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### LEAD STORIES

#### AG CHAIR RELEASES SECOND INSTALMENT OF 'CHALLENGES' PAPER, SPARKING VARIED REACTIONS

The chair of the WTO agriculture negotiations on 25 May released the second instalment of his paper outlining parameters for a plausible deal on some issues in the talks, sparking a range of reactions from trade diplomats. Like the first one, it sought to 'challenge' WTO Members to depart from long-held bargaining positions in order to find consensus (see BRIDGES Weekly, 2 May 2007, <http://www.ictsd.org/weekly/07-05-02/story1.htm>).

New Zealand Ambassador Crawford Falconer's document covered issues which, in the words of one delegate, "aren't on the radar screen every day" -- unlike the hotly-debated overall tariff and subsidy cuts and exceptions he addressed in the first part. It dealt with the functioning of the 'special safeguard mechanism' (SSM) which developing countries could use to protect farmers from import surges, an issue that has divided import-sensitive Members from those fearing impeded export opportunities. The paper also addressed the related matters of liberalisation for tropical products and the erosion of trade preferences (some of the most prized preferences cover tropical products such as sugar and bananas).

Falconer warned negotiators that they had given some issues so little attention that he was unable to comment on them meaningfully. Talks on tariff escalation, for example, had advanced so little that Members seemed to expect the issue to just "drop by the wayside." 'Green box' farm subsidies, commodities, and tariff simplification were also not addressed in great depth.

The paper did provide more detail on special treatment for small, vulnerable economies, least-developed countries and for countries which had recently acceded to the WTO.

Delegates reactions varied, with a number of them again suggesting that the paper was 'unbalanced' (see BRIDGES Weekly, 9 May 2007,

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<http://www.ictsd.org/weekly/07-05-09/story1.htm>).

Some developing country negotiators saw the paper as tending to favour developed country positions. However, some developed country officials were also critical, claiming that the zones in which the chair saw possible consensus were too broad, and were not always 'in the middle' of negotiating extremes.

One delegate suggested that Falconer had softened his tone in the second paper, making it "less challenging" than the blunt language he had used to assess Members' views in the first one. "Maybe he's realised that if you challenge everyone, who's going to listen to you?" the official wondered aloud.

### **SSM's applicability should be constrained**

Falconer warned that there were "too many variables" on the special safeguard mechanism for him to begin defining 'centres of gravity' or zones of possible consensus. Developing countries will be able to use the SSM to raise tariffs beyond bound ceiling levels when triggered by an import surge or price collapse.

In the "few observations or suggestions" that he felt able to offer, he suggested that the SSM would give developing countries "greater flexibility" than the existing 'special safeguard' (SSG) in WTO rules, which most developing countries have been unable to use.

Developing countries criticised the paper for implying that the SSG could be continued beyond the Doha Round, a proposition opposed by farm exporters but favoured by the EU and G-10 countries that have used it often.

The chair argued that because of its 'special' nature, the SSM's application should be constrained, focusing, for instance, on situations where there is domestic production vulnerable to substitution by imports. It should respond to the "rural development, food security and livelihood security needs" of farmers, Falconer said. He signalled that he expected a range of conditions to apply to the SSM's use, concerning its scope, triggers, and remedies. In particular, he suggested that increased safeguard tariffs should be applicable for a period shorter than the twelve months proposed by the G-33 group that advocates a substantial SSM. One developing country delegate said that Falconer was offering his own interpretation of the mandate.

Falconer also argued that preferentially-imported products should face safeguard tariffs if they are counted in the calculation of SSM-triggering import volumes.

### **Tropical and diversification products**

Members are still divided on how to fulfil the mandate for "the fullest liberalisation" of trade in tropical products and those grown in the place of narcotic crops. Falconer bluntly warned that fifty years had failed to produce a definitive list of tropical products. He said that negotiators could use an indicative list for such products developed during the Uruguay Round, with Members required to 'pay' for dropping a small number of commodities by adding other ones from a longer list tabled in March 2007 by the Cairns Group of farm exporters.

Falconer also described some options for enlarging the Uruguay Round list, which he thought should be expanded by one-third to one-half. With multilateral agreement unlikely, and bilateral discussions unfeasible, he suggested that Members could do a 'rejection process' that would allow them to exclude a product if they could justify why it would not qualify as a 'tropical or diversification' product.

One of the developing country proponents of liberalising trade in tropical products warned that such an 'à la carte' approach could enable Members simply to exclude whatever they wished.

As for the tariff treatment of such products, Falconer pointed the proposal for tariffs on tropical products currently below 25 percent to be eliminated, and those above 25 percent to be cut by 85 percent, though he said that the threshold for elimination may have to be lower. The minimum level of tariff reduction for tropical products would be the deep cuts foreseen for the steepest tariffs under the overall reduction formula.

### **Preference erosion**

Falconer identified the tropical products that are most closely linked to concerns about preference erosion - essentially bananas and sugar. It was difficult to see any other "major areas of concern," he suggested. Many African, Caribbean, and Pacific countries that benefit from EU trade preferences fear that deep tariff cuts on these products would eliminate the advantageous access they currently enjoy.

Bananas, Falconer said, would require a "banana-specific outcome" - a deal involving "a full and final settlement by all involved" of which the Doha Round would not be a "principal determinant." Sugar would be affected by a number of still unresolved issues in the negotiations, but also, to a greater extent, by factors such as EU internal reform.

The chair therefore proposed that Members assess the significance of specific products in particular markets, and the extent of anticipated liberalisation. Ad valorem tariff cuts in single digits spread over a five-year period would not necessitate major adjustments. Higher cuts might require maintaining preference margins, longer implementation periods, or possibly other non-trade based solutions.

### **Green box subsidies**

Falconer's paper outlined a short set of proposed amendments to the criteria for farm subsidies to be eligible for the WTO's 'green box', a reduction-exempt category for payments that in theory cause minimal or no distortion to production and trade. The short list led one delegate to conclude that the chair had limited himself to ideas that were unopposed.

There was little objection to letting developing countries include land reform programmes and associated administration and legal services under the exemption for government services, although other objectives such as rural development and infrastructure provision were more controversial. Falconer said that there was also support for letting developing countries include spending on the acquisition of food stocks for food security purposes in the green box, rather than counting this towards trade-distorting subsidy entitlements which would have to be reduced. Proposals to make the green box cover the purchase of foodstuffs from low-income and resource-poor producers in order to fight hunger and rural poverty were also broadly acceptable.

Other green box disciplines could be amended, so as to cover new programmes in developing countries, and to permit governments to compensate farmers for losses of less than 30 percent of average production in the event of livestock or crop destruction for disease control purposes. Members were also close to consensus on setting fixed base periods for calculating spending allowances, Falconer said.

One developing country delegate noted that Falconer had not discussed the possibility of disciplining rich country payments that might have more than minimal trade-distorting effects. The G-20 group of developing countries has charged that some subsidy spending sheltered in the green box does in fact have a significant impact on trade and production.

### **Recently-Acceded Members**

Falconer suggests that, "absent any objection", some of the proposals from the group of recently-acceded Members (RAMs) be supported. These countries, including China, have asked for lenient treatment

because of the extensive commitments they undertook during accession.

Different RAMs might merit different treatment, the chair indicated. Very recently-acceded Saudi Arabia, Vietnam and Macedonia should not be subject to further Doha Round undertakings, he said. Furthermore, small low income recently-acceded Members with economies in transition (such as Moldova and the Kyrgyz Republic) will not have to cut subsidy spending entitlements.

RAMs in general could be allowed to make smaller cuts to their 'de minimis' subsidy limits than developing countries generally. They could also be permitted to reduce tariffs in each band by 5 percent less what is required by the overall formula, Falconer suggested, arguing that the 50 percent flexibility the group had sought would not be acceptable. However, Members might accept RAMs' request to exempt tariffs below 10 percent from cuts.

In return for accepting less flexibility on tariff cuts, Falconer suggested that RAMs could win additional flexibility on the SSM and 'special products' -- which developing countries can shield from tariff cuts on the basis of food security, livelihood security and rural development criteria. Some RAMs could also be granted longer tariff cut implementation periods for some products, so that their Doha commitments do not overlap with accession-related ones.

### **Small, vulnerable economies**

The chair proposes that the definition of what constitutes a small, vulnerable economy (SVE) could be the one proposed by the group itself: countries that can prove that they account for less than 0.16 percent of world merchandise trade, 0.1 percent of industrial goods trade, and 0.4 percent of farm trade. He suggested that SVEs would be able to address their import concerns if they receive some additional flexibility to maintain tariffs on 'special products'. However, the lack of consensus on the number and treatment of such products meant that there was little he could add.

### **Tariff escalation, commodities**

Falconer berated Members for not having seriously addressed the issue of higher tariffs on processed goods than on raw materials, which can serve as a disincentive against moving up the value chain. He nonetheless presented some ideas for how they might approach doing so, such as agreeing on a list of affected products multilaterally or even in bilateral talks, and then determining a way for the duty on the

processed product tariff to be cut substantially more than that on the raw material.

For commodity tariffs not sufficiently dealt with by the tiered formula and whatever specific measures are agreed to for tariff escalation and tropical products, the chair suggested that Members might be able to agree to language committing them to engage with commodity dependent producing countries to ensure satisfactory solutions.

### **Least-developed countries**

Least-developed countries (LDCs) will not have to cut tariffs or subsidy entitlements as part of the round. Falconer suggested that developed countries should provide duty- and quota- free access to LDC imports covering 97 percent of farm tariff lines from the start of the Doha Round implementation period, as should developing countries that declare themselves able to do so, in keeping with what Members agreed to in 2005. He said that 100 percent access "is something to aim for at least by the end [of the implementation period]."

### **Other issues**

The chair argued that an agreement on any major simplifications to the way that Members schedule their tariff commitments was unlikely. On a range of other issues, including the extension of geographical indication protections to food products other than wines and spirits (such as Parma ham), Falconer said that he had "nothing at this point to add."

Delegates speculated that Falconer may simply have lacked the input from Members necessary to make meaningful comments. However, some expressed disappointment that he had not addressed these issues.

### **Members react**

Some Members criticised what they saw as a fatalistic acceptance of defeat in negotiating areas that had been supplanted by higher priorities, as in the case of tariff escalation or tariff simplification.

However, one official argued that the chair had done a good job, saying that he "makes some good observations on how we could move to agreement." The weaknesses in the text were partly Members' own fault, the source claimed. Faced with proposals that amounted to "extreme claims from some, and extreme rejections from others," the chair had done the best he could have done under the circumstances.

Falconer has been holding consultations with a group of about 20 Members on all of the major issues in the

agriculture talks, during which delegates have reacted to his first 'challenges' document. He is set to convene further meetings on 1 June for countries to react to the new paper.

ICTSD reporting.

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## **ANTIGUA ASKS OTHER COUNTRIES TO PRESSURE US IN GAMBLING DISPUTE**

Antigua and Barbuda has appealed to other WTO Members to help make it harder for the US to avoid complying with dispute rulings against Washington's restrictions on foreign-based internet gambling.

WTO dispute panels and the Appellate Body have, in a series of decisions, agreed with Antigua's complaint that the US' multilateral commitments to liberalise its "recreational services" sector prevent it from legally shutting its borders to overseas-based internet gambling operators. The US has insisted that it would continue to maintain the barriers, prompting Antigua to question the efficacy of WTO dispute settlement for small economies.

In an unusual attempt to make the restrictions WTO-compliant, Washington on 4 May announced that it would use General Agreement on Trade in Services procedures to modify its multilateral liberalisation commitments to explicitly exclude internet gambling (see BRIDGES Weekly, 9 May 2007, <http://www.ictsd.org/weekly/07-05-09/wtoinbrief.htm#1>).

Washington has maintained that it never meant to open its market to cross-border gambling when scheduling its commitments during the Uruguay Round, and thus should not be penalised. Therefore, it says that it need not provide compensation to countries that might one day be negatively affected by the change, even though GATS Article XXI requires Members to do so when seeking to alter their commitments. It has sought to justify its restrictions by arguing that they are necessary to protect public morals - as permitted by WTO rules under certain circumstances.

Antiguan Ambassador John Ashe strongly criticised the US' move at the Dispute Settlement Body's meeting on 22 May. "There is something clearly wrong with the concept that after a long, difficult struggle covering years of dispute resolution at the WTO an offending Member could ultimately avoid the consequences of its loss by withdrawing the commitment that gave rise to the claim in the first place," he argued.

Ashe encouraged all WTO Members to demand compensation from the US if it sought to close off the sector, noting that they did not need to have an existing

internet gambling industry in order to do so. "Not only do we think that members should press claims for compensatory adjustments as a matter of economic self-interest, but we also believe it important that the process is made as difficult as possible for the United States," he said.

Mark Mendel, lead counsel to the Antiguan government on the case, said that both of the US' arguments were lacking. First of all, he noted that a dozen WTO Members, including EU states and Senegal, had managed to explicitly exclude cross-border gambling from their services commitments during the Uruguay Round (an additional 80-odd excluded recreational services in general). The US did not do so, nor did it make market access for foreign gambling companies conditional on meeting local licensing requirements. This allowed Antiguan operators unfettered access - until the US started to change its policies. In fact, prior to 1998, US officials had even met with their Antiguan counterparts to discuss how the sector could be better regulated.

As for the public morals defence, Mendel added, its credibility was questionable given that a new US law on gambling, introduced last October, places no restrictions on internet gambling within a single state, such as California, but bans all financial transactions related to it when the betting company is based in another US state or another country. Indeed, the US has a major domestic remote gambling industry. "The whole US case was predicated on remote gambling being bad," Mendel said. "To suggest that it is only bad when it crosses a border is nonsense."

The US' request to change its services commitments was circulated to WTO Members on 8 May. According to standard procedures, they will have 45 days, or until 22 June, to file a request for compensation. To date, no countries have done so.

If the EU, home to several British internet gambling companies that have had to shut down their US operations because of the new law, were to file a claim, the US "would find themselves in very deep water if they tried to withdraw the commitment," Mendel opined.

In the meantime, Antigua will proceed with its efforts to get the US to comply with the rulings. Although most kinds of retaliation by the 80,000-strong island nation would likely be imperceptible in the US - and harmful to itself - Mendel said that Antigua could seek to make up the damage it has suffered by 'cross-retaliating' against US intellectual property, in addition to some services such as telecommunications. Although countries are expected to first seek sanctions in the same sector as the offending measures - tariffs where goods are concerned, market-opening commitments for services -

WTO rules allow them to seek compensation in other areas, such as intellectual property, if this is more likely to encourage compliance.

Ashe reiterated to WTO Members at the 22 May meeting that what his government wanted most was a mutually acceptable compromise. However, he said "the US never engaged with us in any discussions with a view to settlement or compromise. The only solution we were ever offered by the United States was for us to abandon our claim and go away."

Under GATS rules, countries changing their services commitments should try to maintain at least a comparable level of overall liberalisation. Sources suggest that it may be acceptable to Antigua if the US negotiates the withdrawal of its gambling liberalisation commitments, so long as it leaves access open for Antigua-based companies.

The Associated Press reports that online gambling revenues in Antigua have fallen to USD 130 million from USD 1 billion seven years ago.

ICTSD reporting; "Plot thickens in US-Antigua Internet gambling dispute," ASSOCIATED PRESS, 22 May 2007.

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## OTHER NEWS

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### INDIA TRADE POLICY REVIEW LAUDS GROWTH BUT CALLS FOR FURTHER REFORMS

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India's robust economic growth since 2001 is largely attributable to unilateral trade and structural reforms, especially in services, according to a new WTO Secretariat report on the country's trade policies. The economic expansion has been associated with reduced poverty and infant mortality. However, for this performance to be sustained, the report said that deeper reforms will be necessary, particularly to address infrastructure bottlenecks in transport and power as well as to improve productivity in agriculture.

During discussions of the report at the WTO Trade Policy Review for India on 23 and 25 May, Members noted India's impressive economic growth between 2001 and 2007, averaging over 7 percent. Chair Ambassador Vesa Himanen (Finland) said that the meeting gave them an improved understanding of India's trade policies, as well as the challenges it faces. Members also commended India's active role in the multilateral trading system and encouraged it to



continue to show leadership in bringing the Doha Round to a successful conclusion.

According to the report, continued structural reforms combined with additional investment in physical and human capital would generate productive employment for the millions of new entrants to India's labour market. Such spending would have to be backed by sound public finances and a monetary policy that keeps inflationary pressures under control, it adds. India's fiscal deficit, though declining, remained significant and expenditure on infrastructure and human capital was constrained by subsidy spending and a relatively low level of taxation relative to GDP. Loss-making state-owned enterprises remain a considerable budgetary burden, and the report said that their privatisation would have to continue. Labour market rigidities were described as another constraint on further growth.

At the meeting, Indian Commerce Secretary G. K. Pillai emphasised that the openness of India's economy was demonstrated not just by its lower tariffs, but also by the fact that import growth and volumes exceeded those for exports during the last four years. He pointed to developed countries' continuing barriers to imports from poor countries, and called upon the industrialised world to demonstrate the political will necessary to allow the Doha Round to partially right the trade imbalance between the developing and the developed world.

### **Services: engine of Indian growth**

The report noted that services were the main engine of economic growth with an annual average growth rate of 9.8 percent. Competitive sectors such as telecommunications demonstrated clear benefits such as a reduction in consumer prices.

Several transport-related bottlenecks to trade and growth persisted, the Secretariat found. Although road infrastructure had improved, and the airline sector had seen increased choice and lower prices through competition, inefficient maritime transport and port services continued to constitute a major impediment to trade.

Energy supply constraints also acted as a brake on economic activity, with little progress in tackling financial losses of state electricity boards as well as losses in transmission and distribution.

### **Tariffs decreasing but complex**

Tariffs remain India's main trade instrument, and account for around 16 percent of the central government's revenues. Recent years have seen a substantial reduction in overall applied tariffs, with the average falling from 32.3 percent in 2001-02 to 15.8

percent in 2006-07 (17.1 percent if all tariffs are expressed in ad valorem terms). The 12.1 percent average applied tariff for industrial goods (14.1 percent including ad valorem equivalents) was significantly lower than the average applied farm tariff rate of 40.8 percent.

With some exceptions, the applied tariffs are significantly higher than India's bound ceiling rates at the WTO, which fell to an average of 48.6 percent in 2006-07. The bound rate for agricultural products averages 117.2 percent, with the highest rates on commodities including beverages and spirits, oil seeds, fats and oils and their products, grains, coffee, tea, cocoa, and sugar. Tariff rate quotas exist for products including milk powder, maize, and some edible oils. This compares to a 34.7 percent average bound tariff for non-agricultural products.

In spite of the downward trend in applied duties, the report describes India's tariff structure as 'complex', with unpredictability resulting from schemes to offset import duties on inputs for export products as well as tariff changes announced throughout the year. It also pointed to relatively high tariffs on textiles and automobiles.

At the review meeting, India stated that farm tariffs were fixed with farmers' livelihoods in mind, and that applied rates would decrease as reforms progress.

### **Some RTAs, tariff preferences**

The report noted that India had signed a number of free trade agreements (FTAs), mainly with other developing countries. Since the previous review in 2002, New Delhi had signed an FTA with Singapore, an 'early harvest' tariff-cutting accord with Thailand and an agreement with Afghanistan granting tariff preferences. India and the EU are expected to initiate FTA negotiations soon.

India also offered tariff preferences under regional trade agreements, most significantly to Sri Lanka and least-developed country (LDC) members of the South Asian Free Trade Agreement (SAFTA). However, these tariff concessions were lower in sensitive sectors such as agriculture, and in textiles and clothing, although Sri Lanka benefited from greater market access.

During discussions of the report, some Members encouraged India to adopt an ambitious preferential trade regime, offering LDCs better access to its market. During the meeting India stated that it plans to phase in a duty- and quota- free market access scheme for LDCs in 2007.

### **Anti-Dumping: India Still a Major User**

The report states that India continued to be a major user of anti-dumping (AD) measures despite a fall in the number of investigations as well as additional duties actually imposed. The majority of AD initiations involved chemicals, plastics and rubber products, base metals and textiles and clothing and were aimed at China, the EU, Taiwan and Korea.

### **Many trade measures environmentally motivated**

The report pointed to a range of environmental standards and regulations that guide trade and investment measures. These include pre-shipment inspection certificates stating that textiles do not contain prohibited hazardous dyes, various sector-specific standards for pollution, and eco-labels. The Indian government also places comprehensive labeling requirements on all genetically-modified foods, including proof of origin and clearance for sale in the exporting country. India applies mandatory licensing on environmental grounds for industries such as hazardous chemicals.

A new environmental impact assessment process started in 2006 seeks to make it faster and more transparent.

During the review, sources say that Members commended India for taking steps to streamline sanitary procedures and align its national standards with international norms, although they expressed concerns about trade barriers arising from sanitary and phytosanitary measures.

### **Effectiveness of SEZs questioned**

A number of duty-remission and other schemes exist to facilitate exports in India, including special economic zones (SEZs) offering tax holidays, basic infrastructure, simplified customs and other administrative procedures, and relaxed labour and environmental requirements.

These SEZs cost New Delhi 21 billion rupees in foregone tax revenue during 2006-07, leading the report to question whether they were effective at generating investment and employment, since a large share of approved companies seemed to be in the information technology sector. SEZs have no minimum export requirements, although they are required to be net earners of foreign exchange. The report notes an observation by the Reserve Bank of India that the revenue losses may be justified only if the SEZs ensure forward and backward linkages with the domestic economy.

Despite eased rules on foreign investment, the report said that FDI, at 1 percent of GDP, was far below its

potential, indicating that policy and infrastructural constraints needed to be addressed.

India said the critic of SEZs was 'premature', since employment in them was projected to rise from 31,000 to 100,000 by the end of the year and 4 million by 2010, adding jobs in sectors such as textiles, gems and leather. It also noted that if reinvested earnings are included in calculations, inward FDI was USD 19 billion in 2006-07, or 2.3 percent of GDP, compared to barely 0.5 percent three years ago.

### **Most Central Government Subsidies for Food**

The Secretariat notes that although India had undertaken some important tax reforms, less progress had been made to the various types of direct and indirect assistance to different sectors.

Direct subsidies alone accounting for 4.2 percent of India's GDP. Subsidies to areas such as education, health care, and research and development constitute about 42 percent of the total. Several central government subsidies are for food, while other key programmes support the purchase of petroleum and fertilisers. Additional expenditures went towards maintaining price controls for 25 major crops, fertilizers and 74 bulk drugs.

The report noted that food security was a major concern, and served to justify government intervention in agriculture including through high import tariffs. Agriculture continued to employ 60 percent of the population even though its contribution to GDP had declined from 23 percent in 2001 to 18 percent in 2005-06, implying labour productivity about one-sixth that in the rest of the economy.

The India Trade Policy Review (WT/TPR/S/182) is available at [www.wto.org](http://www.wto.org).

ICTSD reporting; "Further reforms needed to sustain fast economic growth," WTO NEWS, 23 and 25 May 2007.

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## **IN BRIEF**

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### **MARINE SCIENTISTS APPEAL TO WTO TO HALT OVERFISHING**

A group of international marine scientists have appealed to WTO Director-General Pascal Lamy, asking him to push for deep cuts to the fisheries subsidies that they blame for declining marine fish stocks worldwide.

Signed by a group of 125 fisheries experts from 27 countries, the declaration was delivered to the WTO head on 24 May in Geneva. It calls on Lamy to use his 'skill and leadership' to encourage a successful outcome to the fisheries subsidies talks. As part of the Doha Round, Member governments are negotiating new disciplines on fisheries spending (see BRIDGES Trade BioRes, 11 May 2007, <http://www.ictsd.org/biores/07-05-11/story3.htm>). Proposals for sweeping prohibitions on fisheries subsidies have been introduced by the US and Brazil, and backed by a strong coalition of countries, including New Zealand and Chile.

Supporters both within the WTO and outside it believe the recent proposals represent an historic moment to directly address environmental concerns through trade negotiations. "The WTO has a once in a lifetime chance to demonstrate that it can not only balance trade and the environment, but make one of the greatest contributions to protecting the world's oceans," said Andrew Sharpless, the CEO of the marine conservation group Oceana.

Not only is fish a heavily traded commodity, it also plays a vital role in sustaining the welfare and livelihoods of hundreds of millions of people worldwide, mainly in developing countries. Yet, scientists have reported that fish stocks are dramatically decreasing - in significant measure due to government subsidies that provide incentives for too many boats to catch too many fish. It is estimated that if overharvesting is not halted soon, the world's fish stocks face irrevocable collapse within 50 years.

Signatories to the letter addressed to Lamy assert that the WTO has the opportunity to reverse this cycle through implementing stronger fisheries disciplines globally. "The WTO needs to seize the opportunity presented by the fisheries subsidies negotiations to address global overfishing, because as the world's leading scientists have declared, if we wait it will be too late," said Sharpless.

Delegates to the WTO are to meet on 11 June to continue negotiations on fisheries subsidies under the Doha Round talks.

The letter to Lamy is available at [http://oceana.org/fileadmin/oceana/uploads/reports/Scientists\\_Letter\\_FINAL\\_5\\_24\\_07.pdf](http://oceana.org/fileadmin/oceana/uploads/reports/Scientists_Letter_FINAL_5_24_07.pdf)

ICTSD reporting; "Scientists urge WTO to act to slash fishing subsidies," REUTERS, 24 May 2007; "Leading Scientists Appeal to World Trade Organization to Stop Destructive Fishing Subsidies," OCEANA, 24 May 2007.

## TIMBER COUNCIL TACKLES PERSISTENT ILLEGAL LOGGING, TRADE IN THREATENED SPECIES

Illegal logging and trade in threatened timber species featured prominently at a major international forest policy meeting held in Papua New Guinea (PNG) from 7-12 May.

With an eye to improving the conservation and management of the world's forests, delegates to the 42nd session of the International Tropical Timber Council (ITTC-42) discussed forest law enforcement and governance and developments in the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). The council is the governing body of the International Tropical Timber Organization (ITTO).

Giving special attention to the meeting's host country, delegates considered illegal logging in PNG, where the government has recently come under fire from several environmental groups that claim it has failed to crack down on illegal logging within the country's borders.

As outlined in a summary report released at the gathering, participants in an ITTO-sponsored workshop recommended that the PNG government crack down on illegal logging by imposing tougher penalties on offenders, building stronger regional information networks, and providing training for all stakeholders in how to monitor illegal logging activities.

Though the workshop focused on the particular experiences of PNG, its findings highlight measures that many timber-producing countries could implement to combat illegal logging.

Continuing a theme from previous sessions, delegates considered the ITTO's growing collaboration with CITES on the regulation of trade in tropical timber products. The two organisations have made significant progress in this regard, having recently launched several joint projects aimed at helping nations build their capacity to enforce CITES regulations.

Such developments come at a time when CITES is becoming increasingly involved in the regulation of the tropical timber trade. Indeed, the upcoming conference of the parties (CoP-14) to CITES, scheduled to take place in the Netherlands in early June, will place a special focus on timber.

ICTSD reporting; "Summary of the forty-second session of the International Tropical Timber Council," EARTH NEGOTIATIONS BULLETIN, 14 May 2007; "ITTO releases 20 year report," ITTO NEWS RELEASE, 7



May 2007; "US\$5.3 million in new funds for tropical forests," ITTO NEWS RELEASE, 12 May 2007; "CITES branches out," FOREST UPDATE, 2007 No. 1.

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## WTO IN BRIEF

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### AG CONSULTATIONS 'PRETTY GOOD' BUT NOT ENOUGH, SAYS FALCONER

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The chair of the troubled WTO agriculture negotiations on 30 May said that a round of consultations with a group of about 20 Members was "slightly more positive" than expected, but did not point the way to any imminent bridging of divisions in the talks.

Chair Ambassador Crawford Falconer (New Zealand) held a series of informal consultations with negotiators, covering export competition and domestic support from 22-25 May, and market access on 29-30 May. The object of the meetings was to gauge Members' reactions to a 30 April 'challenges' paper in which he outlined parameters for what he deemed to be a plausible potential agreement on some of the most contentious issues in the talks, including tariff and subsidy cuts. Reporting on the consultations to a 30 May informal session of the agriculture committee, Falconer said that they had been "pretty good... but at this stage we needed something that was spectacularly good."

Trade sources familiar with the discussions reported that they had been "productive and engaged". While there was no immediate progress towards consensus, negotiators were explaining clearly the difficulties which they would have with certain concessions, and discussing what would and would not work for them. Issues being discussed by the so-called 'G-4' - the US, Brazil, India, and the EU -- were also being brought into the consultation process, which delegates described as positive.

Another source who present in the meetings reported that some subtle flexibilities were evident on domestic support, although these were conditional. Negotiators from the EU and the US were exploring possible concessions, by describing different scenarios in which movement might be possible. Falconer said that there had even been a constructive discussion, with rare hints of flexibility, on the 'special products' that developing countries will be able to shelter from the full force of tariff cuts for food and livelihood security and rural development concerns.

One delegate expressed concern, however, that persistent differences could make it difficult for the chair

to draft a revised 'modalities' document with formulae and numbers by the middle or end of June.

Falconer issued a second 'challenges' paper to Members on 25 May, and is set to hold consultations on it on 1 June.

Further coverage of the consultations will be provided in the next issue of BRIDGES Weekly.

ICTSD reporting.

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### US ASKS FOR PANEL TO INVESTIGATE INDIAN TARIFFS ON WINE AND SPIRITS

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The US on 25 May requested the establishment of a WTO dispute panel to investigate its claim that India is levying illegally high duties on foreign wines and spirits. Washington initiated its complaint on 6 March, requesting consultations with India regarding the taxes.

The crux of the dispute is a series of additional charges that the US claims that New Delhi applies to imported wines and spirits, pushing total taxes as high as 550 percent -- well in excess of the country's bound tariff ceilings of 150 percent (see BRIDGES Weekly, 7 March 2007, <http://www.ictsd.org/weekly/07-03-07/wtoinbrief.htm>).

The US government claims that as a result of these taxes, total sales of American wine and liquor in India have grown slowly, even though duty-free sales to airports and luxury hotels in the fast-growing economy more than doubled between 2000 and 2005.

"We believe that the layers of customs duties India applies to US products, in particular to wine and distilled spirits, are not in line with its WTO commitments," said US Trade Representative Susan Schwab. "We must ensure a level playing field for US products around the world."

A WTO dispute panel was established in April to examine a similar complaint from the EU (see BRIDGES Weekly, 25 April 2007, <http://www.ictsd.org/weekly/07-04-25/wtoinbrief.htm>).

Indian press reports suggest that New Delhi may slash liquor and wine taxes within one month.

ICTSD reporting; "United States requests WTO panel in challenge of India's duties on wine and spirits and other imports from the United States," USTR NEWS, 25 May 2007; "US wants WTO probe of Indian duties on wine and spirits," ASSOCIATED PRESS, 26 May 2007;

"Mallya effect: Govt to cut import duty on liquor,"  
FINANCIAL EXPRESS, 30 May 2007.

## 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](mailto:events@ictsd.ch).

#### Coming Up: 31 May - 6 June

3-5 June 2007, Lusaka, Zambia. INTERNATIONAL WORKSHOP ON STRENGTHENING AND WIDENING MARKETS AND OVERCOMING SUPPLY SIDE CONSTRAINTS FOR AFRICAN AGRICULTURE. This seminar, hosted by the International Food and Agricultural Trade Policy Council, will convene farm policy and private sector leaders, trade experts, academics, and the donor community to address improving the competitiveness of African agricultural markets, and the continent's ability to engage in local, regional, and global markets. For more information, email [agritrade@agritrade.org](mailto:agritrade@agritrade.org). internet: [http://www.agritrade.org/events/strengthening\\_african\\_market\\_s.html](http://www.agritrade.org/events/strengthening_african_market_s.html).

3-15 June, The Hague, Netherlands. FOURTEENTH MEETING OF THE CONFERENCE OF THE PARTIES TO CITES. Parties to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) will consider 40 new proposals for rules changes regarding the protection of specific species. Participants will also discuss enforcement of CITES regulations, the control of illicit trafficking, and the effects of CITES rules on the rural poor. The meeting's agenda also includes the establishment of a new strategic vision for 2008 to 2013. For more information, email [cites@unep.ch](mailto:cites@unep.ch). internet: <http://www.cites.org/eng/cop/index.shtml>

4-6 June 2007, Riyadh, Saudi Arabia. WORKSHOP ON WTO DISPUTE SETTLEMENT PROCEDURES: SANITARY AND PHYTOSANITARY MEASURES, TECHNICAL BARRIERS TO TRADE AND AGRICULTURE. This workshop, sponsored by the UN Conference on Trade and Development (UNCTAD), offers a general and up-to-date review of WTO rules of on dispute settlement procedures related to the Agreement on Sanitary and Phytosanitary Measures. The workshop is intended for government officials, academics, practicing lawyers, and industry advisers and will include a combination of lectures, exercises, and case studies. For more information, email [dispute@unctad.org](mailto:dispute@unctad.org). internet: <http://r0.unctad.org/disputesettlement/index.htm>

5 June, International. WORLD ENVIRONMENT DAY. Organised by the UN Environment Programme, this day of international celebration of the environment will feature street rallies, bicycle parades, green concerts, tree planting, as well as recycling and clean-up campaigns. The theme for this

year's World Environment Day is "Melting Ice-A Hot Topic?" internet: <http://www.unep.org/wed/2007/english/>

6-8 June, Heiligendamm, Germany. G8 SUMMIT 2007. Heads of state and government from the Group of 8 (G8) leading industrialized nations will meet in Germany, which holds the current G8 presidency. German Chancellor Angela Merkel has declared growth and responsibility, including transparency, freedom of investment, protection of intellectual property, and sustainable resource consumption, to be the central concerns of her G8 presidency. internet: <http://www.g-8.de/Webs/G8/EN/Homepage/home.html>

#### WTO Events

An updated list of forthcoming WTO meetings is posted at: [http://www.wto.org/meets\\_public/meets\\_e.pdf](http://www.wto.org/meets_public/meets_e.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.

4-8 June: NAMA WEEK

4-8 June: SERVICES WEEK

4 June: DISPUTE SETTLEMENT BODY

5 June: COMMITTEE ON TRADE AND DEVELOPMENT - SPECIAL SESSION

5-6 June: COUNCIL FOR TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS

6 June: COMMITTEE ON TRADE IN FINANCIAL SERVICES

#### Other Upcoming Events

8 June, Geneva, Switzerland. WATER AND FREE TRADE. This panel discussion will be co-hosted by the Permanent Mission of Bolivia, the UN Conference on Trade and Development (UNCTAD), the International Development Research Centre (IDRC), Agua Sostenible and ECLAC (the UN Economic Commission for Latin America and the Caribbean). This half day event (15-18h) will look at issues related to the treatment of water in international trade agreements. The event will take place in UNCTAD, E - Building, Room XXVII. A reception will follow. For more information or for confirming your attendance, please contact [denisse.rodriguez@bluewin.ch](mailto:denisse.rodriguez@bluewin.ch).

### RESOURCES

PACIFIC ISLAND COUNTRIES, THE GLOBAL TUNA INDUSTRY AND THE INTERNATIONAL TRADE REGIME -- A GUIDEBOOK. Forum Fisheries Agency (April 2007). Pacific

Island nations that trade their fisheries products internationally must negotiate a complex network of trade rules and regulations. This guidebook, which outlines the major trade-related elements of the tuna fishing industry in the Western Central Pacific Ocean, is meant to help tuna industry operators and fisheries and trade officials better understand the requirements of international and regional trade agreements and how they relate to the fisheries sector. The report may be accessed at <http://www.ffa.int/node/891>.

**INDUSTRIAL DEVELOPMENT FOR THE 21ST CENTURY: SUSTAINABLE DEVELOPMENT PERSPECTIVES.** UN Department of Economic and Social Affairs, 2007. This report was launched at the 15th session of the UN Commission on Sustainable Development, which is focusing on energy, climate change, air pollution and industrial development. The 432-page volume points to new challenges and opportunities facing industrialising countries as a result of globalisation, technological change and international trade rules. It also discusses social and environmental aspects of industrial development. To download a copy of the report, visit [http://www.un.org/esa/sustdev/publications/industrial\\_development/full\\_report.pdf](http://www.un.org/esa/sustdev/publications/industrial_development/full_report.pdf).

**DICTIONARY AND INTRODUCTION TO GLOBAL ENVIRONMENTAL GOVERNANCE.** By Richard E. Saunier and Richard A. Meganck. Earthscan, June 2007. This book provides a compilation of over 5000 terms, organisations, and acronyms related to global environmental governance and thereby seeks to establish a common vocabulary for those who work on such matters. An introductory essay frames major issues in global environmental governance and outlines the pitfalls of talking past one another when discussing important environmental issues. To order a copy of the book, visit <http://shop.earthscan.co.uk/ProductDetails/mcs/productID/777/>.

**COMPREHENSIVE REPORT ON US TRADE AND INVESTMENT POLICY TOWARD SUB-SAHARAN AFRICA AND IMPLEMENTATION OF THE AFRICAN GROWTH AND OPPORTUNITY ACT.** Office of the United States Trade Representative, 2007. The current report builds on the information provided in previous reports, providing new and updated information on US trade and investment policy toward sub-Saharan Africa, including the implementation of the African Growth and Opportunity Act (AGOA), the designation of AGOA beneficiary countries, the impact that AGOA has had on U.S. trade and investment with sub-Saharan Africa, and information on reforms being undertaken by AGOA beneficiary countries.

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