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LEAD STORIES

LAMY SAYS 'MAGIC NUMBER' 20, AS MINISTERS
ARRIVE IN GENEVA 1

MAMMOTH TASK AWAITS MINISTERS AS AG CHAIR
TABLES BLUEPRINT FOR MODALITIES DEAL 3

INDUSTRIAL GOODS DEPENDENT ON
AGRICULTURE BREAKTHROUGH, SAYS NAMA
CHAIR 6

SERVICES 'CLUSTER' FOCUSES ON DOMESTIC
REGULATION, LDC TREATMENT 8

IN BRIEF

EU TRADE CHIEF MOOTS NEW WTO ROUND ON
ENERGY 9

EVENTS & RESOURCES

EVENTS 10

RESOURCES 12

LEAD STORIES

LAMY SAYS 'MAGIC NUMBER' 20, AS MINISTERS ARRIVE IN GENEVA

WTO Members have only a few days left in which to save the Doha Round trade talks by striking a framework deal on cutting farm subsidies as well as tariffs on both agricultural and industrial products, said Director-General Pascal Lamy on 28 June.

The end of June is "the moment of truth," Lamy told journalists. Pushing back the decisions any longer, even to the end of July, "would put the entire project at risk."

Trade ministers from dozens of Member countries are arriving in Geneva for four or five days of intensive talks aimed at brokering an agreement on 'modalities' -- formulae and figures for tariff and subsidy cuts, as well as exceptions to them. Members are rushing to conclude the negotiations in time for the beginning of 2007, when the Bush administration is set to lose its ability to negotiate and submit trade agreements to Congress for a straight yes-or-no vote without the possibility of major amendments.

Lamy reiterated his view that breaking the deadlock in the negotiations would require parallel progress on a 'triangle' of issues: the US would have to agree to make deeper cuts to domestic farm support; the EU to lower farm tariffs further, and developing countries such as Brazil and India to offer more on industrial tariffs.

During the upcoming meetings, Lamy said, "ministers need to put improved numbers on the table." He said that Members would have to agree to "real" subsidy cuts and the creation of "new trade flows" in both agricultural and industrial products.

For the first time, the WTO chief expressed his "own intuition" about how far each camp would likely have to go to strike an agreement. "If I were looking for a magic number," he said, "I would probably look around the number 20. Like G-20, Swiss 20, or below USD 20 billion in US OTDS [overall trade-distorting support]." A possible modalities accord, he appeared to suggest, could follow the parameters of the G-20's proposed cuts

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to farm tariffs, a Swiss formula with a coefficient of 20 for reducing developing country industrial tariffs, and reducing the ceiling for US overall trade-distorting farm support to below USD 20 billion.

Lamy cautioned that simple numbers alone would not be sufficient for a modalities deal, since market access flexibilities would have "formidably important" effects. For instance, he said, the treatment of 'sensitive' farm products (which Members will be able to shield from the full force of tariff reduction) will have a substantial effect on the amount of new market access created by an eventual agreement.

Magic numbers: G-20, Swiss 20, USD 20 billion

Making USD 20 billion the upper limit for US OTDS may not actually force Washington to reduce spending from current levels. As part of a simulation exercise in May, it was estimated that in 2005, US OTDS payments amounted to USD 19.67 billion (see BRIDGES Weekly, 24 May 2006, <http://www.ictsd.org/weekly/06-05-24/story1.htm>).

The US' own proposal to cut OTDS by 53 percent was projected to slash its current ceiling level from USD 48.22 billion to roughly USD 22.5 billion. Nudging this offer up to about 58.5 percent would be sufficient to bring the ceiling to USD 20 billion -- still some USD 300 million beyond current expenditures.

The other two '20s,' however, would require all parties concerned to give up on some of their longstanding demands.

The G-20 has proposed an average farm tariff reduction of 54 percent for developed countries, a figure described as unacceptably high by both the EU and the G-10, and unacceptably low by the US, which has sought a 66 percent reduction (see BRIDGES Weekly, 21 June 2006, <http://www.ictsd.org/weekly/06-06-21/story1.htm>). The EU claims that its own proposal would entail a 46 percent cut, although other countries insist that the real change would amount to only 39 percent.

Whether Brussels or Washington could accept the G-20's proposed cuts remains unclear. In recent weeks, the EU has hinted that it would sweeten its market access offer, but maintained that it would not go as far as the G-20. EU member states such as France and Finland have warned EU Trade Commissioner Peter Mandelson not to offer any further concessions (see related article, this issue). On 23 June, 57 of the 100 members of the US Senate signed a letter to President George W. Bush saying that it would be unacceptable to ask US farmers "to give more [on agriculture subsidies] while getting less in market access."

A Swiss formula with a coefficient of 20 would require India to cap its industrial tariffs at 20 percent, and, according to WTO Secretariat calculations, cut its bound tariffs by an average of 57.9-65 percent (depending on its ability to shield some products from the formula). It would force reductions to the applied tariffs on 57.2-84.4 percent of products and slash India's average applied rate from 19.5 percent to 11.8-17.3 percent. The same 'Swiss 20' would reduce Brazil's average bound duty by 55.4-58.6 percent, biting into the applied rates on roughly half of all products.

The NAMA-11 group, which includes Brazil, India, and South Africa, has argued that developing countries should not have to make percentage reductions to their bound tariff ceilings that exceed those undertaken by industrialised countries.

A coefficient as low as 2 would cut the EU's bound tariffs by 48 percent. This would, however, cut the EU's applied rates by a similar amount -- bringing them from 4 percent to 1 percent -- since the EU actually levies duties at rates that are close to the bound ceiling levels it agreed to during the Uruguay Round. The EU and the US support a 'Swiss 10' for developed countries. This would cut their own respective bound and applied rates by an average of around 23.4 percent and 21.2 percent respectively. They have been calling for developing countries to use a 'Swiss 15' rather than a 'Swiss 20.'

In the past, Brazil has suggested that its preference would be for a "Swiss 30" and the gentler tariff cuts this would entail.

End-June important

Lamy emphasised that agriculture and non-agricultural market access (NAMA) modalities needed to be finalised now because there was a very real risk that negotiators would otherwise simply run out of time to conclude the round.

Some delegates have suggested that in light of the huge number of issues that they need to resolve, ministers might try to lock in agreement on the key aspects of both the agriculture and NAMA negotiations, and then try to finalise modalities in July. Nevertheless, Lamy said that failing to do so now would risk denying delegates the time they need before the end of July to resolve crucial issues in areas such as services, fisheries subsidies and trade facilitation.

Furthermore, the process of translating the modalities into thousands of product-specific tariff and subsidy liberalisation commitments is technically complex and time consuming. WTO officials estimate that it will take

as many as six months for Members to prepare and verify these 'schedules' of commitments. Some additional negotiations might also prove necessary during the scheduling process, for instance over Members' choice of sensitive products.

Lamy sets out schedule for ministers

Immediately prior to the press conference, Lamy spoke to an informal session of the Trade Negotiations Committee (TNC), primarily about the schedule for the upcoming ministerial-level meetings. He announced that there would be no WTO meetings on 29 June, so as to allow ministers to coordinate with each other.

From the morning of 30 June on, Lamy indicated that he would hold a series of informal TNCs open to all delegations, small group consultations, and meetings of the invitation-only 'ministerial consultative group' -- the so-called 'green room' of ministers from some 30-35 Members. He stressed the need to ensure transparency so that developments in the smaller group sessions would be communicated to the entire Membership during the informal TNC meetings.

The green room generally includes the most influential countries as well as representatives from every major regional or interest-based bloc such as the G-20, the G-33, the African Group and the least-developed country (LDC) group. Sources report that Lamy has strongly urged them to communicate the proceedings to fellow alliance members left outside the room. "We have to avoid any notion of a privileged circle," he said.

Lamy also reported to Members on the order in which ministers will address different issues in the agriculture and NAMA negotiations -- a first round focusing on some central issues which would then pave the way for other areas to be discussed (see related stories, this issue). This list of issues emerged from a series of green room discussions on 26-27 June. Lamy took pains to stress that the list of issues was "purely a question of sequencing, and not a ranking by importance."

A formal TNC meeting has been scheduled for the morning of 1 July, but would likely be placed on standby, to be reconvened pending progress in the various informal gatherings. Sources suggest that ministers may continue to meet through 3 July, if the talks appear to be proceeding well during the weekend. Sources report that EU Trade Commissioner Peter Mandelson has invited a select group of 22 ministers for a stocktaking exercise on the services negotiations early on 1 July, in advance of the formal TNC later that morning (see related story, this issue).

Lamy emphasised that in spite of the need for key Members to "top up" their offers in the negotiations, there is already a great deal on the negotiating table. Existing proposals for subsidy reform as well as cuts to agricultural and industrial tariffs already go significantly further than what was agreed to during the Uruguay Round, he suggested. In addition, the Doha Round promises to address tariff peaks, fisheries subsidies, and trade facilitation. Several negotiators appear to share this impression, and have expressed concern that this could be lost if Members cannot reach a deal soon.

Some trade observers believe that Members will not be able to bridge their differences unless presented with a comprehensive agreement text akin to the December 1991 'Dunkel Draft' put forward by the then Director-General of the GATT. When asked if he would consider attempting something similar if consensus continues to elude ministers, Lamy replied "we are not there yet and I hope we won't get there."

ICTSD reporting; "Lamy outlines schedule for 'moment-of-truth' meetings," WTO NEWS, 28 June 2006.

MAMMOTH TASK AWAITS MINISTERS AS AG CHAIR TABLES BLUEPRINT FOR MODALITIES DEAL

Ministers meeting this week in Geneva will have to overcome substantial disagreements if they are to cement a WTO deal on tariff and subsidy cuts in agriculture. A new draft text, circulated 22 June by the chair of the agriculture negotiations, points to hundreds of outstanding differences which they must resolve if an accord is to be reached.

The 74-page draft effectively includes almost every proposal that negotiators have put forward, as persistent divergence between Members in all areas of the talks has prevented consensus from emerging. The document places different options within some 760 pairs of square brackets, each of which indicates a segment of text or a numerical figure on which Members disagree.

Although agreeing on any given issue would likely imply the removal of multiple sets of these brackets, their sheer number indicates that ministers and other top officials due in Geneva from 29 June to 3 July will have to thrash out several differences to reach an accord on 'modalities' -- the formulae and figures for tariff and subsidy cuts, and exceptions to them.

Following the release of the paper, agriculture Chair Ambassador Crawford Falconer (New Zealand) told a

press conference that ministers were unlikely to work through the draft text bracket-by-bracket. Instead, he said, they would probably focus their attention on a handful of key political issues that are crucial to unlocking the stalemate. If these issues are resolved, he suggested, it would be possible to reach an agreement quite quickly.

Falconer said that it would be possible for ministers to strike a deal, given the "right political will," but conceded that it was rare for officials to successfully resolve so many issues during such a limited period of time.

Sources report that at a 'green room' meeting on 26-27 June, representatives from some 25-30 influential Member delegations came up with a "sequence of discussion" for issues in the upcoming talks on agriculture and non-agricultural market access. With regard to agricultural market access, this would entail the thresholds and cuts for the tiered tariff reduction formula, the number and treatment of the 'sensitive products' that countries will be able to partially shield from the tariff reduction formula, and exceptions from tariff cuts for developing countries. On domestic support, ministers will focus on the depth of cuts to overall trade-distorting support and 'amber box' payments, as well as caps and criteria for 'blue box' and 'de minimis' spending. They will also address the issue of cotton subsidies. Only after these issues are resolved will they turn to areas such as export competition, tariff caps, tropical products, and preference erosion.

WTO Director-General Pascal Lamy has long identified US farm subsidies and EU agricultural market access, along with developing countries' industrial tariffs, as forming the 'triangle' of issues on which movement is necessary for a breakthrough in the talks. Each of the three camps has been calling for the other two to move first. Several delegates have maintained that an agreement on tariff cuts would be unlikely without a clear idea of the number and treatment of 'sensitive products.' Some Members want similar clarity with regard to the 'special products' that developing countries alone will be able to shelter from tariff cuts, in order to feel comfortable signing on to a modalities deal.

Chair says draft contains 'no surprises'

In a covering letter addressed to Lamy, Falconer noted that the draft contained 'no surprises' for negotiators, as it aimed to respect the Membership's requirement to "reflect consensus, or where this is not possible, different positions on issues." The draft was "not an elegant document," he remarked, since Members had not been able to narrow the significant gaps between

their positions. "Dealing with them honestly and fairly can be the only way that has any chance of moving us forward."

Falconer emphasised that he had avoided presenting Members with a fait accompli that tried to second-guess where consensus might lie. His previous 'reference papers' on different issues in the negotiations had included some personal observations about the likely contours of a potential agreement.

Members underscore need to reach agreement, hint at flexibility

At a 23 June meeting to discuss the draft modalities text, Members emphasised that an end-June deal was crucial to ensure the success of the Doha round.

Major trading powers continued to urge each other to move beyond their negotiating stances, while the EU and the G-20 group of developing countries also hinted at some flexibility in their own positions. The EU indicated its willingness to make painful cuts to tariff barriers and subsidies -- so long as other trading partners reciprocated. Reductions to industrial tariffs would be an essential part of any deal, it reiterated.

Describing the gap between Members' tariff reduction proposals as "breathhtaking," the US argued that some proposed cuts would fall short of the mandate to produce "substantial improvements in market access." As summed up in Falconer's text, proposed cuts for the highest farm tariffs in developed countries run the gamut from 42 percent to the US' favoured 90 percent. The EU has argued for a 60 percent reduction. The G-20 would have developing countries cut their highest tariffs by 40 percent.

The G-20 challenged the US to make deeper cuts to its farm subsidies, and urged the EU and G-10 to offer greater access to their highly-protected farm sectors. Members of the developing country group declared that they would be willing to consider new positions "once the major developed countries demonstrate clearly their readiness to negotiate."

Outside the WTO, ministers also hinted at new concessions -- conditional, of course, on progress by others. US Trade Representative Susan Schwab told Reuters that deeper subsidy cuts were possible, but that the EU and others would have to put "an awful lot more market access on the table" in order to persuade Washington to offer more. Japanese Agriculture, Forestry and Fisheries Minister Shoichi Nakagawa said that he had "some cards in [his] pocket to contribute" to progress in the negotiations, but that exporting countries should show their cards first.

EU Trade Commissioner Peter Mandelson indicated that the bloc could improve its market access offer if "others show a similar flexibility and willingness to go further." However, his latitude for movement was called into question by officials from France and Finland. Finnish Agriculture Minister Juha Korkeoja bluntly stated that "the EU should not make any more concessions," arguing that it was in fact "for the others to make new proposals" at the Geneva meeting.

Indian Commerce and Industry Minister Kamal Nath, a prominent representative of the G-20, emphasised that domestic political 'sensitivities' should not be used as an excuse to block progress in the round, in an implicit reference to influential farm lobbies in the US and the EU.

South-South disagreements repeated

Members showed fewer signs of being willing to compromise in the longstanding debate over a range of market access flexibilities for developing countries. Farm exporters (from both developed and developing countries) are at odds with those developing countries that wish to provide a degree of protection to their agricultural sectors.

The G-33 group of developing countries, which are seeking to shield 'special products' from tariff cuts in order to promote food security, livelihood security and rural development, stressed that they were motivated not by a desire to restrict trade but rather by the need to protect vulnerable farmers. Exporters such as Paraguay, Uruguay and Thailand again argued that too much flexibility could compromise their ability to export products to other developing countries (see BRIDGES Weekly, 3 May 2006, <http://www.ictsd.org/weekly/06-05-03/story1.htm>).

G-33 member India emphasised the need to clarify the arrangements for both special products and a special safeguard mechanism (SSM) as part of the deal on modalities, rather than leaving them to a later stage in the talks, such as the negotiations on Members' schedules of commitments.

Developing country farm exporters also warned that ongoing efforts to address preference erosion had the potential to lead ultimately to less extensive market access opportunities for products such as beef, wine and rice -- all of which the group of African, Caribbean and Pacific (ACP) countries have included in their list of products currently benefiting from preferential trading schemes.

'Peace clause' absent, GI extension barely present

The US complained that the draft text did not include a 'peace clause' -- a provision exempting most kinds of farm subsidies from legal challenge in the WTO for a limited time period. Following Brazil's successful 2004 case against its cotton subsidies, the US has been particularly keen to re-establish this kind of immunity for its subsidy programmes, arguing that it is necessary to protect farmers implementing reforms. A number of other countries have strenuously opposed such moves. It is unclear to what extent the US sees a peace clause as a prerequisite for a final deal.

Falconer defended his decision, indicating that he had considered this option but decided that no such clause appeared in the July 2004 Framework (WT/L/579), which set out the terms for the development of 'full modalities.' He noted that ministers remained free to decide on whether or not to include it in the agreement. Other Members commended the chair on his decision.

The text included a bracketed heading for 'geographical indications' (GI), albeit with no draft provisions below it. The EU, Switzerland and Bulgaria have repeatedly called for Members to extend to all products the higher level of protection currently accorded only to wines and spirits (such as Champagne). Others, such as Argentina, Canada, and the US have fiercely opposed this move, arguing that there is no mandate for 'GI extension' in the agriculture negotiations.

TNC to handle negotiations

Through the end of the month, the text will be discussed in the Trade Negotiations Committee (TNC), which is set to start meeting informally every day from 30 June. A formal TNC session has been scheduled to start 1 July. Lamy will also convene 'green room' meetings with a group of 30-35 ministers throughout this period, as well as smaller gatherings on particular issues.

Falconer did not rule out making some minor revisions to the draft modalities text, based on Members' views, before sending it to Lamy, who chairs the TNC.

The draft agriculture modalities paper is available online at:
http://www.agtradepolicy.org/output/resource/ag_modalities_22june06.doc.

ICTSD reporting; "Interview – countries should stretch for WTO deal – Schwab", REUTERS, 26 June 2006; "France, Finland say no more European trade concessions", EFE NEWS, 26 June 2006; "Japan's trade minister seeks US flexibility in WTO talks", KYODO NEWS, 27 June 2006; "Trade talks

breakthrough a 50-50 chance: Vaile", AUSTRALIAN ASSOCIATED PRESS, 26 June 2006; "Nakagawa hints at Japanese concessions at upcoming WTO farm talks," KYODO NEWS, 23 June 2006; "Compulsions should not block farm trade talks: Nath," PRESS TRUST OF INDIA, 23 June 2006.

INDUSTRIAL GOODS DEPENDENT ON AGRICULTURE BREAKTHROUGH, SAYS NAMA CHAIR

Ministers and top trade officials meeting in Geneva this week have a great deal to do in order to strike a framework deal on industrial goods trade by the beginning of July. Much of it will relate to farm subsidies and tariffs, according to the chair of the WTO talks on non-agricultural market access (NAMA).

Chair Ambassador Don Stephenson (Canada) released a document on 22 June that will serve as the basis for ministers' discussions. However, it contained draft text only for some sections of a potential 'modalities' deal on tariff cuts and exceptions. On some of the most central issues in the negotiations -- including the tariff reduction formula -- he did little more than make observations about Members' positions, explaining that the persistent absence of convergence made it impossible to come up with language for an agreement.

"There are an awful lot of issues for ministers to grapple with," admitted Stephenson at a press conference after issuing the paper. However, he suggested that if Members could agree on the core ambition-defining areas -- principally, the numbers that would determine the depth of tariff cuts required by the formula, exceptions for developing countries, and the treatment of unbound tariff lines -- they would greatly simplify the resolution of others.

Given sufficient political will, ministers would be able to bridge their gaps, Stephenson suggested. "You could probably deal with the issues fairly quickly if you could make the political decision... about the level of ambition."

At a 'green room' meeting on 26-27 June, representatives from some 30-odd delegations decided to address the different areas in the talks in two rounds. The first would focus on the 'core issues' of the tariff reduction formula, the treatment of unbound tariffs, and flexibilities for developing countries that will be subject to the formula. Once these issues are more or less resolved, the subsequent set of discussions would address issues including preference erosion, the treatment of small and vulnerable economies (SVEs) and recently-acceded Members (RAMs), and how to

accord duty- and quota-free access to exports from least-developed countries (LDCs). Lamy discussed this two-stage approach with all Member delegations during an informal session of the Trade Negotiations Committee (TNC) on 28 June.

Ag talks 'brackets on entire NAMA negotiations'

Members' decisions in the NAMA talks will depend on what happens in the tortuous farm trade negotiations, the chair acknowledged in the preface to his paper (JOB(06)/200/Rev.1). "The simple fact is that progress in the NAMA negotiations has, at all times, been both constrained by and conditional upon progress in the agriculture negotiations," he said (see related story, this issue).

Sources report that some senior negotiators believe that if Members were to reach an agreement on agriculture, a NAMA deal could come together quite quickly -- in less than a day, according to one.

However, another trade diplomat suggested that in light of the sheer number of issues that ministers need to address on both industrial goods and agriculture, it is "increasingly difficult" to believe that they will be able to resolve all of them with a 'full modalities' deal. What might be more likely, the negotiator said, would be for ministers to try to lock in agreement on the key aspects of both areas -- on NAMA, for instance, the ambition-defining areas the chair had pointed to -- in order to ensure that they can finalise a comprehensive deal by the end of July, before the WTO's August holiday.

Notably, during a 23 June meeting to discuss the report, the NAMA-11 group of developing countries* praised Stephenson for placing the whole text "within an agriculture bracket." In contrast, the EU and Switzerland, which have highly protected farm sectors but offensive interests in industrial trade, criticised that same notion.

Chair not given enough to produce comprehensive text

Stephenson had originally hoped to present ministers with a text that would have required a limited number of decisions -- principally on the numbers that will determine the extent of tariff cuts, and exceptions for developing countries.

Instead, he put together a three-columned table examining each issue in the NAMA negotiations. The first column set out the relevant sections of the negotiating mandate from the July 2004 Framework (WT/L/579) and the Hong Kong Ministerial Declaration. In the third column, the chair briefly commented on

Members' broad negotiating positions, and provided "some guidance for future discussions."

The middle column contained "possible modalities language" for areas where Members are in agreement - it was blank for several issues. In this section, Stephenson also put forward some text on his own responsibility "only in those cases where [he] felt that the points of divergence were not that entrenched and could be bridged at this time." He italicised the segments that he had proposed to distinguish themselves from agreed language, in response to comments from some Members, notably the NAMA-11.

In order to account for the entire spectrum of Members' proposals, Stephenson's report also contains an annex of several text-based proposals on which he deemed the disagreements unbridgeable at present.

Many Members including Ecuador, Japan, Singapore, and Sri Lanka praised the report for being a fair representation of the circumstances. The NAMA-11, however, suggested that the paper's structure prevented it from reflecting certain "complexities and nuances" in the negotiations, thus compromising its ability to contribute to modalities.

No consensus on formula, flexibilities

In his paper, Stephenson reported that there was "no consensus" on the structure of the tariff reduction formula. However, he noted that his conversations with Members had led him to "believe that there is broader and stronger support for the simple Swiss formula with two coefficients and that the discussions should focus on this structure as the more likely to attract a consensus." He added that Member's positions did not "provide a basis on which to establish the coefficients, or even to propose a range of numbers within which to focus the discussion." The value of the coefficient becomes a Member's future bound industrial tariff ceiling, and determines the extent to which tariffs will be reduced.

Negotiators' discussion of the paper only served to highlight their differences. While the NAMA-11 said that the text did not adequately reflect the views of Members seeking a particularly wide gap between the coefficients, the US expressed "unease" about its failure to do the precise opposite. In a controversial recent proposal, the US and some other countries proposed limiting this gap to no more than five points (see BRIDGES Weekly, 14 June 2006, <http://www.ictsd.org/weekly/06-06-14/story2.htm>).

Similarly, the chair said there was no consensus on the number of tariff lines that developing countries would be able to shield from the full force of tariff reduction.

Paragraph 8 of the NAMA mandate in the July Framework contained provisional figures -- in square brackets to signify the absence of agreement -- that would allow developing countries to make cuts half as deep as those demanded by the formula to 10 percent of tariff lines, or to completely exempt 5 percent from cuts, so long as they did not account for more than 10 or 5 percent of total non-agricultural import value respectively.

Pointing to the fact that some countries want these numbers raised, while others want them reduced, Stephenson wrote that "my sense is that Members could agree to the numbers already in the brackets provided the coefficients in the formula are satisfactory." He advised Members to treat the 10 and 5 figures as "a working hypothesis," and use them as a basis for determining the value of the coefficients.

The NAMA-11 emphasised that it considered the two bracketed figures to be "a bare minimum," and that some of its members might require higher numbers. It called on Stephenson to amend his commentary to reflect this.

With regard to the third 'core issue' in the NAMA talks, Members are debating the number of percentage points they will add to their unbound tariffs before subjecting them to the tariff reduction formula. Stephenson said that they are considering figures between 5 and 30.

Turkey reiterates call for textiles carve-out

The potential modalities Stephenson proposed for sectoral liberalisation initiatives specified that sector-specific tariff reduction would have to come "over and above that which would be achieved by the formula." Nevertheless, Turkey reiterated its controversial call for the modalities to include its proposal for textiles to effectively be carved out of the tariff reduction formula and subject to 'harmonisation.' Under this approach, Members would establish a common range of tariffs for textiles and clothing -- requiring reductions on some types of textiles that are lower than those demanded by the formula (see BRIDGES Weekly, 29 March 2006, <http://www.ictsd.org/weekly/06-03-29/story5.htm>).

Although US trade officials recently suggested that textiles merited "special consideration," they have stopped well short of formally endorsing the Turkish approach. Stephenson had noted in his paper that many Members "firmly opposed" Turkey's proposal. This was reflected at the meeting, when China and the EU dismissed it yet again.

Little consensus on other issues

The chair noted that there was little agreement on how to treat small and vulnerable economies and recently acceded Members, or on how to address preference erosion.

As for the expedited liberalisation of environmental goods, Stephenson suggested that given the absence of consensus, Members could simply agree to effectively postpone a decision to a later stage in the negotiations. The US expressed disappointment with this, contending that the disagreements were not as wide as he had implied. It also pointed to the specific mandate on environmental goods in Doha Declaration Paragraph 31 (iii). Along with Canada, the EU, New Zealand, Singapore, and Switzerland, the US has called for all Members to eliminate tariffs on environmental goods as soon as possible (see BRIDGES Weekly, 17 May 2006, <http://www.ictsd.org/weekly/06-05-17/story3.htm>).

Ministers will try to fill in the blanks in Stephenson's text in a series of informal meetings of the Trade Negotiations Committee (TNC) scheduled to start from 30 June. Lamy is likely to convene 'green room' meetings with a group of 30-35 ministers throughout this period, as well as smaller gatherings on particular issues. A formal TNC session has been scheduled to start 1 July. Depending on how the negotiations proceed, they may continue through 3 July.

*The NAMA-11 group is comprised of Argentina, Brazil, Egypt, India, Indonesia, Namibia, the Philippines, South Africa, Tunisia, and Venezuela.

ICTSD reporting; "Trade talks hit by US-EU split on textiles," FINANCIAL EXPRESS (BANGLADESH), 23 June 2006.

SERVICES 'CLUSTER' FOCUSES ON DOMESTIC REGULATION, LDC TREATMENT

WTO Members addressed domestic regulation and special treatment for least-developed countries (LDCs) during the services 'cluster' from 19-23 June. Market access negotiations based on plurilateral and bilateral requests, which normally take place during services clusters, have been deferred to the week of 10 July, in anticipation of an agreement being struck this week in the agriculture and industrial goods negotiations.

Some delegations have been reluctant to commit to opening their services markets without knowing what was on offer in these other, higher-profile negotiating areas. Sources suggest that demandeurs in the services negotiations hope that a modalities deal on

agriculture and non-agricultural market access will encourage Members to engage more intensively in the services talks, if not offer more extensive liberalisation commitments.

The issue of disciplines on domestic regulation is part of the so-called 'rules-based' aspect of services negotiations (as opposed to the market access component). Article VI(4) of the General Agreement on Trade in Services (GATS) mandates Members to develop disciplines aimed at ensuring that domestic regulatory measures, such as technical standards and qualification or licensing requirements and procedures do not constitute unnecessary barriers to trade in services. Given the relatively advanced level of discussions on this issue, ministers at Hong Kong instructed Members to finalise the disciplines before the end of the Doha Round and as part of the single undertaking. In recent weeks, developed and developing countries have submitted what a WTO official characterised as a 'critical mass' of formal and informal proposals on a broad set of issues relating to the disciplines.

All the submissions stress the need to strike a balance between respecting Members' right to regulate and curbing regulatory measures that could potentially undermine market access. One area where this tension is particularly evident is in the sensitive debate over the so-called 'necessity test' for regulatory measures. While the GATS mandate stipulates that qualification and licensing requirements should not be 'more burdensome than necessary to ensure the quality of a service,' some Members are concerned that such a test may constrain their ability to introduce regulations which seek to implement national policy objectives that go beyond simply ensuring the quality of a service.

A number of developing countries including Colombia and the Philippines had previously sought to assuage this concern by expanding the necessity test so that regulatory measures in pursuit of such national policy objectives would be deemed 'necessary' and thus permissible. Others, such as the group of African, Caribbean, and Pacific (ACP) countries, proposed doing away with the necessity test entirely, in addition to exempting least-developed countries from the obligation to comply with any eventual disciplines. On the other hand, Members such as Hong Kong, Chile, Korea, Australia, New Zealand and Taiwan argue that disciplines that do not subject regulatory measures to a necessity test may prove largely "toothless" in ensuring that they do not unduly restrict trade. However, what may spell the death knell for the necessity test is that Brazil and the US, two major Members from opposing sides of the services talks, remain firmly opposed to incorporation of such a test in the disciplines.

Members have asked the chair of the Working Party on Domestic Regulation, Peter Govindasamy (Singapore), to develop a draft consolidated text of the disciplines by the end of the month. Sources expect him to produce draft treaty language on issues where there is apparent consensus or broad support, and simply present Members with 'options' for those on which they differ. They suggest that the text will include draft disciplines on transparency, qualification and licensing procedures, but 'options' on qualification and licensing requirements and technical standards. If the necessity test is incorporated, this may at the most be through a reference in the preamble of the disciplines.

Operationalisation of LDC modalities discussed

During a 23 June meeting of the Council for Trade in Services Special Session (CTS-SS) delegates also addressed how to operationalise a September 2003 decision (TN/S/13) that LDCs are to be given 'special priority' aimed at boosting their participation in global services trade. The Hong Kong Declaration mandated Members to "develop methods for the full and effective implementation" in the negotiations of these so-called 'LDC modalities.'

The LDC modalities exhort other Members to offer LDCs binding market access commitments in areas of interest to them, such as the temporary movement of labour ('Mode 4' in WTO parlance). They also encourage countries to help LDCs develop their domestic services capacity.

Thus far, however, although some Members such as the US, Canada, the EU, Japan and Norway have indicated their intention to implement the LDC modalities, as well as the kind of measures they plan to take, LDCs have seen this as vague and insufficient to truly address their concerns.

In this respect, Zambia tabled a proposal on behalf of the LDC Group seeking to operationalise the notion of 'special priority,' and to craft a mechanism for providing such treatment to LDCs.

The Zambian paper contends that there are no provisions under existing rules that would allow countries to accord 'special priority' to LDCs without having to extend it to all Members in order to comply with the WTO's core most-favoured nation (MFN) treatment obligation prohibiting discrimination among trading partners. It argues that the Hong Kong mandate instructs Members to make this possible. To this end, Zambia proposes the creation of a new mechanism which would allow Members to provide "non-reciprocal special priority... only to LDCs," in areas of export interest to them. LDCs are particularly keen for instance

on obtaining specific commitments providing Mode 4 quotas in favour of LDCs.

Some delegations believe that the Zambian proposal would create an exception to the WTO's MFN principle, and is thus inconsistent with the principle and structure of the GATS. Others suggested that it was not inconsistent and would require nothing more than a technical change.

One developing country delegate suggested that though Members are open to other types of preferential treatment for LDCs, such as duty- and quota-free market access for their merchandise exports, the Zambian proposal is not feasible.

A source close to negotiations questioned whether the objections to the LDC proposal were legitimate or a means for avoiding a substantive discussion on the issue.

Mandelson calls for stocktaking on services

EU Trade Commissioner Peter Mandelson has invited a select group of 22 ministers for a stocktaking exercise on the services talks early on 1 July, in advance of the Trade Negotiations Committee meeting scheduled later that morning. Some trade officials suggest that Mandelson may simply be trying to take advantage of ministers' presence to raise the profile of a negotiating area in which the EU has a clear offensive interest. However, one trade expert suggested that the meeting might indicate that Brussels is confident that key Members will make the concessions necessary to reach an agreement on agriculture and industrial goods, and wants to get the ball rolling on the services market access negotiations that are to follow. Another source suggested that the opposite may be the case, and that Mandelson may be looking to use other Members' reluctance to agree to substantial services liberalisation commitments to deflect attention from the EU's inability to offer deeper cuts to its farm tariffs.

ICTSD reporting.

IN BRIEF

EU TRADE CHIEF MOOTS NEW WTO ROUND ON ENERGY

EU Trade Commissioner Peter Mandelson has called for a new WTO round of negotiations that would address the energy sector and seek to treat oil and gas

like other traded goods. In an interview with the Wall Street Journal on 23 June, he described how he envisioned applying WTO rules and procedures to trade in energy products. This could potentially require oil and gas producers to liberalise distribution networks, thus opening up access to Russia's gas pipelines, currently under the monopoly control of Moscow .

Energy-importing industrialised countries would like to eliminate barriers to trade in energy as increasing global demand for oil and gas drives up prices. In exchange for a deal with producers unlikely to support liberalisation, Mandelson suggests offering them additional investment, and more security for their energy exports.

In a related development in the WTO services negotiations, a group of energy-importing nations and a few major energy exporters, including Canada, Saudi Arabia, the US, Australia, and the EU in February tabled a "collective request" to a group of developing countries including Brazil, China, Colombia, Ecuador, Egypt, India, Kuwait, Nigeria, Qatar, and the United Arab Emirates asking them to open up their markets to freer trade in energy services. The proposal covered sectors that encompass the core activities of oil and gas production, processing and distribution.

Oil and gas industries have traditionally been dominated by state-owned, vertically integrated utilities, engaged in the production, transport and distribution of energy products. This has left little margin for trade and competition in energy services. In addition, energy goods largely have been exempted from trade rules, based on GATT general exceptions for national security and the conservation of exhaustible natural resources.

At the same time, energy trade and investment has been subject to rules such as the Energy Charter Treaty. These, however, are limited in scope compared to what Mandelson has proposed.

ICTSD reporting; "EU Trade Chief Poses WTO Rules In Energy Sector," WALL STREET JOURNAL, 23 June 2006.

. 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: 29 June - 5 July

29 June, Washington DC, US: WITA PROFESSIONAL DEVELOPMENT SERIES: TRADE SECURITY. The Washington International Trade Association (WITA) 2005-06 professional development series gives an overview of Washington-based trade entities -- their missions, structures, and how professionals can best understand and utilise them. This final installment of the nine-part series will provide a general overview of national security controls, initiatives, and requirements related to international trade. For further information please email: events@wita.org; internet: http://www.wita.org/index.php?tg=addon/4/form&idx=2&id_app=25&id_step=79&id_form=62&form_row=434&popup=0&parent_id_form=40&parent_id_step=78&form_menu=&trt_step=1&form_value=WITA%2BProfessional%2BDevelopment%2BSeries%253A%2B%2BSeminar%2B9%253A%2BTrade%2BSecurity.

30 June, Geneva, Switzerland: TRADE AND DEVELOPMENT BOARD, 39th EXECUTIVE SESSION (AFRICA). The UN Conference on Trade and Development (UNCTAD) annual report on activities in favour of Africa will be central to discussions to be held during the 39th Executive Session of the Trade Development Board. This report presents a broad overview of what UNCTAD is doing in support of African countries and the New Partnership for Africa's Development (NEPAD) process. These activities fall in two broad categories: policy research and analysis on Africa's development challenges; and advisory services and capacity-building. For further information please contact UNCTAD, tel: +41(0)22 917 0214; email: correspondence@unctad.org; internet: <http://www.unctad.org/Templates/Meeting.asp?intlItemID=1942&lang=1&m=11779&year=2006&month=6>

3-4 July, Geneva, Switzerland: WRAP-UP WORKSHOP ON UNCTAD'S CAPACITY BUILDING PROJECT ON TRADE AND ENVIRONMENT AND ANNUAL SESSION OF THE CONSULTATIVE TASK FORCE ON ENVIRONMENTAL REQUIREMENTS AND MARKET ACCESS FOR DEVELOPING COUNTRIES. Organised by the UN Conference on Trade and Development (UNCTAD). The multi-stakeholder meeting will focus on the implications of environmental and related health requirements for developing country export markets and consider proactive approaches to meeting these requirements. For further information contact Nuria Castells; email: nuria.castells@unctad.org or sheila.addy@unctad.org; fax +41 22 917 02 47; internet: http://r0.unctad.org/trade_env/test1/openF1.htm.

3-28 July, Geneva, Switzerland : UN ECONOMIC AND SOCIAL COUNCIL (ECOSOC) 2006 SUBSTANTIVE SESSION: HIGH LEVEL SEGMENT. ECOSOC has devoted this meeting to employment, as the 2005 General Assembly Summit put the goals of full employment and decent work firmly back into the UN development agenda. It demonstrated a solid consensus that in order to achieve the internationally agreed development goals, employment and decent work needs to be at the centre of economic and social policies. On the agenda for this gathering will be high-level roundtable discussions and breakfast meetings, scheduled from 3-5 July. The objective of these meetings is to enable participants to engage in a discussion on critical issues in the area of employment. For more information, contact Sarbuland Khan, tel: +1 212 963 4628; email: ecosocinfo@un.org.

3-8 July, Geneva, Switzerland: CODEX ALIMENTARIUS COMMISSION, 29TH SESSION. The Commission was created to develop food standards, guidelines and related texts such as codes of practice under the Joint FAO/WHO Food Standards Programme. The main purposes of this programme are protecting health of the consumers and ensuring fair trade practices in the food trade, and promoting coordination of all food standards work undertaken by international governmental and non-governmental organizations. For further information, contact: the Codex Secretariat, tel: (+39 06) 5705 2287; fax: 5705 3369; email: codex@fao.org; internet: http://www.codexalimentarius.net/web/index_en.jsp.

3-8 July, Lima, Peru: 16th MEETING OF THE CITES PLANTS COMMITTEE. The Plants Committee provides advice and information relating to plant species to Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES) parties. It advises when certain species are subject to unsustainable trade and recommends remedial action (known as the significant trade process), undertakes periodic reviews of plant species listed in the appendices, drafts resolutions on plant matters for consideration at conferences and performs other functions entrusted to it by the CITES Conference of Standing Committee. For further information please contact Dr. Margarita Clemente Muñoz, tel: (+34 957) 20 00 77; fax: +34 (957) 29 53 33; email: cr1clmum@uco.es; internet: <http://www.cites.org/eng/news/meetings/PC16.shtml>

4 July, Lancaster, UK: SCIENCE, INTELLECTUAL PROPERTY AND OPENNESS. Hosted by Lancaster University. This day is intended for scientists and others interested in how the intellectual property system interacts with their work, and especially those who are concerned with the understanding current debates about the balance between openness and property in

science (and other research arenas). For further information contact Chris May, tel: (+44-0) 1524 594272; fax: (+44-0) 1524 594238; email: c.may@lancaster.ac.uk.

5 July, Almaty, Kazakhstan: INVESTING IN KAZAKHSTAN'S FUTURE, Rapidly changing Kazakhstan has created huge opportunities for business -- but also huge challenges. This international conference will focus minds on how economic, financial and legal reforms, as well as WTO ambitions, are rapidly changing the business environment. It will highlight factors driving Kazakhstan's economic growth including its geographical position and trade potential on the Europe-China axis, its energy policy, both domestic and international, and examine the implications for global markets. For further information please contact: conferences@chathamhouse.org.uk or visit: <http://www.chathamhouse.org.uk/index.php?id=5&cid=94>.

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.

27-29 June: WORKSHOP ON THE WTO AGREEMENT ON GOVERNMENT PROCUREMENT

28-30 June: COMMITTEE ON SANITARY AND PHYTOSANITARY MEASURES

1 July: TRADE NEGOTIATIONS COMMITTEE

3-5 July: TRADE POLICY REVIEW BODY – TOGO

4 July: COMMITTEE ON REGIONAL TRADE AGREEMENTS

Other Upcoming Events

17 July - 11 August, Berne, Switzerland: WORLD TRADE INSTITUTE (WTI) SUMMER PROGRAM. The WTI's 2006 Summer Program provides an excellent opportunity for individuals to gain in-depth and up-to-date instruction from some of the world's leading international trade scholars and professionals. The course combines the subjects of law and economics in order to give the participant a better understanding of

the scientific foundations of the world trading system. The Summer Program provides a week-long simulated WTO dispute, followed by four weeks of classes including an introduction to the WTO; WTO Dispute Settlement and Trade Policy Formation; WTO Trade and Agriculture; and trade defence mechanisms. Applications are accepted until there are no more places. For further information contact Meredith Anne Taylor; tel: +41 31 631 32 70; fax +41 31 631 36 30; internet: <http://www.wti.org>.

RESOURCES

A SOUTH – SOUTH SURVIVAL STRATEGY: THE POTENTIAL FOR TRADE AMONG DEVELOPING COUNTRIES. By Marco Fugazza and David Vanzetti. UN Conference for Trade and Development (UNCTAD), 2006. Trade between developing countries, or South-South trade, has been growing rapidly in recent years following significant reductions in tariff barriers. However, significant barriers remain, and there is currently reluctance in many developing countries to undertake further reductions, with a preference instead for focusing on opening up access to developed country markets, or maintaining the status quo given that multilateral liberalization may result in the erosion of preferential access enjoyed by some developing countries. This emphasis on Northern markets represents a missed opportunity for developing countries. The paper uses a general equilibrium model, GTAP, containing information on preferential bilateral tariffs, to estimate the impacts of the removal of barriers on South-South trade with the gains from developed country liberalisation and from regional free trade areas within Africa, Asia and Latin America. The results indicate that the opening up of Northern markets would provide annual welfare gains to developing countries of USD 22 billion, but the removal of South-South barriers has the potential to generate gains 60 per cent larger. Furthermore, the potential gains from further regional agreements on a continental basis are limited in Africa and Asia, although scope remains in Latin America. To access this publication visit: http://www.unctad.org/en/docs/itcdtab34_en.pdf

OECD-FAO AGRICULTURAL OUTLOOK: 2005-2014. Organisation for Economic Co-operation and Development (OECD) and UN Food and Agriculture Organization of the United Nations (FAO), 2005. This eleventh edition provides an assessment of agricultural market prospects based on medium-term projections that extend to 2014 for production, consumption, trade and prices of included commodities. The projections presented in the report are based on specific assumptions regarding macroeconomic conditions,

agricultural and trade policies and average weather conditions, and thus are one representative scenario for agricultural markets over the next decade. To access this publication visit http://www.oecd.org/document/5/0,2340,en_2649_3378_3_35015941_1_1_1_1,00.htm.

BILATERAL FREE TRADE AND INVESTMENT AGREEMENTS AND THE US CORPORATE BIOTECH AGENDA. By Aziz Choudry. (Pesticides Action Network Asia Pacific and People's Coalition on Food Sovereignty, February 2006. This issue is first of a series of special releases on food sovereignty issues published by the People's Coalition on Food Sovereignty (PCFS) and the Pesticide Action Network Asia Pacific (PANAP). According to this publication, bilateral free trade agreements (FTAs) are seen by the agricultural biotechnology industry as an important conduit for spreading genetically modified organisms (GMOs) around the world. The author contends that US agribusiness corporations are looking into bilateral and regional trade agreements "to expand foreign understanding and acceptance of US regulations and standards, particularly with respect to agricultural biotechnology." The bilateral FTAs are said to threaten labeling laws on GM foods, the rights of countries to determine their own domestic biosafety regulatory approach, and the livelihoods of farmers. To access this publication visit

http://www.bilaterals.org/article.php3?id_article=4861.

Back issues of *BRIDGES Weekly Trade News Digest*® can be accessed at: <http://www.ictsd.org/weekly/archive.htm>.

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