? International trade has grown dramatically in the last two decades, and trade is an important source of revenue in developing countries. Yet, many low-income countries are still poor. This book recasts the so-called coffee paradox - the coexistence of a 'coffee boom' in consuming countries and of a 'coffee crisis' in producing countries. While coffee bar chains have expanded rapidly in consuming countries, international coffee prices have fallen dramatically, and producers are receiving the lowest prices in decades. The paradox exists because what farmers sell and what consumers buy are increasingly 'different' coffees. It is not material quality that contemporary coffee consumers pay for, it is mostly symbolic quality and in-person services. As long as coffee farmers and their organizations do not control at least parts of this 'immaterial' production, they will keep receiving low prices. To access this publication visit <http://zedbooks.co.uk/book.asp?bookdetail=3655>.

LITTLE GREEN DATA BOOK 2006. The World Bank, May 2006. This annual publication by the World Bank is a pocket-sized reference on key environmental data for over 200 countries. It includes key indicators on agriculture, forestry, biodiversity, energy, emission and pollution, and water and sanitation. This year's edition highlights that carbon dioxide emissions worldwide have now topped 24 billion metric tons, an increase of 15 percent from 1992 levels. To access this book visit <http://siteresources.worldbank.org/INTEEI/936214-1146251511077/20916989/LGDB2006.pdf>.

GLOBAL DEVELOPMENT FINANCE 2006. The World Bank, May 2006. Net private capital flows to developing countries reached a record high of USD 491 billion in

2005, driven by privatisations, mergers and acquisitions, external debt refinancing, as well as strong investor interest in local-currency bond markets in Asia and Latin America, according to this report. The surging flows, including record bank lending and bond issuance, among others, coincided with 6.4 percent economic growth in the developing world last year, more than double the 2.8 percent growth in developed countries. The sharp rise in private flows to developing countries came despite uncertainties caused by high oil prices, rising global interest rates and growing global payments imbalances. Private debt flows to developing countries rose to an estimated USD 192 billion, up from USD 85 billion in 2003, driven by abundant global liquidity, steady improvement in developing-country credit quality, lower yields in rich countries, and expansion of investor interest in emerging market assets. To access this report visit <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/EXTGDF/EXTGDF2006/0,,menuPK:2344945~pagePK:64167702~piPK:64167676~theSitePK:2344908,00.html>.

TRADE AND ENVIRONMENT REVIEW 2006. By the UN Conference on Trade and Development (UNCTAD), February 2006. The Review focuses on environmental and related health requirements and their impact on developing countries' market access. It examines both the opportunities and challenges presented by these requirements, which are increasingly stringent and complex. It includes both general and sectoral analyses of the issue, and looks at two sectors where environmental requirements are critical to market access: electrical and electronic equipment and organic agricultural products. To access the review visit <http://www.unctad.org/Templates/WebFlyer.asp?intItemID=3725&lang=1>.

THE IMPACT OF GLOBALISATION AND LIBERALISATION ON AGRICULTURE AND SMALL FARMERS IN DEVELOPING COUNTRIES: THE CASE OF THE PHILIPPINES. By Victoria Tauli-Corpuz, Ruth Sidchogan-Batani and Jim Maza. Third World Network, April 2006. This report presents some evidence of the effects of globalisation (including trade liberalisation) on poor rural farmers in the Philippines. It includes two case studies on the vegetable sector and the poultry sector. The paper examines some aspects of the globalisation and liberalisation process that has had effects on rural producers. In particular it looks at the effects of trade liberalisation that was undertaken as part of the Philippines' commitments under the WTO. To access this paper visit <http://www.twinside.org.sg/pos.htm>.

SERVICES TRADE LIBERALIZATION AT THE REGIONAL LEVEL: DOES SOUTHERN AND EASTERN AFRICA STAND TO GAIN FROM EPA

NEGOTIATIONS? By Marion Jansen. WTO Research and Analysis Working Papers, May 2006. This paper discusses the opportunities and challenges for African, Caribbean and Pacific (ACP) countries in Southern and Eastern African in services negotiations in the context of EU Economic Partnership Agreements. The paper provides an overview of existing flows in services trade from and to Southern and Eastern Africa, an overview that suffers from the paucity of relevant data. Given the significant differences among services sectors, the paper provides a separate discussion for several of them, including financial services, tourism and business services. The paper describes the latest developments in each sector as well as the issues at stake in the trade negotiations. In this context the competitive position of Southern and Eastern African countries is compared with the position of the EU and other global players. The paper attempts to identify possible export opportunities for Southern and Eastern African ACP countries and discusses the advantages and disadvantages of giving preferential access to EU suppliers in those services sectors where African countries are likely to be importers. Particular attention is paid to the role of mode 4 in the services sectors discussed. To access this paper visit http://www.wto.org/english/res_e/reser_e/ersd200606_e.htm.

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